

HUD PD&R Regional Reports

Region 2: New York/New Jersey

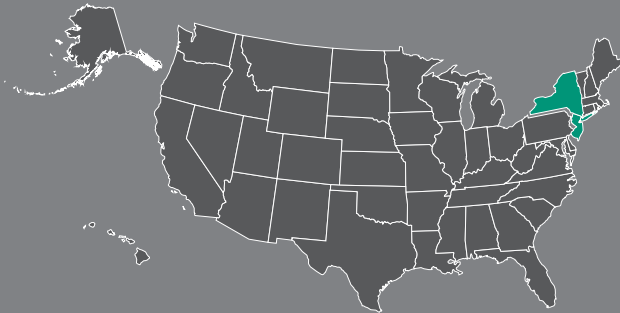


Quick Facts About Region 2

New York, New York

By Sam Young | 1st quarter 2017

- **Sales market conditions—**
First quarter 2017: balanced.
Fourth quarter 2016: balanced.
First quarter 2016: balanced.
- **Apartment market conditions—**
First quarter 2017: mixed (balanced to tight).
Fourth quarter 2016: mixed (balanced to tight).
First quarter 2016: mixed (balanced to tight).



Overview

The economy in the New York/New Jersey region continued a steady expansion during the first quarter of 2017, with nonfarm payrolls increasing 1.4 percent from a year earlier, equal to the average annual rate of the previous 6 years. Regional job growth has been below the national growth rate of 1.8 percent since 2010. Despite slower job growth compared with the nation, unemployment rates continued to decline in the region. The unemployment rate in the region averaged 4.7 percent in the first quarter of 2017, down from 5.3 percent a year ago. The population remained unchanged from 2015 to 2016 because net out-migration offset gains from net natural change (resident births minus resident deaths). Despite strong home sales, sales housing market conditions were balanced in most metropolitan areas in the region. In the first quarter of 2017, prices for existing homes increased in New York and declined in New Jersey. Apartment market conditions ranged from balanced to tight in most metropolitan areas in the region.

During the first quarter of 2017—

- Growth in the education and health services and the professional and business services sectors led overall payroll gains, accounting for more than 70 percent of jobs added in the region.
- Home sales in New Jersey and New York during the 12 months ending March 2017 were up 18 and 8 percent, respectively,

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from a year earlier, and sales in New York City (NYC) rose 6 percent. Despite the increased sales demand, single-family home construction in the region remained unchanged from a year ago.

- In the major metropolitan apartment markets in the region, rent growth ranged from 3 to 7 percent, and tight apartment market

conditions in some metropolitan areas resulted in increased multifamily permitting. Gains in the New York-Northern New Jersey metropolitan area contributed to a large increase for the state of New York. However, the number of multifamily units permitted was down in New Jersey.

Economic Conditions

The economic expansion in the New York/New Jersey region that began in 2011 continued in the first quarter of 2017, although at a more moderate pace than the nation. Regional nonfarm payrolls increased by 184,600 jobs, or 1.4 percent, from a year earlier to 13.38 million jobs compared with a rise of 1.6 percent nationally. Nonfarm payroll growth in the region averaged 1.4 percent a year from 2010 through 2016, below the national rate of 1.8 percent. The goods-producing sectors as a whole lost jobs in the first quarter of 2017 because of an 11,300-job decline in the manufacturing sector. An increase of 3,500 jobs in the mining, logging, and construction sector, the result of increased regional multifamily building activity and more alterations and renovations to buildings in NYC, offset some of the losses. The NYC Department of Buildings issued 5,650 alteration and renovation permits, with a value of \$9.3 billion in 2016, up 14 percent, or \$200 million, from 2015 (New York Building Congress). Labor market conditions in the region continued to tighten in the first quarter of 2017. The unemployment rate in the

region averaged 4.7 percent, down from 5.3 percent a year earlier. The unemployment rates for New Jersey (4.7 percent) and New York (4.8 percent) in the first quarter of 2017 were slightly less than the national average of 4.9 percent.

During the first quarter of 2017—

- Nonfarm payrolls increased in New York and New Jersey by 127,000 and 57,600 jobs, respectively, or 1.4 percent each. Increases in the service-providing sectors led gains, with the strongest gains in the education and health services sector, which added 80,000 jobs, or 3.1 percent, from the first quarter of 2016.
- The transportation and utilities sector had the strongest percentage gain at 6.3 percent. In New Jersey, total cargo tonnage loaded through the Port of New York and New Jersey increased more than 6 percent in 2016, supporting the increase in this sector (The Port of New York and New Jersey).

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Gains in most sectors offset the decline in the manufacturing sector in the New York/New Jersey region during the first quarter of 2017.

	First Quarter		Year-Over-Year Change	
	2016 (thousands)	2017 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	13,195.5	13,380.1	184.6	1.4
Goods-producing sectors	1,184.8	1,177.1	- 7.7	- 0.6
Mining, logging, and construction	494.3	497.8	3.5	0.7
Manufacturing	690.5	679.2	- 11.3	- 1.6
Service-providing sectors	12,010.8	12,203.0	192.2	1.6
Wholesale and retail trade	1,929.1	1,939.3	10.2	0.5
Transportation and utilities	469.1	483.8	14.7	3.1
Information	335.0	339.2	4.2	1.3
Financial activities	951.0	957.3	6.3	0.7
Professional and business services	1,897.6	1,948.0	50.4	2.7
Education and health services	2,605.6	2,685.6	80.0	3.1
Leisure and hospitality	1,195.7	1,211.7	16.0	1.3
Other services	567.1	571.6	4.5	0.8
Government	2,060.5	2,066.5	6.0	0.3

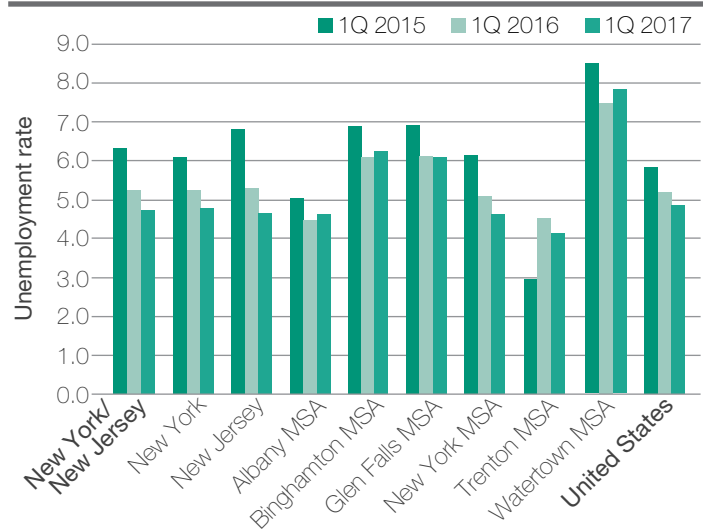
Note: Numbers may not add to totals because of rounding.
Source: U.S. Bureau of Labor Statistics



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- In New York, the strongest percentage growth was in the education and health services sector. The sector expanded 3.2 percent to nearly 2.0 million jobs. Every sector in the state increased, except for a decline in the manufacturing sector, where employment fell by 13,800 jobs, or 3.1 percent, with much of the decline occurring in NYC and the Rochester metropolitan area.
- In NYC, nonfarm payrolls increased 91,900 jobs, or 2.1 percent. Job growth in NYC was strongest in the education and health services sector, which increased by 61,100 jobs, or 6.8 percent. More than 75 percent of the sector growth in the region occurred in NYC.
- The financial activities sector in NYC increased by 7,200 jobs, or 1.6 percent, to 464,400 jobs. By comparison, the sector recorded an average annual gain of 2.5 percent from 2013 through 2015 but declined an average of 0.2 percent annually in 2011 and 2012.

Unemployment rates continued to decline in the New York/New Jersey region, although labor force gains led to increases in some metropolitan areas.



1Q = first quarter. MSA = metropolitan statistical area. Source: U.S. Bureau of Labor Statistics

Population

The population of the New York/New Jersey region remained essentially flat, increasing by only 7,150, or less than 0.1 percent, from 2015 to 2016 (Census Bureau population estimates as of July 1), making it the lowest rate among the 10 HUD regions. The lower population growth was mostly caused by net out-migration of 89,600 people. New York and New Jersey ranked second and third in the nation for the highest net out-migration during the period, behind Illinois. This net out-migration occurred despite international in-migration of 168,600 people to the region, of which 70 percent went to New York. By comparison, from 2010 to 2015, the average annual net out-migration from the region was lower, at 25,500 people.

During the 12 months ending July 1, 2016—

- In New Jersey, the population increased by 9,050, or 0.1 percent, down from an average gain of 26,350, or 0.3 percent, annually from 2010 to 2015. All the population growth was attributable to net natural change, which more than offset net out-migration of 16,700 people.
- In New York, the population decreased by 1,900, or less than 0.1 percent. Annual population growth has steadily declined since 2010, falling from 116,900, or 0.6 percent, from 2009 to 2010, to 28,700, or 0.2 percent, from 2014 to 2015. Growth occurred from 2015 to 2016 in the Albany and Ithaca metropolitan areas; however, the overall population in the state outside of NYC remained relatively unchanged.

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Population growth slowed to virtually zero in the New York/New Jersey region.

	Population Estimate (as of July 1)			Percent Change	
	2014	2015	2016	2014 to 2015	2015 to 2016
United States	318,563,456	320,896,618	323,127,513	0.7	0.7
New York/New Jersey region	28,643,516	28,682,604	28,689,758	0.1	0.0
New York	19,718,515	19,747,183	19,745,289	0.1	0.0
New York City	8,471,990	8,516,502	8,537,673	0.5	0.2
New Jersey	8,925,001	8,935,421	8,944,469	0.1	0.1

Source: U.S. Census Bureau



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- New York ranked third highest among states, after California and Florida, for international in-migration from 2015 to 2016, at 118,500 people. Domestic out-migration was highest in New York, at 191,400 people, more than offsetting international in-migration and net natural increase.

- In NYC, the rate of population growth also slowed, falling from an average of 64,900 people, or 0.8 percent, annually from 2010 to 2015 to 21,200 people, or 0.2 percent. The Bronx and Staten Island were the fastest growing boroughs, with growth rates of 0.5 and 0.4 percent, respectively.

Sales Market Conditions

Sales housing markets remained balanced in the New York/New Jersey region during the first quarter of 2017. The supply of homes for sale decreased, but home sales increased. In New York, the number of home sales increased 8 percent during the 12 months ending March 2017 from a year ago, and new listings declined 9 percent (New York State Association of Realtors®). Consequently, the inventory of homes for sale declined 20 percent to 61,900 homes, or a 5.5-month supply, in the first quarter of 2017, down from 76,900 homes, or a 7.2-month supply, a year earlier. The increased sales and declining inventory in New York were partly responsible for an increase in the average home sales price of more than 3 percent to \$333,200. Home sales in New Jersey increased 18 percent to 76,100 sales during the 12 months ending March 2017, and new listings increased nearly 6 percent. As a result, the supply of homes for sale decreased to 5.4 months in March 2017, from 7.8 months a year ago (New Jersey Association of Realtors®). Despite this decline, sales prices fell 2 percent during the 12 months ending March 2017.

The NYC housing market was balanced in the first quarter of 2017. In Brooklyn, during the 12 months ending March 2017, home sales remained unchanged at 11,500 homes, but the average price increased more than 9 percent to \$877,000. In Brooklyn, 36 condominiums, priced at more than \$10 million, sold during the first quarter of 2017 compared with 26 units a year earlier, supporting overall price gains. On Staten Island, home sales increased nearly 19 percent to 5,600 homes, and the average price rose nearly 9 percent to \$473,000. In Manhattan, the number of new and existing condominiums and cooperatives sold decreased 27 percent to 9,650 units, but the average sales price increased nearly 20 percent to \$2.01 million (Real Estate Board of New York). A 36-percent increase in the average condominium price in the Midtown East neighborhood drove part of the steep price increase in Manhattan. In Queens and the Bronx, average home prices (including condominiums, cooperatives, and one- to three-family homes) increased 7 and 5 percent, to \$529,000 and \$396,000, respectively. Home sales remained essentially flat in Queens at 15,400 homes, but rose 9 percent to 3,825 homes in the Bronx.

Increased home sales demand and decreased levels of for-sale inventory contributed to declines in the rates of seriously delinquent

mortgages (90 or more days delinquent or in foreclosure) and real estate owned (REO) properties in the region. In February 2017, 5.3 percent of mortgages in the region were seriously delinquent or had transitioned into REO status, down from 6.7 percent a year earlier (CoreLogic, Inc.). Seriously delinquent mortgage and REO property rates declined from 7.5 to 5.5 percent in New Jersey and from 6.2 to 5.1 percent in New York from February 2016 to February 2017. Despite the declines, New Jersey and New York still have the highest seriously delinquent mortgage and REO property rates in the nation, with both rates more than double the 2.5-percent national rate. The rates of seriously delinquent loans and REO properties in 12 of the 21 metropolitan areas in New Jersey and New York ranked in the top 20 nationally (CoreLogic, Inc.).

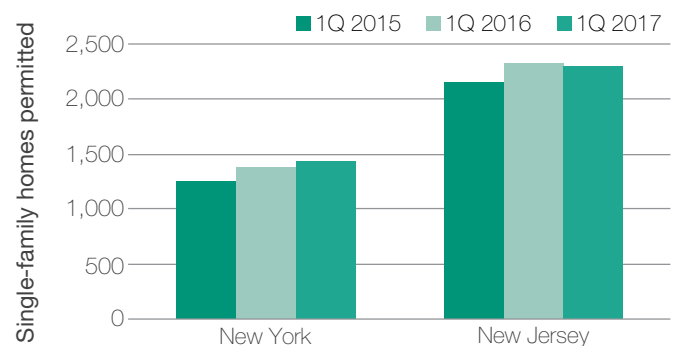
Despite continued economic growth and strong home sales demand, single-family construction activity in the region remained unchanged, with offsetting increases and decreases in permitting activity in metropolitan areas of New York and New Jersey.

During the first quarter of 2017 (preliminary data)—

- Construction of single-family homes in the region, as measured by the number of homes permitted, remained essentially unchanged at approximately 3,725 homes, compared with the first quarter of 2016.

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Homebuilding activity remained unchanged overall in the New York/New Jersey region during the first quarter.



1Q = first quarter.
 Note: Based on preliminary data.
 Source: U.S. Census Bureau, Building Permits Survey



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- In New Jersey, the number of single-family homes permitted decreased 1 percent from a year ago to 2,300 homes permitted. Permitting increased 33 percent each in the Ocean City and Vineland metropolitan areas, to 160 and 40 homes, from a year ago. These gains were offset by other declines in the state, including a 50-percent decline to 50 homes in the Atlantic City metropolitan area.
- In New York, the number of single-family homes permitted increased more than 3 percent to 1,425 homes. Small declines of 50 and 30 homes in the Albany and Rochester metropolitan areas, to 190 and 230 homes permitted, respectively, were mostly offset by gains in NYC.
- Homebuilding activity in the New York-Northern New Jersey-Long Island metropolitan area increased to 2,375 homes permitted, up more than 3 percent from a year ago.

Home sales and prices were mixed in the New York/New Jersey region in the 12 months ending March 2017.

	12 Months Ending	Number of Homes Sold			Price			
		2016	2017	Percent Change	Average or Median	2016 (\$)	2017 (\$)	Percent Change
New York* (E)	March	119,300	128,650	8	AVG	324,200	333,200	3
New York City (N&E—1–3 family)	March	22,847	23,810	4	AVG	701,500	732,400	4
New York City (N&E—condo & co-op)	March	25,675	25,300	-1	AVG	1,024,200	1,222,200	19
Albany MSA (N&E)	February	12,239	13,016	6	AVG	199,600	202,100	1
Buffalo MSA** (E)	March	11,379	12,106	6	AVG	152,500	154,900	2
Rochester MSA** (E)	March	12,053	11,586	-4	AVG	151,000	153,300	2
New Jersey*** (E)	March	64,200	76,075	18	AVG	396,400	388,400	-2
Northern New Jersey*** (E)	March	23,650	27,950	18	MED	201,000–429,500	190,000–442,500	NA
Central New Jersey**** (E)	March	17,550	19,850	13	MED	240,000–380,000	229,950–407,000	NA
Southern New Jersey*** (E)	March	21,850	27,150	24	MED	124,950–260,000	120,000–295,000	NA

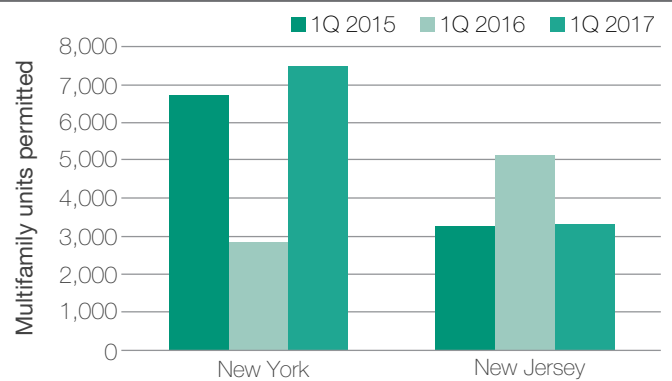
AVG = average. condo = condominium. co-op = cooperative. E = existing. MED = median. MSA = metropolitan statistical area. NA = data not available. N&E = new and existing. * Excludes parts of New York City and includes single-family homes, townhomes, and condominiums. ** Includes single-family homes, 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

Apartment Market Conditions

Apartment market conditions in the first quarter of 2016 were mixed in the New York/New Jersey region, ranging from balanced to tight in most metropolitan areas, unchanged from the previous year. Conditions were tight in Central New Jersey, with a vacancy rate of 2.3 percent in the first quarter of 2017, down slightly from the 2.4-percent rate a year earlier (Reis, Inc.). The tight apartment market led to a 3-percent increase in the average rent, to \$1,341. The apartment market in Northern New Jersey has been balanced to slightly tight since the first quarter of 2014, despite an 86-percent increase in the number of apartment units constructed, from 2,100 in 2013 to 3,900 during 2016 (Reis, Inc.). The vacancy rate declined slightly, to 3.6 percent from 3.7 a year earlier, and the average rent increased 3 percent, to \$1,832 a month. In New York, apartment market conditions were mixed. Apartment conditions remained balanced in NYC, with a 3.6-percent vacancy rate in the first quarter

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Multifamily permitting increased in the New York/New Jersey region, because gains in New York more than offset declines in New Jersey.



1Q = first quarter. Note: Based on preliminary data. Source: U.S. Census Bureau, Building Permits Survey



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of 2017, up from 3.1 percent a year earlier (Reis, Inc.). A large wave of new supply outpaced absorption during the past five quarters, and monthly asking apartment rents remained flat in the past year, averaging \$3,471 in the first quarter of 2017. In the Syracuse metropolitan area, apartment market conditions were tight, with a 2.3-percent vacancy rate, down from 2.8 percent a year earlier, and an average apartment rent of \$864, up 7 percent from a year ago (MPF Research). In the Long Island metropolitan area, apartment market conditions remained tight, with a 3.0-percent vacancy rate and a 4-percent increase in the average rent to \$2,001 in the first quarter of 2017. In the Westchester metropolitan area, the vacancy rate in the first quarter of 2017 was 3.5 percent, up from 3.1 percent a year earlier; the average monthly rent increased 4 percent, from \$2,036 to \$2,109 (Reis, Inc.).

The Albany metropolitan area had the highest level of net in-migration of the metropolitan areas in New York from 2015 to 2016, resulting in increased demand for apartment units. More than 1,350 new apartments were completed in the metropolitan area during 2016, compared with an average of 500 apartments completed annually from 2013 through 2015 (McGraw-Hill Construction Pipeline database). Despite this level of building activity, apartment market conditions remained tight, and the vacancy rate remained at 2.9 percent in the first quarter of 2017, equal to the rate in the first quarter of 2016 (MPF Research, Inc.). During the same period, the average apartment rent increased 7 percent from \$1,060 to \$1,129 a month.

Multifamily construction activity in the New York/New Jersey region increased from a year ago. During the first quarter of 2017 (preliminary data)—

- Approximately 10,850 multifamily units were permitted in the region, up 35 percent from the number permitted a year earlier

when levels of multifamily units permitted were unusually low. The multifamily construction low during the first quarter of 2016 was partly driven by reaction to the removal of the 421-A tax break in NYC, which had created incentives for multifamily development.

- In New York, multifamily construction more than doubled, to 7,500 units permitted. A small decrease of 90 units in the Buffalo metropolitan area was more than offset by gains in most other metropolitan areas. Multifamily construction in the Albany metropolitan area increased to 170 units permitted, from 100 units permitted during the first quarter of 2016. Building activity increased in the Rochester and Syracuse metropolitan areas, rising to 230 and 40 units from 40 and 30 units, respectively, a year earlier.
- Multifamily permitting in the New York-Northern New Jersey metropolitan area sharply increased to 9,600 units compared with 6,750 units permitted a year earlier. The current level of permitting is also more than 5 percent higher than the 9,100 units permitted during the first quarter of 2015 and 6 percent higher than the recent peak in the first quarter of 2006.
- In New Jersey, multifamily permitting decreased 35 percent from a year earlier, to approximately 3,350 units permitted, but is still elevated from an average of 2,375 units during the first quarters of 2010 through 2015. Building activity in the Atlantic City metropolitan area led declines, falling by 320 units, or 73 percent, from a year earlier. In the Trenton metropolitan area, multifamily construction decreased to 30 units, from 110 units a year ago. These declines were partly offset by a small gain of 10 units in the Ocean City metropolitan area to 70 units.

Despite balanced to tight rental market conditions in the New York/New Jersey region, rent increases were moderate in most areas during the first quarter.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		1Q 2016 (%)	1Q 2017 (%)	Percentage Point Change	1Q 2016 (\$)	1Q 2017 (\$)	Percent Change
Albany ^a	Tight	2.9	2.9	0.0	1,060	1,129	7
Central New Jersey ^b	Tight	2.4	2.3	-0.1	1,304	1,341	3
Long Island ^b	Tight	2.9	3.0	0.1	1,931	2,001	4
New York City ^b	Balanced	3.1	3.6	0.5	3,479	3,471	0
Northern New Jersey ^b	Slightly tight	3.7	3.6	-0.1	1,784	1,832	3
Syracuse ^b	Tight	2.8	2.3	-0.5	804	864	7
Westchester ^a	Slightly tight	3.1	3.5	0.4	2,036	2,109	4

1Q = first quarter.

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

