

COMPREHENSIVE MARKET ANALYSIS REPORTS



Policy Development & Research

**Analysis of the
Newburgh, New York-
Pennsylvania
Housing Market
As of April 1, 2005**



ECONOMIC RESEARCH

U.S. Department of Housing and Urban Development

Foreword

This analysis has been prepared for the assistance and guidance of the U.S. Department of Housing and Urban Development (HUD) in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD's Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the "as-of" date from local and national sources. As such, any findings or conclusions may be modified by subsequent developments. HUD wishes to express its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

This analysis takes into consideration changes in the economic, demographic, and housing inventory characteristics of the market area during three periods: from 1990 to 2000, from 2000 to the as-of date of the analysis—April 1, 2005 (Current date)—and from the Current date to a Forecast date—April 1, 2007. The analysis presents counts and estimates of employment, population, households, and housing inventory as of the 1990 Census, 2000 Census, Current date, and Forecast date. For purposes of this analysis, the forecast period is 24 months.

The prospective demand expressed in the analysis should not be construed as a forecast of building activity; rather, it presents the prospective housing production that would maintain a reasonable balance in the demand-supply relationship given the market condition on the as-of date of the analysis. This analysis was prepared by José Calzadilla, the Division's Field Economist in HUD's New York Regional Office, based on fieldwork conducted in March 2005. Questions regarding the findings and conclusions of the analysis may be addressed to Mr. Calzadilla at 212-542-7168 and jose_calzadilla@hud.gov.

Housing Market Area

The Newburgh, New York-Pennsylvania Housing Market Area (HMA) comprises Orange County, New York, and Pike County, Pennsylvania. The Hudson River borders the HMA to the east and the Delaware River separates both counties. For purposes of this analysis, the Newburgh HMA has been divided into two submarkets: Orange County and Pike County.

Summary

Employment in the Newburgh HMA increased throughout the 1990s. Since 2000, growth in nonfarm employment has slowed primarily as a result of significant job losses in manufacturing. The economy is expected to improve during the forecast period. The rate of nonfarm job growth is expected to be slightly higher than the average annual gain since 2000.

Since 2000, in-migration has increased significantly compared to the rate from 1990 to 2000. The increase is due to expanding employment opportunities and to the relative affordability of housing compared with adjacent housing markets.

The market conditions for both sales and rental housing in the Newburgh HMA have tightened since 2000 because growth in housing production has not kept pace with demand. Conditions are becoming more balanced, however. Recently, residential building activity has begun to match demand.

During the 2-year forecast period ending April 1, 2007, it is estimated that demand will exist for approximately 2,100 new homes and 500 new market-rate rental units annually.

Economy of the Area

Much of the economic growth in the HMA since the early 1990s has been the result of steadily expanding employment in the service-providing sectors. From 2000 to the Current date, nonfarm employment has increased by an average of 1,600 jobs a year. Employment growth in three service-providing sectors—leisure and hospitality; trade, transportation, and utilities; and local government—has contributed most of the job gains in the HMA. Since 2000, nonfarm employment in the manufacturing sector has declined an average of 500 jobs annually.

During the past 25 years, the number of residents of the HMA who work outside the HMA has increased. As of 2000, 37 percent of employed residents in the HMA worked outside the HMA. Resident employment increased by an average of 1,500 jobs annually from 160,000 in 1990 to 173,300 as of 2000. From 2000 to the Current date, growth in annual resident employment has averaged 2,700 jobs annually. Trends in annual average civilian labor force and total employment from 1994 through the Current date are presented in Table 1. Trends in nonfarm wage and salary employment by industry sector are presented in Table 2.

During the 2-year forecast period, the economy of the HMA is expected to grow as employment growth among commuters strengthens. Resident employment is expected to increase slightly to average 2,750 jobs annually during the next 2 years.

Household Incomes

According to HUD's Economic and Market Analysis Division, the median family income in the Newburgh HMA was estimated to be \$68,150 in 2005, a 2.7-percent annual increase since the 2000 Census.

Population

Since 2000, in-migration to the Newburgh HMA has increased significantly. Between 1990 and 2000, net natural increase (resident births minus resident deaths) accounted for approximately half the growth and in-migration the remainder. Since 2000, net in-migration has accounted for more than 60 percent of the growth. Data from the New York State and Pennsylvania Departments of Health indicate that net natural increase has declined from an average of 2,700 people a year from 1990 to 2000 to 2,500 annually from 2000 to the Current date. The annual average change in net natural increase is expected to remain relatively stable during the forecast period.

Net in-migration has averaged 3,925 people a year since 2000 compared with 2,500 people annually during the 1990s. Much of this in-migration is due to the relatively affordable cost of housing in the in the HMA compared with that in markets to the east and south. The level of in-migration to the HMA is expected to slow slightly during the forecast period and average 3,700 people annually as a result of declining relative affordability of the HMA. Trends in population change for the HMA and its submarkets from 1990 to the Forecast date are presented in Table 3.

During the 1990s the population of Pike County increased by an average of 1,834, or 6.6 percent a year, making it the fastest growing county in Pennsylvania. Since 2000, Pike County has become an exurban bedroom community. Because this submarket is expected to remain a relatively affordable housing market when compared with other housing markets such as nearby Sussex and Warren Counties in Northern New Jersey, the level of population growth is expected to increase slightly during the forecast period.

Orange County grew by an average of 3,372 people annually, or 1.1 percent, during the 1990s, placing it among the fastest growing counties in New York State. Since 2000, in-migration has averaged 2,000 people annually compared with 760 a year during the 1990s.

Households

The trends in household growth in the HMA parallel those of the population. Since the 2000 Census, the number of households has increased by 22 percent. As of the Current date, the Newburgh HMA has an estimated 144,600 households, for an average annual increase of 2,470 households since 2000. As the rate of population in-migration is expected to decline slightly during the forecast period, average annual household growth is expected to increase by 2,350 a year. Table 3 presents the trends in household growth from 1990 through the Forecast date for the HMA and the submarkets.

Housing Inventory

From 2000 to the Current date, residential building permit activity has averaged 2,660 units annually, or 42 percent greater than the average during the 1990s. Paralleling household growth, approximately 70 percent of the units issued permits since 2000 are in Orange County. The trends in building activity from 1995 through the Current date for single-family and multifamily housing in the HMA and its submarkets are presented in Table 5.

In Pike County, the 34-percent increase in the average number of building permits issued annually since 2000 reflects the growing number of new sales housing subdivisions being developed. The number of units has more than doubled since 2000, totaling 1,032 in 2004 as a consequence of increased demand from new households. Given the generally rural nature of Pike County, rental demand and multifamily building activity have been negligible.

Increased demand for single-family homes accounted for most of the 45-percent increase in the average number of permits issued annually in Orange County since 2000. Single-family permits averaged 1,590 annually from 2000 to the Current date compared with 1,025 a year during the 1990s. In the HMA, multifamily activity has been confined, with rare exceptions, to Orange County. Of the more than 1,830 multifamily units permitted since 2000, only 11 units were issued in Pike County.

The HMA contains a substantial number of vacation homes because of its proximity to New York City and its large tracts of rural land. Currently, there are an estimated 20,400 seasonal units in the HMA, 75 percent of which are in Pike County. Seasonal units represent more than 40 percent of the housing inventory in Pike County. These seasonal units are located throughout the county, but a concentration of vacation homes surrounds Lake Wallenpaupack. Recently, prices have increased significantly for waterfront homes on Lake Wallenpaupack, with some homes now selling for more than \$1 million.

Housing Vacancy

Since the 2000 Census, the sales and rental vacancy rates in the HMA have declined as household growth and demand have exceeded production. During the period, annual growth in households averaged almost 2,475 compared with inventory additions of less than 2,200 a year. From 2000 to the Current date the sales vacancy rate declined to 1.7

percent from 1.9 percent in 2000, and the rental vacancy rate declined from 4.4 percent to a current rate of 3.9 percent.

As of the Current date, vacancies within the sales market have stabilized; however, the vacancy rate within the rental market continues to decline.

Sales Market Conditions

Housing demand will continue to be near historic highs during the forecast period, however, meaningless increases in mortgage interest rates during the forecast period could decrease the relative home affordability of homes in the HMA and lessen demand. This scenario has already occurred in Orange County recently where significant price increases have occurred and household growth is slowing. In Pike County, although home prices have increased, homes continue to be much more affordable than in adjoining areas in New York and New Jersey. Consequently, demand for single-family homes in Pike County is expected to continue to increase.

According to the New York State Association of REALTORS[®], from 2001 to 2004 the median sales price of an existing home in Orange County increased from \$163,150 to \$260,000. The volume of sales increased 15 percent during this period to 4,600 in 2004. The Pike/Wayne Association of REALTORS[®] reports that the median home price in Pike County in 2004 was \$159,900 and sales activity amounted to 722 homes sold. According to the New Jersey Association of REALTORS[®], the median home price in the neighboring counties of Sussex and Warren as of the fourth quarter of 2004 was \$280,700 and \$286,800, respectively.

Most of the new sales activity in Orange County has occurred in municipalities to the east and south of the city of Middletown. One of the largest developments is located in the town of Tuxedo, New York. The residential and commercial development, Tuxedo Reserve, is expected to double the population of the town on completion. Plans currently call for 866 single-family homes, 149 townhomes or duplexes, and 180 apartments. Homes are expected to sell for between \$500,000 and \$1.5 million. As a result of the overall size of the project (2,300 acres), it is expected that construction will continue for approximately 12 years. The project is expected to break ground during the second quarter of 2005.

Rental Market Conditions

Since 2000, the rental market in the HMA has been slowly tightening because construction has not kept pace with demand for additional rental housing. The average rent for a two-bedroom/two-bath unit in a newly completed Class A development is \$1,500 a month. Rents are higher in areas closer to local employment areas and major transportation thoroughfares. Generally, rents decline toward the western portions of the HMA, with the exception of select seasonal communities such as those around Lake Wallenpaupack.

Several cities in Orange County are involved in economic development projects with rental housing components. For example, the Cornerstone Project, a renovation of the 114,000-square-foot building that housed the old Ritz Theater in Newburgh, will combine the arts with affordable housing. The renovation will result in a 500-seat theater, 116 units of affordable rental housing, 12 “live-work” units for artists, and more than 10,000 square feet of commercial space. All the units will be reserved for tenants earning less than 60 percent of the area median income. This project follows in the steps of another artist-focused economic development project, Bulldog Studios, in nearby Beacon, New York.

Forecast Housing Demand

Based on anticipated household growth and current market conditions, it is estimated that demand will exist for approximately 4,200 units of new market-rate sales housing and 1,000 additional market-rate rental units during the 2-year forecast period ending April 1, 2007. As of the Current date, an estimated 1,500 homes and 400 apartments were under construction to meet a part of this forecast demand. This level of construction is expected to ensure a maintenance of balanced demand-supply conditions. A tabular summary of the annual qualitative demand for rental housing for the HMA is presented in Table 6.

Table 1
Labor Force and Employment
Newburgh HMA
1994 to April 1, 2005

	1994	1995	1996	1997	1998	1999		
Labor Force	170,600	169,800	172,100	176,300	177,300	179,900		
Employment	161,000	161,200	164,700	168,800	171,200	173,300		
Unemployment	9,600	8,600	7,400	7,500	6,100	6,600		
Rate (%)	5.6	5.1	4.3	4.3	3.4	3.7		

	2000	2001	2002	2003	2004	Previous 12 Mos.	Current 12 Mos.
Labor Force	178,400	180,900	189,300	192,700	195,500	193,600	196,200
Employment	172,400	174,100	180,900	183,600	185,600	183,900	186,500
Unemployment	6,000	6,800	8,400	9,100	9,900	9,700	9,700
Rate (%)	3.4	3.8	4.4	4.7	5.1	5.0	4.9

Note: Numbers may not add to totals due to rounding.
Source: New York State Department of Labor

Table 2
Nonfarm Employment by Industry
Newburgh HMA
1994 to April 1, 2005 (1 of 2)

Employment Sector	1994	1995	1996	1997	1998	1999
Total Nonfarm	115,800	117,300	118,700	121,000	124,200	129,100
Total Private	89,300	90,800	92,000	93,400	96,700	101,100
Goods-Producing	16,400	16,500	16,100	15,800	15,900	16,100
Nat. Res. & Mining	3,900	4,200	4,300	4,300	4,400	4,800
Manufacturing	12,400	12,300	11,800	11,500	11,500	11,300
Service-Providing	99,400	100,800	102,600	105,200	108,300	112,900
Trade, Trans., & Util.	27,100	28,100	29,100	30,200	31,400	32,800
Wholesale Trade	4,500	4,800	5,100	5,500	6,400	6,800
Retail Trade	17,100	17,600	18,500	19,300	19,200	20,100
Information	2,500	2,400	2,600	2,600	2,900	3,100
Financial Activities	6,300	5,700	5,600	5,700	6,000	6,100
Prof. & Bus. Svcs.	7,700	7,600	7,400	7,500	7,800	8,300
Edu. & Health Svcs.	14,900	15,300	15,700	16,100	16,800	18,200
Leisure & Hospitality	9,600	10,100	10,200	10,300	10,600	11,000
Other Services	4,900	5,100	5,200	5,200	5,300	5,500
Government	26,500	26,500	26,800	27,500	27,500	28,000
Federal	6,200	6,100	6,000	6,200	5,900	5,800
State	3,500	3,300	3,200	3,200	3,200	3,100
Local	16,700	17,100	17,600	18,200	18,400	19,100

Note: Numbers may not add to totals due to rounding.

Source: New York State Department of Labor

Table 2
Nonfarm Employment by Industry
Newburgh HMA
1994 to April 1, 2005 (2 of 2)

Employment Sector	2000	2001	2002	2003	2004	Previous 12 Mos.	Current 12 Mos.
Total Nonfarm	131,300	132,600	134,800	136,700	139,200	137,300	139,800
Total Private	102,800	103,600	104,800	106,500	108,900	107,000	109,400
Goods-Producing	16,600	15,900	15,100	14,600	14,300	14,500	14,200
Nat. Res. & Mining	5,300	5,600	5,600	5,600	5,700	5,600	6,700
Manufacturing	11,300	10,200	9,500	9,000	8,600	8,900	8,600
Service-Providing	114,800	116,800	119,700	122,100	124,900	122,900	125,600
Trade, Trans., & Util.	33,200	33,900	34,700	35,100	35,800	35,200	36,000
Wholesale Trade	7,000	7,700	7,900	7,800	8,000	7,900	8,000
Retail Trade	20,400	20,700	21,500	21,900	22,300	22,000	22,400
Information	3,000	3,100	2,700	2,600	2,500	2,500	2,400
Financial Activities	5,800	5,700	5,800	6,000	6,300	6,100	6,400
Prof. & Bus. Svcs.	9,300	9,800	9,900	10,200	10,300	10,200	10,300
Edu. & Health Svcs.	18,400	18,400	18,800	19,400	19,900	19,500	20,000
Leisure & Hospitality	10,900	11,200	11,900	12,700	13,800	13,100	13,900
Other Services	5,600	5,600	5,800	5,900	6,000	5,900	6,100
Government	28,600	29,100	30,000	30,200	30,400	30,300	30,400
Federal	6,000	5,600	5,800	5,900	5,400	5,400	5,400
State	3,100	3,300	3,200	3,200	3,200	3,200	3,200
Local	19,400	20,200	21,100	21,600	21,800	21,700	21,800

Note: Numbers may not add to totals due to rounding.

Source: New York State Department of Labor

Table 3
Population and Household Trends
Newburgh HMA
April 1, 1990 to April 1, 2007

	April 1, 1990	April 1, 2000	Current Date	Forecast Date	Average Annual Change					
					1990 to 2000		2000 to Current		Current to Forecast	
					Number	Rate (%)	Number	Rate (%)	Number	Rate (%)
Population										
Newburgh HMA	335,613	387,669	419,900	432,300	5,206	1.6	6,450	1.7	6,200	1.5
Orange County	307,647	341,367	363,700	372,100	3,372	1.1	4,470	1.3	4,200	1.2
Pike County	27,966	46,302	56,200	60,200	1,834	6.6	1,980	4.3	2,010	3.6
Households										
Newburgh HMA	112,042	132,221	144,600	149,300	2,018	1.8	2,470	1.9	2,350	1.6
Orange County	101,506	114,788	123,500	126,700	1,328	1.3	1,740	1.5	1,600	1.3
Pike County	10,536	17,433	21,100	22,600	690	6.5	730	4.2	750	3.6

Notes: Rate of change is calculated on a compound basis.
 Numbers may not add to totals due to rounding.

Sources: 1990 and 2000—U.S. Census Bureau
 Current and Forecast—Estimates by analyst

Table 4
Housing Inventory, Tenure, and Vacancy
Newburgh HMA
1990, 2000, and April 1, 2005

	Newburgh HMA			Orange County			Pike County		
	1990	2000	Current	1990	2000	Current	1990	2000	Current
Total Housing Inventory	141,666	157,435	168,400	110,814	122,754	131,100	30,852	34,681	37,300
Occupied Units	112,042	132,221	144,600	101,506	114,788	123,500	10,536	17,433	21,100
Owners	77,245	91,734	102,200	68,470	76,959	83,750	8,775	14,775	18,450
%	68.9	69.4	70.7	67.5	67.0	67.8	83.3	84.8	87.5
Renters	34,797	40,487	42,400	33,036	37,829	39,750	1,761	2,658	2,650
%	31.1	30.6	29.3	32.5	33.0	32.2	16.7	15.2	12.5
Vacant Units	29,624	25,214	23,800	9,308	7,966	7,600	20,316	17,248	16,200
Available Units	4,782	3,619	3,400	4,133	2,901	2,630	649	718	770
For Sale	2,300	1,748	1,700	1,849	1,191	1,070	451	557	630
Rate (%)	2.9	1.9	1.6	2.6	1.5	1.3	4.9	3.6	3.3
For Rent	2,482	1,871	1,700	2,284	1,710	1,560	198	161	140
Rate (%)	6.7	4.4	3.9	6.5	4.3	3.8	10.1	5.7	5.0
Other Vacant	24,842	21,595	20,400	5,175	5,065	4,970	19,667	16,530	15,430

Note: Number may not add to totals due to rounding.
Sources: 1990 and 2000—U.S. Census Bureau
Current—Estimates by analyst

Table 5
Residential Building Permit Activity
Newburgh HMA
1995 to April1, 2005 (1 of 2)

	1995	1996	1997	1998	1999
Newburgh HMA					
Total	1,861	2,429	1,548	1,940	2,275
Single-family	1,373	1,421	1,427	1,695	1,877
Multifamily	488	1,008	121	244	398
Orange County					
Total	1,435	1,968	1,158	1,559	1,842
Single-family	947	996	1,037	1,315	1,444
Multifamily	488	972	121	244	398
Pike County					
Total	426	461	390	381	433
Single-family	426	425	390	381	433
Multifamily	0	36	0	0	0

Source: U.S. Census Bureau, Building Permits Survey

Table 5
Residential Building Permit Activity
Newburgh HMA
1995 to April 1, 2005 (2 of 2)

	2000	2001	2002	2003	2004	2005
Newburgh HMA						
Total	2,475	2,533	2,852	2,752	2,846	495
Single-family	2,124	2,182	2,540	2,283	2,546	446
Multifamily	352	351	312	470	299	49
Orange County						
Total	2,000	2,012	2,129	1,896	1,814	310
Single-family	1,655	1,666	1,817	1,427	1,515	261
Multifamily	346	346	312	470	299	49
Pike County						
Total	475	521	723	856	1,032	185
Single-family	469	516	723	856	1,032	185
Multifamily	6	5	0	0	0	0

Note: 2005 includes data through April 1.
Source: U.S. Census Bureau, Building Permits Survey

Table 6
Estimated Qualitative Demand for New Market-Rate Rental Housing
Newburgh HMA
April 1, 2005 to April 1, 2007

One Bedroom		Two Bedrooms		Three Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
1,100	155	1,500	260	1,900	85
1,150	135	1,550	215	1,950	70
1,200	120	1,600	195	2,000	65
1,250	110	1,650	165	2,050	55
1,300	90	1,700	135	2,100	50
1,350	75	1,750	110	2,150	45
1,400	60	1,800	85	2,200	40
1,500	45	1,900	70	2,300	35
1,600	35	2,000	55	2,400	30
1,700	22	2,100	40	2,500	15
1,800 or higher	20	2,200 or higher	30	2,600 or higher	10

Notes: Distribution above is noncumulative.
 Numbers have been rounded for comparison.
 Source: Estimates by analyst