DOES HOUSING SUPPLY TRACK GROWTH IN NEW YORK CITY'S POPULATION?

Over the past decade, the population of New York City has grown significantly. This trend is expected to continue; the Department of City Planning estimates that the City's population will grow by 1.1 million people by 2030.[1] Although population growth indicates a healthy city, it also brings challenges and raises concerns about whether the city has the housing needed to accommodate new residents. Below we compare net changes in the number of households and housing units in New York City since 1990.

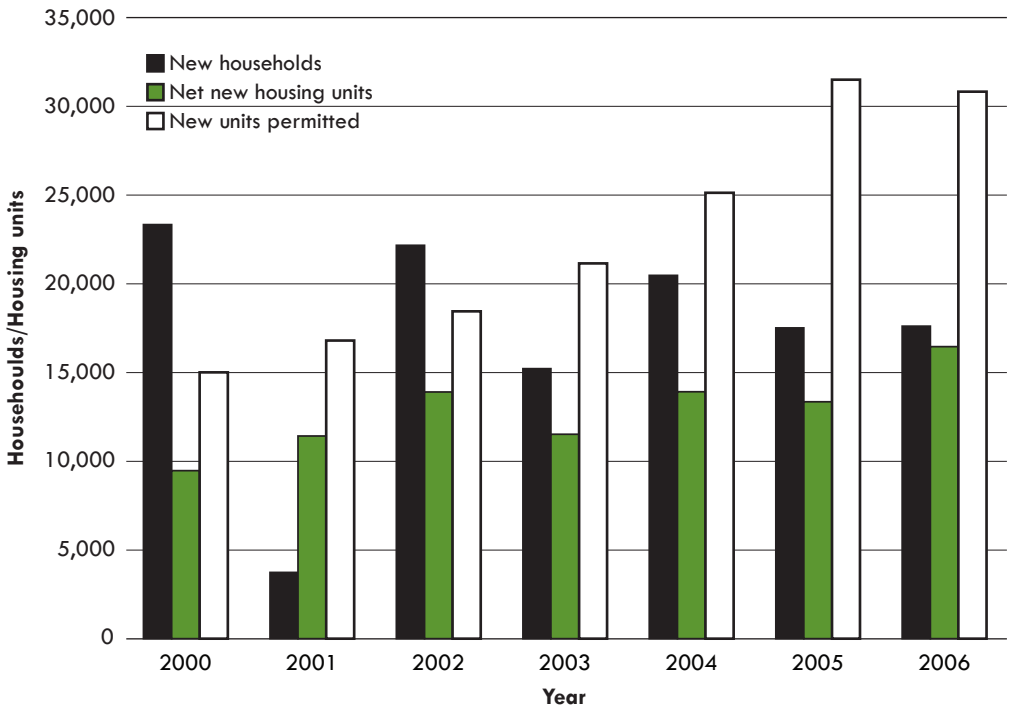
During the 1990s, growth in housing units lagged household growth by a considerable amount. According to the decennial census, between 1990 and 2000 the City grew by approximately 170,321 households, yet only 78,607 net available housing units were added to the stock.[2] The apparently slow response of housing supply to increases in demand could have a number of effects on housing markets, including upward pressure on prices and rents and overcrowding. Census data shows that the vacancy rate dropped from 5.8 percent in 1990 to 2.8 percent in 2000, also indicating a tightening of the housing market. In the State of New York City's Housing and Neighborhoods 2005, the Furman Center estimated that, as of 2005, to meet the needs of current residents who were either homeless or living in severely overcrowded conditions, and to provide a healthy vacancy rate, the City would need approximately 100,000 more units.

Encouragingly, housing supply appears to be tracking population growth more closely in recent years. As shown in **Figure 1**, although the number of new households exceeded the net gain in housing units

1 See DCP's website, http://www.nyc.gov/html/dcp/html/about/pr121306.shtml.

2 The Census Bureau's count of "available housing units" excludes units designated as "Vacant, not available for rent or purchase". The change in households between 1990 and 2000 is calculated using the 2000 census household count, the revised 1990 population estimate (7,567,146) and the average household size in 2000 (2.59).

Figure 1. Change in NYC Housing Stock and Households, 2000-2006



Source: Furman Center calculations using data from U.S. Census Bureau, NYC Department of City Planning and Department of Buildings.

for all but one year since 2000, the annual difference between households and units has been declining.[3] This is due in part to annual rates of new construction reaching the highest levels since the 1970s and in part to slower rates of household growth. In 2006, our estimates suggest that the City gained 17,666 new households while adding 16,511 housing units. Significantly, this is the smallest annual gap observed since 2000. Still, it suggests that the overall housing deficit has not decreased and may have increased slightly. While our data on certificates of occupancy do not include conversions from non-residential space and thus may understate additions to the stock, such conversions would have to account for as many as 1,155 units in 2006 in order to have reduced the housing deficit.

Figure 1 also shows a steady increase over the past several years in the number of new housing units authorized by building permits, an indicator of future growth in housing stock.[4] While not all units authorized by building permits are ultimately built, the recent increase in number of new units permitted suggests that the difference between population and housing unit growth may narrow in the coming years as these permitted housing units come on-line.[5]

3 Data on certificates of occupancy are collected by the Department of City Planning; they do not include conversions from the non-residential to the residential sector and therefore they may understate additions to stock. Units demolished are calculated by the Furman Center using data from the Department of Buildings. Certificates of occupancy are not available for 2006, and demolitions are not available for 2005 or 2006, so we extrapolate logarithmically from earlier years. New households are calculated as (PopulationT - PopulationT-1)/Average household size. Population for 2000 is taken from the decennial census; annual population data for 2001-05 are taken from Census Bureau's intercensal population estimates. The population numbers for 2003-2005 use Department of City Planning's revised estimates of population, which have been accepted by Census Bureau. The 2006 population assumes the same rate of growth from 2005-2006 as that from 2004-2005 (0.056%). We assume a household size of 2.59, the median size of NYC households reported in the 2000 census. Net change in housing units is calculated as the difference between certificates of occupancy and units demolished.

4 Data on housing permits are taken from the Census Bureau's New Residential Construction series. These permit numbers reflect only units in newly constructed buildings, not units created through conversion or rehabilitation of existing structures, so they may understate the true amount of new construction planned or in progress.

5 The Census Bureau estimates that 97 percent of all units and 77.5 percent of multifamily units authorized by building permits are ultimately built. Typical reasons that permits do not results in housing starts include abandoning construction after permits are issued or design changes that result in an increase or decrease in final number of units. For more discussion of permits data, see the New Residential Construction Series website, http://www.census.gov/const/www/newresconstindex.html. Typical reasons that permits do not result in housing starts include abandoning construction after permits are issued or design changes that result in an increase or decrease in final number of units. For more discussion of permits data, see the New Residential Construction Series website, http://www.census.gov/const/www/newresconstindex.html.