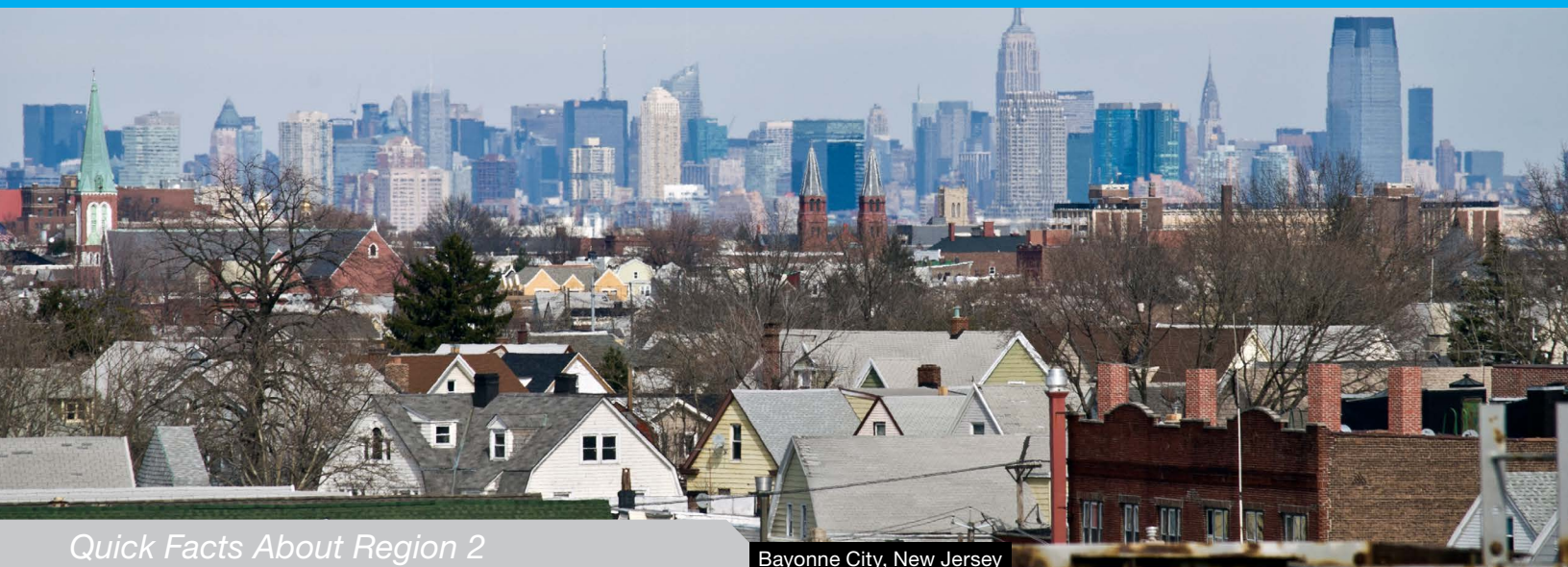


HUD PD&R Regional Reports

Region 2: New York/New Jersey

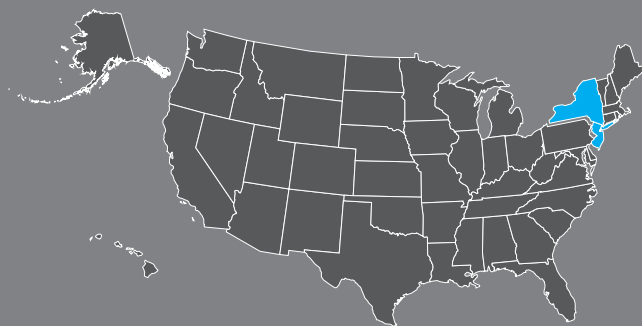


Bayonne City, New Jersey

By Sam Young | 4th quarter 2016

Quick Facts About Region 2

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



Overview

The economy in the New York/New Jersey region completed a sixth straight year of expansion during the fourth quarter of 2016, with nonfarm payrolls increasing 0.9 percent from a year earlier. Recent regional job growth was down from the 1.3-percent average annual rate of the past 5 years, and regional growth remained less than the national rate of 1.7 percent for the past 5 years. Despite slower job growth, unemployment rates continued to decline in the region. The unemployment rate in the region averaged 4.6 percent in the fourth quarter of 2016, down slightly from a year ago and the lowest fourth quarter rate since 2008. Despite strong home sales demand, as measured by the number of home sales, sales housing market conditions were balanced in most metropolitan areas in the region. In the fourth quarter of 2016, prices for existing homes increased in New York, partially offsetting a decline in New Jersey. Apartment market conditions ranged from balanced to tight in most metropolitan areas in the region.

During the fourth quarter of 2016—

- Growth in the education and health services and the leisure and hospitality sectors led overall payroll gains, accounting for nearly 70 percent of the jobs added in the region.

continued on page 2



PD&R

continued from page 1

- Single-family home construction was down nearly 10 percent from a year ago. Existing home sales increased in many metropolitan areas where economic conditions continued to improve. Balanced sales market conditions and continued high rates of seriously delinquent and real estate owned (REO) properties led to moderate home price increases in most major metropolitan areas in the region.
- Apartment market conditions remained balanced to tight in most metropolitan areas in the region despite a high number of new units completed during 2016. Multifamily permitting activity fell throughout the region, led by declines in the New York-Northern New Jersey metropolitan area.

Economic Conditions

The economy of the New York/New Jersey region continued to grow, but at a slowing rate, in the fourth quarter of 2016. The region has added jobs for 6 consecutive years but at a notably slower rate than the nation. Nonfarm payrolls in the region increased by 127,100 jobs, or 0.9 percent, from a year earlier, to 13.61 million jobs compared with a rise of 1.5 percent nationally. Nonfarm payroll growth in the region averaged 1.3 percent a year from 2011 through 2016, lower than the national rate of 1.7 percent. The education and health services sector led job growth in the region during the fourth quarter of 2016, with 65 percent of the increase in the sector concentrated in the health care and social assistance subsector. The recent increase in healthcare employment is partly because of recent construction of new hospitals and expansion of existing facilities. In 2014 and 2015, the two largest teaching hospitals in New York City (NYC)—NYU Langone and NewYork-Presbyterian—each spent more than \$500 million on construction activity. The Robert Wood Johnson University Hospital in New Brunswick, New Jersey, currently is constructing

a 100,000-square-foot expansion. Labor market conditions in the region continued to tighten in the fourth quarter of 2016. The unemployment rate in the region averaged 4.6 percent, down slightly from 4.7 percent a year earlier. The unemployment rates for New Jersey (4.4 percent) and New York (4.7 percent) in the fourth quarter of 2016 nearly matched the national average of 4.5 percent.

During the fourth quarter of 2016—

- Nonfarm payrolls increased in New York and New Jersey by 106,100 and 21,100 jobs, or 1.1 and 0.5 percent, respectively. The rate of payroll growth slowed dramatically in New Jersey relative to a year ago because of a sharp slowdown in the rate of growth in the professional and business services sector, which increased by only 300 jobs compared with 18,400 jobs a year earlier. In New York, payroll growth in nearly all the service-providing sectors was partly offset by a decline of 13,500 jobs in the goods-producing sectors.

continued on page 3

Gains in service-providing sectors more than offset declines in goods-producing sectors in the New York/New Jersey region during the fourth quarter of 2016.

	Fourth Quarter		Year-Over-Year Change	
	2015 (thousands)	2016 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	13,481.2	13,608.3	127.1	0.9
Goods-producing sectors	1,232.1	1,225.9	- 6.2	- 0.5
Mining, logging, and construction	530.2	529.8	- 0.4	- 0.1
Manufacturing	695.1	689.7	- 5.4	- 0.8
Service-providing sectors	12,249.1	12,382.4	133.3	1.1
Wholesale and retail trade	1,441.8	1,440.8	- 1.0	- 0.1
Transportation and utilities	479.4	491.7	12.3	2.6
Information	343.1	343.3	0.2	0.1
Financial activities	962.8	963.5	0.7	0.1
Professional and business services	1,948.7	1,961.2	12.5	0.6
Education and health services	2,607.7	2,676.6	68.9	2.6
Leisure and hospitality	1,245.4	1,264.3	18.9	1.5
Other services	571.7	578.5	6.8	1.2
Government	2,089.4	2,092.3	2.9	0.1

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

Source: U.S. Bureau of Labor Statistics

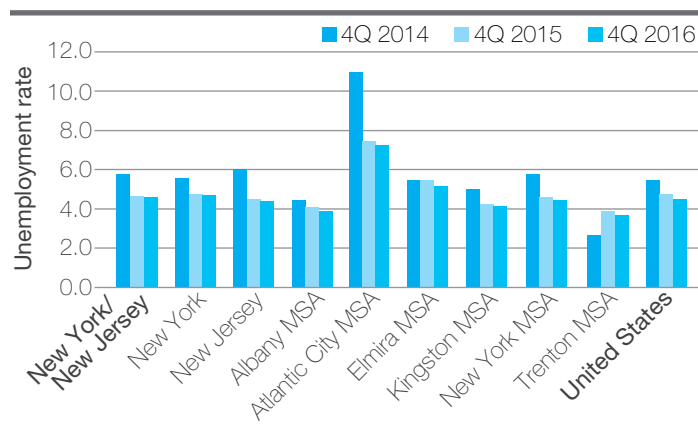


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- In New Jersey, the construction subsector grew 2.8 percent from a year ago. Builders completed 968,000 square feet of commercial space and 8,500 apartments in the state during 2016. By comparison, 1.2 million square feet of commercial construction and 6,800 apartments were completed in 2015 (Marcus & Millichap).
- In New York, the rate of job growth in the education and health services sector nearly doubled from the previous 12 months. The sector expanded 3.3 percent compared with 1.7 percent year-over-year growth during the fourth quarter of 2015. The increase during the past 12 months was partly offset by a sharp decline in the construction subsector. Construction employment fell by 4,700 jobs, or 1.3 percent, compared with a gain of 17,300 jobs, or 4.8 percent, from the fourth quarter of 2014 to the fourth quarter of 2015, with much of the decline occurring in NYC.
- In NYC, nonfarm payrolls increased 66,300 jobs, or 1.5 percent. Job growth in the city slowed in part because of a decline in the mining, logging, and construction sector. Job losses in the sector may continue, as total construction spending in 2017 is expected to decline to \$42.1 billion from the peak of \$43.1 billion in 2016 (New York Building Congress).

- The volatile financial activities sector in NYC declined by 4,000 jobs, or 0.9 percent, to 459,400 jobs. By comparison, the sector recorded 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.



4Q = fourth quarter. MSA = metropolitan statistical area.
Source: U.S. Bureau of Labor Statistics

Sales Market Conditions

Home sales demand remained strong in the New York/New Jersey region during the fourth quarter of 2016, and sales housing market conditions remained balanced. The supply of homes for sale decreased during 2016, but home sales increased. In New York, the number of home sales increased 10 percent, and new listings declined 5 percent. Consequently, the inventory of homes for sale declined 20 percent to 60,900 homes in 2016, or a 5.4-month supply, down from 76,500 homes, or a 7.4-month supply, a year earlier (New York State Association of Realtors®). The increased sales and declining inventory in New York were partly responsible for a 2-percent increase in home sales prices, to \$330,300 during 2016. Home sales in New Jersey increased 16 percent to 73,100 sales during 2016, and new listings increased more than 2 percent. The supply of homes declined to 5.2 months during December 2016 from 7.4 months a year earlier (New Jersey Association of Realtors®). Sales prices fell 3 percent during 2016, however.

The NYC housing market, which includes the five boroughs of The Bronx, Staten Island, Manhattan, Brooklyn, and Queens, was balanced in the fourth quarter of 2016. In the Bronx, during 2016, home sales were up 20 percent, to a record 3,900 homes, and the average price increased more than 3 percent, to \$389,000. Median prices increased more than average sales prices, indicating strength

in the middle segment of the sales market. On Staten Island, home sales increased more than 21 percent, to 5,300 homes, and the average price rose nearly 7 percent, to \$462,000. In Manhattan, the number of new and existing condominiums and cooperatives sold decreased 6 percent, to 12,400 units, but the average sales price increased more than 20 percent, to \$1.96 million (Real Estate Board of New York). Part of the steep price increase in Manhattan was driven by sales at 432 Park Avenue, where 15 sales in the fourth quarter averaged \$23.6 million each. In Brooklyn and Queens, average home prices (including condominiums, cooperatives, and one- to three-family homes) increased 7 percent each, to \$847,000 and \$519,000, respectively. Home sales decreased 2 percent in Brooklyn but rose nearly 2 percent in Queens, to 11,400 and 15,400 homes, respectively.

Increased home sales demand and decreased levels of for-sale inventory contributed to declines in the rates of seriously delinquent mortgages (those 90 or more days delinquent or in foreclosure) and REO properties in the region. In November 2016, 5.4 percent of mortgages in the region were seriously delinquent or had transitioned into REO status, down from 6.9 percent a year earlier (CoreLogic, Inc.). Seriously delinquent mortgage and REO property rates declined from 7.7 to 5.8 percent in New Jersey and from 6.4 to 5.1 percent

continued on page 4

continued from page 3

in New York from November 2015 to November 2016. Despite the declines, New Jersey and New York still have the highest seriously delinquent mortgage and REO property rates in the nation, with both more than double the 2.6-percent national rate. The rates of seriously delinquent and REO properties in 7 of the 21 metropolitan areas in New Jersey and New York ranked in the top 10 nationally (CoreLogic, Inc.).

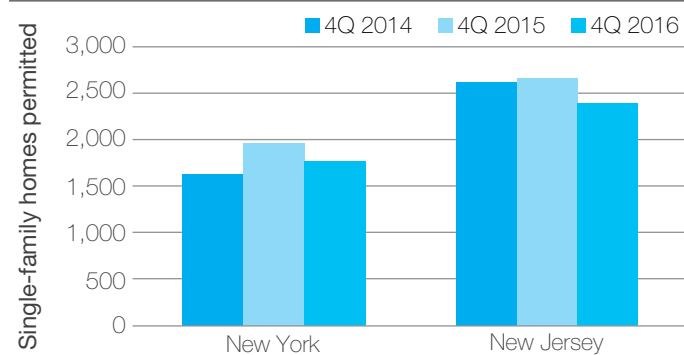
Despite continued economic growth and strong home sales demand, single-family construction activity in the region decreased, with permitting declines in nearly every metropolitan area of both New York and New Jersey.

During the fourth quarter of 2016 (preliminary data)—

- Construction of single-family homes, as measured by the number of homes permitted, declined to 4,200 homes, down 10 percent from a year earlier.
- In New Jersey, the number of single-family homes permitted fell 10 percent from a year ago, to 2,400 homes permitted. Permitting decreased in most metropolitan areas in the state. Declines of 42 percent in the Trenton and Vineland metropolitan areas and 36 percent in the Atlantic City metropolitan area were partially offset by a 30-percent increase in the Ocean City metropolitan area.

- In New York, the number of single-family homes permitted decreased more than 9 percent to 1,800 homes. The declines were led by decreases of 55 and 40 homes, or 47 and 11 percent, in the Syracuse and Albany metropolitan areas, to 60 and 300 homes permitted, respectively.
- Homebuilding activity in the New York-Northern New Jersey-Long Island metropolitan area decreased to 2,450 homes permitted, down more than 11 percent from a year ago.

Homebuilding activity fell in the New York/New Jersey region during the fourth quarter of 2016.



4Q = fourth quarter.

Note: Based on preliminary data.

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

Home sales and prices were mixed in the New York/New Jersey region during the 12 months ending December 2016.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2015	2016	Percent Change		2015 (\$)	2016 (\$)	Percent Change
New York* (E)	December	115,871	127,205	10	AVG	324,000	330,300	2
New York City (N&E—1–3 family)	December	22,327	23,887	7	AVG	697,500	716,500	3
New York City (N&E—condo & co-op)	December	25,471	25,051	– 2	AVG	1,053,400	1,152,100	9
Albany MSA (N&E)	November	12,044	13,128	9	AVG	201,000	201,600	0
Buffalo MSA** (E)	December	11,036	12,012	9	AVG	152,050	154,900	2
Rochester MSA** (E)	December	12,053	11,586	– 4	AVG	152,550	149,125	– 2
New Jersey*** (E)	December	62,800	73,100	16	AVG	400,400	386,400	– 3
Northern New Jersey*** (E)	December	24,750	27,700	12	MED	219,900–459,000	218,500–465,000	NA
Central New Jersey**** (E)	December	16,950	19,300	14	MED	275,000–453,000	239,000–400,500	NA
Southern New Jersey*** (E)	December	21,100	26,100	24	MED	131,900–307,250	129,900–292,500	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; Greater Rochester Association of Realtors®, Inc.; New Jersey Association of Realtors®; New York State Association of Realtors®, Inc.; Real Estate Board of New York

Apartment Market Conditions

Apartment housing market conditions in the fourth quarter of 2016 were mixed in the New York/New Jersey region, ranging from balanced to tight in most metropolitan areas. Conditions were balanced in the Atlantic Cape May metropolitan area, with a vacancy rate of 6.0 percent in the fourth quarter of 2016, nearly equal the 6.1-percent rate a year earlier (Reis, Inc.). The balanced rental market conditions led to a 2-percent increase in the average rent to \$1,026. The apartment market in Northern New Jersey has been balanced since the first quarter of 2014, despite an 84-percent increase in the number of apartment units permitted from 2013 to 2016. The vacancy rate remained at 3.8 percent, unchanged from a year earlier, and the average rent increased 3 percent to \$1,817 monthly. Rental market conditions in Northern New Jersey may soften in the next 24 months, however, as the number of units permitted is expected to increase another 86 percent from 2016 to 2018 (Reis, Inc.). In New York, apartment market conditions were mixed. Apartment conditions remained balanced in NYC, with a 3.3-percent vacancy rate in the fourth quarter of 2016, up from 2.9 percent a year earlier (Reis, Inc.). A large wave of new supply has outpaced absorption during the past four quarters, and monthly asking apartment rents remained flat, averaging approximately \$3,493 in the fourth quarter of 2016. Effective rents in NYC fell less than 1 percent, as concessions increased 2 percentage points from a year earlier. In the Rochester metropolitan area, apartment market conditions were slightly tight, with a 2.6-percent vacancy rate, down from 3.9 percent a year earlier, and apartment rents averaged \$874, up 3 percent from a year ago (MPF Research). In the Long Island metropolitan area, apartment market conditions remained tight, with a 2.9-percent vacancy rate and a 4-percent increase in the average rent, to \$1,997, in the fourth quarter of

2016. In the Buffalo metropolitan area, the vacancy rate in the fourth quarter of 2016 was 2.7 percent, down from 3.0 percent a year earlier, whereas the average monthly rent increased 2 percent, from \$821 to \$838 (Reis, Inc.).

In the Albany metropolitan area, more than 1,350 new apartments were completed during 2016 compared with an average of 500 apartments completed annually from 2013 through 2015 (McGraw-Hill Construction Pipeline database). Despite this level of building activity, apartment market conditions remained tight, as the vacancy rate decreased from 3.1 percent in the fourth quarter of 2015 to 2.6 percent in the fourth quarter of 2016 (MPF Research, Inc.). During the same period, the average apartment rent increased 5 percent from \$1,047 to \$1,101 a month.

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

- Approximately 9,400 multifamily units were permitted in the region, down more than 45 percent from the number permitted a year earlier. The spike in multifamily construction during the fourth quarter of 2015 was partly driven by builders in New York attempting to benefit from the state's 421-A tax break.
- In New York, multifamily construction sharply decreased. A slight increase of 70 units in the Buffalo metropolitan area was more than offset by declines in most other metropolitan areas. Multifamily construction in the Syracuse metropolitan area decreased to 30 units permitted from 130 units permitted during the fourth quarter of 2015. Building activity decreased in the Rochester and Albany metropolitan areas, falling 52 and 32 percent, to 180 and 350 units, respectively.

continued on page 6

Despite balanced to tight rental market conditions in the New York/New Jersey region, rent increases were moderate in the fourth quarter of 2016.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		4Q 2015 (%)	4Q 2016 (%)	Percentage Point Change	4Q 2015 (\$)	4Q 2016 (\$)	Percent Change
Albany ^a	Tight	3.1	2.6	– 0.5	1,047	1,101	5
Atlantic Cape May ^b	Balanced	6.1	6.0	– 0.1	1,006	1,026	2
Buffalo ^b	Tight	3.0	2.7	– 0.3	821	838	2
Long Island ^b	Tight	2.8	2.9	0.1	1,920	1,997	4
New York City ^b	Balanced	2.9	3.3	0.4	3,486	3,493	0
Northern New Jersey ^b	Balanced	3.8	3.8	0.0	1,768	1,817	3
Rochester ^a	Slightly tight	3.9	2.6	– 1.3	851	874	3

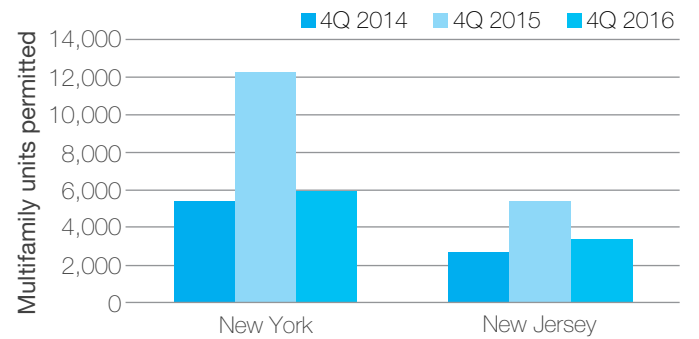
4Q = fourth quarter.

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

continued from page 5

- Multifamily permitting in the New York-Northern New Jersey metropolitan area decreased to 8,175 units compared with 15,525 units permitted a year earlier. Despite the decline, the current level of permitting is nearly 45 percent more than the average of 5,675 units permitted in the fourth quarters from 2010 through 2014.
- In New Jersey, multifamily permitting decreased 37 percent from a year earlier, to approximately 3,400 units permitted, but is still elevated from recent years. Building activity in the Trenton metropolitan area led the declines, falling by 110 units, or 83 percent, from a year earlier. In the Atlantic City and Ocean City metropolitan areas, multifamily construction decreased to 90 and 40 units, from 100 and 60 units in the fourth quarter of 2015, respectively. Multifamily permitting in the state averaged 2,400 units during the fourth quarters of 2010 through 2014.

Multifamily permitting decreased throughout the New York/New Jersey region, led by a sharp decline in New York City.



4Q = fourth quarter.

Note: Based on preliminary data.

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