WEALTH IN NEW YORK CITY AND THE NATION:
Evidence from the New York Social Indicators Survey and The Survey of Income and Program Participation

Lenna Nepomnyaschy
Columbia University

Irwin Garfinkel
Columbia University

Social Indicators Survey Center Working Paper
New York: Columbia University School of Social Work

#02-02

I. Introduction

In recent years, researchers and policy makers have focused increasingly on the role of assets in American families' finances. Studies have shown that the level of wealth accumulation in households may be a better predictor of stability and long-term security than income (Shapiro and Wolff 2001; Wolff 1995). Unfortunately, wealth inequality among American households is far greater than is income inequality. In 1995, the top 5% of wealth-holders controlled 60% of total household wealth. The largest portion of wealth accumulation of the middle class is in the form of housing, while that of the upper classes takes the form of financial assets (Oliver and Shapiro 1997). Thus, the distribution of financial wealth is even more skewed, with the top 5% of wealth-holders controlling 73% of all financial assets (Shapiro and Wolff 2001).

In this paper we will describe the wealth holdings of New Yorkers using pooled data from Wave 1 and Wave 2 of the New York Social Indicators Survey conducted in 1997 and 1999. We compare these figures to wealth holdings for the entire nation using data from the 1993 Survey of Income and Program Participation. Because homeownership is the most widely held form of assets in the United States and for the majority of people represents the largest proportion of their wealth portfolios (Wolff 1995), we use multivariate analyses to get a better understanding of who is more likely to own homes and how this differs between New York and the rest of the nation. Finally, we will use decomposition analysis to understand what factors may account for the observed differences.

II. Prior Research

The study of wealth as an important indicator of family well-being has only emerged in the past decade. Prior to the mid-1980's, there were almost no national data on the average family's asset holdings. In the mid 1980's, three surveys were developed that included comprehensive measures of household wealth: the Survey of Consumer Finances (SCF), the Survey of Income and Program Participation (SIPP), and the Panel Study of Income Dynamics (PSID). Unfortunately, wealth holdings have proven to be a difficult thing to measure, resulting in a wide range of findings from these three surveys (Wolff 1999).

In contrast to income, which is a flow of dollars over a period of time, wealth is the stock of assets less liabilities held by a household at one point in time (Wolff 1995). Although wealth can also generate income, such as interest, dividends and rental income, the importance of non-income generating assets such as a home and a car cannot be overstated. In addition to providing a flow of services, these assets provide security, may be used as loan collateral, and may be sold for cash in times of financial need.

Families with similar incomes but varying levels of wealth accumulation will have very different trajectories, especially in an economic downturn. Oliver and Shapiro (1997) find that the average American family has only enough net financial assets to survive three months of financial hardship. In other words, without public assistance and help from friends and family, the average family would be homeless and hungry after just three months. Additionally, they find that one out of three households has no or negative net financial assets.

The accumulation of wealth depends on inheritance, earnings, and savings and is thus highly correlated with income (Shapiro and Wolff 2001). There is disagreement among researchers as to how large a role inter-generational transfers play in households' asset holdings. One group claims that about 80% of wealth accumulation is due to inheritance and gifts, while another group suggests that the figure is closer to 20% (Oliver and Shapiro 1997).

Besides income, another important predictor of wealth is age. Wealth holdings increase until the age of 69 and then begin to fall as people plan to retire and liquidate assets. Those with higher levels of educational attainment are expected to have more assets because they may have access to better paying jobs with benefits. The demographic characteristic with the biggest disparity in wealth holdings is race. Data from the SIPP show that in 1988, Black households earned sixty-two cents for every dollar that White households earned in income; however, White households had almost twelve times the median net worth of these same Black households (Oliver and Shapiro 1997). In 1994, using the PSID, Hurst, Luoh and Stafford (1998) found that Whites had almost eight times the wealth holdings of Blacks.

This study will contribute to prior research by comparing the wealth holdings of households in New York City with that of households in the rest of the nation. We will examine the determinants of wealth in each region and compare the relative strengths of these explanatory factors.

III. The Data

New York Social Indicators Survey

This analysis examines combined weighted data from Wave 1 and Wave 2 of the New York Social Indicators Survey (NYSIS) collected in 1997 and 1999, respectively. The Social Indicators Survey uses a repeated cross-sectional design to "take the social temperature of the city"(Meyers and Teitler 1999). Data are collected every two years through telephone interviews with a randomly selected group of New Yorkers. The survey is representative of English and Spanish-speaking city residents and is further adjusted using data from the U.S. Census Bureau's Current Population Survey.

The Social Indicators Survey has several good measures of assets and debts that allow for analysis of New Yorkers' wealth holdings. Respondents are asked to report the total value of their assets, including: bank accounts, stocks, bonds, IRA's, retirement and pension accounts, businesses, and other real estate besides their homes. People are asked if they own a home. If they do, home equity is assessed by asking respondents how much they owe on it and how much they think it would be worth today. Finally, personal debt is assessed by asking for the total amount owed on all credit cards. In addition to these indicators of financial well-being, the SIS measures social assets, which are a critical dimension of a family's resources and connectedness to others. Respondents are asked about the amount of cash they could borrow from friends and family in case of an emergency.

Survey of Income and Program Participation

We use data from the Survey of Income and Program Participation (SIPP) to compare New York City to the nation as a whole. Data from 1993 SIPP Wave 7 are

used, which were collected between February and May of 1995. Weighted national figures are representative of the wealth holdings of non-institutionalized, non-military Americans in 1995. Demographic variables were taken from the SIPP Wave 7 Core dataset and Topical Module 2, while asset and liability variables were taken from 1993 Topical Module 7. Topical Module 7 asks numerous questions about different kind of assets. Specifically, it includes individual questions about home equity, vehicle equity, business equity, interest-earning assets in banking institutions, interest-earning assets in other institutions, equity in stocks and mutual funds, real estate other than one's home, IRA and Keogh accounts, and other assets (mortgages held, money owed for sale of business, U.S. savings bonds, checking accounts, and other interest-earning assets). In our estimation of net worth from the SIPP, we eliminate vehicle equity from the list of assets in order to match the SIS data. Mean and median vehicle equity for this sample amount to $8,125 and $5,498, respectively.

Measures of Wealth

We examine several indicators of wealth in the SIS and SIPP datasets: gross financial assets, credit card debt, net financial assets, homeownership, home equity, and net worth. Net worth, calculated as net financial assets plus home equity, is considered the best and is the most often cited measure of family wealth. By subtracting credit card debt from gross financial assets, we arrived at our net financial asset measure. This indicator reflects a family's ability to tap into liquid holdings, which are essential for emergencies, large purchases, or family vacations. Home equity is an important measure of resources because it can be used as collateral for bank loans, and is also one of the largest sources of inter-generational transfers of wealth.

The measure of net worth in the SIPP uses respondents' unsecured debts, including: credit card and store bills, medical bills, loans from individuals, educational loans, and bank loans. In order to create comparable estimates to the SIS, only credit card debt was included in our measure.

IV. New York City and the Nation

Net Worth

As illustrated in Table 1, net worth holdings in New York City are characterized by a wide chasm between a small number of very wealthy families and a substantial minority of families with no or negative assets. We find that New Yorkers have $93,170 in mean net worth, as compared to $95,636 for the nation, but only $1,250 of median net worth as compared to $36,684 for the nation as a whole. These figures demonstrate how average wealth distribution is skewed by those at the upper end. Although this is true for the entire nation, this factor seems to be especially prevalent in New York City. Looking at categories of net worth, we see further evidence of this disparity, with 41% of New Yorkers having $0 or less net worth, but only 16% of people in the nation as a whole lacking these resources. More striking is the fact that 58% of New Yorkers have less than $5,000 of net worth, while only 31% of people in the rest of the nation are in this category.

Homeownership and Home Equity

New Yorkers own their own homes at a much lower rate than do people in the rest of the nation. However, the homes that people do own in New York City are worth a great deal more than homes of people throughout the nation. We find that only 26% of

New Yorkers own their own home, while homeownership rates for the nation are more than double that, averaging 60%. However, mean home equity for people who own a home in New York City is more than twice the national average ($188,900 and $79,279, respectively). The median home equity for this group of New Yorkers is $145,321 compared to $60,777 for the nation.

Financial Assets and Debt

The inequality of wealth distribution is further demonstrated when analyzing financial asset holdings. In terms of gross financial assets, the mean in New York is $62,460 a substantially higher figure than the $48,861 found for the nation. Looking at median gross assets, a very different picture emerges with New York median assets at $2,000 and the national median at $4,537. Breaking down gross financial assets into categories provides further evidence for this disparity. 33% of New Yorkers had zero or negative financial assets as compared to 15% of people in the nation. And only 10% of people in New York reported assets of more than $100,000, with 13% reporting this much nationally.

Table 1: Indicators of Wealth in New York City and the Nation in 1999 dollars

Asset Variables	NYSIS Waves 1&2 Pooled	SIPP – National
Net Worth	N = 2080	N = 17,834
Mean	$93,170	$95,636
Median	$1250	$36,684
Categories of Net Worth		
$0 or less	41%	16%
$1 - $5,000	17%	15%
$5,001 - $100,000	24%	39%
More than $100,000	18%	29%
Homeownership	N = 2874	N = 17,834
	26%	60%
Home Equity	N = 2594	N = 17,834
Mean	$33,895	$48,215
Median	$0	$19,722
Home Equity for Homeowners	N = 525	N = 11,149
Mean	$188,900	$79,279
Median	$145,321	$60,777
Gross Financial Assets	N = 2248	N = 17,834
Mean	$62,460	$48,861
Median	$2000	$4537
Categories of Gross Financial Assets		
$0 or less	33%	15%
$1 - $5,000	24%	36%
$5,001 - $100,000	33%	35%
More than $100,000	10%	13%
Credit Card Debt	N = 2636	N = 17,834
Mean	$2640	$1441
Median	$0	$0
Net Financial Assets	N = 2216	N = 17,834
Mean	$60,115	$47,421
Median	$1038	$3333
Categories of Net Financial Assets		
$0 or less	43%	26%
$1 - $5,000	18%	27%
$5,001 - $100,000	29%	33%
More than $100,000	10%	13%
Total Family Income	N = 2874	N = 17,725
Mean	$33,240	$40,854
Median	$24,490	$32,546
Categories of Income		
$12,000 or less	34%	16%
$12,001-$30,000	24%	31%
$30,001-$60,000	25%	32%
More than $60,000	17%	21%
Ability to Borrow	N = 2755	
Not even $100	15%	
$100 but not $1000	22%	
$1000 but not $10,000	39%	
At least $10,000	24%	

Data are weighted.

New Yorkers had $2,640 in average credit card debt, while all Americans reported $1,441. Median credit card debt was $0 in both datasets, indicating that fewer than half of the people in both samples had any credit card debt. We find that New Yorkers have $60,115 in average net financial assets, while nationally the figure is $47,421. These figures, of course, are explained by the previously mentioned higher gross financial assets found in the SIS analysis. Looking more closely at these numbers, we see that 43% of New York respondents had $0 or less in net financial assets, with only 26% lacking assets in the nation as a whole.

To summarize, we see some differences between New York City and the rest of the nation in net financial asset holdings; however, we see very large differences in net worth.

V. Wealth in New York City: Sub-Group Differences

Table 2 below presents findings about the wealth holdings for various sub-groups in New York City. The most striking finding of these wealth data is the disparity in the distribution of assets among various groups. We looked at differences by borough of residence, race, immigrant status, whether there are children in the household, education and age.

Borough of Residence

We observe very large differences in mean and median values for net worth by borough of residence. Those living in Manhattan report the highest level of mean net worth, with almost 4 times the mean net worth of those in the Bronx. However, the highest median net worth of $21,000 is in Staten Island, while median net worth in

Manhattan is only $1,038. Categories of net worth confirm that those in the Bronx are the worst off, with 53% of residents with $0 or less. Queens and Staten Island have the most equitable distributions of net worth, with similar numbers of residents in the top and bottom categories. These figures point to Manhattan as having the widest disparity between a small number of wealthy people and the majority who have almost no wealth holdings. It is also important to note that Staten Island and Queens have the highest rates of homeownership (49% and 39%, respectively), while Manhattan has the lowest at 14%.

In terms of the ability to borrow money from friends and relatives in an emergency, we see that Bronx residents are in the most precarious situation with nearly one out of four not being able to borrow even $100. Those in Staten Island, appear to have the most resources at their disposal with 81% of residents being able to borrow at least $1000, while in the Bronx only 40% are in this situation. Mean family income ranges from a high of $42,289 in Manhattan to a low of $28,642 in Brooklyn. However, median income, which is a more reliable measure, is $15,785 in the Bronx, much lower than any other borough.

Race

On average, Whites have almost seven times the net worth of Blacks and nearly eight times that of Hispanics (means of: $171,636; $26,160; and $21,511, respectively). Median figures of net worth emphasize this point further with Whites having $14,013 of median net worth as compared to only $623 for Blacks and $0 for Hispanics. Examining categories of net worth holdings, we find that 28% of Whites report $0 or less, while 43% of Blacks and 63% of Hispanics face this situation. On the other extreme, almost one out

of every three White New Yorkers reports over $100,000 in net worth, while only 7% of Blacks and 4% Hispanics have these amounts

As noted above, homeownership is the most widely held form of asset in the United States and for the majority of people represents the largest proportion of their wealth portfolios (Wolff 1995). Not surprisingly, we find large variations in homeownership rates, with Whites owning homes at twice the levels of Blacks and over three times the levels of Hispanics (37% vs. 18% and 11%, respectively).

In terms of income, we find Whites reporting $43,351 in mean family income as compared to $25,568 for Blacks and $21,745 for Hispanics in New York. Median income for White New Yorkers is $35,000, nearly double that for Blacks at $18,410, and nearly triple that for Hispanics at $13,452. As found in previous research, wealth differentials by race are much greater than those for income (Oliver and Shapiro 1997; Wolff 1995):the ratio of mean family income for Whites to Blacks is 1.6:1 and Whites to Hispanics is almost 2:1, while the comparable mean net worth ratios are 7:1 and 8:1.

Immigrant Status

Reflecting the fact that New York has a very large proportion of recently arrived and illegal immigrants, we see a large disparity in wealth holdings between those born inside and outside the U.S. Immigrants report approximately half the mean net worth of non-immigrants, and are much more likely to have $0 or less net worth than those born here (51% vs. 34%). Immigrants are also much less likely to own their own homes, 18% vs. 31%, respectively. 18% of immigrants report not being able to borrow $100, with the same proportion reporting being able to borrow at least $10,000. For non-immigrants these proportions are 13% and 29%, respectively.

Education

Educational attainment is an important predictor of wealth. We see that those without a high school diploma in New York are one of the most disadvantaged groups. The mean net worth for this group is $25,600, with 62% reporting $0 or less. It is interesting to note that even for those with at least a college degree, almost one in four have $0 or less net worth in New York. This outcome may be due to the greater number of minority and immigrant families in New York whose children may achieve educational success but have no inter-generational transfers of wealth to rely upon unlike many U.S. born college graduates.

Age

As one would predict, wealth holdings increase with age, although the distribution by categories of net worth presents some inconsistencies. We again see a large disparity between those with assets and those without. Mean net worth for the youngest age group is $44,559, while it is $182,376 for those in their prime earnings years of 50-64. However, while 40% of people in the youngest age group report $0 or less net worth; fully half of those in the most prosperous group are in this category.

Table 2: Wealth in New York City by Selected Sub-Groups

	Borough of Residence				
	Bronx	Brooklyn	Manhattan	Queens	Staten Island
Net Worth	N = 397	N= 691	N = 324	N = 544	N = 124
Mean	$38,096	$69,304	$142,703	$117,755	$115,310
Median	$0	$1,038	$1,250	$7,000	$21,000
Net Worth Categories					
$0 or less	53%	42%	42%	30%	35%
$1-$5000	16%	19%	15%	17%	8%
$5001-$100,000	22%	25%	25%	25%	23%
$100,001 +	9%	14%	17%	27%	33%
Homeownership	N = 519	N = 930	N = 448	N = 679	N = 182
	19%	21%	14%	39%	49%
Ability to Borrow	N = 494	N = 900	N = 422	N = 763	N = 176
Not Even $100	23%	15%	14%	13%	5%
$100 but not $1000	27%	23%	20%	21%	14%
$1,000 but not $10,000	37%	43%	29%	39%	51%
At Least $10,000	13%	19%	37%	27%	30%
Total Family Income	N = 519	N = 930	N = 448	N = 795	N = 182
Mean	$28,855	$28,642	$42,289	$35,240	$39,782
Median	$15,785	$23,802	$30,657	$27,000	$32,000

Table 2: Wealth in New York City by Selected Sub-Groups (Continued)

	Race/Ethnicity				Immigrant	
	White	Black	Hispanic	Asian/ Other	Born in US	Born Elsewhere
Net Worth	N= 864	N = 515	N = 507	N = 170	N = 1272	N = 804
Mean	$171,636	$26,160	$21,511	$81,753	$115,909	$58,798
Median	$ 14,013	$ 623	$ 0	$ 6,228	$ 4,800	$ 0
Net Worth Categories						
$0 or less	28%	44%	63%	31%	34%	51%
$1-$5000	13%	21%	20%	16%	16%	16%
$5001-$100,000	28%	28%	13%	32%	28%	19%
$100,001 +	32%	7%	4%	21%	22%	13%
Homeownership	N = 1234	N = 687	N = 679	N = 215	N = 1750	N = 1114
	37%	18%	11%	30%	31%	18%
Ability to Borrow	N = 1189	N = 656	N = 650	N = 209	N = 1675	N = 1070
Not Even $100	10%	18%	25%	7%	13%	18%
$100 but not $1000	14%	28%	32%	19%	20%	25%
$1,000 but not $10,000	37%	43%	36%	46%	38%	39%
At Least $10,000	40%	12%	7%	28%	29%	18%
Total Family Income	N = 1234	N = 687	N = 679	N = 215	N = 1750	N = 1114
Mean	$43,351	$25,568	$21,745	$34,675	$37,326	$26,812
Median	$35,000	$18,410	$13,452	$26,312	$29,769	$18,628

Table 2: Wealth in New York City by Selected Sub-Groups (continued)

	Education				Age			
	Less than 12 Years	High School	Some College	College or More	Less than 36	36 – 49	50 – 64	65 and Over
Net Worth	N = 523	N = 557	N = 441	N = 553	N= 948	N = 546	N = 387	N = 200
Mean	$25,600	$51,392	$87,385	$204,532	$44,559	$94,222	$182,376	$149,203
Median	$ 0	$ 523	$ 1,298	$ 20,760	$ 1,038	$ 1,250	$ 0	$ 6,228
Net Worth Categories								
$0 or less	62%	41%	37%	23%	40%	40%	50%	29%
$1-$5000	17%	20%	19%	11%	22%	16%	6%	15%
$5001-$100,000	14%	24%	27%	33%	28%	22%	18%	27%
$100,001 +	7%	15%	17%	33%	11%	22%	26%	29%
Homeownership	N = 729	N = 818	N = 537	N = 777	N = 1148	N = 772	N = 566	N = 388
	14%	30%	23%	34%	16%	28%	33%	41%
Ability To Borrow	N = 703	N = 783	N = 521	N = 738	N = 1113	N = 745	N = 539	N = 358
Not Even $100	28%	14%	12%	5%	10%	14%	18%	29%
$100 but not $1000	29%	25%	23%	11%	19%	22%	24%	27%
$1000 but not	32%	43%	40%	40%	42%	41%	37%	26%
$10,000	11%	18%	25%	44%	28%	23%	22%	18%
At Least $10,000								
Total Family Income	N = 729	N = 818	N = 537	N = 777	N = 1148	N = 772	N = 566	N = 388
Mean	$13,478	$28,689	$34,740	$55,983	$32,352	$41,920	$33,963	$17,076
Median	$ 9,588	$22,800	$28,476	$48,000	$24,100	$35,000	$25,434	$10,800

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VI. Multivariate Analyses of Home ownership in NY and the Nation

Methods

As mentioned in a previous section, we found that most of the difference in wealth holdings between New York City and the rest of the nation is being driven by homeownership rates. In order to more fully understand which characteristics predict homeownership in the two samples, we performed multivariate analyses. Because our dependent variable, homeownership, is dichotomous, logistic regression is the more appropriate analytical technique. However, results from Ordinary Least Squares (OLS) regressions are easier to interpret and are necessary to perform subsequent computations in the next section. Because the house price to rent ratio is an aggregate level variable (by Metropolitan Statistical Area (MSA) for SIPP and by borough for SIS), the observations are not independent within these groups. The 'cluster' command in STATA corrects for this assumption violation and produces robust standard errors.

Our predictor variables include demographics, socioeconomic status, length of time in the area, and a measure of home affordability. Based on prior research, we include race, age, marital status, number of people in the family, and whether there are children in the family. We predict that minorities, those who are younger, have less education, are single, have fewer people in the family, and have no children will have lower rates of homeownership (Gyourko and Linneman 1996). We include the household's immigrant status and when they arrived in this country, assuming that more recent immigrants have increased barriers to homeownership (Coulson 1999). We also include a measure for the number of adult years spent in the county or city (for New York). Newcomers to a region are inherently more mobile and are more likely to be renters than long-time residents

(Painter, Gabriel and Myers 2000). Socioeconomic status is measured by current income and by the level of educational attainment as a proxy for lifetime income (Goodman 1988). We include categories of net financial assets, which indicate a family's ability to produce a down-payment for a home. Finally, we include a measure of home affordability by creating a house price to fair market rent ratio for each Metropolitan Statistical Area in the nation and each borough in New York. We predict that a higher price to rent ratio will be associated with lower levels of homeownership (Coulson 1999; Painter, Gabriel and Myers 2000).

Housing prices for the national sample were taken from the Metropolitan Data of the American Housing Survey and were matched with the Metropolitan Statistical Areas (MSA's) identified in the SIPP. For MSA's that could not be matched, the closest geographic area was used as a substitute. Areas without a close match and observations with missing data for the MSA variable were dropped from the analysis. Locations not in metropolitan areas were assigned the national median for house prices outside metropolitan areas.[1] Metropolitan areas were surveyed in various years between 1994 and 1999. The most recent data were used and figures were adjusted for inflation using the Consumer Price Index for housing (U.S. President 2001). Housing prices in New York City were taken from individual reports in the SIS. Median home values for those who owned homes in each borough of residence were assigned to all observations in that borough.

40th percentile Fair Market Rents (FMR's) for 1999 were obtained from Department of Housing and Urban Development (HUD) data and were available for all MSA's in the SIPP. FMR's for areas outside MSA's were averaged and assigned to all non-metro regions in the SIPP. Because FMR's were not available for New York City by

borough, actual reports from the SIS of rent paid by those with no rental assistance were combined with the FMR for the New York MSA. The FMR for the entire New York MSA was multiplied by the ratio of median rent for each borough to the mean rent in the city to create a quasi-FMR that would be comparable to that in the national analysis.[2] The figure for each borough was then assigned to all residents in that borough.

Table 3 presents weighted means of the explanatory variables included in our regressions. Not surprisingly, the New York city sample is much more racially and ethnically diverse than the rest of the nation. Minorities represent over half of the sample, while in the nation as a whole, they represent just under one quarter. 90% of the national sample are U.S. natives, while only 62% of New Yorkers are. Additionally, almost one of out ten New Yorkers arrived here in the last decade, while only 2% of people in the nation are in this category. People in New York have smaller families, are a little less likely to have children, and are much less likely to be living in a married family (35% vs. 55%).

Surprisingly, New Yorkers have spent a longer portion (3 more years) of their adult years in the city than people in the rest of the U.S. have spent in their county of residence. We observe that New Yorkers are younger than people in the rest of the U.S., but have similar levels of educational achievement. In terms of income, 58% of New York families earn $30,000 or less annually, while only 47% of Americans are in this situation. Finally, we see that house prices and rents in New York are quite a bit higher than in the rest of the nation. However, the price to rent ratio reveals that house prices are disproportionately higher in New York relative to rents as compared to the rest of the nation.

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[1] See Appendix B for detailed description.
[2] See Appendix C for detailed description.

Table 3: Weighted Means of Selected Variables for the Non-missing New York City and U.S. Sample

	SIS New York	SIPP National
Homeownership	.26	.61
White	.45	.78
Black	.24	.11
Hispanic	.24	.08
Asian/Other	.07	.03
US Born	.62	.91
Year Arrived in U.S.		
Before 1972	.12	.03
1973-1982	.08	.02
1983-1990	.09	.02
1991-1999	.09	.02
Number in family	1.96	2.51
Any kids in Household	.31	.37
Married Family	.35	.54
# of Adult Years in New York City (County)	19.28	16.26
Less than High School	.25	.22
High School Diploma	.29	.32
Some College	.19	.24
College Degree or Better	.27	.22
Less than 36	.40	.27
36 – 49	.27	.31
50 – 64	.19	.20
65 and over	.13	.22
Income Categories		
$12,000 or less	.34	.16
$12,001 – $30,000	.24	.31
$30,001 - $50,000	.19	.24
$50,001 – $100,000	.17	.23
More than $100,000	.06	.06
Net Financial Asset Categories		
$0 or Less	.32	.27
$1-$5,000	.39	.27
$5,001-$100,000	.22	.33
More than $100,000	.08	.13
Housing Prices	$202,722	$121,799
Fair Market Rents	$861	$611
Price to Rent Ratio	235	193

Table 4: OLS Coefficients for Homeownership in New York and the Nation

	SIS – New York		SIPP – National	
	OLS Coeffs	(SE's)	OLS Coeffs	(SE's)
Race/Ethnicity				
White	Omitted		Omitted	
Black	-.095	(.054)	-.054***	(.016)
Hispanic	-.148*	(.035)	-.055*	(.022)
Asian/Other	-.051	(.030)	-.046†	(.024)
Year Arrived in U.S.[a]				
US Born	.073*	(.022)	.115***	(.025)
Before 1972	.117*	(.033)	.122***	(.027)
1973-1982	.092†	(.035)	.158***	(.024)
1983-1990	.012	(.028)	.094*	(.037)
1991-1999	Omitted		Omitted	
# of People in Family	.007	(.013)	.003	(.004)
Children Present	.032	(.040)	.052***	(.010)
Married Family	.059***	(.007)	.149***	(.012)
# of Adult Yrs in Same City/County	.005†	(.002)	.008***	(.001)
Educational Attainment				
Less than H.S.	Omitted		Omitted	
High School Diploma	.048	(.035)	.046***	(.013)
Some College	.052**	(.010)	.056***	(.010)
College Degree or Better	.093**	(.012)	.077***	(.012)
Age				
Less than 36	Omitted		Omitted	
36 – 49	.039	(.022)	.125***	(.010)
50 – 64	.084***	(.007)	.171***	(.016)
Over 64	.077	(.085)	.137***	(.014)
Household Income				
$12,000 or less	Omitted		Omitted	
$12,001 – $30,000	.017	(.013)	.092***	(.008)
$30,001 - $50,000	.042*	(.015)	.196***	(.013)
$50,001 – $100,000	.159**	(.028)	.296***	(.014)
More than $100,000	.258**	(.037)	.286***	(.021)
Net Financial Assets				
$0 or less	Omitted		Omitted	
$1-$5,000	.099	(.008)	.069***	(.012)
$5,001-$100,000	.115**	(.020)	.181***	(.010)
More than $100,000	.219***	(.022)	.186***	(.012)
House Price to Rent Ratio	-.003†	(.001)	-.001***	(.000)
Intercept	.610	(.307)	.015	(.044)
N =	2729		15011	
R^2 =	.2547		.3241	

† p < .1; * p< .05; ** p < .01; *** p < .001

[a] Because SIPP data were collected in 1993, arrival in US categories in SIPP data are: Before 1969; 1970-1979; 1980-1984; 1985-1993.

Results

Table 4 presents results for OLS regressions of homeownership on a variety of characteristics for the New York City and national samples. In general the New York City and national results are similar. In both New York and the nation, members of minority groups are less likely to own their own homes than are Whites. Blacks are 10 percentage points or 38% (10÷26) less likely in New York but only 5 percentage points or 8% less likely in the rest of the nation. The differences for Hispanics are even more dramatic. In New York Hispanics are 15 percentage points or 58% less likely to own their own home but in the rest of the nation they are only 6 points or 10% less likely. Those born in the U.S. are more likely to own their homes than the most recently arrived immigrants. Additionally, we observe that those in every earlier category of arrival in the U.S. are more likely to own their own homes, with New Yorkers arriving before 1972 being the most likely and those arriving between 1983 and 1990 being the most likely in the rest of the nation.

The number of people in the family is not significantly predictive of homeownership in New York or the nation. The presence of children in the family increases the rate of homeownership in the nation, but is not statistically significant in New York. However, being in a married family significantly increases the likelihood of homeownership for both regions. Stability in the city or county of residence is also significantly predictive of homeownership in both samples.

Educational attainment, as noted previously, contributes to higher levels of homeownership and has quite similar effects across our two samples. Those with a college degree or better are between 13% (U.S.) and 35% (New York) more likely to own their

home than those who did not complete high school. Age, throughout the distribution, is an important predictor of homeownership in the nation, with 50-64 year olds being 17 percentage points or 28% more likely to own their own homes than those under 36. In New York, age does not seem to be as strong a factor, with only the 50-64 year olds having a significantly higher rate of homeownership than those under 36.

Income is a very important predictor of homeownership. Families with more than $100,000 of household income are 25 percentage points or 96% (New York) and 29 percentage points or 48% (U.S.) more likely to own their home than families with less than $12,000 of income. Nationally, families in the next three lower income brackets remain much more likely to own homes than those in the lowest. In New York, it appears that families with incomes between $12,000 and $50,000 are only slightly more likely to own homes than those in the lowest income bracket. It is interesting to note that nationally, there is very little difference in homeownership rates between those in the highest and second highest income categories. This may be due to the fact that nationally almost everyone in the upper portion of the income distribution owns his own home, while in New York the proportion is still quite small.

We find that the amount of liquid assets that a family may have is a significant predictor of homeownership. Those with over $100,000 in net financial assets are 22 percentage points or 85% (New York) and 19 points or 31% (the nation) more likely to own their own homes than those who have $0 or fewer assets. As with income, we see that nationally, any amount of financial assets produces higher levels of homeownership, while in New York, those with assets of under $5,000 are no more likely to own a home than those with no or negative assets.

Finally, we observe that the ratio of area house prices to fair market rents is another strong predictor of homeownership. A ten point increase in the median house price to rent ratio decreases homeownership by 3 percentage points in New York and by 1 percentage point in the rest of the nation. As seen in Table 3, there is a 61-point actual difference in price to rent ratio between New York and the US. Therefore, this variable alone contributes between 6 and 18 percentage points to the difference in homeownership rates between these two regions.

Decomposition Analyses

In this section, we attempt to more clearly identify what factors are responsible for the wide gap in homeownership rates between New York City and the nation. We performed Blinder-Oaxaca decomposition analyses in order to break down the difference into two components: one that can be explained by differences in attributes between New York and the rest of the nation and one part that is due to some omitted variables (Blinder 1973; Oaxaca 1973). The decomposition equation takes the following form:

(1) $$Y_{NY} - Y_{US} = (\beta_{US} * X_{US}) - (\beta_{NY} * X_{NY})$$

(2) $$= (\beta_{US} - \beta_{NY}) X_{NY} + (X_{US} - X_{NY}) \beta_{US}$$

where:

Y_{NY} = Homeownership rates in NY
Y_{US} = Homeownership rates in the US
β_{US} & β_{NY} = Regression Coefficients for the US and NY
X_{US} & X_{NY} = Mean Values of Attributes for US and NY

The first term in equation 2 represents the difference in homeownership rates due to unexplained factors, while the second term represents differences due to variations in the characteristics of the population.

The predicted probability of owning a home based on the above regressions for the full national sample using the SIPP data was 61.5%, while the New York probability using the SIS data was 26%, a difference of 35.5 percentage points. For this analysis, we plugged in the mean values of the independent variables (Table 3) for New York City into the equation using regression coefficients estimated on the national data. The predicted probability of owning a home dropped to 47%, a difference of 14 percentage points (61.5% - 47%). Decomposing the difference in homeownership rates in this way explains 40% (14/35.5) of the difference between New York City and the nation.

Doing this analysis in the other direction, plugging in the national means into the SIS equation, produces somewhat different results. In this direction, the predicted homeownership rate goes from 26% to 46%, a difference of 20 percentage points (46%-26%), and explains 51.4% (18/35) of the difference. In other words, the difference in mean characteristics between New York City and the nation explains between 42.3% and 57% of the difference in homeownership rates for the two regions.

Next, we wanted to understand which particular characteristics contributed the most to the difference in homeownership rates between New York and the nation. For this analysis, the means for each variable or set of dummy variables for New York were separately plugged into the national equation, and vice versa. The resulting predictions for homeownership were subtracted from the original prediction for that dataset and then divided by the total difference (35.5 percentage points) to calculate the percentage point difference and the percent of difference explained, respectively.

The results for these analyses are presented in Table 5. We see that several groups of variables contribute strongly to the difference in homeownership rates. Differences in

the racial make-up between New York and the rest of the nation contribute between 5% and 11% to the explained difference in homeownership, while the percent of people in a married family contributes between 3% (New York) and 8% (U.S.). Differences in age explain between 3% and 5%, while income explains between 3% and 9%. Differences in the amount of assets between the two groups contribute between 4% and 6.5% to homeownership rates. Finally, the difference in the mean price to fair market rent ratio between New Your and the U.S. appears to be the most important factor in the differential homeownership rates, explaining between 9.6% and 35.5% of the difference.

The figures in parentheses indicate variables that add to the difference, instead of helping to explain away the difference. For example, if people in New York reported the same number of adult years in New York City as people in the nation reported years in the same county, New York homeownership rates would be 1.3 percentage points lower. Similarly, if people in the nation reported the same number of years in the county as people in New York, the national homeownership rates would be 2.5 percentage points higher.

Table 5: Decomposition Analysis (parentheses indicate variable adds to difference)

	New York City Equation		National Equation	
Predicted Homeownership	**26%**		**61.5%**	
Total Difference	**35.5 percentage points = 100%**			
Decompositions: Range of Difference Explained	Percentage Point Change	% of Difference Explained	Percentage Point Change	% of Difference Explained
All Variables Substituted	**20.4**	**57.4%**	**14.2**	**40%**
Contribution of Each Variable/Set of Dummies				
Race	3.9	11%	1.8	5%
Arrival in U.S.	.6	1.7%	.7	2%
Adult Years in Same County/New York	(1.3)	(3.7%)	(2.5)	(7%)
# of People in the Family	.5	1.4%	.2	.5%
Presence of Kids in Household	.3	1%	.3	.8%
Married Family	1.2	3.3%	2.9	8.2%
Education	0	0	0	0
Age	1	2.8%	1.9	5.4%
Income	1.2	3.4%	3.3	9.3%
Assets	1.4	4%	2.3	6.5%
Price: Rent Ratio	12.6	35.5%	3.4	9.6%

VII. Conclusion

We find that the distribution of wealth in New York City is marked by a great disparity between a few people with great resources and a large number of people with very little. This disparity is substantially more profound that in the rest of the nation. The factor that contributes most to this difference between New York City and the rest of the nation is the homeownership rate. People in the U.S. as a whole own their own homes at more than twice the rate of New Yorkers.

Focusing on wealth accumulation in New York City, we find large differences between certain sub-groups. Residents of the Bronx are the most disadvantaged in terms of net worth, income and social support. Manhattan residents have the lowest home ownership rates, although on average they are the highest on all other indicators. New

Yorkers who are younger, of Hispanic background, immigrants, and those with less than a high school education also appear to face the greatest disadvantages in all areas of wealth accumulation.

In our final analyses we attempt to identify sources of the difference in homeownership between New York and the rest of the nation. We find that our indicator of home affordability, as measured by the ratio of median house prices to fair market rents, contributes the most to the difference in homeownership rates between the two samples. Other factors that contribute substantially to the difference include the racial make-up of the populations, the proportion of married families, financial asset holdings, and family income.

In the end, over 40% of the difference in homeownership rates between New York and the U.S. as a whole remains unexplained by the variables included in our analysis. Further research is necessary to understand what other factors may contribute to the very low levels of homeownership in New York City.

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APPENDIX A

Changes Over Time in New York

Table 1 presents weighted data for the two waves of the SIS on indicators of wealth in New York City for 1997 and 1999. It appears that overall there has been very little change in our measures of wealth holdings. There is a small drop in mean and median net worth, reflecting the combination of a small decrease in average gross financial assets and a smaller increase in average home equity. The rate of homeownership decreased from 27% to 25%, and was one of the only indicators that showed a statistically significant difference between the two years. It is interesting that while homeownership decreased by two points, mean home equity increased by approximately $3,500. This increase may be attributed to the continued rise in the market value of homes in the New York area, which can be observed in the mean home equity for homeowners, which has increased by more than $25,000.

One area that had a significant positive change between the two surveys was people's ability to borrow cash from friends and relatives in case of emergencies. The proportion of people reporting the ability to borrow $10,000 or more increased from 21% to 27%, while the proportion of those who could not borrow even $100 decreased from 18% to 12%. Overall, the proportion of New Yorkers who said they could borrow at least $1000 went from 57% to 69%. These are highly significant and encouraging findings.

Table A1: Wealth Indicators in New York in 1997 & 1999 in 1999 dollars

Asset Variables	Wave 1 – 1997	Wave 2 - 1999
Net Worth	N = 1017	N = 1063
Mean	$95,942	$90,696
Median	$1298	$1250
Categories of Net Worth		
$0 or less	40%	41%
$1 - $5,000	18%	15%
$5,001 - $100,000	24%	25%
More than $100,000	18%	19%
Homeownership***	N = 1373	N = 1501
	27%	25%
Home Equity	N = 1241	N = 1353
Mean	$32,031	$35,567
Median	$0	$0
Home Equity for Homeowners		
Mean	$174,190	$202,741
Median	$155,701	$130,000
Gross Financial Assets	N = 1102	N = 1146
Mean	$64,534	$60,545
Median	$1298	$2000
Categories of Gross Financial Assets		
$0 or less	33%	33%
$1 - $5,000	24%	24%
$5,001 - $100,000	33%	33%
More than $100,000	10%	11%
Credit Card Debt/Unsecured Debt	N = 1306	N = 1330
Mean	$2,638	$2,641
Median	$0	$0
Net Financial Assets	N = 1087	N = 1129
Mean	$62,481	$57,940
Median	$727	$1250
Categories of Net Financial Assets		
$0 or less	44%	42%
$1 - $5,000	18%	17%
$5,001 - $100,000	28%	29%
More than $100,000	10%	11%
Ability to Borrow	N = 1356	N = 1399
Not even $100	18%	12%
$100 but not $1000	25%	19%
$1000 but not $10,000	36%	42%
At least $10,000	21%	27%
Total Family Income	N = 1373	N = 1501
Mean	$30,687	$35,575
Median	$24,854	$24,299
Categories of Income	N = 1373	N = 1501
$12,000 or less	34%	34%
$12,001 - $30,000	26%	22%
$30,001 - $60,00	25%	24%
More than $60,00	14%	20%

*** $p < .01$