

New York New Construction Sentiments

- How developers determine future prices of new construction?
- Leading indicators (Akintoye, Bowen & Hardcastle, 2010):
 - unemployment level
 - construction output
 - industrial production
 - ratio of price to cost indices in manufacturing
- Business Objective: local real estate sentiment index to nowcast the price of future real estate under construction

Beige Book

[federalreserve.gov/monetarypolicy/beigebook201911.htm](#)

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National Summary

activity. Broadway theaters reported that attendance was fairly sturdy in October but dropped off a bit in the first half of November, as both attendance and revenues slipped below comparable year-ago levels.

Other service industries generally reported softening activity—particularly in the information and finance sectors. Professional & business and education & health service firms reported some modest weakening in conditions. Service firms, even those in leisure & hospitality, have grown somewhat less optimistic about the near-term outlook.

Real Estate and Construction

Housing markets across the District have been mixed but, on balance, weaker in the latest reporting period. Prices of New York City condos and co-ops have continued to trend lower and are now running moderately below comparable 2018 levels, with steeper declines at the high end of the market and in Manhattan. A local real estate expert noted a precipitous drop in the share of cash purchases at the higher end of the market, which is seen as a signal that investors have largely left the market. The inventory of existing homes has continued to climb to a fairly high level in Manhattan but less so in the outer boroughs. Housing markets in the suburban areas around New York have been more stable, with prices still rising moderately in most areas and inventories generally stable. Similarly, in upstate New York, the sales market has remained strong, with inventories steady at very low levels, prices still rising, and bidding wars still fairly commonplace in the more sought-after areas.

The residential rental market has strengthened further. While Manhattan rents have leveled off, rents across much of the city and metro area have continued to rise at a moderate pace—and at a somewhat faster pace at the high end of the market, reflecting a shift in demand away from owning. Rental vacancy rates have edged up but remain quite low across New York City.

Commercial real estate markets across the District have generally weakened in the latest reporting period. Office rents have been mostly flat, while availability rates have climbed modestly in most areas, with leasing activity steady to slower. Industrial markets have been mixed: rents have continued to trend up, though the pace has slowed, and availability rates have been flat to up slightly. The market for retail space has weakened further, even as the holiday shopping season draws near, with rents flat and vacancy rates at multi-year highs.

New multi-family construction starts have held steady across the District, while the volume of ongoing multi-family construction has remained fairly brisk. New office and industrial construction has continued to weaken modestly.

Banking and Finance

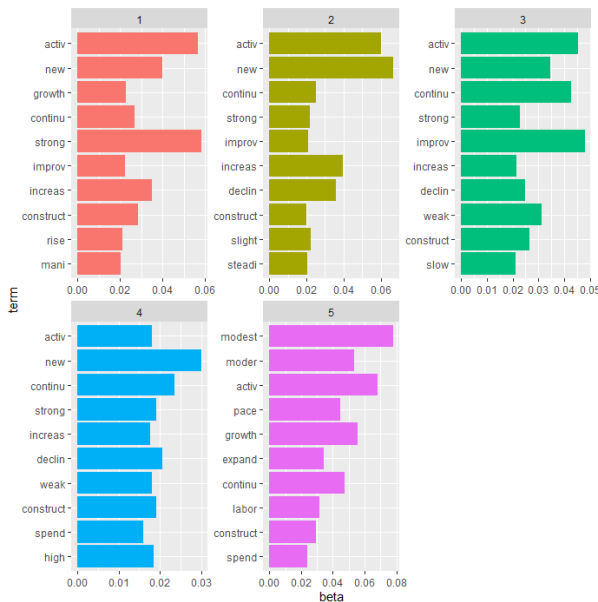
Financial sector contacts generally reported softer business conditions and expressed concern about a deteriorating business climate. Bankers reported higher demand for residential and commercial mortgages, but unchanged demand for consumer and C&I loans. Credit standards were said to be unchanged across all major categories. Loan spreads narrowed on all categories. Contacts also reported further decreases in average deposit rates. Finally, bankers reported stable delinquency rates across all loan categories.

For more information about District economic conditions visit: <https://www.newyorkfed.org/regional-economy>

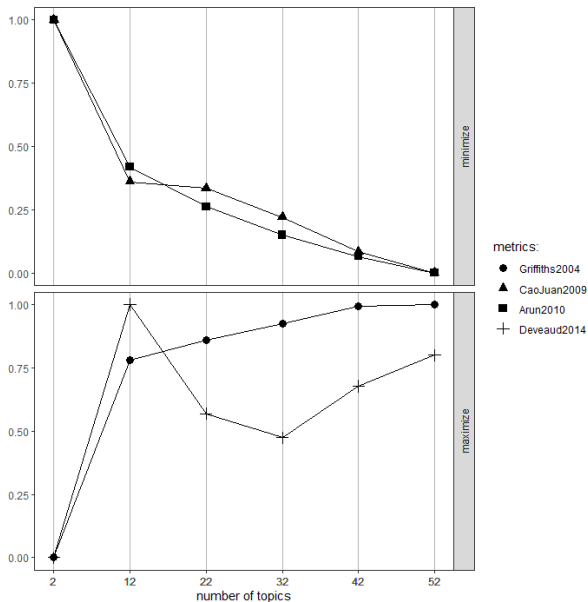
Beige Books

- Written description of economic conditions in retailing, manufacturing, construction, real estate, agriculture and natural resources
- Released 2 weeks before FOMC meeting since June 1983, 8 times a year
- Data Ingestion: fast algorithm to download, converse, clean, process & create corpus for Beige Books
- Stay away from using human scores or dictionary-based methods

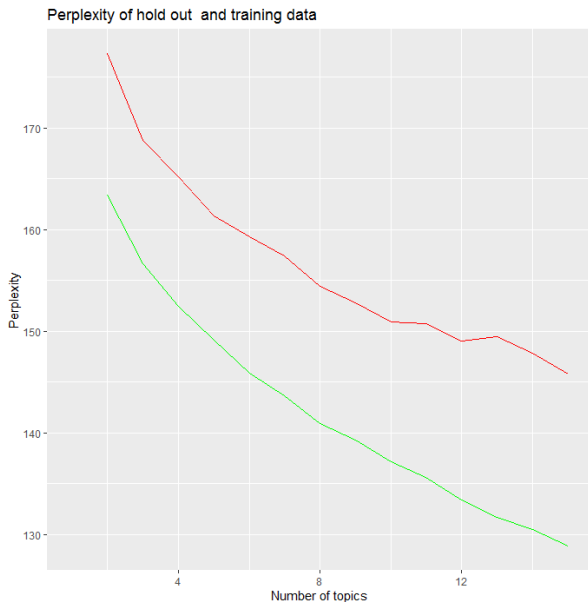
5 LDA Topics



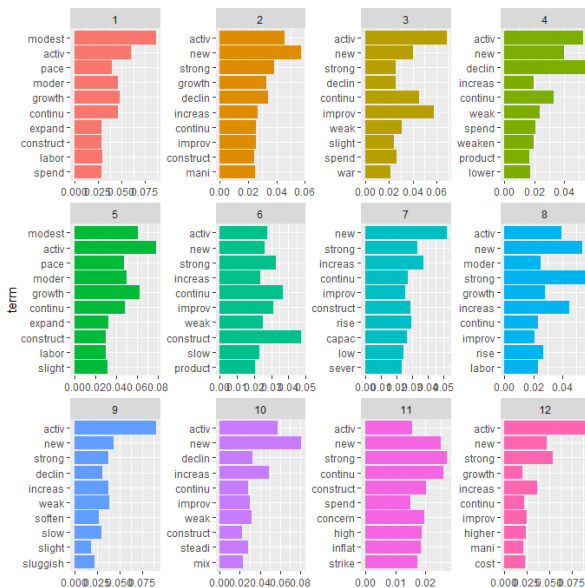
LDA Optimization



Perplexity for a Number of Topics



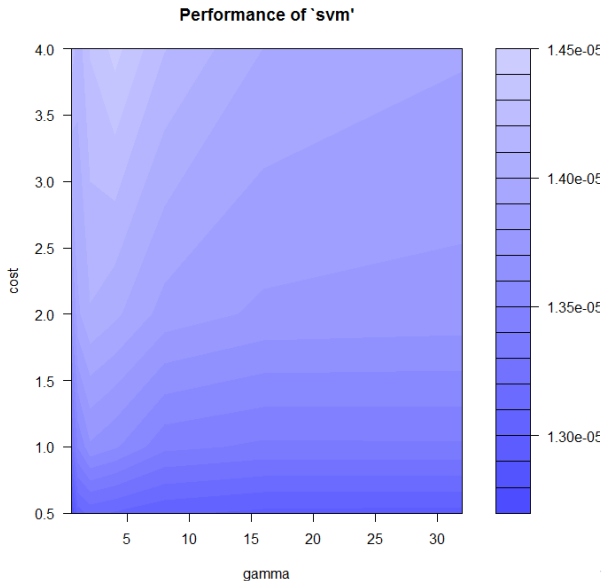
Optimal Number of Topics



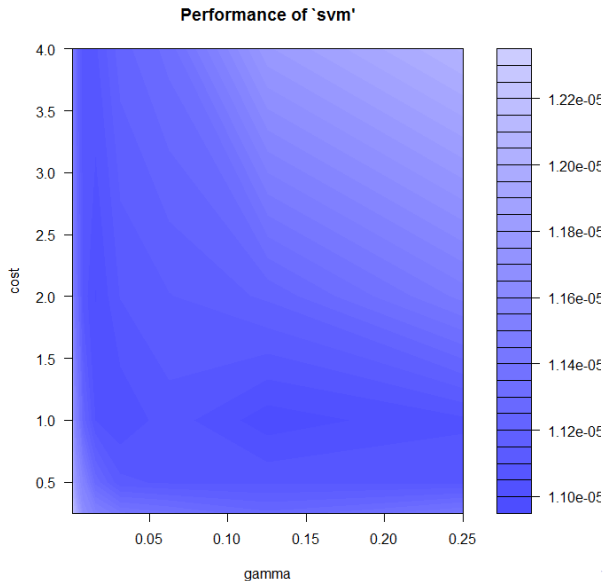
Nowcasting

- Supervised learning with SVR
- Backward selection of LDA features
- Compare with linear regression

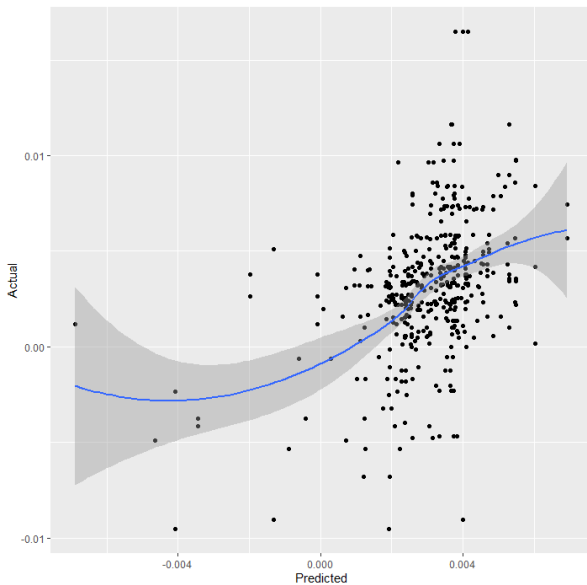
Grid Search Cross Validation (full set of LDA features)



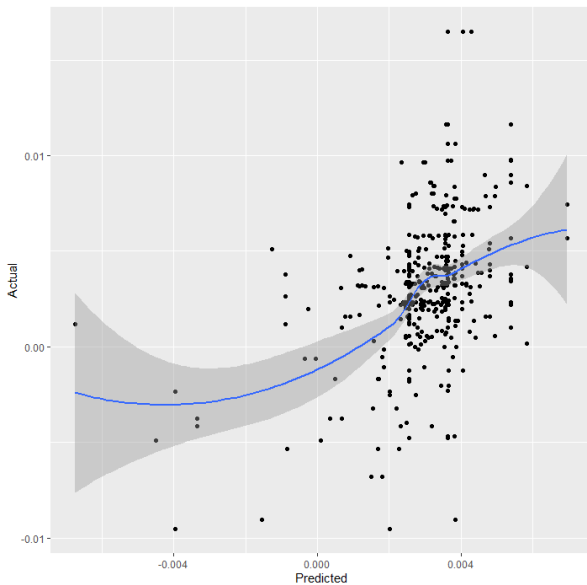
Grid Search Cross Validation (backward selected set)



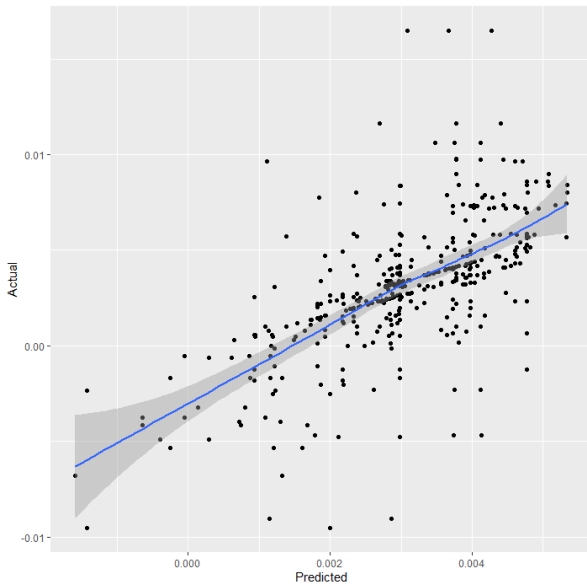
Goodness of fit: Linear model for full LDA set



Goodness of fit: Linear model for best LDA subset



Goodness of fit: SVR for full LDA set



Goodness of fit: SVR for best LDA subset

