

HUD PD&R Regional Reports

Region 2: New York/New Jersey



Quick Facts About Region 2

New York, New York

By Sam Young | 1st quarter 2016

- **Sales market conditions—**
First quarter 2016: balanced.
Fourth quarter 2015: balanced.
First quarter 2015: balanced.

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

Overview

The economy continued to expand in the New York/New Jersey region in the first quarter of 2016, although the rate of job growth slowed slightly. Nonfarm payrolls increased 1.5 percent from a year earlier in the first quarter of 2016 compared with 1.6-percent growth annually from 2013 through 2015. Population growth continued from July 2014 to July 2015 but at a slower pace than the previous year, in part because of increased net out-migration. Home sales demand increased, with sales of existing homes in the region up approximately 12 percent from the first quarter of 2015 to the first quarter of 2016. Sales prices for existing homes increased slightly in the region in the first quarter of 2016, and single-family homebuilding was up 8 percent. Apartment market conditions ranged from balanced to tight in the major metropolitan areas in the region. Although many new apartments were completed during 2015, the units were absorbed quickly and, in most metropolitan areas, vacancies declined. Permitting of multifamily units decreased more than 30 percent from a year earlier in the first quarter of 2016, because steep declines in New York offset increased activity in New Jersey.

- Increases in the education and health services and the professional and business services sectors led overall payroll gains during the first quarter of 2016, accounting for 43 percent of total job growth.

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- Home sales in New York and New Jersey during the 12 months ending March 2016 were up 14 and 9 percent, respectively, from a year earlier, while sales in New York City (NYC) rose 6 percent. Single-family home construction also increased, rising 12 and 6 percent in New York and New Jersey, respectively.
- Apartment market conditions remained tight in some metropolitan areas during the first quarter of 2016 despite new units being completed. Multifamily construction activity rose 28 percent in New Jersey but declined more than 60 percent in New York.

Economic Conditions

The economy in the New York/New Jersey region continued to expand in the first quarter of 2016, but the rate of growth slowed slightly. Nonfarm payrolls increased by 198,400 jobs, or 1.5 percent, from a year earlier, to nearly 13.17 million jobs. By comparison, nonfarm payroll growth averaged 1.6 percent a year from 2013 through 2015. The greatest percentage gain in job growth occurred in the mining, logging, and construction sector. Although multifamily permitting declined, existing projects under construction continued to support construction employment. In addition, the New York/New Jersey region experienced a dramatic increase in nonresidential construction. The total value of construction starts in the five boroughs of NYC in 2015 was nearly \$41 billion, up more than 50 percent from 2014 (New York Building Congress). Construction began on three new office towers in NYC in mid-2015—30 Hudson Yards, 1 Manhattan West, and 55 Hudson Yards—that are expected to be complete in 2019. In Camden, New Jersey, plans to redevelop the waterfront have been proposed and a new practice facility for the Philadelphia 76ers is scheduled to open in 2016. Labor market conditions continued to tighten in the first quarter of 2016. The

unemployment rate in the region averaged 5.2 percent, down from 6.3 percent a year earlier. Unemployment rates for New Jersey and New York in the first quarter of 2016, 4.8 and 5.3 percent, respectively, nearly matched the national average of 5.2 percent.

During the first quarter of 2016—

- Nonfarm payrolls increased in New Jersey by 69,700 jobs, or 1.8 percent, supported by job gains in nearly every sector. By comparison, the rate of payroll growth increased 1.1 percent during the same period a year ago. The increased growth was led by gains in the leisure and hospitality and the financial activities sectors. The current rate of payroll growth in New Jersey also outpaced the average annual rate of 0.6 percent during the previous expansion from 2004 through 2007.
- In New York, nonfarm payrolls increased by 128,700 jobs, or 1.4 percent, compared with a 1.9-percent gain during the previous 12 months. Nearly every sector gained jobs, but the professional and business services, education and health services, and leisure and hospitality sectors experienced relatively low growth rates.

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

	First Quarter		Year-Over-Year Change	
	2015 (thousands)	2016 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	12,967.2	13,165.6	198.4	1.5
Goods-producing sectors	1,147.7	1,168.5	20.8	1.8
Mining, logging, and construction	462.2	481.0	18.8	4.1
Manufacturing	685.5	687.5	2.0	0.3
Service-providing sectors	11,819.5	11,997.1	177.6	1.5
Wholesale and retail trade	1,927.4	1,944.1	16.7	0.9
Transportation and utilities	452.4	468.1	15.7	3.5
Information	336.7	343.1	6.4	1.9
Financial activities	939.0	952.9	13.9	1.5
Professional and business services	1,855.1	1,887.7	32.6	1.8
Education and health services	2,533.8	2,587.0	53.2	2.1
Leisure and hospitality	1,162.5	1,184.8	22.3	1.9
Other services	561.0	571.2	10.2	1.8
Government	2,051.6	2,058.2	6.6	0.3

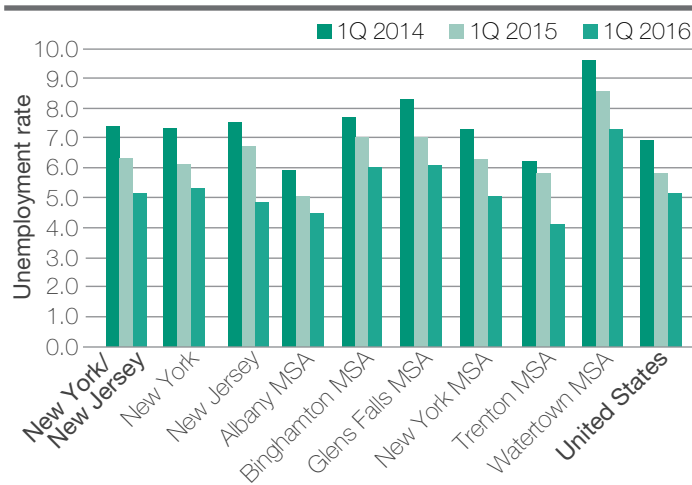
Note: Numbers may not add to totals because of rounding.
Source: U.S. Bureau of Labor Statistics



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- In New York, the education and health services sector added the most jobs. An increase of 40,200 jobs in the health care and social assistance subsector more than offset losses of 3,900 jobs in the educational services subsector. The recent increase in healthcare jobs is partly because of the expansion of Kaleida Health in Buffalo. The construction of the 410,000-square-foot John R. Oishei Children's Hospital, expected to open in 2017, and other projects at the Buffalo Niagara Medical Campus will create hundreds of construction jobs and, on completion, add hundreds of healthcare jobs in the Buffalo area.
- In New Jersey, the construction subsector and the transportation and utilities sector led payroll growth. These sectors had the highest percentage gains of any sector, growing 5.5 and 3.9 percent, respectively.
- In NYC, nonfarm payrolls were up by 105,100 jobs, or 2.5 percent. The mining, logging, and construction sector had the greatest percentage gain, rising by 9,400 jobs, or 7.3 percent. Nonresidential construction starts increased 65 percent in 2015, to \$18 billion, supporting construction employment in 2016 (New York Building Congress).
- The financial activities sector in NYC expanded by 5,200 jobs, or 1.1 percent, to 457,300 jobs. The increase was less than the

The unemployment rate in the New York/New Jersey region declined more than the national rate during the past year.



1Q = first quarter. MSA = metropolitan statistical area. Source: U.S. Bureau of Labor Statistics

average annual gain of 2.5 percent from 2013 through 2015 but remained well above the average declines of 0.2 percent annually in 2011 and 2012.

Population

The population of the New York/New Jersey region increased by 66,100, or 0.2 percent, from July 2014 to July 2015, which was the second lowest rate among the 10 HUD regions. The rate of growth was about one-fourth of the 0.8-percent increase nationally and was down from the regional gain of 0.3 percent during the previous year. The lower population growth was mostly caused by a net out-migration of 32,000 people. This net out-migration occurred despite a high level of international in-migration, particularly to New York. By comparison, from July 2010 to July 2014, the region recorded a lower average annual net out-migration of 25,500 people.

During the 12 months ending July 1, 2015—

- In New Jersey, the population increased by 19,150, or 0.2 percent, down from an average gain of 33,750, or 0.4 percent, annually from July 2010 to July 2014. Most of the population growth since 2010 has occurred in Bergen, Hudson, Middlesex, and Union Counties, which border NYC and have relatively lower housing costs than NYC.
- In New York, the population increased by 46,950, or 0.2 percent, compared with an average gain of 86,500, or 0.4 percent, annually from July 2010 to July 2014. Growth occurred from

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Population growth slowed in the New York/New Jersey region.

	Population Estimate (as of July 1)			Percent Change	
	2013	2014	2015	2013 to 2014	2014 to 2015
United States	316,427,395	318,907,401	321,418,820	0.8	0.8
New York/New Jersey	28,598,416	28,687,702	28,753,804	0.3	0.2
New York	19,691,032	19,748,858	19,795,791	0.3	0.2
New York City	8,436,047	8,495,194	8,550,405	0.7	0.6
New Jersey	8,907,384	8,938,844	8,958,013	0.4	0.2

Source: U.S. Census Bureau



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- July 2014 to July 2015 in the Albany and Ithaca metropolitan areas; however, the overall population in the state outside of NYC remained relatively unchanged.
- New York ranked second highest among states, after California, for international in-migration from July 2014 to July 2015, at 134,200 people.

- In NYC, the rate of population growth increased to three times the rate for the state of New York and for the region. Queens and the Bronx were the fastest growing boroughs, with growth rates of 0.7 and 0.6 percent, respectively.

Sales Market Conditions

Home sales demand increased in the New York/New Jersey region during the first quarter of 2016, although sales housing market conditions remained balanced. The supply of homes for sale increased during the past 12 months, but home sales increased at a higher rate. In New York, the number of home sales increased 14 percent, but new listings increased only 5 percent. Consequently, the months of supply of homes for sale declined to 6.8 months from 8.5 months a year earlier (New York State Association of Realtors®). Home sales in New Jersey followed a different pattern in the 12 months ending March 2016. Home sales increased 9 percent, to 65,000, during the 12 months ending March 2016, while new listings increased more than 14 percent. As a result, sales prices remained flat and the number of days homes remained on market declined only slightly, to 96 days, from 102 days during the previous 12 months (New Jersey Association of Realtors®).

The NYC housing market was balanced in the first quarter of 2016. Homebuyers were encouraged by the increased number of active home listings, causing home sales and prices to increase in NYC. In Brooklyn and Queens during the 12 months ending March 2016, home sales increased 2 and 9 percent, to 11,500 and 15,350 homes, respectively (Real Estate Board of New York). Average home prices (including condominiums, cooperatives, and one- to three-family homes) in Brooklyn and Queens increased 12 and 8 percent, to \$803,000 and \$493,000, respectively. In the Bronx, home sales continued at a record-setting pace, rising 23 percent, to 3,500 home sales, and the average price increased more than 4 percent, to \$377,000. On Staten Island, home sales increased 22 percent, to 4,700 homes, and the average price rose nearly 5 percent, to \$435,000. Partially offsetting these increases, the number of new

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Home sales increased and home sales prices were mixed throughout most areas in the New York/ New Jersey region.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2015	2016	Percent Change		2015 (\$)	2016 (\$)	Percent Change
New York* (E)	March	103,700	118,200	14	AVG	319,300	324,900	2
New York City (N&E—1–3 family)	March	20,750	22,750	10	AVG	665,700	701,500	5
New York City (N&E—condo & co-op)	March	24,825	25,675	3	AVG	1,040,000	1,024,000	- 2
Albany MSA** (N&E)	March	11,150	11,500	3	AVG	203,300	201,000	- 1
Buffalo MSA** (E)	March	11,400	12,100	6	AVG	156,200	153,400	- 2
Rochester MSA** (E)	February	10,400	11,450	10	AVG	148,450	147,500	- 1
New Jersey*** (E)	March	59,525	65,000	9	AVG	398,900	397,500	0
Northern New Jersey*** (E)	March	23,575	25,300	7	MED	218,000–437,500	201,000–429,500	NA
Central New Jersey**** (E)	March	15,825	17,400	10	MED	247,500–390,000	240,000–380,000	NA
Southern New Jersey*** (E)	March	20,125	22,275	11	MED	120,000–325,000	124,900–261,000	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



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and existing condominiums and cooperatives sold in Manhattan decreased 0.8 percent, to 13,375 units, but the average sales price increased 3 percent, to \$1.72 million.

Continuing strong home sales demand contributed to declines in the rates of seriously delinquent mortgages (loans 90 or more days delinquent or in foreclosure) and real estate owned (REO) properties. In February 2016, 6.7 percent of mortgages in the region were 90 or more days delinquent, were in foreclosure, or had transitioned into REO status, down from 7.9 percent a year earlier (CoreLogic, Inc.). Seriously delinquent mortgage and REO property rates declined from 9.0 to 7.5 percent in New Jersey and from 7.2 to 6.2 percent in New York from February 2015 but were far higher than the national average of 3.2 percent in February 2016. Despite these declines in the region, New Jersey and New York still have the highest percentages of distressed mortgages nationally because both are judicial states.

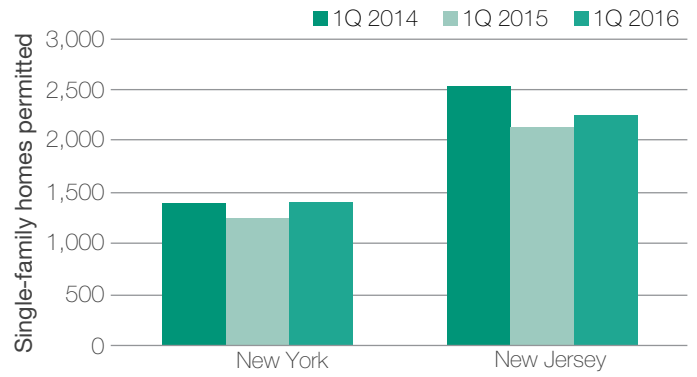
Continued economic growth and stronger home sales demand led to increased single-family construction activity for the region, despite declines in some areas. During the first quarter of 2016 (preliminary data)—

- Construction of single-family homes, as measured by the number of homes permitted, was up 8 percent in the region from a year earlier, to approximately 3,675 homes.
- In New York, the number of single-family homes permitted increased 12 percent, to 1,400 homes. These gains were led by increases in the Syracuse, Albany, and Buffalo metropolitan areas, where permitting increased 71, 40, and 11 percent, to 60, 230, and 170 homes permitted, respectively.

Apartment Market Conditions

Apartment demand is currently strong in the New York/New Jersey region. Despite the completion of 5,375 new units, apartment market conditions in most metropolitan areas in the region ranged from balanced to tight in the first quarter of 2016 (McGraw-Hill Construction Pipeline database). Conditions were tight in Central New Jersey, and the vacancy rate declined to 2.3 percent from 2.7 percent a year earlier (Reis, Inc.). The tightening rental market conditions led rents to rise 4 percent, to \$1,304. The apartment market in Northern New Jersey has been balanced since the first quarter of 2014, despite an increase of more than 50 percent in the number of units permitted from 2013 to 2015. The vacancy rate increased slightly, to 4.5 percent, from 4.1 percent a year earlier, and rents increased 5 percent, to \$1,760. In New York, apartment market conditions were mixed. Apartment market conditions remained balanced in NYC, with a 3.4-percent vacancy rate in the first quarter of 2016, up slightly from 3.0 percent a year earlier (Reis, Inc.). More than 14,000 new apartments were completed during 2015, but most of

Single-family homebuilding increased in the New York/New Jersey region during the first quarter of 2016.



1Q = first quarter.

Note: Based on preliminary data.

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

- In New Jersey, the number of single-family homes permitted rose 6 percent from a year ago, to 2,250 homes permitted. Permitting increased 23 and 22 percent in the Vineland and Trenton metropolitan areas, to about 40 and 500 homes, respectively. Slight gains in the Atlantic City and Ocean City metropolitan areas of 8 and 2 percent, to 80 and 130 home permitted, respectively, also supported statewide increases.
- Homebuilding activity in the New York-Northern New Jersey-Long Island metropolitan area increased to 2,275 homes permitted, up 6 percent from a year ago, and accounted for more than 60 percent of single-family permitting activity in the region.

the units were absorbed quickly. Monthly apartment rents averaged approximately \$3,500 in the first quarter of 2016, a 5-percent increase from a year earlier. In the Syracuse metropolitan area, apartment market conditions remained balanced, with a 4.3-percent vacancy rate, down slightly from 4.4 percent a year earlier, and average apartment rents increased 4 percent, to \$1,750 (MPF Research). In the Long Island metropolitan area, apartment market conditions remained tight, with a vacancy rate in the first quarter of 2016 of 3.3 percent and with a year-over-year increase in apartment rents of 5 percent, to \$1,758. In the Westchester metropolitan area, where apartment market conditions are slightly tight, the vacancy rate in the first quarter of 2016 was 3.1 percent, up from 2.9 percent a year earlier, and average monthly rents increased 2 percent, from \$2,003 to \$2,036 (MPF Research).

In the Albany metropolitan area, more than 2,400 new apartments were completed during 2015 (McGraw-Hill Construction Pipeline database). Despite the high number of units recently entering the

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market, apartment market conditions remained tight, and the apartment vacancy rate in the first quarter of 2016 was 3.1 percent, down slightly from 3.2 percent a year earlier (MPF Research). During the period, average apartment rents increased from \$1,020 to \$1,047 a month. The number of units under construction and in planning is expected to continue adding significantly to apartment supply during the next 12 months, so apartment market conditions may ease after some of these planned units are constructed.

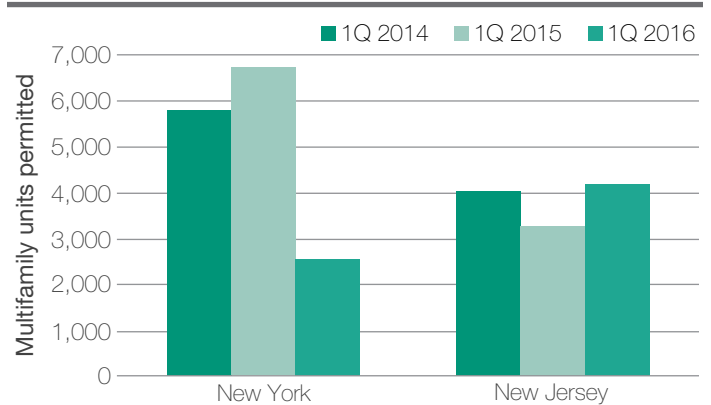
Multifamily construction, as measured by the number of units permitted, in the New York/New Jersey region decreased from a year ago. During the first quarter of 2016 (preliminary data)—

- Approximately 6,725 multifamily units were permitted in the region, down more than 30 percent from the number permitted a year earlier. By comparison, multifamily permitting in the first quarter of 2015 was up about 2 percent from a year earlier. Building activity surged in 2015, in part, because of an expiring tax incentive for multifamily development in NYC.
- In New York, multifamily construction decreased more than 60 percent, to 2,550 units permitted, from the first quarter of 2015. Building activity fell 55 percent in the Albany metropolitan area and more than 35 percent in the Buffalo-Niagara Falls metropolitan area, to 100 and 120 units permitted, respectively.
- In New Jersey, multifamily permitting increased 28 percent from a year earlier, to approximately 4,200 units permitted. Building activity in the Atlantic City metropolitan area totaled 420 units, a dramatic increase from the 20 units permitted a year earlier. By comparison, permitting averaged 50 units during the first

quarters from 2010 through 2014. In the Trenton metropolitan area, multifamily construction more than tripled, to 80 units permitted, from 25 units a year earlier.

- Multifamily permitting in the New York-Northern New Jersey metropolitan area decreased nearly 40 percent, to 5,625 units, compared with 9,075 units permitted a year earlier. Despite the recent decline, the current level of permitting is more than 25 higher than the average of 4,475 units permitted in the first quarters from 2010 through 2014.

Multifamily permitting sharply decreased in New York, offsetting gains in New Jersey during the first quarter of 2016 in the New York/New Jersey region.



1Q = first quarter.
 Note: Based on preliminary data.
 Source: U.S. Census Bureau, Building Permits Survey

Apartment markets in the New York/New Jersey region were balanced to tight during the first quarter of 2016, despite increased apartment construction in most metropolitan areas.

Market Area	Market Condition	Vacancy Rate			Average Monthly Rent		
		1Q 2015 (%)	1Q 2016 (%)	Percentage Point Change	1Q 2015 (\$)	1Q 2016 (\$)	Percent Change
Albany ^a	Tight	3.2	3.1	- 0.1	1,020	1,047	3
Central New Jersey ^b	Tight	2.7	2.3	- 0.4	1,259	1,304	4
Long Island ^b	Tight	3.2	3.3	0.1	1,681	1,758	5
New York City ^b	Tight	3.0	3.4	0.4	3,314	3,479	5
Northern New Jersey ^b	Balanced	4.1	4.5	0.4	1,684	1,760	5
Syracuse ^a	Balanced	4.4	4.3	- 0.1	1,680	1,750	4
Westchester ^b	Slightly tight	2.9	3.1	0.2	2,003	2,036	2

1Q = first quarter.
 Sources: Market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—(a) MPF Research; (b) Reis, Inc.

