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New York construction up 31% on luxury boom, report says

By Ryan Hutchins



Construction in Brooklyn. (AP Photo/Mark Lennihan)

New York City construction starts increased 31 percent last year, reaching \$26.1 billion—the most since the 2008 recession began, according to a new report out this morning.

The growth is attributable in large part to the residential development boom across the boroughs, as well as signs of new strength among commercial and institutional developers, according to the report from the New York Building Congress.

The group’s president, Richard Anderson, said the effect of residential demand became quite clear in the last year. Housing starts rose in value for the fourth year in a row, reaching \$11.9 billion—up 73 percent from 2013. That was a 350 percent increase from the post-recession low of \$2.6 billion, recorded in 2010.

“The fact that eight of the top ten projects by value are multi-family apartment buildings is nothing short of amazing, especially when you consider the strength of the overall market,”

Anderson said in a statement. “Even in 2012 and 2013, which were strong years for residential, just four of the top ten were residential projects.”

But the data shows much of the demand is not coming from market-rate apartment improvements that will be affordable to the average New Yorker. Rather, the data shows, much of the boom is attributable to the push for more and more luxury homes.

New apartment development accounted eight of the top 10 projects last year, and 15 residential projects had construction costs of more than \$175 million—accounting for \$5.8 billion in total value. That’s good for 58 percent of the new, group-up housing projects in 2014. And while the total value of residential project was up 73 percent, the amount of square feet added to the housing stock increased just 17 percent.

The findings underscore the issues facing Mayor Bill de Blasio, who has pledged spur the development of 80,000 affordable housing units over a decade, while preserving 120,000 others.

The boom is both good and bad for the mayor: Part of his plan hinges on leveraging the value of luxury building to create affordable units using something called mandatory-inclusionary zoning. On the other hand, part of the reason the value of residential development has increased is the rising price of land, which means less money for construction. On top of that, there are signs of a luxury market slowdown. A full correction of the housing market would be even more problematic.

Beyond residential, development of offices, hotels, schools, hospitals, transportation facilities, power plants and other institutional projects was up 26 percent, with the total value reaching \$10.5 billion in 2014. Commercial buildings accounted for \$5 billion out of that total, institutional projects for \$4.8 million and utility and manufacturing work the remainder.

It appears more of the same is on the way, Anderson said.

“As encouraging as 2014 was, 2015 is already shaping up to be a blockbuster year in the non-residential sector,” he said. “We are not even two full months into the New Year, and already we have seen the resumption of full-scale construction at 3 World Trade Center and the start of 55 Hudson Yards. With the addition of 30 Hudson Yards, which is expected to begin later this year, we are looking at nearly 6.5 million square feet of new office space in those three projects alone.”