

HUD PD&R Regional Reports

Region 2: New York/New Jersey

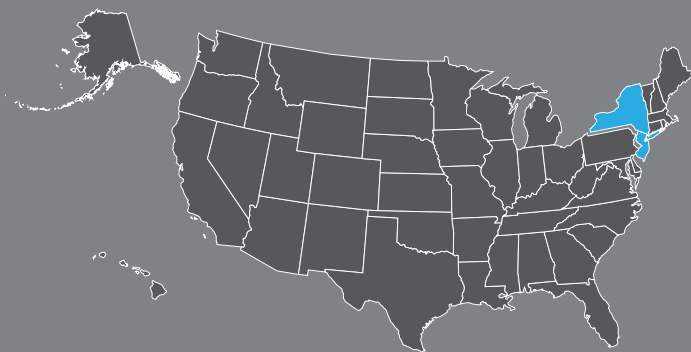


Quick Facts About Region 2

Buffalo, New York

By Patricia Moroz | 4th Quarter 2020

- Sales market conditions—**
Fourth quarter 2020: mixed (slightly soft to slightly tight)
Third quarter 2020: mixed (slightly soft to slightly tight)
Fourth quarter 2019: balanced
- Apartment market conditions—**
Fourth quarter 2020: mixed (slightly soft to tight)
Second quarter 2020: mixed (slightly soft to tight)
Fourth quarter 2019: mixed (balanced to tight)



Overview

The economy of the New York/New Jersey region was weak during the fourth quarter of 2020. As of December 2020, the level of nonfarm payrolls in the New York/New Jersey region was nearly 1.09 million jobs, or 7.8 percent, below the February 2020 level; that period was before the effects of the COVID-19 global pandemic (not seasonally adjusted). Many of the interventions that were taken in mid-March to slow the spread of COVID-19, including guidelines on enforcing social distancing and discouraging nonessential travel, remained in effect during the fourth quarter of 2020; however, restrictions were gradually relaxed in some areas, which allowed some businesses to reopen at reduced capacity. During the fourth quarter of 2020, a combined 64 percent of the job losses were in the leisure and hospitality, the education and health services, and the professional and business services sectors. Sales market conditions in the region ranged from slightly soft to slightly tight, compared with balanced conditions a year ago; however, those conditions generally remained stable, primarily due to mortgage forbearances under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The average home sales price increased in most areas because of lower

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inventories of homes for sale partially due to homeowners being less willing to list their homes for sale during the pandemic. Apartment markets in the major metropolitan areas in the region had mixed conditions, ranging from slightly soft to tight, in the fourth quarter of 2020. In New York City (NYC), conditions in both the apartment and home sales markets transitioned from balanced to slightly soft during the past year.

- During the fourth quarter of 2020, the New York/New Jersey region had the largest year-over-year percentage decline in nonfarm payrolls among the 10 HUD-defined regions. Most of the job decline was in the leisure and hospitality sector for the third consecutive quarter.

Economic Conditions

During the fourth quarter of 2020, nonfarm payrolls in the New York/New Jersey region averaged approximately 12.82 million, representing a decrease of nearly 1.32 million jobs, or 9.3 percent, compared with the fourth quarter of 2019. That decrease resulted from restrictions put in place in response to the COVID-19 global pandemic. The greatest decline in payrolls during the past 12 months occurred in the second quarter of 2020. Whereas jobs were added during the past two quarters, the level remains 985,800 jobs, or 7.1 percent, below the level during the first quarter of 2020 (not seasonally adjusted). The job levels were 5.3 and 7.9 percent below the levels of the first quarter of 2020 in New Jersey and New York, respectively. During the fourth quarter of 2020, approximately one-third of the job losses were in the leisure and hospitality sector, which declined by 440,000 jobs, or 32.9 percent, with more than three-fourths of the decrease in the sector in the accommodation and food services industry, which declined by 345,700 jobs, or 31.5 percent. In response to substantially fewer tourists and business travelers, particularly in NYC, hotels announced additional furloughs and permanent layoffs. In Manhattan, ongoing hotel closures in October 2020 included the permanent layoffs of 130 workers at the W New York—Downtown hotel and nearly 60 employees at the Courtyard by Marriott New York Manhattan/Herald Square, where furloughs began in March. In addition, more than 130 employees were temporarily furloughed in October at the Hyatt Regency in Rochester (Worker Adjustment and Retraining Notification [WARN] Notices). An additional 31 percent of job losses were in the education and health services and the professional and business services sectors combined, which were down by a combined 409,200 jobs, or 8.2 percent.

The other services and the transportation and utilities sectors had large percentage declines in the region during the fourth quarter of 2020 compared with a year ago. The second largest

- Home sales increased in New Jersey but declined in most markets in New York during the past year; in NYC, home sales were down 25 percent and the average price decreased 2 percent during the 12 months ending November 2020, compared with a year earlier (Zonda).
- During the fourth quarter of 2020, most of the major metropolitan apartment markets in the region had generally tight conditions except for NYC, where conditions were slightly soft; the apartment vacancy rate in NYC rose to 4.7 percent and the average rent was down 12 percent (Moody's Analytics REIS).

percentage decrease among sectors in the region was a 12.1-percent decline in the other services sector. More than one-half of the net decrease in the sector was in the personal and laundry services industry, with job losses of 27,700 in New York and 9,800 in New Jersey, or 21.6 and 15.0 percent, respectively; dry cleaners in the region have been negatively affected by the large share of professionals working from home during the pandemic. The fourth largest percentage decline in the region of 9.4 percent was in the transportation and utilities sector. The air transportation industry accounted for more than one-fourth of the job loss in the sector, totaling a decline of 13,500 jobs, or 25.4 percent, compared with a year earlier. In New Jersey, airlines announced layoffs of approximately 7,250 workers at United Airlines, Inc. at the Newark Liberty International Airport and nearly 60 workers at Spirit Airlines, Inc. in Egg Harbor Township.

During the fourth quarter of 2020, the unemployment rate in the New York/New Jersey region averaged 8.4 percent, more than double the 3.6-percent rate during the fourth quarter of 2019. In New York and New Jersey, the unemployment rates were 8.4 and 8.3 percent—up from 3.7 and 3.5 percent a year ago. In NYC, the unemployment rate was 11.9 percent—up from 3.4 percent during the fourth quarter of 2019. The current unemployment rate in the region is higher than the national rate of 6.5 percent and is the second highest of the 10 HUD regions, after the Pacific region, where tourism also diminished during the COVID-19 pandemic.

During the fourth quarter of 2020—

- Nonfarm payrolls in New York declined by 997,300 jobs, or 10.1 percent, to nearly 8.90 million jobs compared with the fourth quarter of 2019. By comparison, nonfarm payrolls increased by an average of 46,800 jobs, or 0.5 percent, a year earlier.

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During the fourth quarter of 2020, the level of nonfarm payroll jobs was below the level a year ago in every sector in the New York/New Jersey region.

	Fourth Quarter		Year-Over-Year Change	
	2019 (Thousands)	2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	14,143.0	12,823.1	-1,319.9	-9.3
Goods-Producing Sectors	1,262.6	1,176.4	-86.2	-6.8
Mining, Logging, & Construction	573.8	535.2	-38.6	-6.7
Manufacturing	688.9	641.2	-47.7	-6.9
Service-Providing Sectors	12,880.3	11,646.7	-1,233.6	-9.6
Wholesale & Retail Trade	1,927.4	1,791.4	-136.0	-7.1
Transportation & Utilities	558.0	505.5	-52.5	-9.4
Information	347.5	336.4	-11.1	-3.2
Financial Activities	979.8	936.7	-43.1	-4.4
Professional & Business Services	2,091.3	1,888.7	-202.6	-9.7
Education & Health Services	2,923.8	2,717.2	-206.6	-7.1
Leisure & Hospitality	1,336.1	896.1	-440.0	-32.9
Other Services	592.1	520.4	-71.7	-12.1
Government	2,124.3	2,054.3	-70.0	-3.3

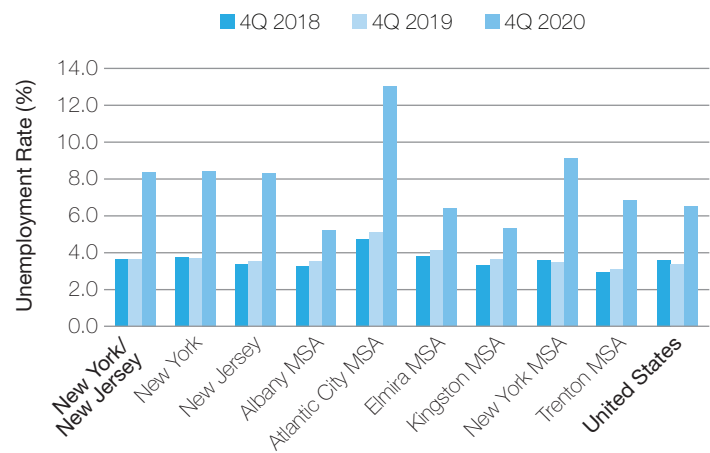
Note: Numbers may not add to totals due to rounding.

Source: U.S. Bureau of Labor Statistics

- In New York, the largest decreases in nonfarm payrolls were in the leisure and hospitality and the education and health services sectors, which decreased by 340,500 and 151,400 jobs, or 35.8 and 6.9 percent, respectively. The education and health services sector accounted for approximately 20 percent of job losses in the Albany and Buffalo metropolitan areas, with declines of 8,300 and 8,400 jobs, or 8.4 and 8.2 percent, respectively.
- In NYC, nonfarm payrolls decreased by 568,700 jobs, or 12.0 percent, to nearly 4.16 million jobs, compared with the same period a year ago, with losses in the leisure and hospitality sector accounting for 37 percent of the total job loss. Payrolls in the hotel industry were down by 19,700 jobs, or 37.6 percent; the average rate for a room for one night at a luxury hotel was \$364 in December 2020—down 46 percent from a year earlier due to declines in tourism and corporate travel (Bloomberg.com).
- In New Jersey, nonfarm payrolls declined by 322,600 jobs, or 7.6 percent, to 3.92 million jobs, compared with a 0.7-percent increase during the same period a year ago.
- Nonfarm payrolls in New Jersey decreased in all sectors; the leisure and hospitality and the professional and business services sectors, which declined by 99,500 and

59,000 jobs, or 25.8 and 8.5 percent, respectively, led that decrease. In the Atlantic City metropolitan area, payroll jobs were down by 17,500, or 13.3 percent; the casino hotels industry lost nearly 7,900 jobs, or 34 percent, compared with a year earlier.

During the fourth quarter of 2020, unemployment rates more than doubled in the region and in both states and exceeded the national rate in most areas.



4Q = fourth quarter.

Source: U.S. Bureau of Labor Statistics

Sales Market Conditions

Sales market conditions in the New York/New Jersey region ranged from slightly soft to slightly tight during the fourth quarter of 2020. Statewide conditions were balanced in New York, unchanged compared with the fourth quarter of 2019. In December 2020, the supply of available for-sale inventory was 5.1 months, down from 5.3 months in December 2019 (CoreLogic, Inc.). As a result of the significant job losses during the past year, existing home sales in New York decreased by 1,200 homes, or 1 percent, to 128,200 homes sold and the average sales price in the state, excluding parts of NYC, rose 11 percent (New York Association of Realtors®). During the past year, home sales in the Albany and Buffalo metropolitan areas decreased 7 and 2 percent, to 11,350 and 10,100 homes sold, respectively, whereas home sales were nearly unchanged in the Rochester metropolitan area, at 14,200 (Zonda, Buffalo Niagara Association of Realtors®, Greater Rochester Association of Realtors®). The average sales prices of homes in the Rochester and Buffalo metropolitan areas increased 10 percent each, to \$193,600 and \$203,800, respectively. In the Albany metropolitan area, the average sales price was up 7 percent, to \$249,100.

Sales market conditions in the NYC housing market, which consists of the five boroughs—Bronx, Brooklyn, Manhattan, Queens, and Staten Island—transitioned from balanced to slightly soft during the past year. The months of supply of inventory increased in Brooklyn, Queens, and the Bronx, rising from 10.8, 7.0, and 7.2 months in December 2019, respectively, to 12.8, 11.1, and 8.6 months in December 2020; in Staten Island, the months of supply decreased from 5.9 to 5.0 months; data for Manhattan were not available (CoreLogic, Inc.). During the 12 months ending November 2020, sales of new and existing homes in NYC declined by 5,600, or 25 percent, to 16,600 homes sold, compared with an 11-percent decrease a year earlier (Zonda). Home sales were down in all five boroughs. The largest percentage declines were 71, 31, and 22 percent in Staten Island, Manhattan, and the Bronx, respectively, whereas home sales decreased 13 percent in Brooklyn and 12 percent in Queens. In response to lower demand, the average sales price in NYC decreased 2 percent, to an average of nearly \$1.08 million, compared with an 8-percent increase during the same period a year earlier. The largest percentage decrease in home prices among the five boroughs was 7 percent in Manhattan, to \$2.11 million. In contrast, prices fell 3 percent in Brooklyn, to \$951,000, and declined 1 percent or less in the Bronx, Staten Island, and Queens, to \$461,800, \$537,300, and \$686,500, respectively.

In New Jersey, sales market conditions were slightly tight, compared with balanced conditions during the fourth quarter of 2019. Conditions have tightened compared with a year ago due to an 8-percent reduction in the inventory of homes for sale (CoreLogic, Inc.). In December 2020, the state had 2.2 months of available for-sale inventory—down from 3.6 months of inventory in December 2019. Despite a lower inventory of available homes, approximately 88,650 existing homes were sold in 2020, representing an increase of 6,850 homes, or 8 percent, compared with 2019 (New Jersey Association of Realtors®). Sales of existing homes rose 9 percent each in northern and southern New Jersey, by 2,600 and 2,900 homes, respectively, and 8 percent in central New Jersey, by 1,600 homes sold. The average sales price in New Jersey was up 18 percent, to \$476,100.

In November 2020, 6.4 percent of home loans in the region were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status—up from 2.6 percent in November 2019 (CoreLogic, Inc.). In New York and New Jersey, the rates were ranked first and fourth in the nation, at 6.7 and 6.0 percent, respectively—up from 2.8 and 2.3 percent a year earlier. The rate in the region rose significantly due to a more-than-three-fold increase in the number of home loans that were 90 or more days delinquent; that increase was largely because some homeowners had difficulties remaining current on mortgage payments because of job losses during the pandemic, despite mortgage forbearances under the CARES Act.

During the fourth quarter of 2020 (preliminary data)—

- Single-family homebuilding activity in the New York/New Jersey region, as measured by the number of homes permitted, increased by approximately 370 homes, or 8 percent, to 5,300 homes permitted. By comparison, during the fourth quarter of 2019, single-family construction activity decreased by 35 homes, or 1 percent, compared with the same period a year earlier.
- New York accounted for nearly all the increase in permitting in the region; construction activity rose by 360 homes, or 23 percent, to 1,925 homes permitted in the state. In the Albany and Rochester metropolitan areas, single-family homebuilding activity increased by 120 and 65 homes, or 39 and 31 percent, to 410 and 280 homes permitted, respectively.
- Homebuilding activity in New Jersey was virtually unchanged, increasing by 10 homes, or less than 1 percent, to 3,400

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During the past year, the number of homes sold increased in New Jersey but declined in New York, whereas sales prices rose in most areas.

	12 Months Ending	Number of Homes Sold				Price		
		2019	2020	Percent Change	Average or Median	2019 (\$)	2020 (\$)	Percent Change
New York (E)*,**	December	129,400	128,200	-1	AVG	\$371,400	\$412,100	11
New York City (N&E)**	November	22,200	16,600	-25	AVG	\$1,101,000	\$1,078,000	-2
Albany MSA (N&E)**	November	12,250	11,350	-7	AVG	\$232,400	\$249,100	7
Buffalo MSA (E)**	December	10,300	10,100	-2	AVG	\$185,800	\$203,800	10
Rochester MSA (E)**	December	14,250	14,200	0	AVG	\$175,300	\$193,600	10
New Jersey (E)***	December	81,800	88,650	8	AVG	\$404,100	\$476,100	18
Northern New Jersey (E)***	December	30,050	32,650	9	MED	252,000-487,500	295,000-575,000	NA
Central New Jersey (E)***,****	December	20,550	22,150	8	MED	273,500-485,000	320,500-550,000	NA
Southern New Jersey (E)***	December	30,900	33,800	9	MED	125,000-350,500	168,300-450,500	NA

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

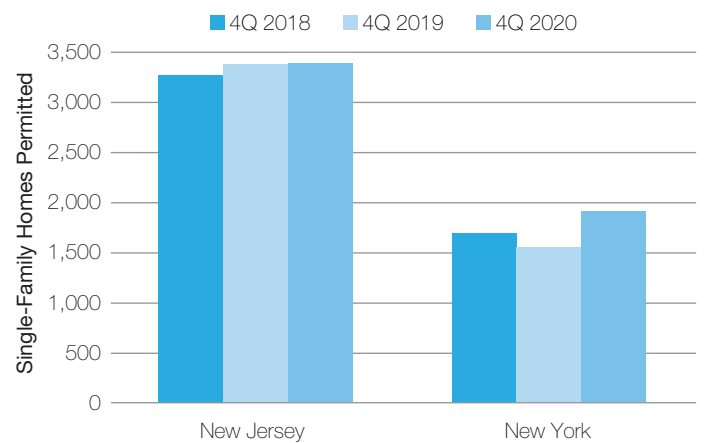
Notes: *Excludes parts of NYC. **Includes single-family homes, townhomes, and condominiums. ***Includes only single-family homes. ****Includes Hunterdon, Mercer, Middlesex, Monmouth, and Somerset Counties.

Sources: Buffalo Niagara Association of Realtors®; Zonda; Greater Rochester Association of Realtors®; New Jersey Association of Realtors®; New York State Association of Realtors®, Inc.

homes permitted. By comparison, during the fourth quarter of 2019, construction activity rose by 110 homes, or 3 percent, compared with a year earlier.

- In the New York-Newark-Jersey City metropolitan area, single-family homebuilding activity was down by 250 homes, or 7 percent, to 3,075 homes permitted, compared with a 6-percent increase, or 200 homes, during the same period a year earlier. Construction activity was down by 850 homes, or 89 percent, in Hudson County, New Jersey, compared with a year ago, partially offsetting growth in other parts of the metropolitan area.

Single-family homebuilding activity rose 8 percent in the region during the fourth quarter of 2020, with nearly all of the increase in New York.



4Q = fourth 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 slightly soft to tight during the fourth quarter of 2020. In NYC, conditions transitioned to slightly soft compared with balanced conditions a year ago, partly due to increasing preferences among renters for relatively less densely populated areas, at least

temporarily. As a result, during the fourth quarter of 2020, the apartment vacancy rate in NYC rose to 4.7 percent—up from the 3.8-percent rate during the same period a year earlier (Moody's Analytics REIS). In response to the rising vacancy rate, the average rent in NYC fell 12 percent, or by nearly \$450, to \$3,316—the largest decrease in the region and greater than the

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3-percent decline for the nation. The 12-percent rent decline in NYC was the highest on record since 1980 and well above the 5-percent decrease in 2009, during the Great Recession. Conditions were slightly tight in Long Island, with an apartment vacancy rate of 3.1 percent—unchanged from the same period a year earlier—and the average rent rose 3 percent, to \$2,451 (RealPage, Inc.). Several Upstate New York markets were tight during the fourth quarter of 2020; vacancy rates decreased in the Rochester, Syracuse, and Albany metropolitan areas, to 2.6, 2.7, and 2.9 percent, respectively, and increased slightly in the Buffalo metropolitan area, to 2.5 percent. The average rent increased 3 and 4 percent in the Albany and Buffalo metropolitan areas, to \$1,298 and \$1,021, respectively, whereas the Syracuse and Rochester metropolitan areas had stronger rent increases of 6 and 7 percent, to \$1,000 and \$1,095, respectively. Apartment completions were down 58 and 33 percent during 2020 in the Syracuse and Rochester metropolitan areas, respectively, compared with 2019 (Dodge Data and Analytics LLC).

Conditions in New Jersey apartment markets ranged from balanced to tight in the major metropolitan areas cited in this report. In the Newark metropolitan area, apartment market conditions eased, transitioning to balanced from slightly tight a year earlier; during the fourth quarter of 2020, the vacancy rate rose to 3.8 percent—up from 2.8 percent during the fourth quarter of 2019—and the average rent decreased 1 percent, to \$1,954 (RealPage, Inc.). Conditions were slightly tight in the

Trenton metropolitan area, similar to a year earlier; the vacancy rate was unchanged, at 3.4 percent, and the average rent increased 2 percent, to \$1,719. In the Atlantic City metropolitan area, conditions were tight—unchanged from a year ago—partly because apartment construction has slowed significantly since mid-2020 due to the effects of the pandemic and the economic downturn. The vacancy rate decreased 2.3 percentage points, to 1.3 percent, during the fourth quarter of 2020, and the average rent rose 3 percent, to \$1,132 (Moody's Analytics REIS).

During the fourth quarter of 2020 (preliminary data)—

- Multifamily homebuilding activity, as measured by the number of units permitted, totaled approximately 13,500 units permitted in the New York/New Jersey region—down by 3,675 units, or 21 percent, from the fourth quarter of 2019. By comparison, during the fourth quarter of 2019, building activity increased by 6,275 units, or 58 percent, compared with the same period a year earlier; the fourth quarter of 2020 level of permitting is 7 percent higher than the fourth quarter average from 2015 through 2018.
- Multifamily permitting activity in New York decreased by 4,200 units, or 38 percent, to 6,950 units permitted. In the Albany and Rochester metropolitan areas, the number of units permitted declined by 240 and 190 units, or 77 and 65 percent, respectively.
- Slightly offsetting the decrease in New York, multifamily permitting activity in New Jersey increased by 520 units,

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Apartment market conditions were tight or slightly tight in most areas in the New York/New Jersey region during the fourth quarter of 2020 except in NYC and the Newark metropolitan area.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		4Q 2019 (%)	4Q 2020 (%)	Percentage Point Change	4Q 2019 (\$)	4Q 2020 (\$)	Percent Change
Albany ^a	Tight	3.7	2.9	-0.8	1,255	1,298	3
Atlantic City ^b	Tight	3.6	1.3	-2.3	1,100	1,132	3
Buffalo ^a	Tight	2.4	2.5	0.1	980	1,021	4
Long Island ^a	Slightly Tight	3.1	3.1	0	2,373	2,451	3
New York City ^b	Slightly Soft	3.8	4.7	0.9	3,763	3,316	-12
Newark ^a	Balanced	2.8	3.8	1.0	1,976	1,954	-1
Rochester ^a	Tight	3.5	2.6	-0.9	1,028	1,095	7
Syracuse ^a	Tight	3.5	2.7	-0.8	945	1,000	6
Trenton ^a	Slightly Tight	3.4	3.4	0	1,679	1,719	2

4Q = fourth quarter.

Sources: Market condition—Economic and Market Analysis Division; vacancy rate and average monthly rent—(a) RealPage, Inc.; (b) Moody's Analytics REIS

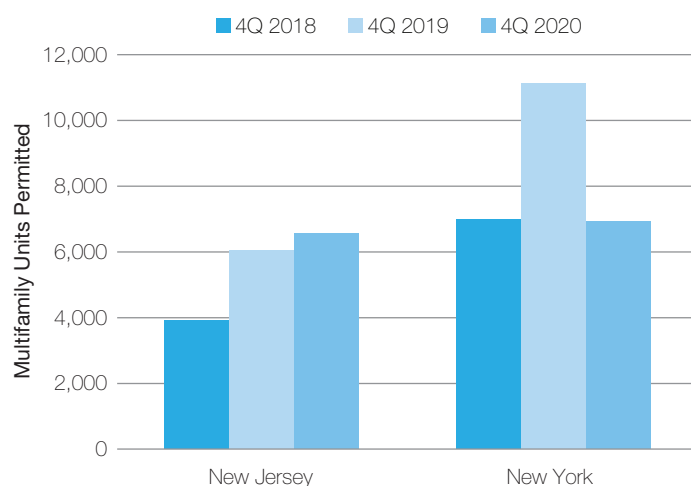


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or 9 percent, to 6,550 units permitted. Multifamily construction activity more than doubled in the Camden metropolitan division, increasing by 300 units, and rose 58 percent, or by 60 units, in the Trenton metropolitan area.

- In the New York-Newark-Jersey City metropolitan area, multifamily building activity fell by 3,525 units, or 23 percent, to 12,050 units permitted. NYC accounted for most of the decrease, down by 4,075 units, or 45 percent, to 5,075 units—more than offsetting gains in other parts of the metropolitan area, including Passaic County, New Jersey, where permitting activity more than doubled, from 280 to 690 units.

Multifamily building activity was down more than 20 percent in the region overall during the fourth quarter of 2020, with a sharp decline in New York more than offsetting a modest increase in New Jersey.



4Q = fourth quarter.

Note: Based on preliminary data.

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