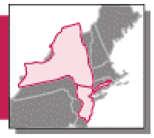
U.S. HOUSING MARKET CONDITIONS
Regional Activity

PD&R U.S. Department of Housing and Urban Development
Office of Policy Development and Research

New York/ New Jersey



The economies of New York and New Jersey continued to be sluggish through the third quarter of 2002. Nonagricultural employment declined 0.8 percent in New York and 0.4 percent in New Jersey during the 12-month period ending September 2002. Manufacturing employment in both New York and New Jersey declined significantly—5.6 percent and 5.2 percent, respectively. New York was also hard hit by declines of 5.6 percent in transportation, communications, and public utilities (TCPU) and 3.9 percent in finance, insurance, and real estate (FIRE). In New Jersey, more than half of the 13,000 financial sector jobs that moved from Manhattan after September 11, 2001, have returned to New York State. Northern New Jersey has been adversely affected by job losses in telecommunications, and Southern New Jersey has recorded significant declines in manufacturing. New York's unemployment rate was 5.6 percent in September 2002. New Jersey's unemployment rate was 5.3 percent in September 2002, up from 4.5 percent in September 2001.

New York City accounted for virtually all of the State's job loss in the 12 months ending September 2002. Between September 2001 and September 2002 New York City's employment rate declined 2.1 percent. New York City's unemployment rate was 7.1 percent in September 2002, up from 6.6 percent in September 2001. The city's economic recovery is dependent on the recovery of the securities industry from its slump. Approximately 18,000 jobs were lost in the past year in the securities industry, and J.P. Morgan Chase and other firms have announced plans for additional layoffs. In the past the securities industry, which accounts for 20 percent of New York City's revenue, often has led the city out of a recession. However, possible corporate decentralization could lessen such an impact in the future. On August 30, 2002, Federal regulators recommended that major banks and securities firms relocate at least part of their operations to ensure quicker resumption of business in the event of a disaster. Top business executives fear that this measure could cause the loss of up to 25 percent of the city's 155,000 financial services jobs. Even if this recommendation is rescinded, it seems likely that there will be increasing decentralization on Wall Street.

Total building permit activity in the New York/New Jersey region totaled 59,670 units in the first 9 months of 2002, an 11-percent increase over the same period a year ago. During this period multifamily units totaled 23,988 units, a 20-percent increase over the same period in 2001. In the New York City metropolitan area, multifamily permit activity increased 22.5 percent to 14,323 units. Significant increases in multifamily activity were also recorded in the Albany-Schenectady-Troy, Rochester, and Trenton metropolitan areas.

Despite the economic slowdown, sales of existing single-family homes remained relatively strong through the third quarter of 2002. House hunting has become less frenzied in New York City and its suburbs, but low inventory and limited developable land have kept prices from declining except at the very highest end of the market. The sales market was also strong in the Bronx, particularly in Riverdale, and in Brooklyn, especially in Brooklyn Heights, Park Slope, and other historic neighborhoods.

In New Jersey single-family home sales were 8.8 percent higher in the second quarter of 2002 than in the second quarter of 2001, according to the New Jersey Association of REALTORS®. The highest median sales price in the second quarter of 2002 was in Bergen County ($366,300). In suburban Essex County the median sales price during this period was $336,500.

Manhattan's cooperative/condominium sales market remains strong, although prices have been relatively stable. According to the real estate firm of Insignia Douglas Elliman, the average sales price of $849,013 in the third quarter of 2002 was almost identical to that of a year ago. Sales volume increased 18 percent over a year ago with sales of studio and one-bedroom apartments driving the market.

Manhattan's office market has softened, vacancies have increased, and rents have fallen. In September 2002 the Midtown vacancy rate was 10.7 percent, up from 7.8 percent at the end of June 2002, and the Downtown office vacancy rate was 13.4 percent in September 2002. As recently as December 2000 the Midtown and Downtown vacancy rates were each 3.6 percent. According to the real estate firm of Julien J. Studley there were 6.86 million square feet of Class A office space available in Midtown Manhattan in September 2002 compared with 3.64 million square feet available before September 11, 2001. Rents during this 1-year period have fallen in prime Manhattan office buildings from $75.48 per square foot to $67.55 per square foot. The office market has been soft in the New York City suburbs as well. The vacancy rate in Northern New Jersey is 13.6 percent and has maintained this level since June 2002. In June 2000 the office vacancy rate was 9.4 percent.

New York City did see some encouraging signs in 2002. Tourism has been picking up, and hotel occupancy reached 88.4 percent in the middle of October 2002. Room rates, however, are down approximately 10 percent from a year ago because of declines in business travel.

New York State has approved financing of $340 million for the construction of three apartment buildings in Lower Manhattan with a total of 844 units under the New York Liberty Bond Program, which Congress enacted in response to the September 11 tragedy. Under this program $4 billion in tax-exempt bonds was made available to New York City and New York State for residential and nonresidential construction in New York City (construction is not limited to Lower Manhattan). Five percent of residential units built under this program are required to be made available to moderate-income households.
