

HUD PD&R Regional Reports

Region 2: New York/New Jersey



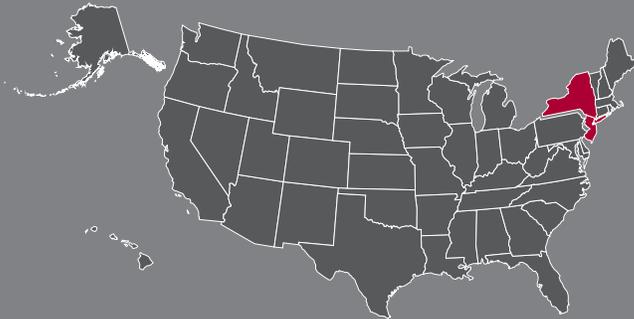
Newark, New Jersey

By Patricia Moroz | 3rd quarter 2015

Quick Facts About Region 2

● **Sales market conditions—**
Third quarter 2015: balanced.
Second quarter 2015: balanced.
Third quarter 2014: balanced.

● **Apartment market conditions—**
Third quarter 2015: mixed (balanced to tight).
Second quarter 2015: mixed (balanced to tight).
Third quarter 2014: mixed (balanced to tight).



Overview

The economy in the New York/New Jersey region expanded at a slightly faster rate during the third quarter of 2015 than during the past 2 years. Sales housing markets in the New York/New Jersey region were balanced during the third quarter of 2015. In response to stronger sales and rising prices in most areas, the rate of homebuilding in the region also increased. Apartment markets ranged from balanced to tight in the region, and the number of apartment units in lease up during the third quarter of 2015 was down from a year earlier. Apartment vacancy rates declined and rents increased in many areas of the region.

- All but two nonfarm payroll sectors in the New York/New Jersey region added jobs during the third quarter of 2015; the education and health services sector has added the most jobs of any sector in the region each quarter since the second quarter of 2013.
- The New York/New Jersey region, which has had the highest percentage of home loans that were seriously delinquent (those 90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status among all 10 HUD regions since October 2012, continues to work through the backlog of loans in the foreclosure process.
- The number of apartment units in lease up in the region declined 20 percent, to 2,900 units, during the third quarter of 2015 from a year earlier (McGraw-Hill Construction Pipeline database); apartment market conditions remained tight in New York City (NYC) and in Central New Jersey.



The education and health services sector led the growth in the New York/New Jersey region during the third quarter of 2015.

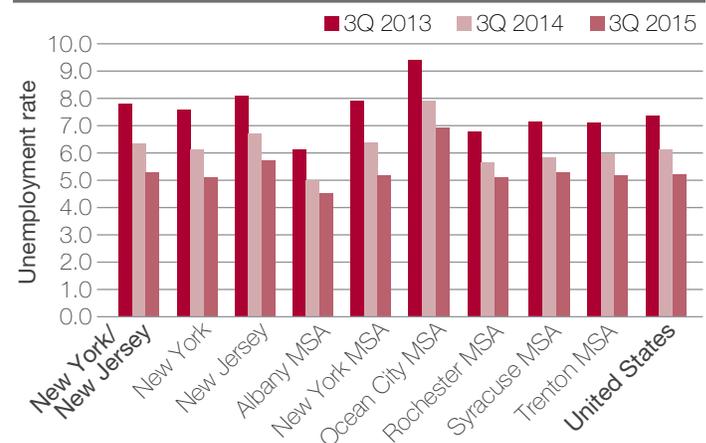
	Third Quarter		Year-Over-Year Change	
	2014 (thousands)	2015 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	13,079.0	13,285.6	206.6	1.6
Goods-producing sectors	1,218.1	1,242.5	24.4	2.0
Mining, logging, and construction	520.6	541.2	20.6	4.0
Manufacturing	697.5	701.3	3.8	0.5
Service-providing sectors	11,860.9	12,043.1	182.2	1.5
Wholesale and retail trade	1,954.8	1,969.5	14.7	0.8
Transportation and utilities	435.4	449.8	14.4	3.3
Information	340.4	339.0	- 1.4	- 0.4
Financial activities	949.4	950.2	0.8	0.1
Professional and business services	1,889.9	1,915.2	25.3	1.3
Education and health services	2,430.3	2,509.4	79.1	3.3
Leisure and hospitality	1,295.8	1,326.2	30.4	2.3
Other services	567.0	587.2	20.2	3.6
Government	1,997.8	1,996.5	- 1.3	- 0.1

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

Economic Conditions

The economy of the New York/New Jersey region expanded at a moderate pace during the third quarter of 2015. Nonfarm payrolls averaged 13.29 million jobs in the region during the third quarter of 2015, an increase of 206,600 jobs, or 1.6 percent, from a year earlier. Nonfarm payrolls increased an average of 1.4 percent during the past 5 years in the region; by comparison, growth averaged 0.8 percent during the previous expansion from 2004 through 2008. New York led the job growth in the region during the third quarter of 2015, although at a slightly slower pace than a year earlier, while economic conditions continued to improve in New Jersey, sustaining the recovery that began in 2010. The education and health services and the leisure and hospitality sectors gained the most jobs in the region during the third quarter of 2015, increasing by 79,100 and 30,400 jobs, or 3.3 and 2.3 percent, respectively. The education and health services sector led the growth in each state, increasing by 64,400 jobs, or 3.6 percent, in New York and by 14,600 jobs, or 2.3 percent, in New Jersey. The mining, logging, and construction sector added payrolls at the highest rate among all sectors in the region, at 4.0 percent. All the net increase in jobs was in the construction subsector, in which New Jersey gained 7,500 jobs, or 5.0 percent, and New York gained 13,500 jobs, or 3.7 percent. The unemployment rate for the region averaged 5.3 percent, down from 6.3 percent a year earlier. State unemployment rates declined to 5.7 percent in New Jersey and to 5.1 percent in New York.

Unemployment rates in the New York/New Jersey region declined at approximately the same pace as the decrease in the national rate.



3Q = third quarter. MSA = metropolitan statistical area.
Source: U.S. Bureau of Labor Statistics

During the third quarter of 2015—

- Nonfarm payrolls increased 1.8 percent, to 9.26 million, in New York and 1.2 percent, to 4.02 million, in New Jersey. A year earlier, the rate was slightly higher, at 1.9 percent, in New York and lower, at 0.7 percent, in New Jersey. The recovery continued in New Jersey, where payrolls remain 64,400 below the peak of 4.09 million jobs in the third quarter of 2007. In New York, nonfarm payrolls increased an average of 1.6 percent during the past 5 years compared with an average growth rate of 1.0 percent during the previous expansion from 2004 through 2008.

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- In New York, the leisure and hospitality sector added 20,900 jobs, an increase of 2.3 percent, accounting for the third largest gain among all sectors in the state, with nearly 20 percent of the jobs added in the amusement, gambling, and recreation industries. In December 2014, the state approved the construction of three new casinos totaling \$1.4 billion, which are to be developed in Schenectady, Seneca, and Sullivan Counties and are expected to add more than 5,000 jobs on opening in early 2017.
- In New Jersey, the 4.7-percent increase in the transportation and utilities sector was the largest percentage increase of any sector in the state. The transportation and warehousing industry added 7,000 jobs, an increase of 4.6 percent. Approximately 10 new warehouse distribution centers were completed in New

Jersey during the 12 months ending September 2015, with a combined construction cost of \$239.0 million and a total of 2.22 million square feet (McGraw-Hill Construction Pipeline database).

- In NYC, nonfarm payrolls increased by 91,600 jobs, or 2.2 percent, compared with a 3.3-percent increase a year earlier. The education and health services, professional and business services, and leisure and hospitality sectors accounted for more than two-thirds of the jobs added in NYC; the professional and business services sector added an average of 21,350 jobs, or 3.5 percent, during the third quarters of 2010 through 2015.
- The financial activities sector in NYC expanded by 8,200 jobs, or 1.8 percent, although the sector remains 9,100 jobs below the previous peak of 472,000 jobs in the third quarter of 2007.

Sales Market Conditions

Sales housing market conditions in the New York/New Jersey region were balanced during the third quarter of 2015, unchanged from the previous year. Home sales increased throughout the region, an improvement from the third quarter of 2014, when home sales were flat or declined in many areas. The average number of days a home remained for sale on the market decreased in both states during September 2015, declining by 5 days, to 86, in New York and by 3 days, to 82, in New Jersey (New York State Association of Realtors®, Inc.; New Jersey Association of Realtors®). The number of days on the market has declined for the past 3 years in

each state; by comparison, in September 2012, homes remained on the market 30 days longer in New York, at 116 days, and 25 days longer in New Jersey, at 107 days. In New Jersey, home sales increased 7 percent, to 62,300 homes, during the 12 months ending September 2015; the increase in sales was led by Essex, Middlesex, and Camden Counties in Northern, Central, and Southern New Jersey, respectively. In September 2015, 8.1 percent of home loans in the region were seriously delinquent or had transitioned into REO status, a decrease from 8.3 percent a year ago. The percentage declined from 7.7 to 7.3 percent in New York and

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Home sales and sales prices increased throughout most of the New York/New Jersey region during the third quarter of 2015.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2014	2015	Percent Change		2014 (\$)	2015 (\$)	Percent Change
New York* (E)	September	106,900	107,800	1	AVG	318,100	325,100	2
New York City (N&E—1–3 family)	September	20,200	21,850	8	AVG	638,100	691,000	8
New York City (N&E—condo & co-op)	September	25,500	25,600	0	AVG	971,900	1,054,000	8
Albany MSA** (N&E)	July	10,900	11,300	4	AVG	203,200	202,900	0
Buffalo MSA** (E)	September	10,350	10,800	4	AVG	147,300	151,000	3
Rochester MSA** (E)	September	11,050	11,750	6	AVG	153,200	161,900	6
New Jersey*** (E)	September	58,200	62,300	7	AVG	398,500	403,400	1
Northern New Jersey*** (E)	September	22,900	25,050	9	MED	217,000–449,000	212,750–455,000	NA
Central New Jersey**** (E)	September	15,750	16,850	7	MED	240,000–491,500	275,000–463,750	NA
Southern New Jersey*** (E)	September	19,500	20,400	5	MED	125,000–335,500	131,250–339,500	NA

AVG = average. condo = condominium. co-op = cooperative. E = existing. MED = median. MSA = metropolitan statistical area. NA = data not available. N&E = new and existing.

*Excludes parts of New York City and includes single-family homes, townhomes, and condominiums. **Includes single-family homes, townhomes, and condominiums.

Includes only single-family homes. *Includes only single-family homes in Hunterdon, Mercer, Middlesex, Monmouth, and Somerset Counties.

Sources: Buffalo Niagara Association of Realtors®; CoreLogic, Inc., with adjustments by the analyst; Greater Rochester Association of Realtors®, Inc.; New Jersey Association of Realtors®; New York State Association of Realtors®, Inc.; Real Estate Board of New York



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remained unchanged at 9.3 percent in New Jersey (Black Knight Financial Services, Inc.). Distressed sales (REO and short sales) accounted for 10 percent of existing home sales in the region during the second quarter of 2015 (the best representative data available), unchanged from a year earlier; the proportions of distressed sales were 8 percent in New York and 14 percent in New Jersey (CoreLogic, Inc.). By comparison, distressed sales for the nation declined from 14 to 12 percent during the same period, an indication that the foreclosure process is slower in the New York/New Jersey region because New York and New Jersey are judicial states.

The NYC sales housing market was balanced in the third quarter of 2015. In Manhattan, during the 12 months ending September 2015, the number of new and existing condominiums and cooperatives sold decreased 2 percent, to 13,400 units, and the average sales price increased 11 percent, to \$1.62 million. Condominium sales were relatively unchanged from a year ago in Manhattan, and the average price increased 11 percent after an increase of 8 percent a year earlier (Real Estate Board of New York). In Brooklyn and Queens, average home prices (including condominiums, cooperatives, and one- to three-family homes) increased 14 and 8 percent, to \$768,100 and \$475,000, respectively. Home sales increased 4 and 6 percent in Brooklyn and Queens, to 11,650 and 14,900 homes, respectively. In the Bronx, home sales were up 20 percent, to a record 3,175 homes, and the average price increased 7 percent, to \$375,100. On Staten Island, home sales increased 7 percent, to 4,175 homes, and the average price rose 4 percent, to \$425,200.

During the third quarter of 2015 (preliminary data)—

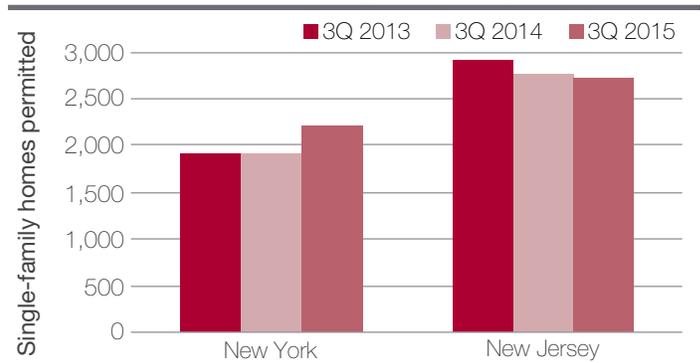
- Builders responded to strengthening sales market conditions in the New York/New Jersey region, and the number of single-family homes permitted increased by 270, or 6 percent, to 4,975 homes compared with the number permitted during the third quarter of 2014. By comparison, homebuilding increased 5 percent nationally during the third quarter of 2015.

Apartment Market Conditions

Apartment market conditions were mixed (ranging from balanced to tight) in the New York/New Jersey region during the third quarter of 2015, unchanged from the third quarter of 2014. Conditions were balanced in Southern New Jersey, but the apartment market became tighter in Central New Jersey, where the vacancy rate declined from 3.0 to 2.4 percent (Reis, Inc.). The apartment market in Northern New Jersey has been balanced since the first quarter of 2014, and the vacancy rate decreased to 4.0 percent from 4.3 percent a year ago. In New York, apartment markets were mixed, ranging from balanced to tight conditions. In NYC, the vacancy rate declined slightly to 2.7 percent compared with the rate of 2.8 percent a year earlier; the average rent increased 6 percent, to \$3,482, during the past year compared with an average increase

- In New Jersey, the number of single-family homes permitted decreased 2 percent from a year ago, to 2,750. Despite the recent decline, as a result of continued economic growth and moderate increases in home prices, the current level of homebuilding is 16 percent more than the average of 2,175 homes permitted during the third quarters from 2008 through 2010, when the New Jersey economy contracted.
- In New York, the number of single-family homes permitted increased 16 percent, to 2,225 homes. This level of construction is 36 percent more than the average of 1,640 homes permitted during the third quarters of 2009 and 2010, when economic conditions in New York were weak.
- Single-family construction activity increased 22 and 82 percent in the Buffalo and Trenton metropolitan areas, to 250 and 110 homes, respectively.

Homebuilding in the New York/New Jersey region remained relatively steady in New Jersey and increased in New York during the third quarter of 2015.



3Q = third quarter.

Note: Based on preliminary data.

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

of 4 percent nationally. The Long Island apartment market was slightly tight; the vacancy rate, which has remained below 4.0 percent for more than a decade, was 3.2 percent. The Ithaca apartment market was balanced compared with tight conditions a year ago, with the completion of the 355-unit Collegetown Terrace apartments near Cornell University. The apartment markets in Albany and Syracuse were tight compared with balanced to slightly tight conditions a year ago. In Albany, the vacancy rate declined to 1.7 percent in the third quarter of 2015 and the average rent increased 2 percent, to \$1,043 (MPF Research). Approximately 230 apartment units were completed in Albany during the 12 months ending September 2015, and an additional 760 units are currently under construction (McGraw-Hill Construction Pipeline database).

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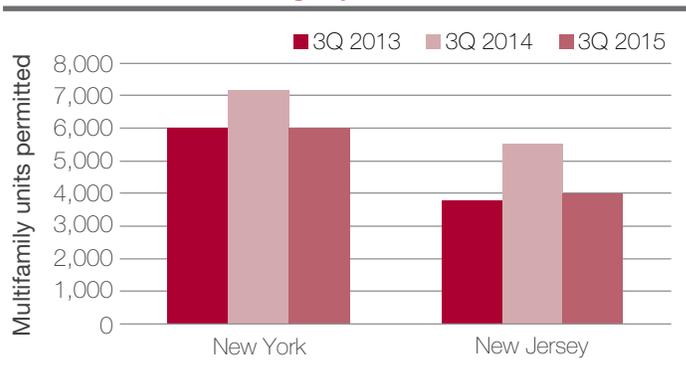
In Syracuse, the vacancy rate was 2.5 percent, down from 3.5 percent a year ago, despite the completion of nearly 100 apartment units during the past year, and an additional 170 units are currently under construction (MPF Research; McGraw-Hill Construction Pipeline database).

During the third quarter of 2015 (preliminary data)—

- After multifamily permitting increased a year ago, approximately 10,000 multifamily units were permitted in the region, down 21 percent from a year ago and 36 percent below the previous peak of 13,550 units permitted in the third quarter of 2006 (preliminary data).
- In New York, multifamily construction activity declined 16 percent, to 6,050 units. The current level is 56 percent below the recent peak of 9,425 multifamily units permitted during the third quarter of 2006 (preliminary data).
- In New Jersey, the number of units permitted decreased 27 percent, to 4,000 units, after an increase of 50 percent a year ago.
- Multifamily construction activity declined by 3,550 units, or 32 percent, in the New York-Northern New Jersey metropolitan area,

to 7,425 units, compared with the number of units permitted a year ago. By contrast, multifamily permitting more than doubled to 670 units in the Albany metropolitan area after a 44-percent increase during the third quarter of 2014.

Multifamily permitting declined in both states in the New York/New Jersey region during the third quarter of 2015 after increasing a year earlier.



3Q = third quarter.
 Note: Based on preliminary data.
 Source: U.S. Census Bureau, Building Permits Survey

Apartment markets in the New York/New Jersey region were balanced to tight during the third quarter of 2015, with average rent increases of 2 to 6 percent in most areas.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		3Q 2014 (%)	3Q 2015 (%)	Percentage Point Change	3Q 2014 (\$)	3Q 2015 (\$)	Percent Change
Albany ^a	Tight	3.6	1.7	- 1.9	1,020	1,043	2
Central New Jersey ^b	Tight	3.0	2.4	- 0.6	1,252	1,282	2
Long Island ^b	Slightly tight	3.0	3.2	0.2	1,680	1,745	4
New York City ^b	Tight	2.8	2.7	- 0.1	3,285	3,482	6
Northern New Jersey ^b	Balanced	4.3	4.0	- 0.3	1,668	1,712	3
Syracuse ^a	Tight	3.5	2.5	- 1.0	776	795	2
Westchester ^b	Slightly tight	3.2	3.0	- 0.2	1,988	2,037	2

3Q = third quarter.
 Sources: Market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—(a) MPF Research; (b) Reis, Inc.

