Majority of New York City residents cannot afford to buy their own homes

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A new study by New York University's Furman Center details a reality that most residents of New York City are already painfully aware—that home ownership is difficult or impossible for a substantial majority of the city's residents. This and the concurrent acute shortage of affordable rental housing are expressions of the extreme economic inequality that exists in the wealthiest city in the United States.

Among the key findings of the report, which is based on data collected in 2014, are the following:

• More than three quarters of the city's households (77 percent), those earning up to $114,000 a year, could only afford 42 percent of the homes sold in the city. The situation is even worse for those with more modest incomes. Households earning up to $83,000, representing 66 percent of the total, were excluded from all but 22 percent of the home sales. In other words, two thirds of the households could not afford more than three quarters of the homes sold that year.

• Less than a third (31 percent) of New York households owned their homes in 2014.

• Not surprisingly, home ownership is skewed toward the higher income earners. While the overall median 2014 household income in the city was $53,063, the median homeowner household had an income of just over $83,000.

• Economic inequality is geographically differentiated in New York City. The city's wealthiest neighborhoods are concentrated in Manhattan, where the median home sale price in 2014 was $1,301,600. The median sale price in the outer boroughs was under $500,000, less than half.

The bottom line is that, given the city's overall median household income of just over $53,000, the majority of New Yorkers have little or no chance of owning their homes.

The Furman study also found that moving outside of the city to the near suburbs does not substantially improve the affordability of home ownership. In Westchester County, one the city's elite northern suburbs, the purchase of a home is even more difficult, with only 18 percent attainable for those making up to $114,000 annually.

Nassau County, immediately east of the city on Long Island, is somewhat more affordable. But only in Suffolk County, even farther out on Long Island, does the purchase price of homes drop significantly. For those employed in the city, commuting costs, both in time and money, become increasingly prohibitive the farther out workers need to go to find affordable housing.

As difficult as is the situation portrayed in the Furman Center report, actual conditions are even worse. This study based its affordability gauge on raw income numbers alone. However, as revealed in several recent studies, gross income data presents a skewed view of actual economic conditions.

One recent report found that when a more realistic statistic is used, nearly two thirds of the city's population suffer from varying degrees of economic hardship. Yet another study found that nearly half of New Yorkers live in or near poverty.

Thus, the actual conditions faced by the majority of city residents make finding decent rental housing difficult and home ownership a virtual impossibility. Furthermore, the calculation used in the Furman Center study to assess the home purchase price that a particular household income could support is based on a number of assumptions that the researchers themselves admit "vary across borrowers and properties being purchased."

The huge economic bubble that has been created since 2008 by easy money policies in the US and other major capitalist countries has put vast amounts of cash in to the pockets of the elite. This has, among other effects, prompted an orgy of spending on luxury residences and into real estate speculation, while construction of affordable housing has lagged far behind the need. Together, these factors have driven both the rental and purchase prices of homes in many areas, from major metropolises to small towns, to unprecedented heights.

Although home ownership rates are higher nationally, price inflation since the recession is making the purchase of a home increasingly difficult for a substantial portion of the US population. According to the *Wall Street Journal*, "Home prices rose in 83% of the nation's 178 major real-estate markets in the second quarter … [and] Overall prices are now just 2% below the peak reached in July 2006", just before the housing bubble burst.

However, the price increases are not a sign of economic strength. Rather, they are being driven by limited supply, not growing demand. The *Journal* reports that, "the homeownership rate in the second quarter was at its lowest point since the Census Bureau began tracking quarterly data in 1965 and the share of first-time home purchases remains mired near three-decade lows."

New home construction in 2015 was 30 percent below that in 2006. Moreover, construction has been concentrated in the high-end, more profitable segment of the market. The difficulty in purchasing a home on the part of middle and lower income people, especially the young, due to high prices, low wages, student loan debt, and damaged credit, among other factors, is driving up the demand for rental units, resulting in upward spiraling rents.

One indication of the increasing scarcity of affordable housing, both owned and rented, is the difficulty the young, in particular, are facing in forming their own households, as measured by the rising proportion of "multi-generational" housing arrangements. According to the Pew Research Center, in 2014, a record 60.6 million people in the US lived in households encompassing two or more adult generations (i.e., including parents and/or grandparents). This represents 19 percent of the population, the highest rate since 1950, when 21 percent lived in such households.

In summarizing their results, the authors of the Furman study point, indirectly, to the vast expansion of economic inequality over the last several decades. They state, "We find that the purchasing power of most New York City households is limited, largely due to growing housing prices and stagnating incomes since 1990." Consequently, "The vast majority of home sales in New York City in 2014 were at prices unaffordable to Low-Income and Moderate-Income households, which comprised 51 percent of New York City households." Finally they conclude, "Prospects for homeownership were not much better for Middle-Income households."

The prospect of owning one's own home, a key component of the supposed "American dream," was once conceivable for a not inconsiderable portion of the population during the boom years of American capitalism, following the Second World War. As became glaringly apparent with the economic collapse of 2008, that dream became a nightmare, evidenced by the huge wave of home foreclosures. The Furman Center study illustrates that in the richest city on the country that situation continues to worsen.

The increasingly critical lack of affordable housing is among the factors driving the anger and frustration of working class and middle class people, which is being expressed in the political crisis evident in the 2016 US elections. It is a clear example of the utter inability of a system based on private ownership and profit to meet the most basic needs of the vast majority of the population.