

1st Quarter 2010



# 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.

Nonfarm employment in the New York/New Jersey region during the 12-month period ending March 2010 declined by 373,800 jobs, or nearly 3 percent, to an average of 12.4 million jobs compared with number of jobs during the same period a year earlier. In New York State, during the 12 months ending March 2010, 236,000 jobs were lost, a 2.7-percent decline to 8.5 million jobs, and, in New Jersey, employment decreased by 137,800 jobs, or 3.4 percent, to 3.9 million jobs. These job losses were significantly higher than the 81,400 annual average job losses, a 0.6-percent decline, which occurred in the region during the 12 months ending March 2009.

Despite the decline in total employment in the region, limited job growth occurred in the education and health services and the government sectors. During the 12 months ending March 2010, employment in the education and health services sector increased by 39,400 jobs, or nearly 2 percent, to 2.3 million jobs, and the government sector increased by 1,800 jobs to 2.2 million jobs, an increase of 0.1 percent. These gains were offset, however, by declines in the other employment sectors in both states. Employment in the manufacturing sector declined 10 percent in the region, resulting in a loss of 53,200 and 29,500 jobs in New York and New Jersey, respectively. For the region, employment in the construction sector during the 12 months ending March 2010 declined by 61,700 jobs, or 12 percent, with approximately 17 percent of these job losses resulting from cutbacks in residential construction. Employment declined between 5 and 6 percent in the region's professional and business services and financial activities sectors, which lost 88,400 and 55,000 jobs, respectively. Nearly 70 percent of these job losses were in New York State.

Employment losses in New York City adversely affected statewide employment trends. During the 12-month period ending March 2010, total nonfarm employment in New York City decreased by 111,000 jobs, or nearly



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3 percent, to 3.7 million jobs. This decline accounted for nearly 50 percent of the total job losses in New York State. The only employment sector in the city where growth occurred was the education and health services sector, which increased 2 percent to 737,500 jobs. This gain was offset by a 12-percent decrease in the manufacturing sector, which declined by 11,400 to 81,300 jobs. During the 12-month period ending March 2010, employment in the construction sector decreased by 13,500 jobs, or 10 percent, to 117,400 jobs. In addition, the professional and business services sector lost 567,000 jobs, a 6-percent decline, and the financial activities sector declined by 30,100 jobs to 429,300 jobs, an approximately 7-percent decline compared with the number of jobs during the previous 12 months.

For the 12-month period ending March 2010, the average annual unemployment rate in the New York/New Jersey region increased from 6.1 to 9.0 percent compared with the rate recorded during the same period a year earlier. During the 12 months ending March 2010, the unemployment rate in New York State increased from 6.1 to 8.7 percent and in New Jersey from 6.3 to 9.6 percent. In New York City, the unemployment rate increased from 6.3 to 9.9 percent.

Home sales market conditions in the New York/New Jersey region are mixed, but increased sales activity, partly due to the federal homebuyer tax credit programs, indicates that conditions are improving. During the first quarter of 2010, the New York State Association of REALTORS<sup>®</sup>, Inc., reported an 18-percent increase in existing single-family home sales (excluding parts of New York City), up to nearly 14,000 sales compared with the number recorded during the same quarter a year earlier. Similarly, during the first quarter of 2010, according to the Greater Capital Association of REALTORS<sup>®</sup>, Inc., existing home sales in the Albany-Schenectady-Troy metropolitan area increased to 1,350 homes sold, an 11-percent increase compared with the number sold during the same quarter in 2009. In the Rochester metropolitan area, the Greater Rochester Association of REALTORS<sup>®</sup>, Inc., reported a 7-percent increase in sales to 1,275 homes sold during the first quarter of 2010. Changes in median sales prices varied throughout the region. In New York, during the first quarter of 2010, the median sales price of an existing home sold increased to \$220,000, a 13-percent increase compared with prices recorded during the same quarter a year earlier. During the first quarter of 2010, the median sales price of an existing single-family home sold in the Albany-Schenectady-Troy metropolitan area increased nearly 1 percent to \$179,700. In the Rochester metropolitan area, the Greater Rochester Association of REALTORS<sup>®</sup>, Inc., reported that, during the first quarter of 2010, the median sales price of an existing home increased from \$105,000 to \$113,000, an 8-percent increase compared with the median sales price recorded during same quarter a year earlier. In

March 2010, the median sales price of an existing home or condominium sold in the Buffalo-Niagara Falls metropolitan area remained stable at \$100,000. According to March 2010 Lender Processing Services Mortgage Performance Data, the number of home loans in foreclosure, 90 or more days delinquent, or in REO (real estate owned) increased from 4.9 to 7.8 percent of the total home loans in New York compared with the number recorded during the same month a year earlier. Most of the foreclosures and delinquent mortgages in New York State were concentrated in downstate areas, including parts of New York City and Long Island.

First quarter 2010 condominium/co-op market conditions in Manhattan remained generally soft. Although low mortgage interest rates contributed to an increase in total sales, the median sales price continued to decline. According to Prudential Douglas Elliman Real Estate, during the first quarter of 2010, sales of existing condominium and co-op housing increased nearly 100 percent to 2,385 units sold compared with 1,195 sold during the same quarter a year earlier. These increased sales resulted in a 23-percent reduction in the listing inventory to 8,025 units listed and a 27-percent decline in the number of days on the market to 124 days. The median sales price of an existing condominium/co-op in Manhattan in the first quarter of 2010, however, decreased to \$868,000, an 11-percent decline compared with the median sales prices recorded during the same quarter a year earlier. The current listing inventory remains more than 10 percent above the 10-year average.

Existing home sales in New Jersey increased significantly during the past year, but median sales prices continued to decline. According to the New Jersey Association of REALTORS<sup>®</sup>, the number of sales during the fourth quarter of 2009 (the latest information available) increased to 34,700 home sales, up 33 percent compared with the number sold during the same quarter a year earlier. With the number of existing home sales increasing in all three regions of the state, sales were up in Northern New Jersey by 36 percent to 16,300 homes sold, in Central New Jersey by 31 percent to 9,640 homes sold, and in Southern New Jersey by 30 percent to 8,780 homes sold. Despite these increases, the median sales price of an existing home sold in New Jersey in the fourth quarter of 2009 declined to \$296,700, down 8 percent compared with the median sales price recorded during the same quarter last year. During the fourth quarter of 2009, the median sales price of an existing home sold in Northern New Jersey decreased by nearly 8 percent to \$352,200. The median sales price of an existing home sold in Central New Jersey declined by 4 percent to \$308,700 and nearly 9 percent to \$203,700 in Southern New Jersey. According to March 2010 Lender Processing Services Mortgage Performance Data, the number of



home loans in New Jersey that are in foreclosure, 90 days or more delinquent, and in REO increased from 5.9 to 9.3 percent of the existing loan inventory compared with the number recorded during the same month a year earlier.

Total housing construction (single-family and multi-family) in the New York/New Jersey region peaked at 100,500 units in 2005 and decreased by 30 percent from 2005 to 2008. For the 12-month period ending March 2010, single-family housing construction, as measured by the number of single-family building permits issued, decreased to 13,700 homes permitted, an 11-percent decline compared with the number permitted during the previous 12 months. This decrease included a 17-percent decline in the number of single-family homes permitted in New York, down to 6,100 homes permitted, and a 5-percent decline in New Jersey, down to 7,600 homes permitted. During the 12-month period ending in March 2010, the number of multifamily units permitted in the region declined 74 percent to 11,100 units permitted. The number of multifamily units permitted decreased in New York by nearly 80 percent to 7,100 units and in New Jersey by 57 percent to 4,000 units compared with the number permitted a year earlier.

Rental market conditions are mixed in the New York/New Jersey region. Based on preliminary first quarter

data from Reis, Inc., the average apartment vacancy rate in New York City decreased significantly to 2.8 percent during the first quarter of 2010, down from the 3.4-percent rate recorded in the first quarter of 2009, and the rental market remains extremely tight. Apartment vacancy rates in Long Island and New Jersey increased, but rental markets remain balanced. Vacancy rates increased from 3.9 to 4.1 percent in Central New Jersey and from 4.6 to 5.3 percent in Northern New Jersey. During the first quarter of 2010, average monthly rents in Central New Jersey decreased less than 1 percent to \$1,146, but in Northern New Jersey they declined to \$1,481, down nearly 2 percent compared with the rent recorded during the same quarter a year earlier. According to Reis, Inc., average monthly apartment asking rents in New York City decreased nearly 3 percent to \$2,754 a month; conversely, monthly apartment rents increased by less than 1 percent in most of the Upstate New York metropolitan areas. Reis, Inc., data indicates that apartment vacancy rates increased in the Buffalo, Rochester, and Syracuse metropolitan areas, but the markets in all three areas remain balanced. For the first quarter of 2010, apartment vacancy rates were 5.0 percent in Buffalo, 5.1 percent in Rochester, and 4.4 percent in Syracuse. During the first quarter of 2010, average monthly apartment asking rents increased by less than 1 percent to \$685 in Syracuse, \$729 in Buffalo, and \$755 in Rochester.