Report: New York City Sees Shrinking Middle Class, Growing Income Inequality, Rising Rent Burdens, and Increasingly Income Segregated Neighborhoods

NYU Furman Center report finds that, despite citywide gains, persistent disparities remain in the quality of life of neighborhoods where households of different incomes can afford to live.

New York, NY—In the past two decades, New York City has experienced a significant decline in the share of households in broad middle-income categories, and an expansion of households in the lowest- and highest-income categories, according to a new report released today by the NYU Furman Center.

As New York City’s income distribution has become more polarized, the highest-income households have become more spatially isolated, or more likely to live in neighborhoods with households of similar income levels.

The State of New York City’s Housing and Neighborhoods in 2013, released today by the NYU Furman Center, found that income inequality has become more pronounced in New York City since the 1990s. The share of NYC households earning more than $250,000 (in real terms) in annual income grew from 3 to 5% from 1990 to 2012, while the share of households earning $40,000 or less grew from 35 to 40%.

The report finds that these shifts in income distribution are consistent with changes seen in other large U.S. cities, including Chicago, Houston, Los Angeles, and Philadelphia.

As income inequality has grown, it has become more difficult for moderate- and low-income New Yorkers to find affordable rental housing. From 2005 to 2012, NYC renters’ income stagnated while the cost of renting increased. As a result, the share of rental units that are affordable to lower-income New Yorkers declined. Moderate-income households (those earning between $45,000-70,000) are more rent burdened in New York City than in the U.S. overall. “Rent burdened” is defined as paying 30% or more of pre-tax income on rent and utilities.

“Rental housing has become increasingly unaffordable, and the strain is particularly acute for lower-income New Yorkers,” said Ingrid Gould Ellen, Faculty Director of the NYU Furman Center. “While we have seen the same pattern in cities across the country, a higher share of New York City moderate-income renter households are rent burdened than elsewhere.”
As income distribution has become more polarized, according to the report, there has been increased spatial isolation by income in the city’s neighborhoods; that is, the highest-income households have become less likely to live in the same neighborhoods as middle- or low-income households since 1990. During this period, New York City households in the top 10% of earners have become more likely to live in neighborhoods with households earning similar incomes.

The **State of New York City’s Housing and Neighborhoods in 2013** report also finds that while neighborhood conditions have improved citywide, aggregate gains in neighborhood conditions have not closed the significant gaps in environments between lower-income and higher-income New Yorkers.

“The location of a home allows access to neighborhood amenities and services, and determines potential exposure to neighborhood hazards,” said Ellen. “While quality of life indicators, such as crime rates and access to high-quality schools, have improved across New York City, significant disparities persist across neighborhoods.”

The report was released at a forum at NYU School of Law titled, **By the Numbers: Exploring Neighborhood Inequality**, which explored the structural limitations to tackling income inequality, as well as the specific policy levers available to government leaders to address it. The event featured a keynote address by Gene Sperling, former Director of the National Economic Council and Assistant to the President for Economic Policy, and a panel moderated by Brent Staples of The New York Times Editorial Board.

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**Download a PDF of the report at:** [http://furmancenter.org/soc2013/embargo](http://furmancenter.org/soc2013/embargo)

**View infographics from the report.**

The report was released at a forum on May 28, 2014 at NYU School of Law titled, **By the Numbers: Exploring Neighborhood Inequality** ([more info](#)).

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**KEY FINDINGS: State of New York City’s Housing and Neighborhoods in 2013**

1. **New York City has experienced a significant decline in the share of middle-income households, and an expansion of households in the lowest- and highest-income categories.**
   - The share of NYC households earning more than $250K (in real terms) in annual income grew from 3 to 5% from 1990 to 2012, while the share of households earning $40K or less grew from 35 to 40%.
   - The share of households within a broad range of middle-income groups fell from 1990 to 2012; the percentage of city households earning between $40,000 and $250,000 decreased from 61 to 56%.

2. **New York City’s rental housing has become increasingly unaffordable.**
   - The median rent in New York City rose by 11% from 2005 to 2012 while the median household income rose only 2%.
   - Affordability pressures have been most acute for low-income households.
   - The share of rental units that are affordable to lower-income New Yorkers is falling.
3. As income distribution has become more polarized, there is evidence of increased spatial isolation in NYC’s neighborhoods.

- Income segregation of the top 10% of earners has increased in NYC; households earning over $162,000 annually have become more likely to live in neighborhoods with households earning similar incomes.
- Prevalence of income segregation varied significantly by borough. Nearly half of households with incomes in the top 10% of citywide household income distribution lived in Manhattan in 2012, a noticeable increase from the 40% in 1990.

4. Although neighborhood services have improved citywide, we see persistent disparities in quality of life of households earning different incomes.

- Neighborhood conditions have improved citywide: NYC’s total crime rate reached a historically low level in 2012 and student performance citywide has steadily improved.
- Aggregate gains in neighborhood conditions have not closed the significant gaps in environments between lower-income and higher-income New Yorkers. Lower-income households continue to live in neighborhoods with higher violent crime rates and lower-performing schools than their higher-income counterparts.

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About the State of New York City’s Housing and Neighborhoods in 2013

The State of New York City’s Housing and Neighborhoods, issued annually by the NYU Furman Center, provides a compendium of data and analysis about New York City’s housing, land use, demographics, and quality of life indicators for each borough and the city’s 59 community districts. The report combines the timely expert analysis of NYU Furman Center researchers with data transparency. In 2013, the report focuses on income inequality in New York City, analyzing changes over time in the distribution of the city’s income, economic segregation of city residents, and the neighborhood environments experienced by people of different incomes.

About the NYU Furman Center

The NYU Furman Center advances research and debate on housing, neighborhoods, and urban policy. Established in 1995, it is a joint center of the New York University School of Law and the Wagner Graduate School of Public Service. More information can be found at furmancenter.org and @FurmanCenterNYU.