



## ECONOMIC PERSPECTIVES

### AT THE QUARTER POLE: A LOOK AT HOUSING ACTIVITY IN NEW YORK AND NEW JERSEY

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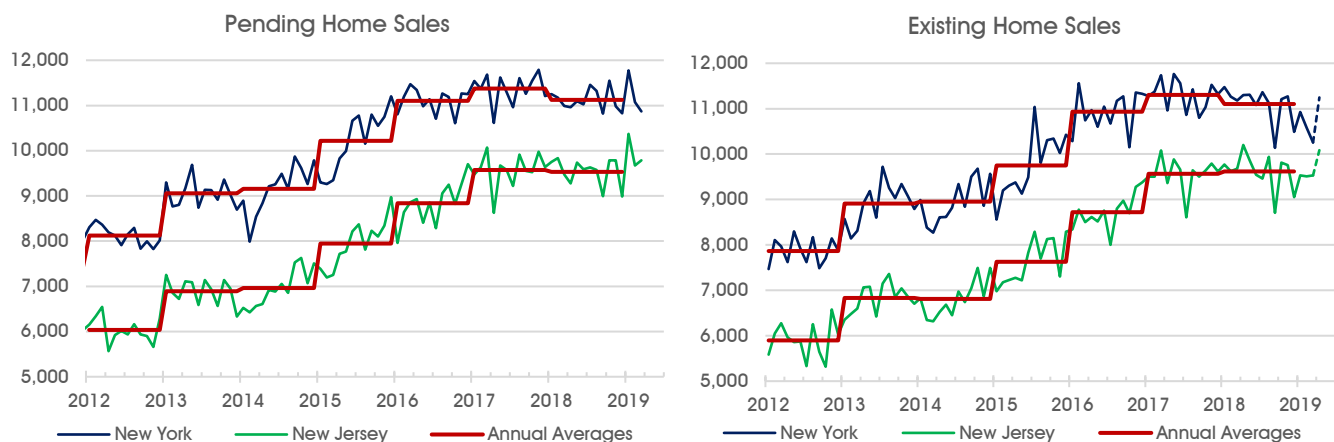
#### HIGHLIGHTS:

- » Existing home sales in New York and New Jersey appear poised for a spring rebound
- » Tight supplies will continue to constrain local home purchases over the foreseeable future
- » Median home prices remain on uptrends, reducing buyer affordability
- » Despite higher selling prices, supply logjam will not end anytime soon
- » Price increases may slow, yet the Empire and Garden States will largely remain sellers markets

#### EXISTING HOME SALES IN NEW YORK AND NEW JERSEY APPEAR POISED FOR A SPRING REBOUND

Constrained by a variety of factors – reduced affordability, limited supplies and inclement weather conditions – closings on existing dwellings in New York and New Jersey averaged almost 20,110 per month after seasonal adjustment over the January-March span, 2.0% below the 20,530 fall-quarter mean. While resales were little changed at 9,520 per month in the Garden State during the winter, closings in the Empire State slumped by 3.7% to 10,585, marking the weakest activity since the final three months of 2015. Despite the admittedly lackluster performance turned in across the majority of the FHLB NY coverage area during the winter, there appears to be reason for considerable optimism heading into the spring. Indeed, pending home sales representing signed purchase contracts improved by 2.6% to an estimated 21,185 per month after seasonal adjustment during the first quarter – the strongest pace since the fall of 2017 (see Exhibit 1, left). While both states contributed to the aforementioned rise, New Jersey’s 4.5% jump to 9,945 per month far outpaced the 1.1% uptick to 11,240 recorded in New York. Considering the one-to-three month lag involved in going from contract signing to closing, available data suggest that existing home sales across the two states may have jumped by 7.2% to a 12-month high of 21,215 in April, with further gains likely in store as transactions are finalized (see Exhibit 1, right).

Exhibit 1: Rise in Winter Contract Signings Hints at Spring Pickup in Closings

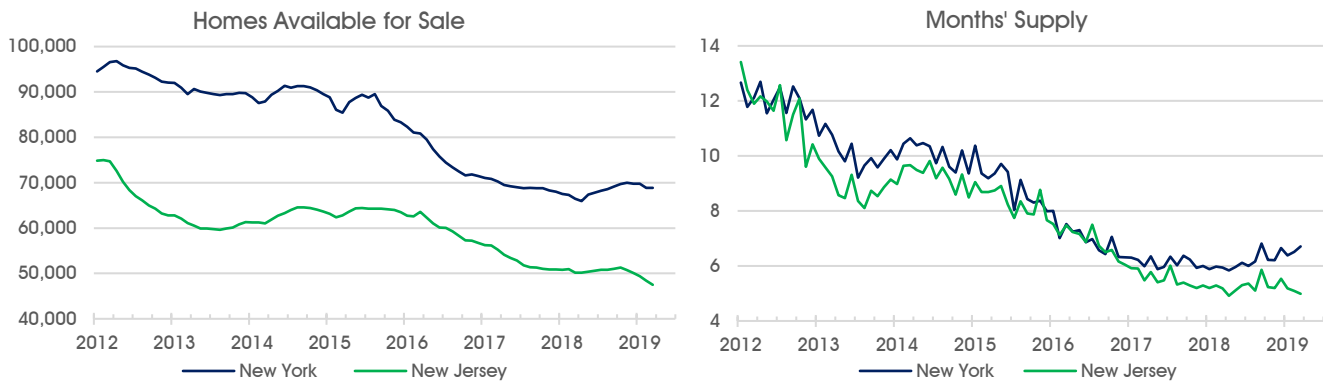


Sources: NJ Realtors, New York State Association of Realtors, FHLB NY seasonally adjusted estimates.

## TIGHT SUPPLIES WILL CONTINUE TO CONSTRAIN LOCAL HOME PURCHASES OVER THE FORESEEABLE FUTURE

While steady reductions in mortgage interest rates and solid labor market conditions buoyed home sales in the majority of the FHLBNY district, a dearth of available dwellings continues to constrain purchases locally (see Exhibit 2). After hitting a cyclical nadir of 65,950 after seasonal adjustment in April 2018, the number of homes on the market in New York State climbed steadily by 6.2% to 70,010 last November. Since that time, however, the Empire State housing stock has reversed course and stood at an estimated 68,870 in March. Supply conditions remain far more severe in New Jersey. After an admittedly anemic 2.3% increase from April through October of last year, the number of homes on the market in the Garden State has collapsed by 7.4% to an expansion low of 47,495. Closely followed months' supply inventory measures must be viewed with care. The months' supply of unsold dwellings in New York has risen from 5.8 in April 2018 to 6.7 in March, but the apparent improvement was attributable to softer home purchases. At 5.0 in March, the Garden States months' supply was just one tick above the expansion low set 11 months earlier.

**Exhibit 2: Available Homes Have Resumed Their Descent, Months' Supply Measures Should Be Viewed with Care**

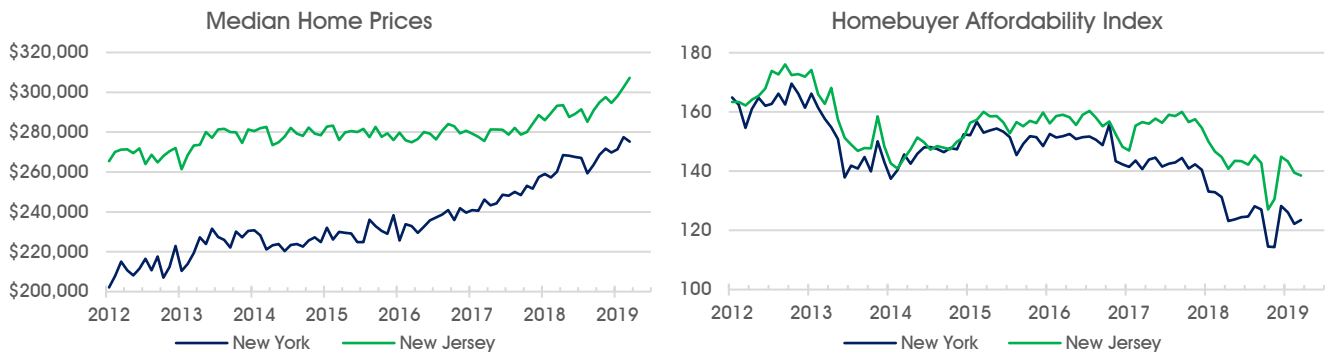


Sources: NJ Realtors, New York State Association of Realtors, FHLBNY seasonally adjusted estimates.

## MEDIAN HOME PRICES REMAIN ON UPTREND, REDUCING BUYER AFFORDABILITY

Median home prices in both New York and New Jersey climbed higher during the winter (see Exhibit 3, left). The median selling price in the Empire State climbed by 2.1% to an estimated \$275,325 after seasonal adjustment over the January-March span – 5.9% above the \$260,090 received by sellers 12 months earlier. The median home price in the Garden State, meanwhile, posted an even more impressive 4.3% advance to \$307,265 since December – 4.8% above the \$293,257 collected in March 2018. The aforementioned increases in selling prices weighed on homebuyer affordability in both states, with the ratio of median family income to qualifying income in New York falling by four percentage points to 124% and by six percentage points in New Jersey to 139% (see Exhibit 3, right). New Jersey has continuously been the more affordable of the two states going all the way back to December 2014.

**Exhibit 3: Home Prices Remained on Uptrends in the Empire and Garden States, Reducing Affordability**

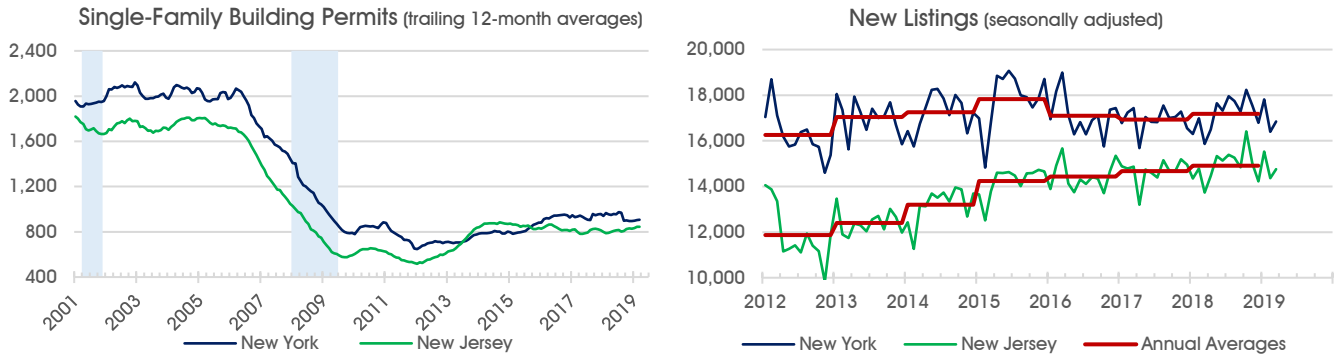


Source: National Association of Home Builders.

## DESPITE HIGHER SELLING PRICES, SUPPLY LOGJAM WILL NOT END ANYTIME SOON

One would think that the increasingly tight supply conditions and steadily rising home prices in New York and New Jersey would prompt significant responses from both homebuilders and homeowners in our area. Yet, their reactions have been limited at best. Smoothing the inherently volatile single-family building permits figures for the Empire State, applications have been essentially moving sideways since last September, while those in the Garden State have risen but remain shy of the levels reached back in 2014 (see Exhibit 4, left). The numbers of new listings in the two states, meanwhile, were actually a touch below their respective 2018 averages over the first three months of this year, implying no response from potential sellers to prevailing market conditions (see Exhibit 4, right). Given the above, there is no reason to expect the shortage of available dwellings on the market to end anytime soon.

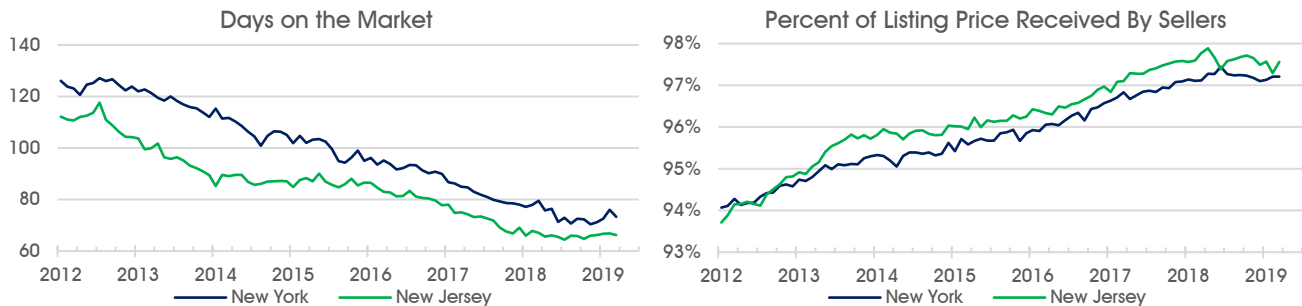
**Exhibit 4: Tight Supplies, Higher Prices Have Prompted Little Response from Builders or Owners**



## PRICE INCREASES MAY SLOW, YET THE EMPIRE AND GARDEN STATES WILL LARGELY REMAIN SELLERS MARKETS

As with politics, all housing markets are local and reflect individual community conditions. Moreover, within regions, demand/supply dynamics may differ dramatically across home-price segments. Generally, market conditions favored sellers in New York and New Jersey heading into the traditional spring buying season (see Exhibit 5). The average amount of time it took for a dwelling to change hands in New York State shortened from 76 days in February to 73 days in March after seasonal adjustment, while the percentage of the asking price ultimately received by homeowners remained steady at 97.2%. In New Jersey, the average selling time shortened by 24 hours to 66 days, with sellers garnering 97.6% of their asking prices, up from 97.3% in the prior month. Barring an unforeseen deterioration in economic conditions or a dramatic spike in mortgage interest rates, there is little reason for homeowners in the aggregate to lose the advantage they currently enjoy in local real estate markets.

**Exhibit 5: New York and New Jersey Remain Sellers' Markets in General**



### QUESTIONS / COMMENTS?

The *Economic Perspectives* newsletter is authored by the FHLBNY's Financial Economist, Brian Jones. Contact your Relationship Manager at (212) 441-6700 to discuss the information shared in this newsletter and any potential business opportunities with the FHLBNY as your partner.