Losing Ground:

The 2020 Displacement Risk Indicators Matrix (D.R.I.M.) Update for Newark

By CLiME

October, 2022

2020	Newark		East Ward		Central Ward		North Ward		South Ward		West Ward	
Vulnerability	*Characterization*	*Statistic*	*Compared to City*	*Statistic*	*Compared to City*	*Statistic*	*Compared to City*	*Statistic*	*Compared to City*	*Statistic*	*Compared to City*	*Statistic*
Extreme Rent Burden *(% of HH)*	high	31%	Less	30%	Less	29%	Less	30%	More	34%	More	33%
Rent *(Median Gross Rent)*	moderate	$1,116	More	$1,299	Less	$922	Equal	$1,088	Less	$933	Equal	$1,141
Income *(Median HH Income)*	low	$37,476	More	$45,024	Less	$34,686	More	$40,295	Less	$30,592	More	$41,022
Poverty *(% of HH in Poverty)*	high	26%	Less	22%	More	33%	Less	25%	More	30%	Less	23%
Market Dynamics												
Affordable Rents *(% of HH paying <$1,000)*	low	40%	Less	22%	More	52%	Less	37%	More	50%	Less	37%
High Rents *(% of HH paying >$1,500)*	low	21%	More	32%	Less	13%	Less	18%	Equal	20%	Less	20%
Occupancy Permits *(per 1000 households)*	moderate	1,138	More	263	More	312	Less	160	Less	211	Less	192
Occupancy Permits *(units per 1000 households)*		3,208	More	706	More	1,463	Less	414	Less	337	Less	288
Gentrifier Population												
Owner Occupied *(# of HH)*	low	24,023		4,110		3,272		5,328		4,896		6,417
Owner Occupied *(% of HH)*	low	24%	Less	21%	Less	19%	More	27%	Less	20%	More	30%
Non-Hispanic White *(% of Pop)*	low	11%	More	35%	Less	6%	Less	8%	Less	2%	Less	3%
Bachelor's Degree *(% of Pop)*	low	15%	Equal	15%	More	20%	Less	14%	Less	14%	More	16%

Executive Summary

Newark housing is too expensive for its residents.

CLiME's Displacement Risk Indicators Matrix—or DRIM—originated in 2017 as a tool to measure the risk of Newark resident displacement as a result of gentrification. We found then and now that displacement risk continues to be a serious threat to housing stability in Newark as rents rise dramatically among a city of mostly renters. Yet the cause does not appear to be traditional gentrification, because the demographic profile of who lives in the city, their incomes, educations and poverty rates have not changed as dramatically as rents.

The DRIM is divided into three sets of variables set across the city as a whole, the five wards and, for the first time, neighborhoods: vulnerability, market dynamics and "gentrifier population." Vulnerability variables ask about the economic stresses that households feel. Market dynamics variables ask about rental affordability and new construction. Gentrifier population variables ask whether the city is seeing an influx in the people whose race, housing wealth and educational attainment is associated with gentrifying populations in other cities.

Updating past DRIMs with date from the 2020 Census, here's what we found:

- **Newarkers are being forced to pay more for housing in virtually every neighborhood of the city.**
- **There have been few changes in homeownership rates—they're still low overall. The city rate is now just 24%, up only 2% since 2015. We suspect that real estate sales are being made by more investors than homeowners.**
- **There are few new, more affluent entrants driving up rental or housing prices with their greater ability to pay.**
- **The worst situation for renters is in the South, West and North Wards—the same wards where CLiME reported dramatic increases in institutional home buying.**
- **Poverty is growing again.**
- **So is construction, with an increase in construction permits unseen since before the crash.**

What does this mean?

We explore these and many other findings in greater detail below, but the findings suggest five main conclusions:

1) **The risks of being displaced from living in Newark remains high, especially with so much upward pressure on rents, while traditional gentrification, typically accompanied by changing demographics, remains low.**
2) **Institutional buyers have been a predatory, rather than a productive force, on Newark's consumer economy. They raise rents merely because they can.**
3) **Like many predominantly Black and Brown communities, Newarkers still have not recovered the wealth lost in the Great Recession a decade later.**
4) **Newark's somewhat anomalous situation may be a bellwether for other cities and requires urgent policy interventions on behalf of a population that is now drowning in rents just as it once drowned in foreclosures. Rents that rise dramatically faster than incomes without simultaneous economic growth creates unsustainable risks for current residents. It may also bring unwanted challenges for attracting equitable growth in the future.**
5) **Newark should continue to use tools like the DRIM to identify areas most at risk of displacing residents and target them for protections, such housing code violations, harassment, speculation and house flipping and nuisances.**

2020 D.R.I.M. for Newark, New Jersey

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Vulnerability Index

The Vulnerability Index captures the economic stresses that households feel. The index includes rent burden, rent, household income, and poverty variables. CLiME's vulnerability index shows an overall increase in vulnerability across Newark's wards over the last two decades, with rents rising faster than incomes, and poverty rates increasing during the 2010s after declining from 2000 to 2010.

Newark is becoming a more expensive place to live, across every ward. The share of households paying more than half of their incomes in rent has gone up fairly steadily in all Newark's wards over the last two decades. As of 2020, this stress is particularly acute in the South, and West wards, where more than one-in-three households pay out half or more of their incomes in rent.

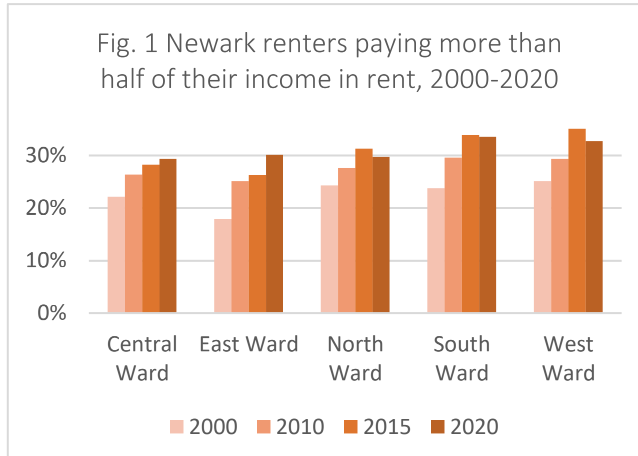


Fig. 1 Newark renters paying more than half of their income in rent, 2000-2020

Increasing rent burden is the pattern in most Newark neighborhoods. Ivy Hill, Lower Broadway/Mt Pleasant, Lower Roseville and Seventh Avenue have experienced steep jumps from 2010 to 2020. In Lower Clinton Hill, one-in-two renters are cost burdened. In Fairmount, Upper Clinton Hill, Lower Broadway/Mt Pleasant and Seventh Avenue, roughly 40% of all renters are cost burdened.

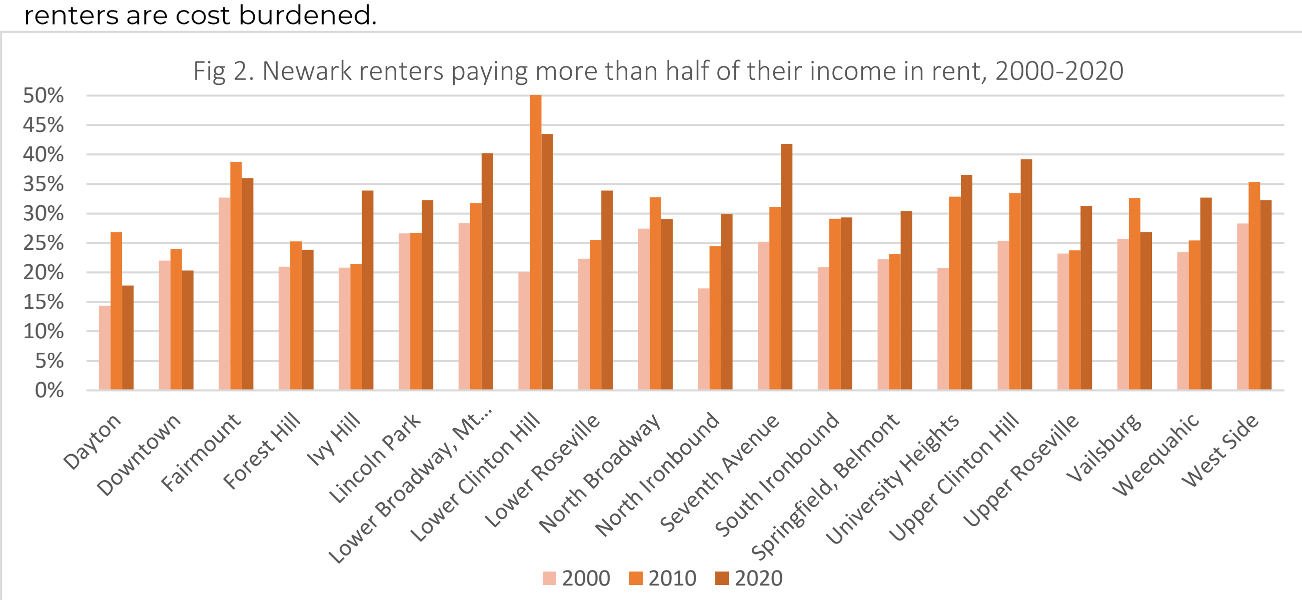
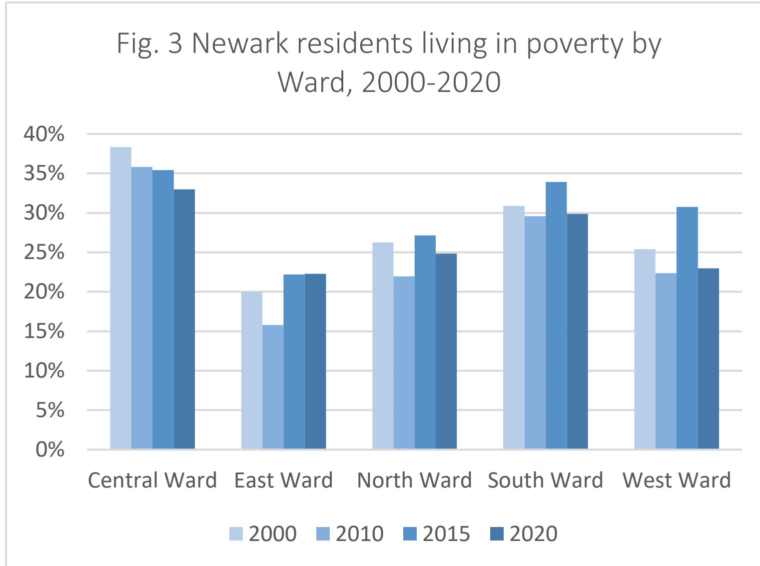
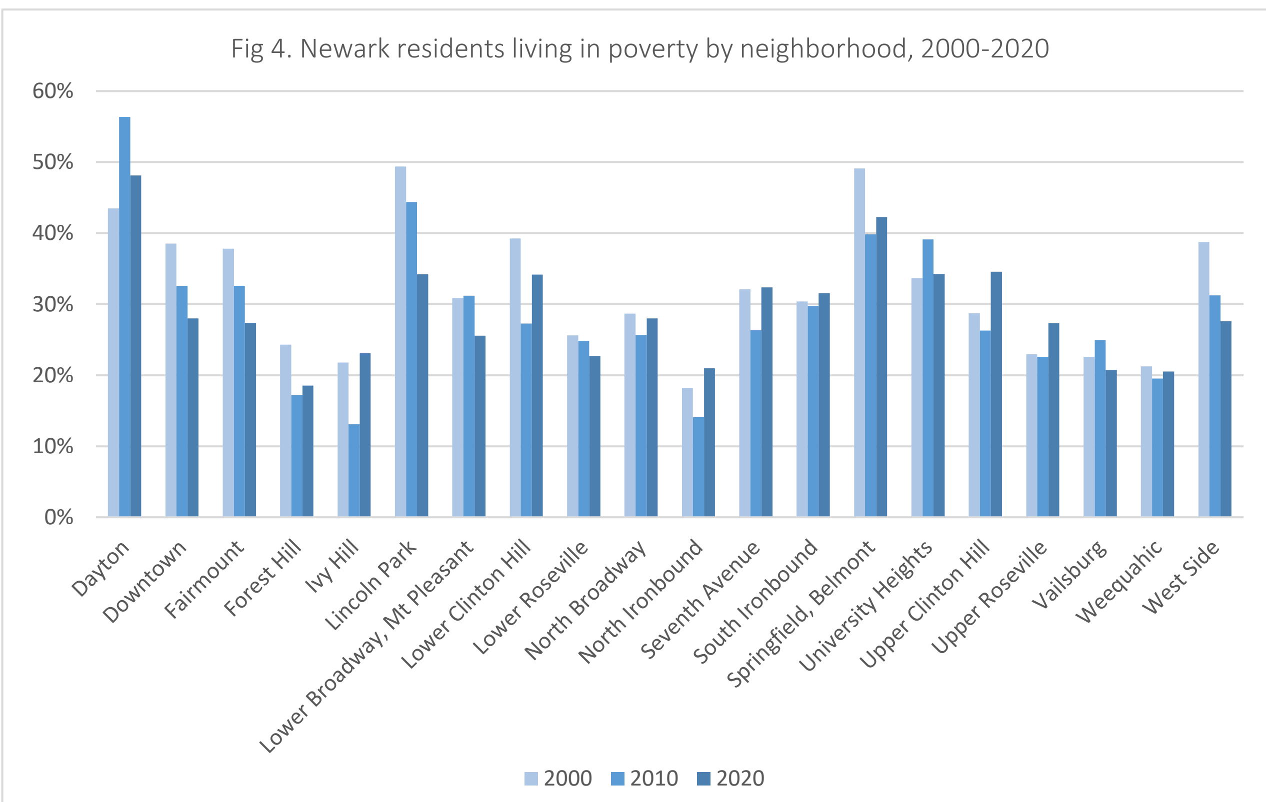


Fig 2. Newark renters paying more than half of their income in rent, 2000-2020

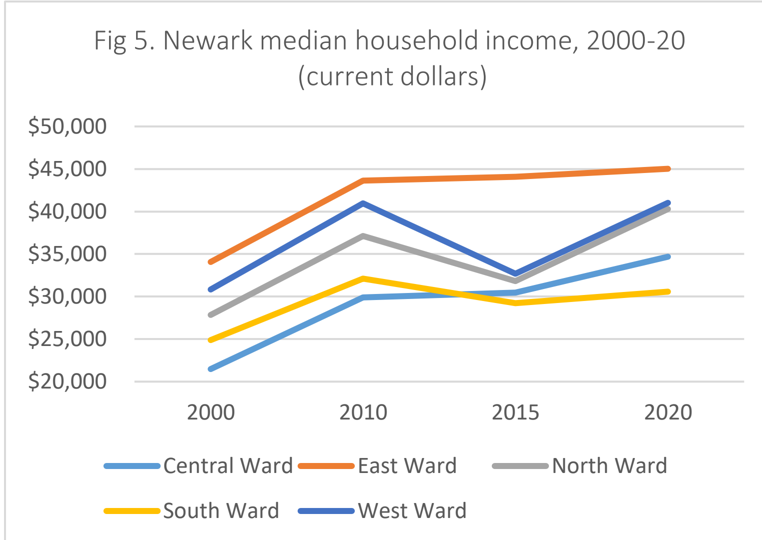
Poverty rates are highest in the Central and South wards. After declining from 2000 through 2010, poverty rates crept up again in the outer wards during the 2010s. The East Ward jumped from 16% living in poverty in 2010 to 22% in 2015 and 2020. The North, South and West wards all saw 5-percentage point increases in poverty from 2010 to 2015, but the rates dropped somewhat by 2020. Meanwhile, the poverty rate in the Central Ward has steadily declined since 2000.



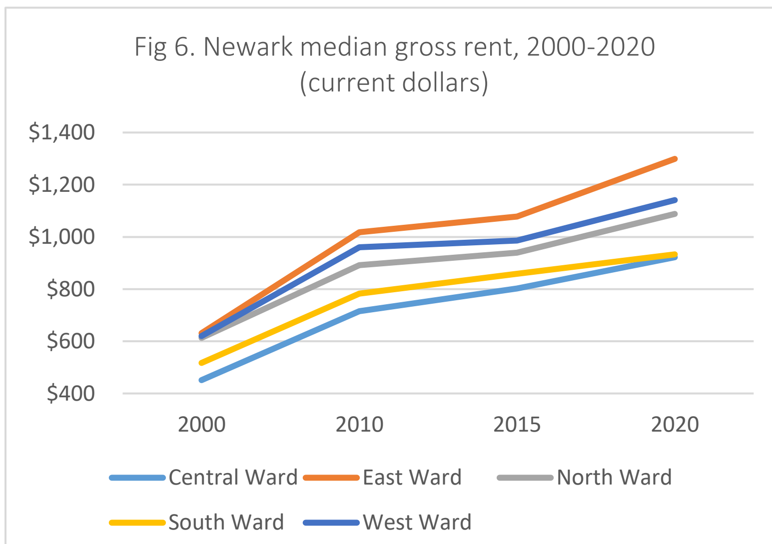
Poverty rates have declined Downtown, and in Fairmount, Lincoln Park, and West Side Park. However, in many neighborhoods poverty rates are flat or are growing.



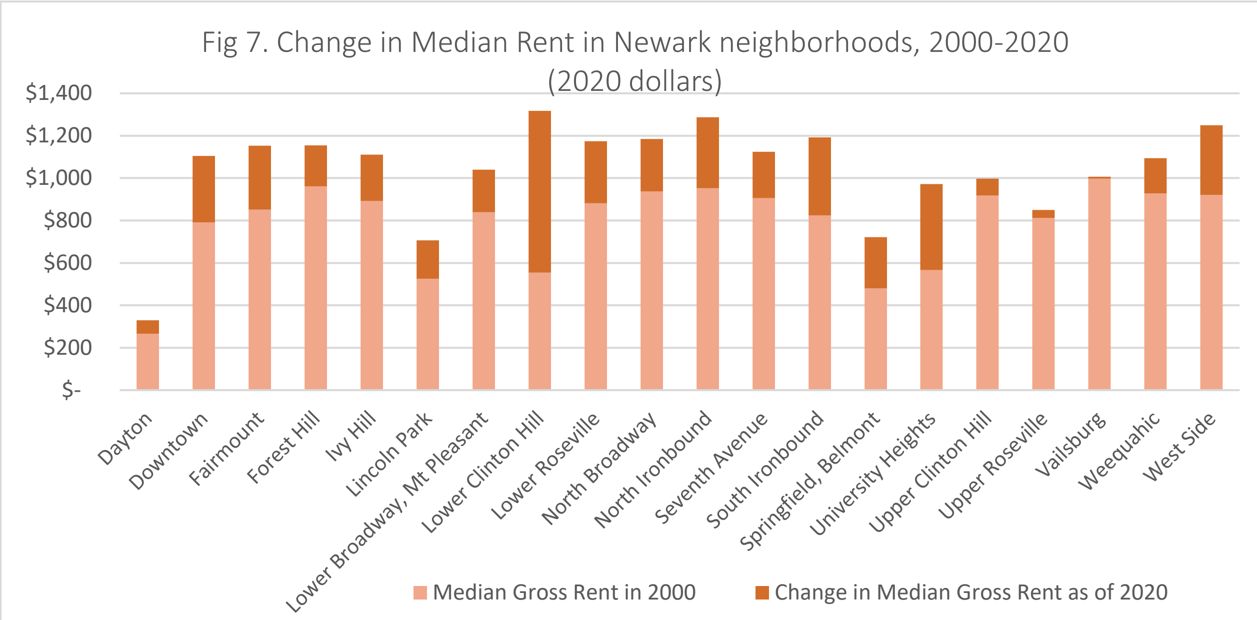
The East Ward has a higher median household income than the other wards. However, over the last five years, incomes are growing faster in the West and North Wards. The West Ward and North Ward both experienced income declines between 2010 and 2015, and then a rebound. This may be explained, in part, by the foreclosure crisis and by migration patterns. These numbers are in current dollars. In real terms, incomes in the city have not grown much at all since 2010 in any of the wards.



Rents are growing steadily across all five wards, and incomes are not keeping up with rents. Rents, like incomes, are shown in current dollars, not adjusted for inflation. However, the relative trajectory of rents and incomes clearly shows the affordability gap between incomes and rents is growing.



In real terms, since 2000 rents have gone up in every neighborhood in the city, whereas incomes have not. Increases in real median gross rent since 2000 are shown by neighborhood in Figure 7. The light color shows the median gross rent from 2000 in 2020 dollars, and the darker orange shows the current median gross rent in 2020. Increases in rent are especially striking in Lower Clinton Hill, North and South Ironbound, Downtown and University Heights, and Fairmount and West Side Park.



While the cost of rents increased in all neighborhoods since 2000, renter incomes in many neighborhoods decreased since 2000, in real terms. There are no neighborhoods where incomes grew faster than rents over the last two decades.

Neighborhood	Median Household Income 2020	Change in real median household income, 2000-2020	Median Gross Rent 2020	Change in real median gross rent, 2000-2020
Dayton	$13,196	-13%	$330	24%
Downtown	$33,851	18%	$1,104	40%
Fairmount	$37,017	15%	$1,153	35%
Forest Hill	$47,876	11%	$1,155	20%
Ivy Hill	$38,345	-20%	$1,110	24%
Lincoln Park	$22,432	28%	$706	34%
Lower Broadway, Mt Pleasant	$43,158	15%	$1,040	24%
Lower Clinton Hill	$32,500	36%	$1,318	138%
Lower Roseville	$40,881	-1%	$1,174	33%
North Broadway	$36,295	-13%	$1,184	26%
North Ironbound	$43,836	-16%	$1,287	35%
Seventh Avenue	$38,027	-3%	$1,125	24%
South Ironbound	$55,134	35%	$1,192	45%
Springfield, Belmont	$23,458	25%	$721	50%
University Heights	$40,803	-5%	$972	71%
Upper Clinton Hill	$29,557	-31%	$997	9%
Upper Roseville	$36,449	-11%	$850	5%
Vailsburg	$43,582	-20%	$1,006	1%
Weequahic	$36,623	-22%	$1,094	18%
West Side	$42,426	9%	$1,249	36%

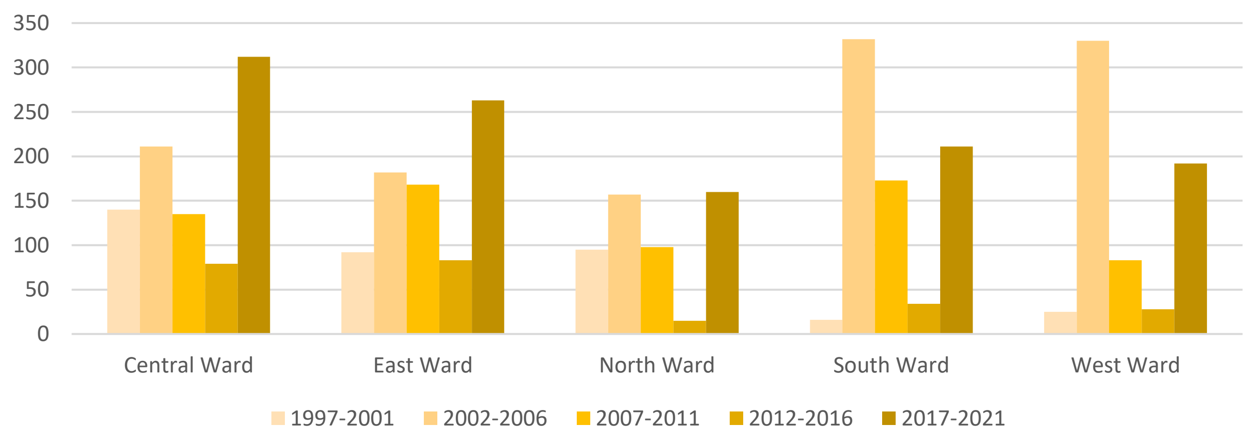
Market Dynamics

The market dynamics indicators capture rising rents, decreased affordability and new construction. These variables include: percent of units that rent for less than a $1000 per month (as of 2019), units that rent for more than $2,000 per month (as of 2019), and the count of new occupancy permits.

Occupancy permits are an indicator of development activity, and permit activity is increasing in every ward. The Central and East Wards currently have the most permit activity. In the early 2000s, the South and West Wards had the most permits activity.[1]

Unlike the other variables in this DRIM, permit data comes from the city itself and is therefore available for all years from 1997 through 2021. CLiME divided the permit data into ranges of five years for analysis.[2] The pattern of new permit activity over the last two decades is shown in Figure 8, by ward. **The general pattern for this indicator is clear and striking. In the early 2000s, the number of new permits skyrocketed in the leadup to the Great Recession, at which point permit issuance declined precipitously for close to a decade. Finally, just in the last few years, new occupancy permits are on the rise again.**

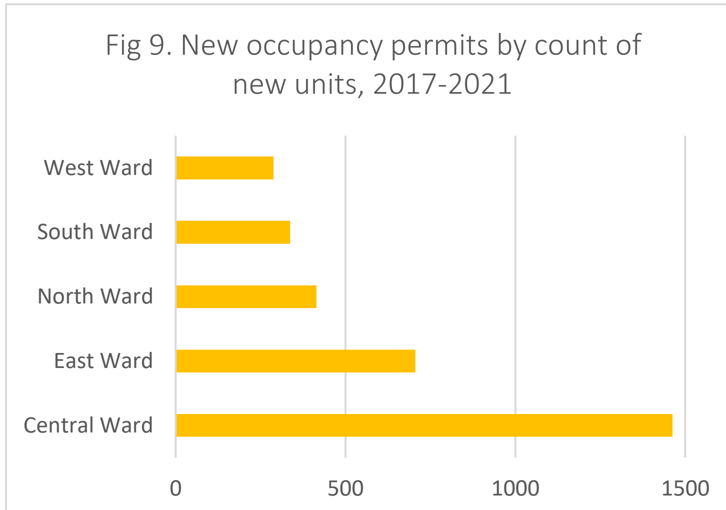
Fig 8. New occupancy permits over time by ward
(permits are issued for each building)



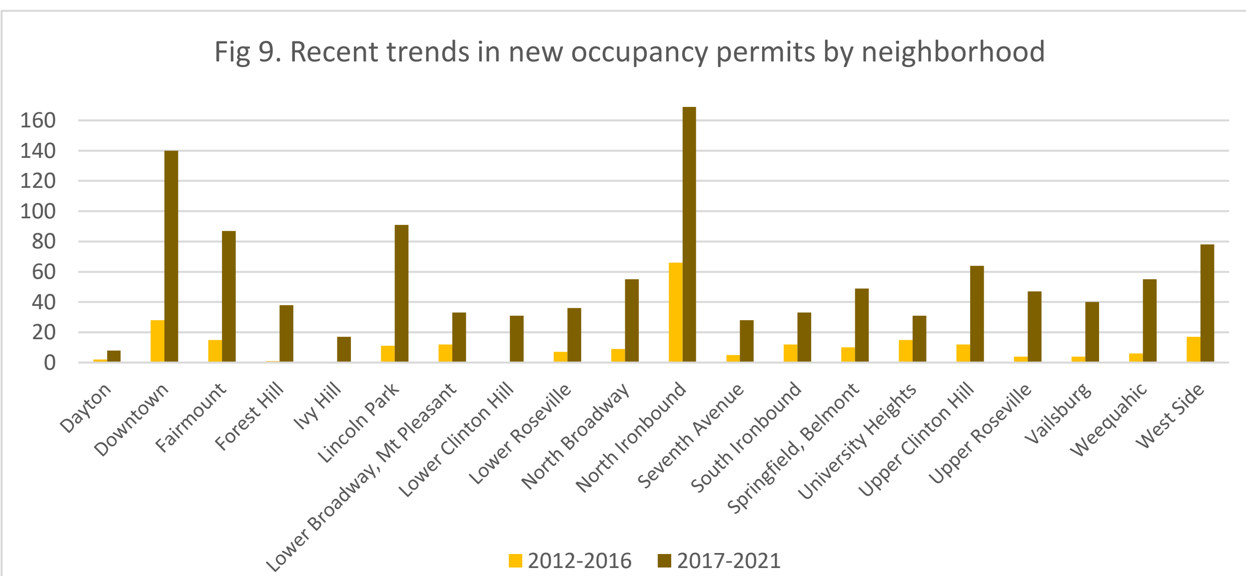
[1] The permit is issues for a building. CLiME also has occupancy permits by unit, but only for the most recent time period 2017-2021.
[2] In the DRIM database, the 2000 value for occupancy permits covers 1997-2001; the 2010 value for occupancy permits covers 2007-2011; the 2015 value for occupancy permits covers 2012-2016; and the 2019 values for occupancy permits covers 2017-2021. These periods were chosen in part due to data limitations, but also because 2007 was the year that new occupancy permit activity dropped sharply.

Each ward has the general rise and fall with the Great Recession, and recent surge in activity. However, there are some clear differences. The South Ward and the West Ward saw a much greater jump in new permit activity in the early 2000s during the subprime lending boom, and also the greatest drop in permits when the recession hit in 2007. In both wards, new permit activity is growing again but is still far below the numbers from the early 2000s. The North Ward, by contrast, saw a much smaller rise and fall in occupancy permits.

The permit activity in the Central Ward stands out from the others if we measure the number of newly occupied units, as opposed to buildings. From 2017 through 2021, there was almost 1,500 occupancy permits issued for new units in the Central Ward. The East Ward had less than half this total, with roughly 700 new occupancy permits.

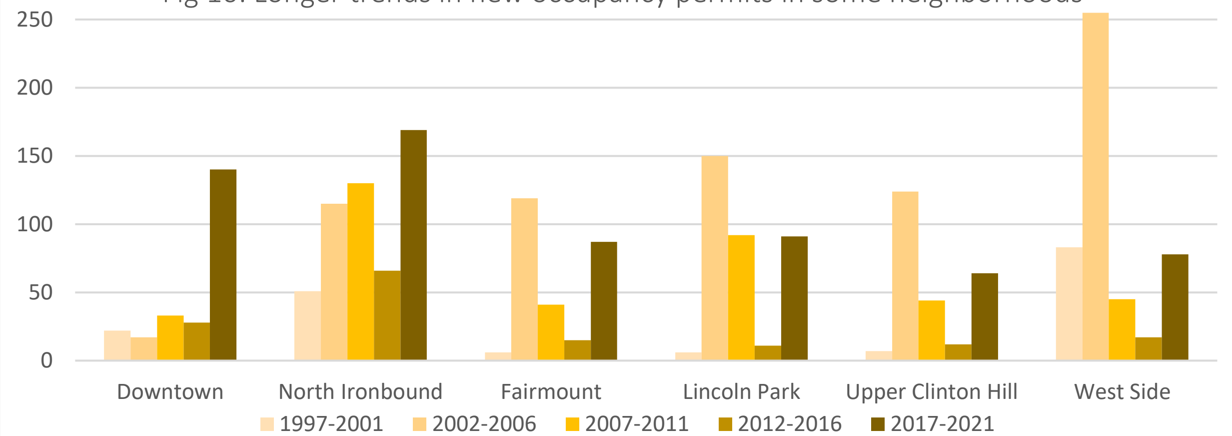


The recent uptick in new development activity is clear across every Newark neighborhood. The surge in new occupancy permits is strongest in North Ironbound and Downtown. However, Fairmount, Lincoln Park, and West Side Park are also seeing rapid growth in permits. The trends for the last ten years are shown for each neighborhood in Figure 9 below.



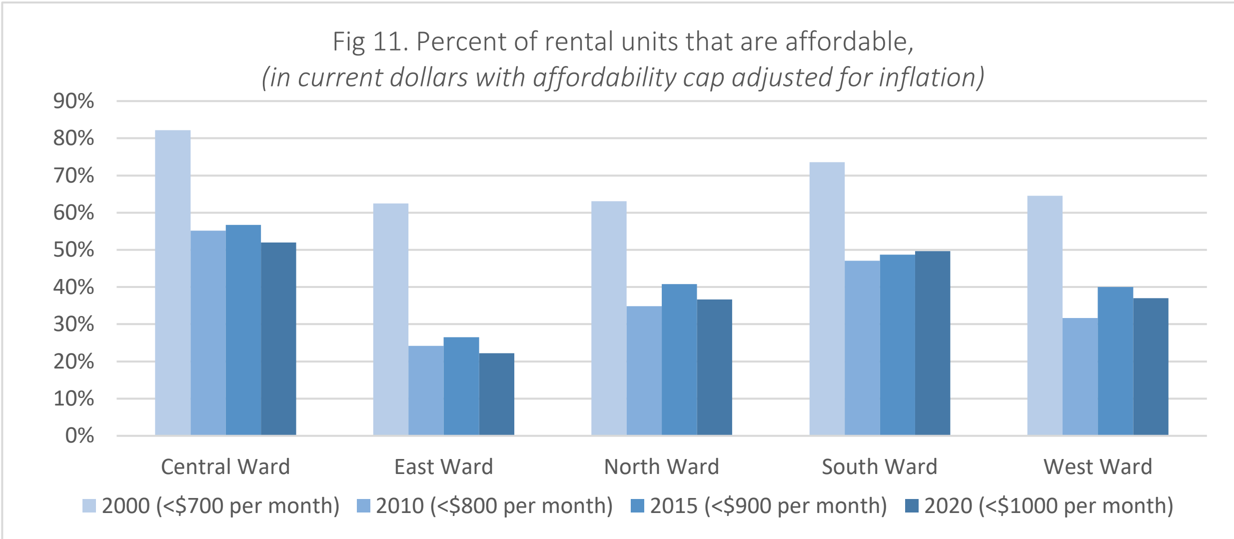
The longer-term trends are shown for five neighborhoods where fluctuations are strongest. In Downtown and North Ironbound, recent new development activity exceeds any activity in other time periods, especially Downtown. In Fairmount, Lincoln Park, Upper Clinton Hill, and West Side Park, recent new development activity is still below the activity from the early 2000s, particularly in West Side Park.

Fig 10. Longer trends in new occupancy permits in some neighborhoods



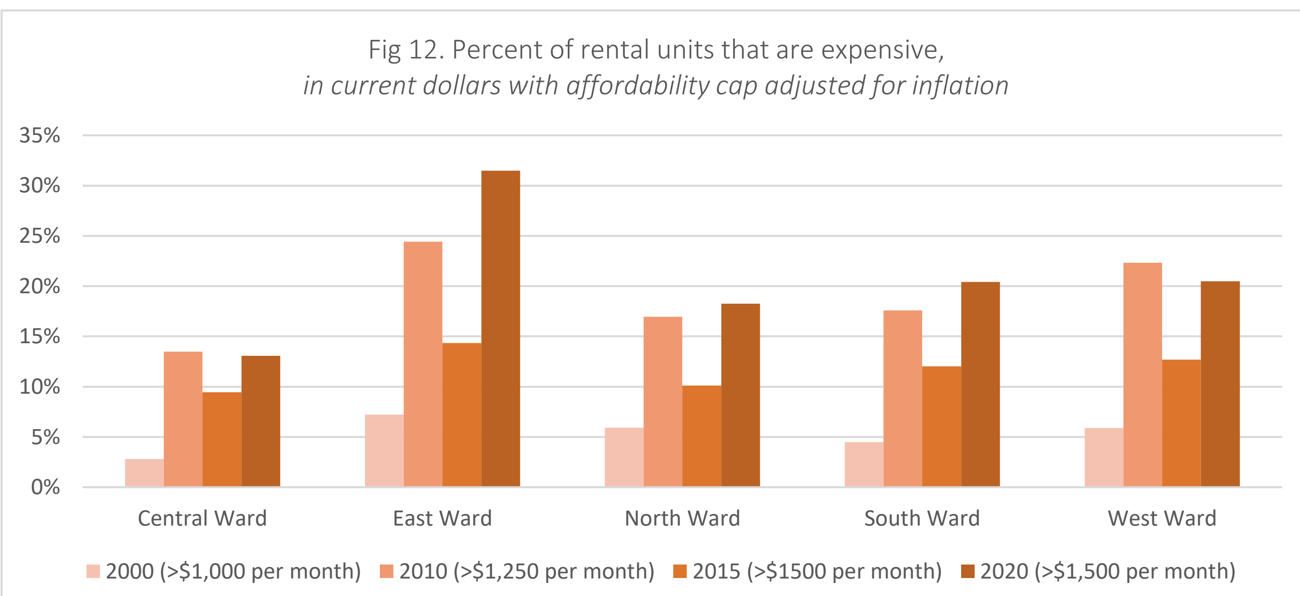
In every ward, there is at least a 20-percentage point drop in the percent of rental units that are affordable in 2020 compared to 2000. The trends are strongest in the East Ward, where only 20% of units rent for less than $1,000 per month in 2020. The greatest drop in the supply of affordable rental units occurred between 2000 and 2010. Over the last decade, the share of units that are affordable has remained more constant. In the Central and South Wards roughly half of all units are affordable, and in the North and West wards close to 40% of units were affordable.

To do this analysis, CLiME adjusted the affordable unit threshold over time to account for inflation. Affordable units were those that rented for less than $700 in 2000, less than $800 in 2010, less than $900 in 2015, and less than $1000 in 2020. The more drastic cut in affordable units from 2000 to 2010 does not appear to be explained by inflation; $700 in 2000 is roughly $886 in 2010.

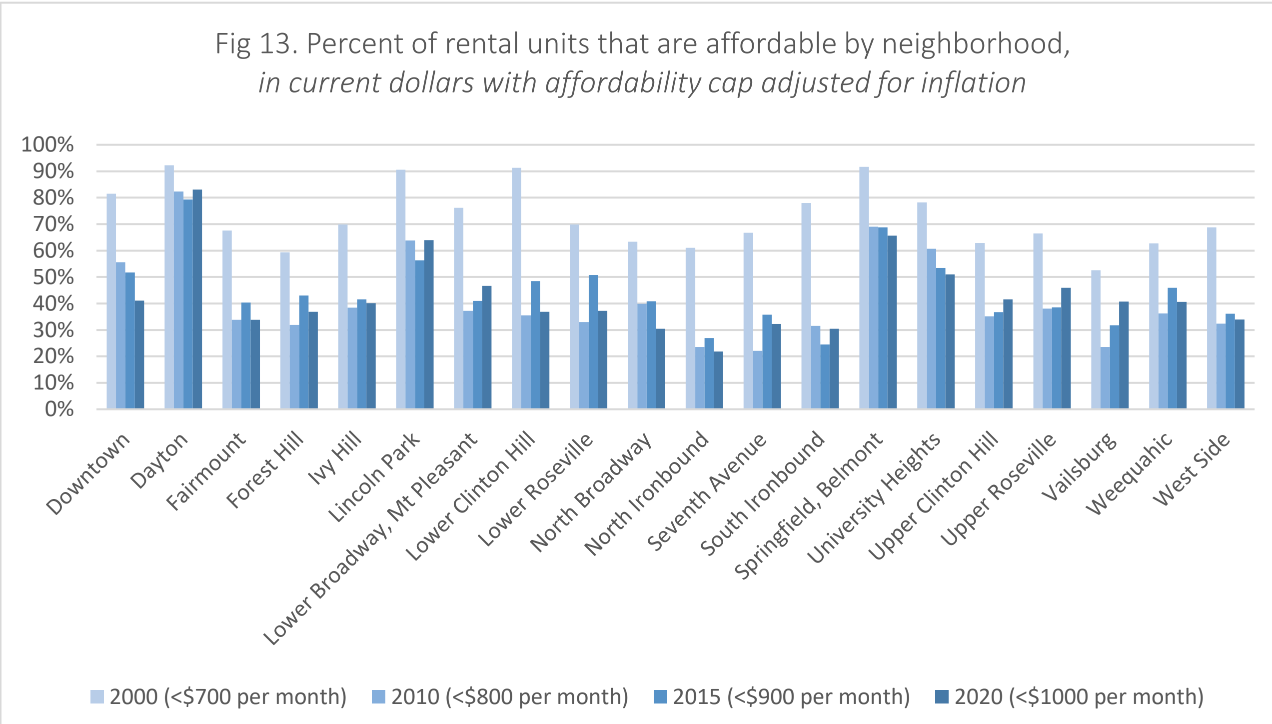


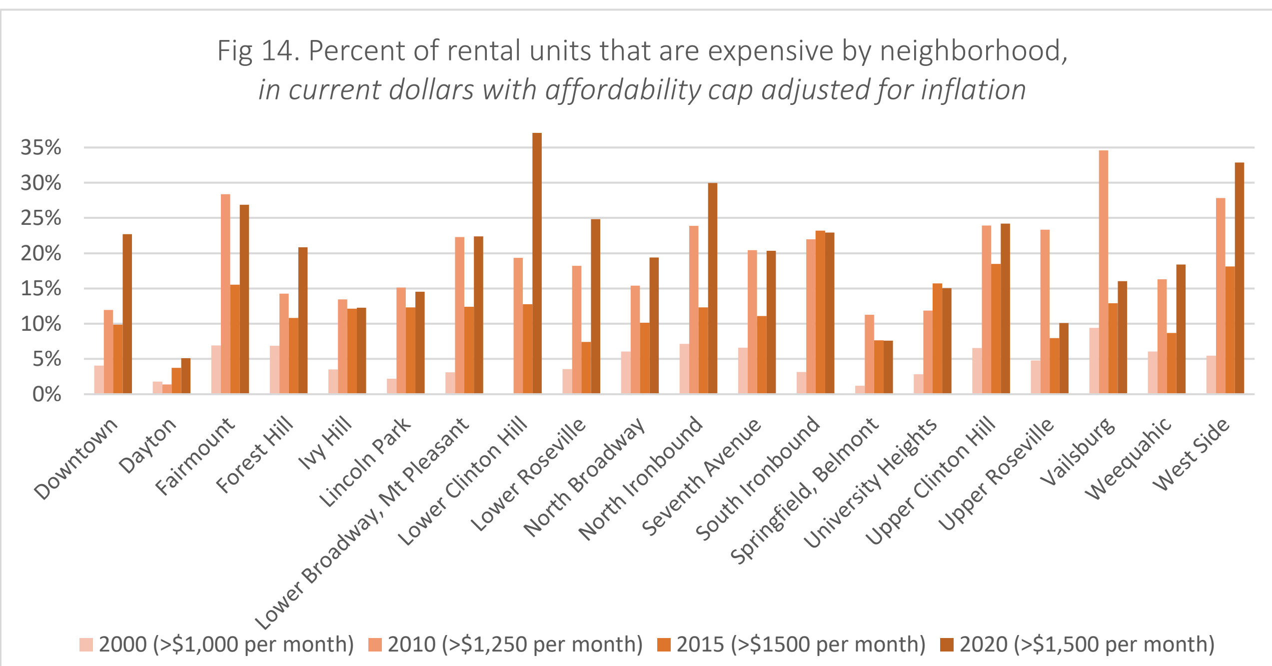
CLiME did a similar analysis to identify the portion of rental units that are expensive, again adjusting the threshold for what is expensive for inflation. Expensive units rented for $1000 or more in 2000, $1,250 or more in 2010, and $1,500 or more in 2015 and 2019.

There has been a steady increase in the number of units that are expensive across all wards, but the East Ward has the largest proportion of expensive units. As of 2020, almost of third of East Ward units rent for $1500 or more per month



Breaking down affordable and expensive units at the neighborhood level reveals significant differentiation. Some neighborhoods have so far retained a more affordable rental inventory, including: Dayton, Springfield/Belmont, and Lincoln Park. The neighborhoods with the steepest declines in affordable units are South Ironbound, Lower Clinton Hill, Seventh Ave, Lower Roseville, Downtown, Fairmount, and West Side Park.





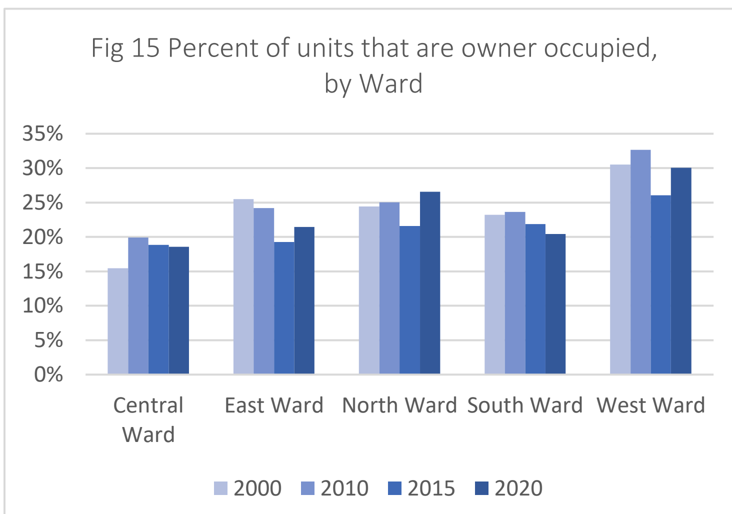
There are a few neighborhoods that stand out for the percent of units that are now expensive, meaning they rent for more than $1,500 per month as of 2020. In West Side Park, 33% of units rent for more than $1,500 per month. In Lower Clinton Hill, 36% of units rent for more than $1,500 per month. Some neighborhoods, such as Vailsburg and Fairmount, saw spikes in expensive units in 2010 that declined by 2015 probably related to the subprime and foreclosure crises.

Gentrifier Population

The Gentrifier population index captures the increasing presence of wealthier and more college educated renters. The Index is made up of three variables: the share of units that are owner-occupied, the share of residents that identify as White non-Hispanic, and the share of residents with at least a bachelor's degree.

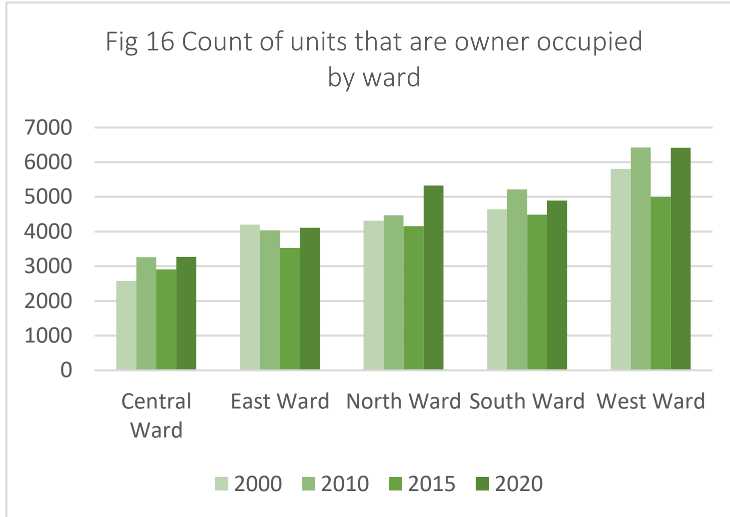
The North and West wards have increasing ownership rates, whereas the South and East wards have declining ownership rates. None of these changes are dramatic.

The West Ward has higher owner-occupancy rates than the other wards, roughly 30%. There is a recent increase in owner-occupied units in the West Ward since 2015, following a decline in owner-occupied units probably associated with the foreclosure crisis.



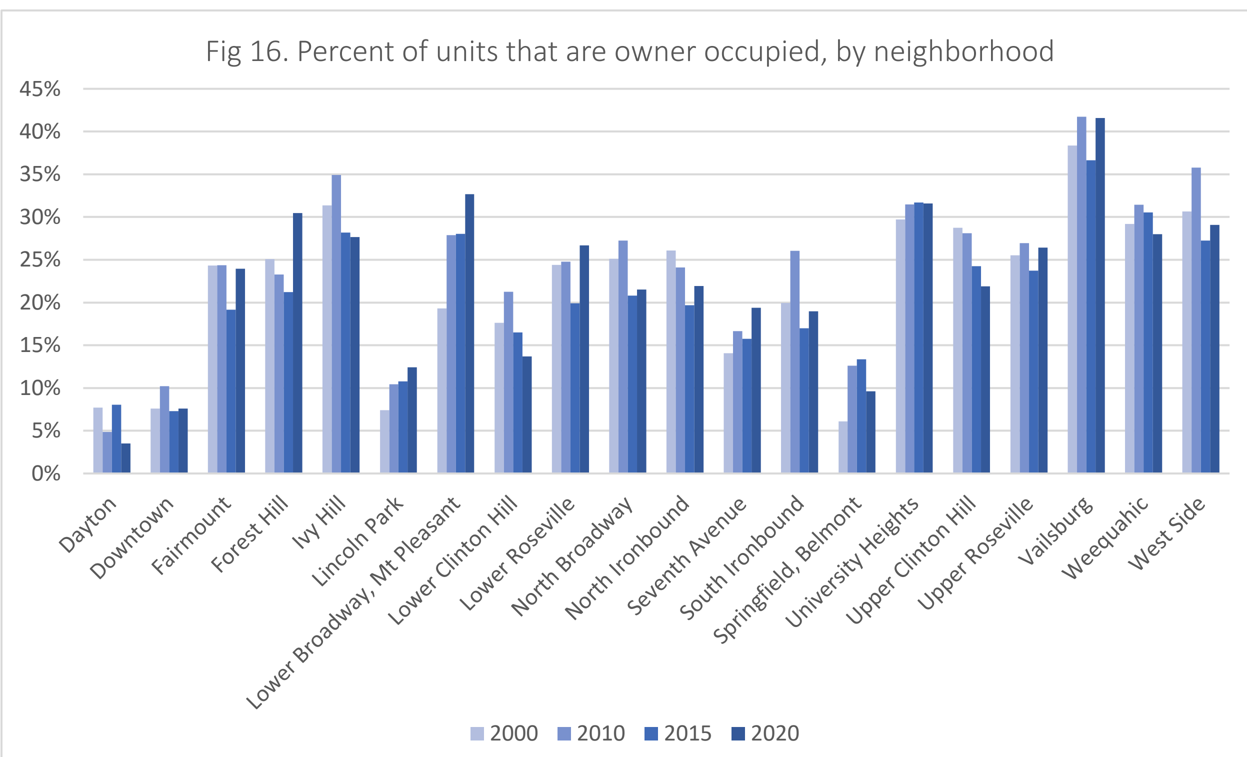
The North Ward has seen a recent increase in owner-occupied units since 2015 after flat numbers from 2000 through 2015

The owner-occupancy rates in the South and East Wards have declining ownership rates, although the count of owner-occupied units in both wards is flat.



Trends in the South and East Wards are flat. The Central Ward has experienced a steady but modest increase in owner-occupancy over the last two decades.

Patterns at the neighborhood level are varied. South Ironbound, Lower Clinton Hill, Ivy Hill, North Broadway and West Side Park all have declining rates of homeownership. Forest Hill, Lincoln Park, Lower Broadway/Mt Pleasant, and Seventh Avenue have increasing rates of homeownership.



The Central Ward has experienced a one percentage point increase in residents who identify as White and non-Hispanic over the last two decades. In all of the other wards, the number of residents who identify as White non-Hispanic mostly declined over the last two decades, with small growth from 2015 to 2020.

The East Ward has a much larger share of this demographic than other wards, but there has been a steady decline from 50% to 35% of East Ward residents identifying as White and non-Hispanic.

Fig 17. Percent of residents that identify as White and non-Hispanic, by Ward

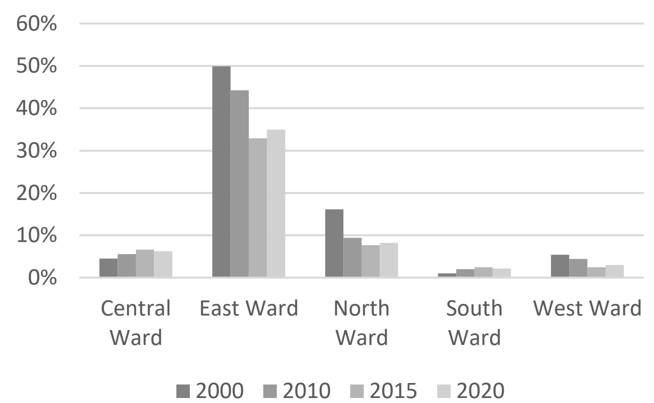
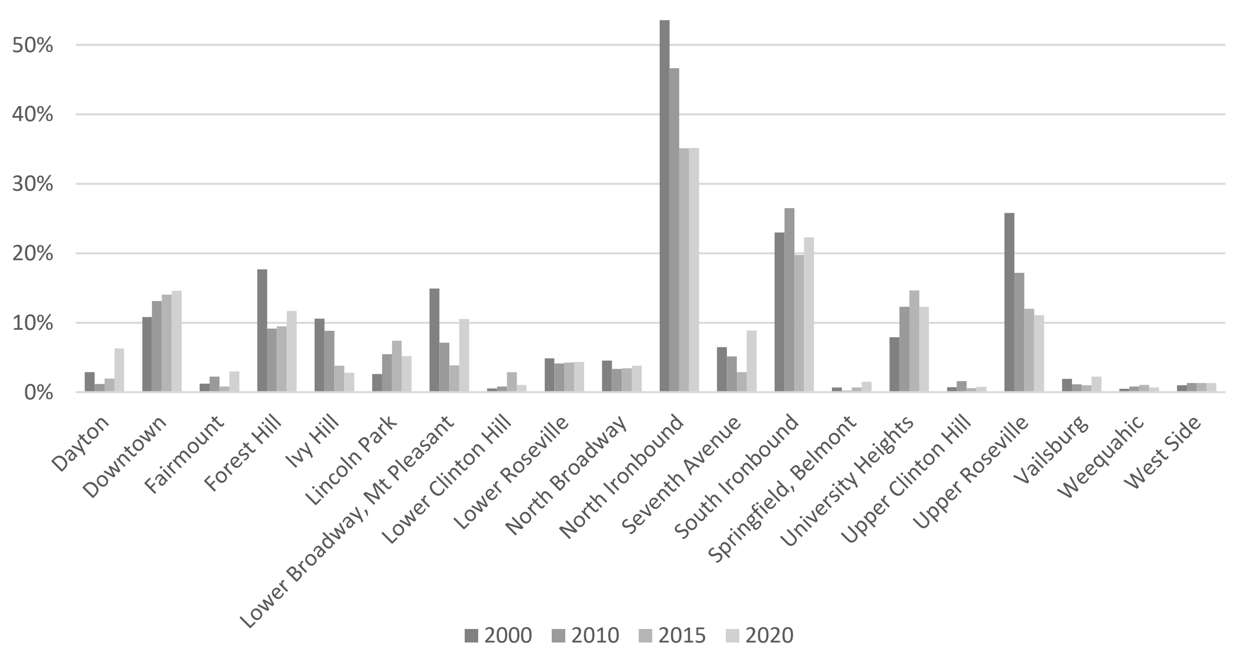
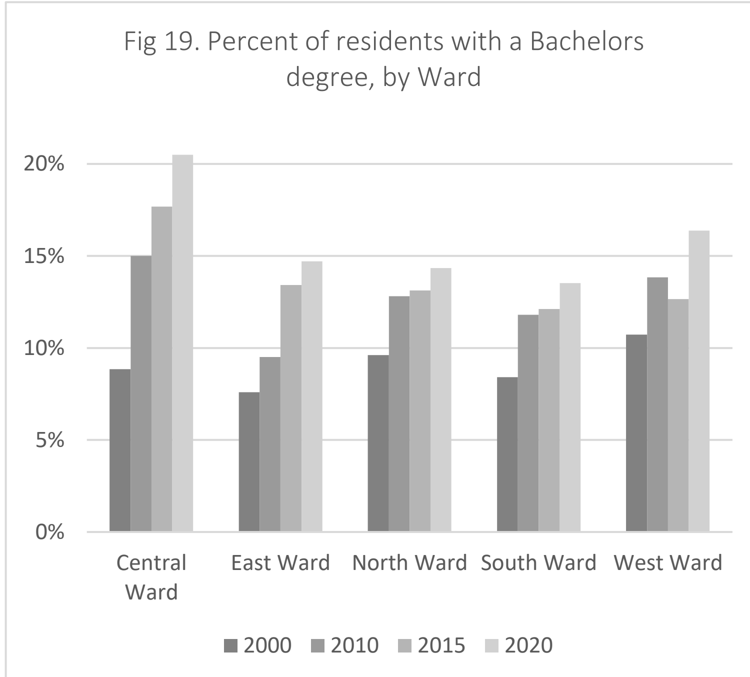


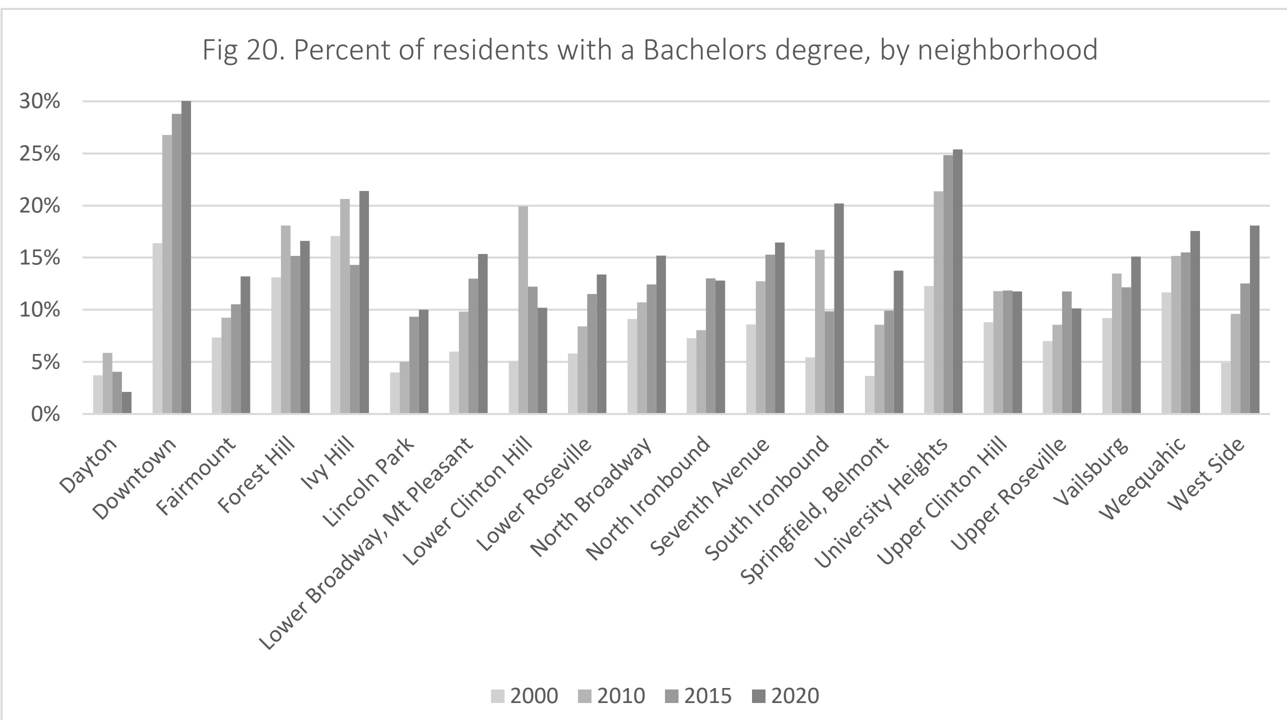
Fig 18 Percent of residents who identify as White and Non-Hispanic by neighborhood



The patterns are also shown by neighborhood, and no neighborhoods stands out for an increase in this racial demographic.

All of the wards are seeing small increases in the percent of residents with a Bachelors degree or more over the last two decades. Most neighborhoods have this trend as well. Downtown and University Heights stand out for their relatively larger White non-Hispanic demographic. Yet, Lower Clinton Hill and Dayton are both seeing declines in the share of residents with Bachelors degrees.





Conclusion

Newark is changing. It is more beautiful, more energized, more cohesive and more attractive to capital investment. Yet, it is also becoming more and more expensive for renters and more competitive, if not out of reach, for homebuyers. The DRIM originated in 2017 as a tool for measuring signs of gentrification. Those signs, ironically, remain few while other kinds of displacement risks are stronger than ever. Even more surprising is the fact that Newark's city government—its mayor and its city council—are firmly committed to equitable growth and have taken multiple, creative and unusual steps to grow housing opportunities, reduce code violations, empower local labor and businesses, advance public health and improve education and public safety. We applaud these and other efforts. What reports like this demonstrate, therefore, is the relentless power of market forces outside Newark to dictate market trends within and how tireless efforts toward equity must be.