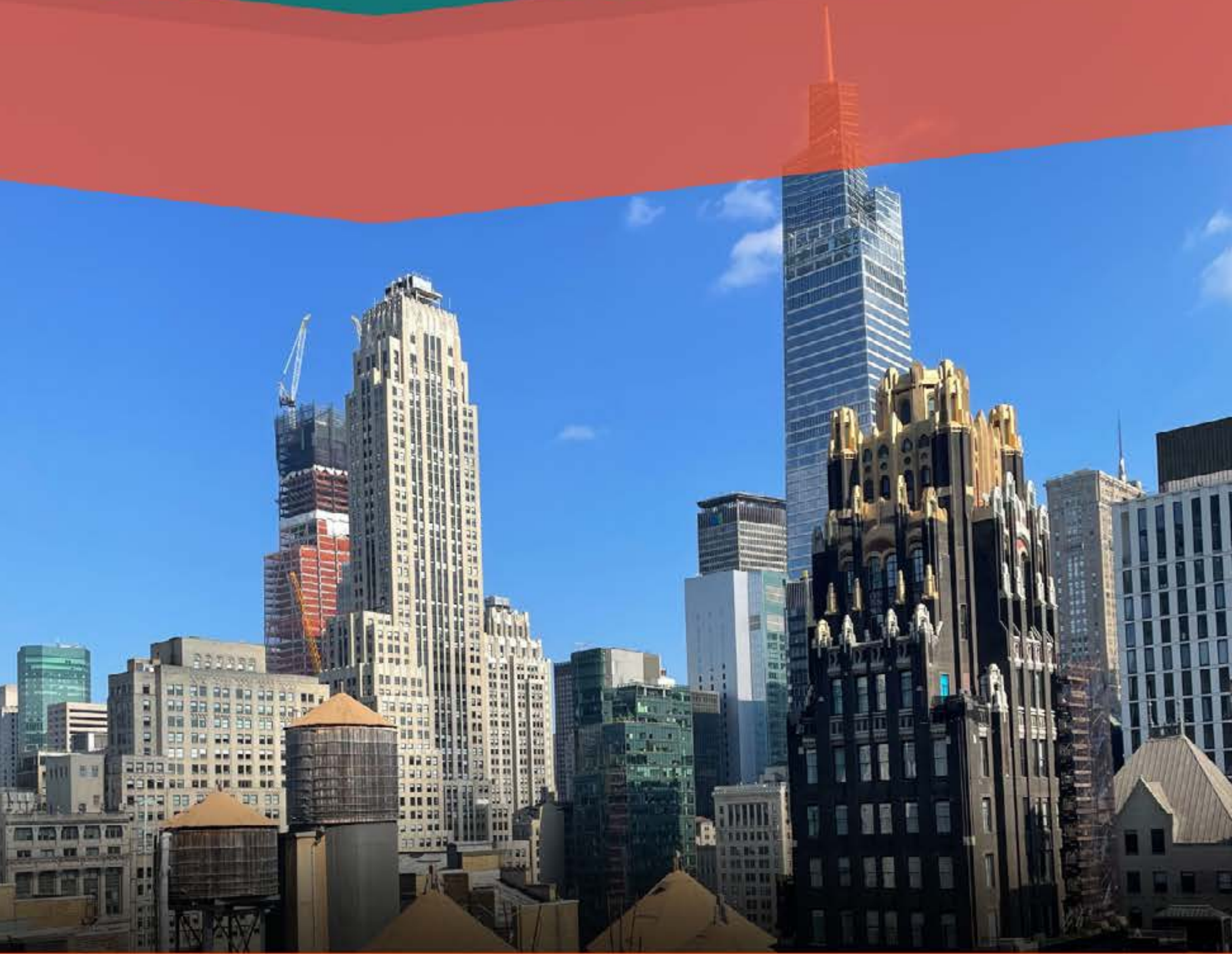
2023-2025
NEW YORK CITY
CONSTRUCTION OUTLOOK REPORT



NEW YORK BUILDING CONGRESS

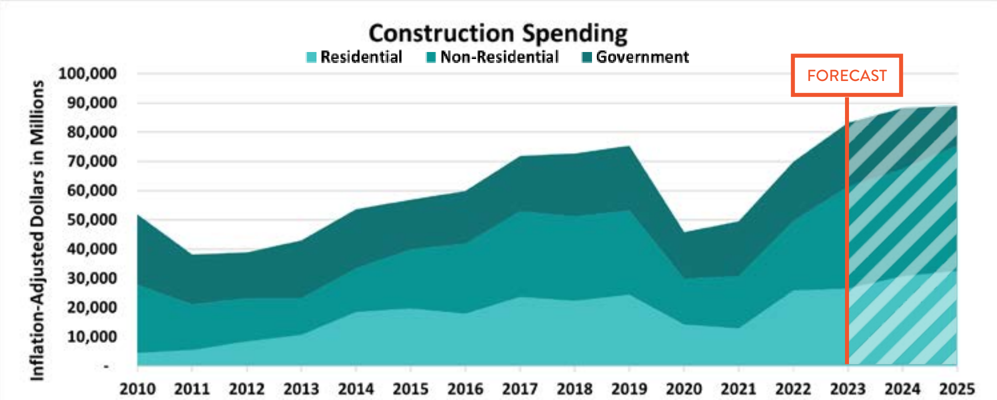
New York Building Foundation

CONSTRUCTION ACTIVITY

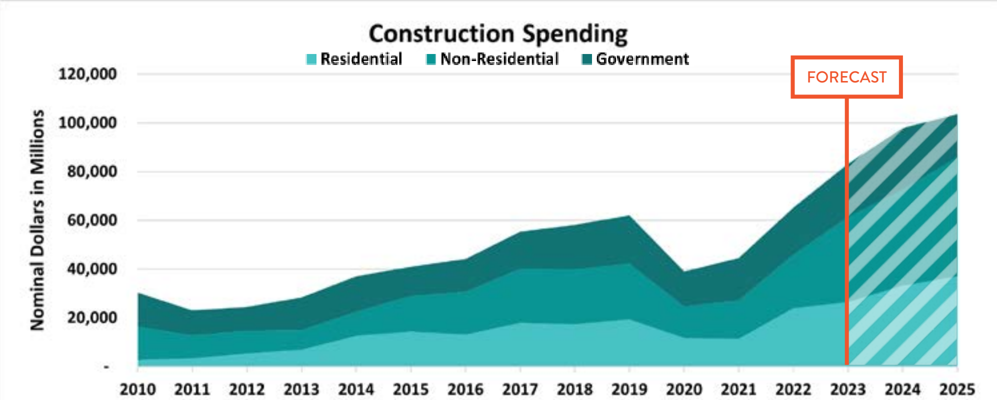
SPENDING

The New York Building Congress forecasts $83 billion in New York City construction spending by the end of 2023. This represents development growing $13 billion in inflation-adjusted dollars year-over-year. Even when compared to pre-pandemic levels, spending is still showing a meaningful 10% increase, up by $7.7 billion from 2019 in inflation-adjusted dollars. Fueling this rise, labor and material prices continue to escalate, though at a slower pace than in 2022.

Spending in inflation-adjusted dollars is expected to reach $261 billion ($285 billion, in nominal dollars) over a three-year period, growing to $88 billion in 2024 and then to $89 billion in 2025. Compared to the pre-pandemic, three-year period from 2017 to 2019, this reflects an inflation-adjusted increase of $40 billion. Although high interest rates on construction starts and property mortgages are expected to somewhat depress property values through reduced demand, escalating material and labor costs, as well as ongoing supply chain issues, have significantly contributed to increased building costs and are not likely to deflate with more development.



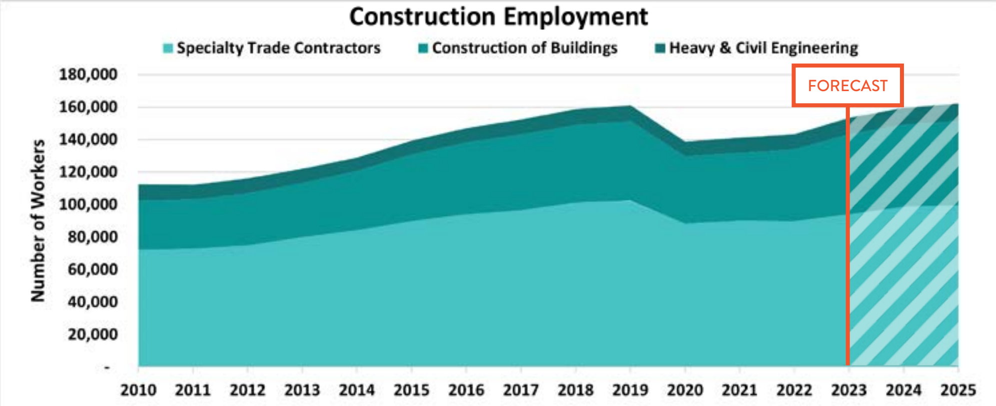
Inflation-Adjusted Dollars in Millions	Actual				Forecast		
	2019	2020	2021	2022	2023	2024	2025
Residential	24,369	14,167	12,965	25,907	26,435	30,841	32,561
Non-Residential	28,857	15,775	17,781	23,739	34,876	36,570	43,028
Government	22,244	15,926	18,833	20,364	21,880	20,875	13,381
Total	**75,470**	**45,867**	**49,579**	**70,010**	**83,191**	**88,287**	**88,970**



Nominal Dollars in Millions	Actual				Forecast		
	2019	2020	2021	2022	2023	2024	2025
Residential	19,378	11,716	11,430	23,988	26,435	33,180	37,037
Non-Residential	22,947	13,046	15,676	21,981	34,876	39,344	48,944
Government	19,715	14,259	17,452	19,395	21,880	25,385	17,558
Total	**62,039**	**39,022**	**44,559**	**65,363**	**83,191**	**97,909**	**103,539**

EMPLOYMENT

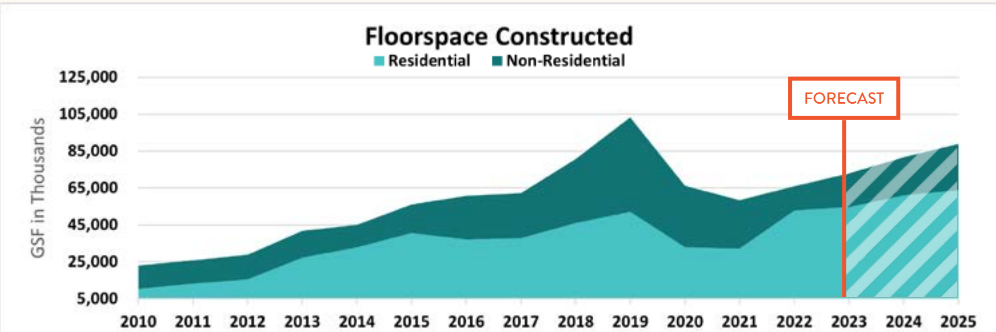
Although construction employment in 2023 is still behind its pre-pandemic levels by 5%, the building industry is set to grow by almost 19,000 new jobs within three years. The Building Congress anticipates employment in the **construction of buildings, heavy and civil engineering,** and **specialty trades** to total 153,000 jobs in 2023, 160,000 in 2024 and 162,000 in 2025, when the industry is expected to finally bounce back to pre-pandemic employment levels. Today's employment numbers are up 10% from our 2022 report's forecasts, an impressive sign of how fast the industry is growing, as it further cements itself as one of the leading employment sectors in the city. With the ongoing rise in construction costs, construction jobs per $1 million in spending have dropped from a pre-pandemic average of 2.7 between 2017-2019, to 1.8 in 2023. Construction workers on public payrolls, which are not included in these counts, will likely increase more rapidly as major infrastructure work is undertaken.



Construction Employment	Actual				Forecast		
	2019	2020	2021	2022	2023	2024	2025
Specialty Trade Contractors	102,250	88,267	90,200	89,775	94,102	98,774	99,700
Construction of Buildings	49,200	41,425	41,808	44,392	49,119	50,306	51,915
Heavy & Civil Engineering	9,733	9,125	9,117	9,100	10,132	10,600	10,510
Total	**161,183**	**138,817**	**141,125**	**143,267**	**153,353**	**159,680**	**162,126**

FLOORSPACE

2022 saw 66 million gross square feet (GSF) built. The Building Congress predicts this year will see a modest increase to end the year with 73 million GSF built – a 10.6% year-over-year increase. This figure is expected to increase further in the following two years, to 82.6 million in 2024 and 88.8 million in 2025. 75% of floorspace construction predicted in 2023 will be residential development – which is primarily driven by alterations and renovation work – while construction of new residential units is expected to drop steeply.



Floorspace Constructed	Actual				Forecast		
	2019	2020	2021	2022	2023	2024	2025
Residential	52,101	32,777	32,231	52,786	54,599	60,919	63,840
Non-Residential	51,163	33,285	26,087	13,111	18,281	20,710	24,966
Total	**103,264**	**66,062**	**58,318**	**65,897**	**72,879**	**81,629**	**88,806**

RESIDENTIAL

Residential work, which accounted for more construction spending than non-residential development in 2022, experienced a sharp decline in new housing construction permitting in 2023. This is largely due to the end of the 421-a tax abatement program in June 2022, which initiated a decline in new unit construction beginning in August 2022.

Accordingly, the number of new units projected for 2023 has dropped from 30,000 to 11,300.

Compared to the pre-pandemic period of 2017 to 2019, forecasted residential spending for 2023 to 2025 will be up over 28%, after adjusting for inflation, to almost $90 billion. Residential investment in new development, rehabilitation, and interior renovation accounts for 32% of the share in construction spending in 2023, down from a 37% share the prior year. Residential spending is expected to reach $26.4 billion by year-end 2023, a year-over-year inflation-adjusted growth of over $527 million. By 2024, aggregate residential investment is projected to reach $30.8 billion, and $32.6 billion in 2025.

The loss of the 421-a tax abatement combined with high interest rates led to slower overall growth, though renovations and alterations have continued. The average outlay per gross square foot of new housing exceeded $480 in 2023. In a high interest rate environment with significant bureaucratic hurdles, property owners and investors will typically prioritize spending to maintain existing properties over purchasing new ones. Alteration and renovation work is also due in part to compliance efforts with local environmental regulations.

NON-RESIDENTIAL

Non-residential spending, which includes office space, manufacturing, retail, hotels, institutional development, entertainment venues, and recreational facilities, is expected reach almost $115 billion in spending (when adjusting for inflation) between 2023 and 2025. This represents a substantial 32% growth in spending compared to pre-pandemic years 2017 to 2019. The share of spending in this sector is projected to increase to 42% of all construction spending in 2023, up from 34% in 2022.

Non-residential development continues leading construction spending, ending the year with an estimated $34.9 billion outlaid on new starts and alterations, fueled by extensive investment in **government buildings, manufacturing/warehouses, life science and high-technology laboratories, social and recreational projects, hotels, retail and restaurants,** and **education.**

While 6.65 million square feet will be completed in three major office towers in 2023, successive years to 2025 are expected to each complete a million square feet fewer of building space. Other forms of non-residential development – including **manufacturing, educational,** and **high-technology laboratories** – are likely to sustain growth throughout the next several years.

Large NYBC Member Projects in Growing Non-Residential Sectors

Sector	Project Name	Project Value
Hotels	740 8th Avenue Supertall	$400,000,000
Amusement, Cultural, and Social	Frick Collection Museum (Additions/Alterations)	$180,000,000
Education	SUNY FIT New Academic Building	$113,551,000
Recreational, Restaurants, and Retail	Orchard Beach Pavilion Restoration/Redevelopment	$87,600,000
Healthcare	Mount Sinai Center for Surgical Innovation	$17,000,000
Manufacturing and High-Tech Laboratories	Made in NY Hub - 43rd St Manufacturing Building	$15,257,369

GOVERNMENT

Government spending under current conditions is expected to increase to $22 billion in 2023, to $21 billion in 2024 and $13.4 billion in 2025, when adjusting for inflation.

According to the capital budgets of New York's local government and major transportation authorities, recent public expenditures on construction and design have risen roughly $2 billion per year since 2020. In 2025, tentative capital spending levels suggest a decline of nearly $8 billion in inflation-adjusted dollars, owing largely to the lack of information on the next round of multi-year capital plans. It is anticipated that these plans will, however, incorporate major increases in infrastructure spending due to passage of the recently enacted federal funding packages.

Over the next few years, government spending on infrastructure development is projected to dominate the construction market. While many of the funding decisions are still being made at the federal level for competitive grants from the Bipartisan Infrastructure Law (BIL), formula funding is expected to reach NYC much more rapidly, as the city has identified over $14 billion in state-of-good-repair needs across all agencies (from 2024 to 2027).[1,2]

1. https://comptroller.nyc.gov/reports/shifting-gears/
2. https://d2d.gsa.gov/report/bipartisan-infrastructure-law-bil-maps-dashboard

So far, only $11.7 billion of the $1.2 trillion Bipartisan Infrastructure Law has been awarded to New York. And while the State is set to receive at least $36 billion in transportation funding from the BIL – the majority to fund transit improvements within NYC – continued advocacy for swift streamlining of funds from Washington to individual states must be a priority for the industry. Currently, neither the city nor the state maintains a publicly accessible record of BIL funding. Introducing a centralized system for monitoring the allocation and utilization of BIL funds by both entities would improve transparency and refine project delivery processes.

GOVERNMENT SPENDING IN DEPTH:

City of New York

In fiscal year 2023, New York City expended $9 billion on construction and design in 72 categories of municipal infrastructure. The top three spending categories were Education, at $3.2 billion, Housing Preservation & Development, at $1 billion and Water Pollution Control, at $432 million. The City's Capital Budget's 2024 to 2027 top five priority categories for spending are, in order: Education, Correction, Housing Preservation & Development, Water Pollution Control, and Highways. Municipal capital investment is planned to decline in nominal dollars without the infusion of federal or state infrastructure spending.

Metropolitan Transportation Authority (MTA)

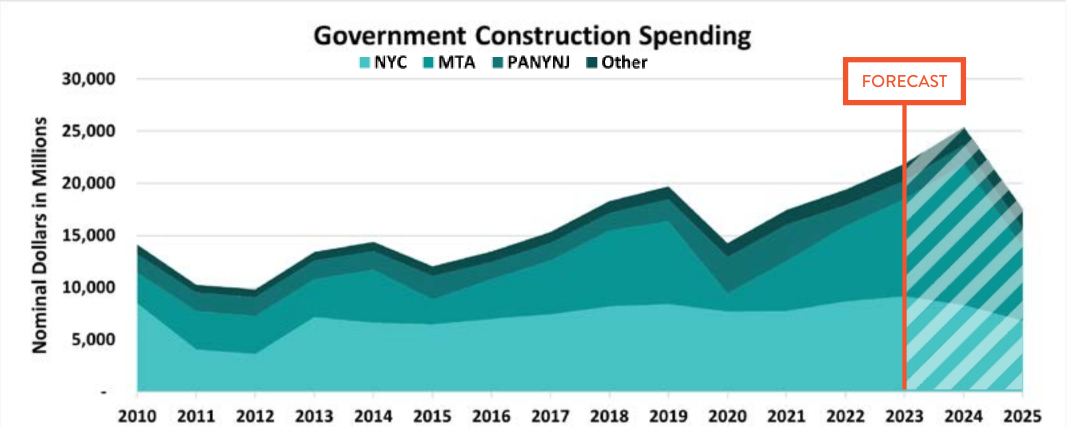
Within the five boroughs, the MTA is likely to invest $30 billion in nominal dollars over the next three years, which would be a 47% increase over total spending between 2017 and 2019. Actual expenditures will depend on the agency's execution of its current and past capital plans, the most recent of which expires in 2024. Projections for 2025 will have more clarity once the MTA finalizes its next five-year capital plan. The historic 2020-2024 capital plan saw critical improvements in NYC Transit signal modernization, and includes plans for further accessibility enhancements, as well as rehabilitation of line structures and the extension of the Second Avenue Subway.

Port Authority of New York and New Jersey (PANYNJ)

PANYNJ is expected to invest $1.8 billion this year in New York City capital projects, a modest reduction from 2022. Spending levels in the next three-year period are pending further development, yet are expected to close out major items from their 2017-2026 capital plan, last revised in 2019 to include debt service payments to kickstart phase 1 of the Gateway Development Corporation's Gateway Program.

Other

The remaining $1.6 billion in 2023 public works spending will be undertaken by agencies at the state and federal levels, including the Dormitory Authority of the State of New York, the New York State Department of Transportation, and the U.S. Army Corps of Engineers. These entities are expected to invest $1.7 billion and $1.9 billion within New York City in 2024 and 2025, respectively. This number must be monitored closely as BIL funding begins to make its way to New York.



Government Construction Spending	Actual				Forecast		
	2019	2020	2021	2022	2023	2024	2025
NYC	8,392	7,697	7,746	8,650	9,144	8,296	6,800
MTA	7,963	1,712	4,762	7,240	9,314	13,553	7,099
PANYNJ	2,118	3,521	3,521	1,982	1,793	1,793	1,793
Other	1,242	1,329	1,423	1,523	1,630	1,744	1,867
Total	**19,715**	**14,259**	**17,452**	**19,395**	**21,880**	**25,385**	**17,558**

CONCLUSION & RECOMMENDATIONS

New York City's construction industry has shown remarkable tenacity in 2023, navigating through high interest rates, inflation, and the expiration of 421-a. The industry demonstrated a keen ability to adapt, finding new sectors to fuel building project growth.

The Building Congress will continue to advocate for a faster release of BIL funding and to ensure New York gets its fair share relative to its population, size of its public transit systems, and the amount it contributes to the federal tax base and GDP. This much-needed infrastructure funding will serve as a further catalyst for growth in the upcoming years.

Further, the Building Congress recommends:

1. Policies to support increasing annual housing unit production at all levels of affordability, such as a renewed 421-a tax incentive, eliminating the 12 FAR cap, authorizing /incentivizing office-to-residential conversions, and advancing transit-oriented development.
2. Expediting project approvals through permitting, land use, and environmental review reforms, including the common-sense zoning policies included in Mayor Adams' "City of Yes" plan.
3. Further investment in workforce training and development at all levels of government.
4. Maintaining robust capital budgets and adequate staffing levels for state and city agencies, including the MTA, PANYNJ, and other public authorities.
5. Advancing and broadening M/WBE opportunities and developing policies to ensure meaningful economic prospects for M/WBE firms.
6. Improving and reforming project delivery methods and procurement reforms to get projects moving faster and with greater flexibility.
7. Investments in citywide resiliency measures to protect at-risk communities from extreme weather events.
8. Additional funding for renewable energy projects and as energy grid improvements.

NEW YORK CITY BY THE NUMBERS

(Adjusted for inflation)

153,000

TOTAL NYC PRIVATE CONSTRUCTION JOBS IN 2023

UP OVER 10,000 FROM 2022

$83 BILLION

IN 2023 CONSTRUCTION SPENDING

UP $13 BILLION FROM 2022

$261 BILLION

EST. CONSTRUCTION SPENDING 2023-2025

UP OVER $19 BILLION FROM 2022-2024

NEW AVENUES FOR GROWTH

Traditionally, construction activity serves as an indicator of a region's economic health. This report highlights both the achievements and the ongoing resilience of the construction industry in the face of a rapidly changing economic landscape.

New York Building Congress' members continue to be at the forefront of this journey, tirelessly working to shape the city's future.

This year's 'Construction Outlook Report' presents a revised view of the building industry's trajectory compared to the hyperactive construction boom witnessed in the first half of 2022. High interest rates and the loss of the 421-a tax abatement program have slowed growth in certain sectors, especially housing, but the industry continues to grow as new sectors for development have emerged. Our previous Construction Outlook report projected much higher spending through the end of 2022, but, due to the above, actual spending slowed dramatically faster than trends indicated.

Starting in August 2022, a decline in housing and office construction was evident. However, that restrained growth was overwhelmingly offset by growth in areas like **hotels, retail and restaurants, manufacturing, recreation and entertainment, education,** and **infrastructure development** – particularly roadways.

Today's outlook acknowledges the areas that require New York's immediate attention, but it acknowledges the industry's strength and continued resourcefulness for new areas of growth and progress. The Bipartisan Infrastructure Law (BIL) promises to bring substantial changes, injecting much-needed funding into critical areas including transportation, environmental sustainability, and community enhancement. The Building Congress continues to urge the swift and efficient allocation of these resources to New York so that our industry can continue to build towards a more connected, resilient and equitable New York for all.

Given the ongoing state of economic uncertainty from rising inflation, and supply-chain interruptions driving up the cost of purchasing and transporting construction materials, this year's report presents spending figures adjusted for inflation in a side-by-side comparison with that of nominal dollars (non-inflation adjusted dollars).

Cutbacks in development over the remaining months of 2023, additional interest rate hikes, and/or subsequent reduction in price increases may dampen this outlook, while potential benefits from signature actions like the Bipartisan Infrastructure Law slowly making its way to NYC are expected to bring additional spending. Thus, this forecast should be continuously monitored.

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The New York Building Congress, a broad-based membership association celebrating its 102nd year, is committed to promoting the growth and success of the construction industry in New York City and its environs.

Formed in 1998, the New York Building Foundation is in its 25th year of promoting the long-term growth and well-being of the New York City building industry and the wider community through an active program of research, education, and philanthropy.

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SUPPORTERS

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CREDITS

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Data Sources: Dodge Data & Analytics, NYS Department of Labor, Public Sector Capital Plans, US Census Bureau, Urbanomics