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## **NY City Construction Costs on the Rise**

By John Jordan



New York Building Congress President Richard Anderson

**NEW YORK CITY**—Construction costs in Manhattan have risen 5% in each of the last two years, according to a report released today by the New York Building Congress.

Construction costs rose 5% in 2013 and by another 5% last year, the trade association reports. The 5% annual cost increase compares to the average construction cost hikes nationwide of 2.5% in 2013 and 3% in 2014. The increases in costs were derived from multiple cost indices, along with interviews with representatives of some of the city's largest construction firms.

While the recent plunge in oil prices is good news and could lower the cost of petroleum-based products and delivery costs, city construction company representatives are concerned that costs could rise further given that certain essential trades, such as curtain wall and cast-in-place concrete, are reportedly running out of capacity. In recent years, the fastest growing material costs nationally have been fuel oil, gypsum products, lumber and plywood, insulation materials, pvc pipe products, and steel shapes, the Building Congress states.

"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% annual rate is cause for concern," says New York Building Congress President Richard T. Anderson.

During the height of the building boom, in 2006 and 2007, construction cost increases exceeded 6% nationwide and were nearly twice as high in New York City, with reports of construction cost increases reaching 12% in

2006, slightly moderating to 11% in 2007. In the aftermath of the recession costs actually declined both nationally and in New York City in 2009 and registered a nominal gain in 2010. Costs in New York City gradually increased, by between 2 % and 3.25% percent annually between 2010 and 2012 before jumping again in 2013, the Building Congress reports.

"The design, construction, and real estate industry, in partnership with government, must look for ways to reduce the cost of construction through innovations in the way we build as well as by eliminating burdensome regulations and costly red tape," Anderson says. "This is a key priority of the recently-formed Building Congress Task Force on Innovation and Best Practices."

According to the construction executives surveyed, the costs of construction are the greatest for hospitals at between \$800-\$950 per-square-foot. The second most expensive, at \$700-\$800 per-square-foot, is five-star hotels. University buildings ranked third in terms of cost at \$600-\$850 per-square-foot, followed by secondary schools at \$500-600 per-square-foot, and speculative office space at \$425-\$500 per-square-foot. Those rates are even higher for prime, built-to-suit office space, the report states.