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City construction costs see two-year surge

By Kelly Weill



Housing costs aren't the only prices on the rise in New York City. According to a report from the New York Building Congress, construction costs increased 5 percent yearly in 2013 and 2014.

Construction costs usually rise each year, but the Thursday report shows New York outpacing the rest of the country in construction-cost inflation. While U.S. construction costs increased an average of 2.5 percent in 2013 and 3 percent in 2014, New York's cost-increases were nearly double this national average.

"While a considerable portion of the recent increase in costs is the product of forces beyond New York City's control and a function of a healthy local construction market, the fact that costs are rising at a 5 percent annual rate is cause for concern," New York Building Congress president Richard T. Anderson said in the report.

Rising costs of building materials are one source of external pressure on New York's construction industry. According to the report, material costs are on the rise, with "fuel oil, gypsum products, lumber and plywood, insulation materials, pvc pipe products, and steel shapes" outpacing the rest of the market.

But much of New York's disproportionate costs are due to the unique challenges of building in the city.

"New York tends to be higher-cost construction than the rest of the country. It's a dense urban environment. It just costs more to build here," Anderson said. "The cost of government is beyond [construction companies'] control. In New York City the cost of government controls and procedures is greater than anywhere else."

The rising costs might signal a rebound to the industry's pre-recession strength, however. The 5 percent increases in 2013 and 2014 mark the most significant gains in construction costs since 2006 and 2007, when the costs rose 12 percent and 11 percent, respectively.

"The strength of the market is continuing to grow, and it's getting stronger. We're seeing \$32 billion in activity right now and the forecast for 2015 is \$35 billion." Anderson said. "It's back to the boom years."