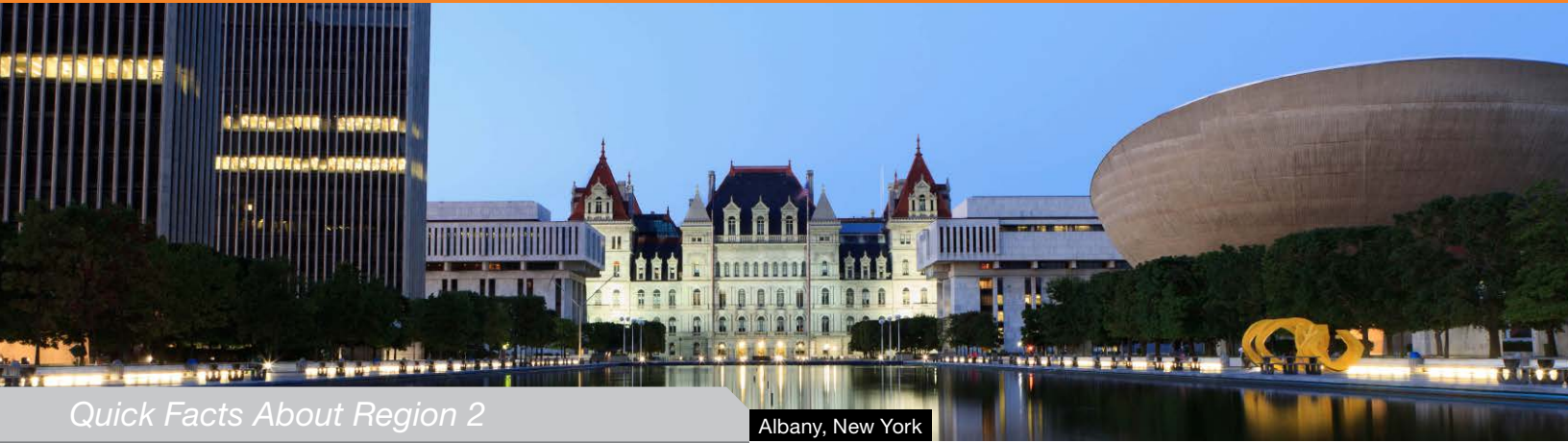


# HUD PD&R Regional Reports

## Region 2: New York/New Jersey

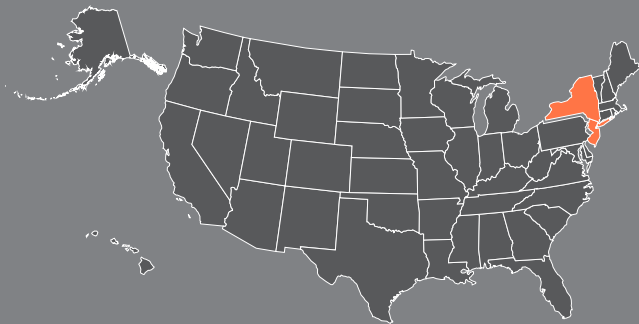


Albany, New York

By Sam Young | 2nd quarter 2017

### Quick Facts About Region 2

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



### Overview

The economy in the New York/New Jersey region continued to expand during the second quarter of 2017, and nonfarm payrolls are now nearly 7 percent higher than the previous peak in 2008. Nonfarm payrolls increased 1.3 percent from a year earlier in the second quarter of 2017. The current rate of economic growth is equal to the pace of average annual job gains from 2011 through 2016. Home sales demand increased, with sales of existing homes in the region up nearly 9 percent from the second quarter of 2016. Home sales prices rose modestly in the region, with moderate increases in New York partially offset by a slight decline in New Jersey. Despite job growth and home sales demand, single-family homebuilding fell 11 percent in New Jersey and 2 percent in New York. Apartment market conditions ranged from balanced to tight in the major metropolitan areas in the region. Permitting of multi-family units increased 8 percent in the region from a year earlier, led by a 51-percent gain in New York City (NYC).

During the second quarter of 2017—

- Growth in the education and health services and the professional and business services sectors led overall payroll gains and have accounted for 57 percent of job increases in the region since 2010. These sectors accounted for nearly 75 percent of total payroll growth during the second quarter of 2017, compared with about 50 percent during the second quarter of 2016.

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- Home sales in New Jersey and New York during the 12 months ending June 2017 were up 16 and 5 percent, respectively, from a year earlier, and sales in NYC rose 5 percent. Despite the increased sales demand, regional single-family home construction declined 7 percent from a year ago.
- Rent growth varied from little change to 6 percent in the metropolitan areas of the region, and multifamily permitting slowed in some metropolitan areas. Gains in the New York-Newark-Jersey City metropolitan area of 1,300 multifamily units permitted more than offset small declines in other metropolitan areas of the region.

## Economic Conditions

Economic conditions in the New York/New Jersey region have improved since late 2010. The regional economy expanded to a new peak in the second quarter of 2017. Nonfarm payrolls increased by 177,300 jobs, or 1.3 percent, from a year earlier, to 13.7 million jobs. The greatest percentage gain of 2.8 percent in job growth during the second quarter of 2017 occurred in each the professional and business services and the education and health services sectors. The education and health services sector added the most jobs during the second quarter of 2017, accounting for 42 percent of the regional job gain. Continued high levels of multifamily construction and ongoing nonresidential construction support job growth in the mining, logging, and construction sector. This sector grew by 6,000 jobs, or 1.1 percent, during the second quarter of 2017, with 82 percent of the growth occurring in NYC. The multi-year, \$10.2 billion Metropolitan Transportation Authority East Side Access project in NYC broke ground in 2016 and is currently the most expensive

public sector project under way in NYC (New York Building Congress). Labor market conditions continued to tighten in the second quarter of 2017, a trend that has occurred since 2012. The unemployment rate in the region averaged 4.3 percent, down from 4.7 percent a year earlier. State unemployment rates declined to 4.1 percent in New Jersey and 4.3 percent in New York in the second quarter of 2017; the national average was 4.2 percent.

During the second quarter of 2017—

- Nonfarm payrolls increased in New York and New Jersey by 127,000 and 50,300 jobs, or 1.3 and 1.2 percent, respectively. Increases in the service-providing sectors led gains, with the strongest gains in the education and health services sector, which added 73,800 jobs, or 2.8 percent, from the second quarter of 2016.

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### Gains in most sectors offset declines in the manufacturing and the wholesale and retail trade sectors in the New York/New Jersey region during the second quarter of 2017.

	Second Quarter		Year-Over-Year Change	
	2016 (thousands)	2017 (thousands)	Absolute (thousands)	Percent
<b>Total nonfarm payrolls</b>	13,518.4	13,695.7	177.3	1.3
Goods-producing sectors	1,235.0	1,229.5	- 5.5	- 0.4
Mining, logging, and construction	539.8	545.8	6.0	1.1
Manufacturing	695.2	683.7	- 11.5	- 1.7
Service-providing sectors	12,283.4	12,466.2	182.8	1.5
Wholesale and retail trade	1,953.4	1,952.3	- 1.1	- 0.1
Transportation and utilities	477.9	484.5	6.6	1.4
Information	335.8	339.2	3.4	1.0
Financial activities	961.1	968.1	7.0	0.7
Professional and business services	1,957.4	2,011.6	54.2	2.8
Education and health services	2,626.9	2,700.7	73.8	2.8
Leisure and hospitality	1,310.4	1,338.1	27.7	2.1
Other services	579.8	586.2	6.4	1.1
Government	2,080.6	2,085.5	4.9	0.2

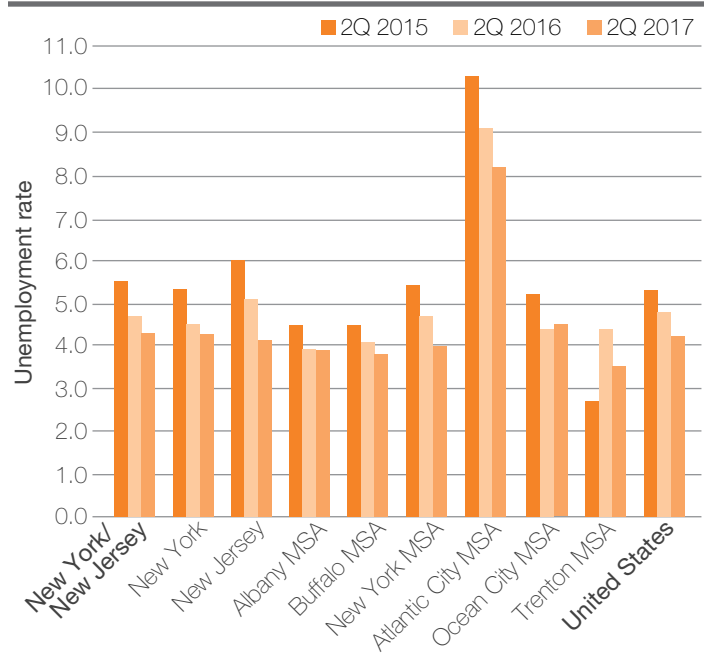
Note: Numbers may not add to totals because of rounding.  
Source: U.S. Bureau of Labor Statistics



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- In the region, the manufacturing sector was one of two sectors to lose jobs, with a decrease of 15,300 jobs in New York more than offsetting gains of 3,800 jobs in New Jersey. Lockheed Martin recently announced it will add 300 staff members at its Burlington County, New Jersey facility by the end of 2017.
- In New York, the strongest percentage growth was in the professional and business services sector, which expanded 3.1 percent to nearly 1.34 million jobs. Most sectors in the state added jobs, except for the manufacturing and the wholesale and retail trade sectors, which declined 3.4 and 0.2 percent, respectively, with most of these declines occurring in NYC.
- The transportation and utilities sector in New Jersey has continued to expand since 2010. The sector had the strongest percentage gain, at 3.0 percent, to an average of 192,000 jobs. Total container shipments through the Port of New York and New Jersey rose more than 5 percent in the first five months of 2017, compared with the same period a year earlier (Port of New York and New Jersey).
- In New York City, nonfarm payrolls increased 99,400 jobs, or 2.4 percent. Job growth in NYC was strongest in the education and health services sector, which grew by 64,300 jobs, or 7.1 percent. More than 85 percent of the sector growth in the region occurred in NYC.

Unemployment rates have continued to decline since 2012 in the New York/New Jersey region, although the rate of decline has slowed in some metropolitan areas.



2Q = second quarter.  
Source: U.S. Bureau of Labor Statistics

## Sales Market Conditions

Home sales markets remained balanced in the New York/New Jersey region during the second quarter of 2017. Home sales increased while the supply of homes for sale decreased. Home sales in New Jersey increased 16 percent, to 78,800 homes sold during the 12 months ending June 2017, but new listings remained relatively unchanged. As a result, the supply of homes for sale decreased to 5.8 months in June 2017, from 8.2 months a year ago (New Jersey Association of Realtors). Despite this decline, the average price fell 1 percent during the 12 months ending June 2017, because new home sales, which were priced 40 percent higher than existing sales, represented 4 percent of total sales statewide from 5 percent a year ago. In New York, the number of home sales increased 5 percent, to 130,100 homes sold during the 12 months ending June 2017 from a year ago, and new listings declined 6 percent (New York State Association of Realtors). Consequently, the inventory of homes for sale declined 15 percent to 71,050 homes, or a 6.3-month supply, in the second quarter of 2017, down from 83,450 homes, or a 7.6-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 4 percent to \$337,600.

The NYC housing market was balanced during the second quarter of 2017. In Brooklyn, during the 12 months ending June 2017, home sales increased 5 percent to 11,900, and the average price rose nearly 13 percent to \$914,700. The overall price increase in Brooklyn was partly because of a 23-percent increase in condominium prices, led by high-priced sales at the Pierhouse development at Brooklyn Bridge Park. In Queens, the average home sales price increased 8 percent to \$540,100, and home sales rose 4 percent to 16,000 homes. In Manhattan, home sales (including condominiums, cooperatives, and one- to three-family homes) fell 2 percent to 12,750 sales during the 12 months ending June 2017, as the average price rose 15 percent. The other boroughs had a larger share of NYC home sales, where prices were lower. Manhattan accounted for 25 percent of home sales in NYC, compared with 27 percent a year ago, and lower than the annual average of 31 percent from 2011 through 2015. During the 12 months ending June 2017, the average price of new and existing condominiums and cooperatives in Manhattan was \$1.99 million, up 13 percent from a year earlier. The strongest home sales growth occurred on Staten Island and in the Bronx, with increases of 26 and 9 percent, respectively, to 5,950

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and 3,950 home sales from a year ago. During the period, average home sales prices in these two boroughs rose 10 and 6 percent, to \$484,100 and \$404,800, respectively.

Home sales markets continue to strengthen in the region, as indicated by the steady decline in the rates of seriously delinquent mortgages (90 or more days delinquent or in foreclosure) and real estate owned (REO) properties. In May 2017, 4.8 percent of mortgages in the region were seriously delinquent or had transitioned into REO status, down from 6.1 percent a year earlier (CoreLogic, Inc.). Seriously delinquent mortgage and REO rates declined from 6.7 to 4.9 percent in New Jersey, the highest rate in the nation, and from 5.8 to 4.7 percent in New York but were far higher than the national average of 2.3 percent in May 2017.

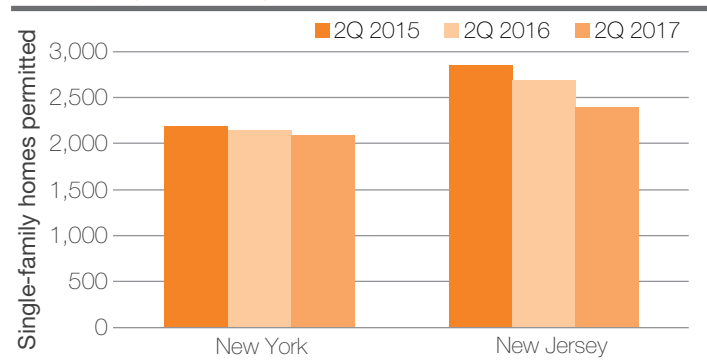
Despite economic expansion and strong home sales demand, single-family home construction activity in the region declined.

During the second quarter of 2017 (preliminary data)—

- Construction of single-family homes in the region, as measured by the number of homes permitted, fell 7 percent, to 4,525 homes, compared with 4,850 homes in the second quarter of 2016.
- In New Jersey, the number of single-family homes permitted decreased 11 percent from a year ago to 2,400 homes permitted. Permitting increased in Ocean City to 130 homes permitted, from 80 homes a year ago. These gains were more than offset by other declines in the state, including a decline of 35 homes, to 35 homes, in the Trenton metropolitan area.

- In New York, the number of single-family homes permitted decreased 2 percent to 2,100 homes. Small declines of 50 and 40 homes in the Albany and Syracuse metropolitan areas, to 340 and 90 homes, respectively, were partly offset by an increase of 30 homes, to 290 homes, in the Buffalo metropolitan area.
- Homebuilding activity in the New York-Northern New Jersey-Long Island metropolitan area decreased to 2,600 homes permitted, down nearly 6 percent from a year ago.

Homebuilding activity fell overall in the New York/New Jersey region during the second quarter of 2017.



2Q = second quarter.  
Note: Based on preliminary data.  
Source: U.S. Census Bureau, Building Permits Survey

Home sales increased overall in the New York/New Jersey region, and sales prices in New York rose, offsetting a small price decline in New Jersey during the 12 months ending June 2017.

	12 Months Ending	Number of Homes Sold			Price			
		2016	2017	Percent Change	Average or Median	2016 (\$)	2017 (\$)	Percent Change
New York* (E)	June	123,774	130,066	5	AVG	325,900	337,600	4
New York City (N&E—1–3 family)	June	23,268	24,368	5	AVG	703,900	745,200	6
New York City (N&E—condo & co-op)	June	25,254	26,201	4	AVG	1,066,700	1,224,800	15
Albany MSA (N&E)	May	12,239	13,016	6	AVG	199,600	202,100	1
Buffalo MSA** (E)	June	11,813	11,882	1	AVG	152,300	156,900	3
Rochester MSA** (E)	June	11,564	13,725	19	AVG	151,300	150,900	0
New Jersey*** (E)	June	68,200	78,800	16	AVG	393,300	390,100	-1
Northern New Jersey*** (E)	June	24,650	28,750	17	MED	230,000–469,000	222,500–510,000	NA
Central New Jersey**** (E)	June	18,100	20,500	13	MED	323,500–490,800	285,000–519,000	NA
Southern New Jersey*** (E)	June	22,900	28,400	24	MED	132,750–287,000	120,500–294,900	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; includes single-family homes, townhomes, and condominiums. \*\*Includes single-family homes, townhomes, and condominiums. \*\*\*Includes only single-family homes. \*\*\*\*Includes Hunterdon, Mercer, Middlesex, Monmouth, and Somerset Counties. Sources: New York State Association of Realtors®, Inc.; CoreLogic, Inc., with adjustments by the analyst; Real Estate Board of New York; Greater Rochester Association of Realtors®, Inc.; Buffalo Niagara Association of Realtors®; New Jersey Association of Realtors®



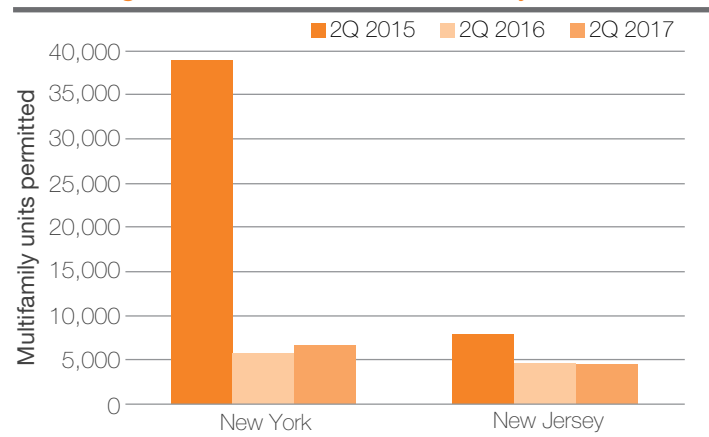
## Apartment Market Conditions

Apartment market conditions in the second quarter of 2017 were mixed in the New York/New Jersey region, ranging from balanced to tight in most metropolitan areas. Conditions were balanced throughout most of New Jersey. In northern New Jersey, the vacancy rate rose to 4.0 percent in the second quarter of 2017, up slightly from the 3.8-percent rate a year earlier, and average rents increased 3 percent to \$1,854 (Reis, Inc.). Apartment market conditions in the Reis-defined Atlantic Cape May market area, including the Atlantic City and Ocean City metropolitan areas, were balanced, with a vacancy rate of 4.2 percent, down from 5.5 percent a year ago, and an average rent of \$1,032, up 1 percent from a year earlier. In New York, apartment market conditions were mixed. Apartment conditions remained balanced in NYC, with a 3.8-percent vacancy rate in the second quarter of 2017, up from 3.2 percent a year earlier (Reis, Inc.). More than 17,000 new apartments were constructed in NYC during 2016 and nearly 27,000 are scheduled to be completed during 2017 (RENTCafe). This large wave of new supply outpaced absorption during the past 6 quarters, and monthly asking apartment rents remained flat during the past year, averaging \$3,513 in the second quarter of 2017. In the Buffalo metropolitan area, apartment market conditions were slightly tight, with a 3.0-percent vacancy rate, down from 3.2 percent a year earlier, and an average apartment rent of \$859, up 3 percent from a year ago (Reis, Inc.). In the Long Island metropolitan area, apartment market conditions were also slightly tight, with a 2.9-percent vacancy rate and a 4-percent increase in the average rent to \$2,022 in the second quarter of 2017. In the Rochester metropolitan area, the vacancy rate in the second quarter of 2017 was 2.8 percent, up from 2.1 percent a year earlier, and the average monthly rent increased 4 percent from \$873 to \$909 (MPF Research).

The Albany metropolitan area had the highest level of net immigration of the metropolitan areas in New York from 2015 to 2016, resulting in increased demand for apartment units. Approximately 400 new apartments were completed in the metropolitan area during the first half of 2017, compared with about 800 apartments completed during the first half of 2016 (McGraw-Hill Construction Pipeline database). This slowdown in building activity contributed to tight apartment market conditions, and the vacancy rate fell to 2.6 percent in the second quarter of 2017, from the 3.1-percent rate in the second quarter of 2016 (MPF Research, Inc.). During the same period, the average apartment rent increased 6 percent from \$1,061 to \$1,129.

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### Multifamily permitting increased in the New York/New Jersey region, with a gain in New York offsetting a small decline in New Jersey.



2Q = second quarter.  
 Note: Based on preliminary data.  
 Source: U.S. Census Bureau, Building Permits Survey

Despite balanced to tight rental market conditions in the New York/New Jersey region, rent increases were moderate in most areas during the second quarter of 2017.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		2Q 2016 (%)	2Q 2017 (%)	Percentage Point Change	2Q 2016 (\$)	2Q 2017 (\$)	Percent Change
Albany <sup>a</sup>	Tight	3.1	2.6	-0.5	1,061	1,129	6
Atlantic Cape May <sup>b</sup>	Balanced	5.5	4.2	-1.3	1,018	1,032	1
Buffalo <sup>b</sup>	Slightly tight	3.2	3.0	-0.2	835	859	3
Long Island <sup>b</sup>	Slightly tight	2.8	2.9	0.1	1,952	2,022	4
New York City <sup>b</sup>	Balanced	3.2	3.8	0.6	3,520	3,513	0
Northern New Jersey <sup>b</sup>	Balanced	3.8	4.0	0.2	1,796	1,854	3
Rochester <sup>a</sup>	Slightly tight	2.1	2.8	0.7	873	909	4

2Q = second quarter.

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



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Multifamily construction activity in the New York/New Jersey region increased from a year ago.

During the second quarter of 2017 (preliminary data)—

- Approximately 11,150 multifamily units were permitted in the region, up nearly 8 percent from the number permitted a year earlier. By comparison, the current level of permitting was down 76 percent from the second quarter of 2015. The sharp decline was an adjustment from the response of builders to the potential expiration of tax incentives for multifamily development in NYC.
- In New Jersey, multifamily permitting decreased 1 percent from a year earlier to approximately 4,400 units permitted. Building activity in the Trenton metropolitan area fell to 20 units permitted, from 120 units a year earlier. In the Atlantic City metropolitan area, multifamily construction decreased to 70 units from 110 units a year ago.
- In New York, multifamily construction increased 14 percent, to 6,750 units permitted, from a year ago. A gain of 1,900 units in NYC more than offset declines of 290 and 150 units in the Buffalo and Albany metropolitan areas, to 130 and 430 units, respectively.
- Multifamily permitting in the New York-Newark-Jersey City metropolitan area increased 16 percent to 9,800 units. By comparison, the current level of permitting represents a 78-percent decline, or 33,775 units, fewer than in the second quarter of 2015.

