

# HUD PD&R Regional Reports

## Region 2: New York/New Jersey



### Quick Facts About Region 2

Niagara Falls, New York

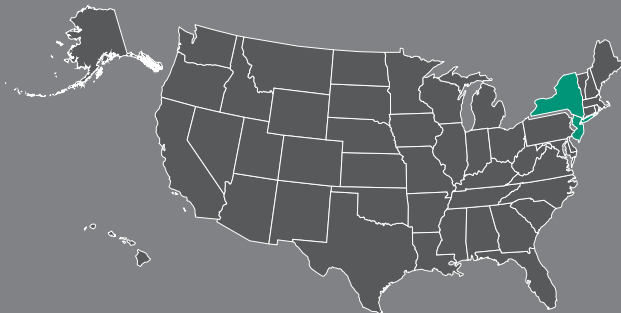
By Sam Young | 1st quarter 2018

#### Sales market conditions—

First quarter 2018: balanced.  
Fourth quarter 2017: balanced.  
First quarter 2017: balanced.

#### Apartment market conditions—

First quarter 2018: mixed (slightly soft to tight).  
Fourth quarter 2017: mixed (slightly soft to tight).  
First quarter 2017: mixed (balanced to tight).



### Overview

The economy in the New York/New Jersey region grew moderately in the first quarter of 2018, and the current economic expansion entered its eighth year. Although the economies of New York and New Jersey both expanded, nonfarm payroll growth slowed in the first quarter of 2018 compared with growth during the past 6 years. Strong growth in the education and health services and the professional and business services sectors in the region more than offset declines in the information sector. In the first quarter of 2018, the unemployment rate declined slightly from 5.0 to 4.9 percent and was above the national rate of 4.3 percent. Home sales market conditions were balanced but are tightening because fewer active listings and lower levels of new home construction are not keeping pace with the increased demand for homes. Apartment market conditions were mixed throughout the region, ranging from slightly soft to tight in most metropolitan areas. Apartment completions have continued at a strong pace since 2016, causing most metropolitan area vacancy rates in the region to rise slightly.

- Growth in the education and health services and the professional and business services sectors led year-over-year payroll gains during the first quarter of 2018 and have accounted for 57 percent of job increases in the region since 2010. These sectors accounted for more than 61 percent of nonfarm payroll growth during the first quarter of 2018 compared with about 71 percent during the first quarter of 2017.

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- During the 12 months ending March 2018, home sales in New Jersey and New York were up 6 and 1 percent, respectively, from a year earlier, and sales in New York City (NYC) rose 2 percent during the 12 months ending February 2018. Despite increased sales demand, single-family home construction in the region declined 7 percent from a year ago, in contrast with national growth of 6 percent.
- Rent growth varied from 2 to 5 percent in major metropolitan areas in the region during the first quarter of 2018. Multifamily permitting decreased regionally, with lower levels of permitting in New York more than offsetting increases in New Jersey.

## Economic Conditions

Economic conditions in the New York/New Jersey region, which began to improve during the fourth quarter of 2010, remained strong during the first quarter of 2018. Both states added jobs, with total nonfarm payrolls in the region increasing by 154,400 jobs, or 1.2 percent, to nearly 13.54 million jobs. This rate is slightly lower than the 1.4-percent growth in nonfarm payrolls in the region a year earlier. By comparison, during the first quarter of 2018, national nonfarm payrolls rose 1.5 percent compared with 1.7 percent during the first quarter of 2017. The education and health services sector accounted for the largest share of net job gains in the region during the first quarter of 2018, up by 59,200 jobs, or 2.2 percent. The health care and social assistance industry accounted for all the net gain in jobs in the sector, largely in response to regional population growth. Approximately 94 percent of the regional growth in the sector occurred in NYC. The professional and business services sector accounted for the second largest share of job gains in the region, up by 35,000 jobs, or 1.8 percent, with the strongest percentage growth in the services to buildings and dwellings and the business

support services industries, which grew 5.9 and 3.9 percent, respectively. The third largest number of job gains, and the greatest percentage job growth, occurred in the transportation and utilities sector, which increased by 21,300 jobs, or 4.4 percent. During 2017, the Port of New York and New Jersey set a record for cargo volume, moving 6,711,000 Twenty-Foot Equivalent Units (TEUs), or equal to a standard 20-foot shipping container, up 6 percent from the previous record of 6,372,000 TEUs in 2015 (Port of New York and New Jersey). The increase is partly because of the completion of the Bayonne Bridge Navigational Clearance Project in June 2017. The Port of New York and New Jersey is the third largest port in the United States and the busiest port on the East Coast.

The unemployment rate in the region averaged 4.9 percent during the first quarter of 2018, down slightly from 5.0 percent a year earlier. The unemployment rate declined from 5.1 to 5.0 percent in New York and fell from 4.9 to 4.8 percent in New Jersey during the first quarter of 2018, while employment grew more quickly than the

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**Payroll gains in all other sectors more than offset a small decline in the information sector in the New York/New Jersey region.**

	First Quarter		Year-Over-Year Change	
	2017 (thousands)	2018 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	13,383.5	13,537.9	154.4	1.2
Goods-producing sectors	1,191.3	1,194.8	3.5	0.3
Mining, logging, and construction	506.4	508.8	2.4	0.5
Manufacturing	684.9	686.1	1.2	0.2
Service-providing sectors	12,192.2	12,343.1	150.9	1.2
Wholesale and retail trade	1,929.2	1,938.5	9.3	0.5
Transportation and utilities	488.0	509.3	21.3	4.4
Information	337.0	334.3	- 2.7	- 0.8
Financial activities	953.1	962.5	9.4	1.0
Professional and business services	1,930.7	1,965.7	35.0	1.8
Education and health services	2,682.4	2,741.6	59.2	2.2
Leisure and hospitality	1,226.7	1,237.2	10.5	0.9
Other services	575.8	582.7	6.9	1.2
Government	2,069.3	2,071.3	2.0	0.1

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

Source: U.S. Bureau of Labor Statistics



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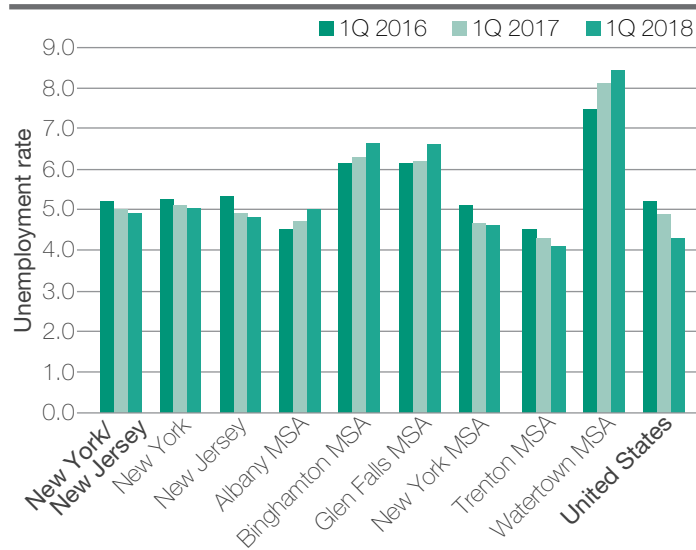
labor force. By comparison, the national unemployment rate averaged 4.3 percent during the first quarter of 2018, the lowest first quarter national unemployment rate since 2000.

During the first quarter of 2018—

- In New York, all but 200 of the jobs gained were in the service-providing sectors. The education and health services and the professional and business services sectors led job growth and percentage gains in the state, adding 39,200 and 29,500 jobs, or 2.0 and 2.2 percent, respectively.
- Nonfarm payrolls in New Jersey increased by 56,100 jobs, or 1.4 percent, from a year ago, less than the gain of 63,000 jobs, or 1.6 percent, during the first quarter of 2017. The transportation and utilities and the education and health services sectors had the greatest percentage growth, rising 8.9 and 2.9 percent, respectively.
- The information sector was the only sector in the region to lose jobs, with declines of 1,600 and 1,000 jobs in New Jersey and New York, respectively.
- In NYC, nonfarm payrolls increased by 118,000 jobs, or 1.2 percent, compared with 1.7-percent growth during the first quarter of 2017. Job growth in NYC was strongest in the education and health services sector, which grew by 55,600 jobs, or 2.9 percent.
- Increased residential construction in NYC supported job growth in the mining, logging, and construction sector, which increased

by 6,400 jobs, or 1.7 percent. Multifamily construction in NYC includes Atelier, a 469-unit condominium building, and Sky, a 1,175-unit apartment project, both in the Hell's Kitchen neighborhood of Manhattan.

### Unemployment rates in the New York/New Jersey region declined more slowly than the national rate.



1Q = first quarter. MSA = metropolitan statistical area.  
Source: U.S. Bureau of Labor Statistics

## Population

The population of the New York/New Jersey region increased by 40,350, or 0.1 percent, from 2016 to 2017 (U.S. Census Bureau population estimates as of July 1), the lowest rate of growth among the 10 HUD regions. The lower population growth was mostly caused by net out-migration of 60,400 people, nearly all of which was from New York. Net out-migration from New York totaled 60,100 people, the second highest total among all states, after Illinois. By comparison, net out-migration from New Jersey totaled

330 people. The net out-migration from the region occurred despite international net in-migration of 187,400 people, of which 70 percent went to New York.

During the 12 months ending July 2017—

- In New Jersey, the population increased by 27,250, or 0.3 percent, nearly unchanged from the average gain of 29,100, or 0.3 percent, from 2010 to 2016. All the population growth was

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### Population in the New York/New Jersey region rose at the same rate as a year ago, significantly below the national rate.

	Population Estimate (as of July 1)			Percent Change	
	2015	2016	2017	2015 to 2016	2016 to 2017
United States	321,039,839	323,405,935	325,719,178	0.7	0.7
New York/New Jersey region	28,779,348	28,814,702	28,855,043	0.1	0.1
New York	19,819,347	19,836,286	19,849,399	0.1	0.1
New York City	8,582,459	8,615,426	8,622,698	0.4	0.1
New Jersey	8,960,001	8,978,416	9,005,644	0.2	0.3

Source: U.S. Census Bureau

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attributable to net natural change (resident births minus resident deaths), which more than offset the net out-migration of 330 people.

- In New York, the population increased by 13,100, or less than 0.1 percent. Population growth was primarily concentrated in NYC and the Albany and Buffalo metropolitan areas.
- New York ranked third highest among states, after California and Florida, for international net in-migration from 2016 to 2017

at 130,400 people. Domestic net out-migration was highest in New York at 190,500 people, more than offsetting international in-migration and net natural increase.

- In NYC, the rate of population growth also slowed. Population growth in NYC has fallen from 99,000, or 1.2 percent, from 2010 to 2011 to 7,300, or 0.1 percent, from 2016 to 2017. Staten Island and Queens were the two fastest growing boroughs, with growth rates of 0.4 and 0.2 percent, respectively, and Manhattan was the only borough to lose population, falling by 2,100, or 0.1 percent.

## Sales Market Conditions

Home sales markets were balanced in the New York/New Jersey region during the first quarter of 2018. Home sales increased and the supply of homes for sale decreased. Home sales in New Jersey increased 6 percent, to 80,800 homes sold, during the 12 months ending March 2018, but new listings were relatively unchanged. As a result, the supply of homes for sale decreased to 4.7 months in March 2018 from 6.0 months a year ago (New Jersey Association of Realtors®). Even with this decline, the average price rose less than 1 percent during the 12 months ending March 2018. The moderate home price increase was partly because new home sales, which represented 4 percent of total home sales, were priced 48 percent higher than existing sales, down from 58 percent a year earlier. In New York, the number of home sales increased 1 percent from a year ago, to 130,900 homes sold, during the 12 months ending March 2018, and new listings declined 2 percent (New York State Association of Realtors®). Consequently, the inventory of homes for sale declined 10 percent to 57,975 homes, or a 5.1-month supply,

in March 2018, down from 64,550 homes, or a 5.8-month supply, a year earlier. The increased sales and declining inventory in New York were partly responsible for an increase in the average home sales price of 5 percent to \$351,400.

The NYC housing market, which consists of five boroughs—the Bronx, Staten Island, Queens, Brooklyn, and Manhattan—was balanced during the first quarter of 2018. Sales of new and existing homes rose 2 percent during the 12 months ending February 2018 to 49,200 homes sold, and the average price increased 6 percent to \$847,300 (CoreLogic, Inc.). In the Bronx, home sales rose 13 percent to 4,650 homes sold, and the average price was up 10 percent to \$413,800. The average home sales price increased 15 percent in Staten Island and 12 percent in Queens to \$544,800 and \$617,100, respectively, and home sales were up 7 and 6 percent to 5,450 and 15,900 homes, respectively. The sharp increase in the average sales price in Staten Island was supported by 25- and 23-percent

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**Home sales increased in the New York/New Jersey region overall, with gains in both New York and New Jersey contributing to sales price growth.**

	12 Months Ending	Number of Homes Sold				Price		
		2017	2018	Percent Change	Average or Median	2017 (\$)	2018 (\$)	Percent Change
New York* (E)	March	129,800	130,900	1	AVG	333,200	351,400	5
New York City (N&E)	February	48,200	49,200	2	AVG	800,200	847,300	6
Albany MSA (N&E)	February	14,000	14,050	0	AVG	214,500	229,600	7
Buffalo MSA** (E)	March	12,100	10,450	- 14	AVG	154,900	166,800	8
Rochester MSA** (E)	March	13,050	14,800	13	AVG	150,300	156,100	4
New Jersey*** (E)	March	76,100	80,800	6	AVG	388,400	389,100	0
Northern New Jersey*** (E)	March	28,450	29,450	4	MED	190,000–442,500	207,450–469,950	NA
Central New Jersey****,***** (E)	March	19,850	21,000	6	MED	229,950–407,000	232,000–448,000	NA
Southern New Jersey*** (E)	March	27,150	29,800	10	MED	120,000–295,000	96,450–300,000	NA

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

\*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®; CoreLogic, Inc., with adjustments by the analyst; Greater Rochester Association of Realtors®; New Jersey Association of Realtors® (monthly reports); New York State Association of Realtors®, Inc.





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gains in average sales prices of single-family homes and duplexes, respectively (Metrostudy, A Hanley Wood Company). In Brooklyn, home sales fell less than 1 percent to 12,650, and sale prices increased 8 percent to \$939,000. Manhattan was the NYC borough with the largest drop in home sales, with a decline of 6 percent, to 10,600 sales, led by a 38-percent decline in condominium sales. The average price, however, increased 6 percent to \$1.43 million, and 7-percent gains in cooperative sales prices offset declines of 16 and 12 percent in duplex and condominium sales prices, respectively.

Home sales markets strengthened in the region, as indicated by the steady decline in the rates of seriously delinquent mortgages (90 or more days delinquent or in foreclosure) and real estate owned (REO) properties. In February 2018, 4.0 percent of mortgages in the region were seriously delinquent or had transitioned into REO status, down from 5.4 percent a year earlier (CoreLogic, Inc.). Seriously delinquent mortgage and REO rates declined from 5.7 to 3.9 percent in New Jersey and from 5.2 to 4.1 percent in New York. New Jersey and New York had the largest and second largest declines in the rate of seriously delinquent mortgages and REO properties of all states nationally, but both were still far higher than the national average of 2.3 percent in February 2018.

Despite economic expansion and strong home sales demand, single-family home construction activity in the region declined.

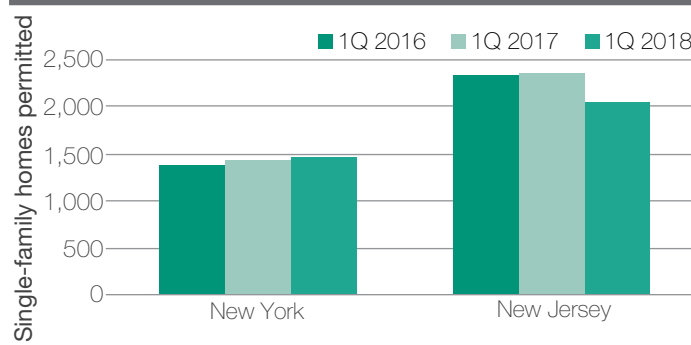
During the first quarter of 2018 (preliminary data)—

- Construction of single-family homes in the region, as measured by the number of homes permitted, fell 7 percent, to 3,525 homes, compared with 3,800 homes in the first quarter of 2017.
- In New Jersey, the number of single-family homes permitted decreased 13 percent from a year ago to 2,050 homes permitted.

Permitting decreased in Ocean City to 100 homes permitted from 170 homes a year ago. The Edison-New Brunswick metropolitan division had the largest decline in permitting of any metropolitan area in New Jersey, falling by 240, to 860 homes permitted.

- In New York, the number of single-family homes permitted increased 2 percent to 1,475 homes. Small declines of 30 and 10 homes in the Buffalo and Albany metropolitan areas, to 160 and 200 homes permitted, respectively, were offset by an increase of 40 homes, to 250 homes permitted, in the Rochester metropolitan area.
- Homebuilding activity in the New York-Northern New Jersey-Long Island metropolitan area declined more than 7 percent from a year ago, to 2,250 homes, led by declines in the New Jersey portion of the metropolitan area.

### Homebuilding activity declined in the New York/New Jersey region during the first quarter of 2018.



1Q = first quarter.

Note: Based on preliminary data.

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

## Apartment Market Conditions

Apartment market conditions in the first quarter of 2018 were mixed in the New York/New Jersey region, ranging from slightly soft to tight in most metropolitan areas. Conditions were mixed throughout most of New Jersey. In Northern New Jersey, the vacancy rate rose to 4.1 percent in the first quarter of 2018, up slightly from the 3.6-percent rate a year earlier, and average rents increased 5 percent to \$1,933 (Reis, Inc.). Apartment market conditions in Central New Jersey were tight, with a vacancy rate of 2.5 percent, up from 2.3 percent a year ago, and an average rent of \$1,379, up 2 percent from a year earlier. In New York, apartment market conditions were mixed. Historic levels of apartment construction led to slightly soft apartment market conditions in NYC, with a 5.6-percent vacancy rate in the first quarter of 2018, up from 3.6 percent a year earlier (Reis, Inc.). More than 8,700 new apartments were constructed in NYC in 2016

and 13,000 were completed during 2017, surpassing the previous record from 1986. Nearly 15,000 apartments are scheduled to be completed during 2018 (Reis, Inc.). This large wave of new supply outpaced absorption during the past nine quarters, and monthly apartment rents rose only 3 percent during the past year, averaging \$3,611 in the first quarter of 2018. By comparison, rents increased an average of 5 percent annually from 2012 through 2015. Elsewhere in New York, apartment market conditions were generally balanced to slightly tight. In the Syracuse metropolitan area, the vacancy rate was 4.5 percent during the first quarter of 2018, up from 4.0 percent a year earlier, and the average apartment rent rose 2 percent to \$919 (Axiometrics, Inc.). In the Long Island metropolitan area, the vacancy rate rose 0.4 percentage point, to 3.4 percent, and the average rent increased 4 percent to \$2,084 during the

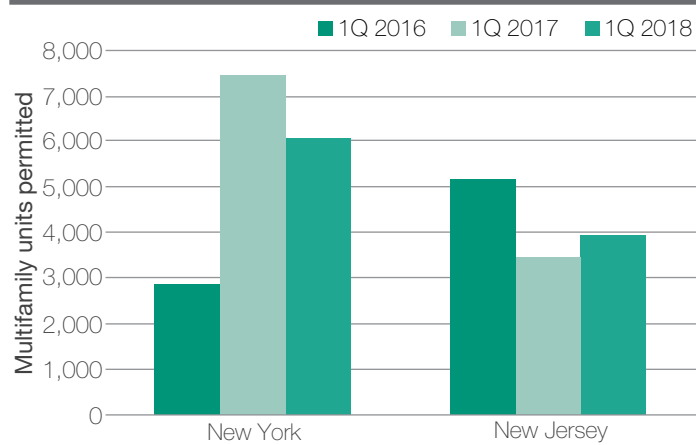
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same time. In the Westchester metropolitan area, the vacancy rate in the first quarter of 2018 was 4.2 percent, up from 3.5 percent a year earlier, and the average monthly rent increased 3 percent from \$2,116 to \$2,175 (Reis, Inc.).

The Albany metropolitan area had the highest level of net in-migration of the metropolitan areas in New York from 2016 to 2017, resulting in increased demand for apartment units. Approximately 900 new apartments were completed in the metropolitan area during the second half of 2017 compared with about 650 apartments completed

### Multifamily permitting decreased from a year ago in the New York/New Jersey region, with declines in New York more than offsetting gains in New Jersey.



1Q = first quarter.

Note: Based on preliminary data.

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

during the second half of 2016 (McGraw-Hill Construction Pipeline database). This increased building activity led to balanced apartment market conditions, and the vacancy rate rose to 5.2 percent in the first quarter of 2018 from the 4.9-percent rate in the first quarter of 2017 (Axiometrics, Inc.).

Multifamily construction activity in the New York/New Jersey region decreased from a year ago but was at a higher level than in 2016.

During the first quarter of 2018 (preliminary data)—

- Approximately 10,000 multifamily units were permitted in the region, down 8 percent from the number permitted a year earlier. By comparison, the current level of permitting was up 25 percent from the first quarter of 2016.
- In New Jersey, multifamily permitting increased 14 percent from a year earlier to approximately 3,950 units permitted. Building activity in the Edison-New Brunswick metropolitan division rose to 1,200 units permitted, from 760 a year earlier.
- In New York, multifamily construction decreased 19 percent, to 6,075 units permitted, from a year ago. A decline of 1,175 units in NYC more than offset gains of 50 and 20 units in the Buffalo and Albany metropolitan areas, where production increased to 140 and 170 units, respectively.
- Multifamily permitting in the New York-Newark-Jersey City metropolitan area decreased 7 percent, to 9,000 units, despite increased permitting activity in the New Jersey portion of the metropolitan area. By comparison, the current level of permitting represents a 44-percent, or 2,975 unit, gain from the first quarter of 2016.

### Despite balanced to tight apartment market conditions in most metropolitan areas of the New York/New Jersey region, rent increases were moderate in most areas during the first quarter of 2018.

Market Area	Market Condition	Vacancy Rate			Average Monthly Rent		
		1Q 2017 (%)	1Q 2018 (%)	Percentage Point Change	1Q 2017 (\$)	1Q 2018 (\$)	Percent Change
Albany <sup>a</sup>	Balanced	4.9	5.2	0.3	NA	NA	NA
Central New Jersey <sup>b</sup>	Tight	2.3	2.5	0.2	1,347	1,379	2
Long Island <sup>b</sup>	Slightly tight	3.0	3.4	0.4	2,000	2,084	4
New York City <sup>b</sup>	Slightly soft	3.6	5.6	2.0	3,509	3,611	3
Northern New Jersey <sup>b</sup>	Balanced	3.6	4.1	0.5	1,839	1,933	5
Syracuse <sup>a</sup>	Balanced	4.0	4.5	0.5	901	919	2
Westchester <sup>b</sup>	Slightly tight	3.5	4.2	0.7	2,116	2,175	3

1Q = first quarter. NA = data not available.

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