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## Housing costs are increasing, but New York's still sort of a deal

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REPRINTS



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The cost of housing in the New York City area is not soaring the way it is in the rest of the country—even though rents



The consumer price index for shelter shows prices increasing at less than half the speed in the New York area as nationally—2.1% between March 2021 and March of this year, compared with 5% for the U.S. as a whole, according to the latest CPI released by the Bureau of Labor Statistics and analyzed by City Comptroller Brad Lander this week.

Shelter refers to the cost of rent and what's called "owner equivalent rent," or the rental value of owner-occupied units. In New York City the overall inflation index gives more weight to housing costs because it is such an expensive place to live in the first place. This is only the second time in a nearly 50-year period that New York's total price index has run so far below the U.S.'s; at 37.5% for the city and 32.9% for the country, shelter accounts for the single-largest portion of the index.

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As a result, even though rents are growing at double-digit rates month over month, New Yorkers might not be feeling the same [pinch to their bank account](#) as Americans in other regions.

That could be because so many rent-stabilized units locally keep down the prices of hundreds of thousands of units, Lander said. The index, he added, is regional, and housing prices in the larger metropolitan area are indeed rising, according to data presented by the Federal Reserve Bank of New York.

The U.S. national index for housing affordability from Oxford Economics showed that [housing became less affordable](#) across the country in the last quarter of this year for those purchasing property. Affordability deteriorated most quickly in the Southeast and Mountain metropolitan areas, according to its latest briefing.

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For example, while home prices in Manhattan rose 7.3% over the year ending in February, they rose more than double that in Rockland, Orange and Ulster counties—places that became possible homes for those who used to live closer to their offices, thanks to the rise in fully remote work or occasional commuting.

During the year ending July 1, 2021, the city's population dropped by 305,665 people, according to population estimates released in March by the Census Bureau, possibly easing some price pressure. This was driven by a net domestic migration of 342,449 people—more than triple the city's average annual domestic migration losses, think tank Empire Center said.

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Those sweeping demographic changes could be creating demand for housing in areas far outside of the New York City metropolitan area, heightening the contrast between the local shelter inflation and theirs. In dozens of counties in Florida, Tennessee and North Carolina, home prices jumped by 30% year over year.

Despite the comparisons, New York City is not exactly wallet-friendly. Interest rates have recently jumped to an average of 5.1% for a 30-year fixed-rate mortgage, compared with just over 3% at the end of 2021. In mid-April the city's Rent Guidelines Board [suggested rent increases](#) of up to 9% for new two-year leases for rent stabilized apartments.

Along with these forward-looking indicators, there are “signals the metro will stay less affordable than most other U.S. metros,” said Oren Klachkin, the economist who wrote the Oxford Economics report.

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