

1st Quarter 2009



U.S. Housing Market Conditions



NEW YORK/NEW JERSEY REGIONAL REPORT HUD Region II

1st 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.

Total nonfarm employment in the New York/New Jersey region declined through the end of the first quarter of 2009. During the 12-month period ending March 2009, employment declined in the region by 54,100 jobs, or 0.4 percent, compared with employment levels during the same period a year ago, to total 12.8 million jobs. In New Jersey, nonfarm employment declined by 55,000 jobs, or 1.3 percent, to 4.0 million jobs; in New York, employment remained relatively stable, at 8.8 million, as only 900 jobs were added during the past 12 months.

Despite net job losses in the region, employment in the education and health services and the leisure

and hospitality sectors grew. During the 12 months ending March 2009, employment in the education and health services sector increased by 44,200 jobs, or 2 percent, to 2.2 million jobs, and the leisure and hospitality sector added 11,700 jobs, a 1.1-percent gain, to total nearly 1.1 million jobs. These gains were offset by declines in the manufacturing and financial activities sectors, which lost 39,500 and 24,800 jobs, respectively. Employment in the manufacturing sector declined by 4.6 percent in the region, with New York losing 23,000 jobs, down 4.2 percent, and New Jersey losing 16,500 jobs, down 5.3 percent. The continuing layoffs in the financial activities sector, including the loss of 15,300 jobs in New York and 9,500 jobs in New Jersey, resulted in a 2.5-percent decline in employment in that sector compared with employment levels a year ago.

The rate of growth in the New York City economy has shown a significant decline. During the 12-month period ending March 2009, nonfarm employment in New York City grew by only 10,300 jobs, a minimal 0.3-percent increase to 3.8 million jobs. In contrast, during the 12-month period ending March 2008, 73,400 jobs were added in the city, a 2-percent increase compared with the number of jobs added during the previous 12-month period. During the 12 months end-



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ing March 2009, employment increased by 2 percent in both the education and health services and the leisure and hospitality sectors, which added 14,800 and 6,300 jobs, respectively. Gains in these sectors were partially offset by a decline in the city's financial activities sector, which lost 9,500 jobs, a 2-percent decrease compared with the number of jobs in the sector during the same period a year ago. During the most recent 12-month period, employment in the manufacturing sector decreased by 7,900 jobs, an 8-percent decline, to 91,800 jobs. According to the Federal Reserve Board's "Beige Book," during the first quarter of 2009, tourism declined in the city, resulting in a 15-percent decrease in both occupancy levels and room rates at Manhattan hotels in January and February compared with levels and rates recorded in the same months of 2008. In February 2009, attendance at Broadway theaters decreased by 25 percent compared with February 2008 attendance figures. In 2009, the scheduled completion of approximately 7,000 new hotel rooms in the city will increase the supply by 10 percent and further increase lodging competition within the hospitality industry.

The weakening economy has resulted in a substantial increase in unemployment. During the 12 months ending March 2009, the average annual unemployment rate in the New York/New Jersey region increased from 4.6 to 6.2 percent. The rate increased from 4.6 percent to 6.2 percent in New York State and increased from 4.4 to 6.3 percent in New Jersey. In New York City, the unemployment rate increased from 4.9 to 6.3 percent.

A weakening economy, more restrictive credit, and an increase in unsold inventory affected home sales markets in the New York/New Jersey region. During the 12-month period ending March 2009, the New York State Association of REALTORS® reported that single-family home sales in the state (excluding parts of New York City) totaled 74,050 units, a 17-percent decline compared with the number of sales recorded during the same period a year earlier. According to the Greater Capital Association of REALTORS®, during the 12-month period ending March 2009, home sales in the Albany-Schenectady-Troy metropolitan area totaled 7,925 units, a 14-percent decline compared with the number of homes sold during the 12-month period ending March 2008. The Buffalo Niagara Association of REALTORS® reported that existing single-family home sales in the Buffalo-Niagara Falls metropolitan area decreased approximately 10 percent to 9,870 sales during the past 12 months. During the first quarter of 2009, the Greater Rochester Association of REALTORS® (GRAR) reported a 22-percent decline in home sales in the Rochester metropolitan area to 1,450 homes compared with the number of homes sold during the same quarter a year earlier. In much of the region, median sales prices declined,

but the rate of decline is moderating. During the 12 months ending March 2009, the median price of an existing home in New York decreased by approximately 8 percent to \$213,000. During this same period, the median price of an existing home in the Albany-Schenectady-Troy area declined by 2 percent to \$190,100. GRAR reported that, during the first quarter of 2009, the median price of an existing home in the Rochester metropolitan area was \$105,000, a decline of 3 percent from the median price of \$108,750 during the first quarter of 2008. During the 12-month period ending March 2009, the median price of an existing home in the Buffalo-Niagara Falls metropolitan area increased by 3 percent to \$107,000.

Slower growth in the New York City economy resulted in a weakening of sales housing market conditions, reflected in the significant decline in both the number of sales and the median price of condominium and co-op units in Manhattan. According to Prudential Douglas Elliman, during the first quarter of 2009, 1,195 existing condominium and co-op units were sold, a 48-percent decrease compared with the number of units sold during same quarter a year ago. In contrast, from the fourth quarter of 2007 to the fourth quarter of 2008, the number of existing condominium and co-op units sold declined by only 9 percent. During the first quarter of 2009, the inventory of units listed for sale increased by 34 percent to 10,450 units and the amount of time units remained on the market increased by 16 percent, from 146 to 170 days. During the same period, the median price of an existing condominium or co-op unit in Manhattan decreased by 21 percent to \$675,000. In contrast, from the fourth quarter of 2007 to the fourth quarter of 2008, the median price declined by only 4 percent.

Sales housing market conditions also weakened in New Jersey. According to the New Jersey Association of REALTORS®, in 2008 (the latest information available), 24,800 fewer single-family homes were sold in the state and sales totaled 112,600 homes, an 18-percent decline compared with the number of homes sold in 2007. In Northern New Jersey, the highest priced and most active area for sales, home sales declined by 14 percent to 54,300 homes. Likewise, in Central New Jersey and Southern New Jersey, home sales declined by 20 percent to 28,910 units and by 23 percent to 29,370 homes, respectively. In 2008, the median price of an existing home in New Jersey was \$350,900, a decline of nearly 5 percent compared with the median price recorded in 2007. Similarly, in 2008, the median price of an existing home in Northern New Jersey decreased by nearly 5 percent to \$425,700. During this same year, the median price of an existing home declined in Central New Jersey by nearly 5 percent to \$345,200 and



in Southern New Jersey by 3 percent to \$232,000.

Residential construction in the New York/New Jersey region peaked at 100,500 units in 2005 and has been declining ever since. In the region, during the 12-month period ending March 2009, housing construction activity, as measured by the number of units permitted, totaled 62,630 units, down 16 percent compared with the number of units permitted during the same period a year ago. The decrease in construction activity included a 7-percent decline in New York, to 50,790 units permitted, and a 35-percent reduction in New Jersey, to 15,420 units permitted. In the region, during the 12-month period ending March 2009, single-family construction activity, as measured by the number of building permits issued, decreased by 28 percent to 19,750 permits issued. This decline included a 25-percent reduction in the number of single-family permits issued in New York, to 11,780, and a 32-percent reduction in the number of permits issued in New Jersey, to 7,970. During the 12 months ending March 2009, the number of multifamily units permitted in the region declined by 9 percent to 42,885. The number of multifamily units permitted in New York increased by 1 percent to 35,435 but, in New Jersey, declined by 37 percent to 7,450.

First quarter 2009 Reis, Inc., data indicate that apartment vacancy rates increased in most New York and New Jersey metropolitan areas, including New York City. During the first quarter of 2009, as conditions remain tight, the average apartment vacancy rate

in New York City increased to 3.4 percent, up from 2.3 percent in the first quarter of 2008. Apartment vacancy rates increased from 3.2 to 4.0 percent in Central New Jersey and from 3.6 to 4.5 percent in Northern New Jersey, where conditions are balanced. Average monthly apartment asking rents decreased in both New York City and Long Island, while rents increased in most of Upstate New York. During the first quarter of 2009, the average monthly apartment asking rent declined by nearly 2 percent to \$2,830 in New York City and by 1 percent to \$1,518 in Long Island. Average monthly apartment asking rents increased approximately by 1 percent in both Central New Jersey and Northern New Jersey, to \$1,150 and \$1,518, respectively. Rental housing market conditions in Upstate New York housing market areas remained somewhat stronger, posting moderate rent increases. During the first quarter of 2009, apartment vacancy rates increased slightly in Buffalo and Rochester, where conditions are balanced, to 4.9 and 4.5 percent, respectively. The apartment market in the Syracuse metropolitan area is balanced to tight, with a 3.9-percent vacancy during the first quarter of 2009 compared with a 4.1-percent rate during the same quarter a year ago. During the first quarter of 2009, average monthly apartment asking rents increased by 2 to 3 percent in the Buffalo, Syracuse, and Rochester metropolitan areas compared with the same quarter of 2008. In the first quarter of 2009, monthly apartment asking rents were \$727 in Buffalo, \$682 in Syracuse, and \$750 in Rochester.