

HUD PD&R Regional Reports

Region 2: New York/New Jersey

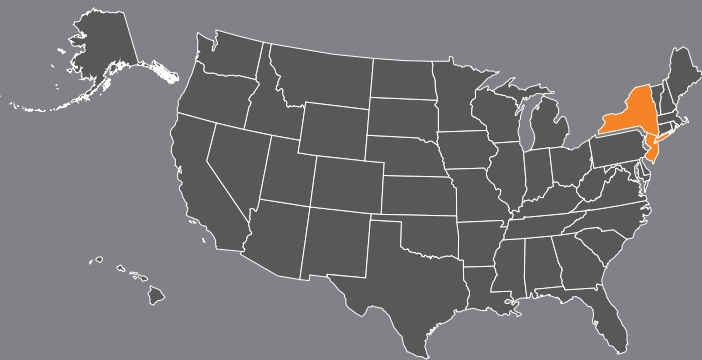


Atlantic City, New Jersey

By Joseph Shinn | 2nd Quarter 2020

Quick Facts About Region 2

- **Sales market conditions—**
Second quarter 2020: balanced
First quarter 2020: balanced
Second quarter 2019: balanced
- **Apartment market conditions—**
Second quarter 2020: mixed (balanced to slightly tight)
First quarter 2020: mixed (balanced to tight)
Second quarter 2019: mixed (slightly soft to tight)



Overview

The New York/New Jersey region was especially hard hit from the COVID-19 global pandemic. Interventions taken in mid-March to slow the spread of COVID-19, including enforcing social distancing and discouraging nonessential travel, caused economic and construction activity in the region to slow dramatically. Nonfarm payrolls in the New York/New Jersey region significantly declined during the second quarter of 2020, after year-over-year increases during each quarter from the fourth quarter of 2010 through the first quarter of 2020. During the past year, payrolls declined in all 11 sectors; the leisure and hospitality sector, which was down 57.7 percent during the second quarter of 2020, led that decline. The unemployment rate in the region was more than fourfold greater than the average rate a year ago and the current rates in both states were the highest in more than 40 years. Sales market conditions remained balanced in both New York and New Jersey but there was a strong reduction in the number of homes listed for sale. The apartment markets in the major metropolitan areas in the region ranged from balanced to slightly tight during the second quarter of 2020. In New York

continued on page 2



continued from page 1

City (NYC), apartment market conditions remained balanced, but the vacancy rate increased from a year ago due to net out-migration from the city.

During the second quarter of 2020—

- Nonfarm payrolls decreased 17.1 percent, to approximately 11.65 million jobs, compared with a 1.1-percent increase during the same period a year earlier. In New York and New Jersey, nonfarm payrolls were down by 1.72 million and 674,700 jobs, or 17.5 and 16.0 percent, respectively.

- Single-family homebuilding in the region decreased 24 percent compared with a year ago, with strong declines in both states. Multifamily building activity was down 25 percent in the region; multifamily construction in New York and New Jersey declined 27 and 23 percent, respectively.
- In the New York-Newark-Jersey City metropolitan area, single-family construction activity was down 29 percent from the second quarter of 2019. Multifamily building activity in the metropolitan area declined 21 percent, with most of the decrease concentrated in NYC.

Economic Conditions

As a result of the restrictions put in place in response to the COVID-19 global pandemic, nonfarm payrolls in the New York/New Jersey region significantly declined during the second quarter of 2020 after 9 consecutive years of job gains. During the second quarter of 2020, nonfarm payrolls in the region averaged nearly 11.65 million, representing a decrease of 2.40 million jobs, or 17.1 percent, compared with the second quarter of 2019. Compared with the same period a year earlier, during the second quarter of 2019, nonfarm payrolls increased by 156,800 jobs, or 1.1 percent. During the past year, approximately one-third of job losses were in the leisure and hospitality sector, which declined by 796,700 jobs or 57.7 percent. More than 80 percent of the decline in the sector was in the accommodation and food services sector, which was down by 646,200 jobs or 57.5 percent; decreases

in the industry were largely attributed to statewide restrictions limiting or preventing restaurants and bars from offering indoor dining. Losses were also particularly significant in the wholesale and retail trade and the education and health services sectors, which decreased by 338,300 and 313,800 jobs, or 17.8 and 11.0 percent, respectively. Nonfarm payrolls declined in both the retail trade and wholesale trade subsectors, which were down by 271,300 and 67,000 jobs, or 19.9 and 12.3 percent, respectively.

During the second quarter of 2020, the unemployment rate in the New York/New Jersey region averaged 15.2 percent, up significantly from the 3.5-percent rate during the second quarter of 2019. In New Jersey and New York, the unemployment rates were 15.8 and 15.0 percent, up from 3.0 and 3.7 percent a

continued on page 3

Nonfarm payrolls in the New York/New Jersey region declined in all 11 sectors during the second quarter of 2020.

	Second Quarter		Year-Over-Year Change	
	2019 (Thousands)	2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm	14,045.2	11,649.5	-2,395.7	-17.1
Goods-Producing Sectors	1,271.4	1,043.8	-227.6	-17.9
Mining, Logging, & Construction	578.2	440.1	-138.1	-23.9
Manufacturing	693.2	603.7	-89.5	-12.9
Service-Providing Sectors	12,773.8	10,605.7	-2,168.1	-17.0
Wholesale & Retail Trade	1,904.8	1,566.5	-338.3	-17.8
Transportation & Utilities	524.7	421.3	-103.4	-19.7
Information	346.8	323.3	-23.5	-6.8
Financial Activities	979.9	925.0	-54.9	-5.6
Professional & Business Services	2,064.3	1,795.6	-268.7	-13.0
Education & Health Services	2,864.9	2,551.1	-313.8	-11.0
Leisure & Hospitality	1,380.8	584.1	-796.7	-57.7
Other Services	592.3	426.3	-166.0	-28.0
Government	2,115.3	2,012.5	-102.8	-4.9

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



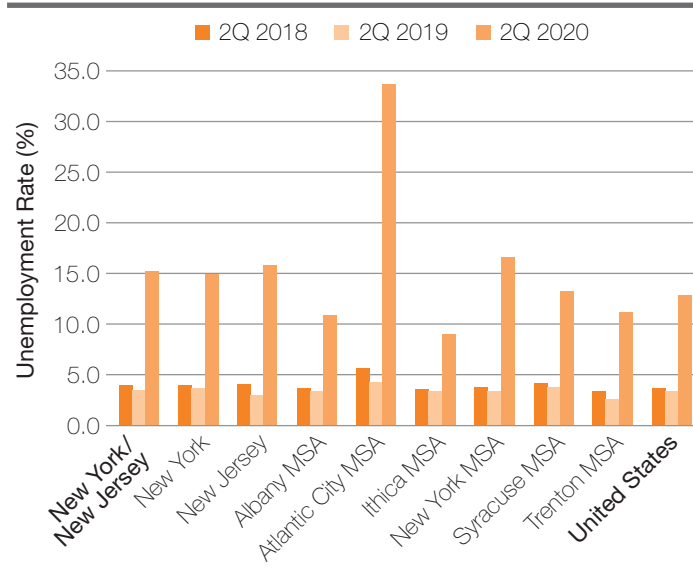
continued from page 2

year ago, respectively. The current unemployment rate in the region was higher than the national rate of 12.9 percent and was the second highest of the 10 HUD regions, behind only the 15.6-percent rate in the Pacific region.

During the second quarter of 2020—

- Nonfarm payrolls in New York were down by 1.72 million jobs, or 17.5 percent, compared with an increase of 122,900

The unemployment rate increased in both states and all metropolitan areas in the New York/New Jersey region during the second quarter of 2020.



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

jobs, or 1.3 percent, during the same period a year earlier. Nonfarm payrolls in the state declined in all sectors during the past year; the leisure and hospitality sector, which was down by 575,300 jobs, or 58.9 percent, led this decline.

- In the Buffalo, Rochester, and Syracuse metropolitan areas, nonfarm payrolls declined by 98,400, 89,400, and 52,800 jobs, or 17.3, 16.4, and 16.4 percent, respectively. Compared with the second quarter of 2018, during the second quarter of 2019, nonfarm payrolls in these metropolitan areas were up 0.4, 0.4, and 0.7 percent, respectively.
- In NYC, nonfarm payrolls were down by 851,300 jobs, or 18.3 percent, compared with the second quarter of 2019. Losses were largest in the leisure and hospitality, the professional and business services, and the wholesale and retail trade sectors, which decreased by 304,400, 108,300, and 107,000 jobs, or 64.3, 13.7, and 22.1 percent, respectively.
- Nonfarm payrolls in New Jersey averaged 3.54 million jobs, representing a decrease of 674,700 jobs, or 16.0 percent, from the second quarter of 2019 and were at the lowest level for a second quarter since 1993.
- In the Atlantic City metropolitan area, nonfarm payrolls decreased by 42,600 jobs, or 31.8 percent; nearly 70 percent of these losses were in the leisure and hospitality sector, which declined by 29,800 jobs or 70.4 percent. As a result of COVID-19, all nine casinos in the metropolitan area were closed for the entirety of the second quarter of 2020 and more than 26,000 employees were furloughed.

Sales Market Conditions

Sales market conditions in the New York/New Jersey region were balanced during the second quarter of 2020, unchanged from conditions during the second quarter of 2019. In May 2020, the region had 4.1 months of available for-sale inventory, down from 5.0 months of inventory in May 2019 (CoreLogic, Inc.). This decline was due to a 24-percent decrease in the number of homes for sale, which was partially attributed to a reluctance of homeowners to list their homes for sale during COVID-19. During the 12 months ending June 2020, existing home sales in New York decreased by 6,900 homes, or 5 percent, to 121,500 homes sold (New York Association of Realtors®). Home sales in the state have declined an average of 3 percent annually since 2018, compared with an average annual increase of 7 percent from 2012 through 2017. During the past year, home sales in the Albany, Rochester, and Buffalo metropolitan areas declined 10, 6, and 4 percent, to 11,200,

13,000, and 9,650 homes sold, respectively. In response to tightening sales conditions, the average sales prices of existing homes in the Rochester and Buffalo metropolitan areas increased 9 and 5 percent, to \$183,300 and \$187,800, respectively. In the Albany metropolitan area, however, the average sales price declined 1 percent to \$235,800.

Sales market conditions in the NYC housing market, which consists of five boroughs—Bronx, Brooklyn, Manhattan, Queens, and Staten Island—were balanced. During the 12 months ending May 2020, sales of new and existing homes declined by 1,450, or 6 percent, to 22,550 homes sold (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). Home sales in NYC declined an average of 5 percent annually during the past 2 years. During the past year, home sales were down 45, 23, and 11 percent in Staten Island,

continued on page 4



continued from page 3

Home sales significantly declined throughout the New York/New Jersey region during the past year, but average sales prices were up in most areas.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2019	2020	Percent Change		2019 (\$)	2020 (\$)	Percent Change
New York*, ** (E)	June	128,400	121,500	-5	AVG	365,300	376,600	3
New York City (N&E)**	May	24,000	22,550	-6	AVG	1,073,000	1,222,200	14
Albany MSA (N&E)**	May	12,450	11,200	-10	AVG	237,600	235,800	-1
Buffalo MSA** (E)	June	10,100	9,650	-4	AVG	179,100	187,800	5
Rochester MSA** (E)	June	13,900	13,000	-6	AVG	168,500	183,300	9
New Jersey*** (E)	June	81,000	77,600	-4	AVG	399,500	416,900	4
Northern New Jersey*** (E)	June	29,650	28,450	-4	MED	224,900-513,500	256,000-545,000	NA
Central New Jersey***, **** (E)	June	20,650	19,350	-6	MED	330,000-510,000	330,000-505,000	NA
Southern New Jersey*** (E)	June	30,700	29,850	-3	MED	136,000-312,000	121,600-376,000	NA

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

Notes: *Excludes parts of NYC. **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®; Metrostudy, A Hanley Wood Company, with adjustments by the analyst; Greater Rochester Association of Realtors®; New Jersey Association of Realtors®; New York State Association of Realtors®, Inc.

Brooklyn, and the Bronx, respectively, but increased 31 and 2 percent in Manhattan and Queens, respectively. The average sales price in NYC increased 14 percent, to \$1.22 million, a peak level. The average price significantly increased during the past year despite a decline in the number of homes sold; this circumstance is largely due to a larger portion of home sales in Manhattan, where the average price is the highest of the five boroughs, at \$2.04 million. During the 12 months ending May 2020, approximately 31 percent of all home sales in NYC were in Manhattan, up from 22 percent of all sales during the same period a year earlier.

In New Jersey, sales market conditions were balanced. During the 12 months ending June 2020, existing home sales were down by 3,400, or 4 percent, to 77,600 homes sold (New Jersey Association of Realtors®). By comparison, during the 12 months ending June 2019, home sales increased by 340, or less than 1 percent, compared with the same period a year earlier. During the past year, home sales declined 6, 4, and 3 percent in central New Jersey, northern New Jersey, and southern New Jersey, respectively. In response to lower levels of inventory of homes for sale, the average sales price of existing homes in New Jersey increased at the fastest pace in

14 years. During the 12 months ending June 2020, the average sales price of existing homes increased 4 percent to \$416,900. By comparison, the average sales price increased an average of less than 1 percent annually from 2013 through 2019.

In May 2020, 3.0 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, up slightly from 2.8 percent in May 2019 (CoreLogic, Inc.). In New York and New Jersey, the rates were 3.3 and 2.6 percent, up from the rates of 3.0 and 2.5 percent a year earlier, respectively.

During the second quarter of 2020 (preliminary data)—

- Single-family homebuilding activity in the New York/New Jersey region, as measured by the number of homes permitted, decreased by 1,150 homes, or 24 percent, to 3,700 homes permitted. Second quarter permitting activity was at the lowest level since 2012, which was largely attributed to statewide nonessential construction restrictions that were in place in both states during the quarter because of COVID-19.
- In New Jersey, construction activity declined by 630 homes, or 21 percent, compared with an increase of 330 homes,

continued on page 5

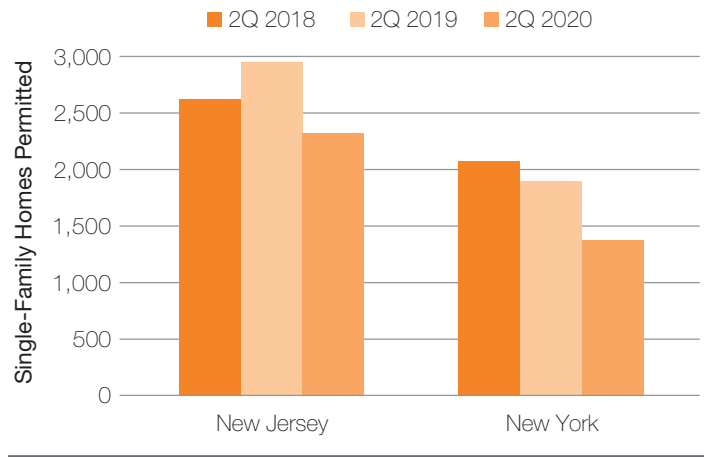


continued from page 4

or 13 percent, a year earlier. More than three-fourths of the decrease was in Hudson County, where homebuilding activity was down by 490 homes, or 96 percent, from the second quarter of 2019.

- Homebuilding in New York decreased by 530 homes, or 28 percent, to 1,375 homes permitted. In the Buffalo and Rochester metropolitan areas, single-family construction activity declined by 80 and 75 homes, or 29 and 23 percent, to 200 and 260 homes permitted, respectively.
- In the New York-Newark-New Jersey metropolitan area, single-family homebuilding activity was down by 840 homes, or 29 percent, to 2,050 homes permitted. Construction activity in the Newark and Nassau County-Suffolk County metropolitan divisions declined by 190 and 140 homes, or 33 and 40 percent, to 400 and 140 homes permitted, respectively.

Single-family homebuilding activity decreased in the New York/New Jersey region during the second quarter of 2020, with strong declines in both states.



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 balanced to slightly tight during the second quarter of 2020. In NYC, conditions were balanced, with a vacancy rate of 4.2 percent, up from the 3.7-percent rate during the second quarter of 2019 (Reis, Inc.). The rise in the vacancy rate during the past year was partially attributed to increased net out-migration from the city as residents moved to more suburban locations because of the restrictions in NYC from COVID-19. The average apartment rent in NYC increased 1 percent, to \$3,737, compared with an average 3-percent increase during the previous 2 years. Rent growth slowed during the past year in response to a rising apartment vacancy rate. Conditions in Long Island were slightly tight, and the apartment vacancy rate was 3.2 percent, up from 2.5 percent a year earlier (RealPage, Inc.). Conditions in Long Island softened during the past year, partially because of a significant increase in the number of newly constructed apartment units coming on line. During the 12 months ending June 2020, approximately 2,950 new apartment units were completed, representing an increase of nearly 250 percent from the 12 months ending June 2019 (Dodge Data and Analytics, LLC). Despite the rising vacancy rate, the average apartment rent increased 5 percent, to \$2,408, which was the largest increase in the region and was largely attributed to the influx of new high-priced apartments being completed. Conditions were slightly tight

throughout upstate New York and vacancy rates declined in those areas. In the Buffalo, Rochester, and Albany metropolitan areas, the vacancy rates were 3.0, 3.3, and 3.8 percent, down from 3.1, 4.0, and 4.0 percent a year ago, respectively. Average asking rents in those metropolitan areas were \$1,009, \$1,049, and \$1,282, up 4, 2, and 1 percent, respectively, from the second quarter of 2019.

In New Jersey, conditions ranged from balanced to slightly tight. In northern New Jersey, conditions were balanced, with a vacancy rate of 4.9 percent, up slightly from 4.7 percent a year earlier, and the average asking rent increased 1 percent to \$2,061 (Reis, Inc.). In the Atlantic City metropolitan area, conditions were slightly tight compared with tight conditions a year ago, and the vacancy rate was 3.5 percent, up from the 2.2-percent rate during the second quarter of 2019 (RealPage, Inc.). The vacancy rate in the metropolitan area increased during the past year, partially due to an increase in the number of newly constructed apartment units that were completed. During the 12 months ending June 2020, approximately 630 new apartment units came on line, up 40 percent compared with the same period a year earlier (Dodge Data and Analytics, LLC). Due in part to the completion of new high-priced apartment units, the average apartment rent in the Atlantic City metropolitan area increased 4 percent, to \$1,305, compared with an average 1-percent increase during the previous 2 years.

continued on page 6



continued from page 5

Apartment market conditions ranged from balanced to slightly tight in the 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 2019 (%)	2Q 2020 (%)	Percentage Point Change	2Q 2019 (\$)	2Q 2020 (\$)	Percent Change
Albany ^a	Slightly Tight	4.0	3.8	-0.2	1,264	1,282	1
Atlantic City ^a	Slightly Tight	2.2	3.5	1.3	1,259	1,305	4
Buffalo ^a	Slightly Tight	3.1	3.0	-0.1	974	1,009	4
Long Island ^a	Slightly Tight	2.5	3.2	0.7	2,297	2,408	5
New York City ^b	Balanced	3.7	4.2	0.5	3,718	3,737	1
Northern New Jersey ^b	Balanced	4.7	4.9	0.2	2,050	2,061	1
Rochester ^a	Slightly Tight	4.0	3.3	-0.7	1,026	1,049	2

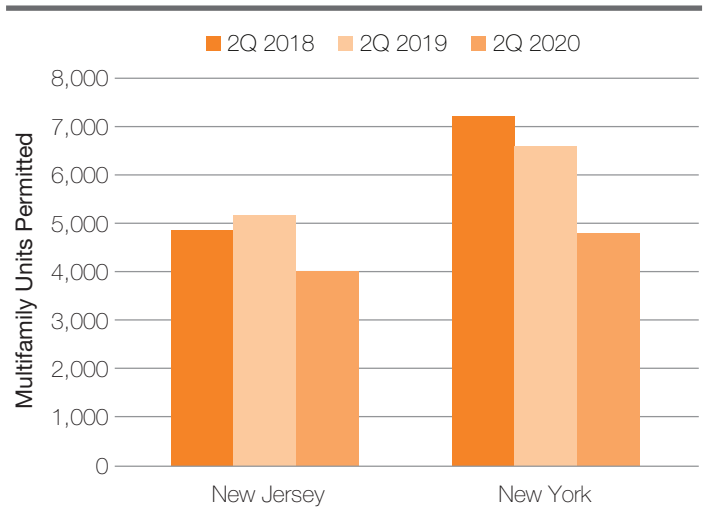
2Q = second quarter.

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

During the second quarter of 2020 (preliminary data)—

- Multifamily building activity, as measured by the number of multifamily units permitted, totaled 8,800 units permitted in the New York/New Jersey region; the number was down by 2,975 units, or 25 percent, from the second quarter of 2019. Multifamily building activity decreased an average of 15 percent annually during the past 2 years and the current level is at the lowest for a second quarter since 2012.
- Multifamily construction activity in New York declined by 1,800 units, or 27 percent, to 4,800 units permitted. Multifamily permitting was down or unchanged in all metropolitan areas in the state except for the Albany metropolitan area, where the number of units permitted was up by 65 units, or 73 percent, compared with the second quarter of 2019.
- In the New York-Newark-Jersey City metropolitan area, multifamily building activity was down by 2,175 units, or 21 percent, to 7,925 units permitted. Nearly 90 percent of the net decline in the metropolitan area was in NYC, where the number of units permitted decreased by 1,925 units, or 35 percent, to 3,650 units permitted.
- Multifamily building activity in New Jersey decreased by 1,175 units, or 23 percent, to 4,000 units permitted, compared with an increase of 300 units, or 6 percent, a

Multifamily building activity significantly declined in both New York and New Jersey during the second quarter of 2020.



2Q = second quarter.

Note: Based on preliminary data.

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

year earlier. In response to strong job losses, multifamily construction activity in the Atlantic City metropolitan area declined by 200 units, or 86 percent, compared with a 74-percent increase during the same period a year earlier.

