2019 Income & Expense Study

• Uses 2018 Real Property Income and Expense (RPIE) filings describing 2017 conditions

• Major findings:
  ✦ Rental income grew by 3.0%
  ✦ Total income rose by 3.0%
  ✦ Operating costs increased by 4.5%
  ✦ Net Operating Income (NOI) grew by 0.4%
Methodology

- RPIE Filings from owners of buildings with 11 or more units
  - RPIE Analysis: 15,395 buildings, 694,485 units
    - Average revenues & costs for 2017

- Data matched, merged, and screened

- HCR registered buildings with rent stabilized units
  - Longitudinal Analysis: 14,332 buildings, 652,978 units
    - Change in revenue & costs from 2016-2017
RPIE Analysis

Rents in 2017

- Citywide: $1,353 per unit per month
- By building age:
  - $1,273 in pre-war buildings
  - $1,534 in post-war buildings
RPIE Analysis

Rents in 2017

• By borough:
  ➡️ $1,850 in Manhattan
  ➡️ $2,247 in Core Manhattan
  ➡️ $1,343 in Upper Manhattan
  ➡️ $1,301 in Queens
  ➡️ $1,224 in Brooklyn
  ➡️ $1,046 in Staten Island
  ➡️ $1,006 in the Bronx
  ➡️ $1,204 NYC excluding Core Manhattan

• Median monthly rent: $1,208 Citywide
RPIE Analysis

Income in 2017

• Citywide: $1,524 per unit per month
• By building age:
  ✦ $1,440 in pre-war buildings
  ✦ $1,716 in post-war buildings
RPIE Analysis

Income in 2017

• By borough:
  ✦ $2,217 in Manhattan
    ✦ $2,729 in Core Manhattan
    ✦ $1,562 in Upper Manhattan
  ✦ $1,385 in Queens
  ✦ $1,301 in Brooklyn
  ✦ $1,141 in Staten Island
  ✦ $1,122 in the Bronx
  ✦ $1,299 NYC excluding Core Manhattan

• Median monthly income: $1,309 Citywide
Average Monthly Collected Income/Rent per Dwelling Unit by Borough

Income and Rent Highest in Manhattan in 2017

Source: NYC Department of Finance, 2017 RPIE Data
RPIE Analysis

Income in 2017

• Sale of services and commercial income: 11.2% of total income
  ✦ 16.5% in Manhattan
     ✦ 17.7% in Core Manhattan
     ✦ 14.1% in Upper Manhattan
  ✦ 10.4% in the Bronx
  ✦ 8.3% in Staten Island
  ✦ 6.0% in Brooklyn and Queens
RPIE Analysis

Comparing Rent Measurements

- Release of triennial HVS data in 2017 allows comparison with RPIE and HCR data
  - HVS data measures average contract rent collected during first 4 months of 2017
  - RPIE data measures average collected rent collected over 12-month period of 2017
  - HCR data measures average legal rents registered as of April 1, 2017

- HVS average rent of $1,269: 6.2% less than RPIE average of $1,353

- RPIE rent of $1,353 was 27.9% lower than the HCR average legal stabilized rent of $1,876
Average Monthly Citywide Collected Rents as a Share of Average Monthly Monthly HCR Legal Registered Rents, 1990-2017

Percentage of Legal Rent Collected Decreased in 2017

Source: HCR Annual Rent Registrations; NYC Dept. of Finance, 1990-2017 RPIE Data
RPIE Analysis

Expenses in 2017

• Citywide: $984 per unit per month

• By age:
  ✦ $944 in pre-war buildings
  ✦ $1,075 in post-war buildings

• By borough:
  ✦ $1,397 in Manhattan
    ✦ $1,678 in Core Manhattan
    ✦ $1,037 in Upper Manhattan
  ✦ $892 in Queens
  ✦ $837 in Brooklyn
  ✦ $768 in Staten Island
  ✦ $763 in the Bronx
  ✦ $846 in NYC excluding Core Manhattan
Audit-adjusted average monthly O&M costs: $904
Average audit-adjusted monthly O&M costs in buildings without commercial space: $820
Median monthly costs Citywide: $870
- $1,182 in Manhattan
- $1,350 in Core Manhattan
- $929 in Upper Manhattan
- $825 in Queens
- $778 in Brooklyn
- $738 in Staten Island
- $737 in the Bronx
- $795 in NYC excluding Core Manhattan
Average Monthly Expense per Dwelling Unit per Month

Taxes Remain Largest Expense in 2017

Breakdown of operating cost components by building age

Source: NYC Dept. of Finance, 2017 RPIE Data
RPIE Analysis

Distressed Properties in 2017

• **5.0%** of buildings in survey are distressed
  ✦ **1/10th** point increase from last year’s record-low
  ✦ Second lowest level in 28-year I&E study history

• Distressed = O&M costs exceed gross income, high costs and low rents and income

• Vast majority of distressed buildings are pre-war (**93%**)

• By Borough:
  ✦ Manhattan: **51%**
  ✦ Bronx and Brooklyn: **20% each**
  ✦ Queens: **8%**
  ✦ Staten Island: **Less than 1%**
Percent of Distressed Properties in RPIE Analysis, 1990-2017

Share of Distressed Properties Increases Slightly in 2017

Source: NYC Dept. of Finance, 1990-2017 RPIE Data
Net Operating Income in 2017

• Net Operating Income (NOI) equals the amount or income remaining after O&M expenses

• Rent stabilized apartments averaged $540 of net income per month
  ✦ $641 in post-war units
  ✦ $496 in pre-war units

• NOI in “residential-only” buildings was $482
  ✦ 10.8% less than for all buildings
RPIE Analysis

Net Operating Income in 2017

NOI by Borough:

• Highest in Manhattan: $820
  ✦ $1,051 in Core Manhattan
  ✦ $525 in Upper Manhattan

• $493 in Queens

• $464 in Brooklyn

• $373 in Staten Island

• $359 in the Bronx

• $453 in City excluding Core Manhattan
Ratios of Citywide Average Monthly Audit-Adjusted O&M Costs to Average Monthly Gross Income and Rent, 1990-2017

Cost-to-Income and Cost-to-Rent Ratios Increase in 2017

- Operating costs 59.3% of gross income in 2017, a one percentage points increase from the prior year.
- Operating costs 66.8% of rent revenues in 2017, 0.8 percentage points higher than prior year.

Source: NYC Dept. of Finance, 1990-2017 RPIE Data
Average Monthly Rent, Income, Operating Costs and Net Operating Income per Dwelling Unit and Cost-to-Income Ratios, Core Manhattan and the Rest of the City, 2017

Cost-to-Income Ratio Remains Lower in Core Manhattan

Source: NYC Dept. of Finance, 2017 RPIE Data

*Note: Ratios use audit-adjusted costs
RPIE

Unaudited Operating Costs Ratios

• Unaudited operating costs 64.6% of gross income in 2017
  ✦ Increase of 1.2 percentage points from prior year

• Unaudited operating costs 72.7% of rent revenues in 2017
  ✦ Increase of 0.9 percentage points from prior year
• Cost-to-Income Ratios by Decile
  ✦ Half of all stabilized buildings have unaudited cost-to-income ratios of 0.64 or less
  ✦ 70% of all stabilized buildings have unaudited cost-to-income ratios of 0.73 or less
Citywide Income, Rents, Costs and NOI After Inflation, 1990-2017

Inflation-Adjusted Net Operating Income Up 53.1% Since 1990
(Average Monthly Income, Rent, Operating Costs and NOI per Dwelling Unit, in Constant 2017 Dollars)

Source: NYC Dept. of Finance, 1990-2017 RPIE Data
Income, Rents, Costs and NOI After Inflation per Borough, 1990-2017

Since 1990, Inflation-Adjusted NOI Rises Citywide and in Each Borough
(Average Monthly Income, Rent, Operating Costs and Net Operating Income per Dwelling Unit in Constant 2017 Dollars)

Source: NYC Dept. of Finance, 1990-2017 RPIE Data
Longitudinal Study

Change in Rents from 2016 to 2017

• Longitudinal analysis tracks same set of buildings over two years
• Average monthly rent collections in stabilized units grew by **3.0%** Citywide
  ✦ Pre-war rents grew by **3.2%**
  ✦ Post-war rents grew by **2.8%**
• Rent collection growth by building size
  ✦ Small (11-19 unit) bldgs.: **3.5%**
  ✦ Medium (20-99 unit) bldgs.: **3.2%**
  ✦ Large (100+ unit) bldgs.: **2.3%**
Rent growth by borough:

- Brooklyn: up 4.1%
- Queens: up 3.4%
- Staten Island: 3.3%
- Bronx: up 3.0%
- Manhattan: up 2.3%
  - Upper Manhattan: 3.5%
  - Core Manhattan: 1.7%
- City excluding Core Manhattan: 3.5%

Median rent grew by 3.3% Citywide
Change in Rent by Community District, 2016-2017

Average Rents
Increase in
Every
Community
District

Source: NYC Dept. of Finance, 2016-17 RPIE Data
Longitudinal Study

Change in Income from 2016 to 2017

• Average gross income in rent stabilized units rose by 3.0% Citywide
  ✦ Up 3.2% in pre-war buildings
  ✦ Up 2.8% in post-war buildings

• Income growth by borough:
  ✦ Brooklyn: up 4.1%
  ✦ Queens: up 3.4%
  ✦ Bronx: up 3.1%
  ✦ Staten Island: 2.9%
  ✦ Manhattan: up 2.4%
    ✦ Upper Manhattan: 3.5%
    ✦ Core Manhattan: 1.9%
  ✦ City excluding Core Manhattan: 3.5%

• Median income grew by 4.0% Citywide
Monthly expenses in rent stabilized buildings rose by 4.5% Citywide

- No difference between pre- and post-war buildings

By borough:
- Manhattan: up 5.1%
  - Core Manhattan: 5.2%
  - Upper Manhattan: 4.8%
- Brooklyn: up 4.8%
- Queens: up 4.7%
- Staten Island: up 3.6%
- Bronx: up 3.2%
- City excluding Core Manhattan: up 4.3%

Median costs rose 4.3% Citywide
Change in Operating & Maintenance Costs, RPIE and the PIOC, 1990 to 2017

In 2017, PIOC Costs Grew More Than Owner-Reported RPIE Expenses

*Note: Longitudinal I&E Data for 2003-04 was unavailable.

Longitudinal Study

Operating Cost Ratios

• Proportion of gross income spent on audit-adjusted expenses increased from 2016 to 2017
  ✦ Up 0.8 percentage points

• Proportion of rent spent on audited expenses
  ✦ Up 1.0 percentage point
Longitudinal Study
Change in NOI from 2016 to 2017

- Average NOI in rent stabilized buildings grew by 0.4% Citywide
  - 13th consecutive year NOI has increased
  - Smallest increase in 13 years
  - Up 0.6% in pre-war buildings
  - Up 0.1% in post-war buildings
Longitudinal Study

Change in NOI from 2016 to 2017

• Change in Net Operating Income (NOI) around NYC:
  ✦ Bronx: up 2.9%
  ✦ Brooklyn: up 2.7%
  ✦ Staten Island: up 1.5%
  ✦ Queens: up 1.3%
  ✦ Manhattan: down 2.0%
    ✦ Upper Manhattan: up 1.0%
    ✦ Core Manhattan: down 3.1%
  ✦ City excluding Core Manhattan: up 2.1%
Change in NOI by Community District, 2016-17

Net Operating Income Grows in Two-Thirds of Community Districts

Source: NYC Dept. of Finance, 2016-17 RPIE Data
Changes in Average Monthly Rents, Income, Operating Costs and Net Operating Income per Dwelling Unit, 1990-2017

Net Operating Income (NOI) Increased for 13\textsuperscript{th} Consecutive Year in 2016-17

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Source: NYC Dept. of Finance, 1990-2017 RPIE Data

Note: 2003-04 data was unavailable.
2019 Income and Expense Study

April 4, 2019