

# The Continued Evolution of Newark, New Jersey

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Newark, the largest city in New Jersey, has been undergoing gradual revitalization efforts during the last roughly 15 years. Newark has been gaining recognition given the ease of access to Manhattan and within New Jersey, the newly renovated Newark Liberty International Airport, and waterfront areas along the Passaic River and Newark Bay. Newark continues to redefine itself, while addressing affordable housing and homelessness challenges.

## Newark, New Jersey



Photo Courtesy of NJBIZ

Newark comprises **five districts, known as wards**: East, West, South, North, and Central. The majority of the wards consist of residential neighborhoods. The Downtown Newark and Ironbound neighborhoods are located in the East Ward. The northern portion of the **Newark Liberty International Airport** submarket is in the South Ward, while the southern portion is in the adjacent city of Elizabeth.

Portions of northern New Jersey have been booming with multifamily projects. The Gold Coast and Hudson River waterfront locales have been the highly coveted areas for luxury residential towers. Although not along the Gold Coast, Downtown Newark has become appealing for developers. One factor influencing this trend is the recent decline of new multifamily project filings in New York City, primarily attributed to high land and development costs, stringent guidelines for residential buildings, and the June 2022 expiration of the 421a property tax abatement program. The new **485x tax exemption program** was introduced in April 2024 and reportedly has somewhat restrictive guidelines. Due to the uncertainty of this new program, some developers have redirected their focus to New Jersey sites given the state's **Aspire tax credit program** that provides gap financing for commercial, mixed-use, and residential developments.

The lack of affordable housing and homelessness have been major obstacles in the revitalization process. Unhoused people congregating in prominent areas such as **Newark Penn Station** has affected the appeal of the downtown area. To address this issue, December 2022, city officials and key participants launched a comprehensive, multi-year "**Strategic Plan on Homelessness**." The plan incorporates greater outreach services

## Summary

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and regular reviews of data and outcomes to help alleviate the homelessness challenges in the downtown area. New residential developments are also anticipated to gradually alleviate some of the housing problems.

The Downtown Newark and Ironbound neighborhoods are appealing for residential developers due to their proximity to Newark Penn Station, convenience to Newark Liberty International Airport, and location near the Passaic River and Newark Bay. Some of the recent and planned developments in these neighborhoods are as follows:

- The **Iconiq 777** luxury residential tower, developed by **Boraie Development** and former NBA star **Shaquille O'Neal**, is in the leasing stage. The Iconiq 777 features 370 units (including 74 affordable units), luxury amenities, and roughly 12,000 square feet of retail/restaurant space.
- The 250-unit **Newark Urby** mixed-use, luxury residential building that was redeveloped from a historic 18-story tower opened in 2022 adjacent to the **Rutgers University-Newark** campus.
- In March 2024, Boraie Development in conjunction with **Elizabeth Development Company** was awarded Aspire tax credits for the planned 333-unit (including 68 affordable units), mixed-use, luxury residential tower that will be located at 930 McCarter Highway, within walking distance of Newark Penn Station and the **New Jersey Performing Arts Center** (NJPAC).
- In early June 2024, the **New Jersey Economic Development Authority** (NJEDA) **approved Aspire tax credits for The Metropolitan**, the planned 207-unit (including 67 affordable units) mixed-use residential tower that will be constructed at 260-272 Washington Street in Downtown Newark.

The offering of more upscale residential options is anticipated to appeal to people seeking access to New York City and lower rents. Higher-end dining and retail establishments are anticipated to follow suit based on the population increases. These dynamics will ultimately help boost leisure, commercial, and group demand to some degree, for the area lodging facilities.

The **Prudential Center** and NJPAC are large sports and entertainment venues in Downtown Newark that generate hotel room-night demand. The roughly seven-acre developable portion of the twelve-acre NJPAC campus is undergoing a \$336-million, multi-phase redevelopment into an arts-infused community featuring a 350-unit residential tower (including 20% affordable units), restaurants, retail space, and cultural venues, such as the planned **Cooperman Family Arts Education and Community Center**. The first phase commenced on April 17, 2024, comprising the redesign of Chambers Plaza. The entire NJPAC campus redevelopment is slated for completion by 2027.

Additionally, a partnership between NJPAC, **Great Point Studios**, and **Lionsgate** is currently constructing a \$125-million television and film production facility on the former Seth Boyden Court site in the South Ward, west of Newark Liberty International Airport. The 12-acre, 300,000-square-foot Great Point Studios will be anchored by Lionsgate and feature five sound stages; completion is slated for 2025. Although the effect of the planned studio complex has not yet been determined, area hotels should benefit from some level of commercial room-night demand created by the new complex.

**NJPAC District Redevelopment Rendering**





*Photo Courtesy of NJPAC*

Newark serves as a major regional transportation hub for travelers and New York City metro area residents. Leisure travelers visiting New York City who seek more cost-effective room rates consider Newark area hotels given the ease of access to/from Manhattan. The center of this transportation hub is Newark Penn Station in Downtown Newark, which provides connections between Newark and northern New Jersey as well as to New York City. Transportation options from Newark Penn Station include the **Port Authority Trans-Hudson (PATH)** rapid transit system, the **Amtrak** station, and the **New Jersey Transit Corporation (NJ Transit)** public transportation system (train and bus). An enclosed skybridge connects Newark Penn Station with the newly renovated **Junction at Gateway Center** (food/retail concourse) and the **Gateway** office complex. Newark Penn Station is undergoing a \$191-million, five-year restoration and renovation project; preliminary work began in 2022.

Newark Liberty International Airport has historically lacked recognition as a premium international airport within the New York City metro area; however, the recent renovations will help boost its popularity. The \$2.7-billion **Terminal A Redevelopment Program** was completed in early 2023 and became fully operational in August 2023 following several delays. The new, one-million-square-foot Terminal A is **LEED** Gold-certified and features 33 gates, improved airside and landside infrastructure, and a variety of state-of-the-art amenities.

Following years of discussion, final plans for the **AirTrain Newark Replacement Program** were announced in August 2023. Construction is expected to begin in 2025, with the new AirTrain system slated to be operational in 2029. The system is estimated to cost \$570 million for construction, plus an estimated \$385 million in operation and maintenance expenses over 20 years.

The Newark airport submarket hotels currently lag in occupancy levels due in part to new supply that opened in 2022 and 2023. The new supply will be absorbed by the market as more international leisure and business travel continue to return. The **Cape Liberty Cruise Port**, which services the **Royal Caribbean** and **Celebrity Cruises** lines, is in the city of Bayonne, immediately southeast of Newark. This port generates room-night demand for Newark airport submarket hotels from people seeking overnight lodging prior to cruise departures.

The Newark hotel market has been experiencing the relatively strong return of leisure demand, a gradual increase in group business, and continued but slower return of commercial demand during the post-pandemic recovery period. The existing hotels benefit from the limited competition in the adjacent town of Harrison (**Hampton by Hilton** and **Element by Westin**), limited new supply, and the closure of one hotel. The former Hotel Indigo Newark Downtown, which suspended operations during the pandemic, was closed permanently and sold in February 2022. The building has been redeveloped into a 100-unit micro-apartment tower that is currently in the pre-leasing period. The removal of these rooms from the market's guestroom inventory helped existing hotels in Downtown Newark reach 2019 occupancy levels in 2023. Strong ADR growth helped the market exceed historic peak RevPAR levels in 2023. The market, however, still lacks a portion of commercial demand and some international leisure demand.

The Newark market is yet not ripe for new hotel supply in the short term. Nonetheless, it is key to keep an eye on the current development and redevelopment projects that will come to fruition over the next three to five years. It will be important to monitor the pattern of inbound migration of residents, new and more upscale retailers, and businesses that move into the market within the next five to ten years. The ongoing evolution of key areas such as the downtown, waterfront, Ironbound, and airport submarkets will change the landscape of the Newark market; however, it is uncertain what the timeframe ultimately looks like.

Our unique methodology, which involves conducting primary interviews within local markets, enables us to gather real-time insights and current data. For more insight on the impact of revitalization projects on hotels in the greater Newark area, **contact Patricia Shih**, your New York City and northern New Jersey area hospitality

expert.

## Sources:

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### About **Patricia Shih**



Patricia Shih is a Director at HVS New York, bringing over 15 years of industry experience to her role. She specializes in hotel consulting, appraisals, feasibility studies, and market analyses, with a strong focus on the Tri-State Area. Her consulting experience spans a wide range of property types, including large urban hotels, boutique and lifestyle properties, limited- and select-service hotels, extended-stay lodging facilities, and special-use accommodations. Patricia's expertise has guided investors through the intricacies of New York's hotel sector, particularly the impacts of demand shifts and local policy changes on asset performance and investment strategy. Contact Patricia at (404) 791-5509 or [\[email protected\]](#).