

A Short Review of Multifamily, Rental Housing on Long Island

Understanding Long Island's Rental Market in Multifamily Buildings

The Long Island Index wanted to understand the status of **rental units in multifamily buildings** across our region. While we have often written that Long Island needs more rental options in general, it is the expansion of larger, multifamily options specifically that is going to be vital to Long Island's economic future.

Our goal was to learn:

- How many rentals we have
- When were they built
- Where were they built
- How much do we pay in rent
- How do our rents compare to other suburban regions

We also wanted to know what is projected to be built as Long Island starts to increase our stock in multifamily homes.

This is the first of a multipart study in which we are researching 3 key questions:

1. How much do we need to build for Long Island's future economic growth?
2. If our rents are high now, what are the options for them to come down?
3. Where are we building? Near our downtowns which allows for greater access to public transportation and access to amenities or further away?

What the US Census counts vs. what the Index wanted to count

According to the 2008-2012 American Community Survey, Nassau and Suffolk have a total of **225,000 multifamily units**. But this includes **rentals and non-rentals**: apartment buildings, coops, condos, two-family homes, big multi-story buildings as well as small buildings with less than 4 units.

According to the 2013 American Community Survey, Long Island has **168,838 rental units**. But **these rentals run the gamut** from renting an apartment to entire homes, to rooms in a home or perhaps an in-law apartment in a home. There are also two-family homes and small apartment buildings with less than 4 units.

So we collected data from commercial sources (REIS and Costar) as well as the two counties and several towns. In the following pages are the data we compiled specifically looked at **rental apartments in multi-story apartment buildings** with more than 4 units.

What do we know about the rental market?

In Nassau and Suffolk counties we have **1,500 rental apartment buildings** with almost **88,000 apartments**.

46% are in Nassau
54% are in Suffolk

The majority, 43%, are **one-bedroom apartments**. 23% are studios and 31% are two-bedrooms. There are a small number of three-bedrooms – 3%.

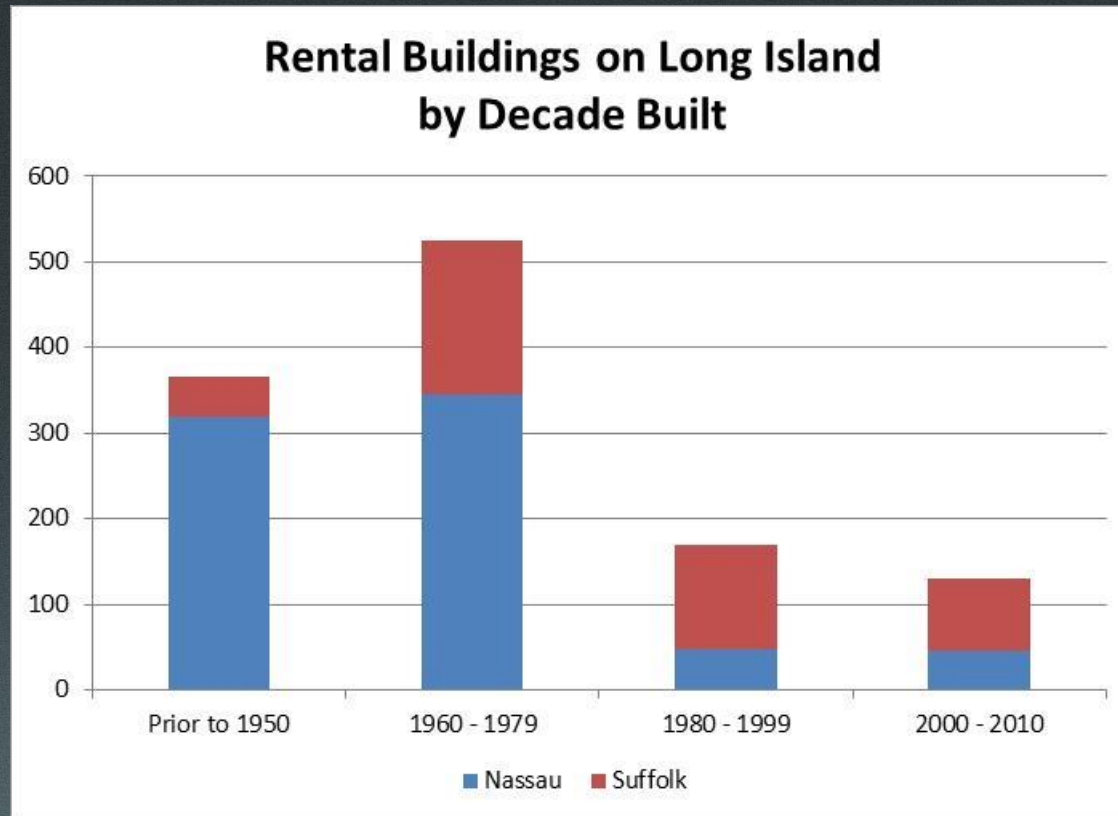
Nassau has more studios – 35% -- while Suffolk has more one-bedrooms – 43%.

For the buildings where **Class** was available, 62% were Class C (no-frills) and 35% were Class B (more utilitarian space without special attractions) or BC. In other words – our housing stock tends to be older with fewer amenities or upgrades.

Style: 2/3 are low-rise buildings and 1/3 are garden style apartment complexes.

Restrictions: Of all the rental units in our region, 20% are restricted to seniors only. Another 10% are income restricted or subsidized housing.

75% of today's rentals were built prior to 1980



44% of today's rentals were built in
the 20 years from **1960-1979**

The climate of the 1960's and 1970's

In the 1960's and 1970's when Long Island was still rapidly growing and building single-family homes across the two counties, the region embarked on a major effort to build more apartment houses for renters.

Why? In 1965 Newsday wrote,

A new pattern of residential construction is emerging...the increase in...apartment buildings. Pushed by the forces of economic necessity and population growth...The facts behind this trend are: (1) the extremely high cost of land precludes construction of one-family homes at prices the average family can afford, and (2) the rapidly increasing numbers of young married couples, 18 to 24 years of age, and persons beyond 60 or 65.*

The Long Island Regional Planning Council was strongly in favor. Lee Koppelman, director of the Council, told Newsday in 1972,

'We're winning'...His idea of winning is *not* to turn Long Island into an apartment-glutted area, but to provide a sufficient number of apartments at rents the elderly and the newly married can pay, lower than the \$200-a-month minimum rent charged for most units. Sensible planning...could mean that low-rise buildings could provide enough apartments to obviate construction of the high-rise buildings (over three stories) that homeowners fear so much.**

Strikingly, the arguments today are exactly the same.

Sources

* "Planners See Need for More LI Apartments" by Winchell A. Royce, *Newsday*, May 11, 1965

** "Why Apartments are Booming," by Jerry Morgan, *Newsday*, October 1, 1972

The climate of the 1960's and 1970's

But the opposition was strong. It was summed up in a three-part series written by then Newsday reporter, **Robert A. Caro**, in his series, "**The LI Apartment Invasion**." * He sounded the alarm and urged communities to face up to "the good, bad and inevitable of the invasion."

The Island, for 20 years the virtually unchallenged stronghold of the one-family home, is being hit by an upsurge in apartment construction that could, if unchecked, significantly alter its suburban character...Long Island Expressway users can almost see the apartment houses following them home from New York. Are apartment houses good or bad? Those who say they're good are apt to be pragmatic. They claim that apartment property would help the chronic school tax pinch. They say that, more important, there is a need, and so apartments are necessary. But those who think the buildings are bad point out that high-risers would alter the entire Long Island community, replacing tree-lined homes, and probably would overload the county sewer-system. And, they claim, apartment buildings are the first step to slums.

Caro completed the series by focusing on how to keep apartments within "proper limits." Zoning, zoning, zoning, he urged.

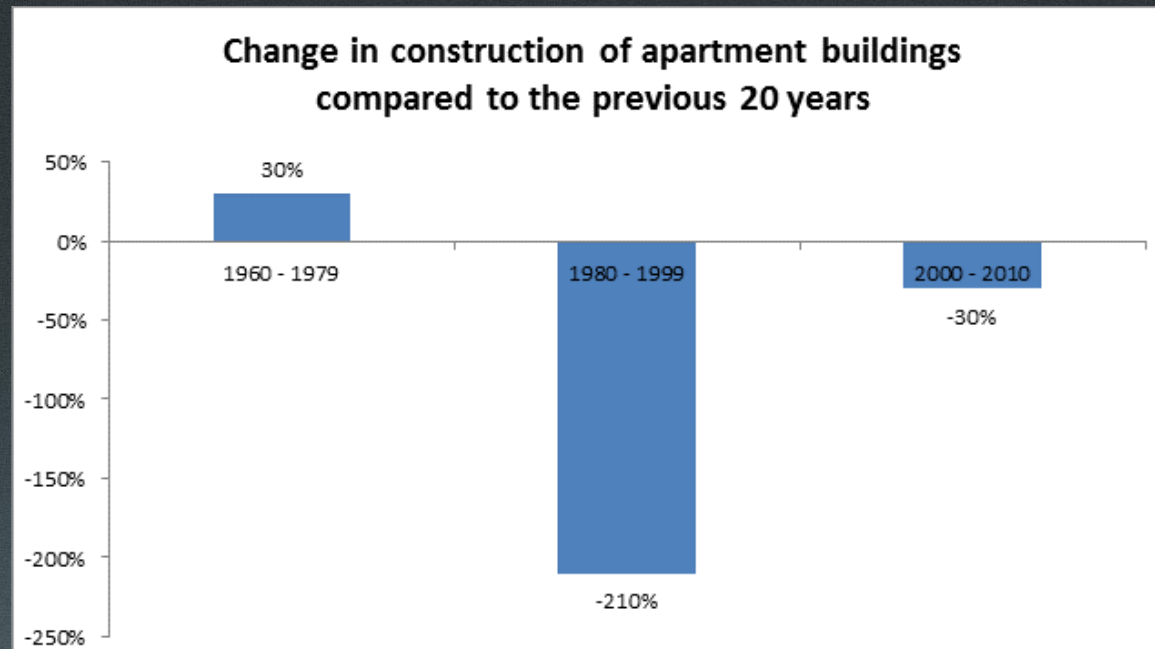
While the county and its 68 municipalities move slowly toward repairing the zoning dike which protects its communities of single-family homes from the on-rush of the city, the pressures against that dike continues to build up. The need for apartments is there. The money is there. But this pressure must be regulated if another Manhattan or Queens is to be avoided. The experts say there is no question that Long Island can protect itself from becoming another gray city. But they also say it had better start protecting itself fast.

And zoning laws did change. Today one of the biggest obstacles to building more multi-family housing is the existence of zoning laws that forbid it.

Source

* "The LI Apartment Invasion" by Robert A. Caro, *Newsday*, June 27, 28, 29, 1962

Building new apartments comes to a standstill in the **1980's and 1990's**



Not only did construction come to a virtual standstill in the 1980's and 1990's when only 169 buildings were completed (compared to 524 the previous two decades) but the movement that was sweeping NYC to convert rental apartments buildings to cooperatives reached Long Island. On Long Island, **22,356 rental units in 255 buildings** were converted to ownership status with the greatest number of conversions taking place in the 1980's.

Where did we build?

Almost half of all buildings were in the downtowns.

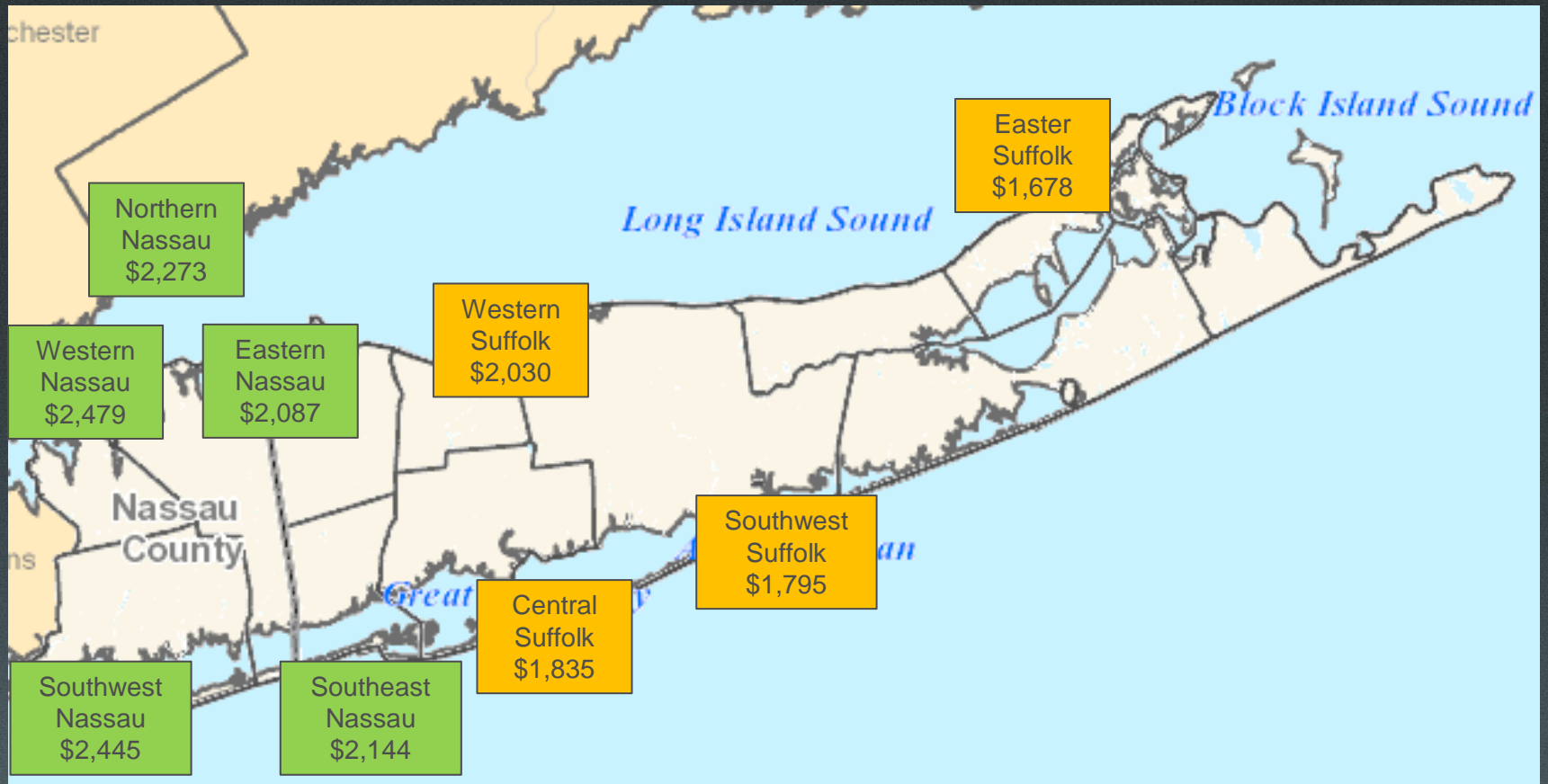
But larger buildings were constructed further from the downtowns so you end up with more apartment units away from the downtown than in it. Smaller buildings were completed in the downtowns.

BUILDINGS	
Outside downtown	Within downtown
53%	47%
APARTMENT UNITS	
Outside downtown	Within downtown
65%	35%

So if you are looking for an apartment today there is a stronger likelihood that you'll be away from transit centers, restaurants, bars, movies, places to meet friends.

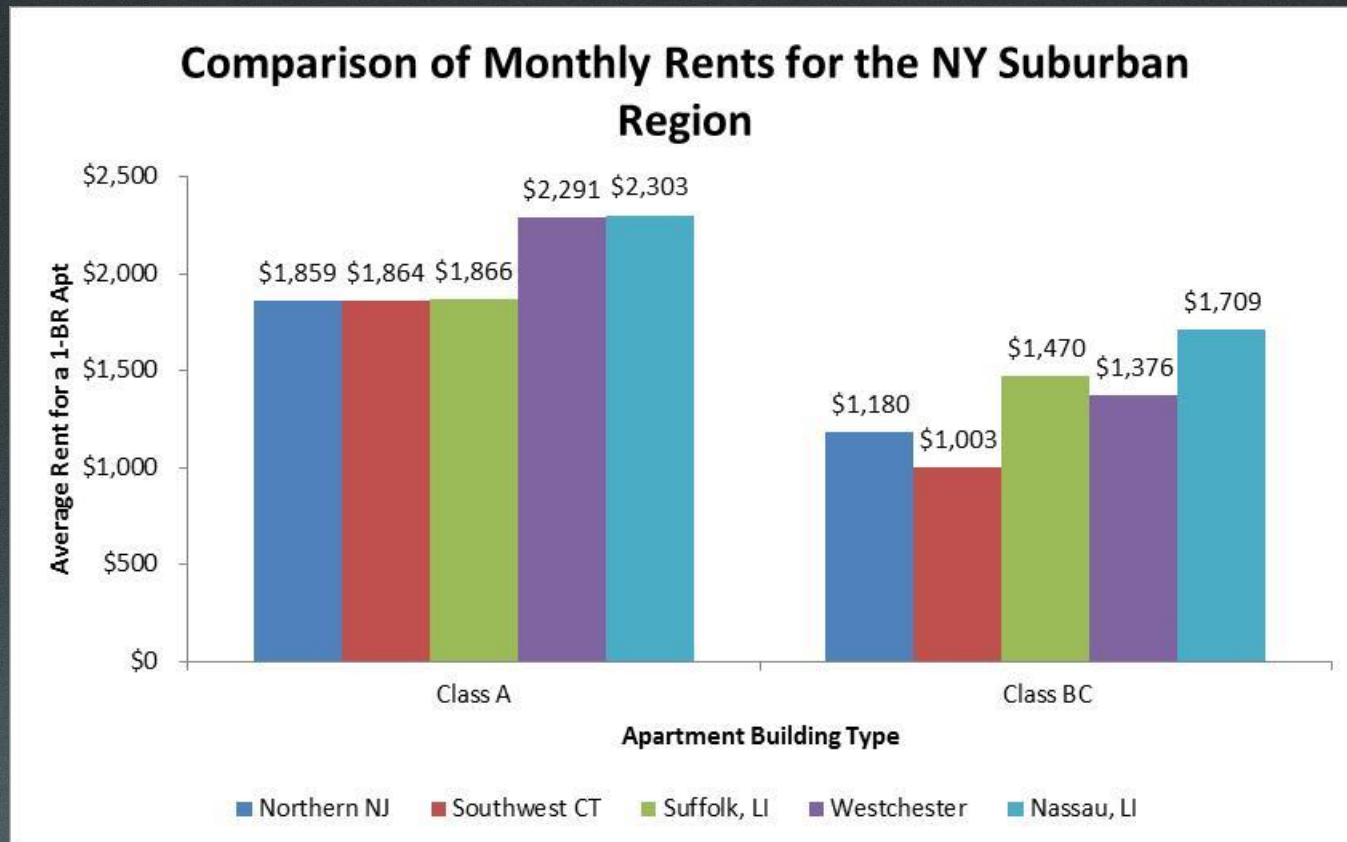
Rents for a one-bedroom on Long Island

How much you pay depends on where you live.



Source: Costar, 2nd Quarter 2015

Our rents are high compared to our suburban neighbors.



Class A indicates highest quality construction and workmanship, materials and systems and abundant amenities
Class BC indicates a more utilitarian space without special attractions. (Definitions from Costar.)

What's on the **drawing boards** for more **rentals** on Long Island?

Today there are about **72 rental projects** in the pipeline. If they are all completed, they could add another **21,425 apartment units** to the region.

With one enormous proposal excluded – Heartland with 9,000 units – the other projects average about **150 units per project**.

But will they all be built? Time will tell.

A full **78%** of the units are still in the **proposal** stage.

Under construction – 3,800 units (18 projects)

In various stages of planning – 925 units (8 projects)

Proposed – 16,700 units (46 projects)

What's on the **drawing boards** for more **rentals** on Long Island?

Where are we building?

36 of the projects with a total of 6,660 units are within the downtown area, near transit and other amenities.

This is equivalent to 50% of the projects and 31% of the units.

Who are we building for?

The overwhelming majority of the units are slated to be market price at this time.

- 3% are for seniors

- 3% are a mix of market-rate and affordable

- 8% are affordable, subsidized or income restricted

A brief note about Coops and Condos

In gathering data about rental buildings, we also collected information on coops and condos. Below is a brief summary of our findings.

Today we have **828 coop/condo buildings** with a total of almost **77,000 units**.

The majority of the buildings are in Nassau but there are more units in Suffolk.

Nassau: 440 buildings with 33,000 units, average size = 75 units/building

Suffolk: 388 buildings with 44,000 units, average size = 112 units/building

Nassau prefers the coop structure with **60%** of the non-rental multifamily units while Suffolk strongly prefers the condo structure for **80%** of their non-rental multifamily units.

77% are market rate, 1% are affordable. 17% are market rate but limited to seniors while 5% are affordable or income restricted.

321 coop/condos buildings (40%) with a total of 20,500 units (26%) are in the downtown.

A brief note about Coops and Condos

Pipeline:

There are 32 coops and condos in the pipeline with a total of about 5,000 units planned. Two-thirds are still in the proposal stage.

Under construction – 750 units

In various stages of planning – 1,100 units

Proposed – 3,150 units

9 projects with 1,075 units are within the downtown area.

56% of the units are scheduled to be market rate at this time and 38% are reserved for seniors.