

Affordability of Rent Stabilized Units

An analysis based on the 2017 New York City Housing and Vacancy Survey (NYCHVS).

Rent stabilized units differ from private, unregulated units in a variety of ways. In the previous memo, we discussed the sociodemographics of rent stabilized tenants. Here, we examine the costs of rent stabilized and private, unregulated units and the affordability to tenants.

Although rent stabilization is not an affordable housing program, we see that rent stabilized units generally house a lower income population than private, unregulated units. Estimates from the 2017 NYCHVS show that higher proportions of rent stabilized households are low income and receive public assistance than unregulated households. Higher proportions of rent stabilized tenants also belong to a racial/ethnic minority group and have an older adult in the household. Keeping all of this in mind, we use data from the 2017 NYCHVS to examine what these households are paying for their housing and their rent burden.

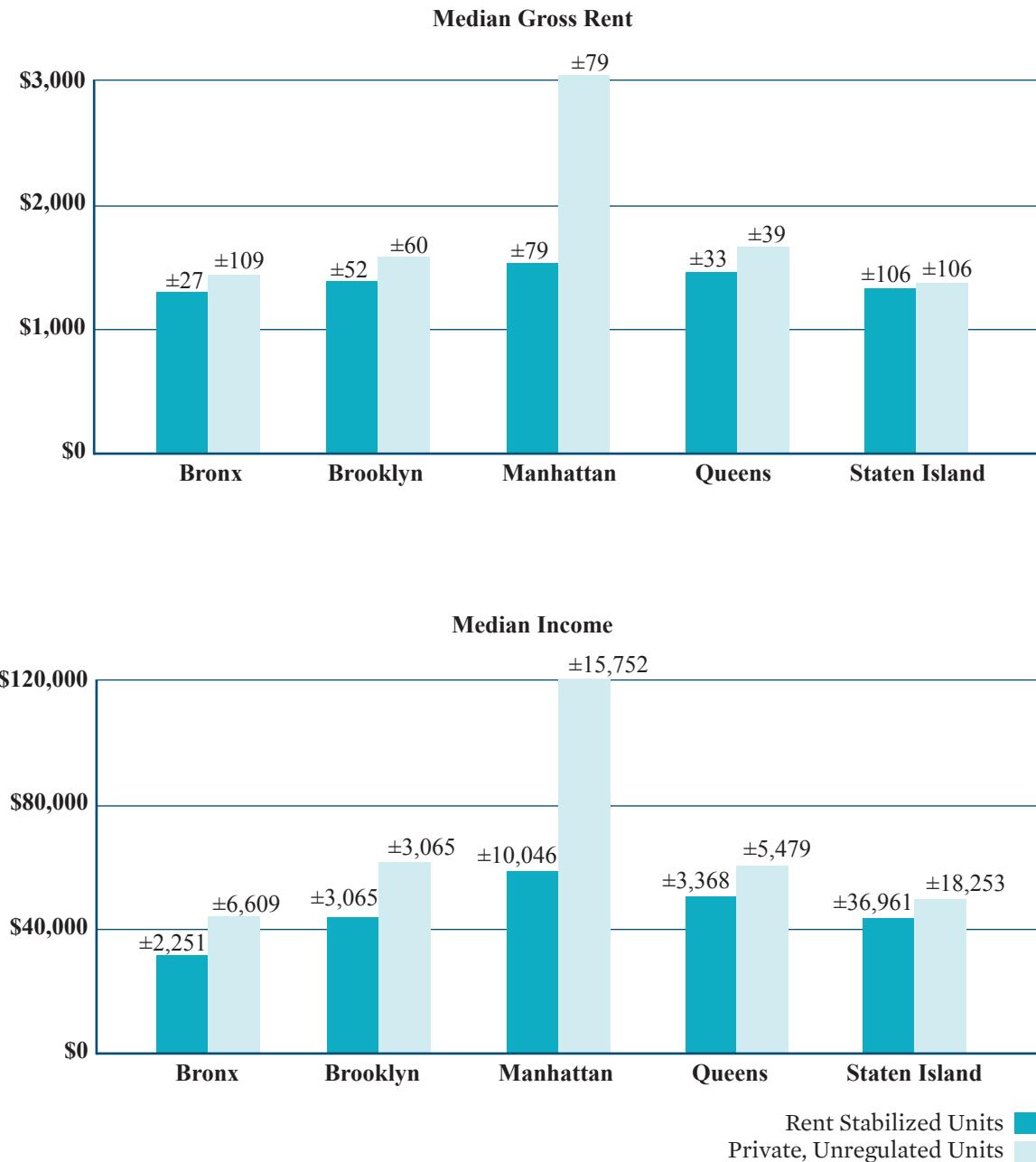
Table 1. Rents and Rent Burden

	Rent Stabilized		Private, Unregulated	
	Estimate	Margin of Error	Estimate	Margin of Error
Median Gross Rent	\$1,375	± \$26	\$1,830	± \$49
Median Contract Rent	\$1,269	± \$35	\$1,700	± \$43
Median Household Income	\$44,560	± \$2,094	\$67,000	± \$3,295
Rent Burdened	53.2%	± 2.0%	50.2%	± 1.4%
Severely Rent Burdened	26.7%	± 1.8%	26.8%	± 1.4%
Total	946,514		879,995	

Gross and contract rent are not calculated for households that live rent free. Households that reported having no income are counted as having \$0 income and are included in the calculation of median household income. Rent burdened is defined as paying more than 30% of gross monthly income in gross monthly rent. Severely burdened is defined as paying more than 50% of gross monthly income in gross monthly rent. Burden and severe burden are not calculated for households where either rent or any component of income are top coded, nor for households with no income, nor for households living rent free. Households with rental assistance, i.e. A Housing Choice Voucher (Section 8), Senior Citizen Rent Increase Exemption (SCRIE), Public Assistance Shelter Allowance, another federal housing subsidy program, or another city or state housing subsidy program are not included in calculations of rent burden or severe rent burden.

The NYCHVS collects information on different types of rents. Contract rent is the total rent scheduled to be paid to the landlord. Some tenants (though not all) pay utilities as part of their rent. Gross rent factors in utility costs to allow for an equivalent comparison. As shown in Table 1, the median gross and contract rents of rent stabilized units are lower than those of private, unregulated units. The median gross rent of rent stabilized units is \$1,375 in New York City, compared with \$1,830 for unregulated units. As discussed in the previous memo, the annual income of rent stabilized households is lower than that of unregulated households.

Figure 1. Median Rent and Income, by Borough



Gross and contract rent are not calculated for households that live rent free. Households that reported having no income are counted as having \$0 income and are included in the calculation of median household income.

The largest difference in rents and incomes between rent stabilized and private, unregulated units is in Manhattan. While the median gross rent in Manhattan for stabilized units is about \$1,500, it is around \$3,000 for unregulated units. The median income in Manhattan is \$57,000 for rent stabilized households compared with \$120,000 for unregulated households.

We also look at the rent levels by length of time that a household has lived in a unit. As seen in Table 2, the largest difference is among the most recent movers. The median gross rent for households that moved in within the last 18 months is \$1,650 for rent stabilized units and \$2,400 for private, unregulated units. The difference in median gross rent between rent stabilized units and private, unregulated units is less pronounced for households that have lived in their units for longer periods of time.

Table 2. Median Gross Rent by Tenure

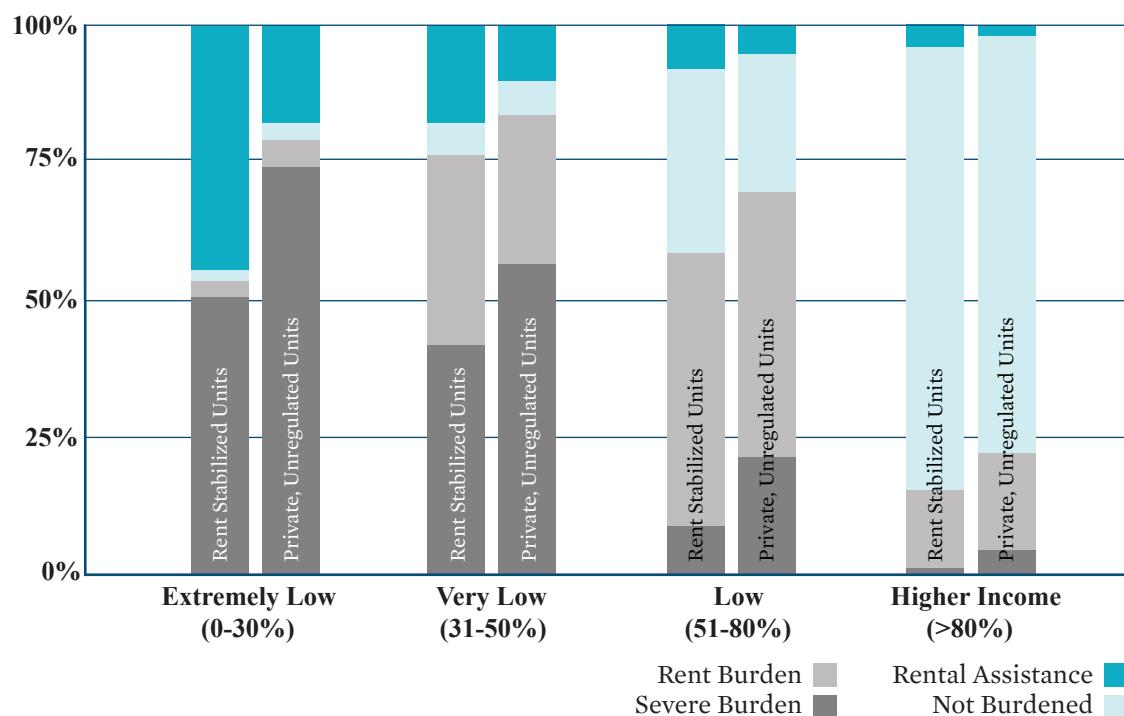
Moved in...	Rent Stabilized		Private, Unregulated	
	Estimate	Margin of Error	Estimate	Margin of Error
Before 2007	\$1,220	± \$28	\$1,375	± \$46
2007-2009	\$1,350	± \$65	\$1,640	± \$114
2010-2012	\$1,424	± \$43	\$1,740	± \$55
2013-2015	\$1,560	± \$53	\$1,965	± \$110
2016-2017	\$1,650	± \$50	\$2,400	± \$143
Total	\$1,375	± \$26	\$1,830	± \$49

Year moved is based on the earliest year that any household member moved into the unit. Gross rent is not calculated for households that live rent free. The 2017 NYCHVS field period ran from January through May 2017, therefore, the group of households that moved between 2016 and 2017 moved in either 2016 or in one of the first five months of 2017.

Even though rent stabilized tenants pay less rent than unregulated tenants, they are still just as likely to be rent burdened and severely rent burdened because they typically earn less.

We can gain a more dynamic understanding of this comparison when we look at rent burden by HUD Income Limits (HUDIL), the income categories set by the US Department of Housing and Urban Development (HUD) to determine the eligibility of applicants for assisted housing programs. Low-income households are defined as households with incomes below 80% of HUDIL. Very low-income households make less than 50% of HUDIL, and extremely low-income households make less than 30% of HUDIL. A larger proportion of households living in private, unregulated units are severely rent burdened than those living in rent stabilized units across all four HUDIL categories shown in Figure 2.

Figure 2. Rent Burden and Rental Assistance by HUD Income Limits



HUD Income Limits are based on FY 2017 Income Limits. Income Limits are not calculated for households with more than eight people or for households where any component of income was top coded. A household is considered to have rental assistance if they reported having any of the following: Housing Choice Voucher (Section 8), Senior Citizen Rent Increase Exemption (SCRIE), Public Assistance Shelter Allowance, another federal housing subsidy program, or another city or state housing subsidy program. Rent burdened is defined as paying more than 30% of gross monthly income in gross monthly rent. Severely burdened is defined as paying more than 50% of gross monthly income in gross monthly rent. Burden and severe burden are not calculated for households where either rent or any component of income are top coded, nor for households with no income, nor for households living rent free. Households without rental assistance and who did not have a rent burden calculated are not included in this graph.

Although severe rent burden is highest among extremely low-income households, a greater share of very low-income households pay more than 30% of their income in rent. The extremely low-income group receives the largest share of rental subsidies. Although rental subsidies are most necessary at the lowest levels of income where severe burden is most prevalent, rent burden is quite high in the 31-50% HUDIL bracket as well and there is less rental assistance, especially in private, unregulated units. A greater share of rent stabilized households receive rental assistance than households in private, unregulated units, regardless of HUDIL, but especially at lower income levels. This may be partially explained by the rent level and socioeconomic differences discussed above.

In addition to rent and income, the NYCHVS collects data on a householder's perception of the affordability of their home. About 64% of rent stabilized householders agree with the statement "My apartment is affordable to me," compared with about 69% of households in private, unregulated units. A larger share of rent stabilized householders say that their apartment is too expensive both given its location and given its condition than householders in private, unregulated units.

Table 3. Perceived Affordability

Householder agrees or strongly agrees with the statement:	Rent Stabilized		Private, Unregulated	
	Estimate	Margin of Error	Estimate	Margin of Error
My apartment is affordable to me	64.1%	± 1.8%	68.8%	± 1.7%
My apartment is too expensive...				
Given its condition	32.1%	± 1.5%	24.7%	± 1.6%
Given its location	26.9%	± 1.7%	20.5%	± 1.7%
Total	946,514		879,995	

Each of the items listed in the table above was administered using a 5-point Likert scale of agreement. Percentages reflect responses of either “agree” or “strongly agree” to the above statements.

Summary

As shown above, the median rent of rent stabilized units is \$1,375. This rent would be affordable to a household making at least \$55,000, but the median income of rent stabilized households is \$44,560. As a result, about half of rent stabilized households are rent burdened. Overall, households living in rent stabilized and private, unregulated units experience similar levels of rent burden. Householders living in rent stabilized apartments may feel that burden more acutely, though. Rent burden, especially severe burden is lowest at higher income levels, while at lower levels rental subsidies reduce the burden of rental costs for some households. A greater share of rent stabilized householders agree that their apartment is too expensive given its location and given its condition. Quality and location may contribute to their perception of the affordability of their home. We will discuss the quality of rent stabilized and private, unregulated units in our next rent regulation memo.

The New York City Housing and Vacancy Survey

All data cited here come from the 2017 New York City Housing and Vacancy Survey (NYCHVS). The NYCHVS is a representative survey of the New York City housing stock and population sponsored by the New York City Department of Housing Preservation and Development (HPD) and conducted by the U.S. Census Bureau. It is the longest running housing survey in the country and is statutorily required. Data from the survey cover many characteristics of the City's population, households, housing stock, and neighborhoods, including: size and composition of the housing inventory, housing costs and affordability, housing quality, housing subsidy, tenure and building characteristics, demographics, education, income, household composition and length of residence, and vacancy status.

For more information about the NYCHVS, please visit:

www.census.gov/programs-surveys/nychvs.html

Glossary

Rent Stabilization - Rent stabilization generally covers buildings built before 1974, and apartments removed from rent control. It also covers buildings that receive J-51 and 421-a tax benefits. The NYC Rent Guidelines Board sets rates for rent increases in stabilized apartments in the five boroughs. Rent stabilization provides protections to tenants in addition to limitations on the amount of rent increases. Many affordable housing programs are subject to rent stabilization and may be included in these estimates.

Unregulated - In this document, we refer to rental units with no rent regulation, subsidy, or additional housing intervention as unregulated or private units. Unregulated units are market-rate and are not subject to limits on rent increases.

For more definitions and information about rent regulation, please visit:

www.nyshcr.org/Rent/FactSheets/

For more information on HUD income limits in New York City, please visit:

www.huduser.gov/portal/datasets/il.html

Margins of Error

All numbers reported in this memo are estimates of the population and are subject to sampling and non-sampling error. The precision of these estimates is captured in the margins of error, which are reported along with each estimate. All margins of error in this memo are based on a 95% confidence interval, meaning that there is a 95% chance the actual figure for any estimate is within the range of that estimate plus and minus the corresponding margin of error. For example, in Table 1 we report that 53.2% of rent stabilized units are rent burdened; the margin of error for this estimate is 2.0%. This should be interpreted as there being a 95% chance that the actual percentage of rent stabilized households that are rent burdened is within the range of 51.2% and 55.2%. One way to check whether two groups are meaningfully different is to compare the ranges to see if they do not overlap.

Suggested Citation: Waickman, C. R., Jerome, J. B. R., Place, R. *Affordability of Rent Stabilized Units*. New York City Department of Housing Preservation and Development, 2018.

<https://www1.nyc.gov/site/hpd/about/policy-reports.page>

