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New York City Construction Starts Soared To \$40.9 Billion In 2015

Growing Private Sector Investments Produce 53 Percent Rise in New Construction Projects

The value of **New York City construction** starts skyrocketed in 2015, fueled by a continued wave of major residential development projects and the start of three major office towers, according to a New York Building Congress analysis of construction data from Dodge Data & Analytics.

The total dollar value of all construction projects initiated in the five boroughs reached \$40.9 billion in 2015, a jump of 53 percent from 2014 when construction starts totaled \$26.7 billion and more than double the \$19.9 billion in starts realized in 2013.

From start to completion, these construction projects will encompass 83 million square feet of new and existing floor space, up from 45 million square feet in 2014. Approximately 58 million square feet involves residential construction, up from 33 million square feet in 2014.

The current boom in building activity is being driven in large part by the continued growth in new, ground-up construction projects, which accounted for 76 percent of all residential and non-residential construction starts in 2015, compared to 24 percent for alterations and renovations (A&R) of existing spaces. New construction accounted for 66 percent of all project starts by value in 2014 and 58 percent in 2013. In 2012, A&R outpaced new construction with 52 percent of the starts by value.

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

TOP PROJECT STARTS

The top nine project starts by value in 2015 were all located in the borough of Manhattan, and six of those projects are currently rising from the burgeoning mixed-use district being created on Midtown's far west side.

While residential projects made up 13 of the top 20 project starts by value, the top three projects -- 30 Hudson Yards, 1 Manhattan West, and 55 Hudson Yards -- were all major office developments. In 2014, the residential sector shared the top projects spotlight with major healthcare facilities; and in 2013, housing was accompanied by the commencement of three major bridge projects.

The fourth most valuable construction start in 2015 was the Memorial Sloan Kettering Cancer Center, followed by the one-million square foot retail and restaurant complex at Hudson Yards, and 15 Hudson Yards, the top residential project for the previous year.

“While the effort to create a Hudson Yards district began more than a decade ago, we are likely to look at 2015 as the year in which the vision truly started to become reality,” said New York Building Congress President Richard T. Anderson. “According to the data, the private sector last year committed to more than \$5 billion in construction spending in this single swath of Midtown’s far west side, which will produce upwards of 10 million square feet of new offices, housing, restaurants, and shops.”

SECTOR ANALYSIS

Non-Residential

Thanks in considerable measure to all of the office work around Hudson Yards, 2015 was a banner year for the non-residential sector, which also includes hotels, schools, hospitals, transit stations, power plants, and other institutional buildings. After dipping from \$9.5 billion in 2012 to \$8.3 billion in 2013, non-residential construction starts leaped 65 percent, from \$10.9 billion in 2014 to \$18 billion in 2015.

Commercial buildings accounted for \$11.8 billion of non-residential starts, led by office buildings, which accounted for \$8 billion in construction starts alone. In addition to the three office towers on Midtown’s far west side, construction also began on 425 Park Avenue, which will be the first full-block office tower constructed on Park Avenue over the past half century.

Construction starts in the institutional sector, which includes public schools, universities, hospitals, and cultural institutions, also climbed 23 percent – from \$4.9 billion in 2014 to \$6 billion in 2015.

Housing

New York City housing starts reached \$19.5 billion in 2015, a 62 percent increase from 2014, when residential construction starts topped out at \$12 billion in value, and a nearly 650 percent increase from 2010, when residential construction starts reached just \$2.6 billion. New ground-up apartment construction accounted for an impressive 93 percent of housing starts in 2015, up from 86 percent in 2014 and 85 percent in 2013.

“Perhaps never before in New York City has so much new housing been in the pipeline at one time,” Mr. Anderson said. “The present question is how long we can sustain this sort of pace, especially in the absence of the 421-a subsidy program and with increasing reports of a softening market.”

Public Works

Construction starts in the public works sector dipped for the second consecutive year. Projects initiated in this sector, which includes roads, bridges, subways, water and sewer systems, and other infrastructure, reached \$3.4 billion in 2015, down from \$3.8 billion in 2014 and \$4.7 billion in 2013.

“New York City and the construction industry are benefitting greatly right now from the private sector’s desire to invest in real estate across the five boroughs,” Mr. Anderson added. “Our main concern is that government investment in public works is not keeping pace despite the increasing demands inherent with all this economic growth.”