NEW YORK CITY COMPTROLLER
BRAD LANDER

Spotlight

New York City's Homeowner Housing Market

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Contents

Introduction

Our January Spotlight focused on New York City's residential rental market. Last month's Spotlight looked at the city's overall housing supply, and how well – or rather, how poorly – it has kept pace with demand. This month, we focus on the segment of the housing market that is owner-occupied. While New York City is largely a city of renters (especially compared to the U.S. as a whole), roughly 1.1 million residents, representing slightly over 30% of all NYC households, own their homes, and these homeowners span the income spectrum. However, for those now looking to purchase a home, prospects are daunting.

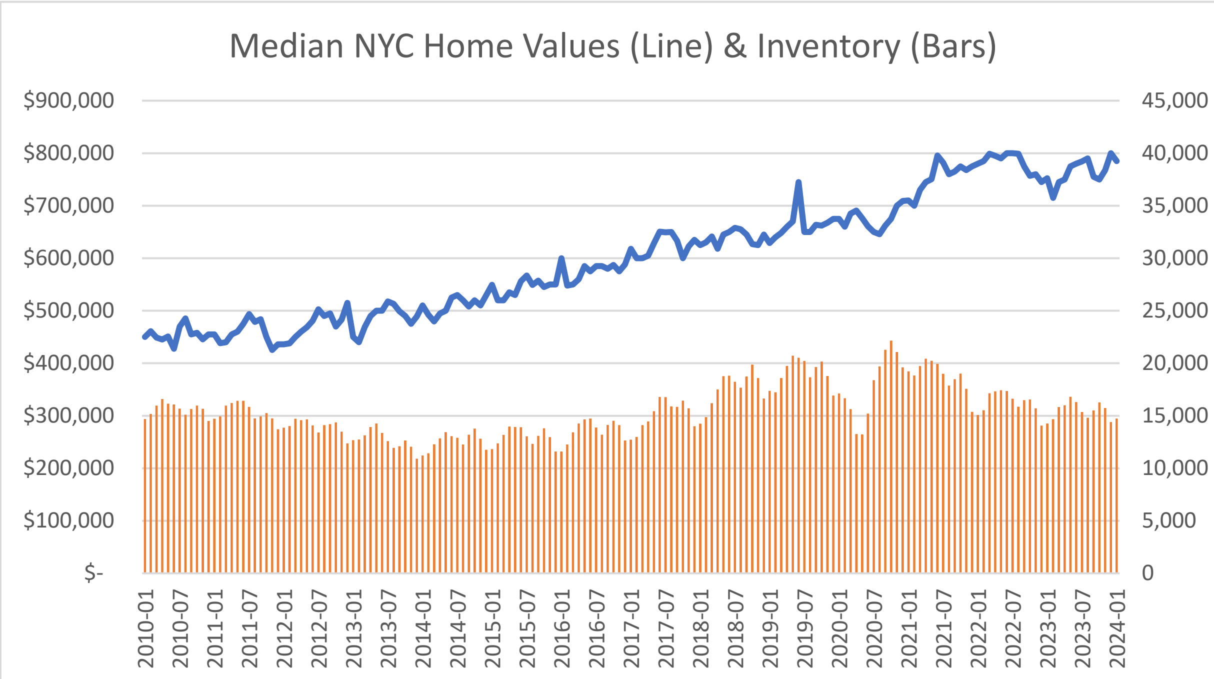
In this Spotlight, we first look at recent trends in home values. We then provide an overview of New York City's owner-occupied housing stock and its various segments or components. Finally we focus on the relationship between home prices and income, looking at various gauges of affordability—over time, across major U.S. cities, and across the five boroughs.

Recent Trends in NYC's Home Purchase Market

As challenging as housing affordability is for prospective renters, it is even more dire for all but the most affluent prospective homebuyers. Based on data from StreetEasy, the median sales price for homes that sold in 2023 was $764K, down about 2% from a record high of $782K in 2022 but back up to $785K in early 2024. Home values showed resilience even amidst the run-up in mortgage rates, suggesting strong underlying demand and providing more evidence of a severe housing shortage. However, compared with the months leading up to the pandemic, the city's median home price has risen far less dramatically than nationwide: up roughly 16%, compared with 42% nationwide, corresponding to average annual price growth of roughly 4% (locally) and 10% (nationally).

One factor bolstering home prices is a relative dearth of inventory. The inventory of homes available for purchase, as shown in Chart 1 below, has declined steadily over the past three years and is just about at a seven-year low. In addition to the restraint on supply caused by a chronic shortfall of new housing development (highlighted in our February Newsletter), the rapid rise in mortgage rates over the past two years has created a condition called "housing lock". That is, many homeowners who might otherwise be inclined to sell are reluctant to give up the exceptionally low mortgage rate that they locked in while rates were low, or to sell at prices they perceive may be lower given prospective buyers' higher rates.

Chart 1



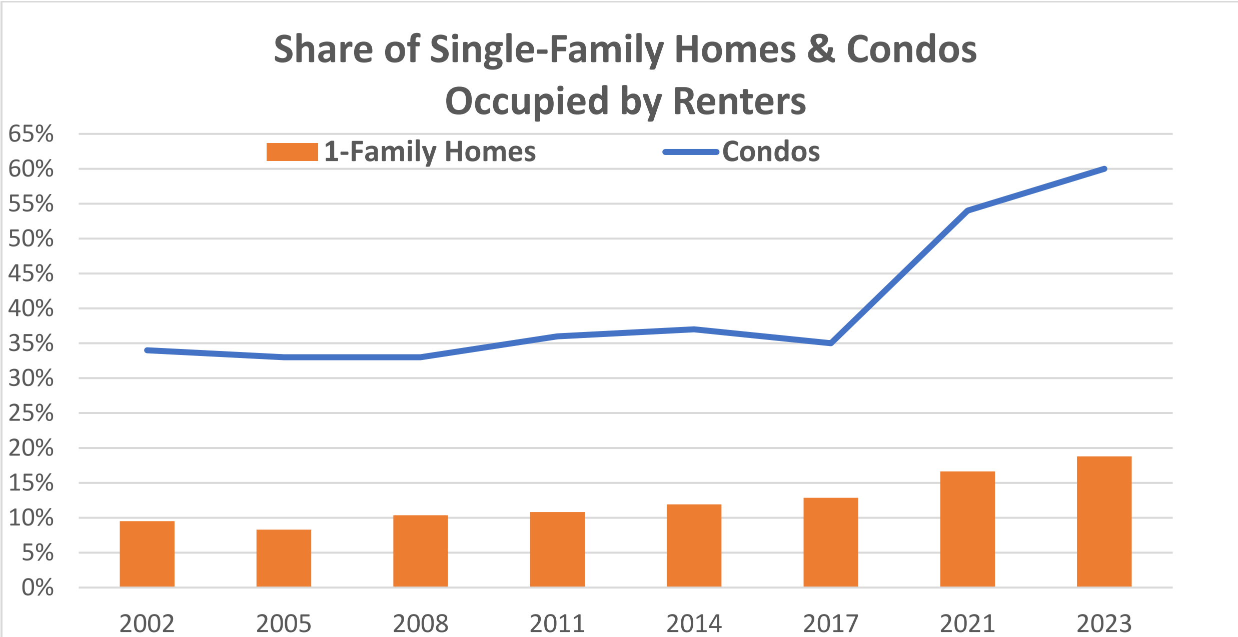
Source: StreetEasy.com

Profile of the Owner-Occupied Housing Stock

The homeownership rate in New York City is 30%—well below the nationwide average of 66%. As is the case nationally, there are significant racial disparities: the homeownership rate is above the city-wide average for Non-Hispanic Whites (41%) and Asians (44%) but below the average among Black (26%) and Hispanic (18%) householders.

Overall, the homeownership rate has barely changed over the past decade, though a couple dimensions of it have. As is the case nationwide, the most traditional segment of owner-occupied housing is single-family homes. However, as shown in Chart 2 below, the proportion of single-family homes that are renter-occupied has more than doubled since 2005: it rose steadily up until 2017 and that rise accelerated following the onset of the pandemic. The share of condos occupied by renters has also risen substantially since the pandemic.

Chart 2



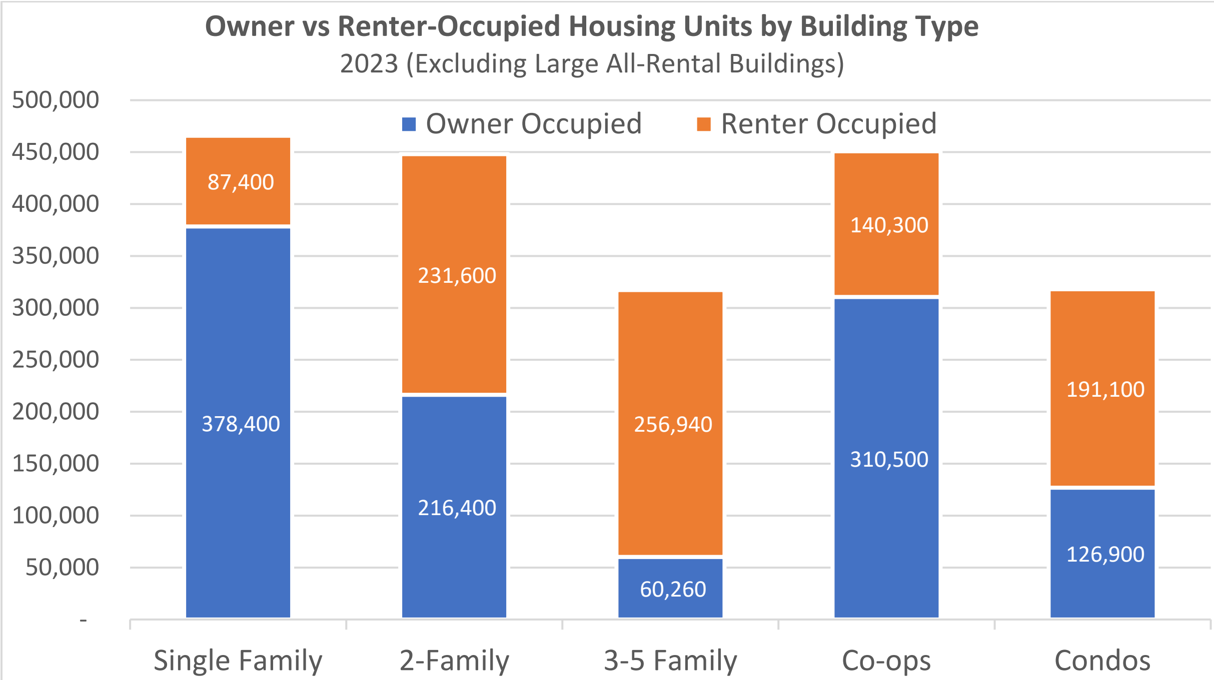
Source: New York City Housing & Vacancy Survey (NYCHVS)
Data for the years 2002-2021 are from Office of the NYC Comptroller analysis of NYCHVS microdata
Data for 2023 are from 2023 NYCHVS Selected Initial Findings

As of 2023, there were estimated to be 466,000 single-family homes in the city with about 378,000 (81%) owner-occupied. As shown in Chart 3 below, this accounts for roughly 28% of all owner-occupied housing in the city. There are approximately 225,000 two-family structures, where the homeowner typically (but not always) lives in one unit and rents out the other. There are 216,000 such owner-occupied units in these structures, accounting for slightly more than 20% of all owner-occupied homes. Both one- and two-family homes are almost exclusively found in the outer boroughs (outside Manhattan). There are another roughly 77,000 homeowners living in three-to-five-family family and other multi-family buildings that are not co-ops or condos—this is generally because the building owner lives in one unit and rents out the rest.

Finally, there are 450,000 occupied apartments in cooperative buildings and another 318,000 in condominiums, together accounting for 22% of the city's occupied housing stock. However, while rental buildings are, by definition, exclusively filled with renters, buildings developed as condos or co-ops may house a combination of renters and homeowners. In fact, a surprisingly large proportion of co-op apartments (31%) and condo units (60%) are actually occupied by renters.

These units, shown in Chart 3 below, may be rental apartments for a number of possible reasons. First, many residents of rental buildings, when they converted to co-ops, opted to remain as rent-stabilized tenants within those buildings. Second, many condo owners purchased their apartment as an investment, with the express purpose of renting it out; in co-ops, this is generally not permitted, though there are exceptions. Third, condo or co-op owners may have initially owned their units to live in but subsequently vacated and are renting out their units. This last scenario may be particularly relevant now, given that many homeowners with low locked-in mortgage rates may be disinclined to sell, even if they are moving out.

Chart 3



Source: New York City Housing and Vacancy Survey (NYCHVS), 2023

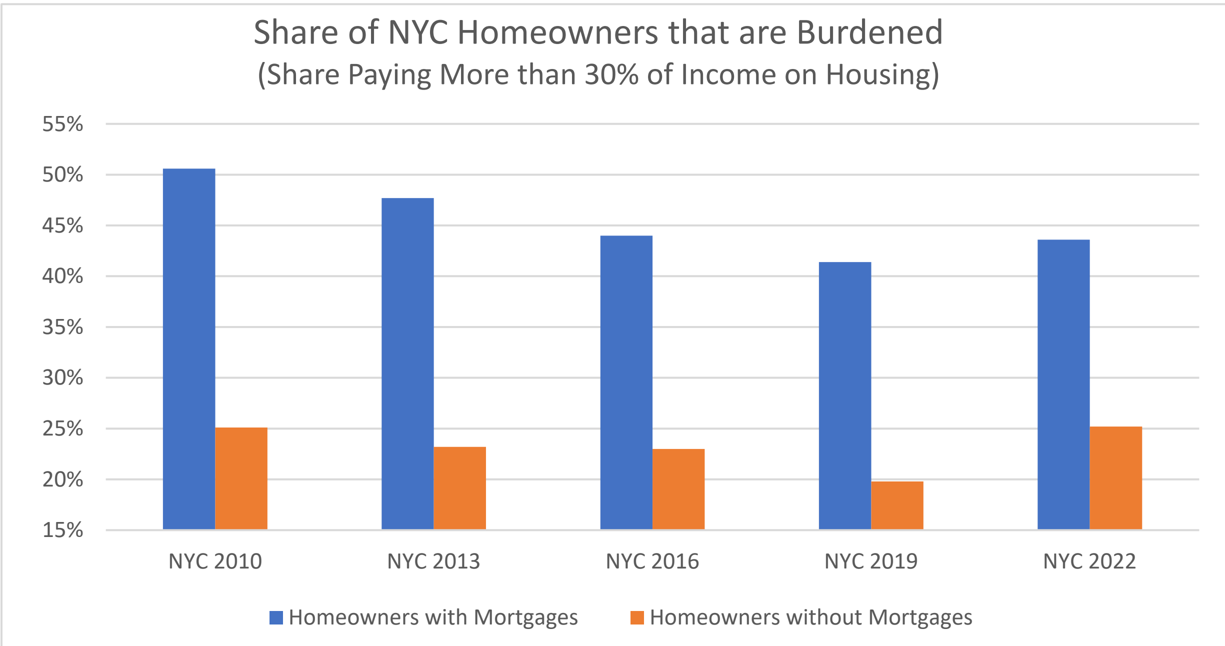
One measure that may shed some light on the high renter occupancy rate of condos pertains to corporate ownership or LLC's. Based on our analysis of Department of Finance tax records, 18% of condo units citywide are owned by LLC's; in Manhattan, the corresponding figure is 21%. Some LLC-owned properties may be structured that way to shield the identity of a public figure or celebrity, in which case they are effectively owner-occupied. However, many are purchased as investment properties with the express purpose of renting them out. While these units are still in the supply of available housing overall, they reduce the share of units available for homeownership.

Home Purchase Affordability

One somewhat blunt measure of homeownership affordability is the price/income ratio—that is, how many years' worth of income would a typical homebuyer need to pay for a typical home? Looking at how this ratio has changed over time can be instructive, though changes in mortgage rates also clearly affect affordability. This ratio has declined slightly since 2010: in 2022, based on the Census Bureau's American Community Survey, a family earning the median household income (~$75K) buying a median-valued home (~$724K) would be paying 9.7 years of their income. In 2010 the ratio worked out to 10.3 years (holding interest rates constant).

Of course, with mortgage rates considerably higher than in those earlier years, financing that purchase would be more burdensome today for a family at the same income. Another metric, which does capture financing costs, is the proportion of homeowners paying more than 30% of their income on housing costs. This measure, shown in Chart 4 below, provides a clearer indicator of stress on existing homeowners, though it says little about prospective homebuyers—those looking to purchase a home. This measure had been receding throughout the prior decade, likely due in part to falling/historically low interest rates, but turned up since the pandemic, even among homeowners without an underlying mortgage—likely reflecting, in large part, higher utility and insurance costs. Higher interest rates take longer to work their way into this metric, given the length of mortgages, and are likely to push burdens up in the 2025 HVS.

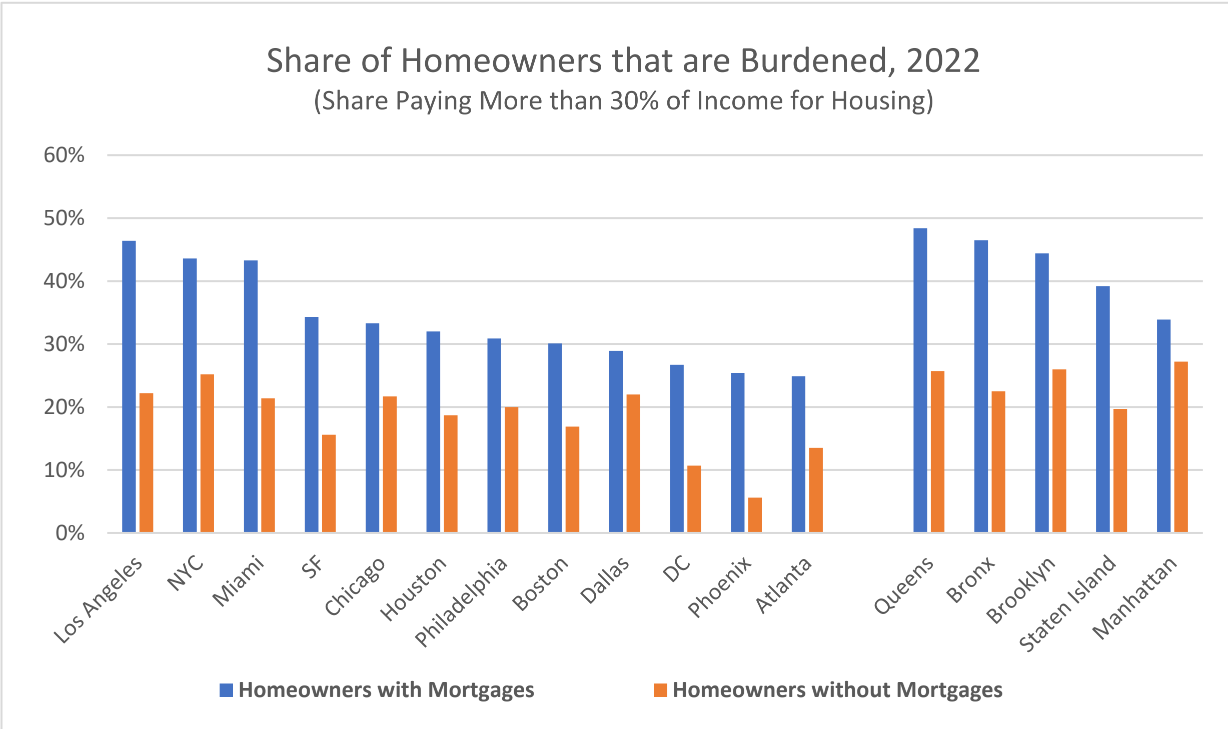
Chart 4



Source: U.S. Census Bureau, American Community Survey for years shown

How does New York compare with other major cities on this indicator of homeowner affordability? Not very well. For homeowners with mortgages, more than 40% are housing-burdened, as defined above, which is second only to Los Angeles among top U.S. cities, as shown in Chart 5 below. Within the city, the proportion is highest in the outer boroughs. A [recent study by the Federal Reserve Bank of New York] found that, at least nationwide, "*Low- and moderate-income homeowners were less likely than other homeowners to access lower mortgage rates through refinancing between 2020-2021*", further contributing to housing burden for those homeowners. And even among homeowners without mortgages citywide, nearly 25% are burdened—the highest among all the cities shown here—and on this measure, the proportion is highest in Manhattan.

Chart 5



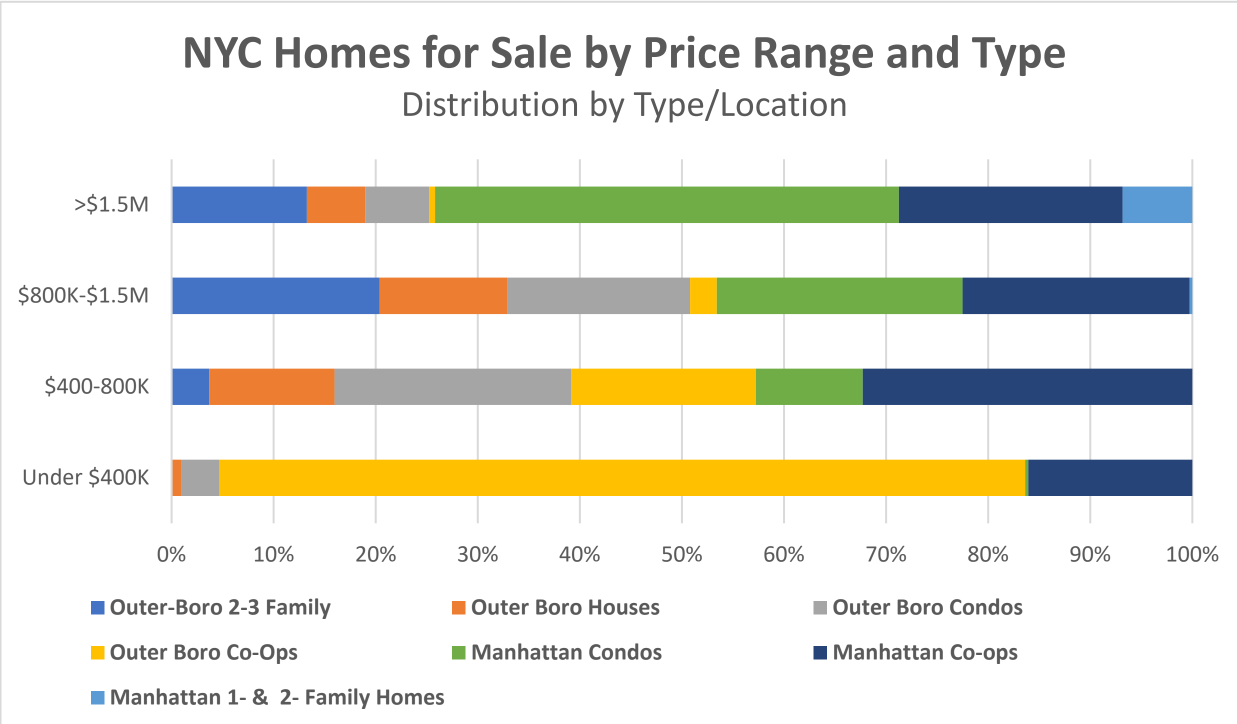
Source: U.S. Census Bureau, 2022 American Community Survey

While rental affordability has worsened considerably in New York City in recent years, price escalation is even worse in the homeownership market. From 2010 to 2022, the price-rent ratio rose from 14 to 18.7—that is, the median cost of a NYC home used to equal 14 years of median rent; today it equals almost 19 years of rent. Put another way, median rent has increased 32%, while the median homeownership price has increased 74%. On top of this, because mortgage rates are somewhat higher now than in 2010, the cost of financing a home purchase adds still more to the relative cost of a home purchase.

The home price statistics discussed thus far pertain to estimated values of all owner-occupied homes across New York City. It is of course, also necessary to look at asking prices for properties that are currently on the market and thus available to prospective homebuyers. Based on listings posted on StreetEasy—totaling over 13,000 as of early March—median asking prices were considerably higher than the estimated median value for all homes noted earlier in the 2022 American Community Survey.

Moreover, current listings can be broken out by borough and type of unit—i.e. co-op, condo, single-family home, 2-3 family home. As shown in Chart 6 below, the only segment of owner-occupied housing for sale with any significant number of available units under $400K is co-ops outside Manhattan. It should be noted, however, that most co-ops come with underlying mortgages and often substantial carrying costs, aside from the unit-owner's own mortgage.

Chart 6



Source: StreetEasy, March 5, 2024

Public Programs for Affordable Homeownership

At the federal level, a substantial share of public subsidies for housing goes to homeowners through the Federal Home Mortgage Interest Deduction (HMID), at an annual cost of around $30 billion, roughly equal to expenditures on housing vouchers, and orders of magnitude more than annual federal expenditures for public housing, homelessness, or the construction of new rental housing. More than 90% of the value of the HMID goes to households earning over $100,000, and the program disproportionately services white families. Because of New York City's low homeownership rate, it also significantly underserves NYC households.

At the state and local level, the overwhelming majority of housing subsidy programs currently go for rental housing rather than homeownership. This was not always the case.

New York has a legacy of shared equity homeownership, but creates little today. The Mitchell-Lama program, and precursor multifamily cooperative programs, initiated through New York State legislation, created a total of nearly 70,000 affordable co-op apartments across New York City from the 1920s until the mid-1970s (including developments such as Co-op City and Amalgamated Houses in the Bronx, Village East Houses in Manhattan, and Rochdale Village in Queens), generally built as new construction on vacant land or through urban renewal. The Mitchell-Lama program also created large scale rental developments throughout five boroughs. However, unlike the majority of the rental developments, whose owners opted out of the program at the end of the regulatory period, the vast majority of Mitchell-Lama cooperatives have maintained affordability restrictions. Despite the fact that shareholders can (at some intervals) vote to privatize their developments, resulting in windfall profits, at least 90% of these coops remain affordable, indicating that residents have consistently prioritized long-term housing stability and the value of affordability over a onetime payout for themselves.

In addition to Mitchell Lama co-ops, there are thousands of units of affordable homeownership throughout the City in Housing Development Fund Corporation Cooperatives (HDFC Cooperatives). These buildings are harder to spot because they are largely pre-war multifamily, walk-up buildings integrated into the streetscape. Following City foreclosure of thousands of occupied buildings in the 1970s, with close to 100,000 tenants in occupancy, the City developed programs to transition the properties back to the private market. A number of programs, including the Tenant Interim Lease (TIL), were created at this time, including several that helped tenants across the city rehabilitate and take control of their homes or abandoned buildings in their neighborhoods. Tenants (many assisted by the Urban Homesteading Assistance Board) gradually gained legal ownership of their buildings and became shareholders. Since 1973, nearly 30,000 units of affordable co-operatives were created.

There are also a number of remaining affordable co-operative apartments, predominantly in Queens, that were developed through federal loans such as the Housing and Urban Development's Sections 213, 221d and 236 programs, among others. While many of these cooperatives are not subject to equity restrictions, the sales remain affordable to middle-income families.

Following the era of abandonment in the 1970s and through the 1990s, the City also subsidized the creation of homeownership through the NYC Housing Partnership's New Homes Program. This program created over 13,000 homes, typically two- to three- family residences for moderate-income purchasers, built on vacant land taken by the City through in-rem tax foreclosure. These projects were not subject to long-term resale restrictions (subsidies evaporated over time, and/or buyers could pay back the subsidies when they sold their units at market prices); as a result, these homes generally do not remain affordable.

While the City has a rich history of shared equity homeownership from which to build, there are almost no programs that create a similar type of housing today. The only program at the City's housing agency, the Department of Housing Preservation and Development (HPD) is Open Door, which has produced under 1,000 units of housing. Given the difficulty that many families have in accessing the traditional homeownership market, the City should re-evaluate these program and considering increasing funding.

One emerging problem facing some homeowners is deed theft. Over the past decade, up to 6,000 complaints of deed theft have been filed with the New York State Attorney General's Office. Deed theft can happen through forgery, when someone fakes the homeowner's signature and signs the deed into their name by submitting a filing to the county register or through fraud, in which someone convinces the homeowner to willingly give ownership of the property to them under false pretenses. Scammers prey on homeowners in financial trouble and elderly homeowners, promising that they will help by modifying the mortgage or paying off municipal arrears, among other tactics.

The State Attorney General’s Office has been investigating this fraudulent activity for a number of years and launched a website to help homeowner’s identify this behavior, in addition to creating a form for homeowners to submit complaints and providing a dedicated hotline. Due to the prevalence of this practice the City of New York has also launched a system by which homeowners can be notified if there is a new filing on the Automated City Register Information System.

Working with Brooklyn District Attorney Eric Gonzalez, Attorney General Letitia James expanded their homeowner protection initiative to educate New Yorkers about deed theft and provide support for those threatened with illegal evictions and other related issues. Ongoing outreach and education is necessary to ensure that homeowners are not stripped of their equity or displaced from their housing. There are also several legislative proposals aimed at curbing this behavior, including a proposal in the New York State budget to create a clear definition of deed theft and to enhance enforcement against those who commit this crime.

Conclusion

As expensive as it is to rent a home in New York City, a home purchase tends to be even more stratospheric—both in absolute terms and relative to the past. Moreover, even though many long-time New Yorkers have lived in their owned home for years and paid far less for it than someone would today, many homeowners are struggling to pay their housing costs. Nonetheless, these long-time homeowners are shielded from rising home prices and, in fact, may have accumulated a good deal of wealth as a result. In contrast, those looking to purchase a residence in the city face a combination of high prices and relatively high mortgage rates (at least compared with the past couple decades). Thus, many people and families looking to own their home in the city are priced out of the market.

Acknowledgements

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