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High Costs Squeeze New York City Homeowners

Like renters, homeowners are also under strain, study finds

By Josh Barbanel

While the high cost of renting a New York City apartment is well-known, a new study found that many homeowners are straining under the weight of their own financial burdens.

The study by New York University's Furman Center said nearly half of New York City homeowners with mortgages are paying 30% or more of their income on housing, a far higher percentage than their counterparts elsewhere in the U.S. And a quarter of city homeowners pay more than half of their income on housing costs, more than double the share in the rest of the country.

The strain on local homeowners comes as city's residential real-estate market has soared. "The purchasing power of most New York City households is limited, largely due to growing housing prices and stagnating incomes since 1990," the report said.

Overall, the burden on homeowners is close to that on renters in New York City, for both market-rate and rent-regulated apartments.

The study, funded by the community-development arm of Citigroup Inc., also sheds light on the shortage of affordable homes for purchase at a time when Mayor Bill de Blasio's housing initiatives are more focused on building and preserving low-cost rental housing.

According to the study, increasing prices have made homes in many neighborhoods unaffordable to all but the wealthiest New Yorkers.

It found that only 42% of sales in New York City in 2014 were affordable to the low-to-middle-income households that make up 77% of New York households. Those households earned up to \$114,000 a year, the highest income level eligible for city-subsidized housing.

In recent years, however, the production of owner-occupied housing declined as the supply of city-owned land dwindled, and bank-mortgage rules tightened, said Daniel Martin, president of the New York City Housing Partnership, a nonprofit organization that helped build thousands of affordable homes.

Mary Curry, a retired tax examiner for the Internal Revenue Service, knows what it is like to struggle with steep housing costs. The mortgage payments on her 16-foot-wide house in Queens's East Elmhurst area are swallowing most of the \$2,270 she receives in monthly pension income.

Even after getting a loan modification to reduce her mortgage payments, she pays \$1,700 a month toward her mortgage, she said. To cover the costs of food and utilities, she gets some financial help from her son, and in April she received a \$37,000 city loan through the Parodneck Foundation to repair her house and replace a leaky roof.

“My household expenses really exceed my pension,” Ms. Curry said.

Among the boroughs, Brooklyn had the most burdened homeowners, with 52% paying 30% or more of their income on housing. Manhattan, despite having the priciest housing market, had the lowest rate of homeowners paying that share of their income, at 24%.

Many co-ops, which make up two-thirds of owner-occupied housing in Manhattan, limit housing expenses to less than 28% of income, said Rachel Altschuler, a broker at Douglas Elliman.

An analysis of rent burden by the Citizens Budget Commission last year found that New York renters paid 42% of their income on rent, after excluding renters in public housing and those receiving Section 8 rent subsidies.

Overall, the Furman Center study found that 31% of New York City households owned their home. In the Bronx, 18% did, the second-lowest homeownership rate of any county in the U.S., after Kalawao County in Hawaii, which has 46 households, according to census data.

New York City built thousands of affordable homes for purchase over many years on land taken over by the city for nonpayment of taxes.

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“We need to look much more at innovative ideas and new ownership models,” said Robert Annibale, global director of Citi Community Development.

Mr. de Blasio's 10-year plan to build or restore 200,000 units of housing includes 10,000 units of owner-occupied homes, though so far the city has largely focused on rehabilitating existing, owner-occupied, limited-income co-ops.

The city also has programs to support limited-income homeowners and provides down-payment assistance to first-time, low-income home-buyers.

“This administration is laser-focused on preserving and creating affordable housing—and a key to that is helping homeowners, many of who carry outsize financial burdens, stay in their homes,” said a spokeswoman for the city’s Department of Housing Preservation and Development.

Mark Willis, the principal investigator on the study, said the research provided some evidence that lower-income owners may be a shrinking share of future homeowners in New York City. Low- and moderate-income households made up 31% of all homeowners, he said, but they were able to afford only 12% of all homes sold in 2014.