

HUD PD&R Regional Reports

Region 2: New York/New Jersey

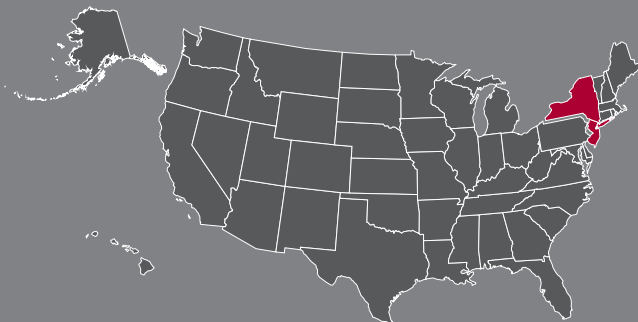


Newark, New Jersey

By Sam Young | 3rd quarter 2016

Quick Facts About Region 2

- **Sales market conditions—**
Third quarter 2016: balanced.
Second quarter 2016: balanced.
Third quarter 2015: balanced.
- **Apartment market conditions—**
Third quarter 2016: mixed (balanced to tight).
Second quarter 2016: mixed (balanced to tight).
Third quarter 2015: mixed (balanced to tight).



Overview

The economy in the New York/New Jersey region continued 6 years of expansion during the third quarter of 2016, with nonfarm payrolls increasing 1.4 percent from a year earlier. Recent job growth was equal to the 1.4-percent average annual rate of the past 5 years, as payrolls in the region continued to grow at a solid pace. As a result of continued job growth, labor market conditions are somewhat tight in some parts of the region. The unemployment rate in the region averaged 5.1 percent in the third quarter of 2016, down slightly from a year ago and the lowest third quarter rate since 2008. Despite strong home sales demand in the region, sales housing market conditions were balanced in most metropolitan areas in the region. In the third quarter of 2016, prices for existing homes increased in New York, partially offsetting declines in New Jersey. Apartment market conditions ranged from balanced to tight in most metropolitan areas in the region.

During the third quarter of 2016—

- Growth in the education and health services and the leisure and hospitality sectors led overall payroll gains, accounting for nearly 55 percent of jobs added in the region.

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- Single-family home construction was down nearly 7 percent from a year ago, although existing home sales increased in many metropolitan areas where economic conditions continued to improve. Despite strong sales market conditions and continued sales demand, home prices increased moderately in most major metropolitan areas in the region.
- Apartment market conditions eased in some metropolitan areas in the past 12 months as new units were completed. Multifamily construction activity was up in the New York-Northern New Jersey metropolitan area, more than offsetting decreases in some of the smaller metropolitan areas of the region.

Economic Conditions

The economy of the New York/New Jersey region continued to grow at a steady rate in the third quarter of 2016 as the current economic expansion entered its sixth year. Nonfarm payrolls increased by 187,800 jobs, or 1.4 percent, from a year earlier, to 13.49 million jobs. Nonfarm payroll growth also averaged 1.4 percent a year from 2010 through 2015. The regional job growth was partly because of increased transportation employment. Nearly 1.7 million shipping containers were loaded through the Port of New York and New Jersey during the third quarter of 2016, up more than 1 percent from the average of 1.15 million containers shipped during the third quarters from 2012 through 2015 (The Port Authority of New York & New Jersey). The transportation and utilities sector averaged 468,000 jobs during the third quarter of 2016, up by 15,500 jobs, or 3.4 percent, from a year earlier. Labor market conditions continued to tighten in the third quarter of 2016. The unemployment rate in the region averaged 5.1 percent, down slightly from 5.2 percent a year earlier. The unemployment rates for New Jersey (5.4 percent) and New York (5.0 percent) in the third quarter of 2016 nearly matched the national average of 5.0 percent.

During the third quarter of 2016—

- Nonfarm payrolls increased in New Jersey and New York by 62,200 and 125,500 jobs, or 1.5 and 1.4 percent, respectively. The rate of payroll growth slowed in New York because of a sharp slowdown in the rate of growth in the construction sub-sector, which increased by 8,100 jobs compared with 14,300 jobs a year earlier. In New Jersey, payroll growth in 10 of the 11 sectors was partly offset by a decline of 1,900 jobs in the government sector.
- In New York, the education and health services sector led employment gains, with more than 70 percent of the gains concentrated in the health care and social assistance industry. The recent increase in healthcare employment is partly because of the construction of new hospitals. From July 2008 through June 2016, public and private hospitals have accounted for more than 31 percent of all institutional construction statewide, totaling over \$8 billion during the period (New York Building Congress).

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Nonfarm payrolls increased in every sector in the New York/New Jersey region during the third quarter of 2016.

	Third Quarter		Year-Over-Year Change	
	2015 (thousands)	2016 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	13,301.4	13,489.2	187.8	1.4
Goods-producing sectors	1,239.3	1,252.2	12.9	1.0
Mining, logging, and construction	541.3	554.1	12.8	2.4
Manufacturing	698.0	698.1	0.1	0.0
Service-providing sectors	12,062.1	12,237.0	174.9	1.4
Wholesale and retail trade	1,972.2	1,981.7	9.5	0.5
Transportation and utilities	452.5	468.0	15.5	3.4
Information	341.6	348.0	6.4	1.9
Financial activities	968.1	974.6	6.5	0.7
Professional and business services	1,936.8	1,955.5	18.7	1.0
Education and health services	2,491.9	2,556.2	64.3	2.6
Leisure and hospitality	1,328.1	1,366.7	38.6	2.9
Other services	574.7	586.9	12.2	2.1
Government	1,996.2	1,999.4	3.2	0.2

Note: Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

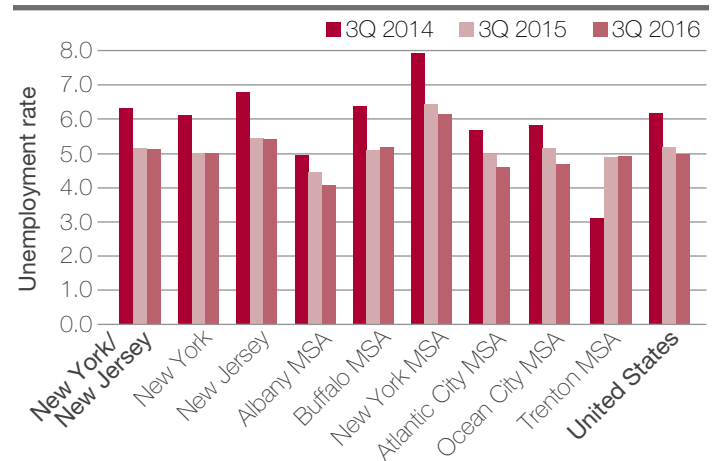


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- In New Jersey, the construction subsector and the transportation and utilities sector had the strongest percentage gains, growing 3.3 and 2.9 percent, respectively. Construction was recently completed on the 750,000-square-foot Prudential Tower in Newark, and construction continues at the 550,000-square-foot Celgene Corporation campus in Union County (Marcus & Millichap). Amazon, Inc., recently signed a 10-year lease in Teterboro for a 617,000-square-foot warehouse fulfillment center and announced plans for a fulfillment center in Middlesex, where more than 1,500 full-time staff are expected to be hired.
- In New York City (NYC), nonfarm payrolls were up by 93,300 jobs, or 2.2 percent. Employment growth in the mining, logging, and construction sector slowed, following sharp increases during the previous 2 years, leading to a slowdown in payroll gains. By comparison, mining, logging, and construction sector employment increased 6.4 percent annually during 2014 and 2015, supporting overall payroll growth of 3.1 percent in the city during the period.
- The volatile financial activities sector in NYC declined by 1,950 jobs, or 0.4 percent, to 462,800 jobs. By comparison, the sector

grew by 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 the rate of decline slowed.



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

Sales Market Conditions

Home sales demand increased in the New York/New Jersey region during the third quarter of 2016, although sales housing market conditions remained balanced. The supply of homes for sale decreased during the 12 months ending September 2016, but home sales increased. In New York, the number of home sales increased 14 percent and new listings declined 9 percent. Consequently, the inventory of homes for sale declined to a 6.8-month supply in September 2016 from 9.6 months a year earlier (New York State Association of Realtors®). Home sales in New Jersey followed a different pattern. Home sales increased 11 percent, to 70,150 sales during the 12 months ending September 2016, and new listings increased nearly 3 percent. Sales prices fell slightly, and the number of days on the market declined only slightly, to 78 days during September 2016 from 82 days a year earlier (New Jersey Association of Realtors®).

The NYC housing market was balanced in the third quarter of 2016. Higher prices supported a greater number of active home listings, and sales increased in many boroughs of NYC. In the Bronx, during the 12 months ending September 2016, home sales were up 19 percent, to a record 3,800 homes, and the average price increased more than 2 percent, to \$384,000. On Staten Island, home sales increased nearly 24 percent, to 5,150 homes, and the average price rose nearly 6 percent, to \$432,000. In Manhattan, the number of new and existing condominiums and cooperatives sold decreased 5.7 percent, to 12,650 units, but the average sales price increased

16 percent, to 1.88 million (Real Estate Board of New York). In Brooklyn and Queens, average home prices (including condominiums, cooperatives, and one- to three-family homes) increased 8 and 7 percent, to \$832,500 and \$510,100, respectively. Home sales decreased 2 percent in Brooklyn but rose 5 percent in Queens, to 11,400 and 15,600 homes, respectively.

Strengthening home sales demand 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 August 2016, 5.6 percent of mortgages in the region were seriously delinquent or had transitioned into REO status, down from 7.2 percent a year earlier (CoreLogic, Inc.). Seriously delinquent mortgage and REO property rates declined from 8.1 to 6.1 percent in New Jersey and from 6.6 to 5.3 percent in New York during the period. Despite these declines in the region, New Jersey and New York still have the highest seriously delinquent mortgage and REO property rates in the nation, where the average is 2.7 percent, because both are judicial states, which lengthens the foreclosure process.

Despite continued economic growth and strong home sales demand, single-family construction activity in the region decreased, as declines in NYC and New Jersey offset increases in many metropolitan areas of New York. During the third quarter of 2016 (preliminary data)—

- Construction of single-family homes, as measured by the number of homes permitted, was down nearly 7 percent in the region from a year earlier, to approximately 4,600 homes.

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Home sales rose sharply while home prices increased modestly in the New York/New Jersey region during the third quarter of 2016.

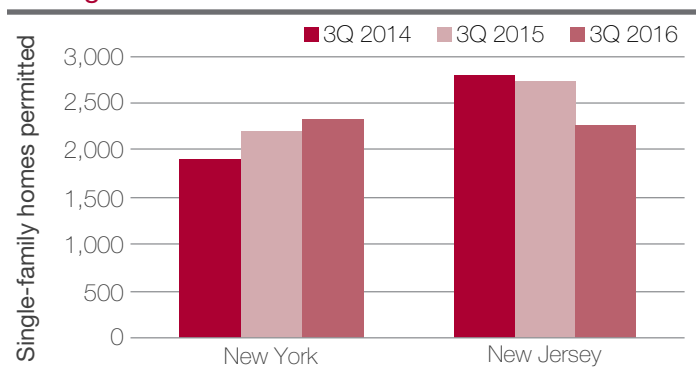
	12 Months Ending	Number of Homes Sold			Price			
		2015	2016	Percent Change	Average or Median	2015 (\$)	2016 (\$)	Percent Change
New York* (E)	September	109,285	124,922	14	AVG	323,988	328,212	1
New York City (N&E—1–3 family)	September	21,872	23,827	9	AVG	691,042	707,591	2
New York City (N&E—condo & co-op)	September	25,606	25,292	- 1	AVG	1,054,100	1,118,500	6
Albany MSA (N&E)	August	11,600	13,000	12	AVG	202,250	202,350	0
Buffalo MSA** (E)	August	10,791	11,778	9	AVG	150,437	152,971	2
Rochester MSA** (E)	September	11,876	11,113	- 6	AVG	154,300	155,300	1
New Jersey*** (E)	September	63,296	70,156	11	AVG	403,896	395,394	- 2
Northern New Jersey*** (E)	September	25,181	25,100	0	MED	212,750–455,000	217,000–476,000	NA
Central New Jersey**** (E)	September	16,996	18,636	10	MED	275,000–463,000	270,000–460,000	NA
Southern New Jersey*** (E)	September	20,785	24,806	19	MED	131,250–339,500	130,000–387,500	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; New Jersey Association of Realtors®; New York State Association of Realtors®, Inc.; Real Estate Board of New York

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- In New Jersey, the number of single-family homes permitted fell nearly 18 percent from a year ago, to 2,250 homes permitted. Permitting decreased in most metropolitan areas. The Trenton and Vineland metropolitan areas suffered the greatest percentage declines, falling 60 and 43 percent, to 50 and 30 homes, respectively. Single-family construction also declined nearly 11 percent in the Atlantic City metropolitan area, to 70 homes permitted.
- In New York, the number of single-family homes permitted increased nearly 7 percent, to 2,350 homes. This gain was led by increases in the Syracuse, Rochester, and Albany metropolitan areas, where permitting increased 33, 12, and 12 percent, to 130, 420, and 420 homes permitted, respectively.
- Homebuilding activity in the New York-Northern New Jersey-Long Island metropolitan area decreased to 2,500 homes permitted, down more than 11 percent from a year ago.

Homebuilding activity fell in the New York/New Jersey region, as declines in New Jersey more than offset small gains in New York.



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

Apartment Market Conditions

Apartment demand is currently strong in the New York/New Jersey region. Despite the completion of 30,700 new apartments during the past 12 months (McGraw-Hill Construction Pipeline database), market conditions in most metropolitan areas in the region ranged from balanced to tight in the third quarter of 2016. Conditions were tight in Central New Jersey, and the vacancy rate remained at 2.4 percent from the third quarter of 2015 to the third quarter of 2016

(Reis, Inc.). The tight rental market conditions led to a 6-percent increase in the average rent, to \$1,324. The apartment market in Northern New Jersey has been balanced since the first quarter of 2014, despite a 60-percent increase in the number of units permitted from 2013 to 2015. The vacancy rate increased to 4.6 percent from 4.0 percent a year earlier, and the average rent increased 8 percent, to \$1,809 monthly. In New York, apartment market conditions were mixed. Apartment conditions remained balanced in NYC, with a

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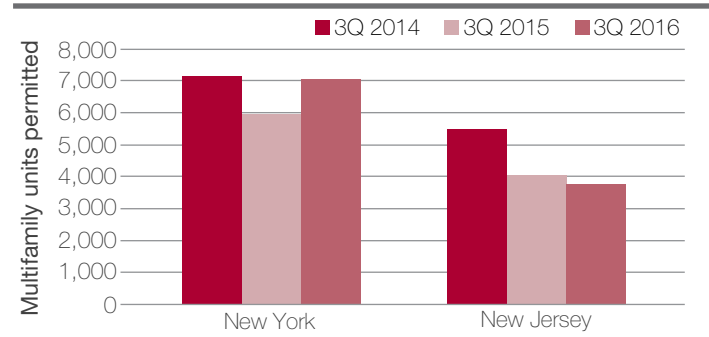
4.0-percent vacancy rate in the third quarter of 2016, up from 2.7 percent a year earlier (Reis, Inc.). More than 25,000 new apartments were completed in NYC during 2015, and 23,000 apartments are currently under construction. Although the large wave of new supply outpaced absorption during the past four quarters, monthly apartment rents averaged approximately \$3,499 in the third quarter of 2016, a 7-percent increase from a year earlier. In the Syracuse metropolitan area, apartment market conditions remained tight, with a 1.5-percent vacancy rate, down from 2.5 percent a year earlier, and the average apartment rent increased 1 percent, to \$805 (MPF Research). In the Long Island metropolitan area, apartment market conditions remained slightly tight, with a 3.4-percent vacancy rate and a 6-percent increase in the average rent, to \$1,781, in the third quarter of 2016. In the Westchester metropolitan area, the vacancy rate in the third quarter of 2016 was 3.2 percent, up slightly from 3.0 percent a year earlier, and the average monthly rent increased 9 percent, from \$1,988 to \$2,157 (Reis, Inc.).

In the Albany metropolitan area, more than 2,400 new apartments were completed during 2015 (McGraw-Hill Construction Pipeline database). Apartment market conditions remained tight, but the vacancy rate increased from 1.7 percent in the third quarter of 2015 to 3.1 percent in the third quarter of 2016 (MPF Research, Inc.). During the period, the average apartment rent increased from \$1,043 to \$1,061 a month.

Multifamily construction in the New York/New Jersey region increased from a year ago. During the third quarter of 2016 (preliminary data)—

- Approximately 10,850 multifamily units were permitted in the region, up nearly 9 percent from the number permitted a year earlier. By comparison, multifamily permitting in the third quarter of 2015 was down more than 20 percent from a year earlier.
- In New York, multifamily construction increased. A strong increase in the Syracuse metropolitan area partially offset declines in other areas. Multifamily construction in the Syracuse metropolitan

Multifamily permitting increased throughout the New York/New Jersey region, as strong gains in New York offset small declines in New Jersey.



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

area increased to 330 units permitted, from less than 100 units permitted during the third quarter of 2015. Building activity decreased sharply in the Albany, Rochester, and Buffalo metropolitan areas, falling 55, 51, and 26 percent, to 420, 330, and 190 units, respectively.

- Multifamily permitting in the New York-Northern New Jersey metropolitan area increased to 9,000 units compared with 7,475 units permitted a year earlier. The current level of permitting is more than triple the average of 2,075 units permitted in the third quarters from 2010 through 2014.
- In New Jersey, multifamily permitting decreased 6 percent from a year earlier, to approximately 3,800 units permitted. By comparison, permitting averaged 1,100 units during the third quarters from 2010 through 2014. Building activity in the Atlantic City metropolitan area totaled 110 units, more than double the 40 units permitted a year earlier. In the Trenton metropolitan area, multifamily construction increased to 140 units from 40 units in the third quarter of 2015.

Balanced-to-tight rental market conditions in the New York/New Jersey region contributed to relatively strong rent growth of 1 to 9 percent.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		3Q 2015 (%)	3Q 2016 (%)	Percentage Point Change	3Q 2015 (\$)	3Q 2016 (\$)	Percent Change
Albany ^a	Tight	1.7	3.1	1.4	1,043	1,061	2
Buffalo ^b	Tight	2.4	2.4	0.0	1,252	1,324	6
Long Island ^b	Slightly tight	3.2	3.4	0.2	1,680	1,781	6
New York City ^b	Balanced	2.7	4.0	1.3	3,285	3,499	7
Northern New Jersey ^b	Balanced	4.0	4.6	0.6	1,668	1,809	8
Rochester ^a	Tight	2.5	1.5	- 1.0	795	805	1
Westchester ^b	Slightly tight	3.0	3.2	0.2	1,988	2,157	9

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.

