

HUD PD&R Regional Reports

Region 2: New York/New Jersey

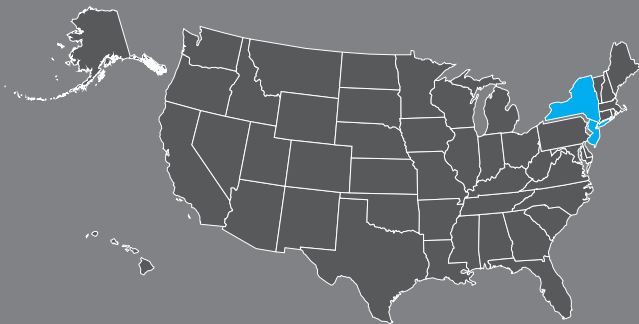


Bayonne City, New Jersey

By Patricia Moroz | 4th quarter 2014

Quick Facts About Region 2

- Sales market conditions—**
Fourth quarter 2014: balanced.
Third quarter 2014: balanced.
Fourth quarter 2013: balanced.
- Apartment market conditions—**
Fourth quarter 2014: mixed (balanced to tight).
Third quarter 2014: mixed (balanced to tight).
Fourth quarter 2013: tight.



Overview

Economic conditions in the New York/New Jersey region have been improving since mid-2010, but the rate of growth decreased during the fourth quarter of 2014 compared with the rate of a year earlier. Sales housing market conditions remained balanced and, although the percentage of mortgages that were seriously delinquent (90 or more days delinquent or in foreclosure) or transitioned into REO (Real Estate Owned) status in December 2014 declined from the rates during each of the previous 2 years, the number of REO properties remained elevated (Black Knight Financial Services, Inc.). As economic growth moderated, builders decreased construction of both single-family homes and multifamily units. Apartment market conditions were mixed, ranging from balanced to tight compared with tighter conditions a year ago. Apartment rents increased in most major metropolitan areas in the region; however, vacancy rates increased in areas such as New York City (NYC) and Northern New Jersey, where the number of units in lease up increased.

- The sales market in the region remained balanced for the seventh consecutive quarter; however, New Jersey and New York had the first and third highest rates of mortgages that were seriously delinquent or transitioned into REO status, respectively, among all states in the nation.

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- Distressed sales (REO and short sales) accounted for 9 percent of existing home sales in the region during the third quarter of 2014 (the best representative data available), up from 8 percent a year earlier (CoreLogic, Inc.).

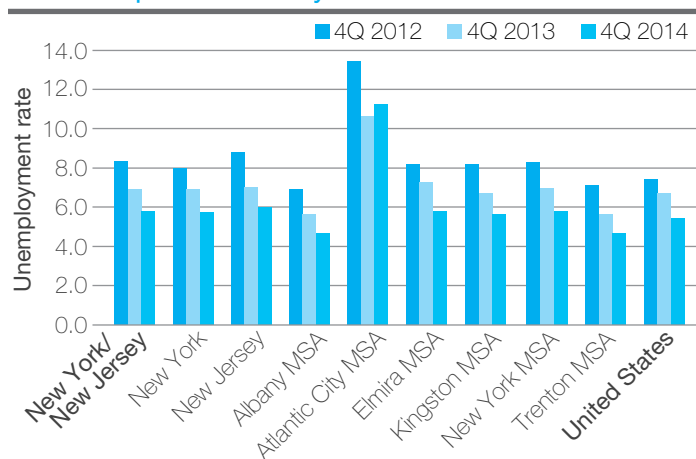
- In NYC, new and existing home sales, including condominiums, cooperatives, and one- to three-family homes, decreased 5 percent, but prices increased nearly 8 percent (Real Estate Board of New York [REBNY]).

Economic Conditions

The economy of the New York/New Jersey region grew more slowly during the fourth quarter of 2014 than a year earlier, a trend that has continued for the past 2 years. Nonfarm payrolls averaged 13.13 million during the fourth quarter of 2014, an increase of 119,700 jobs, or 0.9 percent, from a year ago. By comparison, nonfarm payrolls increased by 139,500 jobs, or 1.1 percent, during the fourth quarter of 2013 after stronger growth of 161,300 jobs, or 1.3 percent, during the fourth quarter of 2012. The current level of nonfarm payrolls exceeds the peak of 12.99 million jobs in the fourth quarter of 2007 by 143,200 jobs, an average increase of 0.2 percent annually. The education and health services and the professional and business services sectors gained the most jobs in the region, increasing by 49,500 and 48,800 jobs, or 2.0 and 2.6 percent, respectively. In the leisure and hospitality sector, growth in New York more than offset layoffs in New Jersey; in the region, the sector increased by 13,200 jobs, or 1.1 percent, down from an average annual increase of 34,700 jobs, or 3.1 percent, in 2012 and 2013. The greatest declines in the region occurred in the government and manufacturing sectors, which decreased by 8,300 and 8,200 jobs, or 0.4 and 1.2 percent, respectively. The

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Unemployment rates in the New York/New Jersey region declined in both states and in every metropolitan area except Atlantic City.



4Q = fourth quarter.

Source: U.S. Bureau of Labor Statistics

Nonfarm payrolls increased nearly 1 percent in the New York/New Jersey region, with gains in the service-providing sectors more than offsetting losses in the goods-producing sectors.

	Fourth Quarter		Year-Over-Year Change	
	2013 (thousands)	2014 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	13,011.2	13,130.9	119.7	0.9
Goods-producing sectors	1,172.0	1,168.2	-3.8	-0.3
Mining, logging, and construction	473.3	477.6	4.3	0.9
Manufacturing	698.8	690.6	-8.2	-1.2
Service-providing sectors	11,839.1	11,962.6	123.5	1.0
Wholesale and retail trade	1,972.3	1,992.2	19.9	1.0
Transportation and utilities	446.0	454.3	8.3	1.9
Information	338.3	331.2	-7.1	-2.1
Financial activities	934.7	935.4	0.7	0.1
Professional and business services	1,853.1	1,901.9	48.8	2.6
Education and health services	2,480.3	2,529.8	49.5	2.0
Leisure and hospitality	1,174.0	1,187.2	13.2	1.1
Other services	553.3	551.9	-1.4	-0.3
Government	2,087.1	2,078.8	-8.3	-0.4

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

Source: U.S. Bureau of Labor Statistics



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local government subsector in New York declined by 6,900 jobs, or 0.6 percent, with layoffs in elementary and secondary education accounting for more than 40 percent of the decrease. The unemployment rate for the region averaged 5.8 percent, down from 7.0 percent a year earlier; state unemployment rates remained above the national average rate of 5.5 percent, but declined to 6.0 percent in New Jersey and to 5.7 percent in New York.

During the fourth quarter of 2014—

- Nonfarm payrolls totaled 9.14 million in New York and 3.99 million in New Jersey. The rates of job growth declined in both states, from 0.9 to 0.5 percent in New Jersey and from 1.2 to 1.1 percent in New York, from the fourth quarter of 2013.
- In New York, the leisure and hospitality sector added 22,700 jobs, a 2.7-percent increase from a year earlier. The sector recorded the greatest percentage gain of all sectors during the

past 3 years, increasing by 32,100 and 23,900 jobs, or 4.1 and 3.0 percent, during the fourth quarters of 2012 and 2013, respectively.

- In New Jersey, the leisure and hospitality sector declined by 9,500 jobs, or 2.8 percent, after increases of approximately 2 percent during each of the previous 2 years. In Atlantic City, 4 of 12 casinos closed in 2014, contributing to a loss of 8,500 jobs, or 19 percent, in the leisure and hospitality sector in the Atlantic City-Hammonton, NJ metropolitan statistical area.
- NYC, where nonfarm payrolls increased by 86,300 jobs, or 2.1 percent, accounted for more than 70 percent of the job growth in the region. The greatest gain was in the education and health services sector, with the addition of 27,000 jobs, or 3.3 percent.
- The financial activities sector in NYC improved for the fifth consecutive quarter, adding 3,800 jobs, a 0.9-percent increase, after a gain of 500 jobs, or 0.1 percent, a year earlier. Growth was concentrated in the credit intermediation and banking industries.

Sales Market Conditions

Sales housing market conditions in the New York/New Jersey region were balanced during the fourth quarter of 2014. Sales markets were mostly balanced in the fourth quarter of 2013, when conditions were balanced in New York and nearly balanced in New Jersey. During 2014, the average number of days a home remained on the market decreased by 2 days in each state, to 94 days in New Jersey and to 104 days in New York (New Jersey Association of Realtors®; New York State Association of Realtors®, Inc.). In

December 2014, 8.2 percent of home loans in the region were 90 or more days delinquent, were in foreclosure, or had transitioned into REO status, a decrease from 9.3 percent a year ago (Black Knight Financial Services, Inc.). The share of mortgages that were seriously delinquent or transitioned into REO status was 9.3 percent in New Jersey and 7.6 percent in New York, both above the rate of 4.6 percent for the nation in December 2014. The number of properties in REO status nationwide declined 11 percent from

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Home sales declined and prices increased in most of the New York/New Jersey region during 2014.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2013	2014	Percent Change		2013 (\$)	2014 (\$)	Percent Change
New York* (E)	December	108,200	101,600	- 6	AVG	315,200	319,900	1
New York City (N&E—1-3 family)	December	20,250	20,150	0	AVG	606,400	652,300	8
New York City (N&E—condo & co-op)	December	27,100	24,650	- 9	AVG	922,800	1,006,000	9
Rochester MSA** (E)	December	10,800	10,250	- 5	AVG	150,000	155,400	4
Buffalo MSA** (E)	December	10,450	10,250	- 2	AVG	147,800	148,200	0
New Jersey*** (E)	December	65,400	63,950	- 2	AVG	397,400	403,100	1
Northern New Jersey*** (E)	December	27,600	26,450	- 4	MED	225,500-460,000	203,000-429,000	NA
Central New Jersey**** (E)	December	17,550	16,500	- 6	MED	280,000-425,000	277,000-440,000	NA
Southern New Jersey*** (E)	December	20,250	21,100	4	MED	127,000-296,500	134,000-290,000	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®; 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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December 2013, whereas the number of REO properties in the region increased 41 percent; it nearly doubled in New Jersey and increased 18 percent in New York. New Jersey and New York, both judicial states, continue to work through the backlog of loans in the foreclosure process, and the number of REO and short sales remained high, nearly unchanged from a year earlier (CoreLogic, Inc.).

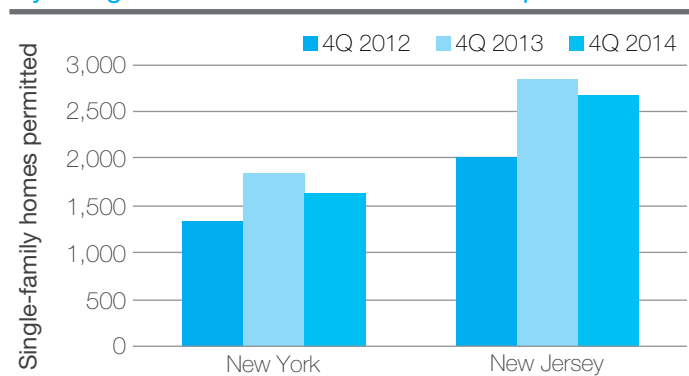
The NYC sales market was balanced in the fourth quarter of 2014. In Manhattan, during the 12 months ending December 2014, the number of new and existing condominiums and cooperatives sold decreased 11 percent, to 13,150 units, and the average sales price increased 13 percent, to \$1.53 million. The decline in sales in Manhattan reflects a return of the market to a more typical level reached in mid-2013 after increasing 16 percent a year earlier. In Brooklyn and Queens, average home sales prices (including condominiums, cooperatives, and one- to three-family homes) increased 12 and 6 percent, to \$699,900 and \$449,800, respectively. Home sales declined 6 percent in Brooklyn and 2 percent in Queens, to 11,200 and 13,850 homes sold, respectively. In the Bronx, home sales rose 5 percent from a year ago, to 2,675 homes sold, and the average sales price increased 1 percent, to \$355,200. On Staten Island, the number of sales increased 3 percent, to 3,950 homes sold, and the average sales price declined 2 percent, to \$412,900 (REBNY).

During the fourth quarter of 2014 (preliminary data)—

- In the New York/New Jersey region, the number of single-family homes permitted decreased by 400, or 8 percent, to 4,275 homes compared with the number permitted during the fourth quarter of 2013, as builders decreased production in response to moderating economic growth. By comparison, homebuilding increased 5 percent nationally during the fourth quarter of 2014.

- In New York, the number of single-family homes permitted declined 11 percent, to 1,650, compared with an increase of 39 percent a year ago.
- New Jersey accounted for more than 60 percent of the homebuilding activity in the region; however, the number of single-family homes permitted in New Jersey decreased 7 percent from a year ago, to 2,650.
- Single-family construction activity decreased in several major metropolitan areas in the region compared with the number of homes permitted a year ago. In the New York-Northern New Jersey-Long Island, Ocean City, and Buffalo metropolitan areas, homebuilding activity declined 9, 10, and 45 percent, respectively, from a year earlier to approximately 2,600, 150, and 140 single-family homes permitted.

Single-family permitting in the New York/New Jersey region during the fourth quarter of 2014 declined from a year ago but increased from the fourth quarter of 2012.



4Q = fourth quarter.

Note: Based on preliminary data.

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

Apartment Market Conditions

Apartment market conditions were mixed (balanced to tight) in the New York/New Jersey region during the fourth quarter of 2014. By comparison, apartment markets were tight during the fourth quarter of 2013. In New Jersey, conditions were balanced to tight during the fourth quarter of 2014 compared with tighter conditions a year ago, with apartment markets mostly balanced in Southern New Jersey and tight in Central New Jersey. The formerly tight apartment market in Northern New Jersey became balanced; the vacancy rate increased from 3.6 to 4.1 percent, and more than 1,000 apartment units completed in the fourth quarter of 2013 were in lease up (Reis, Inc.). In New York, apartment markets were mixed, with balanced to tight conditions, and the number of newly completed apartment units available for lease increased in several markets. The NYC apartment market, the most expensive

in the nation, with an average rent of \$3,281, eased from slightly tight to balanced conditions with the completion of 2,825 apartment units during the fourth quarter of 2014, more than double the 1,025 units that were in lease up during the fourth quarter of 2013 (McGraw-Hill Construction Pipeline database). In Buffalo, the apartment market remained tight despite the completion of 460 units during 2014, and the vacancy rate declined to 2.8 percent; an additional 270 units are under construction. The Long Island apartment market was slightly tight and became tighter when the vacancy rate declined from 3.3 to 3.1 percent and the average rent increased 2 percent, to \$1,678; approximately 1,250 units are under construction. Apartment market conditions were balanced in the Ithaca, Rochester, and Syracuse metropolitan areas and were slightly tight in the Albany, Binghamton, and Utica metropolitan areas.

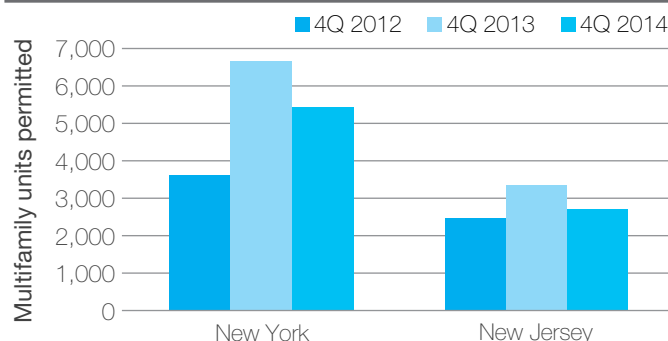
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During the fourth quarter of 2014 (preliminary data)—

- Approximately 8,125 multifamily units were permitted in the region, down 19 percent compared with the number permitted a year ago. By comparison, multifamily permitting was up 4 percent in the nation.
- In New Jersey, the number of units permitted decreased 20 percent, to 2,675 units, after increasing 38 percent a year ago.
- In New York, multifamily construction activity declined 18 percent, to 5,450 units, after increasing 84 percent a year ago, which accounted for more than two-thirds of the increase in units permitted in the region.
- The greatest decrease in the number of multifamily units permitted in the region occurred in the New York-Northern New Jersey-Long Island metropolitan area, where the number of multifamily units permitted declined 23 percent, to 6,575 units.

Multifamily permitting in the New York/New Jersey region during the fourth quarter of 2014 declined relative to a year earlier but increased from the fourth quarter of 2012.



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 were mostly balanced in New Jersey markets and ranged from balanced to tight in New York markets.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		4Q 2013 (%)	4Q 2014 (%)	Percentage Point Change	4Q 2013 (\$)	4Q 2014 (\$)	Percent Change
Albany ^a	Slightly tight	4.6	3.2	- 1.4	1,016	1,022	1
Atlantic City-Cape May ^b	Balanced	6.7	6.8	0.1	988	988	0
Buffalo ^b	Tight	3.1	2.8	- 0.3	785	799	2
Long Island ^b	Slightly tight	3.3	3.1	- 0.2	1,653	1,678	2
New York City ^b	Balanced	2.9	3.3	0.4	3,188	3,281	3
Northern New Jersey ^b	Balanced	3.6	4.1	0.5	1,619	1,666	3
Rochester ^a	Balanced	3.6	3.8	0.2	829	836	1

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.