

NYC Rent Guidelines Board

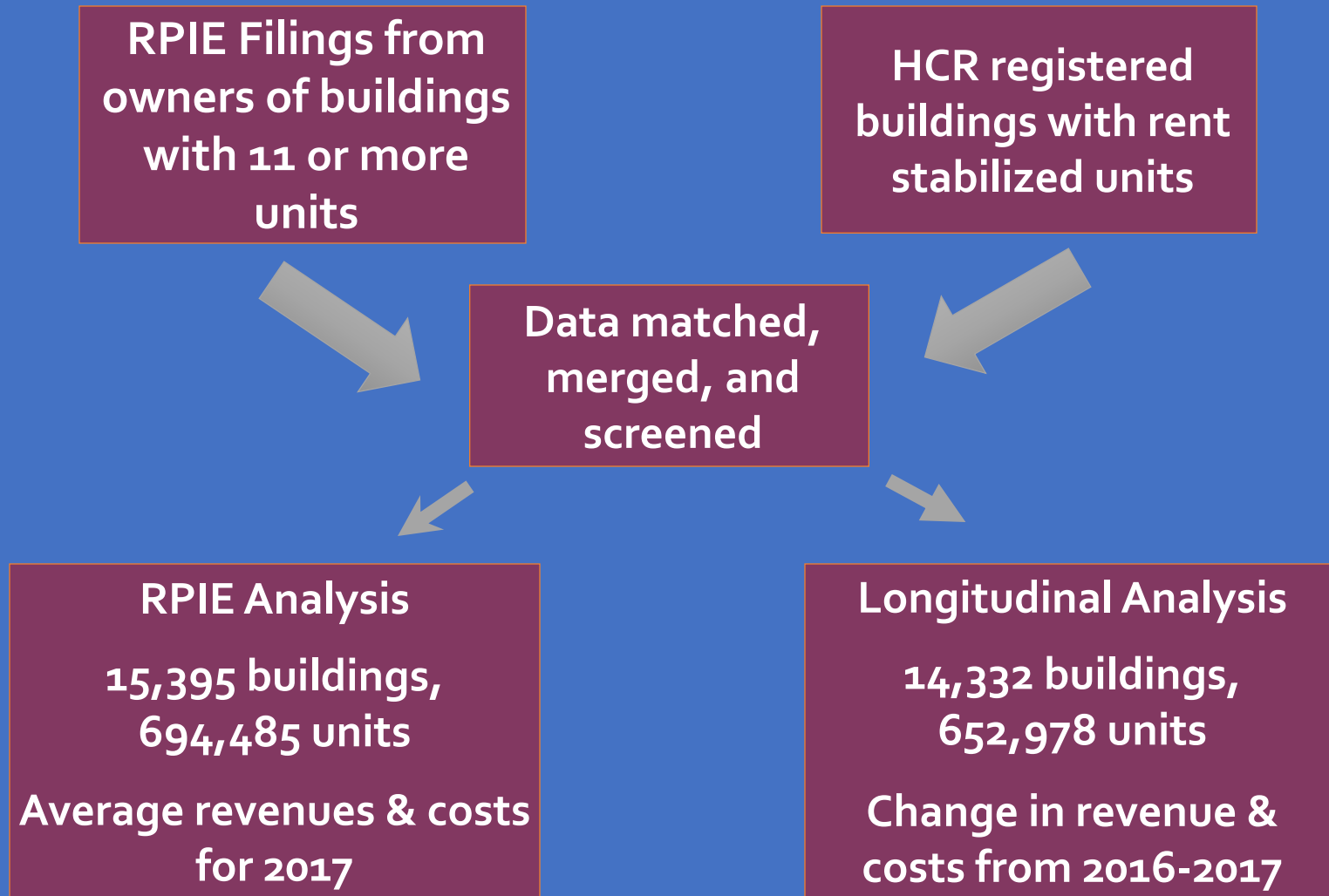
***2019 Income and
Expense Study***

April 4, 2019

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 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

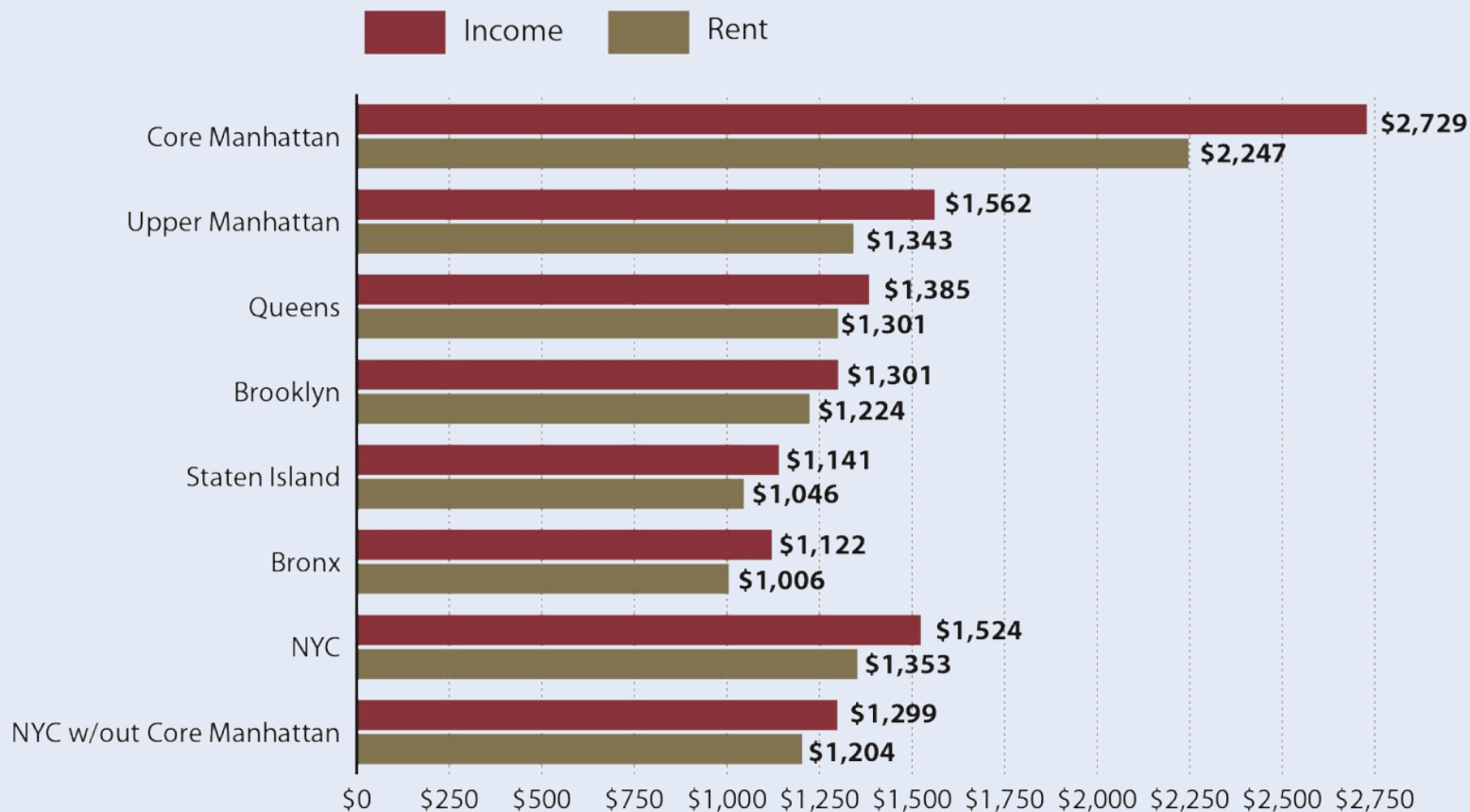
RPIE Analysis

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

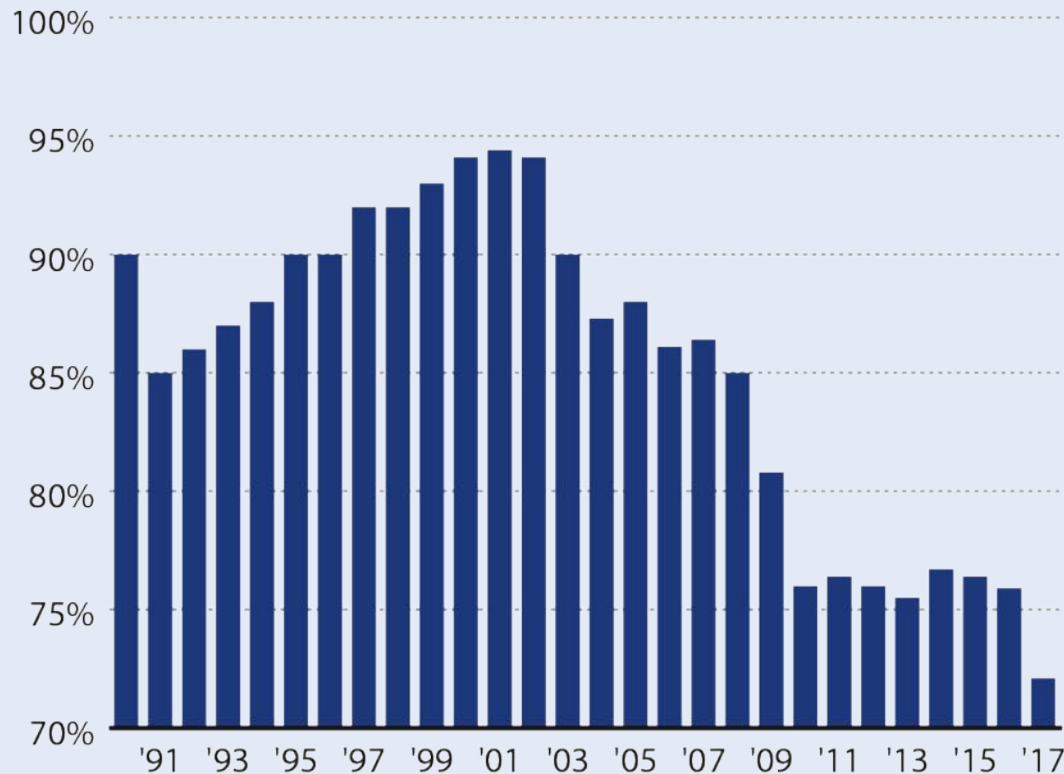
RPIE Analysis

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 HCR Legal Registered Rents, 1990-2017

Percentage of Legal Rent Collected Decreased in 2017



HCR rents are maximum legal rent allowed by rent guidelines or statutory increases

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

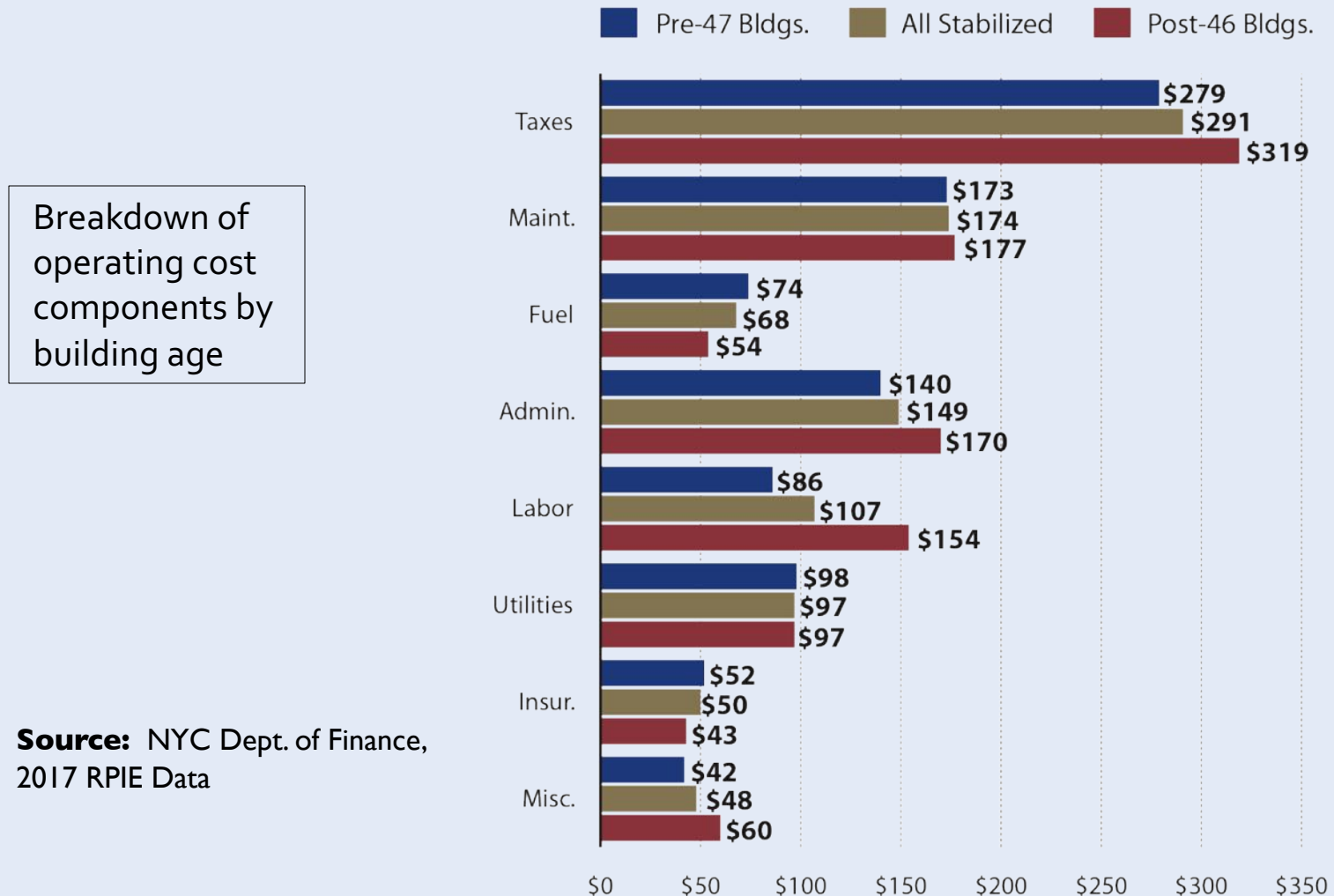
RPIE Analysis

Expenses in 2017

- *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



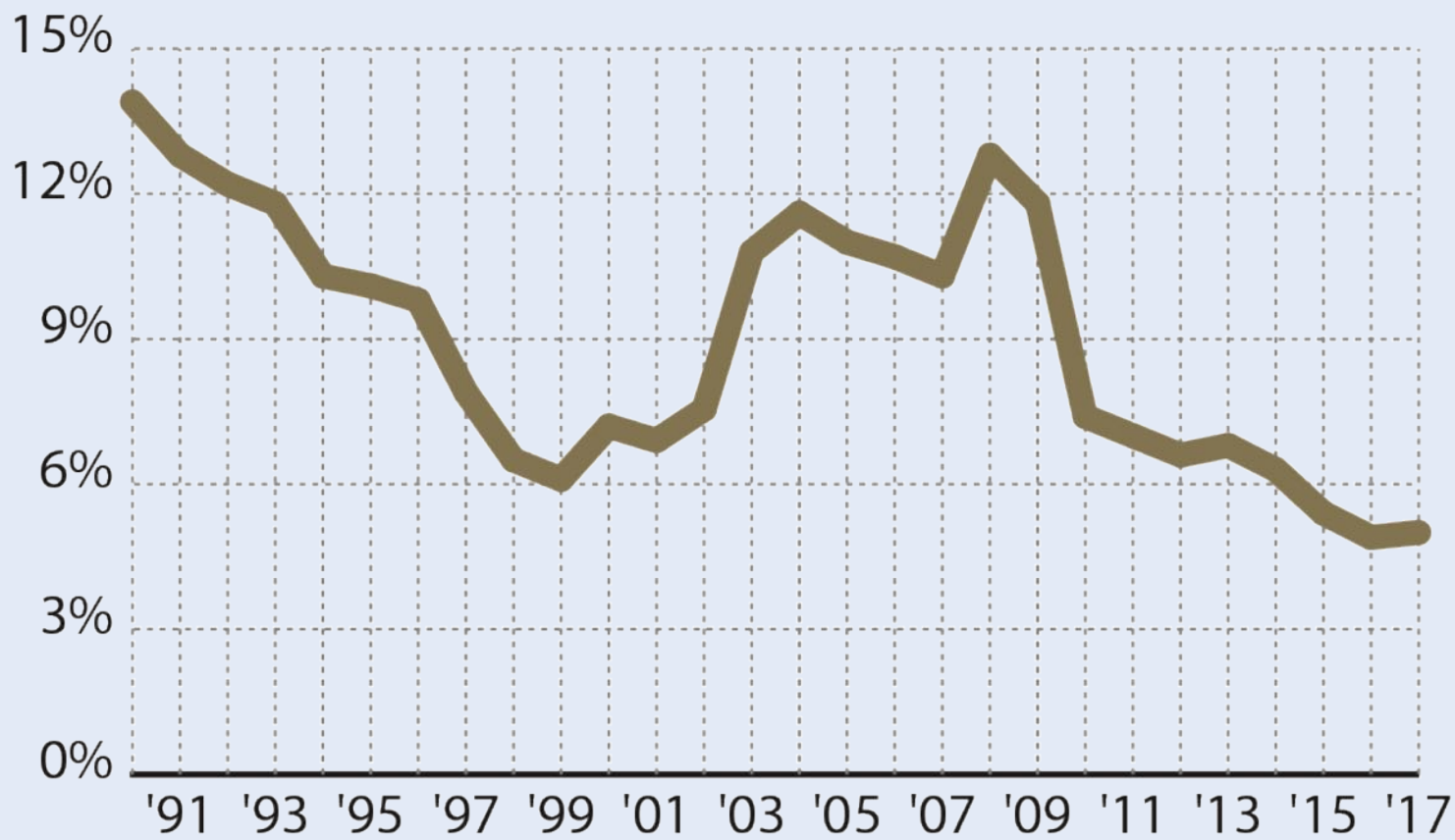
RPIE Analysis

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

RPIE Analysis

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

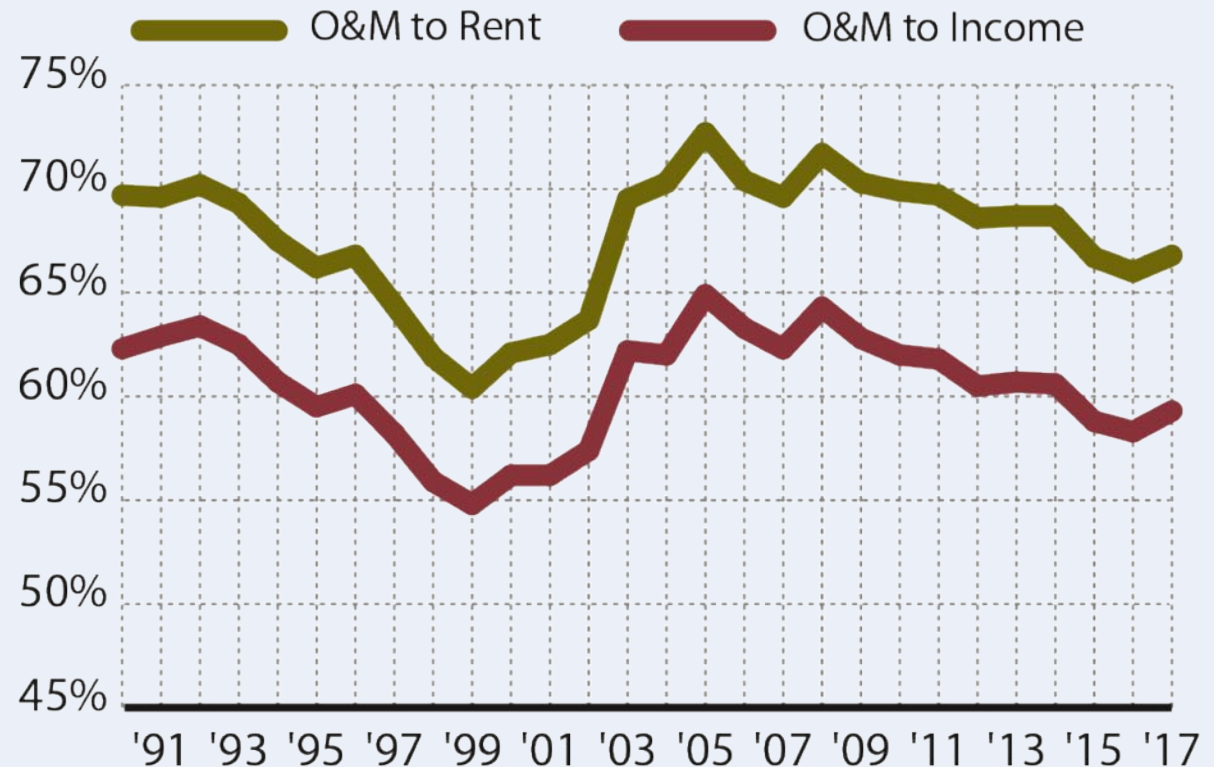
NOI by Borough:

- 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

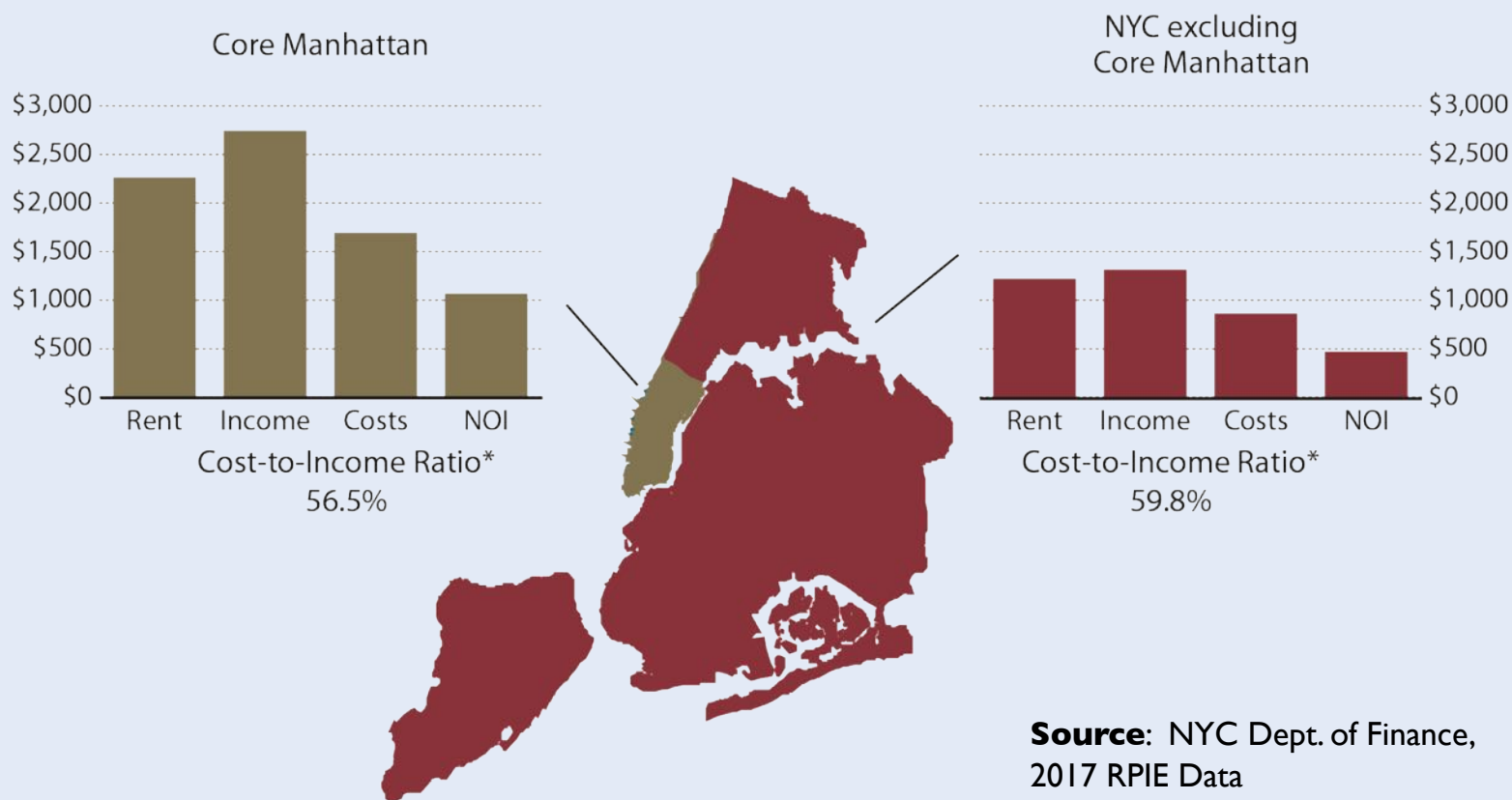
- Operating costs **59.3%** of gross income in 2017, a one percentage points increase from the prior year
- Operating costs **66.8%** of rent revenues in 2017, **0.8** percentage points higher than prior year



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

RPIE

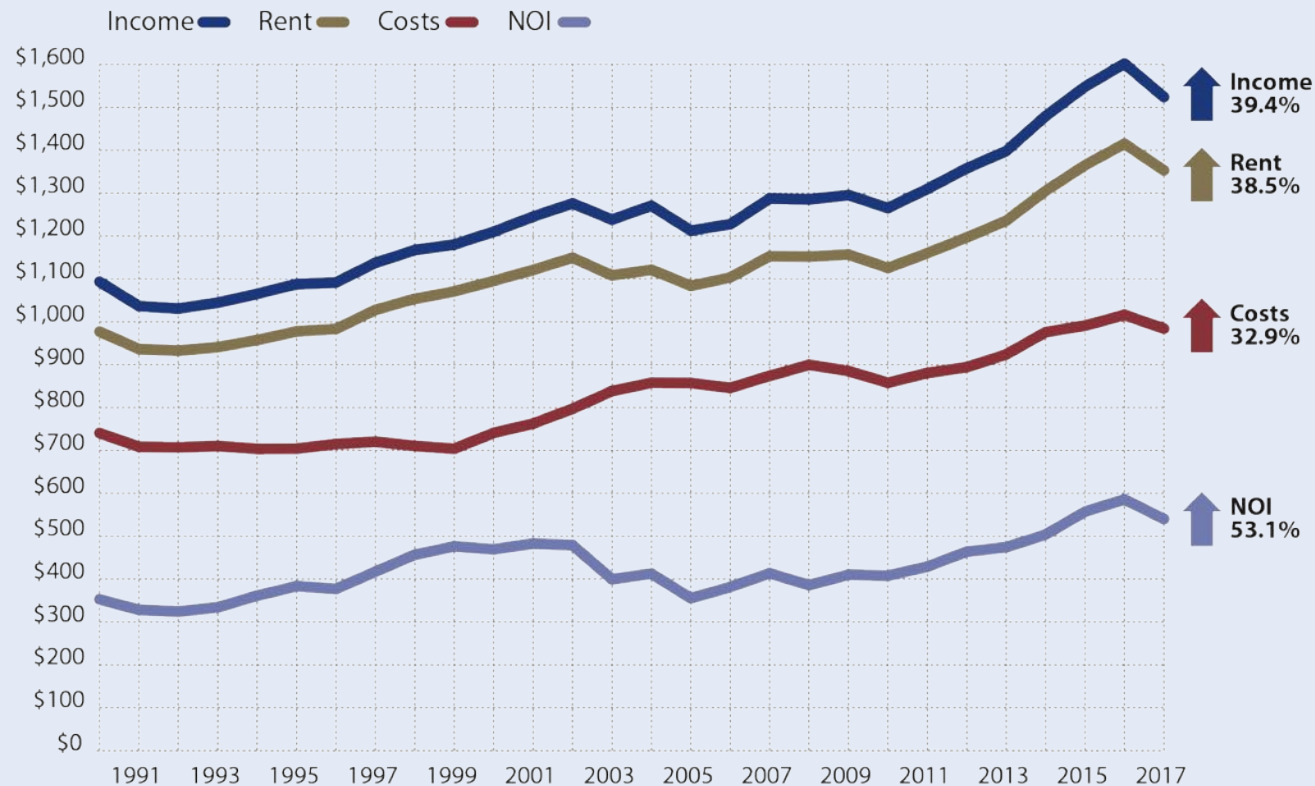
Unaudited Operating Costs Ratios

- 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

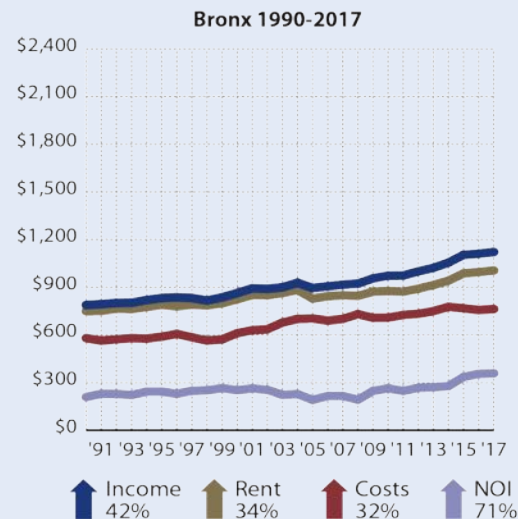
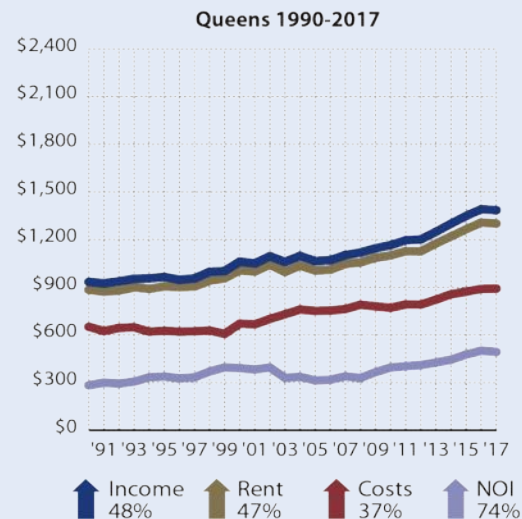
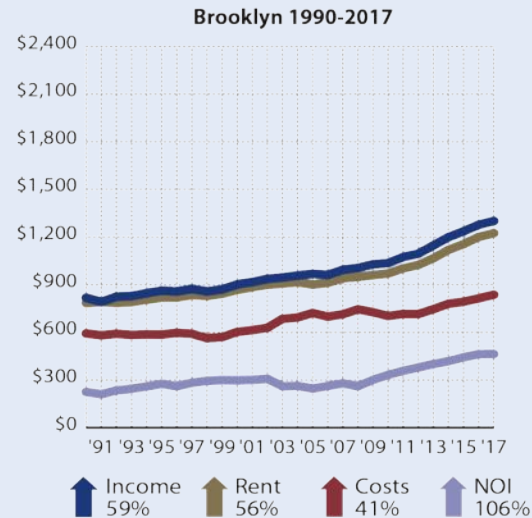
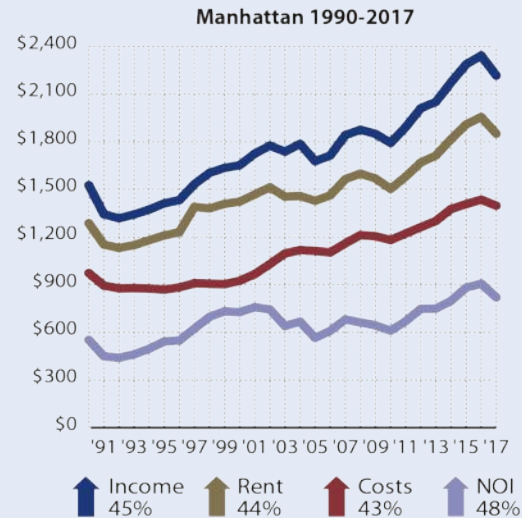
Inflation-Adjusted Net Operating Income Up **53.1%** Since 1990

(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%**

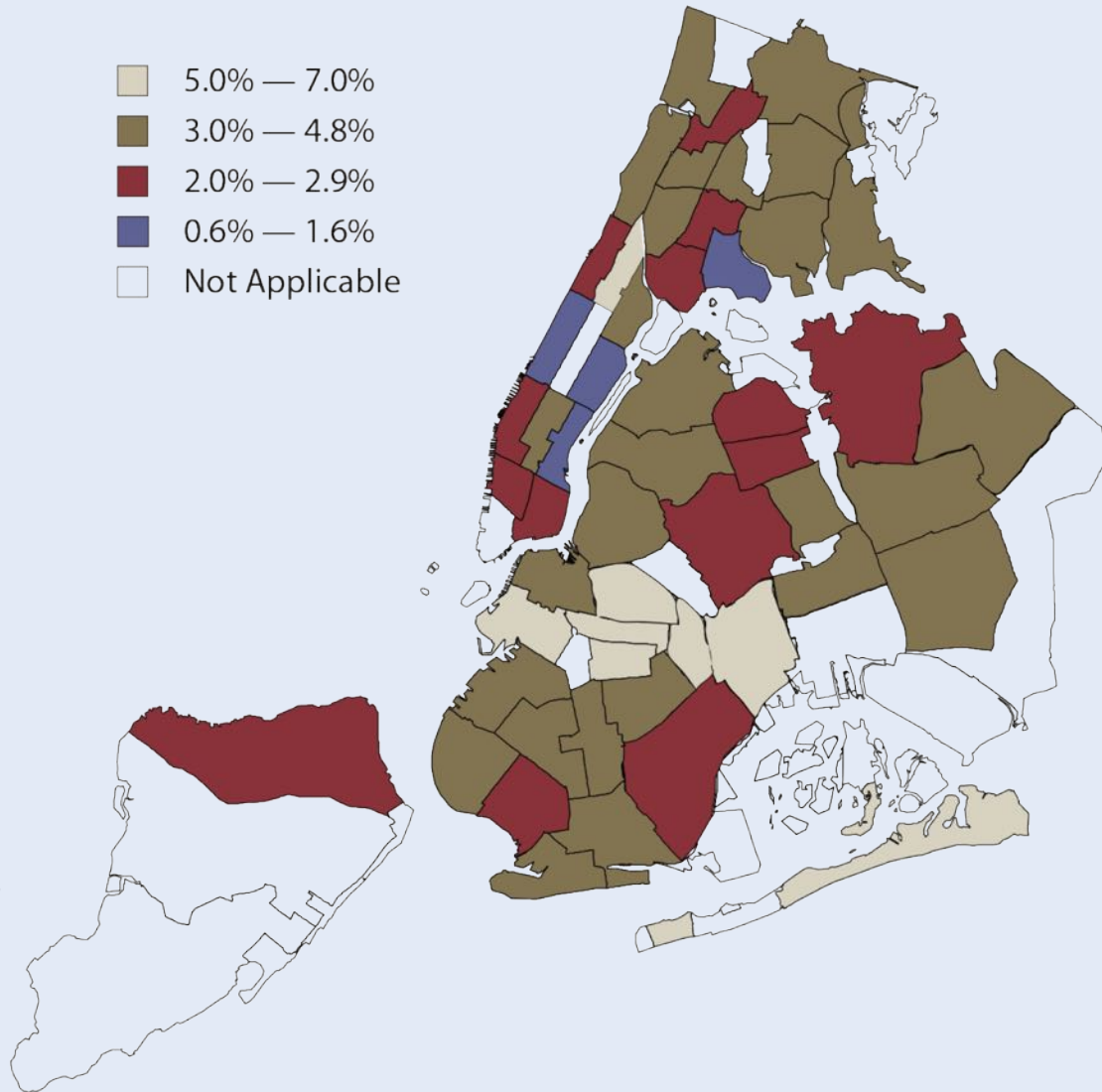
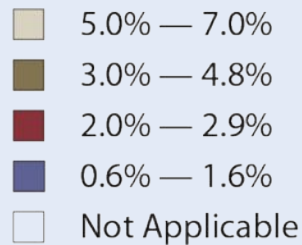
Longitudinal Study

Change in Rents from 2016 to 2017

- 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**

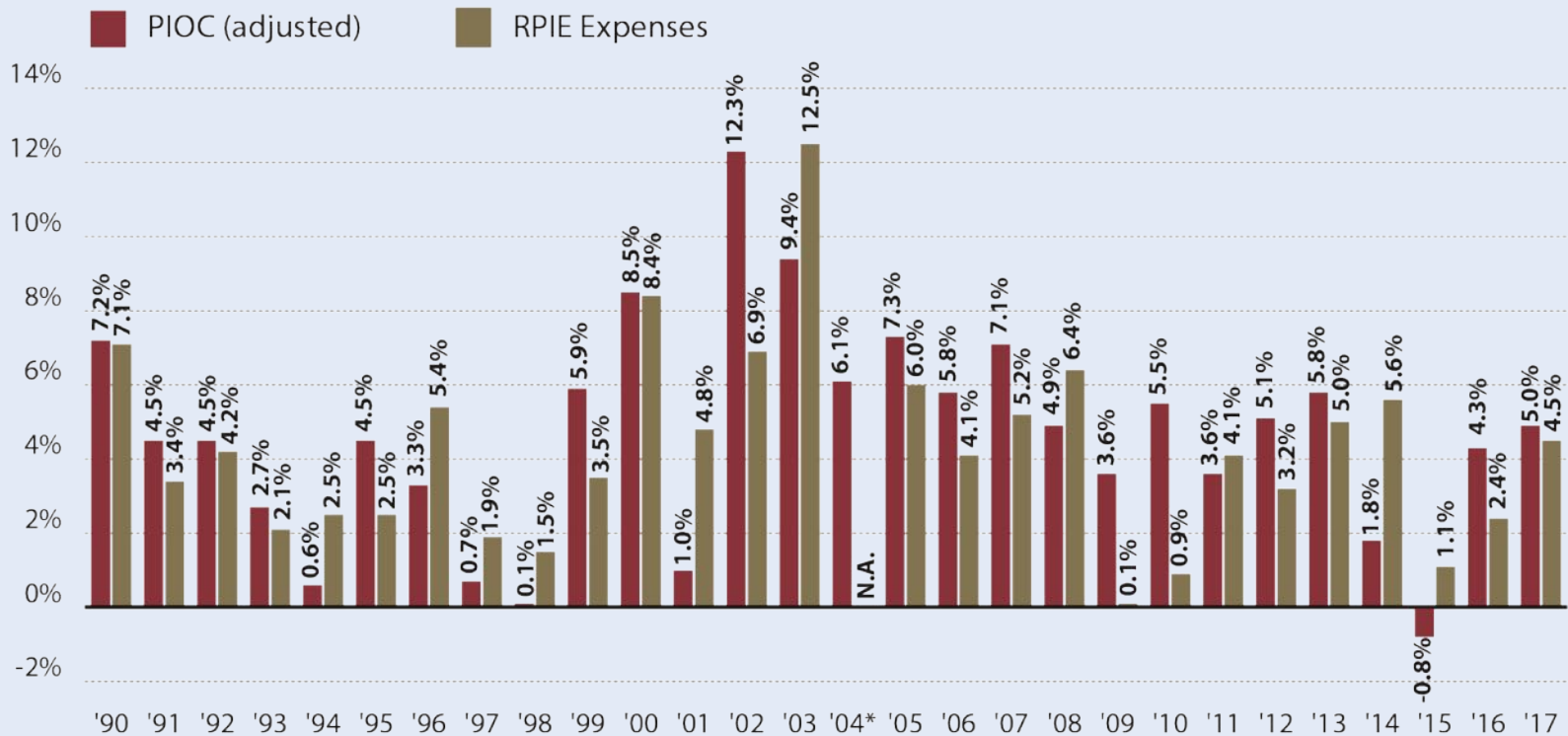
Longitudinal Study

Change in Expenses from 2016 to 2017

- 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.

Source: NYC Dept. of Finance, 1990-2017 RPIE Data; NYC Rent Guidelines Board PIOC 1990-2017

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

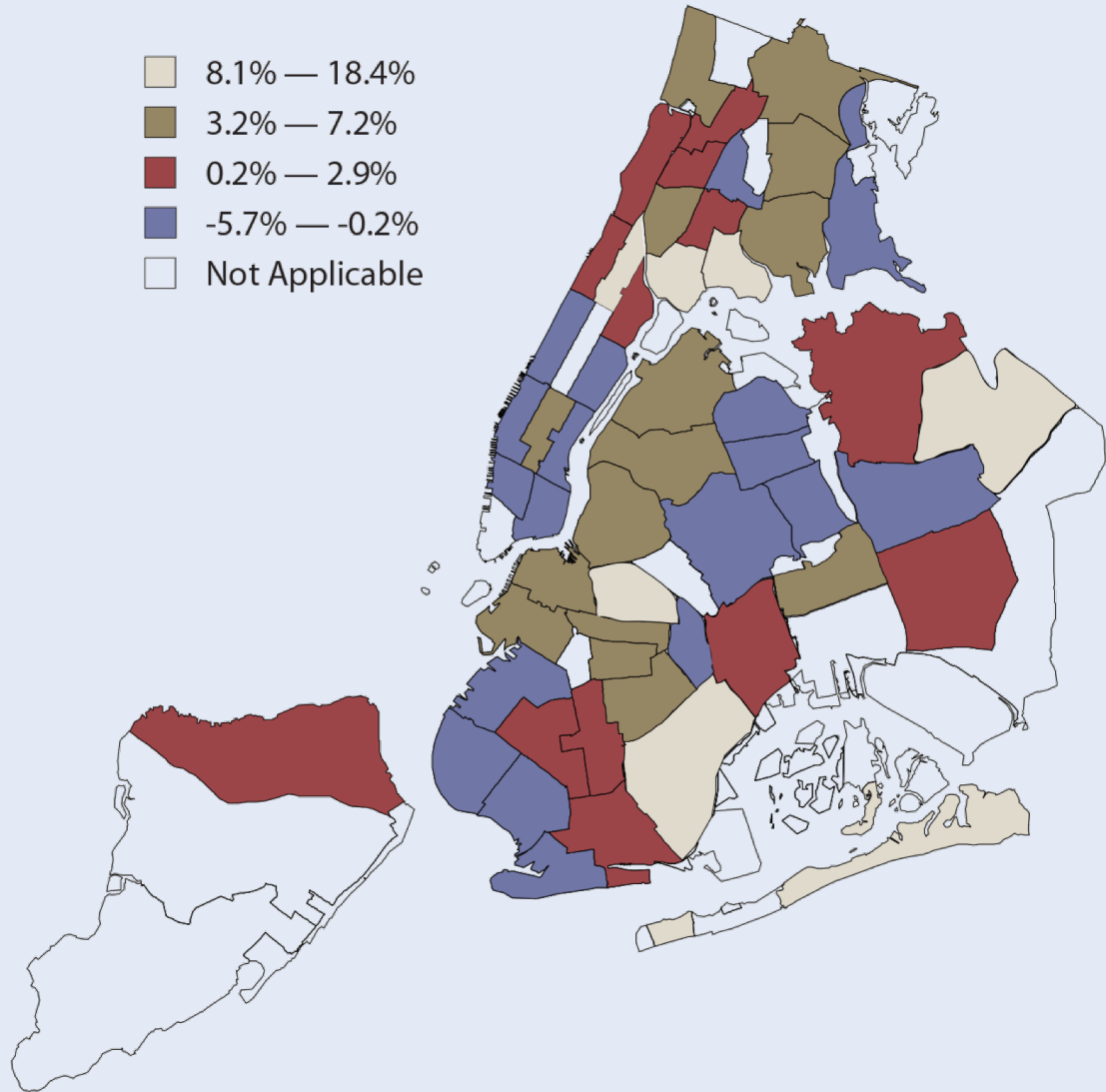
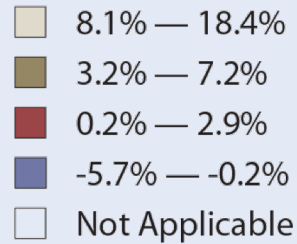
Change in NOI from 2016 to 2017

- 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
13th Consecutive
Year in 2016-17*

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

Note: 2003-04
data was
unavailable.

	Avg. Rent Growth	Avg. Income Growth	Avg. Cost Growth	Avg. NOI Growth
1990-91	3.4%	3.2%	3.4%	2.8%
1991-92	3.5%	3.1%	4.2%	1.2%
1992-93	3.8%	3.4%	2.1%	6.3%
1993-94	4.5%	4.7%	2.5%	9.3%
1994-95	4.3%	4.4%	2.5%	8.0%
1995-96	4.1%	4.3%	5.4%	2.3%
1996-97	5.4%	5.2%	1.9%	11.4%
1997-98	5.5%	5.3%	1.5%	11.8%
1998-99	5.5%	5.5%	3.5%	8.7%
1999-00	6.2%	6.5%	8.4%	3.5%
2000-01	4.9%	5.2%	4.8%	5.9%
2001-02	4.0%	4.1%	6.9%	-0.1%
2002-03	3.6%	4.5%	12.5%	-8.7%
2003-04	-	-	-	-
2004-05	4.6%	4.7%	6.0%	1.6%
2005-06	5.6%	5.5%	4.1%	8.8%
2006-07	6.5%	6.5%	5.2%	9.3%
2007-08	5.8%	6.2%	6.4%	5.8%
2008-09	1.4%	1.8%	0.1%	5.8%
2009-10	0.7%	1.2%	0.9%	1.8%
2010-11	4.4%	4.5%	4.1%	5.6%
2011-12	5.0%	5.3%	3.2%	9.6%
2012-13	4.5%	4.5%	5.0%	3.4%
2013-14	4.8%	4.9%	5.6%	3.5%
2014-15	4.4%	4.4%	1.1%	10.8%
2015-16	3.1%	3.1%	2.4%	4.4%
2016-17	3.0%	3.0%	4.5%	0.4%

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