NEW YORK CITY COMPTROLLER
SCOTT M. STRINGER
Bureau of Budget

Q3 2018

NYC Quarterly Economic Update

Another Good Quarter For NYC And The U.S.: Q3 2018

November 2018

1 Centre Street, New York, NY 10007 • (212) 669-3500 • comptroller.nyc.gov • @NYCComptroller

Contents

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.

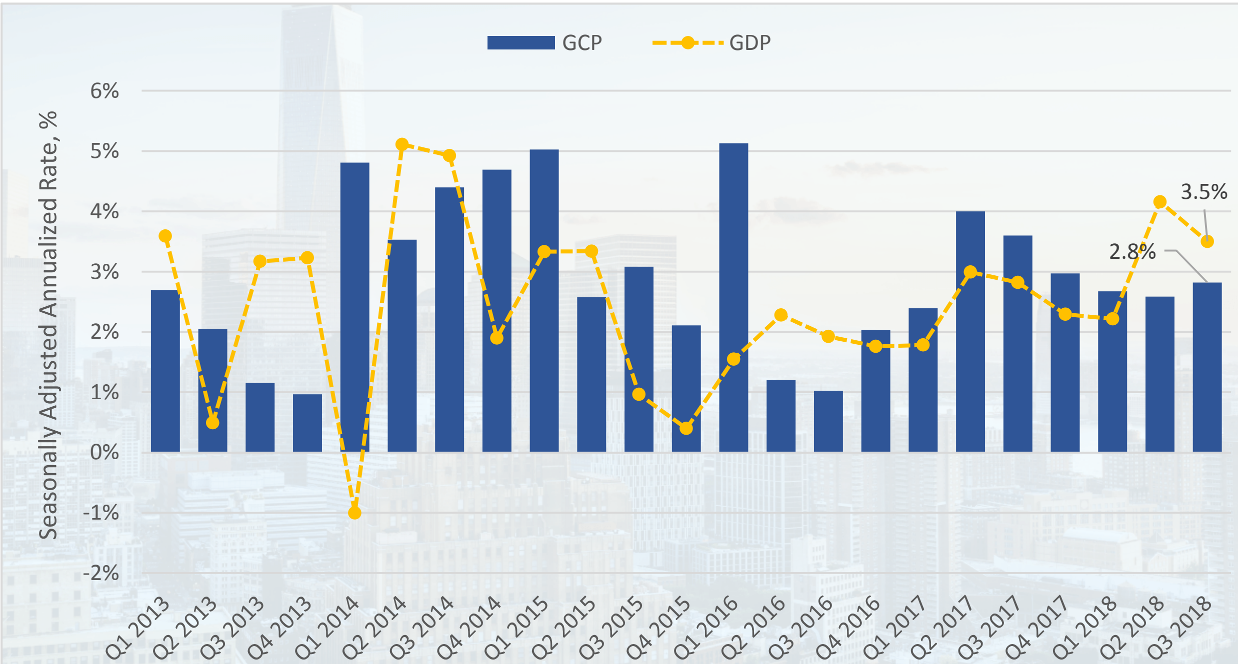
Table 1: Third Quarter of 2018 Key Economic Indicators for NYC and U.S. Compared with Q3 2017

Economic Indicator		Q3 2017	Q3 2018
GCP/GDP Growth, SAAR	NYC	3.6	2.8
	U.S.	2.8	3.5
Payroll-Jobs Growth, SAAR	NYC	1.6	1.3
	U.S.	1.5	1.7
PIT Withheld, Growth, NSA	NYC	14.0	4.4
	U.S.	4.3	-6.4
Inflation Rate, NSA	NYC	1.8	2.1
	U.S.	2.0	2.7
Unemployment Rate, SA	NYC	4.6	4.1
	U.S.	4.3	3.8

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

NYC Economic Growth Advances, But Lags the Nation

Chart 1. NYC Real Gross City Product (GCP) Lags U.S. Real Gross Domestic Product (GDP)



Source: BEA and NYC Comptroller

Strong growth in personal consumption, private investment, and government expenditure boosted the U.S. economy in Q3 2018, as the City's economy lagged behind. The U.S. economy, as measured by the change in real GDP, grew 3.5 percent (advance estimate) in Q3 2018 after growing 4.2 percent in Q2 2018. The City's economy grew 2.8 percent in Q3 2018, slightly faster than 2.6 percent estimated for Q2 2018.

The City's economic growth was driven by an expanding labor market and modest wage growth. 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 banks[1] in the U.S. rose to almost $30.9 billion in Q3 2018, 24.7 percent higher than the same quarter a year ago. Strong growth in bank profitability was driven by modest growth in pre-tax income and a steep decline in taxes. Following enactment of the Tax Cuts and Jobs Act (TCJA), which reduced the federal corporate income tax rate from 35 percent to 21 percent, taxes for the top six U.S. banks fell by 21.1 percent in Q3

[1] JPMorgan Chase, Bank of America, Wells Fargo, Citigroup, Goldman Sachs, and Morgan Stanley.

2018, as compared to the prior year. In September, the Federal Reserve raised the federal funds rate for the eighth time since 2015 to a range of 2.0 to 2.25 percent, further increasing bank profits.[2]

The U.S. economy grew 3.5 percent (advance estimate) in Q3 2018 as a result of a strong growth in personal consumption, private investment, and government expenditure. (Note that the advance GDP estimate is subject to two revisions in October and November.)

The largest contributor to GDP growth was a 4 percent growth in personal consumption expenditures, which contributed 2.69 percentage points (pp) to GDP growth. This was the biggest increase since Q4 2014. Consumer spending was driven by 1) a solid labor market, 2) a slight increase in wage rates as measured by average hourly earnings, and 3) the new tax law which was reflected in February paychecks, providing a moderate after-tax income boost to most tax filers.

Private investment grew 12.0 percent, the biggest increase since Q1 2015, and contributed 2.03 pp to GDP growth. However, it was the increase in inventories that contributed 2.07 pp to GDP growth in the third quarter. Residential fixed investment (housing) fell 4.0 percent, likely due to a rise in mortgage rates and the new cap on property tax and mortgage interest payment deductions, subtracting 0.16 pp from GDP growth.

Government expenditures rose 3.3 percent and contributed 0.56 pp to GDP growth. Spending on national defense grew 4.6 percent, while nondefense spending expanded by 1.5 percent. State and local government expenditures rose 3.2 percent in Q3 2018 after growing 1.8 percent in Q2 2018. The Bipartisan Budget Act of 2018 and the Consolidated Appropriations Act of 2018 provided the increase in discretionary government expenditure in Q3 2018 and are expected to help bolster continued economic growth in Q4 2018.

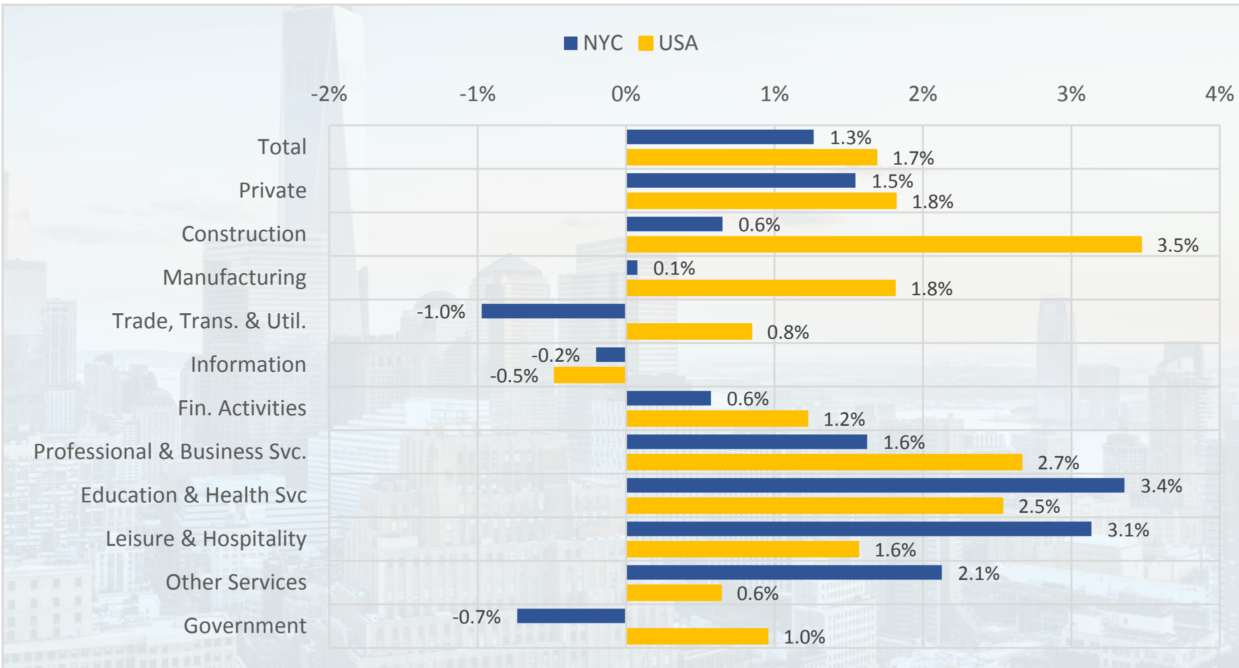
Trade tensions and a strong U.S. dollar took a toll on GDP growth. Exports fell by 3.5 percent in Q3 2018 and deducted 0.45 pp from GDP growth. Imports rose 9.1 percent and deducted 1.34 pp from the GDP growth. As a result, net exports deducted 1.78 pp from the GDP growth. Excluding trade, the U.S. economy grew by almost 5.3 percent.

As it was pointed out last quarter, New York City is a service oriented economy, thus the repercussions of tariffs on goods will be muted. However, the city could be adversely impacted if any retaliatory non-tariff measures are implemented on service industries, which account for a greater share of the City economy.

[2] Higher interest rates increase bank profits by increasing the spread between what banks earn through loans (banks' interest income) and what banks borrow through savings accounts or issuing certificates of deposit (banks' interest expense).

Private-Sector Hiring Continues to be Strong

Chart 2. NYC Job Growth Accelerates in Q3



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

The City's job market accelerated in the third quarter, but growth lagged the nation for the third consecutive quarter. Establishments in New York City (including government) added 14,100 jobs, an increase of 1.3 percent on a seasonally adjusted annualized rate (SAAR) basis, after adding 9,600 jobs in Q2 2018. U.S. jobs grew 1.7 percent (SAAR) in Q3 2018, the same rate as in Q2 and Q1 of 2018.

The City's private sector added 15,100 jobs or 1.5 percent (SAAR) in Q3 2018, more than the 10,700 jobs created in Q2 2018. National private-sector employment grew 1.8 percent (SAAR) in Q3 2018, slower than the 2.0 percent increase experienced in Q2 2018 (Chart 2).

Across the private sector, the largest gains were 10,100 new jobs in health care and social assistance, 3,600 jobs in leisure and hospitality, and 3,000 new jobs in professional and business services. Employment in the city's financial activities sector rose by 700, after shrinking by 1,400 in the first two quarters of 2018. Job losses occurred in wholesale trade (1,600), education services (1,800), and information (100). Manufacturing remained unchanged.

Housing employment, which includes construction and workers in the real estate and property sector, added just 200 jobs in Q3 2018 after losing 2,600 jobs in Q2 2018. The number of office workers increased by 3,600 in Q3 2018, the largest increase so far in 2018.

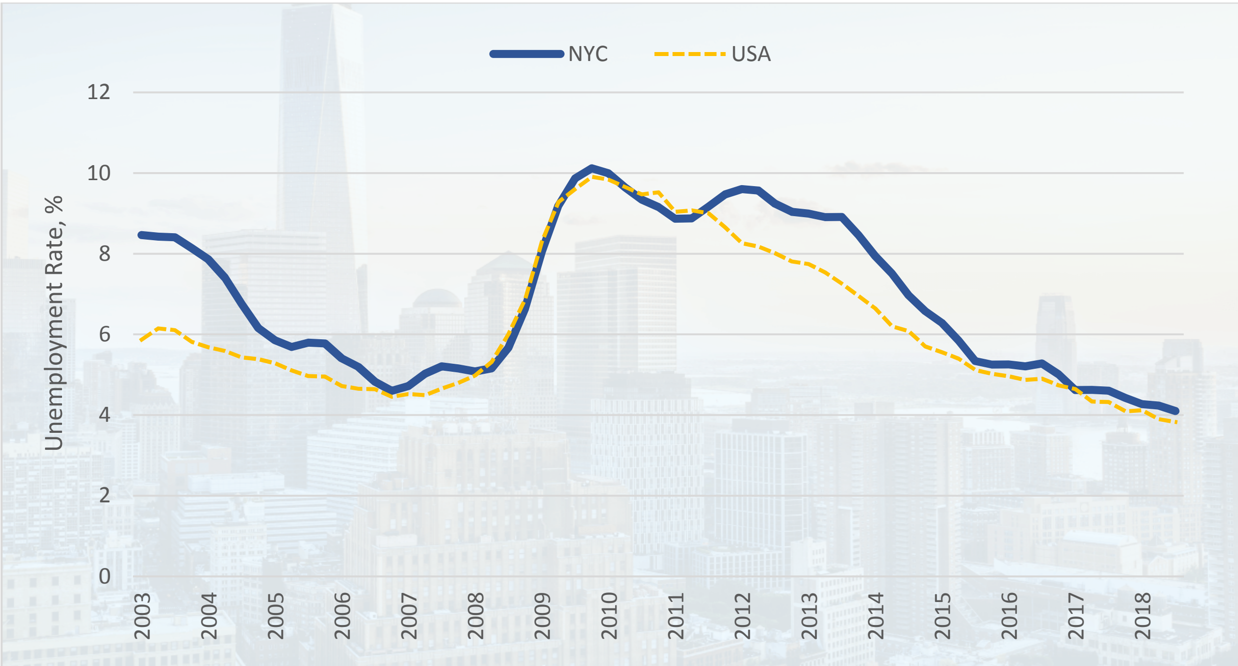
Consistent with recent trends, over half of the new private-sector jobs created were in low-wage industries.[3] Low-wage industries added 11,700 jobs and accounted for 77.4 percent of total private-sector jobs created in Q3 2018. High-wage sectors added 4,500 jobs, but medium-wage industries lost 1,100 jobs in Q3 2018. In comparison, 55.7 percent of new private-sector jobs in the U.S. in the third quarter were in low-wage industries, while 28.3 percent were in medium-wage industries, and only 16.0 percent were in high-wage industries.

Almost half (47 percent) or 7,200 new jobs created in the private sector were in export-sector industries, such as leisure and hospitality and professional and business services, and half (53 percent), 7,900 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 on the national and global economies. Local sector jobs provide support for the export sector and the local population or local consumption.

[3] High-wage jobs include securities industry and professional services and pay above $124,000 a year; medium-wage jobs include construction and health care and pay $62,000 to $124,000 a year; and low-wage jobs include bars and restaurants and hospitality pay 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 was about $82,000, and in a high-wage sector was about $220,000 as of 2017.

Unemployment Rate Falls to a New Record Low

Chart 3. NYC Unemployment Rate Falls to a New Record Low



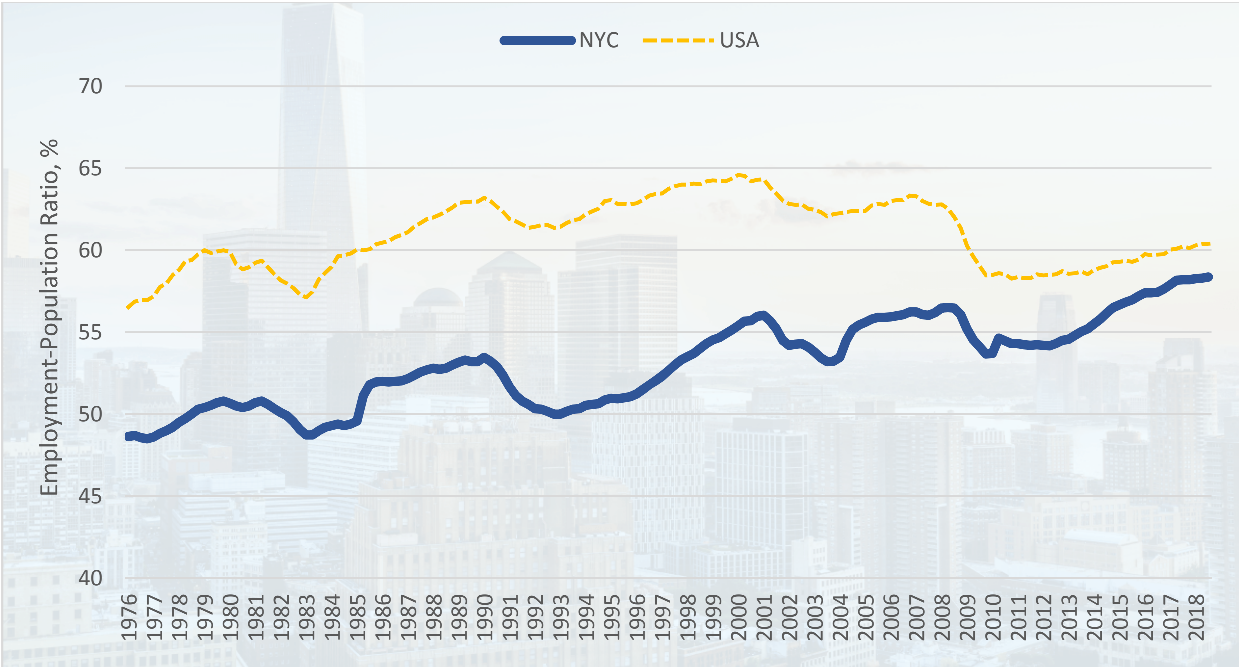
Source: U.S. Bureau of Labor Statistics (BLS) and NYS Department of Labor

NYC's unemployment rate, adjusted for seasonality, fell to 4.1 percent in Q3 2018 from 4.2 percent in Q2 2018, the lowest rate on record. The U.S. unemployment rate fell to 3.8 percent in Q3 2018, the lowest rate since 3.6 percent in Q4 1969 (Chart 3). The number of unemployed in the City declined by 4,800 to 173,200 in Q3 2018, the lowest level since 171,200 in Q3 1988. The labor force increased by 1,300 to over 4.2 million in Q3 2018.

The unemployment rate (not seasonally adjusted) fell in all five boroughs in Q3 2018 to their lowest third-quarter rate on record. The borough unemployment rates in Q3 2018 were:

- 3.6 percent in Queens;
- 3.7 percent in Manhattan;
- 4.3 percent in Staten Island;
- 4.4 percent in Brooklyn; and
- 5.8 percent in the Bronx.

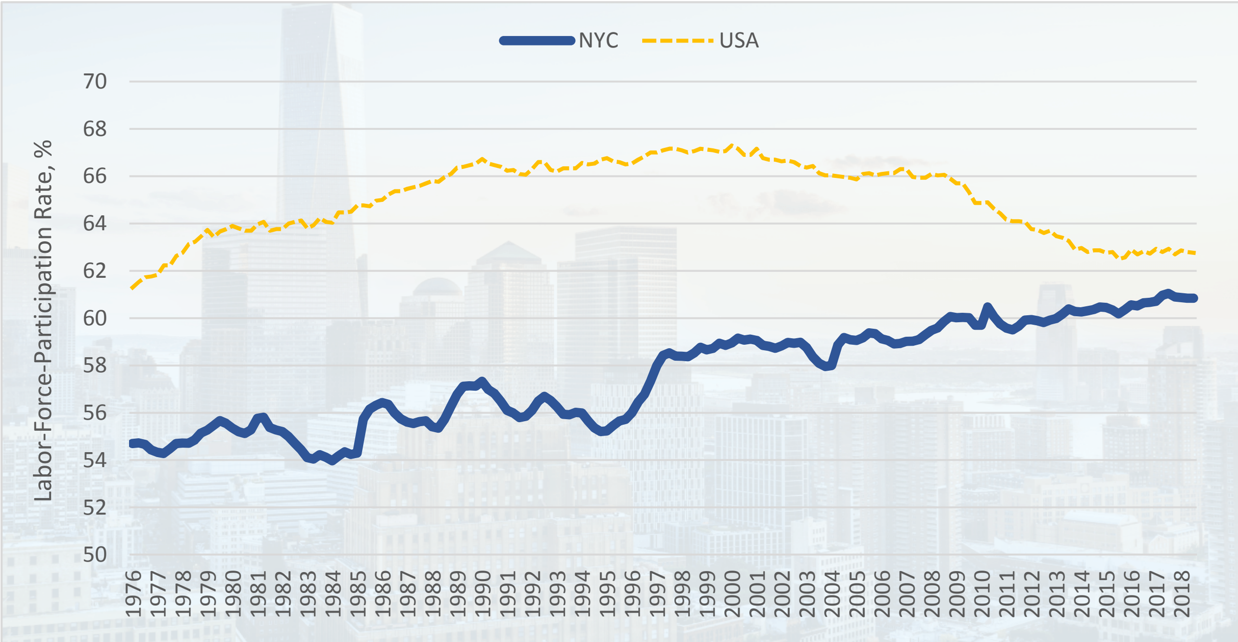
Chart 4. The Percentage of New York City Residents Working Remained At Its All Time High



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

The number of employed City residents increased by 6,200 in Q3 2018 to a record high of 4,055,300 in Q3 2018. As a result, the City's employment-to-population ratio was 58.4 percent, the highest ratio ever recorded. The national employment-to-population ratio remained unchanged at 60.4 percent in Q3 2018, the highest rate in over nine years. The spread between the city and the nation's employment-to-population ratios fell slightly to 2.0 percentage points in Q3 2018 from 2.1 percentage points in Q2 2018 (Chart 4). (See the sidebar below for a discussion of the factors behind the convergence.)

Chart 5. Labor Force Participation Rate Flat



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

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 Q3 2018, the same as in Q2 2018. The national labor-force-participation rate was also unchanged, at 62.8 percent in Q3 2018 same as in Q2 2018.

Why Is the City's Employment to Population Ratio Doing So Well?

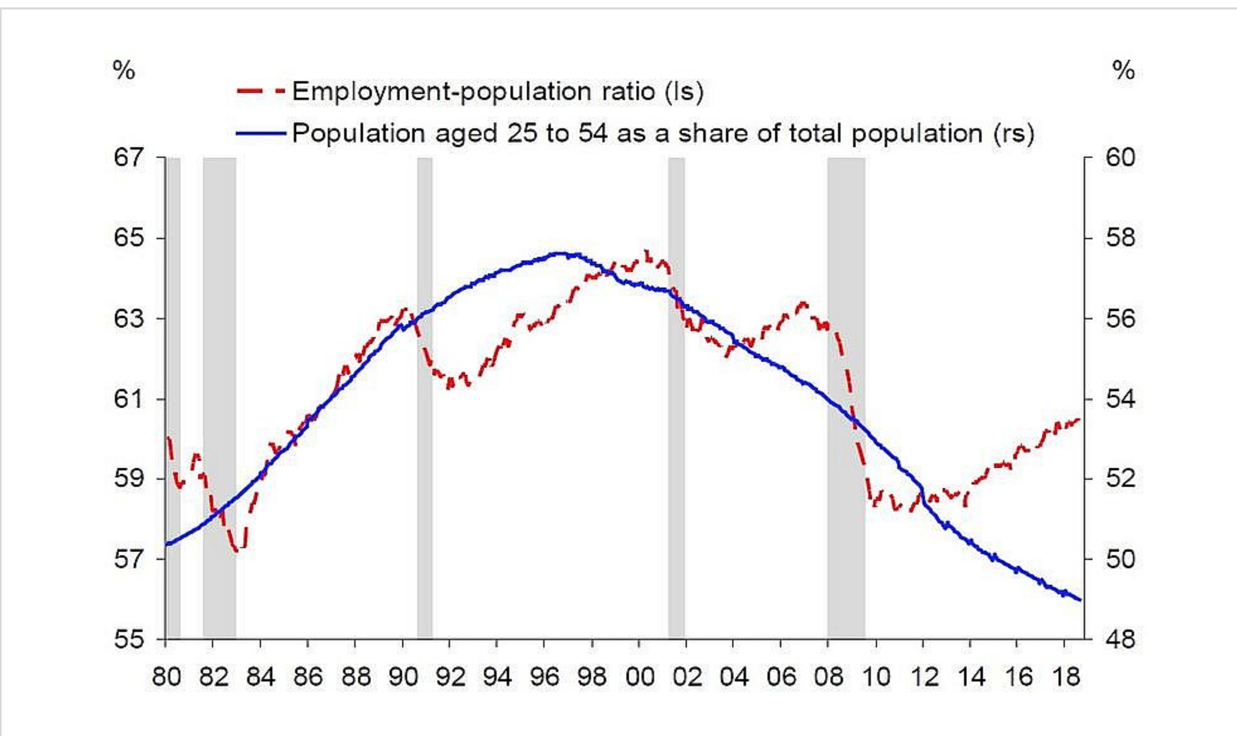
Historically the share of prime working-age New Yorkers (25 to 54) who are employed has lagged the U.S. as a whole. From 1976 until 2007, the gap in the employment-to-population (EP) ratio between the U.S. and the City averaged 9.32 percent. But the gap began to narrow in the boom years of 2005 to 2007, continued throughout the expansion, and currently stands at 2.0 percent, with the U.S. EP ratio at 60.4%, and the City ratio at 58.4% (see Chart 4).

Nationally, the EP ratio fell dramatically in the last recession, from a high of 63.4% in 2007, to a low of 58.3%, and has never regained its pre-recession high. In contrast, while the City's EP ratio also fell during the recession, it has not only recovered, but has exceeded its pre-recession high and is in fact at its highest recorded level ever.

Nationally, the decline in the percentage of the population employed is largely due to a reduction of the number of prime age (25 to 54) workers, as shown in the first chart below. The share of the total population in this age cohort has been falling since 1996 and, while there are fluctuations in the EP ratio due to business cycle fluctuations in this time frame, there is a long-term downward trend in the EP ratio as well.

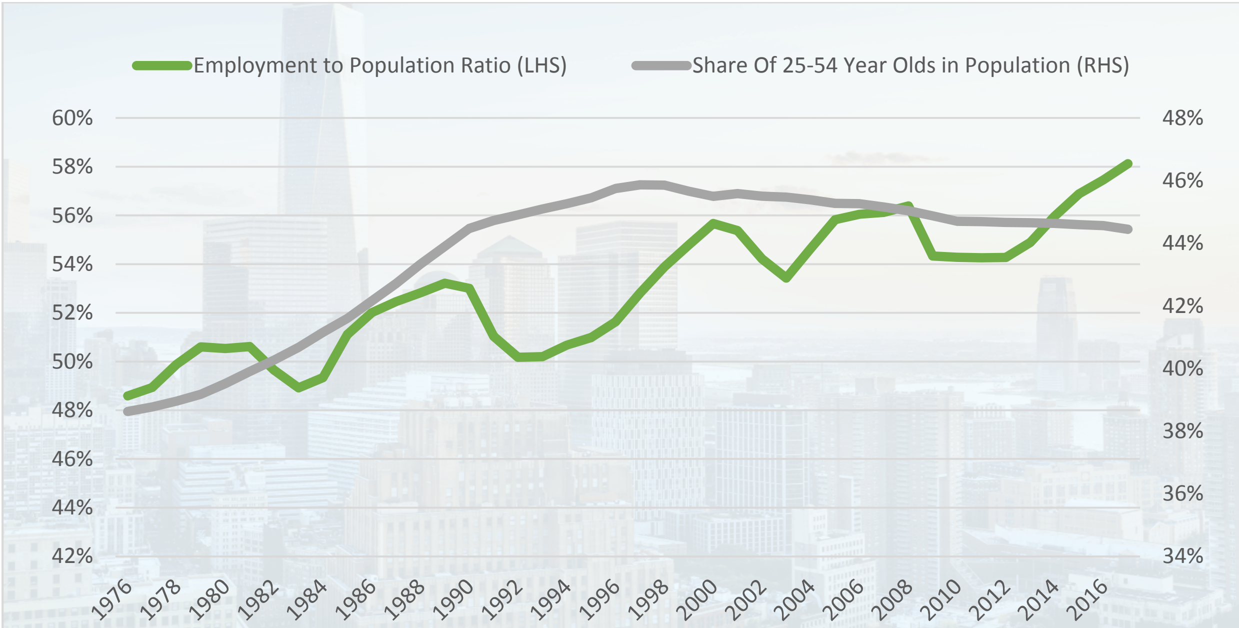
In New York City, in contrast, the percentage of prime working age members of the population has remained more stable (although lower than the U.S. percentage) than the U.S (second chart). Immigration and the continuing ability of NYC employers to attract workers, are no doubt key to this stability.

U.S.: Long-term decline in employment to population ratio



Source: The Daily Shot, DeutscheBank.

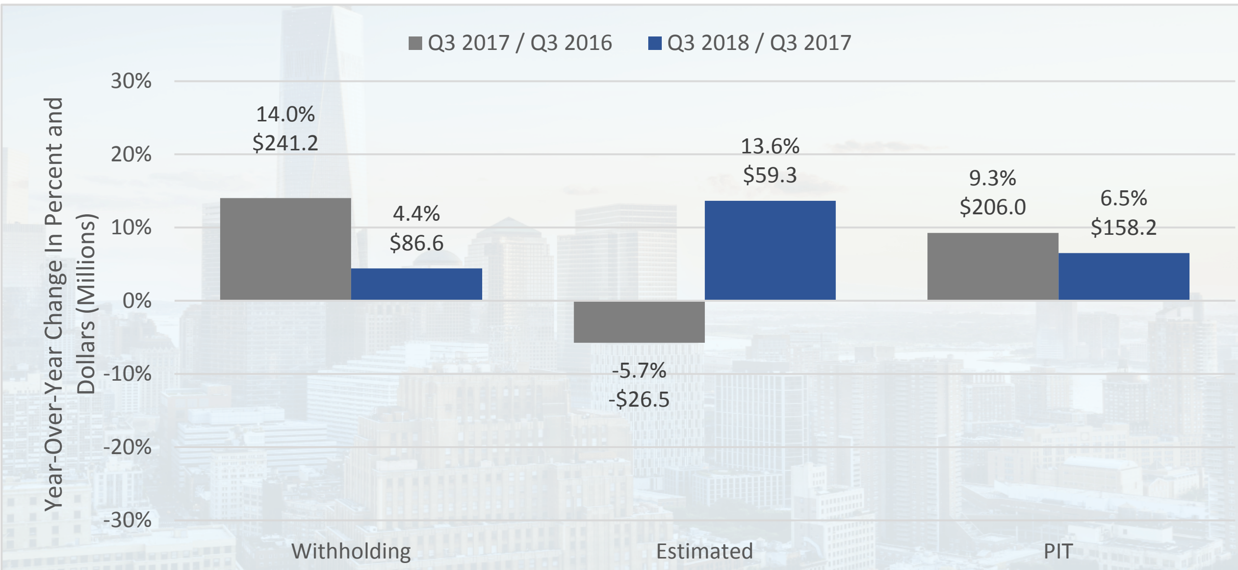
New York City: Employment to Population Ratio at Record High



Source: NYC Office of the Comptroller; BLS; NYSDOL.

Personal Income Tax Collections and Average Hourly Earnings Continue to Rise

Chart 6. Change in Personal Income Tax Collections



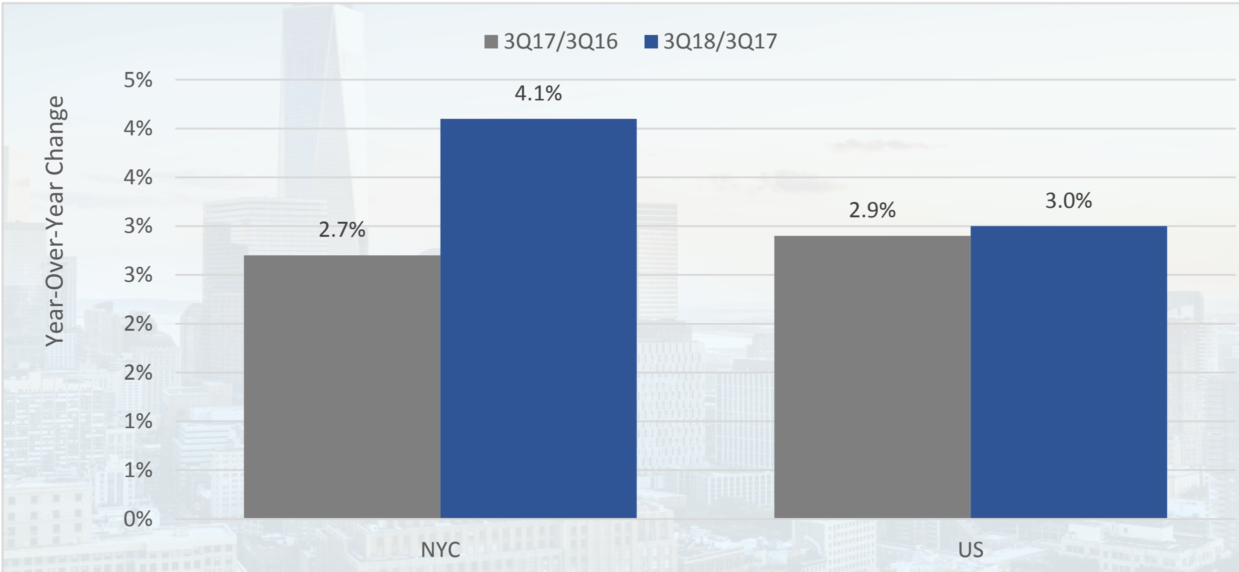
Source: NYS OPTA

NYC personal income tax (PIT) revenues, a proxy for personal income, rose 6.5 percent or $158.2 million on a year-over-year basis to about $2.6 billion in Q3 2018 (Chart 6). The increase was driven by a 4.4 percent rise in withholding taxes and 13.6 percent increase in estimated taxes, the two main components of PIT revenues. Withholding taxes reflect regular wages as well as one-time bonuses. Thus, the large increase in withholding taxes does not necessarily reflect the average workers' wage increase.

Estimated tax payments are another key component of the City's personal income tax and reflect trends in taxpayers' non-wage income, including interest earned, rental income, and capital gains. After a decline in the same period last year, estimated payments rose by about $59.3 million in Q3 2018. The increase reflects a strong economy, as well as deferred income recognition in 2017 as taxpayers waited for lower personal tax rates brought about by tax reforms which became effective for 2018.

Average hourly earnings (AHE) of all private NYC employees rose 4.1 percent on a year-over-year basis to $36.38 in Q3 2018. The city's AHE grew 2.5 percent in Q2 2018 and 2.7 percent in Q3 2017. U.S. average hourly earnings were $27.12 in Q3 2018, 3.0 percent higher than the $26.33 recorded in Q3 2017. The pace of U.S. average hourly earnings growth increased modestly from 2.7 percent growth in Q2 2018 and 2.9 percent growth in Q3 2017, on a year-over-year basis (Chart 7).

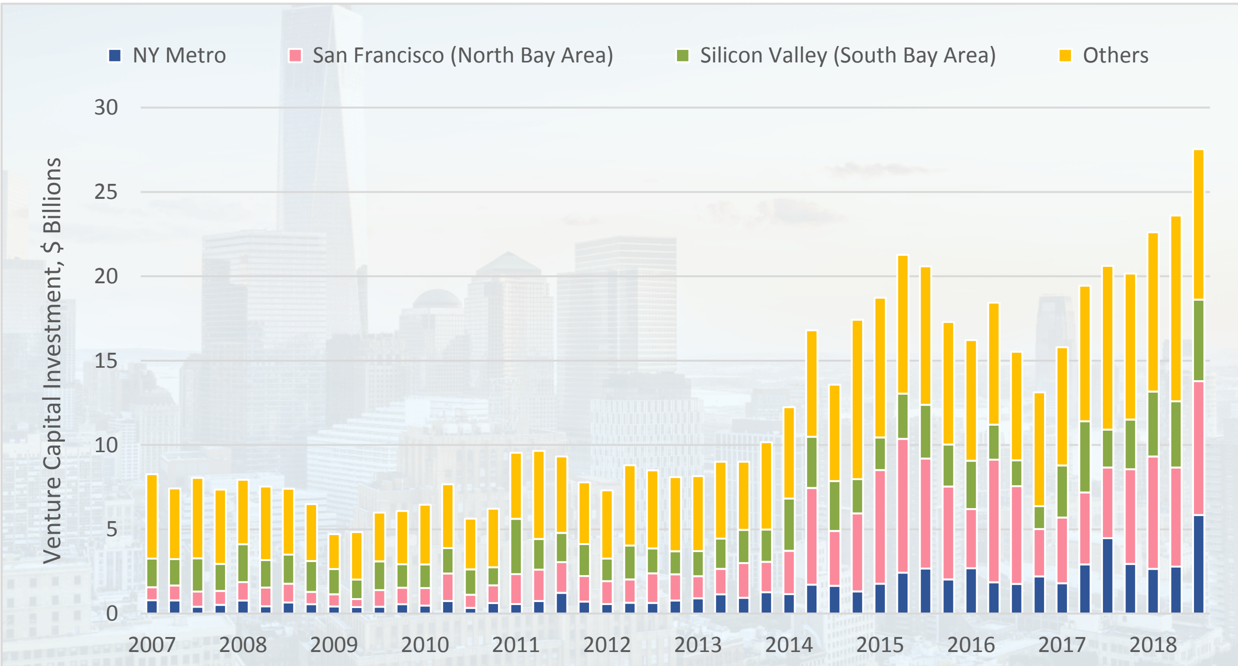
Chart 7. Change in Average Hourly Earnings of Private Employees



Source: U.S. Bureau of Labor Statistics

Venture Capital Investment Surges

Chart 8. Venture Capital Investment by Region



Quarter	NY Metro	San Francisco (North Bay Area)	Silicon Valley (South Bay Area)	Others	Total
Q3 2018	$5.86	$7.93	$4.84	$8.91	**$27.54**
Q2 2018	$2.79	$5.88	$3.92	$11.01	**$23.60**
Q3 2017	$4.48	$4.19	$2.25	$9.71	**$20.62**

Source: PwC MoneyTree

Venture capital (VC) investment in the New York metro area surged in Q3 2018. Total VC investment in the New York metro area rose 30.8 percent from a year ago to $5.86 billion in Q3 2018. Total VC investment in the New York metro area was $2.79 billion in Q2 2018. According to PwC/CB MoneyTree Report, three of the six largest U.S. deals in Q3 2018 occurred in New York.[4] Those deals were WeWork,

[4] https://www.pwc.com/us/en/moneytree-report/moneytree-report-q3-2018.pdf

valued at $1 billion, Peloton, valued at $550 million, and Letgo, valued at $500 million. Total investment in New York metro ranked second after San Francisco.

By comparison, investment in the San Francisco/North Bay area, which usually has the highest concentration of VC investment, rose 89.2 percent to $7.93 billion. Investment in Silicon Valley more than doubled to $4.84 billion in Q3 2018. Total venture capital investment in the U.S. increased 33.5 percent to $27.54 billion (Chart 8).

Despite the increase in the value of the deals, the number of VC deals in the U.S., San Francisco, New York metro area, and Silicon Valley all fell in Q3 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 159 in Q3 2018 from 213 in Q3 2017. The number of deals in the U.S. fell to 1,229 from 1,480 in Q3 2017.

The NY metro area's share of VC investment fell to 21.3 percent in Q3 2018 from 21.7 percent in Q3 2017. The share of deals fell to 12.9 percent in Q3 2018 from 14.4 percent in Q3 2017. San Francisco's share of VC investment rose to 28.8 percent while its share of deals fell to 18.6 percent.

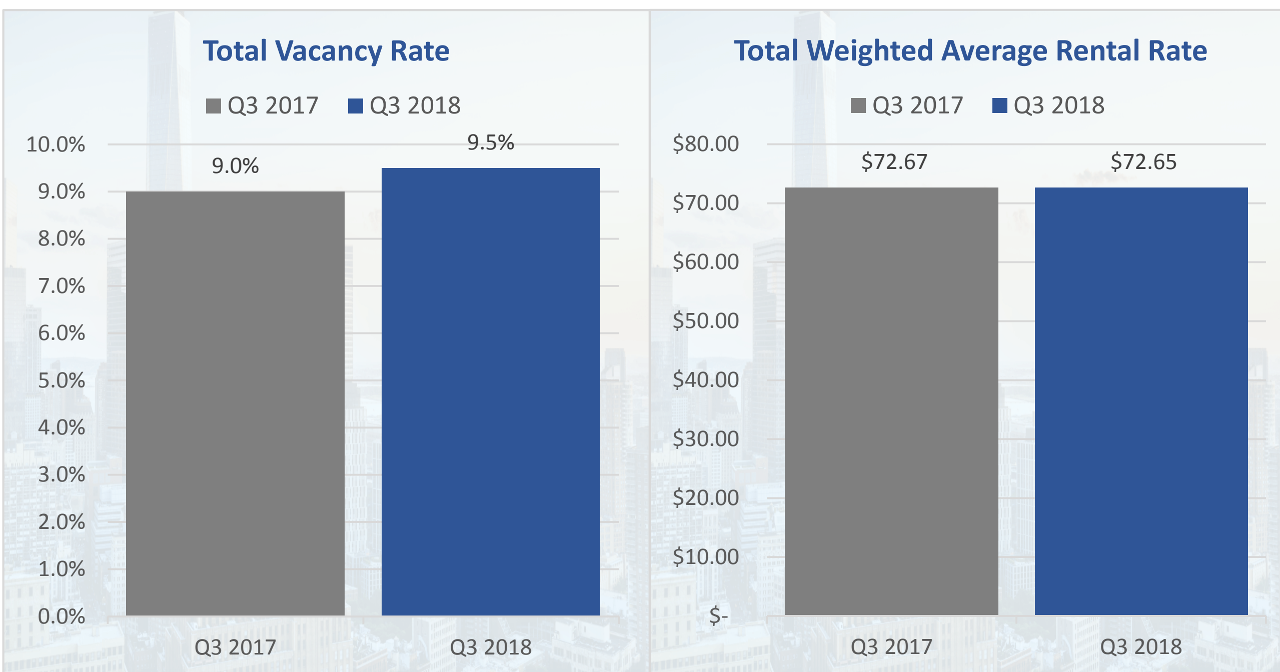
New Commercial Leasing Strong As Rents Remain Stable and Vacancy Rates Rise

New commercial leasing activity in Manhattan rose 18.0 percent, on a year-over-year basis, to about 9.6 million square feet (msf) in Q3 2018, according to Cushman and Wakefield. On a year-over-year basis, new leasing increased in Midtown South (58.1 percent to 1.8 msf) and Midtown (34.1 percent to 7.1 msf) in Q3 2018. New leasing fell in Downtown (60.0 percent to about 0.7 msf) in Q3 2018 from a year ago.

Despite the increase in new commercial leasing, Manhattan's overall commercial vacancy rate increased to 9.5 percent in Q3 2018 from 9.0 percent in Q3 2017, due largely to increased supply as the available space increased by 2.1 msf (Chart 9). On a year-over-year basis, the vacancy rate fell 0.4 percentage points in Midtown to 9.2 percent, but increased 3.3 percentage points in Downtown to 12.0 percent and 0.1 percentage points in Midtown South to 7.4 percent in Q3 2018.

On a weighted average basis commercial rents remained stable in Manhattan although there were differences by neighborhood. On a year-over-year basis, rents fell in Midtown, but increased to record highs in Downtown and Midtown South as higher-priced space entered those markets in Q3 2018.

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 Falls in Manhattan, Brooklyn, and Queens

	Manhattan	Brooklyn	Queens
Avg. Sales Price	$1,928,049	$1,051,999	$635,281
Avg. Sales Price (Y/Y, %)	-3.7%	7.2%	3.4%
Number of Sales	2,987	2,898	3,672
Number of Sales (Y/Y, %)	-11.3%	-0.5%	-5.0%
Listing Inventory	6,925	3,151	5,300
Listing Inventory (Y/Y, %)	13.2%	72.6%	18.1%
Absorption Rate (Months)	7.0	3.3	4.3
Days on Market	92	80	57
Days on Market (Y/Y, %)	-8.9%	-5.9%	-29.6%

Source: Douglas Elliman

The residential market (especially in Manhattan) continues to show weakness. The new federal tax law that limits the deductibility of mortgage interest and state and local taxes, the rise in mortgage interest rates, and stronger dollar, are likely contributing factors. House prices in Manhattan, as measured by the average sales price and average price per square foot, fell on a year-over-year basis in Q3 2018 for the fifth consecutive quarter after nine consecutive quarters of year-over-year growth. The number of sales declined for the fourth consecutive quarter, leading to an increase in listing inventories.

According to Douglas Elliman, on a year-over-year basis, the average sales price in Manhattan fell 3.7 percent to $1.9 million. Similarly, the average price per square foot fell 4.1 percent to $1,610 in Q3 2018 over Q3 2017. The number of sales fell 11.3 percent to 2,987 in Q3 2018, pushing the listing inventory up by 13.2 percent from the prior year to 6,925, and the absorption rate, defined as the number of months to sell all inventory at the current rate of sales, up to 7.0 months in Q3 2018 from 5.4 months in Q3 2017. Days on the market from the last list date fell to 92 days in Q3 2018 from 101 days a year ago.

Unlike Manhattan, housing prices increased in Brooklyn and Queens. In Brooklyn, the average sales price rose 7.2 percent to $1,051,999 in Q3 2018 from $981,623 in Q3 2017. However, the number of sales declined 0.5 percent, on a year-over-year basis, to 2,898, leading to a 72.6 percent rise in the listing inventory to 3,151. The absorption rate rose to 3.3 months and the number of days on the market fell to 80 in Q3 2018, compared with 1.9 months and 85 days, respectively, in Q3 2017.

In Queens, the average sales prices rose 3.4 percent to $635,281 in Q3 2018 over Q3 2017. However, the number of sales fell 5.0 percent to 3,672. As a result, the listing inventory rose 18.1 percent to 5,300 in Q3 2018 compared with the same period last year. The number of days on the market fell to 57 days in Q3 2018, 29.6 percent less than the 81 days in Q3 2017. The absorption rate rose to 4.3 months in Q3 2018 from 3.5 months in Q3 2017 (Table 2).

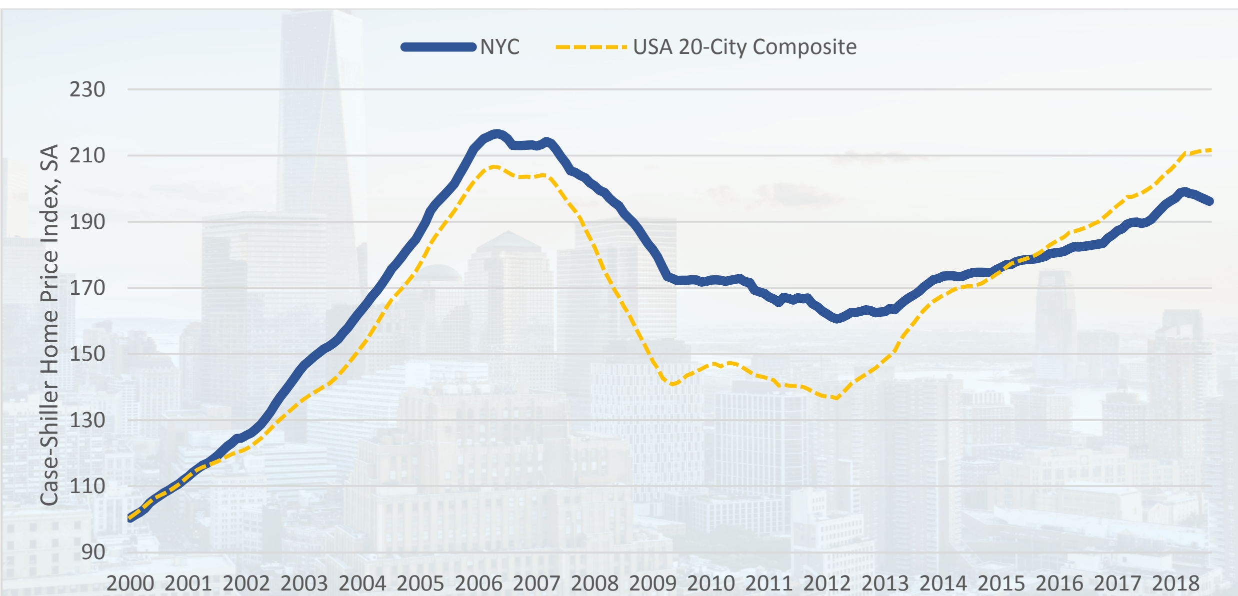
Douglas Elliman also reports that the number of 1- to 3-family homes sold rose in Brooklyn (9.8 percent), but fell in Queens (1.1 percent) in Q3 2018, on a year-over-year basis. However, the average sales price per square foot rose 22.8 percent in Brooklyn and 9.7 percent in Queens in Q3 2018 compared to Q3 2017.

Further underlining the weakness in the residential housing market, 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 96.8 percent in Q3 2018, according to StreetEasy — lower than the 97.9 percent recorded in Q3 2017, although still above the 96.3 percent average since 2010. During Q3 2018 the share of active listings with a reduction in asking price rose to 11.2 percent, compared to 9.4 percent in Q3 2017.[5]

Finally, according to the Case-Shiller index, which tracks single-family home prices, single family homes in the New York metro area lagged price growth in US on average. The New York metro area home price index increased 3.2 percent in July-August 2018 over the same period in 2017, while the U.S. 20-city composite index rose 5.7 percent. The U.S. and NYC inflation rates were 2.8 and 2.2 percent respectively in July-August 2018 on a year-over-year basis.

According to Case-Shiller, U.S. home prices have recovered their losses from the last recession while the New York metro area still lags behind. As of August 2018, the U.S. 20-city composite index was 54.9 percent higher than its trough in 2012 and 2.4 percent above its previous peak in 2006. In comparison, the New York metro area home price index was 22.1 percent higher than at its trough in March of 2012, but was still 9.4 percent below the peak reached in May 2006 (Chart 10).

Chart 10. NYC Single Family Home Prices Lag the Nation



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

[5] https://streeteasy.com/blog/data-dashboard/

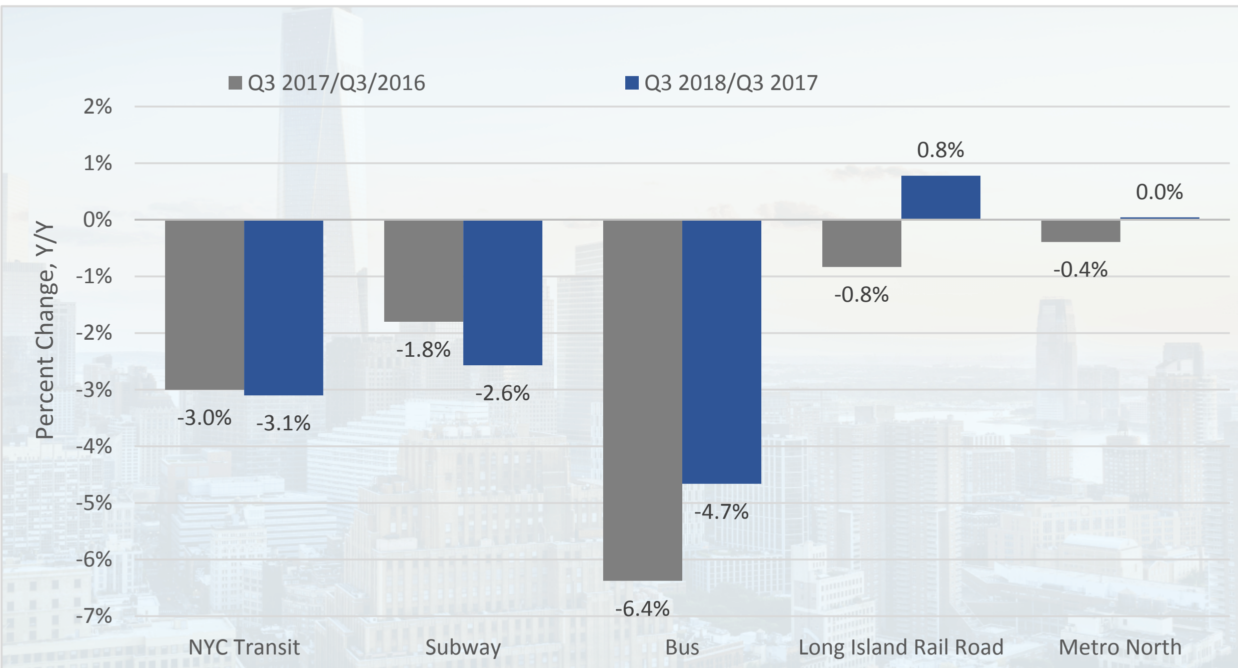
In the rental market, landlords continued to give a record amount of concessions leading to more leases. The number of new leases increased on a year-over-year basis in September, according to Douglas Elliman. The number of new leases rose 11.6 percent in Manhattan in September 2018, on a year-over-year basis. At the same time the vacancy rate in Manhattan fell to 1.5 percent in September 2018 from 2.6 percent in September 2017.

The number of new leases fell 0.7 percent in Brooklyn, but increased 13.4 percent in Queens in September 2018. The average rental price rose 1.8 percent in Manhattan, 0.2 percent in Brooklyn, and 3.8 percent in Queens in September 2018 over September 2017.

Other Indicators

Average weekday ridership on MTA NYC Transit fell 3.1 percent in Q3 2018 from a year ago. Average weekday ridership on the system's subways fell 2.6 percent and bus ridership fell 4.7 percent. During the same period, ridership on the Long Island Rail Road (LIRR) rose 0.8 percent, but remained unchanged 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 in this cycle may be found in a recent New York City Transit ridership analysis attributing the decline in ridership in public transport largely to the rise of for-hire vehicles such as Uber and Lyft, and noted that the trend of declining public transit usage is also seen in other large systems nationally.[6]

Chart 11. NYC Public Transportation Ridership Down



Source: Metropolitan Transportation Authority

Broadway show ticket sales and attendance increased in Q3 2018. According to the Broadway League, total gross weekly Broadway ticket sales were about $437 million in Q3 2018, 15.8 percent more than in Q3 2017. Total attendance was over 3.4 million in Q3 2018, 5.1 percent more than in Q3 2017.

The City's hospitality market slowed in July-August 2018 over the same period in 2017. According to CBRE Hotels, the hotel occupancy rate in Manhattan averaged 90.9 percent in July-August 2018, same as in July-August 2017. However, the average daily room rate rose to $260.20 in July 2018, from $253.92 in July-August 2017.

[6] https://www.nytimes.com/2018/08/01/nyregion/subway-ridership-nyc-metro.html

Leading Economic Indicators Point to Growth

Leading economic indicators were mixed, but implied 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 the business conditions in New York City metro area improved in Q3 2018 over Q2 2018. The current business condition (which measures the current state of the economy from the perspective of business procurement professionals) index rose to a record high of 74.7 percent in Q3 2018, from 58.6 percent in Q2 2018. Any number above 50 percent indicates continued expansion. The ISM six-month outlook (which measures where procurement professionals expect the economy to be in six months) rose to 79.7 in Q3 2018, the highest since 79.9 percent in Q3 2006. The NY-BCI (which measures the cumulative change in business activity) rose to a record high of 810.1 in Q3 2018 from 782.3 in Q2 2018.

Initial unemployment claims, which shows the number of applicants for unemployment insurance, declined for the third consecutive quarters. According to the NYS Department of Labor, average initial unemployment claims fell 8.5 percent in Q3 2018 after falling 11.9 percent in Q2 2018, on a year-over-year basis.

The only weak news came from the U.S. Department of Housing and Urban Development, which showed the total building permits in the City fell 0.1 percent to 4,461 in Q3 2018 from a year ago (Table 3).

Table 3: Leading Economic Indicators Mixed, But Positive

	Q3 2017	Q2 2018	Q3 2018
ISM-New York Metro Area, SA* Current Business Conditions	56.4	58.6	74.7
ISM-New York Metro Area, SA* Six-Month Outlook	59.0	67.8	79.7
ISM-New York Metro Area, SA* NY-BCI	747.6	782.3	810.1
Initial Unemployment Claims (Source: NYS DOL)	31,840	27,603	29,119
Number of Building Permits (Source: HUD)	4,465	5,476	4,461

*Source: ISM-New York, Inc.

Table 4: Third Quarter 2018 Economic Indicators Compared to Q2 2018 and Q3 2017

		Q3 2017	Q2 2018	Q3 2018
County Unemployment Rate, NSA (Source: NYS DOL)	Bronx	6.6%	5.3%	5.8%
	Kings	5.0%	4.0%	4.4%
	New York	4.3%	3.5%	3.7%
	Queens	4.2%	3.4%	3.6%
	Richmond	5.0%	3.9%	4.3%
Commercial Vacancy Rate (Source: Cushman & Wakefield)	Midtown	9.6%	9.2%	9.2%
	Midtown South	7.3%	6.7%	7.4%
	Downtown	8.7%	11.3%	12.0%
	Manhattan Total	9.0%	9.2%	9.5%
Commercial Rental Rate (per sq ft) (Source: Cushman & Wakefield)	Midtown	$77.67	$77.44	$76.12
	Midtown South	$69.23	$71.07	$76.42
	Downtown	$59.86	$62.09	$63.72
	Manhattan Total	$72.67	$72.62	$72.65
Number of Apartment Sales (Source: Douglas Elliman)	Manhattan	3,369	2,629	2,987
	Brooklyn	2,914	2,683	2,898
	Queens	3,865	3,421	3,672
Case-Shiller Home Price Index, NSA (Source: S&P) 100=2000	NY Metro Area	193.12	197.39	198.62*
	US 20-City Composite	202.58	211.83	213.75*
Hotel Industry (Source: CBRE Hotels)	Average Daily Occupancy Rate	91.0%	90.7%	90.9%*
	Average Daily Room Rate	$283.69	$307.22	$260.20*
MTA Average Weekday Ridership (Source: MTA)	NYC Transit	7,257,474	7,506,291	7,032,353
	Subway	5,413,720	5,625,734	5,274,566
	Bus	1,843,757	1,880,557	1,757,786
	Long Island Rail Road	313,346	314,215	315,783
	Metro North	291,286	297,176	291,412
ISM-New York Metro Area, SA (Source: ISM-New York, Inc.)	Current Business Conditions	56.4	58.6	74.7
	Six-Month Outlook	59.0	67.8	79.7
	NY-BCI	747.6	782.3	810.1
Initial Unemployment Claims (Source: NYS DOL)	Initial Unemployment Claims	31,840	27,603	29,119
Number of Building Permits (Source: HUD)	Number of Building Permits	4,465	5,476	4,461

*Data for Q3 2018 includes July and August, excludes September.

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
@NYCComptroller