



# 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.

Economic conditions in the New York/New Jersey region have continued to improve since early 2011. During the 12 months ending June 2012, nonfarm payrolls totaled nearly 12.63 million jobs, an increase of 162,700 jobs, or 1.3 percent, from a year ago. In New York, which accounted for nearly 78 percent of the job growth in the region, nonfarm payrolls increased by 126,500 jobs, or 1.5 percent, to an average of 8.75 million jobs. New Jersey nonfarm payrolls increased by 36,200 jobs, or 0.9 percent, to an average of nearly 3.88 million jobs. In New York City (NYC), nonfarm payrolls increased by 71,450 jobs, or 1.9 percent, to 3.82 million jobs. Job gains in NYC were led by the professional and business

services sector, leisure and hospitality sector, and retail trade subsector, which increased by 26,600, 17,150, and 12,750 jobs, or 4.5, 5.2, and 4.1 percent, respectively. The largest nonfarm payroll job gains in the region occurred in the professional and business services, education and health services, and leisure and hospitality sectors. The professional and business services sector added 55,150 jobs, a 3.2-percent increase, with gains of 45,500 jobs, or 4.1 percent, in New York and 9,650 jobs, or 1.6 percent, in New Jersey. The education and health services sector recorded an increase of 50,300 jobs, or 2.2 percent, in the region and registered the largest nonfarm payroll increase among all sectors in New Jersey, with a gain of 19,750 jobs, or 3.3 percent. In the region, the leisure and hospitality sector increased by 29,600 jobs, or 2.7 percent, adding 25,500 and 4,075 jobs, 3.4- and 1.2-percent increases, in New York and New Jersey, respectively.

Job losses accelerated in the information sector in the region during the 12 months ending June 2012, recording a decline of 9,875 jobs, or 3.0 percent, compared with a loss of 3,250 jobs, or 1.0 percent, during the previous 12 months. Conversely, job losses slowed significantly in the government sector because retirements and layoffs were limited. The government sector lost 6,675 jobs,



or 0.3 percent, during the 12 months ending June 2012 compared with a decline of 62,500 jobs, or 2.9 percent, during the previous 12 months, when local government layoffs accounted for 76 percent of total government payroll declines. Local government payrolls increased by 2,875 jobs, or 0.2 percent, during the 12 months ending June 2012 compared with a decline of 47,500 jobs, or 3.0 percent, during the previous 12 months. Federal and state government payrolls continued to decline during the past year. During the 12 months ending June 2012, the unemployment rate in the region averaged 8.7 percent, up slightly from 8.6 percent a year earlier. The unemployment rate increased from 8.3 to 8.5 percent in New York but declined from 9.4 to 9.3 percent in New Jersey.

In the second quarter of 2012, sales housing markets in New York were soft. Conditions stabilized compared with a year ago; the number of home sales increased but home sales prices were relatively unchanged. According to data from the New York State Association of REALTORS®, during the second quarter of 2012, existing single-family home sales in the state (excluding parts of NYC) increased nearly 7 percent, to 23,400 homes sold compared with home sales during the second quarter of 2011. The median sales price for existing homes decreased less than 1 percent to \$209,000 during the second quarter of 2012 compared with the median price during the second quarter of 2011. In Upstate New York, the number of home sales declined during the second quarter of 2012, but home sales prices remained relatively stable. According to the Greater Rochester Association of REALTORS®, during the 12 months ending June 2012, home sales in the Rochester metropolitan area declined nearly 9 percent, to 9,550 homes sold, and the median home sales price increased more than 2 percent, to \$122,500. The Greater Capital Association of REALTORS® reported that, during the 12 months ending June 2012, home sales in the Albany-Schenectady-Troy metropolitan area increased 16 percent, to 8,150 homes sold, and the median home sales price increased less than 1 percent, to \$189,500. According to the Buffalo Niagara Association of REALTORS®, during the 12 months ending May 2012, the number of homes sold in the Buffalo metropolitan area increased more than 4 percent, to 9,100, and the median home sales price increased slightly more than 3 percent, to \$118,000.

The NYC home sales market was somewhat soft during the second quarter of 2012. Miller Samuel Inc. reported that, during the 12 months ending June 2012, the number of existing home sales in Manhattan, Brooklyn, and Queens decreased nearly 5 percent, to 26,900 homes, compared with the number sold during the previous 12 months. The average home sales price rose nearly 2 percent, to \$829,200, because of a decline in the number of homes sold in Queens, where homes are significantly less expensive than in Manhattan. The average number of days a home remained on the market increased to 134, or 14 days more than the average during the previous 12 months. During

the past year, the number of condominiums and cooperatives sold in Manhattan increased less than 1 percent, to 10,100, and the median home sales price decreased nearly 3 percent, to \$829,000. The number of home sales in Manhattan remained 15 percent below the average of 11,850 homes sold annually in 2007 and 2008. In Brooklyn, home sales declined slightly more than 1 percent, to 7,575, and the median home sales price decreased less than 1 percent, to \$477,100. In Queens, sales declined nearly 13 percent, to 9,225 homes sold, and the median home sales price increased nearly 4 percent, to \$355,000.

In New Jersey, home sales markets currently are soft. Conditions softened compared with a year ago as the number of homes sold and sales prices declined, continuing a 5-year trend. According to data from the New Jersey Association of REALTORS®, the number of existing homes sold during the 12 months ending March 2012 (the most recent data available) decreased by 18,200, or nearly 19 percent, to 80,400 homes sold compared with the number sold during the previous 12 months. The median home sales price in New Jersey decreased nearly 6 percent, to \$265,000. All three regions of the state reported fewer home sales, with declines of 19, 18, and 18 percent in Northern, Central, and Southern New Jersey, to 38,800, 21,400, and 20,200 homes sold, respectively. Median home sales prices declined nearly 9 percent, to \$315,300, in Northern New Jersey; declined more than 2 percent, to \$277,800, in Central New Jersey; and remained relatively unchanged at \$191,500, in Southern New Jersey.

According to LPS Applied Analytics, in June 2012, the number of mortgage loans in the region that were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned) increased by 10,300, or 16 percent, to 288,800 loans compared with the number of distressed loans in June 2011. In June 2012, this total represented 10.2 percent of all home loans compared with the 8.7-percent rate of a year earlier. The rate rose from 9.9 to 11.9 percent in New Jersey and from 7.9 to 9.1 percent in New York.

Builders responded to softer sales housing market conditions in the New York/New Jersey region by reducing single-family homebuilding activity, as measured by the number of single-family building permits issued. According to preliminary data, during the 12 months ending June 2012, the number of single-family homes permitted in the region decreased 5 percent, to 12,100 homes, compared with a 9-percent decline during the previous 12 months. The number of single-family homes permitted during the past 12 months represented nearly 53 percent of the average level of 23,000 homes permitted annually in the region from 2007 through 2009. Single-family home construction decreased by 230 homes, or 4 percent, to 5,450 homes permitted in New York and by 380 homes, or 5 percent, to 6,650 homes permitted in New Jersey. Construction of multifamily units increased



in both states. According to preliminary data, multifamily building activity in the region, as measured by the number of units permitted, increased by 2,700 units, or 16 percent, to 20,000 units permitted compared with a 37-percent increase during the previous 12 months. More than 61 percent of the increase in multifamily construction activity in the region occurred in New Jersey, where the number of permits issued increased by 1,650 units, or 25 percent, to 8,125 units permitted. In New York, the number of multifamily permits issued increased by 1,000 units, or 9 percent, to 11,850 units permitted, down from the 39-percent increase recorded during the previous 12 months. Based on data from the McGraw-Hill Construction Pipeline database, apartment construction accounted for nearly 81 percent of the 26,750 multifamily units under construction in the region and nearly 99 percent of the 13,350 units being built in NYC.

Rental housing market conditions in the New York/New Jersey region were tighter in the second quarter of 2012 than they were a year earlier, as shown by declining vacancy rates and rising rents. Conditions were

balanced to tight in Upstate New York and New Jersey, whereas NYC remained the tightest rental housing market in the country. According to Reis, Inc., in the second quarter of 2012, the apartment vacancy rate in the Rochester metropolitan area was 2.9 percent, down from the 3.6-percent rate recorded a year earlier, and the average asking rent increased 2 percent, to \$799. In the Albany metropolitan area, the apartment vacancy rate increased slightly from 3.4 to 3.6 percent, and the average rent increased nearly 4 percent, to \$928. In Northern New Jersey, the apartment vacancy rate decreased from 4.5 to 3.8 percent, and the average rent increased 3 percent, to \$1,562. In the Atlantic-Cape May area, the apartment vacancy rate declined from 6.8 to 5.6 percent, and the average rent increased more than 1 percent, to \$971. The apartment vacancy rate in NYC was 2.2 percent, down from the 2.7-percent rate recorded a year earlier, and the average asking rent increased 3 percent, to \$3,001. On Long Island, the vacancy rate declined from 3.6 to 3.2 percent, and the average rent increased nearly 2 percent, to \$1,611.