



FURMAN CENTER REPORT

Key Findings on the Affordability of Rental Housing from New York City's Housing and Vacancy Survey 2008

Every three years, the U.S. Census Bureau releases the New York City Housing and Vacancy Survey (HVS), which assesses changes in various aspects of New York City's housing and neighborhoods. The primary goal of the survey is to estimate the rental vacancy rate in the City (the City's rent control and stabilization laws are conditioned on a rental vacancy rate below 5%), but the survey also provides valuable insight into other trends in the housing stock. However, the data are released in a format that is hard to understand without statistical software. In order to make the findings available to a wider audience, we have analyzed the data about New York City's neighborhoods and compiled this summary of noteworthy trends. You can access additional data from the HVS and a host of other data sources at www.nychanis.com. NYCHANIS—the New York City Housing and Neighborhood Information System—is a free service of NYU's Furman Center for Real Estate and Urban Policy.



Rental vacancy rate drops back to 2002 level

Between 2005 and 2008, the City saw a tightening of the rental market, with the vacancy rate dropping from 3.09% to 2.88% (see Table A).¹ This trend appears to be driven entirely by Manhattan and Brooklyn; the other three boroughs saw fairly significant increases in their vacancy rates. Even with this increase in the outer boroughs, all of the boroughs maintain a vacancy rate far below the national average, which was 10.1% in 2008, and the average vacancy rate for “principal cities,” which was 10.6%.²

Homeownership rate declines citywide

Despite a rise in the share of homeowners in New York City over the past few decades, New York City still has a much lower homeownership rate than the nation as a whole (33% compared to 68% in 2008).³ As shown in Table B, the City's homeownership rate rose by a percentage point between 2002 and 2005, perhaps in part as a result of the new mortgage finance options that the subprime industry created. But between 2005 and 2008, the rate dropped back down, returning to the 2002 level. This is not terribly surprising; with a tightening of the credit market and rising numbers of foreclosures, 2008 was a year of tremendous turmoil in the housing sector. Across the City, the boroughs continue to show a great deal of diversity: Staten Island, for example, maintains a homeownership rate similar to the national average, while the Bronx lags far behind even the City average.

Table A: Rental Vacancy Rate by Borough

	2002	2005	2008
Bronx	3.29%	2.63%	3.07%
Brooklyn	2.73%	2.78%	2.34%
Manhattan	3.86%	3.79%	2.70%
Queens	1.78%	2.82%	3.32%
Staten Island	*	4.67%**	6.37%**
NYC	2.94%	3.09%	2.88%

** The New York City Housing and Vacancy Survey is based on a sample of households. The sample of vacant units available for rent in this category is too small to report. ** Observations should be interpreted with caution due to a small sample size.*

Table B: Homeownership Rate

	2002	2005	2008
Bronx	22.5%	22.1%	22.2%
Brooklyn	28.7%	29.2%	28.3%
Manhattan	22.6%	23.6%	24.0%
Queens	46.0%	46.4%	45.8%
Staten Island	64.6%	67.7%	68.0%
NYC	32.7%	33.3%	32.9%
U.S.*	67.9%	68.9%	67.8%

** U.S. rates are averages of quarterly rates from the national Housing and Vacancy Survey.*

1 The HVS defines vacant for rent units as: “vacant units that are for rent only; unsold vacant units offered for rent in condominium or cooperative buildings; individually owned units offered for rent during an extended absence by the owner; and vacant units in a building offered for sale and the sample unit is offered for rent.” The vacancy rate does not include unavailable units or vacant dilapidated units.

2 The census defines a “principal city” as: “The largest city in each metropolitan or micropolitan statistical area. Additional cities qualify if specified requirements are met concerning population size and employment.”

3 See Amy Armstrong, et al, State of New York City's Housing and Neighborhoods 2006 (NYU's Furman Center for Real Estate and Urban Policy 2007).



Strong growth in new housing units between 2005 and 2008; Brooklyn sees the biggest boom

As seen in Table C, between 2005 and 2008, 66,462 new housing units came online, compared to 42,372 in the previous three-year period. The strongest growth took place in Brooklyn, where a full 40% of all new units built in the City between 2005 and 2008 were constructed. The Bronx also saw strong growth in the 2005–2008 period: the number of new units built there was nearly double the number built during the previous three year period. Queens and Staten Island, on the other hand, saw a decline in new building during this period.

Table C: All Occupied or Vacant Available Housing Units* Change in Housing Units % Change

	2002	2005	2008	'02-'05	'05-'08	'02-'08	'02-'05	'05-'08	'02-'08
Bronx	477,078	483,198	494,512	6,120	11,314	17,434	1.3%	2.3%	3.7%
Brooklyn	901,199	901,342	927,472	144**	26,129	26,273	0.0%	2.9%	2.9%
Manhattan	746,935	765,673	784,826	18,738	19,152	37,891	2.5%	2.5%	5.1%
Queens	794,885	806,608	813,027	11,723	6,419	18,142	1.5%	0.8%	2.3%
Staten Island	161,675	167,322	170,769	5,647	3,447	9,094	3.5%	2.1%	5.6%
NYC	3,081,772	3,124,144	3,190,606	42,372	66,462	108,834	1.4%	2.1%	3.5%

* Does not include vacant unavailable units or vacant dilapidated units. ** This number appears to be artificially low due to a large number of renovations taking place in Brooklyn during this time, which resulted in more units being coded as vacant unavailable.

New York City continues to face affordability challenges despite declining housing prices

The news today is fixated on the softening of the real estate market, and headlines suggest the City is once again filled with bargains. There is surely some truth to that—the Furman Center’s Index of Housing Price Appreciation found that sales prices for all housing types fell 10.2% from 2007 to 2008, the largest decline in two decades. But it appears that this drop in prices has not translated into affordable rents.⁴ To the contrary, New Yorkers still face incredibly high rents. As seen in Table D, in 2008, 53% of renters were rent burdened, a share that was virtually unchanged from 2005. We do see a change between 2005 and 2008, however, when we look at individual racial groups: the percentage of black, Hispanic and Asian renters who were rent burdened increased, while the percentage of white renters who were rent burdened decreased. Black renters saw the greatest increase in the percentage rent burdened, 4.6 percentage points, compared to a 2.6 percentage point drop among white renters. This is at least in part due to the fact that between 2005 and 2008, inflation-adjusted income fell by 8.7% for black New Yorkers and 3.7% for Hispanics, while it grew by 6.1% for white New Yorkers (see Table E).

⁴ It is important to note that the survey was conducted during the first two quarters of 2008. Therefore, this data will not reflect any changes in rental prices over the past year.

Table D: Percentage Rent Burdened, by Race

	2002	2005	2008
Asian	52.5%	54.5%	56.2%
Hispanic	52.1%	56.5%	56.9%
Black	44.9%	49.0%	53.6%
White	43.0%	50.4%	47.8%
NYC total	46.9%	52.2%	52.7%

Table E: Median Income in 2008 Dollars, by Race

	2002	2005	2008
Asian	\$50,654	\$51,812	\$49,883
Hispanic	\$34,028	\$34,541	\$33,255
Black	\$40,329	\$39,840	\$36,373
White	\$63,519	\$60,737	\$64,432
NYC	\$49,151	\$46,055	\$46,765

Note: Rent burdened is defined as households that pay more than 30% of their income on gross rent.



As you would expect, low-income New Yorkers⁵ are much more likely to be rent burdened or severely rent burdened (defined as those who pay more than half of their income on rent) than the average renter. Table F reveals that in 2008, 80% of low-income renters in the private rental market were paying more than 30% of their income on rent, and nearly half were paying more than 50% of their income on rent.

Table F: Low Income Unsubsidized Renters

	2002	2005	2008
% Rent Burdened	70.9%	80.4%	79.2%
% Severely Rent Burdened	38.9%	46.5%	47.2%

Note: Rent burdened is defined as households that pay more than 30% of their income on gross rent. Severely rent burdened is defined as households that pay more than 50% of their income on gross rent.

Another important measure of affordability is how many units on the market are affordable to households of modest incomes. We estimate that figure by first calculating the rent levels that are affordable to households at different income levels, defining affordable as units that could be rented for less than 30% of the household's gross income. Then we count how many units rent for less than these thresholds. As seen in Table G, between 2002 and 2005, the number of rental units affordable to New Yorkers making 80% of the area median income⁶ (approximately \$39,300 in 2002 and \$36,800 in 2005) decreased by more than 17%. Between 2005 and 2008, the City saw a modest increase in the number of units affordable to people in this income bracket (approximately \$37,400 in 2008). Still, because the large decline in affordable units between 2002 and 2005 far outweighed the increase over the next three years, the number of units affordable to households at this income level fell by 16.4% between 2002 and 2008, while the share of rental units affordable to this group fell from 58% in 2002 to 47% in 2008.

Table G: Percentage of Rental Units Affordable at Different Income Levels

	Number of Affordable Units			% Change			% of Rental Units Affordable		
	2002	2005	2008	'02-'05	'05-'08	'02-'08	2002	2005	2008
50% AMI	404,339	369,648	364,961	-8.6%	-1.3%	-9.7%	19.8%	18.0%	17.3%
80% AMI	1,189,962	983,752	995,385	-17.3%	1.2%	-16.4%	58.3%	47.9%	47.2%
100% AMI	1,564,355	1,425,688	1,386,806	-8.9%	-2.7%	-11.3%	76.7%	69.4%	65.8%
120% AMI	1,727,769	1,642,270	1,679,734	-4.9%	2.3%	-2.8%	84.7%	79.9%	79.6%
150% AMI	1,851,389	1,831,588	1,853,755	-1.1%	1.2%	0.1%	90.8%	89.1%	87.9%
200% AMI	1,938,776	1,943,097	1,975,768	0.2%	1.7%	1.9%	95.0%	94.6%	93.7%

Note: This includes all rental units, including those that received subsidies to make them affordable to lower-income residents and those that are rent regulated.

⁵ "Low-income New Yorkers" are those living in poverty as defined by the U.S. Census Bureau.

⁶ Throughout this report, Area Median Income (AMI) refers to the median income in New York City as measured by the HVS. All income is reported in inflation adjusted, 2008 dollars.



The City also saw a slight increase in the number of units affordable to higher income levels during this time period. Between 2002 and 2008, the number of units affordable to a household earning 150% of the AMI (about \$73,700 in 2002 and \$70,100 in 2008) stayed the same, while the number of units affordable to households making 200% AMI (about \$98,300 in 2002 and \$93,500 in 2008) increased by 2%. This increase may be due in part to the construction of new housing units between 2002 and 2008, and a slight increase in the City's inflation-adjusted median income between 2005 and 2008.

Despite these modest gains, it's clear that the City continues to face severe affordability challenges, with many families stretching their budgets to afford rent, and others continuing to find it incredibly difficult to find an affordable apartment. While declines in the City's real estate prices have garnered a lot of attention, we do not find as dramatic a change in the availability of affordable rental units.



THE FURMAN CENTER FOR REAL ESTATE AND URBAN POLICY

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