

# HUD PD&R Regional Reports

## Region 2: New York/New Jersey

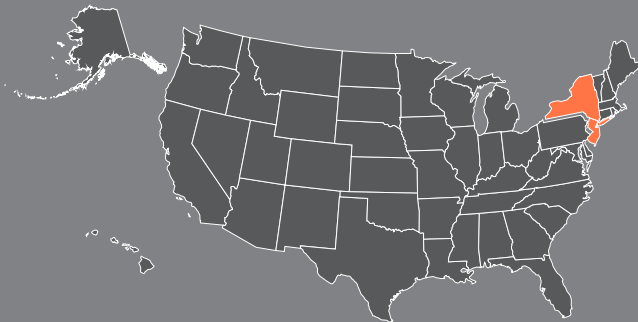


Niagara Falls, New York

By Patricia Moroz | 2nd quarter 2016

### Quick Facts About Region 2

- Sales market conditions—**
  - Second quarter 2016: balanced.
  - First quarter 2016: balanced.
  - Second quarter 2015: balanced.
- Apartment market conditions—**
  - Second quarter 2016: mixed (balanced to tight).
  - First quarter 2016: mixed (balanced to tight).
  - Second quarter 2015: mixed (balanced to tight).



### Overview

The economy in the New York/New Jersey region expanded during the second quarter of 2016, but at a slower pace than in recent years. Nonfarm payrolls increased 1.3 percent from a year earlier in the second quarter of 2016 compared with 1.6-percent growth annually in 2014 and 2015. The current rate of economic growth of 1.3 percent is equal to the pace of job gains that occurred in 2012 and 2013. Home sales demand increased, with sales of existing homes in the region up approximately 12 percent from the second quarter of 2015. Sales prices for existing homes remained relatively unchanged in the region, with a modest increase in New York and a slight decline in New Jersey in the second quarter of 2016, and single-family homebuilding was down 7 percent from a year ago. Apartment market conditions ranged from balanced to tight in the major metropolitan areas in the region. Permitting of multifamily units decreased 80 percent in the region from a year earlier in the second quarter of 2016 because of steep declines in permitting in New York from a year ago, when developers anticipated that tax incentives for multifamily development could potentially expire in New York City (NYC) in June 2015.

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- The education and health services and the leisure and hospitality sectors led overall payroll gains during the second quarter of 2016, accounting for nearly one-half of jobs added in the region.
- Home sales in New York and New Jersey during the 12 months ending June 2016 were up 15 and 11 percent, respectively, from a year earlier, and sales in NYC rose 4 percent. Despite increased home sales, prices were relatively flat, and single-family home construction declined in the region, falling 9 percent in New Jersey and remaining unchanged in New York.
- Apartment market conditions in several metropolitan areas remained balanced in New Jersey and tight in New York during the second quarter of 2016, despite the completion of new units. Multifamily construction activity declined 46 and 87 percent in New Jersey and New York, respectively.

## Economic Conditions

The economy in the New York/New Jersey region has expanded since late 2010; job growth continued in the second quarter of 2016, but the rate of growth slowed slightly relative to a year ago. Nonfarm payrolls increased by 174,200 jobs, or 1.3 percent, from a year earlier, to 13.5 million jobs. By comparison, nonfarm payroll growth averaged 1.7 percent a year earlier. The greatest percentage gains in job growth of 3 percent during the second quarter of 2016 occurred in the transportation and utilities and the mining, logging, and construction sectors, the latter of which had the highest percentage increase among all sectors for the fourth consecutive quarter. Although multifamily permitting declined, the continued development of existing projects resulted in a 3-percent increase in the construction subsector, with a 5.2-percent increase, or 16,900 jobs, in the employment of specialty trade contractors (including plumbers, painters, and electricians). The education and health services sector added the most jobs during the second

quarter of 2016, accounting for one-third of the regional job gain, with an increase of 58,200 jobs, or 2.3 percent. More than one in four jobs in the education and health services sector were added in New York; in March 2016, the state announced funding of approximately \$1.5 billion in capital and infrastructure improvements to support 162 healthcare projects statewide. In New Jersey, the education and health services sector gains included approximately 100 jobs at the Nemours Foundation's Alfred I. DuPont Hospital for Children, a pediatric healthcare facility in Deptford Township, which was completed in March 2016 and will open in July 2016. Labor market conditions in the region continued to tighten in the second quarter of 2016. The unemployment rate in the region averaged 4.6 percent, down from 5.4 percent a year earlier. State unemployment rates declined to 4.9 percent in New Jersey and to 4.4 percent in New York in the second quarter of 2016; the national average was 4.8 percent.

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**Nonfarm payrolls increased in nearly every sector in the New York/New Jersey region during the second quarter of 2016.**

|                                    | Second Quarter      |                     | Year-Over-Year Change   |         |
|------------------------------------|---------------------|---------------------|-------------------------|---------|
|                                    | 2015<br>(thousands) | 2016<br>(thousands) | Absolute<br>(thousands) | Percent |
| Total nonfarm payrolls             | 13,325.8            | 13,500.0            | 174.2                   | 1.3     |
| Goods-producing sectors            | 1,213.6             | 1,227.8             | 14.2                    | 1.2     |
| Mining, logging, and construction  | 520.2               | 535.9               | 15.7                    | 3.0     |
| Manufacturing                      | 693.4               | 691.9               | - 1.5                   | - 0.2   |
| Service-providing sectors          | 12,112.1            | 12,272.2            | 160.1                   | 1.3     |
| Wholesale and retail trade         | 1,959.2             | 1,972.2             | 13.0                    | 0.7     |
| Transportation and utilities       | 461.2               | 475.1               | 13.9                    | 3.0     |
| Information                        | 339.2               | 341.3               | 2.1                     | 0.6     |
| Financial activities               | 953.4               | 963.2               | 9.8                     | 1.0     |
| Professional and business services | 1,920.6             | 1,938.9             | 18.3                    | 1.0     |
| Education and health services      | 2,549.4             | 2,607.6             | 58.2                    | 2.3     |
| Leisure and hospitality            | 1,278.2             | 1,304.2             | 26.0                    | 2.0     |
| Other services                     | 575.0               | 584.8               | 9.8                     | 1.7     |
| Government                         | 2,076.0             | 2,085.0             | 9.0                     | 0.4     |

Note: Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics



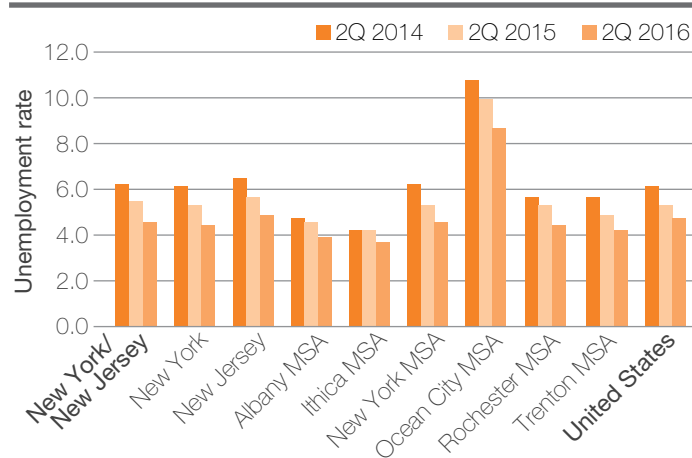
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During the second quarter of 2016—

- Nonfarm payrolls increased in New Jersey by 61,100 jobs, or 1.5 percent, supported by job gains in nearly every sector. The rate of payroll growth accelerated during the past 4 years. The increased growth was led by a 2-percent gain in the wholesale and retail trade sector, which added 13,800 jobs during the second quarter of 2016.
- In New York, nonfarm payrolls increased by 113,200 jobs, or 1.2 percent, compared with a 1.9-percent gain during the second quarter of 2015. The education and health services and the leisure and hospitality sectors added 46,200 and 16,700 jobs, increasing 2.4 and 1.8 percent, respectively, with NYC accounting for 79 and 95 percent of the net jobs added in each sector, respectively.
- In NYC, nonfarm payrolls increased by 96,900 jobs, or 2.3 percent, to 4.32 million jobs. The greatest gains were in the education and health services and the leisure and hospitality sectors, which added 36,500 and 15,800 jobs, increases of 4.2 and 3.7 percent, respectively. Approximately 58.3 million visitors traveled to NYC during 2015, up 3.2 percent from 2014 (NYC & Company).
- Growth slowed in the financial activities sector in NYC, which added 1,100 jobs, an increase of 0.2 percent. By comparison, the sector gained an average of 11,000 jobs, or 2.5 percent, during the second quarters of 2014 and 2015.
- In the Trenton and Albany metropolitan areas, job growth was concentrated in the professional and business services and the

manufacturing sectors, respectively. In the Trenton area, approximately one-third of nonfarm payroll growth was in the professional and business services sector, which increased by 2,400 jobs, or 5.9 percent. In the Albany area, the manufacturing sector expanded by 800 jobs, or 3.2 percent, primarily due to hiring at Regeneron Pharmaceuticals, Inc., and GLOBALFOUNDRIES Inc., the computer chip producer.

### Unemployment rates declined throughout the New York/New Jersey region, and the rate in New York was below the national rate.



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

## Sales Market Conditions

Sales housing market conditions remained balanced in the New York/New Jersey region during the second quarter of 2016. The supply of homes listed for sale increased during the past 12 months, but home sales increased at a higher rate. In New Jersey, home sales increased 11 percent, to 68,200 homes sold, during the 12 months ending June 2016, representing a faster pace than the 5-percent increase in new listings. As a result, the months of supply decreased to 7.3 from 10.0 in June 2015 (New Jersey Association of Realtors®). In New York, the number of homes sold increased 15 percent, but new listings were down 1 percent. As a consequence, in June 2016, the months of supply of homes for sale declined to 7.2 months from 9.9 months a year earlier (New York State Association of Realtors®).

The NYC housing market was balanced in the second quarter of 2016, with increasing home sales and prices. In Brooklyn, during the 12 months ending June 2016, although home sales (including condominiums, cooperatives, and one- to three-family homes)

increased less than 1 percent, to 11,350 homes sold, the average home price rose 11 percent, to \$812,800, the most rapid increase in NYC (Real Estate Board of New York). In Queens, home sales were up 7 percent, to 15,300 homes sold, and the average price kept pace, increasing nearly 8 percent, to \$502,500. In the Bronx, home sales continued to increase steadily, at 25 percent, to 3,675 homes sold, and the average price increased 4 percent, to \$380,800. On Staten Island, home sales were up 17 percent, to 4,750 homes sold, and the average price rose nearly 5 percent, to \$440,900. Partially offsetting those increases, the number of home sales in Manhattan decreased 3 percent, to 13,100 units sold, but the average sales price increased 4 percent, to \$1.80 million.

Home sales markets continue to strengthen in the region, as indicated by steady declines in the rates of seriously delinquent mortgages (90 or more days delinquent or in foreclosure) and real estate owned (REO) properties. In May 2016, 6.1 percent of mortgages in the region were seriously delinquent, or had transitioned

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into REO status, down from 7.5 percent a year earlier (CoreLogic, Inc.). Seriously delinquent mortgage and REO property rates declined from 8.5 to 6.7 percent in New Jersey, the highest rate in the nation, and from 6.9 to 5.8 percent in New York from May 2015 but were far higher than the national average of 2.9 percent in May 2016. Despite these declines, the New York/New Jersey region has the highest percentage of seriously delinquent mortgages and properties in REO status among the 10 HUD regions, because New Jersey and New York are judicial states, which lengthens the foreclosure process.

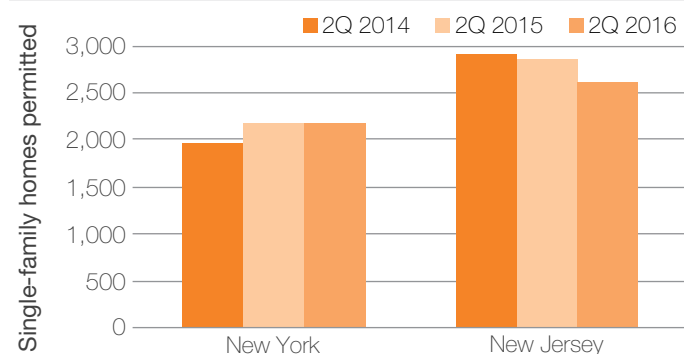
During the second quarter of 2016 (preliminary data)—

- Construction of single-family homes, as measured by the number of homes permitted, decreased in the region by 250 homes, or 7 percent, from a year earlier, to approximately 4,800 homes.
- In New Jersey, the number of single-family homes permitted declined 9 percent from a year ago, to 2,625 homes permitted. Homebuilding was down 18 and 19 percent in the Trenton and Vineland metropolitan areas, to 70 and 50 homes, respectively. Permitting decreased 2 percent, to 90 homes each, in the Atlantic City and Ocean City metropolitan areas.
- In New York, 2,180 single-family homes were permitted, unchanged from the second quarter of 2015. In the Albany metropolitan area, construction increased by 400 homes, or 40

percent, to 1,325 homes permitted. Homebuilding was down 9 percent, to 360 homes permitted, in the Rochester metropolitan area, but construction increased 1 percent, to 280 homes permitted, in the Buffalo metropolitan area.

- The New York-Newark-Jersey City metropolitan area led the decline in single-family permitting in the region with a decrease of 340 homes, or 11 percent, to 2,650 homes permitted.

**Homebuilding activity in the New York/New Jersey region remained constant in New York and decreased in New Jersey during the second quarter of 2016.**



2Q = second quarter.

Note: Based on preliminary data.

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

**Home sales rose for the fourth consecutive quarter and home sales prices remained mixed in the New York/New Jersey region during the second quarter of 2016.**

|                                | 12 Months Ending | Number of Homes Sold |         |                | Average or Median | Price           |                 |                |
|--------------------------------|------------------|----------------------|---------|----------------|-------------------|-----------------|-----------------|----------------|
|                                |                  | 2015                 | 2016    | Percent Change |                   | 2015 (\$)       | 2016 (\$)       | Percent Change |
| New York* (E)                  | June             | 106,300              | 122,700 | 15             | AVG               | 321,700         | 325,800         | 1              |
| New York City (N&E—1–3 family) | June             | 20,950               | 23,650  | 13             | AVG               | 678,500         | 699,100         | 3              |
| New York City (N&E—condo)      | June             | 9,700                | 9,975   | 3              | AVG               | 1,566,300       | 1,638,400       | 5              |
| New York City (N&E—co-op)      | June             | 15,450               | 15,250  | – 1            | AVG               | 767,200         | 749,300         | – 2            |
| Albany MSA (N&E)               | May              | 11,400               | 12,500  | 10             | AVG               | 201,400         | 200,200         | – 1            |
| Buffalo MSA** (E)              | June             | 10,500               | 11,800  | 12             | AVG               | 149,100         | 152,300         | 2              |
| Rochester MSA (N&E)            | May              | 14,950               | 16,500  | 10             | AVG               | 142,400         | 145,800         | 2              |
| New Jersey*** (E)              | June             | 61,172               | 68,200  | 11             | AVG               | 400,300         | 393,300         | – 2            |
| Northern New Jersey*** (E)     | June             | 24,350               | 24,600  | 1              | MED               | 234,000–480,000 | 230,000–469,000 | NA             |
| Central New Jersey**** (E)     | June             | 16,450               | 18,100  | 10             | MED               | 315,000–520,000 | 323,500–490,750 | NA             |
| Southern New Jersey*** (E)     | June             | 21,000               | 22,900  | 9              | MED               | 137,000–285,000 | 133,000–287,000 | 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®; CoreLogic, Inc., with adjustments by the analyst; New Jersey Association of Realtors®; New York State Association of Realtors®, Inc.; Real Estate Board of New York

## Apartment Market Conditions

Demand remained strong in most metropolitan area apartment markets in the New York/New Jersey region during the second quarter of 2016. The construction of approximately 12,700 new apartment units was completed in the region, more than double the number of units that began leasing a year earlier, primarily because of the significant increase in multifamily permitting that occurred during the second quarter of 2015 in NYC (McGraw-Hill Construction Pipeline database). Conditions were balanced throughout most of New Jersey. In Northern New Jersey, the vacancy rate increased slightly, to 4.2 percent, during the second quarter of 2016 compared with 4.1 percent a year earlier, and the average rent increased 3 percent, to \$1,768, despite the completion of 960 units (Reis, Inc.). Apartment market conditions in the Reis-defined Atlantic Cape May market area, including the Atlantic City and Ocean City metropolitan areas, were balanced, with a vacancy rate of 5.9 percent, down from 6.5 percent a year ago, and an average rent of \$1,018, up 2 percent from a year earlier. Apartment market conditions remained balanced in NYC, and the vacancy rate increased to 3.7 percent from 2.6 percent a year ago. Rents increased 4 percent, to \$3,520, despite the completion of 9,275 new apartments during the second quarter of 2016, more than triple the number in lease up a year earlier (McGraw-Hill Construction Pipeline database). In the Rochester metropolitan area, apartment market conditions tightened, despite the completion of 600 apartments during the 12 months ending June 2016; the vacancy rate declined to 2.1 percent during the second quarter of 2016, down from 3.4 percent a year earlier, and average apartment rents increased 4 percent, to \$873 (MPF Research). In the Reis, Inc.-defined Long Island market area, which includes Nassau and Suffolk Counties, apartment market conditions remained tight, with a vacancy rate in the second quarter of 2016 of 3.3 percent, up slightly from 3.1 percent a year ago, and apartment rents rose 4 percent, to \$1,772. In the Buffalo

metropolitan area, where apartment market conditions are tight, the vacancy rate in the second quarter of 2016 was 3.1 percent, up from 2.8 percent a year earlier, and the average monthly rent increased 2 percent, to \$829.

Apartment market conditions remain tight in the Albany metropolitan area. Approximately 900 new apartments were completed during the 12 months ending June 2016, up nearly 30 percent from the 700 apartments that entered the market a year earlier (McGraw-Hill Construction Pipeline database). Despite the high number of units recently entering the market, the apartment vacancy rate in the second quarter of 2016 was up only slightly, to 3.1 percent, from 2.7 percent a year earlier (MPF Research). During the period, the average apartment rent increased 2 percent, from \$1,036 to \$1,061 a month. The number of units under construction and in planning is expected to continue adding significantly to apartment supply during the next 12 months, so apartment market conditions may ease after some of these planned units are constructed.

Multifamily construction, as measured by the number of units permitted, in the New York/New Jersey region decreased from a year ago. During the second quarter of 2016 (preliminary data)—

- Approximately 9,475 multifamily units were permitted in the region, down 80 percent from the number permitted a year earlier. By comparison, the current level of multifamily permitting was down 14 percent from the second quarter of 2014. The sharp decline recently is an adjustment from a year ago, when builders responded to the possibility that tax incentives for multifamily development in NYC would expire in June 2015, and multifamily permitting in New York was more than six times higher than the level that occurred during the second quarter of 2014.

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**Apartment markets in the New York/New Jersey region were balanced to tight during the second quarter of 2016, with average rent increases of 2 to 4 percent in most areas.**

|                                  | Market Condition | Vacancy Rate |             |                         | Average Monthly Rent |              |                |
|----------------------------------|------------------|--------------|-------------|-------------------------|----------------------|--------------|----------------|
|                                  |                  | 2Q 2015 (%)  | 2Q 2016 (%) | Percentage Point Change | 2Q 2015 (\$)         | 2Q 2016 (\$) | Percent Change |
| Albany <sup>a</sup>              | Tight            | 2.7          | 3.1         | 0.4                     | 1,036                | 1,061        | 2              |
| Atlantic Cape May <sup>b</sup>   | Balanced         | 6.5          | 5.9         | - 0.6                   | 996                  | 1,018        | 2              |
| Buffalo <sup>b</sup>             | Tight            | 2.8          | 3.1         | 0.3                     | 812                  | 829          | 2              |
| Long Island <sup>b</sup>         | Tight            | 3.1          | 3.3         | 0.2                     | 1,711                | 1,772        | 4              |
| New York City <sup>b</sup>       | Balanced         | 2.6          | 3.7         | 1.1                     | 3,397                | 3,520        | 4              |
| Northern New Jersey <sup>b</sup> | Balanced         | 4.1          | 4.2         | 0.1                     | 1,712                | 1,768        | 3              |
| Rochester <sup>a</sup>           | Tight            | 3.4          | 2.1         | - 1.3                   | 840                  | 873          | 4              |

2Q = second quarter.

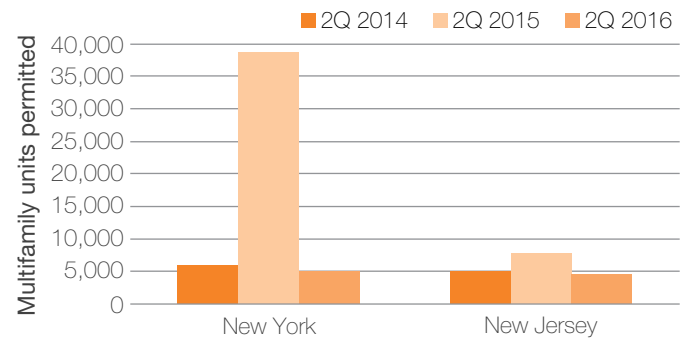
Sources: Market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—(a) MPF Research; (b) Reis, Inc.



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- In New Jersey, multifamily permitting declined 46 percent from a year earlier, to approximately 4,275 units permitted. Building activity in the Atlantic City and Trenton metropolitan areas was down more than 70 percent, or by 160 and 300 units, respectively; however, by comparison, multifamily construction increased by 50 and 360 units, respectively, during the second quarter of 2015.
- In New York, multifamily construction decreased 87 percent, to 5,175 units permitted, from the second quarter of 2015. Similar to permitting in the region, the number of multifamily units permitted was down 15 percent compared with the second quarter of 2014. Building activity decreased 36 percent in the Albany metropolitan area, to 560 units permitted, but increased 8 percent in the Rochester metropolitan area, to 230 units permitted.
- Multifamily permitting in the New York-Newark-Jersey City metropolitan area decreased more than 80 percent, to 8,050 units. By comparison, the current level of permitting represents a 14-percent decline, or 1,275 units fewer than in the second quarter of 2014.

**Multifamily permitting declined throughout the New York/New Jersey region during the second quarter of 2016 and returned to a more typical level in New York.**



2Q = second quarter.

Note: Based on preliminary data.

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