Section 3: Renters and Their Homes

Over two million New York City households—roughly two-thirds of all city households—rent their homes. Over the past decade rental housing has become less affordable to many New Yorkers. After adjusting for inflation, incomes have remained stagnant while rents have steadily increased. The typical renter is now paying a greater share of their income on rent. These trends have affected low-income renters the most.

1. Rents are high and rising.

Living in New York City is an expensive pursuit. In 2012, the median monthly gross rent through the five boroughs was $1,216, about $300 more than the median rent in the United States as a whole. Figure 3.1 shows that the median rent increased slightly from 2011 to 2012. Between 2005 and 2012, the median monthly rent citywide increased by 11 percent, after adjusting for inflation.

Of course, rent levels and increases are not distributed uniformly across the city. Figure 3.2 shows that rent levels were highest in Manhattan ($1,474) and lowest in the Bronx ($1,036) in 2012. Rent levels increased fastest in Manhattan, rising 19 percent since 2005, followed by an increase of 12 percent in Brooklyn and 10 percent in the Bronx. Between 2010 and 2012, the real median rent actually fell in Staten Island by about seven percent.

The median rent paid by households in occupied units may mask higher asking rents in vacant units. Even in market rate units not governed by any sort of rent regulations, landlords may offer lower rents to current tenants and then raise the rent substantially when a unit turns over. As Figure 3.3 shows, households who have recently moved pay substantially higher rents than those who have lived in current units longer. On average, in 2012, renters who lived in their unit for fewer than five years paid about $225 more each month than renters overall.

2. Rent levels have increased faster than income.

Over the past eight years, rent increases far surpassed increases in renters’ incomes. If the incomes paid to renters had increased at a rate similar to rents, then the overall affordability of the city’s rental units would be relatively constant. However, Figure 3.4 shows that since 2005, the median gross rent increased by almost 11 percent (after adjusting for inflation) while the median household income of renters rose by only two percent. This left more renters squeezed, or forced to pay a greater share of their income on rent, leaving less income left over to spend on other essentials like food, transportation, and medical expenses. In a somewhat promising turn, the median household income increased slightly between 2011 and 2012, the first year-to-year increase the city has seen since before the recession.

On average, renters spent 32 percent of their income on rent in 2012. For a household earning the median renter household income of about $40,000 in 2012, this would translate into a monthly rent of approximately $1,000. We consider households to be rent burdened if they pay 30 percent or more of their income on rent, and severely rent burdened if they pay 50 percent or more of their income on rent. In 2012, 54 percent of renter households in New York City were rent burdened. As Figure 3.5 illustrates, it has not always been this way. As recently as the year 2000, just 44 percent of renters were paying unaffordable rents, a level that had stayed relatively steady since 1980. Only over the last decade has this level increased so dramatically. Compared to the previous year, there was a small decline in the percentage of renters facing cost burdens in 2012, but rent burden levels remained very high by historical standards.

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1 Gross rent includes the rent charges specified on a lease as well as any additional utility payments. Unless otherwise specified, all references to rent in this report refer to gross rent. For more information, see the definition of median monthly rent in the Indicator Definitions and Rankings chapter.
Figure 3.1: Median Gross Rent (2013$) for All New York City Renters

Figure 3.2: Median Gross Rent (2013$) by Borough

Figure 3.3: Median Gross Rent (2013$) for All New York City Renters Versus Recent Movers*

Figure 3.4: Index of Median Gross Rent and Median Renter Household Income (2013$), New York City

Sources: American Community Survey, NYU Furman Center

*Renters who have lived in their current unit for fewer than five years.
3. **Low-income renters were much more likely to be rent burdened than moderate-, middle-, or high-income renters.**

Not all renter households in New York City are equally burdened by high rents. Low-income renters—those earning up to 80 percent of the area median income (AMI), or up to $59,800 for a household with three people in 2012—are especially hard hit. Figure 3.5 shows that in 2012, over three-quarters of low-income renters were rent burdened, with 47 percent spending over half of their income on rent. Smaller shares of moderate- and middle-income households were rent burdened, though the share rent burdened for those groups has increased since 2000. Between 2000 and 2012, the share rent burdened increased the most for moderate-income households (those with incomes between 81 and 120 percent of AMI), more than doubling from 14 percent of households in 2000 to 30 percent in 2012.

4. **New York City continues to face a shortage of affordable rental housing.**

Another way to understand affordability challenges is to consider the number of rental units that became available on the rental market that were affordable to households at different income levels. Of rental units that were on the market in the last five years (which we define as being recently available), just 227,600 rental units with at least two bedrooms were affordable to a three-person household making 80 percent of AMI in 2012. This represented 49 percent of all recently available units with two or more bedrooms, a 22 percentage point decline to similarly situated households in 2000, as shown in Figure 3.6.

5. **New construction primarily targets a luxury market.**

From 2002 to 2012, New York City’s rental stock increased by 5.8 percent, or by an additional 120,000 units. However, the majority of newly constructed units rented at levels well beyond the means of the average renter household in New York City. Rent levels were considerably higher in new buildings than in older buildings. Figure 3.7 shows that the median rent for units in buildings constructed since 2000 was about $1,550 a month in 2012, several hundred dollars more than units in buildings built in earlier decades. Just 26 percent of units constructed since 2000 rented in 2012 for $1,005 or less, a level affordable to the median New York City renter household. In comparison, nearly 37 percent of units built prior to 2000 were affordable in 2012 to the median renter household. Much of the difference in rents between new construction and older buildings is due to the fact that new units are generally not subject to rent stabilization. About 33,000 newly constructed units voluntarily opted in to the rent-stabilization system in exchange for a property tax benefit from the city, most commonly 421-a or J-51. However, these units may still rent at levels far above the deregulation minimum of $2,500—only the rent increases are regulated. In 2011, eight percent of rent stabilized units were voluntarily in the program in exchange for tax incentives. These voluntarily stabilized units will automatically exit the program when their tax incentive expires.

To address the rental housing affordability crisis, the city, state and federal governments have devoted substantial resources to growing the affordable housing stock over the last 10 years. Figure 3.8 shows that 45,000 new units of income-restricted subsidized housing have come online since 2002 as a result of either new construction or substantial rehabilitation. Most of these units have

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3 For more information about rent stabilization, see the Furman Center’s data brief, Rent Stabilization in New York City (available at http://furmancenter.org/files/HVS_Rent_Stabilization_fact_sheet_FINAL_4.pdf) and the Rent Guidelines Board’s annual Changes to the Rent Stabilized Housing Stock in NYC report (available at http://www.nycrgb.org/html/research/research.html)

4 Throughout this report, income-restricted subsidized housing refers to rental housing financed through one of four large types of programs: HUD Financing and Insurance, HUD Project-Based Rental Assistance, the Mitchell-Lama Program, or the Low-Income Housing Tax Credit (LIHTC). It is possible that some properties have received financing through subsidy programs not included here and have affordability restrictions through those programs.
Figure 3.5: Rent-Burdened Households by Income Group, New York City

- Moderately Rent Burdened
- Severely Rent Burdened

<table>
<thead>
<tr>
<th>Income Group</th>
<th>2000</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low ≤ 80% HUD Area Median Income</td>
<td>40%</td>
<td>50%</td>
</tr>
<tr>
<td>Moderate 81-120% HUD Area Median Income</td>
<td>30%</td>
<td>40%</td>
</tr>
<tr>
<td>Middle 121-200% HUD Area Median Income</td>
<td>20%</td>
<td>30%</td>
</tr>
<tr>
<td>High &gt;200% HUD Area Median Income</td>
<td>10%</td>
<td>20%</td>
</tr>
</tbody>
</table>

Sources: U.S. Census (2000), American Community Survey (2012), NYU Furman Center

Figure 3.6: Recently Available* 2+ Bedroom Units Affordable to Three-Person Households, New York City

- 2000
- 2007
- 2012

*We consider units with new occupants in the last five years to be recently available.

Sources: U.S. Census (2000), American Community Survey (2012), U.S. Department of Housing and Urban Development, NYU Furman Center

Figure 3.7: Median Gross Rent (2013$) by Year Built, New York City, 2012

- Built 1939 or Earlier
- Built 1940 to 1949
- Built 1950 to 1959
- Built 1960 to 1969
- Built 1970 to 1979
- Built 1980 to 1989
- Built 1990 to 1999
- Built 2000 or Later

Sources: American Community Survey, NYU Furman Center

Figure 3.8: Income-Restricted Subsidized Rental Units Financed and Completed in New York City by Subsidy Type, New York City

- LIHTC
- 202/811
- HUD Insurance

Source: NYU Furman Center Subsidized Housing Information Project
received subsidies through the Low-Income Housing Tax Credit program. New subsidized housing production has slowed somewhat since 2007, consistent with trends in total construction.

However, over the same time period, about 25,000 income-restricted subsidized rental units converted to market-rate or rent stabilization after their subsidies expired and the owners opted out of any future affordability restrictions tied to tenant incomes. While Figure 3.9 shows that the rate of conversion has slowed since its peak in 2005, such conversions still remain a threat and are likely to pick back up when the economy improves. The number of subsidized rental housing units converting to market rate could have been over twice as high had the city not been able to preserve about 26,000 affordable units by offering a new infusion of subsidy. Taking into account the production, conversion, and preservation of income-restricted subsidized units, New York City had about 20,000 more income-restricted subsidized rental units in 2012 than it did in 2002.

Figure 3.10 shows how the distribution of rental units in New York City has changed between 2002 and 2012 for the privately owned-publicly subsidized stock, as well as for public housing, rent-stabilized units, and unregulated, market-rate units. While the income-restricted subsidized stock grew by about 12 percent, the market-rate stock grew by much more, increasing by 28 percent. That growth reflects the construction of about 75,000 market rate rental units as well as the conversion of over 100,000 rent stabilized units to market rate, primarily through vacancy decontrol. Other units entered the rent stabilization program after either opting out of a subsidy program or accepting a city tax incentive through the 421-a or J-51 programs. Thus, there was a net loss of about 88,000 stabilized units (8% of the stock) from 2002 to 2012.

### 6. Vacancy rates remain low.

Despite all of this new market rate and affordable construction, the rental vacancy rate remained low. Figure 3.11 shows that just 3.58 percent of New York City’s rental units were vacant in 2012.

Some households respond to the lack of affordable housing by doubling up in the same unit with other households. Figure 3.12 shows that in 2012, about four percent of rental units in New York City were severely overcrowded (more than 1.5 people per room). For example, a two-bedroom apartment with a living room and a kitchen is considered severely overcrowded if seven or more people are living there. In a constrained housing market, we would usually expect severe crowding to rise. However, the rate in New York City has not changed significantly in recent years.

### 7. Housing quality is improving.

There is some encouraging evidence that housing quality may be slowly improving. Figure 3.13 shows that in 2013, the city issued 182 housing code violations per 1,000 rental housing units. This is the lowest rate recorded since 2004, the first full year during which the city’s 311 hotline was fully operational.\(^5\)

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\(^5\) The 311 system is the source of most complaints that lead to housing code violations.
Figure 3.9: HUD Subsidized, Mitchell-Lama, and LIHTC Units in New York City No Longer Subject to Affordability Restrictions as Cataloged in the Subsidized Housing Information Project Database, by Exit Year
- Mitchell-Lama
- HUD Renewable (221(d)(3), Project-Based Section 8)
- Non-Renewable Subsidy (236, Rent Supp, RAP)
- LIHTC (pre-1989)

Source: NYU Furman Center Subsidized Housing Information Project

Figure 3.10: Changes in the New York City Housing Stock
- Market Rate
- Rent-Stabilized or Rent-Controlled
- Other Subsidized (HUD, ML, LIHTC)
- Public Housing

Source: NYU Furman Center Subsidized Housing Information Project

Figure 3.11: Rental Vacancy Rate, New York City

Sources: American Community Survey, NYU Furman Center

Figure 3.12: Severe Crowding Rate, New York City, 2012
- Severely Overcrowded Households (%)

Sources: American Community Survey, NYU Furman Center

Figure 3.13: New Housing Code Violations (per 1,000 Rental Units), New York City
- Total Violations
- Serious Violations

Sources: New York City Department of Housing Preservation and Development, New York City Department of Finance, NYU Furman Center