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## NEW JERSEY GOLD COAST PROPERTIES

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# NEW TAX RATES MAY SPUR SALES

by Joseph Dobrian

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**N**ew Jersey's property tax rates have long been high compared to the rest of the United States. The state's average effective rate is 2.40 percent, more than double the national average of 1.19 percent. However, two cities along New Jersey's Gold Coast — Jersey City and Weehawken — recently lowered their property taxes by about one-third. This could turn the heads of prospective buyers who, at the high end, could realize annual tax savings well into the thousands of dollars.

In July of this year, Jersey City reduced its property tax rates from 2.2 to 1.48 percent, well below the 1.62 percent rate predicted by the Hudson County Tax Board. Many observers agree that the adjustment will encourage the purchase of new properties and, thus, encourage more residential development.

"This was Jersey City's first tax revaluation in 30 years, and much controversy surrounded it," reports Edwin Blanco, sales manager at the 99 Hudson development and a Jersey City resident. "It was spurred by residents who live outside of Downtown Jersey City who felt they had an unfair tax burden compared to downtown residents who were living in homes assessed for, sometimes, one-quarter of their market value. Assessed home values are now closer to market values, and as a result, some downtown residents saw tax bills jump by 50 to 200 percent from the previous year."

"Jersey City's mayor, Steven Fulop, promised that tax abatements in Downtown Jersey City are a thing of the past, so the saving grace of this revaluation is Jersey City's overall tax rate reduction," he says. "This rate is lower than many pre-existing abatements, which removes the advantage of buying an older condo for its tax savings and makes new construction that much more attractive."

### DOWNTOWN JERSEY CITY

One- to four-family homes in Downtown Jersey City bore the brunt of the revaluation, but newer

properties, including condo units along the Gold Coast, are projecting a tax reduction compared to 2017 estimates. Blanco says he has seen an uptick in New Yorkers exploring New Jersey condominiums in an attempt to escape high New York City income taxes — which may prove burdensome at the high end, due to revision of federal income tax rules.

"There hasn't been this much new construction of condominiums in Jersey City in the past 10 years," Blanco says. "The products are more elevated, compared to the last generation, thanks to the maturing market."

"The final announcement of the new rate helped kick-start the market again," says Art Johnson, vice president of Liberty Harbor North, developer of Gulls Cove. "Like a lot of cities, Jersey City put off revaluation since 1988, although you're supposed to do it every 10 years. As a result, Downtown Jersey City, which had experienced the most growth and appreciation in recent years, was the most undervalued."

What's more, uncertainty slowed the market earlier in the year, thanks to a projected tax rate 10 percent higher than what it actually turned out to be. "The news had been so negative, it put people in a 'wait-and-see mood.' But now we have seen a dramatic pickup in sales," Johnson says.

Johnson also notes that another reason people are buying now is the anticipation of a significant rise in interest rates.

"There have been a lot of head fakes over the years,

and people have become used to the low rates," he says. "But now we see more 'Help Wanted' signs on storefronts than we've seen in 50 years, so unless there's some jolt to the system, we might see a regimen of a quarter-point increases three or four times a year for the next couple of years. This is a great time to buy because interest rates might be a full point higher a year from now."

### WEEHAWKEN

Also effective this past July, Weehawken Township reduced its property tax rates from 2.23 to 1.49 percent, one of the lowest rates along the Gold Coast. The City of Weehawken also finalized its first property tax revaluation in more than 30 years. According to Mayor Richard Turner, nearly 80 percent of the town's homeowners will see their taxes reduced, stabilized or minimally increased. This is good news for buyers at Avora, Weehawken's signature new waterfront condominium building. The 11-story building features upscale amenities and 184 residences priced from \$675,000 to over \$4 million.

Meanwhile, businesspeople and developers of commercial properties are fighting for the preservation of New Jersey's Economic Redevelopment and Growth program, which offers incentives for redeveloping older buildings. If tax reductions for residential properties attract buyers and state incentives remain in place, further economic growth is virtually inevitable.