

COMPREHENSIVE HOUSING MARKET ANALYSIS

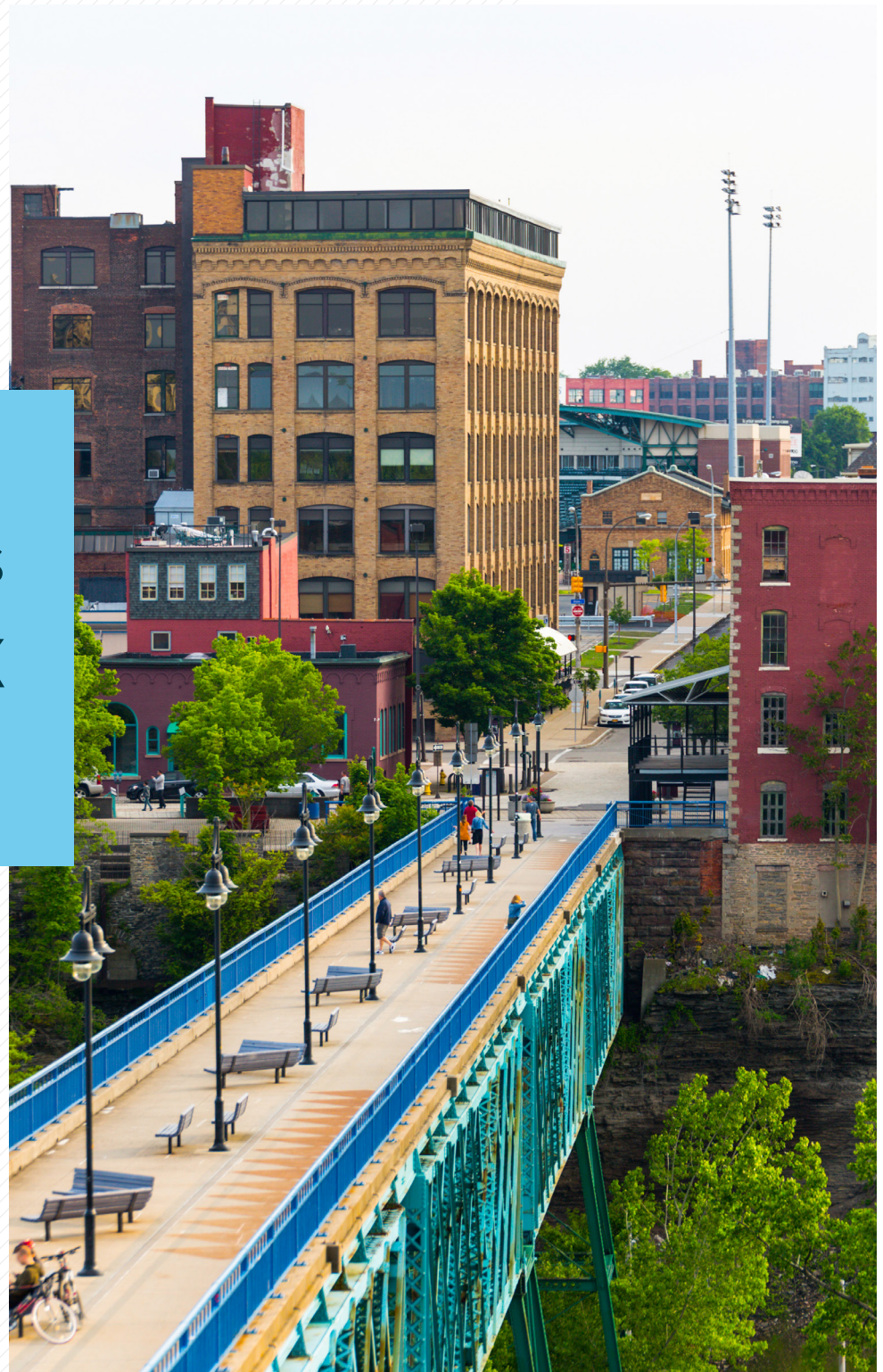
Rochester, New York

U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of July 1, 2021



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Executive Summary

Housing Market Area Description

The Rochester Housing Market Area (HMA) consists of Livingston, Monroe (which contains the city of Rochester), Ontario, Orleans, Wayne, and Yates Counties in Upstate New York. Located along Lake Ontario, the HMA is coterminous with the Rochester, NY Metropolitan Statistical Area (MSA)—between the cities of Syracuse and Buffalo—and is part of the New York [Finger Lakes region](#). The education and health services sector is the largest in the HMA, with nearly 25 percent of all nonfarm payrolls. Included in this sector is the University of Rochester, which is the largest employer in the HMA, with approximately 29,800 employees.

The current population of the HMA is estimated at nearly 1.07 million.



Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's [Market-at-a-Glance tool](#).

Additional data for the HMA can be found in this report's [supplemental tables](#).

For information on HUD-supported activity in this area, see the [Community Assessment Reporting Tool](#).

Market Qualifiers

Economy



Weak, but Improving: During the 12 months ending June 2021, nonfarm payrolls decreased by 31,400 jobs, or 6.0 percent, compared with the previous 12-month period.

Due to the restrictions put in place to slow the spread of COVID-19 beginning in March 2020, nonfarm payrolls in the Rochester HMA declined during the past year. During the 12 months ending June 2021, nonfarm payrolls declined in 9 of 11 sectors, led by job losses in the education and health services sector. Although the economy of the HMA remained weak during the past year, job levels continued to recover from the early part of the pandemic. Since declining by 89,300 jobs, or 16.9 percent, in March and April of 2020, 73 percent of those jobs lost have been recovered (not seasonally adjusted). During the 3-year forecast period, nonfarm payrolls are expected to increase an average of 1.5 percent annually as precautions to counter the spread of COVID-19 are further eased.

Sales Market



Tight: The HMA had 1.1 months of available for-sale housing inventory in June 2021, down from 1.9 months of inventory in June 2020 (CoreLogic, Inc.).

The sales market in the HMA is tight, with an estimated vacancy rate of 1.0 percent, down from 1.4 percent in April 2010. During the 12 months ending June 2021, the number of home sales decreased by 100, or less than 1 percent, to 14,500, due to a decline in inventory levels, and the average home sales price increased by \$17,600, or 10 percent, to a high of \$196,900 (Zonda). The decline in inventory levels and increase in home prices are due to fewer homes being listed for sale during the pandemic and rising labor and construction costs. During the next 3 years, demand is estimated for 3,600 new homes; the 400 homes under construction in the HMA will satisfy a portion of that demand.

Rental Market



Balanced: The overall rental vacancy rate is estimated at 7.0 percent, down from the 7.9-percent rate in April 2010.

The rental housing market in the HMA is currently balanced, compared with slightly soft conditions in 2010. The apartment market is also currently balanced. The apartment vacancy rate during the second quarter of 2021 was 4.0 percent, unchanged from a year earlier, and the average apartment rent rose 1 percent from a year earlier to \$995 (Moody's Analytics REIS). Apartment market conditions changed little during the pandemic, due in part to a federal moratorium on evictions and less out-migration from the HMA compared with previous years in response to travel restrictions implemented to slow the spread of COVID-19. During the forecast period, demand is estimated for 3,925 new rental units, with most of that demand in Monroe County. The 1,825 units under construction in the HMA will satisfy a portion of that demand.

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3-Year Housing Demand Forecast

	Sales Units	Rental Units
Rochester HMA		
Total Demand	3,600	3,925
Under Construction	400	1,825

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction are as of July 1, 2021. The forecast period is July 1, 2021, to July 1, 2024.

Source: Estimates by the analyst



Economic Conditions

Largest Sector: Education and Health Services

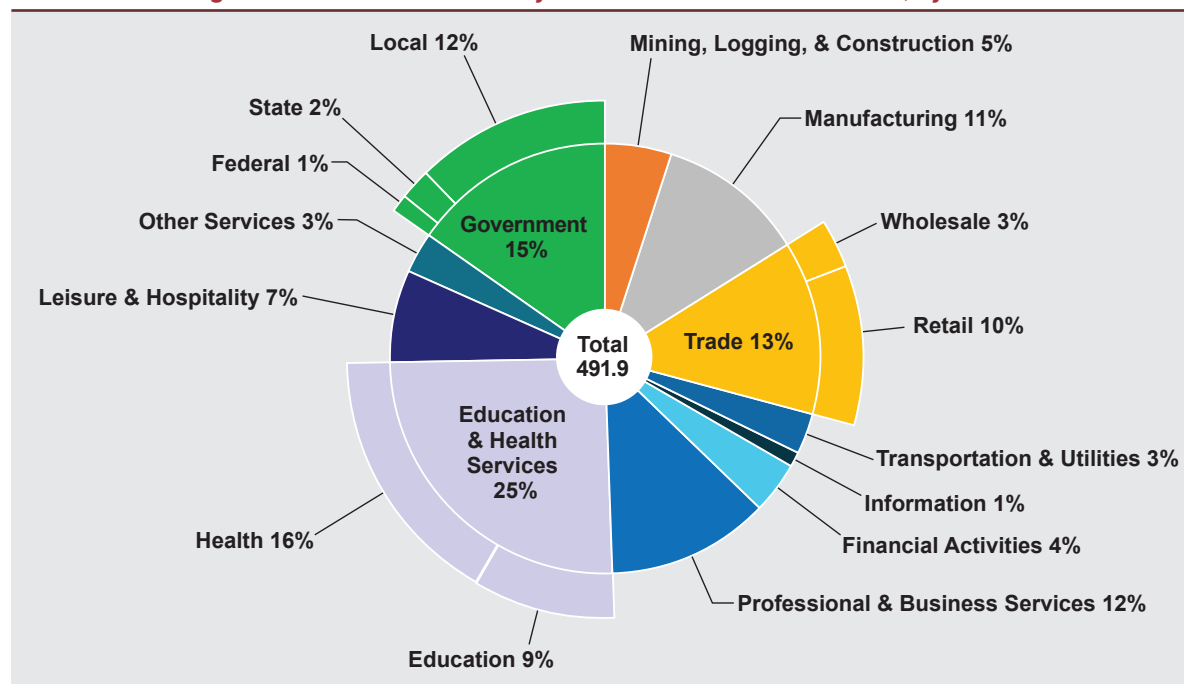
The education and health services sector accounted for approximately 25 percent of all nonfarm payroll jobs in the HMA; this sector added the most jobs from 2011 through 2019, before the current economic downturn.

Primary Local Economic Factors

Four nonfarm payroll sectors contribute significantly to the Rochester HMA economy. The largest of these is the education and health services sector, which makes up approximately 25 percent of all nonfarm payroll jobs in the HMA (Figure 1), compared with 16 percent nationally. The University of Rochester and Rochester Regional Health are the two largest employers in the HMA, with more than 46,350 employees combined (Table 1). Additionally, the government sector accounts for 15 percent of jobs in the HMA, with local government jobs accounting for more than three-quarters of jobs in this sector, while the wholesale and retail trade and professional and business services sectors make up 13 and 12 percent of jobs in the HMA, respectively.

In addition to those largest sectors, the manufacturing sector has traditionally contributed to the economy of the HMA. The economy of the Rochester HMA has historically been closely tied with the Eastman Kodak Company (hereafter, Kodak). Founded in the 1880s in the city of

Figure 1. Share of Nonfarm Payroll Jobs in the Rochester HMA, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through June 2021. Source: U.S. Bureau of Labor Statistics

Table 1. Major Employers in the Rochester HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
University of Rochester	Education & Health Services	29,820
Rochester Regional Health	Education & Health Services	16,545
Wegmans Food Markets, Inc.	Wholesale & Retail Trade	13,133
Paychex, Inc.	Professional & Business Services	4,436
Rochester Institute of Technology	Education & Health Services	4,123
L3Harris Technologies, Inc.	Transportation & Utilities	3,500
Xerox Holdings Corporation	Professional & Business Services	3,400
The Lifetime Healthcare Companies	Education & Health Services	3,200
Sutherland Global Services, Inc.	Professional & Business Services	2,952
Tops Markets	Wholesale & Retail Trade	2,324

Note: Excludes local school districts.
Source: Moody's Analytics

Rochester, Kodak created the first consumer camera. Decades later, Kodak film and cameras would become the standard used in amateur and professional photography and films. By the early 1980s, the company employed more than 60,000 people in the Rochester HMA and more than 140,000 people globally. It is estimated that during that time the company directly and indirectly contributed to more than one-quarter of all jobs in the HMA (*The Atlantic*). Due to foreign competition from photography companies, such as Canon Inc., and consumer electronics firms such as Sony Corporation entering the market through digital film and photography, the market share of Kodak in this industry began to rapidly decline. After filing for bankruptcy in 2012, the company now has slightly more than 1,600 employees in the market area.

Tourism in the Finger Lakes region has a significant impact on the economy of the HMA, affecting multiple sectors such as leisure and hospitality, wholesale and retail trade, and manufacturing. The areas around the lakes are popular seasonal tourist and retirement destinations, with numerous outdoor recreational activities such as fishing, camping, hiking, and boating. There are also more than 120 wineries and vineyards in the region, with the lake-effect weather along the coasts facilitating the growth of grapes, unlike areas further away from the water. The region includes the Finger Lakes Beer Trail, where more than one-third of the breweries in New York are located, supporting more than 9,000 jobs in the region with an economic impact of \$1.5 billion (Oswego County Business).

Current Conditions

The Rochester HMA was adversely affected by the countermeasures implemented to slow the spread of COVID-19. In March 2020, the governor of New York ordered the closures of numerous nonessential businesses to mitigate the adverse health outcomes of the pandemic. The countermeasures included enforcing social distancing and discouraging nonessential travel, which caused economic activity in the HMA to decline significantly. During the pandemic, the most severe job losses occurred in March and April of 2020, when many nonessential businesses closed, and services were limited. As businesses reopened with limited capacity beginning in May 2020, some of the jobs lost gradually returned. By June 2021, 73 percent of the jobs lost in the HMA were recovered (not seasonally adjusted), due to the economy being fully reopened, with some precautions still in place, such as mask-wearing.

Although most of the jobs lost during the early part of the pandemic have returned, nonfarm payrolls during the 12 months ending June 2021 were down by 31,400 jobs, or 6.0 percent, compared with the previous 12-month period (Table 2). During the past 12 months, the decline in nonfarm payrolls in the HMA was less severe than the decline in New York, which fell 6.6 percent, but more severe than the nation, which

Table 2. 12-Month Average Nonfarm Payroll Jobs (1,000s) in the Rochester HMA, by Sector

	12 Months Ending June 2020	12 Months Ending June 2021	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	523.3	491.9	-31.4	-6.0
Goods-Producing Sectors	77.6	76.9	-0.7	-0.9
Mining, Logging, & Construction	21.7	22.3	0.6	2.8
Manufacturing	55.9	54.5	-1.4	-2.5
Service-Providing Sectors	445.7	415.1	-30.6	-6.9
Wholesale & Retail Trade	67.6	66.3	-1.3	-1.9
Transportation & Utilities	12.3	12.9	0.6	4.9
Information	7.4	6.4	-1.0	-13.5
Financial Activities	22.2	21.5	-0.7	-3.2
Professional & Business Services	66.7	61.3	-5.4	-8.1
Education & Health Services	130.9	121.7	-9.2	-7.0
Leisure & Hospitality	42.3	35.7	-6.6	-15.6
Other Services	17.9	16.0	-1.9	-10.6
Government	78.4	73.3	-5.1	-6.5

Notes: Based on 12-month averages through June 2020 and June 2021. Numbers may not add to totals due to rounding. Data are in thousands.
Source: U.S. Bureau of Labor Statistics



declined 2.8 percent. The education and health services sector accounts for a disproportionately large number of jobs in the HMA, with employers in this sector incurring significant costs associated with combatting COVID-19, contributing to the greater rate of job loss compared with the nation.

During the 12 months ending June 2021, 9 of the 11 economic sectors in the HMA lost jobs. The largest number of jobs lost were in the education and health services sector, which declined by 9,200, or 7.0 percent. The University of Rochester estimates that, despite more than 6,000 furloughs, layoffs, and salary reductions, the cost incurred by the university was more than \$320 million, due to reduced student enrollment, technological upgrades for remote learning, investment in personal protective equipment, renovations including upgraded ventilation systems, and the University of Rochester Medical Center treating COVID-19 patients in lieu of performing elective surgeries.

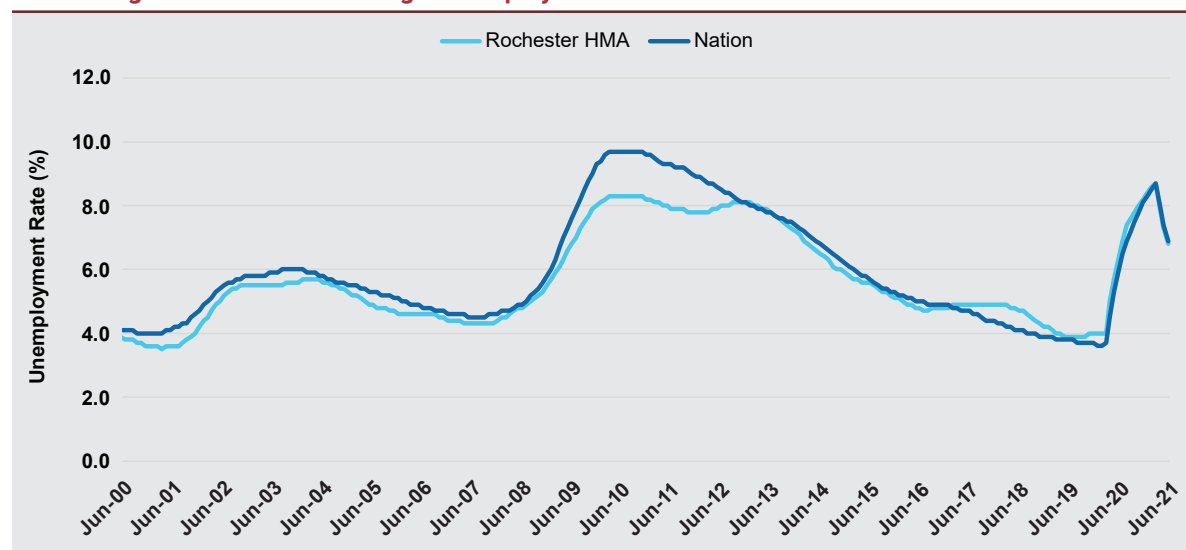
The largest rate of decline was in the leisure and hospitality sector, which fell by 6,600 jobs, or 15.6 percent, from the previous 12-month period. The decline in this sector is due to limited travel into the HMA during this period, as well as efforts by New York to slow the spread of COVID-19 by implementing social distancing requirements and limiting capacity, leading to business closures. Approximately 78 percent of the jobs lost in

this sector were in the accommodation and food services industry. During this period, the professional and business services sector was down by 5,400 jobs, or 8.1 percent. Only two sectors grew during the 12 months ending June 2021: the mining, logging, and construction and the transportation and utilities sectors, with 600 jobs added in each sector, representing growth of 2.8 and 4.9 percent, respectively.

Current Conditions—Unemployment

Because of the large number of jobs lost during the past year, the unemployment rate increased year-over-year in the HMA; however, on a monthly basis the unemployment rate has declined from the early days of the pandemic. During the 12 months ending June 2021, the unemployment rate averaged 6.8 percent, up from 6.3 percent during the previous 12-month period but slightly lower than the national rate of 6.9 percent (Figure 2). At the beginning of the COVID-19 pandemic, when business restrictions were most severe, the unemployment rate reached a high of 15.9 percent in April 2020 (not seasonally adjusted). Since then, the unemployment rate has declined to 5.3 percent in June 2021.

Figure 2. 12-Month Average Unemployment Rate in the Rochester HMA and the Nation



Note: Based on the 12-month moving average.

Source: U.S. Bureau of Labor Statistics

Economic Periods of Significance

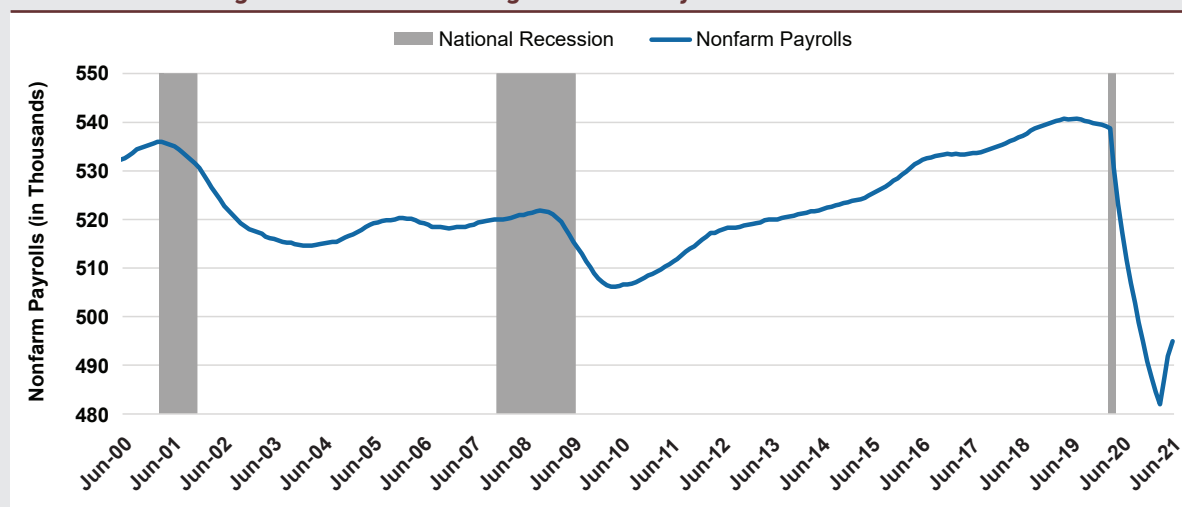
2001 Through 2003

The period of nonfarm payroll declines due to the recession of the early 2000s was more severe in the Rochester HMA compared with the nation. From 2001 through 2003, nonfarm payrolls in the HMA declined by an average of 6,900 jobs, or 1.3 percent, annually (Figure 3). Nationally, during the same period, nonfarm payrolls declined by an average of 0.4 percent annually. Nearly all of the net losses in the HMA were in the manufacturing sector, which declined by an average of 6,700 jobs, or 6.9 percent, annually. Closures and large-scale layoffs at multiple large manufacturing establishments, including several Kodak and Xerox Corporation facilities, significantly contributed to the job losses. The wholesale and retail trade and the professional and business services sectors also declined during this period, by averages of 1,200 and 1,100 jobs, or 1.6 and 1.8 percent, respectively. Partially offsetting those losses were job gains in the education and health services and the government sectors, which added averages of 1,700 and 1,100 jobs, or 1.8 and 1.3 percent, a year, respectively.

2004 Through 2007

Economic conditions in the HMA improved from 2004 through 2007, albeit slowly. During this period, nonfarm payrolls grew by an average of 1,300 jobs, or 0.3 percent, annually, compared with

Figure 3. 12-Month Average Nonfarm Payrolls in the Rochester HMA



Note: 12-month moving average.

Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

1.9-percent annual growth in the nation overall. The education and health services sector added an average of 2,300 jobs each year, at a rate of 2.3 percent, while the professional and business services sector grew by an average of 1,100 jobs, or 1.8 percent, annually. Offsetting these gains were losses in the manufacturing sector, which declined by an average of 2,400 jobs, or 2.9 percent, each year. In 2004, Kodak announced further restructuring plans that would include cuts to more than 25 percent of its global workforce.

2008 Through 2010

From 2008 through 2010, the Great Recession impacted economic conditions in the HMA, but not as severely as in the nation. During this period, nonfarm payrolls decreased by an average of 3,900 jobs, or 0.7 percent, annually, compared with job losses nationwide that averaged 1.9 percent annually. The greatest loss in the HMA was in the manufacturing sector, which declined by an average of 4,500 jobs, or 6.5 percent, a year. In 2008, Kodak announced an additional 4,500 layoffs, including 1,300 jobs in the city of Rochester. The wholesale and retail trade sector declined by an average of 1,100 jobs, or 1.5 percent annually, the second most jobs lost by sector in the HMA. These combined losses, however, were partially offset by gains in the education and health services, the government, and the leisure and

hospitality sectors, which were up by averages of 2,600, 500, and 400 jobs, or 2.4, 0.6, and 0.9 percent, respectively. In the education and health services sector, more than 60 percent of the gains were in the healthcare and social assistance industry, which grew by an average of 1,600 jobs, or 2.2 percent, annually. During this period, the University of Rochester Medical Center, which is part of the University of Rochester, expanded, including the opening of a new ambulatory surgery center in 2009, resulting in approximately 95 new jobs.

2011 Through 2019

Economic conditions improved moderately from 2011 through 2019, but job growth in the HMA was slower than in the nation. During the 9-year period, nonfarm payrolls increased by an average of 3,500 jobs, or 0.7 percent, annually. By comparison, payrolls nationwide were up an average of 1.6 percent annually during the same period. In the HMA, the education and health services and the professional and business services sectors grew by averages of 2,300 and 800 jobs, or 1.9 and 1.3 percent, a year, respectively. Gains in the education and health services sector were partially attributed to continued growth at the University of Rochester, with enrollment increasing by nearly 250 students, or 2.2 percent, each year. In 2018, Datto Holding Corp., a technical support company, and Coast Professional, Inc., a debt collection agency, expanded

their facilities in the HMA, resulting in approximately 200 new jobs each in the professional and business services sector.

The mining, logging, and construction sector was the fastest growing sector in the HMA, up by an average of 500 jobs, or 2.8 percent, annually. This growth coincides with an increase in multifamily housing construction and large urban renewal projects, specifically in the city of Rochester in Monroe County. In 2014, the eastern section of Interstate 490 in the city of Rochester, also known as the “Inner Loop,” a highway that separates the downtown area from adjacent neighborhoods, was closed and permanently demolished. By 2017, the area was reopened to include smaller streets, sidewalks, bicycle lanes, and residential and commercial developments.

The manufacturing sector continued to decline, but at a slower average annual loss of 400 jobs, or 0.7 percent, compared with previous periods. Before declaring bankruptcy in 2012, Kodak employed more than 5,000 people in the HMA. By 2019, the number of employees at the company declined to slightly more than 1,600 people in the HMA. Offsetting this decline were job gains at smaller manufacturing firms, including The Genesee Brewing Company, which in 2017 began construction on a \$50 million expansion of its production facility in the city of Rochester, creating 120 additional jobs.

Forecast

During the 3-year forecast period, the economy of the HMA is expected to continue to recover from the recent job losses, with nonfarm payrolls estimated to increase an average of 1.5 percent annually; however, the number of jobs lost in 2020 are expected to be only 95 percent recovered by the end of the forecast. During the forecast, job growth is expected to be stronger than from 2011 through 2019, as the jobs lost during the pandemic return. Job growth,

however, is expected to ease somewhat each year as net out-migration returns to prepandemic levels. Gains are expected to be largely concentrated in the education and health services and leisure and hospitality sectors; the remaining restrictions put in place to slow the spread of COVID-19 were lifted in New York as of June 15, 2021, and businesses such as medical offices and restaurants are projected to return to more normal operations.



Population and Households

Current Population: 1.07 Million

Due to slowing net natural change (resident births minus resident deaths) and increasing net out-migration, the rate of population decline has been accelerating in the HMA.

Population Trends

As of July 1, 2021, the population of the HMA is estimated at approximately 1.07 million (Table 3). From 2000 to the early 2010s, the population of the HMA increased, before declining since the early 2010s as net out-migration grew. From 2000 to 2007, population growth averaged 1,325 people, or 0.1 percent, annually; net out-migration averaged 2,050 people each year during that period, whereas net natural change averaged 3,375 people each year (U.S. Census Bureau decennial census counts and population estimates as of July 1; Figure 4). From 2007 to 2011, the population of the HMA increased by an average of 2,400, or 0.2 percent, annually. During that period, net out-migration slowed to an average of 600 people annually, whereas net natural change was slightly below that of the previous period, averaging 3,000 people each year. The decline in net out-migration compared with the previous period was partly due to

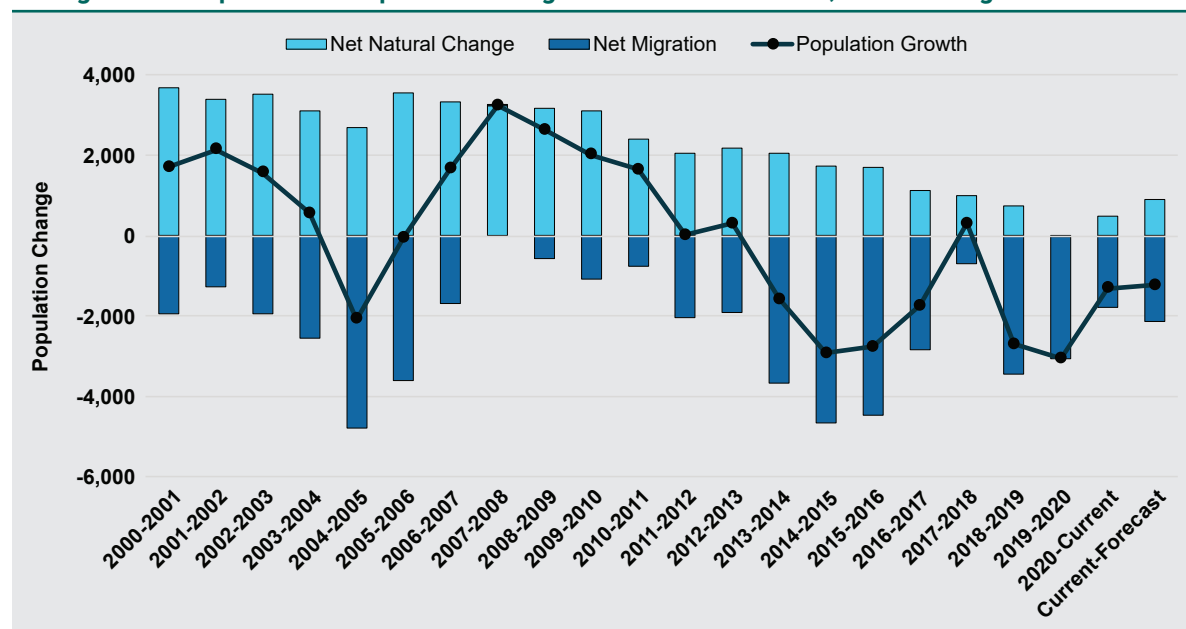
Table 3. Rochester HMA Population and Household Quick Facts

Population Quick Facts	2010	Current	Forecast
	Population	1,079,671	1,066,000
	Average Annual Change	1,725	-1,200
	Percentage Change	0.2	-0.1
Household Quick Facts	2010	Current	Forecast
	Households	430,071	445,000
	Average Annual Change	2,375	1,325
	Percentage Change	0.6	0.3

Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast. The forecast period is from the current date (July 1, 2021) to July 1, 2024.

Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

Figure 4. Components of Population Change in the Rochester HMA, 2000 Through the Forecast



Notes: Data displayed are average annual totals. The forecast period is from the current date (July 1, 2021) to July 1, 2024.

Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

people delaying retirement due to financial losses incurred during the Great Recession. From 2011 to 2013, the economy transitioned from contraction to recovery; despite the strengthening economy, net out-migration increased, and net natural change further slowed. During that period, the population grew by 160, or less than 0.1 percent, annually; net out-migration averaged 1,975 people a year, but was mostly offset by net natural change, which averaged 2,125 people annually. From 2013 to 2020, the population declined, with increasing net out-migration and subdued net natural change. The population fell by an average of 2,075, or 0.2 percent, annually, with an annual net out-migration of 3,275 people offsetting a net natural change of 1,200 people each year. Since 2020, the population is estimated to have fallen by 1,300, or 0.1 percent, annually. Net natural change is estimated to have declined to 490 people each year as deaths increased due to COVID-19, whereas net out-migration slowed to 1,800 people annually due to travel restrictions and economic uncertainty leading people to delay plans to move outside of the HMA.

Demographics Trends

Retirees in the HMA make up an increasingly large proportion of the population of the HMA, whereas the middle-aged population has declined, partly due to slow economic growth before the COVID-19 recession. From 2014 to 2019, the population aged 65 and older in the Rochester HMA grew by 4,700, or 2.6 percent, annually, and was the fastest growing age group in the HMA (2014 and 2019 American Community Survey [ACS] 1-year data). By comparison, during this period the population aged 35 to 54 fell by 4,750, or 1.8 percent, each year. The proportion of the population aged 65 years and older in the Rochester HMA increased from 16.0 percent in 2014 to 18.4 percent in 2019. In New York and the nation, the proportion of the population that was aged 65 years and older in 2019 was lower, at 16.9 and 16.5 percent, respectively. As of 2019, the median age in the HMA was 40.4 years, compared with 39.2 in New York and 38.5 nationally.

The city of Rochester has attracted a younger population compared with the HMA overall because of its numerous universities and urban amenities attractive to young adults. Since 2014, the population of the city has declined 0.4 percent annually. By comparison, the population in the city aged 20 to 34 years has increased 1.0 percent each year during the same period. As of 2019, the median age in the city was 33.3 years.

Student Population

The student population accounts for a modest portion of the population of the HMA. Approximately 54,000 undergraduate and graduate students live in the HMA, a 3-percent share of the population of the HMA (National Center for Education Statistics). Of those students, 36,800, or 68 percent, attend school in the city of Rochester, accounting for 18 percent of the population of the city. Undergraduate and graduate enrollment at the University of Rochester and Rochester Institute of Technology, the two largest universities in the HMA, has grown more than 2 percent a year since 2010, compared with a 0.1-percent population decline in the HMA.

Household Trends

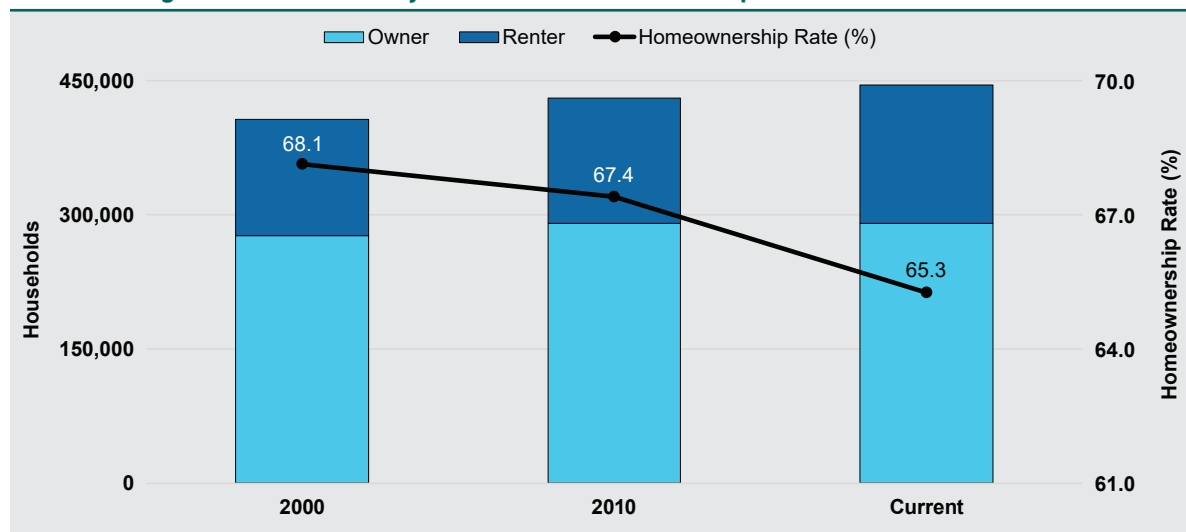
Households in the HMA have grown faster than the population overall due to a shrinking household size as the median age of the population of the HMA has increased. The HMA has an estimated 445,000 households as of July 1, 2021, an increase of 1,325 households, or 0.3 percent, annually since 2010. By comparison, household growth averaged 2,375, or 0.6 percent, annually from 2000 to 2010, when population growth was stronger. The slower household growth reflects increased net out-migration and lower levels of net natural change since 2010 compared with the previous decade. The homeownership rate is currently estimated at 65.3 percent, down from 67.4 percent in 2010 (Figure 5), in part due to a greater preference to rent among younger people in the city of Rochester. As of 2019, Monroe County, where the city of Rochester is located, had a homeownership rate of 62.7 percent, the lowest of the six counties in the HMA (2019 ACS 1-year estimates).



Forecast

During the 3-year forecast period, the population of the HMA is expected to decline by approximately 1,225, or 0.1 percent, annually, with an estimated population of 1.06 million by July 1, 2024. Net out-migration is expected to accelerate as the economy recovers, similar to the pattern in the aftermath of the last economic downturn. The number of households in the HMA is anticipated to increase by an average of 1,425, or 0.3 percent, annually, to approximately 449,300 during the next 3 years.

Figure 5. Households by Tenure and Homeownership Rate in the Rochester HMA



Note: The current date is July 1, 2021.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst

Home Sales Market

Market Conditions: Tight

During the past 12 months, home sales declined slightly in the HMA, partly because the inventory of homes for sale decreased, and the average price of a home increased at the fastest rate since 2006.

Current Conditions

Sales housing market conditions in the HMA are tight, with an estimated vacancy rate of 1.0 percent (Table 4), down from 1.4 percent in April 2010 when market conditions were soft. The inventory of homes for sale was down from a 1.9-month supply in June 2020 to a 1.1-month supply as of June 2021 (Greater Rochester Association of REALTORS®). The decline in available inventory was partly due to a foreclosure moratorium on households living in federally insured homes, and also because of potential sellers having reservations about being able to locate and purchase another home in the current market.

Home Sales

Total sales of new and existing (including regular resale and real estate owned [REO]) homes in the HMA started to increase in 2012 after declining nearly each year from 2006 through 2011 (Figure 6). After reaching 17,650 homes sold during 2005, home sales declined an average of 8 percent annually to 10,550 homes sold during 2011 (Zonda). From 2012 through 2016, home

Table 4. Home Sales Quick Facts in the Rochester HMA

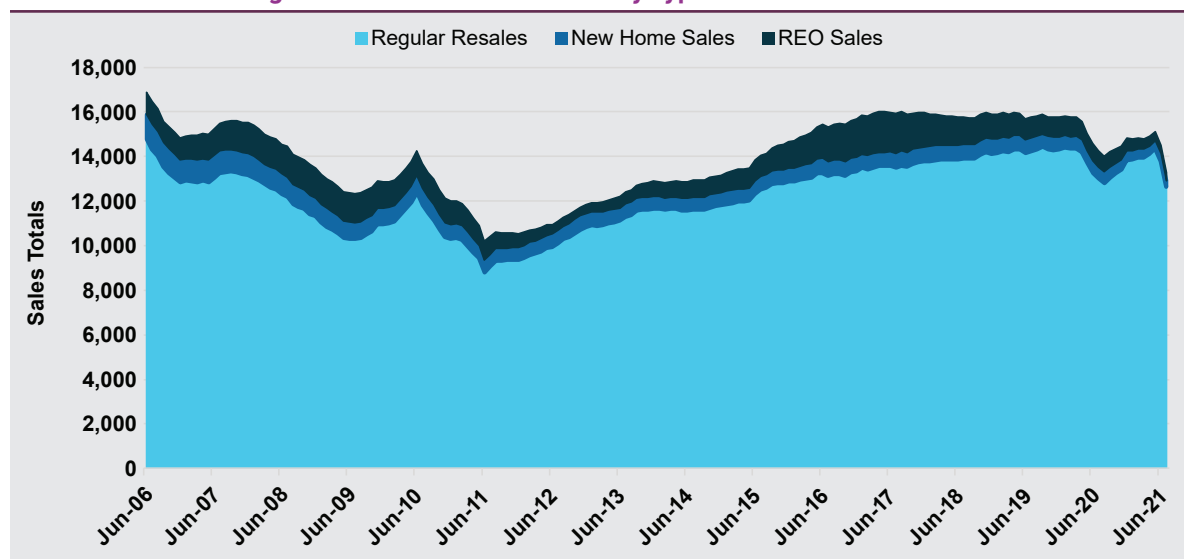
	Rochester HMA	Nation
Vacancy Rate	1.0%	NA
Months of Inventory	1.1	1.5
Total Home Sales	14,500	6,505,000
1-Year Change	0%	16%
New Home Sales Price	\$342,900	\$416,600
1-Year Change	14%	3%
Existing Home Sales Price	\$193,500	\$375,200
1-Year Change	11%	20%
Mortgage Delinquency Rate	2.7%	3.1%

NA = data not available.

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending June 2021; and months of inventory and mortgage delinquency data are as of June 2021. The current date is July 1, 2021.

Sources: Vacancy rate—estimates by the analyst; HMA months of inventory—Greater Rochester Association of REALTORS®; national months of inventory—CoreLogic, Inc.; home sales and prices—Zonda

Figure 6. 12-Month Sales Totals by Type in the Rochester HMA



REO = real estate owned.
Source: Zonda

sales grew by an average of 1,025, or 8 percent, annually as the economy improved. Sales were essentially unchanged from 2017 through 2019, averaging 15,900 homes sold annually, as increasing net out-migration combined with a rise in mortgage interest rates during most of that period. During the 12 months ending June 2021, home sales totaled 14,500, a decline of less than 1 percent from the 14,600 homes sold during the previous 12-month period. Since 2012, new home sales accounted for approximately 4 percent of total home sales, compared with 6 percent of total home sales from 2005 through 2011.

REO Sales and Seriously Delinquent Mortgages and REO Properties

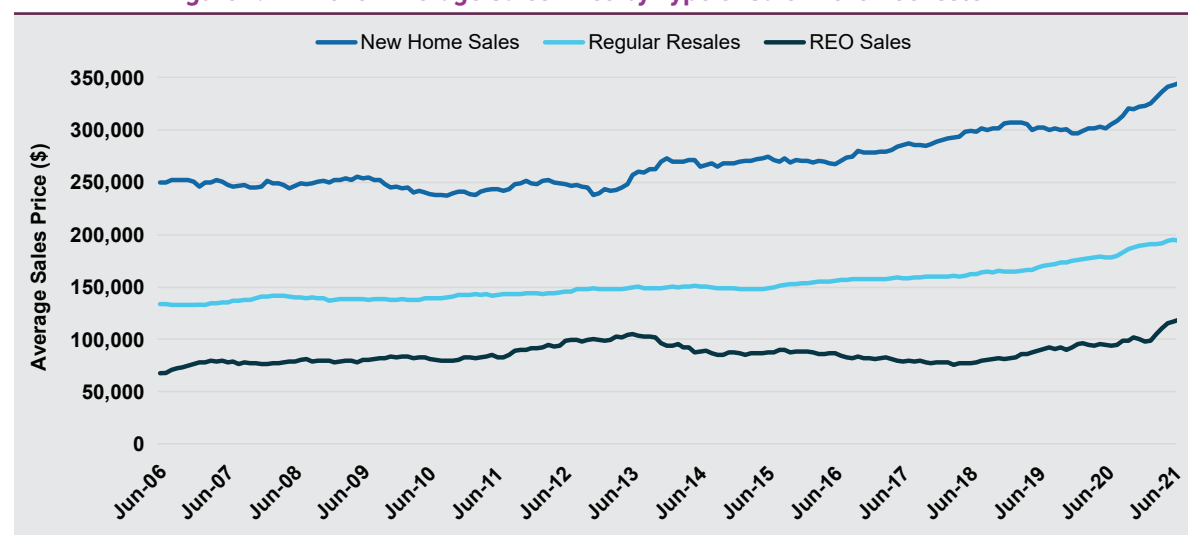
During the 12 months ending June 2021, the percentage of REO sales as a portion of all existing home sales remained low. REO sales accounted for approximately 3 percent of existing home sales, down from 6 percent a year earlier and well below a recent high of 11 percent in 2016 (Zonda). During the 12 months ending June 2021, the sales price of an REO home in the HMA averaged \$116,800, representing a 23-percent increase in price from the previous 12-month period. Despite the significant increase during the past year, the average sales price of an REO home was 60 percent of the price of a regular resale home. By comparison, during 2016, the average sales price of an REO home was

\$82,150, or 52 percent of the price of a regular resale home. As of June 2021, approximately 2.7 percent of home loans in the HMA were seriously delinquent or had transitioned into REO status, down from 3.7 percent in June 2020 and below the peak of 5.5 percent in January 2014 (CoreLogic, Inc.).

Home Sales Prices

The housing crisis during the Great Recession did not impact the HMA as badly as the rest of the nation, and the low level of REO sales during that period allowed home sales prices to steadily rise (Figure 7). From 2006 through 2016, home prices increased 1 percent annually from \$137,500 to \$155,200 (Zonda). Home prices began to accelerate from 2017 through 2019 to 4 percent each year, reaching \$176,000. During the 12 months ending June 2021, the average price of a home in the HMA increased 10 percent, to \$196,900, compared with a 6-percent growth rate during the previous 12-month period. The large increase in home prices compared with the previous 15 years is due to a decline in inventory, increased cost of construction materials and labor, and historically low interest rates that spurred greater demand. The price of lumber used to build an average home has nearly doubled since April 2020, causing the price of a new single-family home to increase by nearly \$30,000 (National Association of Home Builders).

Figure 7. 12-Month Average Sales Price by Type of Sale in the Rochester HMA



REO = real estate owned.
Source: Zonda

During June 2021, the average interest rate for a 30-year fixed-rate mortgage was 2.98 percent, the lowest June average since 1971 (Freddie Mac). Figure 8 shows the share of home sales by price range during the 12 months ending June 2021.

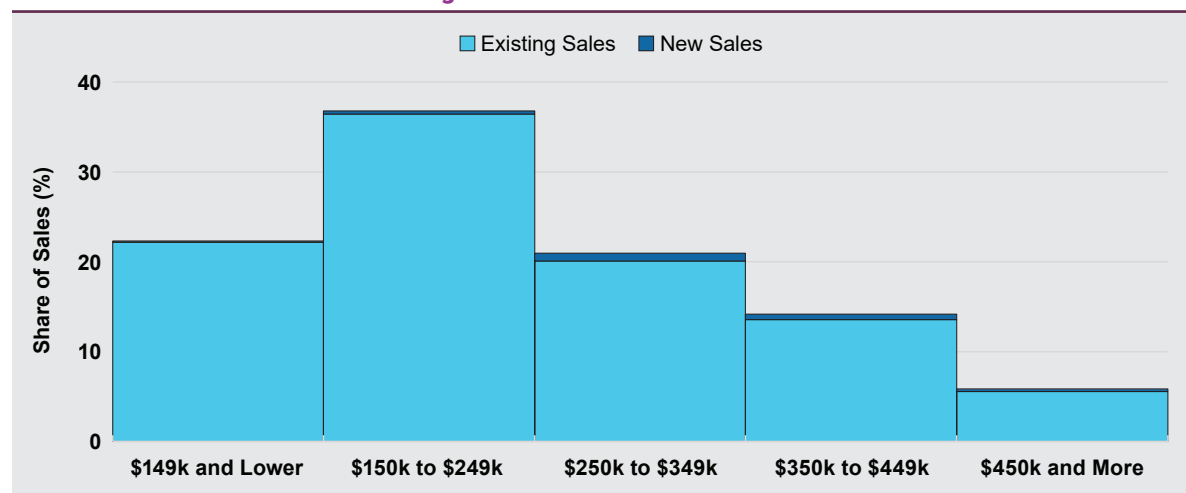
Sales Construction Activity

Homebuilding activity, as measured by the number of single-family homes, townhomes, and condominiums permitted (hereafter, homes), increased after declining during the previous 12-month period. During the 12 months ending June 2021, nearly 1,225 homes were permitted, up 26 percent from the 970 homes that were permitted a year earlier (preliminary data). After averaging 2,575 homes permitted annually from 2000 through 2003, construction fell 11 percent each year from 2004 through 2010 to 1,200 homes in 2010 (Figure 9). From 2011 through 2014, sales construction activity changed little, averaging 1,225 homes each year. From 2015 through 2016, home construction activity rose, averaging 1,475 homes each year, before declining once again to an average of 1,175 annually from 2017 through 2019. This decline in construction activity was partly due to the rise in 30-year fixed mortgage rates from 2016 through 2018 and ongoing population decline.

New Construction

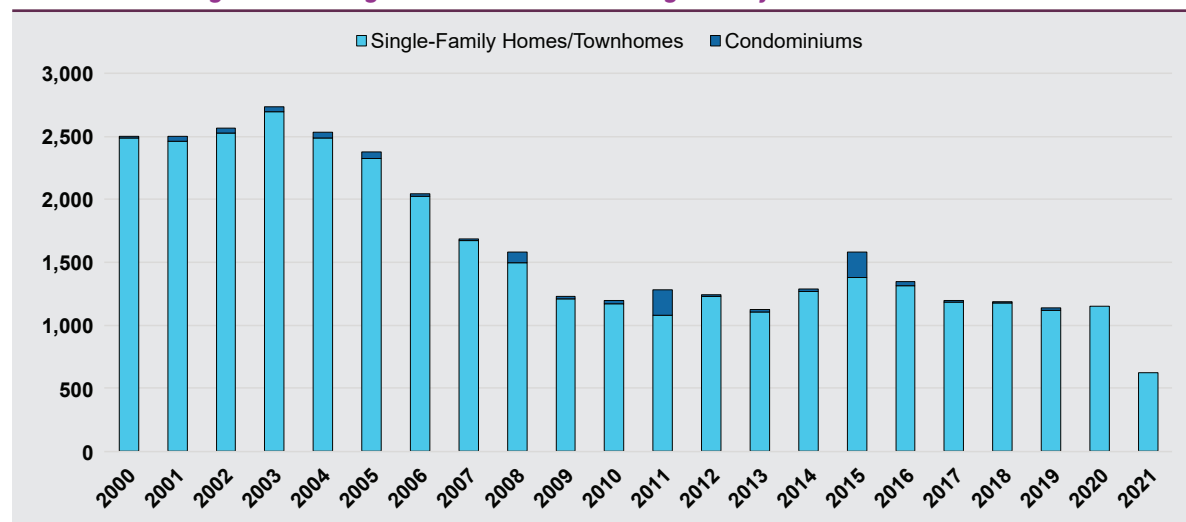
There are an estimated 400 homes currently under construction in the HMA, with developments concentrated in Monroe and Ontario Counties.

Figure 8. Share of Overall Sales by Price Range During the 12 Months Ending June 2021 in the Rochester HMA



Note: New and existing sales include single-family homes, townhomes, and condominium units.
Source: Zonda

Figure 9. Average Annual Sales Permitting Activity in the Rochester HMA



Notes: Includes single-family homes, townhomes, and condominiums. Data for 2021 are through June 2021.

Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2020—final data and estimates by the analyst; 2021—preliminary data and estimates by the analyst

The Gardens at Fieldstone is a senior townhome and patio-home community underway in the town of Greece in Monroe County. Of the 56 homes planned, 54 are currently built, with the base price of a townhome starting at \$240,000. Legion Heights is a single-story attached single-family home community in the town of Canandaigua, in Ontario County, near Lake Canandaigua in the Finger Lakes region. A total of 41 homes are planned and available for general occupancy. Homes are built as they are sold, with prices starting at \$259,000.

Forecast

During the next 3 years, demand is expected for 3,600 new homes in the HMA (Table 5), with demand decreasing each year due to greater levels of net out-

migration. Demand is expected to continue in areas where construction is under way, including areas with outdoor recreational activities and nearby lakes. The 400 homes currently under construction will satisfy a portion of the demand.

Table 5. Demand for New Sales Units in the Rochester HMA During the Forecast Period

Sales Units	
Demand	3,600 Units
Under Construction	400 Units

Note: The forecast period is from July 1, 2021, to July 1, 2024.
Source: Estimates by the analyst



Rental Market

Market Conditions: Balanced

Approximately 76 percent of rental construction since 2010 has been concentrated in Monroe County, partly because of greater demand from younger cohorts in the city of Rochester.

Current Conditions and Recent Trends

Rental housing market conditions in the Rochester HMA are currently balanced, with an overall rental vacancy rate estimated at 7.0 percent as of July 1, 2020, a decline from the April 2010 rental vacancy rate of 7.9 percent, when conditions were slightly soft (Table 6). Approximately 25.4 percent of all renter households live in single-family homes, up from 23.8 percent in 2010 and below the national average of 32.9 percent (2010 and 2019 ACS 1-year estimates). An estimated 29.4 percent of renter households in the HMA reside in buildings with two to four units, higher than the national rate of 17.3 percent. An additional 43.4 percent of renter households live in multifamily buildings with five or more units, typically apartments.

Apartment Market Trends

Although the overall rental housing market is balanced, the apartment market is slightly tight. In the Moody's Analytics REIS-defined Rochester market area,

Table 6. Rental Market Quick Facts in the Rochester HMA

Rental Market Quick Facts		2010 (%)	Current (%)
	Rental Vacancy Rate	7.9	7.0
		2010 (%)	2019 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	23.8	25.4
	Multifamily (2–4 Units)	30.6	29.4
	Multifamily (5+ Units)	44.0	43.4
	Other (Including Mobile Homes)	1.6	1.8

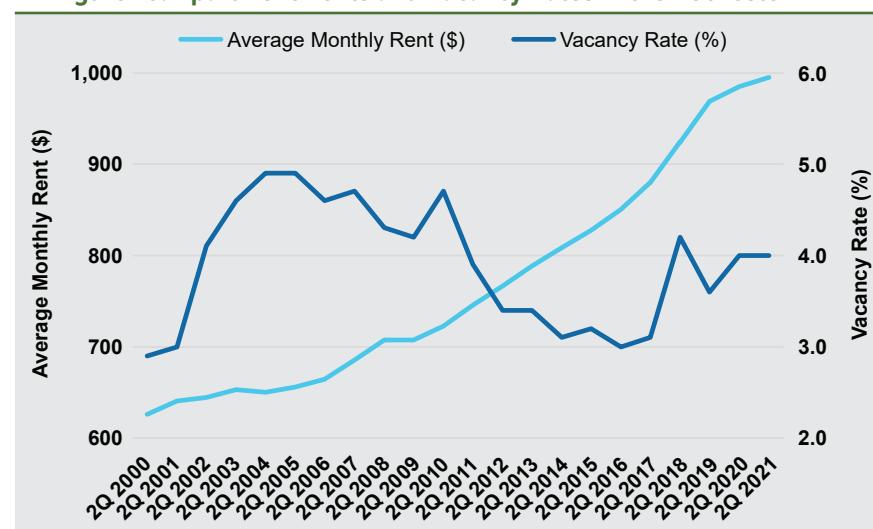
Notes: The current date is July 1, 2021. Percentages may not add to 100 due to rounding.

Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2019 American Community Survey, 1-year data

the apartment vacancy rate during the second quarter of 2021 was 4.0 percent, unchanged from a year earlier. The 2021 second quarter vacancy rate is up slightly, however, from a recent second quarter low of 3.0 percent in 2016, but below the second quarter 2010 vacancy rate of 4.7 percent. Rents in the HMA during the second quarter of 2021 averaged \$995—up 1 percent from a year ago. From the second quarter of 2010 to the second quarter of 2019, rents in the HMA rose steadily by an average of 3 percent each year. Figure 10 shows apartment rents and vacancy rates since 2005.

Despite increased levels of construction and continued out-migration, the apartment market has been balanced for the past 10 years due to a greater preference to rent among the younger population in Monroe County, where a majority of the rental units are built. In the Moody's Analytics REIS-defined Central Rochester market area, which is essentially the city of Rochester, the vacancy rate was estimated at 5.8 percent during the second quarter of 2021, down from 6.5 percent a year earlier but above the second quarter 2010

Figure 10. Apartment Rents and Vacancy Rates in the Rochester HMA



2Q = second quarter.

Source: Moody's Analytics, REIS

vacancy rate of 4.9 percent. The higher vacancy rate in the area is due to the greater proportion of newly constructed apartments entering the market compared with elsewhere in the HMA.

Student Housing

The numerous universities in and around the city of Rochester, in particular the University of Rochester and Rochester Institute of Technology, have had a significant impact on the rental market in the HMA. Since 2010, graduate and undergraduate enrollment at these two universities grew by 2 percent each year, and those schools currently account for 54 percent of the 54,000 students enrolled at a 4-year college or university in the HMA. Of the 54,000 graduate and undergraduate students in the HMA, approximately 16,200 are housed in on-campus dormitories and university-affiliated apartments. The remaining 37,800 students who live off-campus account for an estimated 8 percent of renter households in the HMA. Plans are currently under way to convert Xerox Tower in the city of Rochester to Innovation Square, a mixed-use development expected to house 500 students from multiple universities, including Rochester Institute of Technology and the University of Rochester. The development will also include seven floors of office space and an e-sports arena.

Rental Construction Activity

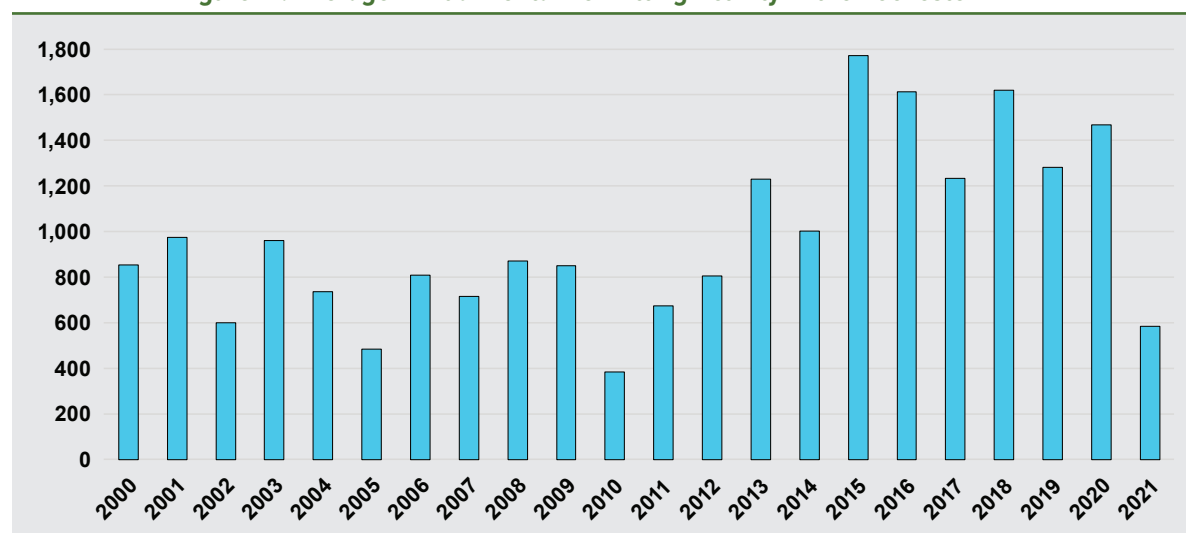
Rental construction activity, as measured by the number of rental units permitted, has declined

since a recent peak in 2015; however, overall rental construction is relatively high (Figure 11). During the 12 months ending June 2021, approximately 1,250 rental units were permitted, a decrease of 275, or 18 percent, from the 1,525 units that were permitted during the 12 months ending June 2020 (preliminary data, with adjustments by the analyst). From 2000 through 2009, an average of 780 rental units were permitted in the HMA before declining to a low of 380 units in 2010. From 2011 through 2014, rental construction activity in the HMA increased nearly each year by an average of 150 units, or 27 percent, before rising to a recent peak of 1,775 units during 2015. From 2016 through 2019, rental construction averaged 1,425 units each year, ranging from a low of 1,225 units permitted during 2017 to a high of 1,625 units permitted during 2018. Rental construction activity since 2010 has been mostly in Monroe County, accounting for approximately 76 percent of units built, because the city of Rochester is attractive to college students, recent college graduates, and young professionals with a higher propensity to rent.

New Construction

The 157-unit Skyview Park Apartments began leasing apartments in June 2021 in the city of Irondequoit in Monroe County. At the site of the former Medley Centre mall, the development offers income-restricted

Figure 11. Average Annual Rental Permitting Activity in the Rochester HMA



Notes: Includes apartments and units intended for rental occupancy. Data for 2021 are through June 2021.

Sources: U.S. Census Bureau, Building Permits Survey; 2000–2020 final data and analyst estimates; 2021 preliminary data and estimates by the analyst

housing to people aged 55 and older, with one- and two-bedroom apartments starting at \$710 and \$995, respectively, adjusted by income. Union Square is a 72-unit mixed-use development recently built on the site of the demolished eastern section of the “Inner Loop” highway in the city of Rochester. An additional 66-unit Union Square mixed-use development is planned nearby and expected to be completed in the spring of 2022.

Forecast

During the 3-year forecast period, demand is estimated for 3,925 new rental units in the HMA (Table 7). Demand is expected to rise modestly during

the second and third years of the forecast period. The 1,825 units under construction will satisfy a majority of the demand during the first year, most of which will be in Monroe County.

Table 7. Demand for New Rental Units in the Rochester HMA During the Forecast Period

Rental Units	
Demand	3,925 Units
Under Construction	1,825 Units

Note: The forecast period is July 1, 2021, to July 1, 2024.
Source: Estimates by the analyst



Terminology Definitions and Notes

A. Definitions

Building Permits	Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.
Demand	The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.
Finger Lakes Region	An area of New York that includes 11 long narrow lakes that run north to south, 6 of which are in the HMA.
Forecast Period	7/1/2021–7/1/2024—Estimates by the analyst.
Great Recession	December 2007–June 2009.
Home Sales/ Home Sales Prices	Includes single-family, townhome, and condominium sales.
Net Natural Change	Resident births minus resident deaths.
Regular Resales	These are home closings that have no ties to either new home closings (builders) or foreclosures. They are homes that were previously constructed and sold to an unaffiliated third party and include short sales.
Rental Market/ Rental Vacancy Rate	Includes apartments and other rental units such as single-family, multifamily, and mobile homes.



Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.
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B. Notes on Geography	
1.	The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.
2.	Urbanized areas are defined using the U.S. Census Bureau 2010 Census Urban and Rural Classification and the Urban Area Criteria.

C. Additional Notes	
1.	This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.
2.	The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

D. Photo/Map Credits	
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