



# U.S. Housing Market Conditions



## NEW YORK/NEW JERSEY REGIONAL REPORT HUD Region II

### 4th Quarter Activity

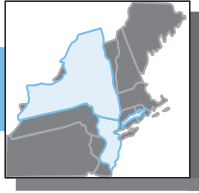
The following summary of the New York/New Jersey region's housing market conditions and activities has been prepared by economists in the U.S. Department of Housing and Urban Development's (HUD's) field offices. The report provides overviews of economic and housing market trends within the New York/New Jersey region. The report is based on information obtained by HUD economists from state and local governments, from housing industry sources, and from their ongoing investigations of housing market conditions carried out in support of HUD's programs.

Economic conditions in the New York/New Jersey region showed signs of improving in 2010, as job losses slowed compared with the conditions during 2009, the beginning of the job decline. During 2010, nonfarm payrolls in the region averaged approximately 12.4 million jobs, down by 87,600 jobs, or 0.7 percent, which is significantly less than the loss of 393,700 jobs, or 3.1 percent, which occurred during 2009. Total payroll losses in the region were divided almost equally between the two states. In New Jersey, nonfarm payrolls declined by 44,700 jobs, or 1.1 percent, to 3.8 million. New York State registered a loss of 43,000 jobs, or 0.5

percent, resulting in an average of 8.5 million jobs. In New York City, nonfarm payrolls decreased by 10,400, or 0.3 percent, to nearly 3.7 million jobs.

During 2010, the largest job declines in the New York/New Jersey region occurred in the government, construction, and manufacturing sectors. The region lost 39,900 jobs in the government sector, a 1.8-percent decrease, with declines at both the state and local levels because of budget cuts. New York State accounted for nearly 80 percent of the losses in the government sector, recording a decline of 31,300 jobs, or 2.1 percent, while New Jersey registered a loss of 8,600 jobs, or 1.3 percent. The construction sector lost 27,100 jobs, or 5.8 percent, throughout the region. Construction job losses totaled 13,600, or 4.2 percent, in New York State and 13,400, or 9.7 percent, in New Jersey. The manufacturing sector in the region continued to contract during 2010; however, job losses slowed to 26,100, or 3.5 percent, compared with the decline of 86,300 jobs, or 10.4 percent, in 2009. Manufacturing payrolls decreased by 15,800 jobs, or 3.3 percent, in New York State, and by 10,300 jobs, or 3.9 percent, in New Jersey.

Two sectors added jobs in the New York/New Jersey region in 2010: the education and health services and the



leisure and hospitality sectors. The education and health services sector recorded an increase of 29,600 jobs, or 1.3 percent, with gains of more than 25,500 jobs, or 1.8 percent, in New York State and nearly 5,000 jobs, or 0.7 percent, in New Jersey. The leisure and hospitality sector expanded by 14,500 jobs, a 1.4-percent increase, with additions of 12,500 and 2,025 jobs, or increases of 1.8 and 0.6 percent, in New York State and New Jersey, respectively. In New York City, in 2010, the number of leisure travelers to the city increased by nearly 7 percent, to 48.7 million; as a result, the leisure and hospitality sector increased by 7,900 jobs, or 2.6 percent. The unemployment rate in the New York/New Jersey region was 8.7 percent in 2010, which is unchanged from 2009. The average unemployment rate remained constant at 8.4 percent in New York but increased from 9.2 to 9.5 percent in New Jersey.

Throughout most of the New York/New Jersey region, sales housing market conditions remain slightly soft, but are improving slowly, as trends in the data for prices and home sales were mixed. According to the NATIONAL ASSOCIATION OF REALTORS®, during the third quarter of 2010 (the latest information available), home sales declined by 101,600 homes, or 25 percent, from a year earlier to a seasonally adjusted annual rate of 296,600 homes sold. According to Lender Processing Services Mortgage Performance Data, as of December 2010, 8.7 percent of total loans in the region were 90 days or more delinquent, in foreclosure, or in REO (Real Estate Owned), up from 8.2 percent a year earlier. This level is comparable to the 8.3-percent rate for the nation as of December 2010.

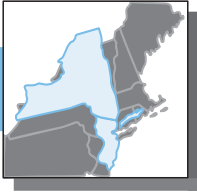
According to data from the New York State Association of REALTORS®, during 2010, the number of existing single-family home sales in New York (excluding parts of New York City) decreased nearly 4 percent, to 74,600 homes, compared with the number sold during 2009. The median price of an existing home increased more than 7 percent from \$205,000 in 2009 to \$219,900 in 2010. For the Rochester metropolitan area, during 2010, the Greater Rochester Association of REALTORS® reported a 6-percent decrease in home sales, down to 10,100 homes sold, but the median sales price increased 5 percent to \$119,500. The Greater Capital Association of REALTORS®, Inc., reported that, during 2010, in the Albany-Schenectady-Troy metropolitan area, existing home sales decreased by 8 percent, down to approximately 7,425 homes sold, but the median sales price rose 3 percent to \$188,000. During the 12 months ending December 2010, the Buffalo Niagara Association of REALTORS® reported that sales of single-family homes declined 15 percent, to less than 8,550 homes sold, but the median sales price increased 11 percent, to \$116,500.

The New York City home sales market, which remains slightly soft, strengthened during 2010. Prudential

Douglas Elliman Real Estate reported that, in Manhattan, Brooklyn, and Queens, during 2010, existing condominium and cooperative unit sales increased 20 percent to 29,900 units compared with the number sold during 2009. During 2010, the average sales price rose by 9 percent, from \$727,100 to \$791,300, but the average number of days a home remained on the market declined by 33 days to 113 days. In Queens, home sales increased more than 15 percent to 12,700 homes, and the median sales price increased more than 5 percent to \$369,000. In Brooklyn, home sales increased 9 percent to 7,140 homes, and the median sales price increased 6 percent, to \$475,000. During 2010, home sales in Manhattan totaled nearly 10,100 homes, a 36-percent increase compared with the 7,430 homes sold during 2009. Although the 2010 sales level in Manhattan is 25 percent below the peak that occurred in 2007, home sales are within 3 percent of the 2008 level of 10,400 homes. In 2010, the median sales price in Manhattan was \$845,000, up more than 4 percent from a year earlier.

In New Jersey, home sales markets are slightly soft. Home sales increased, continuing the trend that began in 2009, but home prices remain relatively flat in most areas. According to data from the New Jersey Association of REALTORS®, during the 12 months ending September 2010 (the latest information available), the number of existing homes sold rose by nearly 12,700, or 12 percent, to 119,400 homes sold. During the 12 months ending September 2010, the median sales price declined by 1 percent, to \$316,700, which is 17 percent below the peak of \$381,400 recorded in September 2007. For the 12 months ending September 2010, Northern New Jersey reported the largest increase in home sales, up 15 percent to 57,900 homes, with the median price declining by less than 1 percent to \$387,500. In Central New Jersey, home sales rose 12 percent, to 31,200 homes, and the median price increased 2 percent, to \$326,600. In Southern New Jersey, existing single-family homes sales increased 6 percent, to 30,300, and the median price increased 1 percent, to \$213,700.

As economic conditions in the New York/New Jersey region showed signs of improving, builders increased construction of single-family homes and multifamily units. During the 12 months ending December 2010, based on preliminary data, the number of single-family homes permitted increased 7 percent to 17,750 homes compared with a 25-percent decline recorded during the same period a year earlier. Single-family home construction rose by 260 homes, or 4 percent, to 7,400 homes in New Jersey and by 900 homes, or nearly 10 percent, to 10,350 homes in New York. In the region, multifamily building activity, as measured by the number of units permitted, increased by 21 percent, to 15,775 units, compared with a 74-percent decrease during the 12 months ending December 2009. In New Jersey, the number of multifamily units permitted



increased by 820, to 5,925 units permitted, which was a 16-percent increase from a year earlier. In New York, the number of multifamily units permitted increased by more than 1,925 units, or 24 percent, to 9,850 units, which is a significant improvement compared with the 80-percent decline that occurred during the 12 months ending December 2009. For comparison, between 2006 and 2008, the number of multifamily units permitted annually averaged 36,750 units in New York and 12,900 units in New Jersey.

Rental markets in the New York/New Jersey region remained balanced during the fourth quarter of 2010, although conditions in most markets have tightened from a year earlier, with several markets in Upstate New York and New Jersey recording declines in vacancies. The market in the Buffalo metropolitan area tightened, with the vacancy rate dropping 1 percentage point to 4.4 percent and the average rent increasing by 1 percent to nearly \$740. The Rochester apartment market became tighter: the vacancy rate declined from 4.7 to 4.2 percent, and the average rent increased nearly 3 percent, to approximately \$770. In the Syracuse metropolitan area, the vacancy rate decreased from 4.4 to

4.0 percent, and the average rent increased 2 percent, to \$700. For the fourth quarter of 2010, in Northern New Jersey, the vacancy rate decreased from 5.2 to 4.9 percent, and the average rent rose to \$1,510, which was a 2-percent increase. In Central New Jersey, the vacancy rate remained unchanged at 3.9 percent, and the average rent increased 1 percent, to \$1,160.

Although vacancies increased in New York City, the rental market is one of the tightest in the nation. According to Reis, Inc., in the fourth quarter of 2010, the apartment vacancy rate in New York City increased from 2.9 to 3.2 percent. Despite the increase in vacancies, which occurred because of a slight lessening of demand with the slower economy, the average asking rent increased by nearly 5 percent to \$2,870. Conditions continued to be tight in the Long Island market, where rents increased more than 2 percent, to \$1,550, although the vacancy rate increased slightly from 3.6 to 3.8 percent. The Westchester market tightened as the vacancy rate declined from 5.2 to 3.7 percent, with the absorption of 1,250 apartment units completed in 2008 and 2009, but rents declined by slightly less than 1 percent to \$1,860.