

2nd Quarter 2010



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.

After peaking at nearly 12.9 million jobs in late 2008, employment in the New York/New Jersey region continued to decline in the second quarter of 2010. Nonfarm employment averaged approximately 12.4 million jobs during the 12-month period ending June 2010, down 282,900 jobs, or 2.2 percent, compared with the loss of 209,100 jobs, or 1.6 percent, during the 12 months ending June 2009. Employment losses were the most severe in the manufacturing and construction sectors, down 67,200 and 54,400 jobs, or 8.5 and 10.9 percent, respectively. The service-providing sectors recorded a decline of 160,800 jobs, or 1.4 percent. The unemployment rate in the New York/New

Jersey region during the 12 months ending June 2010 was 9 percent, up from the 7-percent rate recorded during the previous 12-month period. The average unemployment rate increased from 7.3 to 9.8 percent in New Jersey and from 6.9 to 8.6 percent in New York during the 12 months ending June 2010.

Both states in the region lost jobs during the 12 months ending June 2010. New Jersey reported a 2.6-percent decline in nonfarm employment to nearly 3.9 million jobs. During the same period, New Jersey lost 24,000 jobs, or 4.0 percent, in the professional and business services sector, 23,500 jobs, or 8.3 percent, in the manufacturing sector, and 21,900 jobs, or 14.4 percent, in the construction sector, which accounted for two-thirds of the total jobs lost in the state. In New York State, 179,700 jobs were lost, a 2.1-percent decline to 8.5 million jobs, during the 12 months ending June 2010. These job losses were significantly higher than the 93,100 annual average job losses, a 1.1-percent decline, which occurred in New York State during the 12 months ending June 2009.

The economy in New York City, during the second quarter of 2010, continued the decline that began in mid-2009. During the 12-month period ending June



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2010, nonfarm employment fell by 84,200 jobs, or 2.2 percent, to nearly 3.7 million jobs. Job losses were partially offset by job increases in the education and health services sector of 15,100 jobs, or 2.1 percent, and job gains in the leisure and hospitality sector of 1,400 jobs, or 0.4 percent. Job losses in the professional and business services and financial activities sectors of 4.5 and 5.3 percent, respectively, accounted for 60 percent of the total job decline.

Most sales housing markets in the New York/New Jersey region are slightly soft because of weak economic conditions; however, markets are showing signs of improving. The NATIONAL ASSOCIATION OF REALTORS® reports that home sales in the region during the first quarter of 2010 (the latest information available) were up 22 percent from a year earlier to a seasonally adjusted annual rate of 377,800 homes sold. According to Lender Processing Services Mortgage Performance Data, in June 2010, the number of home loans in foreclosure, 90 days or more delinquent, or in REO (Real Estate Owned) remained nearly unchanged from June 2009 at 232,800 loans, or 8.2 percent of all loans recorded in the region.

According to data from the New York State Association of REALTORS®, the number of existing single-family home sales (excluding parts of New York City) during the 12 months ending June 2010 increased 18 percent, to 85,600 homes, compared with the number sold a year earlier and comparable to the 86,000 homes sold 2 years earlier. The median price of an existing home increased 12 percent from \$183,000 in June 2009 to nearly \$204,500 in June 2010. In the Rochester metropolitan area, the Greater Rochester Association of REALTORS® reported a 19-percent increase in home sales to more than 12,000 homes, during the 12 months ending June 2010, and the median home price increased 2 percent to \$120,000. For the same period, the Greater Capital Association of REALTORS®, Inc., reported that existing home sales in the Albany-Schenectady-Troy metropolitan area increased by 1,300 homes, or 17 percent, to nearly 8,825 homes, and the median home price rose from \$182,000 to \$190,000, a 4-percent increase. During the 12 months ending June 2010, the Buffalo Niagara Association of REALTORS® reported that sales of single-family homes increased nearly 5 percent to 10,200 homes and the median home price increased 4 percent to \$119,000.

The New York City home sales market remains slightly soft, but has improved significantly during the past 12 months. Prudential Douglas Elliman Real Estate reported that, during the 12 months ending June 2010, existing condominium and cooperative home sales in Manhattan, Brooklyn, and Queens increased 30 percent to 31,700 homes compared with sales during the 12 months ending June 2009. During the 12-month

period ending June 2010, the average sales price rose by more than 7 percent, from nearly \$700,200 to \$753,000. During the same period, the average number of days a home remained on the market declined by 34 days to 101 days. Manhattan accounted for one-third of the home sales, and the median sales price increased nearly 8 percent from \$835,700 to \$899,000, for the 12-month period ending June 2010. Home sales in Manhattan during the same period increased 28 percent compared with the number sold during the 12 months ending June 2009. During the 12 months ending June 2010, 9,850 homes were sold in Manhattan, which is 5 percent higher than the average of 9,350 homes sold during the 5 years ending June 2009.

Home sales markets in New Jersey are slightly soft, despite increasing home sales, home prices remain flat or have decreased in most areas during the 12 months ending June 2010. According to data from the New Jersey Association of REALTORS®, the number of existing homes sold during the 12 months ending March 2010 (the latest information available) increased by 11,300 homes, or nearly 11 percent, to 118,800 homes sold, compared with the 107,500 homes sold during the previous 12 months. During the 12 months ending March 2010, home sales were 37 percent lower than the number sold during the recent peak in 2004. The median price of a home in New Jersey decreased 2 percent to \$293,100 during the 12 months ending March 2010. All three regions of the state reported higher home sales and more stable home prices, with the exception of Central New Jersey where prices declined and the foreclosure rate increased. For the 12 months ending March 2010, Central New Jersey home sales rose 11 percent to 30,900 homes, and the median price declined 3 percent to \$298,600; the number of home loans in foreclosure, 90 days or more delinquent, or in REO increased from 5 to 8 percent from March 2009 to March 2010, according to Lender Processing Services Mortgage Performance Data. For the 12 months ending March 2010, Northern New Jersey's existing single-family homes sales were up nearly 11 percent to 57,000 homes, and the median price increased 1 percent to \$360,000. For the same period, existing single-family homes sales in Southern New Jersey increased nearly 10 percent to 30,900, and the median price remained unchanged from a year earlier at \$198,700.

Builders in the New York/New Jersey region have responded to improvements in the sales housing market with moderate increases in the construction of single-family homes and multifamily units. During the 12-month period ending June 2010, based on preliminary data, the number of single-family homes permitted increased 17 percent to 8,800 homes compared with a 33-percent decline recorded during the same period a year earlier. For the 12 months ending June 2010, both states reported increases in single-family home con-



struction, including 560 homes, or 17 percent, in New Jersey and 690 homes, or 16 percent, in New York. In the region, multifamily building activity, as measured by the number of units permitted, increased by 11 percent to 7,500 units during the 12 months ending June 2010 compared with an 82-percent decrease during the 12 months ending June 2009. In New York, the number of multifamily units permitted rose by 1,200 units, or 31 percent, to 5,125 units from a year earlier. In New Jersey, the number of multifamily units permitted decreased by 450, or 16 percent, to 2,350 units during the 12 months ending June 2010, which is less than the 62-percent decline that occurred during the 12 months ending June 2008.

Rental market conditions in the New York/New Jersey region were balanced with several markets showing signs of softening. According to Reis, Inc., in the second quarter of 2010, the apartment vacancy rate in New York City declined slightly from 3.2 to 3 percent, and the average asking rent increased by 0.4 percent to nearly \$2,800. The New York City rental market remains tight; however, 7,500 new apartment units are expected to begin leasing during the latter part of 2010, the highest number of apartment completions in the region since 1999, according to Reis, Inc. The Long Island apartment market tightened as the vacancy rate declined from 3.9 to 3.7 percent; rents increased 2 percent to \$1,540, representing the largest percentage increase in rent in the region. For the second quarter of 2010, the average rent in Westchester declined by 2.6 percent to nearly \$1,840, and the vacancy rate remained unchanged from the previous year at 4.5 percent.

For the second quarter of 2010, most Upstate New York and New Jersey rental markets were balanced, but have softened. The Buffalo metropolitan area mar-

ket remained stable with a 5.7-percent vacancy rate, nearly unchanged from 5.8 percent a year earlier, and the average rent increased 0.8 percent to \$730. For the same period, the vacancy rate in the Rochester metropolitan area increased from 4.2 to 4.7 percent, and the average rent increased 2 percent to \$760. For the second quarter of 2010, vacancy rates increased significantly in the Syracuse metropolitan area from 3.9 to 5.8 percent, because two vacant apartment buildings returned to the market, adding 400 additional units to the inventory; the average rent increased 0.6 percent to \$690. For the same period, in both Central and Northern New Jersey, vacancy rates rose slightly to 4.1 and 5.1 percent from 3.8 and 4.9 percent, respectively; average rents declined slightly by 0.3 percent to \$1,150 in Central New Jersey and by 0.6 percent to \$1,490 in Northern New Jersey.

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.