

HUD PD&R Regional Reports

Region 2: New York/New Jersey

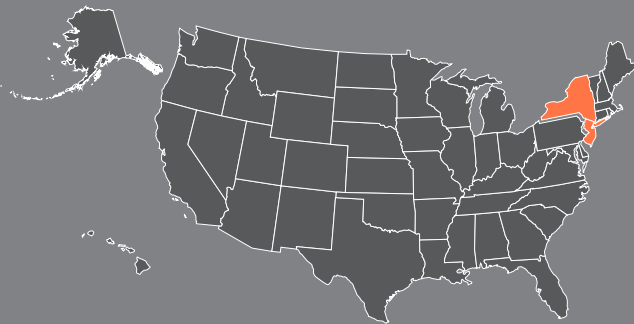


Quick Facts About Region 2

Niagara Falls, New York

By Patricia Moroz | 2nd quarter 2015

- **Sales market conditions—**
Second quarter 2015: balanced.
First quarter 2015: balanced.
Second quarter 2014: balanced.
- **Apartment market conditions—**
Second quarter 2015: mixed (balanced to tight).
First quarter 2015: mixed (balanced to tight).
Second quarter 2014: mixed (balanced to tight).



Overview

The economy in the New York/New Jersey region expanded at a slightly slower rate during the second quarter of 2015 than a year ago. Sales housing markets in the New York/New Jersey region were balanced during the second quarter of 2015; while the price of existing homes increased in most areas, the rate of homebuilding in the region was lower than the national average. Apartment markets ranged from balanced to tight in the region, and the number of apartment units in lease up during the second quarter of 2015 was down from a year earlier. Apartment completions are expected to remain high during the next 2 years, because of a large increase in multifamily permitting, particularly in New York, compared with the permitting level a year earlier.

- Every nonfarm payroll sector in the New York/New Jersey region added jobs during the second quarter of 2015; the education and health services sector led the growth in each state, increasing by 54,800 jobs, or 3.0 percent, in New York, and by 12,500 jobs, or 2.0 percent, in New Jersey.

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- The New York/New Jersey region, which has had the highest percentage of home loans that were seriously delinquent (those 90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status among all 10 HUD regions since October 2012, will continue to work through the backlog of loans in the foreclosure process.

Economic Conditions

The economy of the New York/New Jersey region expanded at a moderate pace during the second quarter of 2015, continuing growth that began in 2010. New York led the job growth in the region during the second quarter of 2015, while economic conditions continued to improve in New Jersey and sustained the recovery that began 4 years ago. Nonfarm payrolls averaged 13.29 million jobs in the region during the second quarter of 2015, an increase of 188,400 jobs, or 1.4 percent, from a year earlier. By comparison, nonfarm payrolls increased by 192,100 jobs, or 1.5 percent, during the second quarter of 2014. The education and health services and the professional and business services sectors gained the most jobs in the region during the second quarter of 2015, increasing by 67,400 and 26,400 jobs, or 2.7 and 1.4 percent, respectively. New York accounted for all the increase in jobs in the professional and business services sector, offsetting a loss of 5,500 jobs, or 0.9 percent, in New Jersey; the professional, scientific, and technical services industry in New York added 20,000 jobs, a 3.2-percent increase. The mining, logging, and construction sector added payrolls at the highest rate in the region, with a 4.4-percent increase; all the net increase in jobs was in the construction subsector, with most of

- The number of apartment units in lease up in the region was down more than 25 percent, to 3,525 units, during the second quarter of 2015 from a year earlier (McGraw-Hill Construction Pipeline database); apartment market conditions remained tight in New York City (NYC) and tightened in Upstate New York and Southern New Jersey.

the increase being in residential construction. New York contributed 12,600 jobs, or 3.7 percent, while New Jersey added 9,600 jobs, or 6.7 percent, in the construction subsector in response to increased multifamily development. NYC accounted for 23 percent of the increase in jobs in the construction subsector in the region. The unemployment rate for the region averaged 5.6 percent, down from 6.2 percent a year earlier. State unemployment rates declined to 6.0 percent in New Jersey and to 5.4 percent in New York.

During the second quarter of 2015—

- Nonfarm payrolls increased 1.6 percent, to 9.26 million, in New York and 1.0 percent, to 4.03 million, in New Jersey. A year earlier, the rate was slightly higher, at 1.7 percent, in New York and unchanged in New Jersey. The current level of nonfarm payrolls in New York is 440,000 jobs more than the previous peak of 8.83 million jobs in the second quarter of 2008. The recovery continued in New Jersey, where payrolls remain 70,800 below the peak of 4.10 million jobs in the second quarter of 2007.
- In New York, the wholesale and retail trade sector added 13,900 jobs, an increase of 1.1 percent. Nearly 80 percent of the jobs

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Nonfarm payrolls increased in every sector in the New York/New Jersey region.

| | Second Quarter | | Year-Over-Year Change | |
|------------------------------------|---------------------|---------------------|-------------------------|---------|
| | 2014 (thousands) | 2015 (thousands) | Absolute (thousands) | Percent |
| Total nonfarm payrolls | 13,103.0 | 13,291.4 | 188.4 | 1.4 |
| Goods-producing sectors | 1,187.0 | 1,209.8 | 22.8 | 1.9 |
| Mining, logging, and construction | 491.3 | 513.1 | 21.8 | 4.4 |
| Manufacturing | 695.8 | 696.7 | 0.9 | 0.1 |
| Service-providing sectors | 11,916.0 | 12,081.6 | 165.6 | 1.4 |
| Wholesale and retail trade | 1,938.5 | 1,958.6 | 20.1 | 1.0 |
| Transportation and utilities | 444.2 | 455.5 | 11.3 | 2.5 |
| Information | 340.2 | 340.7 | 0.5 | 0.1 |
| Financial activities | 938.2 | 944.3 | 6.1 | 0.7 |
| Professional and business services | 1,869.3 | 1,895.7 | 26.4 | 1.4 |
| Education and health services | 2,486.0 | 2,553.4 | 67.4 | 2.7 |
| Leisure and hospitality | 1,252.7 | 1,264.8 | 12.1 | 1.0 |
| Other services | 566.1 | 583.2 | 17.1 | 3.0 |
| Government | 2,080.9 | 2,085.4 | 4.5 | 0.2 |

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

Source: U.S. Bureau of Labor Statistics



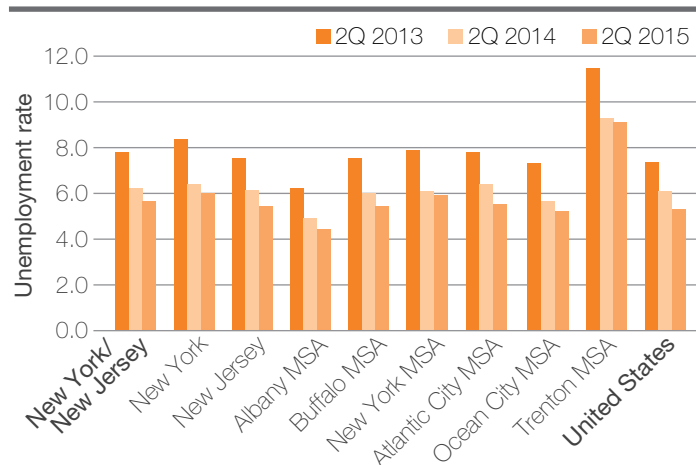
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added were in the retail trade subsector. On Long Island, the vacancy rate for retail space was among the lowest in the nation, at 5.3 percent, and was below the national average vacancy rate of 10.1 percent (Reis, Inc.).

- In New Jersey, the manufacturing sector gained 2,900 jobs, or 1.2 percent. By comparison, the sector declined nearly every quarter for the past two decades; however, job growth became positive during the past 12 months. The snack food and pharmaceutical industries added 860 and 740 jobs, increases of 10.9 and 2.8 percent, respectively, during the fourth quarter of 2014 (the most recent data available from the Quarterly Census of Employment and Wages).
- In NYC, nonfarm payrolls increased by 102,900 jobs, or 2.5 percent, compared with a 3.1-percent increase a year earlier. The education and health services sector accounted for nearly 30 percent of the jobs added in NYC; the ambulatory and health-care services industry, which includes home healthcare services, added 18,700 jobs, an 8.3-percent increase. By contrast, payrolls in nursing and residential healthcare facilities declined by 700 jobs, or 0.9 percent.

- The financial activities sector in NYC expanded by 8,000 jobs, or 1.8 percent, although the sector remains 10,300 jobs below the previous peak of 466,100 jobs in the second quarter of 2008.

Unemployment rates declined throughout the New York/New Jersey region, but the rate in each state was above the national rate.



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

Sales Market Conditions

Sales housing market conditions in the New York/New Jersey region were balanced during the second quarter of 2015. Although conditions have been balanced in the region for nearly 2 years, the number of homes sold decreased in New York and increased in New Jersey during the second quarter of 2015. The average

number of days a home remained for sale on the market decreased in both states during the second quarter of 2015, declining by 2 days, to 104, in New York and by 1 day, to 86, in New Jersey (New York State Association of Realtors®, Inc.; New Jersey Association of Realtors®). In New Jersey, home sales increased 3 percent, to

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Home sales increased in New Jersey and declined in New York, while prices were up slightly in each state.

| | 12 Months Ending | Number of Homes Sold | | | Average or Median | Price | | |
|-----------------------------------|------------------|----------------------|---------|----------------|-------------------|-----------------|-----------------|----------------|
| | | 2014 | 2015 | Percent Change | | 2014 (\$) | 2015 (\$) | Percent Change |
| New York* (E) | June | 107,500 | 104,400 | - 3 | AVG | 318,700 | 323,200 | 1 |
| New York City (N&E—1-3 family) | June | 20,750 | 20,950 | 1 | AVG | 622,800 | 678,500 | 9 |
| New York City (N&E—condo & co-op) | June | 27,100 | 25,150 | - 7 | AVG | 931,300 | 1,071,200 | 15 |
| Rochester MSA** (E) | June | 10,450 | 10,550 | 1 | MED | 129,900 | 133,000 | 2 |
| Buffalo MSA** (E) | June | 10,350 | 10,400 | 0 | AVG | 149,000 | 148,200 | - 1 |
| New Jersey*** (E) | June | 61,250 | 63,100 | 3 | AVG | 400,000 | 403,700 | 1 |
| Northern New Jersey*** (E) | June | 24,950 | 25,700 | 3 | MED | 235,000-484,000 | 228,500-481,500 | NA |
| Central New Jersey**** (E) | June | 16,500 | 16,700 | 1 | MED | 315,000-515,000 | 315,000-520,000 | NA |
| Southern New Jersey*** (E) | June | 19,850 | 20,700 | 4 | MED | 135,000-305,000 | 137,500-296,000 | NA |

AVG = average. condo = condominium. co-op = cooperative. E = existing. MED = median. MSA = metropolitan statistical area. NA = data not available. N&E = new and existing.

*Excludes parts of New York City and includes single-family homes, townhomes, and condominiums. **Includes single-family homes, townhomes, and condominiums.

Includes only single-family homes. *Includes only single-family homes in Hunterdon, Mercer, Middlesex, Monmouth, and Somerset Counties.

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



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63,100 homes, during the 12 months ending June 2015; median home prices ranged from \$137,500 in Salem County (Southern New Jersey) to \$520,000 in Somerset County (Central New Jersey) as of June 2015.

In June 2015, 7.6 percent of home loans in the region were seriously delinquent or transitioned into REO status, a decrease from 8.5 percent a year ago (Black Knight Financial Services, Inc.). The share of mortgages that were seriously delinquent or in REO status was 8.6 percent in New Jersey and 6.9 percent in New York; the rates were the highest of all states in the nation, while the national rate was 4.1 percent in June 2015. The share of seriously delinquent and REO mortgages in the region declined from a peak of 10.8 percent in March 2013, which occurred more than 3 years after the national peak of 9.2 percent in January 2010. Distressed sales (REO and short sales) accounted for 12 percent of existing home sales in the region during the first quarter of 2015 (the best representative data available), up from 11 percent a year earlier, and the third consecutive year distressed sales rose (CoreLogic, Inc.).

The NYC sales housing market was balanced in the second quarter of 2015. In Manhattan, during the 12 months ending June 2015, the number of new and existing condominiums and cooperatives sold decreased 9 percent, to 13,200 units, and the average sales price increased 18 percent, to \$1.65 million. Although condominium sales were down 4 percent in Manhattan, the average sales price rose 31 percent, partially because of sales at 157 West 57th Street, near Central Park, including 6 units that sold for more than \$20 million (Real Estate Board of New York). In Brooklyn and Queens, average home sales prices (including condominiums, cooperatives, and one- to three-family homes) increased 11 and 8 percent, to \$735,700 and \$466,400, respectively. Home sales declined 4 percent each in Brooklyn and Queens, to 11,300 and 14,300 homes, respectively, and increased 10 percent each on Staten Island and in the Bronx, to 4,075 and 2,925 homes, respectively. On Staten Island, the average sales price increased 3 percent, to \$421,000, and in the Bronx, the average sales price increased 4 percent, to \$366,600.

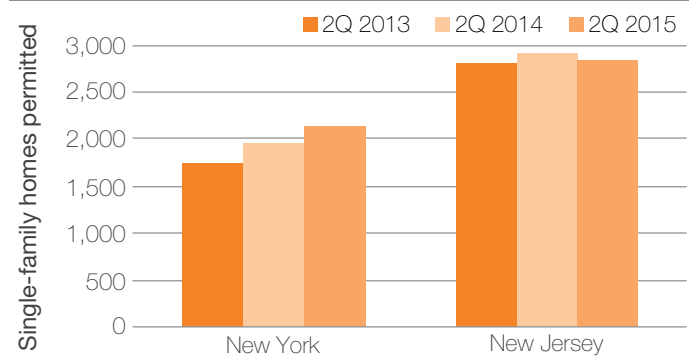
During the second quarter of 2015 (preliminary data)—

- In the New York/New Jersey region, the number of single-family homes permitted decreased by 120, or 3 percent, to

5,000 homes compared with the number permitted during the second quarter of 2014. By comparison, homebuilding increased 6 percent nationally during the second quarter of 2015.

- In New Jersey, the number of single-family homes permitted decreased 2 percent from a year ago, to 2,850. Despite the recent decline, as a result of continued economic growth and moderate increases in home prices, the current level of homebuilding is 20 percent more than the average of 2,375 homes permitted during the second quarters from 2008 through 2010, when the economy contracted.
- In New York, the number of single-family homes permitted increased 10 percent, to 2,150 homes, following an increase of 12 percent a year ago. This level of construction is 27 percent more than the average of 1,700 homes permitted during the second quarters of 2009 through 2011, when economic conditions were weak.
- Single-family construction activity decreased 1 percent in the New York-Northern New Jersey metropolitan area, to 3,025 homes permitted. In the Atlantic City and Syracuse metropolitan areas, building declined 30 percent each, to 80 and 90 homes, respectively. Homebuilding activity increased, however, in the Albany, Rochester, and Buffalo metropolitan areas, rising 16, 18, and 49 percent, to 310, 400, and 280 homes, respectively.

Single-family permitting was nearly unchanged in the New York/New Jersey region during the second quarter of 2015 from a year ago.



2Q = second quarter.

Note: Based on preliminary data.

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

Apartment Market Conditions

Apartment market conditions were mixed (ranging from balanced to tight) in the New York/New Jersey region during the second quarter of 2015, unchanged during the past year. In New Jersey, conditions were mostly tight in Central New Jersey and ranged from balanced to tight in Southern New Jersey. The apartment market in Northern New Jersey has been balanced since the first quarter of 2014, although the vacancy rate increased to 4.3 percent

compared with a rate of 3.9 percent a year ago. In Southern New Jersey, the apartment market in Atlantic and Cape May Counties, including the Atlantic City and Ocean City metropolitan areas, remained balanced, while apartment market conditions were tight in the Vineland metropolitan area compared with balanced conditions a year ago. In New York, apartment markets were mixed, ranging from balanced to tight conditions. In NYC, the vacancy

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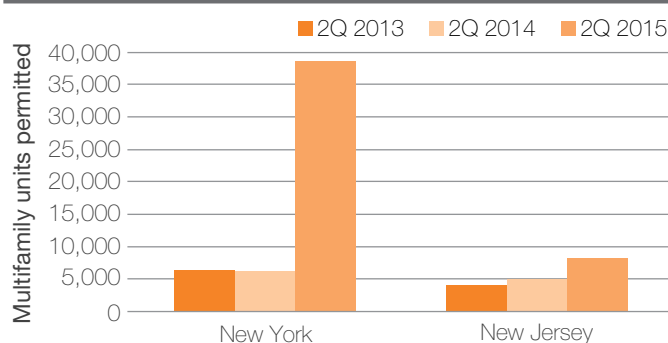
rate remained unchanged at 2.7 percent compared with the rate a year earlier; absorption was strong and demand kept pace with the completion of 2,700 apartment units during the second quarter of 2015, nearly unchanged from completions a year ago (McGraw-Hill Construction Pipeline database). The Long Island apartment market was slightly tight, a moderate easing from conditions a year earlier, and the vacancy rate increased from 2.9 to 3.1 percent. The Syracuse apartment market was balanced; the vacancy rate decreased moderately during the past year despite the completion of approximately 200 apartment units. Apartment markets in Upstate New York, including Binghamton, Buffalo, Rochester, and Utica, tightened compared with balanced to slightly tight conditions a year earlier.

During the second quarter of 2015 (preliminary data)—

- Approximately 47,050 multifamily units were permitted in the region, four times the 11,050 units permitted a year ago and 63 percent more than the previous peak of 28,850 units permitted in the second quarter of 2008 (preliminary data). In addition to job growth and rising rents throughout the region, the increase in multifamily permitting was partially the result of NYC home builders responding to the possibility that tax incentives for multifamily development would expire in June 2015.
- In New York, multifamily construction activity increased to 38,750 units, nearly 7 times more than the 6,075 units permitted a year ago. By comparison, the current level is 56 percent more than the recent peak of 24,850 multifamily units permitted during the second quarter of 2008 (preliminary data).

- In New Jersey, the number of units permitted increased 67 percent, to 8,325 units, following an increase of 23 percent a year ago, and is 35 percent more than the recent peak of 6,175 units permitted in the second quarter of 2006 (preliminary data).
- Multifamily activity increased fourfold in the New York-Northern New Jersey metropolitan area, to 43,700 units; the largest increases occurred in NYC and nearby Hudson and Middlesex Counties in New Jersey. The number of units more than doubled in the Albany, Trenton, and Watertown metropolitan areas, to 900, 380, and 390 units, respectively.

Multifamily permitting increased in the New York/New Jersey region; the level of units permitted in New York was nearly seven times higher than a year ago.



2Q = second quarter.

Note: Based on preliminary data.

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

Apartment vacancy rates were up in some metropolitan areas in the New York/New Jersey region, but demand kept pace with supply, and rents increased.

| | Market Condition | Vacancy Rate | | | Average Monthly Rent | | |
|----------------------------------|------------------|--------------|-------------|-------------------------|----------------------|--------------|----------------|
| | | 2Q 2014 (%) | 2Q 2015 (%) | Percentage Point Change | 2Q 2014 (\$) | 2Q 2015 (\$) | Percent Change |
| Albany ^a | Balanced | 3.8 | 2.7 | -0.2 | 1,017 | 1,036 | 3 |
| Atlantic Cape May ^b | Balanced | 5.9 | 6.4 | 0.5 | 994 | 996 | 0 |
| Buffalo ^b | Tight | 3.1 | 2.8 | -0.3 | 792 | 810 | 2 |
| Long Island ^b | Slightly tight | 2.9 | 3.1 | 0.2 | 1,670 | 1,693 | 1 |
| New York City ^b | Tight | 2.7 | 2.7 | 0 | 3,210 | 3,374 | 5 |
| Northern New Jersey ^b | Balanced | 3.9 | 4.3 | 0.4 | 1,638 | 1,688 | 3 |
| Syracuse ^a | Balanced | 3.8 | 3.4 | 0.5 | 769 | 792 | 2 |

2Q = second quarter.

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