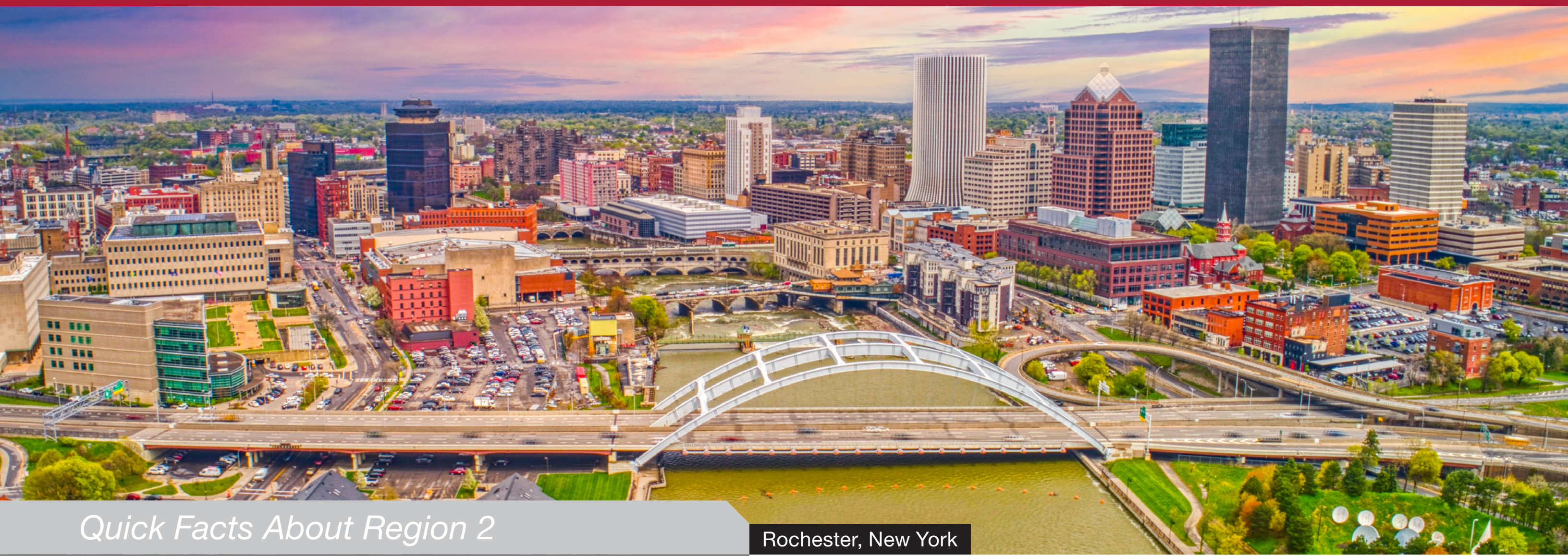
HUD PD&R **Regional Reports**

Region 2: New York/New Jersey

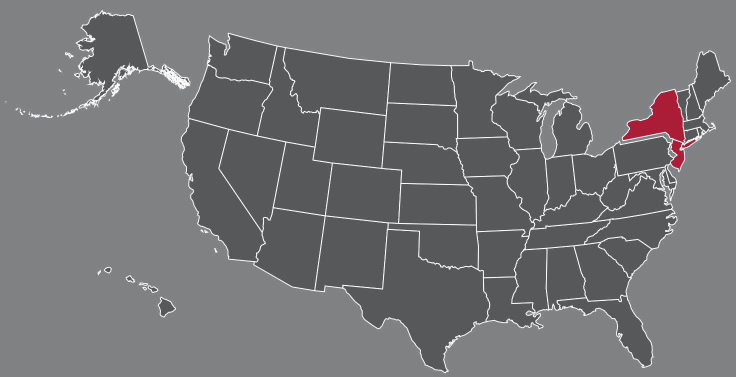


Rochester, New York

Quick Facts About Region 2

- **Sales market conditions—**
  Third quarter 2022: slightly tight
  Second quarter 2022: mixed (slightly tight to tight)
  Third quarter 2021: mixed (slightly tight to tight)

- **Apartment market conditions—**
  Third quarter 2022: mixed (balanced to tight)
  Second quarter 2022: tight
  Third quarter 2021: mixed (slightly tight to tight)



By Joseph Shinn | 3rd Quarter 2022

Overview

Economic conditions in the New York/New Jersey region improved as the region continued to recover from the COVID-19-related recession during early 2020. During the third quarter of 2022, nonfarm payrolls in the region increased for the sixth consecutive quarter on a year-over-year basis, compared with year-over-year declines in each of the previous four quarters. During the third quarter of 2022, nonfarm payrolls were up in all 11 sectors, led by the leisure and hospitality and the education and health services sectors, which increased by 147,000 and 124,500 jobs, or 12.5 and 4.6 percent, respectively. Sales market conditions were slightly tight throughout the region, although home sales were down in both New York and New Jersey compared with a year ago. Apartment market conditions ranged from balanced to tight during the third quarter of 2022, and average rents were up throughout the region. In New York City (NYC), apartment market conditions were tight, and the apartment vacancy rate declined compared with the third quarter of 2021.

During the third quarter of 2022—

- Nonfarm payrolls in the region increased by approximately 618,300 jobs, or 4.7 percent, compared with a 6.4-percent

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rise during the same period a year earlier. In New Jersey and New York, nonfarm payrolls increased 4.9 and 4.6 percent, respectively; nonfarm payrolls in NYC were up 6.6 percent, compared with a 7.0-percent rise during the same period a year ago.

- Homebuilding activity, as measured by the number of single-family homes permitted, increased 26 percent in the New York/New Jersey region; single-family home construction in New York and New Jersey was up 49 and 13 percent, respectively. Multifamily building activity rose 15 percent in the region, with more than two-thirds of the increase occurring in New York.
- In the New York-Newark-Jersey City metropolitan area, single-family homebuilding activity increased 14 percent to 3,675 homes permitted. Multifamily construction activity in the metropolitan area was up 9 percent, with approximately 42 percent of the net increase in NYC.

Economic Conditions

Nonfarm payrolls in the New York/New Jersey region increased at a strong pace during the third quarter of 2022, and the economy continues to recover from severe job losses during March and April 2020 that resulted from the COVID-19 global pandemic. As of September 2022, approximately 95 percent of the jobs lost during March and April 2020 had been recovered, whereas payrolls nationwide have surpassed prepandemic levels (monthly data, not seasonally adjusted). During the third quarter of 2022, nonfarm payrolls in the region averaged 13.77 million, representing an increase of 618,300 jobs, or 4.7 percent, compared with a 6.4-percent rise during the same period a year earlier. By comparison, during the third quarter of 2020, nonfarm payrolls were down by 1.63 million jobs, or 11.7 percent, compared with the same period a year earlier. Job growth in the region during the third quarter of 2022 outpaced the 3.8-percent increase nationwide, and the region had the second fastest rate of job growth among the 10 HUD regions, behind only the Southwest region. During the third quarter of 2022, the largest increase in the New York/New Jersey region was in the leisure and hospitality sector, which was up by 147,000 jobs, or 12.5 percent. Approximately 59 percent of the increase in the sector was in the food services and drinking places industry, where nonfarm payrolls were up by 87,400 jobs, or 10.5 percent. Despite this recent increase, however, the current level of nonfarm payrolls in the industry is still down 5.2 percent compared with the third quarter of 2019, prior to the pandemic. Job levels in this industry are especially low in areas with a high concentration of offices, which is partially attributed to more employers reducing their office space by allowing their employees to work from home. During the third quarter of 2022, 10.9 percent of all office space in the region was vacant, up from 10.6 percent during the same period a year ago and

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During the third quarter of 2022, nonfarm payrolls increased in the New York/New Jersey region, with gains in all 11 sectors.

	Third Quarter		Year-Over-Year Change	
	2021 (Thousands)	2022 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	13,148.3	13,766.6	618.3	4.7
Goods-Producing Sectors	1,211.2	1,229.7	18.5	1.5
Mining, Logging, & Construction	558.4	559.2	0.8	0.1
Manufacturing	652.8	670.5	17.7	2.7
Service-Providing Sectors	11,937.1	12,536.9	599.8	5.0
Wholesale & Retail Trade	1,765.3	1,818.2	52.9	3.0
Transportation & Utilities	515.8	559.2	43.4	8.4
Information	357.1	375.6	18.5	5.2
Financial Activities	964.1	983.3	19.2	2.0
Professional & Business Services	1,978.7	2,101.4	122.7	6.2
Education & Health Services	2,690.2	2,814.7	124.5	4.6
Leisure & Hospitality	1,175.8	1,322.8	147.0	12.5
Other Services	521.7	559.9	38.2	7.3
Government	1,968.5	2,001.8	33.3	1.7

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

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significantly higher than the 7.8-percent rate during the third quarter of 2019, which was the lowest third-quarter rate since 2008 (CoStar Group).

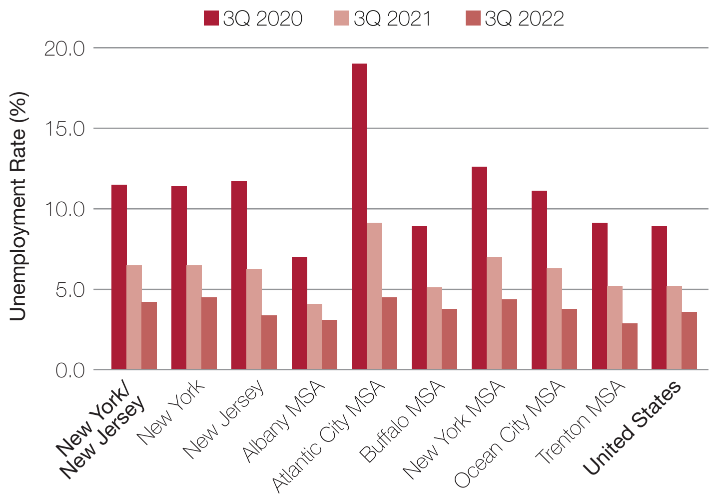
Additional significant gains were in the education and health services and the professional and business services sectors, which increased by 124,500 and 122,700 jobs, or 4.6 and 6.2 percent, respectively, during the third quarter of 2022. In the education and health services sector, both the healthcare and social assistance subsector and the educational services subsector rose by 89,100 and 35,400 jobs, or 4.1 and 6.6 percent, respectively. Approximately 48 percent of the increase in the professional and business services sector was in the professional, scientific, and technical services industry, which was up by 58,600 jobs, or 5.9 percent. Nonfarm payrolls in the transportation and utilities sector increased 8.4 percent, or by 43,400 jobs. Nonfarm payrolls in the sector have increased an average of 8.7 percent annually during the past 2 years, which is largely attributed to companies building distribution centers to speed up the delivery of their products that are purchased online. During the third quarter of 2022, the New York/New Jersey region had a total 213.85 million square feet of space in distribution buildings, representing an average annual 6-percent increase during the past 2 years (CoStar Group).

During the third quarter of 2022, the unemployment rate in the New York/New Jersey region averaged 4.2 percent, down from 6.5 percent during the third quarter of 2021 and significantly lower than the 11.5-percent rate during the third quarter of 2020, which was the highest third-quarter rate in more than 45 years. The decline in the unemployment rate during the past year was due to a 3.0-percent increase in resident employment, which outpaced the 0.5-percent rise in the labor force. During the most recent quarter, the unemployment rates in New York and New Jersey averaged 4.5 and 3.4 percent, down from 6.5 and 6.3 percent, respectively, during the same period a year earlier. The current rate in the region is higher than the 3.6-percent national rate, but the 2.3-percentage-point decline in the region has outpaced the 1.6-percentage-point decrease nationwide.

During the third quarter of 2022—

- In New Jersey, the increase in nonfarm payrolls was faster than in New York at 4.9 percent, or 200,600 jobs, compared with a 7.1-percent rise during the same period a year earlier. Nonfarm payrolls in the Newark and Camden metropolitan divisions were up by 63,300 and 36,300 jobs, or 5.4 and 6.8 percent, respectively.
- The largest job increases in New Jersey were in the leisure and hospitality and the education and health services sectors, which were up by 53,200 and 36,000 jobs, or 14.2 and 5.3 percent, respectively. These gains were partially offset by losses in the information and the mining, logging, and construction sectors, which both declined by 1,500 jobs, or 2.0 or 0.9 percent, respectively.

During the third quarter of 2022, the unemployment rate decreased significantly in the New York/New Jersey region and in both states.



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

- Nonfarm payrolls in New York were up by 417,700 jobs, or 4.6 percent, compared with an increase of 525,800 jobs, or 6.1 percent, during the same period a year earlier. For the fifth consecutive quarter, nonfarm payrolls were up or relatively unchanged in all 11 sectors, led by growth in the leisure and hospitality, the professional and business services, and the education and health services sectors, which increased by 93,800, 91,400, and 88,500 jobs, or 11.7, 7.1, and 4.4 percent, respectively.
- In NYC, nonfarm payrolls increased by 281,300 jobs, or 6.6 percent; more than one-half of the gains were in the leisure and hospitality and the education and health services sectors, which were up by 72,800 and 69,200 jobs, or 22.0 and 6.8 percent, respectively. The strong increase in the leisure and hospitality sector was partially due to rising tourism to the area; during the 12 months ending September 2022, the average occupancy rate of hotel rooms in NYC was 71.7 percent, up significantly from the 50.9-percent rate during the same period a year earlier (CoStar Group).
- Nonfarm payrolls were up throughout upstate New York, led by an increase of 19,100 jobs, or 3.7 percent, in the Buffalo metropolitan area. In the Rochester, Albany, and Syracuse metropolitan areas, nonfarm payrolls rose by 14,300, 10,800, and 8,900 jobs, or 2.8, 2.4, and 3.0 percent, respectively.

Sales Market Conditions

Sales market conditions in the New York/New Jersey region were slightly tight during the third quarter of 2022. Conditions, however, have eased during the past year because of significant decreases in homes sales in most of the region, largely in response to a sharp increase in mortgage interest rates. In September 2022, the average interest rate of a 30-year fixed-rate mortgage was 6.1 percent, which was up significantly from 2.9 percent in September 2021 and is the highest rate in more than 14 years (Freddie Mac).

Sales market conditions in New Jersey were slightly tight. In September 2022, New Jersey had 2.8 months of available for-sale housing inventory, down slightly compared with 2.9 months of inventory in September 2021 (New Jersey Association of REALTORS®). During the 12 months ending September 2022, approximately 79,550 existing homes were sold in New Jersey, representing a decrease of 14,800 homes, or 16 percent, compared with the 12 months ending September 2021. By comparison, during the 12 months ending September 2021, home sales increased by 12,950 homes, or 16 percent, compared with the same period a year earlier. During the past year, home sales were down significantly throughout the state, ranging from a 15-percent decline in southern New Jersey to 16-percent decreases in both central New Jersey and northern New Jersey. Despite the decrease in home sales, the average home sales price of existing homes in New Jersey continued to increase, albeit at a slower pace from the previous year. During the 12 months ending September 2022, the average sales price of existing homes in New Jersey increased 9 percent, to $581,800, compared with a 19-percent rise during the same period a year earlier.

In New York, sales market conditions were slightly tight throughout the state, compared with statewide conditions ranging from slightly tight to tight during the third quarter of 2021. In September 2022, New York had 3.3 months of available for-sale housing inventory, down from 3.6 months of inventory in September 2021, and the average number of days that a home was on the market was 42, down 7 percent compared with the average of 45 days a year earlier (New York State Association of REALTORS®). During the past year, home sales were down in the state of New York; increases in NYC were more than offset by decreases in the rest of the state. During the 12 months ending September 2022, approximately 151,700 existing homes were sold in New York, down by 2,800 homes, or 2 percent, compared with the previous 12-month period. During the 12 months ending September 2022, the average sales price of existing homes in New York increased 12 percent, to $524,700, compared with a 21-percent rise during the same period a year earlier. Home sales were down throughout upstate New York, led by a decrease of 1,500 homes, or 10 percent, in the Albany metropolitan area (Redfin, a national real estate brokerage). In the Rochester and Buffalo metropolitan areas, home sales declined by 1,150 and 550 homes, or 8 and 5 percent, respectively (Greater Rochester Association of REALTORS®; Buffalo Niagara Association of REALTORS®). During the past year, the average sales prices in the Buffalo, Albany, and Rochester metropolitan areas increased 12, 10, and 9 percent to $257,700, $306,500, and $234,400, respectively.

Sales market conditions in NYC, which includes the five boroughs of the Bronx, Brooklyn, Manhattan, Queens, and Staten Island,

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During the past year, home sales were down in both states, but average home sales prices increased throughout the New York/New Jersey region.

		Number of Homes Sold			Price			
	12 Months Ending	2021	2022	Percent Change	Average or Median	2021 ($)	2022 ($)	Percent Change
New York (E)*, **	September	154,500	151,700	-2	AVG	469,100	524,700	12
New York City (N&E)**	September	51,250	56,200	10	AVG	1,192,700	1,321,800	11
Albany MSA (N&E)**	September	15,200	13,700	-10	AVG	278,600	306,500	10
Buffalo MSA (E)**	September	11,550	11,000	-5	AVG	230,400	257,700	12
Rochester MSA (E)**	September	15,150	14,000	-8	AVG	214,300	234,400	9
New Jersey (E)***	September	94,350	79,550	-16	AVG	533,700	581,800	9
Northern New Jersey (E)***	September	35,700	29,950	-16	MED	340,000-605,000	369,000-654,000	NA
Central New Jersey (E)***, ****	September	24,200	20,350	-16	MED	375,000-620,500	410,000-640,000	NA
Southern New Jersey (E)***	September	34,450	29,250	-15	MED	175,000-548,500	205,000-506,500	NA

AVG = average. E = existing. MED = median. MSA = metropolitan statistical area. NA = 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®; Greater Rochester Association of REALTORS®; New Jersey Association of REALTORS®; New York State Association of REALTORS®, Inc.; Redfin, a national real estate brokerage

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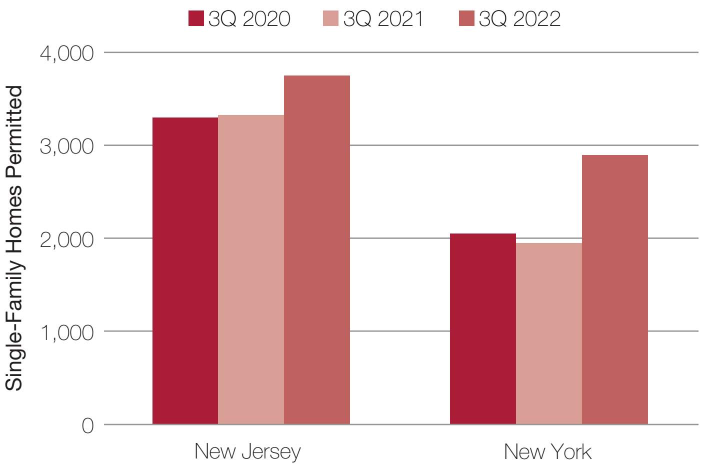
are currently slightly tight, unchanged compared with the third quarter of 2021. In September 2022, NYC had 5.5 months of available for-sale housing inventory, down from 6.8 months of inventory in September 2021 (Redfin, a national real estate brokerage). Despite rising mortgage interest rates, sales of new and existing homes in NYC rose during the past year, which is largely attributed to strong migration into the city. The rate of increase, however, has slowed considerably compared with a year ago. During the 12 months ending September 2022, home sales in NYC increased 10 percent, to 56,200 homes sold, compared with a 59-percent rise during the same period a year earlier. During the past year, home sales were up in four of the five boroughs, led by a 17-percent increase in Manhattan. The only borough in which homes sales declined was Staten Island, where the number of homes sold declined 1 percent. In response to an overall increase in the number of homes sold in NYC, the average sales price of new and existing homes was up 11 percent to $1.32 million.

In August 2022, 2.2 percent of home loans in the region were seriously delinquent or had transitioned into real estate owned (REO) status, down from 4.4 percent in August 2021 (CoreLogic, Inc.). The current rate of home loans in the region that are seriously delinquent or have transitioned into REO status is the highest of the 10 HUD regions and is above the 1.3-percent national rate. The 2.2-percentage-point decline in the region during the past year, however, is the largest decrease of the 10 HUD regions. In New York and New Jersey, the rates were 2.6 and 1.8 percent, down from 4.8 and 3.9 percent, respectively, a year earlier.

During the third quarter of 2022 (preliminary data)—

- Single-family permitting activity in the New York/New Jersey region totaled approximately 6,650 homes, representing an increase of approximately 1,375 homes, or 26 percent, compared with the third quarter of 2021. By comparison, during the third quarter of 2021, homebuilding activity declined by 90 homes, or 2 percent, compared with the same period a year earlier.
- Single-family homebuilding activity in New York rose by 950 homes, or 49 percent, to 2,900 homes permitted, compared with a 5-percent decline during the same period a year earlier. Single-family construction activity in the Rochester, Syracuse, and Buffalo metropolitan areas was up by 100, 40, and 40 homes, or 40, 51, and 17 percent, respectively.
- In New Jersey, single-family permitting activity was up by 430 homes, or 13 percent, compared with the third quarter of 2021. Construction activity was up in 15 of 21 counties in New Jersey, led by Bergen and Ocean Counties, where single-family permitting activity rose by 190 and 110 homes, or 54 and 15 percent, respectively.
- Single-family construction activity in the New York-Newark-Jersey City metropolitan area increased by 450 homes, or 14 percent, to approximately 3,675 homes permitted. Approximately 91 percent of the net increase was in the New Jersey portions of the metropolitan area, where single-family homebuilding activity was up by 410 homes, or 17 percent.

Single-family homebuilding activity in the New York/New Jersey region increased significantly during the third quarter of 2022, with strong gains in both states.



3Q = third 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 tight during the third quarter of 2022, compared with tight conditions throughout the region during the previous 3 quarters. During the third quarter of 2022, apartment market conditions were slightly tight throughout New Jersey. In the Atlantic City metropolitan area, conditions transitioned from tight to slightly tight during the past year, which is partially attributed to net out-migration, because no new market-rate apartment units have come online during the past 12 months. During the third quarter of 2022, the apartment vacancy rate in the metropolitan area was 3.6 percent, up from 2.0 percent during the same period a year earlier, and the average apartment rent increased 10 percent to $1,538 (CoStar Group). Conditions were also slightly tight in northern New Jersey, where the apartment vacancy rate was 3.8 percent, up slightly from the 3.7-percent rate during the third quarter of 2021, and the average apartment rent increased 7 percent to $1,920. The only metropolitan area in New Jersey for which the vacancy rate decreased during the past year was the Trenton metropolitan area, where the rate declined from 4.0 percent during the third quarter of 2021 to 3.4 percent during the third quarter of 2022. This decrease, however, was due to a significant slowdown in the number of new apartment units coming online during the past year. During the 12 months ending September 2022, approximately 20 apartment units were completed, compared with an average of 500 apartment units completed annually during the previous 2 years.

In New York, conditions ranged from balanced to tight. Conditions eased throughout upstate New York, and apartment vacancy rates increased in all areas. In the Buffalo, Albany, and Rochester metropolitan areas, conditions transitioned from tight to slightly tight during the past year. During the third quarter of 2022, the apartment vacancy rates in the metropolitan areas were 3.7, 3.6, and 3.4 percent, up from 2.7, 2.3, and 2.6 percent a year ago, respectively. In the Syracuse metropolitan area, conditions were balanced, with an apartment vacancy rate of 4.3 percent, up from 3.5 percent during the third quarter of 2021. Despite rising vacancy rates, average apartment rents were up throughout upstate New York, ranging from a 5-percent increase in the Buffalo metropolitan area to an 8-percent rise in the Syracuse metropolitan area.

Apartment market conditions in NYC were tight during the third quarter of 2022, with an apartment vacancy rate of 1.9 percent, down slightly from 2.1 percent during the same period a year earlier. The decline in the apartment vacancy rate in NYC was due to 17,300 apartment units being absorbed during the past year compared with 16,250 new units being completed. During the third quarter of 2022, the average apartment rent in NYC was $3,312, which was the highest in the region and up 3 percent compared with the third quarter of 2021. In Long Island, the apartment market was slightly tight, with an apartment vacancy rate of 3.4 percent, up from 2.8 percent a year ago, and the average rent increased 5 percent to $2,734.

During the third quarter of 2022 (preliminary data)—

- In response to newly constructed apartment units being absorbed at a strong pace, multifamily building activity in the New York/New Jersey region, as measured by the number of multifamily units permitted, increased by approximately 1,800 units, or 15 percent, to 14,050 units permitted. By

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Apartment vacancy rates were up in most areas in the New York/New Jersey region during the third quarter of 2022; average rents increased in all areas.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		3Q 2021 (%)	3Q 2022 (%)	Percentage Point Change	3Q 2021 ($)	3Q 2022 ($)	Percent Change
Albany	Slightly Tight	2.3	3.6	1.3	1,351	1,451	7
Atlantic City	Slightly Tight	2.0	3.6	1.6	1,393	1,538	10
Buffalo	Slightly Tight	2.7	3.7	1.0	1,082	1,137	5
Long Island	Slightly Tight	2.8	3.4	0.6	2,592	2,734	5
New York City	Tight	2.1	1.9	-0.2	3,202	3,312	3
Northern New Jersey	Slightly Tight	3.7	3.8	0.1	1,800	1,920	7
Rochester	Slightly Tight	2.6	3.4	0.8	1,179	1,263	7
Syracuse	Balanced	3.5	4.3	0.8	1,032	1,115	8
Trenton	Slightly Tight	4.0	3.4	-0.6	1,781	1,906	7

3Q = third quarter.

Note: The vacancy rates and average monthly rents are for market-rate and mixed market-rate/affordable general occupancy apartment properties with five or more units, including those that are stabilized and in lease up.

Sources: Market condition—Economic and Market Analysis Division; vacancy rate and average monthly rent—CoStar Group

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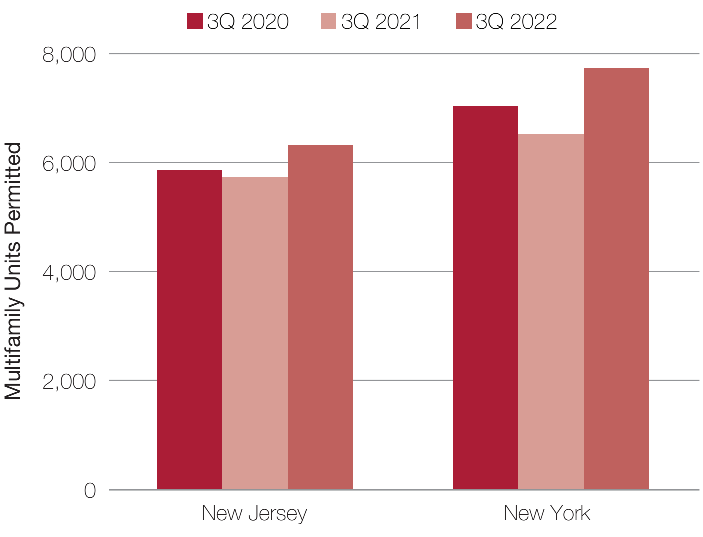
comparison, during the third quarter of 2021, multifamily construction activity in the region declined by 640 units, or 5 percent, compared with the same period a year earlier.

- Multifamily building activity in the New York-Newark-Jersey City metropolitan area was up by 990 units, or 9 percent, compared with an average annual 12-percent decline during the previous 2 years. In response to tight apartment market conditions, approximately 42 percent of the increase in the metropolitan area during the past year was in NYC, where multifamily building activity rose by 420 units, or 9 percent, to 5,150 units permitted.
- In New York, multifamily construction activity increased by 1,200 units, or 19 percent, to 7,725 units permitted, compared with a 7-percent decline during the same period a year earlier. Third quarter permitting activity in New York is currently at the highest level in 15 years and is 19 percent higher than the average of 6,475 multifamily units permitted quarterly from the third quarters of 2013 through 2021.
- Multifamily permitting activity in New Jersey rose by 590 units, or 10 percent, to 6,325 units permitted. The largest statewide increase was in the Atlantic City metropolitan area, where approximately 170 multifamily units were permitted, which is more than four times the 35 units permitted during the same period a year earlier.

Multifamily building activity increased at a strong pace in the New York/New Jersey region during the third quarter of 2022, compared with a decline a year ago.



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

Terminology Definitions and Notes

A. Definitions

Apartment Vacancy Rate/Average Apartment Rent	Data are for market-rate and mixed market-rate/affordable general occupancy apartment properties with five or more units, including those that are stabilized and in lease up.
Building Permits	Building permits do not necessarily reflect all residential building activity. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent research, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.
Distribution Buildings	Typically large buildings, both single- and multi-tenant, used for the warehousing and distribution of inventory.
Existing Home Sales	Includes regular resales, short sales, and REO sales.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.

B. Notes on Geography

1.	The metropolitan statistical areas and metropolitan division definitions noted in this report are based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.