

REAL ESTATE WEEKLY

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Construction & Design

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Dip in construction starts troubling news for New York building sector

A New York Building Congress analysis of McGraw-Hill Construction Dodge construction data found that \$13.8 billion worth of construction projects started in 2011, a decline of 31 percent from 2010, when \$20 billion in projects began.

The data used in the report encompass all project starts, including brand new construction as well as alterations and renovations to existing structures, and reflect the estimated value of each initiated project through the entire period of construction.

The 31 percent decrease in starts from the previous year was due primarily to a major decline in the non-residential sector, which includes offices, hotels, schools, hospitals, transit stations, power plants and other institutional buildings.

Construction starts in this sector decreased 39 percent — from \$13.7 billion in 2010 to \$8.4 billion in 2011. Last year's results are a complete reversal from 2010, when non-residential construction starts rose by 41 percent.

It was a down year as well in the public works sector, which includes all government "non-building" construction starts, including

roads, bridges, water systems and other infrastructure. Construction starts in this area declined 35 percent, from \$4.0 billion in 2010 to \$2.6 billion in 2011.

Starts in this sector have declined in each of the past three years and are down 54 percent from 2008, when public starts reached \$5.7 billion.

On a positive note, residential construction starts jumped 24 percent, from \$2.3 billion in 2010 to \$2.9 billion last year. While 2011 starts remained 51 percent below the 2008 level, the data suggest that the residential sector has bottomed out.

Led by work at the World Trade Center and on two major arenas, New York City benefited from seven construction starts valued at more than \$500 million or greater in 2010. That number dropped to just two in 2011, however — the \$1.2 billion redevelopment of Terminal 4 at JFK Airport and installations of furnishings and systems related to the Number 7 subway line extension (\$514 million).

These projects were followed by Gotham West apartments (\$362 million), work on the Second Avenue Subway's 86th Street station (\$302 mil-

lion), the Whitney Museum of Art (\$300 million) and the restarted Boston Properties office tower on West 55th Street, the balance of which is valued at \$285 million.

All 20 of New York City's largest construction starts in 2011 were located in Manhattan (15) and Queens (5).

New, ground-up construction projects accounted for 57 percent of all construction starts, while the other 43 percent were alterations and renovations to existing facilities. In 2010, new construction accounted for 63 percent of all project starts.

"Given that 2010 was the year of the big-ticket construction project — with the World Trade Center, Madison Square Garden and Barclays Arena accounting for \$6 billion in construction starts alone — it is not all that surprising to see a dip in 2011," said New York Building Congress president Richard T. Anderson. "Still, the 31 percent decline in New York City is very troubling.

"It certainly is positive that the residential sector is picking up again, but continued improvement in that sector alone will not be enough to sustain the construction industry and maintain employment levels in the years ahead."