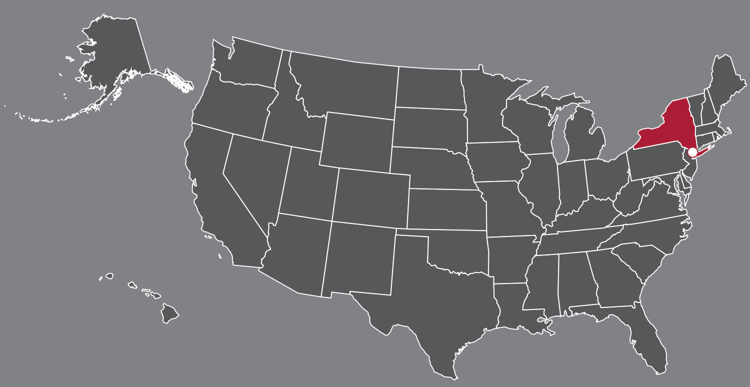
HUD PD&R **Housing Market Profiles**

New York City, New York

Quick Facts About New York City

- **Current sales market conditions: slightly soft**
- **Current apartment market conditions: balanced**
- **New York City is home to 70 Fortune 500 companies and 4.5 percent of the national gross domestic product was produced in the city in 2018 (Bureau of Economic Analysis).**



By Joseph Shinn | As of October 1, 2020

Overview

The first confirmed case of COVID-19 in New York City (NYC) was reported on March 2, 2020 (Centers for Disease Control and Prevention). Relative to the rest of the nation, NYC was especially hard hit by the COVID-19 pandemic. As of October 1, 2020, there were approximately 23,850 COVID-19 related deaths in NYC, accounting for 12 percent of all COVID-19 related deaths nationwide. Interventions taken in mid-March to slow the spread of the virus, including enforcing social distancing and discouraging nonessential travel, caused economic activity in the city to slow dramatically.

NYC is the most populous city in the nation, with more than twice as many residents as any other city. NYC consists of five boroughs (or counties) in southeastern New York—The Bronx (Bronx), Brooklyn (Kings), Manhattan (New York), Queens, and Staten Island (Richmond), and it is the central city in the New York-Newark-Jersey City metropolitan area. Nonfarm payrolls decreased in all 11 sectors in NYC during the past year, led by declines of 237,000 and 104,900 jobs in the leisure and hospitality and the professional and business services sectors, respectively.

continued on page 2

continued from page 1

- As of October 1, 2020, the population of NYC is estimated at nearly 8.20 million, representing an average decrease of 64,500 people, or 0.8 percent, annually since 2016 (U.S. Census Bureau population estimates as of July 1). By comparison, from 2010 to 2016, the population increased each year, up by an average of 47,050 people, or 0.6 percent, annually.
- The recent population decline was due to strong net out-migration, which has averaged 106,900 people annually since 2016, more than offsetting net natural increase (resident births minus resident deaths), which has averaged 42,400 people annually. By comparison, from 2010 to 2016, population gains from net natural increase, which averaged 65,600 people annually, more than offset lower levels of net out-migration, which averaged 18,550 people annually.
- Net out-migration from NYC has been strong, especially in recent years, partially due to residents moving out of the city because of high housing costs, especially for rental units. The average apartment rent in NYC is $3,468, which is the highest of all market areas in the United States and is at least 49-percent higher than the average rents in the suburban portions of the New York-Newark-Jersey City metropolitan area (Reis, Inc.).
- Net out-migration from NYC has increased during the COVID-19 pandemic, which is partly attributed to residents accelerating their plans to move to the suburban portions of the metropolitan area in response to expanded telework opportunities. Additionally, international net in-migration, which averaged approximately 40,050 people annually from 2016 to 2019, is estimated to have significantly slowed since March 2020 due to the international travel restrictions during the COVID-19 pandemic.

Economic Conditions

As a result of the restrictions put in place in response to the COVID-19 global pandemic, nonfarm payrolls in NYC significantly declined during the past year after 10 consecutive years of job gains. During the third quarter of 2020, nonfarm payrolls averaged 3.97 million, representing a decrease of 658,500 jobs, or 14.2 percent, compared with the third quarter of 2019. By comparison, nonfarm payrolls increased by an average of 92,400 jobs, or 2.3 percent, annually in corresponding periods from 2010 through 2019. During the past year, nonfarm payrolls in NYC decreased at a faster pace than in the state and nation overall, where nonfarm payrolls were down 11.4 and 7.0 percent, respectively.

continued on page 3

Nonfarm payrolls in New York City declined in all sectors during the third quarter of 2020, led by a 50.4-percent decrease in the leisure and hospitality sector.

	Third Quarter		Year-Over-Year Change	
	2019 (Thousands)	2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	4,633.3	3,974.8	-658.5	-14.2
Goods-Producing Sectors	229.4	194.0	-35.4	-15.4
Mining, Logging, & Construction	162.7	139.8	-22.9	-14.1
Manufacturing	66.7	54.2	-12.5	-18.7
Service-Providing Sectors	4,403.9	3,780.7	-623.2	-14.2
Wholesale & Retail Trade	482.2	421.2	-61.0	-12.7
Transportation & Utilities	144.0	109.1	-34.9	-24.2
Information	214.2	203.6	-10.6	-4.9
Financial Activities	488.0	457.7	-30.3	-6.2
Professional & Business Services	799.7	694.8	-104.9	-13.1
Education & Health Services	1,030.1	962.8	-67.3	-6.5
Leisure & Hospitality	470.1	233.1	-237.0	-50.4
Other Services	193.7	159.7	-34.0	-17.6
Government	581.9	538.7	-43.2	-7.4
Unemployment Rate	4.0%	16.8%		

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

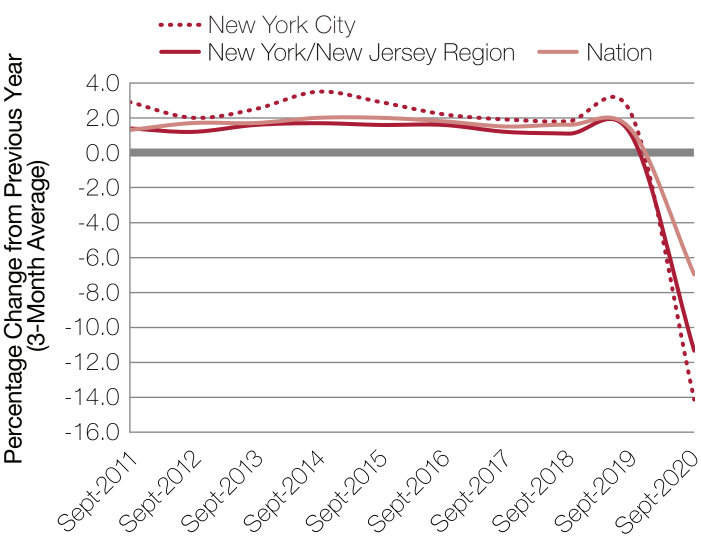
continued from page 2

During the third quarter of 2020—

- The largest decline was in the leisure and hospitality sector, which decreased by 237,000 jobs, or 50.4 percent. More than 62 percent of the decrease was in the food services and drinking places industry, which declined by 147,500 jobs, or 46.0 percent; losses in the industry were largely attributed to indoor dining being prohibited from March 17, 2020, to September 30, 2020.
- Additional losses were in the professional and business services and wholesale and retail trade sectors, which decreased by 104,900 and 61,000 jobs, or 13.1 and 12.7 percent, respectively. In the wholesale and retail trade sector, approximately 430 employees were laid off in mid-2020 when two J.C. Penney Company, Inc. stores closed in NYC.
- Nonfarm payrolls in the education and health services sector declined by 67,300 jobs, or 6.5 percent, which was the first year-over-year decline in more than 30 years. During the past year, losses were in both the health care and social assistance and the educational subsectors, which were down by 43,600 and 23,800 jobs, or 5.5 and 10.3 percent, respectively.
- Nonfarm payrolls decreased in the government sector by 43,200 jobs, or 7.4 percent, compared with a 2.7-percent increase during the same period a year earlier. Despite the decline in the sector overall, payrolls in the federal government subsector increased by 8,000 jobs or 16.5 percent; these gains were largely attributed to hiring an unspecified number of temporary workers for the 2020 Census.
- The unemployment rate in NYC averaged 16.8 percent, which is the highest rate in more than 45 years and is more than four times the 4.0-percent average rate during the third quarter of 2019. The NYC unemployment rate is also higher than the statewide and nationwide rates of 12.7 percent and 8.9 percent, respectively.

Before the recent decline, nonfarm payrolls increased at the fastest pace in the leisure and hospitality sector. From 2010 through 2019, nonfarm payrolls in the sector increased an average of 4.2 percent, or by 15,700 jobs, annually. By comparison, nonfarm payrolls in the sector increased an average of 2.4 percent nationwide. The strong growth in the sector in NYC during this period resulted from rising tourism to the area. During 2018, approximately 65.0 million people visited NYC, representing an average increase of nearly 4 percent a year since 2010 (NYC & Company). Job growth within the sector from 2010 through 2019 was strongest in the accommodation and food services industry, including drinking places, where nonfarm payrolls increased by an average of 13,100 jobs, or 4.4 percent, annually. However, decreased tourism during the COVID-19 pandemic has partially contributed to jobs in the industry significantly declining during the past year. During the third quarter of 2020, nonfarm payrolls in the industry declined by 172,700 jobs, or 46.1 percent, falling to the lowest level since 2002. Hilton Worldwide Holdings Inc. and Omni Berkshire Corporation closed hotels in Manhattan during 2020, resulting in more than 460 jobs lost. The recent decline in tourism also negatively impacted the transportation and utilities sector because fewer people traveled to and from NYC. During the third quarter of 2020, nonfarm payrolls in the sector decreased 24.2 percent, or by 34,900 jobs, compared with an average 2.7-percent increase in corresponding periods from 2011 through 2019. Approximately 1,350 combined workers were laid off at John F. Kennedy International Airport and LaGuardia Airport in March 2020.

Nonfarm payrolls in New York City declined during the past year after 10 consecutive years of gains.



Source: U.S. Bureau of Labor Statistics

Largest Employers in New York City

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Montefiore Health System	Education & Health Services	32,250
Mount Sinai Health System	Education & Health Services	32,100
JPMorgan Chase & Co.	Financial Activities	29,000

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

Sales Market Conditions

The sales market in NYC is slightly soft, with an estimated sales vacancy rate of 3.2 percent, up from the 2.9-percent rate in 2010. In August 2020, NYC had 9.2 months of for-sale inventory available, up from 8.0 months of inventory in August 2019 (CoreLogic, Inc.). As a result of the increased net out-migration during the COVID-19 pandemic, home sales significantly declined during the past year. During the 12 months ending September 2020, sales of new and existing homes declined by 6,125 homes, or 27 percent, to 16,800 homes sold (Zonda). The current sales level is at the lowest level in more than 15 years and is down 33 percent compared with the average of 25,100 homes sold during 2017 and 2018. During the past year, sales were down in all five boroughs, ranging from a 16-percent decrease in Brooklyn to a 73-percent decline in Staten Island. In response to the decline in the number of homes sold, the average sales price of new and existing homes decreased 4 percent during the past year to $1.08 million. Since 2018, condominiums made up approximately 44 percent of all home sales, down from 53 percent of all home sales from 2010 through 2017.

As of August 2020, 9.0 percent of home loans were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status, up significantly from 3.1 percent in August 2019 (CoreLogic, Inc.). The steep rise during the past year was due to a more than five-fold increase in the number of home loans that were 90 or more days delinquent, which is largely attributed to households being unable to make their mortgage payments due to the significant job losses during the COVID-19 pandemic. The current rate in NYC is higher than the statewide and nationwide rates of 7.5 and 4.4 percent, respectively.

During the 12 months ending September 2020—

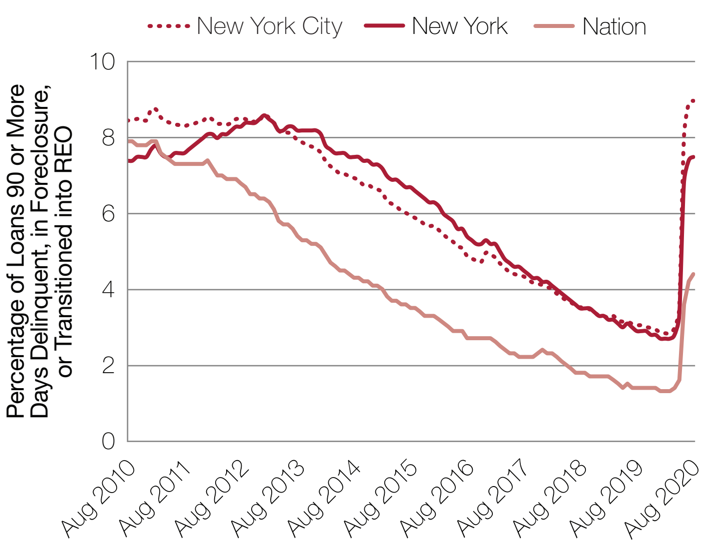
- Approximately 14,500 existing homes (including single-family homes, townhomes, and condominiums) were sold in NYC, representing a decrease of 5,150 homes, or 26 percent, compared with the previous 12-month period (Zonda). By comparison, existing home sales were down 9 percent during the same period a year earlier after increasing an average of 3 percent annually in corresponding periods from 2016 through 2018.
- The average sales price of existing homes was relatively unchanged, at $1.03 million, compared with an average 4-percent increase during the previous 4 years. Average price changes ranged from a 2-percent increase in Staten Island to 5-percent declines in both Manhattan and Brooklyn.

continued on page 5

The average sales price of existing homes in New York City was relatively unchanged during the past year, but the average sales price of new homes significantly declined.

Note: New and existing home sales prices include single-family homes, townhomes, and condominiums.
Source: Zonda

The rate of seriously delinquent mortgages and REO properties in New York City increased by a larger percentage than the rest of the nation during the past year.



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

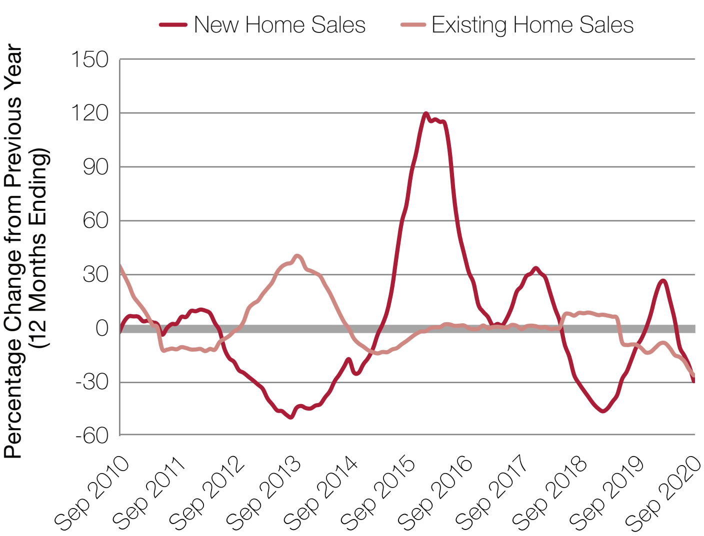
continued from page 4

- New home sales declined by 960 homes, or 30 percent, to 2,275 homes sold, compared with the 12 months ending September 2019. New home sales have decreased an average of 27 percent annually since 2018 compared with an average 47-percent increase from 2015 through 2017.
- The average sales price of new homes decreased 19 percent to $1.44 million. By comparison, during the 12 months ending September 2019, the average sales price of new homes increased 6 percent compared with the same period a year earlier.

In response to declines in the number of new homes sold, single-family construction activity, as measured by the number of units permitted, has been limited during the past 3 years. Condominium construction activity has also slowed during the past year, compared with strong construction levels of these units from 2014 through 2018.

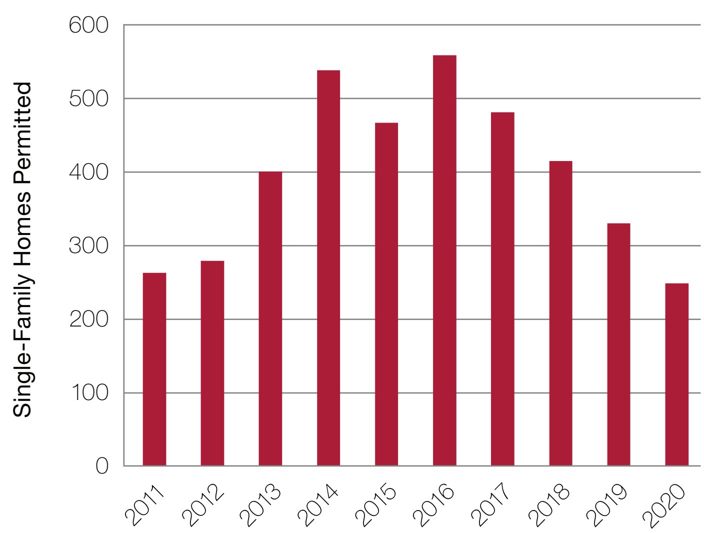
- During the 12 months ending September 2020, single-family homebuilding activity in NYC totaled approximately 230 homes, down by approximately 110 homes, or 33 percent, compared with the 12 months ending September 2019 (preliminary data). By comparison, during the 12 months ending September 2019, single-family construction activity was down 21 percent compared with the same period a year earlier.
- During 2018 and 2019, an average of approximately 380 single-family homes was permitted annually. By comparison, from 2013 through 2017, an average of 490 homes was permitted annually.
- Since 2019, an average of 740 condominium units was permitted annually, compared with an average of 2,300 units permitted annually from 2014 through 2018. Recent construction activity includes The West, a 219-unit community that was completed in early 2020 in the Hell's Kitchen neighborhood in Manhattan; prices for these studio, one-bedroom, two-bedroom, and three-bedroom units start at $910,000, $1.25 million, $2.07 million, and $2.77 million, respectively.

Sales of both new and existing homes in New York City significantly declined during the past year.



Note: New and existing home sales prices include single-family homes, townhomes, and condominiums.
Source: Zonda

Single-family permitting activity in New York City has slowed since 2016.



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

Apartment Market Conditions

Apartment market conditions in NYC are currently balanced compared with slightly tight conditions in 2010. Conditions have remained balanced since 2017, but vacancy rates have risen, and average rents have declined during the past year because of increased net out-migration.

During the third quarter of 2020—

- The apartment vacancy rate in NYC was 4.4 percent, up from 3.7 percent during the third quarter of 2019 (Reis, Inc.). Third-quarter vacancy rates were below 4.0 percent each

continued on page 6

continued from page 5

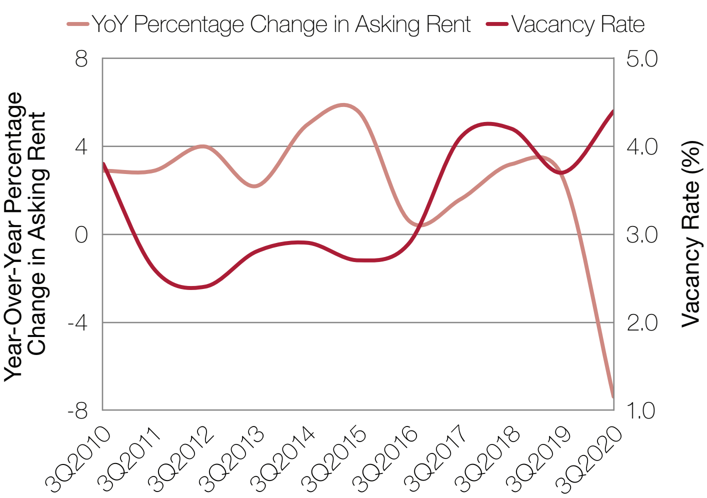
year from 2000 through 2016, but the rates exceeded 4.0 percent in 3 of the past 4 years.

- In Manhattan, the vacancy rate was 4.3 percent, up from 3.7 percent a year ago; vacancy rates were up in all six Reis, Inc.-defined market areas (hereafter, market areas) that make up Manhattan, led by a 1.1-percentage-point increase in the Stuyvesant/Turtle Bay market area. Vacancy rates in Staten Island, Queens, and the Bronx were 4.9, 4.1, and 3.9 percent, up from 3.3, 3.9, and 3.8 percent a year ago, respectively.
- In response to rising vacancy rates, the average apartment rent in NYC declined 7 percent, to $3,468, which was the first year-over-year decline in 11 years. Of the 275 markets covered by Reis, Inc., only the Odessa-Midland market had a larger year-over-year decline than NYC.
- The average rent decreased 7 percent in Manhattan, to $4,370, with declines in all six market areas in the borough; the largest decline in Manhattan was in the Midtown West market area, where the average rent decreased 9 percent, to $4,320, compared with a 1-percent increase during the same period a year earlier. Average rents were down in the other boroughs in NYC, ranging from a 3-percent decrease in Queens to a 9-percent decline in Staten Island.

In response to newly constructed apartment units being absorbed at a steady pace, multifamily building activity in NYC, as measured by the number of units permitted, has been strong since 2013. Construction activity was especially high during 2015, which is largely attributed to developers taking advantage of a multifamily property tax exemption before it originally lapsed in January 2016. The program, however, was renewed in April 2017 and is still in effect.

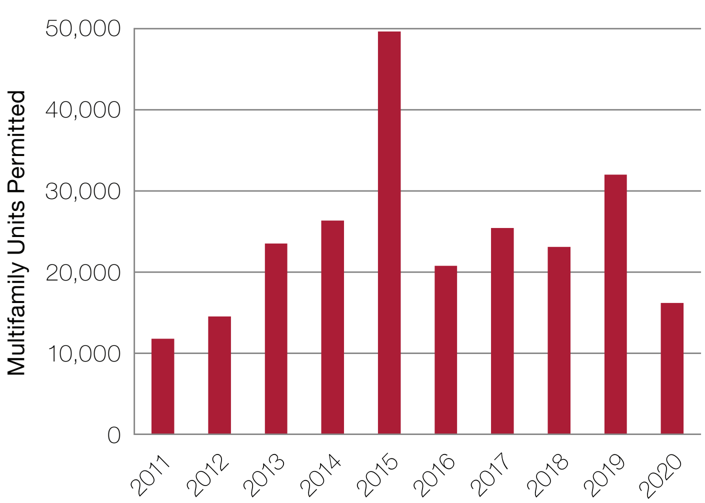
- During the 12 months ending September 2020, approximately 26,450 multifamily units were permitted, up 3 percent compared with the 12 months ending August 2019 (preliminary data, with adjustments by the analyst). By comparison, during the 12 months ending August 2019, multifamily permitting activity was up 12 percent from the same period a year earlier.
- Since 2013, an average of 28,050 multifamily units was permitted annually, ranging from 20,850 units permitted during 2016 to 49,650 units permitted during 2015. By comparison, from 2010 through 2012, an average of 9,700 multifamily units was permitted annually.
- Since 2009, approximately 7 percent of all multifamily units permitted were for condominiums, compared with 16 percent of all multifamily units permitted from 2004 through 2008.
- Recent construction activity includes The Dime, a 177-unit apartment community in Queens that was completed in mid-2020. Rents for these newly constructed studio, one-bedroom, two-bedroom, and three-bedroom units start at $2,225, $2,800, $4,750, and $5,100, respectively.
- In Manhattan, the 533-unit 20 Broad apartment community was completed in late 2019 in the West Village/Downtown market area. Rents for these studio, one-bedroom, two-bedroom, three-bedroom, and four-bedroom units start at $2,450, $3,175, $5,150, $6,775, and $7,200, respectively.

Compared with a year ago, the average rent in New York City decreased while the vacancy rate increased.



3Q = third quarter. YoY = year-over-year.
Source: Reis, Inc.

Multifamily building activity in New York City has been strong since 2013, especially during 2015.



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