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NYC Affordable Housing Feels the Squeeze

A recent survey found few signs of improving financials, though some green shoots are emerging.

By Claudiu Tiganescu

New York City affordable housing companies, generally operating on thinning margins due to rising costs and subpar rental collection rates, are now navigating the most comprehensive rent freeze in the city's history.

"A significant encouraging finding of our survey is that private-sector owners want to continue to invest in NYC. We are not seeing a retreat from affordable housing, which is incredibly important, given the scale of the need," said NYC Housing Partnership President & CEO Molly Wasow Park. Image courtesy of NYC Housing Partnership

Many in the sector are already facing deteriorating financials, according to a **NYC Housing Partnership** survey fielded between June 18 and June 26, the latter being one day after the Rent Guidelines Board's vote.

The organization contacted some 3,000 affordable housing professionals, resulting in 57 qualifying responses. More than half of those responding represented portfolios of 1,000 or more units. The owners/developers category was the most prevalent, at 55 percent. "Other roles" totaled 20 percent, encompassing consultants, architects, compliance and nonprofit executives. Property managers and public agencies came in at 7 percent each.

One highly revealing finding was that no participants reported financial improvement across their portfolios over the past six months. Just under two-thirds saw deteriorating conditions, while only 23 percent described the situation as stable. However, the share of reported physical distress was below the financial one, suggesting that capital woes haven't, at least yet, significantly affected upkeep quality.

"The conventional wisdom has been that the financial distress in affordable housing is a bigger deal for smaller and not-for-profit building owners," NYC Housing Partnership President & CEO Molly Wasow Park told *Multi-Housing News*. "However, the respondents to our survey are primarily large for-profit owners, who quantify the impact of their financial stress. And what this survey really drives home is that the issues are cross-cutting."

Main suspects: Insurance costs, rent collection

More than two-thirds of participants identified insurance costs as the top driver of financial stress. The New York City administration likewise considered this to be a pressing issue, intending to roll out a new initiative next year through a city-backed program set to collaborate with a private insurer.

"Given the fact that the financial distress is large-scale, impacting both property owners and residents, we are going to need system-wide remedies provided by a range of stakeholders in affordable housing. We cannot preserve the housing we already have or ensure future investment in new projects with boutique solutions," Park added.

Respondents pointed to declining rent collections as well, with 61 percent recognizing this issue as one of the driving forces behind their portfolio's deteriorating financial health. Nearly half revealed a collection success below 90 percent. The NYC average clocked in at 76.7 percent in May, according to a Yardi Matrix report.

"Residents are struggling because their expenses across the board have gone up, while wages (particularly low-income wages) have stagnated. We have to support tenants in order to boost rent collections. The Housing Partnership is creating tools to achieve this, which we expect to roll out early next year," Park said.

Landlords expect to take a proactive approach and address looming capital needs as 65 percent believe their companies will require resources beyond their current capacity. As a result, 74 percent anticipate the recapitalization of one or more properties within the next three years. More than half consider that a recap might be required even sooner than initial estimates, when presented with the alternative of facing significant barriers.

The NYC affordable housing silver lining

Despite the hurdles, most participants remain committed to NYC, as 68 percent plan to either grow or maintain current footprints. Meanwhile, Mayor Zohran Mamdani aims to capitalize on investment sentiment through the $22 billion Block by Block plan, which targets the creation of 200,000 rent-stabilized units over the next decade, and the preservation and stabilization of an additional 200,000 units.

“A significant encouraging finding of our survey is that private-sector owners want to continue to invest in NYC. We are not seeing a retreat from affordable housing, which is incredibly important, given the scale of the need,” Park commented.

Still, more than half of respondents are not convinced that they might reach stabilization within the next year. They underlined the tools most likely to help, such as rental subsidies, insurance solutions and tenant arrears assistance, as well as debt restructuring and recapitalization frameworks.