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Executive Summary

New York City and the country as a whole face an incredible set of new challenges. Nationwide, housing prices have fallen dramatically and housing starts are at the lowest point in more than a generation. While the housing crisis was slower to hit New York City, signs of a local housing downturn are now unmistakable. As we come to terms with the end of an era of rapid price appreciation, questions abound: how severe will the downturn be? How long will it last? How many foreclosures will result? How will the softening market affect our neighborhoods? Will the fiscal downturn lead to the unraveling of much of the social progress the City has made through reductions in City services or increases in crime?

In past years, the Furman Center’s State of New York City’s Housing and Neighborhoods (State of the City, for short) examined many of the trends that undoubtedly contributed to the housing downturn. In our 2006 report, we examined the growing affordability challenges faced by New York City homeowners. We found that less than 5% of homes were affordable to New Yorkers earning the City’s median income, and reported stark racial disparities in homeownership rates. Building on these findings, in 2007 we took a closer look at how New Yorkers have purchased homes over the past decade—exploring the rise of subprime and piggyback lending and shifts in the demographics of home buyers in the City. This past year, the Furman Center further explored the implications of high-leverage, high-cost lending, documenting significant increases in the City’s foreclosure rate and identifying the spillover costs of concentrated foreclosures on our communities.

TRENDS IN NEW YORK CITY HOUSING PRICE APPRECIATION

This year, we have taken a step back to investigate and describe the booms and busts of the City’s housing market over the past four decades, and to look for any lessons those earlier times provide for today. Using our own Index of Housing Price Appreciation—a measure of average sales price changes dating from 1974 that adjusts for inflation and controls for variation in the quality of housing—we track how the City, its boroughs and its community districts fared during the last four housing price cycles. Specifically, we look at the last two upturns (1980–1989 and 1996–2006) and the last two downturns (1974–1980 and 1989–1996). Over the entire period, from 1974 to 2006, home prices in New York City grew by 250%. That breaks down as follows:

- Between 1974 and 1980, prices declined by 12.4% citywide.
- Between 1980 and 1989, prices increased by 152%.
- From 1989 to 1996, prices dropped by 29.3%.
- From 1996 to 2006, the City’s latest boom, housing prices increased by 124%.

On average, despite very high price levels, housing prices in the City have not risen as much over the past two decades as they have around the country: in the most recent upturn, New York’s impressive growth of 124% was dwarfed by growth of 189% nationwide. Of course, the City and national averages obscure a lot of variation. Take, for example, the tremendous growth in Upper Manhattan during this last period of prosperity: In East Harlem, prices grew by 500%; in Morningside Heights, prices grew by 399%; and in Washington Heights, prices grew by 333%. During the busts, some neighborhoods were hit much harder than the City average, while other areas defied the City trend and actually saw big gains: from 1974 to 1980, Highbridge/Concourse in the Bronx lost 30% of its value, while prices in the Upper East Side grew by 60%. In our analysis chapter, we explain in detail how individual boroughs and community districts fared during these cycles.