

## **The 2017 Housing and Vacancy Survey: Good News for Renters and the Housing Market.**

### **Comments of the Rent Stabilization Association**

#### **City Council Hearing on the Extension of Rent Regulations**

The 2017 triennial Housing and Vacancy Survey (HVS), intended to establish a housing emergency in order to continue rent regulations, instead demonstrates that the New York City's rental market has evolved into an increasingly deregulated market and should continue to be steered in that direction.

The overall rental vacancy rate of 3.63 in 2017 has steadily been increasing since 2011. But even the increased vacancy rate is suspect. There was an enormous increase in the number of vacant apartments, unavailable for rent to 245,425 of which 78,630 were awaiting or undergoing renovation. If these apartments were added to the 79,190 vacant apartments available for rent, there would not be a technical housing emergency.

In addition, there are clear segments of the market, both geographic and in terms of rent level, where no housing emergency exists. In terms of rent level, the Initial Findings show that the vacancy rate for apartments renting for \$2,000 or more per month is 7.42%. Once the granular HVS data has been released, it will be possible to determine that the 5% vacancy threshold is breached at rent level even lower than \$2,000.

Geographically, the Initial Findings reveal that the borough of Manhattan has a vacancy rate of 4.73%. However, given the margin of error of this survey, the Manhattan vacancy could well be anywhere in the range of 4.3% to 5.16%. Again, when the actual HVS data are released, it is likely that the area of core Manhattan will have vacancy clearly in excess of 5%.

Since the City council has the authority to extend rent regulations for all housing or for certain classes of housing, based on these findings, there is ample justification to not extend rent regulations for the class of housing renting for \$2,000 or more per month and for all rental housing located in the Manhattan core.

The non-vacancy findings of the 2017 HVS all paint a very rosy picture of housing conditions and the position of renters in today's rental market – a picture that is contrary to the image of a housing emergency:

- Incomes are finally rising faster than rents (10.9% versus 8.1% over the last 3-year period)
- Housing and neighborhood conditions are better than ever and even overcrowding has been reduced, an indicator that more households are able to achieve independent living.
- Housing affordability, as measured by the percentage of income spent on rent, has stayed static of the last 9 years leading to the prospect that continued income gains will actually increase affordability going forward.

- Finally, there was a gain of 69,000 housing units over the last three years, leading to largest housing stock on record.

In addition to these findings, it must be noted that rent levels as recorded by the HVS are not at all in line with typical media reports claiming that the average rents in NYC are above \$3,000 per month. In fact, the median contract rent for all renters is only \$1,337 while rent stabilized apartments are even cheaper at \$1,269 per month. Even median asking rents for vacant apartments are only \$1,875 per month, dispelling the notion that NYC is high-rent town.

Also notable is the fact that NYC now has almost as many non-regulated apartments as regulated apartments. The non-regulated universe has a vacancy rate of 6.07% while the median contract rent in that sector is only \$1,700, indicating that non-regulated housing is doing a better job of meeting renters' needs than regulated tenants.

There is one sour note in the Initial Findings: the median contract rent for all rent stabilized apartments increased by only 2.6% from 2014 to 2016 coinciding with the zero increases imposed by the current Administration. This may be a further boon to tenants but is a growing disaster for the owners of stabilized properties who experienced an increase in operating cost over the same period of more than 5%.

In light of the preliminary findings of the 2017 HVS, the RSA urges the City Council not to extend rent regulations for apartment renting for more than \$2,000 per month and not to extend rent regulations for apartments in the Manhattan core.

In addition, we remind the Council that Section 3 of the ETPA specifically allows for the termination of rent regulation when "the regulation of rents pursuant to this act does not serve to abate such emergency...". We submit that after, after 75 years of uninterrupted rent regulation, rent regulation has not served to abate the World War II emergency for which it was introduced as a "temporary" measure.

We submit to the City Council that it is high time to phase out rent regulations, which have failed miserably to abate the housing emergency, and to substitute a program of targeted financial assistance for income-eligible households which would, once and for all, provide benefits only to those truly in need.