



CONSTRUCTION OUTLOOK UPDATE

MID-MARKET CONSTRUCTION

A review of 2013-2017 new construction starts data for New York City reveals the growing impact middle-market construction is having on sectors of the building industry.

THE GROWING MIDDLE

Though they lack the scale and prominence of high-end developments, mid-market projects played an outsized role in retail and hotel construction and have shown incredible growth over the past five years.

The dominance of large-scale projects on New York's construction industry cannot be overstated. These include transformative projects that reshape our skyline like Hudson Yards, the World Trade Center and residential high-rises in Long Island City, Downtown Brooklyn and Manhattan. They accounted for half of new square footage and for 69% of new construction spending throughout the five boroughs.

Mid-market projects – those that fall between the large-scale high-rises and small-scale developments – play an increasingly important role in shaping New York's built environment. Spending on mid-market projects has increased 155% from 2013 to 2017 – an increase greater than both high and low market construction. In 2013, spending on mid-market projects totaled \$1.1 billion and most recently topped \$2.8 billion in 2017.

In addition, most hotels built between 2013 and 2017 were mid-market projects. By borough, Staten Island and the Bronx had the highest percentage of mid-market projects compared to high and low market construction.

OFFICE CONSTRUCTION

Office construction was dominated – both in terms of the value of the project and in terms of newly built square feet – by projects over \$100m. Of the \$12.7 billion in new office construction between 2013 and 2017, projects over \$100m accounted for almost 88% of the total value. Projects over \$100m in value accounted for 76% of the total 22.7 million square feet of new office construction. Mid-market office projects (\$10m-\$100m) accounted for 15% of new square footage built and 10% of the gross value of all new commercial construction.

	Number of Projects	Value (000)	Area (000 gsf)
HIGH	14	\$11,153,788	17,355
MID	48	\$1,310,203	3,424
LOW	140	\$266,512	1,956
TOTAL	202	\$12,730,503	22,735

Determining the Middle-Market for NYC Construction

The range of low, middle and high markets was determined from a distribution analysis of the value of New York City construction permits for new buildings during the last full year of study (2017). The middle-market range was determined from the shape of the distribution curve. Outliers at both the extreme high and low end of the market were excluded. For this report, the middle market for new construction is defined as follows:

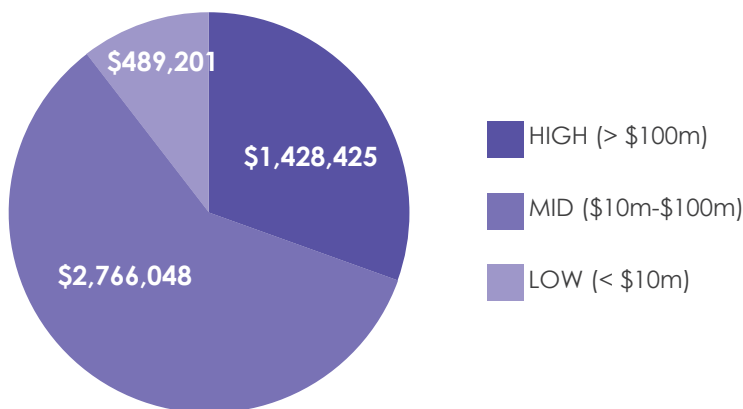
- Office Construction: **\$10m - \$100m**
- Hotel Construction: **\$10m - \$100m**
- Retail Construction: **\$1m - \$25m**
- Residential Construction: **\$25m - \$50m**

HOTEL CONSTRUCTION

Mid-market hotel construction (\$10m–\$100m) accounted for 60% of the value of all hotels built between 2013 and 2017 in New York City. Of the \$4.5 billion in total new hotel construction, mid-market projects accounted for \$2.7 billion. When comparing the size of construction projects, mid-market hotels accounted for 58% of the square footage of new hotel space built over the same period. Of the 15 million square feet of new hotels, mid-market hotels accounted for 9 million square feet. There were 117 hotels built between 2013 and 2017, and 78 of them (or two-thirds) were mid-market hotels

Furthermore, mid-market hotels accounted for the majority of hotel projects in almost every borough. Roughly 65% of the hotels in Brooklyn and Queens were mid-market. In Manhattan, a staggering 81% of hotels built between 2013 and 2017 were mid-market projects.

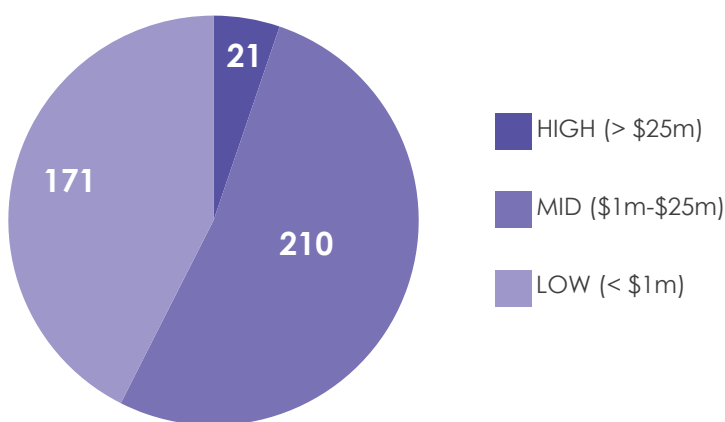
Value of Hotel Construction Projects, 2013-2017 (\$000)



RETAIL CONSTRUCTION

In retail construction, mid-market (\$1m–\$25m) projects outpaced both high and low-market projects. Of the 402 retail projects built between 2013 and 2017, 210 (52%) were built in the mid-market range. When combined with low-market projects, they account for 95% of all new retail construction. High-value projects only accounted for five percent of all new retail projects but represented 63% of the total value.

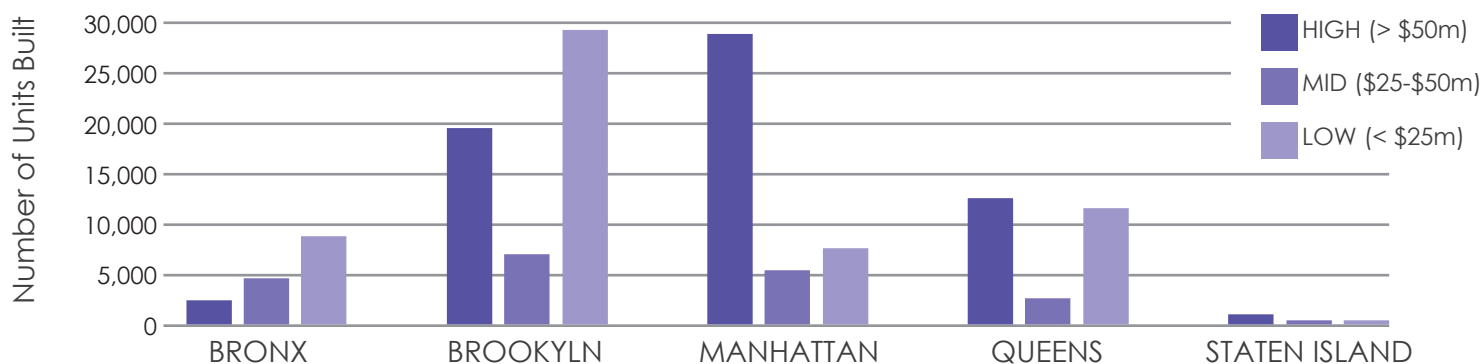
Number of Retail Construction Projects, 2013-2017



RESIDENTIAL CONSTRUCTION

Between 2013 and 2017, there have been 140,181 residential units built across New York City. 45% of these units were built in projects greater than \$50m, 40% were built in projects less than \$25m, and 14% were built in mid-market projects (\$25m–\$50m). Over the same period, 164 million gross square feet was either completed or permitted.

Residential Construction Projects by Borough, 2013-2017





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The data for this report is provided by Dodge Data & Analytics and encompass all new, ground-up construction from 2013-2017 within New York City. The analysis uses New York City construction starts permits from the New York City Department of Buildings. The data reflects the total estimated value of each initiated project throughout the entire period of construction. This report and all other publications issued by the New York Building Congress can be viewed at www.buildingcongress.com/advocacy-and-reports.com