HUD PD&R Regional Reports

Region 2: New York/New Jersey

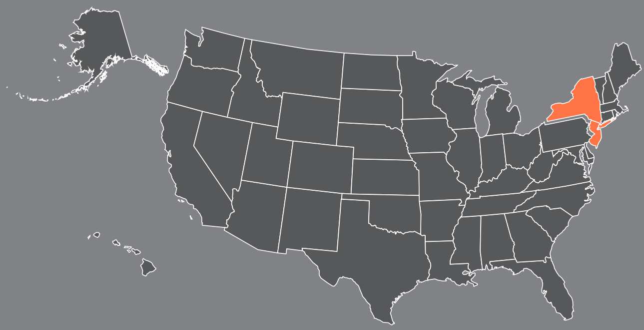
Buffalo, New York

By Joseph Shinn | 2nd quarter 2018

Quick Facts About Region 2

- **Sales market conditions—**
  Second quarter 2018: balanced.
  First quarter 2018: balanced.
  Second quarter 2017: balanced.

- **Apartment market conditions—**
  Second quarter 2018: mixed (slightly soft to tight).
  First quarter 2018: mixed (slightly soft to tight).
  Second quarter 2017: mixed (balanced to tight).



Overview

Economic conditions in the New York/New Jersey region remained strong during the second quarter of 2018, continuing a trend that began in the fourth quarter of 2010. Fewer jobs were added for the second consecutive year, however, which is largely because of slower growth in the education and health services sector. The unemployment rate was down in the region and in both states, but the decrease was due to larger declines in the labor force than in resident employment. Sales market conditions remained balanced in the region and in both states, although the months of for-sale inventory decreased compared with a year ago. Home sales activity was up in New Jersey and relatively unchanged in New York. Apartment market conditions in the major metropolitan areas in the region ranged from slightly soft to tight, compared with conditions ranging from balanced to tight during the second quarter of 2017. In New York City (NYC), conditions transitioned from balanced to slightly soft during the past year because of elevated apartment construction activity.

continued on page 2

continued from page 1

During the second quarter of 2018—

- Nonfarm payrolls in the region increased 1.2 percent, to 13.87 million jobs, compared with the second quarter of 2017. Most of the jobs added in the region were in New York, but payrolls increased at a faster pace in New Jersey.
- Single-family permitting activity in the region increased 4 percent because gains in New Jersey more than offset declines in New York. Multifamily building activity increased by 140 units, or 1 percent; all gains were in New Jersey.
- In the New York-Northern New Jersey-Long Island metropolitan area, single-family homebuilding and multifamily permitting activity increased 4 and 6 percent, respectively, compared with the same period a year earlier.

Economic Conditions

The economy of the New York/New Jersey region expanded during the second quarter of 2018, but job growth slowed for the second consecutive year. During the second quarter of 2018, nonfarm payrolls in the region averaged 13.87 million jobs, up by 170,500 jobs, or 1.2 percent, from the second quarter of 2017, compared with a 1.6-percent national growth rate. By comparison, during the second quarters of 2017 and 2016, nonfarm payrolls increased 1.4 and 1.6 percent, respectively, compared with the same periods a year earlier. The slower growth during the past year was largely because of fewer gains in the education and health services sector, which increased by 55,200 jobs, or 2.0 percent. By comparison, during the second quarter of 2017, nonfarm payrolls in the sector were up by 81,000 jobs, or 3.1 percent, compared with the same period a year earlier. During the second quarter of 2018, additional large gains occurred in the professional and business services and the leisure and hospitality sectors, which increased by 36,800 and 22,900 jobs, or 1.9 and 1.7 percent, respectively, from the second quarter of 2017. Payrolls grew at the fastest pace in the transportation and utilities sector, which increased 4.7 percent, or by 23,000 jobs. These gains were partially attributed to Amazon.com, Inc. opening new and expanding existing distribution centers in the region. During the past year, the company opened a new facility in the Buffalo-Cheektowaga-Niagara Falls metropolitan area and expanded employment at an existing facility in the Trenton metropolitan area, resulting in 2,000 combined new jobs in the region. Partially offsetting these gains were losses in the information sector, which decreased by 3,300 jobs, or 1.0 percent.

During the second quarter of 2018, the unemployment rate in the New York/New Jersey region averaged 4.1 percent, down from 4.5 percent a year earlier. The decline, however, was because of a 0.7-percent decrease in the labor force outpacing the 0.3-percent

continued on page 3

Nonfarm payrolls increased in all but one of the sectors in the New York/New Jersey region during the second quarter of 2018.

	Second Quarter		Year-Over-Year Change	
	2017 (thousands)	2018 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	13,699.3	13,869.8	170.5	1.2
Goods-producing sectors	1,242.9	1,256.1	13.2	1.1
Mining, logging, and construction	550.5	559.7	9.2	1.7
Manufacturing	692.4	696.4	4.0	0.6
Service-providing sectors	12,456.5	12,613.7	157.2	1.3
Wholesale and retail trade	1,952.0	1,959.2	7.2	0.4
Transportation and utilities	493.6	516.6	23.0	4.7
Information	339.1	335.8	– 3.3	–1.0
Financial activities	965.1	968.2	3.1	0.3
Professional and business services	1,988.7	2,025.5	36.8	1.9
Education and health services	2,706.4	2,761.6	55.2	2.0
Leisure and hospitality	1,337.4	1,360.3	22.9	1.7
Other services	589.2	598.5	9.3	1.6
Government	2,084.9	2,087.9	3.0	0.1

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

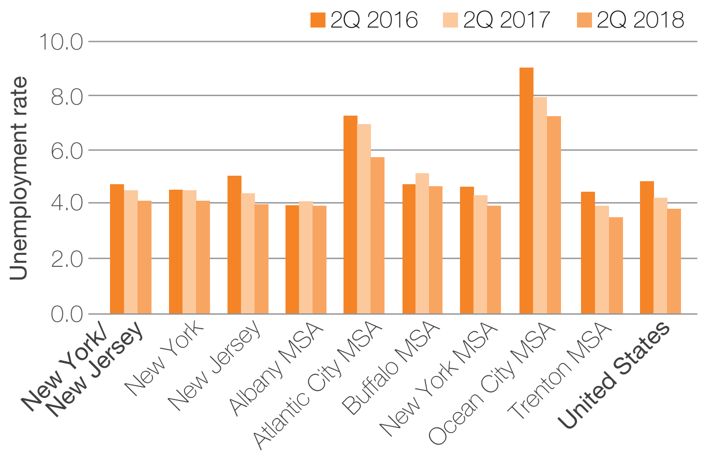
continued from page 2

drop in resident employment. The decline in resident employment was also the first year-over-year decrease since the second quarter of 2011. In New York and New Jersey, the unemployment rates were 4.1 and 4.0 percent, respectively, during the second quarter of 2018. The unemployment rates were down compared with the 4.5- and 4.4-percent rates, respectively, during the same period a year earlier. The current rates in both states, however, were above the 3.8-percent national rate.

During the second quarter of 2018—

- In New York, nonfarm payrolls were up by 116,200 jobs, or 1.2 percent, compared with the second quarter of 2017. More than 73 percent of the net gains were in the education and health services, the professional and business services, and the leisure and hospitality sectors, which increased by 40,300, 22,900, and 22,300 jobs, or 2.0, 1.7, and 2.3 percent, respectively.
- Job growth accelerated in the Buffalo-Cheektowaga-Niagara Falls and Rochester metropolitan areas, where nonfarm payrolls were up by 8,200 and 7,000 jobs, or 1.4 and 1.3 percent, respectively. By comparison, during the second quarter of 2017, nonfarm payrolls in the areas increased by 1,800 and 600 jobs, or 0.3 and 0.1 percent, respectively.
- In NYC, nonfarm payrolls increased by 72,700 jobs, or 1.6 percent, from a year ago. Year-over-year payroll growth, however, slowed for the third consecutive year, after growth reached a 15-year high of 3.2 percent during the second quarter of 2015.
- Approximately 46 percent of the net gains in NYC were in the education and health services sector, which increased by 33,100 jobs, or 3.4 percent. One Brooklyn Health System, Inc. is developing a 32-site ambulatory care network, which is expected to add approximately 260 new jobs in a yet-to-be-determined timeframe.
- Nonfarm payrolls in New Jersey increased 1.3 percent, or by 54,300 jobs, from a year ago; year-over-year job growth in the state was faster than New York for the second consecutive year. Gains were largest in the transportation and utilities and the education and health services sectors, which increased by 17,200 and 14,800 jobs, or 8.6 and 2.1 percent, respectively.

Unemployment rates were down in the New York/New Jersey region overall and in all major metropolitan areas.



2Q = second quarter.
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 2018. During the 12 months ending May 2018, the region had 5.0 months of available for-sale inventory, down from 5.7 months of inventory during the previous 12-month period (CoreLogic, Inc., with adjustments by the analyst). The recent decline was partially because the number of for-sale homes and condominiums declined 7 percent compared with a year ago. New and existing home sales in New Jersey totaled approximately 80,600 during the 12 months ending June 2018, up 3 percent compared with the 12 months ending June 2017 (New Jersey Association of Realtors®). The average sales price, however, declined less than 1 percent, to $389,200, which is largely because new home sales accounted for a smaller portion of all sales during the past year. During the 12 months ending May 2018, new home sales declined 11 percent compared with the previous 12-month period (CoreLogic, Inc., with adjustments by the analyst). In New York, the number of new and existing homes sold during the 12 months ending June 2018 was relatively unchanged, at 130,400 (New York Association of Realtors®). By comparison, home sales activity increased an average of 8 percent annually during the previous 6 years. Despite a relatively unchanged level of sales, the average sales price of new and existing homes was up 6 percent, to $356,700, which was the largest rise in 6 years. The strong increase in the average sales price was primarily because the number of lower-priced real estate owned (REO) sales declined 18 percent during the past year (CoreLogic, Inc., with adjustments by the analyst).

continued on page 4

continued from page 3

Average sales prices were up throughout most of the New York/New Jersey region, while sales activity increased in New Jersey, but was relatively unchanged in New York.

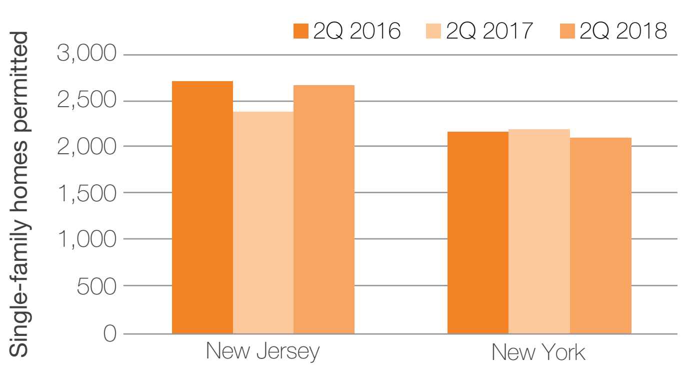
	12 Months Ending	Number of Homes Sold			Price			
		2017	2018	Percent Change	Average or Median	2017 ($)	2018 ($)	Percent Change
New York* (E)	June	130,100	130,400	0	AVG	337,600	356,700	6
New York City (N&E)	May	48,750	46,650	– 4	AVG	845,500	907,000	7
Albany MSA (N&E)	May	14,250	14,050	– 1	AVG	203,800	222,300	9
Buffalo MSA** (E)	June	11,900	10,100	– 15	AVG	156,900	169,700	8
Rochester MSA** (E)	June	12,750	13,950	9	AVG	152,200	160,100	5
New Jersey*** (E)	June	78,100	80,600	3	AVG	390,100	389,200	0
Northern New Jersey*** (E)	June	29,250	29,850	2	MED	222,500–510,000	207,500–515,000	NA
Central New Jersey***,**** (E)	June	20,500	20,950	2	MED	285,000–519,000	310,000–511,500	NA
Southern New Jersey*** (E)	June	28,400	29,800	5	MED	120,500–294,900	125,000–308,200	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 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®; Greater Rochester Association of Realtors®; New Jersey Association of Realtors®; New York State Association of Realtors®, Inc.; CoreLogic, Inc., with adjustments by the analyst

The NYC housing market, which consists of five boroughs—the Bronx, Brooklyn, Manhattan Queens, and Staten Island, —was balanced during the second quarter of 2018. During the 12 months ending May 2018, sales of new and existing homes declined 4 percent, to 46,650 homes sold, compared with a year ago, but the average sales price rose 7 percent, to $907,000 (CoreLogic, Inc., with adjustments by the analyst). Similar to the remainder of the state, average prices in NYC increased at a strong pace during the past year because of a large decrease in REO sales. Compared with a year ago, REO sales declined 40 percent, and the current number of REO sales is at its lowest level since 2007. In the Bronx, new and existing home sales were up 4 percent from a year ago, but were down in the other boroughs, ranging from a 1-percent decline in both Staten Island and Queens to an 11-percent decrease in Manhattan. Sales prices, however, were up in all five boroughs; increases ranged from 4 percent in Manhattan and Brooklyn to 20 percent in Queens.

In May 2018, 3.6 percent of home loans in the region were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO status (CoreLogic, Inc.). The current rate is above the 2.0-percent national rate and is the highest of all regions, which is attributed to both New Jersey and New York being judicial foreclosure states, where the average length of the foreclosure process is longer than in states with a nonjudicial foreclosure process. The current rate, however, is down from the 4.8-percent rate in May 2017, which is the largest decline of all regions. In New Jersey and New York, the rates were 3.4 and 3.8 percent, respectively, in May 2018, down from 5.1 and 4.8 percent, respectively, a year ago.

Homebuilding in the New York/New Jersey region was up from a year ago, and all gains were in New Jersey.



2Q = second quarter.
Note: Based on preliminary data.
Source: U.S. Census Bureau, Building Permits Survey

During the second quarter of 2018 (preliminary data) —

- Single-family homebuilding activity, as measured by the number of homes permitted, increased by 200 homes, or 4 percent, in the New York/New Jersey region from the second quarter of 2017, to 4,750 homes permitted. By comparison, permitting

continued on page 5

continued from page 4

activity declined by an average of 240 homes, or 5 percent, in corresponding periods during the previous 2 years.

- As a result of increased sales activity, building activity in New Jersey increased by 290 homes, or 12 percent, to 2,675 homes permitted. By comparison, homebuilding activity declined an average of 7 percent annually during the previous 3 years.
- In New York, construction activity declined by 90 homes, or 4 percent, to 2,100 homes permitted. Homebuilding activity in the Buffalo metropolitan area decreased by 15 homes, or 5 percent, to 280 homes permitted in response to declining sales during the past year, despite recent job growth.
- Homebuilding activity in the New York-Northern New Jersey-Long Island metropolitan area increased by 110 homes, or 4 percent, to 2,725 homes permitted. Gains within the metropolitan area were largest in the Newark metropolitan division, where construction activity increased by 170 homes, or 34 percent, to 680 homes permitted.

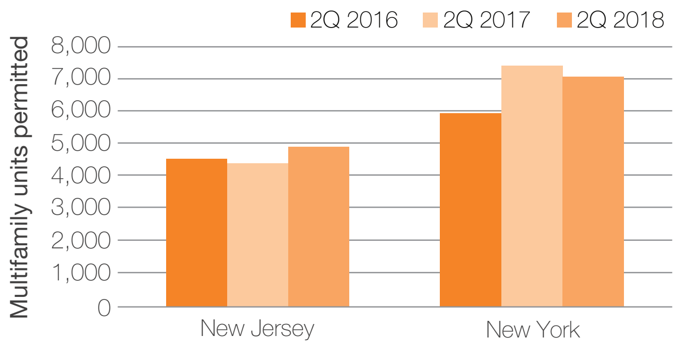
Apartment Market Conditions

Apartment market conditions in the major metropolitan areas in the New York/New Jersey region ranged from slightly soft to tight during the second quarter of 2018. Conditions in New York ranged from slightly soft to slightly tight. In NYC, the apartment market transitioned from balanced to slightly soft during the past year, and the apartment vacancy rate increased from 3.7 percent during the second quarter of 2017 to 5.3 percent during the second quarter of 2018 (Reis, Inc.). Vacancy rates in the city have risen during the past year, in part, because of an increase in the number of new apartment units coming online. During the 12 months ending June 2018, approximately 29,300 apartment units were completed, up 8 percent compared with the previous 12-month period (McGraw-Hill Construction Pipeline database). Despite the rising vacancy rates, the average asking rent increased 3 percent, to $3,653. Conditions in Long Island were slightly tight, unchanged compared with a year ago, with an apartment vacancy rate of 3.5 percent.

Apartment markets were balanced in the major metropolitan areas in upstate New York. Vacancy rates in the Albany and Rochester metropolitan areas were down 0.1 percentage point each, to 4.5 and 4.4 percent, respectively (RealPage, Inc.). The average rents in these areas increased 2 and 3 percent, to $1,301 and $1,062, respectively. Conditions were balanced in the Buffalo metropolitan area, compared with slightly tight conditions during the second quarter of 2017. The apartment vacancy rate during this time increased from 3.0 to 4.6 percent, which is attributed to an increase in new apartment construction activity. During the 12 months ending June 2018, apartment completions in the metropolitan area increased 19 percent, to 2,050 units completed, compared with the 12 months ending June 2017 (McGraw-Hill Construction Pipeline database).

Conditions in the apartment markets in New Jersey ranged from balanced to tight. Conditions were balanced in Northern New Jersey, unchanged compared with a year ago, with a vacancy rate of 4.5 percent. The average rent in the area increased 5 percent, to $1,966, which was the largest increase in the region. In the Reis, Inc.-defined Atlantic-Cape May market area, conditions transitioned from balanced to tight during the past year because of a very limited number of new market-rate apartment units coming online. The apartment vacancy rate was 2.6 percent, down from the 3.8-percent rate during the same period a year earlier, while the average rent increased 2 percent, to $1,063.

Multifamily building activity in the New York/New Jersey region increased during the second quarter of 2018; gains in New Jersey more than offset declines in New York.



2Q = second quarter.
Note: Based on preliminary data.
Source: U.S. Census Bureau, Building Permits Survey

During the second quarter of 2018 (preliminary data)—

- Building activity, as measured by the number of multifamily units permitted, totaled approximately 11,900 units in the New York/New Jersey region, up by 140 units, or 1 percent, compared with the number of units permitted during the second quarter of 2017. By comparison, during the second quarter of 2017, permitting activity increased 13 percent compared with the same period a year earlier.
- In New Jersey, permitting activity was up by 520 units, or 12 percent, to 4,850 units permitted. The largest gains were in

continued on page 6

continued from page 5

Vacancy rate changes varied while average rents were up in the major market areas in the New York/New Jersey region during the second quarter of 2018.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		2Q 2017 (%)	2Q 2018 (%)	Percentage Point Change	2Q 2017 ($)	2Q 2018 ($)	Percent Change
Albany[a]	Balanced	4.6	4.5	– 0.1	1,278	1,301	2
Atlantic-Cape May[b]	Tight	3.8	2.6	– 1.2	1,044	1,063	2
Buffalo[b]	Balanced	3.0	4.6	1.6	859	895	4
Long Island[b]	Slightly tight	2.9	3.5	0.6	1,966	2,036	4
New York City[b]	Slightly soft	3.7	5.3	1.6	3,553	3,653	3
Northern New Jersey[b]	Balanced	3.7	4.5	0.8	1,864	1,966	5
Rochester[a]	Balanced	4.5	4.4	– 0.1	1,032	1,062	3

2Q = second quarter.
Sources: Market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—(a) RealPage, Inc.; (b) Reis, Inc.

Middlesex and Monmouth Counties, where the number of units permitted increased by 330 and 310 units, or 78 and 450 percent, to 760 and 380 units permitted, respectively.

- Multifamily construction activity in New York declined by 370 units, or 5 percent, to 7,025 units permitted. In the Syracuse metropolitan area, no units were permitted, compared with approximately 350 units permitted a year ago, and multifamily construction activity in the Albany metropolitan area declined by 160 units, or 39 percent, to 260 units permitted.
- In the New York-Northern New Jersey-Long Island metropolitan area, multifamily permitting activity totaled 10,500 units permitted, representing an increase of 580 units, or 6 percent, from the second quarter of 2017. In response to tight apartment market conditions, building activity in the Nassau County-Suffolk County (also known as Long Island) metropolitan division more than doubled to 210 units permitted from 80 units permitted a year earlier.