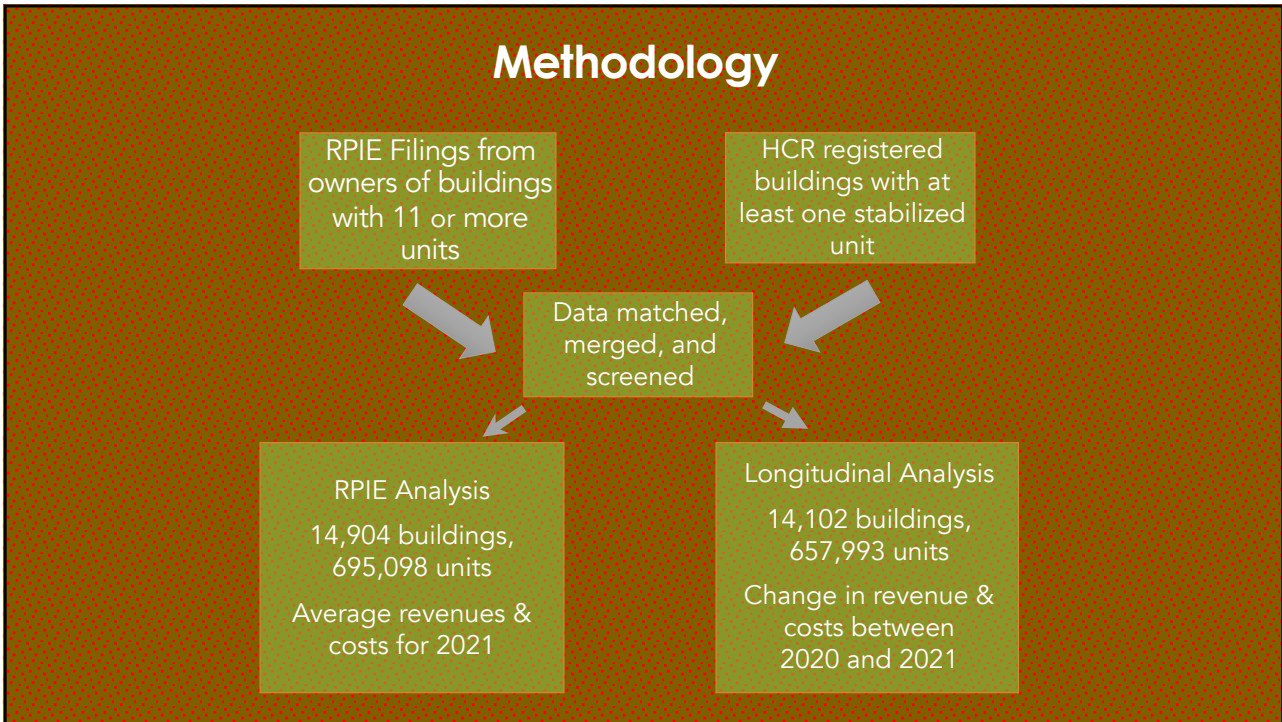


NYC Rent Guidelines Board

2023 Income and Expense Study

March 30, 2023

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Changes in Methodology

- New building age stratification
 - Previously based on pre-47 and post-46 status
 - New method stratifies buildings constructed before 1974 or after 1973
 - Based on whether buildings were constructed before or after January 1, 1974, the effective date of ETPA
- New expense adjustment method
 - "Audited" expenses previously adjusted based on limited 1992 DOF audit by about 8%
 - New expense adjustment method of 4.94% based on difference between data sets with and without DOF assessment adjustments

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RPIE Analysis

Rents in 2021

- Citywide average rent: \$1,495 per unit per month
 - Median monthly rent: \$1,285
 - By building age:
 - ◆ \$1,343 in pre-1974 buildings
 - ◆ \$2,149 in post-1973 buildings
 - By borough:
 - ◆ \$1,913 in Manhattan
 - ◆ \$2,356 in Core Manhattan
 - ◆ \$1,358 in Upper Manhattan
 - ◆ \$1,498 in Brooklyn
 - ◆ \$1,439 in Queens
 - ◆ \$1,122 in the Bronx
 - ◆ \$1,041 in Staten Island
 - ◆ \$1,337 NYC excluding Core Manhattan

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RPIE Analysis

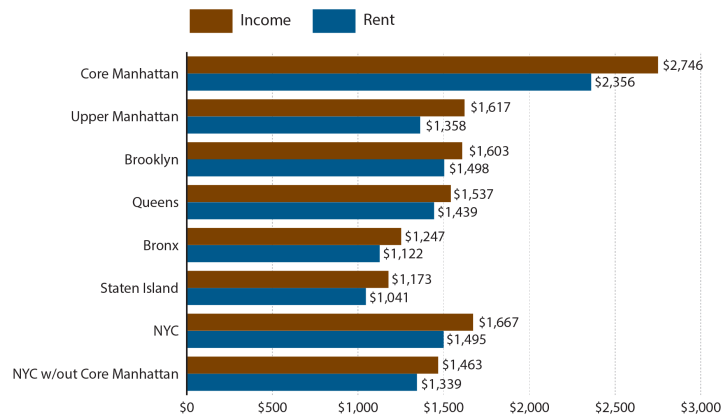
Income in 2021

- Citywide average gross income: \$1,667 per unit per month
 - Median monthly income: \$1,395
 - By building age:
 - ↗ \$1,495 in pre-1974 buildings
 - ↗ \$2,409 in post-1973 buildings
 - By borough:
 - ↗ \$2,245 in Manhattan
 - ↗ \$2,746 in Core Manhattan
 - ↗ \$1,617 in Upper Manhattan
 - ↗ \$1,603 in Brooklyn
 - ↗ \$1,537 in Queens
 - ↗ \$1,247 in the Bronx
 - ↗ \$1,173 in Staten Island
 - ↗ \$1,463 NYC excluding Core Manhattan

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Average Monthly Collected Income/Rent per Dwelling Unit by Borough

Income and Rent Highest in Manhattan in 2021



Source: NYC Department of Finance, 2021 RPIE Data

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RPIE Analysis

Income in 2021

- Sale of services and commercial income: 10.3% of total income
 - ◆ Increase from 10.0% in 2021
 - ◆ 14.8% in Manhattan
 - ◆ 16.0% in Upper Manhattan
 - ◆ 14.2% in Core Manhattan
 - ◆ 11.3% in Staten Island
 - ◆ 10.0% in the Bronx
 - ◆ 6.6% in Brooklyn
 - ◆ 6.4% in Queens
 - ◆ 8.6% in City excluding Core Manhattan

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RPIE Analysis

Expenses in 2021

- Citywide average costs: \$1,091 per unit per month
 - Median monthly costs : \$974
- By age:
 - ◆ \$1,059 in pre-1974 buildings
 - ◆ \$1,228 in post-1973 buildings
- By borough:
 - ◆ \$1,560 in Manhattan
 - ◆ \$1,918 in Core Manhattan
 - ◆ \$1,112 in Upper Manhattan
 - ◆ \$996 in Queens
 - ◆ \$940 in Brooklyn
 - ◆ \$833 in the Bronx
 - ◆ \$774 in Staten Island
 - ◆ \$940 in NYC excluding Core Manhattan

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RPIE Analysis

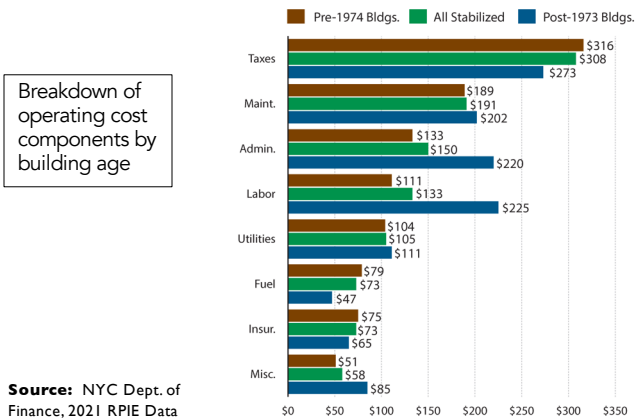
Expenses in 2021

- Methodological change to I&E cost adjustments reduces expenses by 4.94%
 - *Cost-adjusted* average O&M costs: \$1,037 per month
 - Average *cost-adjusted* O&M costs in *residential-only* buildings: \$952 per month
 - Residential-only buildings have average *adjusted* costs 8.2% lower than all buildings

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Average Monthly Expense per Dwelling Unit per Month

Taxes Remain Largest Expense in 2021



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RPIE Analysis

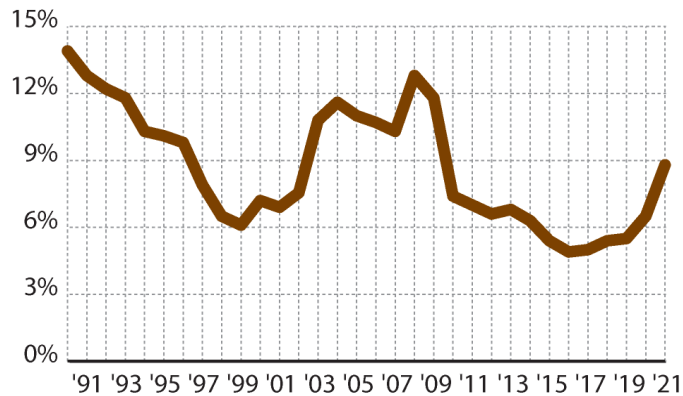
Distressed Properties in 2021

- 8.8% of buildings in survey are distressed
 - ◆ 2.3 percentage point increase from last year's 6.5%
- By Borough, majority are in Manhattan
 - ◆ Manhattan: 58.8%
 - ◆ Bronx: 15.7%
 - ◆ Brooklyn: 14.5%
 - ◆ Queens: 10.5%
 - ◆ Staten Island: 0.5%

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Percent of Distressed Properties in RPIE Analysis, 1990-2021

Share of Distressed Properties Increases in 2021



Source: NYC Dept. of Finance, 1990-2021 RPIE Data

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RPIE Analysis

Net Operating Income in 2021

- Net Operating Income (NOI) equals the amount of income remaining after O&M expenses
- Citywide, apartments averaged \$576 of net NOI per month
 - ◆ \$1,181 in post-1973 units
 - ◆ \$436 in pre-1974 units
- NOI in *residential-only* buildings was \$500
 - ◆ 13.2% less than for all buildings

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RPIE Analysis

Net Operating Income in 2021

NOI by Borough:

- Highest in Manhattan: \$685
 - ◆ \$828 in Core Manhattan
 - ◆ \$505 in Upper Manhattan
- \$663 in Brooklyn
- \$541 in Queens
- \$413 in the Bronx
- \$399 in Staten Island
- \$523 in City excluding Core Manhattan

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RPIE Analysis

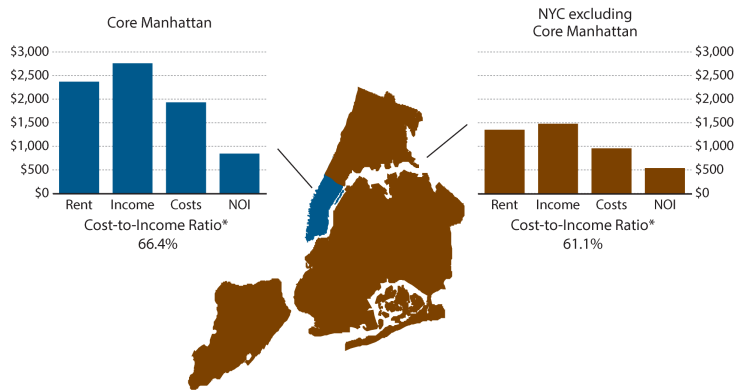
Operating Cost Ratios in 2021

- Unadjusted operating expenses 65.4% of gross income Citywide
- Expense-adjusted operating costs 62.2% of gross income Citywide

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Average Monthly Rent, Income, Operating Costs, NOI, and Cost-to-Income Ratios, Core Manhattan vs. Rest of the City, 2021

Cost-to-Income Ratio Higher in Core Manhattan



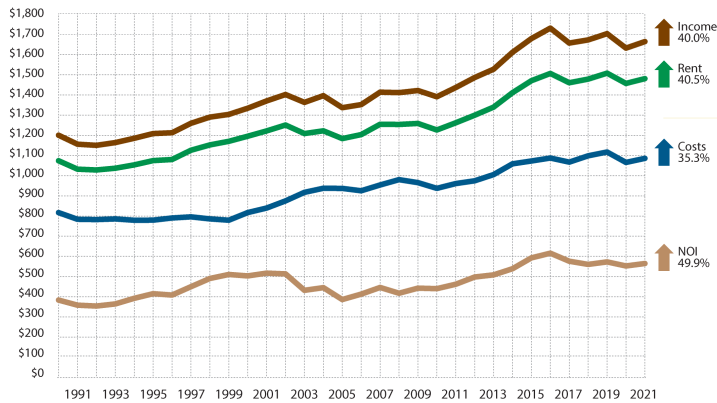
Source: NYC Dept. of Finance, 2021 RPIE Data

*Note: Ratios use adjusted costs

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Citywide Income, Rents, Costs, and NOI After Inflation, 1990-2021

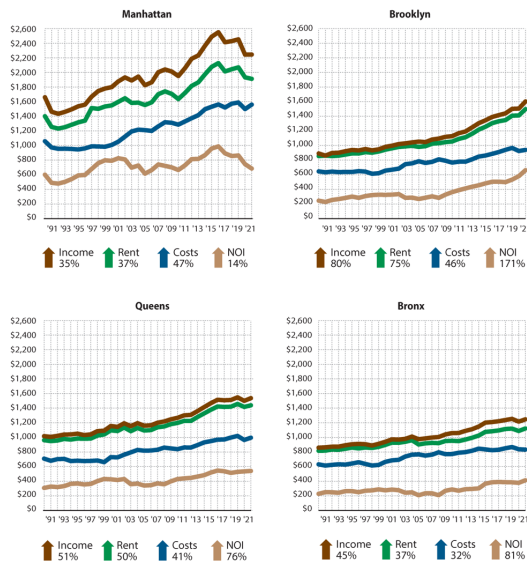
Inflation-Adjusted Net Operating Income Up 49.9% Since 1990
(Average Monthly Income, Rent, Operating Costs, and NOI per Dwelling Unit, in Constant 2021 Dollars)



Source: NYC Dept. of Finance, 1990-2021 RPIE Data

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Income, Rents, Costs, and NOI After Inflation per Borough, 1990-2021



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 2021 Dollars)

Source: NYC Dept. of Finance, 1990-2021 RPIE Data

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Longitudinal Study

Change in Rents from 2020 to 2021

- Longitudinal analysis tracks same set of buildings over two years
- Average monthly rent collections **fell by 1.2%** Citywide
 - ✦ Pre-1974 rents **fell by 0.6%**
 - ✦ Post-1973 rents **fell by 2.6%**
- Rent collection change by building size
 - ✦ Small (11-19 unit) bldgs.: **up 0.4%**
 - ✦ Medium (20-99 unit) bldgs.: **up 0.3%**
 - ✦ Large (100+ unit) bldgs.: **3.2% decline**

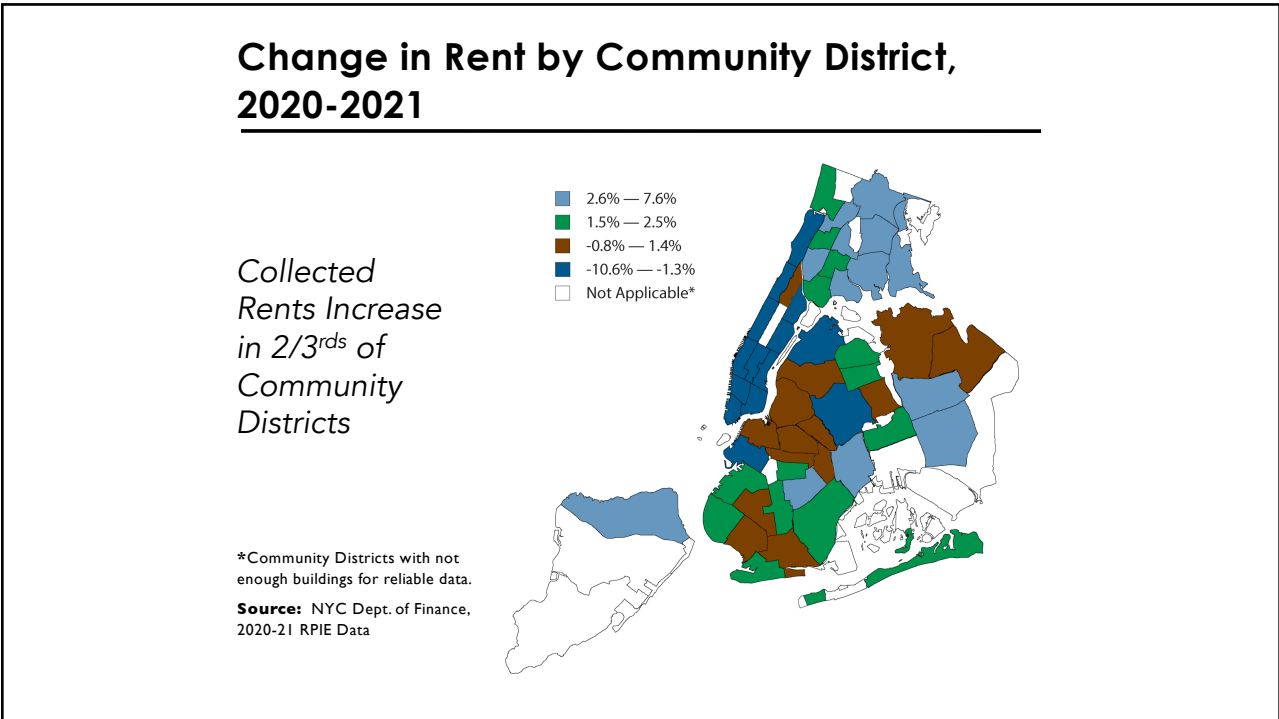
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Longitudinal Study

Change in Rents from 2020 to 2021

- Rent change by borough:
 - ✦ Staten Island: **3.1% increase**
 - ✦ Bronx: **2.4% increase**
 - ✦ Brooklyn: **1.0% increase**
 - ✦ Queens: **0.2% decline**
 - ✦ Manhattan: **5.0% decline**
 - ✦ Core Manhattan: **6.0% decline**
 - ✦ Upper Manhattan: **2.8% decline**
 - ✦ City excluding Core Manhattan: **0.5% increase**
- *Median* rent declined slightly, **down 0.1%** Citywide

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Longitudinal Study

Change in Income from 2020 to 2021

- Average gross income **fell by 0.2%** Citywide
 - ◆ 0.2% increase in pre-1974 buildings
 - ◆ 1.3% decline in post-1973 buildings
- Income change by borough:
 - ◆ Staten Island: 3.7% increase
 - ◆ Bronx: 3.1% increase
 - ◆ Brooklyn: 1.7% increase
 - ◆ Queens: 0.4% increase
 - ◆ Manhattan: 3.5% decline
 - ◆ Core Manhattan: 4.7% decline
 - ◆ Upper Manhattan: 0.4% decline
 - ◆ City excluding Core Manhattan: 1.5% increase
- Median income rose slightly, **up 0.1%** Citywide

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Longitudinal Study

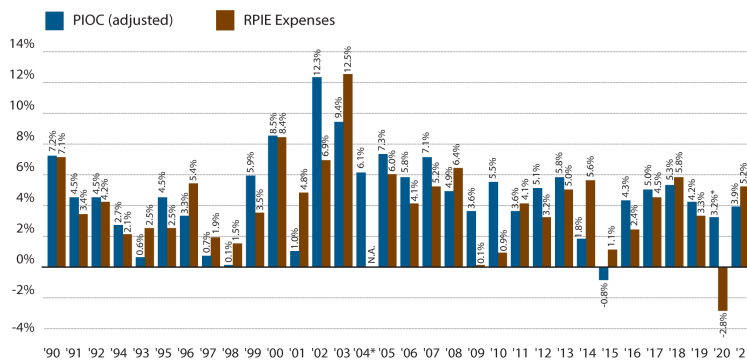
Change in Expenses from 2020 to 2021

- Monthly expenses **increased 5.2%** Citywide
 - ◆ 5.5% increase in post-1973 buildings
 - ◆ 5.2% increase in pre-1974 buildings
- By borough:
 - ◆ Bronx: 5.8% increase
 - ◆ Manhattan & Brooklyn: 5.3% increase
 - ◆ Queens: 4.5% increase
 - ◆ Staten Island: 1.6% increase
 - ◆ Upper Manhattan: 7.4% increase
 - ◆ Core Manhattan: 4.3% increase
 - ◆ City excluding Core Manhattan: 5.6% increase
- Median costs **rose 4.8%** Citywide

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Change in Operating & Maintenance Costs, RPIE and the PIOC, 1990 to 2021

In 2021, PIOC Costs Grew Less Than Owner-Reported RPIE Expenses



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

Source: NYC Dept. of Finance, 1990-2021 RPIE Data; NYC Rent Guidelines Board PIOC 1990-2021

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Longitudinal Study

Change in NOI from 2020 to 2021

- Average Net Operating Income fell by 9.1% Citywide
 - ◆ Down 7.5% in post-1973 buildings
 - ◆ Down 10.1% in pre-1974 buildings

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Longitudinal Study

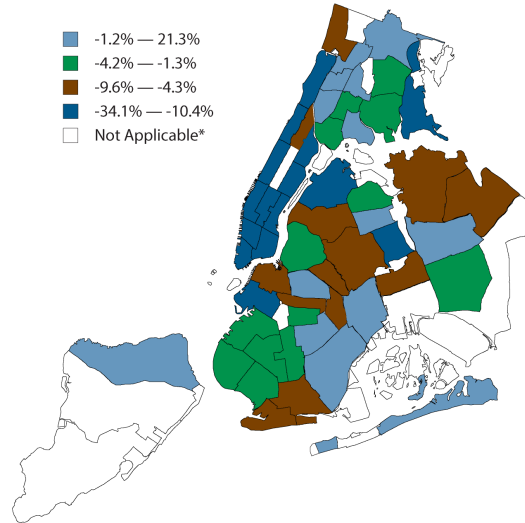
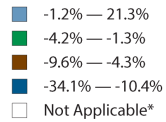
Change in NOI from 2020 to 2021

- Change in Net Operating Income (NOI) around NYC:
 - ◆ Staten Island: up 8.1%
 - ◆ Manhattan: down 19.1%
 - ◆ Core Manhattan: down 21.0%
 - ◆ Upper Manhattan: down 14.8%
 - ◆ Queens: down 6.3%
 - ◆ Brooklyn: down 2.8%
 - ◆ Bronx: down 1.9%
 - ◆ City excluding Core Manhattan: down 5.1%

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Change in NOI by Community District, 2020-21

Net Operating
Income
Declines in
85% of
Community
Districts



*Community Districts with not enough buildings for reliable data.

Source: NYC Dept. of Finance, 2020-21 RPIE Data

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Proportional Stabilized Unit Analysis

- New analysis of buildings containing 50%+, 80%+ or 100% stabilized units
 - ◆ 53% of buildings with at least one stabilized unit are 100% stabilized
 - ◆ In the City outside Core Manhattan, 68% of buildings are 100% stabilized
 - ◆ In Core Manhattan, just 16% are 100% stabilized

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Proportional Stabilized Unit Analysis

Unadjusted Cost-to Income Ratios				
	All Buildings Containing Stabilized Units	50%+ Stabilized	80%+ Stabilized	100% Stabilized
Citywide	65.4%	63.9%	63.5%	65.7%
Core Manhattan	69.8%	63.5%	60.1%	67.3%
City w/o Core Manhattan	64.3%	64.2%	64.1%	65.9%

Source: NYC Department of Finance, 2021 RPIE Data

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Proportional Stabilized Unit Analysis

- Longitudinal Change in NOI
 - Buildings with at least 1 stabilized unit: 9.1% decline
 - 50%+ stabilized: 8.6% decline
 - 80%+ stabilized: 7.0% decline
 - 100% stabilized: 4.0% decline
- NOI Change among 100% Stabilized Buildings
 - Core Manhattan: 16.7% decline
 - City w/o Core: 3.3% decline

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Proportional Stabilized Unit Analysis

- Varying proportions of distressed properties based on proportion of stabilized units
- 50%+ stabilized buildings:
 - 16.1% distressed in Core Manhattan
 - 6.2% distressed in remainder of City
- 100% stabilized buildings:
 - 15.9% distressed in Core Manhattan
 - 6.1% distressed in remainder of City

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Summary

- In 2021:
 - Citywide average monthly rent: \$1,495
 - Citywide average income: \$1,667
 - Citywide average operating cost: \$1,091
 - Citywide average NOI: \$576 per unit per month
 - Citywide adjusted Cost-to-Income ratio: 62.2%
 - In Core Manhattan, the adjusted Cost-to-Income ratio was 66.4%, 5.3 percentage points higher than the 61.1% in the rest of the City

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Summary

- Longitudinal change from 2020 to 2021:
 - Citywide O&M Cost-to-Income ratio **increased 3.2 percentage points**
 - Citywide rental income **decreased 1.2%**
 - Citywide total income **decreased 0.2%**
 - Citywide expenses **rose 5.2%**
 - Citywide NOI **fell 9.1%**
 - NOI in Core Manhattan **fell 21.0%**
 - NOI in the remainder of the City **fell 5.1%**

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