

HUD PD&R Regional Reports

Region 2: New York/New Jersey



Quick Facts About Region 2

Newark, New Jersey

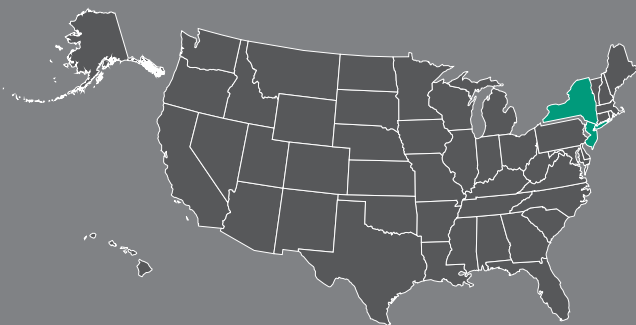
By Joseph Shinn | 1st Quarter 2019

Sales market conditions—

First quarter 2019: balanced
Fourth quarter 2018: balanced
First quarter 2018: balanced

Apartment market conditions—

First quarter 2019: mixed (soft to tight)
Fourth quarter 2018: mixed (slightly soft to tight)
First quarter 2018: mixed (slightly soft to tight)



Overview

The economy of the New York/New Jersey region expanded during the first quarter of 2019, but job growth slowed compared with a year ago. The unemployment rates declined in both states but are still higher than the national average. The population of the region declined from 2017 to 2018 because of a decrease in New York more than offset a small increase in New Jersey. Sales market conditions were balanced in both states, and the months of available for-sale inventory increased compared with a year ago. Apartment market conditions in the major metropolitan areas in the region ranged from soft to tight, compared with conditions ranging from slightly soft to tight a year ago. The apartment market in New York City (NYC) was balanced, and the apartment vacancy rate declined compared with a year ago because of a decrease in the number of newly constructed apartment units coming on line.

During the first quarter of 2019—

- Nonfarm payrolls in the region increased 1.1 percent, to nearly 13.72 million jobs, compared with the first quarter of 2018. Payrolls in New York and New Jersey each increased 1.1 percent, or by 103,900 and 43,900 jobs, respectively.

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- Single-family homebuilding activity in the region decreased 2 percent; a decline in New York more than offset a small increase in New Jersey. Multifamily building activity was up 11 percent from a year ago; more than 95 percent of the increase was in New York.
- In the New York-Newark-Jersey City metropolitan area, single-family construction activity decreased 6 percent from a year ago. Multifamily permitting activity, however, was up 12 percent, led by a 24-percent increase in NYC.

Economic Conditions

The economy of the New York/New Jersey region expanded during the first quarter of 2019, continuing a trend that began in the fourth quarter of 2010. Year-over-year job growth, however, slowed for the third consecutive year. During the first quarter of 2019, nonfarm payrolls in the region averaged nearly 13.72 million jobs, up by approximately 147,800 jobs, or 1.1 percent, from the first quarter of 2018. The current rate of growth is down from 1.2 percent during the same period a year earlier and from the 1.8-percent rate during the first quarter of 2016, the highest rate of growth of any first quarter in the current expansion cycle. The slowdown during the past year was largely due to declines in the financial activities sector and the wholesale trade subsector, which declined by 6,600 and 6,100 jobs, or 0.7 and 1.1 percent, respectively. In the financial activities sector, more than 60 percent of the decrease was in the real estate and rental and leasing industry, which declined by 4,100 jobs, or 1.6 percent. Job losses in the wholesale trade subsector were concentrated in New York, where nonfarm payrolls in the subsector were down by 6,700 jobs, or 2.0 percent. These losses were more than offset by gains in most other sectors such as the education

and health services, leisure and hospitality, and professional and business services sectors, which increased by 75,100; 19,300; and 14,600 jobs, or 2.7, 1.5, and 0.7 percent, respectively. Nonfarm payrolls in the government and manufacturing sectors were up by 7,900 and 5,200 jobs, or 0.4 and 0.8 percent, respectively, compared with declines in the sectors of 4,200 and 1,200 jobs, or 0.2 percent each, respectively, during the same period a year earlier.

During the first quarter of 2019, the unemployment rate in the New York/New Jersey region averaged 4.4 percent, down from 4.9 percent a year earlier. The decrease was largely due to a 1.1-percent increase in resident employment, which outpaced the 0.6-percent increase in the labor force. Resident employment in the region increased during the past year compared with 0.2-percent decreases in corresponding periods during the previous 2 years. The unemployment rate was 4.4 percent each in New Jersey and New York, down from 4.8 and 4.9 percent, respectively, during the first quarter of 2018. The current rate in the region and in both states, however, is still slightly higher than the 4.1-percent rate nationwide.

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Nonfarm payrolls in the New York/New Jersey region increased in both goods-producing and service-providing sectors during the first quarter of 2019.

| | First Quarter | | Year-Over-Year Change | |
|----------------------------------|---------------------|---------------------|-------------------------|---------|
| | 2018 (Thousands) | 2019 (Thousands) | Absolute (Thousands) | Percent |
| Total Nonfarm Payrolls | 13,567.6 | 13,715.4 | 147.8 | 1.1 |
| Goods-Producing Sectors | 1,206.6 | 1,229.3 | 22.7 | 1.9 |
| Mining, Logging, & Construction | 522.8 | 540.3 | 17.5 | 3.3 |
| Manufacturing | 683.8 | 689.0 | 5.2 | 0.8 |
| Service-Providing Sectors | 12,361.0 | 12,486.1 | 125.1 | 1.0 |
| Wholesale & Retail Trade | 1,917.3 | 1,917.9 | 0.6 | 0.0 |
| Transportation & Utilities | 506.3 | 513.8 | 7.5 | 1.5 |
| Information | 341.3 | 340.0 | -1.3 | -0.4 |
| Financial Activities | 959.8 | 953.2 | -6.6 | -0.7 |
| Professional & Business Services | 1,960.3 | 1,974.9 | 14.6 | 0.7 |
| Education & Health Services | 2,758.2 | 2,833.3 | 75.1 | 2.7 |
| Leisure & Hospitality | 1,257.8 | 1,277.1 | 19.3 | 1.5 |
| Other Services | 575.0 | 583.0 | 8.0 | 1.4 |
| Government | 2,085.0 | 2,092.9 | 7.9 | 0.4 |

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

Source: U.S. Bureau of Labor Statistics

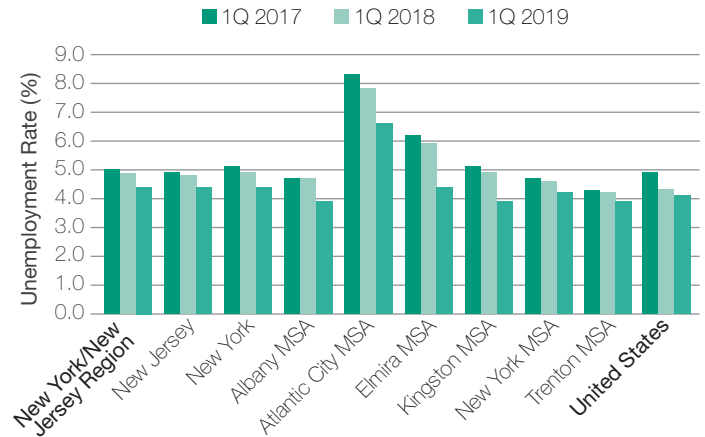


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During the first quarter of 2019—

- Nonfarm payrolls in New York increased by 103,900 jobs, or 1.1 percent, compared with a 1.3-percent increase during the same period a year earlier. Approximately 58 percent of the job gains were in the education and health services sector, which increased by 60,000 jobs, or 2.9 percent.
- In response to increased apartment construction activity, nonfarm payrolls in New York increased at the fastest pace in the mining, logging, and construction sector, which was up 3.4 percent, or by 12,700 jobs. Nearly all of the jobs added in the sector were in the construction subsector, which added 12,600 jobs, representing a 3.4-percent increase.
- In NYC, nonfarm payrolls increased by 87,700 jobs, or 2.0 percent, compared with the first quarter of 2018. Xerox, an online brand-management company, recently announced plans to expand its headquarters in Manhattan, which is expected to add approximately 500 new jobs during the next 5 years.
- Nonfarm payrolls in New Jersey increased by 43,900 jobs, or 1.1 percent, unchanged from the growth rate during the same period a year earlier. More than two-thirds of the net job gains in the state were in the education and health services and leisure and hospitality sectors, which increased by 15,000 and 14,800 jobs, or 2.1 and 4.2 percent, respectively.
- In the Atlantic City metropolitan area, nonfarm payrolls increased by 7,400 jobs, or 6.0 percent, which was the most jobs added and the fastest rate of job growth since 1990.

The unemployment rate was 4.4 percent in the New York/New Jersey region overall, as well as in both states.



1Q = first quarter.

Source: U.S. Bureau of Labor Statistics

Nearly 95 percent of the new job gains were in the leisure and hospitality sector, which increased by 7,000 jobs, or 20.9 percent, largely because of nearly 8,000 new jobs added in mid-2018 when Ocean Resorts Casino and Hard Rock Hotel and Casino opened.

Population

The population of the New York/New Jersey region decreased by approximately 28,550, or 0.1 percent, from 2017 to 2018 (U.S. Census Bureau population estimates as of July 1). The population of the region declined 0.1 percent in each of the past 3 years; the New York/New Jersey region was the only HUD region to lose population during this period. The population decreased by

113,800 during the past year because net out-migration more than offset the net natural change (resident births minus resident deaths) of 85,250 people. The strong net out-migration during the past year was partially attributed to retirees moving to states with more affordable housing options.

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The population of the New York/New Jersey region declined from 2017 to 2018, led by a decrease in New York.

| | Population Estimate | | | Percentage Change | |
|----------------------------|---------------------|-------------|-------------|-------------------|--------------|
| | 2016 | 2017 | 2018 | 2016 to 2017 | 2017 to 2018 |
| United States | 323,071,342 | 325,147,121 | 327,167,434 | 0.6 | 0.6 |
| New York/New Jersey Region | 28,516,105 | 28,479,262 | 28,450,729 | -0.1 | -0.1 |
| New York | 19,641,589 | 19,590,719 | 19,542,209 | -0.3 | -0.2 |
| New York City | 8,475,976 | 8,438,271 | 8,398,748 | -0.4 | -0.5 |
| New Jersey | 8,874,516 | 8,888,543 | 8,908,520 | 0.2 | 0.2 |

Note: The population estimates are as of July 1.

Source: U.S. Census Bureau

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During the 12 months ending July 2018—

- The population of New York decreased by approximately 48,500, or 0.2 percent, which was the largest decline of all states in the nation. Net out-migration from the state averaged 111,500 people annually from 2015 to 2018, compared with average net out-migration of 47,800 people annually from 2011 to 2015.
- In NYC, the population was down by 39,500, or 0.5 percent, compared with a 0.4-percent decrease during the previous year. Net out-migration was 87,600 people, which is partially attributed to residents moving to nearby areas because of the high cost of living in the city.

- In New Jersey, the population increased by nearly 20,000, or 0.2 percent, because the net natural change of 23,850 people more than offset the decline of 3,875 people from net out-migration. The population of the state increased an average of 0.2 percent annually from 2016 to 2018 compared with the population being relatively unchanged during the previous 2 years.
- In the Newark metropolitan division, the population increased by 7,225, or 0.3 percent, compared with a population increase of 5,825, or 0.2 percent, from 2016 to 2017. Growth accelerated during the past year because of net in-migration, the first net inflow in the Newark metropolitan division since 2002.

Sales Market Conditions

Sales housing market conditions in the New York/New Jersey region were balanced during the first quarter of 2019. In February 2019, the region had 6.9 months of available for-sale inventory, up from 6.3 months of inventory in February 2018; the months of inventory increased for the first time in 8 years (CoreLogic, Inc.). In response to strong net out-migration, existing home sales in New York declined 1 percent, to 129,100 homes sold, during the past year (New York State Association of Realtors®). Home sales were down in most metropolitan areas in the state, including decreases of 5 and 1 percent in the Buffalo and Rochester metropolitan areas, respectively (Buffalo-Niagara Association of Realtors®; Rochester Association of Realtors®). The average sales price for existing homes in New York increased 4 percent, to \$364,400. In New Jersey, existing home sales increased 1 percent, to 81,300 homes sold (New Jersey Association of Realtors®). By comparison, home sales in New Jersey increased an average of 11 percent annually during the previous 2 years. During the past year, home sales in southern New Jersey and northern New Jersey were up 2 and 1 percent,

respectively, but were relatively unchanged in central New Jersey. The average statewide sales price increased 2 percent, to \$396,000. By comparison, the average sales price was relatively unchanged during the same period a year earlier.

The NYC housing market, which consists of the five boroughs—the Bronx, Brooklyn, Manhattan, Queens, and Staten Island—was balanced during the first quarter of 2019, but sales activity was down during the past year because of population decline. During the 12 months ending February 2019, home sales decreased 12 percent, to 43,850 homes sold (CoreLogic, Inc., with adjustments by the analyst). By comparison, home sales activity increased 3 percent during the previous 12-month period. During the past year, sales activity was down in each of the five boroughs, ranging from declines of 10 percent in Staten Island to 15 percent in Manhattan. The average home sales price in NYC increased 2 percent, to \$914,600. The growth in the average sales price slowed from 8 percent during the same period a year earlier, which is largely attributed to a decrease in sales activity.

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Sales activity was down slightly in New York and slightly increased in New Jersey; average sales prices were up in most metropolitan areas in the region.

| | 12 Months Ending | Number of Homes Sold | | | | Price | | |
|--------------------------------|------------------|----------------------|---------|----------------|-------------------|-----------------|-----------------|----------------|
| | | 2018 | 2019 | Percent Change | Average or Median | 2018 (\$) | 2019 (\$) | Percent Change |
| New York*** (E) | March | 130,900 | 129,100 | -1 | AVG | 351,400 | 364,400 | 4 |
| New York City** (N&E) | February | 49,750 | 43,850 | -12 | AVG | 897,900 | 914,600 | 2 |
| Albany MSA** (N&E) | February | 14,550 | 14,500 | 0 | AVG | 218,700 | 217,900 | 0 |
| Buffalo MSA** (E) | March | 10,450 | 9,925 | -5 | AVG | 166,800 | 177,100 | 6 |
| Rochester MSA** (E) | March | 14,150 | 14,000 | -1 | AVG | 156,500 | 166,500 | 6 |
| New Jersey*** (E) | March | 80,500 | 81,300 | 1 | AVG | 389,100 | 396,000 | 2 |
| Northern New Jersey*** (E) | March | 29,750 | 29,950 | 1 | MED | 207,500–470,000 | 160,000–470,000 | NA |
| Central New Jersey***,**** (E) | March | 20,950 | 20,850 | 0 | MED | 232,000–448,000 | 240,000–425,000 | NA |
| Southern New Jersey*** (E) | March | 29,800 | 30,500 | 2 | MED | 95,500–300,000 | 121,500–300,300 | NA |

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

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®; CoreLogic, Inc., with adjustments by the analyst; Greater Rochester Association of Realtors®; New Jersey Association of Realtors®; New York State Association of Realtors®, Inc.



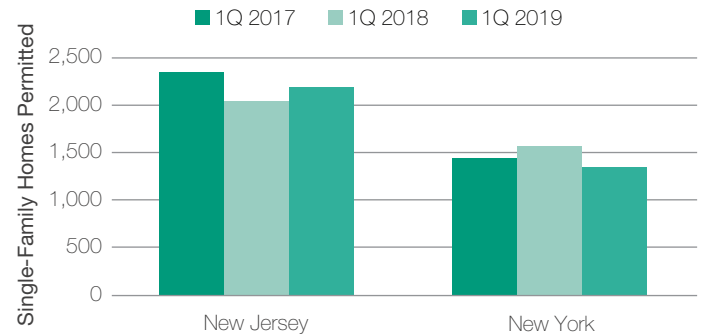
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In February 2019, 3.0 percent of home loans in the region were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status, down from 4.0 percent in February 2018 (CoreLogic, Inc.). The current rate is higher than the 1.7-percent national rate and is the highest of all HUD regions. In New Jersey and New York, the rates were 2.7 and 3.2 percent in February 2019, down from 3.9 and 4.1 percent a year ago, respectively.

During the first quarter of 2019 (preliminary data)—

- Single-family homebuilding activity, as measured by the number of homes permitted, decreased by 75 homes, or 2 percent, in the New York/New Jersey region, to 3,550 homes permitted. Homebuilding activity declined an average of 3 percent annually during the past 2 years compared with an average 6-percent increase in corresponding periods during 2016 and 2017.
- In response to decreased sales activity, construction activity in New York declined by 220 homes, or 14 percent, to 1,350 homes permitted. By comparison, single-family permitting activity increased an average of 8 percent annually during the previous 3 years.
- In the New York-Newark-Jersey City metropolitan area, homebuilding activity was down by 150 homes, or 6 percent, to 2,225 homes permitted. The net decline was largely concentrated in the New York portions of the metropolitan area, especially in the Nassau County-Suffolk County metropolitan division, where construction activity was down by 190 homes, or 40 percent, to 300 homes permitted.

Single-family homebuilding activity decreased in the New York/New Jersey region during the first quarter of 2019; a decrease in New York more than offset an increase in New Jersey.



1Q = first quarter.

Note: Based on preliminary data.

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

- Building activity in New Jersey increased by 150 homes, or 7 percent, to 2,200 homes permitted, compared with a decline of 310 homes, or 13 percent, during the same period a year earlier. Approximately one-half of the net increase was in the Newark metropolitan division, where the number of single-family homes permitted increased by nearly 75 homes, or 16 percent, to 520 homes permitted.

Apartment Market Conditions

Apartment market conditions in the major metropolitan areas in the New York/New Jersey region ranged from soft to tight during the first quarter of 2019. Conditions in New York ranged from soft to slightly tight. In NYC, the apartment market was balanced with a vacancy rate of 4.2 percent, down from 4.9 percent during the first quarter of 2018 (Reis, Inc.). The apartment vacancy rate declined during the past year partially because of a decrease in the number of newly constructed apartment units coming on line. During the 12 months ending March 2019, approximately 27,800 new apartment units were completed, down 8 percent compared with the previous 12-month period (McGraw-Hill Construction Pipeline database). The average rent in NYC was \$3,740, up 3 percent compared with the same period a year earlier. Conditions in Long Island were slightly tight, unchanged from a year ago. The apartment vacancy rate was 3.4 percent, down slightly from 3.5 percent during the first quarter of 2018, and the average rent increased 3 percent, to \$2,143.

Conditions in the Albany and Syracuse metropolitan areas were balanced and slightly tight, respectively. In the Albany metropolitan

area, the vacancy rate was unchanged, at 4.0 percent, and the average rent increased 2 percent, to \$923 (RealPage, Inc.). The vacancy rate in Syracuse slightly declined to 3.7 percent, down from 3.8 percent, and the average rent was \$862, up 2 percent from a year ago. Conditions in the Reis, Inc.-defined Westchester market area softened from a year ago, and the vacancy rate increased from 5.0 percent to 6.4 percent because of a significant uptick in the number of newly constructed apartment units coming on line. During the 12 months ending March 2019, approximately 2,200 new apartment units were completed, up more than 80 percent compared with the 12 months ending March 2018 (McGraw-Hill Construction Pipeline database). Despite the increased vacancy rate, however, the average rent increased 4 percent, to \$2,297, primarily because of newer, high-priced apartment units comprising a larger portion of the apartment survey.

In New Jersey, conditions ranged from balanced to tight. In central New Jersey and northern New Jersey, conditions were tight and balanced, respectively, unchanged from conditions during the

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Vacancy rate changes varied throughout the New York/New Jersey region, but average rents were up in all major metropolitan areas in the region.

| | Market Condition | Vacancy Rate | | | Average Monthly Rent | | |
|----------------------------------|------------------|--------------|-------------|-------------------------|----------------------|--------------|----------------|
| | | 1Q 2018 (%) | 1Q 2019 (%) | Percentage Point Change | 1Q 2018 (\$) | 1Q 2019 (\$) | Percent Change |
| Albany ^a | Balanced | 4.0 | 4.0 | 0.0 | 902 | 923 | 2 |
| Central New Jersey ^b | Tight | 2.6 | 2.7 | 0.1 | 1,387 | 1,419 | 2 |
| Long Island ^b | Slightly Tight | 3.5 | 3.4 | -0.1 | 2,089 | 2,143 | 3 |
| New York City ^b | Balanced | 4.9 | 4.2 | -0.7 | 3,638 | 3,740 | 3 |
| Northern New Jersey ^b | Balanced | 4.1 | 4.8 | 0.7 | 1,940 | 2,033 | 5 |
| Syracuse ^a | Slightly Tight | 3.8 | 3.7 | -0.1 | 846 | 862 | 2 |
| Westchester ^b | Soft | 5.0 | 6.4 | 1.4 | 2,209 | 2,297 | 4 |

1Q = first quarter.

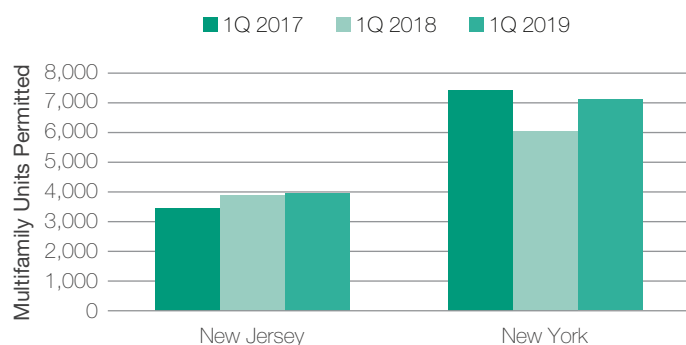
Sources: Market condition—Economic and Market Analysis Division; vacancy rate and average monthly rent—(a) RealPage, Inc., (b) Reis, Inc.

first quarter of 2018. The vacancy rate in central New Jersey slightly increased to 2.7 percent, up from 2.6 percent during the same period a year earlier, and the average rent was \$1,419, up 2 percent from a year ago. Strong apartment construction activity caused the vacancy rate in northern New Jersey to increase to 4.8 percent, up from 4.1 percent a year ago, but the average rent increased 5 percent, to \$2,033, which was the largest increase in the region.

During the first quarter of 2019 (preliminary data)—

- Building activity, as measured by the number of multifamily units permitted, totaled approximately 11,050 units permitted in the New York/New Jersey region, up by 1,075 units, or 11 percent, compared with the first quarter of 2018. By comparison, during the first quarter of 2018, multifamily construction activity decreased 8 percent compared with the same period a year earlier.
- Construction activity in New York increased by 1,050 units, or 17 percent, to 7,125 units permitted, compared with an 18-percent decline during the same period a year earlier. The increased building activity was largely concentrated in NYC in response to declining apartment vacancy rates; permitting activity in NYC increased by 1,200 units, or 24 percent, compared with a year ago.
- Increased multifamily construction in NYC was also the main contributor to increases in the New York-Newark-Jersey City metropolitan area, where permitting activity was up by 1,050 units, or 12 percent, to 9,800 units permitted. The gains in NYC were partially offset by decreased building activity in the Newark

Multifamily building activity was up in the New York/New Jersey region, and construction activity increased in both states.



1Q = first quarter.

Note: Based on preliminary data.

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

and Nassau County-Suffolk County metropolitan divisions, where the number of units permitted declined by 210 and 130 units, or 18 and 67 percent, respectively.

- In New Jersey, approximately 3,950 units were permitted, up by 45 units, or 1 percent, from the first quarter of 2018. In response to strong job growth, apartment building activity in the Atlantic City metropolitan area increased by approximately 30 units, or 25 percent, to 130 units permitted.