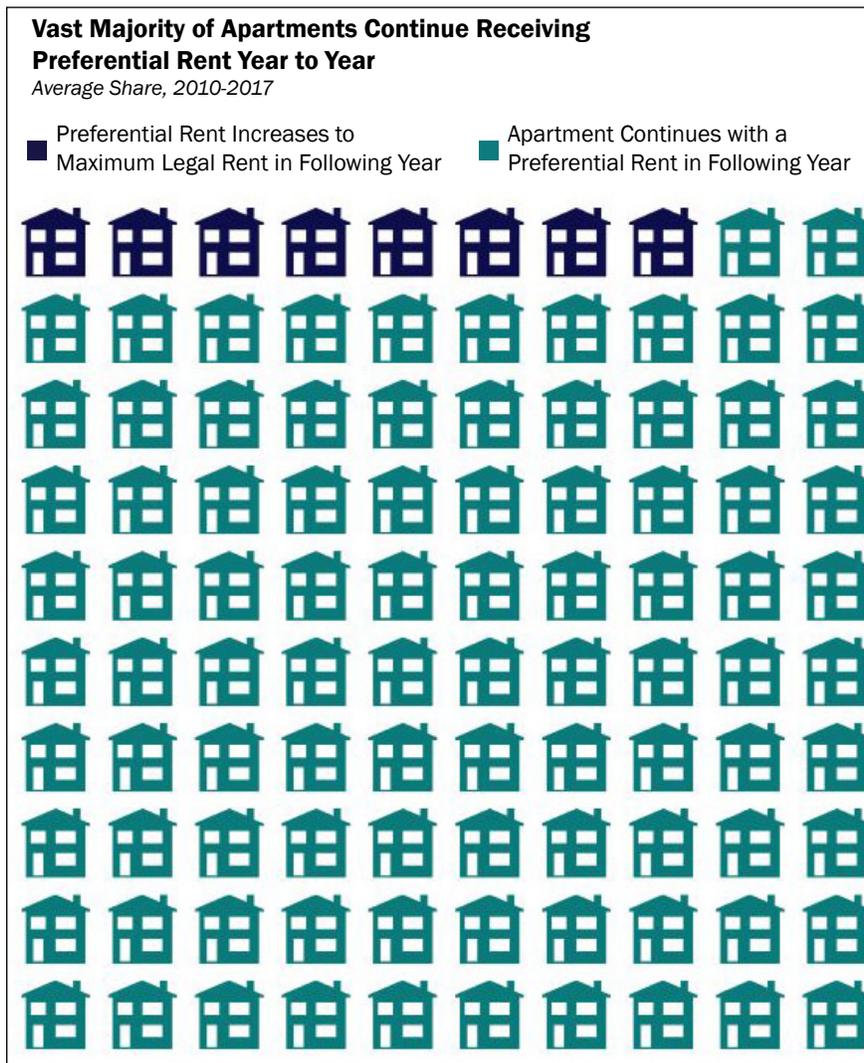


How Many Rent-Stabilized Apartments Lose Preferential Rents From Year to Year and Does It Affect Tenant Turnover?

As Albany lawmakers debate the renewal of rent stabilization, which is set to expire on June 15, the issue of preferential rents has come to the forefront. The number of rent-regulated apartments with preferential rents—rents that are below the maximum allowed under rent-regulation rules—has grown from about 187,500 in 2010 to nearly 257,000 in 2017. There are a number of reasons landlords might set preferential rents, ranging from a desire to attract and retain certain tenants to instances where the maximum legal rent for an apartment is higher than market rents for the neighborhood.

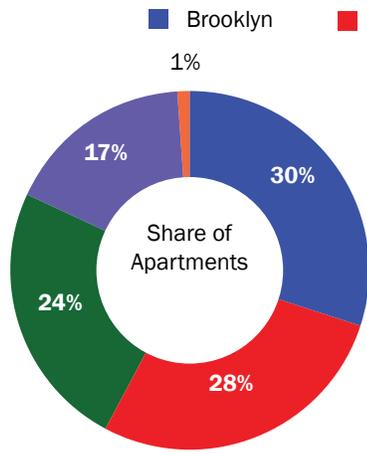
Some tenant advocates and policymakers contend that preferential rents undermine rent-stabilization protections, enabling property owners to obscure the maximum legal rent and, when a lease expires, raise rents more rapidly than the rates set by the Rent Guidelines Board. This, they argue, promotes tenant churn. One proposed reform would limit preferential rent increases to those set by the board for the duration of a tenancy.

IBO has analyzed data for apartments registered with preferential rents from 2010 through 2017 to quantify their prevalence and their relationship to tenant stability.



Median Preferential Rent Hike Exceeds Rent Guidelines Board Increase in Most Years, Largest Increases for Apartments Jumping from Preferential to Maximum Legal Rents							
	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Rent Guidelines Board 1-Year Increase	2.25%	3.75%	2.00%	4.00%	1.00%	0.00%	0.00%
Continues with Preferential Rent	2.25%	2.70%	2.39%	3.23%	2.75%	1.96%	1.38%
Preferential Rent to Legal Rent	14.77%	10.00%	12.45%	12.19%	12.20%	8.71%	12.03%

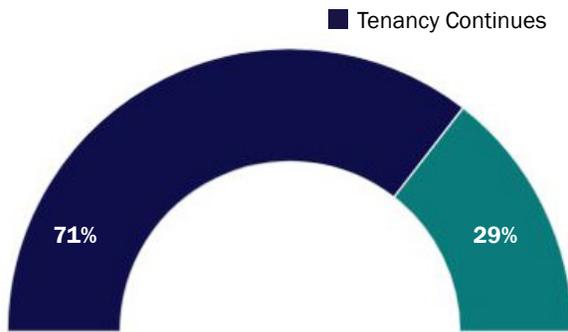
Largest Shares of Apartments That Go From Preferential to Maximum Legal Rent Are Located in Manhattan and Brooklyn
Average Share, 2010-2017



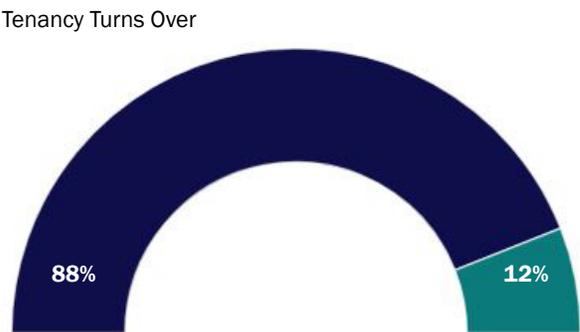
Median Rent Increase for Apartments Going from Preferential to Maximum Legal Rent Largest in Manhattan, Smallest in Queens
Average median rent increase, 2010-2017



For Apartments That Go From Preferential to Maximum Legal Rent, More Tenancy Churn Than Average for Regulated Units
Average Share, 2010-2017



On Average, 12 Percent of Rent-Stabilized Apartments Turn Over Each Year Citywide
Average Share, 2010-2017



SOURCE: IBO analysis of rent stabilization registration data from New York State Homes and Community Renewal
NOTES: IBO analysis of rent-stabilized apartments, includes those regulated due to tax incentive programs such as 421-a and 421-g. Data are self-reported by landlords. The number of stabilized apartments analyzed ranged from 822,698 in 2010 up to 883,149 in 2017.

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