HUD PD&R **Regional Reports**

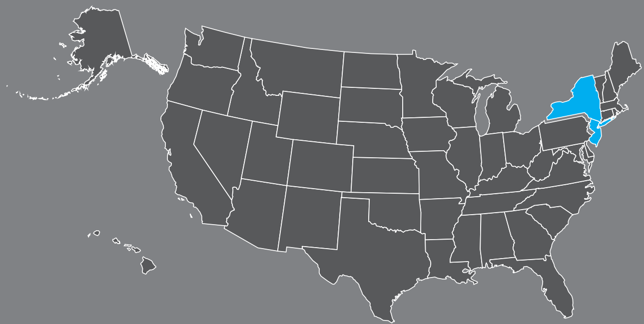
Region 2: New York/New Jersey

Bayonne City, New Jersey

Quick Facts About Region 2

- **Sales market conditions—**
  Fourth quarter 2017: balanced.
  Third quarter 2017: balanced.
  Fourth quarter 2016: balanced.

- **Apartment market conditions—**
  Fourth quarter 2017: mixed (slightly soft to tight).
  Third quarter 2017: mixed (balanced to tight).
  Fourth quarter 2016: mixed (balanced to tight).



By Sam Young | 4th quarter 2017

Overview

The economy in the New York/New Jersey region continued growing in the fourth quarter of 2017, while 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 fourth quarter of 2017 compared with growth during the past 6 years. Strong growth in the leisure and hospitality sector and the construction subsector in the region more than offset declines in the wholesale and retail trade, manufacturing, and information sectors. In the fourth quarter of 2017, the unemployment rate remained steady at 4.5 percent, above the national rate of 3.9 percent, because of concomitant rises in resident employment and labor force. Home sales market conditions remained balanced because an increased number of active listings and continued new home construction supported an increase in the number of home sales. Apartment markets were mixed throughout the region, ranging from slightly soft to tight in most metropolitan areas. Apartment completions continued at a strong pace, leading most metropolitan vacancy rates in the region to rise slightly.

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- Growth in the education and health services and the leisure and hospitality sectors led overall payroll gains during the fourth quarter of 2017 and have accounted for 50 percent of job increases in the region since 2010. These sectors accounted for nearly 70 percent of total payroll growth during the fourth quarter of 2017 compared with about 64 percent during the fourth quarter of 2016.
- During 2017, home sales in New Jersey and New York were up 10 and 2 percent, respectively, from a year earlier, and sales in New York City (NYC) rose 1 percent. Despite the increased sales demand, single-family home construction in the region declined 2 percent from a year ago, in contrast with national growth of 9 percent.
- Rent growth varied from 2 to 7 percent in major metropolitan areas in the region during the fourth quarter of 2017. Multifamily permitting increased in some metropolitan areas, as an increase of 2,675 multifamily units permitted in the New York-Northern New Jersey-Long Island metropolitan area was partially offset by small declines in other metropolitan areas of the region.

Economic Conditions

Economic conditions in the New York/New Jersey region have improved steadily since late 2010, although the rate of job growth has slowed recently. During the fourth quarter of 2017, nonfarm payrolls increased by 143,700 jobs, or 1.1 percent, from a year earlier, which is down from the 1.5-percent average annual rate of growth during the preceding 6 years. The mining, logging, and construction sector had the second highest rate of payroll growth in the region, at 2.6 percent. All of the job gains occurred in the construction subsector, and more than 80 percent of the job growth in the subsector occurred in the NYC metropolitan area. During the first 9 months of 2017, $4.2 billion of institutional construction was under way in NYC, higher than the $3.7 billion for all of 2016 (New York Building Congress). A large part of this construction was the $1.2 billion expansion of the Jacob K. Javits Convention Center, the largest single institutional construction start, by value, during the past 10 years in NYC. Increased residential construction across the region also supported job gains in the subsector. The unemployment rate in the region averaged 4.5 percent, unchanged from a year earlier, as resident employment growth matched labor market gains. The unemployment rate fell to 4.5 percent in New York but rose from 4.3 to 4.5 percent in New Jersey during the fourth quarter of 2017, as the labor force grew more quickly than employment in the latter. By comparison, the national unemployment rate averaged 3.9 percent during the fourth quarter of 2017, the lowest quarterly national unemployment rate since the second quarter of 2000.

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Payroll gains in most sectors more than offset declines in the manufacturing, the wholesale and retail trade, and the information sectors in the New York/New Jersey region.

	Fourth Quarter		Year-Over-Year Change	
	2016 (thousands)	2017 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	13,661.4	13,805.1	143.7	1.1
Goods-producing sectors	1,225.3	1,233.8	8.5	0.7
Mining, logging, and construction	536.9	551.1	14.2	2.6
Manufacturing	688.4	682.7	– 5.7	– 0.8
Service-providing sectors	12,436.1	12,571.3	135.2	1.1
Wholesale and retail trade	1,996.6	1,985.8	– 10.8	– 0.5
Transportation and utilities	498.1	507.5	9.4	1.9
Information	342.9	338.1	– 4.8	– 1.4
Financial activities	959.3	965.4	6.1	0.6
Professional and business services	2,000.5	2,029.4	28.9	1.4
Education and health services	2,697.9	2,762.9	65.0	2.4
Leisure and hospitality	1,269.7	1,304.3	34.6	2.7
Other services	576.7	583.2	6.5	1.1
Government	2,094.3	2,094.7	0.4	0.0

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

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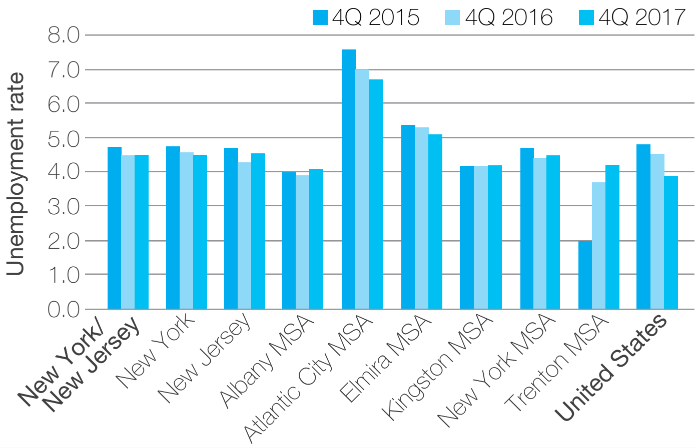
During the fourth quarter of 2017—

- Nonfarm payrolls increased in New York and New Jersey by 112,700 and 31,000 jobs, or 1.2 and 0.8 percent, respectively. Increases in the service-providing sectors led gains, with the strongest gains in the education and health services sector, which added 65,000 jobs, or 2.4 percent, from the fourth quarter of 2016.

Unemployment rates remained relatively unchanged in the New York/New Jersey region, although the rate continued to decline nationally.



4Q = fourth quarter. MSA = metropolitan statistical area.
Source: U.S. Bureau of Labor Statistics

- In New York, the second highest rate of growth was in the leisure and hospitality sector, which expanded 2.5 percent to 932,100 jobs. Tourism to NYC remains strong, and a weaker dollar contributed an increase of 400,000 international visitors, to 12.7 million, during 2017 (NYC & Company). Most nonfarm sectors in the state added jobs, but the manufacturing sector and the retail trade subsector declined 2.9 and 1.1 percent, respectively, with most of these declines occurring in NYC.
- The leisure and hospitality sector in New Jersey had the highest rate of growth, rising 3.3 percent to 372,200 jobs. Despite the closure of five casinos in Atlantic City since 2014, gaming revenue at the remaining seven casinos increased 2.2 percent during 2017, to $2.66 billion, from a year earlier (New Jersey Division of Gaming Enforcement).
- In NYC, nonfarm payrolls increased by 86,000 jobs, or 2.0 percent. Job growth in NYC was strongest in the education and health services sector, which grew by 42,100 jobs, or 5.4 percent. More than 80 percent of the sector's growth in the region occurred in NYC.
- The financial activities sector in NYC gained 16,400 jobs, a 3.6-percent increase and a sharp reversal from the decline of 3,000 jobs, or 0.6 percent, a year earlier.

Sales Market Conditions

Sales housing markets remained balanced in the New York/New Jersey region during the fourth quarter of 2017. Home sales increased despite a decrease in the supply of homes for sale. Home sales in New Jersey increased 10 percent, to 80,650 homes sold, during 2017, but new listings rose less than 2 percent. As a result, the inventory of homes for sale decreased to 4.3 months of supply in December 2017, down from 5.9 months of supply a year ago (New Jersey Association of Realtors®). Despite this decline, the average price rose only 1 percent during 2017 because new homes, which were priced an average of 60 percent higher than existing homes, represented only 3 percent of total sales statewide, down from 4 percent a year ago. In New York, the number of home sales increased 2 percent from a year ago, to 131,100 homes sold during 2017, and new listings declined nearly 2 percent (New York State Association of Realtors®). Consequently, the inventory of homes for sale declined 10 percent, to 56,800 homes, or a 5.0-month supply, in the fourth quarter of 2017, down from 62,750 homes, or a 5.6-month supply, a year earlier. The increased sales and declining inventory in New York were partly responsible for a 5-percent increase in the average home sales price to $347,800.

The NYC housing market, which consists of five boroughs—the Bronx, Staten Island, Queens, Brooklyn, and Manhattan—was balanced during the fourth quarter of 2017. Sales of new and existing homes rose 1 percent during the 12 months ending November 2017 to 49,300 homes sold, and the average price increased 6 percent to $843,000 (CoreLogic, Inc.). In the Bronx, home sales rose 8 percent to 4,500 homes sold, and the average price was up 10 percent to $407,200. The average home sales price increased 13 percent in Staten Island and 12 percent in Queens to $521,300 and $601,900, respectively, while home sales were up 4 percent in each borough to 5,200 and 15,900 homes. High-priced sales at Flushing Commons and Sky View Parc partially drove the sharp increase in the average sales price in Queens. In Brooklyn, home sales rose 1 percent to 12,800, and sale prices increased 12 percent to $935,100. Manhattan was the only NYC borough with decreased home sales, with a decline of 9 percent, to 10,900 sales. The average price, however, increased 5 percent to $1.42 million, partly a result of high sales prices at 50 West Street, which completed construction in 2016.

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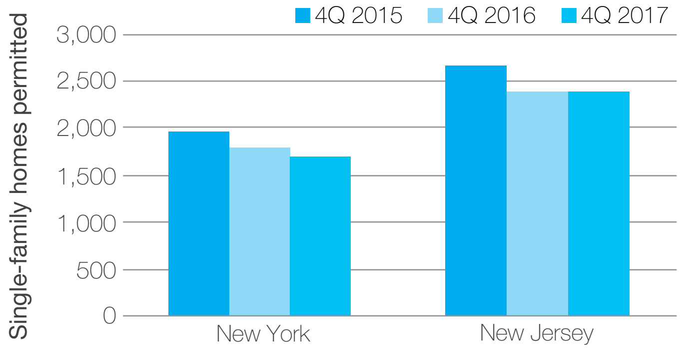
Home sales markets continue to strengthen in the region, as indicated by the steady decline in the rate of seriously delinquent mortgages (those 90 or more days delinquent or in foreclosure) and real estate owned (REO) properties. In November 2017, 4.3 percent of mortgages in the region were seriously delinquent or had transitioned into REO status, down from 5.5 percent a year earlier (CoreLogic, Inc.). The rates declined from 6.0 to 4.3 percent in New Jersey, the highest state rate in the nation, and from 5.2 to 4.3 percent in New York but were far higher than the national average of 2.3 percent in November 2017.

Despite economic growth and increased home sales, single-family home construction activity in the region decreased slightly. During the fourth quarter of 2017 (preliminary data)—

- Construction of single-family homes in the region, as measured by the number of homes permitted, fell 2 percent, to 4,100 homes, compared with 4,200 homes in the fourth quarter of 2016.
- In New Jersey, the number of single-family homes permitted remained unchanged from a year ago at 2,400 homes permitted. Permitting decreased in Ocean City to 110 homes permitted from 170 homes a year ago. An increase of 10 homes, to 90 homes, in the Atlantic City metropolitan area partly offset that decline.
- In New York, the number of single-family homes permitted decreased 6 percent to 1,700 homes. An increase of 20 homes, to 60 homes permitted, in the Glen Falls metropolitan area partly offset small declines of 50 and 20 homes in the Rochester and Buffalo metropolitan areas, to 230 and 200 homes, respectively.
- Homebuilding activity in the New York-Northern New Jersey-Long Island metropolitan area increased nearly 5 percent from a year ago to 2,600 homes permitted.

Homebuilding activity declined slightly in the New York/New Jersey region during the fourth quarter of 2017.



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

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 during 2017.

	12 Months Ending	Number of Homes Sold			Price			
		2016	2017	Percent Change	Average or Median	2016 ($)	2017 ($)	Percent Change
New York* (E)	December	128,300	131,100	2	AVG	330,300	347,800	5
New York City (N&E)	November	49,050	49,300	1	AVG	792,500	843,000	6
Albany MSA (N&E)	November	13,850	13,900	0	AVG	199,800	213,000	7
Buffalo MSA** (E)	December	12,000	10,750	– 10	AVG	154,900	162,800	5
Rochester MSA** (E)	December	15,250	14,800	– 3	AVG	148,600	154,900	4
New Jersey*** (E)	December	73,100	80,650	10	AVG	386,400	390,100	1
Northern New Jersey*** (E)	December	27,700	29,850	8	MED	218,500–465,000	210,000–460,000	NA
Central New Jersey**** (E)	December	19,300	21,000	9	MED	239,000–400,500	250,000–425,000	NA
Southern New Jersey*** (E)	December	26,100	29,800	14	MED	130,500–290,000	86,000–331,000	NA

AVG = average. 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.

Apartment Market Conditions

Apartment market conditions in the fourth quarter of 2017 were mixed in the New York/New Jersey region. Apartment markets softened in many metropolitan areas during 2017, with the completion of 46,600 units during 2017 and 47,800 units in 2016, more than twice the average of 17,900 units completed annually from 2010 through 2015 (McGraw-Hill Construction Pipeline database). In addition, 11,500 units were under construction in the region during the fourth quarter of 2017 compared with 6,700 units during the fourth quarter of 2016.

Conditions were balanced throughout most of New Jersey. In northern New Jersey, the vacancy rate fell to 4.0 percent in the fourth quarter of 2017, down slightly from the 4.1-percent rate a year earlier, and average rents increased 4 percent to $1,903 (Reis, Inc.). Apartment market conditions in the Reis-defined Atlantic Cape May market area, including the Atlantic City and Ocean City metropolitan areas, were slightly tight, with a vacancy rate of 3.2 percent, down from 5.6 percent a year ago, and an average rent of $1,044, up 2 percent from a year earlier. Historic levels of apartment construction led to slightly soft apartment market conditions in NYC, with a 5.5-percent vacancy rate in the fourth quarter of 2017, up from 3.4 percent a year earlier (Reis, Inc.). More than 13,000 new apartments were constructed in NYC during 2017, topping the previous record from 1986 of 8,700 units. Nearly 15,000 apartments are scheduled to be completed during 2018 (Reis, Inc.). This large wave of new supply outpaced absorption during the past eight quarters, and monthly asking apartment rents rose only 2 percent during the past year, averaging $3,587 in the fourth quarter of 2017. In the Buffalo metropolitan area, apartment market conditions were balanced, with a 4.4-percent vacancy rate, up from 3.1 percent a year earlier, and an average apartment rent of $876, up 4 percent from a year ago. In the Long Island metropolitan area, apartment market conditions were slightly tight, with a 3.0-percent vacancy rate and a 2-percent increase in the average rent to $2,046 in the fourth quarter of 2017. In the Rochester metropolitan area, the vacancy rate in the fourth quarter of 2017 was 3.8 percent, up from 2.6 percent a year earlier, and the average monthly rent increased 3 percent from $874 to $897 (MPF Research).

Within the Albany metropolitan area, demand has increased for apartment units because of strong net in-migration and payroll growth double the regional average, at 2.5 percent during the fourth quarter of 2017. Approximately 1,350 new apartments were completed in the metropolitan area during 2017, fewer than the 1,500 apartments completed during 2016 but far more than the average of 760 apartment completions annually from 2010 through 2015 (McGraw-Hill Construction Pipeline database). Despite the

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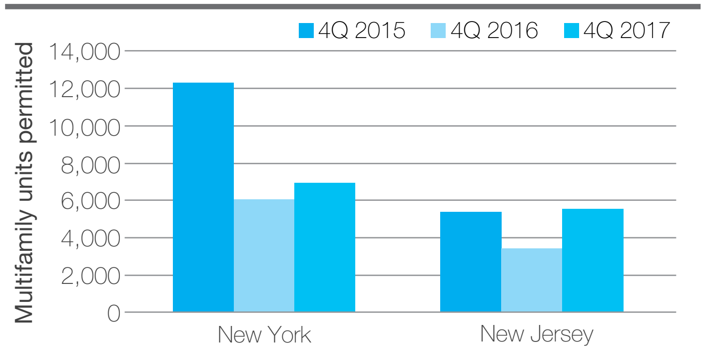
Multifamily permitting increased sharply from a year ago in the New York/New Jersey region, with strong gains in both states.



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

Despite slightly soft to tight apartment market conditions in the New York/New Jersey region, rent increases were moderate in most areas during the fourth quarter of 2017.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		4Q 2016 (%)	4Q 2017 (%)	Percentage Point Change	4Q 2016 ($)	4Q 2017 ($)	Percent Change
Albany[a]	Tight	2.6	3.3	0.7	1,101	1,174	7
Atlantic Cape May[b]	Slightly tight	5.6	3.2	– 2.4	1,026	1,044	2
Buffalo[b]	Balanced	3.1	4.4	1.3	845	876	4
Long Island[b]	Slightly tight	3.0	3.0	0.0	1,997	2,046	2
New York City[b]	Slightly soft	3.4	5.5	2.1	3,501	3,587	2
Northern New Jersey[b]	Balanced	4.1	4.0	– 0.1	1,821	1,903	4
Rochester[a]	Balanced	2.6	3.8	1.2	874	897	3

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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sharp increase in building activity, apartment market conditions remain tight, with a vacancy rate of 3.3 percent in the fourth quarter of 2017, up slightly from the 2.6-percent rate in the fourth quarter of 2016 (MPF Research, Inc.). During the same period, the average apartment rent increased 7 percent from $1,101 to $1,174.

Steady economic growth led to an increase in multifamily construction activity in the New York/New Jersey region from a year ago. During the fourth quarter of 2017 (preliminary data)—

- Approximately 12,400 multifamily units were permitted in the region, up more than 30 percent from the number permitted a year earlier; however, the level of permitting was down 30 percent from the fourth quarter of 2015. The sharp decline reflected the response of builders to a proposed expiration of tax incentives for multifamily development in NYC at year-end 2015.
- Multifamily permitting in the New York-Northern New Jersey-Long Island metropolitan area increased 26 percent to 10,300 units. By comparison, the current level of permitting represents a 34-percent decline, or 5,250 units fewer than in the fourth quarter of 2015.
- In New Jersey, multifamily permitting increased 60 percent from a year earlier to approximately 5,500 units permitted, with gains in most metropolitan areas. A gain of 270 units in the Trenton metropolitan area led increases, followed by a 180-unit rise in the Atlantic City metropolitan area.
- In New York, multifamily construction increased 15 percent, to 6,900 units permitted, from a year ago. An increase of 2,100 units in NYC more than offset declines of 80 and 70 units, respectively, in the Albany and Buffalo metropolitan areas.