

HUD PD&R Regional Reports

Region 2: New York/New Jersey



Niagara Falls, New York

By Patricia Moroz | 2nd quarter 2014

Quick Facts About Region 2

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



Overview

The economy of the New York/New Jersey region expanded moderately during the second quarter of 2014, but at a lower rate than a year ago. Housing markets strengthened as the percentage of distressed mortgages in June 2014 declined from the previous 2 years. In response to improving single-family home sales and sales prices, homebuilding increased in the region, but at a slower rate than a year earlier. Apartment rents increased throughout the New York/New Jersey region; however, vacancy rates increased in some areas. Apartment market conditions were not as tight as they were a year ago, and builders decreased construction of multifamily units to allow time for newly constructed apartments to be absorbed.

During the second quarter of 2014—

- New York City (NYC) contributed to the economic growth in the New York/New Jersey region, with a gain of 78,900 nonfarm payroll jobs, a 2.0-percent increase, which follows an average annual increase of 2.3 percent in the city from 2011 through 2013.
- The sales market in the region remained balanced for the fifth consecutive quarter; however, the region has the highest rate of distressed mortgages among the U.S. Department of Housing and Urban Development's 10 regions.
- Multifamily construction decreased throughout the region from a year ago; as the number of units in lease up in NYC increased, apartment market conditions eased compared with conditions during the second quarter of 2013.



Nonfarm payroll growth in the New York/New Jersey region occurred at a slightly lower rate than in the previous 3 years.

| | Second Quarter | | Year-Over-Year Change | |
|------------------------------------|---------------------|---------------------|-------------------------|---------|
| | 2013 (thousands) | 2014 (thousands) | Absolute (thousands) | Percent |
| Total nonfarm payrolls | 12,905.4 | 13,019.1 | 113.7 | 0.9 |
| Goods-producing sectors | 1,173.0 | 1,163.9 | -9.1 | -0.8 |
| Mining, logging, and construction | 473.0 | 472.0 | -1.0 | -0.2 |
| Manufacturing | 700.0 | 691.9 | -8.1 | -1.2 |
| Service-providing sectors | 11,732.5 | 11,855.2 | 122.7 | 1.0 |
| Wholesale and retail trade | 1,909.0 | 1,938.6 | 29.6 | 1.6 |
| Transportation and utilities | 432.7 | 440.2 | 7.5 | 1.7 |
| Information | 335.6 | 331.8 | -3.8 | -1.1 |
| Financial activities | 936.4 | 929.5 | -6.9 | -0.7 |
| Professional and business services | 1,838.5 | 1,874.6 | 36.1 | 2.0 |
| Education and health services | 2,430.7 | 2,474.5 | 43.8 | 1.8 |
| Leisure and hospitality | 1,212.7 | 1,230.6 | 17.9 | 1.5 |
| Other services | 554.4 | 557.1 | 2.7 | 0.5 |
| Government | 2,082.5 | 2,078.3 | -4.2 | -0.2 |

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

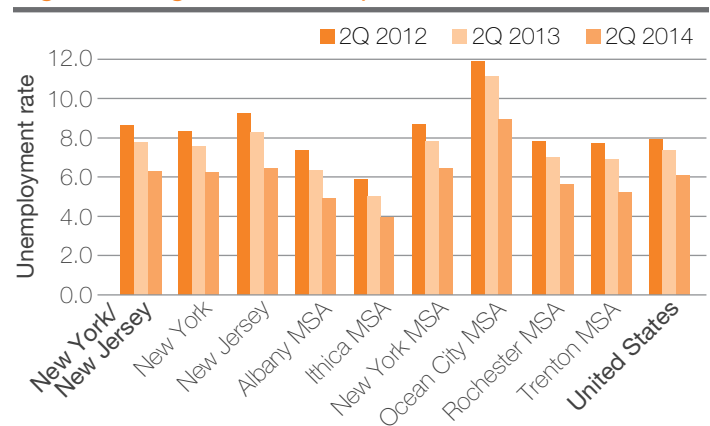
Economic Conditions

The economy of the New York/New Jersey region grew more slowly during the second quarter of 2014. Nonfarm payrolls averaged 13.02 million, an increase of 113,700 jobs, or 0.9 percent, from a year ago. By comparison, nonfarm payrolls increased by 165,300 jobs, or 1.3 percent, during the second quarter of 2013. The rates of job growth decreased in both states, declining from 1.2 to 0.2 percent in New Jersey and from 1.3 to 1.2 percent in New York from the second quarter of 2013 to the second quarter of 2014. The education and health services and the professional and business services sectors gained the most jobs in the region, adding a combined total of 65,900 jobs in New York and 14,000 jobs in New Jersey. The construction subsector in New Jersey declined by 10,000 jobs, or 7.2 percent. Job losses among specialty trade contractors and heavy and civil engineering construction industries totaled 11,500 and 1,300, respectively. Those losses more than offset a job gain of 2,800 in the construction of buildings industry (including residential construction), which increased at a slower rate of 4.4 percent compared with 11.4 percent a year ago. The unemployment rate for the region averaged 6.4 percent, down from 7.8 percent a year earlier; state unemployment rates declined to 6.3 percent in New York and to 6.5 percent in New Jersey.

During the second quarter of 2014—

- The professional and business services sector added 27,000 jobs in New York and 9,100 jobs in New Jersey, increases of

Unemployment rates declined in both states and in every metropolitan area in the New York/New Jersey region during the second quarter of 2014.



2Q = second quarter. MSA = metropolitan statistical area.
Source: U.S. Bureau of Labor Statistics

2.2 and 1.4 percent, respectively, with more than one-half of the jobs added in the professional, scientific, and technical services subsector in each state; by comparison, from 2011 to 2013, annual job gains in the sector were higher, averaging 34,100 in New York and 15,100 in New Jersey.

- The manufacturing sector lost the most jobs in the New York/New Jersey region. New York accounted for 84 percent of the job losses, which occurred in both the Upstate and Downstate areas. The largest declines totaled 900 jobs each in the New York-Northern New Jersey-Long Island, NY-NJ-PA and the Putnam-Rockland-Westchester, NY metropolitan areas.

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- NYC and New Jersey led growth in the retail trade subsector in the region, which accounted for nearly 50 and 36 percent of the new jobs, respectively. In New Jersey, retail trade was the fastest growing subsector, gaining 9,600 jobs, or 2.2 percent; the number of retail trade jobs has increased steadily since 2010.
- The leisure and hospitality sector in New York increased by 19,200 jobs, or 2.3 percent. NYC accounted for 64 percent of the job increases in the state; most of the new jobs in NYC were

in the accommodation and food services subsector, including gains of 1,200 and 3,700 jobs, or 2.6 and 2.5 percent, at hotels and full-service restaurants, respectively.

- The information sector in New Jersey declined by 2,500 jobs, or 3.3 percent, and accounted for nearly two-thirds of the job losses in the region. Layoffs at newspaper publishers throughout the state totaled nearly 600 jobs.

Sales Market Conditions

Sales housing market conditions in the New York/New Jersey region were balanced during the second quarter of 2014. Sales markets were mostly balanced in the second quarter of 2013, when conditions were balanced in New York and slightly soft in New Jersey. During the 12 months ending June 2014, the average number of days a home remained on the market decreased by 10, to 75 days, in New Jersey but increased by 15, to 116 days, in New York (New Jersey Association of REALTORS®; New York State Association of REALTORS®, Inc.). In June 2014, 8.5 percent of home loans in the region were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned) status, a decrease from 9.8 percent a year ago (Black Knight Financial Services, Inc.). Distressed mortgage and REO rates of 9.7 percent in New Jersey and 7.8 percent in New York were far above the rate of 4.9 percent for the nation in June 2014. New Jersey and New York ranked the

first and third highest among all states for distressed mortgages and REO properties, respectively, although rates have declined in each state during the past 2 years.

The NYC sales market was balanced in the second quarter of 2014. In Manhattan, during the 12 months ending June 2014, the number of new and existing condominiums and cooperatives sold increased 11 percent, to 14,650 units, and the average sales price increased 3 percent, to \$1.39 million. The greatest increases, of 8 and 5 percent, in average home sales prices in NYC (including condominiums, cooperatives, and one- to three-family homes) during the past year occurred in Brooklyn and Queens, where the average sales prices were \$660,200 and \$433,100, respectively. In Brooklyn, the Bronx, and Queens, sales increased 15, 19, and 24 percent from a year ago, to 11,800, 2,675, and 14,800 homes sold, respectively. On Staten Island, the number of sales increased

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Home sales and prices increased in the New York/New Jersey region during the second 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) | June | 98,600 | 101,100 | 3 | AVG | 304,400 | 320,200 | 5 |
| New York City (N&E—1–3 family) | June | 17,550 | 20,750 | 18 | AVG | 598,000 | 622,800 | 4 |
| New York City (N&E—condo & co-op) | June | 23,600 | 27,100 | 15 | AVG | 926,500 | 931,300 | 1 |
| Rochester MSA** (E) | June | 10,850 | 10,700 | - 1 | AVG | 153,000 | 153,500 | 0 |
| Buffalo MSA** (E) | June | 9,775 | 10,100 | 3 | AVG | 145,500 | 148,500 | 2 |
| New Jersey*** (E) | June | 58,650 | 64,250 | 10 | AVG | 390,900 | 402,400 | 3 |
| Northern New Jersey*** (E) | June | 24,550 | 26,350 | 7 | MED | 221,000–485,000 | 230,950–489,920 | NA |
| Central New Jersey**** (E) | June | 15,650 | 16,700 | 7 | MED | 315,000–501,550 | 315,000–511,000 | NA |
| Southern New Jersey*** (E) | June | 18,500 | 21,150 | 14 | MED | 135,000–271,500 | 136,500–290,000 | NA |

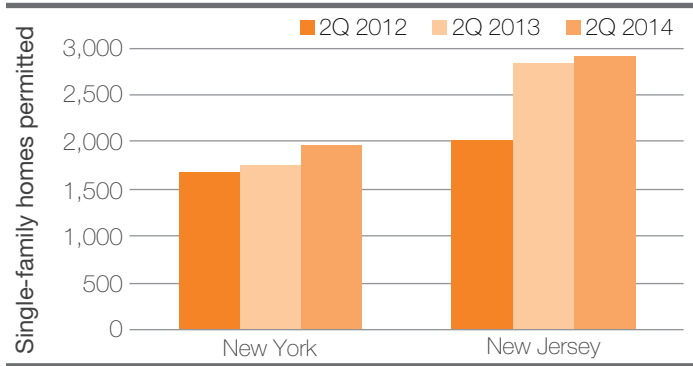
AVG = average. condo = condominium. co-op = cooperative. E = existing. MED = median. MSA = metropolitan statistical area. NA = data not available. N&E = new and existing. *Excludes parts of New York City and includes single-family homes, townhomes, and condominiums. **Includes single-family homes, townhomes, 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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12 percent, to 3,700 homes sold, and the average sales price declined 3 percent, to \$409,900. In the Bronx, the average sales price increased 1 percent, to \$352,200 (Real Estate Board of New York).

Single-family homebuilding increased at a higher rate in New York and a lower rate in New Jersey during the second quarter of 2014 compared with homebuilding in the New York/New Jersey region a year earlier.



2Q = second quarter.
 Note: Based on preliminary data.
 Source: U.S. Census Bureau, Building Permits Survey

During the second quarter of 2014 (preliminary data)—

- In the New York/New Jersey region, the number of single-family homes permitted increased by 290, or 6 percent, to 4,875 homes permitted compared with the number permitted during the second quarter of 2013.
- In New York, the number of single-family homes permitted increased 12 percent, to 1,950 homes, up from an increase of 3 percent a year ago.
- The number of single-family homes permitted in New Jersey increased 3 percent, to 2,900, after an increase of 42 percent a year earlier, and accounted for 60 percent of the increase in homebuilding activity in the region.
- In the New York-Northern New Jersey-Long Island metropolitan area, single-family construction activity increased nearly 12 percent from a year earlier, to approximately 2,825 single-family homes permitted; NYC accounted for 4 percent of homebuilding in the metropolitan area.

Apartment Market Conditions

Apartment market conditions were mixed (balanced to tight) in the New York/New Jersey region during the second quarter of 2014. By comparison, conditions were tighter in NYC, Albany, and Northern New Jersey a year ago. Conditions remained tight in Central New Jersey and balanced in Southern New Jersey compared with conditions a year earlier. The NYC apartment market was tight during the second quarter of 2014, although the vacancy rate increased from a year ago. The number of apartment units in lease up in NYC

increased; 4,350 units entered the market during the 3 months ending June 2014 compared with 3,425 units completed a year earlier (McGraw-Hill Construction Pipeline database). The apartment market on Long Island tightened because of a limited number of unit completions during the past 2 years; however, 1,350 units are under construction and likely to be complete by mid-2015. Apartment market conditions were balanced in Binghamton and Kingston, slightly tight in Syracuse, and tight in Ithaca.

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Apartment vacancy rates were mixed and rents increased in most areas in the New York/New Jersey region during the second quarter of 2014.

| | Market Condition | Vacancy Rate | | | Average Monthly Rent | | |
|----------------------------------|------------------|--------------|-------------|-------------------------|----------------------|--------------|----------------|
| | | 2Q 2013 (%) | 2Q 2014 (%) | Percentage Point Change | 2Q 2013 (\$) | 2Q 2014 (\$) | Percent Change |
| Albany ^a | Slightly tight | 4.5 | 3.8 | -0.7 | 1,018 | 1,017 | 0 |
| Buffalo ^b | Slightly tight | 2.6 | 3.1 | 0.5 | 772 | 792 | 3 |
| Long Island ^b | Tight | 3.5 | 2.9 | -0.6 | 1,646 | 1,670 | 1 |
| New York City ^b | Tight | 2.1 | 2.7 | 0.6 | 3,088 | 3,210 | 4 |
| Northern New Jersey ^b | Balanced | 3.6 | 3.9 | 0.3 | 1,596 | 1,638 | 3 |
| Rochester ^a | Slightly tight | 4.2 | 3.4 | -0.8 | 822 | 833 | 1 |
| Westchester ^b | Slightly tight | 3.3 | 3.0 | -0.3 | 1,958 | 1,988 | 2 |

2Q = 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.

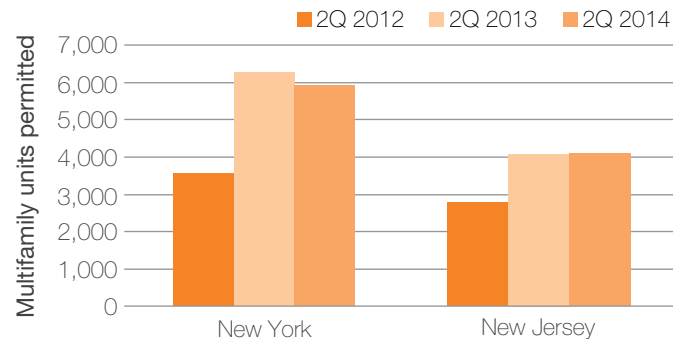


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During the second quarter of 2014 (preliminary data)—

- Approximately 10,000 multifamily units were permitted in the region, 3 percent less when compared with the number permitted a year ago, after a 63-percent increase during the second quarter of 2012.
- In New York, the number of units permitted declined 6 percent, to 5,925 units, accounting for 100 percent of the decrease in multifamily construction activity in the region.
- In New Jersey, the number of units permitted remained nearly unchanged at 4,075 units, after increasing 46 percent a year ago.
- In the New York-Northern New Jersey-Long Island metropolitan area, the number of multifamily units permitted declined 5 percent from a year earlier, to 8,000 units; the approximately 4,625 units permitted in NYC accounted for 58 percent of multifamily units permitted in the metropolitan area.

Multifamily permitting remained unchanged in New Jersey and decreased in New York during the second quarter of 2014 after increasing significantly a year earlier in the New York/New Jersey region.



2Q = second quarter.
 Note: Based on preliminary data.
 Source: U.S. Census Bureau, Building Permits Survey

