

AN ANALYSIS AND EVALUATION OF RENTAL HOUSING IN THE CITY OF NEW YORK:  
SUPPLY AND CONDITION 1975-1978 BY PETER MARCUSE

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Rent control legislation in New York City requires that studies and investigations take place every three years to determine whether or not a vacancy in excess of 5% exists for either all housing accommodations or for any particular class of such housing accommodations, as determined by the city rent agency.

Accordingly, the New York City Division of Rent Control contracted with the U. S. Bureau of the Census so that the latter organization would conduct a 1978 New York City Housing and Vacancy Survey (1978NYCHVS). Arrangements were then made with Peter Marcuse, with the expectation that his study, Rental Housing in the City of New York: Supply and Condition 1975-1978 based on the findings of the 1978 NYCHVS, would give definitive answers to these questions.<sup>1</sup>

The presumption was that out of these contractual arrangements would emerge a disinterested, statistically valid estimate of vacancy rates prevailing in New York City in 1978. Unfortunately, this has not been the case.

There are several flaws in the 1978NYCHVS which either do not allow vacancy rates to be computed, for numerous classifications of housing accommodations, and/or which impart biases in their estimation.

1. The actual enumeration for the survey sample occurred in March and April of 1978. Now it is a well-known economic postulate that vacancy rates will vary directly with mobility of dwelling units occupants. That is to say that the greater the number of people moving in and out of housing accommodations, the higher will be the vacancy rate: if, in a certain week, virtually everyone in New York City were to move to a different housing unit, then the vacancy rate, for that week, would be enormous; if, on the other hand, virtually no one were to do so, then the vacancy rate would be approximately zero.













$$\begin{aligned}
 \text{Marcuse Vacancy Rate} &= \frac{a}{a + c + d} \\
 &= \frac{58,682}{58,682 + 1,868,030 + 62,000} \\
 &= \frac{58,682}{58,682 + 1,930,030} = 2.95\%^4
 \end{aligned}$$

In other words what MVR does is to count d, renter occupied dilapidated units in the denominator, but to ignore b, vacant dilapidated units available for rent from the numerator. In so doing, Marcuse has clearly biased the vacancy rate in a downward direction, since he includes dilapidated units in the denominator, but excludes equally dilapidated units from the numerator.

Note that the criticism of MVR does not concern itself with practical difficulties of measurement. We must reject MVR on the methodological grounds that it is asymmetric: it treats differentially the identical phenomena, dilapidated housing units, based on whether or not they are occupied or vacant. There can be no justification for such a procedure. We nevertheless inquire how Marcuse explains his choice.

He states:

*Should a unit that is vacant and being offered for rent, but that is dilapidated, or in such bad shape that it offers inadequate protection from the elements, be considered vacant and available? While such a unit is in the physical housing stock and while people in fact be living in units every bit as bad, such units should not be considered as vacant and available. It runs counter to public policy that people should live in units by definition unsafe or providing inadequate shelter (page l03).*

*.....a vacant dilapidated unit is not considered 'vacant available for rent' by the Bureau of the Census, consistent with established housing practice. Dilapidated units are not considered by public policy to be an acceptable alternative for households in need of housing. Yet many households, in a tight housing market such as that in New York, do in fact live in housing that public policy might not consider acceptable, but that is the only choice available to a particular individual or family. Sixty-two thousand households in fact lived in dilapidated housing in 1978 in New York City (page 113).*

The problem with this response is that it is really a justification for the Net Vacancy Rate, which excludes all dilapidated housing accommodations, whether occupied or vacant, over the Gross Vacancy rate, which includes such dilapidated units. If "public policy" considers a dilapidated unit which is vacant, and which the owner wants to rent as "really" unavailable, we have no basic objection to this procedure (we only object, as we have said, on the practical ground that it is presently impossible to gather reliable data on dilapidation). But we insist that this "public policy" which objects to the counting of dilapidated units be consistently applied: if vacant dilapidated units are not counted (b), then occupied dilapidated units (d) should not be counted either. (This would give us  $\frac{a}{a + c}$ , sound vacant units divided by the sum of sound vacant units and sound renter occupied units, or the Net Vacancy Rate). Or, if the 62,000 renter occupied dilapidated units are to be counted,



(d), then the 11,100 vacant dilapidated units, (b) should be counted also. (This would give the Gross Vacancy Rate  $\frac{a + b}{a + b + c + d}$ , all vacant units,

whether sound or dilapidated divided by the sum plus all renter occupied units, again whether sound or dilapidated).

It is not adequate to maintain that d, renter occupied dilapidated units, must be counted because there are actually people living in them, while b, vacant dilapidated units should not be counted because it is against "public policy" to count them as available for rent. In order to derive a scientifically legitimate vacancy rate, "public policy" to count them as available for rent. In order to derive a scientifically legitimate vacancy rate, "public policy," so called, must be applied symmetrically.<sup>5</sup> If it is not, "public policy" is merely an excuse for imparting a downward bias to the measured vacancy rate.

There is one fact that we must squarely face: this method of computing the vacancy rate which we have labelled MVR, or Marcuse's vacancy rate, although inconsistent, is not original with him. Instead, this is the formula which has been used in every such New York City Housing Survey in the past 15 years: by Kristof in 1960, Rapkin in 1965, Niebanck in 1968, Sternlieb in 1970, Bloomberg in 1975, and now by Marcuse in 1978.

We nevertheless stand by our assessment. Statistical validity is not a matter of nose counting. There is a right and a wrong in statistics, and it is independent of majority votes, even on the part of a group of otherwise distinguished economists. It is no accident that this method of computation is the one that has presided over the deterioration, and abandonment of large numbers of originally sound and viable housing units in New York City. To continue to have confidence in it because "it has always been done this way" is to invite further depredations of the New York City housing stock. It is intellectually akin to believing that the earth is flat because large numbers of otherwise intelligent people have always believed this to be so. It is completely untenable.<sup>6</sup>

What of the argument that the preceding is perhaps interesting to statisticians and economists, but irrelevant to the question of rent decontrol in New York City because even if the method of calculation urged here is adopted, the ensuing vacancy rate of 3.49% is still far below the statutory 5% level?

There are several problems with this tack.

i. While this is true of the entire city, it is not true of other particular classes of housing accommodation. Even in Marcuse's calculations, the vacancy rate for the Bronx is 5.18%. It is unfortunately impossible to calculate a proper vacancy rate whether on the borough or on any other level, for the breakdown is nowhere given in either the Marcuse Report or in the 1978NYCHVS. What we would need in order to make calculations is the breakdown of the 11,100 vacant dilapidated units, (b), and for the 62,000 renter occupied dilapidated housing units, (d), according to borough, structure classification, contract rent, year of construction, units in structure, etc.

ii. This oversight alone would be enough to cast doubt on the validity of the Marcuse report. When added to its other problems, as cited in the

present report, there is enough reason to call for an entire new report to supplant that of Marcuse.

There is reason to believe that the Bronx would receive a disproportionate share of the 11,100 vacant dilapidated units (b), for vacancy and dilapidation are not spread evenly throughout the city. They are rather concentrated in the poorest sectors, in which the Bronx, and especially the South Bronx, are strongly over-represented. (The 62,000 occupied dilapidated units (d) would also find their way disproportionately into the Bronx in an unbiased calculation, but this is less important, since this effect will be swamped by the relatively larger number of non dilapidated renter occupied units, (c).

The proper New York City vacancy rate of 3.49% represents an 18.31% increase over and above the 2.95% rate calculated by Marcuse. Applying this same percentage increase to Marcuse's estimate of 5.18% for the Bronx, we arrive at an estimated Bronx vacancy rate of 6.13%. Even this conservative estimate is almost statistically significant for the 5% rate.<sup>7</sup> If we could but have available the actual breakdown of the 11,100 city-wide vacant dilapidated units, this tendency would be even more pronounced.

## 2. Certificates of Occupancy.

The second instance of bias in Marcuse's work concerns the certificate of occupancy.

It is important to determine the precise point at which a newly built structure enters the market, for all such units enter, initially, as vacant.

There are two oft used procedures: when the building is closed in (external doors and windows are installed and unable floors are in place) and when the building is fully ready for occupancy, and a Certificate of Occupancy (C.O.) is issued (see Marcuse's discussion, pages 107,8). The latter yields a lower vacancy rate, and Marcuse naturally chooses it. But we have no criticism to make of this, since wither is a plausible measure, with advantages and disadvantages compared to the other.

Where we do object, and strenuously, is that Marcuse, having chosen the criteria which leads to the lowest vacancy rate, is not consistent in its application.

It will be remembered that the actual 1978NYCHVS enumeration took place in March and April of 1978. One would expect then, that all housing accommodations which had been issued a C.O. at the time of the enumeration and which were vacant, would be counted as vacant.

Instead, we learn that "Housing units for which a Certificate of Occupancy was issued for the first time after January 1978 were also excluded (from the 1978NYCHVS)."<sup>8</sup>

In other words, all housing units which came on stream between January 1978 and the time at which they were surveyed in March or April 1978, and were duly granted a C.O. during this period, were not counted as vacant, even though they were vacant, and had C.O.'s issued in their behalf.

We are, however, assured by the author that "the inclusion of such units in the sampling frame, had they all been excluded, would not have appreciably changed the vacancy rate finding from the survey."<sup>9</sup>

One of the touchstones of scientific inquiry, whether in the physical or social sciences, is repeatability. A scientific discovery of any kind cannot be taken as even provisionally established unless others, working independently, can verify it, using the same procedures.

Marcuse does not satisfy this requirement. He does not tell us how many housing units were issued C.O.'s in this interval, and were duly enumerated as vacant by the census takers, and yet were not so counted. Nor does he indicate why this decision not to include such units was made. But unless we are given this information, independent analysts have no means by which to verify the truth of this claim. He does not even offer us a citation supporting his view that "no appreciable change" in the vacancy rate is thereby committed.

In the absence of such information we are forced to call this conclusion into question.

### 3. Tenant Mobility.

Marcuse states:

*A unit which is committed for rental to an identified tenant about to move in is logically considered rented, although not yet occupied; how about a unit that is occupied, but from which the tenant has committed him or herself to move? Symmetry might require it to be considered vacant, but the practical difficulties of measurement, the wide margin of likely error, and the slight contribution that even a successful attempt would provide, have all suggested it not be considered vacant.<sup>10</sup>*

This is a totally unconvincing justification of the asymmetric treatment of the two categories which leaves open many more questions than it answers. Marcuse's choice again underestimates the true vacancy rate.

The problems are as follows.

One might readily agree that there might be "practical difficulties of measurement" and resulting "wide margins of likely error" for occupied, but contractually soon-to-be vacated dwelling units. But is there no symmetry? Is there not an equal likelihood of "practical difficulties of measurement" and resulting "wide margins of likely error" in the attempt to measure empty apartments with "an identified tenant about to move in"? Marcuse provides us with no answer.

We must also question his assertion that a successful attempt would only make a "slight contribution" toward reducing such error. Marcuse presents no evidence for this opinion, nor any information upon which we could rationally determine our own view.

### 4. Abandoned Housing Units.

Marcuse's estimate of the New York City vacancy rate is further understated by his failure to take into account abandoned housing units.

By their very nature, the presence of abandoned units increases the vacancy rate, for by definition they can only be vacant; a renter occupied abandoned unit is a contradiction in terms.

There are two possible ways to incorporate abandonment into the analysis of vacancy rates. In order to compute the Gross Vacancy Rate, all abandoned units, whether dilapidated or sound would be added to the numerator; nothing would be added to the denominator. The Net Vacancy Rate calculation, in contrast, would first distinguish between structurally sound and deteriorated housing components, adding only the former, not the latter, to the numerator. Again, no change in the denominator would be made.

It is unfortunately impossible to make such a calculation. Again, the Marcuse Report fails to calculate the vacancy rate by ignoring the phenomena of abandonment. Let us nevertheless attempt to estimate, in rough fashion, the effects of abandonment.

Ideally, we would want the figure for all abandoned housing units in the city. Instead, we are given 135,000 as the number of gross loss units in the three year period 1975-1978 (see Marcuse's discussion, pp. 69-73). Although this ignores losses in previous years, we must accept this as our first approximation.

This figure is subdivided as follows: Demolished: 24,700; Boarded up, burned out, etc.: 99,500; Non-residential: 10,400; Being renovated: 400. For our purposes, we must ignore the categories of demolished, burned out, non-residential and under renovation: such units are not available for occupancy. Boarded up is another matter, though. Here, some of the housing stock might be structurally sound, inhabitable, and it dilapidated, then no worse than other dilapidated units that are renter occupied. The difficulty is that Marcuse's data makes no such breakdown.

Let us assume, then, for the purposes of illustration, that of the boarded up, burned out, etc., category of 99,500, that 50% are boarded up and that 50% are burned out. And further, that of the boarded up units, that 50% of them are either sound or dilapidated, while the other half are truly uninhabitable, that is, in worse condition than units which are currently renter occupied, albeit termed "dilapidated." This would leave us, as an estimate, 25% of 99,500, or 24,875 units as in no worse shape than currently renter occupied dilapidated units.

Using Marcuse's own mode of calculation, factoring in this element, his estimate of 2.95% becomes 4.15%. Using the more appropriate calculation in which Marcuse (page 107) includes vacant (non-abandoned) dilapidated units, his estimate of 3.49% jumps to 4.68%. This is, to be sure, still below the statutory 5% level, but as we make these corrections, it is seen to be rapidly approaching it. The vacancy rates for several other classes of housing accommodations, including pre-eminently that for the Bronx will moreover take even greater upward spurts, as these categories are likely to be over represented in terms of housing abandonment.

TABLE 1

Vacancy Rates

Author of Report	Rapkin	Niebanck	Sternlieb	Bloomberg	Marcuse
Year of Actual Survey	1965	1968	1970	1975	1978
Total NYC	3.19	1.23	2.0	2.77	2.95
<u>By Control Status</u>					
Controlled	1.98	1.1	2.2	NA	NA
Not Controlled	4.93	2.1	3.5	4.4	3.73
<u>By Borough</u>					
Bronx	2.0	0.9	1.9	3.31	<u>5.18</u>
Brooklyn	3.8	1.5	2.2	2.72	3.07
Manhattan	3.8	1.4	2.0	2.73	2.29
Queens	2.3	0.6	1.8	2.19	1.88
Staten Island	2.9	3.8	1.7	<u>5.01</u>	2.57

Source: all 5 reports

TABLE 2

Vacancy Rate Above 5%

## Cited by Marcuse

Description	Rate	Source (M. Marcuse)
1. Bronx	5.18	p. 102
2. Built between 1975-1978 citywide, in structures	10.02	p. 115
3. In Bronx, monthly contract rent between \$150-\$199	6.66	p. 124
4. In Bronx, monthly contract rent \$300 and over	5.50	p. 124
5. <u>In Bronx, by structure class</u> multiple unit buildings	5.38	p. 125
6. old law tenement	22.79	p. 125
7. new law tenement	7.57	p. 125
8. NYC "other multiple"	8.05	p. 135
9. NYC, stabilized, built pre 1947	5.60	p. 136
10. NYC, 1 and 2 rooms, lacking facilities	5.69	p. 136

TABLE 3

Category	Description	Vacancy Rate	(68.27% Confidence Interval)	(95% Confidence Interval)
1	Bronx	5.18	(4.557-5.803)	(3.96-6.40)
2	In Bronx, monthly contract rent between \$150-\$199	6.66	(5.535-7.785)	(4.455-8.865)
3	In Bronx, monthly contract rent \$300 and over	5.50	(2.8-8.2)	(.21-10.79)
4	<u>In Bronx, by structure class multiple unit buildings</u>	5.38	(4.736-6.024)	(4.12-6.64)
5	old law tenement	22.79	(13.29-32.39)	(4.17-41.41)
6	new law tenement	7.57	(6.5725-8.5675)	(5.615-9.525)
7	NYC "other multiple"	8.05	(5.62-10.48)	(3.287-12.813)
8	NYC, stabilized, built pre 1947	5.60	(5.13-6.07)	(4.67-6.53)
9	NYC, 1 and 2 rooms, lacking facilities	5.69	(5.512-7.868)	(1.42-9.9588)

TABLE 4

Vacancy Rates: ( )

Series V: New York City HVS - 1978

Year-Round Vacant for Rent Units Cross-Tabulations

All Year-Round Vacant for Rent: New York City Structure Classification by Borough

	Total	Bronx	Brooklyn	Manhattan	Queens	Richmond
Total	(5.18)					
Multi-Unit Buildings	(5.38)					(4.29)
Old Law Tenement	(22.79)		(4.70)			
New Law Tenement	(7.57)					
Multi Built After 29						
1-2 Fam. Convrt. to Apt.	(4.03)	(10.47)				
Other Multi Dwellings	(8.05)		(4.39)	(7.52)	(66.99)	

Source: Series V, p. 1  
Series III, p. 1876

TABLE 5

Vacancy Rates

Series V: New York City NHVS - 1978

Year-Round Vacant for Rent Units Cross-Tabulations

Stabilized: New York City Structure Classification by Borough

	Total	Bronx	Brooklyn	Manhattan	Queens	Richmond
Total	4.42	8.86	4.71			10.00
Multi-Unit Buildings	4.42	8.87	4.72			10.00
Old Law Tenement	6.18	37.84	7.15	4.95		
New Law Tenement	6.36	10.66	5.51			
Multi Built After 29						7.55
1-2 Fam. Convrt. to Apt.	5.28	15.35		4.68	16.19	
Other Multi Dwellings	7.07		12.15	5.32		

Source: Series V, p. 7  
Series III, pp. 1885, 1888

TABLE 6

## Vacancies

Series V: New York City HVS - 1978

## Year-Round Vacant for Rent Units Cross-Tabulations

All Year-Round Vacant for Rent: Units in Structure by Borough

	Total	Bronx	Brooklyn	Manhattan	Queens	Richmond
Total	5.18					
1 or 2						
3 to 5		7.34	4.27			
6 to 9	4.09		4.25	5.23		
10 to 19		8.68				14.33
20 to 49		6.41				
50 to 99		5.64				
100 to 199			4.27			10.46
200 or More						

Source: Series V, p. 19  
Series III, p. 1891

TABLE 7

Series V: New York City HVS - 1978

## Year-Round Vacant for Rent Units Cross-Tabulations

Stabilized: Units in Structure by Borough

	Total	Bronx	Brooklyn	Manhattan	Queens	Richmond
Total	4.42	8.86	4.71			10.00
1 or 2						
3 to 5	10.28		26.85			
6 to 9	5.51	6.86	5.29	7.39		
10 to 19	5.67	14.91	4.61	4.17		14.33
20 to 49	6.23	9.64	5.85	5.06		
50 to 99		5.66				
100 to 199						22.08
200 or More		4.96				

Source: Series V, p. 25  
Series III, pp. 1900, 1903

TABLE 8  
Vacancy Rates

Series V: New York City HVS - 1978

Year-Round Vacant for Rent Units Cross-Tabulations  
All Year-Round Vacant for Rent: Monthly Contract Rent by Borough

	Total	Bronx	Brooklyn	Manhattan	Queens	Richmond
Total		5.18				
Less than \$100						
\$100 to \$124		4.07				
\$125 to \$149		6.25				
\$150 to \$199		6.66				
\$200 to \$249						
\$250 to \$299		4.85	4.51			8.14
\$300 to \$399		7.46	5.20			10.40
\$400 to \$499			5.44		5.87	
\$500 or More	4.4.			4.08	11.69	

Source: Series V, p. 55  
Series III, pp. 1981

TABLE 9  
Vacancy Rates

Series V: New York City HVS - 1978

Year-Round Vacant for Rent Units Cross-Tabulations  
Stabilized: Monthly Contract Rent by Borough

	Total	Bronx	Brooklyn	Manhattan	Queens	Richmond
Total	4.42	8.86	4.91			10.00
Less than \$100	4.41			8.27		
\$100 to \$124	6.51	10.40		6.85	4.31	
\$125 to \$149	7.04	13.40	6.52			
\$150 to \$199	5.68	10.10	5.12			
\$200 to \$249		4.30				
\$250 to \$299		5.57	4.63			33.51
\$300 to \$399		12.48				20.59
\$400 to \$499						
\$500 or More						

Source: Series V, p. 61  
Series III, pp. 1990, 1993

May 8, 1978



NOTES

1. Marcuse seems aware that such requirements will be placed on his study. On page 339 he states: "The purpose of the 1978 New York City Vacancy Survey was to measure certain vacancy rates, as well as various household and person characteristics. New York City is required by law to periodically conduct such an investigation in order to determine if rent controls should be continued."
2. We are again forced to speculate the vacancy rate in the South Bronx despite the law's clear mandate that this information should be presented as a fact by the professionally competent "studies and investigations" that the city rent agency is obligated to be caused to be made.
3. See Marcuse's discussion of this phenomena, pp. 145-7.
4. We note that Marcuse calls this measure the Net Vacancy Rate.
5. In a different context, where asymmetry threatens to impart an upward bias to a vacancy rate, Marcuse is concerned that such an occurrence not take place. He says: "If separately computed, the vacancy rate for Stabilized Pre-1947 (housing units), for instance, would be affirmatively misleading, because it would include among occupied units only those stabilized, but its vacant units include those both coming from the stabilized and the controlled sectors" (pp. 115,6). We applaud Marcuse's sentiments in behalf of non biased vacancy rate estimates in this case, but we insist that he apply them to the issue of dilapidation as well. (With regard to his substantive point on the Stabilized Pre-1947 category, we feel his task is to compute vacancy rates for classes of housing accommodations such as this, and not only to note upward bias. Marcuse should have first subtracted the number of vacant units from the controlled sector from the gross figure showing the sum of vacancies in both the controlled and stabilized sectors, and then used the resulting number to derive a proper unbiased vacancy rate).
6. This issue should be kept conceptually distinct from the question of comparability of the New York City vacancy rate time series. There is much to be said for continuing this calculation, even though biased, solely in order to maintain comparability in the measure over time. But if the needs of truth are to be also served, another series can be generated, and comparability maintained in it too, along the lines either NVR or, preferrably, GVR, as we have outlined them.
7. A 95% confidence interval for the 6.13% Bronx vacancy rate is (4.81%-7.45%).
8. See Marcuse, page 339. Material in brackets supplied by present author.
9. Ibid., page 339.
10. Page 103.