



# NYC Quarterly Economic Update

Office of the New York City Comptroller

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BUREAU OF BUDGET

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## U.S. Economy Slows while New York City Nearly Keeps its Pace in 3Q15

**Overview:** Both the city and the U.S. economies slowed in 3Q15 from their growth rates in the second quarter. However, New York City's economy still managed to outperform the nation's. The city's economic slowdown occurred despite some strong third-quarter numbers indicators. The U.S. economy grew less than forecast in 3Q15 due to a drop in private investment and trade exports. Economic outcomes in New York City during the third quarter of the year include:

- Venture capital investment had the best third quarter since 2000.....page 3
- The lowest unemployment rate in seven years..... page 4
- A record high employment-to-population ratio of 57.6 percent, the same as 2Q15..... page 5
- NYC personal income tax revenues, rose 8.7 percent on a year-over-year basis to in 3Q15..... page 9
- The Manhattan office vacancy rate fell to 8.9 percent in 3Q15, the lowest third quarter since 2008.... page 10
- Strong tourism reflected in high hotel occupancy rate..... page 14

Table 1: Third Quarter of 2015 Key Economic Indicators  
NYC Compared with U.S. for 2Q15 and 3Q14

		3Q15	2Q15	3Q14
GCP/GDP Growth, SAAR	NYC	2.4	2.8	2.7
	U.S.	1.5	3.9	4.3
Payroll-Jobs Growth, SAAR	NYC	2.4	2.1	3.7
	U.S.	1.8	1.7	2.2
PIT Withheld, Growth, NSA	NYC	7.9	9.1	8.8
	U.S.	6.3	5.2	4.4
Inflation Rate, NSA	NYC	0.1	0.0	1.3
	U.S.	0.1	0.0	1.8
Unemployment Rate, SA	NYC	5.4	6.3	6.8
	U.S.	5.2	5.4	6.1

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

**Real gross city product (GCP) grew at an estimated annual rate of 2.4 percent in 3Q15, the slowest growth in over a year.** The U.S. economy grew only 1.5 percent (advance estimate) in 3Q15 after growing at a brisk 3.9 percent rate in 2Q15.

Venture capital investment in the city soared to its highest third-quarter level since 2000 and the labor market continued to strengthen. Commercial real estate markets tightened as the vacancy rate fell to its lowest third-



quarter rate since 2008 and residential market prices climbed as demand outpaced the supply.

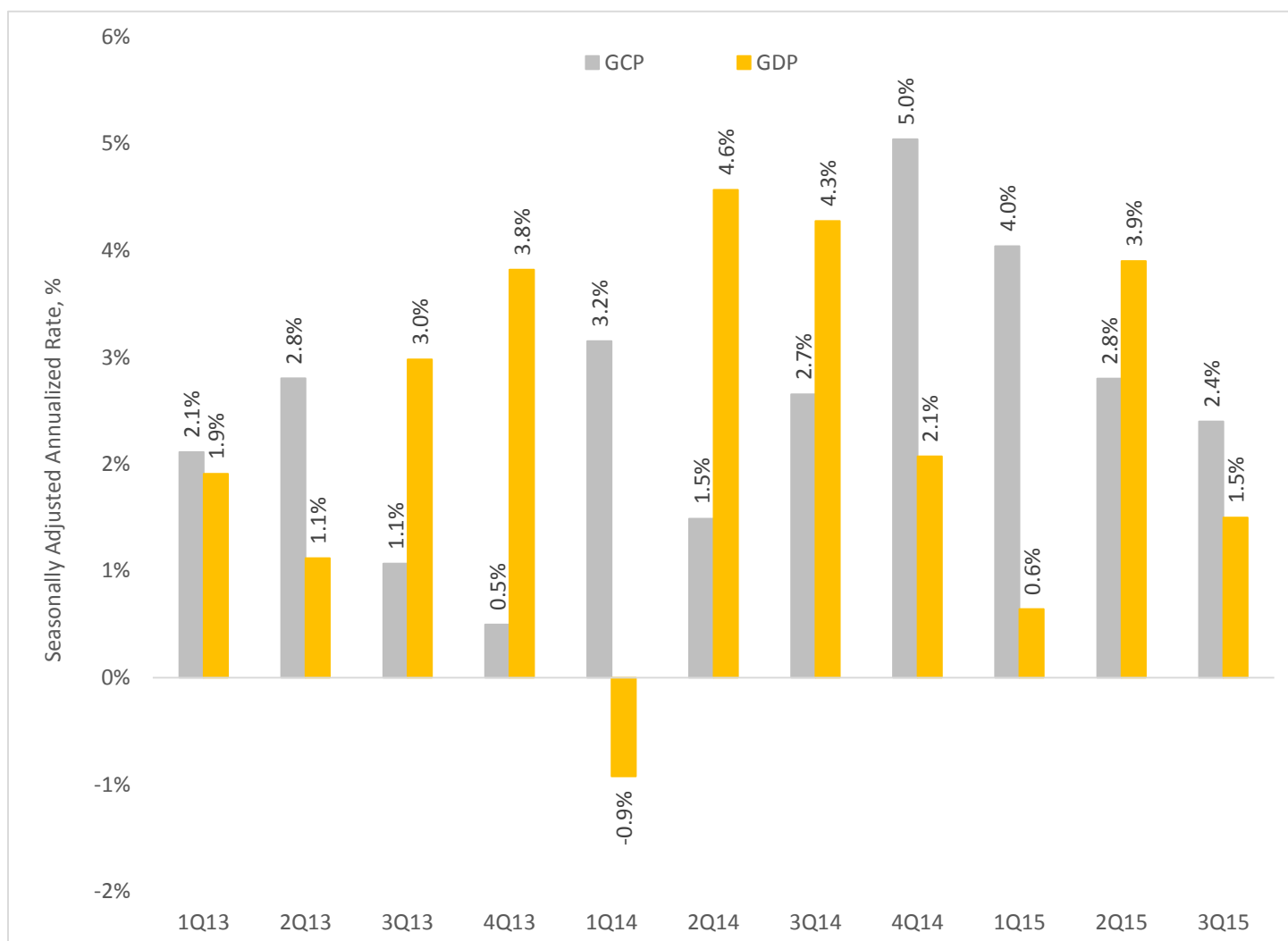
The U.S. economy grew 1.5 percent (advance estimate) in 3Q15, slower than 3.9 percent in 2Q15 and slower than the Blue Chip consensus forecast of 2.5 percent, published on October 10, 2015.

Consumer spending grew 3.2 percent and contributed 2.2 percentage points to the GDP growth. Household consumption expenditures on services and durable goods were the main contributors to consumer spending. Government expenditures grew 1.7 percent and

contributed 0.3 percentage points to the GDP growth, mostly due to the state and local government expenditures. Net exports deducted 0.03 percentage points from the GDP growth as imports grew more than exports.

Gross private domestic investment fell 5.6 percent in 3Q15 after five quarters of growth and deducted 0.96 percentage points from GDP growth. The change in private inventories and spending on structures contributed negatively to GDP growth while industrial equipment, intellectual property products, and residential investment were the items that contributed positively.

**Chart 1. Percent Change in Real Gross City Product (GCP) and National Real Gross Domestic Product (GDP), 1Q13 to 3Q15**



Source: BEA and NYC Comptroller



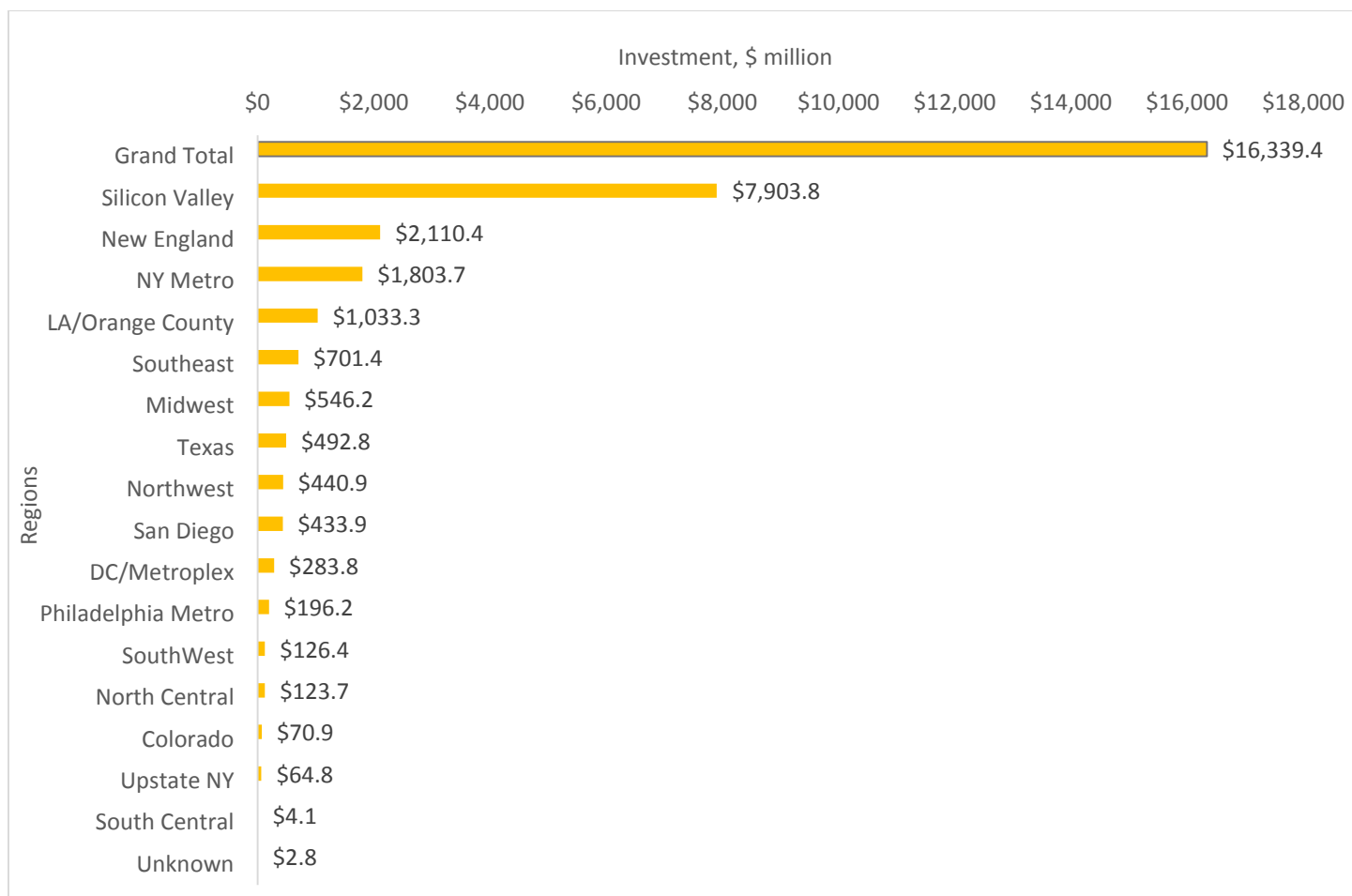
Venture capital investment in the New York metro area rose to **\$1.8 billion in 3Q15, the best third quarter since 2000 and 3.5 percent higher than the \$1.7 billion in 3Q14 (Chart 2)**. The number of venture capital deals rose 2.4 percent to 129 in 3Q15 from 126 in 3Q14. So far, New York metro area investments are up about 38 percent and the number of deals are up by 1.1 percent in the first three quarters of 2015 over 2014.

However, the metro area's share of venture capital investment fell. Of the \$16.3 billion of national venture

capital investment in 3Q15, 11 percent was in the New York metro area, compared with 16.7 percent in 3Q14. In contrast, Silicon Valley, which is the biggest recipient of venture capital investment, saw its share of total investment increase to 48.4 percent in 3Q15 from 44.5 percent a year earlier.

Venture capital investment in New York State increased 7.2 percent to over \$1.6 billion in 3Q15 from \$1.5 billion in 3Q14. The number of deals in New York State rose 9.9 percent to 122 in 3Q15 from 111 in 3Q14.

**Chart 2. Venture Capital Investment by Regions, 3Q15**



Source: PricewaterhouseCoopers/National Venture Capital Association  
MoneyTree™ Report, Data: Thomson Reuter

**New York City's private sector added 24,700 jobs, or 2.7 percent (seasonally adjusted annualized rate) in 3Q15, up from a 21,300 increase in 2Q15.** The nation's total private jobs grew 1.9 percent (SAAR) in 3Q15, slightly less than the 2 percent increase in 2Q15 (Chart 3).

Except for manufacturing, information, and professional and business services, all sectors in the city posted gains. Education and health services added 11,700 jobs, leisure and hospitality 6,200, other services 3,100, trade, transportation and utilities 2,800, financial activities 2,700, and construction 500. Information lost 1,600 jobs, manufacturing lost 700, and



professional and business services lost 100 jobs in 3Q15 compared to 2Q15.

However, most of the new private-sector job gains were in the local sector as opposed to the export sector. Export jobs bring wealth from outside of the city while local sector jobs provide the support for the export sector and the local population.

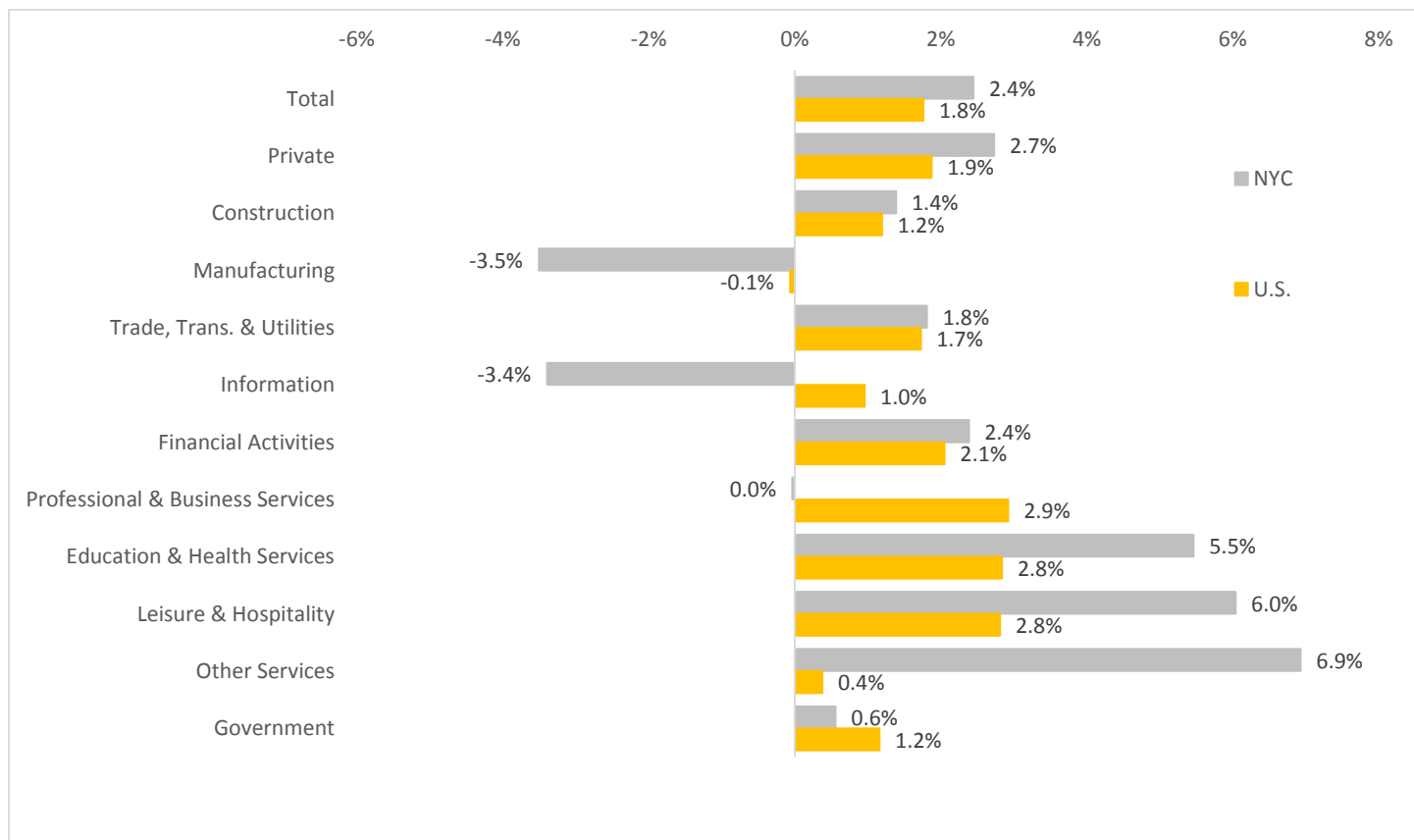
In recent years, the export sector, which is made up of manufacturing, information, financial activities, professional and business services, and leisure and hospitality, accounted for half of all the private-sector jobs in the city.

The local sector, which is made up of construction, trade, transportation, and utilities, education and health services, and other services, accounted for the other half.

However, of the 24,700 new private-sector jobs gained in 3Q15, 18,100 or 73 percent were in the local sector and 6,600 or 27 percent were in the export sector. The disproportional gain in the export sector is due to the job losses in information and professional and business services as it was pointed out earlier.

Also, most of the new jobs created were in the medium-wage sector followed by the low-wage sector. In other words, of the total new jobs created, 19,100 or 75 percent were in the medium-wage sector, 5,300 were in the low-wage sector, and 1,000 were in the high-wage sector. Jobs in high-wage industries pay over \$112,000 on average, jobs in medium-wage industries average between \$56,000 and \$112,000, and low-wage industries average below \$56,000 annually.

**Chart 3. Annualized Percent Change in Payroll-Jobs, NYC and the U.S., SAAR, 3Q15 over 2Q15**



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

**NYC's unemployment rate, adjusted for seasonality, fell to 5.4 percent in 3Q15, the lowest in seven years.** The U.S. unemployment rate fell to 5.2 percent in 3Q15, also the lowest rate in seven years (Chart 4).

The decline in the unemployment rate was due to a record drop in the number of unemployed. The seasonally-adjusted number of unemployed NYC

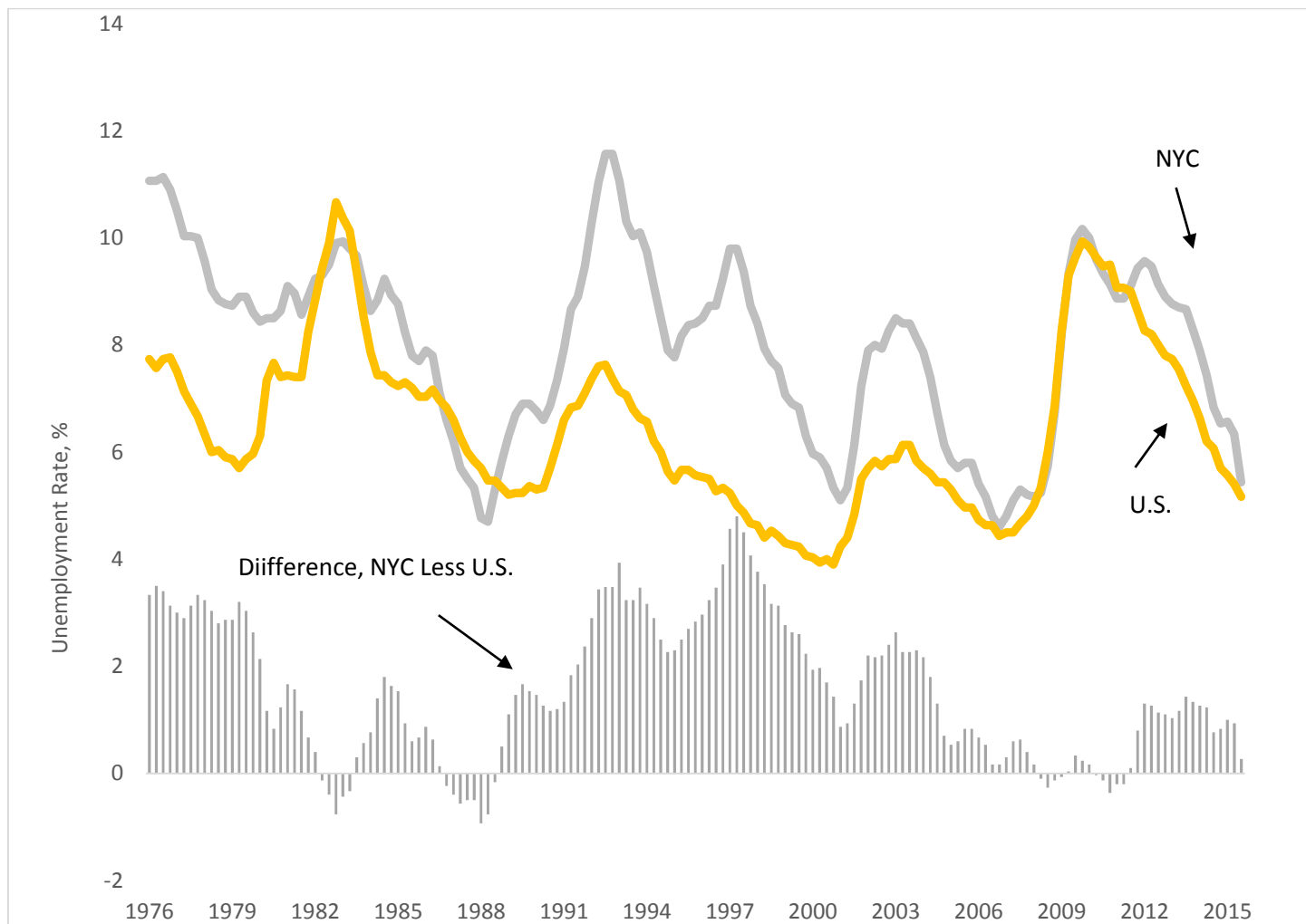


residents fell by over 40,000 in 3Q15, the largest quarterly drop on record.

Since its all-time peak of over 400,000 in 4Q09, the number of unemployed city residents has declined by almost 175,000 or 44 percent, to 226,400 in 3Q15.

Among the five boroughs, Manhattan had the lowest unemployment rate (not seasonally adjusted) at 4.5 percent in 3Q15. Queens' unemployment rate was 4.6 percent, Brooklyn's was 5.5 percent, and the Bronx' was 7.2 percent in 3Q15. All of those are the lowest third-quarter rates since 2006. Staten Island's unemployment rate was 5.4 percent, the lowest third-quarter rate since 2007.

**Chart 4. Unemployment Rate, NYC, U.S. and NYC Less U.S., Quarterly (SA), 1Q76-3Q15**



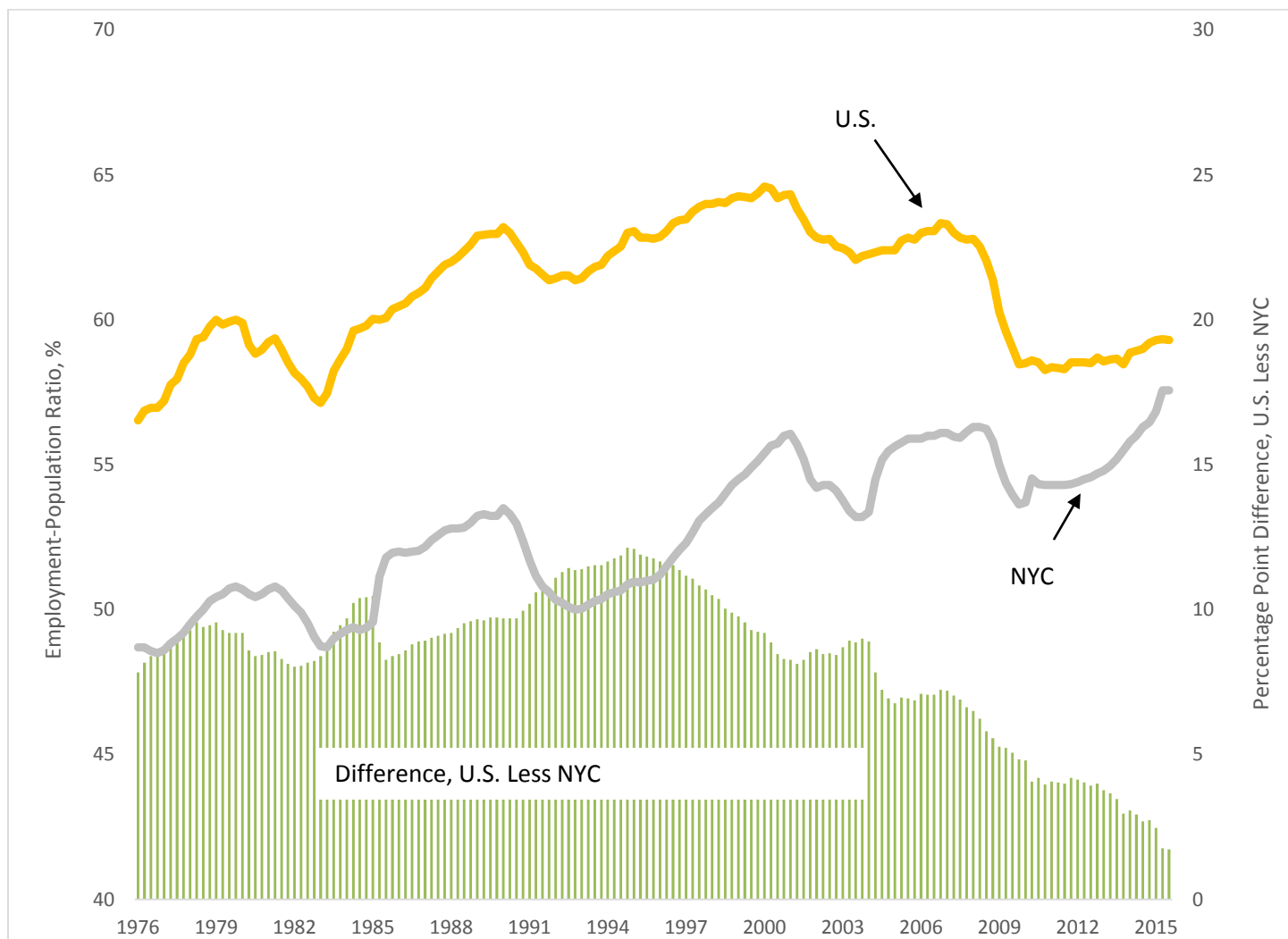
Source: U.S. Bureau of Labor Statistics (BLS) and NYS Department of Labor

**Civilian employment increased by 7,000 in 3Q15, the smallest quarterly gain since 5,100 in 4Q10.** Since its most recent trough in 4Q09, the city's civilian employment count has increased by almost 405,000 or 11.4 percent to a record level of about four million in 3Q15. As a result, the city's

employment-to-population ratio rose to a record high of 57.6 percent in 3Q15, the same as 2Q15. Although it is still below the nation's ratio of 59.3 percent, the spread between the U.S. and the city has fallen to a historical low of 1.8 percentage points (Chart 5).



Chart 5. Employment-Population Ratio, NYC, U.S. and NYC Less U.S., Quarterly (SA), 1Q76-3Q15



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

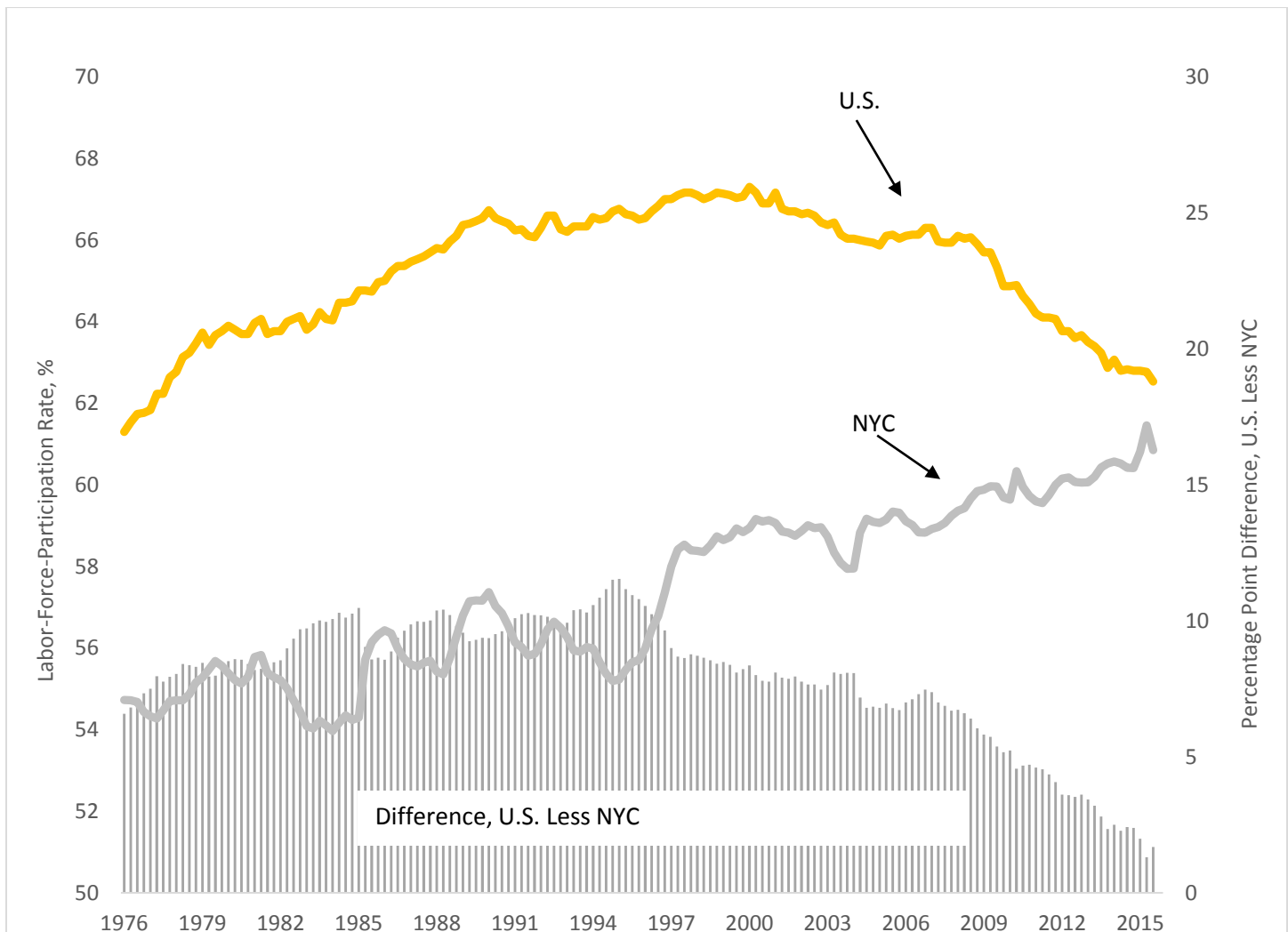


The city's labor force fell by a record 33,300 to about 4.2 million in 3Q15. This was an unprecedented quarterly decline. The city's labor-force-participation rate (LFPR), which is the total number of city residents employed or looking for a job as a portion of the total non-institutional population (16 years old and over), fell to 60.8 percent in 3Q15 from 61.5 percent in 2Q15. An abrupt decline in the labor force sometimes implies an increase in the number of discouraged workers, although demographic factors could also be at play.

The U.S. LFPR fell also to 62.5 percent in 3Q15, the lowest since 3Q77. The spread between the U.S. and the city's LFPR, which had reached a record low of 1.3 percentage points in 2Q15, widened to 1.7 percentage points in 3Q15 (Chart 6).

Despite the city's LFPR decline in 3Q15 after 16 consecutive quarterly increases, on a year-to-date basis, the city's labor force has grown more in 2015 than in 2014.

**Chart 6. Labor-Force-Participation Rate, NYC, U.S. and NYC Less U.S., Quarterly (SA), 1Q76-3Q15**



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



Table 2: Third Quarter Economic Indicators Compared to 2Q15 and 3Q14

		3Q15	2Q15	3Q14
County Unemployment Rate, NSA (Source: NYS DOL)	Bronx	7.2	8.0	9.4
	Kings	5.5	6.2	7.5
	New York	4.5	5.0	5.9
	Queens	4.6	5.2	6.2
	Richmond	5.4	5.9	7.2
Commercial Vacancy Rate (Source: Cushman & Wakefield)	Midtown	9.3%	8.9%	11.0%
	Midtown South	5.8%	6.2%	8.5%
	Downtown	10.3%	10.3%	9.0%
	Manhattan Total	8.9%	8.8%	10.2%
Rental Rate (per sq ft) (Source: Cushman & Wakefield)	Midtown	\$77.04	\$76.45	\$73.72
	Midtown South	\$67.05	\$66.86	\$58.08
	Downtown	\$57.92	\$58.25	\$48.43
	Manhattan Total	\$71.02	\$70.52	\$66.62
Number of Apartment Sales (Source: Douglas Elliman)	Manhattan	3,654	2,674	3,328
	Brooklyn	2,368	1,735	2,077
	Queens	3,642	2,539	2,213
Case-Shiller Home Price Index (Source: Moody's)	NY Metro Area	177.17*	178.86	173.95*
	US 20-City Composite	178.43*	178.98	169.89*
Hotel Industry (Source: PKF Consulting)	Average Daily Occupancy Rate	92.6*	92.5	93.3*
	Average Daily Room Rate	\$259.7*	\$304.0	\$265.8*
MTA Average Weekday Ridership (Source: MTA)	NYC Transit	7,467,943	7,927,674	7,587,205
	Subway	5,500,787	5,803,440	5,513,022
	Bus	1,967,156	2,124,234	2,074,183
	Long Island Rail Road	311,210	306,546	303,597
	Metro North	293,831	294,837	293,196

\*Data includes July and August, excludes September



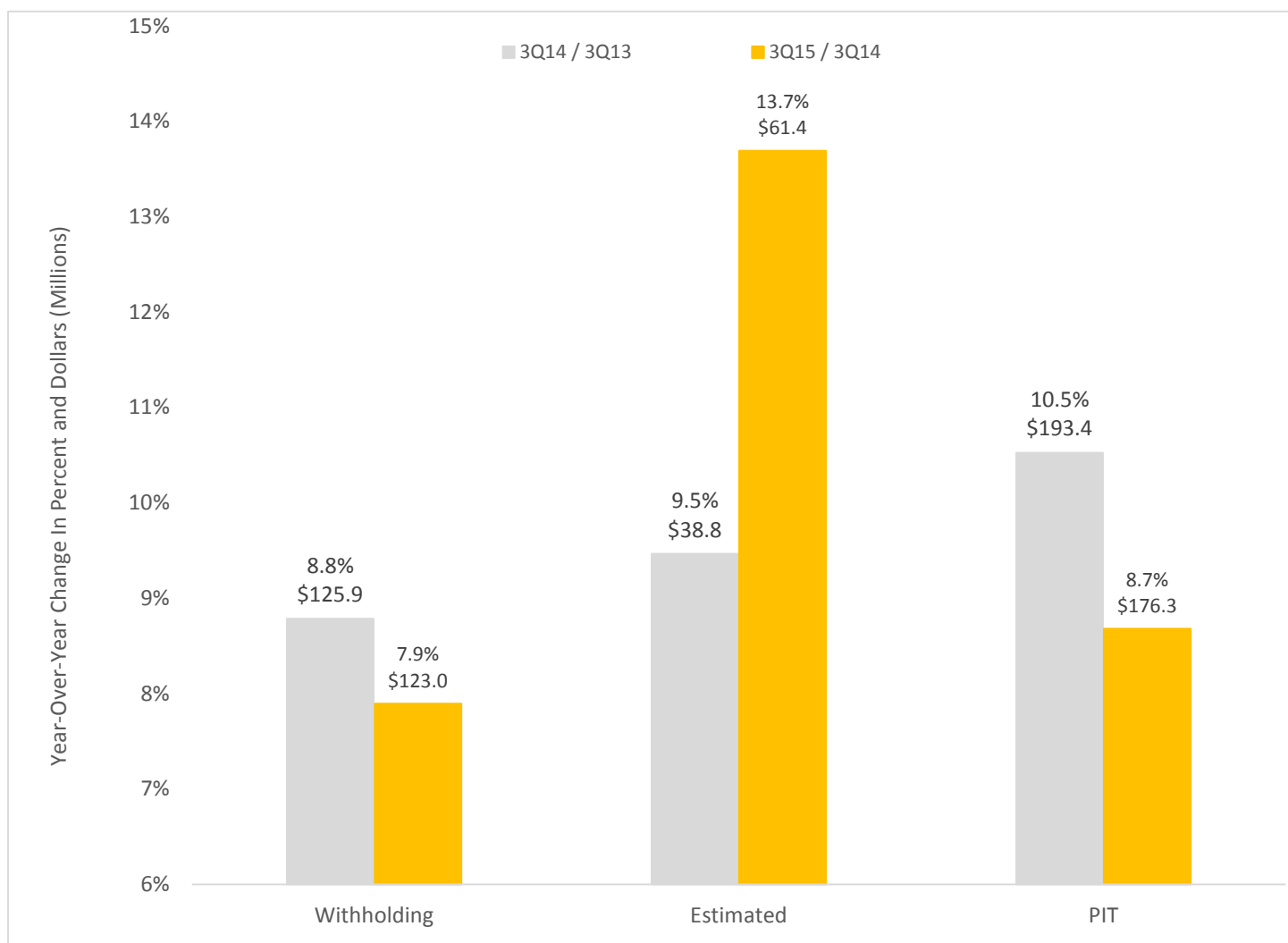
NYC personal income tax (PIT) revenues, a proxy for personal income, rose 8.7 percent on a year-over-year basis to over \$2.2 billion in 3Q15, the highest third quarter level on record. On a year-over-year basis, personal income taxes withheld from paychecks rose 7.9 percent to about \$1.7 billion in 3Q15, the highest third quarter level on record.

Estimated tax payments, which reflect trends in taxpayers' non-wage income, including interest earned, rental income,

and capital gains, rose to \$510 million in 3Q15, 13.7 percent higher than the \$449 million in 3Q14. The city's estimated tax payments collections in 3Q15 was also the highest third quarter on record (Chart 7).

Average hourly earnings of the city's total private employees, another proxy for personal income, rose 3.8 percent in 3Q15 on a year-over-year basis after rising 2.9 percent in 2Q15. The U.S. average hourly earnings grew 2.4 percent in 3Q15 on a year-over-year basis, after rising only 2 percent in 2Q15.

**Chart 7. Changes in Personal Income Tax Revenues, in Percent and Dollars (millions), 3Q14 over 3Q13 and 3Q15 over 3Q14**



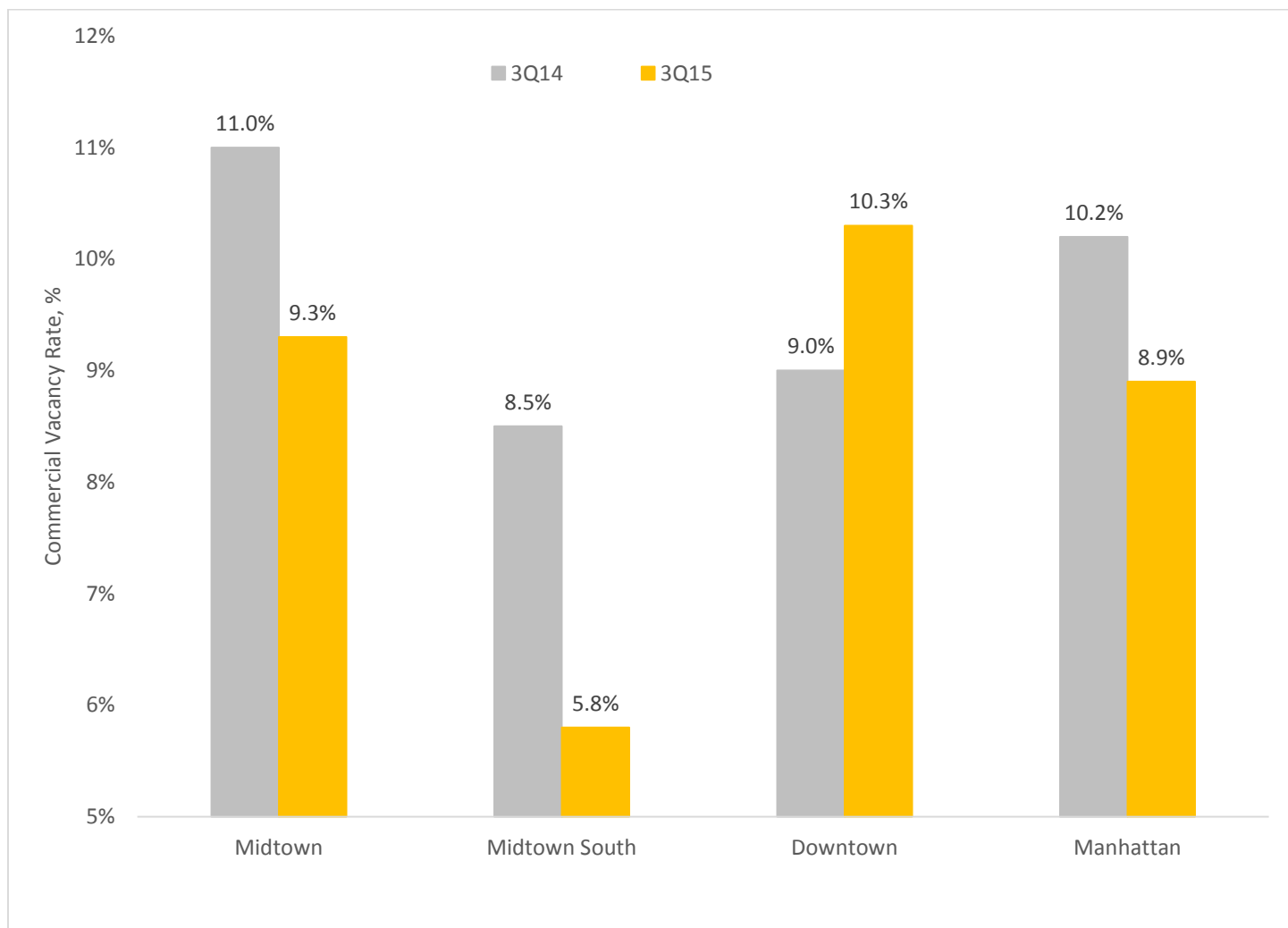
Source: NYC OMB



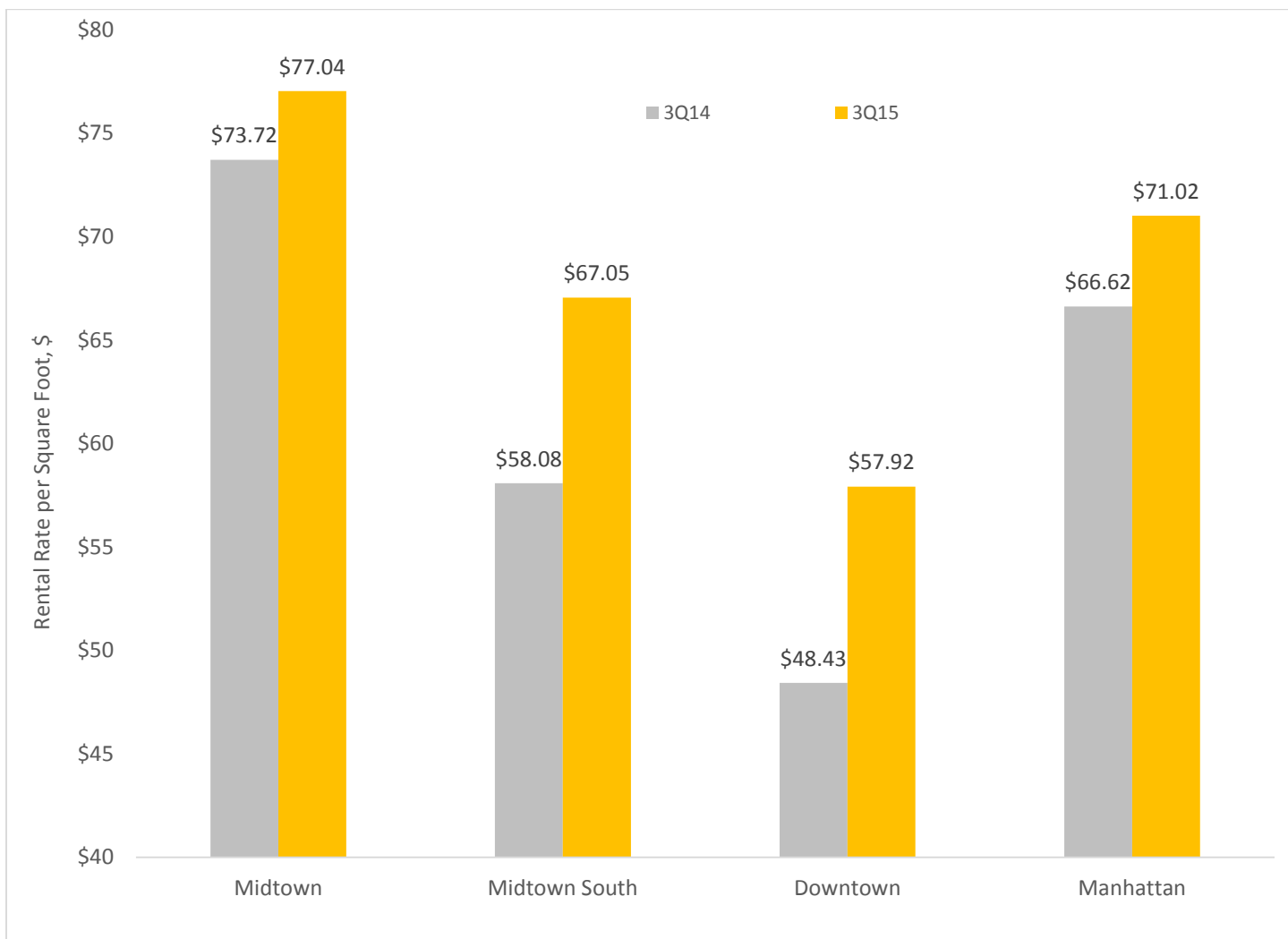
The Manhattan office vacancy rate, including sublease space, fell to 8.9 percent in 3Q15, the lowest third quarter since 2008, as reported by Cushman & Wakefield. On a year-over-year basis, the vacancy rate dropped 1.7 percentage points in Midtown and fell 2.7 percentage points in Midtown South, but increased 1.3 percentage points in Downtown.

New leasing activity in 3Q15 totaled 6.5 million square feet (msf), 14.1 percent lower than 3Q14. Year-to-date leasing was 10.3 percent lower than the previous year. Most of the new leasing in 3Q15 took place in Midtown (3.9 msf) followed by Downtown (1.4 msf) and then Midtown South (1.2 msf). Overall asking rents increased in all the submarkets (Chart 8 and 9).

Chart 8. Overall Commercial Vacancy Rates, 3Q15 and 3Q14



Source: Cushman & Wakefield

**Chart 9. Overall Commercial Rental Rate per Square Foot, 3Q15 and 3Q14**

Source: Cushman &amp; Wakefield

**The city's Housing market continued to do well in 3Q15 as demand outpaced supply, causing prices to climb on a year-over-year basis.** According to a report from Douglas Elliman, Manhattan had the greatest number of sales, Brooklyn had the largest rise in sales price, and Queens had the highest increase in number of sales.

The number of sales in Manhattan rose to 3,654 in 3Q15, an increase of 9.8 percent from 3Q14, while the listing inventory fell 3.0 percent to 5,654 during the same period. Reflecting the tighter market, the average sales price rose 3.1 percent to over \$1.7 million, the average price per square foot rose 17.9 percent to \$1,497, and the median sales price rose 9.9 percent to \$998,000. The absorption rate, defined as the number of months to sell all inventory at the current rate of sales, fell to

4.6 months in 3Q15 from 5.3 months in 3Q14. Also, days on the market from last list date fell to 73 days in 3Q15 from 91 days the prior year.

Similar to Manhattan, Brooklyn housing prices increased as a result of higher demand and lower supply. The number of sales rose 14 percent to 2,368 in 3Q15 from the prior year, while the listing inventory fell 17.2 percent to 4,134 compared to the same period in 2014. This led the average sales price to rise 18 percent to \$856,839 and the median sales price to rise 15.1 percent to \$676,250 in 3Q15 from 3Q14. Also, the absorption rate fell 27.8 percent to 5.2 months and days on market fell to 55 in 3Q15 from 92 in 3Q14.



Finally, house prices in Queens also rose as a result of a surge in demand and declining supply. The number of sales rose 64.6 percent to 3,642 in 3Q15 over 3Q14 while the listing inventory fell 6.3 percent to 5,249 during the same period. The average sales price rose 12.8 percent to \$522,378 and the median sales price rose 14.1 percent to \$450,865 in 3Q15 from 3Q14. The absorption rate fell 43.4 percent to 4.3 months and days on the market fell to 92 days in 3Q15 from 111 days in 3Q14 (Chart 10).

Prudential Douglas Elliman reports that the number of 1-to 3-family homes sold in Brooklyn rose 42.2 percent and rose 85 percent in Queens in 3Q15 over 3Q14. The average sales price per square foot rose 8.4 percent in Brooklyn and 6.3 percent in Queens, compared to a year earlier.

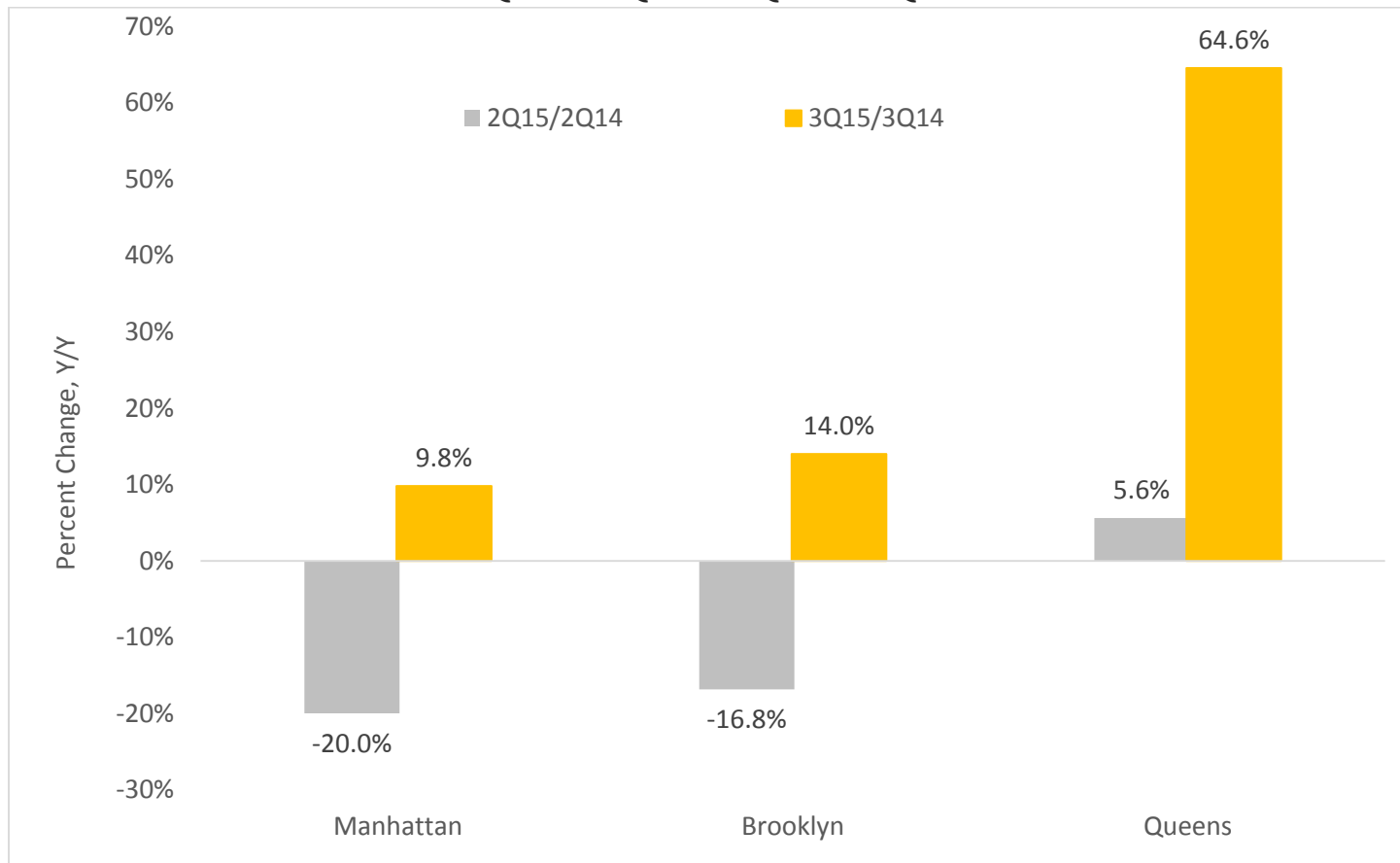
According to the Case-Shiller index, which tracks single family home prices, the seasonally-adjusted New York metro area home price index increased 1.9 percent in August 2015 over August 2014. During the same period, the New York metro

area's inflation rate rose 0.1 percent, indicating a real increase in home prices. Although the home price index in the metro area rose in August on a year-over-year basis, it was 1.3 percent below its six-year high reached in April.

The U.S. 20-city composite index rose 5.1 percent in August 2015 on a year-over-year basis, but fell 0.4 percent from its seven-year high of April 2015. The U.S. inflation rate was up 0.2 percent in August 2015 from August 2014. The San Francisco metro area had the biggest increase (10.8 percent) and the Washington, D.C., Chicago, and New York metro areas had the smallest increases (1.9 percent) in August 2015 over the prior year.

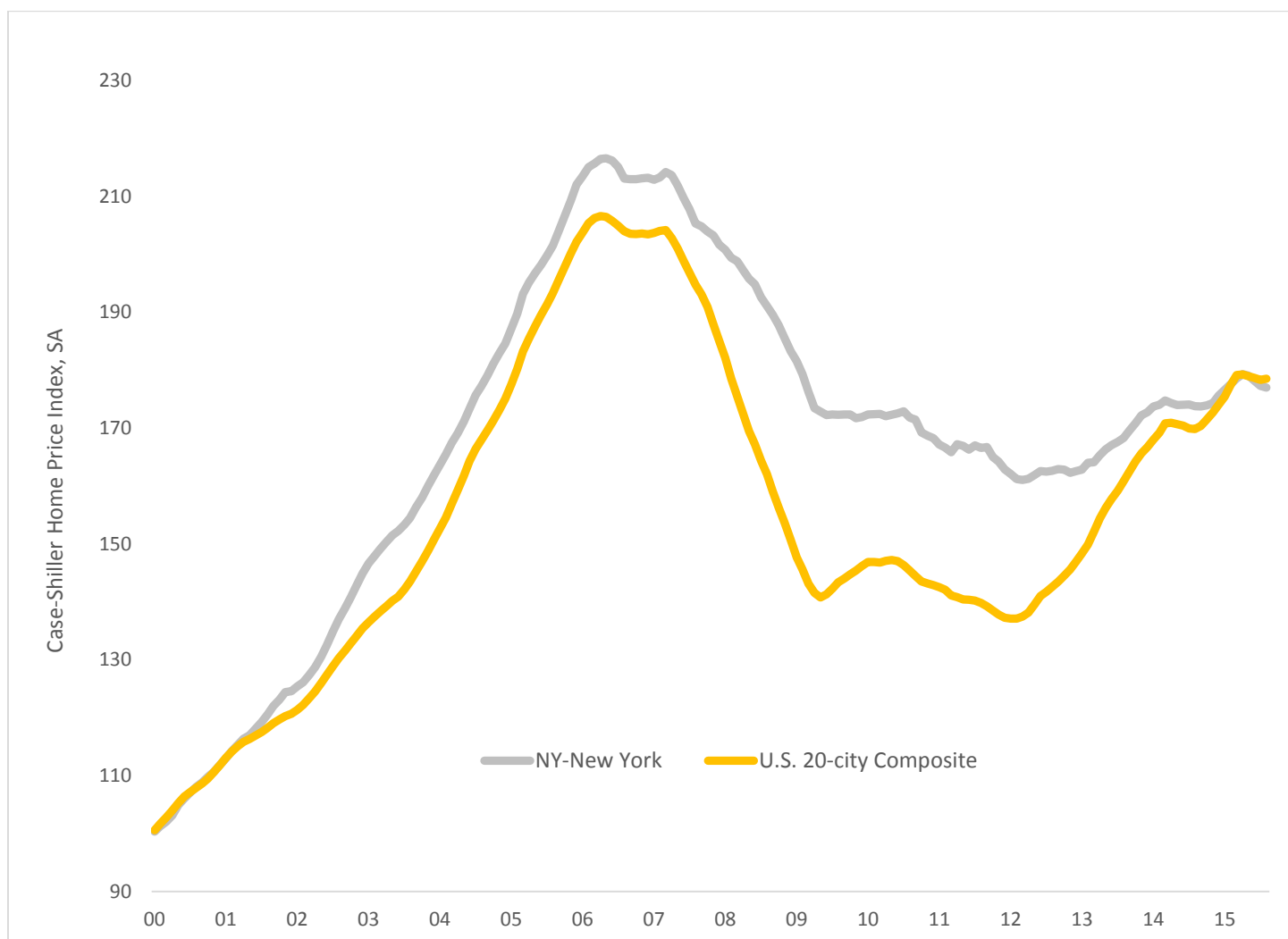
As of August 2015, the New York metro area home price index was 9.9 percent higher than at its trough in March of 2012, but still 18.3 percent below the peak reached in May 2006. In comparison, the U.S. 20-city composite index was 30.2 percent higher than its trough but 13.6 percent below its peak (Chart 11).

**Chart 10. Percent Change in the Number of Apartment Sales, Manhattan, Brooklyn, Queens, 2Q15 over 2Q14 and 3Q15 over 3Q14**



Source: Douglas Elliman

Chart 11. Case-Shiller Home Price Index, Monthly SA, January 2000 to August 2015



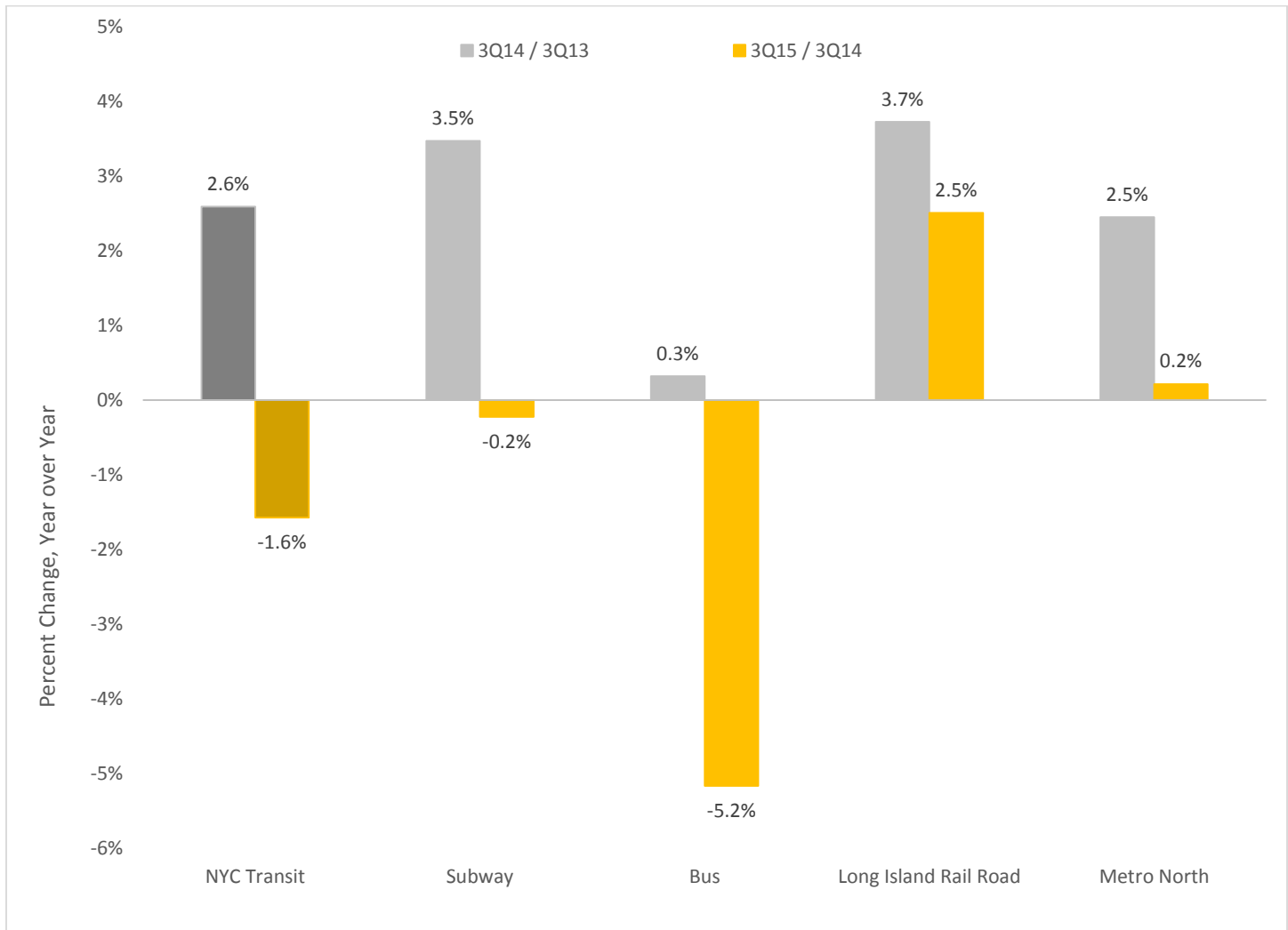
Source: Standard and Poor's

**Average weekday ridership on MTA NYC Transit fell 1.6 percent in 3Q15, on a year-over-year basis.** Average weekday ridership on the system's subways fell 0.2 percent, and bus ridership fell 5.2 percent. During the same period, ridership on Long Island Rail Road rose 2.5 percent and ridership on Metro North rose 0.2 percent (Chart 12).

Higher ridership usually reflects an increase in the city's economic activities and employment. However, slightly lower ridership does not necessarily imply a decline in economic activities. A rise in income and more taxi rides, including Uber, could explain some of the decline.



**Chart 12. Percent Change in MTA Average Weekday Ridership,  
3Q15 over 3Q14 and 3Q14 over 3Q13**



Source: Metropolitan Transportation Authority

**The city's hospitality industry had its second best July-August performance ever (September numbers are not yet available) in 2015.** According to PKF Consulting, the hotel occupancy rate in Manhattan averaged 92.6 percent in July-August of 2015, the second highest July-August average since 1980. The highest July-August occupancy rate was 93.3 percent in 2014 and the lowest was 67.1 percent in 1982.

The average daily room rate also fell on a year-over-year basis. The hotel average daily room rate was \$260 in July-August 2015, compared to \$266 in July-August 2014.

The drop in occupancy rates may be an early manifestation of the stronger dollar, which makes visiting New York more

expensive for many foreign tourists. Large additions to the city's room inventory could also play a role.

Broadway show ticket sales increased despite a drop in attendance. According to the Broadway League, total gross weekly Broadway ticket sales were about \$319 million in 3Q15, one percent higher than the \$315 million sold in 3Q14. However, total attendance was three million in 3Q15, 0.7 percent lower than in 3Q14.



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