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Residential construction spending shatters record

By Ryan Hutchins

Construction spending in New York City was up 26 percent last year, reaching \$36 billion, as the cost of residential development rose to record levels, according to a New York Building Congress analysis released today. Residential spending increased a staggering 73 percent, hitting \$11.9 billion.

It's the first time in the city's history that residential spending has even surpassed \$7 billion in a single year. That might sound like great news for Mayor Bill de Blasio, who hopes to end the city's housing crises. But the reality is much of the additional spending went toward ultra-high-end condominiums that are selling for tens of millions of dollars to audience of the global elite.

With the cost of land skyrocketing, some developers say they are finding it more and more difficult to find rental housing projects that make sense—let alone ones that will turn a big profit. The number of new units that were completed last year, 20,329, was up just 11 percent from the year prior despite the growth in spending. Beyond that consolidation of spending power, developers are also facing ever higher costs for construction, driven by a wide range of factors.

Non-residential commercial construction—including offices, cultural institutions, hotels and entertainment venues—saw more modest growth, rising 20 percent to \$9.8 billion last year, the report found. It's the first increase in the category since 2010. The building congress pointed to work at Hudson Yards and 3 World Trade Center as promising examples, saying “the near-term prospects for the commercial sector remain bright.”

“While the unprecedented boom in residential construction is justifiably grabbing the headlines, what's most encouraging about 2014 is the growing strength exhibited in all three sectors of the construction market,” the group's president, Richard Anderson, said in a statement. “As an industry, we must ensure that we have the capacity to conduct all this work efficiently and safely while also collaborating with government to promote continued public and private sector investment throughout the five boroughs.”

City government construction spending—including mass transit, public schools, roads, bridges, and other infrastructure projects—was up 7 percent, reaching \$14.3 billion in 2014. That is still below the all-time peak reached in 2008, when government spending in New York City reached \$16.3 billion.

The congress also said there were 122,975 construction jobs in 2014, up about 2,000 positions. The development boom drove an additional \$21 billion in spending in other sectors, through indirect effect on industries that support construction and through consumption by workers employed by the industry. Construction contributed about \$31.6 billion to the gross city product, or roughly 4 percent of the \$762 billion total. Half of that came from government spending, though.

Read the full analysis: <http://bit.ly/1zjZgJY>