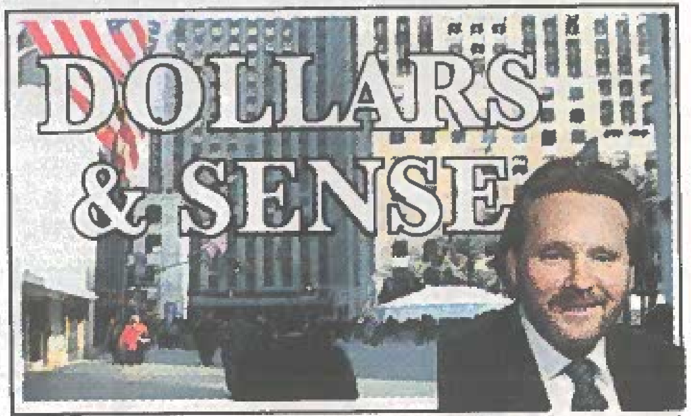
Study helps dispell common myths about landlords



with Bob Knakal

Q. Most apartment building owners are disrespected, and seemingly hated, by politicians, tenant advocates and housing court judges. Do you think this condition will ever change?

A. I don't know if "hated" is the correct word but ask most residential tenants or tenant advocacy organizers to describe the typical landlord (their term, I always use owner) in New York City and it's likely they would describe Mr. Potter, the mean-spirited, grumpy old man played by Lionel Barrymore in Frank Capra's 1946 classic holiday movie, "It's a Wonderful Life." In the movie, Mr. Potter is the perfect villain and counterpoint to the virtuous hero, George Bailey, played by Jimmy Stewart.

That perception should have changed tangibly based upon the study released a couple of years ago by Urbanomics, the acclaimed economic consulting firm. The study is an expanded survey of owners of rent-stabilized buildings in New York City which busted many of the myths about who owns apartment buildings in Gotham.

The Community Housing Improvement Program (CHIP) with the cooperation of the Rent Stabilization Association (RSA) retained Urbanomics to prepare the survey to better understand who rent-stabilized owners are as well as the problems facing them. The survey was performed by the polling firm Business Beanstalk which had no direct contact with CHIP or RSA.

This highly comprehensive study was the first of its nature in more than 25 years and consists of cumulative data and information based on a sampling of 50,000 rent stabilized buildings. The study provides strong evidence to dispel the Potter-like characterization that rent-stabilized owners are primarily large corporate interests, speculators, frequent "flippers" of properties and absentee owners who make obscene amounts of profits, unfairly taking advantage of their tenants.

In fact, the survey shows that a typical owner is a long-term investor, who is an immigrant, managing their own properties through family businesses, lives in or near their properties and are dependent upon their rental revenue for a significant portion of their incomes. If we take a closer look at some of the myths about multi-family building ownership, using statistical data from the survey, the results are impactful.

Myth #1 – Owners are primarily large corporate interests. In actuality, 48.2 percent of all owners are immigrants themselves or children of immigrants. In Queens, this percentage rises to 58.8 percent. Interestingly, nearly 40 percent of owners are minorities and 75.1 percent of owners either own individually or are part of a family business. In the Bronx, this percentage increases to 83.7 percent. Moreover, the survey found that 39.8% of owners held 10 or fewer total units and 76.1 percent owned fewer than 50 total units.

Myth # 2 – Owners are speculators and frequent flippers. Tenant advocacy groups like to vilify owners as speculators who are only in the game for quick profits. Owners of multi-family properties are not speculators, they are investors. Speculators passively speculate that something will be worth much more in the future based upon short-term occurrences over which they have no control. Stock speculation is the quintessential example of this. Owning and managing rent regulated housing in New York City profitably requires a lot of hard work. The very complicated maze of regulations is difficult to navigate and creates a tangible hurdle for first time buyers. Often, it is only through capital investment and operating efficiencies, over the long term, that profits are realized. It is for these reasons that the survey found that 70.5 percent of all owners have held their properties for more than 20 years. Only 13.4 percent of owners have had their buildings for less than 10 years and, of these, nearly half (46.4%) are foreign born.

Myth # 3 – Owners are not hands-on and operate as absentee owners. The survey found that an astonishing 92.1 percent of owners manage their own properties and, more surprisingly, 30.5 percent live in one of their buildings. Of those that live elsewhere, 25.1 percent live in the same borough and an additional 13.1 percent live in other boroughs of New York City.

Myth # 4 – Owners are making obscene levels of profits. The fact is that operating costs are increasing at a much more rapid rate than revenue is increasing based upon allowable regulated increases. Water and sewer charges, fuel and real estate taxes have all experienced massive increases for many years running. Given these conditions, the survey found that 49.1 percent of owners said the profitability of their buildings has decreased in recent years.

Based upon the facts found in the survey, reality differs from perception greatly. With most participants in the market believing that the next mayor of New York will make things harder for multifamily property owners, it will be interesting to see how conditions change.