

Housing New York City, 2008: Executive Summary

Introduction

This summary highlights important findings of this report. The primary purpose of the summary is to enable readers to acquire quickly an overview of the salient prevailing issues pertinent to an adequate understanding of the New York City housing market. However, it is important to realize that the findings presented in this summary are the result of a comprehension of all the detailed evidence; thus, it is necessary to review all the data and data analyses in each chapter of this report in order to get a fuller picture of the structure of the City's housing market and how it functions and a fuller appreciation of the issues.

Findings of each substantive chapter of this report are summarized in the following sections.

Residential Population and Households

Population Growth

New York City is the largest and one of the fastest growing cities in the United States. The City's population grew by 200,000, or by 2.5 percent, in the six years between 2002 and 2008. In 2008, the City's population of 8,144,000 was an increase of 132,000 or 1.7 percent over the population of 8,012,000 in 2005. Sixty-five percent of the population was in renter households.

From 2005 to 2008, the crime rate in the City declined significantly, and housing and neighborhood conditions improved visibly. The total number of crimes in the seven major felony categories dropped by 12.8 percent, from 136,491 in fiscal year 2005 to 119,052 in fiscal year 2008.

In addition, people in New York City were significantly better educated in 2008 than they were three years previously. In 2008, 82 percent of individuals 18 years old or older in all households had finished at least high school, an increase of 2 percentage points over 2005. Also, significantly, the percentage of those who had graduated at least from college increased by 3 percentage points to 35 percent.

Also, in 2008 housing conditions in the City were extremely good, and building and neighborhood conditions were the best since the HVS started covering them. Of all occupied units, a mere 0.5 percent were in dilapidated buildings, the lowest dilapidation rate in the 43-year period since 1965. Neighborhood conditions in the City were the best in the 30-year period since 1978, when the HVS started measuring neighborhood conditions. The proportion of renter households near buildings with broken or boarded-up windows on the same street was 5.1 percent in 2008, a 1.2 percentage point improvement from 2005, and the best since the HVS started to measure neighborhood conditions. Moreover, the proportion of renter households that rated the quality of their neighborhood's residential structures as "good" or "excellent" was 71.8 percent in 2008, and the best in the 30-year period since the HVS began to measure household opinion of neighborhood quality in 1978.

In short, most previously homeless individuals were extremely poor, the rents their households paid were unbearably high compared to their household incomes, and yet many of them lived in crowded and physically poor units located in physically distressed neighborhoods. Thus, they were in situations with a serious likelihood making them homeless again.

Household Incomes and the Labor Market

Household Incomes

The median income for all households (renters and owners combined) in current dollars grew by 12.5 percent, from \$40,000 to \$45,000, between 2004 and 2007. However, during the three-year period, the annual average Consumer Price Index (CPI) also grew considerably by 10.8 percent. Consequently, the real income (inflation-adjusted by changing 2004 dollars to 2007 dollars) for all households increased marginally by 1.5 percent in the three-year period.

Changes in Median Household Incomes by Tenure

New York City renters' median income was \$36,200 in 2007, up by 13.1 percent from \$32,000 in 2004, while owners' median income in 2007 was \$70,000, up by 7.7 percent from \$65,000 in 2004. The growth of median income for renters exceeded the inflation rate during the three-year period, while that of owners did not. Therefore, renters' real income increased slightly by 2.1 percent, or by an annual compound rate of 0.7 percent. But owners' real income decreased by 2.8 percent, or by an annual compound rate of -0.9 percent in the three-year period.

An important cause of the marginal change in real household income between 2004 and 2007 was the very large increase in the inflation rate of 10.8 percent for the three years, during which the household income for the City grew at a significantly higher rate than the national rate. The CPI growth in the 2004-2007 period was the highest for any of the previous three-year periods covered by the HVS since 1990: 8.1 percent for the 1992-1995 period; 7.0 percent for the 1995-1998 period; 7.8 percent for the 1998-2001 period; 9.5 percent for the 2001-2004 period; and 10.8 percent for the 2004-2007 period.

Changes in Median Household Income by Quintile

New Yorkers' income changed differently for different income groups. The rate of change in median income, after inflation, for households in the middle income quintile (whose median income was \$45,000 in 2007, a little uptick from 2004 when it was \$44,316) was exactly the same as the rate of change of all households in the City between 2004 and 2007.

However, the income change for households in the lowest income quintile, whose median income was just \$7,920, was an extremely large decline, -10.5 percent, compared to the uptick of a mere 1.5 percent for all households in the City between 2004 and 2007. Contrarily, the rate of income change for households in the highest income quintile was +3.3 percent, more than twice the rate of income change for all households. In other words, in the three years between 2004 and 2007, rich households became richer and poor households became considerably poorer. Thus, the disparity in household income between rich and poor New Yorkers increased.

attainment: 64 percent had at least a college degree. Three-fifths of those in **FIRE** and 58 percent of those in **management** were also at least college graduates.

Also, individuals employed in **education** had very high levels of educational attainment: 46 percent had at least a college degree. On the other hand, City residents employed in **manufacturing, construction, transportation, other services, entertainment, and trade** had the lowest levels of educational attainment. More than half of these individuals had finished only high school or less.

New York City is a maturing service-oriented economy in terms of the numbers of New Yorkers employed in each occupational and industrial category. A predominant majority of the City's residents were employed in non-production occupational categories in 2008. Most occupational and industrial categories whose average earnings were higher than the city-wide average were knowledge- and information-oriented service industries, which required higher educational attainment or very specialized knowledge or skills.

Improvement in City residents' educational attainment is critically important, not only for the City's economy in general, but also for sustaining New Yorkers' ability to afford housing in particular. Under these circumstances, it is very encouraging to find that New Yorkers' educational attainment has continued to improve considerably in recent years.

The Housing Inventory

Size of the Housing Inventory

The size of the housing supply in New York City is massive and the type of the housing in New York City is complex. The City's total inventory of residential units was 3,328,000 in 2008, the largest housing stock in the forty-three-year period since the first HVS was conducted in 1965. New York City's housing stock increased by 68,000 units, or by 2.1 percent, between 2005 and 2008, the largest increase in a comparable three-year period in the history of the HVS. The increase in the number of housing units between 2002 and 2005 was 52,000, which also was the largest increase by 2005. Thus, the increase in the number of residential units was a back-to-back historic robust growth in the City's housing inventory during the six-year period between 2002 and 2008.

The net increase of 68,000 housing units in the City in the three-year period was largely the net result of an increase in the total number of units in the rental sector. In the three years, the total number of rental units, occupied and vacant together, grew markedly by 52,000, or by 2.5 percent. During the same period, the number of owner units that were occupied or vacant available for sale increased slightly. Meanwhile, the number of units that were vacant and not available for sale or rent changed little in the same three-year period.

The net increase of 52,000 rental units in the three years between 2005 and 2008 resulted from the increase in occupied rental units. In the three years, the number of occupied rental units increased by 54,000, or by 2.7 percent, while the number of vacant rental units ticked down.

Between 2005 and 2008, the number of occupied owner units increased marginally by 0.9 percent, while the number of vacant owner units also slightly increased. As a result, the total number of owner units amounted to 1,046,000, a net increase of 14,000 units.

Housing Vacancies and Vacancy Rates

Rental Vacancies and Vacancy Rates

The number of vacant rental units in the City was 62,000, and the city-wide rental vacancy rate was 2.91 percent in 2008, compared to 65,000 and 3.09 percent respectively during the same period between February and June three years earlier. In the three years between 2005 and 2008, there was no alleviation of the acutely inadequate supply of vacant available rental housing units. The 2008 rental vacancy rate is statistically much lower than 5.00 percent and, thus, meets the legal definition of a housing emergency in the City, as defined by New York State and City rent-regulation laws, requiring a continuation of both rent control and rent stabilization in the City.

In 2008, more than nine out of ten of the City's 62,000 vacant rental units were dispersed in the populous four boroughs: Manhattan (16,000 units or 26 percent), Brooklyn (16,000 units or 25 percent), Queens (15,000 units or 24 percent), and the Bronx (12,000 units or 19 percent). In Staten Island the number of vacant rental units was too small to report.

In Queens and the Bronx, the rental vacancy rates were 3.32 percent and 3.12 percent respectively, higher than the city-wide rate of 2.91 percent, while rates in Manhattan and Brooklyn were 2.76 percent and 2.35 percent respectively, lower than the city-wide rate in 2008.

Rental Vacancies and Vacancy Rates by Rent-Regulation Categories

In 2008, with 37,000 vacant units or almost three-fifths of all vacant rental units in the City, the vacancy rate for unregulated units was 4.63 percent, a considerable increase from 4.11 percent three years earlier in 2005. These vacant free-market rental units were much more available compared to vacant units in other rent-regulation categories, as the vacancy rate for this rental category was substantially higher than the city-wide rate of 2.91 percent and was the highest of any major rent-regulation category, as was the case three years earlier in 2005.

With 22,000 vacant units, the vacancy rate for rent-stabilized units was 2.19 percent, considerably lower than the city-wide rate of 2.91 percent. As the number of vacant rent-stabilized units dropped by 6,000, the vacancy rate for such units also decreased from 2.68 percent in 2005.

Vacancies and Vacancy Rates by Rent Levels

There were extremely few vacant units available with asking rents of less than \$700, only about 5,000 in 2008, down from 11,000 in 2005. With such a small number of vacant rental units, the vacancy rate for such low-rent units was a mere 0.98 percent. With 12,000 vacant units, the vacancy rate for units with rents between \$700 and \$999 was 2.00 percent in 2008.

Between 2005 and 2008, the number of vacant rental units with asking rents of less than \$1,000 declined by 11,000 units, while the number of vacant rental units with rents of \$1,000 or more increased by 9,000 units.

The number of vacant rental units with rents between \$1,000 and \$1,999 was 34,000 in 2008, 8,000 more than in 2005. As the number of vacant units in this rent level increased from 2005 to 2008, the vacancy rate for units at this rent level also increased from 3.59 percent to 4.16 percent. The number of vacant units with

Variations in Rent Expenditure

Patterns of and Variations in Rent Expenditures

In New York City the median monthly contract rent, which excludes tenant payments for utilities and fuel, was \$950, while the median monthly gross rent, which includes utility and fuel payments, was \$1,057 in 2008.

From 2005 to 2008, the median contract rent increased by 11.8 percent, from \$850 to \$950. However, during the three-year period between April 2005 and April 2008, the Consumer Price Index (CPI) increased by 10.0 percent. As a result, the real median contract rent increased by 1.6 percent in the three years.

The median monthly gross rent increased by 14.9 percent from \$920 in 2005 to \$1,057 in 2008. However, the real increase in median gross rent was 4.4 percent. The noticeably higher increase in gross rent compared to contract rent was caused by a considerably higher increase in the costs of fuel and utilities in the three years.

The rent increase between the first half of 2005, when the 2005 HVS was conducted, and the first half of 2008, when the 2008 HVS was conducted, is likely the result of extremely inflationary housing costs in the City during the three-year period. Also, during the period, the demand for housing remained robust. Between 2005 and 2008, the number of persons in the City increased by 132,000, while the number of housing units increased by only 68,000.

Median Contract Rent of Subsidized Units and Unsubsidized Units

In 2008, the median contract rent of units occupied by rent-subsidized households was \$860. Of the \$860 median rent for units occupied by subsidized households, only \$289 or 34 percent was paid by the households out of pocket. In other words, of the median rent of \$860 these subsidized households paid, \$571, two-thirds (66 percent) of the rent, was paid by the government rent subsidy. The subsidy, the difference between their median rent and out-of-pocket rent, was \$571, close to two times the households' out-of-pocket rent. Most rent-subsidized households could not have afforded the units they occupied without the rent subsidies they received.

Contract Rent Distribution by Subsidized Units and Unsubsidized Units

Compared with the rent distribution of all rental units and unsubsidized units, a substantially larger proportion of subsidized units were very-low-rent units. In 2008, 18 percent of all rental units and 17 percent of unsubsidized rental units rented for a contract rent between \$1 and \$599 a month. However, 28 percent of subsidized units rented for an equivalent rent level.

Rents of 63 percent of all rental units and unsubsidized rental units were between \$600 and \$1,499. The comparable proportion of subsidized rental units in the same rent level was little different.

In the top rent level, \$1,500 and over, the proportions of all rental units and unsubsidized rental units were 19 percent and 20 percent respectively, while the corresponding proportion of subsidized rental units in this rent level was substantially lower, a mere 8 percent.

Housing and Neighborhood Conditions

Occupied Units in Dilapidated Buildings

In 2008, building conditions in New York City were at the best recorded since the HVS started covering them. Almost all housing units were in non-dilapidated buildings. Of all occupied units (renter and owner units together), a mere 0.5 percent were in dilapidated buildings in 2008, the same as in 2005 and 2002. The overall dilapidation rate remained at the all-time low for the forty-three-year period since 1965.

The dilapidation rate for renter-occupied units was 0.6 percent in 2008, while it was 0.7 percent in 2005. Building conditions for renters in the City have improved tremendously since 1965. The rental dilapidation rate was 4.3 percent in 1965, 5.7 percent in 1975, 3.4 percent in 1984, and 1.0 percent in 1999.

Two-thirds of the dilapidated occupied units in the City were concentrated in two boroughs: the Bronx (36 percent) and Manhattan (32 percent).

In general, the overall structural condition, the dilapidation rate, is closely related to a building's structural type and age. In 2008, more than eight in ten of renter-occupied units in dilapidated buildings were in multiple dwellings.

Units in Buildings with Structural Defects by Borough

After fourteen years of steady improvement, from 14.0 percent in 1991 to 10.9 percent in 1999, 10.0 percent in 2002, and 9.1 percent in 2005, structural conditions in renter-occupied units slipped slightly between 2005 and 2008, as the proportion of units in buildings with any of the thirteen building defects increased slightly to 10.0 percent in 2008.

Between 2005 and 2008, structural condition improved only in Brooklyn, where the proportion of renter-occupied units in buildings with one or more observable building defects was 8.4 percent, compared to 10.6 percent three years earlier. In 2008, the structural condition of renter-occupied buildings in Brooklyn was the best of any of the boroughs.

In Queens, after years with noticeably better structural condition than the other boroughs, structural conditions worsened in 2008 as the proportion of renter-occupied units in buildings with defects almost doubled, increasing by 4.5 percentage points to 9.1 percent from 4.6 percent in 2005.

In the Bronx and Manhattan, the incidence of building defects in renter-occupied units also increased slightly to 12.2 percent and to 10.9 percent respectively in 2008. In 2008, the structural condition of renter-occupied buildings was the worst in the Bronx.

When structural conditions in renter-occupied units in the City in 1991 and 2008 are compared, it is readily apparent that tremendous improvements in such conditions, even in the Bronx and in Harlem in Manhattan, were achieved in the seventeen-year period.