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UP CYCLE

With New York's real estate market nearing another cyclical peak there is renewed concern in the press and political circles about the city's housing crisis. Much discussion of the rediscovered crisis, however, is driven by anecdote based on middle-class experiences in a relatively few neighborhoods.

Fortunately, the Census Bureau has recently made available the raw data from the city's 1999 Housing and Vacancy Survey (HVS). The complete microdata from the survey's 16,000 respondent households is now available for downloading by researchers from the Bureau's website, as are numerous data tabulations for those users not equipped to perform large-scale data analysis themselves.

The HVS provides an invaluable window on changes in the city's residential real estate market and the social evolution of its neighborhoods. The HVS is a stratified random sample that provides a statistically reliable picture of changes in the city's housing stock and of the economic circumstances of the people who live in it. The previous housing survey was conducted in 1996.

It Could Be Worse

The HVS confirms the popular impression that the real estate market has tightened during the past few years. The rental vacancy rate, which had increased slowly but steadily over several decades, took a dip during the late 1990s. Having reached a peak of 4.0 percent in 1996, the vacancy rate dropped nearly a percentage point to 3.2 percent by 1999. That figure, however, was still significantly higher than the 1.8 percent rate recorded in 1960 by the first HVS.

Vacancy rates fell across the board during the late '90s, in every borough and in virtually every price class. Only apartments renting for $1,250 per month or more became more available as the recent boom in luxury residential construction added supply to the high-end of the market. Nevertheless, the "center of gravity" in the rental market remains in the $500 to $900 range: over 60 percent of all vacant apartments were in that price in category.

That nearly 40,000 vacant apartments carried asking rents between $500 and $900 is an indication that most New Yorkers continue to dwell outside of the trendy neighborhoods that have been lifted most by the city's current economic boom. Of the five boroughs, Staten Island has historically had the highest vacancy rate because of its unique geographic considerations and its largely unregulated rental market. But of the other four, Queens and Manhattan — the two most affluent boroughs—have the lowest vacancy rates. The vacancy rate in the Bronx remained above 5 percent in 1999 and fell the least since 1996. That hints that the city's economic resurgence has not yet filtered down to all economic and demographic groups.

Because of rent stabilization, the effect of a tightening market on rent levels is not direct. The median contract rent for all renters rose from $600 per month in 1996 to $648 in 1999, an increase of 8 percent and of only 2 percent in inflation-adjusted terms. Such a modest increase is not consistent with the popular impression of soaring rental prices.

Rent levels in the unregulated portion of the market may be more representative of the underlying demand pressures.

Changes in Distribution of Contract Rents, 1996-1999

Monthly Contract Rent	1996 (000s)	1999 (000s)	change (percent)
Total	1,912.8	1,953.3	2.1
$1-$299	233.8	202.4	-13.4
$300-$399	139.0	102.9	-26.0
$400-$499	253.2	200.8	-20.7
$500-$599	328.6	289.2	-12.0
$600-$699	313.2	314.0	0.3
$700-799	210.9	242.2	14.8
$800-$899	144.9	170.9	17.9
$900-$999	82.3	110.3	34.0
$1,000-$1,499	131.6	184.8	40.4
$1,500 and over	75.3	111.6	48.2

Source: 1999 HVS; tabulations by CHPC

In the unregulated market, which is comprised mostly of rental units in small buildings and homes in Brooklyn and Queens, the median rent increased by $50 per month, or by about 7 percent. The mean, or average, rent increased by about 21 percent, however, to approximately $910. The disparity in the

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Planning Watch

The Decline of the Boroughs

The changes in New York's housing market illuminated by the 1999 HVS underscore long-term trends that have quietly produced a dramatic transformation in the city's economic landscape. As the city's industrial job base has withered and an information-oriented economy has emerged, new housing preferences have significantly altered the geography of wealth and poverty. Neighborhoods once considered slums have transformed into prime residential districts and communities that were once upper middle-class havens have fallen on hard times. But the broad shifts happen at such a glacial pace their extent often goes unrecognized.

Magnet Manhattan

Using the 1960 and 1990 Censuses for historical perspective, it becomes apparent that New York is now much more Manhattancentric than it was 40 years ago. More of the city's wealth is now concentrated in core Manhattan and in nearby Brooklyn, and less of it in the quasi-suburban neighborhoods of Brooklyn, the Bronx, and Queens. In fact, each of those boroughs has become less wealthy relative to Manhattan than they were four decades ago.

The declining affluence of the other boroughs relative to Manhattan can be seen by comparing the median family income of each in 1960 and in 1990. In 1960, for example, the Bronx actually had a median family income that was higher than Manhattan's; by 1990, its median was less than 70 percent of Manhattan's. Even Queens, which in 1960 was the most affluent borough, has seen its median family income decline relative to Manhattan's since 1960.

Another way of tracing the city's transformation is by plotting where high-income households live. In 1960, about 21 percent of the families with annual incomes above $10,000 lived in Manhattan, a number proportional to its share of the city's population. By 1990, Manhattan had increased its share of high-income households ($75,000 or higher annual incomes) to over 30 percent, which far exceeded its share of the city's population. Conversely, the Bronx, which once had a high-income population roughly proportional to its population size, is now home to relatively few of the city's most affluent families.

Distribution of Population and Wealth

	Population		High-Income Families*	
	1960	**1990**	**1960**	**1990**
Manhattan	21.8%	20.3%	20.9%	30.3%
Bronx	18.3%	16.4%	15.3%	8.6%
Brooklyn	33.8%	31.4%	27.7%	23.2%
Queens	23.3%	26.7%	33.1%	28.9%
Staten Is.	2.9%	5.2%	3.0%	9.0%
NYC	**7,781,984**	**7,322,564**	**384,423**	**262,163**

**Families earning more than $10,000 in 1960 and $75,000 in 1990.*

Source: 1960 and 1990 Censuses; tabulations by CHPC

Similar trends are evident when particular neighborhoods are analyzed. For example, in the 1950s and 1960s Forest Hills, Queens was one of the most affluent residential communities in the city. While it is still regarded as a desirable neighborhood, the proportion of its resident households who are among the city's top 15 percent of earners has dropped and its median family income has declined relative to Manhattan.

The 1999 HVS shows that those same trends continued through the past decade. Manhattan and Staten Island continued to increase their share of high-income families while the Bronx and Brooklyn continued to lose them. Brooklyn's declining share of high-income households has occurred despite the gentrification that some of its neighborhoods have undergone. Even more remarkable is the increasing concentration of the city's high-income non-family households — singles and unrelated individuals living together and earning at least $75,000. In 1999, 62 percent of such households lived in Manhattan below 96th Street or in the two Brooklyn community boards that contain Park Slope and Brooklyn Heights.

Central City Affluence

The term "central city" has become synonymous with "poverty," but in New York that may be a misconception. For several decades, New York's most affluent households have been concentrating near to Manhattan's central business district rather than on the city's fringes. That raises questions about the causes of the role reversal among New York's boroughs and what it portends for the city's future.

City development policies may have contributed to the relative decline of the boroughs. Urban renewal projects such as Lincoln Center increased the attractiveness of Manhattan to high-income residents while displacing poorer populations to other boroughs. Zoning policies which limited large-scale commercial development outside of Manhattan's CBD may also have influenced residential choices in an increasingly white-collar economy.

But standard urban location theory suggests that there are also some underlying changes in the social and economic composition of the city that have promoted Manhattan's growing affluence. The increasing number of two earner families, for example, would be expected to complicate commuting decisions and encourage those households to locate closer to CBD jobs.◆

rate of increase between the median and mean rent level suggests that demand pressures were most severe at the top end of the price spectrum.

By looking at prices of apartments actually rented in 1995 and 1998, it is possible to get a sense of the broad market movements. Overall, the median rent of new leases rose by 8 percent over the three-year period while the mean rose by 16 percent. Rent increases were much higher in the unregulated market than they were in the market for stabilized apartments, despite new laws which allow more generous vacancy allowances for stabilized units. Between 1995 and 1998 the average rental rate for new stabilized apartments rose by 6 percent, compared to a 28 percent spike in the unregulated market.

The HVS also reveals a very distinct geographic pattern of market pressures within the city. Although the median rent in each borough increased by a relatively uniform amount, the average rents rose fastest in Manhattan and Brooklyn. Between 1996 and 1999 the mean rose by 16.4 percent and by 11.1 percent in those two boroughs, respectively. In the Bronx and Staten Island, the median actually rose faster than the mean. This pattern reflects market pressures which have been most pronounced in the higher-end housing of Manhattan, Brooklyn and Queens.

To further analyze the geographic patterns, CHPC researchers segmented the city into low-, middle- and high-income neighborhoods, which are roughly coterminous with community board districts. Low-income neighborhoods were defined as those with average household incomes of under $30,000 in 1995; middle-income neighborhoods with average incomes between $30,000 and $40,000; and high-income neighborhoods as those with incomes above $40,000.

The chart at right shows average rental rents for all apartments, rent-stabilized apartments, and unregulated apartments in each of the three neighborhood groups. In general, between 1996 and 1999 rents rose fastest in the high-income neighborhoods. However, for rent-regulated apartments the price increases were modest in all areas. The data for the unregulated stock show quite a different picture. In low-income areas, the average unregulated rent rose by 7.5 percent between 1996 and 1999, whereas in high-income areas it rose by over 27 percent. Moreover, while mean unregulated rents in low-income areas are actually below the rent-stabilized average, there is a large and growing disparity between regulated and unregulated rents in high-income areas. In 1996 unregulated apartments in high-income areas rented for about 8 percent more than stabilized units, but by 1999 that gap had increased to 30 percent.

CHPC also analyzed data specifically for the areas of the city that appear to be undergoing the most rapid "gentrification." Those areas include all of Manhattan south of 96th Street and the sections of west Brooklyn that include Brooklyn Heights, Park Slope and Carroll Gardens. In those areas the average rent increased from $862 in 1996 to $1,032 in 1999. New leases called for rental payments averaging $2,140 per month in 1998.

According to a recent study by the New York City Independent Budget Office, the share of resident income received by households earning over $125,000 increased from 28 percent in 1987 to 41 percent in 1997. The new HVS data shows that this increasing polarization of New Yorkers' incomes is reflected in the uneven rate of rent increases among neighborhoods. In the city's higher income neighborhoods, especially Manhattan and "Brownstone Brooklyn," housing costs are soaring. In low- and moderate-income neighborhoods not immediately adjacent to gentrified areas, rents are not increasing at such a frenzied pace. The rent pressure in the city's most desirable neighborhoods indicates that affluent households are competing more intensely for housing in a relatively few communities, rather than searching for bargains in less popular locations.

Changes in Average Monthly Rents, 1996-1999

	1996	1999	% change
All Rentals	($)	($)	(percent)
Low-income areas	467	503	7.7
Mid-income areas	576	644	11.8
High-income areas	826	936	13.3
Stabilized			
Low-income areas	663	685	3.3
Mid-income areas	691	728	5.4
High-income areas	815	859	5.4
Unregulated			
Low-income areas	603	648	7.5
Mid-income areas	680	770	13.2
High-income areas	879	1117	27.1

Source: 1999 HVS; tabulations by CHPC

Who Pays What

Despite the rent inflation that has occurred in some

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neighborhoods, Census Bureau tabulations indicate that for the city as a whole the rent-to-income ratio fell between 1996 and 1999. CHPC, calculating the ratio in a slightly different manner, obtained similar results. The easing of the rent burden provides further evidence that the rent inflation of the late 1990s was fueled by rising incomes rather than by population growth or by operating cost factors.

By CHPC's method, the median rent-to-income ratio for New York City tenants fell from 26.9 percent in 1996 to 26.2 percent in 1999.

Across the city, the pattern usually holds that the higher the average rent, the lower the rent-to-income ratio. For example, the Bronx, with the lowest average rents, is the borough with the highest median ratio. Manhattan, the borough with the highest average rents, has the second-lowest median rent-to-income ratio (Staten Island has the lowest). The pattern also holds among neighborhoods. In the hot market areas referred to above, the median ratio is 24.0 percent, while in all other areas of the city it is 27.1 percent. Once again, this indicates that while rents may be highest in core Manhattan and parts of west Brooklyn, incomes there are even higher relative to other sections of the city.

It is also interesting that rent-to-income ratios are very similar for rent-stabilized and unregulated tenants. The median rent-to-income ratio is 26.5 percent for stabilized tenants and 25.0 percent for unregulated tenants. Although those figures are slightly skewed because more high-income households live in unregulated housing, the ratios are also quite comparable for households above and below the median income line. Moreover, unregulated tenants live in apartments that are, on average, substantially larger than are stabilized units. The similarity of rent burdens in the regulated and non-regulated sectors demonstrates that even in New York's complicated housing market, most households manage to find housing that is appropriate to their incomes.

In the private rental market, however, there is little housing, of whatever size or quality, affordable to families at the bottom of the income distribution. Rent-to-income ratios tend to decline continuously as incomes rise. Among households with incomes of under $12,500 in 1998, the median rent burden was 65 percent. For those with incomes of $125,000 or above, it was 9 percent. Since only 7 percent of vacant apartments have asking rents of less than $500, a family in New York City does not have effective access to the private housing market unless its income exceeds $25,000.

The rent burdens of different household types reflect that threshold level of access. Among age groups, young people and the elderly tend to have the highest rent burdens. But it is the elderly living alone and female-headed families with children that have by far the highest rent burdens—both household types have median rent-to-income ratios of approximately 43 percent. Of course, those household types also have incomes that are barely one-fourth of the city-wide average.

NYC Renter Median Rent-to-Income Ratios

	1996	1999
by Income:	(percent)	
Less than $12,500	66.0	65.8
$12,500-$24,999	35.2	37.3
$25,000-$49,999	22.0	22.8
$50,000-74,999	14.5	15.3
$75,000-$99,999	12.0	12.4
$100,000-$124,999	12.0	10.3
$125,000 and Over	9.0	9.0
by Age:		
16-24	34.6	31.7
25-34	25.2	24.0
35-44	25.2	24.6
45-54	23.4	22.9
55-64	25.4	25.2
65-74	36.1	35.8
75 and Over	37.7	38.0
by NH type:		
Low-income area	30.0	27.5
Mid-income area	26.9	26.1
High-income area	24.2	23.3
by Apt type:		
Rent Stabilized	26.4	26.5
Unregulated	25.2	25.0

Source: 1999 HVS; tabulations by CHPC

Fixing It Up

Despite the well-known impediments to new housing production, the recent real estate cycle has contributed to an expanding housing stock. The HVS indicates that the total number of housing units grew by about 43,500 between 1996 and 1999, an increase of 1.5 percent. While that increase seems modest, if that rate were to continue for another 20 years, about 335,000 housing units would be added.

The growth in the housing inventory occurred entirely in ownership housing—the rental stock actually decreased. Some of the contraction in rental housing was due to abandonment or redevelopment but most was probably due to co-op or condo conversion. Owner-occupied or vacant-for-sale housing units in the city increased by 74,358 units and now comprise 30.7 percent of the entire inventory.

Stronger rental prices also encouraged owners to make investments in existing properties, resulting in a significant improvement of housing maintenance conditions. The HVS tracks seven major maintenance problems relating to heating, plumbing, rodent infestation and other apartment characteristics. Of the seven, the incidence of six of them fell between 1996 and 1999. But the proportion of rental units with three or more serious conditions is still nearly 20 percent.

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