The Decline in Affordable Housing in New York City

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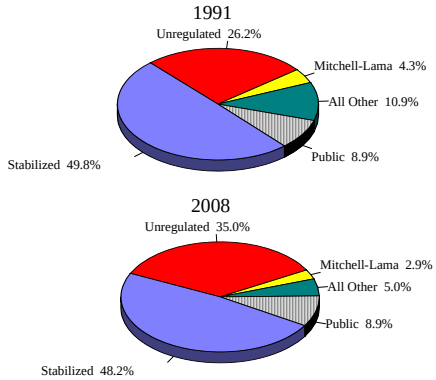
Highlights

- **In 2008, two thirds of all households in New York City lived in rental housing.**
- **The citywide vacancy rate has tightened in recent years, from 3.09 percent in 2005 to 2.88 percent in 2008.**
- **New York State's Mitchell-Lama program helped stimulate the construction of affordable housing between 1955 and 1978 by granting participating developers incentives in return for limits on profitability.**
- **Statewide, 427 rental and cooperative Mitchell-Lama projects with 168,609 units were constructed. Of these, 139,004 units (270 projects) were built in New York City.**
- **By the end of 2008, 40,080 housing units in 99 New York City projects had left the Mitchell-Lama program—29 percent of the units constructed in the City.**
- **Between 2002 and 2008, the City lost 178,542 rental apartments with reported monthly rents of less than $1,000 (inflation adjusted).**
- **In contrast, the City gained 202,286 rental units with reported monthly rents of $1,000 or more during the same period.**
- **The share of rental apartments that rented for less than $1,000 per month declined from 62.4 percent in 2002 to 53 percent in 2008.**
- **Conversely, the share of rental apartments that rented for $1,000 or more per month grew from 37.6 percent in 2002 to 47 percent in 2008.**
- **In 2008, 43 percent of households that rented their apartments devoted 30 percent or more of their incomes to rent (even after subsidies).**

In recent years, the number of affordable rental apartments in New York City has declined and more households are devoting at least 30 percent of their income toward rent. These factors have exacerbated an already serious lack of affordable housing in New York City.

Between 2002 and 2008, the total number of rental apartments in New York City grew by more than 60,000 units, or 2.9 percent, to more than 2.14 million.[1] This period witnessed a continuation in the trend of housing deregulation. In 2008, regulated apartments accounted for 64 percent of all rental units in New York City, compared with 67 percent in 2005 and nearly 74 percent in 1991 (see Figure 1).

Figure 1
New York City
Rental Housing Stock



Note: All other includes rent-controlled units, housing subject to other federal , State, or local regulations, and in-rem units.
Sources: NYC Housing and Vacancy Survey; OSDC analysis

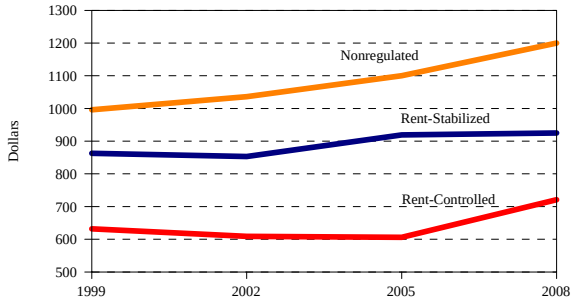
The Mitchell-Lama program accounted for 4.3 percent of the rental units in 1991, but this share dropped to 2.9 percent by 2008. Of the 139,004 units that were constructed in New York City, 40,080 units have left the program as landlords sought higher rents and profits.

[1] Data from the NYC Housing and Vacancy Survey covers conditions during February through June 2008, and does not reflect the more recent weakening in the City's economy and housing market.

In 2008, the median monthly contract rent (i.e., rent excluding the cost of utilities), was $1,200 for nonregulated apartments, compared to $925 for rent-stabilized units and $721 for units subject to rent control (see Figure 2). While rents have generally risen faster for nonregulated units than for units subject to government regulation, in the past three years median rents for rent-controlled apartments grew by 19 percent.

Figure 2

Median Contract Rents for New York City Apartments



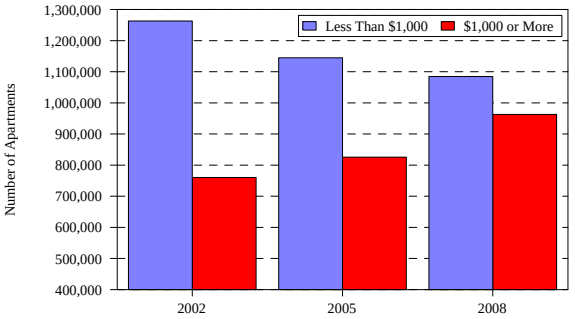
Sources: U.S. Census Bureau, NYC Housing and Vacancy Survey; OSDC analysis

Housing is generally considered affordable when it consumes 30 percent or less of household income. By that standard, a monthly rent of $1,000 or less in 2008 would have been considered affordable in New York City. As the median contract rent has risen in the City, apartments that rent for less than $1,000 per month have grown more scarce, while the number of apartments that rent for $1,000 or more has grown (see Figure 3).

Figure 3

Monthly Contract Rents in New York City

(In 2008 dollars)



Sources: U.S. Census Bureau, NYC Housing and Vacancy Survey; OSDC analysis

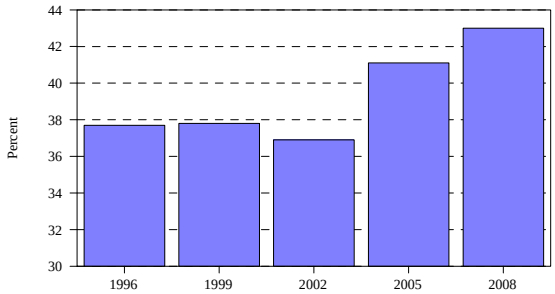
Among apartments for which rent is reported, the City lost 178,542 apartments with monthly rents of less than $1,000 (adjusted for inflation) between 2002 and 2008, and their share of the rental market declined from 62 percent in 2002 to 53 percent in 2008. (In 1991, these apartments represented 69 percent of the rental market.)

Conversely, the number of apartments with reported monthly rents of at least $1,000 increased by 202,286 units during the same period—including an additional 86,000 units with monthly rents of at least $1,500. As a result, the percentage of apartments in the City that rent for $1,000 or more (adjusted for inflation) rose from 37.6 percent in 2002 to 47 percent in 2008. The Center for an Urban Future reported that the New York metropolitan region had the highest average rent in the nation during the fourth quarter of 2008—53 percent higher than in the next most expensive region.

The percentage of households that paid more than 30 percent of their incomes toward rent—even after the benefit of government rent subsidies—rose from 37 percent in 2002 to 43 percent in 2008 (see Figure 4).

Figure 4

Share of NYC Households That Devote More Than 30 Percent of Their Incomes to Rent



Note: Includes the benefit of government rent subsidies.
Sources: U.S. Census Bureau, NYC Housing and Vacancy Survey; OSDC analysis

In 2008, unregulated apartments—generally the most costly rentals—represented a larger share of vacant apartments than in prior years. Unregulated apartments represented 58.2 percent of all vacant apartments in 2008, up from 37.8 percent in 1991. Conversely, rent-stabilized apartments represented 35.6 percent of vacant apartments in 2008, down from 50.4 percent in 1991.

New Yorkers are also found it more difficult to afford home purchases. In 2007, almost 26 percent of home owners devoted more than half of their household incomes to housing, up from 25 percent in 2005. According to the National Association of Home Builders/Wells Fargo Housing Opportunity Index, New York City ranked last in the nation in home affordability. The economic downturn has created new challenges for homeowners. Foreclosures are up and financing is more difficult to obtain.