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<http://rew-online.com/2017/02/23/nyc-construction-starts-top-32b-in-2016/>

CONSTRUCTION & DESIGN

NYC construction starts top \$32B in 2016



The value of New York City construction starts reached \$32.2 billion in 2016, a decline of 22 percent from 2015, according to a New York Building Congress analysis of construction data from Dodge Data & Analytics.

While the overall value of last year's construction starts is down from \$41.1 billion in 2015, the 2016 total easily outpaced the annual average of \$24.1 billion in construction starts achieved during a five-year period stretching from 2011 through 2015.

“Despite our inability to match the epic pace of new project starts achieved in 2015, private sector developers and real estate investors maintained their incredibly bullish outlook on New York City in 2016,” said New York Building Congress President and CEO Carlo A. Scissura. “With government work included, the five boroughs have been home to more than \$70 billion in new construction projects over the past two years, with much of that work continuing to course through our economy today in the form of new jobs, additional consumer spending, and increased tax revenue.”

The data used in this report encompass all project starts, including new ground-up construction, alterations and renovations to existing structures, and public infrastructure. The data reflect the total estimated value and square footage of each initiated project throughout the entire period of construction.

From start to completion, the construction projects initiated in 2016 will encompass 51.3 million square feet of new floor space. That total is down nearly 38 percent from the 82.2 million square feet of new space started in 2015, but remains well above the five-year average of 44.4 million square feet in construction projects initiated between 2011 and 2015.

TOP PROJECT STARTS

For the second consecutive year, the top three project starts by value involved new office construction. The list was headed by 3 Hudson Boulevard and One Vanderbilt in Manhattan, followed by Tishman Speyer's new office project in Long Island City, Queens.

The fourth most valuable project to begin construction last year – and the top start by the public sector – was tied to the Metropolitan Transportation Authority's ongoing East Side Access project.

Spots five through eight on the list were new residential projects in Manhattan, followed by a nearly one-million-square-foot warehouse facility being constructed on Staten Island. The expansion of New York-Presbyterian's Brooklyn Methodist Hospital rounded out the top 10.

SECTOR ANALYSIS

Residential

A cooling off in the residential sector accounted for nearly all of the drop in 2016 construction. After soaring to \$19.5 billion in 2015, the value of residential construction starts dropped to \$11.5 billion in 2016, which easily surpassed the average of the previous five years.

New, ground-up apartment construction accounted for 85.2 percent of the residential projects initiated last year, compared to 14.8 percent for alterations and renovations of existing spaces. That marked the fourth consecutive year in which new apartment construction accounted for greater than 80 percent of project starts in the residential sector.

“There was really no way that the residential sector would be able to maintain the blistering pace of new construction that was set in 2015,” added Mr. Scissura. “That said, it's extremely encouraging to see \$11.5 billion in new housing construction last year, despite the expiration of the 421-a tax abatement program and the huge number of apartments that were already in the pipeline in 2016.”

Non-Residential

While non-residential construction, which includes offices, hotels, schools, hospitals, transit stations, power plants, and other institutional buildings, dipped slightly – from \$18.0 billion in 2015 to \$17.3 last year – this sector remains a major source of construction jobs and spending. The value of non-residential construction starts reached \$10.9 billion in 2014, \$8.4 billion in 2013, and \$9.6 billion in 2012.

This sector continues to be buoyed by a surge in new commercial buildings, particularly office towers. Construction starts on commercial buildings increased from \$11.9 billion in 2015 to \$12.0 billion in 2016. New, ground-up construction of commercial buildings accounted for approximately 64 percent of construction starts in both 2015 and 2016, after accounting for between 27 and 30 percent of initiated projects in the three-year period between 2012 through 2014.

The modest increase in construction starts on commercial buildings was offset, however, by a drop in construction starts by New York City's institutions, a sector that includes public schools, universities, hospitals, and cultural facilities. These public and private institutions combined to commence \$5.0 billion in construction projects last year compared to \$6.0 billion in 2015.

Public Works

Construction starts in the public works sector dipped for the third consecutive year. Projects initiated in this sector, which includes roads, bridges, subways, water and sewer systems, and other infrastructure, reached \$3.4 billion in 2016, down from \$3.6 billion in 2015 and \$3.8 billion in 2014.

“Our biggest concern right now is the relative lack of new investment to improve and add capacity to the transportation and infrastructure systems that will be relied upon to accommodate all of the private sector investment occurring throughout the city,” noted Mr. Scissura. “The good news is that both Governor Andrew Cuomo and Mayor Bill de Blasio have recently detailed big plans to improve the region's airports, mass transit, water and other essential public works.”