



NEW YORK CITY COMPTROLLER
SCOTT M. STRINGER

Bureau of Budget

Q4 2018

NYC Quarterly Economic Update

NYC Economy Surges In Q4 2018

February 2019



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Overview

- Solid job growth; unemployment rate at record low
- Labor force participation rate and employment-to-population ratio remain at record highs
- Average hourly earnings up
- New commercial leasing activity surges due to new inventory; vacancy rates and rents flat.
- Apartment sales down in Manhattan, Brooklyn, and Queens
- Average sales prices down in Manhattan and Brooklyn; up in Queens
- NYC leading economic indicators mixed, but continue to point to growth.

Table 1: Fourth Quarter of 2018 Key Economic Indicators for NYC and U.S. Compared with Q4 2017

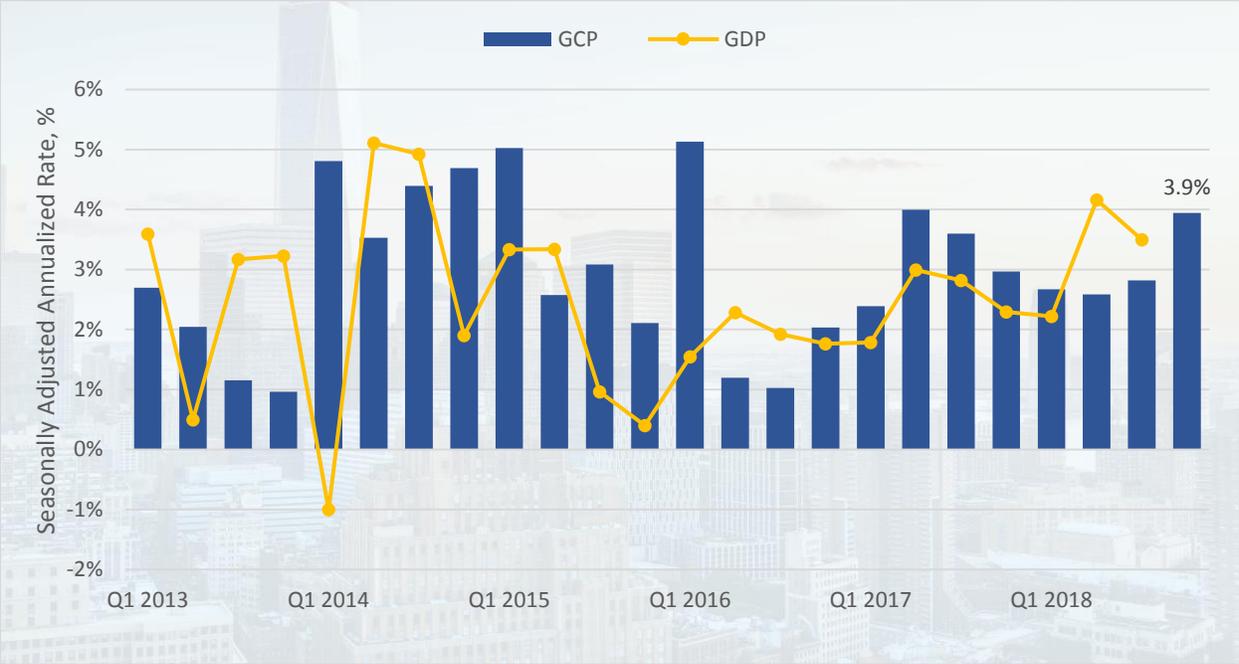
Economic Indicator		Q4 2017	Q4 2018
GCP/GDP Growth, SAAR	NYC	3.0	3.9
	U.S.	2.3	NA*
Payroll-Jobs Growth, SAAR	NYC	2.3	3.2
	U.S.	1.5	1.7
PIT Withheld, Growth, NSA	NYC	16.2	2.4
	U.S.	12.3	NA*
Inflation Rate, NSA	NYC	1.7	1.8
	U.S.	2.1	2.2
Unemployment Rate, SA	NYC	4.4	4.0
	U.S.	4.1	3.8

SAAR=Seasonally adjusted annual rate. SA=Seasonally adjusted. NSA=Not seasonally adjusted

* Not available because of the partial government shutdown.

NYC Economic Growth Strong

Chart 1. NYC Real Gross City Product (GCP) Strong



Source: BEA and NYC Comptroller

The City’s economy grew 3.9 percent in Q4 2018, the strongest growth since 4.0 percent in Q2 2017, driven by a surge in the labor market and modest wage growth (as measured by average hourly earnings). For the year, the gross city product grew 3.0 percent, the most robust year over year growth rate since 2015. The banking sector, a key driver of the City’s economy, continued to perform strongly as a result of higher interest rates, lower corporate tax rates, and deregulation. Net income after taxes for the top six banks¹ in the U.S. rose to almost \$30.0 billion in Q4 2018, compared to a loss of over \$6.2 billion in Q4 2017 driven by robust growth (16.9 percent) in pre-tax income (mostly from higher interest rates) and a steep decline in taxes. (Taxes for the top six U.S. banks fell by 84.1 percent in Q4 2018 from the prior year, following enactment of the Tax Cuts and Jobs Act (TCJA), which reduced the federal corporate income tax rate from 35 percent to 21 percent).

¹ These banks are: JPMorgan Chase, Bank of America, Wells Fargo, Citigroup, Goldman Sachs, and Morgan Stanley.

Because of the partial government shutdown, there is no U.S. GDP data for Q4 2018. However, according to unofficial estimates the fourth quarter is believed to have grown between 2.5 and 2.7 percent.²

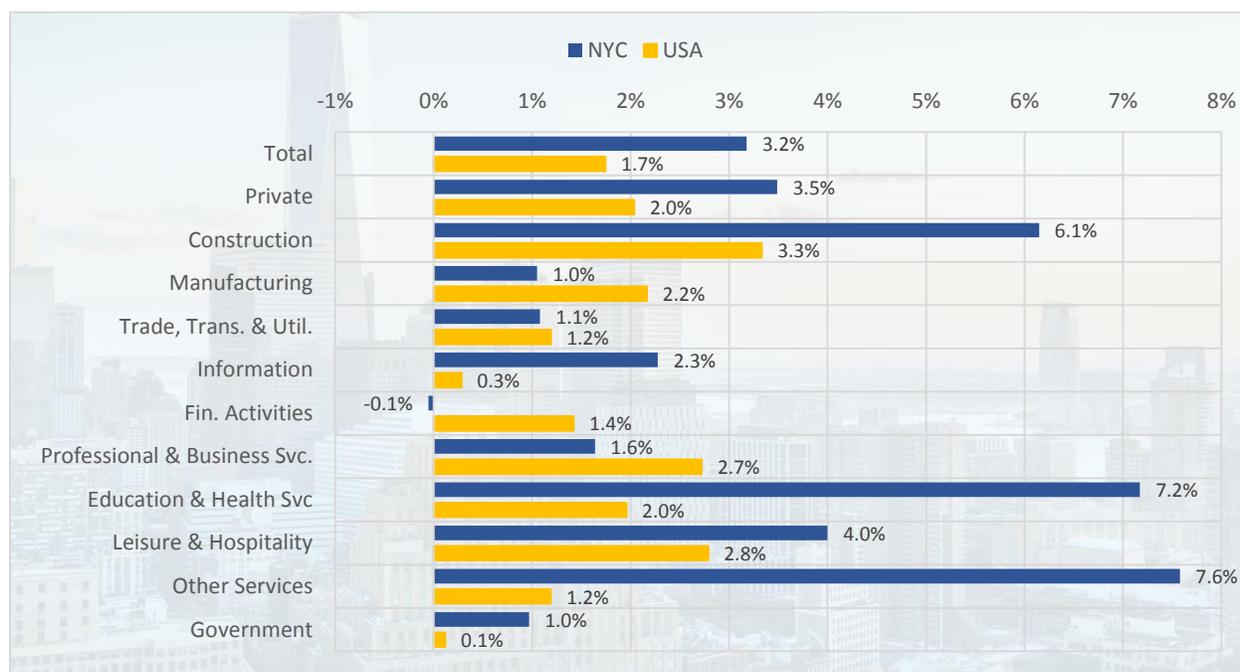
The government funding shutdown lasting from December 22, 2018 to January 25, 2019 was the longest of these shutdowns in history. The Congressional Budget Office (CBO) estimates that the shutdown cost the economy \$11 billion as result of reduced economic activity.³ The positive economic activity as a result of the post shutdown rebound is expected to partially, but not totally, offset these losses. CBO estimates that only \$8 billion of the lost economic activity will be recovered and the remaining \$3 billion loss will be permanent.

² As of February 1, 2019 the Federal Reserve Bank of Atlanta Nowcast estimates 2.5 percent GDP growth; the Federal Reserve Bank of New York estimates 2.6 percent GDP growth and the Blue Chip Consensus forecast is 2.7 percent GDP growth.

³ <https://www.cbo.gov/system/files?file=2019-01/54937-PartialShutdownEffects.pdf>

Private-Sector Hiring Soared

Chart 2. NYC Job Growth Surpassed the Nation



Source: U.S. Bureau of Labor Statistics (BLS) and NYS Department of Labor

Employment in the City grew at its fastest rate in the last four years in the fourth quarter. Establishments in New York City (including government) added 35,300 jobs, an increase of 3.2 percent on a seasonally adjusted annualized rate (SAAR) basis, the biggest gain since the 38,500 jobs created in Q3 2014. U.S. jobs growth remained consistent at 1.7 percent (SAAR) in Q4 2018, slightly below the 1.8 percent in Q3 2018.

The City's private sector added 34,000 jobs or 3.5 percent (SAAR) in Q4 2018, the highest gain since the 37,000 jobs created in Q3 2014. The public sector added 1,300 jobs in Q4 2018. National private-sector employment grew 2.1 percent (SAAR) in Q4 2018, the fastest since the 2.1 percent increase in Q1 2018 (Chart 2). This is amazingly strong growth for so late in a business cycle.

Across the private sector, the largest gains were in health care and social assistance (11,000 new jobs) of which 7,000 were in home healthcare services. Education services added 6,500 jobs, the biggest increase since Q4 2000. Most of the gain was in college and university employment, which added 4,300 jobs, also the highest increase since Q4 2000. Leisure and hospitality added 4,600 jobs, a two-year best, of which

2,900 were in bars and restaurants.⁴ Other services added 3,600 jobs, the biggest gain in 19 years (since Q4 1999).

Professional and business services added 3,100 new jobs of which 2,800 were in professional, scientific, and technical services. Construction added 2,300 jobs after losing 1,000 jobs in the previous two quarters. Information recovered 1,100 jobs after three consecutive quarters of losses amounting to a loss of 2,600 positions. Retail trade added 300 positions after losing 200 jobs in the 3rd quarter and manufacturing added 200 jobs.

Job losses in the 4th quarter occurred in wholesale trade, which lost 1,100 jobs in Q4 2018 after losing 1,500 jobs in Q3 2018. The financial activities sector lost 100 jobs after adding 800 jobs in Q3 2018.

Housing employment, which includes construction and workers in the real estate and property sector, added 3,300 jobs in Q4 2018, the biggest since the creation of 6,500 jobs in Q4 2017. The number of office workers increased by 4,100 in Q4 2018, the largest increase since 6,200 in Q4 2017.

Consistent with recent trends, over half of the new private-sector jobs created were in low-wage industries. Low-wage industries added 21,100 jobs and accounted for 62.0 percent of total private-sector jobs created in Q4 2018. Medium-wage industries accounted for 29.8 percent of the new private-sector jobs as they added 10,100 jobs in Q4 2018 and high-wage sectors accounted for 8.2 percent and added 2,800 jobs. In comparison, 63.3 percent of new private-sector jobs in the U.S. in the fourth quarter were in low-wage industries, while 20.4 percent were in medium-wage industries, and 16.3 percent were in high-wage industries.⁵

26 percent or 8,900 of the new jobs created in the private sector were in export-sector industries, such as leisure and hospitality and professional and business services, and 74 percent, 25,100 jobs, were in local-sector industries, such as education and health services. Export sector jobs (generally higher paying) provide goods and services to people and firms outside of the five boroughs and depend more heavily on the national and global economies. Local sector jobs provide support for the export sector and the local population or local consumption.

For the year 2018, total private-sector jobs were up by 74,200 or 1.9 percent, the same rate of growth as in nationally. This is the city's ninth consecutive year of job creation, making it the longest sequence of job gains on record. Since the recovery began in 2010, private-sector jobs in the city have increased by 804,100 or 25.6 percent to a record high of almost four million. Although private-sector job growth has been slowing since 2014 when it added a record high of 131,200 jobs, it is still above the historical average of about 30,000 per year.

⁴ https://www.wsi.com/articles/new-york-citys-nightlife-economy-is-thriving-study-finds-11548327600?fbclid=IwAR2U_fmX0Y4ouRzu4pTuUiFGSiLxkYWn94jJ3RxivOpYluAxPTgb7rwpPfU

⁵ We classify as high-wage jobs those with pay above \$124,000 a year; medium-wage jobs as those that pay \$62,000 to \$124,000 a year; and low-wage jobs as less than \$62,000 a year. The average annual salary of a worker in New York City in a low-wage sector job was \$43,000, in a medium-wage sector about \$82,000, and in a high-wage sector about \$220,000 as of 2017.

In 2018, the largest job gains were in health care and social assistance (31,900 new jobs) of which 19,600 were in home healthcare services. Professional and business services added 13,700 new jobs of which, 8,400 were in professional, scientific, and technical services. Leisure and hospitality added 8,700 jobs (the smallest increase since 2009) mostly because of a slowdown in new job creation in bars and restaurants, which added 4,200 jobs (the smallest gain since 2003).

Construction jobs grew for the seventh consecutive year and added 6,000 jobs in 2018. Education services added 4,700 jobs. Retail trade added 4,400 jobs, the biggest gain since 2014. Financial activities added 2,900 jobs, the smallest increase since 2013. Other services added 2,500 jobs. Wholesale trade added 1,100 jobs in 2018 after two years of loss totaling 900 jobs.

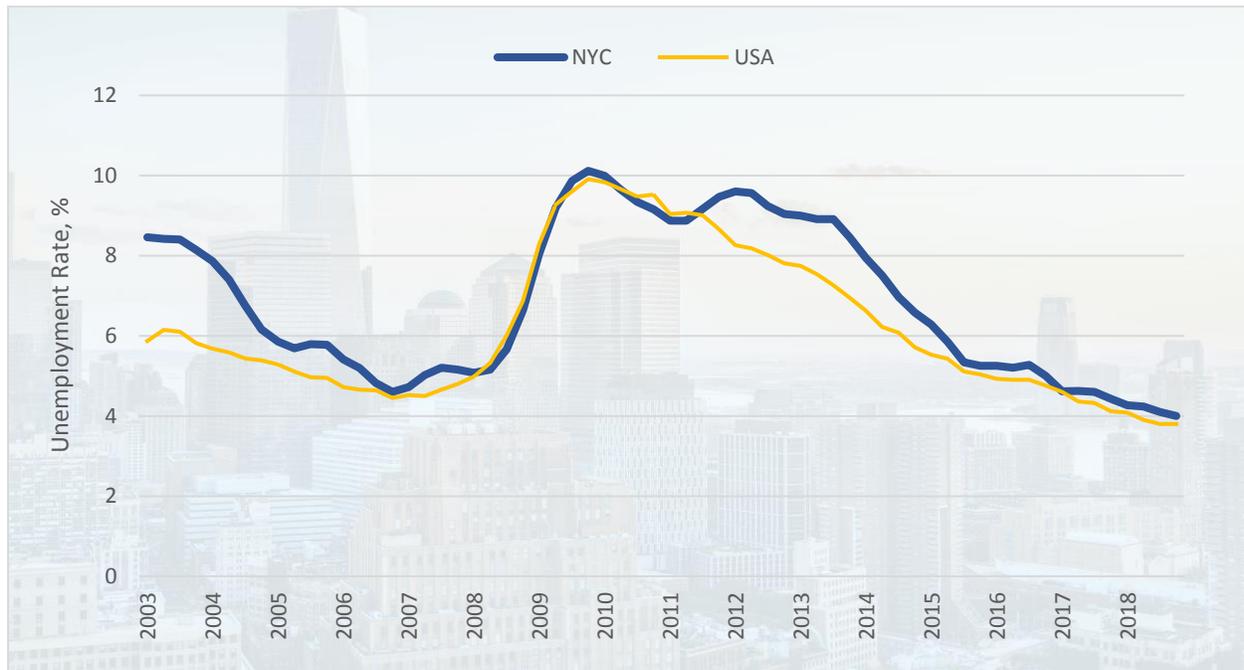
Not all sectors added jobs. Manufacturing lost 1,100 jobs in 2018. Information jobs declined after eight years of growth, losing 200 jobs in 2018. Losses were mainly in telecommunication, which fell by 1,000 in 2018, the six consecutive years of decline.

Housing employment added 6,500 jobs in 2018, the smallest gain since 4,700 jobs in 2012. The number of office workers increased by 16,400 in 2018, the smallest increase since 1,200 in 2010.

Of the 74,200 new private-sector jobs, 46,300 or 62.5 percent were in low-wage industries, 16,700 or 22.5 percent were in medium-wage industries, and 11,100 or 15.0 percent were in high-wage industries.

Unemployment Rate Falls to a New Record Low

Chart 3. NYC Unemployment Rate Fell To A Record Low



Source: U.S. Bureau of Labor Statistics (BLS) and NYS Department of Labor

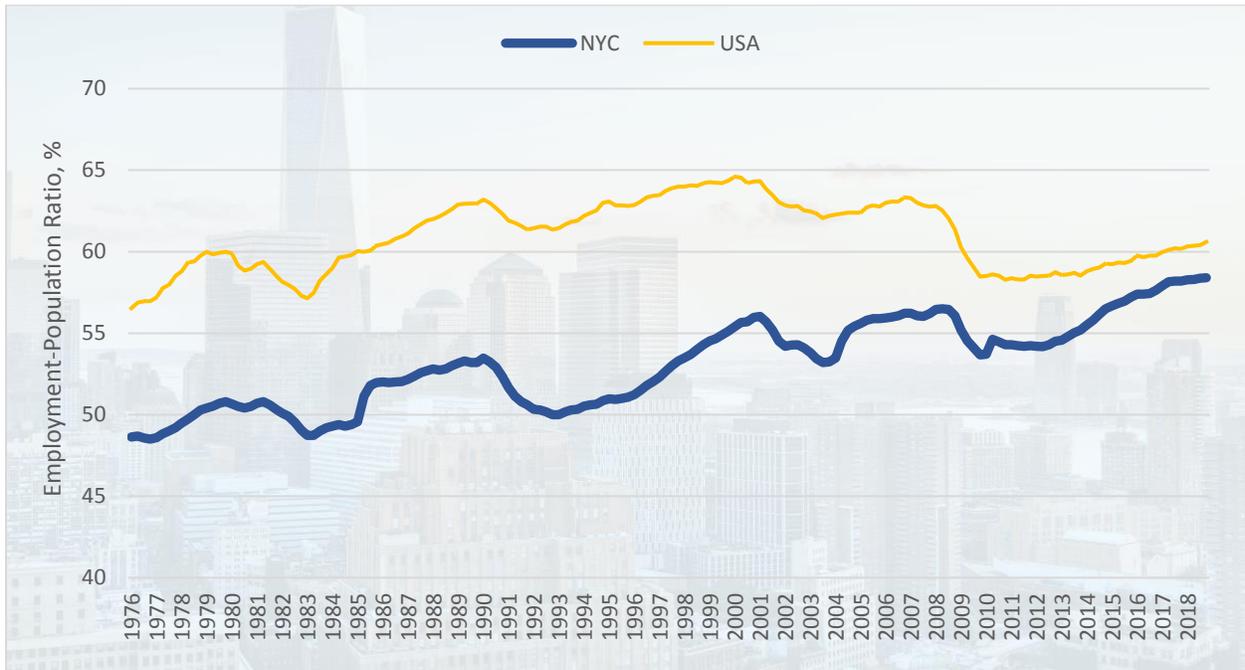
NYC's unemployment rate, adjusted for seasonality, fell to 4.0 percent in Q4 2018 from 4.1 percent in Q3 2018, the lowest unemployment rate on record. The U.S. unemployment rate remained unchanged at 3.8 percent in Q4 2018, the lowest rate since 3.6 percent in Q4 1969 (Chart 3). The number of unemployed in the City declined by 4,900 to 168,200 in Q4 2018, the lowest level since 151,400 in Q2 1988. The labor force increased by 1,700 to over 4.2 million in Q4 2018.

The unemployment rate (not seasonally adjusted) fell in all five boroughs in Q4 2018 to their lowest fourth-quarter rate on record. The borough unemployment rates in Q4 2018 were:

- 3.3 percent in Queens;
- 3.4 percent in Manhattan;
- 3.8 percent in Staten Island;
- 3.9 percent in Brooklyn; and
- 5.3 percent in the Bronx.

For the year 2018, the unemployment rate averaged 4.1 percent in the City, the lowest on record, and 3.9 percent in the nation, the lowest since 3.5 percent recorded in 1969. The unemployment rate was at a record low in all five boroughs.

Chart 4. The Percentage of New York City Residents Working Reached a Record High

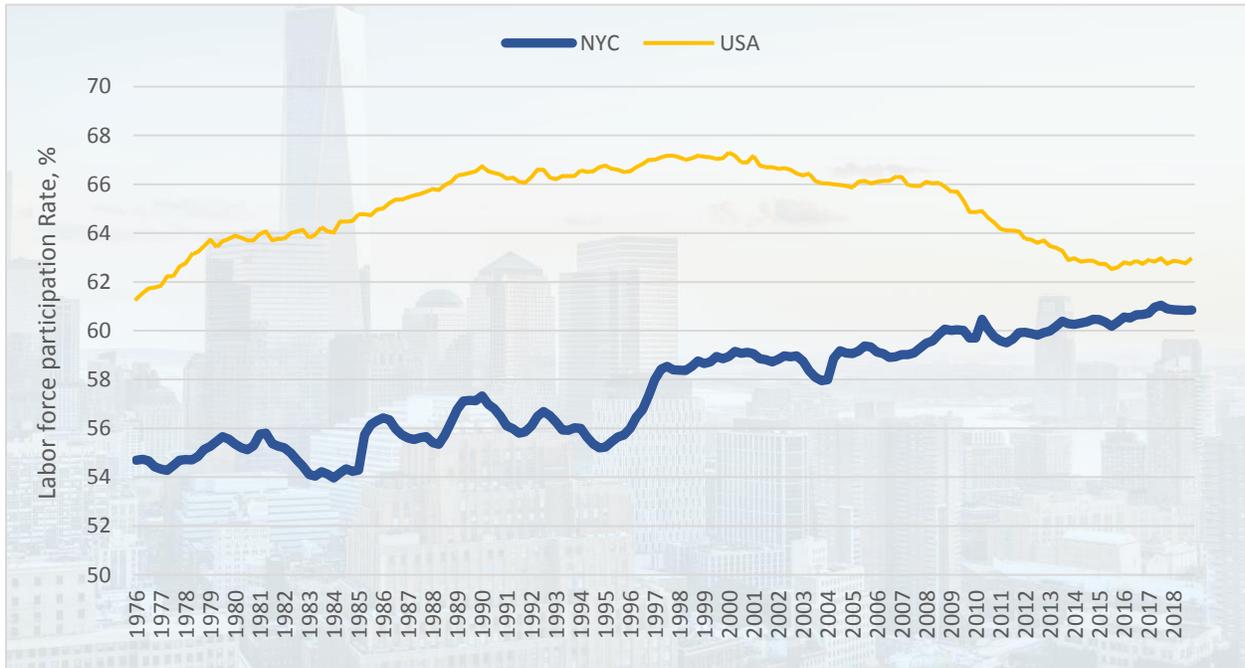


Source: U.S. Bureau of Labor Statistics (BLS) and NYS Department of Labor

The number of employed City residents (who may work in the City or the commutable suburbs) increased by 6,700 in Q4 2018 to a record high of almost 4.1 million in Q4 2018. The City's employment-to-population ratio remained unchanged at 58.4 percent in Q4 2018, still the highest ratio ever recorded. The national employment-to-population ratio rose to 60.6 percent in Q4 2018, the highest rate in a decade. The spread between the nation's and the City's employment-to-population ratios (which could be explained by differences in demographics, i.e. age or skill levels) rose to 2.2 percentage points in Q4 2018 from 2.0 percentage points in Q3 2018 (Chart 4).

In 2018, the number of employed City residents rose by 21,700 or 0.5 percent. As a result, the City's employment-to-population ratio reached a record high of 58.3 percent in 2018. The national employment-to-population ratio was 60.4 percent in 2018, still below the level reached (62.2 percent) in 2008 at the start of the last recession.

Chart 5. Labor Force Participation Rate Flat For The Third Consecutive Quarter



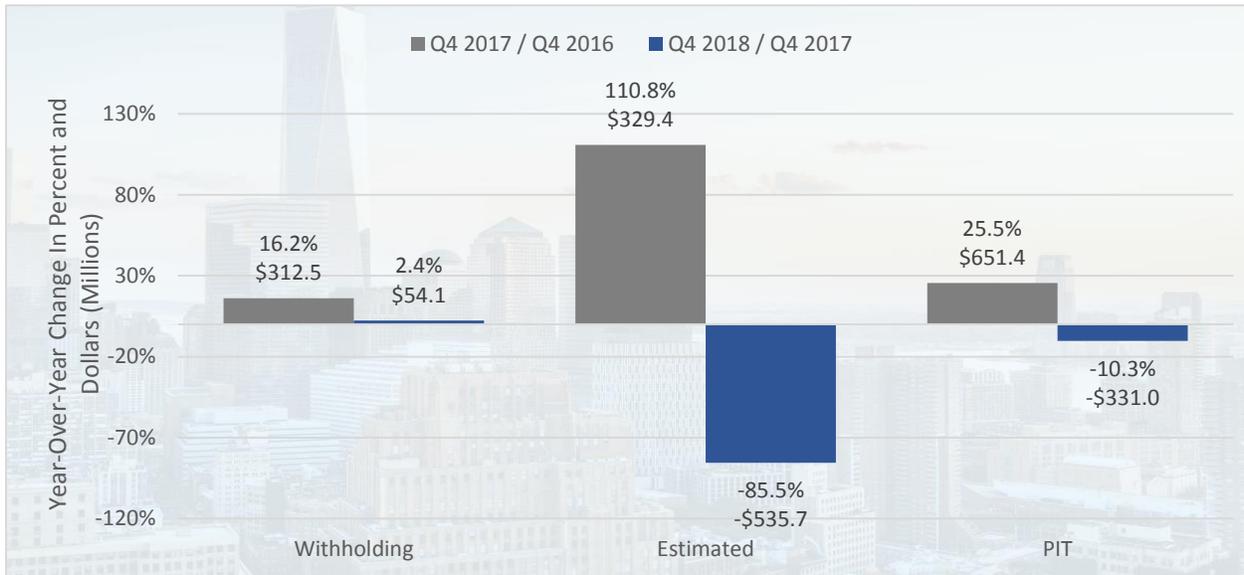
Source: U.S. Bureau of Labor Statistics (BLS) and NYS Department of Labor

The City's labor force expanded by 1,700 in Q4 2018. The City's labor force participation rate (LFPR), which is the ratio of the total labor force to the total non-institutional population (16 years old and over), remained unchanged at 60.8 percent in Q4 2018, the same as in the previous two quarters, and still below the national labor force participation rate which rose slightly to 63.0 percent in Q4 2018. The City's LFPR is at an unprecedentedly high level.

In 2018, the City's labor force increased by 2,900 or 0.1 percent, but the labor force participation rate fell to 60.8 percent from 60.9 percent in 2017. The U.S. labor force participation rate remained unchanged at 62.9 percent.

Personal Income Tax Collections Declined, but Average Hourly Earnings Continued to Rise

Chart 6. Change in Personal Income Tax Collections



Source: NYS OPTA

NYC personal income tax (PIT) revenues, a proxy for personal income, fell 10.3 percent or \$331.0 million on a year-over-year basis to about \$2.9 billion in Q4 2018 (Chart 6). However, it rose 10.9 percent for the year as a whole in 2018, the highest growth rate since 17.7 percent in 2013.

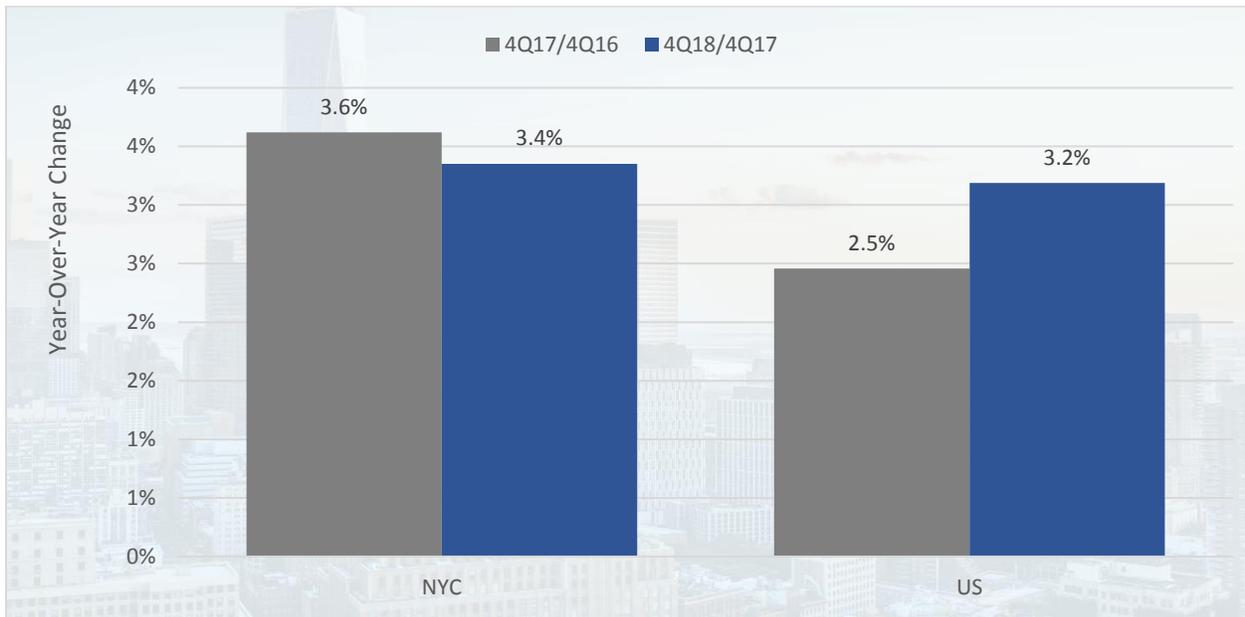
The decrease in Q4 2018 PIT was due to a 85.5 percent decline in estimated taxes. Estimated tax payments reflect trends in taxpayers' non-wage income, including interest earned, rental income, and capital gains. The 4th quarter decrease was due to the extraordinary boost in Q4 2017 due to non-recurring revenues as a result of federal income tax reform, which caused individuals to shift income across tax years, along with payments from hedge funds for deferrals of offshore income taxes that were due at the end of 2017. In 2018, estimated tax revenues rose 10.4 percent, the highest growth since 16.8 percent in 2015. Withholding tax revenues increased 8.9 percent in 2018 after increasing 10.8 percent in 2017.

After an exceptional increase of \$329.4 million in Q4 2017, estimated payments fell by \$535.7 million or 85.5 percent in Q4 2018. Withholding tax revenues rose 2.4 percent in Q4 2018 after increasing 16.2 percent in Q4 2017.⁶

Average hourly earnings (AHE) of all private NYC employees rose 3.4 percent on a year-over-year basis to \$36.69 in Q4 2018, less than the 4.1 percent growth in Q3 2018 and 3.6 percent in Q4 2017. U.S. average hourly earnings were \$27.44 in Q4 2018, 3.3 percent higher than the \$26.56 recorded in Q4 2017. The pace of U.S. average hourly earnings growth increased modestly from 3.2 percent growth in Q3 2018 and 2.5 percent growth in Q4 2017, on a year-over-year basis (Chart 7).

The inflation rate, as measured by the year-over-year change in the Consumer Price Index for urban consumers, was 1.8 percent in the New York metro area and 2.2 percent in the U.S. in Q4 2018.

Chart 7. Change in Average Hourly Earnings of Private Employees Outperforms the Nation But Not Accelerating



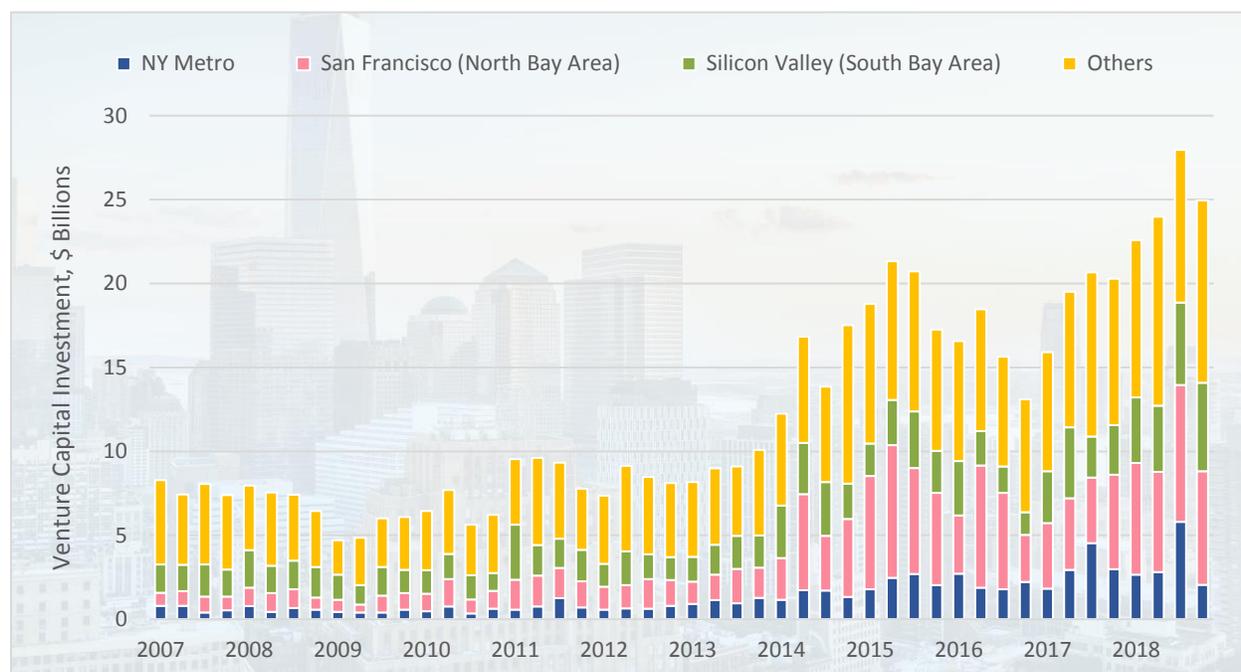
Source: U.S. Bureau of Labor Statistics

For the year 2018, AHE rose 3.1 percent in New York City and 3.0 percent in the U.S. while the inflation rate was 2.0 percent in the NY metro area and 2.4 percent in the U.S.

⁶ Withholding taxes reflect taxes paid on regular wages as well as taxes on annual and one-time bonuses. Thus, the increase in withholding taxes does not necessarily reflect the average workers' hourly wage increase.

Venture Capital Investment Declines

Chart 8. Venture Capital Investment by Region



Quarter	NY Metro	San Francisco (North Bay Area)	Silicon Valley (South Bay Area)	Others	Total
Q4 2018	\$2.1	\$6.8	\$5.3	\$10.8	\$25.0
Q3 2018	\$5.8	\$8.1	\$4.9	\$9.2	\$28.0
Q4 2017	\$3.0	\$5.6	\$3.0	\$8.7	\$20.3

Source: PwC MoneyTree

Venture capital (VC) investment in the New York metro area slowed in Q4 2018, but reached record high in 2018.

According to PwC/CB MoneyTree Report⁷, total VC investment in the New York metro area fell 30.9 percent from a year ago to \$2.06 billion in Q4 2018. Total VC investment in the New York metro area was \$5.81 billion in Q3 2018. Total VC investment for the year in the New York metro rose to a record high of \$13.33 billion in 2018, 8.7 percent higher than \$12.26 billion in 2017. The deal highlights of 2018 for the NY metro

⁷ <https://www.pwc.com/us/en/moneytree-report/moneytree-report-q4-2018.pdf>

area were WeWork, valued at one billion dollars, Peloton valued at \$550 million, and Letgo, valued at \$500 million.

By comparison, investment in the San Francisco/North Bay area, which usually has the highest concentration of VC investment, rose 20.1 percent from a year ago to \$6.75 billion in Q4 2018. Also investment in Silicon Valley rose 77.8 percent on a year-over-year basis to \$5.27 billion in Q4 2018. Total venture capital investment in the U.S. increased 23.0 percent to \$24.95 billion. (Chart 8). Total VC investment rose 55.3 percent in 2018 from a year ago to a record high of \$27.53 billion in San Francisco and rose 41.8 percent to \$18.03 billion in Silicon Valley.

The number of VC deals in the U.S., San Francisco, New York metro area, and Silicon Valley all fell in Q4 2018, on a year-over-year basis, reflecting a trend to fewer investments at higher values. The number of deals in the New York metro area fell to 160 in Q4 2018 from 217 in Q4 2017. The number of deals in the U.S. fell to 1,211 from 1,379 in Q4 2017.

The NY metro area's share of VC investment fell to 8.2 percent in Q4 2018 from 14.7 percent in Q4 2017. The share of deals fell to 13.2 percent in Q4 2018 from 15.7 percent in Q4 2017. San Francisco's share of VC investment fell to 27.1 percent while its share of deals rose to 19.9 percent.

New Commercial Leasing Strong As Rents Remain Stable and Vacancy Rates Rise

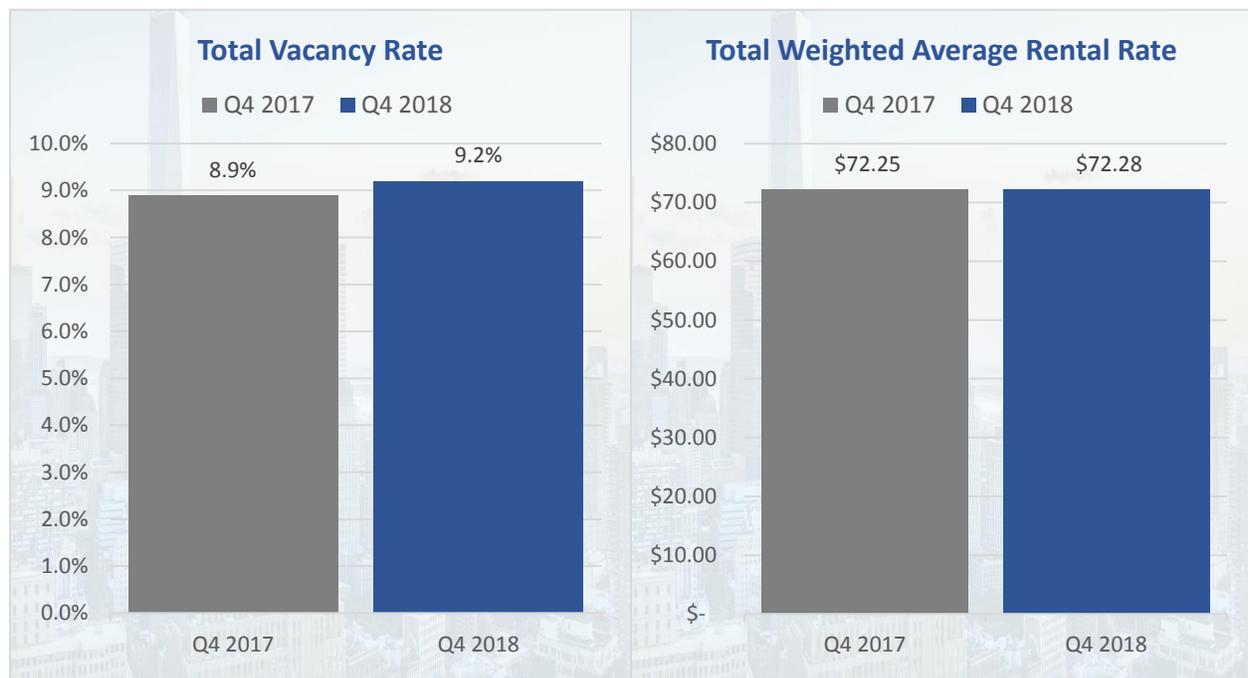
According to Cushman and Wakefield, new commercial leasing activity in Manhattan rose 45.1 percent, on a year-over-year basis, to over 10.2 million square feet (msf) in Q4 2018, the biggest fourth-quarter increase on record. On a year-over-year basis, new leasing increased in Midtown (33.2 percent to 6.5 msf) and Midtown South (61.0 percent to 1.9 msf) and Downtown (85.6 percent to 1.8 msf) in Q4 2018.

Despite the increase in new commercial leasing, Manhattan’s overall commercial vacancy rate increased to 9.2 percent in Q4 2018 from 8.9 percent in Q4 2017, due largely to increased supply as the available space increased by over 1.7 msf (Chart 9). On a year-over-year basis, the vacancy rate fell 0.2 percentage points in Midtown to 9.3 percent. However, it increased 0.3 percentage points in Midtown South to 7.2 percent, and increased 2.1 percentage points in Downtown to 10.8 percent in Q4 2018.

On a weighted average basis commercial rents remained stable in Manhattan although there were differences by neighborhood. Compared with Q4 2017, rents fell in Midtown, but increased to or hovered around record highs in Downtown and Midtown South as higher-priced space entered those markets in Q4 2018.

Total new leasing activities rose 17.7 percent to over 35.9 msf in 2018, the highest annual total on record. Total new leasing also increased to a record high of 23.7 msf in Midtown and 7.0 msf in Midtown South. However, it was 5.2 msf in Downtown in 2018, 9.4 percent lower than a year ago.

Chart 9. Commercial Vacancy Rate and Asking Rents Remain Unchanged



Source: Cushman & Wakefield

Residential Real Estate Weakens As Residential Sales Decline in Manhattan, Brooklyn, and Queens

Table 2. Apartment Sales Fall in Manhattan, Brooklyn, and Queens

	Manhattan	Brooklyn	Queens
Avg. Sales Price	\$1,963,938	\$998,050	\$637,322
Avg. Sales Price (Y/Y, %)	3.5%	5.2%	2.1%
Number of Sales	2,432	2,474	3,248
Number of Sales (Y/Y, %)	-3.3%	-5.8%	-11.5%
Listing Inventory	6,092	2,993	5,160
Listing Inventory (Y/Y, %)	11.8%	74.9%	25.6%
Absorption Rate (Months)	7.5	3.6	4.8
Days on Market	93	78	78
Days on Market (Y/Y, %)	-4.1%	-15.2%	-25.7%

Source: Douglas Elliman

After five consecutive quarters of year-over-year decline, house prices in Manhattan, as measured by the average sales price and average price per square foot, rose 3.5 percent and 4.7 percent, respectively, on a year-over-year basis in Q4 2018. However, the number of sales declined for the fifth consecutive quarter causing an increase in listing inventories. The decline in the number of sales could be due to the new federal tax law that limits the deductibility of the mortgage interest and property taxes, the rise in mortgage interest rates, and other uncertainties.

According to Douglas Elliman, on a year-over-year basis, the average sales price in Manhattan rose 3.5 percent to about \$2.0 million. Similarly, the average price per square foot rose 4.7 percent to \$1,684 in Q4 2018 over Q4 2017. The number of sales fell 3.3 percent to 2,432 in Q4 2018 allowing the listing inventory to rise 11.8 percent from the prior year to 6,092. As a result, the absorption rate, defined as the number of months to sell all inventory at the current rate of sales, rose to 7.5 months in Q4 2018 from 6.5 months in Q4 2017. Days on the market from the last list date fell to 93 days in Q4 2018 from 97 days a year ago.

Like Manhattan, housing prices increased in Brooklyn and Queens. In Brooklyn, the average sales price rose 5.2 percent to \$998,050 in Q4 2018 from \$948,706 in Q4 2017. However, the number of sales declined 5.2 percent, on a year-over-year basis, to 2,474, leading to a 74.9 percent rise in the listing inventory to 2,993. The absorption rate rose to 3.6 months and the number of days on the market fell to 78 in Q4 2018, compared with 2.0 months and 92 days, respectively, in Q4 2017.

In Queens, the average sales prices rose 2.1 percent to \$637,322 in Q4 2018 over Q4 2017. However, the number of sales fell 11.5 percent to 3,248. As a result, the listing inventory rose 25.6 percent to 5,160 in Q4 2018 compared with the same period last year. The number of days on the market fell to 78 days in Q4

2018, 25.7 percent less than the 105 days in Q4 2017. The absorption rate rose to 4.8 months in Q4 2018 from 3.4 months in Q4 2017 (Table 2).

Douglas Elliman also reports that the number of 1- to 3-family homes sold fell in Brooklyn (-0.8 percent), and in Queens (-11.9 percent) in Q4 2018, on a year-over-year basis. However, the average sales price per square foot rose 22.6 percent in Brooklyn and 10.2 percent in Queens in Q4 2018 over Q4 2017.

Landlords continued to give a record number of lease concessions, but the number of new leases still declined in Manhattan. The number of new leases fell on a year-over-year basis in December,. The number of new leases fell 38.5 percent in Manhattan in December 2018, on a year-over-year basis according to Douglas Elliman. At the same time the vacancy rate in Manhattan fell to 1.78 percent in December 2018 from 1.90 percent in December 2017.

The number of new leases rose 2.5 percent in Brooklyn and 7.3 percent in Queens in December 2018. The average rental price fell 0.3 percent in Manhattan, but increased 3.7 percent in Brooklyn, and 2.8 percent in Queens in December 2018 over December 2017.

StreetEasy provides further signs of softness in the residential housing market. According to StreetEasy⁸, the City's median sale-to-list ratio, which is the final recorded sales price of a home or apartment divided by its initial asking price, was 95.5 percent in Q4 2018, lower than 97.1 percent in Q4 2017 and the average of 96.3 percent since 2010. A lower sale-to-list ratio is an indicator that sellers are not realizing the value they believe they have in their properties.

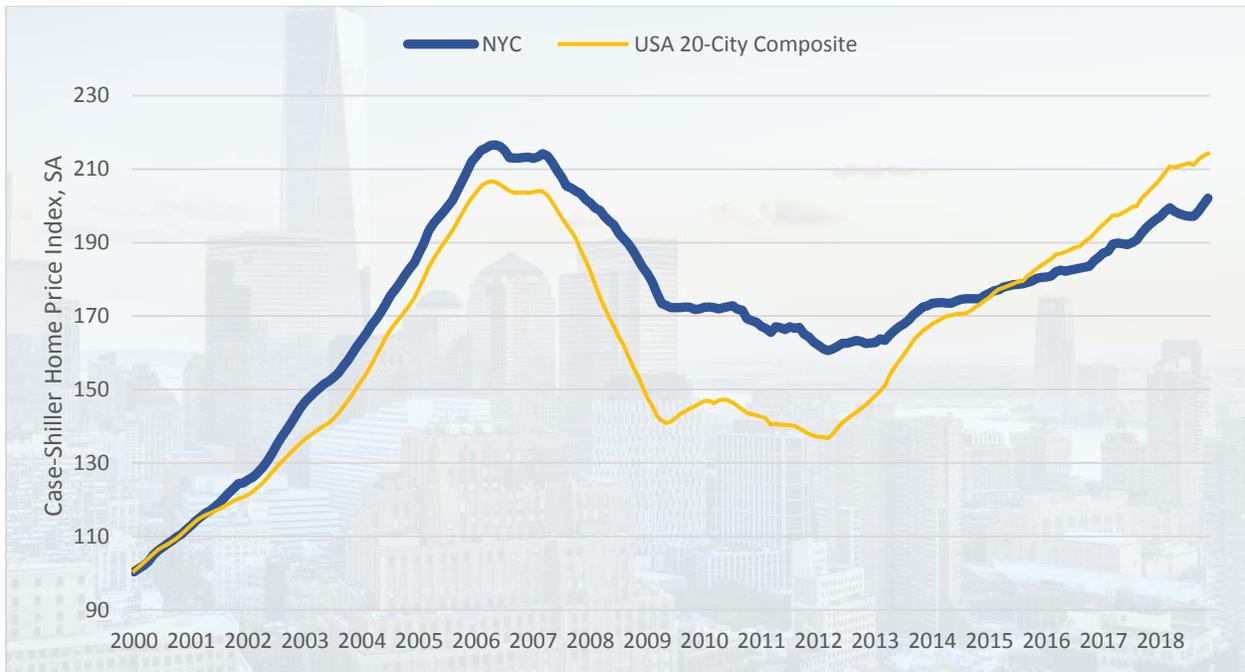
As a further indication of softness, more listed residential properties reduced their asking price. The share of all active sales listings on StreetEasy that had a reduction in asking price during Q4 2018 was 11.8 percent, compared to 8.8 percent in recorded in Q4 2017.

Finally, according to the Case-Shiller index, which tracks single-family home prices, single family homes in the New York metro area lagged average price growth in the U.S. The New York metro area home price index increased 3.4 percent in October-November 2018 over the same period in 2017, while the U.S. 20-city composite index rose 4.9 percent. As a comparison, the U.S. and NYC inflation rates were 2.3 and 2.0 percent respectively in October-November 2018 on a year-over-year basis.

According to Case-Shiller, home prices have recovered their losses from the last recession nationally, but the New York metro area still lags behind. As of November 2018, the U.S. 20-city composite index was 56.8 percent higher than its trough in 2012 and 3.7 percent above its previous peak in 2006. In comparison, the New York metro area home price index was 25.8 percent higher than at its trough in March of 2012, but was still 6.7 percent below the peak reached in May 2006 (Chart 10).

⁸ <https://streeteasy.com/blog/data-dashboard/>

Chart 10. NYC Single Family Home Prices Lag the Nation

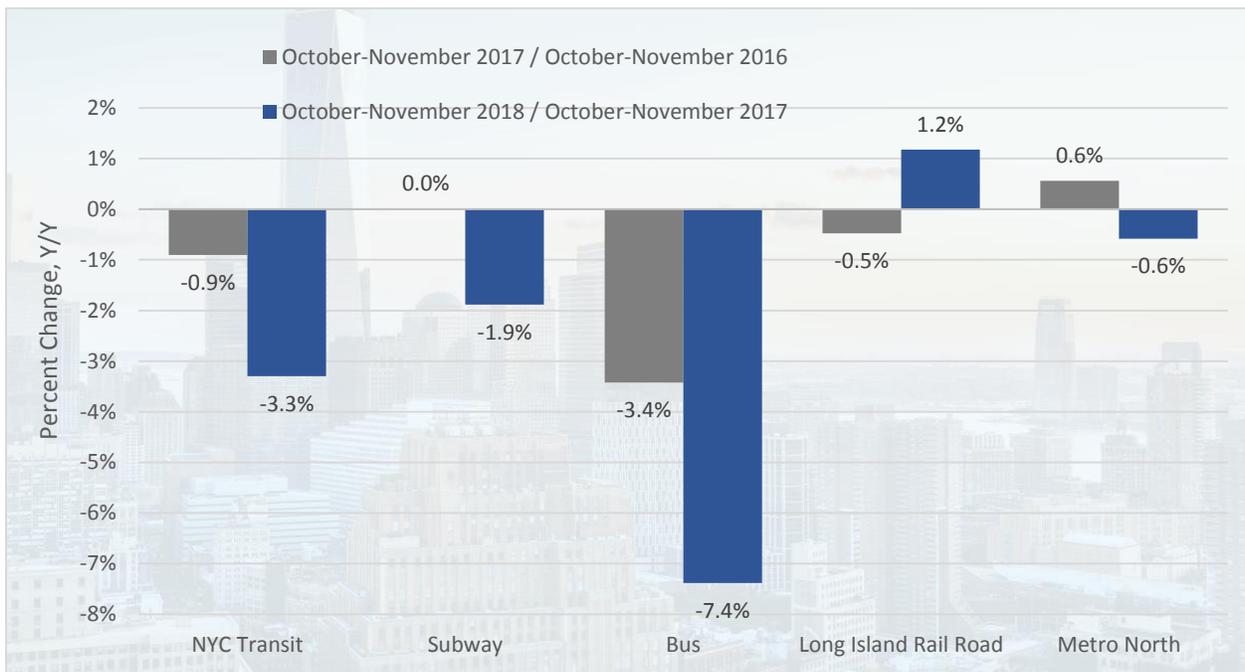


Source: Standard and Poor's Case-Shiller Home Price Index

Transit Ridership Down Significantly; Tourism Up

Average weekday ridership on MTA NYC Transit fell 3.3 percent in October-November of 2018 from a year ago. Average weekday ridership on the system's subways fell 1.9 percent and bus ridership fell 7.4 percent. During the same period, ridership on the Long Island Rail Road (LIRR) rose 1.2 percent, but fell 0.6 percent on Metro North (Chart 11). Ridership, especially on the LIRR and Metro North, usually reflects the City's economic activity and employment. A reason for the apparent disconnect this cycle could be found in a recent New York City Transit ridership analysis attributing the decline in ridership in public transport "was caused by poor service, the rapid rise of Uber and other for-hire vehicles and fare evasion."⁹ The report goes on to say the trend of declining public transit usage is also seen in other large systems nationally.

Chart 11. NYC Public Transportation Ridership Down Significantly



Source: Metropolitan Transportation Authority

Broadway show ticket sales and attendance increased in Q4 2018. According to the Broadway League, total gross weekly Broadway ticket sales were about \$501 million in Q4 2018, 15.1 percent more than in Q4 2017. Total attendance was over 3.8 million in Q4 2018, 18.2 percent more than in Q4 2017. For the entire 2018, total ticket sells was over \$1.8 billion and total attendance was over 14.3 million, 14.7 percent and 7.2 percent higher than in 2017, respectively.

⁹ <https://www.nytimes.com/2018/08/01/nyregion/subway-ridership-nyc-metro.html>

Total gross weekly Broadway ticket sales increased for the second consecutive year to over \$1.8 billion in 2018, 14.9 percent higher than in 2017. Similarly, the number of attendance rose 7.4 percent to about 14.4 million in 2018. The increase in Broadway attendance could have been partially due to the record number of tourists visiting the city.

According to NYC & Company, the number of visitors to the city rose for the ninth consecutive year to a record high of 65.2 million in 2018.¹⁰ They were comprised of 51.6 million domestic visitors and 13.5 million international visitors. A record 37.7 million hotel room nights were sold citywide in 2018, generating \$623 million in estimated hotel occupancy tax revenues.

The City's hospitality market picked up in the October-November of 2018 over the same period in 2017. According to CBRE Hotels, the hotel occupancy rate in Manhattan averaged 91.5 percent in October-November 2018, higher than 90.5 percent during the same time in 2017. Similarly, the average daily room rate rose to \$341.39 in October-November 2018, from \$327.94 in October-November 2017.

¹⁰ <https://business.nycgo.com/press-and-media/press-releases/articles/post/new-global-partnership-between-nyc-company-and-mastercard/>

Leading Economic Indicators Continue to Point to Growth

Leading economic indicators signal continued expansion. An assessment of business conditions among firms in the New York City area is provided by ISM-New York, Inc. The most recent report shows that business conditions in New York City metro area are still doing well in Q4 2018. The current business condition (which measures the current state of the economy from the perspective of business procurement professionals) index was 67.7 percent in Q4 2018, lower than the record high of 74.7 percent in Q3 2018. However, any number above 50 percent indicates the expectation of continued expansion. The ISM six-month outlook (which measures where procurement professionals expect the economy to be in six months) was 67.1 in Q4 2018, lower than 79.7 in Q3 2018 but still above the 50 percent threshold. The NY-BCI (which measures the cumulative change in business activity) rose to a record high of 840.4 in Q4 2018 from 810.1 in Q3 2018.

Initial unemployment claims, which shows the number of applicants for unemployment insurance, declined for the fourth consecutive quarter. According to the NYS Department of Labor, average initial unemployment claims fell 5.8 percent, on a year-over-year basis, to 25,966 in Q4 2018, the lowest on record.

The U.S. Department of Housing and Urban Development, which provides the number of building permits in the City, has not released the December numbers. However, for October-November 2018, the total building permits in the City surged 25.4 percent to 3,417 from 2,725 a year ago (Table 3).

Table 3: Leading Economic Indicators Mixed, But Positive

	Q4 2017	Q3 2018	Q4 2018
ISM-New York Metro Area, SA* Current Business Conditions	55.3	74.7	67.7
ISM-New York Metro Area, SA* Six-Month Outlook	72.7	79.7	67.1
ISM-New York Metro Area, SA* NY-BCI	753.2	810.1	840.4
Initial Unemployment Claims (Source: NYS DOL)	27,565	29,119	25,966
Number of Building Permits (Source: HUD)	5,672	4,461	3,417*

Source: ISM-New York, Inc.

* Data for Q4 2018 includes October and November, excludes December.

Table 4: Fourth Quarter 2018 Economic Indicators Compared to Q3 2018 and Q4 2017

		Q4 2017	Q3 2018	Q4 2018
County Unemployment Rate, NSA (Source: NYS DOL)	Bronx	5.7%	5.8%	5.3%
	Kings	4.2%	4.3%	3.9%
	New York	3.7%	3.7%	3.4%
	Queens	3.6%	3.6%	3.3%
	Richmond	4.1%	4.3%	3.8%
Commercial Vacancy Rate (Source: Cushman & Wakefield)	Midtown	9.5%	9.2%	9.3%
	Midtown South	6.9%	7.4%	7.2%
	Downtown	8.7%	12.0%	10.8%
	Manhattan Total	8.9%	9.5%	9.2%
Commercial Rental Rate (per sq ft) (Source: Cushman & Wakefield)	Midtown	\$76.94	\$76.12	\$75.03
	Midtown South	\$68.87	\$76.42	\$76.82
	Downtown	\$60.23	\$63.72	\$63.57
	Manhattan Total	\$72.25	\$72.65	\$72.28
Number of Apartment Sales (Source: Douglas Elliman)	Manhattan	2,514	2,987	2,432
	Brooklyn	2,627	2,898	2,474
	Queens	3,672	3,672	3,248
Case-Shiller Home Price Index, NSA (Source: S&P) 100=2000	NY Metro Area	195.47	199.66	202.01*
	US 20-City Composite	204.05	213.84	213.77*
Hotel Industry (Source: CBRE Hotels)	Average Daily Occupancy Rate	90.9%	90.7%	91.5*
	Average Daily Room Rate	\$320.70	\$291.69	\$341.39
MTA Average Weekday Ridership (Source: MTA)	NYC Transit	7,592,474	7,033,418	7,487,790*
	Subway	5,658,517	5,275,125	5,644,861*
	Bus	1,933,957	1,758,293	1,842,929*
	Long Island Rail Road	312,445	315,783	321,529*
	Metro North	298,811	291,412	300,912*
ISM-New York Metro Area, SA (Source: ISM-New York, Inc.)	Current Business Conditions	55.3	74.7	67.7
	Six-Month Outlook	72.7	79.7	67.1
	NY-BCI	753.2	810.1	840.4
Initial Unemployment Claims (Source: NYS DOL)	Initial Unemployment Claims	27,565	29,119	25,966
Number of Building Permits (Source: HUD)	Number of Building Permits	5,672	4,461	3,417*

*Data for Q4 2018 includes October and November, excludes December.

Prepared by Farid Heydarpour, Principal Economist; Orlando Vasquez, Economist
 Published by the NYC Comptroller's Office, Bureau of Budget
 Preston Niblack, Deputy Comptroller for Budget
 Lawrence Mielnicki, Chief Economist





NEW YORK CITY COMPTROLLER
SCOTT M. STRINGER

1 Centre Street, New York, NY 10007

(212) 669-3500 • comptroller.nyc.gov

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