

HUD PD&R Housing Market Profiles

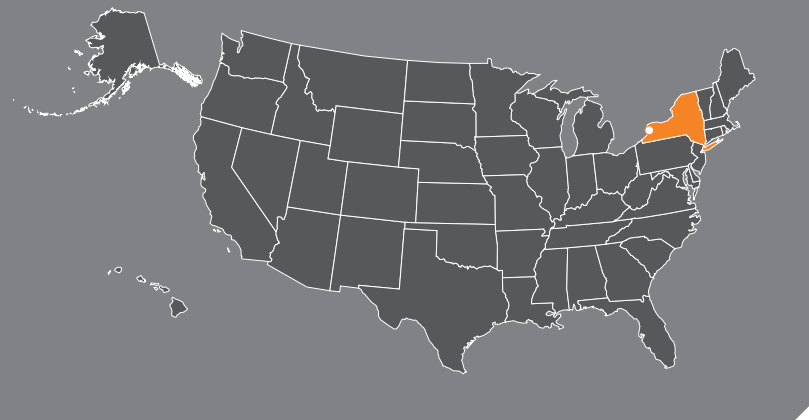
Buffalo-Cheektowaga-Niagara Falls, New York



Buffalo, New York

Quick Facts About Buffalo-Cheektowaga-Niagara Falls

- Current sales market conditions: slightly tight
- Current apartment market conditions: tight
- Once known as the “City of Light,” Buffalo was the first American city to have widespread electric lighting, benefitting from the hydroelectric power from the nearby world-famous Niagara Falls. In terms of population, Buffalo was the 15th largest city in the United States in 1950 compared with the 86th largest in 2019.



By Kevin P. Kane | As of July 1, 2020

Overview

The Buffalo-Cheektowaga-Niagara Falls, NY Metropolitan Statistical Area (hereafter, Buffalo metropolitan area) is in the western portion of the state of New York, bordering both Lake Erie and Lake Ontario, and is separated from Canada by the Niagara River. The Buffalo metropolitan area consists of Erie and Niagara Counties. With the presence of Niagara Falls, tourism has a significant impact on the local economy. In 2018, tourists spent nearly \$753 million in Niagara County, up more than 6 percent from a year earlier (Niagara Falls, USA). Buffalo Niagara Medical Campus (BNMC), a consortium of the top healthcare, education, and research institutions in the region, including the University at Buffalo School of Medicine and Biomedical Sciences and Roswell Park Comprehensive Cancer Center, is a leading center for research and education in the nation. The institutions at BNMC, which is located on a 120-acre site near downtown Buffalo, employ 17,000 workers at the campus and have a \$3.2 billion annual economic impact on the area (Buffalo Comptroller). M&T Bank Corporation, a Fortune 500 Company, is headquartered in Buffalo and is one of the leading employers in the area with 7,000 employees.

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- The population of the Buffalo metropolitan area is estimated at 1.13 million as of July 1, 2020, representing an average decrease of 1,150, or 0.1 percent, annually since 2016, with a negative net natural change (resident births minus resident deaths) as well as net out-migration (EMAD estimates). The rate of population growth was unchanged from earlier in the decade when it also averaged a 0.1-percent annual decline from 2010 to 2016 (Census Bureau decennial census counts and population estimates as of July 1).
- Net out-migration has occurred each year since 2000 except for 3 years; however, the rate of out-migration has slowed significantly since 2010 as a result of job gains, compared with job losses during the previous decade. Since 2016, net

out-migration has averaged 680 people a year compared with 1,000 people a year from 2010 to 2016. Net out-migration averaged 3,975 people a year during the previous decade.

- The recent trend of negative net natural change is a reversal from earlier in the decade—net natural increase averaged 160 a year from 2011 to 2016, compared with a decline of 470 people annually since 2016 (Census Bureau population estimates as of July 1 and estimates by the analyst). Contributing to the trend in net natural change is a growing senior population. From 2013 to 2018, the percentage of the total population that is 65 years or older has grown from 16.4 to 18.1 percent (2013 and 2018 American Community Survey [ACS] 1-year estimates).

Economic Conditions

Prior to the recent economic downturn brought on by the COVID-19 pandemic, job growth in the Buffalo metropolitan area had been weak for much of the 2010s. On March 7, 2020, a state of emergency was declared for New York state, and on March 20, 2020, the governor ordered that all nonessential businesses be closed statewide. As a result, total nonfarm payrolls during the month of April 2020 were down by 114,700 jobs, or 20.3 percent, compared with April 2019; the most pronounced decline was in the leisure and hospitality sector, accounting for nearly one-third of all job declines in the metropolitan area. The Buffalo Niagara Partnership conducted

a survey of local businesses during the second quarter of 2020 to assess the impact of COVID-19 and the countermeasures. With 1,800 companies responding to the survey, 93 percent reported a revenue decline, more than 33 percent have had layoffs or furloughs, and 60 percent have implemented a hiring freeze.

The Buffalo metropolitan area has added nonfarm payrolls at a relatively weak pace since 2010, increasing at an average annual rate of 0.7 percent from 2011 through 2016 and slowing to 0.4 percent from 2017 through 2019. Part of the slowdown from 2017 through 2019 is attributed to tight labor market conditions causing businesses to have increased difficulty finding qualified

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Significant job losses occurred in the Buffalo metropolitan area during the 3 months ending June 2020, with 31 percent of the decline in the leisure and hospitality sector.

	3 Months Ending		Year-Over-Year Change	
	June 2019 (Thousands)	June 2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	568.3	469.9	-98.4	-17.3
Goods-Producing Sectors	74.7	64.2	-10.5	-14.1
Mining, Logging, & Construction	21.9	17.9	-4.0	-18.3
Manufacturing	52.8	46.3	-6.5	-12.3
Service-Providing Sectors	493.6	405.8	-87.8	-17.8
Wholesale & Retail Trade	80.2	66.2	-14.0	-17.5
Transportation & Utilities	18.9	14.4	-4.5	-23.8
Information	6.8	6.5	-0.3	-4.4
Financial Activities	36.5	35.2	-1.3	-3.6
Professional & Business Services	73.6	60.7	-12.9	-17.5
Education & Health Services	99.6	87.0	-12.6	-12.7
Leisure & Hospitality	61.3	30.7	-30.6	-49.9
Other Services	26.0	19.3	-6.7	-25.8
Government	90.6	85.7	-4.9	-5.4
Unemployment Rate	3.9%	15.7%		

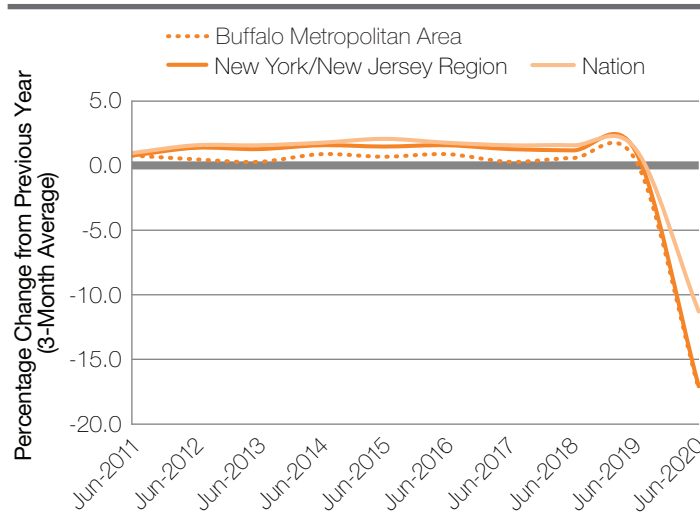
Note: Numbers may not add to totals due to rounding.
Source: U.S. Bureau of Labor Statistics



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workers. From 2011 through 2019, the fastest growing sector in the metropolitan area was the transportation and utilities sector, with an average annual rate of growth of 2.5 percent, or 400 jobs. The leisure and hospitality sector was the second fastest growing sector during that period, increasing at an average annual rate of 1.5 percent, or 800 jobs. The largest sector in the economy during the 3 months ending June 2020 was the education and health services sector, accounting for

The rate of nonfarm payroll decline during the 3 months ending June 2020 was larger in the Buffalo metropolitan area and in the New York/New Jersey region relative to the nation.



Note: Nonfarm payroll jobs for the 3 months ending in June.
Source: U.S. Bureau of Labor Statistics

Largest Employers in the Buffalo Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Kaleida Health	Education and Health Services	8,113
Catholic Health	Education and Health Services	7,347
M&T Bank Corporation	Financial Activities	7,000

Note: Excludes local school districts.
Source: Moody's Analytics

Sales Market Conditions

Sales housing market conditions are slightly tight in the Buffalo metropolitan area, with declining sales and rapidly rising home prices. During the 12 months ending June 2020, 12,200 homes were sold, down 12 percent from the previous 12 months. The average sales price was \$195,700, up nearly 9 percent

approximately 19 percent of jobs in the area, followed closely by the government sector, which accounted for 18 percent of jobs.

During the 3 months ending June 2020—

- Nonfarm payrolls averaged 469,900 jobs, a decrease of 98,400 jobs, or 17.3 percent, relative to a year earlier. The decrease was primarily a result of the impact of countermeasures to reduce the spread of COVID-19, including the closing of nonessential businesses, and changing consumer behavior. Declines occurred in all payroll sectors.
- The largest decline occurred in the leisure and hospitality sector, down by 30,600 jobs, or 49.9 percent, resulting from losses stemming from the closure of restaurants, bars, and hotels. Jobs in the accommodation and food services industry were down by 25,700 jobs, or 49.5 percent, accounting for 84 percent of the decline in the sector. Seneca Buffalo Creek Casino and Seneca Niagara Resort & Casino temporarily closed in mid-March, and approximately 4,000 employees were furloughed.
- The wholesale and retail trade, the professional and business services, and the education and health services sectors also had significant declines—of 14,000, 12,900, and 12,600, or 17.5, 17.5, and 12.7 percent, respectively. Nearly 80 percent of the decline in the wholesale and retail trade sector occurred in the retail trade subsector as a result of restrictions imposed in mid-March, which limited in-store sales. More than 90 percent of the losses in the education and health services sector occurred in the healthcare and social assistance industry.
- The manufacturing sector lost 6,500 jobs or 12.3 percent. Tesla, Inc. suspended most production at its solar panel factory and furloughed 984 of its nearly 1,500 employees in April (The Verge). Sumitomo Rubber USA, LLC and Confer Plastics, Inc. temporarily closed plants in April, impacting 1,399 and 170 workers, respectively (The Buffalo News).
- The smallest percentage decline occurred in the financial activities sector, down 1,300 jobs, or 3.6 percent, as a larger share of firms in this sector were able to move operations to online formats and allow employees to work from home.
- The unemployment rate rose to 15.7 percent from 3.9 percent a year earlier.

from a year ago. The estimated sales vacancy rate is currently 1.2 percent, down slightly from 1.3 percent as of April 1, 2010. Nearly all measures of the inventory of homes available for sale in June 2020 reflected fewer homes on the market compared with a year earlier; the inventory of homes for sale was 2,038,

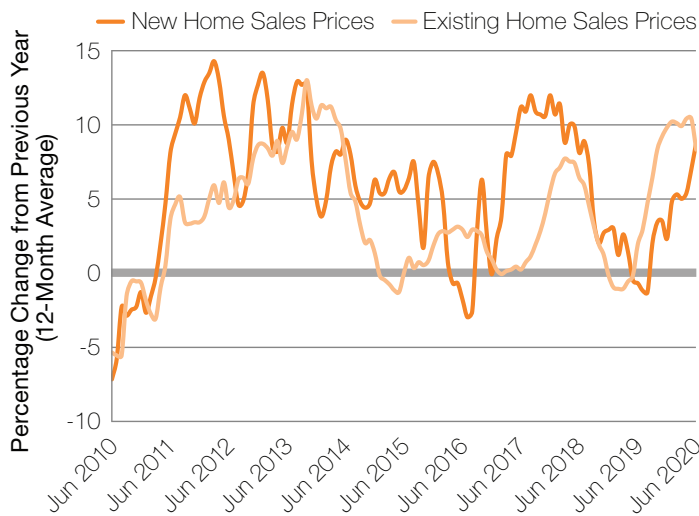
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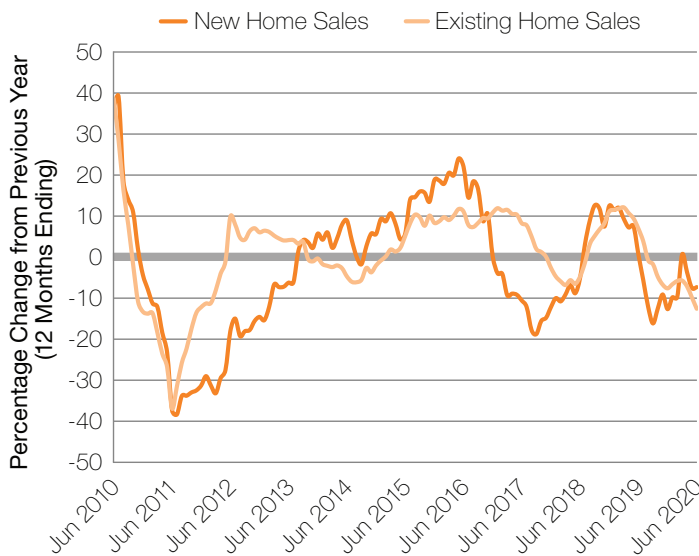
down 31 percent from 2,968 homes a year ago (Buffalo Niagara Association of Realtors®). New listings were down 3 percent, to 1,693, and the number of days a home remained on the market rose slightly to 39 days from 35 days a year earlier. A 2.1-month supply of homes was on the market, down from a 2.9-month supply a year ago.

After brief periods of decline, new and existing home sales prices have been increasing in the Buffalo metropolitan area since September 2019 and June 2019, respectively.



Note: Includes single-family homes, townhomes, and condominiums. Source: Metrostudy, A Hanley Wood Company

New and existing home sales have generally been declining since mid-2019 in the Buffalo metropolitan area.



Note: Includes single-family homes, townhomes, and condominiums. Source: Metrostudy, A Hanley Wood Company

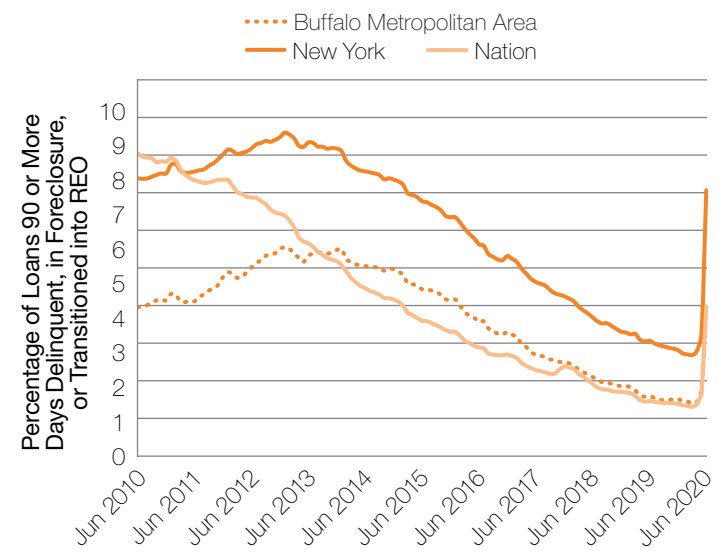
The negative economic consequences of the past several months are having a substantial impact on delinquencies and foreclosures. The percentage of home loans that were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status increased significantly in June 2020 in the Buffalo metropolitan area and in New York and the nation, as increasing numbers of homeowners were unable to remain current on their mortgage payments. In the Buffalo metropolitan area, the rate rose to 4.0 percent, up from 1.6 percent in June 2019, and a significant 1-month increase from 1.8 percent in May 2020 (CoreLogic, Inc.). The rate in New York rose to 7.1 percent in June 2020 compared with 3.1 percent a year ago. The national rate was also 4.0 percent, up from 1.5 percent a year ago.

During the 12 months ending June 2020—

- New home sales decreased more than 7 percent, to 450 homes, and existing home sales decreased 13 percent, to 11,750 homes, compared with the previous 12 months (Metrostudy, A Hanley Wood Company, with adjustments by the analyst).
- Existing home sales are at their lowest level since the 12 months ending January 2016, whereas new home sales are below their recent peak of 580 homes sold during the 12 months ending August 2016.
- The average sales price for a new home was \$382,900, up nearly 9 percent from the average of \$352,000 during

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The percentage of seriously delinquent mortgages and REO properties increased significantly in June 2020 in the Buffalo metropolitan area and in New York and the nation.



REO = real estate owned. Source: CoreLogic, Inc.



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the 12 months ending June 2019. The average new home price decreased by nearly 1 percent during the same period a year ago. During the comparable periods in 2017 and 2018, the average sales price for a new home increased by an average of 10 percent.

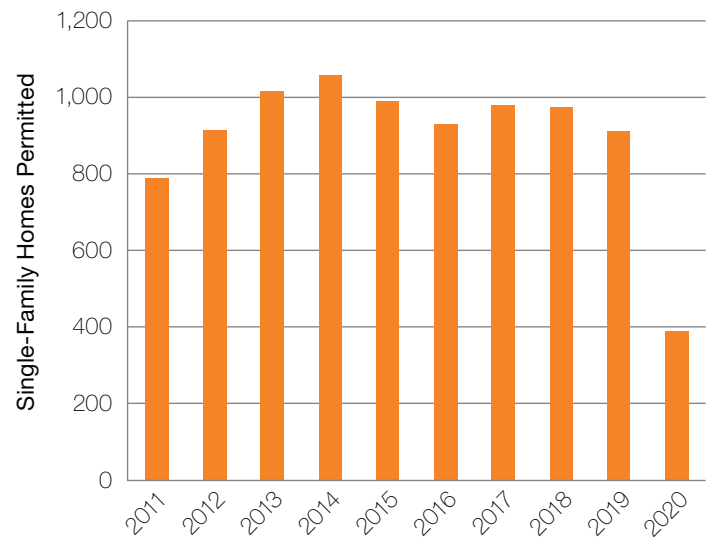
- The home sales price for existing homes averaged \$188,900, up more than 8 percent from \$174,500 a year ago. Existing home sales prices increased an average of 2 percent a year ago and more than 6 percent in 2018.
- REO sales accounted for nearly 6 percent of existing home sales, relatively unchanged from a year ago but down from a recent peak of nearly 11 percent during the 12 months ending March 2017. The average sales price of an REO home was 50 percent of the average regular resale price during the 12 months ending June 2020, down from 55 percent a year ago.

As new home sales have declined during the past year, single-family homebuilding has also slowed, as measured by the number of single-family homes permitted.

- During the 12 months ending June 2020, the number of single-family homes permitted totaled 850 homes, down 13 percent from the 980 homes permitted a year ago (preliminary data and adjustments by the analyst).
- The number of single-family homes permitted had been stable in recent years, averaging 950 homes from 2016 through 2019. The recent peak of 1,050 homes permitted occurred in 2014.
- New home construction is ongoing at The Preserve at Muir Woods in the town of Amherst, northeast of the city of Buffalo. A total of 133 single-family homes are planned, with prices starting in the upper \$300,000s and homes ranging from 1,566 to 2,756 square feet. Twenty-one homes have been sold to date at the development. Construction is set to begin soon at Briar Hollow, also located in Amherst; 137 single-family homes are planned, ranging from three to five bedrooms.

- The Riley Meadows West development is planned in the town of Orchard Park, which is located southeast of the city of Buffalo. The 29 single-family homes will have prices starting in the upper \$300,000s and range from 1,355 to more than 3,800 square feet. Pleasant Acres West, also in Orchard Park, is a 98-home development under construction with 28 lots remaining. Prices start from the low \$400,000s and homes range from 2,100 to 4,100 square feet. Juniper Townhomes, under construction in the town of Lancaster, located east of the city of Buffalo, is expected to have 48 homes, with prices starting at \$290,000 and homes ranging from 1,300 to 2,600 square feet.

The number of single-family homes permitted in the Buffalo metropolitan area was relatively constant from 2016 through 2019.



Note: Includes preliminary data from January 2020 through June 2020. Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

Apartment Market Conditions

Apartment market conditions are currently tight in the Buffalo metropolitan area, with an average apartment vacancy rate of 3.0 percent during the second quarter of 2020, down slightly from 3.1 percent a year earlier (RealPage, Inc.). The vacancy rate fluctuated during the 2010s. The apartment vacancy rate recently peaked in 2014 at 8.0 percent before declining to 4.5 percent the following year. As the vacancy rate fell, rents rose by an average of 5 percent annually in 2015 and 2016. Conditions were balanced in 2017, when the vacancy rate was 6.1 percent; however, market conditions tightened when multifamily production slowed in 2017 and 2018 and the vacancy rate declined to 4.0 percent in 2018.

During the second quarter of 2020—

- The average asking rent was up nearly 4 percent, to \$1,000, relative to a year ago. Rent growth averaged 1 percent during the previous 3 years.
- Vacancy rates ranged from a low of 1.7 percent in the RealPage, Inc.-defined Niagara market area to 3.6 percent in the Cheektowaga/Southtowns market area. The vacancy rate was 3.0 percent in the Buffalo market area and 2.7 percent in the Amherst market area. The average rent was up in three of the four market areas, ranging from 3 percent in Amherst to

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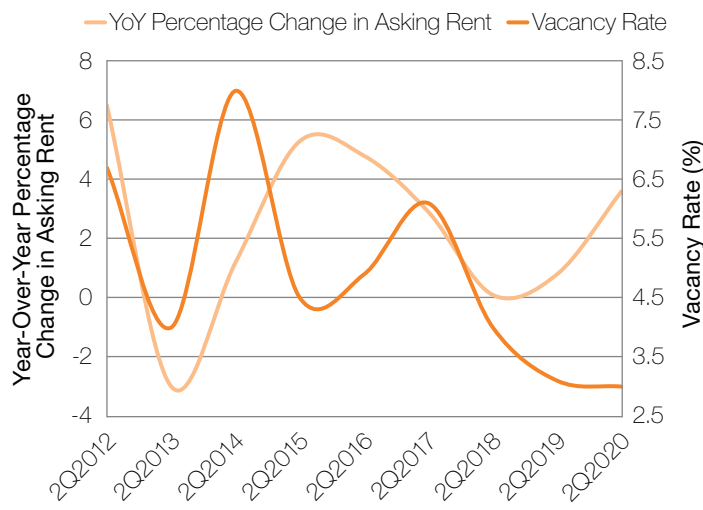
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4 percent in Buffalo. The average rent in the Niagara County market area was down 2 percent from a year ago.

- Market rents for Class A and B/C properties in the metropolitan area averaged \$1,127 and \$804, respectively. The average Class A rent increased more than 3 percent from a year ago, whereas the average rent for Class B/C properties remained unchanged (Reis, Inc.).

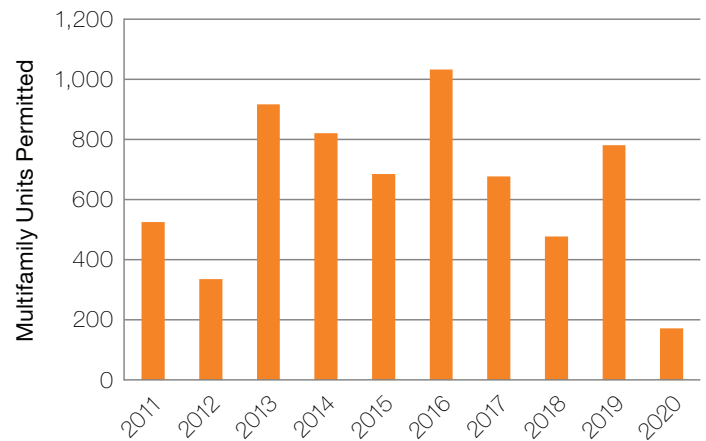
Multifamily construction activity in the Buffalo metropolitan area, as measured by the number of multifamily units permitted, had a recent peak in 2016 at 1,025 units. In response to rising vacancy rates in 2016 and 2017, developers slowed production; the number of units permitted fell in 2017 to 680 units and again in 2018 to 480 units. The number of units permitted rose to 780 units in 2019 partially a result of the recent strong gains in rent.

The vacancy rate has been declining for the past 3 years, whereas rents have been rising for the past 2 years in the Buffalo metropolitan area.



2Q = second quarter. YoY = year-over-year. Source: RealPage, Inc.

After 2 years of decline, the number of multifamily units permitted in the Buffalo metropolitan area rose to 780 in 2019.



Note: Includes preliminary data from January 2020 through June 2020. Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

- During the 12 months ending June 2020, approximately 750 multifamily units were permitted, more than double the 370 units permitted a year ago as builders responded to low vacancies and strong rent growth (preliminary data and adjustments by the analyst).
- The Grid in the city of Buffalo was completed in 2020, with 217 units and rents starting at \$1,100, \$1,250, and \$1,700 for studio, one-, and two-bedroom units, respectively. The 88-unit 600 River Road Apartments was built in 2019 in Niagara County with rents for two- and three-bedroom units starting at \$1,750 and \$1,995, respectively.
- Pierce Arrow Lofts in the city of Buffalo is currently under construction and expected to be complete by November 2020. The 105-unit complex will include studio, one-, two- and three-bedroom apartments with rents starting at \$997, \$997, \$1,597, and \$1,959, respectively.

