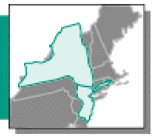
U.S. HOUSING MARKET CONDITIONS
Regional Activity
PD&R U.S. Department of Housing and Urban Development
Office of Policy Development and Research

New York/New Jersey



New York State and New Jersey experienced moderate economic gains in the 12 months ending February 2001. Employment in New York State increased by 154,700 jobs (1.8 percent) during this period. Employment in downstate New York (New York City, the northern suburbs, and Nassau-Suffolk) increased approximately 2.8 percent, and upstate New York grew by approximately 1.2 percent. Business, engineering, and management services led employment gains in New York. New York's unemployment rate was 4.2 percent in February 2001, down from 4.7 percent a year earlier. New York City's unemployment rate was 5.3 percent, down from 5.9 percent in February 2000. Employment in New Jersey increased by 68,900 jobs (1.7 percent) during the same period. New Jersey's unemployment rate was 3.6 percent in February 2001, down from 3.8 percent in February 2000.

New York City's population increased to more than 8 million people, according to recently released data from the 2000 census. The New York Times reported that the city's population growth of 456,000 accounted for more than two-thirds of the gain for the entire State during the past decade. For the first time in decades the city's growth outpaced the population growth of the State and the suburbs. Although the population in Manhattan remained virtually unchanged, Staten Island recorded the highest rate of growth in the State at 15 percent. The lower Hudson Valley Counties (Dutchess, Orange, and Putnam) also recorded significant growth rates. However, population declined in numerous cities upstate such as Buffalo, Rochester, Syracuse, and Utica.

According to the 2000 census, the population in New Jersey increased 11 percent during the previous decade, to 8.4 million people. Growth was greatest in the central part of the State, particularly in Atlantic, Cape May, Middlesex, Monmouth, and Ocean Counties.

Building permit activity in New York and New Jersey totaled 15,625 units in the first 3 months of 2001, a 3-percent decline from the same period a year ago. In the New York City metropolitan area, multifamily permit activity for the first quarter totaled approximately 4,100 units, 44 percent greater than the same period a year ago.

According to the New York State Association of REALTORS®, statewide existing single-family sales in 2000 were off only 2 percent from the record set in 1999. The average sales price was $132,831, an increase of 8.5 percent over 1999. The New Jersey Association of REALTORS® reported that existing single-family sales for 2000 were down 1 percent compared with 1999, but the median sales price of $179,800 was 8 percent higher than in 1999.

The Manhattan co-op and condominium markets remained very active during the first quarter of 2001, although sales volume has fallen and prices have flattened compared with large increases recorded in the first half of 2000. According to the real estate firm of Douglas Ellman, the average price of Manhattan apartments south of West 116th Street and East 96th Street is $876,612.

Home sales in New York City's outer boroughs were very strong in 2000. According to a comprehensive study conducted by Case-Schiller-Weiss, Inc., sales prices rose in all 130 ZIP Code areas in the boroughs outside of Manhattan. Price increases of at least 12 percent were registered in 49 ZIP Code areas. The median price for a single-family home in Queens in 2000 was $200,000, up 5 percent from 1999. The average price for a home in the Bronx was $236,000, up 5 percent from 1999. On Staten Island the average price was $227,396, a 12-percent increase over 1999.

The Case-Schiller-Weiss study also reported that sales prices rose for the third straight year in each of the 576 ZIP Code areas in the 14 counties surrounding New York City. In 453 ZIP Code areas prices increased 8 percent or more. In Nassau County the median price for a single-family home rose 10 percent in 2000 to $252,500. In Suffolk County the median sales price in 2000 was $190,000; in Westchester County the median sales price was reported to be $407,000, up 18 percent.

The rental market in the New York suburbs remains somewhat tight. In Westchester County's reviving New Rochelle business district, a 412-unit luxury apartment building is scheduled for completion this spring. Studio apartments will rent from $1,285 to $1,405, one-bedroom apartments from $1,605 to $1,980, two-bedroom apartments from $2,140 to $2,850, and three-bedroom apartments from $2,815 to $3,435. Also nearing completion in the town of Oyster Bay in Nassau County is a 214-unit affordable-income cooperative for moderate-income elderly households, ages 62 and older. The units will sell for $163,597, and eligibility is limited to single people with incomes not exceeding $60,000 and to couples with incomes not exceeding $67,000.

The market for office space is still strong in the New York City metropolitan area, although there are signs of softening. The slower rate of new construction during the past year has kept office rents from falling, although this could change if the financial sector makes sizable cutbacks in employment. In Manhattan, more space is coming on the market, mostly in the form of subleases, than is being absorbed by direct leases. Although the demand is still very strong for class A buildings in Midtown, demand has fallen in less desirable locations, particularly for older buildings. Rents have shown little movement, and landlords have begun offering concessions. On Long Island, Cushman and Wakefield reported that the net increase in occupied space was at its lowest in the past 5 years.

Spotlight on Jersey City, New Jersey

The Jersey City metropolitan area (Hudson County), across the Hudson River from Manhattan, continued the rebound begun in the mid-1980s and grew stronger in the 1990s. In the past decade, the area's population increased more than 10 percent to 609,000 people, and the area added an estimated 20,000 new households. Hudson County, which lost population in the 1980s, grew by 40,000 people in the 1990s due largely to the revitalization of Jersey City and Hoboken. The Jersey City economy has also become more diversified during the past 10 years. Since 1993, there has been a significant increase in employment in financial and business services, which has more than offset a decline in manufacturing. From 1997 through 2000, employment grew 6.6 percent. During this 3-year period, the finance/insurance/real estate sector grew 27 percent, and services grew 13 percent. Employment growth in the metropolitan area was, in large part, due to continuing construction of new commercial and retail space along the Jersey City waterfront. A major plus for the Jersey City market is its proximity to New York City's financial district and its sites readily available for development. The area is served by the Port Authority Transit Hudson (PATH), a major commuter link between Hudson County and downtown and midtown Manhattan.

Since the beginning of 2000, more than 1.7 million square feet of office space has been added in the area for a total of 16.5 million square feet of office space. Demand remains strong. According to the real estate firm of Julian J. Studley, Inc., the vacancy rate for class A office space on the Hudson County waterfront was 1.2 percent in the first quarter of 2001.

The heavy demand and extremely low vacancy rate are attributable to Jersey City's proximity to Manhattan and to its substantially lower rents. Class A space is currently being offered for an average $28 per square foot, approximately half the rent for comparable space in Manhattan. The lower rents partially result from fewer obstacles to construction than in New York City. There are currently eight large office buildings with a total of more than 5 million square feet under construction in the metropolitan area, seven in Jersey City and one in Hoboken. Only one of the buildings is speculative construction.

Jersey City's rental housing market strengthened during the second half of the 1990s, paralleling the area's economic growth and increased employment and leading to the development of many new rental communities. Neighborhoods near the PATH routes have experienced large-scale residential revitalization. From 1998 to the present, multifamily building permit activity in the metropolitan area has averaged approximately 1,500 units annually. Based on data from F.W. Dodge's pipeline report, an estimated 1,795 multifamily rental apartment units and 105 condominium units were completed in 2000 and have been rapidly absorbed. Approximately one-half were in Hoboken, and one-third were in Jersey City. However, the Jersey City rental market remains tight. Developments less than 10 years old typically report vacancy rates of less than 2 percent. Vacancy rates for older properties also are low, ranging from 2.5 to 3.5 percent.

At present, there are more than 1,700 multifamily units under construction. The largest development is a 526-unit building in Hoboken known as 333 Broadway. In West New York, the final 110-unit phase of the 525-unit River Bend at Port Imperial rental development is scheduled for occupancy starting June 2001. Rents are expected to start at $1,745 for a one-bedroom unit and $2,400 for a two-bedroom unit. In North Bergen, the 176-unit first phase of a proposed 500-unit rental development called Half Moon Harbor is near completion. Rents are expected to start at $1,400 for a one-bedroom unit and $1,800 for a two-bedroom unit. Plans were recently announced for an 862-unit rental development in Jersey City called Harbor Spire.

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