

January 2023

By Andrew Perry, Senior Policy Analyst

## Housing Costs, Not Taxes, Drive Migration out of New York

*On average, savings from lower housing costs are 15 times greater than savings from taxes*

### Key Findings

- The typical family that moves out of New York State saves 15 times more from lower housing costs than they do from lower taxes.
- Of the top twenty largest county-to-county moves out of New York State, annual mortgage costs are on average \$18,300, or 34 percent, lower outside New York.
- Of the top twenty county-to-county moves out of New York, annual rents are on average \$5,600, or 19 percent, lower outside New York.

### State Economic Growth and Net Migration

In a typical year, more households move out of New York than move into New York. This population dynamic, called “net domestic outflow,” is a longstanding feature of New York’s demography that has historically coincided with sustained economic growth and a stable population overall. In other words, the relationship between a state’s economic growth and migration into that state is complex; in the case of New York, the economy has continued to grow despite persistent net migration out of the state.

### Many New Yorkers Move to the Suburbs of New Jersey and Connecticut

Cities are home to the nation’s highest-productivity and highest-value economic sectors. At the same time, urban centers in the U.S. tend to experience sustained net domestic outflows. This is true of cities in the Northeast and California as well as sunbelt states like Florida and Texas. While this trend has accelerated in recent years, a continuous flow of Americans from cities to the suburbs predated the Covid pandemic.<sup>1</sup> Nevertheless, the

<sup>1</sup> William H. Frey, “New census data shows a huge spike in movement out of big metro areas during the pandemic (Brookings, April 2022), <https://www.brookings.edu/blog/the-avenue/2022/04/14/new-census-data-shows-a-huge-spike-in-movement-out-of-big-metro-areas-during-the-pandemic/>.

populations of large U.S. cities, including New York City, have generally continued to grow, their populations driven by births outnumbering deaths and by immigration from abroad. This dynamic is possible even in a demographically static city. If two adults move into a city, start a family, and decamp for the suburbs as a family of four, outflow (4 people moved out) will have doubled inflow (2 people moved in) despite no lasting change to the city's demographic composition.

New York is particularly exposed to this dynamic due to the urban concentration of its population: Nearly two-thirds (65 percent) of the state's population lives in the New York metropolitan area. Because the state's labor markets outside the New York metropolitan area are generally weaker, downstate population growth necessarily sets the pace of the state's growth. However, 62 percent of the metropolitan area's suburbs — the expected relative recipients of net in-migration from the city — are not in New York State.<sup>2</sup>

### New York's Suburbs Do Not Build Enough Housing

Compounding this dynamic, **New York's downstate suburbs build far less housing than those in New Jersey and Connecticut.**<sup>3</sup> This positions New York State for sustained net domestic outflow even as the metropolitan area continues to create jobs and attract residents. While county-level 2022 estimates will not be released until March 2023, 2021 estimates found that migration out of New York City accounted for nearly all (97 percent) of the state's net domestic outflow, with slight net outflow in downstate suburban counties and population growth limited to the Hudson Valley and Capital District.

Evidence from the Internal Revenue Service's migration data illustrates this dynamic. In 2020, the most recent year for which data are available, **New York's highest net domestic outflow went to two counties closest to New York City: Hudson County, New Jersey and Fairfield County, Connecticut.** Nearly one-third of New York's net out-migration flowed to the neighboring states of New Jersey, Connecticut, and Pennsylvania. California and Florida rounded out the top five states receiving New Yorkers on net.<sup>4</sup>

### On Average, Migrants Save 34% on Housing Costs

The cost of housing likely drives these migration patterns. Housing costs are the largest single expenditure for the average U.S. household.<sup>5</sup> New York City and its in-state suburbs tend to have far higher housing costs than out-of-state suburban counties, or other top destinations for outbound New Yorkers. **Of the top twenty largest county-to-county flows out of New York State, median housing costs were substantially lower in the destination county.** (Note that migration data is available on a county-to-county basis). On average, annual mortgage costs for median-priced homes are \$18,300 lower in destination counties — a savings of 34 percent — than in New York origin counties. In six of the twenty county-to-county pairs, median home prices in the New York origin county were twice as high as in the destination county. New York housing costs were higher than destination costs for all groups except Bronx residents heading to Fairfield County, Connecticut or Bergen County, New Jersey. Three other major New York suburban counties — Rockland, Nassau, and Suffolk — have higher median home prices than all neighboring out-of-state suburbs (even though these counties are not in the top twenty county-to-county migration pairs).<sup>6</sup>

---

<sup>2</sup> U.S. Census Bureau "2020-2021 county population totals," (March 2022)

<https://www.census.gov/data/tables/time-series/demo/popest/2020s-counties-total.html>. The New York metropolitan area includes counties in southern New York, northern New Jersey and Pike county, Pennsylvania. It does not include counties in Connecticut.

<sup>3</sup> New York City Department of Planning, "NYC Metro 2020 housing production snapshot" (November 2021),

<https://www.nyc.gov/assets/planning/download/pdf/planning-level/region/nyc-metro-housing-production-2020-snapshot-1121.pdf>.

<sup>4</sup> Internal Revenue Service, "2019-2020 Migration data by individual state—New York" (May 2022),

<https://www.irs.gov/statistics/soi-tax-stats-migration-data-2019-2020>.

<sup>5</sup> See Table 1: U.S. Bureau of Labor Statistic, "Consumer price index new release" (November 2022),

[https://www.bls.gov/news.release/archives/cpi\\_12132022.htm](https://www.bls.gov/news.release/archives/cpi_12132022.htm).

<sup>6</sup> Data from Zillow, "Zillow Home Value Index—all homes" (November 2022), <https://www.zillow.com/research/data/>. Housing costs are estimated as mortgage payments for median-priced home, assuming 10 percent down payment and a 3.5 percent interest rate on a 30-year fixed rate mortgage (average for the 2019-2020 data reference period).

## On Average, Migrants Save 19% on Rent

As most New York City households are renters, New York's high rents also play a significant role driving households towards the suburbs. Of the top twenty county-to-county moves out of New York, renters are likely to reap savings in all but two.<sup>7</sup> On average, rents are \$5,600, or 19 percent, lower in destination counties than in their respective New York origin counties.

## Savings on Housing Costs are 15 Times Greater than Savings from Lower Taxes

Differences in housing costs for New York's out-migrants far exceed prospective savings on state and local taxes. Across all twenty county-to-county pairs, median income families leaving New York can expect average annual tax savings of \$1,200 — 15 times less than they might save on mortgage costs and five times less than potential rent savings. In other words, **the typical family that moves out of New York State saves 15 times more from lower housing costs than they do from lower taxes.** Mortgage cost savings were at least eight times higher than tax savings in 16 of the 20 county-to-county pairs.<sup>8</sup> For households moving for economic reasons, cost differentials for their largest single expenditure — housing — vastly exceed any potential tax savings.

## Methodology

FPI estimated potential annual savings for a median income family's mortgage costs, rent costs, and taxes for all counties included in the top twenty county-to-county migration flows. FPI estimates of mortgage costs used data on median-priced homes by county from Zillow to estimate annual payments on a 30-year fixed rate mortgage at 3.5 percent (the average rate over the period in question; mortgage cost differentials would be much greater under current rates). Rent costs were estimated as the annual median market rents by county using data from ApartmentList. Tax data are only available at the state level. Tax savings were estimated as the state-to-state difference in annual state and local tax liabilities for each county pair using state and local tax data estimated by the New York State Division on Budget.

Sources: tax data from table 6b in New York State Division of Budget "Fiscal Year 2023 Executive Budget Economic and Revenue Outlook" (January 2022),

<https://www.budget.ny.gov/pubs/archive/fy23/ex/ero/fy23ero.pdf>; rent data from ApartmentList, "current month summary" (December 2022), <https://www.apartmentlist.com/research/category/data-rent-estimates>; home price data from Zillow, "Zillow Home Value Index—all homes" (November 2022), <https://www.zillow.com/research/data/>.

---

<sup>7</sup> Data from ApartmentList, "current month summary" (December 2022), <https://www.apartmentlist.com/research/category/data-rent-estimates>. Data is incomplete because unlike home prices, which are matters of public record, rent data is based on either surveys or collected from real estate brokerages. ApartmentList estimates median market rate rents (estimated by looking at rent paid by recent movers) using data from the American Community Survey. For some markets, the sample size may be too small to generate reliable estimates.

<sup>8</sup> Tax liability calculated for median income New York family (\$85,806; U.S. Census Bureau American Community Survey "Table S1903–2021 1-year estimates," data.census.gov. Tax data from table 6b in New York State Division of Budget "Fiscal Year 2023 Executive Budget Economic and Revenue Outlook" (January 2022), <https://www.budget.ny.gov/pubs/archive/fy23/ex/ero/fy23ero.pdf>.

Fig 1. Estimated annual housing and tax savings for a median-income family for the top 20 county-to-county migration flows from New York State

Origin County	Destination County	Mortgage savings	Rent savings	Tax savings
Manhattan	Hudson County, NJ	\$36,622	\$6,444	\$729
Manhattan	Fairfield County, CT	\$37,819	\$8,664	\$1,184
Westchester	Fairfield County, CT	\$10,390	–	\$1,184
Manhattan	Los Angeles County, CA	\$24,039	\$9,060	\$1,647
Manhattan	Bergen County, NJ	\$34,949	\$8,928	\$729
Brooklyn	Essex County, NJ	\$15,524	\$4,812	\$729
Brooklyn	Hudson County, NJ	\$14,274	\$ (1,692)	\$729
Brooklyn	Los Angeles County, CA	\$1,692	\$924	\$1,647
Queens	Bergen County, NJ	\$6,038	–	\$729
Queens	Hudson County, NJ	\$7,710	–	\$729
Manhattan	Miami-Dade County, FL	\$41,141	\$7,860	\$5,071
Manhattan	Essex County, NJ	\$37,871	\$12,948	\$729
Bronx	Fairfield County, CT	\$(2,740)	–	\$1,184
Brooklyn	Ocean County, NJ	\$19,766	–	\$729
Staten Island	Monmouth County, NJ	\$1,561	–	\$729
Brooklyn	Philadelphia County, PA	\$30,987	\$ 9,156	\$2,900
Brooklyn	Fairfield County, CT	\$15,472	\$ 528	\$1,184
Brooklyn	Union County, NJ	\$17,719	\$ 5,424	\$729
Brooklyn	Middlesex County, NJ	\$20,233	\$ (576)	\$729
Bronx	Bergen County, NJ	\$(5,610)	–	\$729

Sources: FPI analysis of data from Zillow, ApartmentList, U.S. Census Bureau, and New York State Division of Budget