

REBNY Testimony | April 24, 2025

## **The Real Estate Board of New York to The New York City Rent Guidelines Board Regarding Rent Guidelines for 2024-2025**

The Real Estate Board of New York (REBNY) is the City's leading real estate trade association representing commercial, residential, and institutional property owners, builders, managers, investors, brokers, salespeople, and other organizations and individuals active in New York City real estate. An important part of the housing ecosystem we represent are the owners and managers of tens of thousands of rent-stabilized units. Thank you to the members of the New York City Rent Guidelines Board (RGB) for the opportunity to provide our perspective regarding rent adjustments for the city's rent-regulated apartments as part of this year's 2025 proceedings.

The only systemwide mechanism for aligning revenue with rising costs, covering basic apartment turnover expenses, and by extension, for preserving housing quality in stabilized apartments falls to the responsibility of this board.

Rent adjustments are critically necessary for owners to keep up with routine costs such as property taxes and insurance, and to maintain their buildings in a state of good repair. We recognize that tenants face affordability pressures. However, long-term housing quality and financial sustainability for stabilized buildings require that rent adjustments at minimum keep pace with cost growth. The expense growth reported by the RGB should set the floor, not the ceiling, for rent adjustments.

Therefore, given the importance of the board's decision, and to help the RGB make such a decision based on the most recent data available on the owner's side, REBNY commissioned a study led by HR&A Advisors to analyze more current revenue and expense data and change over the last five years. Importantly, based on prior conversations with this board, staff, and Furman Center, we appreciate the importance of especially gathering data on buildings for smaller buildings with less than 11 units, whose information is not available to the board from their current data pulls from the Department of Finance (DOF).

The April 2025 TC 201 study [enclosed in the Appendix - *NYC Housing Operating Expenses Analysis*] includes data for 2024 that was submitted to the City of New York in March 2025. The study was conducted in April of this year with outreach by REBNY and SPONY to the owners and managers of rent stabilized housing.

This study utilized 2,117 owner-provided TC201 tax forms from 2019-2024, representing over 790 buildings, to examine increases to owner expenses and the impact on income on a longitudinal basis. Of these buildings, 95 are small buildings with fewer than 20 units, including 20 buildings of less than 11 units.

This is the fourth year we have undertaken this exercise, and in the RGB staff reports last year and this year our expense information from each of the prior years was affirmed. The latest TC 201 data once again confirms that rising costs in insurance, fuel, and utilities are the primary drivers of overall expense growth. We also see a clear bifurcation in the fates of pre-1973/post-1974 buildings and those within and outside the Manhattan Core.

This bifurcation is most visible in the expense category of insurance. Monthly insurance costs continue to increase into 2024 and have risen 145% in pre-1974 buildings per unit since 2019. Buildings with less than 11 units had the highest increase in insurance costs with a 229% increase. The increases in insurance reflect the risk in operating and maintaining rental housing in New York City, inclusive of unpaid rental arrears, cost of regulatory compliance, and financing and debt risk.

Additionally, the data reveals a 3% decline in Net Operating Income (NOI) per unit for Post-1973 buildings and a more pronounced 10% drop for pre-1974 buildings between 2023 and 2024. On the latter point, this continues a downward trend in NOI the RGB reported out this year for 2023 on our oldest and most vulnerable units.

To keep buildings in good physical condition for the people who live in them, we encourage this Board to take a holistic view in its 2025 guidelines deliberations, one that considers rising operating expenses, the share of distressed properties, and localized financial pressures. While citywide NOI modestly increased between 2022 and 2023, according to the most recent RGB data, the same data reveals NOI declines in many areas outside Core Manhattan. These neighborhood level disparities highlight growing concerns about the long-term financial sustainability of stabilized housing across much of the city.

Core Manhattan's NOI must be viewed in context. Land and construction costs are significantly higher, and many buildings are newer, larger developments concentrated in areas that are allowed by zoning to be that size and are likely built under the 421a tax incentive program. These properties are more likely to have access to units with market rate rents than those rent regulated properties outside of core Manhattan, or those that are pre-1973. Manhattan Core properties carry higher rents due to elevated development costs and tend to have higher labor costs as a requirement of the programs that built them. As a matter of practice to remain competitive for those market rate rents, those buildings will have higher routine maintenance costs and employ more building service workers. At the same time, these newer buildings do not pay the same share of residential revenue in property taxes as older stabilized buildings. They also generate substantial one-time tax revenue from construction and financing, which further distinguishes them from the rest of the stabilized housing stock.

The RGB's responsibility is to preserve the health of the entire stabilized housing system and not make decisions based on the Manhattan Core data alone.

Unfortunately for the City's fiscal health, declining NOI, which the RGB staff reports and the TC 201 survey document, is occurring in many parts of the City especially in the older housing stock which represents the majority of the stabilized stock. This has significant implications for property tax revenue

as tax assessments and collections are based on rental income. The TC 201 survey shows a 6% drop in NOI in pre-1973 rent stabilized housing.

From 2019 to 2023, the most recent year of data analyzed by the RGB, expenses for rent-stabilized owners have grown by 12.3 percent. Over the same period, RGB rent adjustments for 1-year leases have only risen by 8.56 percent and net operating income for owners rose by just 3.72 percent. This imbalance must be corrected. With policy changes expanding rent protections across the city, it's essential to update the RGB's approach to ensure all stabilized units remain viable without reliance on cross-subsidization. The RGB's guidelines must reflect that reality. It is the RGB now more than ever that carries the responsibility to ensure rent adjustments do not fall behind expense growth. When owners cannot reinvest in maintenance, it's tenants who ultimately suffer through deteriorating living conditions.

To support better decision making, we believe both DHCR and DOF should improve access to critical, already collected data by the agencies on rent-stabilized housing, including regular publication of building-level registration data with stabilization percentage by quartile and ZIP code-level data on vacancies and MCI/IAI activity. Improving transparency will help all stakeholders, including the RGB, assess the health of the stabilized housing stock using consistent and reliable data. In the interim, we hope the board will consider the points we raised today and the spirit in which this data is collected, which is to provide real time information to the proceedings.

We urge the Board to adopt guidelines that reflect the financial realities facing stabilized housing today and ensure the long-term health of this critical segment of the city's housing stock.

Thank you again for the opportunity to present the 2025 TC201 survey and consider our testimony for the 2025 process.

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**APPENDIX***Executive Summary of April 2025 TC 201 Survey Conducted by HR&A Advisors*

This study utilized 2,117 owner provided TC201 tax forms from 2019-2024, representing over 790 buildings, to examine increases to owner expenses and the impact on income on a longitudinal basis. TC201s were chosen because they share the same fields or categories as the RPIE filings and would allow for an audit between the TC 201 submission and eventual taxes paid and expenses.

Owners of rental property are required to file a TC201 form, or “Income and Expense Schedule for Rent Producing Properties” to the NYC Tax Commission when contesting tentative assessed property values. Unlike the Real Property Income and Expense (RPIE) Statements required by the Department of Finance which are largely self-reported, Form TC201 requires certification and financial audit by an independent certified public accountant.

By collecting TC201 forms from 2024 and earlier, from a cross-section of NYC building typologies, we are able to provide metrics related to the income and expenses of New York City’s rent regulated housing stock with the most recent data possible, looking beyond the one-year lag in RPIE data available to the Rent Guidelines Board.

Presently, the 2025 TC201 data clearly shows that operating and maintaining rental housing continues to be challenging given the nuances of the different building typologies across age, level of stabilization and geography and the overall delta between revenue permitted under increases by the RGB, which is not able to address these nuances, and overall expense growth.

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The 2024 TC201 data clearly shows that operating and maintaining rental housing has only gotten harder and more challenging, affirming the expense growth trends and income declines presented to the Rent Guidelines Board by board staff over the last month.