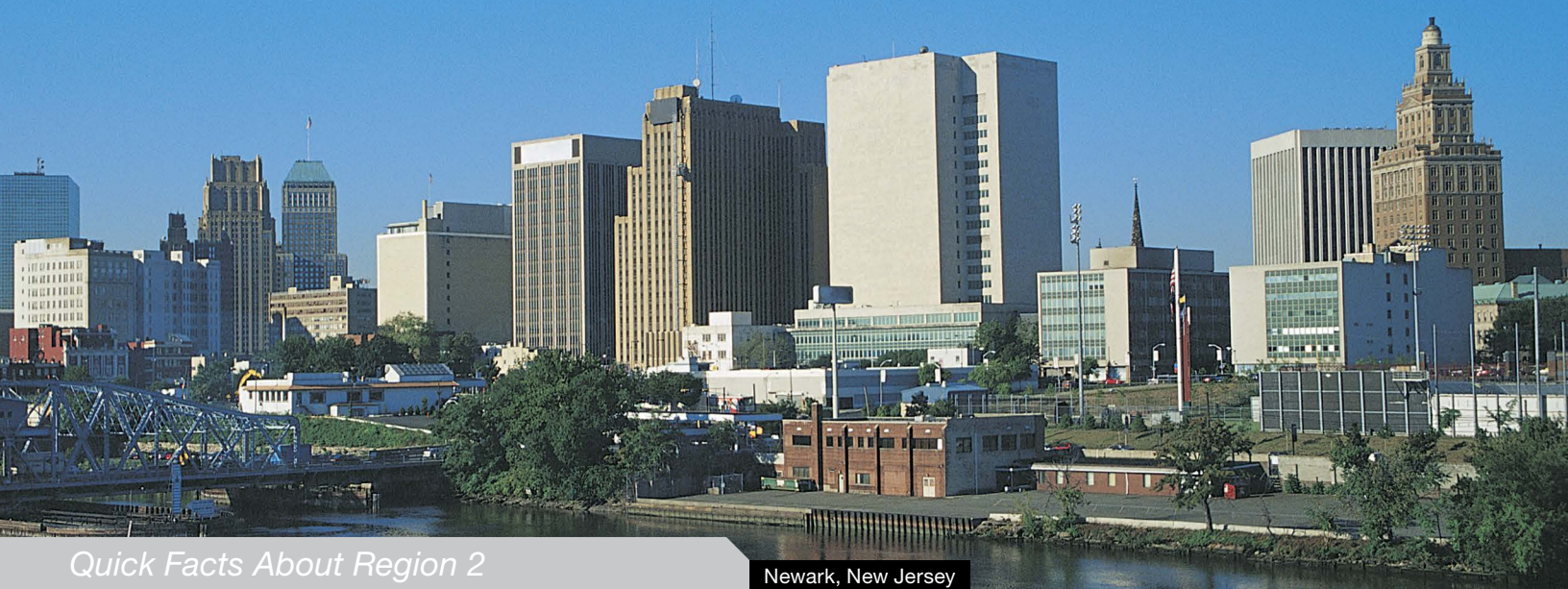


HUD PD&R Regional Reports

Region 2: New York/New Jersey

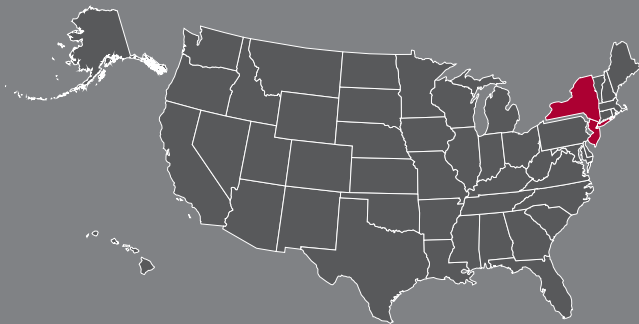


Newark, New Jersey

By Patricia Moroz | 3rd quarter 2017

Quick Facts About Region 2

- **Sales market conditions—**
Third quarter 2017: balanced.
Second quarter 2017: balanced.
Third quarter 2016: balanced.
- **Apartment market conditions—**
Third quarter 2017: mixed (balanced to tight).
Second quarter 2017: mixed (balanced to tight).
Third quarter 2016: mixed (balanced to tight).



Overview

Nonfarm payrolls continued to increase in the New York/New Jersey region, a trend that began in late 2010, but growth slowed during the third quarter of 2017 compared with growth during the past 4 years. Despite the recent slowdown, the economies of New York and New Jersey each expanded. Sales housing markets were balanced in the region, and the rate of single-family home construction increased 11 percent. Multifamily construction activity decreased 5 percent overall in the New York/New Jersey region, as builders scaled back construction to allow time for markets to absorb units completed during the past 2 years. Despite an increase in the supply of recently completed apartments throughout the region, demand was strong, and apartment market conditions ranged from balanced to tight during the third quarter of 2017.

- The rate of growth in the leisure and hospitality sector in the New York/New Jersey region averaged 35,500 jobs, or 2.9 percent, from the third quarters of 2010 through 2016, when the economy in the region began to recover after the Great Recession. The rate of growth in the sector during the third quarter of 2017 was significantly higher at 53,100 jobs, or 3.9 percent.

continued on page 2



continued from page 1

- Sales housing market conditions are balanced overall, and the number of homes listed for sale decreased in each state during the third quarter of 2017. As a result, the months of supply declined to 6.4 months in New York and 5.5 months in New Jersey.
- Despite a slight decline overall in multifamily permitting in the region during the third quarter of 2017, multifamily building activity was up 20 percent in New Jersey compared with a year ago in response to increasing demand for apartments.

Economic Conditions

The economy of the New York/New Jersey region expanded during the third quarter of 2017 at a slower pace than during the past 4 years. Nonfarm payrolls averaged 13.69 million jobs in the region during the third quarter of 2017, an increase of 180,000 jobs, or 1.3 percent from a year earlier. By comparison, nonfarm payrolls increased an average of 1.6 percent during the third quarters from 2012 through 2016. The leading growth sectors in the region during the third quarter of 2017, as well as in each state and in New York City (NYC), were education and health services, leisure and hospitality, and professional and business services. The education and health services sector added the most jobs in the region, a gain of 75,600 jobs, or 2.9 percent, from a year earlier; New York led growth, increasing by 63,600 jobs, or 3.3 percent, and accounting for 84 percent of jobs added in the sector. In NYC, the education and health services sector expanded by 38,300 jobs, or 4.2 percent, down slightly from 4.3 percent a year ago but continuing the strong growth that averaged more than 3 percent since 2014.

The leisure and hospitality sector had the largest percentage increase in jobs in the New York/New Jersey region during the third quarter of 2017, with the addition of 53,100 jobs, or a 3.9-percent increase. New York contributed 31,100 jobs, an increase of 3.2 percent, and New Jersey accounted for the remaining 22,000 jobs, with a 5.5-percent increase in the sector, a historical high since 1990. The accommodation and food services industry accounted for 70 percent of the jobs added in the leisure and hospitality sector in the region. This growth included a gain of nearly 4,875 jobs in the hotel industry with the completion of 25 hotels, a combined 3,325 rooms, in the region during the third quarter of 2017 (McGraw-Hill Construction Pipeline database). The largest of these hotels each opened during September 2017, including the 612-room Marriott Moxy Times Square and the 249-room Crowne Plaza Hotel in NYC. In addition, the 209-room Destiny USA hotel in Syracuse created 200 construction jobs and more than 100 permanent jobs.

continued on page 3

Nonfarm payrolls increased in all but three sectors in the New York/New Jersey region during the third quarter of 2017; by comparison, every sector had gained jobs during the third quarter of 2016.

	Third Quarter		Year-Over-Year Change	
	2016 (thousands)	2017 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	13,510.4	13,690.4	180.0	1.3
Goods-producing sectors	1,256.5	1,252.2	- 4.3	- 0.3
Mining, logging, and construction	558.4	568.2	9.8	1.8
Manufacturing	698.1	683.9	- 14.2	- 2.0
Service-providing sectors	12,253.9	12,438.3	184.4	1.5
Wholesale and retail trade	1,965.5	1,956.2	- 9.3	- 0.5
Transportation and utilities	466.3	478.5	12.2	2.6
Information	347.0	340.0	- 7.0	- 2.0
Financial activities	971.9	974.5	2.6	0.3
Professional and business services	1,980.5	2,029.3	48.8	2.5
Education and health services	2,576.7	2,652.3	75.6	2.9
Leisure and hospitality	1,359.4	1,412.5	53.1	3.9
Other services	579.6	587.6	8.0	1.4
Government	2,007.0	2,007.5	0.5	0.0

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

Source: U.S. Bureau of Labor Statistics

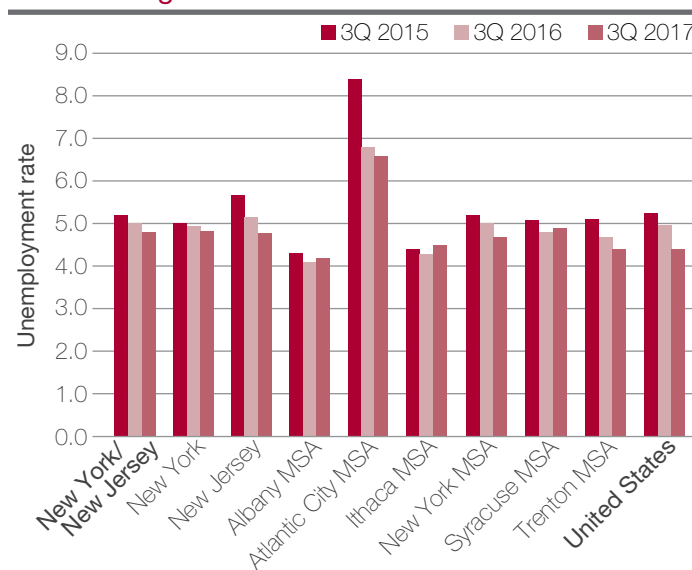
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During the third quarter of 2017—

- New York led the job growth in the region, increasing by 130,900 jobs, or 1.4 percent, a slightly slower pace than the 1.5-percent increase a year earlier. The professional and business services sector expanded more rapidly than a year ago, with a gain of 39,700 jobs, or 3.0 percent, up from 27,600 jobs, or 2.1 percent, a year earlier.
- In New Jersey, payrolls increased by 49,200 jobs, or 1.2 percent, down from 1.7 percent a year earlier but slightly higher than the average increase of 1.1 percent from the third quarters of 2011 through 2015. The leisure and hospitality sector led the growth in the state. In addition to the six hotels that opened during the third quarter of 2017, the restaurant industry expanded by 10,400 jobs, or 4.6 percent, compared with a year ago.
- In NYC, nonfarm payrolls increased by 79,900 jobs, or 1.8 percent, slower growth than the 2.6-percent average job gain during the previous 6 years. The mining, logging, and construction sector added 5,600 jobs, an increase of 3.7 percent. Residential and nonresidential construction spending is estimated to be at high levels of \$11.0 billion and \$17.4 billion, respectively, in 2017, but down 31 and 19 percent, respectively, from 2016 (New York Building Congress).
- The financial activities sector in NYC gained nearly 6,400 jobs, a 1.4-percent increase, up from 5,800 jobs, or 1.2 percent a year earlier. By comparison, the sector added an average of 12,100 jobs, or 2.7 percent, during the third quarters of 2014 and 2015.

- The unemployment rate was 4.8 percent in the region, down from 5.0 percent a year earlier. Similar to the region, the unemployment rate in each state was 4.8 percent, a decline from the third quarter of 2016 rates of 5.2 and 5.0 percent in New Jersey and New York, respectively.

Unemployment rates declined throughout most of the New York/New Jersey region, with small increases in some metropolitan areas because of labor force gains.



3Q = third 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 third quarter of 2017, unchanged since mid-2013. Home sales in New York increased 3 percent to nearly 130,000 homes sold during the 12 months ending September 2017, but new listings increased only 1 percent. As a result, the supply of homes for sale decreased to 6.4 months during the third quarter of 2017 from 7.0 months a year ago, and the average price increased 4 percent to \$342,700 (New York Association of Realtors®). In New Jersey, home sales increased 15 percent to 80,450 homes sold during the 12 months ending September 2017, but new listings increased only 2 percent. As a result, the supply of homes for sale decreased to 5.5 months in September 2017 from 7.5 months a year ago (New Jersey Association of Realtors®). Despite this decline, the average price was relatively unchanged at \$389,100.

The NYC housing market was balanced during the third quarter of 2017. Sales of new and existing homes rose 9 percent during the 12 months ending August 2017 to nearly 49,000 homes sold, and the average price increased 5 percent to \$833,700 (CoreLogic,

Inc.). In the Bronx, home sales rose 6 percent to 4,350 homes sold, and the average price was up 9 percent to \$400,800. The average price was up 13 percent in Brooklyn and Staten Island to \$927,300 and \$505,400, respectively, and rose 12 percent to \$590,800 in Queens. Home sales were up 2 percent in Brooklyn and Queens to 12,950 and 15,700 homes and unchanged at 5,000 homes in Staten Island. In Manhattan, home sales declined 16 percent to nearly 11,000 homes, and the average price increased 4 percent to \$1.40 million.

Home sales increased throughout New Jersey during the 12 months ending September 2017. In Northern New Jersey, 23 percent of homes sold, or 6,775, were in Bergen County. The county also had the highest median price in Northern New Jersey of \$485,000 in September 2017. Home sales increased the fastest in Hudson and Sussex Counties in Northern New Jersey at 20 and 27 percent to 990 and 510 homes sold, respectively, with median prices of \$350,000 and \$226,000, respectively. In Central New Jersey, Monmouth County had the most sales at 7,050 and the largest increase

continued on page 4

continued from page 3

of 880 homes, or 14 percent, during the past year. The median price in Monmouth County was \$410,000, down slightly from \$410,800 in September 2016. In Southern New Jersey, Camden and Ocean Counties had the largest increases of 1,175 and 1,000 homes sold, up 25 and 15 percent to 5,975 and 7,750 homes sold, respectively. The highest prices in Southern New Jersey were in Cape May County at \$355,000 during September 2017, which was down 8 percent from a year earlier, and in Ocean County at \$307,000, up 9 percent from a year ago.

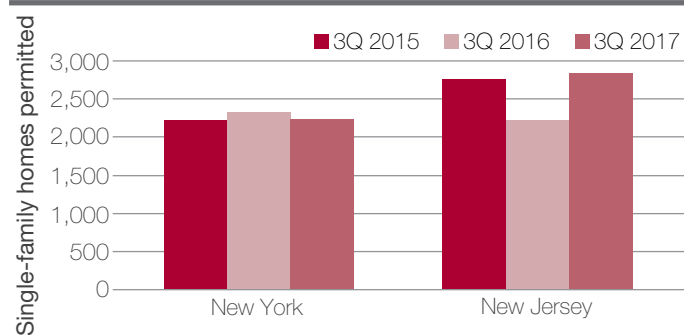
The rate of seriously delinquent mortgages (loans that are 90 or more days delinquent or in foreclosure) and real estate owned (REO) properties in the region was higher than for the nation overall, but the regional rate declined more rapidly than the national rate compared with a year ago. In August 2017, 4.6 percent of mortgages in the region were seriously delinquent or had transitioned into REO status, down from 5.7 percent a year earlier (CoreLogic, Inc.). This 1.1-percentage point decline was greater than the 0.5-percentage-point decline to 2.2 percent for the nation overall. Seriously delinquent mortgage and REO rates declined from 6.2 to 4.7 percent in New Jersey and from 5.4 to 4.5 percent in New York, the first and second highest rates in the nation.

During the third quarter of 2017 (preliminary data)—

- In the region, homebuilding activity was up 11 percent, or by 510 homes compared with a year earlier, to 5,050 single-family homes permitted, with the New York-Northern New Jersey-Long Island metropolitan area leading growth.
- In New Jersey, the number of single-family homes permitted increased 27 percent, or by 600 homes from a year ago, to 2,800 homes, near the recent average third quarter peak of 2,850 homes in 2013 and 2014.

- In New York, construction of single-family homes was down 4 percent, or by 90 homes from a year earlier, to 2,225 homes. During the past 3 years, homebuilding activity averaged 2,250 homes during the third quarter, well below the average of 4,900 homes permitted during the third quarter of 2001 through 2005 but approaching the average of 2,575 homes during 2007 and 2008.
- In metropolitan areas in the region, single-family homebuilding activity increased 15 percent in the New York-Northern New Jersey-Long Island area to 2,850 homes; however, construction activity declined 9 percent to 40 homes in the Trenton metropolitan area and decreased 12 and 23 percent in the Albany and Rochester metropolitan areas to 380 and 300 homes, respectively.

Single-family building activity increased overall in the New York/New Jersey region during the third quarter of 2017, and the increase in New Jersey more than offset a slight decline in New York.



3Q = third quarter.

Note: Based on preliminary data.

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

Home sales and sales prices increased throughout most of the New York/New Jersey region during the third quarter of 2017.

	12 Months Ending	Number of Homes Sold				Price		
		2016	2017	Percent Change	Average or Median	2016 (\$)	2017 (\$)	Percent Change
New York* (E)	September	126,046	129,968	3	AVG	328,200	342,700	4
New York City (N&E)	August	45,085	48,976	9	AVG	792,300	833,700	5
Albany MSA (N&E)	August	13,853	13,547	-2	AVG	202,900	202,600	0
Buffalo MSA** (E)	September	11,831	11,142	-6	AVG	154,100	159,200	3
Rochester MSA** (E)	September	11,876	12,751	7	AVG	154,300	149,600	-3
New Jersey*** (E)	September	70,150	80,450	15	AVG	388,800	389,100	0
Northern New Jersey*** (E)	September	25,100	29,300	17	MED	217,000–476,000	226,000–485,000	NA
Central New Jersey**** (E)	September	18,650	20,700	11	MED	270,000–460,000	245,000–445,000	NA
Southern New Jersey*** (E)	September	24,800	29,200	18	MED	127,000–385,000	116,800–355,000	NA

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

* Excludes parts of NYC 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; Greater Rochester Association of Realtors®; New Jersey Association of Realtors®; New York State Association of Realtors®

Apartment Market Conditions

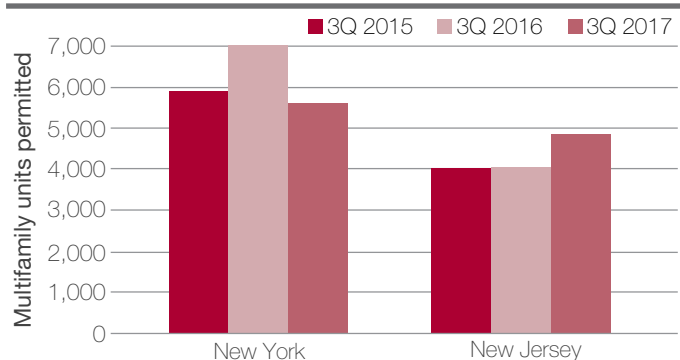
Demand for apartments was strong in the New York/New Jersey region during the third quarter of 2017. Apartment market conditions in the region ranged from balanced to tight. In Central New Jersey, the vacancy rate was unchanged at 2.4 percent, and the average rent increased 3 percent to \$1,371 from a year earlier. The Reis-defined Somerset market area led the rent growth with a 6-percent increase, or \$95, to \$1,602, the highest rent level in Central New Jersey. The construction of apartments kept pace with demand in Northern New Jersey, where the market was balanced with a vacancy rate of 4.2 percent, unchanged compared with a year ago, while the average rent rose 3 percent to \$1,869. Apartment construction was strong in Hudson County, with 2,500 units completed during the 12 months ending September 2017, down from 3,550 units completed a year earlier (McGraw-Hill Construction Pipeline database). Despite the number of units in lease-up, the vacancy rate declined slightly from 5.8 percent to 5.6 percent.

The traditionally tight NYC market was balanced during the third quarter 2017 because of historic levels of development. Approximately 4,750 apartments were completed during the third quarter of 2017, up 7 percent from 4,425 units completed during the third quarter of 2016 (McGraw-Hill Construction Pipeline database). On Long Island, the vacancy rate decreased only slightly to 2.9 percent from a year ago, while the average rent rose 2 percent to \$2,023, despite the addition of 420 and 120 apartment units during the 12 months ending September 2016 and 2017, respectively. In Westchester, the vacancy rate increased modestly to 3.5 percent, and the average rent decreased 1 percent to \$2,146, while the market absorbed 810 apartments completed during the 12 months ending September 2017, up from 310 units a year earlier.

Apartment markets in Upstate New York were balanced to slightly tight. The Albany market was tight for the past 2 years but has become balanced with the completion of 1,425 and 1,125 apartment units during the 12 months ending September 2016 and 2017, respectively (McGraw-Hill Construction Pipeline database). The vacancy rate in Albany increased from 3.4 to 4.1 percent during the third quarter of 2017, and the average rent rose 1 percent to \$1,285. In Syracuse, the market is slightly tight with a vacancy rate of 3.9 percent despite the completion of 790 apartments during the 12 months ending September 2017 compared with 380 units completed a year ago. The average rent in Syracuse was up 3 percent to \$918.

continued on page 6

Despite a decline in multifamily permitting overall in the New York/New Jersey region, more than 4,000 units were permitted in New Jersey during the third quarter for the fourth consecutive year.



3Q = third quarter.

Note: Based on preliminary data.

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

The average rent increased throughout most of the New York/New Jersey region during the third quarter of 2017, despite increases in vacancy rates in areas with recently completed apartments in lease up.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		3Q 2016 (%)	3Q 2017 (%)	Percentage Point Change	3Q 2016 (\$)	3Q 2017 (\$)	Percent Change
Albany ^a	Balanced	3.4	4.1	0.7	1,277	1,285	1
Central New Jersey ^b	Tight	2.4	2.4	0.0	1,332	1,371	3
Long Island ^b	Slightly tight	3.0	2.9	-0.1	1,981	2,023	2
New York City ^b	Balanced	3.1	4.7	1.6	3,512	3,576	2
Northern New Jersey ^b	Balanced	4.2	4.2	0.0	1,812	1,869	3
Syracuse ^a	Slightly tight	2.7	3.9	1.2	890	918	3
Westchester ^b	Slightly tight	3.2	3.5	0.3	2,159	2,146	-1

3Q = third quarter.

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

continued from page 5

During the third quarter of 2017 (preliminary data)—

- In the region, multifamily construction declined 5 percent, or by 580 units compared with the third quarter of 2016, to 10,500 multifamily units permitted. A 20-percent decrease in New York more than offset a 20-percent increase in New Jersey.
- In New York, multifamily permitting totaled 5,625 units, 1,375 fewer units than a year earlier and down from an average of 6,375 units permitted from 2013 through 2015. Builders slowed production across the state during the third quarter of 2017. In NYC, multifamily permitting declined 14 percent to 4,350 units compared with a year earlier.
- In New Jersey, 4,850 multifamily units were permitted, up by 790 units, or 20 percent, compared with a year ago and higher than

the average of 4,775 units permitted during the corresponding periods in 2014 and 2015. In 2015, multifamily permitting reached an annual peak at 20,050 units, the highest level since 1980, primarily because millennials and baby boomers are increasingly attracted to multifamily units near public transportation in Northern and Central New Jersey.

- In metropolitan areas in the region, multifamily construction slowed in Upstate New York, with declines of 4, 44 and 17 percent in the Albany, Rochester, and Buffalo areas to 390, 180, and 160 units, respectively. In New Jersey, a 200-unit, or 177-percent, increase to 300 units in the Atlantic City metropolitan area offset a 120-unit, or 44-percent, decline to 160 units in the Trenton metropolitan area.