NYC Rent-Regulated Portfolio Data Brief

2020-2024

Community Preservation Corporation

BUILDING EXPENSES

CPC conducts a yearly survey of our New York City borrowers to gather property income and expense data for the previous year. The data reflected in this survey was gathered in early 2024 and reflects **actual building expenses during calendar year 2023,** from a representative sample of 361 respondents (~60% of portfolio) representing 14,500 rent-stabilized units and $886M in CPC loans.

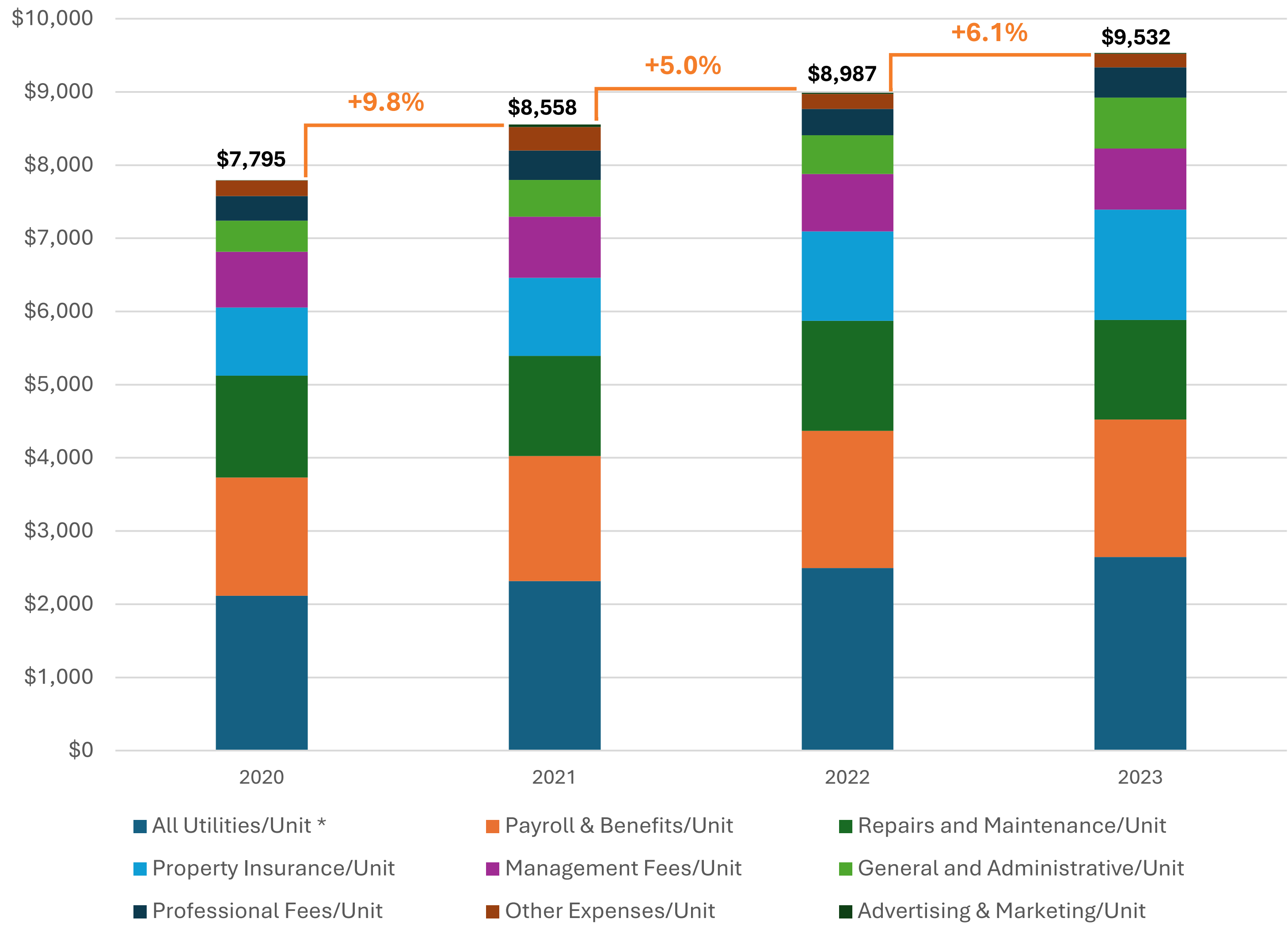
In 2023, **CPC's borrowers saw a 6% increase over 2022 expenses,** with changes to insurance and general & administrative expenses accounting for much of the increase**.**

Looking back to previous annual expense data, per unit **expenses across CPC's portfolio have increased 22% since 2020.**

Cumulative Increase Per Unit Since 2020:

+52% Property Insurance

+55% General & Admin



* The expense category "Utilities" rolls up all expenses reported under electricity, fuel, utilities, water, and oil.
Note: Property taxes are excluded from this analysis.

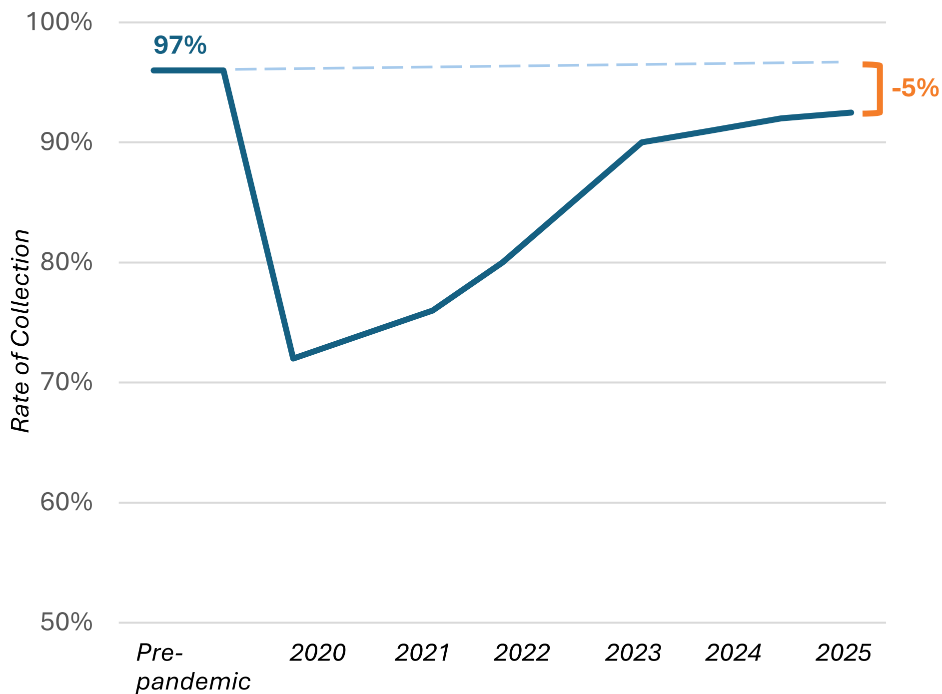
REVENUE & COLLECTIONS

Expenses and revenue are two sides of the same coin – what a building charges and collects in rent is used to cover the expenses of operating and maintaining a financially and physically healthy building.

Pre-pandemic: monthly collections were reliably above 95%, and occupancy and collections moved in lockstep – **if a building was occupied at 95%, it had a collections rate of 95%.**

2020-2022: Buildings started experienced collections losses during the pandemic, and **it was not uncommon for collections to drop into the low 70%'s.**

2023-today: Typical collections in CPC's construction portfolio have slowly rebounded to 92%. However, buildings in our portfolio have ongoing collections losses, and 95% occupancy no longer guarantees 95% collection.



Source: CPC's NYC Construction Portfolio

SIGNS OF STRESS

DSCR: CPC underwrites our financing to a debt service coverage ratio (DSCR) sufficient to ensure that the building will generate adequate net operating income (NOI) to service its debt over the term of the loan. When DSCR falls below 1.0, NOI fails to cover debt service, signaling financial stress. In 2023, **28% of surveyed loans had a DSCR below 1.0**, up from 11% the previous year.

ENFORCEMENT: Prior to 2020, CPC virtually never undertook enforcement actions. As of December 2024, **16 loans, representing 3% of total unpaid principal balance (UPB), underwent enforcement actions** (accelerations and foreclosures), up from 2 loans in the previous year.

DELINQUENCIES: Non-payments of 60 or more days continue to rise in CPC's entire permanent servicing portfolio.

As of December 2024, the delinquency rate was **8% of UPB,** up from 3.7% in 2023.

Delinquency Across CPC's Portfolio, As of Year End 2024

	Loan Count		UPB		Units	
	#	%	$	%	#	%
Performing	543	91%	$1.21B	92%	20,585	91%
DQ	**53**	**9%**	**$109M**	**8%**	**2,043**	**9%**
TOTAL	596	100%	$1.32B	100%	22,628	100%

Source: CPC's NYC Permanent Portfolio

EXPENSE VS. RENT GROWTH

As expenses continue to rise, avenues for generating sufficient revenue in rent stabilized units are controlled by the Rent Guidelines Board (RGB), which sets the annual allowable rent increases for stabilized units.

CPC supports the protection of affordable rents as well as the long-term preservation of this essential part of New York City's housing stock, recognizing that both are crucial to sustaining vibrant and inclusive communities. As expenses rise and rent increases remain restricted, we are seeing challenges play out on the financial and physical health of the rent stabilized stock. While some of these stressors are due to the lingering impacts and market adjustments of the COVID-19 pandemic, we are alarmed by the distress coming to bare across CPC's portfolio and the broader industry.

Since 2020, CPC's per unit expenses have grown 22%, while the RGB permitted a roughly 11% cumulative increase to stabilized rents over that same time. This mismatch is illustrative of the key problem facing the rent stabilized housing in New York City and is further exacerbated by a 2.2% decrease in average real (adjusted for inflation) wages for New Yorkers since 2020.

2:1
Expense growth
versus
RGB increases

RGB Rent Increases		2020	2021	2022	2023	2024	Approximate Increase since 2020
1 year lease	0-6mo	0%	0%	3.25%	3%	3%	**11%**
	6-12mo		1.5%				

Source: New York City Rent Guidelines Board. *Apartment/Loft Orders & Explanatory Statements*. 2020-2024.

CPC Per Unit Expenses *Excluding taxes*	2020	2021	2022	2023	% Change since 2020
TOTAL	$7,795	$8,558	$8,987	$9,532	**22%**

Average Real Wage Rates for NYC	2020	2021	2022	2023	2024	% Change since 2020
TOTAL	$119,871	$127,973	$125,320	$117,690	$117,209	**-2.2%**

Source: New York City Rent Guidelines Board. *2025 Income and Affordability Study*. April 10, 2025.

Over time, expenses rising twice as fast as revenue will suppresses Net Operating Income (NOI) but the severity of impact of will depend on the rents charged by a building's units. The table on the next page shows that a unit renting at the Manhattan median market rent of $4,500 per month will generate enough annual revenue to not only maintain but grow their NOI and cash flow annually. However, a unit charging the average citywide rent stabilized rent of $1,599 per month will face negative cash flow by year 4 and DSCR below 1.0 by year 8, at which point the building value becomes effectively zero. For a unit in the Bronx charging the borough's median stabilized rent of $1,145, these problems unfold even faster and serious financial distress arrives by year 4. **This expenses to revenue growth differential presents a serious threat to the financial health of rent stabilized buildings, units, owners, and tenants.**

1 Source: Spectrum 1 News; as of March 2025.
2 New York City Rent Guidelines Board. *2025 Income and Affordability Study*. April 10, 2025.

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THE IMPACT OF 2:1 EXPENSE VS RENT GROWTH

As expenses grow twice as fast as rents, market rate units generate sufficient revenue to maintain and grow cash flow. **Rent stabilized units simply do not generate enough revenue** to maintain financial health and will face diminishing financial returns over the next decade. **The lower the rent, the worse the outlook.**

	MARKET RATE UNIT @ **$4,500/mo.** *(Man median.)*			RENT STABILIZED UNIT @ **$1,599/mo.** *(citywide avg.)*			RENT STABILIZED UNIT @ **$1,145/mo.** *(Bronx avg.)*		
YEAR	***0***	***4***	***8***	***0***	***4***	***8***	***0***	***4***	***8***
Annual income	$54,000	$60,777	$68,406	$19,188	$21,596	$24,307	$13,740	$15,928	$17,405
Collections	- $2,700	- $3,039	- $3,460	- $1,343	- $1,512	- $1,701	- $962	- $1,083	- $1,218
Expenses	- $10,500	- $13,763	- $18,041	- $9,500	- $12,453	- $16,323	- $9,500	- $12,453	- $16,323
Taxes	- $16,200	- $18,233	- $20,522	- $3,454	- $3,887	- $4,375	- $2,473	- $2,784	- $3,133
NOI	$24,600	$25,742	$26,423	$4,891	$3,745	$1,907	$805	**- $854**	**- $3,269**
Debt Service	- $19,680	- $19,680	- $19,680	- $3,913	- $3,913	- $3,913	- $644	- $644	- $644
DSCR	1.25	1.31	1.34	1.25	**0.96**	**0.49**	1.25	**- 1.33**	**- 5.08**
Cash flow	**$4,920**	**$6,062**	**$6,743**	**$978**	**- $168**	**- $2,005**	**$161**	**- $1,498**	**- $3,913**

Note: the financial model above is representative of typical building underwriting and expenses but is not based on a real unit or building.

To protect this vital housing stock, policymakers should work with owners to create solutions that mitigate the financial stress facing rent stabilized buildings and ensure their long-term viability.

GLOSSARY

Annual gross income: monthly rent multiplied by 12 to represent total annual revenue. We assume annual rent increases of 3% (the average increase allowed by the Rent Guidelines Board since 2022) for market and stabilized rent.
Collections: the amount of monthly rent received by the owner. Despite a post-pandemic rebound, today rent stabilized projects experience only 93% collections in stabilized units while market rate projects collect 95%.
Expenses: We assume annual expense increases of 7%, as has been the average within CPC's portfolio since 2020. Expenses in market rate units tend to be higher than rent stabilized units.
Taxes: based on prevailing tax rates for market rate buildings (30%) and rent stabilized buildings (18%).
Net Operating Income (NOI): the income of a project after all other building costs have been deducted.
Debt service: amount paid annually by owner to repay monies borrowed. Calculated by dividing NOI by the debt service coverage ratio. Remains stable over the course of a loan.
Debt service Coverage Ratio (DSCR): Standard metric for measuring financial health, calculated by dividing NOI by debt service. CPC underwrites to a 1.25 DSCR at underwriting and considers DSCR under 1.0 to be a sign of distress.
Cash flow: Total funds flowing to owner, calculated by subtracting debt service from NOI.

ABOUT THE COMMUNITY PRESERVATION CORPORATION (CPC): CPC is a nonprofit affordable housing and community revitalization finance company that uses its unique expertise in housing finance and public policy to expand access to affordable housing and drive down the costs of housing production, advance diversity and equity within the development industry, and finance sustainable housing. Interested in learning more? Contact CPC to join the conversation.

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