

February 9, 2017

<http://www.globest.com/sites/raynakatz/2017/02/09/nybc-construction-costs-remain-highest-in-nyc/?kw=NYBC:%20Construction%20Costs%20Remain%20Highest%20in%20NYC&et=editorial&bu=REM&cn=20170209&src=EMC-Email&pt=NewYork&slreturn=20170109084920>

NEW YORK

NYBC: Construction Costs Remain Highest In NYC

NEW YORK CITY—A new analysis shows increases last year that were more in line with the nation yet still higher than other markets, and expected sharp upticks throughout 2017.



Scissura: "No matter what sector you analyze, construction activity remains robust."

BY [RAYNA KATZ](#)

NEW YORK CITY—While the rate of increase in local construction costs in 2016 was more in line with spikes nationally than in recent years, New York City remains the highest cost of construction market in the US, according to a New York Building Congress analysis.

Area developers should continue to brace for higher prices here: construction executives interviewed for the report expect that New York City construction costs will accelerate at roughly the current rate of 1% per quarter through 2017.

Construction costs in New York City increased by approximately 4% in 2016, which is slightly less than the 5% rate of cost inflation that was experienced annually throughout the five boroughs from 2013 through 2015. By comparison, US construction costs rose between 3% and 4% in 2016 after rising between 2.5% to 3% annually from 2013 through 2015.

“No matter what sector you analyze—commercial, residential, corporate interiors, healthcare, education and cultural—construction activity remains robust, which means a stretched labor force, increased use of overtime, and an ability for contractors to pick and choose which projects to pursue,” says New York Building Congress president and CEO Carlo A. Scissura. “These factors were the primary drivers of cost inflation in 2016.”

He adds, “That said, we are not experiencing the type of inflation we experienced during the last decade’s construction boom. Part of the reason is that the overall cost of construction materials has remained relatively flat.”

According to the data sources and construction executives, construction costs are greatest on a per-square-foot basis for hospitals, followed by university buildings, five-star hotels, and office space.

Cost acceleration is especially prevalent in the office sector, due in part to a substantial increase in the amount of work underway – including ground-up construction, alterations and renovation of existing office buildings, and production of prime, built-to-suit office spaces.

The continued increase in office work is expected to offset an anticipated decline in the residential sector, which is a reversal from years past when a white-hot housing market served as the primary driver of cost inflation.

While the residential market remains a steady source of work, the sector has been negatively impacted by the lack of clear direction on the future of the 421a tax incentive program, which is disproportionately affecting the production of new affordable housing.

“One thing to keep an eye on is the impact of increased competition among contractors,” notes Scissura. “As the universe of non-union and open shop contractors has grown in number and sophistication, it has presented owners and developers with more choices and a wider range of competitive bids, especially among firms that are looking to establish a track record in the five boroughs.”