

CONSTRUCTION OUTLOOK UPDATE

**SEPTEMBER
2020**

BROOKLYN SNAPSHOT

With Brooklyn's growing population and workforce, the building industry has created housing, commercial opportunities, public spaces and vital infrastructure to support nearly 2.6 million New Yorkers.



Photo Credit: Demetrius Freeman, The New York Times

WITH BROOKLYN'S POPULATION AND WORKFORCE BOOMING, THE BUILDING INDUSTRY HAS WORKED TIRELESSLY TO MEET DEMAND. SINCE 2017, THOUSANDS OF PROJECTS HAVE PRODUCED NEW AFFORDABLE HOUSING, BUSINESSES, SCHOOLS, PARKS AND OTHER CRITICAL INFRASTRUCTURE TO IMPROVE QUALITY OF LIFE ACROSS THE BOROUGH. WHILE THE COVID-19 PANDEMIC HAS SLOWED THE ECONOMY OVERALL, BROOKLYN CAN AND WILL BUILD BACK STRONGER THAN EVER.

CARLO A. SCISSURA, ESQ.
PRESIDENT & CEO, NEW YORK BUILDING CONGRESS

A GROWING BOROUGH

Brooklyn has a strong construction market supported by a growing population and continued job creation. Since 2010, the population of Brooklyn has increased by 78,130 people to nearly 2.6 million residents. According to U.S. Census Bureau estimates, the borough represents 35 percent of New York City's total population growth from 2010 to 2018. Brooklyn saw the greatest increase in population of any borough and had the second highest growth rate after the Bronx.

In that same period, the U.S. Bureau of Labor Statistics (BLS) reports the number of Brooklyn-based businesses increased by 15 percent to 19,145 establishments. Total jobs increased by 39 percent to 324,445. Brooklyn accounted for 10 percent of the city's gain in employment and had higher rates of growth than the city overall.



Photo Credit: Industry City

CONSTRUCTION SNAPSHOT

PROJECTS AND EMPLOYMENT

Although Brooklyn construction starts fell when the COVID-19 pandemic began, construction overall has been robust. From the beginning of 2017 to the end of July 2020, the value of Brooklyn construction starts reached \$18.3 billion across 5,620 projects. There is also \$48.8 billion in potential projects in the pre-design, design and bidding/negotiation phases.

Making this work possible, BLS data shows Brooklyn has 4,370 construction firms that employ over 35,000 people. In 2019, these workers, including specialty trade contractors, heavy and civil engineers and those involved in the construction of buildings, earned on average \$63,000, a five percent increase from the year prior.

IMPACT OF COVID-19

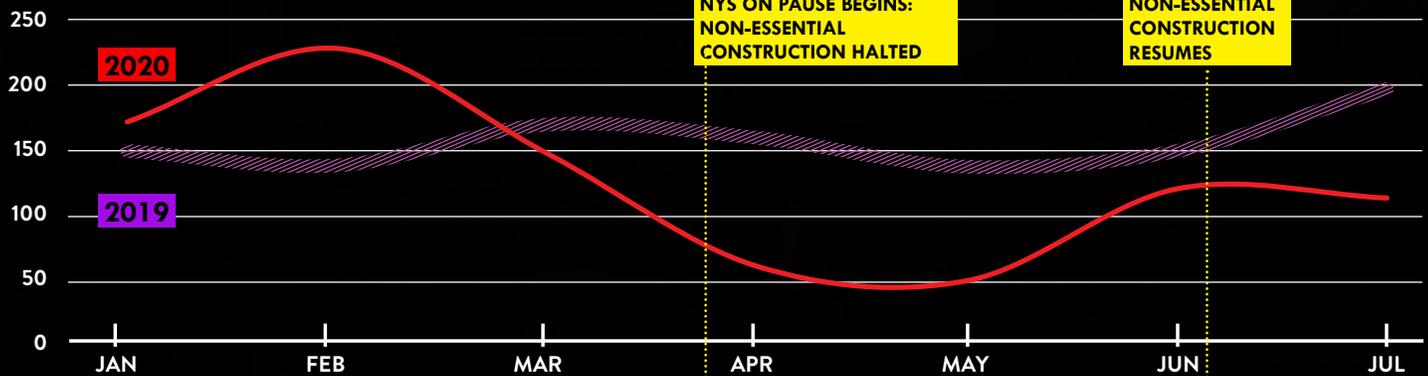
On par with the rest of the city, total construction starts in Brooklyn were strong during January and February but began to stall as the pandemic hit in March. For the

first three months of 2020, starts were up 48 percent from the same time last year, totaling \$1.5 billion.

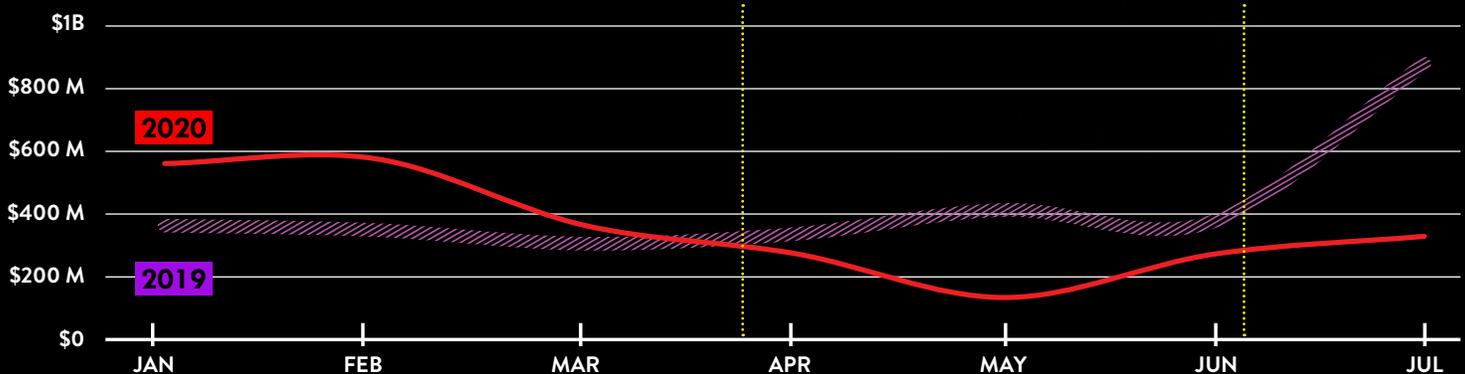
Once the pandemic took hold, construction starts fell as nonessential construction was banned at the end of March and the economy slowed. Essential construction and emergency work that continued during the ban included affordable housing, hospitals and healthcare facilities and utilities. During this time, residential starts dropped while non-residential starts and infrastructure saw a slight gain in April and May, respectively.

When all construction was permitted to resume in June, starts doubled from the month prior and continued to rise into July. Nevertheless, the pandemic's toll during the first half of the year is clear. Through the first seven months of 2020, total construction starts are down 17 percent from the same period in 2019, dropping to \$2.5 billion. Residential starts slipped by four percent, non-residential starts fell by 33 percent and infrastructure decreased by 26 percent.

NUMBER OF CONSTRUCTION STARTS



VALUE OF CONSTRUCTION STARTS



CONSTRUCTION BY SECTOR

RESIDENTIAL

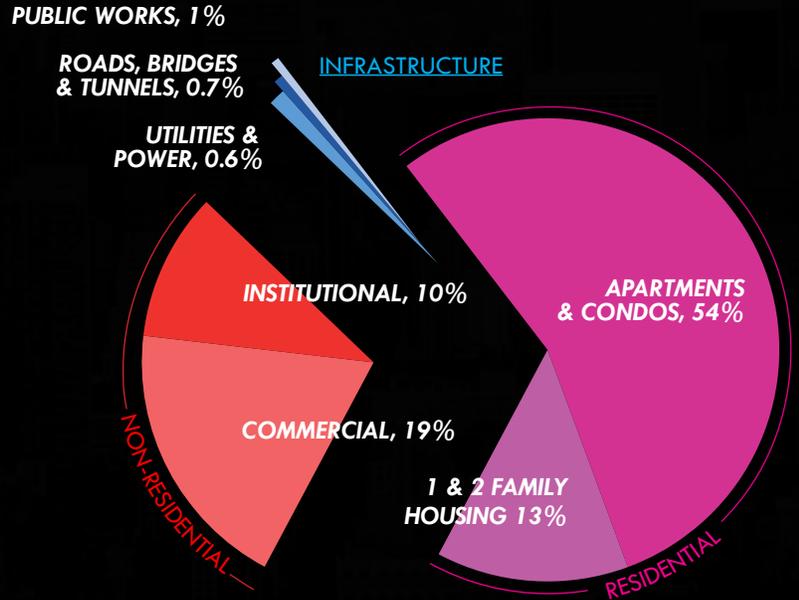
Residential construction is Brooklyn's most dominant sector with \$10.5 billion in construction starts, or over half the borough's total value. Between January 2017 and July 2020, over 3,800 residential starts are expected to add 27.6 million square feet of new housing. Meanwhile, residential projects in the pipeline are valued at \$20.7 billion and are expected to add 45.7 million square feet.

Over the same period, the NYC Department of Housing Preservation and Development reports work began on 9,685 new affordable housing units and 16,190 preserved units. Although Brooklyn traditionally accounts for a third of all affordable units under construction across the five boroughs, the City focused heavily on sites in the Bronx in the first half of 2020. Thus, citywide affordable housing construction is up 31 percent from this time last year while Brooklyn is down 55 percent.

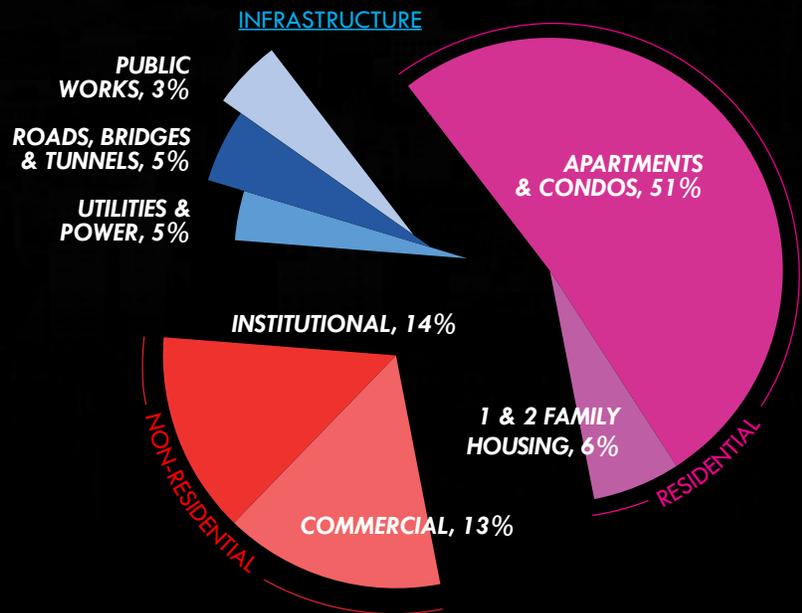
NON-RESIDENTIAL

Non-residential construction is the second largest sector in the borough, with 1,650 starts valued at \$5.4 billion, 29 percent of the total. Non-residential starts, split between commercial and institutional building, represent a third of all projects in Brooklyn and are expected to add 10.2 million square feet of built space. Commercial encompasses offices, retail, warehouses and hotels, while institutional includes educational, healthcare,

NUMBER OF CONSTRUCTION STARTS



VALUE OF CONSTRUCTION STARTS



IN LIGHT OF THE CHALLENGES THAT HAVE BEEN CREATED BY COVID AND THE CORRESPONDING ECONOMIC SHUTDOWN, IT IS MORE IMPORTANT THAN EVER TO BOLDLY INVEST IN INFRASTRUCTURE IMPROVEMENTS THROUGHOUT THE BOROUGH. IN THE SHORT-TERM, SUCH INVESTMENTS WILL HELP STIMULATE NEEDED JOB CREATION IN THE CONSTRUCTION AND RELATED SECTORS OF THE ECONOMY. IN THE LONG-TERM, SUCH INFRASTRUCTURE IMPROVEMENTS WILL BE DIRECTLY TIED TO ECONOMIC GROWTH AND STABILITY.

RANDY PEERS

PRESIDENT & CEO, BROOKLYN CHAMBER OF COMMERCE

AS THE CITY LOOKS AHEAD TO RECOVERY, WE MUST PRIORITIZE THE BUILDING PROJECTS AND INFRASTRUCTURE UPGRADES THAT CREATE JOBS AT A TIME WHEN MANY ARE OUT OF WORK, AND STRENGTHEN OUR BOROUGH FOR DECADES TO COME. MORE THAN EVER, IT IS IMPERATIVE THAT WE MAKE BROOKLYN AN ATTRACTIVE PLACE FOR WORKERS, BUSINESSES, AND RESIDENTS, AND GENERATE THE SORT OF ECONOMIC ACTIVITY THAT WILL HELP GET NEW YORKERS BACK TO WORK.

REGINA MYER

PRESIDENT, DOWNTOWN BROOKLYN PARTNERSHIP

government, recreational and religious facilities. Non-residential projects currently in the design and planning phases total \$12.1 billion.

With the onset of the pandemic, healthcare and life science construction grew rapidly. At the peak of construction in March, starts were 680 percent higher than the same time in 2019. They have since leveled off, up 45 percent to \$38.5 million. Between January 2017 and July 2020, total starts were valued at \$207.4 million across 84 projects. There are currently 121 healthcare and life science projects in the pipeline worth \$684.9 million and expected to add 270.5 million square feet of space. Major institutional builders include NYC Health + Hospitals, NYU Langone, Brookdale Hospital and Interfaith Medical Center. In ***NYC Checkup: An Examination of Healthcare and Life Science Construction*** the Building Congress forecasts healthcare and life science construction spending in Brooklyn between 2020 and 2023 to be more than double the amount spent between 2016 and 2019, the highest growth rate of any borough.

INFRASTRUCTURE

Infrastructure construction is valued at \$2.4 billion across 135 starts. Roads, bridges and tunnels are 38 percent of the total value of infrastructure starts, with utilities and power accounting for 36 percent and environmental public works representing 26 percent. Since 2017, the highest-value projects include the Gowanus Canal Superfund Site, Kosciuszko Bridge Phase 2 and Coney Island Yard Flood Mitigation. From January to July 2020, infrastructure starts were down 26 percent compared to the same period last year.

Meanwhile, there are infrastructure projects in the pipeline worth \$15.9 billion, including major works in the pre-design and design phases. The largest potential future projects include the Cross-Harbor Freight Tunnel, Brooklyn-Queens Connector, rehabilitation of the Brooklyn-Queens Expressway and Gowanus Canal Combined Sewer Overflow Facilities.



*Pacific Park
Photo Credit, Max Touhey*

The New York Building Congress is a member coalition of business, labor, associations and government organizations promoting the design, construction and real estate industry in New York City.

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NEW YORK BUILDING CONGRESS

1040 AVENUE OF THE AMERICAS, 21ST FLOOR

NEW YORK, NY 10018

(212) 481-9230

WWW.BUILDINGCONGRESS.COM