

NEW YORK CITY

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New York City saw the first signs of a declining real estate market in 2007. The number of residential units authorized by new building permits dropped by 20% from 2006 to 2007, indicating a considerable slowdown in what had been a robust development pipeline. This was the first significant decline we have seen in the past decade. Although the 25,189 new building permits issued in 2007 marked a fall from the boom years of 2005 and 2006, this number was still much higher than in 2000, when only 15,544 were issued.

	2007
Population	8,274,527
Population Density (1,000 persons per square mile)	27.3
Median Household Income	\$48,631
Income Diversity Ratio	5.7
Rental Units that are Subsidized (percentage) ('05)	14.8%
Rental Units that are Rent-Regulated (percentage) ('05)	52.2%
Median Age of Housing Stock	73
Units Within 1/4 Mile of a Park (percentage)	88.5%
Units in a Historic District (percentage)	4.8%
Units Within 1/2 Mile of a Subway Entrance (percentage)	71.5%

Between 2006 and 2007, in addition to a slowdown in new construction, New York City also saw a dramatic reduction in the number of mortgages issued, both for home purchases and refinancings. As shown in TABLE 1, between 2006 and 2007, 14% fewer borrowers took out home purchase loans in New York City. While steep, this drop was smaller than that experienced by the principal cities of the next nine largest U.S. metropolitan areas, with the exception of Washington, D.C. The New York City drop also was much smaller than the 25% decrease that occurred nationally. The reduction in home purchase mortgage originations in 2007 in the City was due almost entirely to the disintegration of the subprime lending industry. The number of high-cost home purchase loans issued to New Yorkers declined by 63 percent between 2006 and 2007 (from 12,517 to 4,593). As a result, the share of all home purchase loans that were high cost dropped from 23% in 2006 to just 10% in 2007.

	2000	2005	2006	2007
Housing Stock and Land Use				
Housing Units	3,200,912	3,275,412	3,311,119	3,325,902
Rental Vacancy Rate	3.2%	3.7%	3.8%	3.4%
Final Certificates of Occupancy Issued	12,409	17,468	19,312	22,005
Units Authorized by New Residential Building Permits	15,544	27,430	31,453	25,189
Homeownership Rate	30.2%	33.1%	34.4%	33.6%
Vacant Land Area Rate	7.8%	6.4%	7.0%	6.9%
Housing Prices & Affordability				
Index of Housing Price Appreciation (condominium)	100.0	174.8	185.3	193.2
Index of Housing Price Appreciation (1 family building)	100.0	165.8	173.4	170.1
Index of Housing Price Appreciation (2-4 family building)	100.0	171.5	186.6	179.8
Index of Housing Price Appreciation (5+ family building)	100.0	193.0	202.3	213.3
Median Price per Unit (condominium)	\$323,897	\$562,138	\$621,635	\$682,227
Median Price per Unit (1 family building)	\$264,897	\$451,063	\$467,959	\$470,496
Median Price per Unit (2-4 family building)	\$143,753	\$247,897	\$266,891	\$270,000
Median Price per Unit (5+ family building)	\$47,421	\$100,858	\$112,562	\$101,780
Median Monthly Rent	-	\$877	\$884	\$898
Median Rent Burden (renter households)	-	31.0%	30.5%	29.9%

The decline in home purchase mortgage originations in New York City was heavily concentrated among blacks and Hispanics, who were much more likely to originate high-cost loans than borrowers of other races or ethnicities in recent years. The number of home

purchase loans issued to blacks in 2007 fell 44% from 2006, and the number of home purchase loans issued to Hispanics fell 34%. The number of home purchase loans issued to white borrowers, in contrast, declined only slightly, and the number issued to Asians actually

	2000	2005	2006	2007
Lending Indicators				
Home Purchase Loan Rate (per 1,000 properties)	–	47.7	44.1	37.7
High Cost Home Purchase Loans (percentage)	–	20.2%	22.9%	9.8%
Refinance Loan Rate (per 1,000 properties)	–	48.0	43.2	29.9
High Cost Refinance Loans (percentage)	–	30.2%	32.9%	23.3%
Notices of Foreclosure (all residential properties)	7,148	6,658	9,295	14,106
Notices of Foreclosure Rate (per 1,000 1–4 family properties)	9.6	9.1	12.9	19.7
Housing Quality				
Serious Housing Code Violations (per 1,000 rental units)	51.8	57.7	55.3	52.5
Tax Delinquencies (percentage delinquent ≥ 1 year)	5.4%	1.2%	1.5%	1.7%
Severe Crowding Rate (percentage of renter households)	–	3.0%	3.4%	3.2%
Social, Demographic & Income Indicators				
Population	8,017,506	8,213,839	8,250,567	8,274,527
Population Density (1,000 persons per square mile)	26.4	27.1	27.2	27.3
Foreign-Born Population (percentage)	35.9%	36.6%	37.0%	36.8%
Born in New York State (percentage)	49.5%	49.5%	49.6%	49.4%
Percent Asian	9.7%	11.5%	11.6%	11.7%
Percent Black	24.5%	23.8%	23.7%	23.5%
Percent Hispanic	27.0%	27.9%	27.6%	27.4%
Percent White	35.0%	34.5%	34.8%	35.1%
Racial Diversity Index	0.74	0.73	0.73	0.73
Median Household Income	\$46,108	\$46,112	\$47,804	\$48,631
Income Diversity Ratio	5.7	6.1	6.1	5.7
Households with Children under 18 Years Old (percentage)	34.0%	32.7%	32.3%	32.2%
Population Aged 65 and Older (percentage)	11.7%	11.9%	12.1%	12.2%
Disabled Population (percentage)	–	10.4%	10.3%	10.2%
Poverty Rate	21.2%	–	19.2%	18.5%
Poverty Rate: Population 65 and Older	17.8%	–	19.0%	18.4%
Poverty Rate: Population Under 18	30.3%	–	28.2%	27.3%
Unemployment Rate	9.6%	8.4%	7.8%	7.1%
Public Transportation Rate	54.4%	56.7%	56.5%	56.7%
Mean Travel Time to Work (minutes)	40.0	39.1	39.0	39.8
Felony Crime Rate (per 1,000 residents)	36.0	27.1	25.7	25.0
Adult Incarceration Rate (per 100,000 people aged 15 or older)	1,341.6	857.3	893.1	1,008.9
Students Performing at Grade Level in Reading (percentage)	39.8%	51.8%	50.7%	50.8%
Students Performing at Grade Level in Math (percentage)	33.7%	52.9%	57.0%	65.1%
Educational Attainment: No High School Diploma (percentage)	27.7%	21.0%	21.3%	21.1%
Educational Attainment: Bachelor's Degree and Higher (percentage)	27.4%	32.2%	32.1%	32.9%
Health & Environmental Indicators				
Asthma Hospitalizations (per 1,000 people)	3.3	3.2	3.1	3.1
Elevated Blood Lead Levels (incidence per 1,000 children)	17.8	8.2	6.9	5.7
Infant Mortality Rate (per 1,000 live births)	6.7	6	5.9	5.4
Low Birth Weight Rate (per 1,000 live births)	83	90	89	86
Median Life Span: Males	–	–	–	71
Median Life Span: Females	–	–	–	80
Net Waste After Recycling (pounds per capita) ¹	–	2.5	2.4	2.4

¹ The figures presented for each year refer to the City fiscal year beginning on July 1 of that year.

increased slightly. Particularly worrisome was the fact that even the number of prime home purchase loans issued to black and Hispanic New Yorkers in 2007 dropped significantly.¹

The decline in lending activity means fewer homebuyers were making investments in neighborhoods and fewer households were receiving the rewards (and assuming the risks) of homeownership. But, to the extent that the slowdown reflects a decline in high-cost or otherwise risky lending (which it does very closely in New York City), it could result in fewer homeowners facing foreclosure down the road.

The number of properties receiving notices of foreclosure citywide more than doubled between 2005 and 2007, from 6,658 to 14,106. The properties that entered the foreclosure process were not distributed evenly across the City, however. Bedford Stuyvesant, Brownsville and Bushwick were hit especially hard by foreclosures, experiencing the highest rates in the City in 2007, while many Manhattan neighborhoods seemed to be virtually immune. As would be expected, high rates of notices of foreclosure in 2007 correlate strongly with high rates of high-cost lending in 2006 (FIGURE 1).

The homeownership rate in New York City, 33.6% in 2007, is significantly lower than the homeownership rate nationally or in other large cities (TABLE 1). However, there are huge differences across the boroughs: the homeownership rate ranges from a high of 71.2% in Staten Island (in line with much of the rest of the country) to a low of 21.4% in the Bronx.

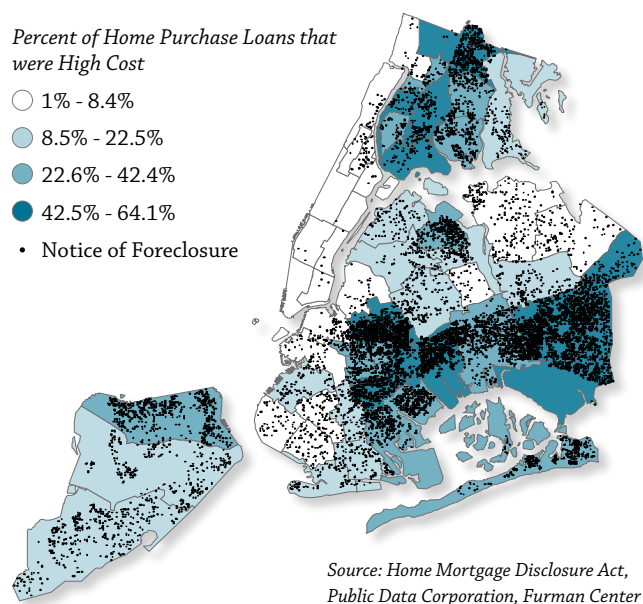
After a decade of housing price appreciation, outlined in detail in the chapter “Trends in New York City Housing Price Appreciation,” sale prices fell in 2007 in parts of the City. However, patterns were different in each borough. In the Bronx, Queens and Staten Island, housing prices declined for all building types. In Brooklyn, housing prices began to plateau after several years of steady growth, while in Manhattan prices only declined in 2–4 family buildings. All other housing types defied the trends and prices continued to rise in 2007 at a rate consistent with recent years’ growth. Although the 2007 data we report in the *State of the City* do not yet show a drop in Brooklyn and Manhattan, quarterly figures supplied by Miller Samuel Inc.² show that prices in those boroughs began to decline in 2008.

Table 1: New York City Compared to the Principal Cities of the 10 Largest Metropolitan Areas

	<i>Percent Change in Home Purchase Loan Originations (2006–2007)</i>	<i>Percent Change in High-Cost Home Purchase Loan Originations (2006–2007)</i>	<i>Homeownership Rate (2007)</i>	<i>Median Rent Burden (2007)</i>
Atlanta	-28.7%	-60.9%	52.4%	29.9%
Boston	-19.5%	-64.1%	38.5%	30.5%
Chicago	-26.9%	-59.6%	49.9%	31.5%
Dallas	-20.3%	-55.3%	47.4%	28.4%
Houston	-23.2%	-57.3%	47.4%	30.2%
Los Angeles	-31.0%	-70.4%	37.9%	33.7%
Miami	-46.3%	-64.0%	37.5%	37.0%
New York City	-14.3%	-63.3%	33.6%	29.9%
Philadelphia	-16.7%	-43.7%	57.4%	32.4%
Washington DC	-12.1%	-61.8%	44.5%	29.4%
U.S.	-25.0%	-58.3%	67.2%	29.7%

Sources: American Community Survey, Home Mortgage Disclosure Act, Furman Center

Figure 1: High-Cost Home Purchase Loans and Notices of Foreclosure in New York City by Sub-borough Area



Renters experienced some relief from the steady and significant rent increases that have marked recent years. Although median rent increased modestly (1.5%) across New York City, the median rent burden decreased slightly (-0.6%) in 2007 compared to 2006. In fact, renters in New York City spend a similar share of their income on rent as renters in other large cities (TABLE 1). Of the principal cities of the next nine largest U.S. metropolitan areas, six had higher median rent burdens.

Despite the recent shifts in the housing market, finding affordable housing remains a persistent challenge to New Yorkers. In 2003, Mayor Bloomberg put forward his New Housing Marketplace Plan to create or preserve 165,000 affordable homes over ten years in order to house half a million low- and moderate-income New Yorkers. By September 30, 2008, five years into the plan, the City had financed 82,509 units, on track with its goal.³ Of those units, about 2/3 were rental and the remainder owner occupied. However, in January 2009, Mayor Bloomberg announced that the plan would have to be extended to 2014 to meet its goals.⁴ Further, a November 2007 report from the New York City Independent Budget Office points out that although the City appears to be on track to meet its goals, a disproportionate number of units that have been funded are for preservation not new construction.⁵

In 2007, New York continued to improve its performance in a variety of quality of life measures. The poverty rate decreased from 21.2% in 2000 to 18.5% in 2007. Felony crimes dropped from an annual rate of 36 per 1,000 residents in 2000 to 25 per 1,000 residents in 2007, though the rate of decline slowed in the most recent years. The City's children greatly improved their performance in reading and mathematics. In 2000, only 39.8% of students in grades 3–8 were performing at grade level in reading and 33.7% in math. By 2007, these numbers increased to 50.8% for reading and 65.1% for math. Further, the share of adults with a bachelor's degree or higher increased from 27.4% in 2000 to 32.9% in 2007 while the share with no high school diploma decreased from 27.7% to 21.1%. The unemployment rate steadily declined in the City and across all the boroughs. Health outcomes continued to improve with small declines seen in the incidence of elevated blood lead levels, infant mortality and low birth weight.

Overall, the first few years of the 21st century treated New York City well: real estate development boomed and housing prices appreciated dramatically throughout the boroughs. But while this housing price appreciation helped those selling their homes, it also made homeownership or renting unaffordable to many. Additionally, while decreases in crime and poverty and consistent gains in educational attainment and health outcomes improved the quality of life for many New Yorkers, increasing foreclosures and declining housing prices may make 2007 a turning point for the City. The challenge for government and community leaders in the near future will be to prevent a reversal of the positive trends of the past few years despite stretched resources.

¹ For more detail about mortgage lending trends in New York City, including the significant racial disparities, see the 2007 edition of *State of the City* and the October 2008 Furman Center Report "Declining Credit & Growing Disparities: Key Findings from HMDA 2007," available at <http://furmancenter.org/files/KeyFindingsfromHMDA2007FurmanCenterReport.pdf>.

² <http://www.millersamuel.com/>

³ New York City Department of Housing Preservation and Development. 2008. "The New Housing Marketplace, Reaching the Halfway Mark." Available at <http://nyc.gov/html/hpd/downloads/pdf/NHMP-2008-Progress-Report.pdf>.

⁴ Fernandez, Manny. "New York Housing Plan is Delayed." *New York Times*. <http://www.nytimes.com/2009/01/06/nyregion/06housing.html?hp> January 5, 2009.

⁵ New York Independent Budget Office. Fiscal Brief, November 2007. Available at <http://www.ibo.nyc.ny.us/iboreports/NHMP07.pdf>.