

2nd Quarter 2009



# U.S. Housing Market Conditions



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

### 2nd 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.

Widespread job losses occurred in the New York/New Jersey region as total nonfarm employment declined by almost 160,000 jobs, or 1.2 percent, to 12.7 million jobs during the 12-month period ending June 2009 compared with the number of jobs recorded during the same period a year ago. These job losses are in contrast with the increase of 112,800 jobs in the region, approximately a 1-percent gain, during the 12 months ending June 2008. During the current 12-month period, total nonfarm employment in New York decreased by 71,100 jobs, down 0.8 percent, to 8.7 million jobs. In New Jersey, 88,800 jobs were lost as nonfarm employment decreased 2.2 percent to 4.0 million jobs.

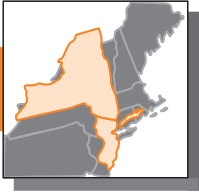
Despite significant losses throughout the region, job growth occurred in the education and health services and the government sectors in both states. During the 12 months ending June 2009, total employment in the education and health services sector increased by 43,800 jobs, or 2 percent, to 2.2 million jobs, and the government sector gained 8,600 jobs, up nearly 0.5 percent, to 2.2 million jobs. These gains were offset by a 6-percent decline in manufacturing employment and a 4-percent decrease in the financial activities sector, which lost 50,600 and 35,200 jobs, respectively.

Declines in economic conditions in New York City adversely affected employment levels in the region. During the 12-month period ending June 2009, total nonfarm employment in the city decreased by 28,800 jobs, or nearly 1 percent, to 3.7 million jobs compared with the number of jobs during the same period a year earlier. The financial activities, trade, transportation, and utilities, and manufacturing sectors lost 17,400, 11,400, and 10,000 jobs, respectively, representing declines of 3.7, 2.0, and 10.2 percent. During this same period, employment in the education and health services, other services, and leisure and hospitality sectors each increased between 1 and 2 percent, gaining 15,900, 3,500, and 1,950 jobs, respectively. According to the Federal



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Reserve Board's Beige Book, tourism in the city remains weak. In June 2009, hotel revenues were reported to be approximately 35 to 40 percent lower than those recorded in June 2008.

The average unemployment rate in the region increased from 4.7 to 7.0 percent during the 12-month period ending June 2009. In New York State, the unemployment rate increased from 4.8 to 7.0 percent and, in New Jersey, it increased from 4.6 to 7.1 percent. Employment losses in New York City contributed to the city's unemployment rate increasing from 4.9 to 7.3 percent.

The continuing effects of the national recession, restrictive credit conditions, and an increase in unsold housing inventory all affected home sales in the region. Currently, sales housing market conditions are soft. In New York State (excluding parts of New York City), during the 12-month period ending June 2009, the New York State Association of REALTORS® reported a 15-percent decline in single-family home sales to 72,260 homes compared with the number sold during the same period a year ago. In the Albany-Schenectady-Troy metropolitan area, during the 12-month period ending in June 2009, according to the Greater Capital Association of REALTORS®, existing home sales declined 16 percent to 7,530 homes compared with the number sold during the previous 12-month period. Similarly, in the Buffalo-Niagara Falls metropolitan area, the Buffalo Niagara Association of REALTORS® reported that existing single-family and condominium sales decreased approximately 9 percent to 9,860 homes. In the Rochester metropolitan area, during the second quarter of 2009, the Greater Rochester Association of REALTORS® (GRAR) reported a 14-percent decline in sales to 2,450 homes compared with the number sold during the same quarter a year earlier. In much of the region, median home sales prices continued to decline, but the rate of decline moderated. In New York State, the median price of an existing home decreased approximately 8 percent to \$205,500 during the 12 months ending June 2009 compared with the median price reported during the same period a year ago. In the Albany-Schenectady-Troy metropolitan area, the median price declined 3 percent to \$188,200. Conversely, the median price of an existing home in the Buffalo-Niagara Falls metropolitan area increased 2 percent, from \$105,100 to \$107,500. In the Rochester area, GRAR reported the median price of an existing home remained stable at approximately \$118,000 during the second quarter of 2009 compared with the median price recorded during the same quarter a year earlier.

The weak New York City economy continued to affect the Manhattan condominium/co-op housing market, which is soft. According to Prudential Douglas Elliman, home sales in Manhattan have been declining since the fourth quarter of 2008. During the second quarter of 2009, existing condominium/co-op sales in Manhattan decreased approximately 50 percent, from 3,080 to

1,530 units, compared with the same quarter a year ago. Listing inventory increased 9 percent, to 9,380 units, and the amount of time units remain on the market increased 20 percent, from 135 to 162 days. During the second quarter of 2009, the median price of an existing condominium/co-op in Manhattan decreased 18 percent to \$835,700 compared with the median price recorded during the same quarter a year earlier, and the median price of a newly constructed condominium/co-op unit declined by 7 percent to \$1,069,200 compared with the median price recorded a year ago.

Sales housing market conditions in New Jersey also weakened. According to the New Jersey Association of REALTORS®, during the first quarter of 2009 (the latest information available), the number of single-family homes sold in the state decreased by 5,000 to 18,300, a 21-percent decline compared with the number of homes sold during the same quarter a year earlier. In Northern New Jersey, the highest priced and most active region in the state, existing home sales declined 24 percent to 8,800 homes. Sales declined 20 percent to 4,340 homes in Central New Jersey and 20 percent to 5,150 homes in Southern New Jersey. During the first quarter of 2009, the median price of an existing home in New Jersey declined 15 percent to \$299,800 compared with the median price recorded during the same quarter a year earlier. In Northern New Jersey, the median price of an existing home decreased 16 percent to \$353,300. The median price of existing homes in both Central and Southern New Jersey declined nearly 12 percent to \$308,500 and \$205,700, respectively.

Residential construction in the New York/New Jersey region has declined significantly, primarily due to extensive cutbacks in multifamily housing construction. During the 12-month period ending June 2009, single-family construction activity, as measured by the number of homes permitted, decreased 29 percent to 17,930 homes permitted compared with the number permitted during the same period of 2008. This reduction included a 27-percent decline in the number of single-family homes permitted in New York State to 10,600 homes and a 32-percent decrease to 7,330 homes permitted in New Jersey. The number of multifamily housing units permitted in the region declined by almost 74 percent to 16,580 units. The number of multifamily units permitted decreased 75 percent to 12,470 units in New York and 68 percent to 4,110 units in New Jersey.

According to Reis, Inc., data, apartment vacancy rates in many New York and New Jersey metropolitan areas, including the tight New York City housing market, increased during the second quarter of 2009, primarily due to the economic recession and the slower rate of household formation. In many areas, rent concessions are being offered to maintain occupancy levels. The apartment vacancy rate in New York City increased to 2.9 percent during the second quarter of 2009, up from



2.3 percent in the second quarter of 2008. During this period, apartment vacancy rates increased from 3.1 to 3.8 percent in Central New Jersey and from 3.6 to 4.8 percent in Northern New Jersey. Average monthly apartment asking rents decreased in New York City and Long Island but increased nominally in certain Upstate New York areas. During the second quarter of 2009, the average monthly asking rent declined by almost 5 percent to \$2,771 in New York City and by 2 percent to \$1,512 in Long Island. Monthly apartment asking rents decreased less than 1 percent in both Central and Northern New Jersey to \$1,152 and \$1,497, respectively.

Despite the volatility in Downstate New York markets, Upstate New York rental housing market areas remained balanced, allowing for modest rent increases. Apartment vacancy rates increased from 4.5 to 5.7 percent in the Buffalo metropolitan area and from 3.7 to 3.9 percent in the Syracuse metropolitan area. During the second quarter of 2009, average monthly apartment asking rents remained stable at \$722 in the Buffalo area, increased by less than 1 percent to \$748 in the Rochester area, and increased by almost 2 percent to \$685 in the Syracuse area compared with rents recorded during the same quarter last year.