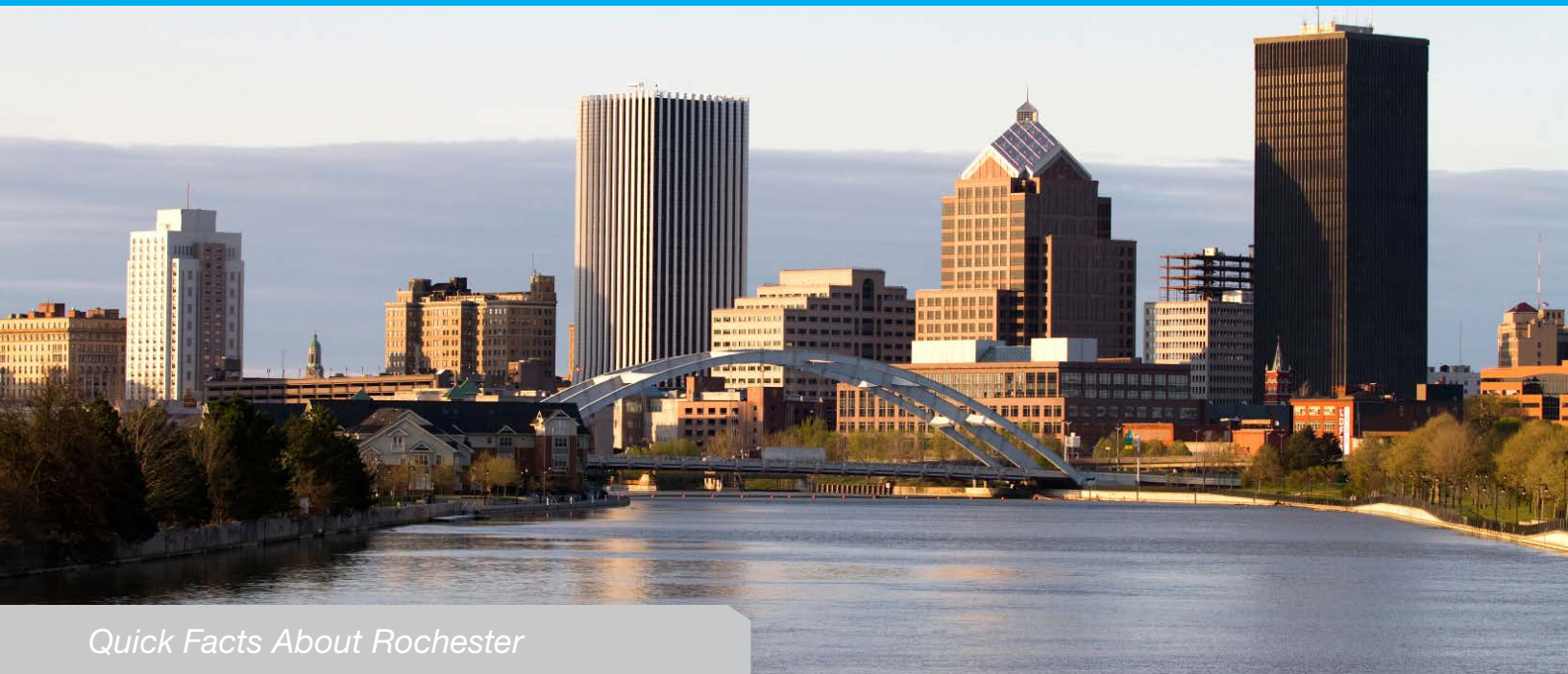


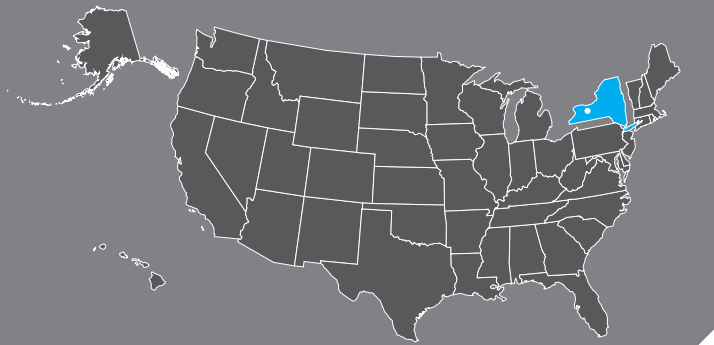
# HUD PD&R Housing Market Profiles

## Rochester, New York



### Quick Facts About Rochester

- **Current sales market conditions: slightly soft.**
- **Current apartment market conditions: slightly tight.**
- **The city of Rochester is the third most populous city in the state of New York, behind only New York City and Buffalo.**



By Joseph Shinn | As of December 1, 2016

### Overview

The Rochester metropolitan area consists of the counties of Livingston, Monroe (which contains the city of Rochester), Ontario, Orleans, Wayne, and Yates in Upstate New York. The metropolitan area is on Lake Ontario between Syracuse and Buffalo. The education and health services sector is the largest in the metropolitan area with nearly 24 percent of all nonfarm payrolls. This sector includes the University of Rochester, which has 27,600 employees and an enrollment of nearly 11,250 students. During 2015, the University of Rochester is estimated to be responsible for 56,000 direct and indirect jobs throughout New York, resulting in approximately \$3.21 billion in wages (*University of Rochester & Affiliates 2015 NYS Economic Impact*).

- As of December 1, 2016, the estimated population of the Rochester metropolitan area is 1.08 million, a decrease of 880, or 0.1 percent, annually since 2013 (Census Bureau Population estimates as of July 1). By comparison, from 2007 to 2013, the population increased each year by an average of 2,050, or 0.2 percent, annually.

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- The recent population decline was driven by strong net out-migration that was caused by weak job growth in the metropolitan area, especially as compared with the nation as a whole. Since 2013, net out-migration averaged 3,100 people annually, which is up compared with average net out-migration of 520 annually from 2007 to 2013.

- Despite the recent decline in the metropolitan area overall, the 2015 population in Monroe and Ontario Counties increased by 5,250 and 1,625, or 0.7 and 1.5 percent, respectively, from 2010. This growth is in contrast to the other four counties, where the combined population was down by 4,600, representing a 2.0-percent decline.

## Economic Conditions

Economic conditions in the Rochester metropolitan area improved during the past 7 years, but job growth has been weak during the past 5 years mainly because of continued losses in the manufacturing sector. Overall job gains were minimal during the past year, but conditions within the individually reported sectors varied, including some strong gains and losses.

During the 3 months ending November 2016—

- Nonfarm payrolls averaged 531,900 jobs, an increase of 700 jobs, or 0.1 percent, from the 3 months ending November 2015. Payroll growth in corresponding periods during the past 5 years averaged 0.3 percent annually compared with nationwide job growth that averaged 1.8 percent annually.
- The greatest gains were in the education and health services, financial activities, and leisure and hospitality sectors, which increased by 2,300, 1,300, and 1,300 jobs, or 1.8, 6.2, and 2.9

percent, respectively. In the education and health services sector, the University of Rochester added more than 900 employees between the fall 2015 and fall 2016 semesters in response to steadily increasing enrollment levels. Job growth in the financial activities sector is primarily attributed to Maximus Inc. opening a new call center in mid-2016, which will result in 2,000 new jobs once the facility is fully staffed. Maximus is a provider of administrative services for various government programs, and the new facility will largely focus on assisting with government insurance contracts.

- Partially offsetting these gains were losses in the professional and business services and the manufacturing sectors, which were down by 2,300 and 1,200 jobs, or 3.4 and 2.0 percent, respectively. The decline in the professional and business services sector was concentrated in the administrative and support and

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### Nonfarm payrolls in the Rochester area increased slightly during the past year, and 6 of 11 sectors had job growth.

	3 Months Ending		Year-Over-Year Change	
	November 2015 (thousands)	November 2016 (thousands)	Absolute (thousands)	Percent
<b>Total nonfarm payrolls</b>	531.2	531.9	0.7	0.1
Goods-producing sectors	80.4	79.4	-1.0	-1.2
Mining, logging, and construction	21.2	21.4	0.2	0.9
Manufacturing	59.2	58.0	-1.2	-2.0
Service-providing sectors	450.8	452.5	1.7	0.4
Wholesale and retail trade	72.5	71.4	-1.1	-1.5
Transportation and utilities	10.7	10.8	0.1	0.9
Information	8.9	8.8	-0.1	-1.1
Financial activities	21.1	22.4	1.3	6.2
Professional and business services	67.8	65.5	-2.3	-3.4
Education and health services	124.4	126.7	2.3	1.8
Leisure and hospitality	45.1	46.4	1.3	2.9
Other services	21.0	21.3	0.3	1.4
Government	79.3	79.2	-0.1	-0.1
	<b>(percent)</b>	<b>(percent)</b>		
Unemployment rate	4.7	4.6		

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



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waste management and remediation services industry, which was down by 3,000 jobs, or 10.3 percent. Layoffs in the industry are partially attributed to administrative and support job losses at Xerox Corporation, where total employment in the metropolitan area declined by 180 during the past year. In the manufacturing sector, the decrease was partially attributed to SentrySafe, a maker of safes and storage containers, relocating manufacturing operations out of the metropolitan area because of cheaper operating costs out of the country, which resulted in approximately 350 jobs lost.

- The unemployment rate averaged 4.6 percent, down from 4.7 percent during the same period a year earlier and from an average of 7.9 percent from 2009 through 2012.

The economy of the Rochester metropolitan area has been significantly impacted by ongoing declines in the manufacturing sector. Since 2000, the total number jobs in the sector was down by 49,000, representing a 46-percent decrease. Approximately 47 percent of this decline, however, was the result of Eastman Kodak Company significantly reducing its workforce from 24,600 in 2000 to approximately 2,000 currently because of decreased demand for its products as the industry transformed to digital technology. The decline in the manufacturing sector, however, has slowed in recent years, which is attributed to reduced levels of layoffs at Eastman

### Largest employers in the Rochester area

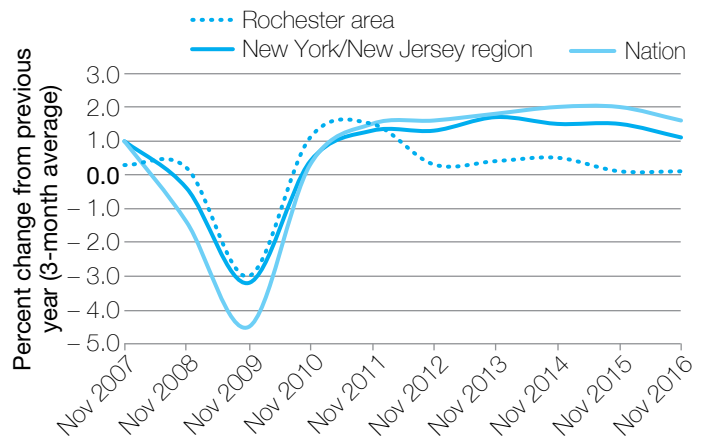
Name of Employer	Nonfarm Payroll Sector	Number of Employees
University of Rochester	Education and health services	27,600
Rochester Regional Health	Education and health services	15,750
Wegmans Food Markets Incorporated	Wholesale and retail trade	13,600

Note: Excludes local school districts.  
Source: Rochester Business Journal

## Sales Market Conditions

The sales market in the Rochester metropolitan area is currently slightly soft, with an estimated sales vacancy rate of 2.0 percent, up from 1.4 percent in April 2010. During the 12 months ending September 2016, the metropolitan area had 4.2 months of available housing inventory, down from 5.4 months of inventory during the previous 12-month period (Greater Rochester Association of Realtors®). Sales of existing homes (including single-family homes, townhomes, and condominiums) increased during the past 5 years as the metropolitan area steadily recovered from the housing crisis. Existing home sales have increased at a strong pace because of a significant decline in competition from higher-priced new homes, which continue to have limited demand because of weak economic

Nonfarm payrolls increased during the past 7 years in the Rochester area, although job growth has not exceeded 1 percent since early 2012.



Note: Nonfarm payroll jobs.  
Source: U.S. Bureau of Labor Statistics

Kodak. Since 2011, nonfarm payrolls in the manufacturing sector have decreased by an average of 400 jobs, or 0.6 percent, annually compared with an average decline from 2000 through 2010 of 4,300 jobs, or 5.1 percent, annually. Additionally, in 2015, Rochester was selected to be the site of the American Institute for Manufacturing Integrated Photonics. The award will make Rochester the nationwide hub for the innovation and manufacturing of Photonics products, which use technology to generate, control, and detect photons. In addition to directly creating research and development jobs for the technology, the award is expected to create an unspecified number of manufacturing jobs during the next few years as companies are created or move into the Rochester metropolitan area to produce the products using the new technology.

growth and net out-migration. Average sales prices increased in 6 of the past 8 years, and the average price is currently at a peak level. Sales of new homes increased during the past year, but the current level of sales remains low compared with the early 2000s. The average sales price of new homes was relatively unchanged during the past year, but the current price is up compared with 2008 through 2011. As of September 2016, 3.3 percent of home loans were seriously delinquent (those 90 or more days delinquent or in foreclosure) or had transitioned into real estate owned status, down from 4.3 percent in September 2015 and a peak of 5.5 percent in January 2014 (CoreLogic, Inc.).

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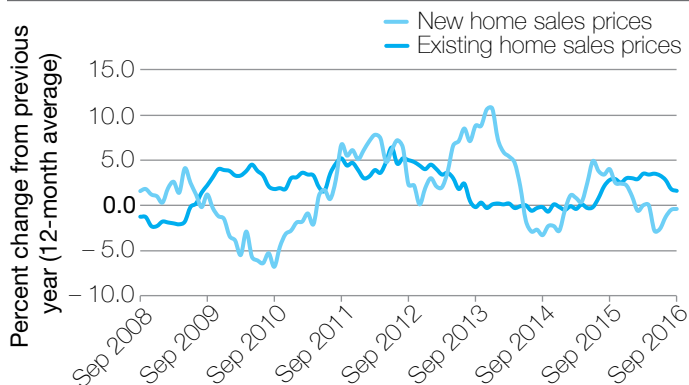


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During the 12 months ending September 2016—

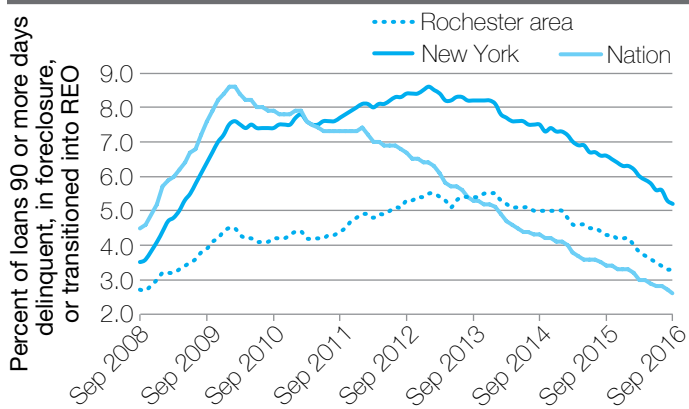
- Approximately 16,050 existing homes sold, an increase of 860 homes, or 6 percent, from the previous 12-month period (CoreLogic, Inc. with adjustments by analyst). Existing home sales increased an average of 6 percent annually during the past 5 years, and the current level of sales is up 23 percent compared with the average of 13,000 existing homes sold annually from 2009 through 2012.
- New home sales totaled approximately 690, representing an increase of 50 homes, or 8 percent, compared with the 12 months ending September 2015. The current level of sales is up 19 percent compared with the 580 new homes sold during 2011, but

**The average sales price of existing homes in the Rochester area increased slightly during the past year, but the average sales price of new homes decreased slightly.**



Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc., with adjustments by the analyst

**Since late 2013, the rate of seriously delinquent mortgages and REO properties in the Rochester area has remained lower than the rate in New York but slightly above the nationwide rate.**



REO = real estate owned. Source: CoreLogic, Inc.

remains down 52 percent from the average of 1,425 homes sold annually from 2002 through 2004, when the housing market in the metropolitan area was the strongest.

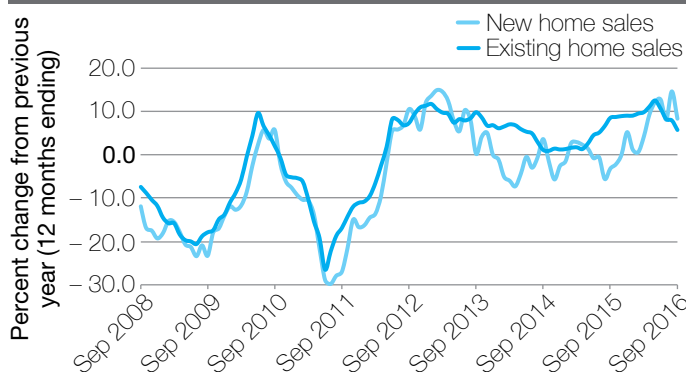
- The average sales price of existing homes increased 2 percent, to \$144,100. The average sales price increased an average of 2 percent annually during the past 8 years.
- The average sales price of new homes was relatively unchanged, at \$252,800. The current average sales price, however, is up 14 percent compared with the average price from 2008 through 2010 of \$221,900.

Single-family home construction activity recently increased because of higher levels of home sales. Building levels, however, remain well below those during the early-to-mid 2000s, when the housing market was strongest.

- During the 12 months ending November 2016, single-family construction activity, as measured by the number of homes permitted, totaled 1,275 units, down 2 percent compared with the 1,300 homes permitted during the previous 12-month period (preliminary data).

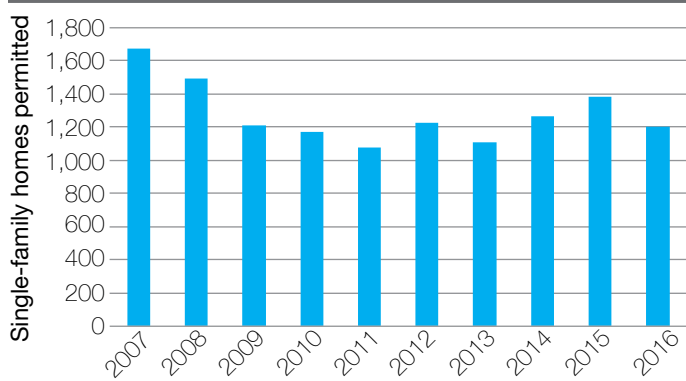
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**Sales of new and existing homes in the Rochester area increased during the past year.**



Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc., with adjustments by the analyst

**Single-family permitting activity in the Rochester area increased slightly during 2014 and 2015.**



Note: Includes preliminary data from January 2016 through November 2016. Source: U.S. Census Bureau, Building Permits Survey



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- Homebuilding activity averaged 1,325 homes permitted during 2014 and 2015, up 15 percent from an average of 1,150 homes permitted annually from 2009 through 2013. The recent level of construction activity, however, is down 47 percent compared with the average of 2,500 homes permitted annually from 2000 through 2006.
- Construction activity has been strongest in Monroe and Ontario Counties, where population growth in the metropolitan area since 2010 has been concentrated. During 2014 and 2015, combined construction activity in the two counties averaged 1,125 homes permitted annually, accounting for 85 percent of all homebuilding activity.

- Recent construction activity includes the completion of 484 single-family homes at Berkshire Park, in the town Henrietta in Monroe County. All units were completed between 2006 and 2016, and sales prices of the recently completed four-bedroom, two-and-one-half bathroom homes start at \$249,900. Activity in Ontario County includes Estates in Beaver Creek, which is in Farmington. More than three-fourths of the 63 planned units have been completed since 2012 and the remaining units will be built as they are sold. Prices for these three- and four-bedroom homes start at \$298,900 and \$312,900, respectively.

## Apartment Market Conditions

Apartment market conditions in the Rochester metropolitan area are currently slightly tight compared with slightly soft conditions in April 2010. The market has tightened since 2010 because of limited apartment construction activity from 2010 through 2014 and increased demand for rental units, which is partially attributed to the preference of residents to rent rather than own because of economic uncertainty in the metropolitan area.

During the third quarter of 2016—

- The apartment vacancy rate was 2.6 percent in the Rochester metropolitan area, down from 2.7 percent during the third quarter of 2015 and 5.1 percent during the first quarter of 2010 (Reis, Inc.).
- Vacancy rates in the six Reis-defined market areas (hereafter, areas) that comprise the metropolitan area ranged from 0.7 percent in the Greece area to 4.7 percent in the Southeast Monroe/

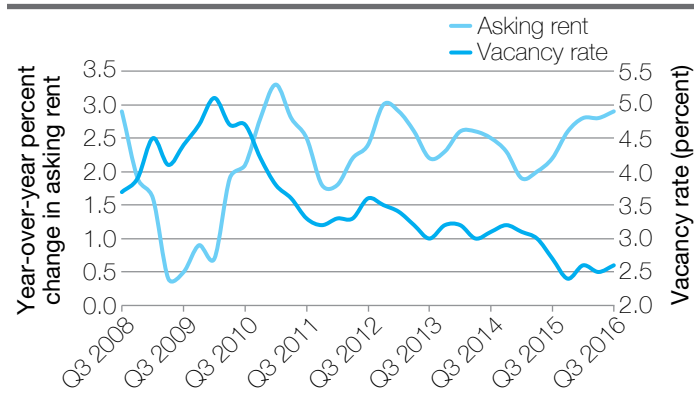
East Counties area. In the Central Rochester area, the vacancy rate increased to 3.1 percent, up from 1.9 percent during the same period a year ago, partially because of newly constructed apartment units coming online during the past year.

- The average asking rent in the metropolitan area increased 3 percent, to \$890, from the third quarter of 2015. Rent growth during the past year was the highest since 2007, which is attributed to a tightening apartment market.
- Rents were highest in the Southeast Monroe/East Counties area, at \$1,033, which represents a 3-percent increase compared with a year ago. Rent growth was strongest, however, in the Central Rochester and West Monroe/West Counties areas, where rents increased nearly 4 percent each, to \$830 and \$820, respectively.

In response to tightening apartment markets, multifamily construction activity in the Rochester area has been strong since 2015, and recent levels are the highest they have been in more than 15 years.

- During the 12 months ending November 2016, multifamily building activity, as measured by the number of units permitted, totaled 700 units, down by 530 units, or 43 percent, compared with the number of units permitted during the previous 12-month period (preliminary data).
- During 2015, approximately 1,275 units were permitted, more than 3 times the average of 420 units permitted annually from 2008 through 2014. Construction activity during 2015 was also the highest since 1999, when 1,525 units were permitted.
- The recent uptick in construction activity was primarily driven by increases in Monroe County, especially in suburban areas outside of the city. During 2015, approximately 1,050 multifamily units were permitted in the county, more than triple the average of 290 units permitted annually from 2008 through 2014.

### Rent growth has fluctuated in the Rochester area, and the vacancy rate has remained below 3.0 percent since the third quarter of 2015.



Q3 = third quarter.  
Source: Reis, Inc.

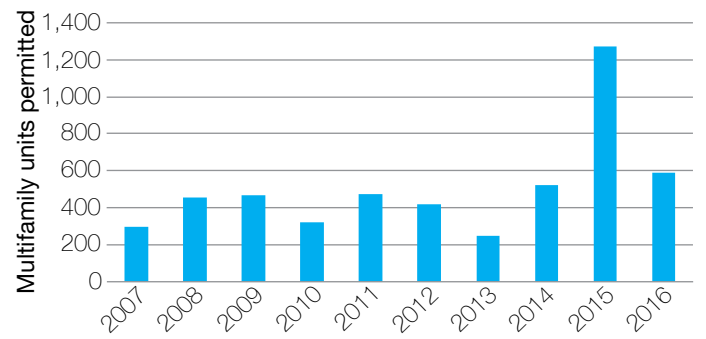
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- Recent construction activity includes the 339-unit Waters Edge Apartments, in the town of Webster in Monroe County. All units were complete by mid-2016 and rents for these one-, two-, and three-bedroom units start at \$1,150, \$1,425, and \$1,725, respectively. Auburn Creek Apartments is a 184-unit apartment community in Victor, Ontario County, which was completed in 2015. Rents start at \$1,200 for the two-bedroom, two-bathroom units and \$1,525 for the three-bedroom, two-bathroom units.
- Within the city of Rochester, Tower280, a 181-unit apartment community in the Central Business District, was completed in mid-2016. Rents for these efficiency, one-bedroom, and two-bedroom units start at \$1,425, \$1,800, and \$1,825, respectively. Charlotte Square at the East End of Rochester was completed in late 2016. Rents for these 72 units range from \$1,450 to \$2,000 for one-bedroom units, \$1,625 to \$2,400 for two-bedroom units, and \$2,475 to \$2,775 for three-bedroom units.

Multifamily permitting in the Rochester area during 2015 was more than 3 times the average level from 2007 through 2014.



Note: Includes preliminary data from January 2016 through November 2016.  
Source: U.S. Census Bureau, Building Permits Survey

