

# Executive Summary

**N**ew York City and the country as a whole face an incredible set of new challenges. Nationwide, housing prices have fallen dramatically and housing starts are at the lowest point in more than a generation. While the housing crisis was slower to hit New York City, signs of a local housing downturn are now unmistakable. As we come to terms with the end of an era of rapid price appreciation, questions abound: how severe will the downturn be? How long will it last? How many foreclosures will result? How will the softening market affect our neighborhoods? Will the fiscal downturn lead to the unraveling of much of the social progress the City has made through reductions in City services or increases in crime?

In past years, the Furman Center's *State of New York City's Housing and Neighborhoods* (*State of the City*, for short) examined many of the trends that undoubtedly contributed to the housing downturn. In our 2006 report, we examined the growing affordability challenges faced by New York City homeowners. We found that less than 5% of homes were affordable to New Yorkers earning the City's median income, and reported stark racial disparities in homeownership rates. Building on these findings, in 2007 we took a closer look at how New Yorkers have purchased homes over the past decade—exploring the rise of subprime and piggyback lending and shifts in the demographics of home buyers in the City. This past year, the Furman Center further explored the implications of high-leverage, high-cost lending, documenting significant increases in the City's foreclosure rate and identifying the spillover costs of concentrated foreclosures on our communities.

## TRENDS IN NEW YORK CITY HOUSING PRICE APPRECIATION

This year, we have taken a step back to investigate and describe the booms and busts of the City's housing market over the past four decades, and to look for any lessons those earlier times provide for today. Using our own Index of Housing Price Appreciation—a measure of average sales price changes dating from 1974 that adjusts for inflation and controls for variation in the quality of housing—we track how the City, its boroughs and its community districts fared during the last four

housing price cycles. Specifically, we look at the last two upturns (1980–1989 and 1996–2006) and the last two downturns (1974–1980 and 1989–1996). Over the entire period, from 1974 to 2006, home prices in New York City grew by 250%. That breaks down as follows:

- Between 1974 and 1980, prices declined by 12.4% citywide.
- Between 1980 and 1989, prices increased by 152%.
- From 1989 to 1996, prices dropped by 29.3%.
- From 1996 to 2006, the City's latest boom, housing prices increased by 124%.

On average, despite very high price levels, housing prices in the City have not risen as much over the past two decades as they have around the country: in the most recent upturn, New York's impressive growth of 124% was dwarfed by growth of 189% nationwide. Of course, the City and national averages obscure a lot of variation. Take, for example, the tremendous growth in Upper Manhattan during this last period of prosperity: In East Harlem, prices grew by 500%; in Morning-side Heights, prices grew by 399%; and in Washington Heights, prices grew by 333%. During the busts, some neighborhoods were hit much harder than the City average, while other areas defied the City trend and actually saw big gains: from 1974 to 1980, Highbridge/Concourse in the Bronx lost 30% of its value, while prices in the Upper East Side grew by 60%. In our analysis chapter, we explain in detail how individual boroughs and community districts fared during these cycles.

In the chapter, we explore the relationship between neighborhood characteristics and neighborhood prices, and look for trends to help explain this variation. Some of our key findings are:

- **DESPITE THE DOWNTURNS, THE CITY CONTINUED TO MAKE IMPORTANT PROGRESS.** New York City appears to be highly resilient, recovering from troubled times in a way that many other older, industrial cities have not been able to. Over the period of time we study, which encompasses some of the darkest days in the City's modern history, the City's price gains far surpassed the losses. Social welfare indicators improved: crime rates fell, great progress was made in school performance, and poverty and unemployment rates improved in every borough.
- **PREDICTING WHICH NEIGHBORHOODS WILL DO WELL OR WILL FARE POORLY IS VERY DIFFICULT.** There is less correlation between how a neighborhood does in one cycle and how it does in the next than one might expect. However, a few general principles stand out:
  - **PRICE TRENDS DURING PAST DOWNTURNS ARE NOT RELIABLE PREDICTORS OF PRICE TRENDS IN FUTURE DOWNTURNS.** Whether a neighborhood fared poorly or well in the 1974–1980 housing bust had little relationship to how that neighborhood performed in the next downturn.
  - **STRONG PERFORMANCE IN 1980–1989 UPTURN WAS CORRELATED WITH GAINS IN THE MOST RECENT UPTURN.** Eight of the ten neighborhoods with the largest increases in the 1980s boom were also among the neighborhoods with the largest price increases in the most recent boom.
- **PRICE TRENDS IN WEALTHY NEIGHBORHOODS ARE COUNTER-INTUITIVE.** Contrary to what one might expect, higher-income neighborhoods are not insulated from downturns, and investing in such a neighborhood does not necessarily guarantee strong future gains. Rather, prices in higher-income neighborhoods tended to grow less than the City average in the 1980s upturn

and fall further in the 1990s downturn. In the most recent upturn (1996–2006), there was virtually no correlation between neighborhood income and sales price performance.

- **CITY INVESTMENT IS CORRELATED WITH GREATER STABILITY IN POOR NEIGHBORHOODS.** Poor neighborhoods that received significant public investment to rehabilitate and increase their affordable housing stock experienced smaller price declines in the 1990s downturn, and in some cases even saw prices increase during that period. Indeed, City investment was more closely related to smaller housing price declines than any other neighborhood characteristic we studied. These neighborhoods that enjoyed significant public investment in housing did not generally experience the large scale price drops and vacancy experienced in the 1970s. This finding takes on new salience today, as many local governments face difficult decisions about how to respond to neighborhoods devastated by foreclosure.

## SIGNS OF PROGRESS & NEW CHALLENGES FACING THE CITY

Given the tumultuous past year, and the continuing gloomy news reports, it is hard to focus on recent progress. But it is important to recognize the impressive strides the City has made in revitalizing neighborhoods and the substantial gains it has made in improving the social welfare of its residents. These investments have hopefully created a safety net that will play an even more important role in helping to stabilize neighborhoods as the City faces a downturn. For example, the City's median income continued to rise, reaching \$48,631 in 2007—higher than most other large cities (with the exception of Washington D.C. and Boston). From 2006 to 2007, the poverty rate continued to fall, for the entire population as well as among more vulnerable populations (children under 18 and adults 65 and older). And the City's New Housing Marketplace Plan reached the half way mark in 2008—having financed half of the 165,000 units of affordable housing it promises to create.

The building boom is over; in 2007, the number of new building permits issued dropped for the first time

in a decade, falling from 31,453 in 2006 to 25,189 in 2007. This trend certainly continued in 2008 although we don't yet have final figures for 2008. Foreclosure filings increased 50% citywide between 2006 and 2007, from 10,000 to 15,000, and remained at 15,000 in 2008. At the same time, mortgage financing has begun to dry up: 14% fewer borrowers took out loans to purchase a home, and 31% fewer homeowners obtained refinance loans in 2007 than in 2006. Particularly troubling is the disproportionate impact that both increases in foreclosures and declines in mortgage lending have had on communities of color throughout the City. Our research shows that in many cases the same neighborhoods that had the highest rates of high cost lending, and the highest rates of foreclosure, are now also seeing the greatest declines in new investment, leaving these neighborhoods particularly vulnerable to further decline.

## WHAT'S NEW IN THE STATE OF THE CITY 2008?

This year, we've added several indicators to help measure the environmental health of our neighborhoods, and to lay the foundation for tracking the impact of some of the sustainability strategies that the City recently has put in place. For the first time, this State of the City tracks waste and recycling data, bicycle and public transportation usage, proximity to major air pollutants, and access to parks. Some of these data are featured in a new section titled "The State of Sustainable New York City," which looks at how New York City neighborhoods are faring on several environmental indicators. Additional data on environmental quality can be found on the individual community district pages. Detailed descriptions of what these new indicators measure is available in the "Indicator Definitions and Rankings" section.

In addition, we have added a new section, "The State of New York City Preservation," which looks at historic landmark and preservation activity across the City over the past five decades. Data on the percentage of units in a historic district can be found on the borough pages. We have also updated the State of New Yorkers section, which was first introduced last year and reports quality of life indicators by race/ethnicity rather than by geography.

We added several new features to the Community District profiles. At the top of each page, we have custom maps and tables that highlight interesting and important trends for each district, from maps of foreclosure filings or buildings in a historic district to graphs showing how the composition of the district's housing stock compares to that of the City.

Finally, we are delighted to announce that this year, in conjunction with the release of the *State of the City*, we are releasing a redesigned, streamlined NYCHANIS. As we hope you already know, the New York City Housing and Neighborhood Information System (NYCHANIS) is an interactive website that allows users to view, map, and download data on the housing, demographics and social welfare of New York City's neighborhoods. Thanks to a partnership with Knowledgeplex, the new site features enhanced searching capabilities and advanced mapping and graphing techniques. We encourage you to visit the new site at [www.nychanis.com](http://www.nychanis.com).

We hope you appreciate these additions and we look forward to your feedback and ideas, which you can send to [furmancenter@nyu.edu](mailto:furmancenter@nyu.edu).