NEW YORK CITY COMPTROLLER
BRAD LANDER

Spotlight

New York City's Housing Supply Challenge

February 13, 2024

1 Centre Street, New York, NY 10007
(212) 669-3916 | www.comptroller.nyc.gov

Contents

Introduction

Last week, the triennial New York City Housing & Vacancy Survey (HVS) for 2023 was released, detailing the tightest housing market in the city in over 50 years. The rental vacancy rate fell to a multi-decade low of 1.4%, down dramatically from 4.5% in (pandemic) 2021 and 3.63% in (pre-pandemic) 2017. The vacancy rate of apartments that rent below $1,650 was less than 1%.

While these numbers are distressing, they will not surprise readers of this newsletter, as we've been covering the dramatic increase in asking rents and the decrease in housing availability over the last few years. Last month's Spotlight looked at New York City's residential rental market, with a particular focus on affordability and the challenges faced by many renters or potential renters.

This month, we focus on the city's housing supply challenge. One of the primary drivers of high rents is an excess of demand over supply—or, put more simply, a supply shortage.

First, we take an inventory of the city's housing stock and how it has evolved over time. One rough but reasonable way to assess the appropriate growth in a city's or region's housing stock is by comparing it with job growth. In the long run, the housing stock should grow at a pace fast enough to accommodate the increase in workers needed to fill those jobs. We do that comparison for both the city proper and the broader metropolitan area, since many people commute in and out of the city.

Next, we compare New York City with other cities to gauge the extent to which the city's current housing situation is unique or similar to other urban areas across the country.

Trends in the City's Housing Stock

Over the past four decades, both the population and the housing stock in New York City grew by about 25%, suggesting that the housing supply roughly kept pace with housing demand. However, a more detailed analysis of population data, complicates this conclusion. A 2017 report found that the age composition of the city's population has shifted over time, with the population of adults growing considerably faster than the number of children.[1] As a result, the proportion of adult-only households had risen, and the average number of adults per household had risen.

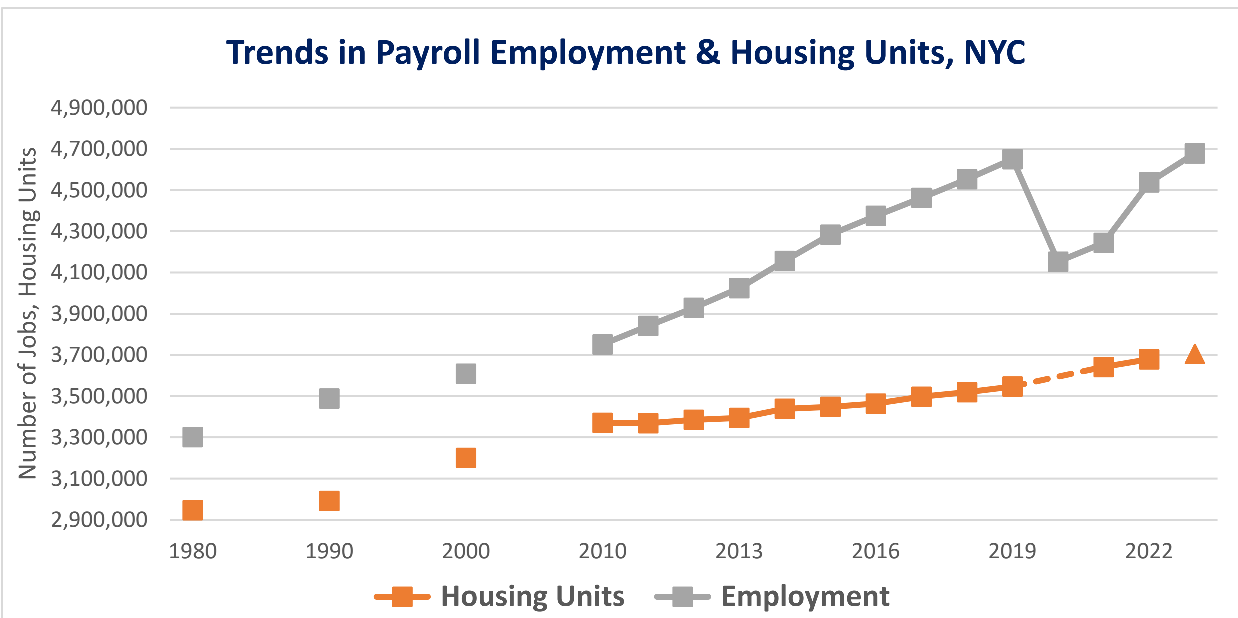
This trend has accelerated since the onset of the pandemic: based on the American Community Survey, the proportion of adult-only households (i.e. with no children under 18) was estimated to have risen from 71% in 2017 to 73% in 2019 and 74% in 2022. Adult only households tend to occupy more space per person than households with children, which means that given the larger proportion of adult-only households and a higher number of average adults per household, the increase in the supply of housing units would need to be even greater to match the population

[1] SOC 2017 Focus: Changes in New York City's Housing Stock (furmancenter.org)

growth. Further, while there is not yet definitive data, there is reason to believe that the increase in households working from home has increased the square footage that households (especially wealthier ones) are seeking to rent or buy, further driving up the demand for housing space relative to supply. [This January 2024 report from the NYC Department of City Planning provides a more complete picture of recent shifts in the city's demographics and work-from home characteristics].

Since, population is constrained by housing supply, causality between these two measures goes both ways. Thus a perhaps more telling indicator of the relationship between housing supply and growth-driven demand is the number of jobs located in New York City. As shown in Chart 1 below, growth in the housing stock largely kept pace with employment from 1980 to 2010, both growing by about 14%. After the Great Recession, however, from 2010-2022, employment grew by 23%—much faster than the population—while the housing stock increased by just 9%. As a result, the ratio of housing to employment has fallen from 90% in 2010 to 81% in 2022 and fell further in 2023.

Chart 1



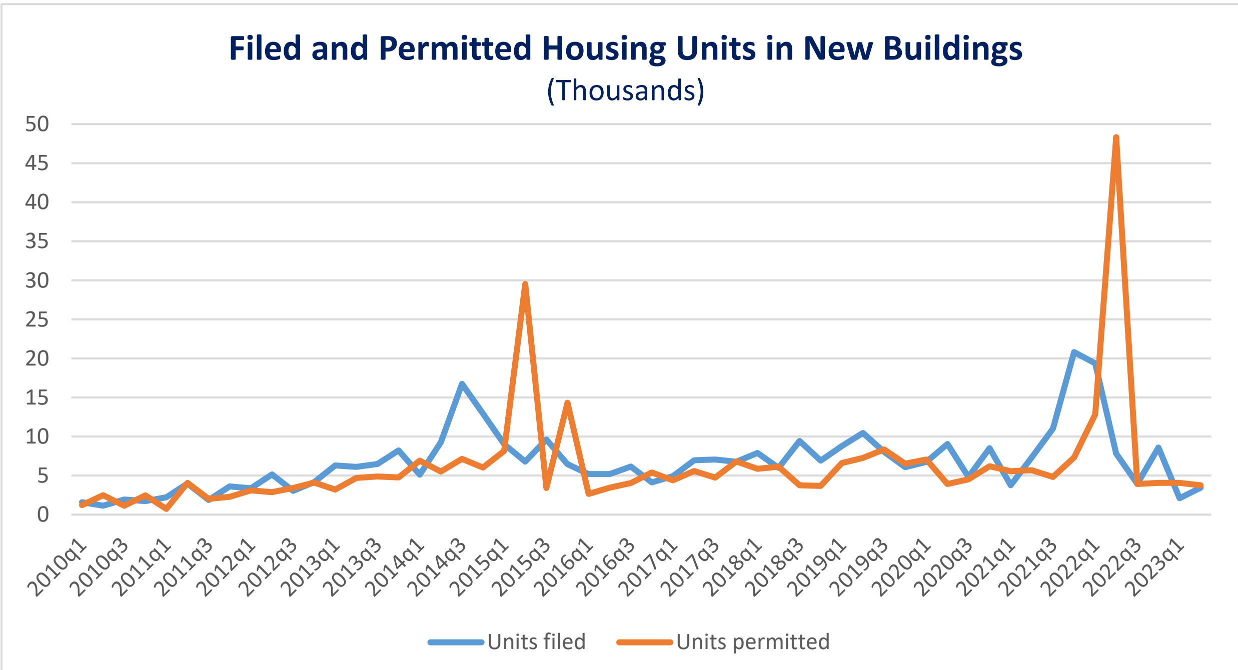
2023 Housing Unit Count based on preliminary findings of Housing & Vacancy Survey

Sources: NY Department of Labor, U.S. Census Bureau (Census 1980,1990,2000; ACS 2010-2022); Housing & Vacancy Survey 2023

In order to account for people commuting into as well as out of the city for their jobs, both the labor market and housing situation should also be looked at on a broader regional level, since many of those new jobs are filled by people living in NYC's suburbs. When looking at the 23-county metropolitan region as a whole, the housing-to-employment ratio is only slightly higher at 82%.

Preliminary data from the HVS suggest that this pattern continued in 2023, with both employment and population continuing to grow significantly faster than housing supply. This trend may be exacerbated by the expiration of 421-a in June 2022, if a new tax framework for multifamily development is not reached in Albany. Chart 2 below shows large spikes in both filed and permitted units before the expirations of 421-a in 2015 and again in 2022, as projects were pulled forward in time to qualify for the tax benefit, followed by modest declines afterward.

Chart 2

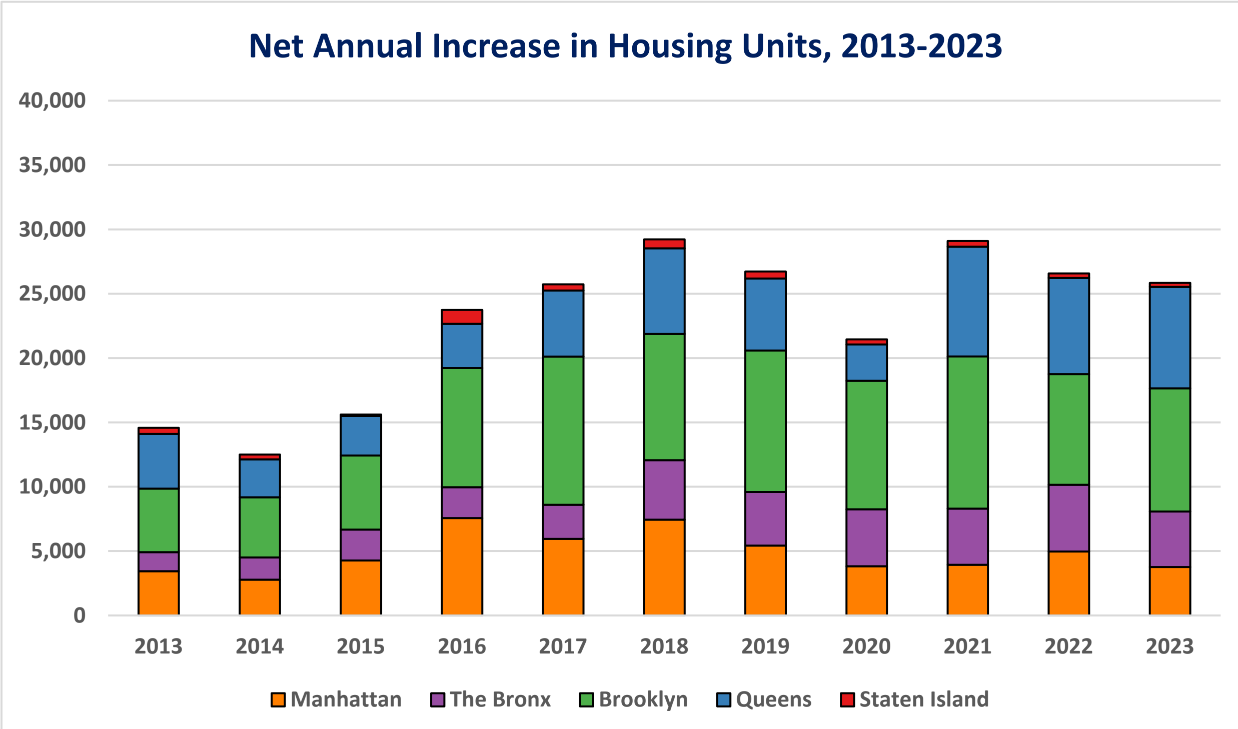


Source: NYC DCP, Office of the NYC Comptroller

These data suggest that attention should be paid to those units which qualified for 421-a before the June 2022 expiration but which have struggled to move forward in a high interest rate environment, and therefore will not be completed before the 2026 deadline, in addition to a new, longer-term program that addresses some of the flaws in earlier programs. Governor Hochul recently proposed that the deadline for developments that qualified by 2022 should be extended to 2031. The Comptroller's Office has proposed a new framework for the taxation of multifamily housing development, focused on increasing the supply of housing across income levels, with a better approach to matching benefits to costs, in order to protect the public fisc, maximize the value of tax incentives, and insure that affordable units are genuinely affordable (including to people in the neighborhoods where they are created).

Where has housing development within New York City taken place over the past decade? As shown in Chart 3 below, net housing creation picked up somewhat after 2015. Much of the increase in the housing stock has been in Brooklyn and Manhattan—but overall, the modest growth has been fairly well distributed, except in Staten Island.

Chart 3

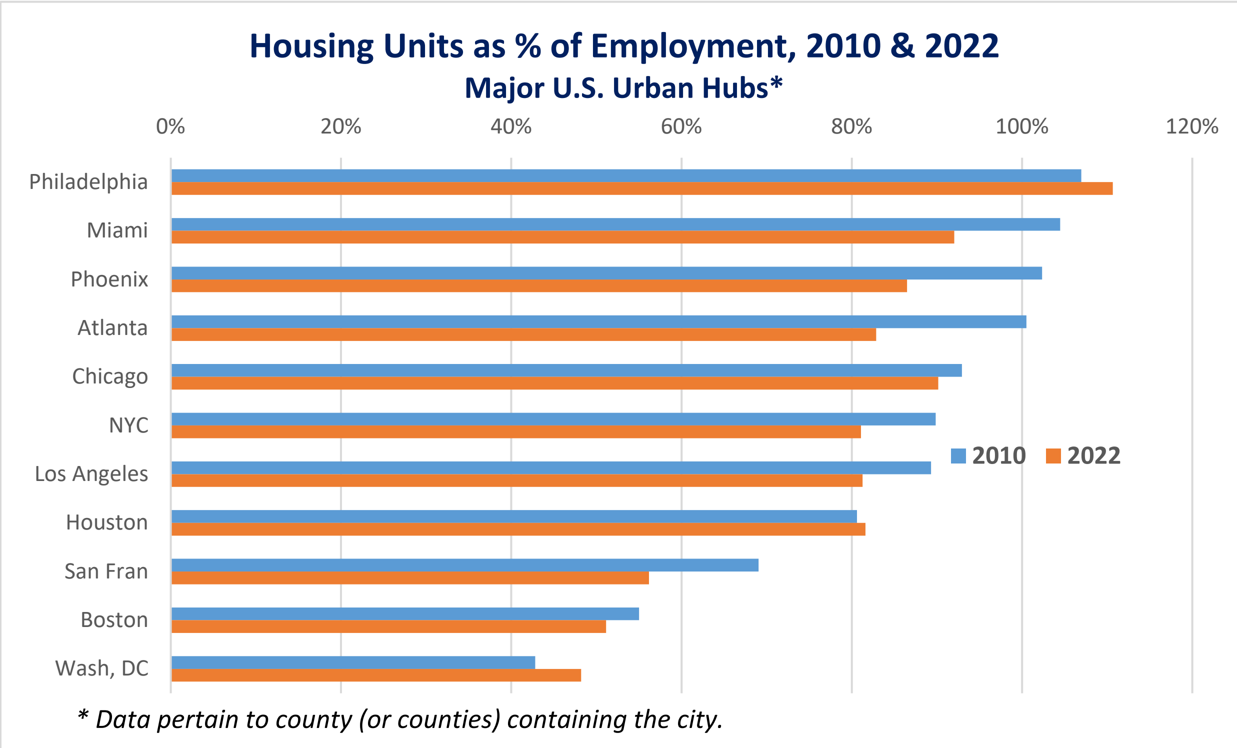


Sources: U.S. Census Bureau (ACS 2010-2022), Housing & Vacancy Survey (2023)
2023 data are based on the net change from the 2022 ACS to the 2023 Housing & Vacancy Survey

New York Compared with Other Major Cities

As noted earlier, the ratio of housing units to jobs in New York City was 81% in 2022. A look at other major cities, based on their respective counties, suggests that the current housing shortage is not unique to New York City. In fact, as shown in Chart 4 below Washington DC, Boston, and San Francisco had considerably fewer housing units per job in 2022 than New York, while Los Angeles, Houston, and Atlanta had only slightly more. However, what is clear is that in almost none of these urban centers has growth in the housing stock kept up with growth in employment.

Chart 4



Sources: U.S. Bureau of Labor Statistics; Moody's economy.com; U.S. Census Bureau (ACS 2010, 2022)

Changes in Supply of Affordable Housing

Thus far, we have focused on changes in the aggregate housing stock. However, this does not tell us the relative extent to which a shortage of supply affects various segments of the population. Clearly, those in the lower half of the income distribution are, by definition, the most income constrained. In this section, we look at the supply of housing that would be considered "affordable" for a typical New York City household. To do so, we look at the total number of rental units for which rent is below 30% of city-wide median household income[2], which was $74,694 in 2022—in other words homes that rent for less than $1,867 per month. This is a rough metric which basically informs us as to how many housing units exist that would qualify as affordable for a household with the median income.

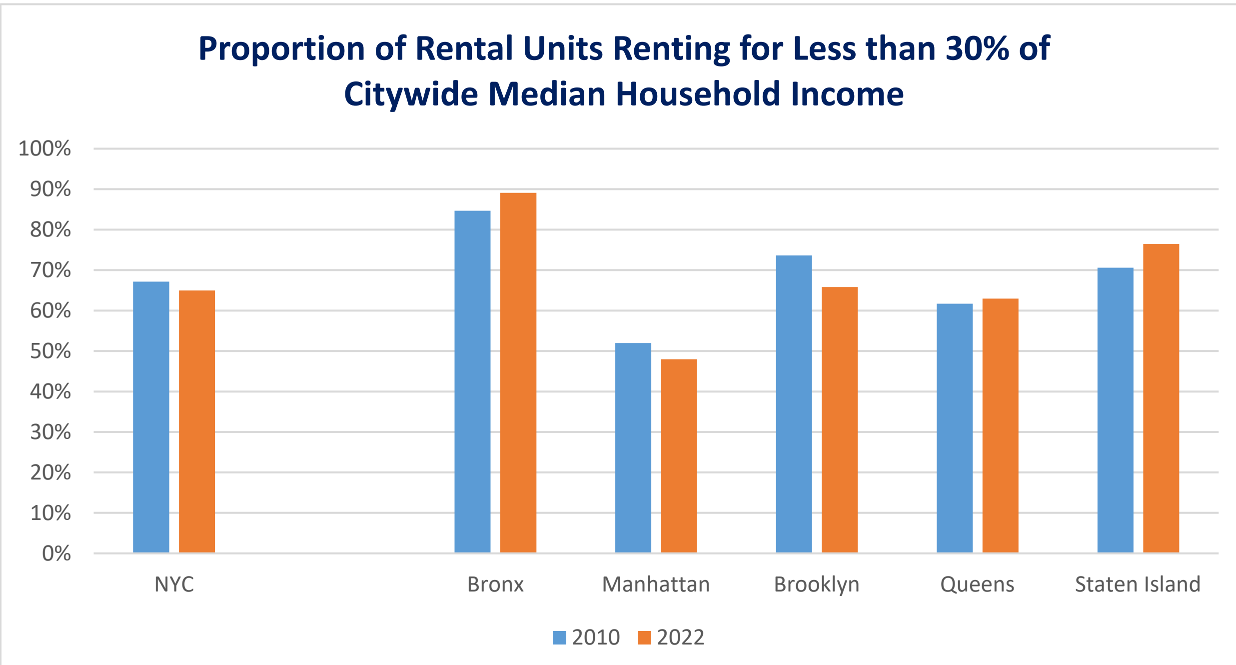
The highest incidence of affordable rentals, by this designation, is in the Bronx, followed by Staten Island, where the absolute number of rentals (and affordable rentals) is quite low. The largest absolute number of affordable rental units is in Brooklyn, largely because it is the largest borough, in terms of population and total number of homes.

---

[2] The measure of household median income is based on the ACS (American Community Survey).

How has the share of rentals affordable for a median-income household changed since 2010? Median citywide household income was $48,743 in 2010, meaning that in 2010 an affordable rental apartment would cost $1,219 a month. The share of rental units meeting this affordability criterion has declined modestly city-wide (from 67% to 65%), as shown in Chart 4 below; trends have been mixed across the boroughs, declining sharply in Manhattan and Brooklyn but rising in the Bronx, Queens, and Staten Island (reflecting that median NYC household income grew faster than rents in these areas).

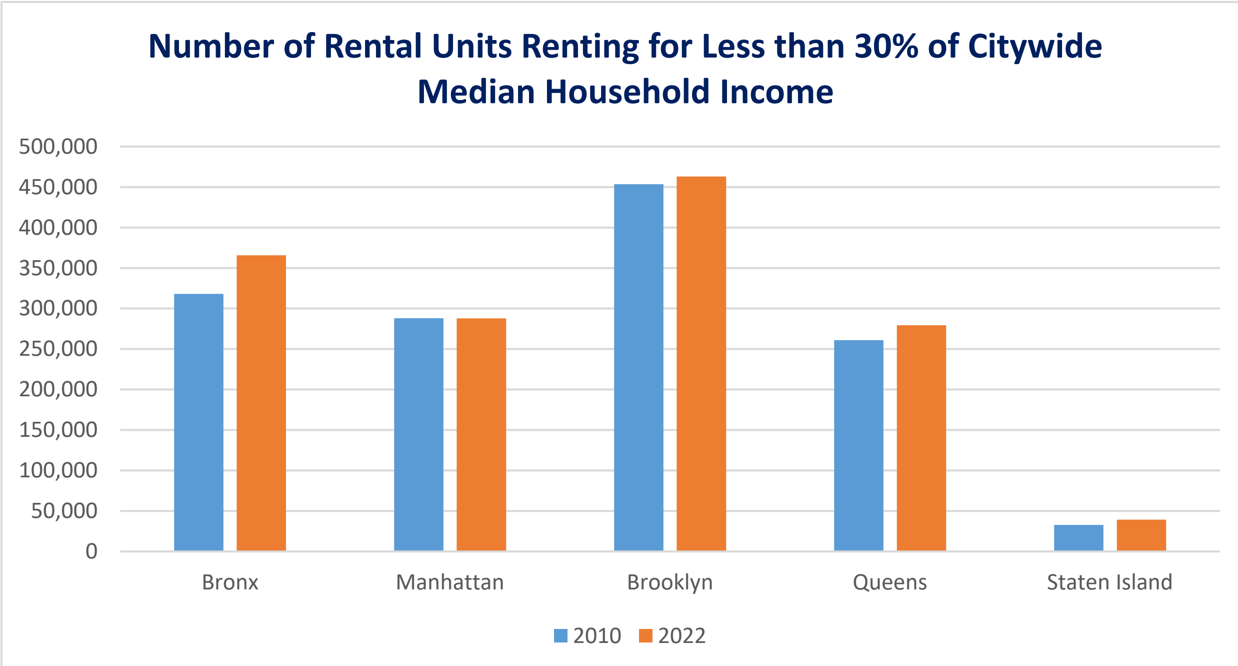
Chart 5



Source: U.S. Census Bureau (ACS 2010, 2022)

Because some boroughs have far more rental housing overall than others, it is also useful to look at the absolute number of “affordable” units in each borough. Because Manhattan and Brooklyn have substantially more rental units than the other boroughs, they account for a sizable portion of the stock of lower-rent housing, though the Bronx still leads the other boroughs. Moreover, whereas the share of rental units falling below this threshold has declined in Manhattan and Brooklyn, the absolute number of affordable units has not, because, as shown in Chart 3 above, these two boroughs have seen the largest increases in overall supply. Conversely, Staten Island, with a much lower stock of rental housing, has relatively few units affordable to the median NYC household.

Chart 6

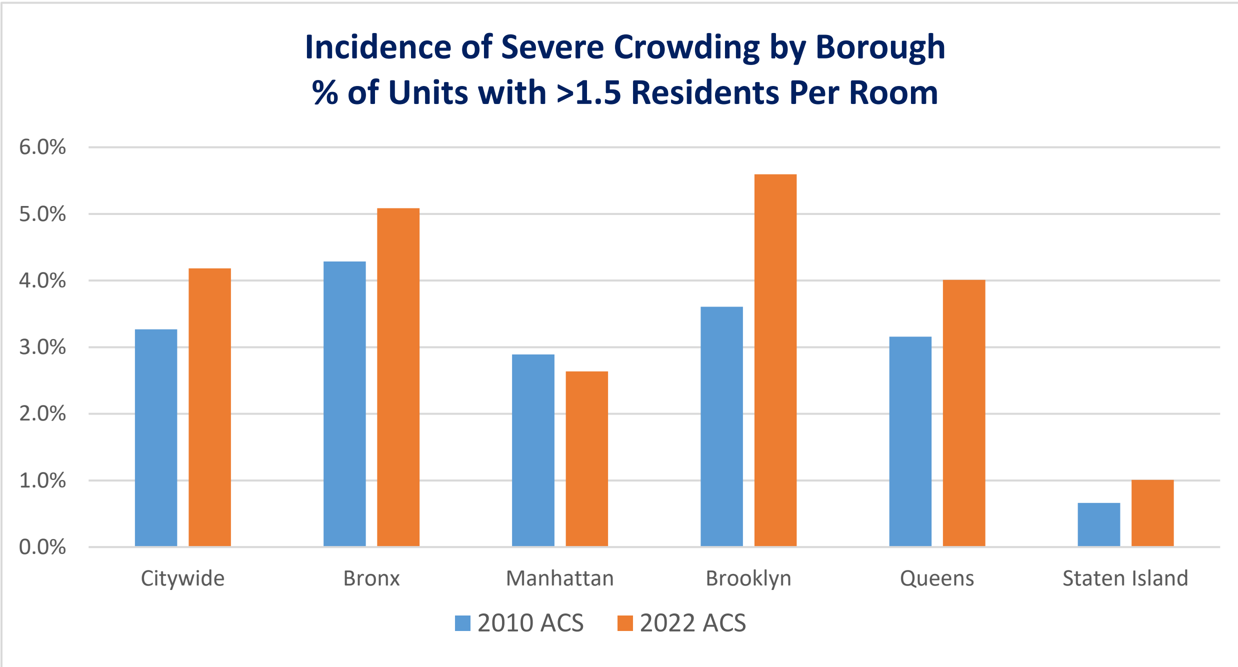


Source: U.S. Census Bureau (ACS 2010, 2022)

Residential Crowding in New York City

Finally, a useful barometer of how much of a housing shortage exists pertains to residential crowding—that is, the prevalence of homes housing more than a certain number of people per room (conventionally specified as 1.5 persons per room). This 2015 paper from the New York City Comptroller's Office found that crowding had increased noticeably in all five boroughs from 2005 to 2013 (the latest data available at the time). Current data on crowding suggests that the situation has deteriorated moderately city-wide, led by Brooklyn and Queens, though crowding has eased slightly in Manhattan—likely reflecting the post-pandemic population decline and perhaps an increase in the share of wealthier households there.

Chart 7



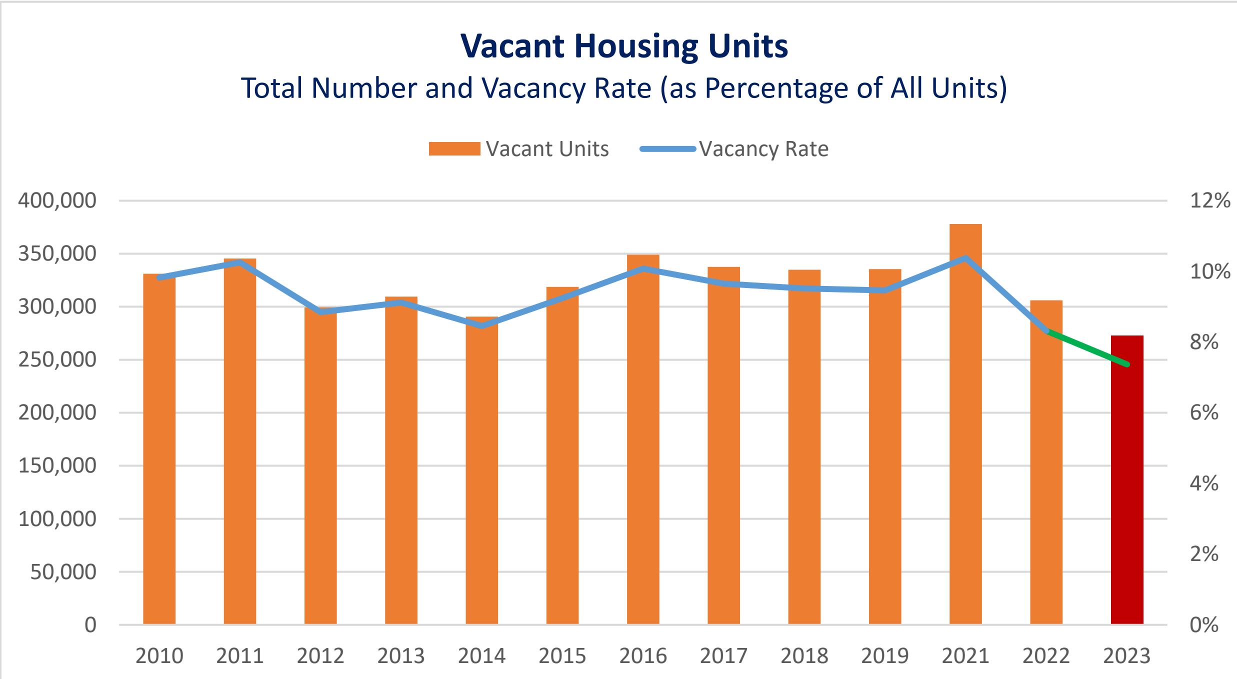
Source: NYC Comptroller's Office from Census Bureau (ACS) microdata

Vacant Housing Units

Up to this point our analysis and discussion has focused on the total stock of housing units. It is also necessary to focus on vacant units: both the total number of vacant units, and – since units maybe be vacant for many reasons (e.g. occupied seasonally or part-time) – those that are vacant and available to rent.

Overall vacancy rates had remained within a narrow range from 2010-2021 but have declined significantly over the last two years. Chart 8 below shows how many of the city's homes are vacant for any reason, and what percentage they represent of the total housing stock.

Chart 8

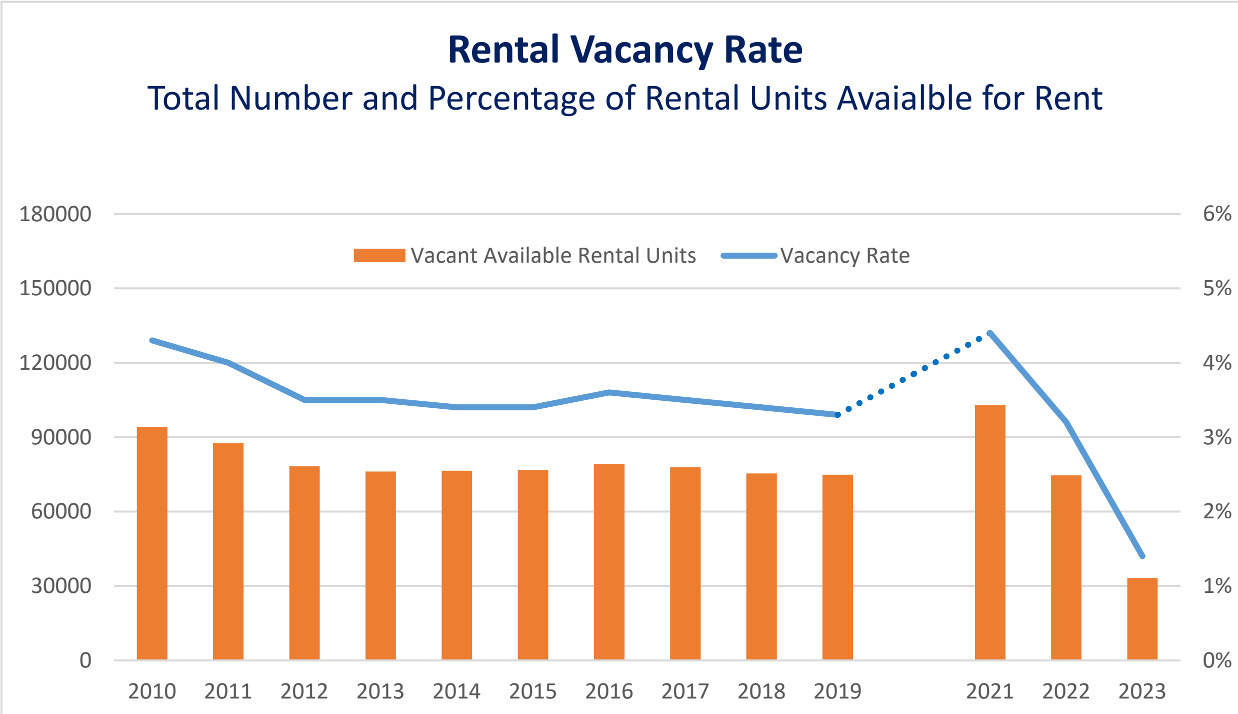


Source: U.S. Census Bureau (ACS 2010-2022); Housing & Vacancy Survey 2023

[Data for 2010-2022 are based on the annual American Community Survey; data for 2023 are based on the recently-released Housing & Vacancy Survey, which is conducted every few years.]

While the overall vacancy rate is a useful measure for gauging how much of the housing stock is not being used to house people, it vastly overstates how much housing is currently available to prospective renters or buyers. For the rental segment, the most widely referred to availability measure is referred to as the rental vacancy rate—the number of presently available rental apartments as a percentage of all rental properties (available rentals plus occupied rentals). As noted in the introduction, the HVS estimates that it fell to a multi-decade low of 1.4% in 2023, down from 4.5% in 2021, and 3.6% in 2017. Based on the ACS, which uses a slightly different methodology, the rental vacancy rate stood at 4.4% in 2021 and 3.2% in 2022.

Chart 9



Source: U.S. Census Bureau (ACS 2010-2022); Housing & Vacancy Survey 2023

[Data for 2010-2022 are based on the annual American Community Survey; data for 2023 are based on the recently-released Housing & Vacancy Survey, which is conducted every few years.]

One particular area of concern in the gap between vacant and available units is in the rent-stabilized stock. An August 2023 report by the city's Independent Budget Office finds that almost a third of vacant rent-stabilized units (in 2022) were also vacant in the prior year, for a total of nearly 13,400 such units. Moreover, the IBO found that this number has more than doubled since 2017, when there were estimated to be roughly 6,500 such long-vacant units. Some property owners' advocates have argued that the increase reflects changes in the rent regulation laws in the 2019 Housing Stability and Tenant Protection Act (HSTPA), making it more difficult to increase the rents on vacant units and therefore potentially decreasing owners' incentives to repair those that require improvements. Tenants' advocates argue that the restrictions were necessary to prevent displacement and preserve affordability, and that the increase may reflect buildings that were overleveraged prior to 2019. Whatever the reason, these units are an important resource of affordable housing that is not currently available – another issue for Albany to address this session.

Conclusion

New York City's housing market is one of the priciest in the nation. The brisk growth in the city's economy in the decade leading up to the pandemic was not accompanied by comparably rapid growth in the city's housing stock. This has contributed to a growing problem of affordability for many residents as well as prospective residents wanting to move here. During the pandemic, as the city's population slipped, indicators of affordability temporarily eased, but only briefly and predominantly for middle- and high-income residents. As the pandemic faded, jobs returned, many people who had left moved back, immigration renewed, and the increase in work-from-home led some to seek more residential space, the supply shortage became even more severe. This intensifying shortage of housing is not unique to New York City but instead ubiquitous across the nation – suggesting that national, state, and local solutions are all needed.

While the resulting affordability pressures have increasingly been an issue for people across the income spectrum, they have been particularly harsh on low-income and working class New Yorkers. While research has shown that development of market rate housing can help alleviate the shortage across the income spectrum, that relief is felt least and slowest by those with the lowest incomes. Programs focused on the development of affordable housing will need to be expanded and implemented effectively if near-term relief is to be provided to those struggling the most (see the Comptroller's Office's recent report, Building Blocks of Change, for an analysis of management reforms to enable the NYC Department of Housing Preservation and Development to expand its capacity to help achieve that goal).

The bottom line is that NYC as well as the broader metropolitan region, needs to produce a good deal more housing—especially more affordable housing—than it has in recent years, in order to maintain a thriving and growing economy.

Acknowledgements

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

NEW YORK CITY COMPTROLLER
BRAD LANDER

1 Centre Street, New York, NY 10007
www.comptroller.nyc.gov
@NYCComptroller
(212) 669-3916