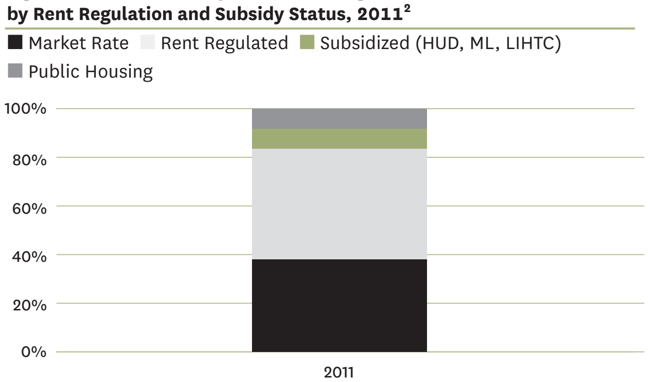
Section 3:
Renters and Rental Units

About two million New York City households—roughly two-thirds—rent their homes. Over the past decade rental housing has become less affordable to many New Yorkers. Given the downturn in the real estate market in New York City in recent years, renters in the city may have expected to see their rents finally decline after years of increases. In fact, the long-term trend of increasing rents (and stagnating incomes) has continued, and the share of renters paying a high percentage of their income toward rent has risen.

1.
Most renters live in subsidized and rent-regulated units.

Many New York City tenants are at least partially shielded from rent increases because they live in public housing (8.2%), subsidized housing (8.4%), or private, unsubsidized rental units governed by rent stabilization or rent control (45.4%).[1] Figure 3.1 shows that just 38 percent of renters live in unregulated, market-rate rental units.

Figure 3.1: New York City Rental Housing Units by Rent Regulation and Subsidy Status, 2011[2]



Sources: New York City Housing and Vacancy Survey, New York City Housing Authority, Furman Center Subsidized Housing Information Project

2.
Rents are high and growing.

Rental housing has become increasingly expensive in the city, and increasingly unaffordable to many tenants. The median contract rent (i.e., the amount agreed to in the lease, which may or may not include utilities) paid by New York City's tenants rose steadily over the past decade and has continued to rise in recent years. Between 2007 and 2011, a period when house prices citywide fell by 20 percent, the median monthly rent citywide increased in real terms (in constant 2012 dollars) by 8.5 percent, from $999 to $1,084. Figure 3.2 shows that this increase was particularly steep in Manhattan at 13 percent, while in Staten Island the real median rent paid by tenant households actually decreased slightly between 2007 and 2011.[3]

Of course, the amount of rent a household pays varies across unit types. Figure 3.3 shows that there is wide variation in the median gross rent (the contract rent plus the estimated cost of any utilities not included in rent) paid by households living in each of these different types of rental units, ranging in 2011 from $489 per month for public housing to $1,540 for market-rate units. After controlling for inflation, median gross rent for each type rose significantly between 2008 and 2011, and in each of the previous periods since 2002.

1 In 2011, only about two percent of all rental units were rent controlled while 44 percent were rent stabilized.

2 The public housing category consists of the New York City Housing Authority's stock of federally subsidized housing. The subsidized category consists of privately owned housing that receives financing or other subsidies from the U.S. Department of Housing and Urban Development, the New York City and New York State Mitchell-Lama programs, or the U.S. Department of Treasury's Low Income Housing Tax Credit program, as documented by the Furman Center's Subsidized Housing Information Project database (SHIP) (http://datasearch.furmancenter.org). The rent-regulated category consists of rent stabilized units other than those that are rent stabilized because they were developed with LIHTC and NYC property tax subsidies.

3 It is important to highlight that the citywide median understates the rents paid by tenants living in market-rate units, given that a large share of units included in the calculation of median rent are under some type of rent regulation.

Who lives in different kinds of rental housing?

Demographics of New York City Renter Households, 2011

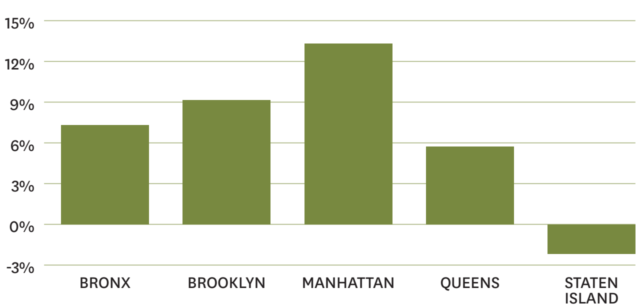
% of unit type occupied by:	*Market Rate*	*Rent Regulated (rent stabilized and rent controlled)*	*Public Housing*	*Other Subsidized*[*]	*All Households (both renters and owners)*
White householder	43%	35%	6%	26%	41%
Black householder	20%	22%	45%	32%	22%
Hispanic householder	23%	32%	44%	31%	24%
Asian householder	13%	9%	4%	9%	11%
Householder over 65	8%	17%	28%	37%	19%
Households with children under 18	34%	28%	40%	24%	30%
Median household income (2012$)	$53,287	$37,320	$17,306	$20,299	$48,984

Source: New York City Housing and Vacancy Survey

The table above shows that there is significant variation in the demographics of the households that occupy different types of rental units in New York City. For example, households headed by individuals over the age of 65 occupy only eight percent of market-rate rental units but occupy more than a quarter of public housing units and more than a third of units in other subsidized housing programs. Despite making up only 41 percent of all New York City households, those households headed by whites occupy only six percent of public housing units. Households headed by whites occupy a much higher percentage—more than a quarter—of other subsidized housing units.

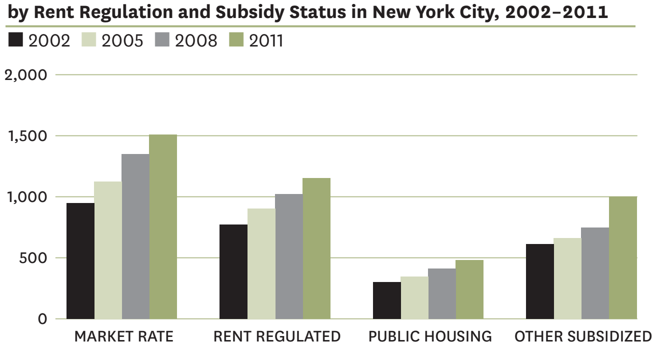
**"Other subsidized" includes rental housing that the Housing and Vacancy Survey describes as not subject to rent control or rent stabilization and may include a wide variety of local and federal subsidies or financing. This category includes some properties tracked in the Subsidized Housing Information Project (SHIP) but also includes properties that received subsidies through programs not catalogued in SHIP. Data from this category should not be directly compared to data on SHIP properties alone.*

Figure 3.2: Change in Median Contract Rent, 2007–2011



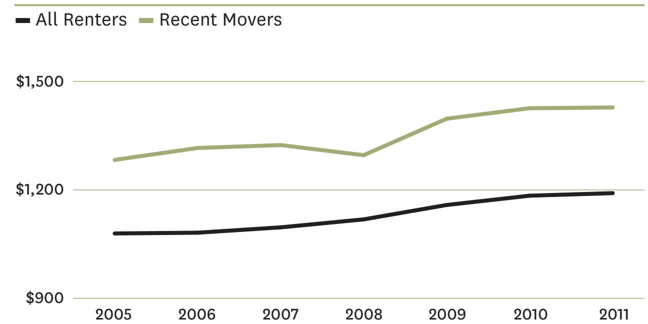
Sources: American Community Survey, Bureau of Labor Statistics

Figure 3.3: Median Gross Rent* (2012$) for New York City Renters by Rent Regulation and Subsidy Status in New York City, 2002–2011



Sources: New York City Housing and Vacancy Survey, Bureau of Labor Statistics
**Excludes tenants paying no rent.*

Figure 3.4: Median Gross Rent (2012$) for All New York City Renters Versus Recent Movers,* 2005-2011



Sources: American Community Survey, Bureau of Labor Statistics
**Renters who have lived in their current unit for five years or less.*

Furthermore, the rents paid by households in occupied units may mask the higher asking rents in vacant units. Even for market-rate units, landlords often raise rents more substantially when a unit turns over. As Figure 3.4 shows, households who have recently moved pay higher rents than those who have lived in their current units longer. In addition, the median gross rent paid by recent movers has increased more than the median rent paid by renters as a whole.

Despite the fact that only about 37 percent of New York City's rental housing consists of unregulated, market-rate units, the city's recent increase in median gross rent outpaced each of the four next largest cities. Figure 3.5 shows the change in median gross rent for each city, adjusted for inflation and indexed to 2007. New York City and Los Angeles experienced the largest increases in median gross rent between 2007 and 2011 at about nine and eight percent, respectively. Chicago and Philadelphia each experienced a sharp increase in 2009, but median rents declined slightly in real terms in the subsequent two years. In Houston, median gross rent was lower in 2011 than in 2007.

3. Rent burdens are increasing.

Rent burden is the share of a renter's income spent on gross rent (which, as explained above, includes not only the contract rent paid to the landlord, but also utility payments not included in the rent). Figure 3.6 shows that New York City's median household income has not kept up with increases in rent levels since the onset of the Great Recession. Between 2005 and 2008 (the recession officially began in late 2007), the median gross rent in the city increased, but median household income rose at an even faster rate (in each case, in constant, inflation-adjusted dollars). Between 2008 and 2011, however, median gross rent continued to rise, but real household income dropped sharply. As a result, median gross rent increased 10 percent between 2005 and 2011, while median household income actually *decreased*.

As a result of the divergent trends in income and rent since the beginning of the recession, New Yorkers' median rent burden increased from 29.9 percent in 2007 to 32.5 percent in 2011. According to the U.S. Department of Housing and Urban Development's (HUD) definitions for rent burdens (which we use for this report), a moderate rent burden is defined as spending between 30 and 50 percent of household income on gross rent, and a severe rent burden is defined as spending 50 percent or more of household income on gross rent. Figure 3.7 shows that the share of New York City's renters who were severely rent burdened jumped from 27 percent in 2007 to 31 percent in 2011, and the share that was moderately rent burdened increased from 23 to 24 percent.

The median rent burden increased in each of the four next largest cities as well, and like New York City, more than half of all renter households were moderately or severely rent burdened in each city in 2011. Figure 3.8 shows that 62 percent of all renter households in Los Angeles were severely or moderately rent burdened, the highest percentage of any of the five cities. However, Philadelphia had the highest share of severely rent burdened renters at 37 percent, which was six percentage points higher than the share in New York City. In Houston, only a quarter of all renters were severely rent burdened, the lowest share of the five cities, and its total rent-burdened share was the lowest as well.

The overall rent burden masks the tremendous rent burdens faced by low-income households. Table 3.1 shows the share of low-income households and non-low-income households who are moderately or severely rent burdened. For this calculation, we define low-income households as those earning 80 percent or less of the median income for all households in the city's metropolitan area with the same number of household members, a definition commonly used by HUD.[4] Not surprisingly, a much higher share of low-income renter households in each city had moderate or severe rent burdens than other renter households. In Los Angeles, 81 percent of all low-income renter households were rent burdened (the highest share of any of the five cities). In New York City, 78 percent of low-income renter households were rent burdened, the second highest share of the five cities.

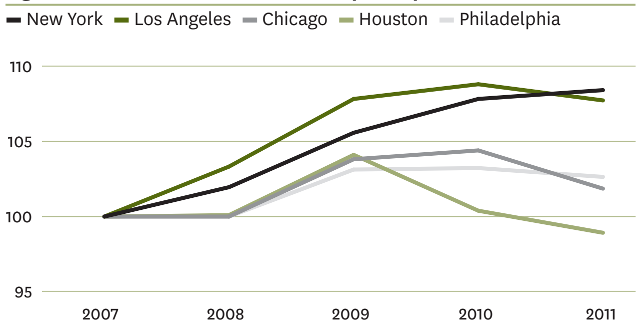
4. Vacancy rates remain very low.

One reason that rents are high in New York City and have continued to rise is that the rental vacancy rate has remained extremely low, even during the recession.[5] In 2006, the year before the recession began, the rental vacancy rate was

4 For example, in 2011, 80 percent of the median income for a four-person household in the New York-Northern New Jersey-Long Island metropolitan area was $65,450.

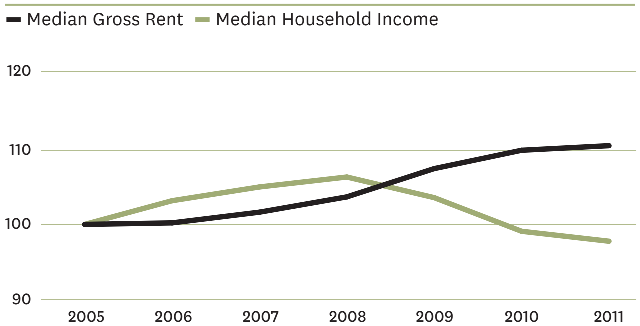
5 There are two different rental vacancy rates available to consumers of New York City data: The New York City Housing and Vacancy Survey (HVS) and the American Community Survey (ACS). While both surveys are conducted by the U.S. Census Bureau, the HVS is sponsored by the New York City Department of Housing Preservation and Development and is mandated by New York State rent-regulation laws. A citywide rental vacancy rate below five percent is required to maintain rent regulation. The 2011 HVS reports a citywide rental vacancy rate of 3.12 percent during the period between February and May 2011. Because the HVS is designed to capture the overall rate in the city it is less statistically reliable at smaller geographies. Additionally, the HVS is only performed every three years. For these reasons, the Furman Center uses ACS data, which are available every year and have a larger sample size.

Figure 3.5: Index of Median Gross Rent (2012$), 2007–2011



Sources: American Community Survey, Bureau of Labor Statistics

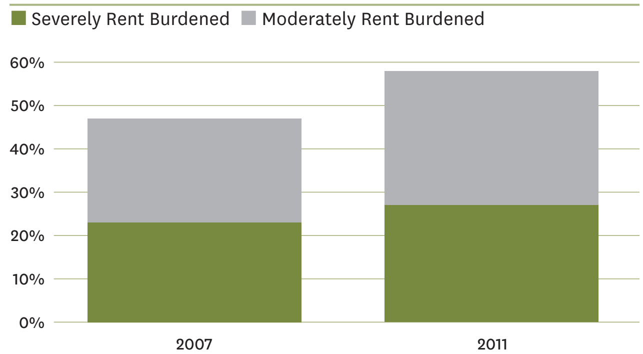
Figure 3.6: Index of New York City Median Gross Rent and Household Income, 2005-2011



Sources: American Community Survey, Bureau of Labor Statistics

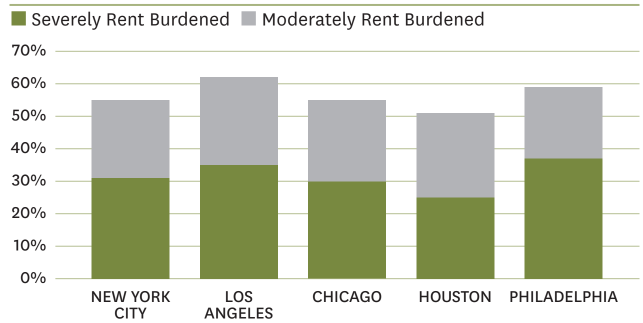
3.8 percent. By 2010, it had increased only slightly to just over four percent and remained at that level in 2011. Figure 3.9 shows that New York City's rental vacancy rate was lower than that in each of the four next largest cities in the country in each of the past few years. Los Angeles was the only other city with a rental vacancy rate of less than six percent; the vacancy rates in Philadelphia and Chicago were each near eight percent; and the rate in Houston was by far the highest at 13 percent. None of these cities has experienced a large increase in rental vacancy since the onset of the recession, likely because the foreclosure crisis and tightened mortgage lending requirements have shifted some households who might otherwise be homeowners into the rental market. This is consistent with the changes in homeownership rates in each of the cities shown in Figure 2.1.

Figure 3.7: Share of New York City Renter Households with Severe and Moderate Rent Burdens, 2007 and 2011



Source: American Community Survey

Figure 3.8: Share of Renter Households with Severe and Moderate Rent Burdens, 2011



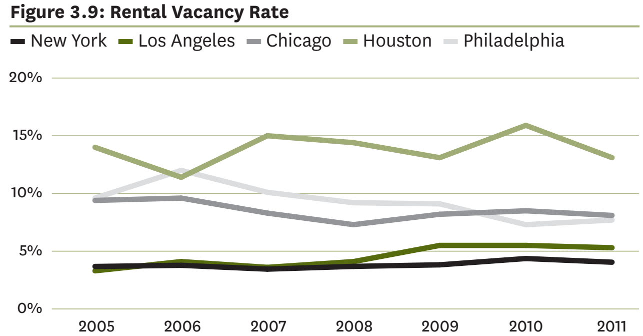
Source: American Community Survey

Table 3.1: Rent Burdened Share of Low-Income and Other Renter Households, 2011

	Low-Income Renter Households		*Other Renter Households*	
	Moderately rent burdened	*Severely rent burdened*	*Moderately rent burdened*	*Severely rent burdened*
New York City	30%	47%	13%	2%
Los Angeles	31%	50%	17%	2%
Chicago	31%	44%	11%	1%
Houston	36%	39%	8%	1%
Philadelphia	26%	47%	6%	1%

Sources: American Community Survey, U.S. Department of Housing and Urban Development, Furman Center

Figure 3.9: Rental Vacancy Rate



Source: American Community Survey

5. More households are living in overcrowded conditions.

Households sometimes try to overcome the lack of affordable housing by doubling up with other households. About four percent of all rental households in New York City in 2011 were severely overcrowded (more than 1.5 occupants per room).[6]

As Figure 3.10 shows, the share of New York City's renter households that are severely overcrowded is higher than in Houston, Philadelphia, and Chicago. Only Los Angeles has a greater share of severely overcrowded renter households—more than nine percent of its renter households were severely overcrowded in 2011.

6. The rental stock is growing and changing.

The distribution of types of rental units throughout the city changed significantly during the bubble and subsequent burst of New York City's real estate market. Fueled by new construction and conversions from other uses, the net stock of rental units grew from 2.08 million in 2002 to 2.17 million in 2011, an increase of 4.2 percent. As Figure 3.11 shows, this was primarily driven by a net increase in market-rate units as new developments came online and previously rent-stabilized units became unregulated.

As the number of market-rate rental units has increased, New York City has also experienced a modest increase in the number of subsidized rental units. Our Subsidized Housing Information Project database[7] tracks nearly 235,000 affordable units that have been financed since the 1970s through the programs of HUD, the Low-Income Housing Tax Credit program (LIHTC), and the New York City and New York State Mitchell-Lama program. As of 2011, 182,000 of those units remain subject to affordability restrictions under those programs. As Figure 3.12 shows, in the mid-2000s, a perfect storm of properties coming to the end of their required affordability periods and the overheated real estate market enticed many owners of HUD-subsidized and Mitchell-Lama properties to exit those programs at the end of their contracts or use restrictions. Since the mid-2000s fewer subsidized units have opted-out upon reaching the end of the period for which affordability restrictions were required.

Figure 3.13 shows that production of subsidized housing in the city under the programs included in the SHIP Database remained steady between 2007 and 2011. In total, nearly 50,000 units subsidized through the four programs tracked in SHIP were financed during those years, both for new construction and rehabilitation. Many programs that preserve affordable housing in New York City are not captured in the SHIP Database (such as 8a and the Participation Loan Program), so the 50,000 figure does not include all new subsidized units.

7. Most renters live in small- and medium-sized buildings; many accordingly have been affected by the foreclosure crisis.

Although the city is best known for its iconic towers, only about one-third of the city's renter households live in buildings with more than 50 units, as Figure 3.14 shows, while more than a quarter live in single-family homes or two- to four-family buildings.[8]

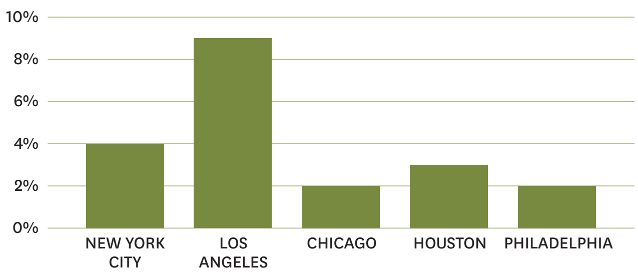
Because so many live in one- to four-family homes, many of New York City's renters have been victims of the foreclosure crisis. Recent state and federal laws have provided tenants with increased protection from eviction if their landlord suffers foreclosure, but tenants are not always aware of their legal rights and are still vulnerable to utility cut-offs and deteriorating building conditions if landlords in foreclosure walk away from their property or are unable to maintain it. In 2009, the peak year for *lis pendens* filings,

6 It is likely that overcrowding may be underestimated by the Census Bureau because illegally subdivided units are under-sampled or omitted from counts, and because households are reluctant to report undocumented members.

7 Researchers at the Furman Center, with the cooperation and expertise of the city, state, and federal housing agencies, and the insights of knowledgeable advisory committees, combined 50 datasets with information on more than 20 unique subsidy programs. The resulting Subsidized Housing Information Project (SHIP) Database maps and contains extensive information about every affordable property ever financed in New York City using HUD financing or insurance, HUD project-based rental assistance, Mitchell-Lama, and LIHTC. The database incorporates reviews of legal agreements, mortgages, and other documents in the agencies' files and in public records. The SHIP Database is available online at datasearch.furmancenter.org.

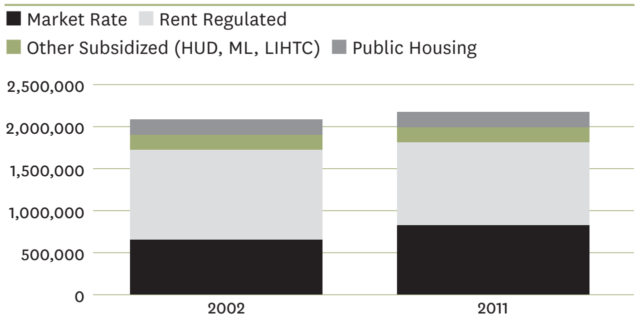
8 The multi-unit buildings in Figure 3.14 include both apartment buildings and condominiums or co-op buildings with rental units.

Figure 3.10: Percentage of Renter Households that Were Severely Overcrowded, 2011



Source: American Community Survey

Figure 3.11: Net Change in New York City Rental Housing Stock, 2002–2011



Sources: New York City Housing and Vacancy Survey, New York City Housing Authority, Furman Center Subsidized Housing Information Project

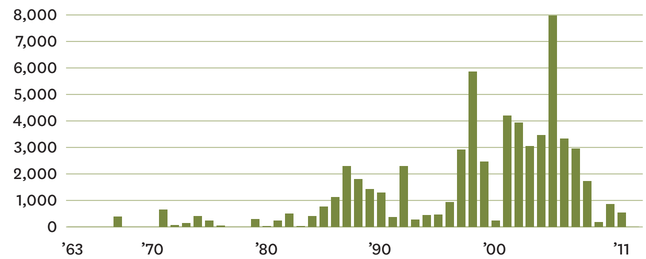
properties entering foreclosure contained more than 25,000 rental units. This number has declined steeply since, in step with the city's overall foreclosure trend, but foreclosure continues to threaten many tenants: an estimated 15,379 rental units were in buildings that received a *lis pendens* in 2012. This represents a little more than half of all units in properties receiving a *lis pendens* in 2012.

8.

Housing code violations remain steady.

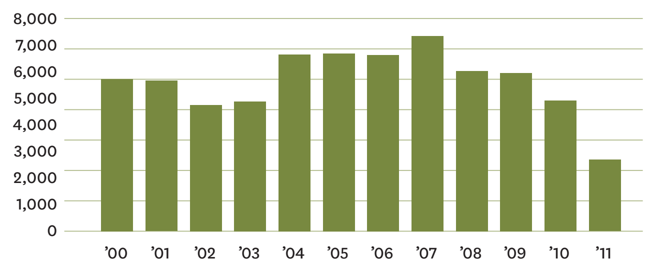
Despite the housing market crash and relatively high foreclosure activity even for large rental buildings, the number of serious housing code violations issued by the city has remained roughly steady over the past several years. In every year from 2005 to 2011, the city issued between 52 and 58 new serious housing code violations per 1,000 rental units. Figure 3.15 shows that the total number of violations, which includes less serious infractions, issued per 1,000 rental units has declined steadily since 2005.

Figure 3.12: HUD, Mitchell-Lama, and LIHTC Units in New York City No Longer Subject to Affordability Restrictions Cataloged in Subsidized Housing Information Project Database, by Exit Year



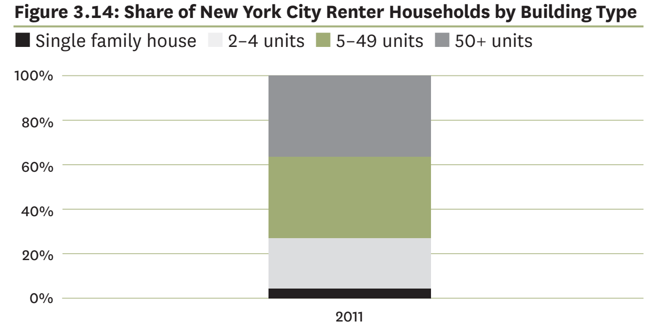
Source: Furman Center Subsidized Housing Information Project

Figure 3.13: Total Subsidized Units Financed and Completed in New York City Under the Four Major Subsidy Programs



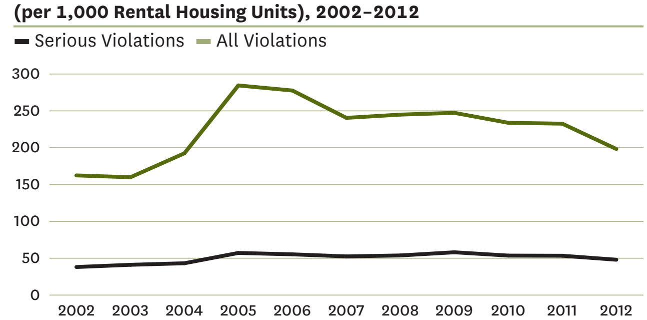
Source: Furman Center Subsidized Housing Information Project

Figure 3.14: Share of New York City Renter Households by Building Type



Source: American Community Survey

Figure 3.15: New Housing Code Violations in New York City (per 1,000 Rental Housing Units), 2002–2012



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