



FEDERAL RESERVE BANK *of* NEW YORK

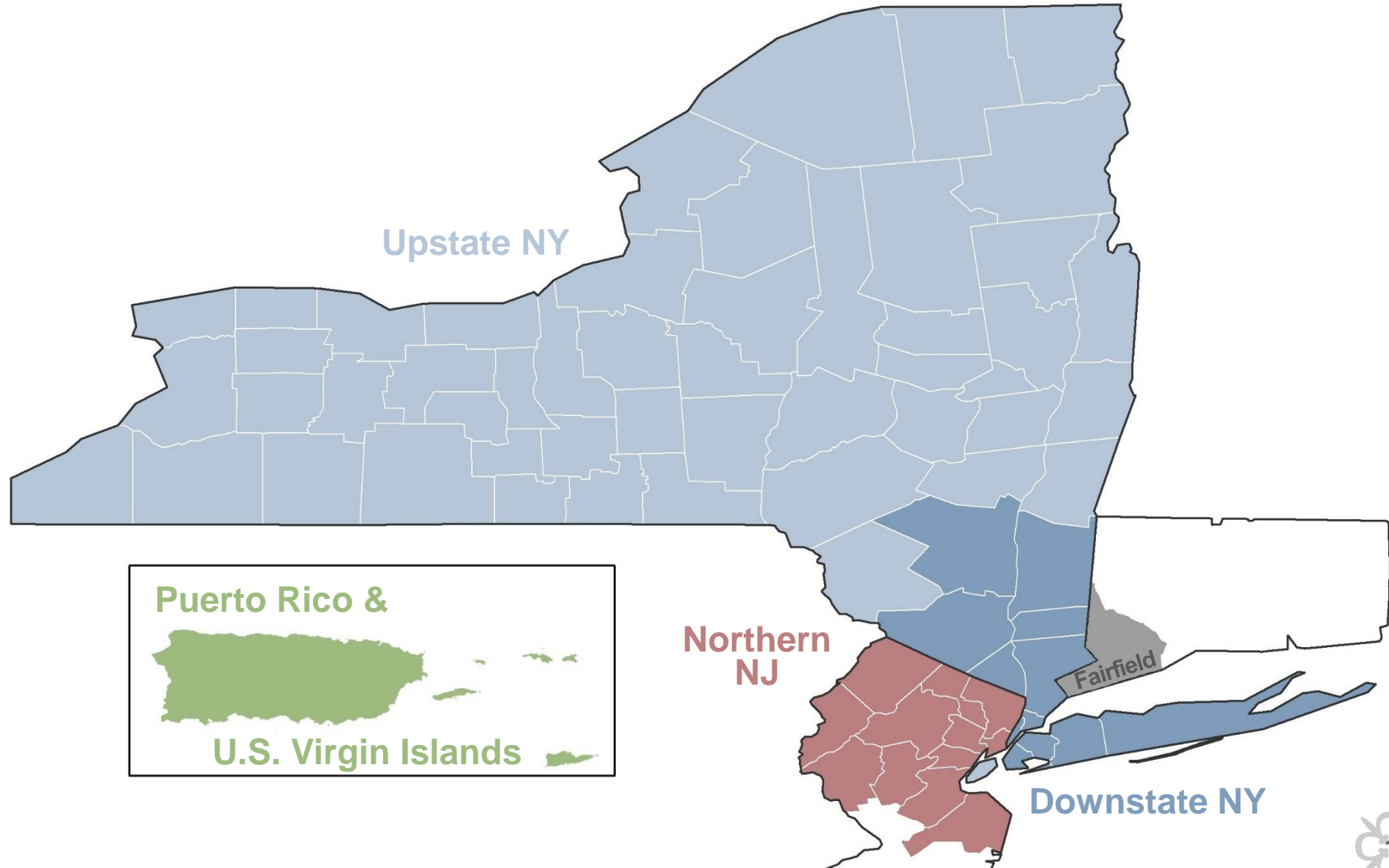
## The Region's Housing Markets Through the Pandemic Boom

Regional Economic Press Briefing – November 10, 2022

The views expressed here are those of the presenter and do not necessarily represent those of the Federal Reserve Bank of New York or the Federal Reserve System.

# The 2<sup>nd</sup> Federal Reserve District

## Major Regions

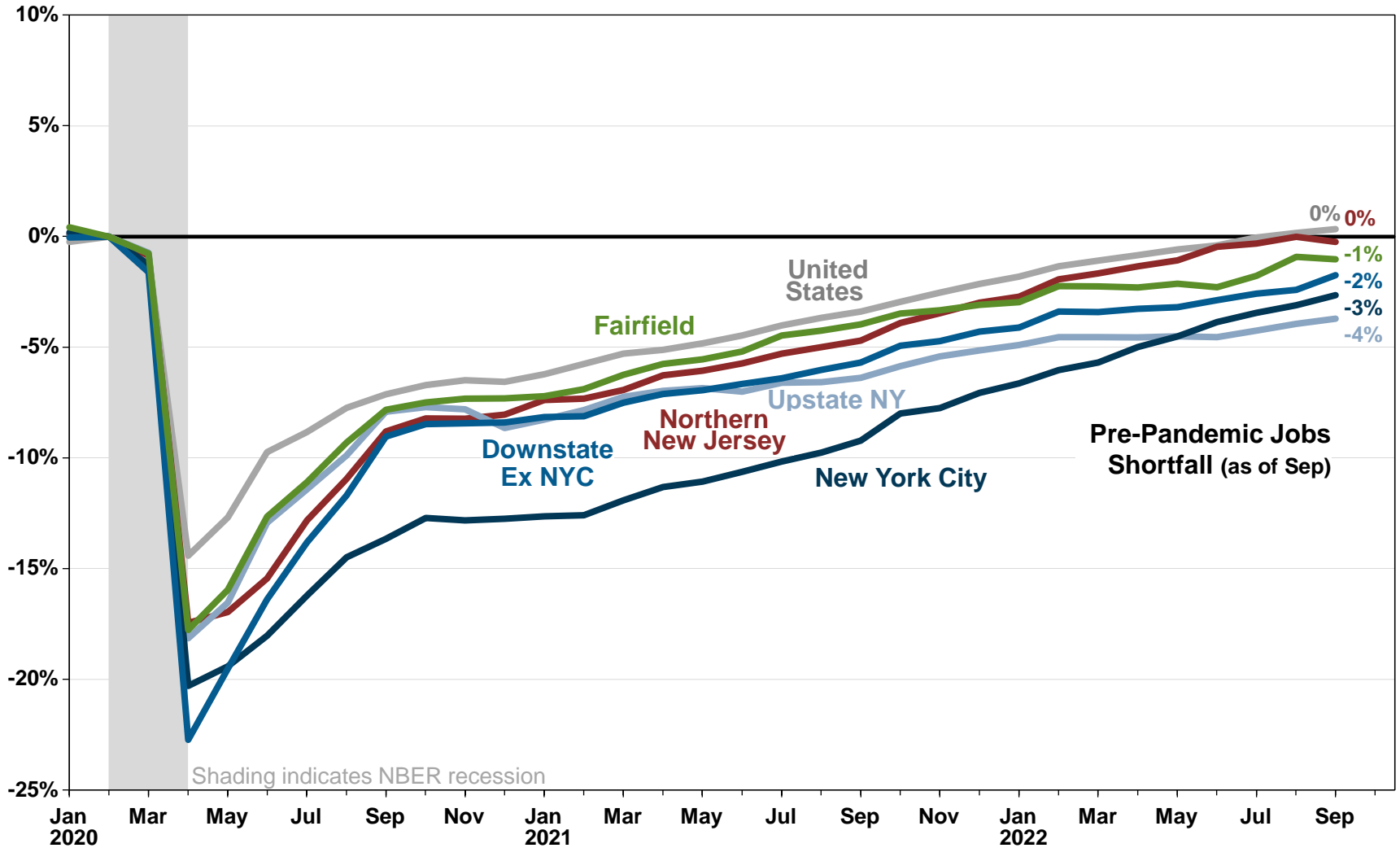


# Overview of Regional Conditions

- While the New York-Northern New Jersey region has continued to add jobs at a solid clip, sizeable job shortfalls remain in many places. By contrast, employment in Puerto Rico is at its highest level in more than a decade.
- Since the start of the pandemic, home prices have increased by more than 30 percent everywhere in the region except New York City. As a result, housing in the region has become less affordable through the boom.
- With mortgage rates rising, we are now seeing signs of a slowdown in the region's housing markets.

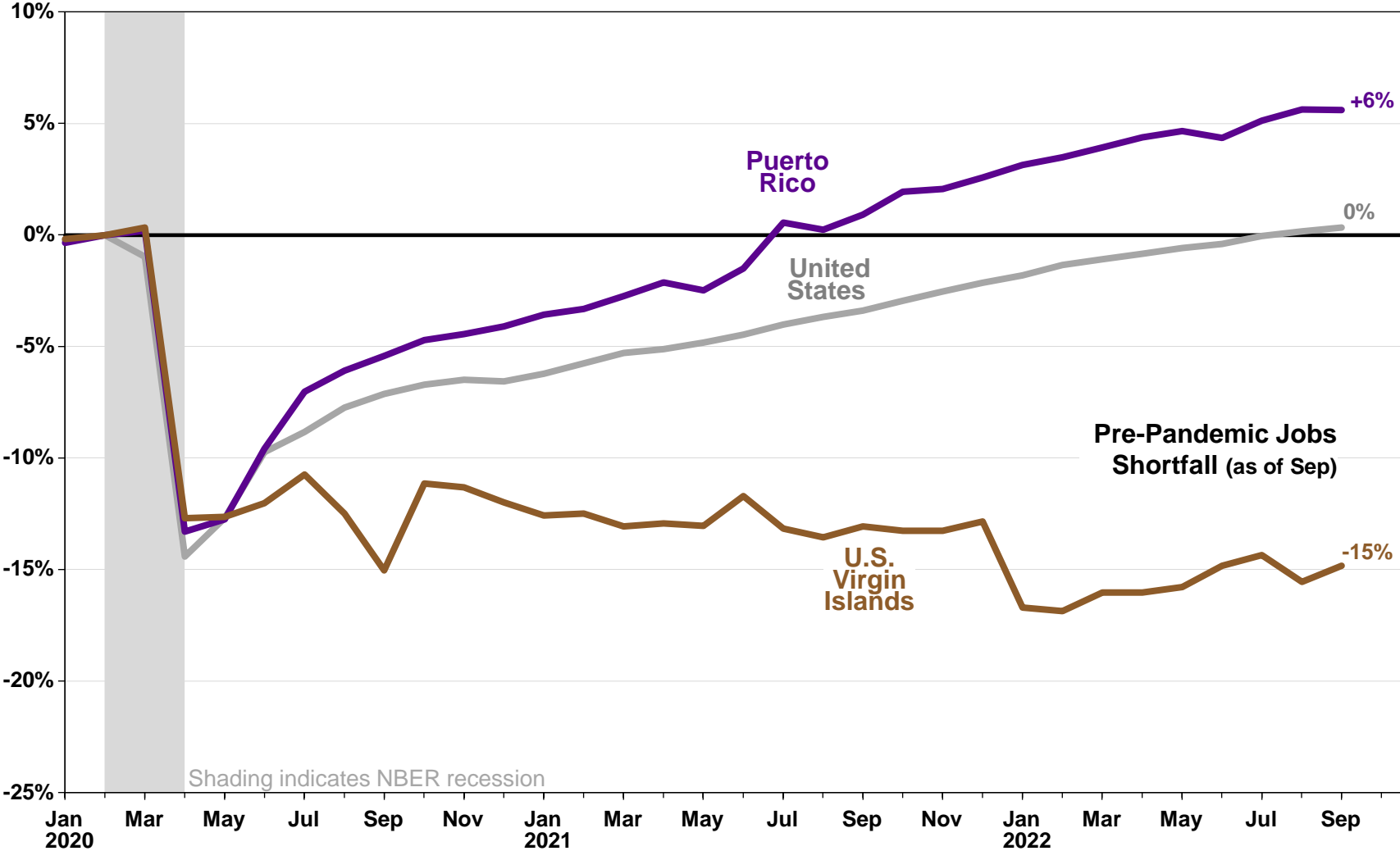
# The NY-NNJ Region's Recovery

Percent Change in Total Employment Since Feb 2020



# Diverging Employment Paths in Puerto Rico and the USVI

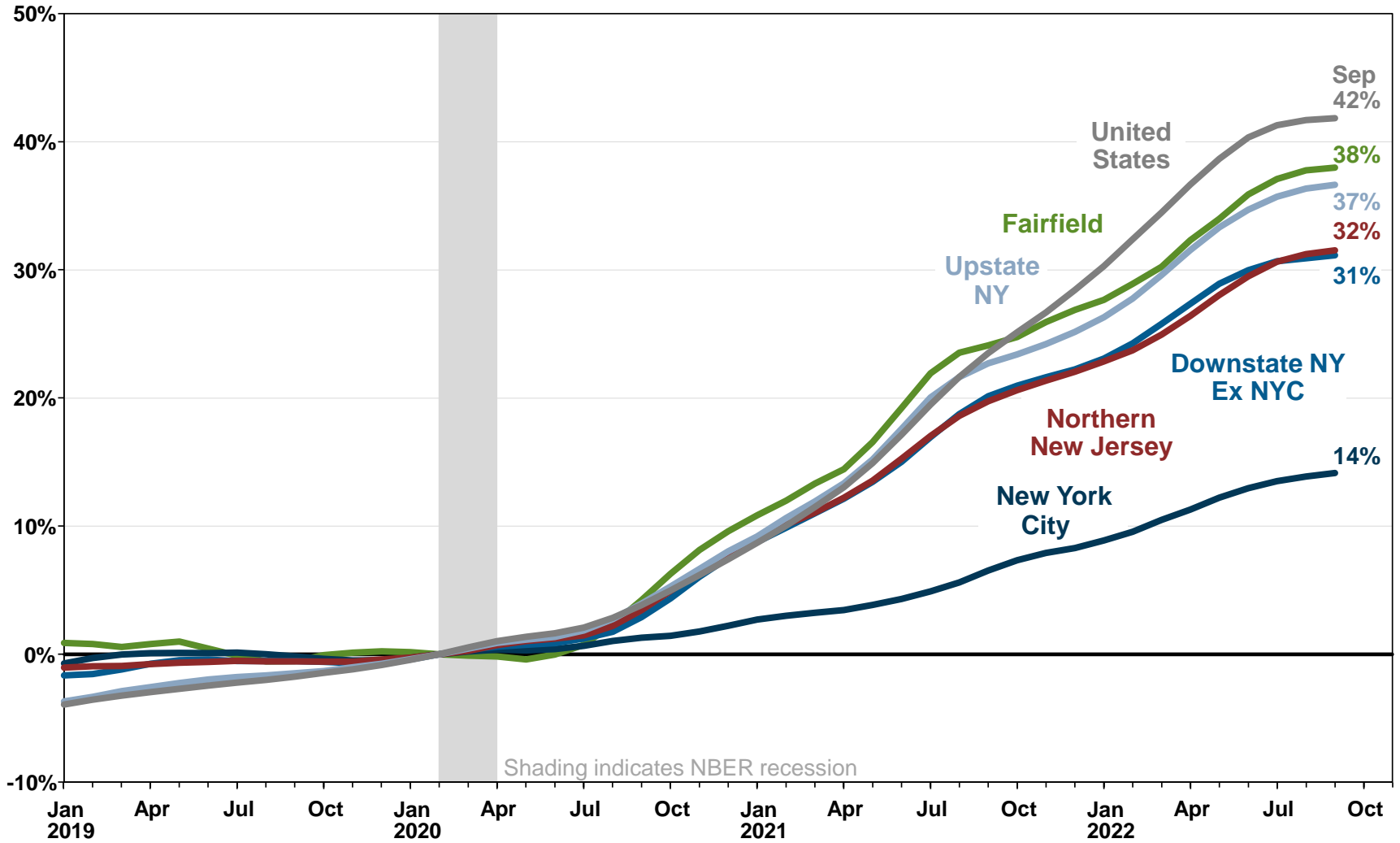
Percent Change in Total Employment Since Feb 2020



Source: U.S. Bureau of Labor Statistics and Moody's Economy.com, regional data are early benchmarked by New York Fed staff.

# The NY-NNJ Region's Pandemic Housing Boom

Percent Change in Home Prices Since Feb 2020



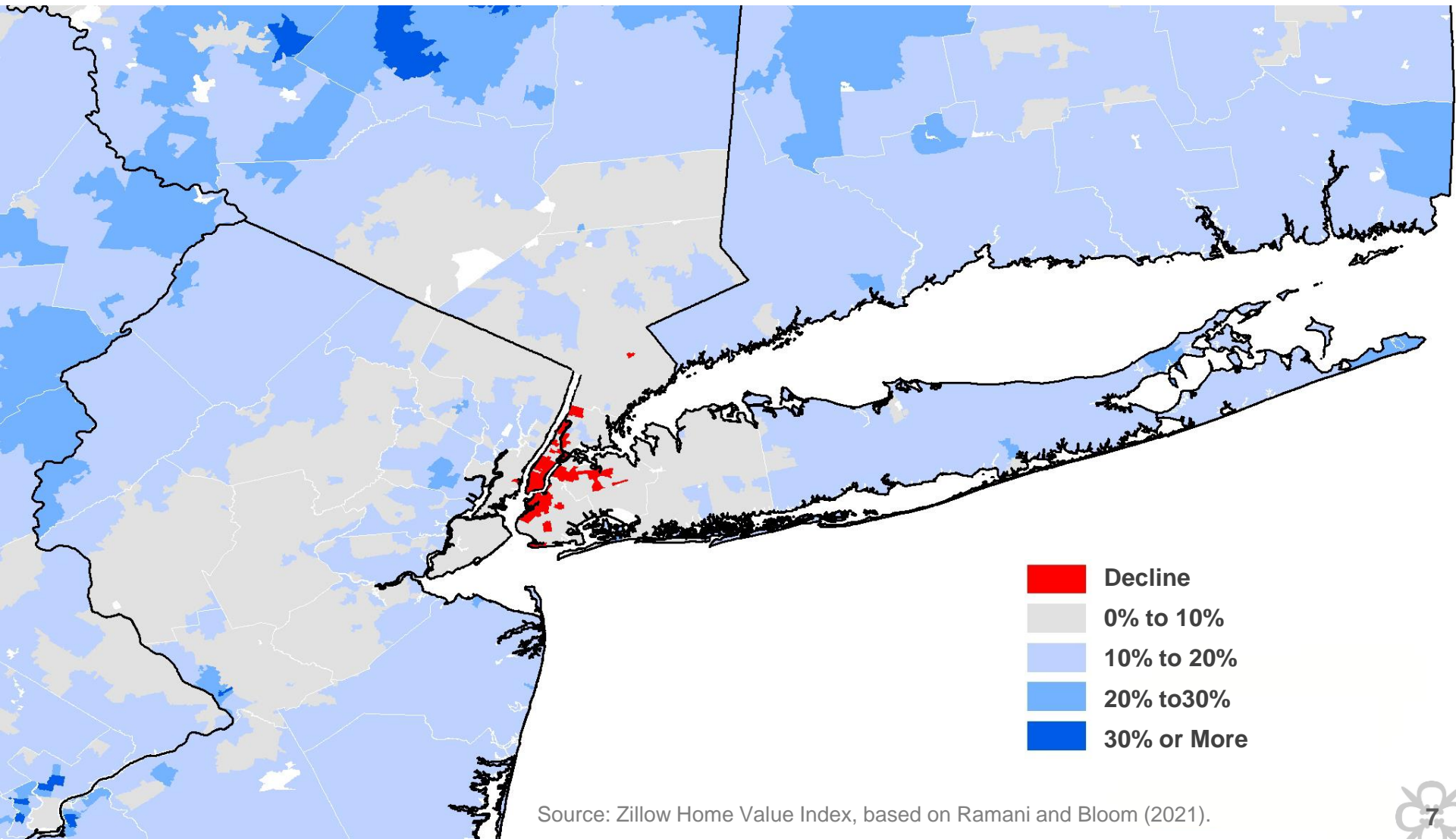
# What Explains the Region's Housing Boom?

- **Substantial fiscal support and a favorable financial environment**
  - Pandemic relief provided support to the housing market.
  - Low mortgage rates boosted demand.
- **Increased demand for low density areas, facilitated by the rise of remote work**
  - Value of urban amenities fell early in the pandemic.
  - Working from home reduced the need to live near jobs and increased demand for space.
- **Historically low for-sale inventory**
  - Low for-sale inventory before the pandemic declined substantially during the boom.
  - Homebuilding response muted by worker shortages and supply chain disruptions.

# The “Donut Effect” In and Around New York City

Percent Change in Home Prices by Zip Code

First Year of Pandemic (Feb 2020-Mar 2021)



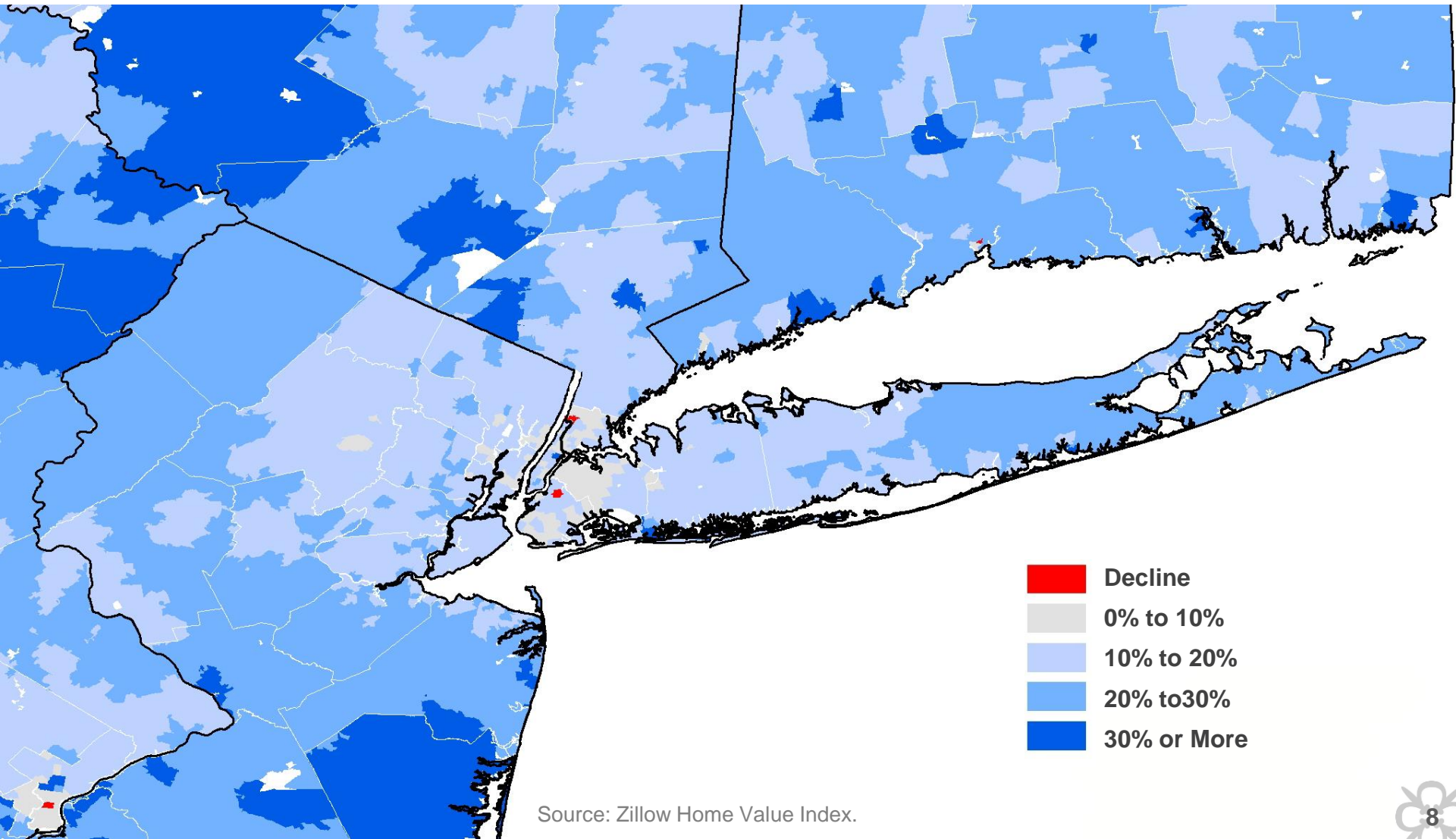
Source: Zillow Home Value Index, based on Ramani and Bloom (2021).



# New York City Home Prices Rebounding

Percent Change in Home Prices by Zip Code

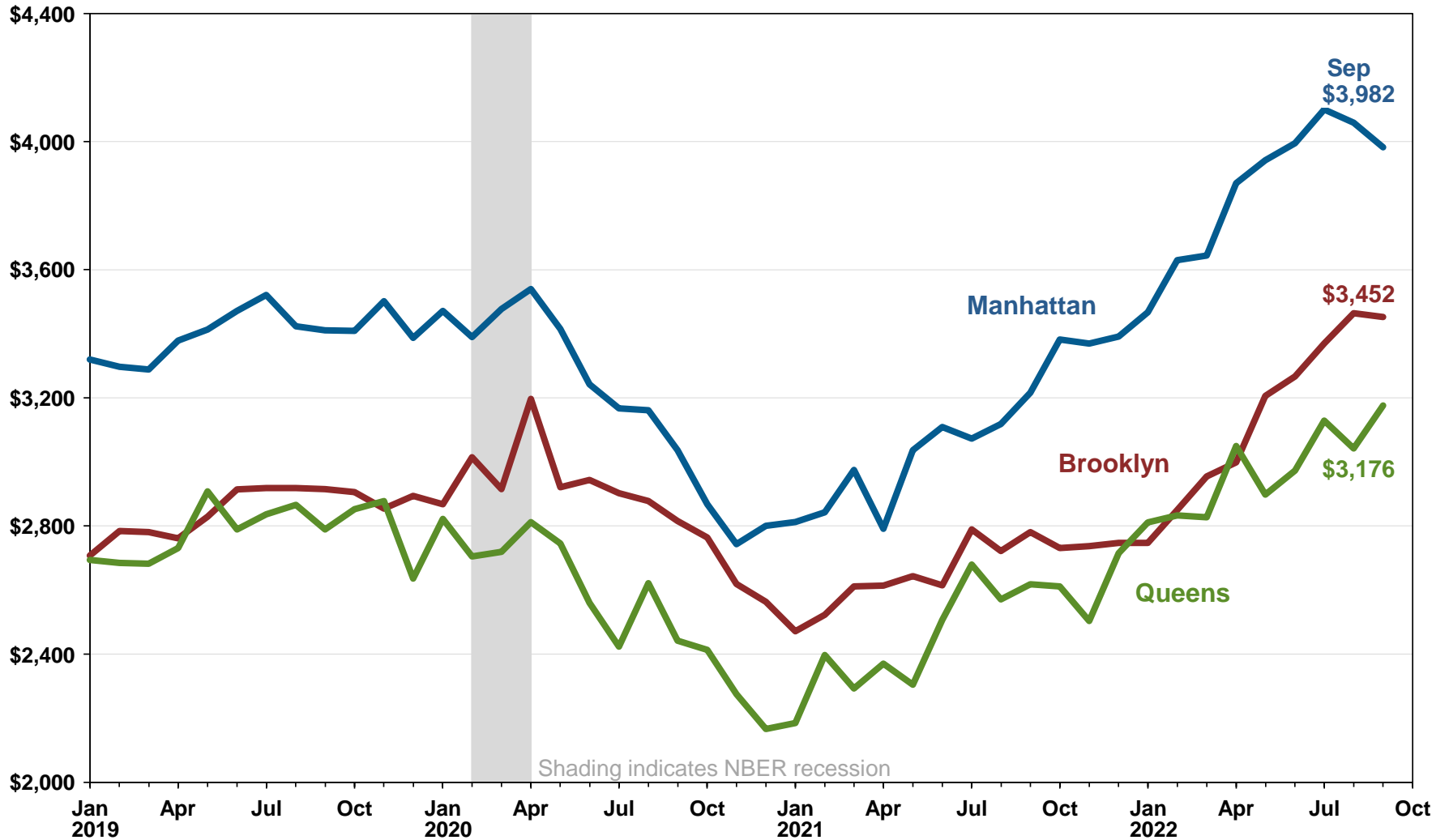
Since Then (Mar 2021-Sep2022)



Source: Zillow Home Value Index.

# New York City Rents More Than Recovered

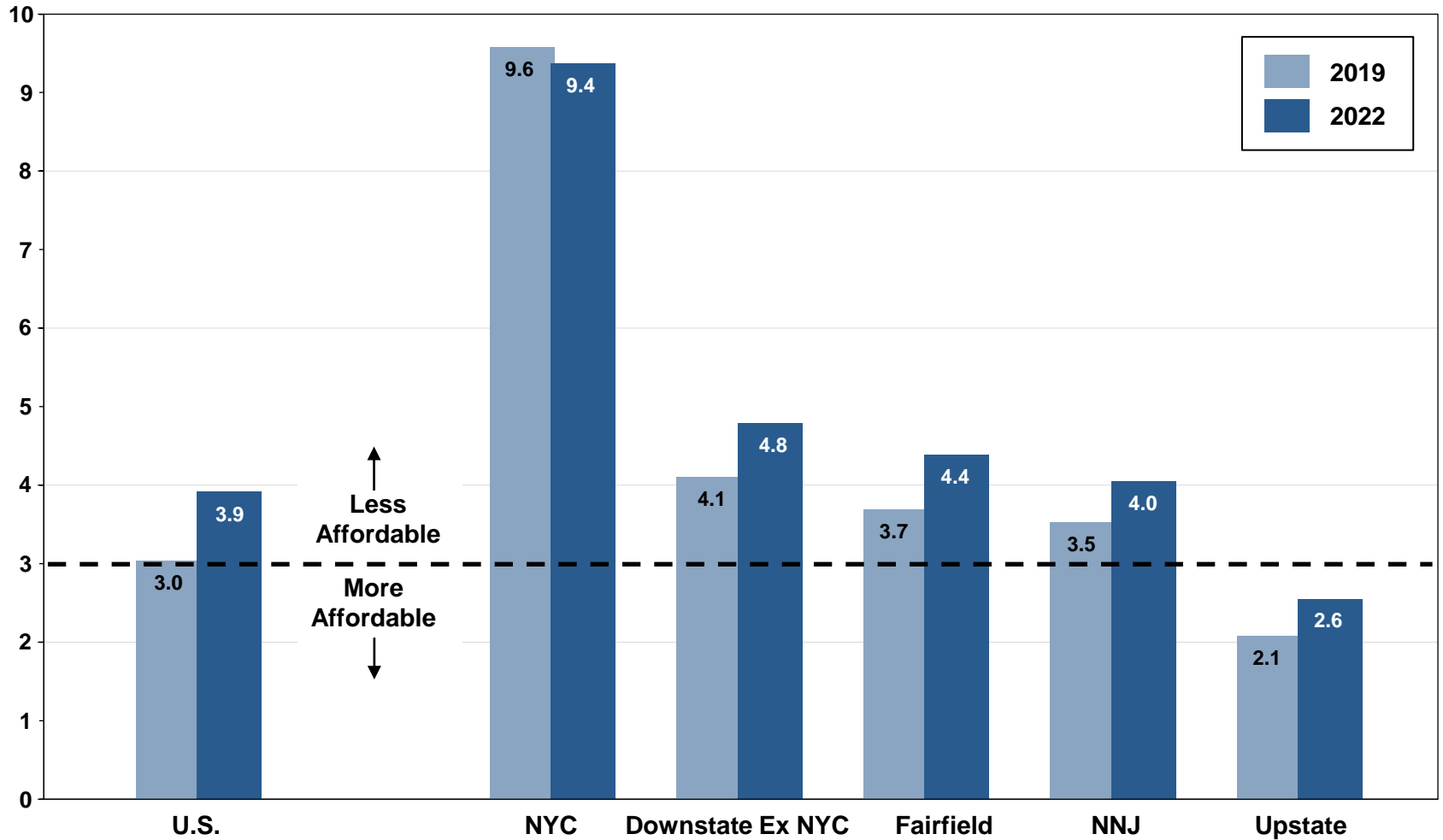
## Median Market Rents with Concessions by Borough



Shading indicates NBER recession

# Housing Has Become Less Affordable

## Home Price to Income Ratios



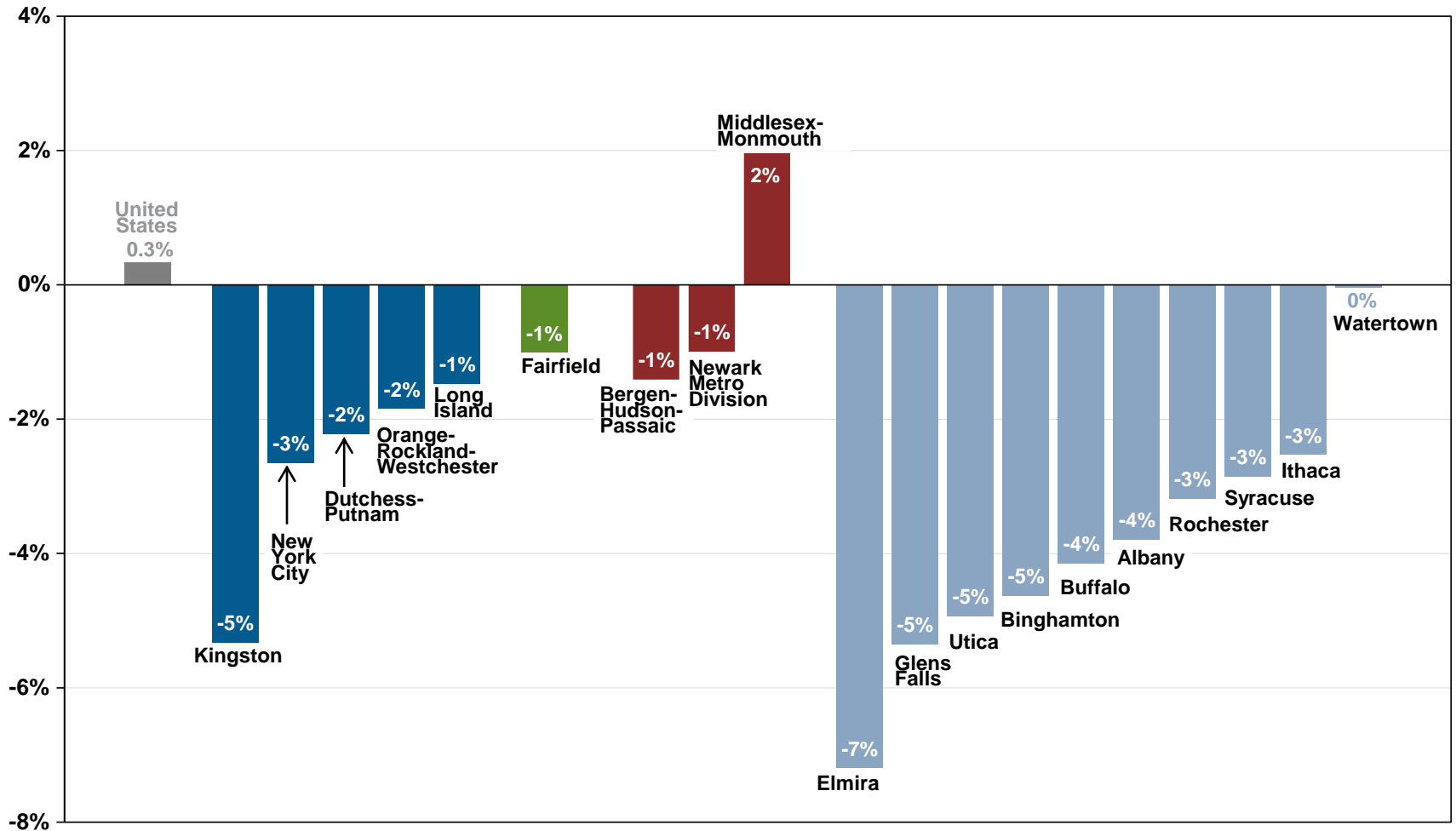
# Summary of Housing Conditions

- Home prices increased sharply almost everywhere in the region during the pandemic boom. As a result, housing in the region has become less affordable.
- New York City is the exception, particularly Manhattan—where home prices and rents declined early in the pandemic. However, both have rebounded strongly as people have returned to the City.
- The region's housing boom appears to be coming to an end, with home prices levelling off and even declining slightly in some places.

# Reference Slides

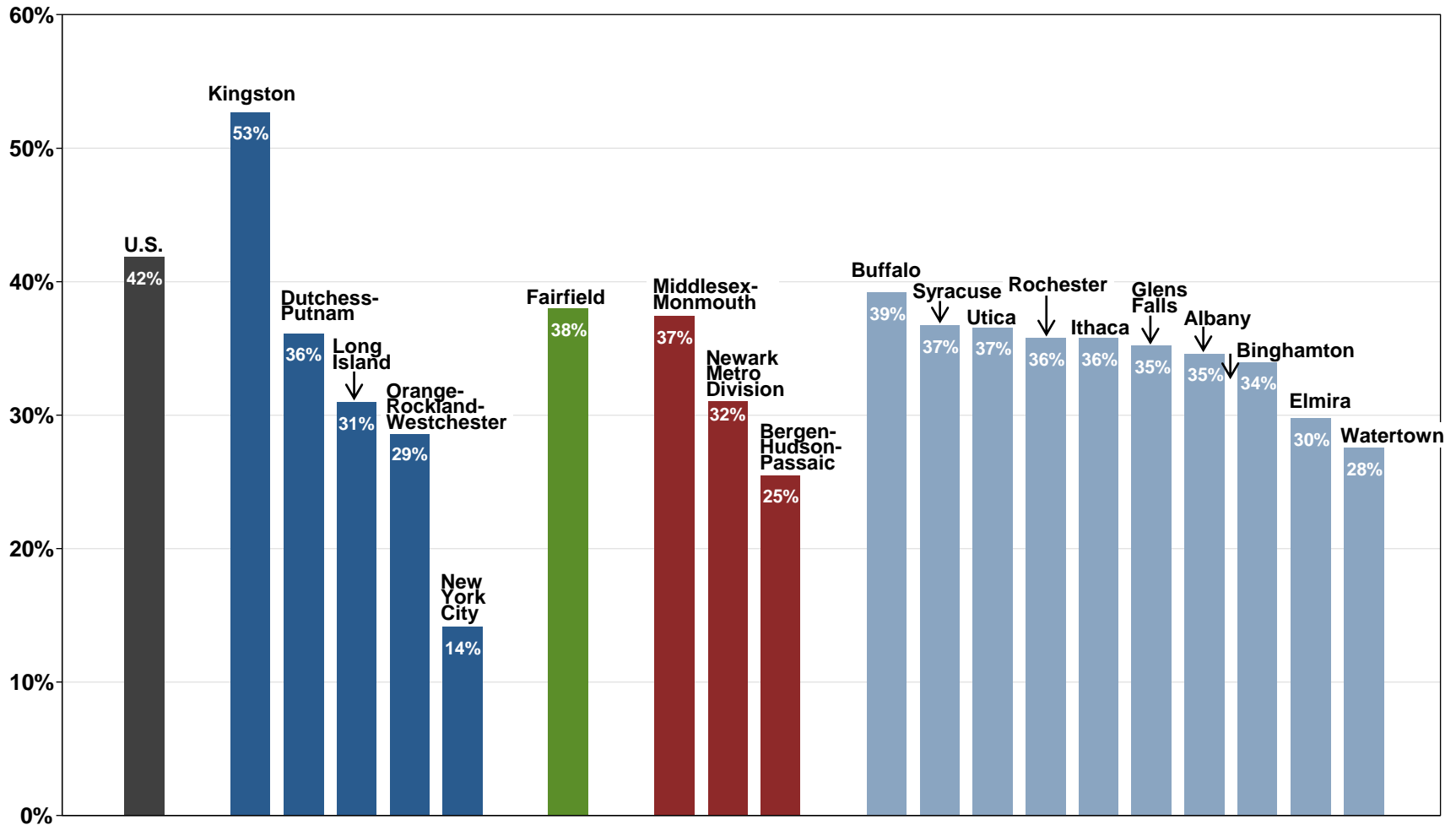
# Pre-Pandemic Job Shortfalls by Local Area

Percent Below Feb 2020 Employment Level (as of Sep 2022)



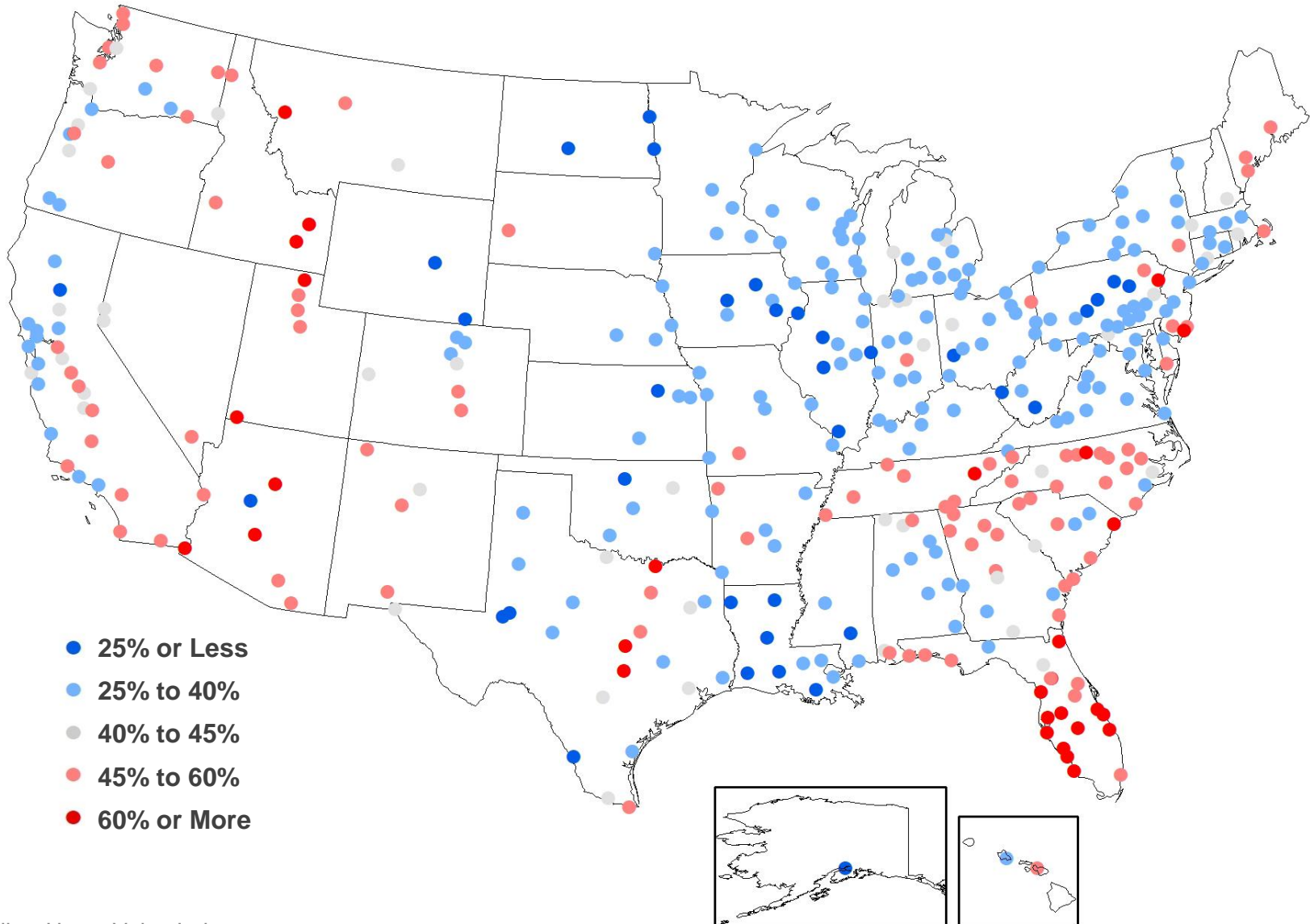
# Home Price Increases by Local Area

Percent Change in Home Prices, Feb 2020 to Sep 2022



# The Geography of the Pandemic Boom

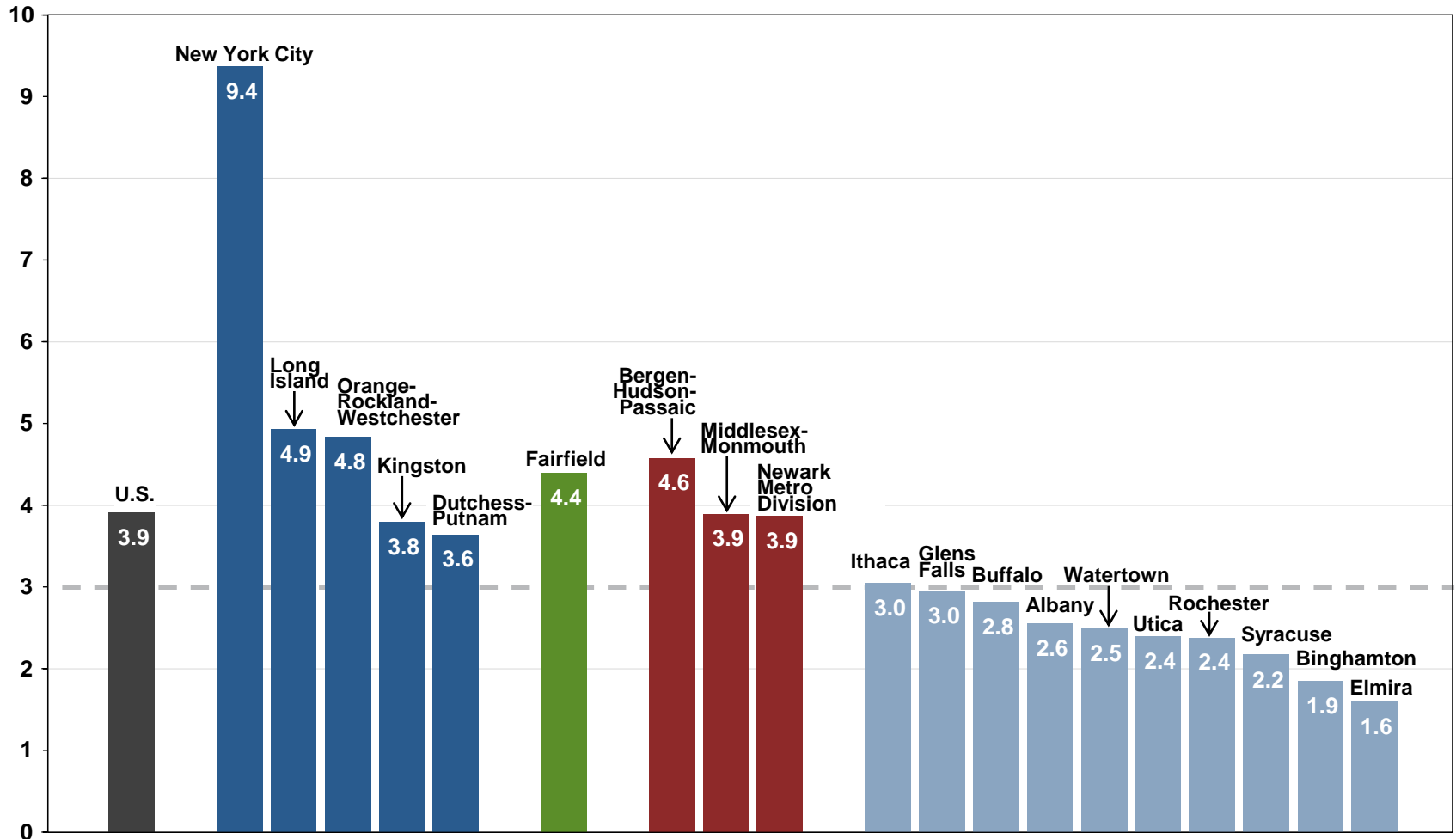
Percent Change in Home Prices, Feb 2020 to Sep 2022





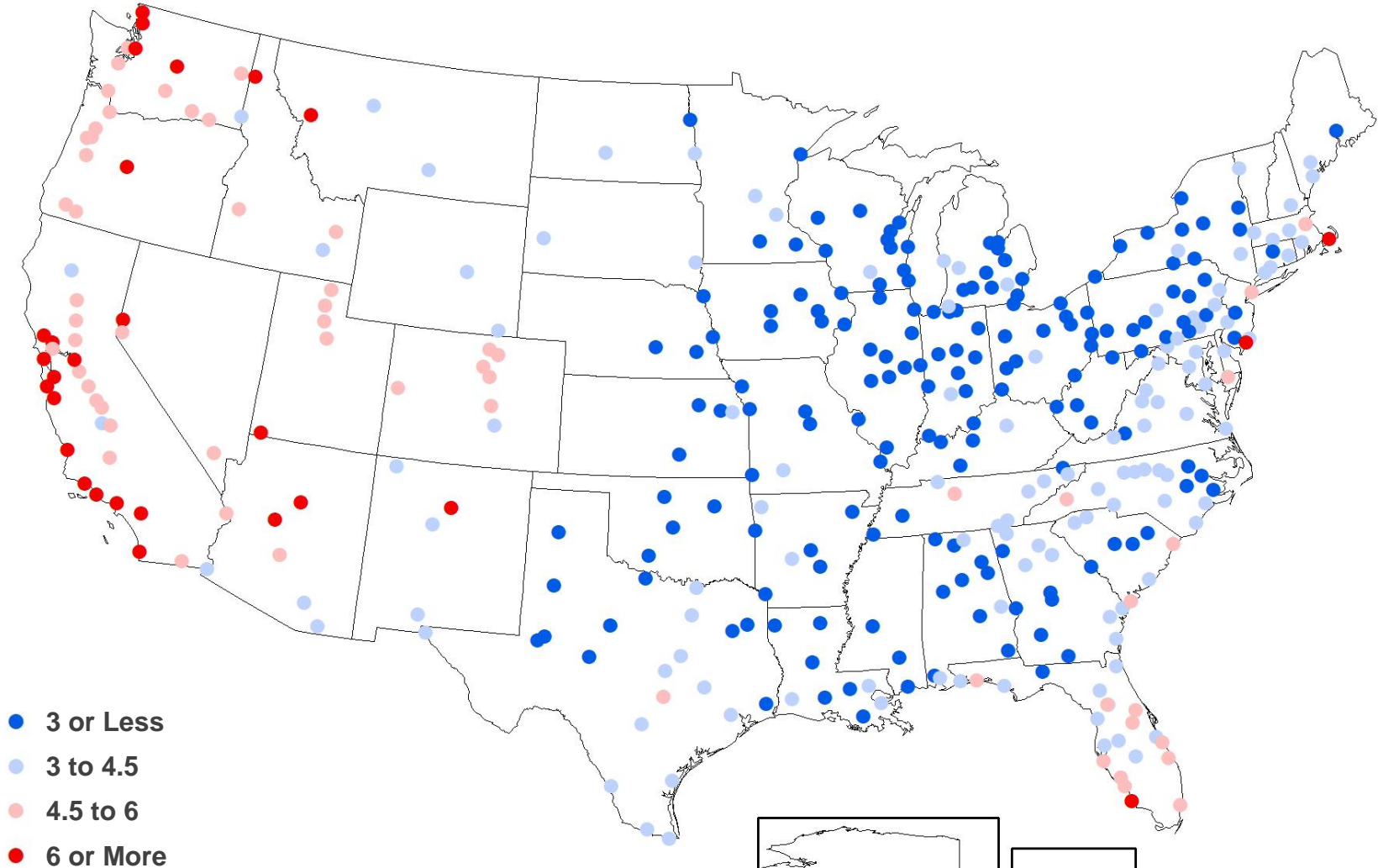
# Housing Affordability by Local Area

Home Price to Income Ratios, 2022



# The Geography of Housing Affordability

Home Price to Income Ratios, 2022



Source: Zillow Home Value Index, U.S. Census Bureau, Moody's Analytics, New York Fed staff calculations.