HUD PD&R Regional Reports

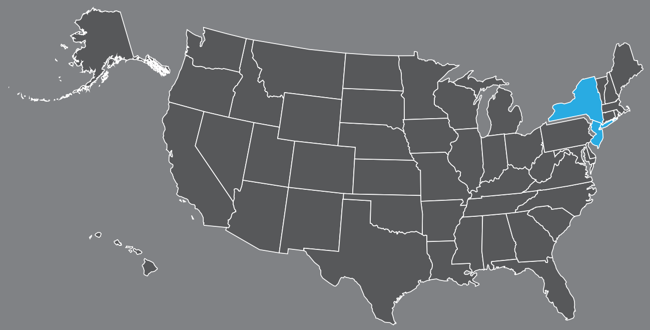
Region 2: New York/New Jersey

Rochester, New York

Quick Facts About Region 2

- **Sales market conditions—**
  Fourth quarter 2018: balanced
  Third quarter 2018: balanced
  Fourth quarter 2017: balanced

- **Apartment market conditions—**
  Fourth quarter 2018: mixed (slightly soft to tight)
  Third quarter 2018: mixed (slightly soft to tight)
  Fourth quarter 2017: mixed (slightly soft to tight)



By Joseph Shinn | 4th quarter 2018

Overview

Economic conditions in the New York/New Jersey region improved during the fourth quarter of 2018, continuing a trend that began during the fourth quarter of 2010. Payrolls increased at a faster pace compared with losses a year ago, which is largely because of gains in the manufacturing and the wholesale and retail trade sectors. Strong increases in resident employment caused the unemployment rate to decline in the region overall and in both states. Sales market conditions were balanced in both states, unchanged from a year ago, but home sales were down or little changed throughout the region. Apartment market conditions in the major metropolitan areas in the region ranged from slightly soft to tight during the fourth quarter of 2018. In New York City (NYC), the apartment market transitioned from slightly soft to balanced during the past year because of a decline in the number of new apartment units coming on line.

During the fourth quarter of 2018—

- Nonfarm payrolls in the region increased 1.4 percent, to nearly 14.02 million jobs, compared with the fourth quarter of 2017. More jobs were added in New York, but payrolls increased at a faster pace in New Jersey for the third consecutive year.

continued on page 2

continued from page 1

- Single-family homebuilding activity was up 21 percent in the region; increased building activity in New Jersey more than offset a slight decline in New York. Multifamily building activity in the region decreased by 1,475 units, or 12 percent; all losses were in New Jersey.
- In the New York-Newark-Jersey City metropolitan area, single-family construction activity was up 21 percent compared with a year ago. Multifamily permitting in the metropolitan area decreased 6 percent, but the number of units permitted in NYC increased 3 percent compared with the fourth quarter of 2017.

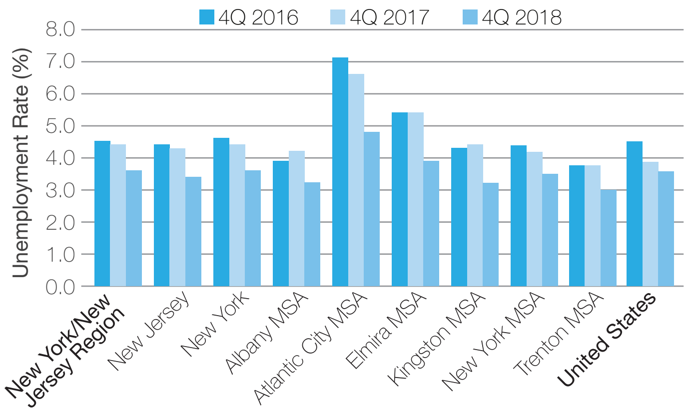
Economic Conditions

The economy of the New York/New Jersey region expanded during the fourth quarter of 2018, and job growth slightly accelerated compared with a year ago. During the fourth quarter of 2018, nonfarm payrolls in the region averaged nearly 14.02 million jobs, up by 189,000 jobs, or 1.4 percent, from the fourth quarter of 2017. By comparison, during the fourth quarter of 2017, nonfarm payrolls were up 1.0 percent compared with the same period a year earlier. The increased job growth was partially because of gains in the manufacturing and the wholesale and retail trade sectors, which were up by 9,900 and 4,800 jobs, or 1.4 and 0.2 percent, respectively. By comparison, during the fourth quarter of 2017, nonfarm payrolls in those sectors declined by 3,900 and 8,300 jobs, or 0.6 and 0.4 percent, respectively, compared with the fourth quarter of 2016. Manufacturing gains during the past year were largely concentrated in the Newark and Camden metropolitan divisions, where nonfarm payrolls in the sector were up by 4,200 and 1,200 jobs, or 5.6 and 1.2 percent, respectively. During the fourth quarter of 2018, the largest gains in the region were in the education and health services and the professional and business services sectors, which increased by 65,000 and 35,900 jobs, or 2.3 and 1.8 percent, respectively. In the professional and business services sector, TransPerfect, a firm that provides language translation services, added more than 290 jobs during 2018 at its office in NYC.

During the fourth quarter of 2018, the unemployment rate in the New York/New Jersey region averaged 3.6 percent, down from 4.4 percent a year earlier. The decline during the past year was largely because of a 1.7-percent increase in resident employment,

continued on page 3

Unemployment rates were down in the New York/New Jersey region overall and in both states for the second consecutive year.



4Q = fourth quarter.
Source: U.S. Bureau of Labor Statistics

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

	Fourth Quarter		Year-Over-Year Change	
	2017 (thousands)	2018 (thousands)	Absolute (thousands)	Percent
Total Nonfarm Payrolls	13,826.9	14,015.9	189.0	1.4
Goods-Producing Sectors	1,244.3	1,266.8	22.5	1.8
Mining, Logging, & Construction	553.9	566.4	12.5	2.3
Manufacturing	690.4	700.3	9.9	1.4
Service-Providing Sectors	12,582.6	12,749.1	166.5	1.3
Wholesale & Retail Trade	1,993.4	1,998.2	4.8	0.2
Transportation & Utilities	524.4	544.4	20.0	3.8
Information	340.6	337.8	-2.8	-0.8
Financial Activities	966.8	967.7	0.9	0.1
Professional & Business Services	2,008.6	2,044.5	35.9	1.8
Education & Health Services	2,767.7	2,832.7	65.0	2.3
Leisure & Hospitality	1,298.8	1,324.4	25.6	2.0
Other Services	588.0	604.3	16.3	2.8
Government	2,094.3	2,095.0	0.7	0.0

Source: U.S. Bureau of Labor Statistics

continued from page 2

which was the largest year-over-year increase in 15 years. The unemployment rates in New Jersey and New York were 3.4 and 3.6 percent, respectively, during the fourth quarter of 2018. The current rates were down from the 4.3- and 4.4-percent rates during the fourth quarter of 2017, respectively. The current rates in both states are at or below the national rate of 3.6 percent.

During the fourth quarter of 2018—

- In New York, nonfarm payrolls increased by 124,200 jobs, or 1.3 percent, compared with the fourth quarter of 2017. Nearly 45 percent of the net job gains were in the education and health services sector, which increased by 55,500 jobs, or 2.7 percent; fourth quarter job growth in the sector was the strongest since 2000.
- Nonfarm payrolls in New York increased at the fastest pace in the mining, logging, and construction sector, which was up 3.6 percent, or by 14,300 jobs. All net gains were in the construction subsector, which increased by 14,400 jobs, or 3.7 percent, and was partially attributed to an increase in infrastructure projects throughout the state.
- Nonfarm payrolls in NYC increased by 72,500 jobs, or 1.6 percent, compared with a year ago. Amazon.com, Inc. opened a new office in the borough of Manhattan in late 2017, which created 2,000 new jobs, many of which were filled in 2018.
- Nonfarm payrolls in New Jersey increased 1.6 percent, or by 64,800 jobs, compared with a 1.0-percent increase during the same period a year earlier. The largest gains during the past year were in the professional and business services and the transportation and utilities sectors, which increased by 22,500 and 13,700 jobs, or 3.3 and 6.3 percent, respectively.
- In the Trenton and Atlantic City metropolitan areas, nonfarm payrolls increased by 8,100 and 4,900 jobs, or 3.0 and 3.8 percent, respectively. By comparison, during the fourth quarter of 2017, nonfarm payrolls were up 1.3 and 0.7 percent, respectively.

Sales Market Conditions

Sales housing market conditions in the New York/New Jersey region were balanced during the fourth quarter of 2018; conditions have remained balanced since the second quarter of 2013. During the 12 months ending November 2018, the region had 4.9 months of available for-sale inventory, down slightly from 5.1 months of inventory during the previous 12-month period (CoreLogic, Inc.). The months of available inventory only slightly declined during the past year because sales activity was down or relatively unchanged throughout the region; that trend is largely attributed to rising mortgage interest rates. In New York, existing home sales declined 1 percent, to 129,900 homes sold during 2018 (New York State Association of Realtors®). By comparison, home sales activity in the state increased 1 percent during 2017 and an average of 11 percent annually during 2015 and 2016. The average sales price of existing homes in New York was $363,500, up 5 percent from a year ago. Existing home sales in New Jersey increased 1 percent, to 81,100 homes sold (New Jersey Association of Realtors®). By comparison, sales activity during 2016 and 2017 increased 17 and 10 percent, respectively. The average sales price of existing homes increased 1 percent, to $394,300. The statewide average sales price has declined or has been relatively unchanged each year since 2014 because home sales in southern New Jersey, which

continued on page 4

Sales activity slightly increased in New Jersey, but was down in New York; average sales prices were up throughout the region.

	12 Months Ending	Number of Homes Sold			Price			
		2017	2018	Percent Change	Average or Median	2017 ($)	2018 ($)	Percent Change
New York*,** (E)	December	131,100	129,900	-1	AVG	347,800	363,500	5
New York City (N&E)**	November	50,050	44,400	-11	AVG	887,400	912,700	3
Albany MSA (N&E)**	November	14,650	14,300	-2	AVG	216,300	218,100	1
Buffalo MSA** (E)	December	10,750	10,100	-6	AVG	162,800	176,500	8
Rochester MSA** (E)	December	14,150	13,950	-1	AVG	155,300	166,000	7
New Jersey*** (E)	December	80,600	81,100	1	AVG	390,100	394,300	1
Northern New Jersey*** (E)	December	29,850	29,850	0	MED	210,000–460,000	213,100–480,000	NA
Central New Jersey***,**** (E)	December	21,000	20,800	-1	MED	250,000–425,000	237,000–438,300	NA
Southern New Jersey*** (E)	December	29,750	30,400	2	MED	86,000–331,000	125,000–292,500	NA

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

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.

continued from page 3

have a lower average sales price, have made up an increasing portion of all home sales in the state. During 2018, more than 37 percent of all sales in New Jersey were in the southern portion of the state, compared with fewer than 34 percent of all sales during 2014.

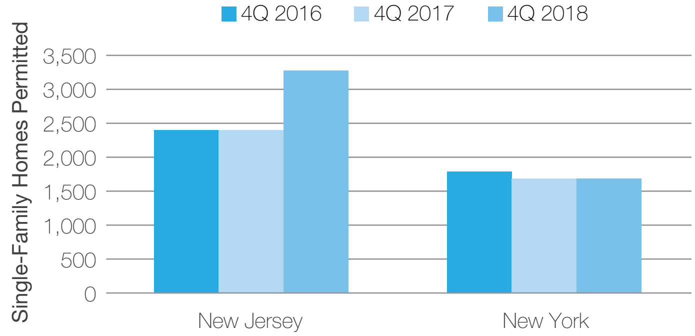
The NYC housing market, which consists of the five boroughs—the Bronx, Brooklyn, Manhattan, Queens, and Staten Island—was balanced during the fourth quarter of 2018. Sales of new and existing homes strongly declined in NYC and in each of the boroughs during the past year, which is partially because rising home prices caused more residents to rent instead of own. During the 12 months ending November 2018, home sales declined 11 percent, to 44,400 homes sold (CoreLogic, Inc., with adjustments by the analyst). During the 12 months ending November 2018, the average sales price increased 3 percent, to $912,700. The average sales price increased at its slowest pace since 2011, which is partially attributed to home sales in Manhattan, where sales prices are highest, making up a smaller part of all sales activity in NYC. During 2018, approximately 20 percent of all home sales in NYC were in Manhattan, down from 22 percent of all sales during 2017. Additionally, while the average sales price increased between 3 and 12 percent in the other four boroughs, the average price in Manhattan was down 2 percent compared with a year ago.

In November 2018, 3.2 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 1.7-percent national rate and is at least 1 percentage point higher than all other HUD regions, which is attributed to both New Jersey and New York being judicial foreclosure states; in foreclosure states, the average length of the foreclosure process is longer than in states with a nonjudicial disclosure process. The current rate, however, is down from the 4.3-percent rate in November 2017, and the 1.1 percentage-point decline is the largest decrease of all HUD regions. In New Jersey and New York, the rates were 2.9 and 3.4 percent, respectively, in November 2018, down from 4.3 percent each a year ago.

During the fourth quarter of 2018 (preliminary data)—

- Single-family homebuilding activity, as measured by the number of homes permitted, increased by 860 homes, or 21 percent, in the New York/New Jersey region, to 4,975 homes permitted. By comparison, construction activity decreased by an average of 270 homes, or 6 percent, annually during the previous 2 years.
- Homebuilding activity in New Jersey increased by 870 homes, or 36 percent, to 3,275 homes permitted. Construction activity in the Atlantic City metropolitan area was up by 60 homes, or 76 percent, to 140 homes permitted; fourth-quarter permitting activity is at the highest level since 2009, which is attributed to strong job growth.
- In response to decreased sales activity, building activity in New York slightly declined by 10 homes, or less than 1 percent, to 1,700 homes permitted. Single-family permitting activity decreased an average of 5 percent annually during the past 3 years compared with an average 12-percent increase in corresponding periods from 2011 through 2015.
- Construction activity in the New York-Newark-Jersey City metropolitan area was up by 530 homes, or 21 percent, to 3,100 homes permitted. The net increase was largely concentrated in Hudson County, NJ, where building activity increased from 35 homes permitted during the fourth quarter of 2017 to nearly 790 homes permitted during the fourth quarter of 2018.

Single-family homebuilding activity increased in the New York/New Jersey region during the fourth quarter of 2018; all gains were in New Jersey.



4Q = fourth quarter.
Note: Based on preliminary data.
Source: U.S. Census Bureau, Building Permits Survey

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 fourth quarter of 2018. Conditions in New York ranged from slightly soft to tight. In NYC, the apartment market was balanced, compared with slightly soft conditions a year ago, and the apartment vacancy rate was 4.8 percent, down from 5.1 percent during the fourth quarter of 2017 (Reis, Inc.). The vacancy rate declined, in part, because of a decrease in the number of newly constructed apartment units coming on line. During 2018, approximately 27,050 new units were completed, down 9 percent compared with 2017 (McGraw-Hill Construction Pipeline database). The average rent in NYC increased 3 percent, to $3,704, which was the highest average rent in the region. The apartment market in Long Island was slightly tight, but the vacancy rate increased 0.5 percentage point to 3.5 percent, which is attributed to net out-migration. Despite the increased vacancy rate, the average rent increased 4 percent to $2,125.

continued on page 5

continued from page 4

Average rents increased throughout the New York/New Jersey region, but vacancy rate changes varied during the fourth quarter of 2018.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		4Q 2017 (%)	4Q 2018 (%)	Percentage Point Change	4Q 2017 ($)	4Q 2018 ($)	Percent Change
Albany[a]	Slightly soft	4.6	4.9	0.3	1,190	1,230	3
Atlantic-Cape May[b]	Slightly tight	5.2	3.0	-2.2	1,035	1,059	2
Buffalo[b]	Tight	4.1	2.8	-1.3	880	912	4
Long Island[b]	Slightly tight	3.0	3.5	0.5	2,050	2,125	4
New York City[b]	Balanced	5.1	4.8	-0.3	3,600	3,704	3
Northern New Jersey[b]	Slightly soft	4.1	5.1	1	1,912	2,016	5
Rochester[a]	Balanced	4.6	4.3	-0.3	959	993	4

4Q = fourth quarter.
Sources: Market Condition—Economic and Market Analysis Division; Vacancy Rate and Average Monthly Rent—(a) RealPage, Inc.; (b) Reis, Inc.

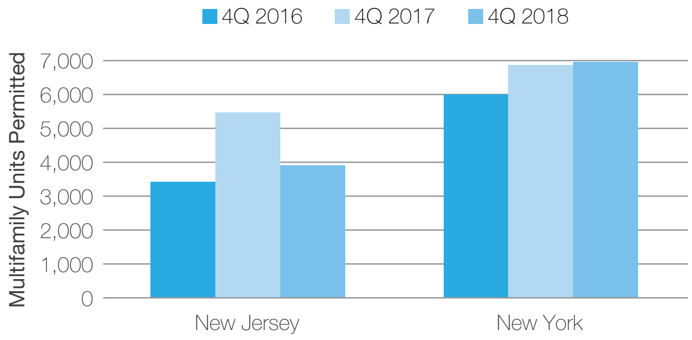
Conditions in the Buffalo metropolitan area transitioned from balanced to tight during the past year, and the apartment vacancy rate declined from 4.1 percent to 2.8 percent (Reis, Inc.). Vacancy rates in the metropolitan area have fallen during the past year because of a significant drop in the number of newly constructed apartment units coming on line. During 2018, approximately 750 new units were completed, down nearly 67 percent compared with the 2,225 units completed during 2017 (McGraw-Hill Construction Pipeline database). The apartment markets in the Rochester and Albany metropolitan areas were balanced and slightly soft, respectively. The apartment vacancy rates in the areas were 4.3 and 4.9 percent, respectively (RealPage, Inc.). Despite varying conditions, average rents throughout upstate New York increased at similar paces. The average rents in the Rochester, Buffalo, and Albany metropolitan areas increased 4, 4, and 3 percent, to $993, $912, and $1,230, respectively.

Apartment market conditions in New Jersey ranged from slightly soft to slightly tight. In the Reis, Inc.-defined Atlantic-Cape May market area, conditions tightened during the past year because of a very limited amount of newly constructed apartment units coming on line. The apartment vacancy rate in the area was 3.0 percent, down from 5.2 percent a year ago, and the average rent increased 2 percent, to $1,059. The apartment market in northern New Jersey was slightly soft, with a 5.1-percent vacancy rate, up from 4.1 percent during the fourth quarter of 2017. The average rent, however, increased 5 percent, to $2,016, which was the largest percentage increase in the region and was attributed to higher priced, newly constructed apartment units being added to the apartment survey.

During the fourth quarter of 2018 (preliminary data)—

- Building activity, as measured by the number of multifamily units permitted, totaled approximately 10,900 units permitted in the New York/New Jersey region, down by 1,475 units, or 12 percent, compared with the fourth quarter of 2017. By comparison, during the fourth quarter of 2017, multifamily construction activity increased 32 percent compared with the same period a year earlier.
- Construction activity in New Jersey decreased by 1,550 units, or 28 percent, to 3,925 units permitted. Multifamily building decreased an average of 10 percent annually during the past 3 years compared with an average 26-percent increase during corresponding periods from 2010 through 2015.
- In New York, multifamily permitting activity increased by 80 units, or 1 percent, to 6,975 units permitted. The uptick in construction activity was largely because of higher levels of multifamily building in NYC in response to declining apartment vacancy rates; the number of units permitted in NYC increased by 150 units, or 3 percent, to 5,725 units permitted.
- Despite the increased activity in NYC, multifamily construction in the New York-Newark-Jersey City metropolitan area decreased by 630 units, or 6 percent, to 9,650 units permitted. The decline was largely concentrated in the New Jersey portions of the metropolitan area, especially in Hudson and Bergen Counties, where the number of units permitted was down by 1,050 and 250 units, or 71 and 31 percent, to 430 and 570 units permitted, respectively.

Multifamily building activity slightly increased in New York, but declined in New Jersey during the fourth quarter of 2018.



4Q = fourth quarter.
Note: Based on preliminary data.
Source: U.S. Census Bureau, Building Permits Survey