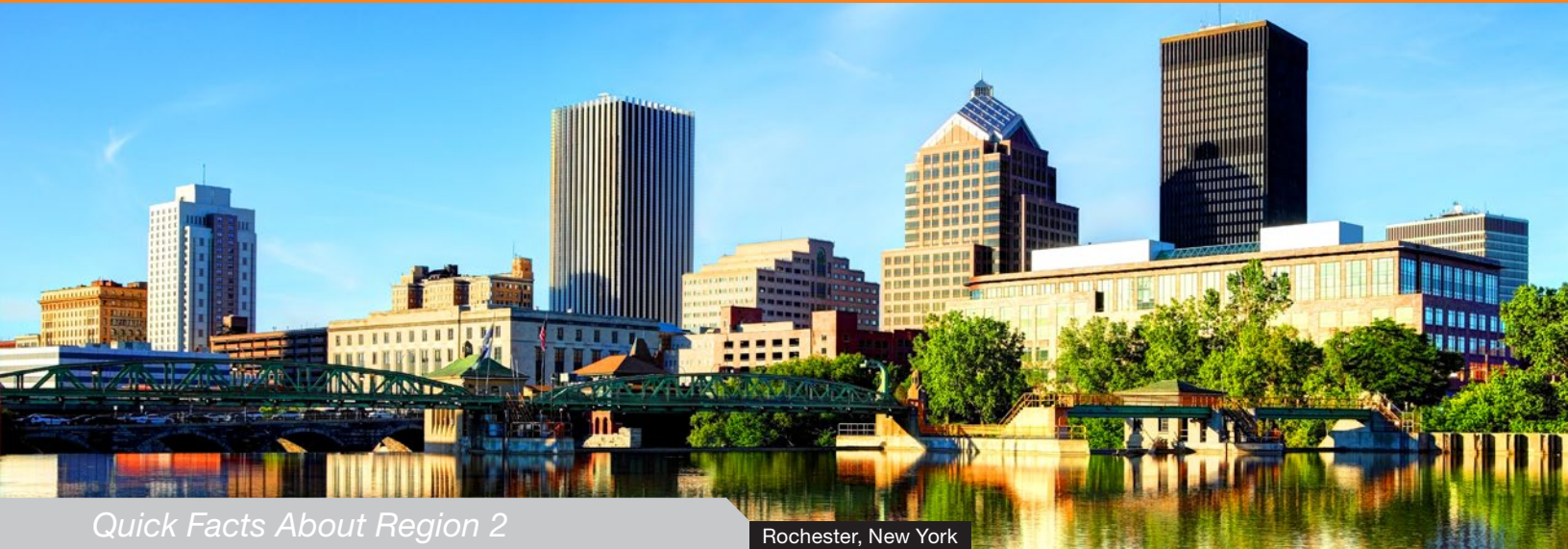


HUD PD&R Regional Reports

Region 2: New York/New Jersey

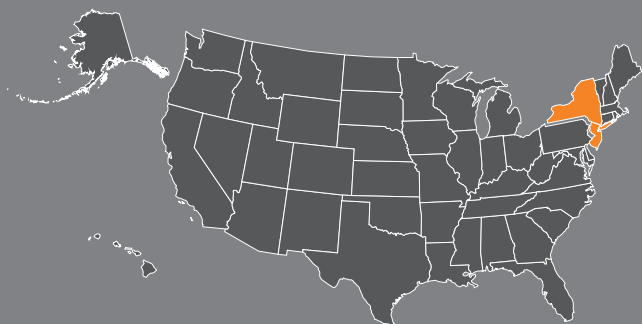


Quick Facts About Region 2

Rochester, New York

By Joseph Shinn | 2nd Quarter 2019

- **Sales market conditions—**
Second quarter 2019: balanced
First quarter 2019: balanced
Second quarter 2018: balanced
- **Apartment market conditions—**
Second quarter 2019: mixed (slightly soft to tight)
First quarter 2019: mixed (soft to tight)
Second quarter 2018: mixed (slightly soft to tight)



Overview

Economic conditions in the New York/New Jersey region strengthened during the second quarter of 2019, continuing a trend that began during the fourth quarter of 2010. Payroll growth slowed during the past year, however, with the slowdown concentrated in New York. The unemployment rate was down in the region overall and in both states. Sales market conditions were balanced in both states, unchanged from a year ago. Home sales, however, were down in New York and significantly slowed in New Jersey compared with a year ago. Apartment market conditions in the major metropolitan areas in the region ranged from slightly soft to tight during the second quarter of 2019. The apartment market in New York City (NYC) was balanced and the average rent was up compared with a year ago.

During the second quarter of 2019—

- Nonfarm payrolls in the region increased 1.1 percent, to nearly 14.05 million jobs, compared with the second quarter of 2018. Payrolls in New York and New Jersey were up by 112,000 and 45,600 jobs, or 1.2 and 1.1 percent, respectively.

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PD&R

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- Single-family homebuilding in the region was up 2 percent from a year ago; increased construction activity in New Jersey more than offset a decline in single-family homebuilding in New York. Multifamily building activity in the region decreased 5 percent compared with a year ago, with declines in both New Jersey and New York.
- Apartment vacancy rates were up in northern New Jersey, but down in the other major metropolitan areas in the region. Average rents were up throughout the region, ranging from a 1-percent increase in the Buffalo metropolitan area to 4-percent increases in four of the seven major markets.

Economic Conditions

The economy of the New York/New Jersey region expanded during the second quarter of 2019, but job growth slowed compared with a year ago. During the second quarter of 2019, nonfarm payrolls in the region averaged nearly 14.05 million jobs, up by 157,700 jobs, or 1.1 percent, compared with the second quarter of 2018. By comparison, during the second quarter of 2018, nonfarm payrolls were up 1.3 percent from the same period a year earlier. The recent slowdown was partially due to declines in the financial activities and information sectors, which were down by 9,100 and 1,800 jobs, or 0.9 and 0.5 percent, respectively. By comparison, nonfarm payrolls in the two sectors increased by 9,600 and 4,400 jobs, or 1.0 and 1.3 percent, respectively, during the same period a year earlier. In the financial activities sector, approximately 64 percent of the

losses were in the finance and insurance industry, which was down by 5,800 jobs, or 0.8 percent. Nonfarm payroll growth significantly slowed in the transportation and utilities sector, where payrolls increased 0.9 percent, or by 4,600 jobs, compared with an average 3.3-percent growth rate during the previous 4 years. This slowdown was partially attributed to New England Motor Freight closing their facility in Elizabeth, NJ in early 2019, resulting in nearly 1,700 jobs lost. Nonfarm payrolls were added at the fastest paces in the education and health services and the mining, logging, and construction sectors, where nonfarm payrolls increased 2.7 percent each, or by 75,500 and 15,600 jobs, respectively. More than 90 percent of the gains in the education and health services sector were in the health care and social assistance industry, which was up by 70,400 jobs, or 3.3 percent.

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Nonfarm payrolls in the New York/New Jersey region increased in all but two sectors during the second quarter of 2019.

	Second Quarter		Year-Over-Year Change	
	2018 (Thousands)	2019 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	13,888.0	14,045.7	157.7	1.1
Goods-Producing Sectors	1,259.2	1,277.8	18.6	1.5
Mining, Logging, & Construction	568.3	583.9	15.6	2.7
Manufacturing	690.9	693.9	3.0	0.4
Service-Providing Sectors	12,628.8	12,767.8	139.0	1.1
Wholesale & Retail Trade	1,931.8	1,936.1	4.3	0.2
Transportation & Utilities	509.9	514.5	4.6	0.9
Information	344.6	342.8	-1.8	-0.5
Financial Activities	970.9	961.8	-9.1	-0.9
Professional & Business Services	2,021.1	2,044.9	23.8	1.2
Education & Health Services	2,778.5	2,854.0	75.5	2.7
Leisure & Hospitality	1,371.3	1,397.9	26.6	1.9
Other Services	589.2	593.1	3.9	0.7
Government	2,111.6	2,122.8	11.2	0.5

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

Source: U.S. Bureau of Labor Statistics



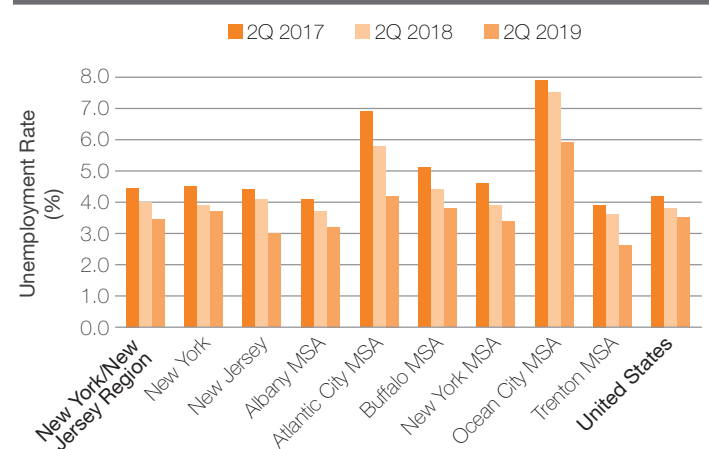
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During the second quarter of 2019, the unemployment rate in the New York/New Jersey region averaged 3.4 percent, down from 4.0 percent a year earlier. In New Jersey, the unemployment rate was 3.0 percent, down from the average 4.1-percent rate during the second quarter of 2018. The large drop was primarily due to a 1.3-percent increase in resident employment, which was the largest year-over-year percentage increase during a second quarter in 14 years. The unemployment rate in New York averaged 3.7 percent during the second quarter of 2019, down slightly from 3.9 percent during the same period a year earlier. The decline was due to a 0.2-percent decrease in the labor force because resident employment in the state was relatively unchanged.

During the second quarter of 2019—

- In New York, nonfarm payrolls increased by 112,000 jobs, or 1.2 percent. The education and health services and the professional and business services sectors, which increased by 63,400 and 13,500 jobs, or 3.1 and 1.0 percent, respectively, accounted for more than two-thirds of the net job gains in the state.
- Payrolls in the retail subsector increased by 11,200 jobs, or 1.2 percent, in New York following an average decline of 4,100 jobs, or 0.4 percent, annually during corresponding periods from 2016 through 2018. Whole Foods Market Inc. opened a new supermarket in Westchester County in late 2018, resulting in approximately 200 new jobs.
- In NYC, nonfarm payrolls were up by 101,200 jobs, or 2.2 percent. Year-over-year job growth in NYC has been at least 2.0 percent during each second quarter since 2011. Job growth is expected to continue in the city due in part to Alphabet Inc.'s Google, which is expected to add approximately 7,000 new jobs during the next 10 years as a result of a new \$1 billion campus being built in Manhattan.

Unemployment rates were down in all major metropolitan areas in the New York/New Jersey region during the second quarter of 2019.



2Q = second quarter.

Source: U.S. Bureau of Labor Statistics

- Nonfarm payrolls in New Jersey increased by 45,600 jobs, or 1.1 percent, up slightly from a 1.0-percent growth rate during the same period a year earlier. Job growth was strongest in the Ocean City and Atlantic City metropolitan areas, where nonfarm payrolls were up 6.2 and 3.3 percent, respectively, from a year ago.
- The largest statewide gains in New Jersey were in the leisure and hospitality, the education and health services, and the professional and business services sectors, which were up by 18,800, 12,200, and 10,300 jobs, or 4.7, 1.7, and 1.5 percent, respectively. Those gains were partially offset by losses in the financial activities, information, and wholesale and retail trade sectors, which declined by 6,900, 3,500, and 2,800 jobs, or 2.7, 4.9, and 0.4 percent, respectively.

Sales Market Conditions

Sales housing market conditions in the New York/New Jersey region were balanced during the second quarter of 2018. Conditions have remained balanced since the second quarter of 2013. In June 2019, the region had 5.1 months of available for-sale inventory, up from 4.2 months of inventory in June 2018 (CoreLogic, Inc.). During the past year, existing home sales in New York declined 2 percent, to 128,400 homes sold (New York Association of Realtors®), which is largely attributed to strong net out-migration. In the Albany metropolitan area, new and existing home sales decreased 3 percent, to 14,300 homes sold (CoreLogic, Inc. with adjustments by the analyst). In other upstate

New York areas, existing home sales were relatively unchanged in the Buffalo and Rochester metropolitan areas compared with a year ago (Buffalo Niagara Association of Realtors®; Greater Rochester Association of Realtors®). The average sales price of existing homes in New York increased 6 percent, to \$365,300. Average sales prices were up or relatively unchanged throughout the state, ranging from no change in the Albany metropolitan area to a 6-percent increase in the Buffalo metropolitan area. In New Jersey, sales of existing homes increased 1 percent, to 81,200 homes sold, during the past year (New Jersey Association of Realtors®). Increased sales activity was largely concentrated in

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southern New Jersey, which is attributed to strong job growth in the Ocean City and Atlantic City metropolitan areas. Existing home sales in southern New Jersey increased 3 percent, to 30,700 homes sold. In northern New Jersey and central New Jersey, existing home sales, however, declined 1 percent each, to 29,650 and 20,650 homes sold, respectively. The statewide average sales price in New Jersey increased 3 percent, to \$399,500, during the past year. By comparison, the average sales price declined an average of 1 percent annually during the previous 3 years.

The NYC housing market, which consists of the five boroughs—the Bronx, Brooklyn, Manhattan, Queens, and Staten Island—was balanced during the second quarter of 2019. During the past year, sales of new and existing homes in NYC decreased 8 percent, to 44,300 homes sold (CoreLogic, Inc. with adjustments by the analyst). Home sales declined an average of 5 percent annually during the past 3 years, which is largely attributed to strong net out-migration, particularly to less expensive areas near NYC. In response to declining home sales, the growth rate of the average sales price of new and existing homes has slowed. During the past year, the average sales price increased by only 1 percent, to \$916,900, compared with an average 5-percent increase during the previous 7 years. The average sales price decreased 3 percent in Manhattan, but

increased in the other four boroughs, ranging from 2-percent increases in Brooklyn and Staten Island to an 11-percent increase in the Bronx.

In May 2019, 2.7 percent of home loans in the region were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status, down from 3.6 percent in May 2018 (CoreLogic, Inc.). The current rate is the highest of all HUD regions and is above the 1.5-percent national rate. The 0.9-percent-point decrease during the past year, however, was the largest drop of all HUD regions. In New York and New Jersey, the rates were 3.0 and 2.5 percent in May 2019, down from 3.8 and 3.4 percent, respectively, a year ago.

During the second quarter of 2019 (preliminary data)—

- Single-family homebuilding activity, as measured by the number of homes permitted, increased by 70 homes, or 2 percent, in the New York/New Jersey region, to 4,775 homes permitted. Construction activity increased an average of 2 percent annually during the past 2 years compared with an average decline of 5 percent annually during the second quarters of 2016 and 2017.
- Homebuilding activity in New Jersey increased by 290 homes, or 11 percent, to 2,925 homes permitted. In response to

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Sales activity slightly increased in New Jersey but declined in New York; average sales prices were up or relatively unchanged throughout the region.

	12 Months Ending	Number of Homes Sold				Price		
		2018	2019	Percent Change	Average or Median	2018 (\$)	2019 (\$)	Percent Change
New York*,** (E)	June	130,400	128,400	-2	AVG	345,700	365,300	6
New York City (N&E)**	May	48,200	44,300	-8	AVG	906,100	916,900	1
Albany MSA (N&E)**	May	14,750	14,300	-3	AVG	219,900	219,100	0
Buffalo MSA** (E)	June	10,100	10,100	0	AVG	169,700	179,100	6
Rochester MSA** (E)	June	13,950	13,900	0	AVG	160,100	168,500	5
New Jersey*** (E)	June	80,600	81,200	1	AVG	389,200	399,500	3
Northern New Jersey*** (E)	June	29,850	29,650	-1	MED	207,500-515,000	224,900-513,500	NA
Central New Jersey****,*** (E)	June	20,950	20,650	-1	MED	310,000-511,500	330,000-510,000	NA
Southern New Jersey*** (E)	June	29,800	30,700	3	MED	125,000-308,200	136,000-312,000	NA

AVG = average. E = existing. MED = median. MSA = metropolitan statistical area. NA = data not available. N&E = new and existing.

Notes: *Excludes parts of New York City. **Includes single-family homes, townhomes, and condominiums. ***Includes only single-family homes. ****Includes 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®; New Jersey Association of Realtors®; New York State Association of Realtors®, Inc.

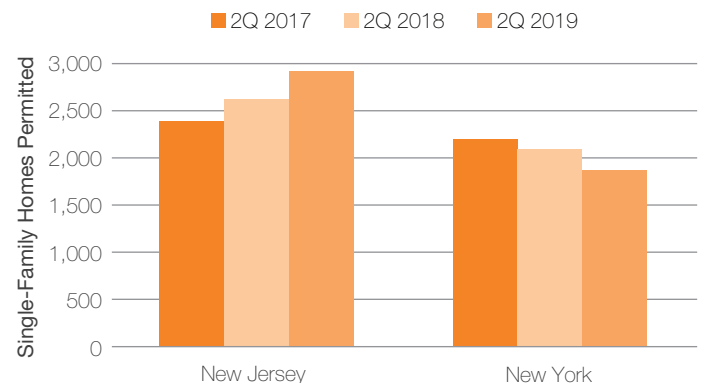


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increased home sales activity, construction activity in the Ocean City metropolitan area increased by 30 homes, or 31 percent, to 130 homes permitted.

- The number of single-family homes permitted in New York was down by 220 homes, or 10 percent, to 1,875 homes permitted; the decline is largely attributed to decreased home sales activity throughout the state. Single-family homebuilding declined an average of 8 percent annually during the past 2 years compared with an average 5-percent annual increase during corresponding periods from 2012 through 2017.
- Construction activity in the New York-Newark-Jersey City metropolitan area was up by 230 homes, or 9 percent, to 2,900 homes permitted. The increase was entirely concentrated in the New York-Jersey City-White Plains metropolitan division, where homebuilding activity increased by 410 homes, or 26 percent, with declines in the other metropolitan divisions that make up the metropolitan area.

Single-family homebuilding activity increased in the New York/New Jersey region during the second quarter of 2019; all gains were in New Jersey.



2Q = second quarter.

Note: Based on preliminary data.

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

Apartment Market Conditions

Apartment market conditions in the major metropolitan areas in the New York/New Jersey region ranged from slightly soft to tight during the second quarter of 2019. Conditions in New York ranged from balanced to tight. The apartment market in NYC was balanced with a vacancy rate of 4.5 percent, down slightly from 4.6 percent during the second quarter of 2018 (Reis, Inc.). The average apartment rent in NYC was the highest in the region at \$3,783, up 3 percent compared with a year ago. In Long Island, conditions tightened during the past year, and the vacancy rate decreased from 2.8 percent during the second quarter of 2018 to 2.5 percent during the second quarter of 2019 (RealPage, Inc.). As a result of the tightening market, the average rent increased 4 percent, to \$2,285, which was among the largest increases in the region.

Conditions in upstate New York ranged from balanced to slightly tight. In the Rochester metropolitan area, conditions transitioned from balanced to slightly tight during the past year and the apartment vacancy rate declined from 4.4 to 3.9 percent (RealPage, Inc.). Conditions tightened during the past year because of a decrease in the number of newly constructed apartment units coming online. During the 12 months ending June 2019, approximately 950 new apartment units were completed, down 21 percent compared with the number of units completed during the previous 12-month period (Dodge Data & Analytics LLC). The apartment market was balanced in

the Albany metropolitan area and was slightly tight in the Buffalo metropolitan area, with vacancy rates of 4.0 and 3.1 percent, respectively. The average rents in the Albany, Rochester, and Buffalo metropolitan areas increased 4, 4, and 1 percent, to \$1,258, \$1,014, and \$968, respectively.

Apartment market conditions in New Jersey ranged from slightly soft to tight. The apartment market in northern New Jersey softened during the past year because of active apartment construction activity. The apartment vacancy rate was 5.0 percent, up from 4.4 percent a year ago, and the average rent increased 4 percent to \$2,048 (Reis, Inc.). Conditions in the Atlantic City metropolitan area tightened during the past year, which is partially attributed to increased net in-migration associated with strong job growth. The apartment vacancy rate was 2.3 percent, down from 2.6 percent, and the average asking rent increased 2 percent, to \$1,261 (RealPage, Inc.).

During the second quarter of 2019 (preliminary data)—

- Building activity, as measured by the number of multifamily units permitted, totaled approximately 11,500 units permitted in the New York/New Jersey region, down by 600 units, or 5 percent, compared with the second quarter of 2018. By comparison, during the second quarter of 2018, multifamily permitting activity was up 3 percent compared with the same period a year earlier.

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Apartment vacancy rates were down in most major metropolitan areas in the New York/New Jersey region, and average rents were up in all areas.

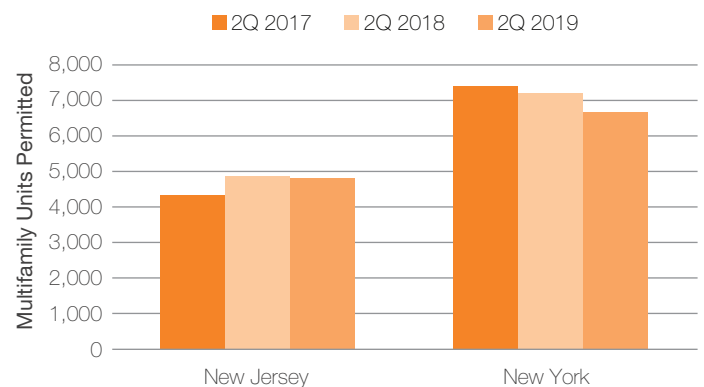
	Market Condition	Vacancy Rate			Average Monthly Rent		
		2Q 2018 (%)	2Q 2019 (%)	Percentage Point Change	2Q 2018 (\$)	2Q 2019 (\$)	Percent Change
Albany ^a	Balanced	4.3	4.0	-0.3	1,212	1,258	4
Atlantic City ^a	Tight	2.6	2.3	-0.3	1,237	1,261	2
Buffalo ^a	Slightly Tight	4.0	3.1	-0.9	961	968	1
Long Island ^a	Tight	2.8	2.5	-0.3	2,193	2,285	4
New York City ^b	Balanced	4.6	4.5	-0.1	3,662	3,783	3
Northern New Jersey ^b	Slightly Soft	4.4	5.0	0.6	1,971	2,048	4
Rochester ^a	Slightly Tight	4.4	3.9	-0.5	973	1,014	4

2Q = second quarter.

Sources: Market condition—Economic and Market Analysis Division; vacancy rate and average monthly rent—(a) RealPage, Inc., (b) Reis, Inc.

- Multifamily construction activity in New York declined by 540 units, or 8 percent, to 6,700 units permitted with much of the decline concentrated in the upstate region of the state. In the Albany, Rochester, and Buffalo metropolitan areas, multifamily permitting activity decreased 67, 41, and 32 percent, to 130, 270, and 160 units permitted, respectively.
- In the New York-Newark-Jersey City metropolitan area, multifamily construction was down by 710 units, or 7 percent, to 9,775 units permitted. In response to rising vacancy rates, building activity in the New Jersey portions of the metropolitan area decreased by 690 units, or 16 percent, compared with the second quarter of 2018.
- Multifamily construction activity in New Jersey was down by 55 units, or 1 percent, to 4,825 units permitted, compared with a 12-percent increase during the same period a year earlier. Despite the statewide decline, building activity in the Atlantic City metropolitan area more than doubled to 290 units permitted due to tightening apartment market conditions.

Multifamily building activity declined in the New York/New Jersey region and in both states during the second quarter of 2019.



2Q = second quarter.

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