



# 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.

In the New York/New Jersey region, nonfarm payroll jobs increased in the past 12 months but remain below the peak of more than 12.8 million jobs recorded during the third quarter of 2008. During the 12 months ending June 2011, nonfarm payrolls increased by 33,900 jobs, or 0.3 percent, to 12.4 million, a significant improvement compared with the loss of nearly 260,600 jobs, or 2.1 percent, during the previous 12 months. New York State added 47,700 jobs, amounting to 0.6 percent growth, and nonfarm payrolls increased to an average of 8.6 million jobs. In New Jersey, the decline that began in 2008 continued with a loss of 13,800 jobs, or 0.4 percent, to an average of 3.8 million jobs. The decrease in New Jersey was significantly less than the loss of 106,700

jobs, a 2.7-percent decline, during the 12 months ending June 2010. In New York City (NYC), nonfarm payrolls increased by 33,100 jobs, or 0.9 percent, to 3.7 million jobs during the 12 months ending June 2011.

During the 12 months ending June 2011, nonfarm payroll gains in the New York/New Jersey region were greatest in the education and health services, professional and business services, and leisure and hospitality sectors. The education and health services sector recorded an increase of nearly 46,100 jobs, or 2.0 percent, with gains of nearly 38,400 jobs, or 2.3 percent, in New York and 7,700 jobs, or 1.3 percent, in New Jersey. The professional and business services sector increased by 35,700 jobs, or 2.1 percent, with New York accounting for more than 80 percent of the job gain. The leisure and hospitality sector expanded by 22,000 jobs, a 2.1-percent increase, adding 19,900 jobs in New York and 2,075 jobs in New Jersey, increases of 2.8 and 0.6 percent, respectively. In NYC, the education and health services and professional and business services sectors led job growth, gaining 20,150 jobs, or 2.7 percent, and 19,350 jobs, or 3.4 percent, respectively. Offsetting part of the job gain in the region, the government sector declined by 62,600 jobs, or 2.9 percent, with decreases of 39,600 jobs, or 2.6 percent, in New York and 22,950 jobs, or 3.5 percent,



in New Jersey. All levels of government recorded losses, but more than 60 percent of the decline in the region occurred because of budget cuts in the local government subsector. The construction subsector and manufacturing sector registered job declines of 15,600 and 11,400, or 3.5 and 1.6 percent, respectively. The construction subsector decreased by 11,250 jobs, or 3.6 percent, in New York and by 4,350 jobs, or 3.3 percent, in New Jersey. The manufacturing sector recorded a 1.7-percent, or 4,475-job, decrease in New Jersey and a 1.5-percent, or 6,900-job, decline in New York. During the 12 months ending June 2011, average unemployment rates decreased from 9.0 to 8.6 percent in the region, from 8.8 to 8.2 percent in New York, and from 9.6 to 9.3 percent in New Jersey.

In the second quarter of 2011, sales housing markets in the region were softer than they were in the preceding quarter but were relatively unchanged from a year earlier. According to data from the New York State Association of REALTORS®, during the 12 months ending June 2011, the number of existing single-family home sales in the state (excluding parts of NYC) declined by nearly 23 percent, to 67,250 homes, compared with the number sold during the same period a year earlier. The median price of an existing home increased 5 percent to \$210,000 as of June 2011. The Greater Rochester Association of REALTORS® reported a 27-percent decline in sales, to 8,800 homes sold, and an unchanged median price of \$120,000 in the Rochester metropolitan area during the 12 months ending June 2011. In the Albany-Schenectady-Troy metropolitan area, the Greater Capital Association of REALTORS® reported that home sales declined 27 percent to nearly 6,550, and that the median sales price remained unchanged at \$190,000 during the 12 months ending June 2011. According to the Buffalo Niagara Association of REALTORS®, during the 12 months ending June 2011, home sales declined by 24 percent to 7,750 homes and the median price decreased by 1 percent to \$118,000.

The NYC home sales market was slightly soft during the second quarter of 2011, relatively unchanged compared with the second quarter of 2010. Prices decreased in Manhattan and sales fell significantly in Queens. Prudential Douglas Elliman Real Estate reported that, during the 12 months ending June 2011, existing condominium and cooperative unit sales in Manhattan, Brooklyn, and Queens decreased 11 percent to 28,200 units compared with the number sold during the 12 months ending June 2010. The average sales price rose by more than 11 percent to \$814,500 in June 2011, and the average number of days a home remained on the market declined to 119, which is 5 days fewer than the average during the 12 months ending June 2010. During the past year, home sales increased nearly 2 percent to 10,000 in Manhattan, and the median price declined more than 5 percent to \$850,000. The current level of home sales in Manhattan is 3 percent less than the

average annual rate of 10,350 homes sold from 2007 through 2009. Home sales declined by 1 percent to 7,675 in Brooklyn, where the median price increased nearly 4 percent to \$480,000. In Queens, home sales declined 25 percent to 10,550 in response to the expiration of the federal homebuyer tax credit, and the median price increased by 2 percent to \$342,000.

In New Jersey, home sales markets are increasingly soft compared with the previous quarter and the previous year because of declining sales and prices. According to data from the New Jersey Association of REALTORS®, the number of existing homes sold during the 12 months ending March 2011 (the latest information available) decreased by 9,400 homes, or 8 percent, to 109,400 homes sold compared with the 118,800 homes sold during the previous 12 months. The median sales price of a home in New Jersey decreased 4 percent to \$280,900. All three regions of the state reported decreased home sales, with declines of 13 percent in Southern New Jersey and 6 percent in both Central and Northern New Jersey, to 6,900, 29,100, and 53,400 homes sold, respectively. Median sales prices declined by 5 percent in Central New Jersey, to \$298,600, and by 4 percent in both Northern and Southern New Jersey, to \$360,000 and \$198,700, respectively.

In June 2011, according to LPS Applied Analytics, the number of loans in the region that were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned) increased by 15,700, or 7 percent, to 248,500 compared with the number of distressed loans in June 2010. This level represents a rate of 8.7 percent of all loans in June 2011 compared with a rate of 8.2 percent a year earlier. The rates rose from 9.1 to 9.9 percent in New Jersey and from 7.6 to 7.9 percent in New York. In June 2011, the national rate was 7.8 percent.

Builders responded to softer sales market conditions in the New York/New Jersey region by reducing single-family homebuilding; however, construction of multifamily units increased in both states. During the 12 months ending June 2011, based on preliminary data, the number of single-family homes permitted in the region decreased by 11 percent, to 12,525 homes, compared with a 1-percent increase recorded during the same period a year earlier. The current level of single-family permits issued amounts to approximately 55 percent of the average annual 23,000 homes permitted in the region from 2007 through 2009. Single-family home construction decreased by 820, or 13 percent, to 5,550 homes in New York and by 660, or 9 percent, to 6,975 homes in New Jersey. During the 12 months ending June 2011, multifamily building activity, as measured by the number of units permitted, increased by 4,975 units, or 40 percent, to more than 17,550 units compared with a 27-percent decrease during the previous 12 months, based on preliminary data. The number of permits issued for multifamily units increased by 3,075,



to a total of 10,900 units, in New York and by 1,900, to 6,675 units, in New Jersey, increases of approximately 40 percent in each state. The current level of multifamily units permitted in the region amounts to 47 percent of the average annual 37,100 units permitted from 2007 through 2009. As indicated by the McGraw-Hill Construction Pipeline database, apartments account for 75 percent of the 20,200 multifamily units under construction in the region and 95 percent of the 8,700 units under way in NYC.

Tight rental market conditions in the region became tighter compared with conditions during the first quarter of 2011 and a year earlier, as shown by declining vacancy rates and rising rents. Conditions were balanced to tight in Upstate New York and New Jersey, and NYC remained one of the tightest markets in the country. According to Reis, Inc., in the second quarter of 2011, the apartment vacancy rate in NYC was 2.8 percent, down from the 3.0-percent rate recorded a

year earlier, and the average asking rent increased by 4 percent to more than \$2,900. On Long Island, the vacancy rate declined slightly from 3.7 to 3.6 percent and rents increased by more than 2 percent to \$1,580. In Westchester, where the market tightened, the vacancy rate fell from 4.5 to 3.3 percent and rents increased by more than 2 percent to \$1,880. In the Rochester metropolitan area, the vacancy rate decreased from 4.7 to 3.6 percent and the average rent increased nearly 3 percent to \$780. The Syracuse metropolitan area market tightened, with the vacancy rate declining from 5.8 to 3.4 percent and the average rent increasing 2 percent to \$700. In the Buffalo metropolitan area, the vacancy rate decreased from 5.7 to 4.1 percent and the average rent increased nearly 2 percent to \$740. In Central New Jersey, the vacancy rate declined from 4.1 to 3.5 percent and the average rent increased by nearly 2 percent to \$1,170. In Northern New Jersey, the vacancy rate decreased from 5.1 to 4.4 percent and the average rent increased by more than 2 percent to \$1,525.