



U.S. Housing Market Conditions



NEW YORK/NEW JERSEY REGIONAL REPORT HUD Region II

3rd 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 began to decline in October 2008, a trend that continued into the third quarter of 2009. Total nonfarm employment in the region decreased by 252,800 jobs, or 2 percent, to an average of 12.6 million jobs during the 12-month period ending September 2009 compared with an increase of 60,200 jobs, or 0.5 percent, during the previous 12 months. During the 12 months ending September 2009, nonfarm employment in New York decreased by 140,500 jobs, or 1.6 percent, to 8.7 million. In New Jersey, the rate of decline was even greater, with 112,300 jobs lost, as nonfarm employment decreased 2.8 percent to nearly 4 million.

Job losses occurred in most major employment sectors in both states during the 12 months ending September 2009. Significant losses occurred in both the professional and business services and the manufacturing sectors, in which 66,400 and 60,600 jobs were lost, respectively. Layoffs in the professional and business services sector affected both New York and New Jersey, resulting in job losses of 33,800 and 32,600, or decreases of 2.9 and 5.3 percent, respectively, from the number of jobs reported during the previous 12 months. Manufacturing sector employment declined 7 percent in New York with the loss of 35,400 jobs and 8 percent in New Jersey, where 25,200 jobs were eliminated. The only significant employment growth occurred in the education and health services sector, which increased by 40,600 jobs, or nearly 2 percent regionwide. This growth included an increase of 31,000 jobs, or 1.9 percent, in New York and 9,600 jobs, or 1.6 percent, in New Jersey. Government sector employment also increased slightly in the region, up 0.4 percent to 2.2 million.

The economy of New York City continued to decline due to ongoing restructuring in the financial activities sector. Since the fourth quarter of 2008, extensive job losses have occurred in the city. During the 12-month period ending September 2009, nonfarm employment



in the city decreased by 62,800 jobs, or nearly 2 percent, to 3.7 million jobs compared with the number of jobs during the same period a year ago. Manufacturing sector employment declined 12 percent to 85,400, with the loss of 11,800 jobs. Employment in the financial activities, professional and business services, and information sectors also declined. For the 12-month period ending September 2009, these three sectors accounted for 45,800 jobs lost, of which 25,800 jobs, or more than 50 percent, were in the financial activities sector. The education and health services sector was one of the few sectors in the city's economy to grow, adding 17,500 jobs, or an increase of 2.4 percent, to total 733,200 jobs.

The average annual unemployment rate in the New York/New Jersey region increased significantly from 5.0 to 7.9 percent during the 12-month period ending September 2009. The unemployment rate increased from 5.0 to 7.9 percent in New York State, from 5.1 to 8.3 percent in New York City, and from 4.9 to 8.2 percent in New Jersey.

The employment losses continue to adversely affect home sales in the New York/New Jersey region. In the 12-month period ending September 2009, the New York State Association of REALTORS® reported a 12-percent decline in single-family home sales (excluding parts of New York City) to 72,215 homes compared with homes sales during the same period a year earlier. According to the Greater Capital Association of REALTORS®, home sales in the Albany-Schenectady-Troy metropolitan area declined 14 percent to 7,490 homes. Similarly, the Buffalo Niagara Association of REALTORS® reported a 6-percent decline in existing single-family/condominium sales to 9,960 units, and the Greater Rochester Association of REALTORS® reported a 10-percent decrease in sales to 10,230 homes. Although median sales prices continue to decline in most of the region, the rate of decline is slowing. In New York, the median sales price of an existing home decreased 6 percent from \$218,000 to \$205,000 in the third quarter of 2009 compared with the price during the same quarter a year ago. In the Albany-Schenectady-Troy metropolitan area, the median sales price declined less than 1 percent to \$185,000 in September 2009 compared with the price in September 2008. The median sales price of an existing home in the Rochester metropolitan area declined 3 percent to \$120,850 in the third quarter of 2009. Conversely, in September 2009, the median sales price of an existing home in the Buffalo-Niagara Falls metropolitan area increased approximately 4 percent to \$114,900 compared with the price in the same month a year earlier.

The weak New York City job market continues to affect the Manhattan condominium/co-op market, which remains soft. According to Prudential Douglas Elliman Real Estate, during the third quarter of 2009, existing condominium/co-op sales in Manhattan decreased 16

percent from 2,654 to 2,230 units compared with the number of sales during the same quarter a year earlier. Time-on-the-market increased nearly 25 percent from 134 to 167 days, but the listing inventory decreased 5 percent to 8,390 units. In the third quarter of 2009, the median sales price of an existing condominium/co-op decreased 8 percent to \$850,000 compared with the price during the same quarter a year earlier.

Sales market conditions in New Jersey remain soft. According to the New Jersey Association of REALTORS®, 3,300 fewer single-family home sales were recorded in the second quarter of 2009 (the latest data available), a 10-percent reduction from the 33,500 sales recorded during the same quarter of 2008. In Northern New Jersey, the highest priced and most active region in the state, sales declined nearly 12 percent to 14,600 homes. Sales declined 13 percent to 7,350 homes in Central New Jersey and 4 percent to 8,280 homes in Southern New Jersey. During the second quarter of 2009, the median sales price of an existing home in New Jersey declined 14 percent to \$312,100 compared with the price during the same quarter a year earlier. In Northern New Jersey, the median sales price of an existing home decreased 16 percent to \$368,600. The median sales price of an existing home in both Central New Jersey and Southern New Jersey declined approximately 10 percent to \$313,900 and \$214,700, respectively.

During the 12-month period ending September 2009, housing construction in the New York/New Jersey region declined significantly from a year earlier. For the 12-month period ending September 2009, single-family home construction, as measured by the number of building permits issued, declined 32 percent to 12,760 homes compared with the number of homes permitted during the previous 12 months, based on preliminary data. This construction activity decline included a 36-percent decrease in the number of single-family homes permitted in New York to 5,800 homes and a 28-percent decrease in New Jersey to 6,950 homes. The number of multifamily units permitted in the region declined 76 percent to 13,200 units, including an 81-percent reduction in New York to 8,175 units and a 61-percent decline in New Jersey to 5,025 units.

Apartment vacancy rates increased in most New York and New Jersey metropolitan areas, including the tight New York City market, during the third quarter of 2009, according to Reis, Inc. In many Downstate New York areas, rent concessions and rent reductions have been used to maintain occupancy. During the third quarter of 2009, the apartment vacancy rate in New York City increased to 2.9 percent, up from 2.1 percent during the third quarter of 2008. During the third quarter of 2009, apartment vacancy rates increased from 2.9 to 3.9 percent in Central New Jersey and from



3.5 to 4.9 percent in Northern New Jersey. Although markets generally remained balanced, vacancy rates also increased in most Upstate New York metropolitan areas. According to data from Reis, Inc., apartment vacancy rates increased from 4.0 to 5.4 percent in the Buffalo metropolitan area, from 3.5 to 3.8 percent in the Syracuse metropolitan area and from 3.6 to 4.2 percent in the Rochester metropolitan area. During the third quarter of 2009, average monthly apartment asking rents in New York City declined nearly 6 percent to \$2,765 from a year earlier. Monthly rents also decreased approximately 1 percent in both Central New

Jersey and Northern New Jersey to \$1,148 and \$1,500, respectively. In the Buffalo metropolitan area, the average monthly asking rent during the third quarter of 2009 declined nearly 1 percent to \$723 compared with the rent recorded during the same quarter a year ago. Nominal rent increases of less than 1 percent were reported in the Syracuse and Rochester metropolitan areas, where monthly rents increased to \$684 and \$753, respectively.