

# HUD PD&R Regional Reports

## Region 2: New York/New Jersey

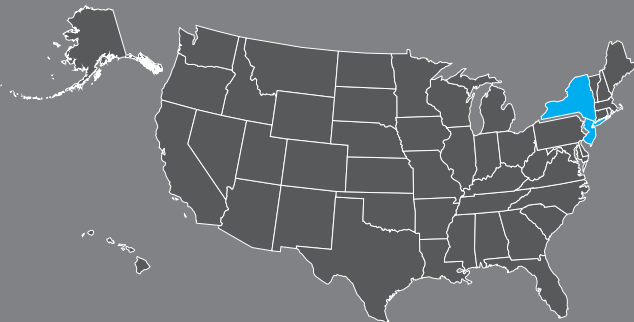


Bayonne City, New Jersey

By Sam Young | 4th quarter 2015

### Quick Facts About Region 2

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



### Overview

The economy continued to expand in the New York/New Jersey region during the fourth quarter of 2015, and the rate of job growth increased. Nonfarm payrolls increased 1.7 percent from a year earlier in the fourth quarter of 2015 compared with 1.4-percent growth annually from 2012 through 2014. Increased residential and commercial construction in the region supported strong payroll growth in the construction subsector, which increased 7.3 percent, to 533,900 jobs. Home sales demand increased during 2015, with sales of new and existing homes in the region up approximately 8 percent from a year earlier. Sales prices for new and existing homes increased slightly in the region during the fourth quarter of 2015 compared with prices a year earlier, and single-family home-building was up 8 percent. Apartment market conditions ranged from balanced to tight in the major metropolitan areas in the region. Although many new apartments were completed during 2015, the units were absorbed quickly, and vacancies declined in most metropolitan areas. The permitting of multifamily units increased sharply, more than doubling from a year earlier in the fourth quarter of 2015, so apartment market conditions may ease in 2016.

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During the fourth quarter of 2015—

- Increases in the education and health services sector and the construction subsector led overall payroll gains, accounting for 56 percent of total job growth.
- Home sales in New York and New Jersey in 2015 were up 8 and 7 percent, respectively, from a year earlier, while sales in New

York City (NYC) rose nearly 7 percent. Single-family home construction was also up strongly in New York and rose slightly in New Jersey.

- Apartment market conditions remained tight in some metropolitan areas despite new units being completed. Multifamily construction activity surged in both New York and New Jersey.

## Economic Conditions

The economy in the New York/New Jersey region continued to expand during the fourth quarter of 2015, and the rate of growth increased compared with the rate from 2012 through 2014. Nonfarm payrolls increased by 221,100 jobs, or 1.7 percent, from a year earlier, to 13.46 million jobs. By comparison, nonfarm payroll growth averaged 1.4 percent a year from 2012 through 2014. The increased regional job growth was partly because of increased multifamily construction resulting from the expiration of tax incentives for multifamily development in NYC in June 2015. During 2015, the number of multifamily units permitted in the region more than doubled from 2014. Payrolls in the construction subsector in the fourth quarter of 2015 were up by approximately 36,500 jobs, or 7.3 percent, from a year earlier in the region, with most of the gains concentrated in New York. Overall job growth in the region remained strong, with increases in the education and health services and the professional and business services sectors of 87,800 and 27,700 jobs, or 3.4 and 1.5 percent, respectively. New hospital construction contributed to

growth in the healthcare industry. Two major hospital expansions are currently under way in New York: a 374-bed, 8,000-square-foot expansion of the Langone Medical Center in Manhattan that is valued at \$2 billion and the expansion of New York Methodist Hospital's Park Slope outpatient center in Brooklyn. Labor market conditions continued to tighten in the fourth quarter of 2015. The unemployment rate in the region averaged 4.7 percent, down from 5.8 percent a year earlier. The unemployment rate averaged 4.8 percent in New Jersey and 4.6 percent in New York.

During the fourth quarter of 2015—

- Nonfarm payrolls increased in New Jersey and New York by 57,300 and 163,800 jobs, or 1.4 and 1.8 percent, respectively, supported by job gains in nearly every sector. The rate of payroll growth also increased in both states from the same period a year ago, when jobs rose by 0.7 and 1.2 percent in New Jersey and New York, respectively. The rates of payroll growth in New

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The mining, logging, and construction sector had the highest percentage increase in job growth in the New York/New Jersey region during the fourth quarter of 2015.

	Fourth Quarter		Year-Over-Year Change	
	2014 (thousands)	2015 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	13,242.6	13,463.7	221.1	1.7
Goods-producing sectors	1,200.3	1,239.0	38.7	3.2
Mining, logging, and construction	504.2	540.2	36.0	7.1
Manufacturing	696.1	698.8	2.7	0.4
Service-providing sectors	12,042.3	12,224.7	182.4	1.5
Wholesale and retail trade	1,991.2	1,997.0	5.8	0.3
Transportation and utilities	463.8	479.7	15.9	3.4
Information	340.1	343.8	3.7	1.1
Financial activities	940.0	947.3	7.3	0.8
Professional and business services	1,885.4	1,913.1	27.7	1.5
Education and health services	2,545.0	2,632.8	87.8	3.4
Leisure and hospitality	1,214.9	1,240.7	25.8	2.1
Other services	568.2	580.8	12.6	2.2
Government	2,093.6	2,089.6	- 4.0	- 0.2

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

Source: U.S. Bureau of Labor Statistics

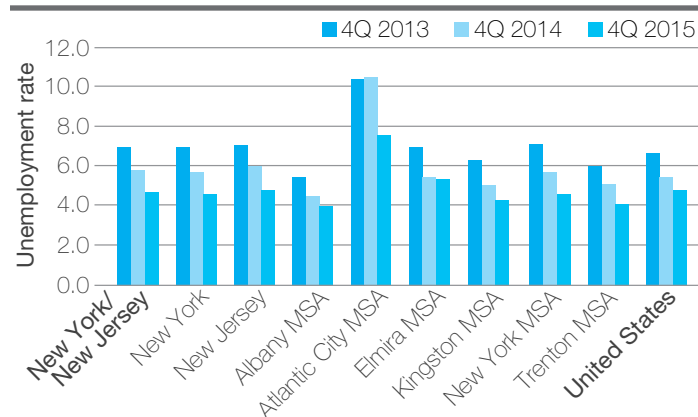


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Jersey and New York also outpaced the average annual rates of 0.6 and 1.0 percent, respectively, during the previous expansion from 2004 through 2007.

- In New York, the education and health services sector and the construction subsector led employment gains. The recent increase in construction is partly because of the construction of the David H. Koch Center for Cancer Care, a 1.15 million-square-foot facility in Manhattan and jointly developed by Memorial Sloan Kettering Cancer Center and Hunter College.
- In New Jersey, the construction subsector and the transportation and utilities sector led payroll growth. These sectors had the strongest percentage gains of any sector, growing 7.0 and 5.9 percent, respectively. Nonresidential construction boosted construction subsector job growth, supported by the development of Camden's waterfront, including a new practice facility for the Philadelphia 76ers. Amazon, Inc., recently opened a 1.2 million-square-foot fulfillment center in Trenton, which now employs 4,000 people, increasing transportation and utilities sector growth.
- In NYC, nonfarm payrolls were up by 94,300 jobs, or 2.3 percent. The mining, logging, and construction sector had the greatest percentage gain, rising by 6,100 jobs, or 4.7 percent. Construction spending in the five boroughs rose to \$39 billion in 2015, up more than 10 percent from a year ago (New York Building

The unemployment rate in the New York/New Jersey region was similar to the national rate after a steep decline during the past year.



4Q = fourth quarter.

Source: U.S. Bureau of Labor Statistics

Congress). During the first half of 2015, residential construction totaled \$10.5 billion compared with \$11.9 billion for all of 2014.

- The financial activities sector in NYC expanded by 12,300 jobs, or 2.7 percent, to 462,800 jobs. The recent increases continue the growth in this sector since 2013, following 2 years of average declines of 0.2 percent annually in 2011 and 2012.

## Sales Market Conditions

Home sales demand increased in the New York/New Jersey region during the fourth quarter of 2015, although sales market conditions remain balanced. The supply of homes for sale increased during the past 12 months, but home sales increased at a faster rate. In New York, the number of home sales increased 8 percent, while new listings only grew by 3 percent. Consequently, the months of supply of homes for sale declined to 9.8 months from 11.6 months a year earlier (New York State Association of Realtors®). Home sales in New Jersey followed a different pattern in 2015. Home sales increased 7 percent, to 62,800 sales during 2015, while new listings increased nearly 9 percent. As a result, sales prices remained relatively flat and the days on market declined only slightly to 86 days from 88 days during 2014 (New Jersey Association of Realtors®).

The NYC housing market was balanced in the fourth quarter of 2015. Homebuyers were encouraged by the increased number of active home listings causing home sales and prices to increase in NYC. In Manhattan, during 2015, the number of new and existing condominiums and cooperatives sold increased less than 1 percent, to 13,225 units, and the average sales price increased 6 percent, to \$1.62 million (Real Estate Board of New York). In Brooklyn and Queens, average home prices (including condominiums, cooperatives,

and one- to three-family homes) increased 13 and 8 percent, to \$789,000 and \$485,000, respectively. Home sales increased 7 and 9 percent in Brooklyn and Queens, to 11,600 and 15,125 homes, respectively. In the Bronx, home sales were up 21 percent, to a record 3,250 homes, and the average price increased more than 6 percent, to \$378,000. On Staten Island, home sales increased 11 percent, to 4,400 homes, and the average price rose nearly 5 percent, to \$432,000.

Strengthening home sales demand contributed to declines in the rates of seriously delinquent mortgages (90 or more days delinquent or in foreclosure) and real estate owned (REO) properties. In December 2015, 7.8 percent of mortgages in the region were seriously delinquent or had transitioned into REO status, down from 8.2 percent a year earlier (Black Knight Financial Services, Inc.). The rates of seriously delinquent mortgages and REO properties declined from 9.3 to 9.0 percent in New Jersey and from 7.6 percent to 7.1 percent in New York during the period but were far higher than the national average of 4.1 percent. Despite these declines in the region, New Jersey and New York still have the highest percentages of seriously delinquent mortgages and REO properties nationally because both are judicial states.

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## Home sales and home sales prices increased in most major metropolitan areas in the New York/New Jersey region.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2014	2015	Percent Change		2014 (\$)	2015 (\$)	Percent Change
New York* (E)	December	108,000	116,700	8	AVG	317,700	323,500	2
New York City (N&E—1–3 family)	December	20,125	22,325	11	AVG	652,300	697,500	7
New York City (N&E—condo & co-op)	December	24,650	25,475	3	AVG	1,005,000	1,053,000	5
Albany MSA** (N&E)	November	11,150	11,500	3	AVG	203,300	201,000	– 1
Buffalo MSA** (E)	December	11,150	11,900	7	AVG	150,000	152,600	2
Rochester MSA** (E)	December	10,400	11,100	7	AVG	148,200	152,100	3
New Jersey*** (E)	December	58,700	62,800	7	AVG	399,900	401,500	0
Northern New Jersey*** (E)	December	22,050	24,750	12	MED	203,000–429,000	219,900–459,000	NA
Central New Jersey**** (E)	December	15,750	16,800	7	MED	277,000–440,000	275,000–453,000	NA
Southern New Jersey*** (E)	December	19,650	20,750	6	MED	134,000–290,000	131,900–307,250	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.

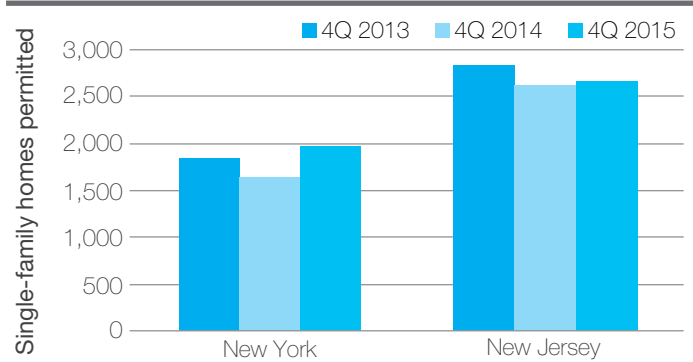
Sources: Buffalo Niagara Association of Realtors®; CoreLogic, Inc., with adjustments by the analyst; Greater Rochester Association of Realtors®, Inc.; New Jersey Association of Realtors®; New York State Association of Realtors®, Inc.; Real Estate Board of New York

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Continued economic growth and stronger home sales demand led to increased single-family construction activity for the region, despite declines in some areas. During the fourth quarter of 2015 (preliminary data)—

- Construction of single-family homes in the region, as measured by the number of homes permitted, was up 8 percent from a year earlier, to approximately 4,650 homes.
- In New York, the number of single-family homes permitted increased 20 percent, to 1,970 homes. This gain was led by increases in the Buffalo, Rochester, and Albany metropolitan areas, where permitting increased 71, 56, and 48 percent, to 240, 370, and 340 homes permitted, respectively.
- In New Jersey, The number of single-family homes permitted rose 1 percent from a year ago, to 2,670 homes permitted. Permitting increased in Trenton and Atlantic City, rising 78 and 44 percent, to about 60 and 120 homes, respectively. A decline in the Ocean City metropolitan area, however, of 10 percent, to 130 homes, partially offset these gains.

## In the New York/New Jersey region, homebuilding rose slightly in New Jersey but strongly in New York during the fourth quarter of 2015.



4Q = fourth quarter.

Note: Based on preliminary data.

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

- Homebuilding activity in the New York-Northern New Jersey-Long Island metropolitan area increased slightly, to 2,775 homes permitted, up just over 1 percent from a year ago.

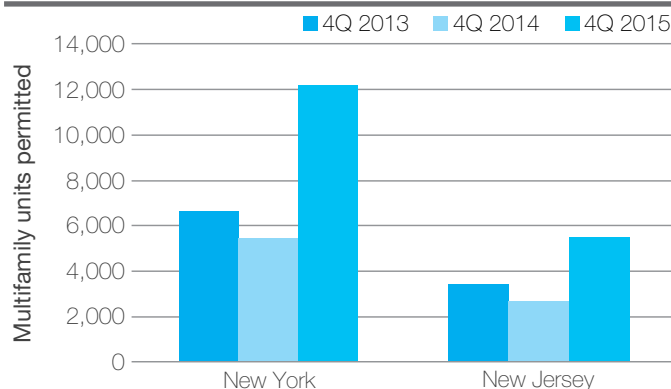
## Apartment Market Conditions

Apartment demand is currently strong in the New York/New Jersey region. Despite the completion of 5,400 new apartments (McGraw-Hill Construction Pipeline database), market conditions in most metropolitan areas in the region ranged from balanced to tight in the fourth quarter of 2015. Conditions were tight in Atlantic and Cape May Counties, where the vacancy rate declined to 2.4 percent from 3.0 percent a year earlier (Reis, Inc.). Despite the tightening rental market conditions, rents rose by a moderate 2 percent, to \$1,282. The apartment market in Northern New Jersey has been balanced since the first quarter of 2014, despite a 40-percent increase in the number of units permitted from 2013 to 2014. The vacancy rate decreased slightly to 4.3 percent, from 4.4 percent a year earlier, and rents increased 4 percent, to \$1,750 monthly. In New York, apartment market conditions were mixed. Apartment market conditions remained balanced in NYC, with a 3.1-percent vacancy rate in the fourth quarter of 2015, down slightly from 3.3 percent a year earlier (Reis, Inc.). More than 25,000 new apartments were completed during 2015, but most of the units were absorbed quickly. Monthly apartment rents averaged approximately \$3,500 in the fourth quarter of 2015, a 6-percent increase from a year earlier. In the Buffalo metropolitan area, apartment conditions remained tight, with a 2.9-percent vacancy rate, up slightly from 2.7 percent a year earlier, and average apartment rents increased 3 percent, to \$821. In the Long Island metropolitan area, apartment conditions remained tight, with the vacancy rate in the fourth quarter of 2015 of 3.3 percent and with year-over-year increases in apartment rents of 3 percent, to \$1,728. In the Rochester metropolitan area, the vacancy rate in the fourth quarter of 2015 was 3.4 percent, down from 3.8 percent a year earlier, and average monthly rents increased 2 percent, from \$836 to \$852 (MPF Research).

In the Albany metropolitan area, more than 2,400 new apartments were completed during 2015, up significantly from the average of 960 constructed annually from 2012 through 2014 (McGraw-Hill Construction Pipeline database). Despite the high number of units recently entering the market, apartment market conditions tightened significantly, and the apartment vacancy rate in the fourth quarter of 2015 was 1.7 percent, down from 3.2 percent a year earlier (MPF Research, Inc.). During the period, average apartment rents increased from \$1,020 to \$1,043. The 4,500 units in planning are expected to continue to add significantly to apartment supply during the next 12 months, so apartment market conditions may ease once some of these planned units are constructed.

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**Multifamily permitting increased sharply in both states in the New York/New Jersey region during the fourth quarter of 2015.**



4Q = fourth quarter.

Note: Based on preliminary data.

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

**Apartment market conditions in the New York/New Jersey region ranged from balanced to tight during the fourth quarter of 2015, despite increased apartment construction in most metropolitan areas.**

	Market Condition	Vacancy Rate			Average Monthly Rent		
		4Q 2014 (%)	4Q 2015 (%)	Percentage Point Change	4Q 2014 (\$)	4Q 2015 (\$)	Percent Change
Albany <sup>a</sup>	Tight	3.2	1.7	- 1.5	1,020	1,043	2
Atlantic Cape May <sup>b</sup>	Tight	3.0	2.4	- 0.6	1,252	1,282	2
Buffalo <sup>b</sup>	Tight	2.7	2.9	0.2	800	821	3
Long Island <sup>b</sup>	Tight	3.2	3.3	0.1	1,678	1,728	3
New York City <sup>b</sup>	Balanced	3.3	3.1	- 0.2	3,300	3,495	6
Northern New Jersey <sup>a</sup>	Balanced	4.4	4.3	- 0.1	1,680	1,750	4
Rochester <sup>b</sup>	Slightly tight	3.8	3.4	- 0.4	836	852	2

4Q = fourth quarter.

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

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Multifamily construction in the New York/New Jersey region increased from a year ago. During the fourth quarter of 2015 (preliminary data)—

- Approximately 17,650 multifamily units were permitted in the region, more than double the number permitted a year earlier. By comparison, multifamily permitting in the fourth quarter of 2014 was down about 19 percent from a year earlier. Building activity surged in 2015 in part because of an expiring tax incentive for multifamily development in NYC.
- In New York, multifamily construction increased sharply in the fourth quarter of 2015. Building activity nearly tripled in the Albany metropolitan area and more than quintupled in the Rochester metropolitan area, to 510 and 370 units permitted, respectively. In Syracuse, multifamily construction increased to 130 units permitted from less than 5 units during the fourth quarter of 2014.
- In New Jersey, multifamily permitting doubled from a year earlier, to approximately 5,400 units permitted. Building activity in the Atlantic City metropolitan area totaled 100 units, equal the number permitted a year earlier. By comparison, permitting averaged 65 units during the fourth quarters from 2010 through 2013. In the Trenton metropolitan area, multifamily construction more than tripled, rising to 130 units permitted from 40 units a year earlier.
- Multifamily permitting in the New York-Northern New Jersey metropolitan area increased to 15,525 units compared with 6,750 units permitted a year earlier. The current level of permitting is nearly triple the average of 5,400 units permitted in the fourth quarters from 2010 through 2013.