

Executive Summary

Six years ago, the housing bubble burst and sent the nation spiraling into the most severe recession since the Great Depression. Today, encouraging signs of recovery—sustained employment growth, rising housing starts, increased numbers of home sales, and generally increased sales prices—provide reason to believe that the nation and New York City have turned the corner. In this year’s *State of New York City’s Housing and Neighborhoods* report (*State of the City*) we examine how New York City is faring in the aftermath of the crisis.

In 2001, the Furman Center for Real Estate and Urban Policy released the first edition of the *State of the City* to make publicly available the enormous amount of data regarding housing and neighborhood conditions in New York City collected each year. Today, the *State of the City* includes an unprecedented number of indicators, measuring everything from the health of the housing market to the health of the city’s residents and the educational attainment of the city’s children. The report serves as a medium through which the Furman Center can investigate new data, describe and contextualize current trends, and highlight the pressing issues affecting New York City. This year’s *State of the City* focuses on how New York City is performing in the aftermath of the housing crash and recession, investigating changes in the city’s built environment, housing market conditions, population demographics, and health, education, and crime indicators.

Where data are available, this year’s *State of the City* compares New York City to the next four largest cities in the United States—Chicago, Houston, Los Angeles, and Philadelphia—to help contextualize the city’s experience during the housing boom and bust. In Sections 4 and 5, we also compare New York City residents (or “New Yorkers”) to the residents of these other large cities.

1. The State of New York City’s Built Environment

New York City’s built environment has experienced a dynamic and tumultuous decade, with a construction boom, a subsequent bust that saw development slow to the lowest rate in 12 years, and, most recently, damage to thousands of buildings by Superstorm Sandy. In *Section 1: The Built Environment*, we examine the recession’s impact on the city’s construction, finding that new residential development in New York City came to a standstill in 2009. Although new construction began to recover in 2011, some sites remain stalled at the end of 2012, and sales of transferable development rights—a harbinger of new projects—had not yet begun to recover in 2011. We also look at city government’s ongoing efforts to steer the city’s long-term development patterns through zoning changes and historic preservation. New York City has continued its unprecedented pace of neighborhood-by-neighborhood rezonings, which have now affected more than a quarter of the city. The city also has continued to actively designate new historic districts and landmarks, especially in Manhattan and Brooklyn.

Superstorm Sandy descended upon New York City in October 2012, and its surge waters reached 75,919 buildings containing 302,303 housing units. Thirty percent of the city’s total housing stock is located in one of the three city-designated evacuation zones (used prior to 2013) that were deemed vulnerable to coastal flooding.

2. The State of New York City's Homeowners and Their Homes

In *Section 2: Homeowners and Their Homes*, we find that while the city as a whole continued its nascent recovery from the housing market crisis in 2012, New York City's homeowners and for-sale/owned housing markets continued to struggle, particularly in the hardest hit neighborhoods.

Over the past decade New York City's home prices and sales volume generally followed a boom and bust pattern, with prices steadily decreasing by a total of 15.7 percent between 2007 and 2012. These changes were not evenly distributed among the boroughs; Manhattan was seemingly immune to fluctuations in prices and sales, while the largest price declines were concentrated in neighborhoods in the Bronx, Queens, and Brooklyn.

Home purchase lending rates in 2011 were well below peak levels, and also below the levels of the year 2000. The years 2009 through 2011 saw lending rates remain relatively level. This overall decline in lending was accompanied by a widening of the gaps between loan share and population share for black and Hispanic New Yorkers. This was most notable among Hispanics; in 2011, Hispanics made up 28.8 percent of the city's population, but only accounted for 9.8 percent of home purchase borrowers.

Changes in New York City's housing market in the past decade resulted in a dramatic spike in foreclosures, primarily involving one- to four-family homes. Although the number of *lis pendens* issued in New York City in 2010 and 2011 was below 2009 peak levels, the past year saw a 5.2 percent increase over the number issued in 2011. In keeping with the trends of the past decade, new pre-foreclosure notices, foreclosures, and REOs (foreclosed properties owned by banks) issued in 2011 were concentrated in the same few communities as those issued in the past few years. In addition, 15.4 percent of mortgaged, owner-occupied homes in New York City were underwater at the end of 2011, another indication that the effects of the housing crisis are still being felt in New York City.

3. The State of New York City's Rental Housing

In *Section 3: Renters and Rental Units*, we find that the recession did not translate into greater affordability for the typical New York City renter. Indeed, New York City renters continued to face severe affordability challenges in 2012, with stagnant incomes and rising rents. From 2007 to 2011, median rent citywide increased by 8.5 percent. This same period saw real household income drop sharply. As a result, between 2007 and 2011, median rent burden increased; by 2011, 24 percent of New Yorkers were moderately rent burdened and 31 percent of New Yorkers were severely rent burdened. Still, the demand for rental housing remains high. At four percent, New York City's rental vacancy rate is the lowest of the five largest cities in the United States.

Perhaps a bit of silver lining to come out of the recent recession is that fewer owners of subsidized rental housing chose to "opt out" of subsidy programs at the end of the period for which affordability restrictions were required.

4. The State of New Yorkers

In sharp contrast to the dramatic fluctuations in the city's housing market over the past decade, the demographics of New York City evolved slowly and steadily. In *Section 4: The State of New Yorkers*, we detail these changes over time and show how New Yorkers compare to the residents of the other largest cities. Relative to a decade ago, the average New Yorker in 2012 was older, more likely to be foreign born, and more likely to hold a college degree. The typical New Yorker in 2012 was also less likely to be married and less likely to be white or black.

The population of New York City has become more diverse over the past decade. From 2000 to 2010, the city's white and black population shares decreased (each by less than two percentage points), while Asian and Hispanic population shares grew by 2.9 and 1.6 percentage points, respectively. Simultaneously, New York City's neighborhoods became less segregated. In 2010, the share of city residents

living in highly segregated neighborhoods (meaning neighborhoods where the share of any particular racial group is greater than 90 percent) was 3.2 percentage points lower than it was 10 years earlier.

The composition of New York City households changed in the past decade. The number of households grew by 88,000 since 2000. More New Yorkers lived alone in 2011 than ever before, with one-third of New Yorkers living alone. In addition, fewer New York City family households had children in 2011 than a decade ago, declining from 29.7 percent in 2000 to 27.2 percent in 2011. Finally, the share of households with members older than 65 increased to nearly 25 percent in 2011, the highest share of the largest five cities.

5. **The State of New York City's Schools, Health, and Crime**

As a whole, the city's school performance, health, and crime rates consistently improved over the past decade, as we cover in *Section 5: Schools, Health, and Crime*. New York City performed better on all three of these measures than the next four largest cities in 2011. However, the experience of white New Yorkers remains markedly different from that of black and Hispanic New Yorkers. Substantial disparities along racial and ethnic lines continue to offset the otherwise impressive progress the city has made in these areas.

New York City's students continued to do better on standardized tests. In the 2010–2011 school year, 60 percent of students in grades three through eight performed at grade level in math and 46.9 percent performed at grade level in English language arts. In 2011, the four-year high school graduation rate increased to 65.5 percent, following a steady increase of 19 percentage points from 2005 to 2011.

Over the past decade, New Yorkers' health improved across several indicators. The infant mortality rate in New York City was 4.9 deaths per 1,000 live births in 2011, which was 1.3 deaths lower than the national infant mortality rate. The life expectancy for the average New Yorker grew by three years in the past decade. In 2010, the life expectancy for women in New York City was 2.3 years longer, and for men in New York City was 1.9 years longer, than for their gender in the United States as a whole. New York City's asthma hospitalization rate (2.8 hospitalizations per 1,000 residents) remained higher than the national average (1.4 hospitalizations per 1,000 residents) in 2011.

New York City crime rates continued their precipitous decline since the 1990s, falling to historically low levels in 2011. Between 2000 and 2011, violent crime fell in all of the city's 76 precincts but one. These trends are consistent with the four largest cities, which also saw significant declines in crime rates over the past decade.