NYC Housing Landscape with the Furman Center

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Speakers	Corey Aber, Vice President of Mission, Policy & Strategy, Freddie Mac Multifamily Sara Hoffmann, Senior Director of Multifamily Research, Freddie Mac Multifamily Matt Murphy, Executive Director, NYU Furman Center

Corey Aber [00:00:00] Question for you, Sara. Is there a such thing as a big microcosm?

Sara Hoffmann [00:00:04] Sure, if we're talking oxymorons.

Corey Aber [00:00:06] Maybe we are. And maybe we're also talking housing. And I'm thinking of a housing market in the U.S. that's giant and is in some ways a microcosm for housing across the country.

Sara Hoffmann [00:00:17] Then I say there is such a thing as a big microcosm, and it's called the Big Apple.

Corey Aber [00:00:29] Hello and welcome to this episode of the Freddie Mac Multifamily podcast, I'm Corey Aber.

Sara Hoffmann [00:00:33] And I'm Sara Hoffmann. We spend a lot of time on national-level housing, macroeconomic trends, but we benefit by jumping into a more specific metro areas given that the policy, history and the local demographics are so nuanced across the country — and taking a more detailed look can help us understand some of the conditions facing the entire multifamily market today.

We're happy to have Matthew Murphy here with us today to dive into one of the more complex metro areas: New York City. He is the executive director at the NYU Furman Center, and previously he served as deputy commissioner of the, for the Office of Policy and Strategy at the New York City Department of Housing Preservation and Development (HPD). Matthew is an urban planner working at the intersection of housing policy, affordable housing finance and land use, giving him a unique insight into where the New York City housing landscape is today. Matt, thanks for being here today.

Matt Murphy [00:01:33] Thank you for having me.

Sara Hoffmann [00:01:34] So New York City is the largest apartment market — especially with so many households renting in such a densely packed space. Matt, maybe to help set the stage, can you just give us a walk through on the composition of the housing stock in New York City?

Matt Murphy [00:01:49] Yeah, I'm happy to, and it's something that I'm glad you started with because, as you said, New York City is kind of unique in some ways and then it's reflecting, I think, more of the country in other ways. So, New York City's housing market is complex. Everything I've come to learn about New York City is complex. But the thing that first makes it, I guess, unique is that we're the inverse of the country and the kind of comparison of renters and homeowners. Two-thirds of our households are renters compared to nationally, where two-thirds are homeowners. And in — compared to other American cities, you know, our rental kind of tenure rate is is even higher, I think. So, we're a renter city. And by borough, there are five boroughs in New York City, which are also counties. There's a lot of differences. So, the Bronx, for example, is is the borough that has our lowest income households, and about 80% of households there are renters. So, kind of there's this unique nature to New York City within America, but then there's also within New York City, you know, there's these unique geographies.

In our rental market, it's, I think, really interesting and I like to split it out this way. About half of our apartments in New York City fall under rent regulation, specifically rent stabilization. So rent increases are subject to a board approval every year. They're looking at data on this particular component of the stock. And rent-stabilized housing tends to be larger multifamily dwellings — so six units or more — and also in buildings that were built before 1974 because of the way legislation passed at that time. Additionally, we also have about 170,000 units of public housing, which is far and above beyond any sort of other public housing authority in the country. I think Puerto Rico is actually the next closest. And while this stock is going through lots of transformation in terms of RAD (Rental Assistance Demonstration) deals and different kinds of, you know, federal policy deals, there's still a lot of public housing — it's about 10% of our apartment stock.

And then we also have kind of unregulated housing. And unregulated housing, or market rate housing, is really housing that's subject to, you know, the market forces and market prices. It's not — it doesn't go through these board approvals for rent increases, and unregulated housing tends to be in a few different components. One is in the smaller building stocks, so one- to five-unit buildings, mostly two- to five-unit buildings. Also, like if somebody rents out a unit from a condo owner or in New York City, we have cooperatives, which are essentially similar to condos, similar enough not to get into the details. And so, we have a lot of households that live in unregulated housing — about half — also.

Within the rent-stabilized stock, we also have our what we call affordable housing, which is really financed low-income housing using tax credits, but also are inclusionary housing, and local programs that create affordable housing, of which there is a huge amount. There's actually so much that there's not a great estimate on it. I think we have at the Furman Center the closest estimate, and it's probably somewhere around 400,000 units that the city has built and kind of income restricted. The other component of our rent stabilized stock is actually most new housing that gets built, including luxury housing, because of the way our regulations work. So, we have this diversity of operating at every level, including within our rent-stabilized stock, which makes it this really unique stock to look at — includes both the kind of lowest, like lowest income, but still subject to the regulations being only rent stabilization and not having other subsidies, as well as some of the largest, newest apartment buildings built in New York.

Corey Aber [00:06:09] That's a really, that's a really good layout. And one of the things that you mentioned as you're talking about it, you talked about rent stabilization. And I think of, you know, New York in some ways, you know — like a lot of cities — has rules in place for for how housing works. But maybe more rules than in a lot of other cities or a different approach to those rules than other cities. So, can you just give us a layout of how those rules have evolved over time and sort of what's in place today?

Matt Murphy [00:06:38] Yeah, it's a great question. And I keep this phrase in my head from I can't remember what level of court it was, but it was over a challenge to rent regulation. And they basically said it's an impenetrable thicket of laws, and so I always think of it being as impenetrable thicket. But the reality is there is a a pretty easy history to to trace back to. And it really starts with post-World War II, where World War II had a national rent control policy basically in place, New York created local policies and held on to them for longer there.

And then in the late ‘60s and early ‘70s, you had this period of New York State's legislature kind of taking away local control from New York City. In that era, New York City was losing hundreds of thousands of households to the suburbs and jobs and it's kind of the, you know, classic case study of urban disinvestment, white flight, all those factors. But what it left in place was a transition from this rent-control framework to a rent-stabilization framework, which would essentially say at the state level, from the state legislature, they would authorize New York City to opt in to rent stabilization provided that New York City did this assessment and said there was an emergency housing shortage. So, theoretically, New York City has been in an emergency housing shortage, you know, for over five decades.

And so that's kind of this philosophical foundation of New York City housing policymaking, is that we have this system set up of rent stabilization that's meant to — at the time it was put in place, it said, any building that exists that's a larger building today will now fall under this rent-stabilization framework, and any building that gets built after this will not fall under rent stabilization. And so, it's essentially this system that we've had in place for 50 years, this rent-stabilization framework. And it has evolved in different ways, including that, some important evolutions are in 1993, the reforms to rent-stabilization law basically loosened the law. It allowed for more apartments to be deregulated out of the stock. If you, if you read articles written at the times they were attributing — at the time and in the [New York] Times — but they were attributing it to too many high-income households benefiting from rent stabilization. The housing market not adapting as quickly as to where there was demand. So very similar conversations to what we have today. But it allowed for deregulation, it allowed for rents to go up at kind of increased rates upon vacancy. And so, in the 1990s — whereas the city was urbanizing like many other cities and regenerating in a lot of ways — you saw a lot of pressure on the housing stock, and you also saw a lot of apartments get deregulated out of that stock.

Since then, we have had reforms to rent stabilization that have brought it closer to where it was pre-‘93. In that sense, taking away the ability to deregulate rent-stabilized housing, limiting the types of increases you could get based on the investment you get. And these reforms are actually really recent, these are 2019 reforms, which any housing policy nerd in New York calls HSTPA: Housing Stability and Tenant Protection Act. But this is a really radical kind of piece of legislation in the sense that it said — it really put a clamp on what was going on in multifamily housing. The kind of, I guess, coincidence of it is for researchers and people that are interested like me as a kind of like what happens when you have HSTPA, our multifamily stock has gone through so much since then because of COVID and all the policy around it, that it's a little murky to look at HSTPA on its own. But I would position it as some of the most radical housing policy that's probably been passed in America in the last five years, from the perspective of saying we had a very different system in place prior to its passage, and we're now all kind of understanding what are the implications of that. How should the local government respond, state government, etc.? But it's a really interesting moment to be kind of thinking about rent stabilization in New York City and then in the country, of course, too.

Corey Aber [00:11:35] So I'd like to get into that that point a little bit more. But before we do, just when we talk about rent stabilization and rent stabilization over time, can you just describe a little bit more precisely what that means — is it like a couple percent rent growth per year capped, or is it something different?

Matt Murphy [00:11:53] Yeah. So, I'll say, you know, if you took Economics 101 in college or something, there's this classic case study of New York City rent control, and it kind of, you know, economists saying it's the best way to devastate a city other than bombing when people were talking about it in the World War II context. So, what we have today is not rent control. There are actually — I can put it, quantify it. They're actually, of a of a million plus rent-regulated units, only about 20,000 are rent controlled. So, we have very little rent-controlled housing left. But what we do have is this rent-stabilized housing. And the context here is that if you're a rent-stabilized tenant, you have a right to a renewal lease, which is really important. And then the the second really important component is that the Rent Guidelines Board (RGB), which is a local nine-person body, looks at a bunch of data in the beginning of each year and says if you sign a one-year lease, your rent can go up by this amount; and if you sign a two-year lease, your rent can go up by this amount.

And the history here is that the RGB has not really tied that vote to inflation, although it's somewhat close. There are periods of like fuel crises, eras where the RGB has voted on on higher increases, but the decade that we had of 10 to 20, the kind of pre a large inflation period — what we saw from the RGB was that they were putting in annual adjustments that looked closer to like 0 to 2%. There was a year of a rent freeze and during this, the prior mayor's term, I think the highest it went up was about two-and-a-half percent. Since then, though, in the last couple of years, the RGB has been closer to about 3 or 4% annual. So still under our inflation rate, but kind of above what it had been in the previous decade.

And and if you're a tenant, you're, you literally find out about your, how much your rent is going up from like the local news or, you know, or if you attend the hearing. And these are really interesting political environments. The hearings have been, kind of, become this important centralized organizing tool for tenant advocates. A hearing was actually crashed by local council members getting on stage or your local elected officials getting on stage and protesting. So, it's also becoming this process that's a public display over the larger questions that are occurring, I think, in the multifamily debates around, well, who should own housing? How much of a return should you really get? Less of, how much did your fuel go up? How much did you utilities go up? Okay, your rent will go up this amount. So, we're seeing a lot more of that, too, play out during these kinds of proceedings.

Sara Hoffmann [00:15:02] So, Matt, one of the big stories that we're looking at is all the new supply coming on in the market — and this is across the whole nation. It's been on the forefront, and especially after the pandemic with the increase in all the construction being done to help meet all the demand, with all the affordability concerns, with rents going up so high. While New York City by numbers has a lot of new supply coming in, by the percent of the inventory, given just that overall size of the market, it's relatively small. So how do you see the new supply coming on impacting the New York City rental market?

Matt Murphy [00:15:37] Yeah, that's a terrific question. And I'll put it in the context of some of our local numbers. So, new supply in New York City, the kind of gangbusters annual number of, you know, "this was a great year for adding supply," has been about 25,000 units per year. So, it's less than 1% of our total stock getting added when we have these, you know, large kind of additions to the stock. And I'm not discounting — it's obviously really important — it's just there's, it's it's still a kind of a low you know, even though it's a release of a pressure valve, it's still like a pretty low-pressure release. That being said, so, we do add about 25,000.

We did a report a couple of years ago that looked at just the 2010 to 2020 era, and it was interesting because what we found was that of all the multifamily completions during that time, so for plus, which is typically most completions, about 30% of it was income-restricted housing. So, when you add up all the different programs and the zoning requirements and the local subsidy and the federal tax credits, you know, close to a third of the housing completed was income restricted. When we looked at it and took out all the middle-income and moderate-income housing, it was about 28% was low income. So, I kind of looked at that and said, wow, out of 200,000 units completed in a decade, I think that's a great story — 28% are income restricted for low-income households. But the narrative here is very similar to, I think, what we're seeing across the country, which is a lot of skepticism that added housing supply is doing anything to kind of take the pressure off of the local market.

And so even within the context of a rent-stabilized stock or like half of our renters having a lot of protections, there's still a lot of debate over whether new housing displaces households, whether it actually can create a more competitive environment, a more kind of renter-favored environment, whether it's just benefits to landlords. And we weighed in on this a couple of years ago. Our, my faculty directors — Vicki Been, Kathy O'Regan and Ingrid Gould Ellen, who are all amazing leaders and researchers in this field — really they wrote a piece called *Supply Skepticism*, which really laid out here's what the research says while acknowledging that policymakers and researchers needed to kind of recognize that there was increasing skepticism of this kind of Economics 101, that supply and demand actually it can apply to other fields, but it doesn't apply to housing, which is a lot of what you will hear in, if you go to like a local community board meeting here in New York or something like that.

And so, I think the skepticism is is not gone away, even when you say — and then the, the flip side of what we see, too, is in really well-resourced, very high-income areas, a lot of resource is put into fighting both new market-rate housing and new affordable housing. So, I work in Greenwich Village at NYU, and West Village kind of area has built about 10 affordable units per year in the last decade. That's 10. And people are fighting against HPD using city-owned land to build 200 affordable units in probably one of the wealthiest neighborhoods in the city. So, it's not like the supply kind of skepticism argument is unique to the types of neighborhoods that you would call, like gentrifying, you know, or that are like, you know, there's housing development occurring because there's a market for it and the market is responding and serving new households. It's also really here, it's, that's a very mature market, it's a very expensive market. Even when there's city-owned land, the reality is there's kind of both skepticism over adding any new affordable housing from all the kind of classic arguments you hear, but then also this, that even in a privileged area, well, adding that kind of amount of affordable housing or supply generally, it won't do anything to to to take any pressure off this market. So so why even do anything? And, you know, so I think this is not unique to New York City, but in New York City, I think the politics are — there's a question about like, well, what does this mean for the politics and who are going to be the politicians that stand up and kind of stand up for the rights of the future renters of New York? And I think that's getting more difficult for them in reality, and instead of like responding directly to constituents. And so, we're seeing all this play out in real time.

That being said, a lot of research just shows that added supply does have a, this effect on even a very local market of basically mitigating rent increases. We're seeing more international research, which is really interesting. I'm obsessed with housing data in European countries, and I know you guys are too, but in European countries they have a lot of data that we don't have here. They have data on where somebody moved from and then where they went to, what their rent was and what their rent is now. And we just lack that in our field. And, but but even in those places where they can get down to like a hyper, hyper local level, they're finding supply effects basically dwarf amenity effects in the sense that there's kind of two theories of adding housing supply. One is that you add supply, and it will kind of — from a supply/demand perspective, with equal demand, it will lower the price. But there's another theory that people hold, which is, well, if you add supply, it attracts restaurants, it attracts bars, it attracts amenities that people want. There's an amenity effect. And what that does is actually raises demand. So even if you're supplying, adding supply, you're also raising demand and raising prices on local residents. And a lot of the research that we've seen and reviewed does find both a supply effect and an amenity effect. But what a, what a lot of the research also finds in the sense that added supply can both reduce rents as a supply effect, but added amenities can also increase rents as a demand effect. But a lot of the research also finds that while these two effects exist, the supply effect really kind of governs over the amenity effect — it really is a larger effect. And as a result, you see more kind of price mitigation or price reduction even when you do see added supply.

That being said, you could put up all the research in the world, all the evidence in the world, and it's easy enough to question it from, you know, just from people's intuition. And it's a very passionate topic that going to places to say, “No, no, no, if we build more housing, it will actually help make this place more affordable.” A lot of people have their arms up in the air saying, “I disagree.” And and I think that's, you know, this notion of supply skepticism. So, we have to find ways to kind of help people understand what does the evidence show while also kind of being somewhat sympathetic, I think, to what people have seen on the ground.

Corey Aber [00:23:37] Matt, is there a point of just when you look at those two effects together, like maybe the maximum impact of the amenity effect is not as great as the maximum impact of the supply effect? And what I'm kind of getting at is, if you add enough new supply, you're going to have more impact from that, that supply, but there's probably a cap on how much amenity you can add and still have it be economically viable in an area. So, sort of like, are we building enough supply to see the full effects of some of this come through? And to what extent does that play in?

Matt Murphy [00:24:14] Right, yeah, I think that's a great question. I think if, you know, I guess the way I think of it — and I come from all this as like somebody who came to this literature, not as like an economist, but somebody who was more concerned about affordable housing and public housing reinvestment and in Chicago and kind of questions of displacement. And the way I, one way I think about it is that if we had 100,000 more housing units overnight in New York City, price would come down, right? You'd have way more options. You would be able to like kind of shop for the type of housing you wanted. The the thing about adding 25,000 units a year is, you know, maybe that's the most the industry can do, maybe that's the most that can, our Department of Buildings can process. But there does become this question of like — and I think that's where some of the skepticism come from is — well, that's not enough. That's not enough to see the supply effect. And that's why I like to look at it in kind of broader, more aggregated terms than just saying we built this much this year, this built this much this year — is what is our policy, you know, broadly leading to over the kind of periods of time we really should be thinking about in the housing world. And I think in the housing world, you know, we should, we should be thinking about them in longer periods of time or assessing them in longer periods of time, because it takes a while, you know, for these things to play out. Which is a fair criticism of the kind of supply perspective, too, is like, okay, you're telling me to build housing and we'll build it, but — or well, we'll approve it, but it's not going to be built for like four years, in which time I will be displaced out of the neighborhood. You know, like that's, it's kind of a tough sell at like a, as an emergency type of procedure. But that's where I go back to saying we've been in a housing shortage, emergency housing shortage by law for 50 years. So, if we're comfortable with the default being an emergency housing shortage, then we are not really, we haven't done enough to change policy enough to say like, let's really see what the supply effect would look like at scale. But I also am like living in the pragmatic reality that there's not that many people that are going to be like, okay, let's build 100,000 units over two years. But I don't know, like we'll see how the next two decades go. You know, we might be at a point where things get so bad that people start to actually treat it as an emergency.

Sara Hoffmann [00:26:55] So I think that's a really good point that you've come up with, Matt. And I've kind of been saying the “if you build it, they will come,” which I think goes to your amenity effects that you described and a great description of it. And another thing that we've been also trying to wrap our heads around is that idea of that trickle-down effect. So, you know, with all this new supply, majority of it, at least at the national level, is in the higher A Class kind of discretionary-spending, income tenants. But you're not seeing that kind of trickle down then to make it, to have more available supply at the lower end of the income. And I think you said it great that housing does not follow Economics 101 because housing is stationary, you can't just really pick it up and move it. So, it really is kind of coming into some of these specific neighborhoods. And that's kind of what's growing up when you kind of hear about all this new supply, it really can be concentrated across different markets.

Matt Murphy [00:27:49] Can I say one thing to Sara's point, though? Because this kind of filtering idea is probably where you see some of the most, some of the most skepticism. There is some really interesting research that has come out. There's a researcher named Evan Mast, who's looked at this kind of chain of moves. And it's really interesting because what he's seeing is that he's basically linking like, if I moved out of my unit, he's then looking at, okay, well, who moved in and where did they come from? And then he's looking at, okay, well, where did that person leave and where did they come from? And he's actually finding that it, like within five chains of moves, even the market-rate kind of Class A type of development can actually reach a pretty low-income household. Which, you know, like I said, there's more to be done from this kind of like data perspective of being able to look at more markets and scrutinize some of that. But if you think about it, you know, it does kind of make sense from the musical-chairs perspective. We're all very used to environments, if we if we live in big American cities in the 2010s and ‘20s, of the norm being that it's really hard to find an apartment and really hard to find an affordable apartment. And so, I think part of the kind of framework of thinking is, as a result then, adding new housing, it's still very hard to to find an affordable apartment and I think that is the case. But but I think the reality is, is that if you think about, again, like if you had more much more supply or much more available inventory, then you would see probably more people moving, but also doing more to like be able to match the housing to their preference. So having more options by a neighborhood or by a school district or whatever is the size of the building or the unit. So, I think there's, you know, this really interesting research, which I fully support and that all this needs to go further, but we need to know more about what are the implications for all this. But thinking of it that way or thinking of like this kind of how how do we get away from the musical chairs nature and thinking more about like, well, how do we make more of this available to more people? We might have like a different frame of thinking about what supply can actually accomplish.

Sara Hoffmann [00:30:26] So with the idea of needing more supply, do you think that there's some kind of ceiling, though, on how much can be developed, at least like privately? Like how much are they willing to go into a market with the idea that this filtering is needed to help affordability? But but especially those at maybe the higher end are willing to take that that risk with all the new supply coming on.

Matt Murphy [00:30:51] Yeah, I think I think that's a great question. And I think the the the real-world limitations here in New York are, what can our industry actually supply? What can they actually do? Both small and large builders. What does our zoning allow? I mean, a lot of this conversation goes back to the land use regulations and the way that the city was zoned and then in the early 1920s and then the revised rezoning in 1961.

The interesting policy debate we're about to have in New York is the current administration is putting into place changes to our zoning resolution that basically make the argument that the 1961 zoning took away the type of housing we actually benefited from having in that era. So, if you think about it, the city was kind of downzoned in 1961, and and it was they were looking at it as the city was zoned for like 100 million people to live in it. And then they zoned it for 9 million people to live in it, or like 12 million people. So they're thinking about it in that way at the time. And but I think so, there's these real limitations on what can the industry actually do? What can the kind of our local government infrastructure actually allow for in the sense of, you know, getting the right zoning in place, getting the right permits in place and the availability of of sites. One of the things we saw in a report we did was that about 32% of the housing, the multifamily housing completed in 2010 to 2020 was built on 3% of the basically zoned parcels. So so, we, there was a lot of rezonings that occurred of former manufacturing sites and industrial sites to become housing. And that's exactly what happened. And that's a lot of like the dense multifamily that was built in Manhattan, in Brooklyn, and along the waterfront of Queens as well. And so, it kind of gave us evidence that, okay, when you rezone or when you allow for dense multifamily housing, that's what you get, and you get a lot of housing on a small amount of parcels.

But these are hugely political conversations. We'll see all this play out. And then that, what that means is, what's the reality of what gets built is really going to be contingent on, well, what do they allow from a zoning perspective? And even if you didn't have zoning, let's be honest about real-world limitations. Financing the kind of insurance of of these buildings and scrutinizing development in the context of New York City being a coastal city. Actual kind of rent growth and and how you look at New York City as an investment. And then can you actually, you know, what what amount of construction can actually occur? So, you know, so I wonder is 25,000 units a year, is that what we can build and that's it? Or with looser zoning or more incentives or more affordable housing incentives, whatever it might be, could we do more? And I think that's you know, that's an important question.

Corey Aber [00:34:27] Matt, the other side of the supply question is the preservation question. You know, New York has has a lot of housing that is not new — not new by a long shot in many cases. So, and what we're seeing across the country now, right, aging housing stock needs to be kept up, needs to stay viable, or then we end up losing supply overall. So, we have that kind of going on and then we also have more more interest, I think, coming together with making more resilient housing, making more energy-efficient housing or lower, lower carbon-intensive housing. How is the city grappling with all of those things at the same time as thinking about new supply?

Matt Murphy [00:35:12] Yeah, that's a terrific question. I think I would say when you looked at the big affordable housing plans of prior mayors, they would say, “We're going to do 200,000 units of affordable housing” and then they would say, “But of that, 80,000 would be new construction and 120,000 would be preservation." There's, you know — Department of Housing Preservation and Development, where I used to work and that runs a lot of the affordable housing policy — really grew out of this era or its role grew out of this era of abandonment in the 1980s and into the '90s, where the City of New York owned 200,000 units of housing. It now owns less than a thousand because it was disposing of that property into nonprofit and even for-profit hands. It was just trying to get away from being a landlord. And I think it influences a lot of the housing policy in the sense that the investments we make in new housing or new affordable housing, they shouldn't just benefit this generation. They should be as close to permanent as we can get it while also being financially feasible.

And so, the kind of preservation conversation here is really interesting for a few reasons. One is a lot of the kind of if you were just looking at this as somebody who's being exposed to it for the first time, a lot of the preservation efforts are being put into our public housing stock in a way that's really unprecedented for New York City. New York City did most HOPE VI in the '90s. It has $80 billion of capital repair need estimated in our public housing stock, which is about three times the capital need of the subway system. And so, you know, so — but a lot is being done to find ways to keep that as permanently affordable, basically public housing, and but, put it into a different financing vehicles like RAD or even some local vehicles that have been created. So, a lot of preservation efforts are being put there.

The issue of affordable housing preservation, I think, is going be really critical, especially in the next 10 years, just because of the timing of the Low-Income Housing Tax Credit program and how much New York really did with Low-Income Housing Tax Credit more than anybody in the mid-90s, but also like in the early 2000s. So, when you think about 30-year cycles playing out over that, you know, there's going to be a lot of money that needs to be spent to recapitalize tax credit projects, to both keep them affordable, but also to just get them the money they need to actually make improvements at the property.

Another really important portfolio of housing here is something we have called Mitchell-Lama housing, which is really state- and locally funded housing that that grew out of the 1960s as well. And it's a huge amount of housing that that really needs different forms of government subsidies to keep going as both low- and and moderate-income housing. And so then add to it the kind of rent-stabilization laws — the inevitability of those laws is that, they're just going to over the next couple of decades, you know, they're going to be, there's going to be more pressure on that stock, right? There's just going to be less ability to attract capital. And it's going to need more forms of government subsidy, would be my prediction, unless somebody is going to say, okay, you know, rents are going to go up at like a lot to make up for the capital deferrals, which is just not going to happen.

And so, you know, I think we'll see more local subsidy programs pop up to serve that kind of segment of the stock, which I think will be really critical. How those come through, though, is going to be really interesting for a couple of reasons. And the major reason that I'm really interested in is that in the last few years, the New York City — over a couple of administrations — has passed really aggressive laws about having buildings reduce carbon emissions, and they've exempted a lot of rent-stabilized housing. And I think part of that is the recognition that they're not going to pass the costs on to the tenants of those buildings. But there's this policy issue that is brewing, which is who's going to pay for those types of repairs and those types of the reductions that we need from an environmental perspective? And so, none of that really has played out yet, but I think it's going to create a really interesting dynamic around preservation in the sense of, well, how much money should go into these buildings? How much should pay for the repairs, and who should, who should really pay for those costs? And so, none of that has really played out in the sense that we have the laws in place, efforts are being made to create the kind of programs that those buildings will need from a financing perspective, but because the buildings are exempted, nobody's really doing anything. We had interest rates, you know, almost triple in the multifamily stock in just like a one-year period, insurance premiums have gone up by 50% in real terms over the last 10 years — they're going to go up more as kind of coastal risks come into play and other kinds of risks. So, the kind of state of the multifamily stock is a little precarious. These are really old buildings, as you said — by their nature, they have actually been built before 1974, but the reality is most were built in the ‘20s and ‘30s. And so, you know, they need that kind of generational investment. Every investment is being scrutinized within the context of, well, do more now to reduce your carbon emission threshold. Do more now to become more energy efficient. But a lot will also depend on these complementary investments, like do we clean up our local electrical grid? Are these built? How do these buildings become electrified?

When I was working at HPD and our local housing finance agency in 2012 after Hurricane Sandy hit, we were trying to get buildings online, trying to get them natural gas. Now, natural gas is essentially becoming illegal. So that was 10 years ago. So, in a 30-year mortgage, you know, like, you have to kind of like anticipate these things. So, I think it's putting pressure on the capital needs for the stock. But at the same time, the local government will just need to come up with the sort of programs that can work, I think, with the private market, to get the right capital in and do it in a way that also recognizes that they're going to have to reduce their carbon emissions upwards of 80% in the next 20 years, and that's huge.

Corey Aber [00:42:45] Matt, this has been a really fantastic discussion. We dug into a whole lot today with supply, with preservation, with some of the energy-efficiency and decarbonization considerations. And, you know, no surprise with New York being both the Big Apple and big microcosm, there's a whole lot to cover here. So, I feel like we'll probably probably need to do a double album. But for today's conversation, this has been so fantastic. Thank you so much for being here.

Matt Murphy [00:43:08] Well, thank you, Corey. Thank you, Sara. It's a real privilege.