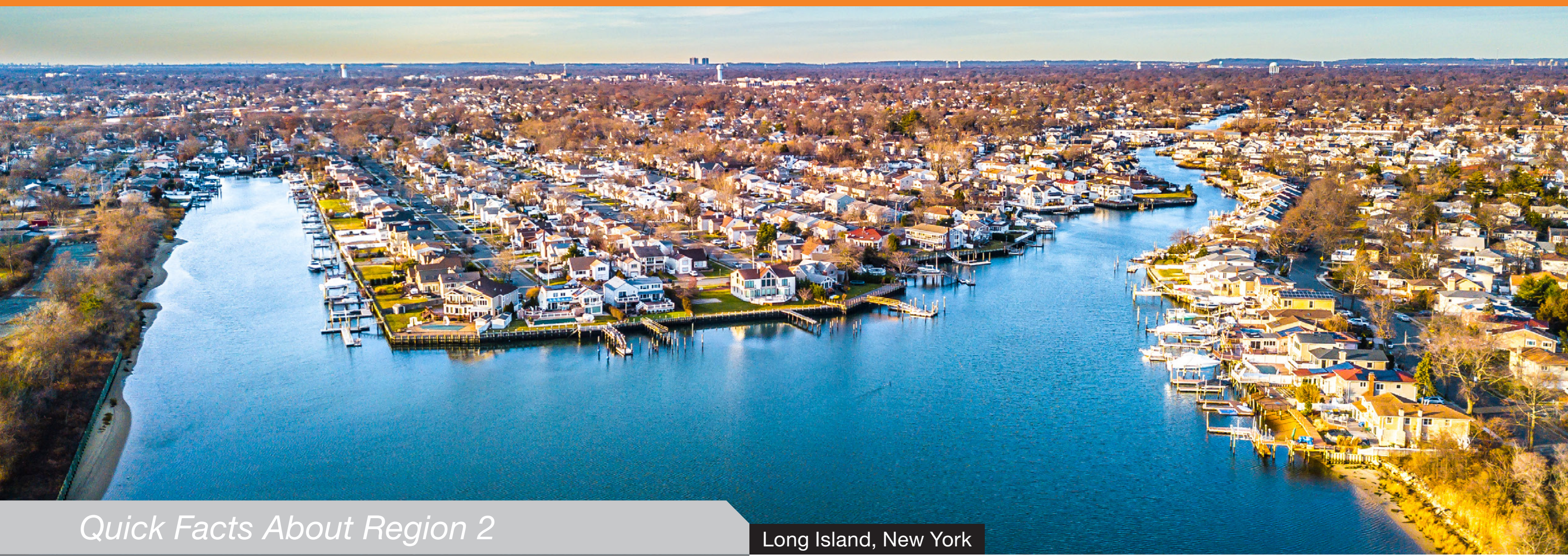
HUD PD&R Regional Reports

Region 2: New York/New Jersey



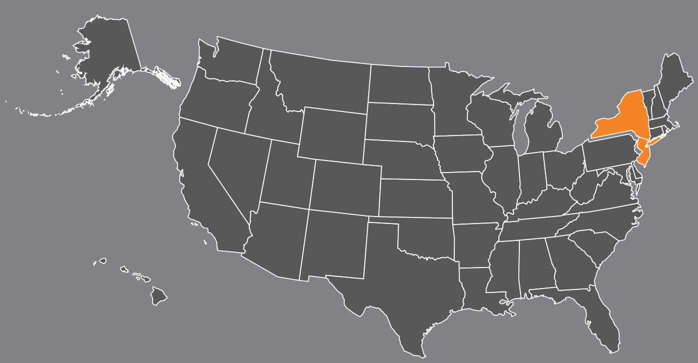
Long Island, New York

By Joseph Shinn | 2nd Quarter 2021

Quick Facts About Region 2

Sales market conditions—
Second quarter 2021: mixed (balanced to slightly tight)
First quarter 2021: mixed (slightly soft to slightly tight)
Second quarter 2020: balanced

Apartment market conditions—
Second quarter 2021: mixed (balanced to tight)
First quarter 2021: mixed (slightly soft to tight)
Second quarter 2020: mixed (balanced to slightly tight)



Overview

Nonfarm payrolls in the New York/New Jersey region increased during the second quarter of 2021, and the economy continues to recover from severe job losses during March and April 2020 due to the COVID-19 pandemic. As of June 2021, approximately 66 percent of the regionwide jobs lost during March and April 2020 have been recovered (not seasonally adjusted). During the second quarter of 2021, nonfarm payrolls rose in all sectors, led by the leisure and hospitality and the wholesale and retail trade sectors. Sales market conditions tightened throughout the region compared with a year ago, when conditions were balanced. Apartment market conditions were generally either slightly tight or tight in most major metropolitan areas in the region; however, in New York City (NYC), conditions were balanced, and the vacancy rate rose compared with a year ago.

During the second quarter of 2021—

- Nonfarm payrolls in the region increased by nearly 1.25 million jobs, or 10.7 percent, compared with a 17.2-percent decrease during the same period a year earlier. In New Jersey and New York, nonfarm payrolls were up 10.9 and 10.7 percent,

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respectively, compared with the second quarter of 2020; nonfarm payrolls in NYC increased by 352,100 jobs, or 9.3 percent, accounting for 28 percent of the regional increase.

- Single-family homebuilding activity in the region rose 56 percent based on the number of homes permitted, with strong increases in both New York and New Jersey. Multifamily permitting activity in the region was up 22 percent; the number of multifamily units permitted in New York and New Jersey increased 42 and 6 percent, respectively.
- In the New York-Newark-Jersey City metropolitan area, single-family construction activity was up 56 percent; gains were strongest in the suburban portions of the metropolitan area. Multifamily building activity in the metropolitan area rose 17 percent, with nearly two-thirds of the net increase in NYC.

Economic Conditions

As a result of the easing of statewide restrictions that were put in place to slow the spread of COVID-19 and more residents receiving the COVID-19 vaccine, nonfarm payrolls in the New York/New Jersey region increased significantly during the second quarter of 2021. By comparison, nonfarm payrolls in the region declined on a year-over-year basis from the second quarter of 2020 through the first quarter of 2021. During the second quarter of 2021, nonfarm payrolls in the region averaged 12.87 million, an increase of nearly 1.25 million jobs, or 10.7 percent, compared with a decline of 2.41 million jobs, or 17.2 percent, during the second quarter of 2020. The sectors that gained the most jobs during the second quarter of 2021 were also the ones that lost the most during the second quarter of 2020. Many establishments in those sectors were required to close or operate at limited capacity during the early stages of the COVID-19 pandemic, but they have since reopened or have been allowed to expand operational capacity. During the second quarter of 2021, the leisure and hospitality sector added the most jobs—378,500 jobs, or 60.9 percent—compared with a decrease of 758,700 jobs, or 55.0 percent, during the same period a year earlier. Approximately 82 percent of the net gains in the sector were in the accommodation and food services industry, which increased by 312,000 jobs, or 61.1 percent. Despite the recent strong gains in the industry, only about one-half of the jobs lost during the second quarter of 2020 had been recovered by the second quarter of 2021, which is partially attributed to business owners having difficulty finding workers to fill open positions.

The wholesale and retail trade, the education and health services, and the professional and business services sectors increased by 240,200, 192,700, and 134,400 jobs, or 16.0, 7.6, and 7.5 percent, respectively. The smallest percentage increase in jobs was in the government sector, 0.7 percent, or by 13,400 jobs. Increases in the sector were concentrated in the local government subsector, which was up by 27,000 jobs,

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During the second quarter of 2021, nonfarm payrolls increased significantly in the New York/New Jersey region, with gains in all 11 sectors.

	Second Quarter		Year-Over-Year Change	
	2020 (Thousands)	2021 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	11,625.1	12,872.3	1,247.2	10.7
Goods-Producing Sectors	1,048.7	1,173.9	125.2	11.9
Mining, Logging, & Construction	451.3	523.6	72.3	16.0
Manufacturing	597.4	650.2	52.8	8.8
Service-Providing Sectors	10,576.4	11,698.4	1,122.0	10.6
Wholesale & Retail Trade	1,503.1	1,743.3	240.2	16.0
Transportation & Utilities	450.9	499.4	48.5	10.8
Information	324.5	339.1	14.6	4.5
Financial Activities	935.1	943.4	8.3	0.9
Professional & Business Services	1,801.2	1,935.6	134.4	7.5
Education & Health Services	2,522.5	2,715.2	192.7	7.6
Leisure & Hospitality	621.9	1,000.4	378.5	60.9
Other Services	400.4	491.7	91.3	22.8
Government	2,016.9	2,030.3	13.4	0.7

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

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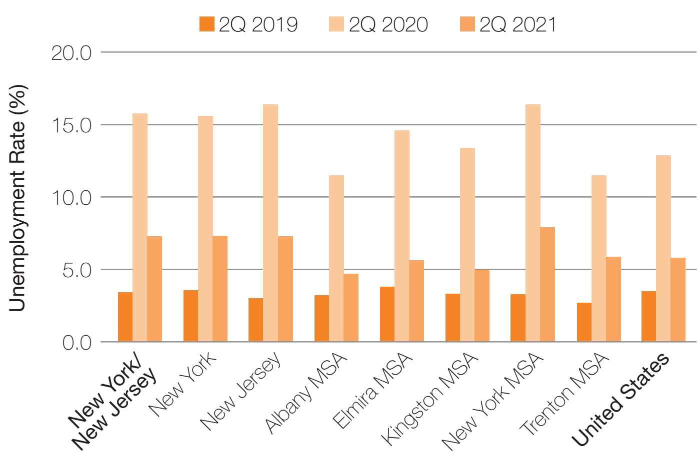
or 1.9 percent. Partially offsetting those gains were losses in the state government and the federal government subsectors, which declined by 11,600 and 2,000 jobs, or 2.9 and 1.2 percent, respectively. In the state government subsector, total employment at state-run correctional institutions declined by approximately 820, or 2.9 percent, during 2020 (Quarterly Census of Employment and Wages), which is partially attributed to decreased prison populations throughout the state during the COVID-19 pandemic.

During the second quarter of 2021, the unemployment rate in the New York/New Jersey region averaged 7.3 percent—down significantly from 15.8 percent during the second quarter of 2020 but more than double the 3.4-percent rate during the second quarter of 2019. During the most recent quarter, the unemployment rates were 7.3 percent in both states—down from 16.4 percent in New Jersey and 15.6 percent in New York during the second quarter of 2020. The largest percentage-point decline in the region was in the Atlantic City metropolitan area, where the unemployment rate decreased from 35.0 percent during the second quarter of 2020 to 10.7 percent during the second quarter of 2021. The current unemployment rate in the region is higher than the national rate of 5.8 percent and is the second highest of the 10 HUD regions, behind only the 7.7-percent rate in the Pacific Region.

During the second quarter of 2021—

- Nonfarm payrolls in New York increased by 860,400 jobs, or 10.7 percent, compared with a decrease of 1.75 million jobs, or 17.8 percent, during the same period a year earlier. Approximately 48 percent of the net gains were in the leisure and hospitality and the wholesale and retail trade sectors, which increased by 254,000 and 159,900 jobs, or 59.8 and 16.7 percent, respectively.
- In NYC, nonfarm payrolls were up by 352,100 jobs, or 9.3 percent, with the largest gains in the leisure and hospitality sector, which increased by 93,000 jobs, or 52.4 percent. Despite recent gains, only approximately 31 percent of the jobs lost during the second quarter of 2020 in the leisure and hospitality sector had been recovered by the second quarter of 2021, which is partially attributed to continued limitations on business travel to NYC; visitor spending in NYC declined 73 percent during 2020 (Office of the New York State Comptroller).
- Nonfarm payrolls in the Buffalo, Rochester, and Albany metropolitan areas increased by 72,200, 52,000, and 35,600 jobs, or 15.7, 11.4, and 8.7 percent, respectively. By comparison, during the second quarter of 2020, nonfarm payrolls in the metropolitan areas declined by 106,400, 85,900, and 65,900 jobs, or 18.8, 15.8, and 13.9 percent, respectively.
- In New Jersey, nonfarm payrolls rose by 386,800 jobs, or 10.9 percent, compared with the second quarter of 2020. Payrolls increased in 10 of 11 sectors, led by the leisure and hospitality, the wholesale and retail trade, and the education and health services sectors, which were up by 124,500, 80,200, and 56,700 jobs, or 63.2, 14.7, and 9.1 percent, respectively.
- Job growth in New Jersey was strongest in the Atlantic City metropolitan area, where nonfarm payrolls increased 36.3 percent, or by 32,300 jobs. Nonfarm payrolls in the leisure and hospitality sector more than tripled, increasing by 23,400 jobs, largely because the nine casinos that were closed during most of the second quarter of 2020 have reopened, resulting in a portion of the more-than-26,000 workers that were furloughed at those casinos being recalled to work.

During the second quarter of 2021, the unemployment rate declined significantly in the New York/New Jersey region and in both states.



2Q = second quarter.
Source: U.S. Bureau of Labor Statistics

Sales Market Conditions

Sales market conditions in the New York/New Jersey region ranged from balanced to slightly tight during the second quarter of 2021. Conditions tightened in both states during the past year, largely due to a surge in homebuying that resulted from declining mortgage interest rates during 2020. In December 2020, the average interest rate of a 30-year fixed-rate mortgage was 2.7 percent—down from 3.7 percent in December 2019 (Freddie Mac). Mortgage rates increased slightly during the first half of 2021, but the 3.0-percent rate in June 2021 is still well below prepandemic rates.

Sales market conditions in New York were slightly tight, compared with balanced conditions a year earlier. In June 2021,

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New York had 3.7 months of available for-sale inventory—down from 5.8 months of inventory in June 2020 (CoreLogic, Inc.). During the 12 months ending June 2021, approximately 147,900 existing homes were sold in New York, an increase of 26,400 homes, or 22 percent, compared with the same period a year earlier (New York Association of Realtors®). By comparison, home sales were down an average of 3 percent annually during the previous 2 years. In the Albany, Buffalo, and Rochester metropolitan areas, home sales increased 21, 15, and 11 percent, to 11,900, 11,100, and 15,050 homes sold, respectively (Redfin; Buffalo Niagara Association of Realtors®; Greater Rochester Association of Realtors®). In response to tightening sales market conditions, the average sales price of existing homes in New York rose 19 percent, to $447,800, compared with an average 3-percent increase during the previous 6 years. Average sales prices were up throughout upstate New York, ranging from 16-percent increases in the Buffalo and Rochester metropolitan areas to a 20-percent rise in the Albany metropolitan area.

Sales market conditions in the NYC housing market, which consists of the five boroughs—Bronx, Brooklyn, Manhattan, Queens, and Staten Island—are currently balanced, compared with slightly soft conditions a year ago. In June 2021, NYC had 6.0 months of available for-sale inventory—down from 8.4 months of inventory in June 2020 (Redfin). During the 12 months ending June 2021, new and existing home sales in NYC increased 17 percent, compared with an average annual 8-percent decline during the previous 2 years. Home sales were up in all five boroughs, ranging from 10-percent increases in Manhattan and the Bronx to a 33-percent rise in Staten Island. The strong increase in Staten Island is partially attributed to residents in NYC moving to more suburban parts of the city, especially to purchase a home. As a result of increasing home sales throughout NYC, the median sales price was up in all five boroughs in June 2021, ranging from a 3-percent increase in Staten Island to a 26-percent rise in Manhattan.

In New Jersey, sales market conditions transitioned from balanced to slightly tight during the past year. In June 2021, New Jersey had 2.2 months of available for-sale inventory—down from the 4.0 months of inventory in June 2020 (New Jersey Association of Realtors®). In addition, because of the decreased for-sale inventory, the competition for homes among potential homebuyers has increased, resulting in significant increases in the average sales price. In June 2021, approximately 60 percent of all homes sold had a sales price that was higher than the original listing price—up from approximately 25 percent of all homes sold in June 2020 (Redfin). During the past year, home sales in New Jersey increased 25 percent, to 96,900 homes sold, compared with a 4-percent decrease a year earlier (New Jersey Association of Realtors®). Home sales were up throughout the state, ranging from a 20-percent increase in southern New Jersey to a 28-percent rise in northern New Jersey. The recent surge in homebuying in the state also resulted in the average sales price increasing 24 percent to $517,000.

In May 2021, 5.2 percent of home loans in the region were seriously delinquent (90 or more days delinquent or in

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During the past year, both home sales and average sales prices increased at a strong pace throughout the New York/New Jersey region.

		Number of Homes Sold			Price			
	12 Months Ending	2020	2021	Percent Change	Average or Median	2020 ($)	2021 ($)	Percent Change
New York*, ** (E)	June	121,500	147,900	22	AVG	376,600	447,800	19
New York City** (N&E)	June	28,750	33,600	17	MED	492,000-995,000	555,000-1,250,000	NA
Albany MSA** (N&E)	June	9,800	11,900	21	MED	225,000	269,000	20
Buffalo MSA** (E)	June	9,625	11,100	15	AVG	187,800	218,000	16
Rochester MSA** (E)	June	13,550	15,050	11	AVG	177,800	206,500	16
New Jersey*** (E)	June	77,600	96,900	25	AVG	416,900	517,000	24
Northern New Jersey*** (E)	June	28,450	36,400	28	MED	256,000-545,000	342,500-655,000	NA
Central New Jersey***, **** (E)	June	19,350	24,600	27	MED	330,000-505,000	419,500-629,000	NA
Southern New Jersey*** (E)	June	29,850	35,950	20	MED	121,600-376,000	196,500-425,000	NA

AVG = average. MED = median. E = existing. MSA = metropolitan statistical area. NA = data not available. N&E = new and existing.

*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®; Redfin; Greater Rochester Association of Realtors®; New Jersey Association of Realtors®; New York State Association of Realtors®, Inc.

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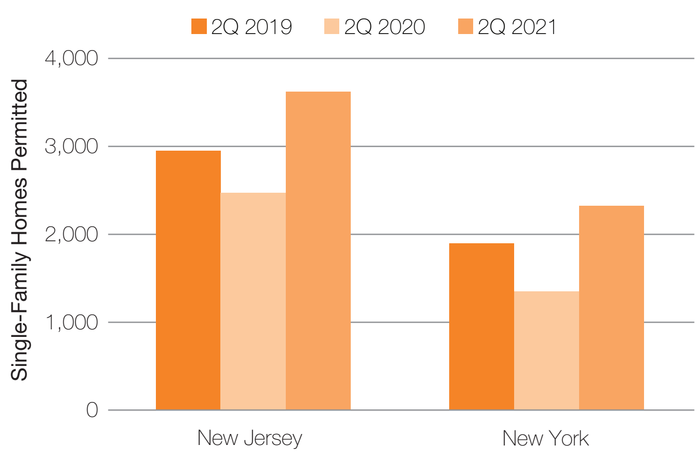
foreclosure) or had transitioned into real estate owned (REO) status—up from 3.0 percent in May 2020 (CoreLogic, Inc.). The significant rise during the past year was due to a 125-percent increase in the number of home loans that were 90 or more days delinquent, as elevated unemployment rates rendered some homeowners unable to make their mortgage payments. By comparison, the number of home loans that were in foreclosure or had transitioned into REO status declined 16 percent. The current rate of home loans that are seriously delinquent or had transitioned into REO status in the region is the highest of the 10 HUD regions and is above the 3.3-percent national rate. In New York and New Jersey, the rates were 5.5 and 4.7 percent—up from 3.3 and 2.6 percent, respectively, a year earlier.

During the second quarter of 2021 (preliminary data)—

- Single-family homebuilding activity in the New York/New Jersey region, as measured by the number of homes permitted, increased by 2,125 homes, or 56 percent, to 5,950 homes permitted. Homebuilding was at the highest second-quarter level in 14 years, which is partially attributed to a surge in demand for new homes resulting from a significant reduction in the number of existing homes listed for sale.
- In New Jersey, construction activity was up by 1,150 homes, or 46 percent, to 3,625 homes permitted, compared with a 16-percent decrease during the same period a year earlier. The largest increases were in the counties of Bergen, Burlington, and Cape May, where building activity increased by 210, 130, and 120 homes, or 93, 82, and 159 percent, respectively.
- Homebuilding activity in New York increased by 980 homes, or 72 percent, compared with an average 15-percent decline during the previous 3 years. In response to tightening sales market conditions, single-family construction activity in the Albany and Buffalo metropolitan areas was up by 170 and 130 homes, respectively, or 68 percent each.
- In the New York-Newark-Jersey City metropolitan area, single-family homebuilding activity increased by 1,225 homes, or 56 percent, to 3,425 homes permitted. In the Nassau County-Suffolk County and Newark metropolitan divisions, construction activity was up by 350 and 310 homes, or 165 and 74 percent, respectively; the strong rise in homebuilding in those metropolitan divisions was partially attributed to more NYC residents moving to suburban portions of the metropolitan area during the COVID-19 pandemic as telework options being offered by employers expanded.

Single-family homebuilding activity increased 72 percent in New York and 46 percent in New Jersey during the second quarter of 2021.



2Q = second 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 second quarter of 2021. Conditions generally tightened in most areas in the region during the past year, partially because of ongoing state and federal eviction protection policies that were put in place during the COVID-19 pandemic.

In New Jersey, conditions ranged from slightly tight to tight. Conditions were tight in the Atlantic City and Trenton metropolitan areas, compared with slightly tight conditions a year ago. In the Atlantic City metropolitan area, the apartment vacancy rate was 1.0 percent during the second quarter of 2021—down from 3.5 percent during the same period a year earlier—and the average apartment rent increased 9 percent to $1,439—the largest percentage-point rise in the region (RealPage, Inc.). The apartment vacancy rate in the Trenton metropolitan area was 2.9 percent—down from the 3.3-percent rate during the second quarter of 2020—and the average apartment rent rose 5 percent to $1,770. In the Newark metropolitan division, conditions were slightly tight, and the apartment vacancy rate was unchanged, at 3.6 percent, whereas the average apartment rent increased 1 percent to $2,023.

In New York, conditions ranged from balanced to tight. In NYC, conditions were balanced, but the apartment market softened during the past year, and the apartment vacancy rate increased significantly, which is largely attributed to residents moving from NYC to the suburban portions of the New York-Newark-Jersey

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City metropolitan area during the COVID-19 pandemic. The apartment vacancy rate in NYC rose from 2.5 percent during the second quarter of 2020 to 4.6 percent during the second quarter of 2021. The average apartment rent in NYC declined 11 percent to $3,644, largely in response to rising vacancy rates throughout the city. Conditions in NYC seem to have stabilized during the second quarter of 2021, however, due to a slowdown in the strong net out-migration from the city. Recent indicators that conditions are stabilizing are based on quarter-to-quarter data comparisons that may include seasonal effects. The current vacancy rate is down slightly from the 4.8-percent rate during the first quarter of 2021, and the average rent is up 2 percent during the same period. Conditions were tight in the Long Island metropolitan area, compared with slightly tight conditions a year ago. During the second quarter of 2021, the apartment vacancy rate was 2.6 percent—down from 3.2 percent during the same period a year earlier—and the average rent increased 3 percent to $2,512.

Conditions in upstate New York ranged from slightly tight to tight, and apartment vacancy rates were down in all areas. The apartment markets were tight in the Syracuse, Rochester, and Buffalo metropolitan areas, with vacancy rates of 2.9, 2.1, and 2.0 percent, down from 3.1, 3.3, and 3.0 percent, respectively, a year earlier. In the Albany metropolitan area, conditions were slightly tight—unchanged compared with a year ago—with a vacancy rate of 3.2 percent—down from the 3.9-percent rate during the same period a year earlier. In response to the tightening markets, average rents rose at least 4 percent in all major metropolitan areas in upstate New York, led by a 7-percent increase in the Rochester metropolitan area.

During the second quarter of 2021 (preliminary data)—

- In response to tightening apartment markets, multifamily building activity, as measured by the number of multifamily units permitted, increased by 2,375 units, or 22 percent, to 12,950 units permitted. By comparison, second-quarter building activity declined an average of 7 percent annually during the previous 2 years.
- In New York, multifamily permitting activity was up by 2,000 units, or 42 percent, compared with a 27-percent decrease during the same period a year earlier. Multifamily construction in the Buffalo metropolitan area increased nearly 130 percent, to 100 units permitted, and more than doubled, to 250 units permitted, in the Rochester metropolitan area.
- In the New York-Newark-Jersey City metropolitan area, multifamily building activity increased by 1,625 units, or 17 percent, compared with the second quarter of 2020. Nearly two-thirds of the net increase in the metropolitan area was in NYC, where multifamily building activity was up by 1,075 units, or 30 percent; the recent uptick was partially attributed to new apartment development—which was delayed during COVID-19—resuming in the city.

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Apartment vacancy rates declined or were relatively unchanged in most of the New York/New Jersey region during the second quarter of 2021 except in NYC, where the vacancy rate rose and the average rent decreased significantly.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		2Q 2020 (%)	2Q 2021 (%)	Percentage Point Change	2Q 2020 ($)	2Q 2021 ($)	Percent Change
Albany	Slightly Tight	3.9	3.2	-0.7	1,294	1,344	4
Atlantic City	Tight	3.5	1.0	-2.5	1,318	1,439	9
Buffalo	Tight	3.0	2.0	-1.0	1,013	1,058	4
Long Island	Tight	3.2	2.6	-0.6	2,434	2,512	3
New York City	Balanced	2.5	4.6	2.1	4,091	3,644	-11
Newark	Slightly Tight	3.6	3.6	0.0	2,012	2,023	1
Rochester	Tight	3.3	2.1	-1.2	1,059	1,134	7
Syracuse	Tight	3.1	2.9	-0.2	969	1,012	4
Trenton	Tight	3.3	2.9	-0.4	1,687	1,770	5

2Q = second quarter.
Sources: Market condition—Economic and Market Analysis Division; vacancy rate and average monthly rent—RealPage, Inc.

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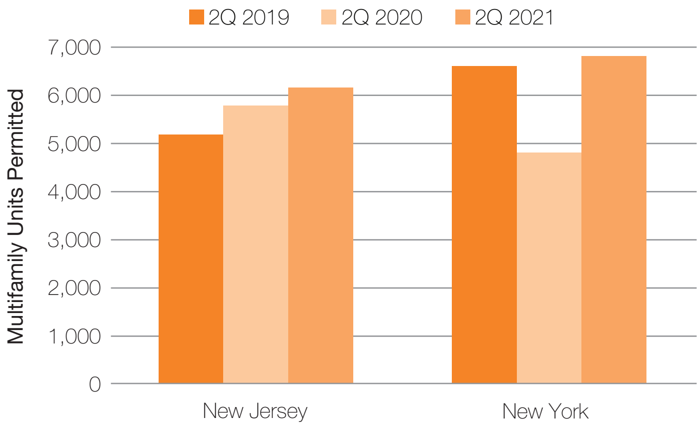
- Multifamily permitting activity in New Jersey increased by 380 units, or 6 percent, compared with the second quarter of 2020. The largest gains were in the Newark metropolitan division, where the number of multifamily units permitted increased by 490 units, or 29 percent.

During the second quarter of 2021, multifamily building activity increased 22 percent in the New York/New Jersey region, with most of the increase in New York.



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