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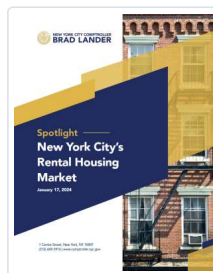
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Spotlight: New York City's Rental Housing M...

Spotlight: New York City's Rental Housing Market

January 17, 2024

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Introduction

Among the greatest challenges facing New York City's economy is the availability and affordability of housing. Economic growth and stability in NYC depend upon the ability for workers and others wishing to move into or within the city to find housing they can afford.

As has been noted in our monthly [Economic Newsletters](https://comptroller.nyc.gov/newsroom/newsletter/new-york-by-the-numbers-monthly-economic-and-fiscal-outlook-no-85-january-17th-2024/) (<https://comptroller.nyc.gov/newsroom/newsletter/new-york-by-the-numbers-monthly-economic-and-fiscal-outlook-no-85-january-17th-2024/>), median “asking rent” on publicly listed apartments available for leasing rose to a record high level in 2023 and remains at \$3,500 per month citywide—\$42,000 per year—near its peak despite

levelling off and falling slightly late in the year. At this rent level, a household would need to earn \$140,000 or more to not be rent-burdened (defined as paying 30% or more of income on rent). This income level is nearly double the median NYC household income level in 2022.

New York is largely a city of renters: 69% of households rent their homes, with roughly half of them living in rent-regulated apartments. Rent regulation creates stability for tenants by requiring landlords to offer renewal leases and limiting annual rent increases. As a result, many New Yorkers who live in rent-regulated apartments do not face rents nearly as high as publicly available listing data on asking rents.

In this Spotlight, we start off with a look at the post-pandemic dynamics of rent levels in the city. We provide context for how the different segments of the NYC housing market face different rent levels that often deviate from asking rent on the publicly listed market.

The core of this Spotlight examines the always-challenging and high-priority issue of housing affordability. Our findings indicate that a majority of renter households are rent-burdened, with rental costs consuming more than 30% of their income—in fact, nearly 30% of low-income renters across the five boroughs are *severely* rent-burdened, spending more than 50% of their pre-tax income on housing.

But our cross-city comparisons reveal that our city's challenges pertaining to housing affordability are not unique and, in fact, could be even worse – as they are in other major cities across the nation. Our findings also suggest that New York City's broad rent regulation programs, along with a large stock of subsidized housing, allow it to retain a large number of low, moderate, and middle-income residents that would otherwise be priced out of the city.

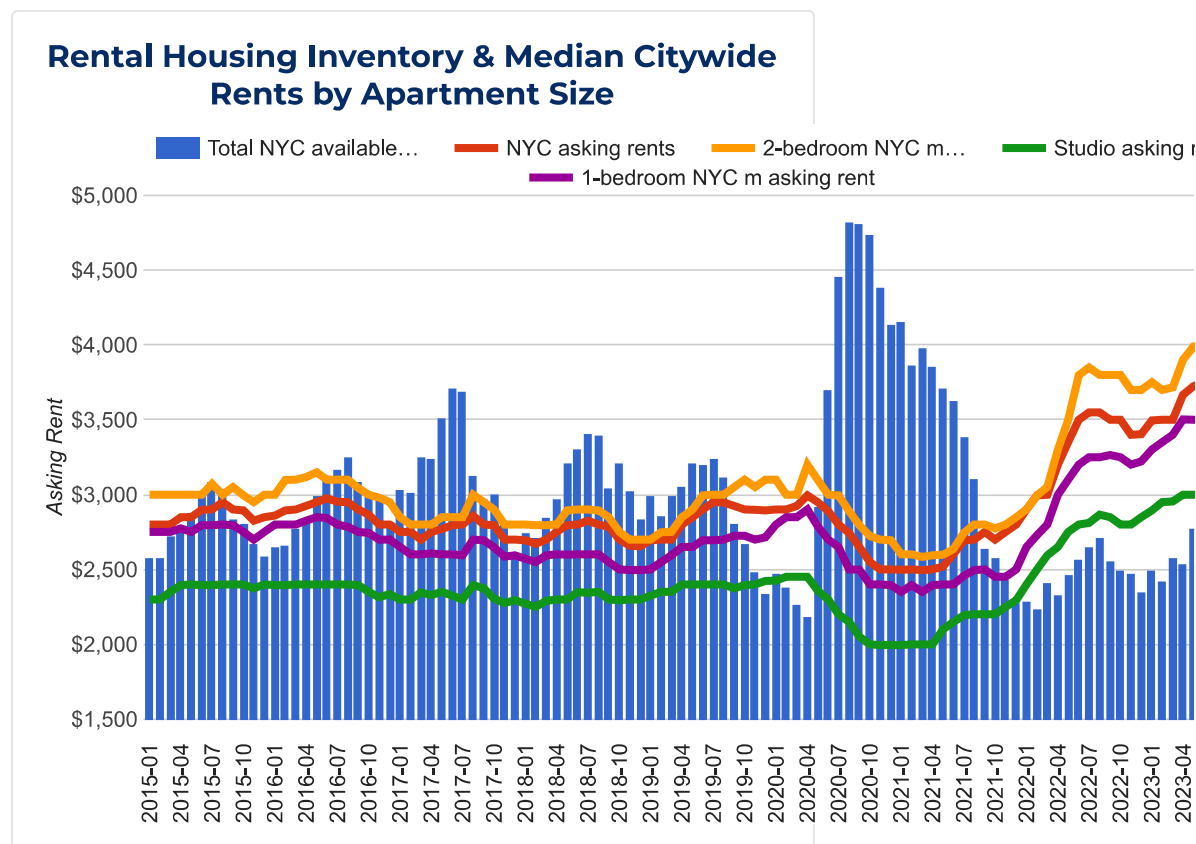
Nonetheless, affordability remains a major issue for many long-time residents, especially unregulated tenants facing rent increases; for New Yorkers looking to find new apartments (e.g. young people who grew up here moving out on their own, growing families who need more space, those who become homeless, etc); and for those who E.B. White called the “third” New York, “the person who was born somewhere else and came to New York in quest of something.”

Recent Dynamics in the Rental Market

Starting in the Spring of 2020, as a wave of residents left the city fleeing the pandemic and the typical inflow of movers virtually grounded to a halt, vacancies climbed and median asking rents on available rental apartments listed fell by about 15% from their pre-pandemic levels (see Chart 1, below). Eviction moratoria likely mitigated vacancies by preventing displacement. A combination of increased aid to the unemployed and emergency rental assistance administered helped make many landlords whole and kept individuals and families in their homes.

The rental market remained relatively slack until the spring/summer of 2021. Around this time, many businesses started calling people back to the office, at which point the number of available residential units fell sharply and median apartment asking rents climbed rapidly to record levels. By mid-2023, available rental inventory had rebounded modestly and asking rents began to level off at close-to-peak levels. As of late-2023 asking rents have declined slightly but remain close to their peak, far above pre-pandemic levels.

Chart 1



Source: StreetEasy.com

Market rents today are estimated to be about 17% higher than right before the pandemic. This is comparable with overall inflation over this period; in other words, real (inflation-adjusted) asking rents are about the same now as before the pandemic.

It is a conundrum why rents did not decrease in real terms despite the decline in the city's population over this period. One hypothesis is that people working from home leased more space (i.e. for a home office), leaving overall housing demand little changed—in other words, fewer residents but more square footage per resident.

Examining a different source for median rents that includes incumbent renters, the Census Bureau's 2022 American Community Survey (ACS) surveys households on the rent they pay for their existing homes. While StreetEasy figures measure asking rent on the 30 to 40 thousand apartments listed as available at a given time, the ACS sample is drawn from all 2.2 million occupied rental homes in NYC. In the ACS, median gross rent in NYC rose from \$1,500 in 2019 to \$1,680 in 2022, a gain of 12%. This is a smaller increase than in the

StreetEasy data—which showed a 17% rise from 2019 to 2022—and also a much lower level of rent than the \$3,300 reported by StreetEasy for on-line available listings in 2022.

Median asking rent on available listed apartments differs from median rent paid across all renter families for a number of reasons. First and foremost, more than half of the city's rental housing units are rent regulated in some manner. As these properties are generally offered at below-market rates, they rarely turn over and even more rarely make it to paid public listings. Second, even among apartments that are unregulated, especially in smaller buildings, some landlords have good relations, or even a personal relationship, with the tenant, and put a good deal of weight on maintaining that, as opposed to maximizing the rent (though with the increasing presence of private equity and related investors in the rental property market, this dynamic may be under threat). Third, data on publicly listed rental apartments from StreetEasy and other similar sources disproportionately reflect available inventory in higher-rent parts of the city (as can be seen on their [rental inventory map](https://www.bing.com/ck/a?!&&p=739924bb2c53471ajmltdHM9MTcWNDQxMjgwMCZpZ3VpZD0zOGRjMGQwNC1hOWM5LTyyYWEtMGMxZi0xZTVjYTgxZDYzNzEmaW5zaWQ9NTIxNg&ptn=3&ver=2&hsh=3&clid=38dc0d04-a9c9-62aa-0c1f-1e5ca81d6371&psq=streeteasy+data&u=a1aHR0cHM6Ly9zdHJlZXRIYXN5LmNvbS9ibG9nL2RhZGEtZGFzaGJvYXJkLW&ntb=1) (<https://www.bing.com/ck/a?!&&p=739924bb2c53471ajmltdHM9MTcWNDQxMjgwMCZpZ3VpZD0zOGRjMGQwNC1hOWM5LTyyYWEtMGMxZi0xZTVjYTgxZDYzNzEmaW5zaWQ9NTIxNg&ptn=3&ver=2&hsh=3&clid=38dc0d04-a9c9-62aa-0c1f-1e5ca81d6371&psq=streeteasy+data&u=a1aHR0cHM6Ly9zdHJlZXRIYXN5LmNvbS9ibG9nL2RhZGEtZGFzaGJvYXJkLW&ntb=1>)), most heavily skewed towards the lower half of Manhattan and the sections of Brooklyn and Queens closest to Manhattan.

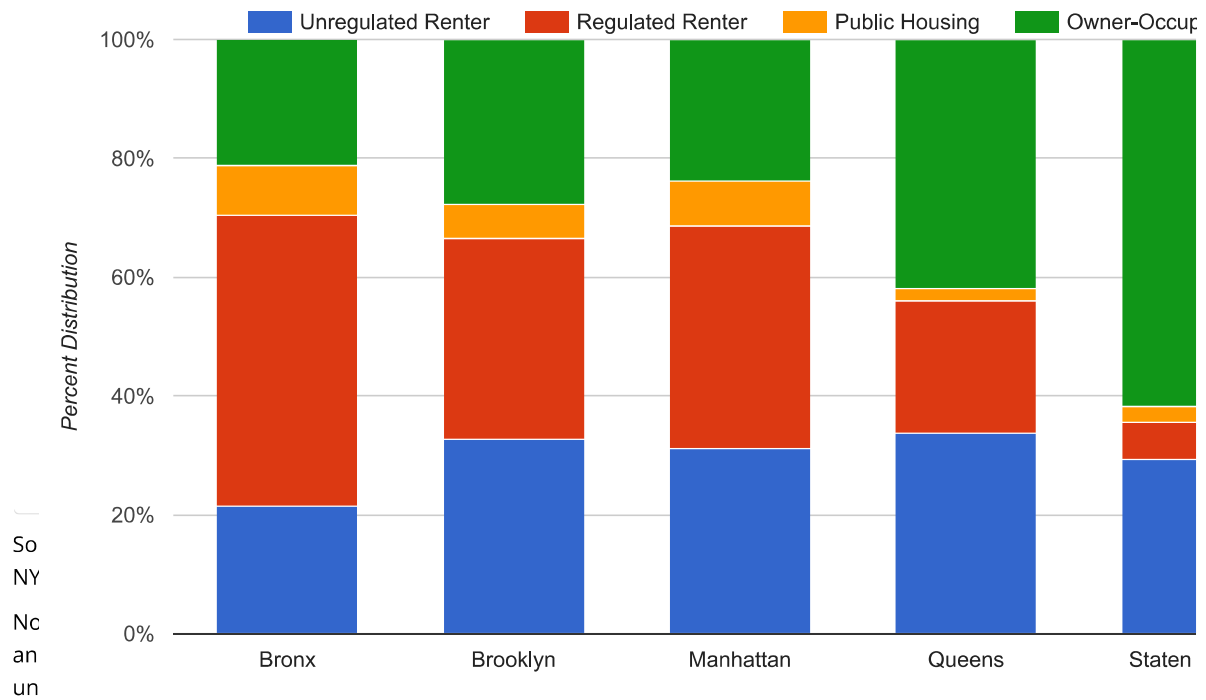
Segments of NYC's Housing Market & Stock

Data from the 2021 NYC Housing and Vacancy Survey (HVS) allow a closer look at how NYC's housing stock is segmented into rent regulation categories. More than two-thirds (69%) of NYC households in 2021 were renters. As can be seen in Chart 2, renters outnumbered homeowners by a wide margin in each borough except Staten Island.

Fewer than half (45%) of those rental units citywide are leased at unregulated, market rents. In the Bronx, Brooklyn, and Manhattan, a majority of rental units are either covered by some type of rent regulation – predominantly through the NYC rent stabilization system but also through rent control, Mitchell-Lama, and other programs – or are part of subsidized or public housing developments. In Queens and Staten Island, unregulated rentals outnumber regulated units.

Chart 2

Occupied Housing in NYC



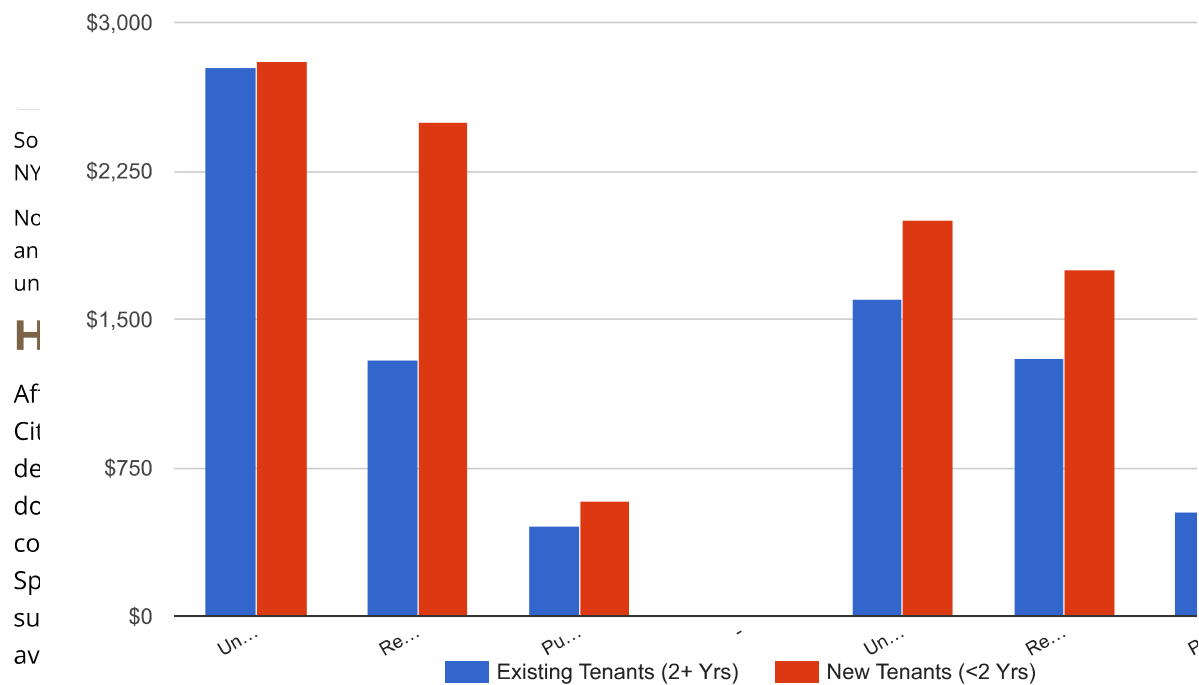
As shown in the Chart 3 below, regulated units exhibit lower median rents overall than their unregulated counterparts. However, for those moving into regulated units within two years prior to the survey, median rents were significantly higher than the rents paid by longer-staying tenants, and not far below rents paid by tenants in unregulated units. In the outer boroughs, new tenants in regulated units had a median rent that was even higher than that paid by longer-term tenants of unregulated units. Interestingly, in Manhattan, there was little difference in median rent paid in unregulated units based on how long the tenant had resided there—this may be partially a result of the survey timing, taken in mid-2021 when asking market rents were still in a pandemic-driven dip, as mentioned above.

Chart 3

Median Contract Rent - Existing vs. New Tenants

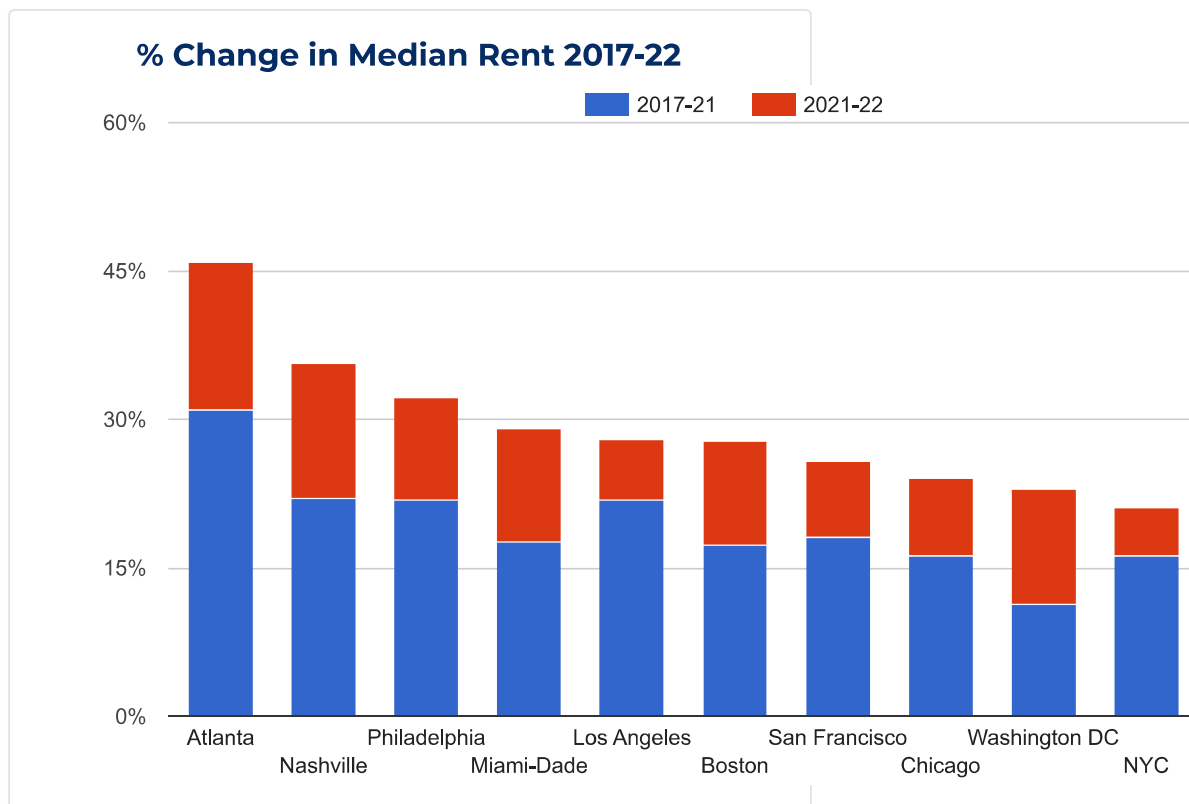
Manhattan

Outer Boroughs



While economists and policymakers debate the costs and benefits of rent regulation, a cross-city comparison—across the urban hubs of the largest metropolitan areas—suggests that it at least has the desired effect of limiting the rise in rents, as shown in Chart 4 below.

Chart 4

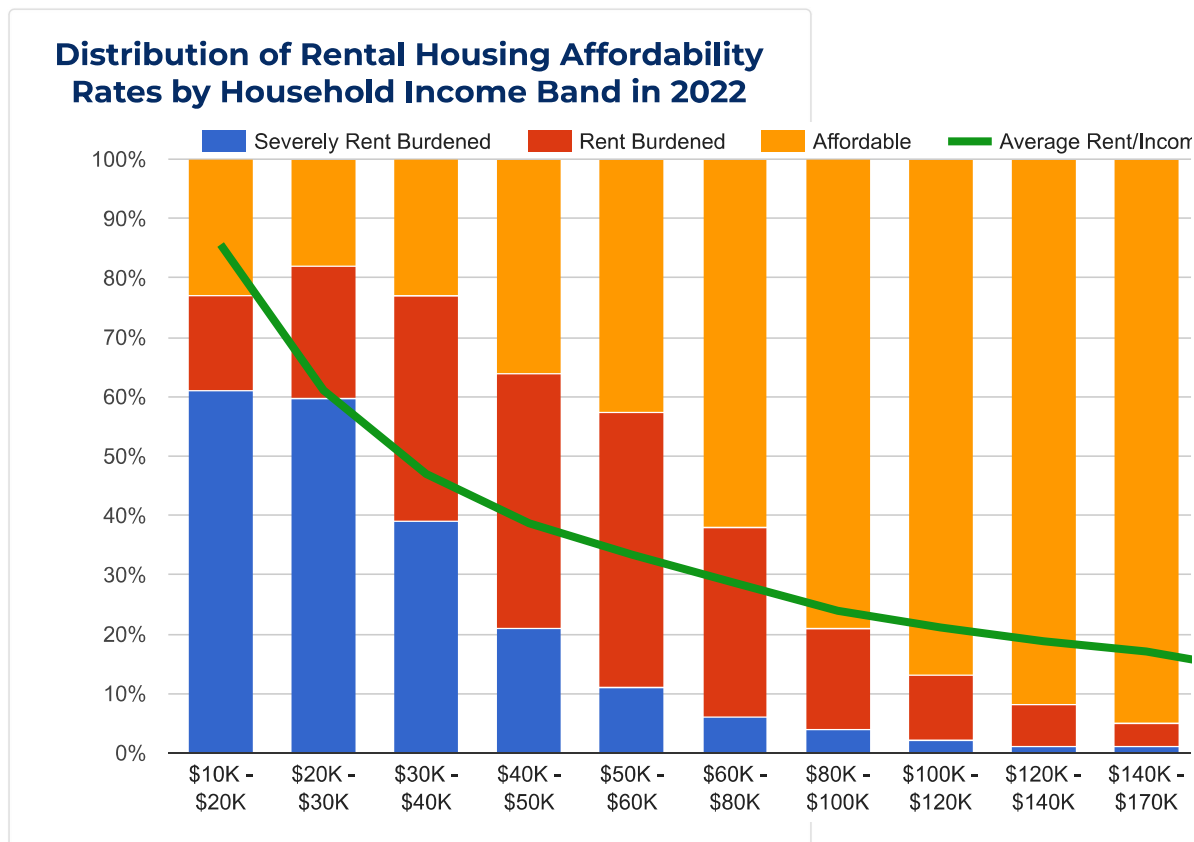


Source: American Community Survey, 2017 & 2022 (U.S. Census Bureau)

Chart 5 below breaks down affordability by income tier, showing that a sizable proportion of New York City households with low to moderate income are rent burdened—in many cases, severely so. A household is classified as rent burdened if gross rent (including utilities) consumes more than 30% of its income and severely rent burdened if that ratio exceeds 50%. Even among households at the

city's median income range (\$60-80K), nearly 40% are considered rent-burdened, with about 5% severely so. While over half of lower income households (Under \$30K) are severely rent-burdened, an even higher proportion of these households would be rent-burdened if not for public assistance in the form of vouchers.

Chart 5



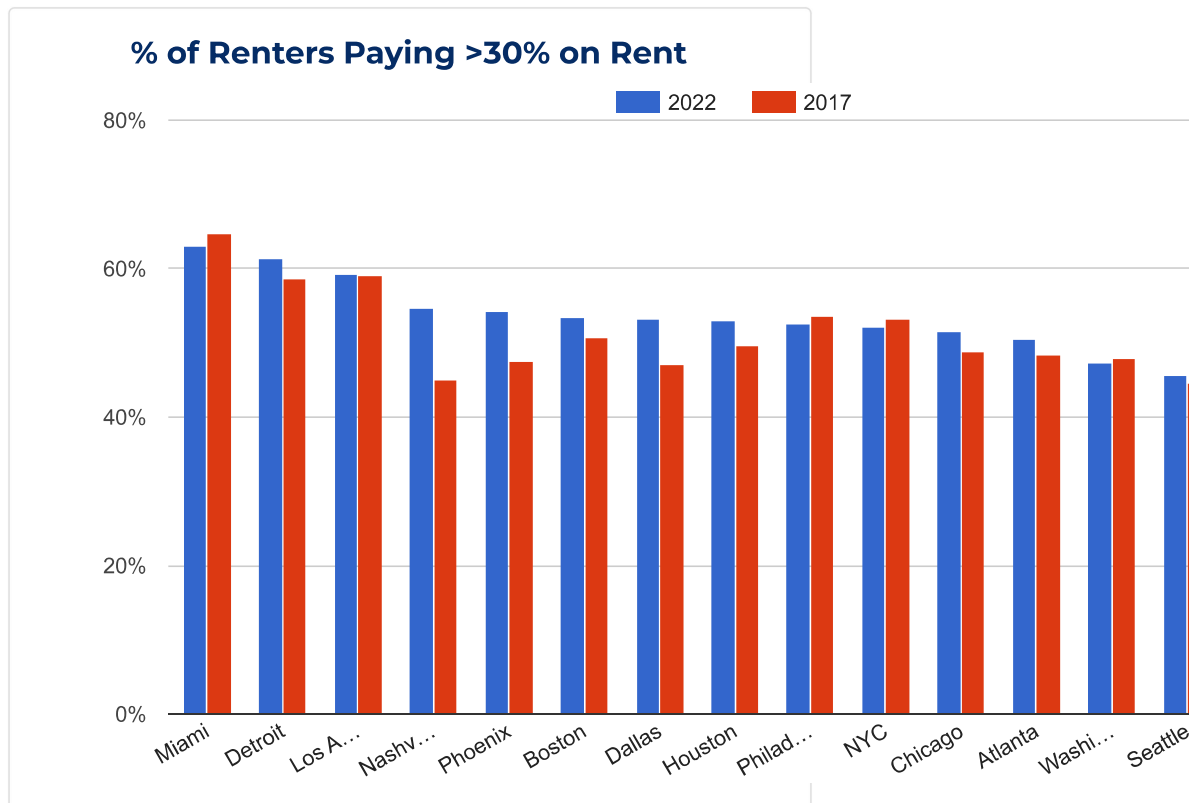
Source: American Community Survey, 2022 (U.S. Census Bureau)

The overall proportion of New York City residents paying more than 30% of their income for rent is high (52.1%) – but not the highest relative to other cities. This is likely due in part to New York City's (a) rent regulations; (b) relatively high proportion of subsidized housing; and (c) relatively low homeownership rate: some higher-income people whose counterparts in other cities would be homeowners are renters here, reducing the overall average rent burden.

Interestingly, as shown in Chart 6 below, in San Francisco, which has the highest median rent of any major U.S. city, the proportion of renters who are rent-burdened (i.e. pay more than 30% of their income on rent) is relatively low. This is likely a function of the relative income distributions rather than of rental costs: median household income (in 2022) was \$137K in San Francisco, versus \$75K in New York City. A number of factors underlie this sizable difference, but it is likely a function of New York's longstanding efforts to maintain a diverse population. As one example, housing regulation and greater availability of City-funded subsidized housing enable at least some of those with lower incomes to obtain rental housing in NYC. It is also noteworthy that, as noted in [this detailed study on homelessness](#) (<https://www.hudexchange.info/resource/6802/2022-ahar-part-1-pit-estimates-of-homelessness-in-the-us/>), a much larger proportion of San Francisco residents are homeless and unsheltered (0.5%) than is

the case in New York City (0.03%). Still, the fact that more than half of New York City renters are rent-burdened makes it clear that much more progress on housing supply and affordability is needed.

Chart 6



Source: American Community Survey, 2022 & 2017 (U.S. Census Bureau)

Conclusion

New York's housing market is somewhat unique among major U.S. cities in that it is predominantly a rental market, and much of that market is regulated. Because of this, the challenges of housing availability and affordability, which are increasingly severe in many major U.S. cities, are somewhat mitigated for incumbent renters in New York City. In part, this is because rent regulation has shielded many longer-term residents from market forces that have led to surging rents in other cities like Atlanta, Nashville, and Los Angeles.

Still, more than half of all households citywide are classified as rent burdened, with rent consuming more than 30% of pre-tax income. Moreover, for those looking for a new place to rent in the city, affordability is even more of an obstacle—especially for people migrating in—as rents on new leases, which are predominantly unregulated, are among the highest in the nation. Residential rents on new leases in the city are up about 17% since early 2020, at the start of the pandemic, or roughly in line with inflation. However, incomes have not kept up with rents or inflation, suggesting that it

has become increasingly challenging for working-class families, families with changing needs, or newcomers to find a place they can afford to live here.

On the demand side, while the city's population has declined modestly (even accounting for the arrival of asylum seekers), the steep rise in work-from-home arrangements has evidently generated demand for additional space among those in that group.

One important implication of all this is that the city—and, more broadly, the metropolitan region overall—needs more housing, and especially more affordable housing. In future Spotlights, we will be focusing on the issue of housing supply and on the market for owner-occupied homes.

Acknowledgements


This report was prepared by Jonathan Siegel, Chief Economist, and Jason Bram, Director of Economic Research, with assistance from Astha Dutta, Economic Data Analyst. Archer Hutchinson, Creative Director, led the design.


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