

HUD PD&R Regional Reports

Region 2: New York/New Jersey

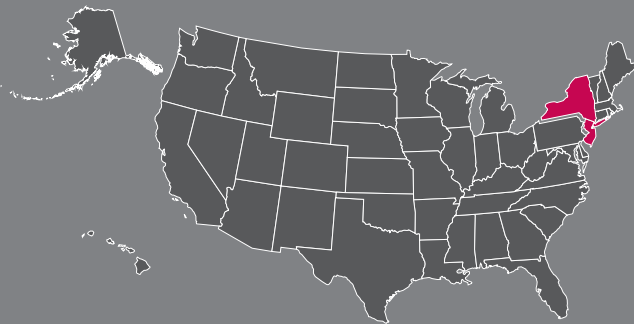


Newark, New Jersey

By Patricia Moroz | 3rd quarter 2014

Quick Facts About Region 2

- **Sales market conditions—**
Third quarter 2014: balanced.
Second quarter 2014: balanced.
Third quarter 2013: balanced.
- **Apartment market conditions—**
Third quarter 2014: mixed (balanced to tight).
Second quarter 2014: mixed (balanced to tight).
Third quarter 2013: tight.



Overview

The economy of the New York/New Jersey region expanded moderately during the third quarter of 2014 but at a lower rate than a year ago. Sales housing market conditions remained balanced and the percentage of distressed mortgages in September 2014 declined from the previous 2 years. Home sales decreased throughout most of the region; distressed sales, including REO (Real Estate Owned) and short sales, accounted for 10 percent of existing home sales during the second quarter of 2014 (the best representative data available), unchanged from a year earlier (CoreLogic, Inc.). Single-family homebuilding activity slowed, despite increases in home sales prices. Apartment market conditions were mixed, ranging from balanced to tight, compared with tight conditions a year ago. Apartment rents increased in most major metropolitan areas in the region; however, vacancy rates increased in areas such as New York City (NYC) and Northern New Jersey, where the number of units in lease up increased.

During the third quarter of 2014—

- In response to strengthening economic conditions and rising apartment rents, home builders increased construction of multifamily units; New York accounted for 60 percent of the increase in multifamily construction activity in the region.

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- The sales market in the region remained balanced for the sixth consecutive quarter; however, New Jersey and New York had the first and third highest rates of distressed mortgages among all states in the nation, respectively.

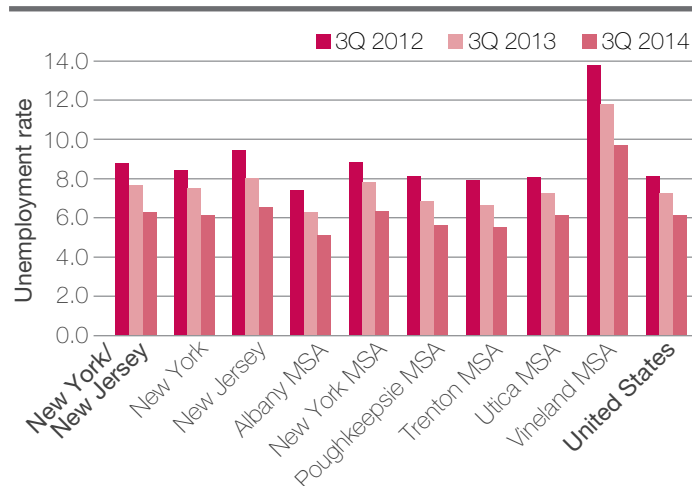
- In NYC, new and existing home sales, including condominiums, cooperatives, and one- to three-family homes, increased 3 percent and prices increased 4 percent, according to the Real Estate Board of New York (REBNY).

Economic Conditions

The economy of the New York/New Jersey region grew more slowly during the third quarter of 2014 than a year earlier. Nonfarm payrolls averaged 13.01 million, an increase of 148,000 jobs, or 1.2 percent, from a year ago. By comparison, nonfarm payrolls increased by 178,500 jobs, or 1.4 percent, during the third quarter of 2013. The rate of job growth declined from 1.3 to 0.4 percent in New Jersey and increased from 1.4 to 1.5 percent in New York from the third quarter of 2013 to the third quarter of 2014. The education and health services and the professional and business services sectors gained the most jobs in the region, adding 83,400 jobs in New York and 24,300 jobs in New Jersey. The greatest declines in the region occurred in the manufacturing and government sectors, which decreased by 10,000 and 8,000 jobs, or 1.4 and 0.4 percent, respectively. The government sector decreased in both states, and the local government subsector accounted for two-thirds of the decline in the sector. The unemployment rate for the region averaged 6.3 percent, down from 7.7 percent a year earlier; state unemployment rates declined to 6.2 percent in New York and to 6.6 percent in New Jersey.

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Unemployment rates declined in major metropolitan areas in the New York/New Jersey region in the third quarter of 2014.



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

Nonfarm payrolls increased in the New York/New Jersey region, as gains in service-providing sectors offset losses in goods-producing sectors.

	Third Quarter		Year-Over-Year Change	
	2013 (thousands)	2014 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	12,866.0	13,014.0	148.0	1.2
Goods-producing sectors	1,194.6	1,186.5	- 8.1	- 0.7
Mining, logging, and construction	493.5	495.3	1.8	0.4
Manufacturing	701.1	691.1	- 10.0	- 1.4
Service-providing sectors	11,671.4	11,827.5	156.1	1.3
Wholesale and retail trade	1,931.3	1,959.5	28.2	1.5
Transportation and utilities	420.1	435.3	15.2	3.6
Information	337.8	335.1	- 2.7	- 0.8
Financial activities	944.6	942.5	- 2.1	- 0.2
Professional and business services	1,860.1	1,903.9	43.8	2.4
Education and health services	2,369.6	2,433.5	63.9	2.7
Leisure and hospitality	1,258.8	1,275.7	16.9	1.3
Other services	554.7	555.8	1.1	0.2
Government	1,994.3	1,986.3	- 8.0	- 0.4

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



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During the third quarter of 2014—

- The construction subsector in the region gained 1,500 jobs, or 0.3 percent, compared with a year ago; the addition of 10,100 jobs, or 2.9 percent, in New York more than offset the decline of 8,600 jobs, or 6.0 percent, in New Jersey.
- New York accounted for all the net job loss in the manufacturing sector in the region. The greatest declines included 1,200 jobs, or 1.2 percent, in the Rochester metropolitan area and 1,100 jobs, or 0.3 percent, in the New York metropolitan area.
- In New York, the financial activities sector added 1,400 jobs, or 0.2 percent, following an increase of 400 jobs, or 0.1 percent, a year earlier. The real estate and rental and leasing industry, which

includes real estate investment trusts, gained 2,300 jobs, or 1.2 percent, offsetting losses in the finance and insurance industry, which lost 900 jobs, or 0.2 percent.

- NYC accounted for two-thirds of the job growth in the region, with a gain of 99,100 jobs, a 2.5-percent increase, which follows an average annual increase of 2.3 percent in the city from 2011 through 2013.
- The greatest job gain in NYC was in the education and health services sector, which added 38,100 jobs, an increase of 4.8 percent. The most jobs were added at colleges, universities, and professional schools and in the ambulatory healthcare services industry, which gained 6,300 and 15,700 jobs, or 6.5 and 7.4 percent, respectively.

Sales Market Conditions

Sales housing market conditions in the New York/New Jersey region were balanced during the third quarter of 2014. Sales markets were mostly balanced in the third quarter of 2013, when conditions were balanced in New York and nearly balanced in New Jersey. During the 12 months ending September 2014, the average number of days a home remained on the market decreased in both states, declining by 9 days to 85 in New Jersey and by 7 days to 101 in New York (New Jersey Association of REALTORS®; New York State Association of REALTORS®, Inc.). In September 2014, 8.3 percent of home loans in the region were 90 or more days delinquent, were in foreclosure, or transitioned into REO status, a decrease from

9.6 percent a year ago (Black Knight Financial Services, Inc.). Distressed mortgage and REO rates of 9.3 percent in New Jersey and 7.7 percent in New York were far above the rate of 4.7 percent for the nation in September 2014. By comparison, the rates in both states have declined from a corresponding monthly high of 12.0 percent in New Jersey and 9.2 percent in New York in September 2012.

The NYC sales market was balanced in the third quarter of 2014. In Manhattan, during the 12 months ending September 2014, the number of new and existing condominiums and cooperatives sold decreased 4 percent, to 13,950 units, and the average sales price increased 8 percent, to \$1.54 million. The decline in sales in

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Home sales remained flat or declined while prices increased throughout most of the New York/New Jersey region during the third quarter of 2014.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2013	2014	Percent Change		2013 (\$)	2014 (\$)	Percent Change
New York* (E)	September	104,400	100,700	- 4	AVG	311,900	319,700	3
New York City (N&E—1-3 family)	September	18,800	20,200	7	AVG	600,700	638,100	6
New York City (N&E—condo & co-op)	September	25,500	25,500	0	AVG	933,900	971,900	4
Rochester MSA** (E)	September	10,700	9,975	- 7	AVG	150,000	153,500	2
Buffalo MSA** (E)	September	10,250	10,100	- 1	AVG	147,900	147,300	0
New Jersey*** (E)	September	62,900	63,100	0	AVG	397,300	402,400	1
Northern New Jersey*** (E)	September	26,550	25,950	- 2	MED	243,300-455,000	220,000-452,500	NA
Central New Jersey**** (E)	September	16,850	16,450	- 2	MED	262,500-552,500	240,000-485,000	NA
Southern New Jersey*** (E)	September	19,450	20,750	7	MED	142,000-340,000	129,950-390,000	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®; 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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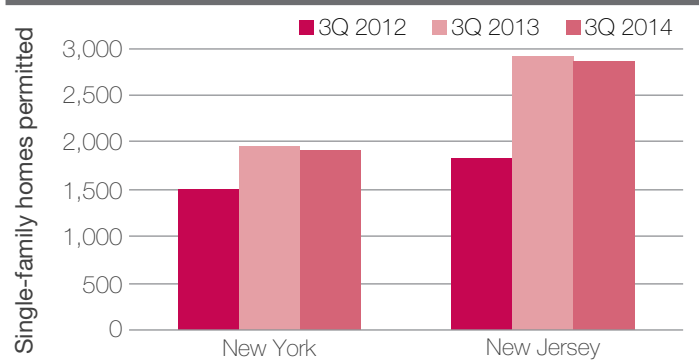
Manhattan reflects a return of the market to a more typical level reached in mid-2013, after increasing 20 percent a year earlier. In Brooklyn and Queens, average home sale prices (including condominiums, cooperatives, and one- to three-family homes) increased 9 and 5 percent to \$675,100 and \$441,000, respectively. Home sales increased 2 percent in Brooklyn, to 11,200 home sold, following a 15-percent increase a year earlier. In Queens and the Bronx, home sales rose 8 and 13 percent from a year ago, to 14,050 and 2,650 homes sold, respectively. On Staten Island, the number of sales increased 12 percent, to 3,900 homes sold, and the average sales price declined 2 percent, to \$411,700. In the Bronx, the average sales price remained unchanged at \$351,900 (REBNY).

During the third quarter of 2014 (preliminary data)—

- In the New York/New Jersey region, the number of single-family homes permitted decreased by 110, or 2 percent, to 4,775 homes compared with the number permitted during the third quarter of 2013. Consistent with the decline during the third quarter of 2014, homebuilding slowed during the 12 months ending September 2014, increasing 15 percent compared with an increase of 26 percent during the 12 months ending September 2013, as builders slowed production in response to elevated levels of distressed sales in the region.
- In New York, the number of single-family homes permitted declined 2 percent, to 1,900 homes, compared with an increase of 31 percent a year ago.

- The number of single-family homes permitted in New Jersey decreased 2 percent, to 2,875, after an increase of 60 percent a year earlier and accounted for 60 percent of the increase in homebuilding activity in the region.
- Single-family construction activity remained unchanged in nearly all major metropolitan areas in the region compared with building activity a year ago. In the New York-Northern New Jersey-Long Island metropolitan area, homebuilding activity declined 1 percent from a year earlier, to approximately 2,850 single-family homes permitted, after increasing 75 percent a year earlier.

Single-family homebuilding was nearly unchanged in the New York/New Jersey region during the third quarter of 2014, with a 2-percent decline in each state.



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

Apartment Market Conditions

Apartment market conditions were mixed (balanced to tight) in the New York/New Jersey region during the third quarter of 2014. By comparison, apartment markets were tighter during the third quarter

of 2013; vacancy rates rose in NYC and Northern New Jersey in the third quarter of 2014. Conditions remained balanced to tight in New Jersey, unchanged from a year ago. In New York, apartment

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Apartment rents increased in the New York/New Jersey region during the third quarter of 2014, with a significant increase in New York City.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		3Q 2013 (%)	3Q 2014 (%)	Percentage Point Change	3Q 2013 (\$)	3Q 2014 (\$)	Percent Change
Albany ^a	Slightly tight	3.5	3.6	0.1	1,006	1,020	1
Atlantic Cape May ^{b, *}	Balanced	4.1	5.9	1.8	984	994	1
Central New Jersey ^b	Slightly tight	2.7	2.8	0.1	1,226	1,248	2
Long Island ^b	Slightly tight	3.4	3.0	-0.4	1,649	1,680	2
New York City ^b	Tight	2.4	2.7	0.3	3,120	3,282	5
Northern New Jersey ^b	Balanced	3.6	4.2	0.6	1,606	1,659	3
Rochester ^a	Balanced	3.8	4.1	0.3	817	833	2

3Q = third quarter.

*Data as of second quarter.

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



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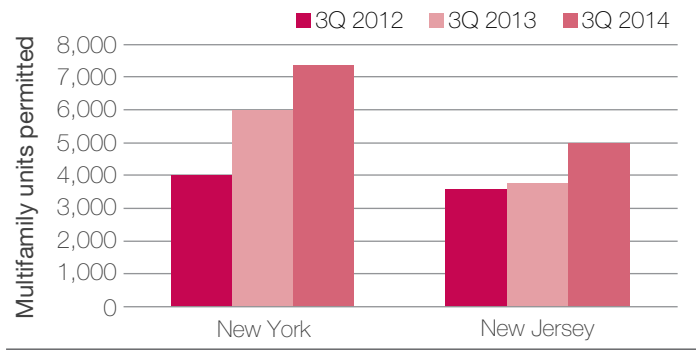
markets were mixed, with balanced to slightly tight conditions in Upstate New York and slightly tight to tight conditions in Downstate New York. Conditions were tight in Central New Jersey, where the apartment vacancy rate remained less than 3 percent for more than a year. In Southern New Jersey, conditions remained balanced. In Northern New Jersey, the vacancy rate increased from 3.6 to 4.2 percent; the number of newly completed apartment units available for lease increased from 200 during the third quarter of 2013 to 1,075 during the third quarter of 2014 (McGraw-Hill Construction Pipeline database). The NYC apartment market was tight during the third quarter of 2014, although the vacancy rate increased to 2.7 from 2.4 percent a year ago. The number of apartment units in lease up in NYC increased; 1,575 units entered the market during the third quarter of 2014 compared with 870 units a year earlier. The Long Island metropolitan area apartment market was slightly tight, with a vacancy rate of 3.0 percent, despite the completion of nearly 400 apartment units during the 12 months ending September 2014. Apartment market conditions were balanced in the Binghamton, Rochester, and Syracuse metropolitan areas and slightly tight in the Albany, Buffalo, Ithaca, and Utica metropolitan areas.

During the third quarter of 2014 (preliminary data)—

- Approximately 12,400 multifamily units were permitted in the region, up 28 percent compared with the number permitted a year ago. In response to tight apartment market conditions, home builders increased construction of multifamily units during the past 2 years; the number of multifamily units permitted increased 40 and 34 percent during the 12 months ending September 2013 and 2014, respectively.

- In New Jersey, the number of units permitted increased 36 percent, to 5,000 units, after increasing 2 percent a year ago.
- In New York, multifamily construction activity rose 23 percent, to 7,425 units, after increasing 52 percent a year ago, and accounted for 60 percent of the increase in units permitted in the region.
- The greatest increases in the number of multifamily units permitted in the region occurred in the New York-Northern New Jersey-Long Island and Rochester metropolitan areas, with increases of 2,975 and 380 units, to 10,400 and 410 units, respectively.

Multifamily permitting in the New York/New Jersey region increased more slowly in New York and more rapidly in New Jersey than a year ago.



3Q = third quarter.

Note: Based on preliminary data.

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

