



# U.S. Housing Market Conditions



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

### 4th 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.

Population growth increased in the New York/New Jersey region during the past year due to improving economic conditions. The population of the region increased by 91,550, or 0.3 percent, to 28.3 million from July 2010 to July 2011. New York accounted for more than 75 percent of the population growth, recording an increase of 70,000, or 0.4 percent, to 19.5 million, whereas New Jersey increased by 21,550, or 0.2 percent, to 8.8 million. Net natural change (resident births minus resident deaths) of 132,000 people offset net out-migration from the region of nearly 40,000 people.

During 2011, nonfarm payrolls totaled nearly 12.5 million jobs, an increase of 80,650 jobs, or 0.6 percent, from a year

ago. In New York, which accounted for nearly 90 percent of the growth, payrolls increased by 71,800 jobs, or 0.8 percent, to an average of 8.6 million jobs. New Jersey payrolls increased by 8,875 jobs, or 0.2 percent, to an average of nearly 3.9 million jobs during 2011. The fourth quarter of 2011 was the first quarter during which the state reported a positive year-over-year job growth since the second quarter of 2008. In New York City (NYC), nonfarm payrolls increased by 33,350 jobs, or 0.9 percent, to 3.7 million jobs.

During 2011, the education and health services, professional and business services, and leisure and hospitality sectors reported the largest nonfarm payroll job gains in the New York/New Jersey region. The education and health services sector recorded an increase of 44,850 jobs, or 1.9 percent, with gains of 34,900 jobs, or 2.0 percent, in New York and 9,950 jobs, or 1.6 percent, in New Jersey. The professional and business services sector gained 44,800 jobs, or 2.7 percent, in the region and registered the largest nonfarm payroll increase among all sectors in New Jersey with a gain of 11,650 jobs, or 2.0 percent. The leisure and hospitality sector expanded by 18,500 jobs, a 1.7-percent increase, adding 17,450 and 1,025 jobs, 2.0- and 0.3-percent increases, in New York and New Jersey, respectively. The number of leisure travelers to



NYC increased by nearly 3 percent to a record 50.5 million in 2011, and, as a result, the leisure and hospitality sector in NYC increased by 8,200 jobs, or 2.6 percent. The sectors with the strongest job growth in NYC were the professional and business services sector, which increased by 18,200 jobs, or 3.2 percent, and the education and health services sector, which increased by 17,550 jobs, or 2.3 percent. NYC accounted for at least 40 percent of the job growth for the region in each of those sectors.

Offsetting some of the job gains in the region, the government and manufacturing sectors and the construction subsector lost the most jobs during 2011. The government sector declined by 44,700 jobs, or 2.1 percent, with decreases of 25,650 jobs, or 1.7 percent, in New York and 19,050 jobs, or 3.0 percent, in New Jersey, a result of budget cuts that began in the summer of 2010. Job losses in the manufacturing sector and the construction subsector continued, but were 60 percent less than the losses recorded a year ago; the sectors registered job declines of 11,500 and 2,250, or 1.6 and 0.5 percent, respectively, during 2011. The manufacturing sector recorded a 2.8-percent decrease, or 7,150 jobs, in New Jersey and a 1.0-percent decline, or 4,350 jobs, in New York. The construction subsector decreased by 2,000 jobs, or 0.7 percent, in New York and by 240 jobs, or 0.2 percent, in New Jersey. During 2011, the unemployment rate averaged 8.4 percent for the region, down from 8.8 percent a year earlier. The unemployment rate declined from 8.6 to 8.0 percent in New York and from 9.5 to 9.3 percent in New Jersey.

In the fourth quarter of 2011, sales housing markets in the New York/New Jersey region were softer than during the previous year. According to data from the New York State Association of REALTORS<sup>®</sup>, during 2011, sales of existing single-family homes in the state (excluding parts of NYC) decreased by 4 percent to 72,050 homes sold compared with 2010 sales. The median sales price for existing homes during 2011 decreased by less than 1 percent to \$212,500 compared with prices during 2010. During the fourth quarter of 2011, the number of home sales declined, but prices remained relatively stable in Upstate New York. According to the Greater Rochester Association of REALTORS<sup>®</sup>, during 2011, home sales in the Rochester metropolitan area declined by 10 percent to 9,125 homes sold, and the median sales price increased by nearly 4 percent to \$124,000. The Greater Capital Association of REALTORS<sup>®</sup> reported that home sales in the Albany-Schenectady-Troy metropolitan area declined 7 percent during 2011, to nearly 7,100 homes sold, and the median sales price decreased by 1 percent to \$186,000. According to the Buffalo Niagara Association of REALTORS<sup>®</sup>, during 2011, the number of homes sold declined by slightly more than 1 percent to 8,425 homes, and the median sales price remained relatively unchanged at \$115,900.

The NYC home sales market remained soft during the fourth quarter of 2011. Home sales prices declined in

Brooklyn and Queens and increased slightly in Manhattan. The number of homes sold increased in Brooklyn and Manhattan, although home sales fell significantly in Queens. Miller Samuel Inc. reported that, during 2011, the number of existing home sales in Manhattan, Brooklyn, and Queens decreased by 7 percent to 27,950 units compared with the number sold during 2010. During 2011, the average sales price rose by nearly 4 percent to \$821,100, and the average number of days a home remained on the market increased slightly to 126, 17 days more than the average during 2010. During the past year, the number of condominiums and cooperatives sold in Manhattan increased by less than 1 percent to 10,150, and the median sales price increased by slightly more than 1 percent to \$855,000. In 2011, the number of home sales in Manhattan remained nearly 12 percent below the average annual rate of 11,500 homes sold in 2007 and 2008. Home sales increased by more than 13 percent to 8,100 homes sold in Brooklyn, but the median sales price decreased by 4 percent to \$454,400. In Queens, sales declined nearly 24 percent to 9,700 homes sold in response to the expiration of the federal first-time homebuyer tax credit, but the median sales price remained relatively unchanged at \$393,100.

In New Jersey, home sales markets were softer during the third quarter of 2011 than during the previous year because of declining home sales and prices. According to data from the New Jersey Association of REALTORS<sup>®</sup>, the number of existing homes sold during the 12 months ending September 2011 (the latest information available) decreased by 16,100, or 14 percent, to 103,300 homes sold compared with sales during the previous 12 months. The median home sales price in New Jersey decreased by nearly 4 percent to \$305,100. All three regions of the state reported a decreased number of home sales, with declines of 16 percent in Southern New Jersey and about 12 percent in both Central and Northern New Jersey, to 25,400, 27,400, and 50,500 homes sold, respectively. Median sales prices declined by less than 1 percent to \$385,700 in Northern New Jersey and by slightly more than 5 percent in both Southern and Central New Jersey to \$202,100 and \$309,000, respectively.

According to LPS Applied Analytics, in December 2011, 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 16,400, or 6.8 percent, to 256,200 loans compared with December 2010. This total represented 9.2 percent of all home loans in December 2011 compared with 8.4 percent a year earlier. The rate rose from 9.4 to 10.6 percent in New Jersey and from 7.7 to 8.2 percent in New York. Both rates were above the national average of 7.6 percent.

Builders responded to softer sales housing market conditions in the New York/New Jersey region by reducing single-family homebuilding. Construction of multifamily units increased in both states, however. According to preliminary data, during 2011, the number of single-family



homes permitted in the region decreased by 16 percent to 11,650 homes compared with an 8-percent increase recorded during 2010. The number of single-family homes permitted in 2011 represents slightly more than 50 percent of the annual average of 23,000 homes permitted in the region from 2007 through 2009. Single-family home construction decreased by 1,250, or 20 percent, to 5,175 homes permitted in New York and by 925, or 12 percent, to 6,475 homes permitted in New Jersey. According to preliminary data, during 2011, multifamily building activity, as measured by the number of units permitted, increased by 4,550, or 32 percent, to 18,900 units permitted compared with a 14-percent increase during 2010. Nearly 90 percent of the increase in multifamily construction activity in the region occurred in New York, where permitting increased by 3,900 units, or 46 percent, to a total of 12,350. New Jersey multifamily permitting increased by 600 units, or 10 percent, to a total of 6,525 units, down from the 16-percent increase recorded during 2010. Based on data from the McGraw-Hill Construction Pipeline database, apartments accounted for more than 80 percent of the 22,350 multifamily units under construction in the region and 99 percent of the 10,500 units being built in NYC.

Rental housing market conditions in the region were tighter in the fourth quarter of 2011 than they were a year earlier, as shown by declining vacancy rates and rising rents. Conditions were balanced to tight in New Jersey and Upstate New York, whereas NYC remained one of the tightest rental markets in the country. According to Reis, Inc., in the fourth quarter of 2011, the vacancy rate in Northern New Jersey decreased from 4.9 to 4.1 percent and the average rent increased by nearly 3 percent to \$1,550. In Atlantic City, the vacancy rate declined from 7.3 to 5.5 percent and the average rent increased by nearly 1 percent to \$960. The rental housing market tightened in Rochester, where the vacancy rate declined from 4.2 to 3.2 percent and the average rent increased by nearly 2 percent to \$790. In Albany, the vacancy rate decreased from 3.7 to 3.0 percent and the average rent increased by more than 2 percent to \$910. The apartment vacancy rate in NYC was 2.4 percent, down from the 3.1-percent rate recorded a year earlier, and the average asking rent increased by 3 percent to \$2,950. On Long Island, the vacancy rate declined from 3.8 to 3.3 percent and rents increased by more than 2 percent to \$1,590.