



CONSTRUCTION OUTLOOK UPDATE:
NEW YORK CITY
CONSTRUCTION COSTS
FEBRUARY 2019

New York City's cost of construction increased at the same rate between 2018 and 2017, roughly five percent. New York City remains the highest cost of construction market in the United States, according to a New York Building Congress analysis of multiple cost indices.



“As New York’s population and economy continue to grow, every sector of the building industry – commercial, residential, healthcare, education, cultural and infrastructure – remains robust, offering opportunity for both the labor force and contractors. Furthermore, New York’s building industry is faced with particularly high costs of land and materials and continued burdensome regulations. These factors were the primary drivers of cost increases in 2018. While the cost of construction is high, the rewards for doing business in New York have never been greater.”

**Carlo A. Scissura, Esq.
President and CEO
New York Building Congress**

NEW YORK CITY CONSTRUCTION COSTS CONTINUE TREND FROM 2017, INCREASE ROUGHLY FIVE PERCENT IN 2018

NYC CONSTRUCTION COST

New York City construction cost increased at the same rate in 2017 and 2018, roughly five percent on average. Construction costs in New York City have risen continually since 2010.

The disparity between New York and national cost trends reflects the booming New York construction market which has placed high demand on labor and materials. New York City's concentration of construction in prime office and luxury multifamily buildings, as well as public infrastructure work, also explains why cost increases are higher locally than nationally.

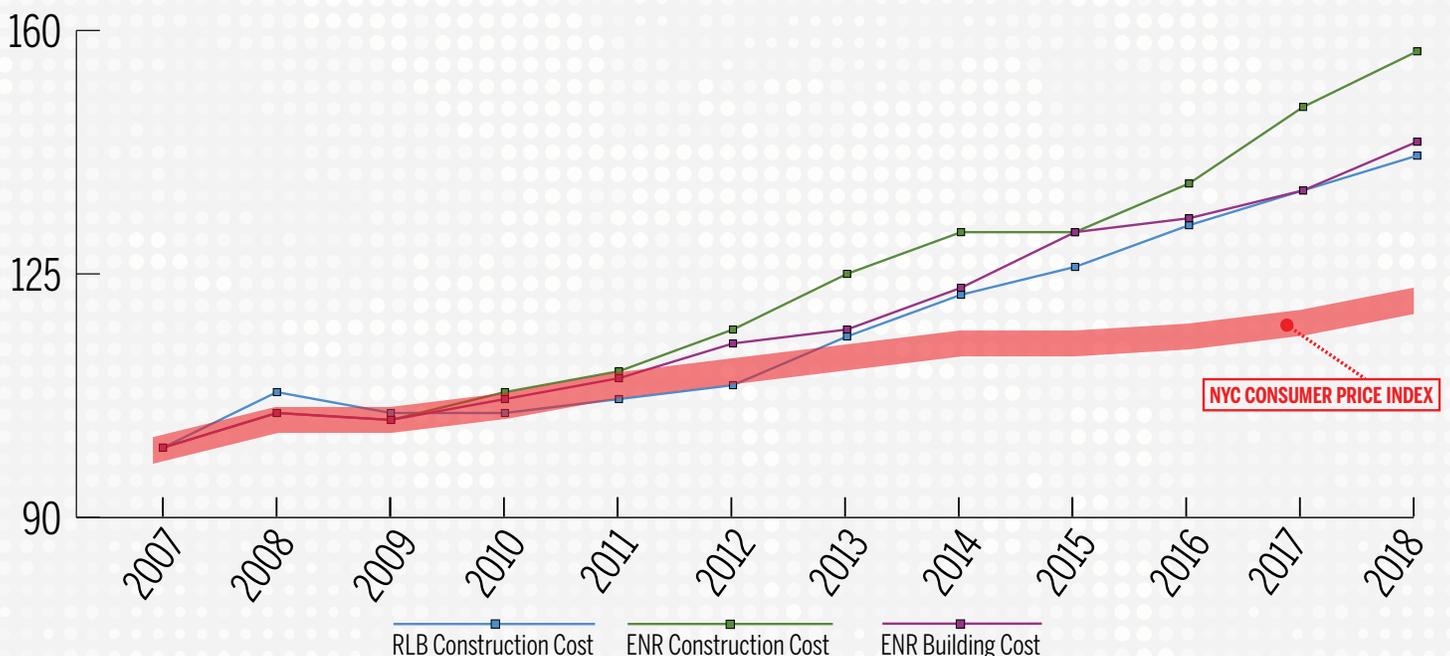
Viewed from a historical perspective of the change in building costs for different structure types between 2007 and 2018, it is evident that steep per-square-foot

cost increases have occurred in prime office buildings, retail, hotels and multifamily residential buildings over this period, while K-12 school construction costs been lower. Healthcare facility construction costs, which are historically the highest at \$700 per square foot in 2018, have risen less rapidly.

The Engineering News Record (ENR) Construction Cost Index for New York suggests that heavy construction costs for work such as infrastructure are running at a nearly six percent increase in 2018, down from nearly eight percent in 2017.

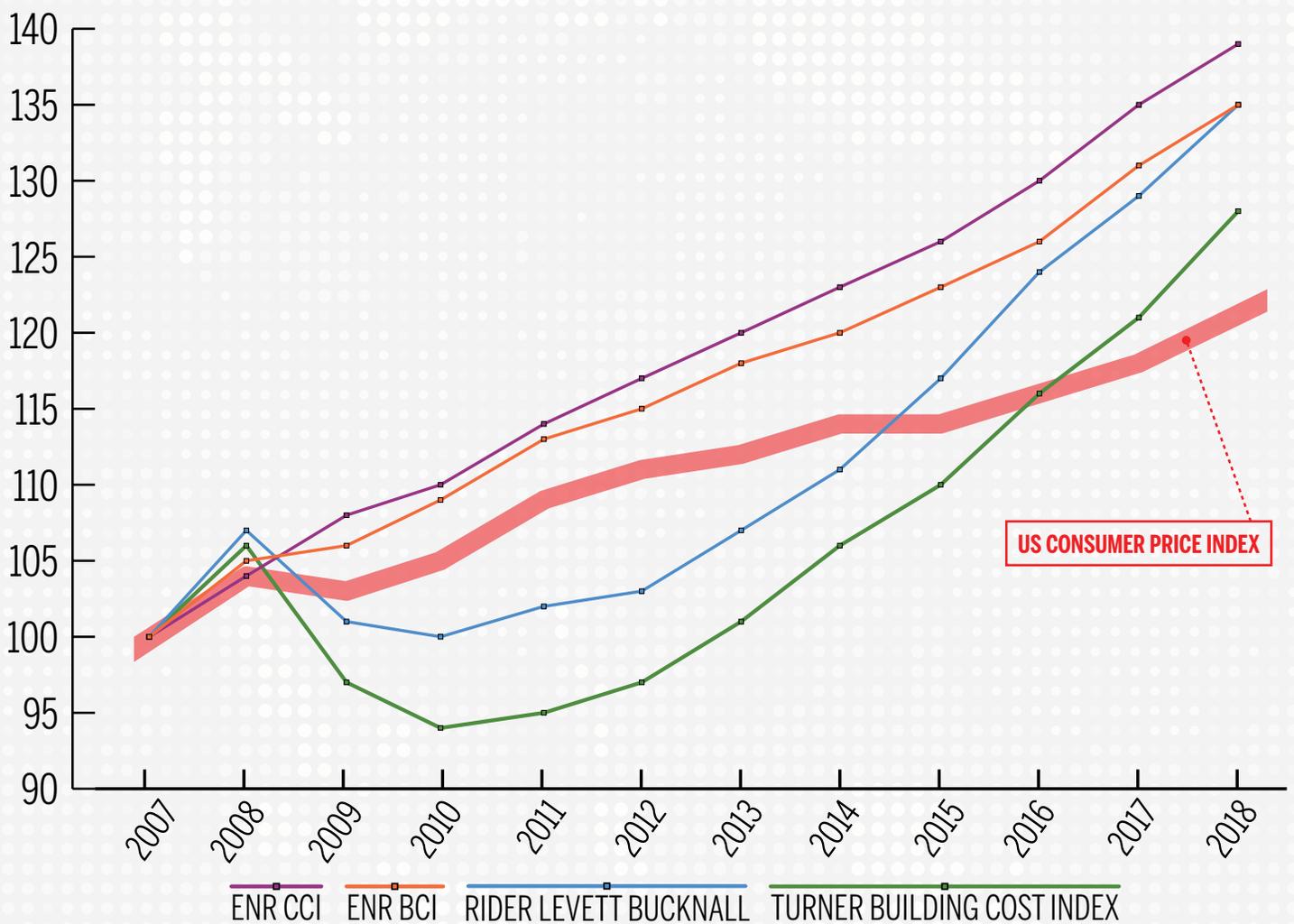
Cost acceleration is especially prevalent in the office sector, due in part to a substantial increase in the amount of work underway – including ground-up construction, alterations and renovation of existing office buildings and production of Class A office spaces in Manhattan, Queens and Brooklyn.

NEW YORK CITY CONSTRUCTION COST INDICES, 2007-2018
BASE YEAR: 2007, INDEX 100



NATIONAL CONSTRUCTION COST AND MATERIAL COST

Considerable concurrence among major cost indices at the national level suggest that construction costs increased in the United States by three to four percent in 2018, comparable to the national trends in 2017. National construction costs, like New York City's, have risen continually since 2010.

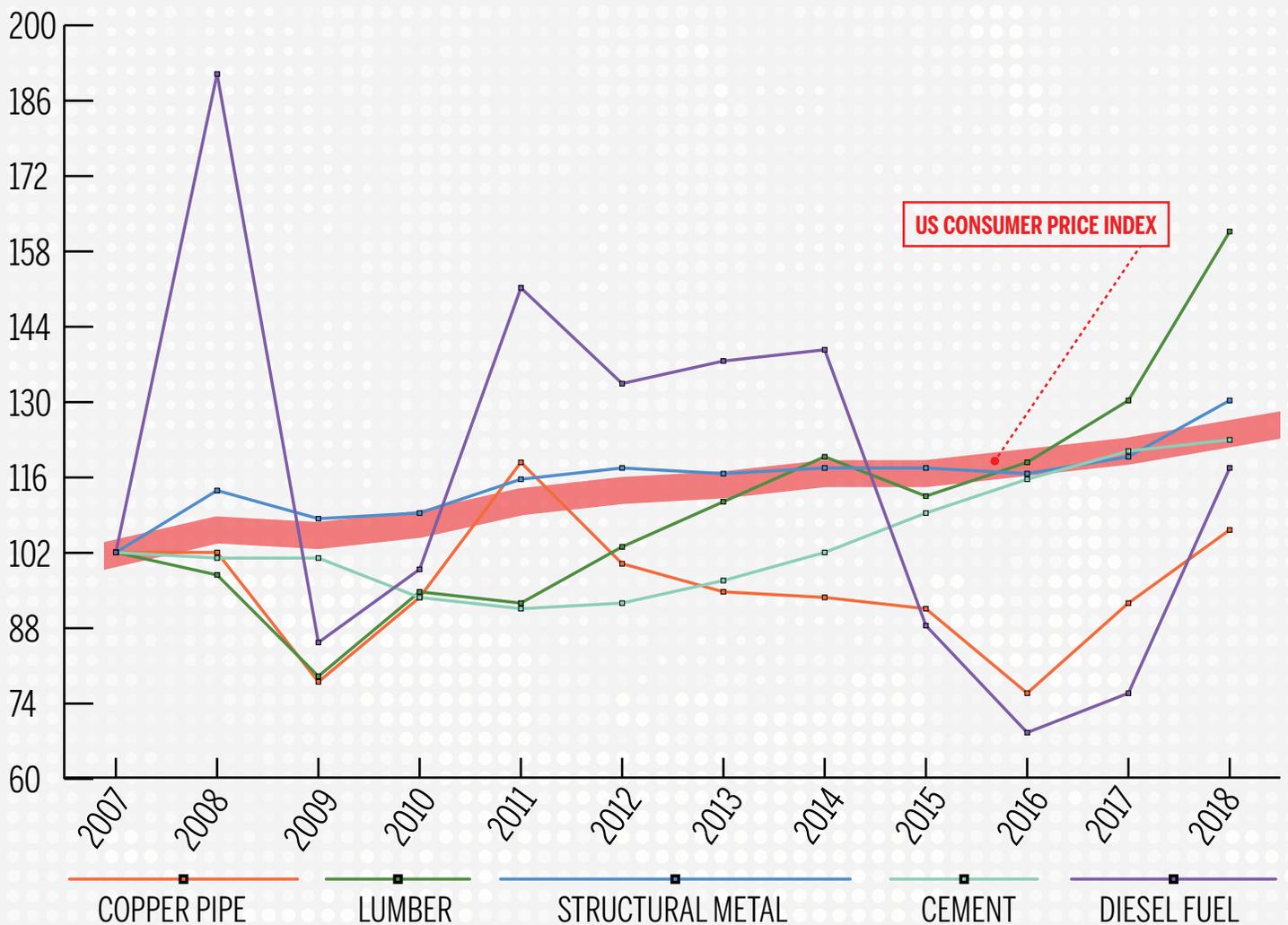


NATIONAL CONSTRUCTION COST INDICES, 2007-2018
BASE YEAR: 2007, INDEX=100

NATIONAL CONSTRUCTION COST AND MATERIAL COST *CONTINUED*

Increases in material costs are major drivers of overall construction costs. The average change in prices collected by the Bureau of Labor Statistics sheds light on specific increases in material costs. Nationwide, key material costs like fuel, lumber and steel have risen since 2016 and more sharply since 2017. In 2018

alone, the cost of diesel fuel increased 52 percent, lumber increased 23 percent, copper pipe increased 14 percent and structural steel increased nine percent. These increases were either declining or stagnant prices between 2011 and 2016.



NATIONAL CONSTRUCTION COMMODITY COST INDICES, 2007-2018
BASE YEAR: 2007, INDEX=100

INTERNATIONAL CITY COMPARISON

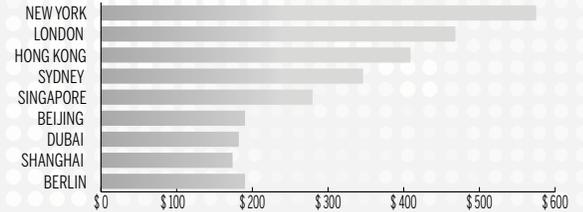
New York City is still the most expensive U.S. city in which to build. Compared to other major cities, New York's construction costs for Class A office and retail rank highest, and the average cost of construction ranks above all other U.S. cities. However, in key sectors such as multifamily residential, healthcare, K-12 education and hotel construction, major cities across the U.S. either ranked higher or were consistent with New York City's costs.

For class-A office construction, New York's costs are between 15 and 50 percent higher than most other major U.S. cities. Relative to other global cities, priced on a comparable U.S. dollar exchange rate, New York City's costs of constructing premium office space can be as much as \$300 higher per square foot than cities in Asia and the Middle East. In comparison, New York's premium office costs are roughly comparable with London.

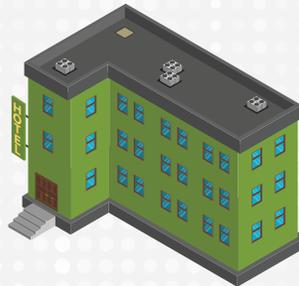
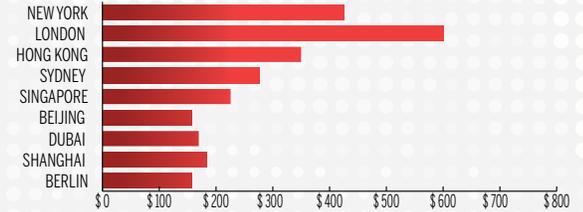
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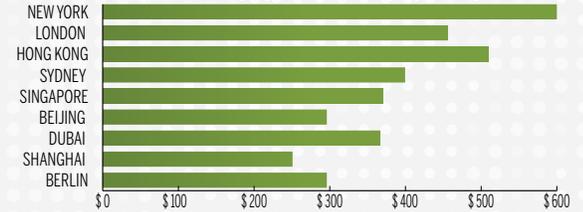
OFFICE CONSTRUCTION



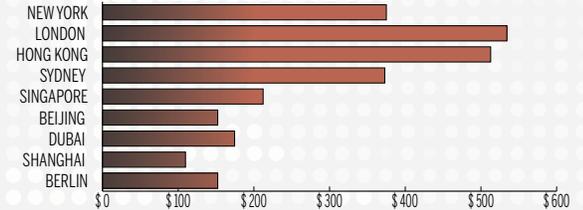
RETAIL CONSTRUCTION



HOTEL CONSTRUCTION

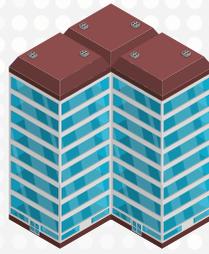
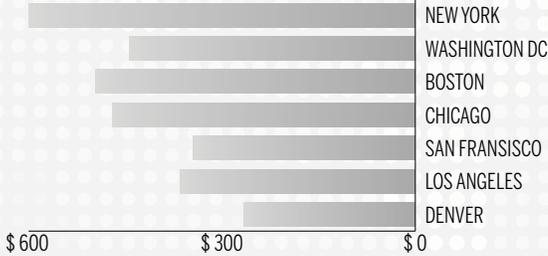


MULTI-FAMILY RESIDENTIAL CONSTRUCTION

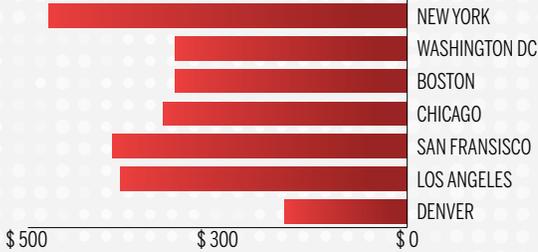


NATIONAL CITY COMPARISON

OFFICE CONSTRUCTION

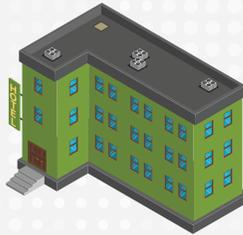


RETAIL CONSTRUCTION



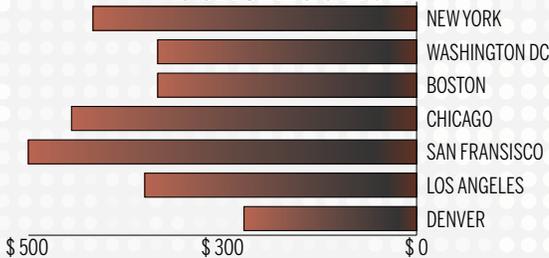
In terms of retail construction, the greatest price differential currently exists in Berlin and Dubai, where New York costs per square foot are more than 250 percent higher. Much depends, however, on the type of retail that's being built – whether it is sting malls, big-box or integrated into mix-use buildings like in New York. New York's costs currently appear to be lower than London's and more comparable to those in Los Angeles and Hong Kong.

HOTEL CONSTRUCTION

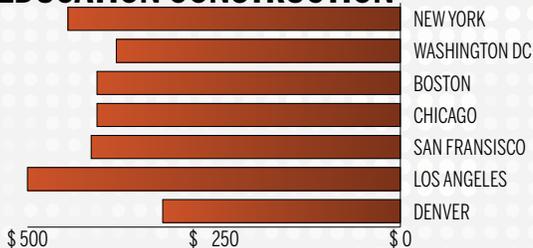


With regard to hotel construction, less of a cost differential exists among global cities. New York is less comparable to Asian cities like Shanghai and Beijing and more comparable with other major U.S. cities like Chicago and San Francisco.

MULTI-FAMILY RESIDENTIAL CONSTRUCTION



K-12 EDUCATION CONSTRUCTION



ABOVE, CENTER LEFT
COMPARATIVE NATIONAL CONSTRUCTION COSTS, 2018 - \$/SQF - (HIGH ESTIMATE)

SOURCES

The cost indices used by the Building Congress are produced by ENR, Rider Levett Bucknall (RLB), Turner, and the Bureau of Labor Statistics. Each index examines changes in costs of construction over time. Taken together or individually, these indices do not capture all the factors influencing project costs. They only offer a snapshot of general cost trends.

ENR Construction Cost Index measures how much it costs to purchase the following hypothetical package of goods: 200 hours of common labor, multiplied by the 20-city average rate for wages and fringe benefits, 25 cwt of fabricated standard structural steel at the 20-city average price, 1.128 tons of bulk Portland cement priced locally and 1,088 board ft of 2x4 lumber priced locally. Compared to the ENR Building Cost Index, the Construction Cost Index is more applicable where labor costs are a high proportion of total costs.

ENR Building Cost Index measures how much it costs to purchase the following hypothetical package of goods: 68.38 hours of skilled labor, multiplied by the 20-city wage- fringe average for three trades—bricklayers, carpenters and structural ironworkers, 25 cwt of fabricated standard structural steel at the 20-city average price, 1.128 tons of bulk Portland

cement priced locally and 1,088 board ft of 2x4 lumber priced locally. Compared to ENR Construction Cost Index, the Building Cost Index is more applicable for structures.

Rider Levett Bucknall's Comparative Cost Index tracks the 'true' bid cost of construction, which includes, in addition to costs of labor and materials, general contractor and sub-contractor overhead costs and fees (profit). The index also includes applicable sales/use taxes that 'standard' construction contracts attract. Values of U.S. locations represent hard construction costs based on U.S. dollars per square foot of gross floor area

Turner's Construction Cost Index measures costs in the non-residential building construction market in the United States and is determined by several factors considered on a nationwide basis, including labor rates and productivity, material prices and the competitive condition of the marketplace.

U.S. Bureau of Labor Statistics' Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.



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