

HUD PD&R Regional Reports

Region 2: New York/New Jersey



Quick Facts About Region 2

New York, New York

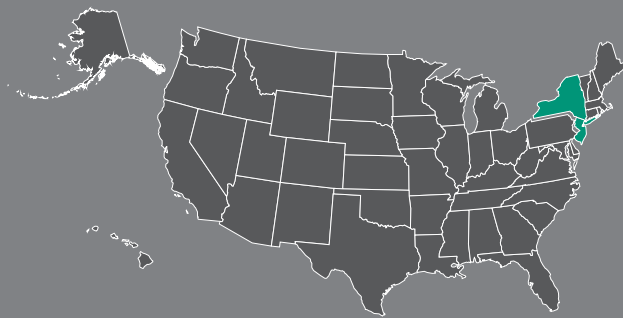
By Patricia Moroz | 1st quarter 2015

Sales market conditions—

First quarter 2015: balanced.
Fourth quarter 2014: balanced.
First quarter 2014: balanced.

Apartment market conditions—

First quarter 2015: mixed (balanced to tight).
Fourth quarter 2014: mixed (balanced to tight).
First quarter 2014: mixed (balanced to tight).



Overview

Economic conditions in the New York/New Jersey region expanded at a higher rate during the first quarter of 2015 than a year ago. Population growth continued during 2014 but more slowly than a year earlier, and the New York/New Jersey region had the second lowest growth rate of the 10 HUD-defined regions, after the Midwest region. Sales housing markets in the New York/New Jersey region were balanced during the first quarter of 2015, although single-family homebuilding activity was below the level recorded during the recent recession, primarily because construction remained low in New Jersey. Apartment markets ranged from balanced to tight in the region, and the number of apartment units in lease up during the first quarter of 2015 was down from a year earlier (McGraw-Hill Construction Pipeline database).

- In New Jersey, nonfarm payroll job growth, which resumed in late 2011 after the decline that began in mid-2008, continued during the first quarter of 2015.
- New Jersey, which had the highest percentage in the nation of home loans that were seriously delinquent (those 90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status since April 2014, will continue to work through the backlog of loans in the foreclosure process.

continued on page 2



PD&R

continued from page 1

- In New York, developers responded to strengthening economic conditions, rising rents, and higher sales prices for condominiums and cooperatives in New York City (NYC) by increasing the construction of multifamily units, although the current level of building remains below the peak that occurred in 2007.

Economic Conditions

The economy of the New York/New Jersey region expanded during the first quarter of 2015 from a year ago. Economic conditions strengthened in New York and continued to recover in New Jersey. Nonfarm payrolls averaged 12.95 million jobs in the region during the first quarter of 2015, an increase of 193,000 jobs, or 1.5 percent, from a year ago. By comparison, nonfarm payrolls increased by 155,600 jobs, or 1.2 percent, during the first quarter of 2014. The education and health services sector gained the most jobs in the region during the first quarter 2015, increasing by 61,800 jobs, or 2.5 percent. More than one-half of the jobs added were in the ambulatory health care services industry, which includes home health care services. Home health care services increased by an average of 15,500 jobs, or 10.4 percent, in New York and by 500 jobs, or 1.3 percent, in New Jersey. The mining, logging, and construction sector added payrolls at the highest rate in the region, with a 4.2-percent increase; all the net increase was in the construction subsector. The construction of buildings industry accounted for 44 percent of the increase in the subsector, and New York contributed the most jobs, partially because of increased multifamily development. NYC accounted for nearly 25 percent of the increase in the construction subsector in the region. The only sector in the region that declined was the manufacturing sector,

- In NYC, the postrecession economic recovery and growth were led by multiple sectors, including the education and health services and the professional and business services sectors, whereas growth in the financial activities sector has been slower than during previous expansions.

which decreased by 2,600 jobs, or 0.4 percent. The unemployment rate for the region averaged 6.4 percent, down from 7.4 percent a year earlier. State unemployment rates remained above the national average rate of 6.1 percent but declined to 6.9 percent in New Jersey and 6.2 percent in New York.

During the first quarter of 2015—

- Nonfarm payrolls increased 1.7 percent, to 9.04 million, in New York and 1.1 percent, to 3.91 million, in New Jersey compared with rates of 1.6 and 0.3 percent, respectively, a year earlier. The current level of nonfarm payrolls in New York is 269,300 jobs above the previous peak of 8.82 million jobs in the fourth quarter of 2008. The recovery continued in New Jersey, where payrolls remain 161,400 below the peak of 4.11 million jobs in the third quarter of 2007.
- In New York, the other services sector had the greatest percentage gain of all sectors, at 2.8 percent, and increased by 10,800 jobs. More than one-half of the jobs added in the other services sector were in the industries that include professional, labor, political, and similar organizations and civic and social organizations; those industries added 2,600 jobs each, increases of 8.6 and 9.2 percent, respectively.

continued on page 3

Nonfarm payrolls increased in all but one sector in the New York/New Jersey region.

	First Quarter		Year-Over-Year Change	
	2014 (thousands)	2015 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	12,760.0	12,953.0	193.0	1.5
Goods-producing sectors	1,126.7	1,142.3	15.6	1.4
Mining, logging, and construction	436.4	454.6	18.2	4.2
Manufacturing	690.2	687.6	- 2.6	- 0.4
Service-providing sectors	11,633.3	11,810.8	177.5	1.5
Wholesale and retail trade	1,905.3	1,934.3	29.0	1.5
Transportation and utilities	436.8	447.9	11.1	2.5
Information	336.9	337.9	1.0	0.3
Financial activities	927.3	934.8	7.5	0.8
Professional and business services	1,807.8	1,832.5	24.7	1.4
Education and health services	2,472.9	2,534.7	61.8	2.5
Leisure and hospitality	1,138.8	1,155.7	16.9	1.5
Other services	551.4	567.5	16.1	2.9
Government	2,056.3	2,065.5	9.2	0.4

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

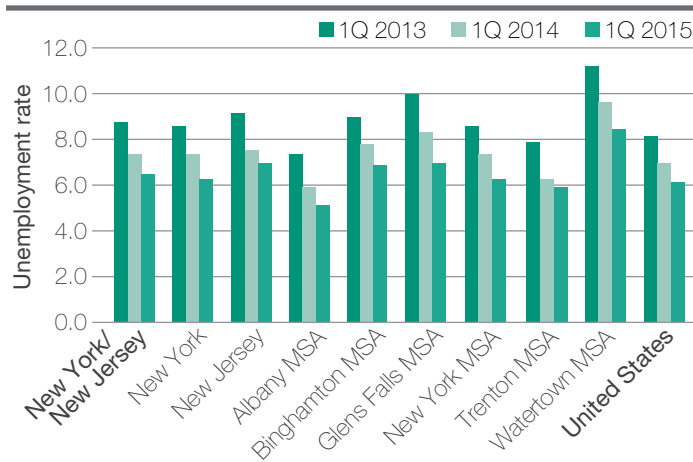
Source: U.S. Bureau of Labor Statistics



continued from page 2

- In New Jersey, the retail trade subsector added 7,300 jobs, a 1.3-percent increase. Approximately 15 retail projects totaling 514,000 square feet were completed in New Jersey, up from 10 retail developments totaling 274,000 square feet during the first quarter of 2014 (McGraw-Hill Construction Pipeline database).
- In NYC, nonfarm payrolls increased by 110,300 jobs, or 2.7 percent, compared with a 3.1-percent increase a year earlier. Recent jobs gains occurred across several sectors, with a 4.1-percent increase each in the education and health services and the professional and business services sectors, which added 34,100 and 26,700 jobs and contributed 31 and 24 percent of jobs added in NYC, respectively.
- The financial activities sector in NYC increased for the sixth consecutive quarter, to 450,400 jobs, adding 8,300 jobs, a 1.9-percent increase, although the sector remains below the previous peak of 468,200 jobs in the third quarter of 2008.

Unemployment rates declined in most metropolitan areas in the New York/New Jersey region, but most area rates remained above 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 77,200, or 0.3 percent, from July 2013 to July 2014. The rate of growth was less than one-half the 0.7-percent increase nationally and was down from the regional gain of 0.4 percent during the previous year. The lower population growth was mostly caused by a net out-migration of 40,850 people. This net out-migration occurred despite a high level of international in-migration, particularly to New York. By comparison, from July 2010 to July 2013, the region recorded an average net in-migration of 7,500 people.

During the 12 months ending July 1, 2014—

- In New Jersey, the population increased by 26,650, or 0.3 percent, down from an average gain of 36,000, or 0.4 percent, annually from July 2010 to July 2013. Most of the population growth since 2010 has occurred in Bergen, Middlesex, Hudson, and Union Counties, which border NYC and have relatively lower housing costs than NYC.

- In New York, the population increased by 50,550, or 0.3 percent, compared with an average gain of 98,250, or 0.5 percent, annually from July 2010 to July 2013. Growth occurred from July 2013 to July 2014 in the Albany, Buffalo, and Ithaca metropolitan areas; however, the overall population in the state outside of NYC remained relatively unchanged.
- New York ranked second among states, after California, for international in-migration from July 2013 to July 2014, at 118,800 people.
- In NYC, the rate of population growth was double the rate for the state of New York and for the region. Brooklyn accounted for 37 percent of the population increase in NYC; the Bronx and Queens were the fastest growing boroughs, with growth rates of 0.8 percent each.

Population growth slowed in the New York/New Jersey region, following the national trend.

	Population Estimate (as of July 1)			Percent Change	
	2012	2013	2014	2012 to 2013	2013 to 2014
United States	314,112,078	316,497,531	318,857,056	0.8	0.7
New York/New Jersey	28,483,140	28,607,182	28,684,402	0.4	0.3
New York	19,607,140	19,695,680	19,746,227	0.5	0.3
New York City	8,365,903	8,438,379	8,491,079	0.9	0.6
New Jersey	8,876,000	8,911,502	8,938,175	0.4	0.3

Source: U.S. Census Bureau

Sales Market Conditions

Sales housing market conditions in the New York/New Jersey region were balanced during the first quarter of 2015. Although conditions have been balanced for nearly 2 years, the number of homes sold decreased throughout most of the region during the first quarter of 2015. In March 2015, the average number of days a home remained on the market decreased in both states, declining by 4 days, to 114, in New York and by 1 day, to 101, in New Jersey (New Jersey Association of Realtors®; New York State Association of Realtors®, Inc.). In the New York/New Jersey region in March 2015, as measured by the median age of inventory, homes remained on the market for an average of 64 and 68 days in the Rochester and Buffalo metropolitan areas, respectively. In the Utica, Atlantic City, and Binghamton areas, the average was 128, 130, and 132 days, respectively compared with the national average of 89 days (Realtor.com). In March 2015, 7.8 percent of home loans in the region were seriously delinquent or transitioned into REO status, a decrease from 8.8 percent a year ago (Black Knight Financial Services, Inc.). The share of mortgages that were seriously delinquent or in REO status was 8.8 percent in New Jersey and 7.2 percent in New York, both above the rate of 4.3 percent for the nation in March 2015. The share of seriously delinquent and REO mortgages in the region declined from a peak of 10.8 percent in March 2013, which occurred more than 3 years after the national peak of 9.2 percent in January 2010. Distressed sales (REO and short sales) accounted for 10 percent of existing home sales in the region during the fourth quarter of 2014 (the best representative data available), up from 9 percent a year earlier (CoreLogic, Inc.).

The NYC sales market was balanced in the first quarter of 2015. In Manhattan, during the 12 months ending March 2015, the number of new and existing condominiums and cooperatives sold decreased 10 percent, to 13,500 units, and the average sales price increased 16 percent, to \$1.66 million. Although condominium sales were down nearly 9 percent in Manhattan, the average sales price rose 28 percent, partially because of sales at 157 West 57th Street, near Central Park, including six units that sold for more than \$20 million and one unit that sold for more than \$100 million (Real Estate Board of New York). In Brooklyn and Queens, average home sales prices (including condominiums, cooperatives, and one- to three-family homes) increased 14 and 6 percent, to \$720,300 and \$457,700, respectively. Home sales declined 3 percent each in Brooklyn, Queens, and Staten Island, to 11,300, 14,100, and 3,850 homes sold, respectively. On Staten Island, the average sales price increased 1 percent, to \$416,700. In the Bronx, home sales rose 12 percent from a year ago, to 2,875 homes sold, and the average sales price increased 2 percent, to \$361,400.

During the first quarter of 2015 (preliminary data)—

- In the New York/New Jersey region, the number of single-family homes permitted decreased by 520, or 13 percent, to 3,425 homes compared with the number permitted during the first quarter of 2014. By comparison, homebuilding increased 5 percent nationally during the first quarter of 2015.
- New Jersey accounted for 65 percent of the homebuilding activity in the region; however, the number of single-family homes

continued on page 5

Home sales remained flat or declined and prices increased throughout most of the New York/New Jersey region for the second consecutive quarter.

	12 Months Ending	Number of Homes Sold				Price		
		2014	2015	Percent Change	Average or Median	2014 (\$)	2015 (\$)	Percent Change
New York* (E)	March	108,500	102,700	– 5	AVG	319,900	320,400	0
Buffalo MSA** (E)	March	10,350	10,350	0	AVG	148,700	147,400	– 1
New York City (N&E—1–3 family)	March	20,550	20,750	1	AVG	609,100	665,700	9
New York City (N&E—condo & co-op)	March	27,150	24,850	– 8	AVG	921,400	1,040,000	13
Rochester MSA** (E)	March	10,650	10,350	– 3	AVG	150,800	154,600	3
New Jersey*** (E)	March	64,150	62,750	– 2	AVG	399,900	402,100	1
Northern New Jersey*** (E)	March	26,750	26,050	– 3	MED	199,900–430,000	218,000–437,500	NA
Central New Jersey**** (E)	March	17,300	16,450	– 5	MED	249,000–450,500	247,500–390,000	NA
Southern New Jersey*** (E)	March	20,100	20,350	1	MED	120,000–332,000	120,000–325,000	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

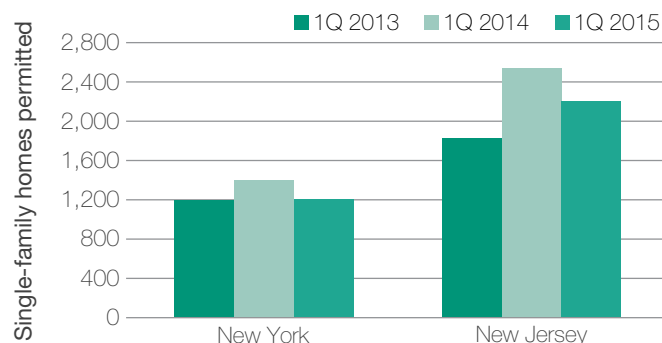


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permitted in New Jersey decreased 13 percent from a year ago, to 2,225. The current level of homebuilding is 9 percent below the average of 2,450 homes permitted during the corresponding quarters from 2008 through 2010, when the economy contracted.

- In New York, the number of single-family homes permitted declined 14 percent, to 1,200 homes, compared with an increase of 17 percent a year ago. This level of construction is 20 percent above the 1,000 homes permitted during the first quarter of 2009, when economic conditions declined in the state.
- Single-family construction activity decreased in the NYC and Buffalo metropolitan areas, declining 16 and 10 percent, respectively, from a year earlier, to 2,225 and 150 single-family homes permitted. Homebuilding activity increased, however, in the Rochester and Ocean City metropolitan areas, rising 32 and 20 percent, to 220 and 130 homes, respectively.

Single-family construction activity declined in the New York/New Jersey region during the first quarter of 2015.



1Q = first quarter.

Note: Based on preliminary data.

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

Apartment Market Conditions

Apartment market conditions were mixed (ranging from balanced to tight) in the New York/New Jersey region during the first quarter of 2015, unchanged during the past year. In New Jersey, conditions were mostly balanced in Southern New Jersey and tight in Central New Jersey. The apartment market in Northern New Jersey has been balanced for the past year, with the vacancy rate unchanged at 4.0 percent; the market eased from tight conditions in 2013 after 970 and 810 apartment units were completed during the first quarters of 2014 and 2015, respectively (Reis, Inc.). In New York, apartment markets were mixed, ranging from balanced to tight conditions. In NYC, the vacancy rate increased to 3.1 percent, the highest first quarter vacancy rate in the past 4 years, and rents increased 3 percent. Partially in response to balanced market conditions, the number of apartment units completed in

NYC decreased from 2,675 in the first quarter of 2014 to 760 in the first quarter of 2015. The Long Island apartment market remained slightly tight, and the vacancy rate increased from 3.1 to 3.2 percent, with 700 new apartments in lease up since mid-2014; an additional 740 units are under construction and expected to be complete in 2015. Markets in Upstate New York, including Binghamton, Ithaca, and Rochester, tightened compared with mostly balanced conditions a year earlier. The apartment market in Albany was balanced, with a 3-percent increase in rents and a decline in the vacancy rate to 4.0 percent compared with conditions a year ago despite the completion of 750 apartment units in 2014; in addition, 560 units are currently under construction (McGraw-Hill Construction Pipeline database).

continued on page 6

Apartment market conditions in the New York/New Jersey region ranged from balanced to tight and rents increased in most areas during the first quarter of 2015.

Market Area	Market Condition	Vacancy Rate			Average Monthly Rent		
		1Q 2014 (%)	1Q 2015 (%)	Percentage Point Change	1Q 2014 (\$)	1Q 2015 (\$)	Percent Change
Albany ^a	Balanced	4.2	4.0	-0.2	1,005	1,037	3
Central New Jersey ^b	Tight	2.8	2.8	0.0	1,236	1,259	2
Long Island ^b	Slightly tight	3.1	3.2	0.1	1,655	1,679	1
New York City ^b	Balanced	2.8	3.1	0.3	3,187	3,291	3
Northern New Jersey ^b	Balanced	3.8	4.0	0.2	1,626	1,671	3
Syracuse ^a	Balanced	3.5	4.0	0.5	767	781	2
Westchester ^b	Slightly tight	3.1	2.9	-0.2	1,976	2,003	1

1Q = first quarter.

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

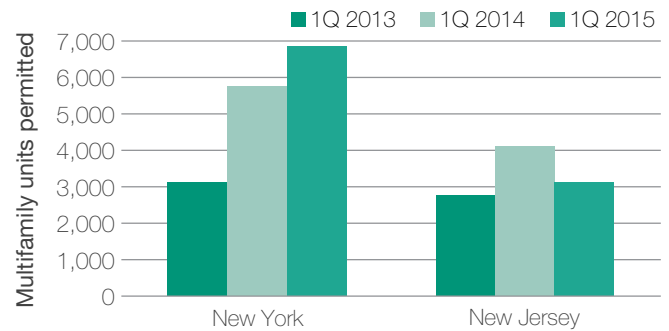
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During the first quarter of 2015 (preliminary data)—

- Approximately 10,050 multifamily units were permitted in the region, up 2 percent compared with the number permitted a year ago but 11 percent below the peak of 11,300 units permitted in the first quarter of 2006 (preliminary data).
- In New Jersey, the number of units permitted decreased 23 percent, to 3,125 units. Multifamily building activity slowed after increasing 48 percent to a peak of 4,050 units a year ago, which exceeded the previous peak of 3,400 units permitted in the first quarter of 2006 (preliminary data).
- In New York, multifamily construction activity increased 19 percent, to 6,900 units, after increasing 84 percent a year ago. By comparison, 8,050 multifamily units were permitted during the peak in the first quarter of 2007 (preliminary data).
- Multifamily activity remained relatively unchanged in most metropolitan areas in the region, with the exceptions of Albany and

Buffalo, where the number of units permitted more than doubled to 230 and 180 units, respectively, and Rochester, where the number of units permitted decreased 62 percent, to 70 units.

Multifamily construction activity increased slightly in the New York/New Jersey region overall, despite a slowdown in New Jersey.



1Q = first quarter.

Note: Based on preliminary data.

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