

# HUD PD&R Regional Reports

## Region 2: New York/New Jersey



### Quick Facts About Region 2

Albany, New York

By Joseph Shinn | 3rd quarter 2018



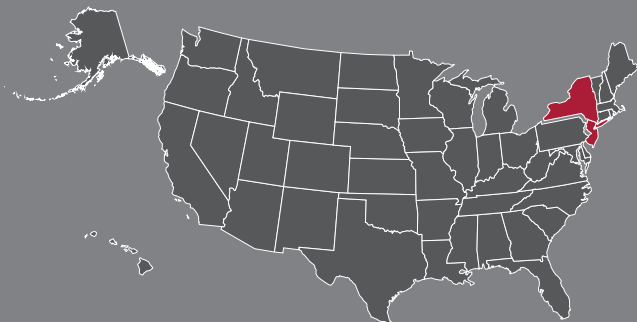
#### Sales market conditions—

Third quarter 2018: balanced.  
Second quarter 2018: balanced.  
Third quarter 2017: balanced.



#### Apartment market conditions—

Third quarter 2018: mixed (slightly soft to tight).  
Second quarter 2018: mixed (slightly soft to tight).  
Third quarter 2017: mixed (balanced to tight).



### Overview

The economy of the New York/New Jersey region expanded during the third quarter of 2018, and job growth slightly accelerated compared with a year ago. The unemployment rates declined in both states but were higher than the national average. Sales market conditions were balanced in both states, but home sales activity slowed compared with the same period a year earlier. Apartment market conditions in the major metropolitan areas in the region ranged from slightly soft to tight, compared with conditions ranging from balanced to tight during the third quarter of 2017. Apartment conditions in New York City (NYC) were slightly soft, compared with balanced conditions a year ago. Apartment conditions softened in many areas throughout the region, including NYC, during the past year because of an increase in the number of new apartment units coming on line.

During the third quarter of 2018—

- Nonfarm payrolls in the region increased 1.5 percent, to 13.87 million jobs, compared with the third quarter of 2017. Payrolls in New Jersey and New York increased 1.8 and 1.3 percent, or by 75,400 and 124,900 jobs, respectively.

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- Single-family homebuilding activity in the region declined 13 percent; construction was down in both New Jersey and New York. Multifamily building activity in the region decreased 19 percent during the past year, compared with an average 6-percent increase during the previous 2 years.
- In the New York-Newark-Jersey City metropolitan area, single-family homebuilding and multifamily permitting activity decreased 15 percent each, compared with the same period a year earlier. The declines in the metropolitan area accounted for nearly 70 percent of the net decreases in the region in both single-family and multifamily permitting activity.

## Economic Conditions

Economic conditions in the New York/New Jersey region were strong during the third quarter of 2018, continuing a trend that began during the fourth quarter of 2010. During the third quarter of 2018, nonfarm payrolls in the region averaged 13.87 million jobs, representing an increase of 200,300 jobs, or 1.5 percent, compared with the third quarter of 2017. By comparison, during the third quarter of 2017, nonfarm payrolls increased by 161,900 jobs, or 1.2 percent, compared with the same period a year earlier. Gains during the past year were largest in the education and health services, the leisure and hospitality, and the professional and business services sectors, which increased by 67,800, 45,200, and 31,400 jobs, or 2.6, 3.2, and 1.6 percent, respectively. In the leisure and hospitality sector, more than 60 percent of the net gain was in the food services and drinking places industry, which increased by 28,200 jobs, or 3.0 percent. In the manufacturing and the wholesale and retail trade sectors, nonfarm payrolls increased by 6,600 and 3,000 jobs, or 1.0 and 0.2 percent, respectively. By comparison, payrolls in those sectors declined by an average of 2,100 and 4,800 jobs, or 0.3 and 0.2 percent, during the previous 2 years, respectively. Partially offsetting gains during the past year were losses in the information sector, which was down by 2,300 jobs, or 0.7 percent.

During the third quarter of 2018, the unemployment rate in the New York/New Jersey region averaged 4.2 percent, down from 4.8 percent a year earlier. The decline during the past year occurred because resident employment increased 0.5 percent and the labor force decreased 0.3 percent. In New York and New Jersey, the unemployment rates were 4.0 and 4.4 percent, respectively, during the third quarter of 2018. The unemployment rates were down compared with the 4.8- and 4.9-percent rates, respectively, during the third quarter of 2017. The rates in both states, however, were still above the 3.9-percent national rate.

During the third quarter of 2018—

- Nonfarm payrolls in New Jersey increased by 75,400 jobs, or 1.8 percent, from a year ago; third-quarter job growth during the past year was at its highest level since 2000. Nearly three-quarters of the job gains during the past year were in the education and health services, the professional and business services, and the leisure and hospitality sectors, which increased by 19,600, 18,300, and 18,100 jobs, or 2.9, 2.7, and 4.4 percent, respectively.

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**Nonfarm payrolls in the New York/New Jersey region were up in both goods-producing and service-providing sectors during the third quarter of 2018.**

|                                    | Third Quarter       |                     | Year-Over-Year Change   |         |
|------------------------------------|---------------------|---------------------|-------------------------|---------|
|                                    | 2017<br>(thousands) | 2018<br>(thousands) | Absolute<br>(thousands) | Percent |
| Total nonfarm payrolls             | 13,666.3            | 13,866.6            | 200.3                   | 1.5     |
| Goods-producing sectors            | 1,263.7             | 1,277.7             | 14.0                    | 1.1     |
| Mining, logging, and construction  | 569.4               | 576.8               | 7.4                     | 1.3     |
| Manufacturing                      | 694.3               | 700.9               | 6.6                     | 1.0     |
| Service-providing sectors          | 12,402.5            | 12,588.8            | 186.3                   | 1.5     |
| Wholesale and retail trade         | 1,960.3             | 1,963.3             | 3.0                     | 0.2     |
| Transportation and utilities       | 489.7               | 511.9               | 22.2                    | 4.5     |
| Information                        | 341.4               | 339.1               | -2.3                    | -0.7    |
| Financial activities               | 976.5               | 979.1               | 2.6                     | 0.3     |
| Professional and business services | 2,005.4             | 2,036.8             | 31.4                    | 1.6     |
| Education and health services      | 2,641.5             | 2,709.3             | 67.8                    | 2.6     |
| Leisure and hospitality            | 1,391.4             | 1,436.6             | 45.2                    | 3.2     |
| Other services                     | 588.7               | 604.1               | 15.4                    | 2.6     |
| Government                         | 2,007.6             | 2,008.6             | 1.0                     | 0.0     |

Source: U.S. Bureau of Labor Statistics

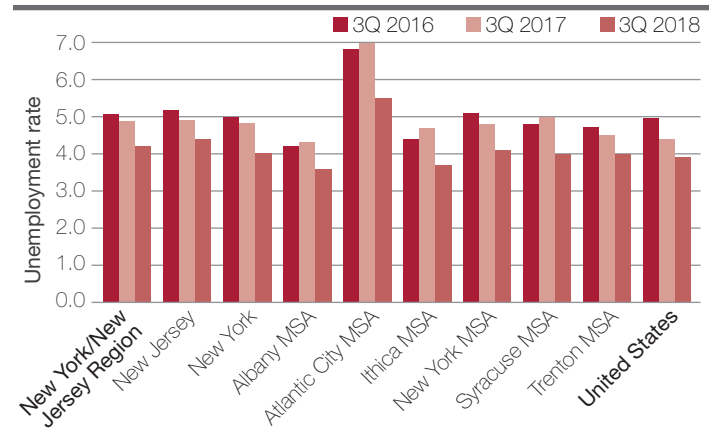


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- Job growth was strong in the Atlantic City-Hamilton metropolitan area; nonfarm payrolls were up by 8,900 jobs, or 6.8 percent, compared with a decline of 2,300 jobs, or 1.7 percent, during the same period a year earlier. Those gains were largely attributed to the opening of Ocean Resorts Casino and Hard Rock Hotel and Casino in June 2018, which added nearly 8,000 new jobs in the leisure and hospitality sector in the metropolitan area.
- In New York, nonfarm payrolls were up by 124,900 jobs, or 1.3 percent. The largest gains were in the education and health services and the leisure and hospitality sectors, which were up by 48,200 and 27,200 jobs, or 2.5 and 2.8 percent, respectively.
- In NYC, nonfarm payrolls increased by 74,700 jobs, or 1.7 percent, from a year ago. Third-quarter job growth in NYC averaged 1.8 percent annually during the past 2 years compared with an average 2.6-percent growth rate during the previous 5 years.
- Nonfarm payroll growth in NYC was partially attributed to the professional and business services sector, which increased by 10,200 jobs, or 1.4 percent. Gains in the sector include Amazon, Inc., which opened a new office in Manhattan earlier in 2018 that

is expected to have approximately 2,000 employees in various operational positions once fully staffed by the end of 2018.

### Unemployment rates were down in all major metropolitan areas in the New York/New Jersey region during the third quarter of 2018.



3Q = third quarter.

Source: U.S. Bureau of Labor Statistics

## Sales Market Conditions

Sales housing market conditions in the New York/New Jersey region were balanced during the third quarter of 2018. During the 12 months ending August 2018, the region had 4.9 months of available for-sale inventory, down from 5.4 months of inventory during the previous 12-month period (CoreLogic, Inc.). That decline was partially attributed to fewer homeowners choosing to sell and purchase a new home because of potentially higher interest rates for new mortgages. In September 2018, the average 30-year fixed rate mortgage in the United States was 4.7 percent, up from 3.8 percent in September 2017 and the all-time low rate of 3.3 percent in November 2012 (Federal Reserve Bank of St. Louis). The recent decrease in the number of existing homeowner purchases contributed to slower sales activity in both New Jersey and New York during the past year. In New Jersey, existing home sales totaled approximately 81,000 during the 12 months ending September 2018, up 2 percent compared with the previous 12-month period (New Jersey Association of Realtors®). By comparison, home sales in the state increased an average of 13 percent annually during the previous 2 years. The average sales price of existing homes sold increased 1 percent during the past year, to \$391,900. Existing home sales in New York were unchanged during the past year, at approximately 130,000 homes sold, compared with a 3-percent increase during the same period a year earlier (New York Association of Realtors®). Despite stagnant sales, the average sales price in the state increased 5 percent, to \$360,200, because low-priced real estate owned (REO) sales were a smaller portion of all existing sales during the past year. During

the 12 months ending August 2018, approximately 6 percent of existing home sales were REO sales, down from approximately 7 percent during the previous 12-month period (CoreLogic, Inc., with adjustments by the analyst).

The NYC housing market, which consists of five boroughs—the Bronx, Brooklyn, Manhattan, Queens, and Staten Island—was balanced during the third quarter of 2018. Sales activity, however, slowed during the past 2 years, in part because of slowing job growth and rising home sales prices. During the 12 months ending August 2018, sales of new and existing homes declined 11 percent, to 44,550 homes sold, compared with a year ago (CoreLogic, Inc., with adjustments by the analyst). Home sales were relatively unchanged in the Bronx, but they were down in the other boroughs; declines ranged from 3 percent in Staten Island to 19 percent in Manhattan. The average sales price of new and existing homes in NYC was \$916,500, up 6 percent from a year ago. Average sales prices ranged from \$572,800 in Staten Island to \$1.43 million in Manhattan.

In August 2018, 3.3 percent of home loans in the region were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO status, down from 4.6 percent in August 2017 (CoreLogic, Inc.). The current rate is above the 1.8-percent national rate and is at least one percentage point higher than all other regions. The rates in New Jersey and New York were 3.1 and 3.5 percent, down from 4.7 and 4.5 percent, respectively, in August 2017.

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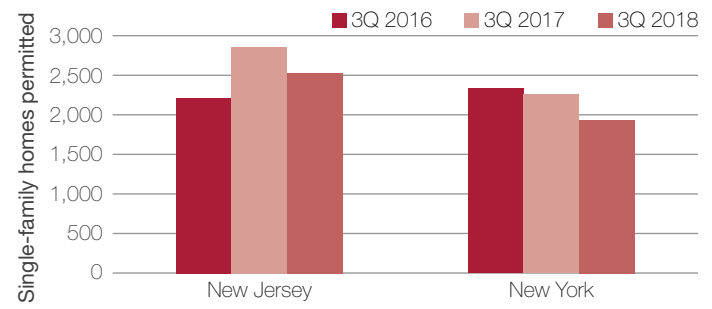
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During the third quarter of 2018 (preliminary data)—

- In response to a slowdown in sales activity, single-family homebuilding activity, as measured by the number of homes permitted, decreased by 660 homes, or 13 percent, in the New York/New Jersey region, to 4,475 homes permitted. By comparison, permitting activity increased by 590 homes, or 13 percent, during the same period a year earlier.
- In New Jersey, building activity decreased by 330 homes, or 12 percent, compared with the third quarter of 2017. By comparison, construction activity increased by 650 homes, or 29 percent, from the third quarter of 2016 through the third quarter of 2017.
- Homebuilding activity in New York totaled 1,950 homes permitted, which is a decrease of 320 homes, or 14 percent, from a year ago. Single-family homebuilding declined an average of 9 percent annually during the past 2 years, compared with an average 10-percent annual increase in corresponding periods during 2015 and 2016.
- Construction activity in the New York-Newark-Jersey City metropolitan area was down by 450 homes, or 15 percent, to 2,500 homes permitted. More than 70 percent of the

net decline was in the New York-Jersey City-White Plains metropolitan division, where building activity decreased by 320 homes, or 17 percent, to 1,600 homes permitted.

### Single-family homebuilding activity declined in the New York/New Jersey region and in each state during the third quarter of 2018.



3Q = third quarter.

Note: Based on preliminary data.

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

Average sales prices increased in the New York/New Jersey region, but sales activity declined or was little changed throughout the region.

|                                | 12 Months Ending | Number of Homes Sold |         |                |                   | Price           |                 |                |
|--------------------------------|------------------|----------------------|---------|----------------|-------------------|-----------------|-----------------|----------------|
|                                |                  | 2017                 | 2018    | Percent Change | Average or Median | 2017 (\$)       | 2018 (\$)       | Percent Change |
| New York*,** (E)               | September        | 130,000              | 130,000 | 0%             | AVG               | 342,700         | 360,200         | 5%             |
| New York City ** (N&E)         | August           | 49,800               | 44,550  | - 11%          | AVG               | 867,500         | 916,500         | 6%             |
| Albany MSA ** (N&E)            | August           | 14,550               | 14,100  | - 3%           | AVG               | 212,600         | 218,200         | 3%             |
| Buffalo MSA** (E)              | September        | 11,150               | 10,100  | - 9%           | AVG               | 159,200         | 173,900         | 9%             |
| Rochester MSA** (E)            | September        | 14,000               | 13,900  | - 1%           | AVG               | 154,100         | 163,000         | 6%             |
| New Jersey*** (E)              | September        | 79,700               | 81,000  | 2%             | AVG               | 389,100         | 391,900         | 1%             |
| Northern New Jersey*** (E)     | September        | 29,750               | 29,850  | 0%             | MED               | 226,000-485,000 | 219,700-500,000 | NA             |
| Central New Jersey***,**** (E) | September        | 20,700               | 21,000  | 1%             | MED               | 245,000-445,000 | 257,800-455,000 | NA             |
| Southern New Jersey*** (E)     | September        | 29,250               | 30,100  | 3%             | MED               | 116,800-355,000 | 120,000-310,000 | NA             |

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

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®; CoreLogic, Inc., with adjustments by the analyst; Greater Rochester Association of Realtors®; New Jersey Association of Realtors®; New York State Association of Realtors®, Inc.

## 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 third quarter of 2018. Conditions in New York ranged from slightly soft to slightly tight. In the Reis, Inc.-defined Westchester market area, the apartment market transitioned from slightly tight to slightly soft during the past year, and the vacancy rate increased from 4.0 percent during the third quarter of 2017 to

5.7 percent during the third quarter of 2018. Vacancy rates in the area have risen during the past year largely because of an increase in the number of new apartment units coming on line. During the 12 months ending September 2018, approximately 2,625 apartment units were completed, up 57 percent compared with the previous 12-month period (McGraw-Hill Construction Pipeline database). Despite the uptick in the vacancy rate, the average

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asking rent increased 5 percent, to \$2,281, which was the largest increase in the region and was partially attributed to higher-priced new units coming on line.

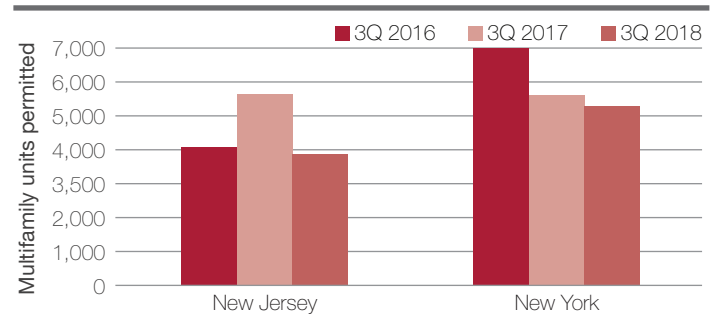
Conditions in NYC and Long Island were slightly soft and slightly tight, respectively. The vacancy rates were 5.2 and 3.5 percent, up from the 4.5- and 3.1-percent rates, respectively, during the same period a year earlier. Average rents in the areas, however, were up 3 and 4 percent, to \$3,693 and \$2,116, respectively. Conditions remained balanced in the Albany metropolitan area, and the vacancy rate declined from 4.3 to 3.8 percent from the third quarter of 2017 through the third quarter of 2018. The declining vacancy rate was partially attributed to fewer new apartment units coming on line during the past year. During the 12 months ending September 2018, approximately 1,150 new apartment units were completed, down 15 percent compared with the previous 12-month period (McGraw-Hill Construction Pipeline database). Conditions in the Syracuse metropolitan area were slightly tight, and the apartment vacancy rate was 3.5 percent, unchanged from a year ago. The average asking rents in the Albany and Syracuse metropolitan areas were \$1,220 and \$906, up 2 and 1 percent, respectively, compared with a year ago.

Conditions in the apartment markets in New Jersey ranged from balanced to tight. In Northern New Jersey, conditions were balanced, but vacancy rates rose during the past year because of an elevated number of newly-completed apartment units. During the third quarter of 2018, the apartment vacancy rate was 4.7 percent, up from 3.9 percent during the third quarter of 2017. The average rent increased 5 percent, to \$1,985, compared with a year ago. In Central New Jersey, conditions were tight, unchanged from a year ago. The apartment vacancy rate was 2.8 percent and the average rent increased 2 percent, to \$1,411.

During the third quarter of 2018 (preliminary data)—

- Building activity, as measured by the number of multifamily units permitted, totaled approximately 9,125 units permitted in the New York/New Jersey region, down by 2,100 units, or 19 percent, compared with the third quarter of 2017. By

### Multifamily building activity in the New York/New Jersey region declined during the third quarter of 2018, led by a decrease in New Jersey.



3Q = third quarter.

Note: Based on preliminary data.

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

comparison, permitting activity increased an average of 6 percent annually in corresponding periods during the previous 2 years.

- Multifamily construction activity in New Jersey declined by 1,750 units, or 31 percent, to 3,875 units permitted. Building activity in the Atlantic City-Hammonton and Trenton metropolitan areas decreased by 150 and 100 units, or 39 and 62 percent, to 230 and 60 units permitted, respectively.
- In New York, multifamily permitting activity was down by 330 units, or 6 percent, to 5,275 units permitted. The number of multifamily units permitted declined an average of 14 percent annually in corresponding periods during the past 4 years, compared with an average 53-percent increase from 2011 through 2014.
- In the New York-Newark-Jersey City metropolitan area, building activity declined by 1,425 units, or 15 percent, to 7,975 units permitted. In response to rising vacancy rates, construction activity in the New York-Jersey City-White Plains metropolitan division decreased by 1,550 units, or 20 percent, to 6,200 units permitted.

### Vacancy rates were up in most major metropolitan areas in the New York/New Jersey region, but average rents increased in all areas.

|                                  | Market Condition | Vacancy Rate |             |                         | Average Monthly Rent |              |                |
|----------------------------------|------------------|--------------|-------------|-------------------------|----------------------|--------------|----------------|
|                                  |                  | 3Q 2017 (%)  | 3Q 2018 (%) | Percentage Point Change | 3Q 2017 (\$)         | 3Q 2018 (\$) | Percent Change |
| Albany <sup>a</sup>              | Balanced         | 4.3          | 3.8         | - 0.5                   | 1,198                | 1,220        | 2              |
| Central New Jersey <sup>b</sup>  | Tight            | 2.6          | 2.8         | 0.2                     | 1,386                | 1,411        | 2              |
| Long Island <sup>b</sup>         | Slightly tight   | 3.1          | 3.5         | 0.4                     | 2,042                | 2,116        | 4              |
| New York City <sup>b</sup>       | Slightly soft    | 4.5          | 5.2         | 0.7                     | 3,596                | 3,693        | 3              |
| Northern New Jersey <sup>b</sup> | Balanced         | 3.9          | 4.7         | 0.8                     | 1,894                | 1,985        | 5              |
| Syracuse <sup>a</sup>            | Slightly tight   | 3.5          | 3.5         | 0                       | 898                  | 906          | 1              |
| Westchester <sup>b</sup>         | Slightly soft    | 4.0          | 5.7         | 1.7                     | 2,170                | 2,281        | 5              |

3Q = third quarter.

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

