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NEW YORK BUSINESS

ONLINE

April 30, 2015

<http://www.crainsnewyork.com/article/20150430/BLOGS01/150439987>

GREG DAVID ON NEW YORK

City's residential construction boom insanely skewed toward super-rich

By Greg David

A relatively small number of luxury units aren't creating the amount of housing the city needs.



Construction spending in the city jumped 26% last year, to \$36 billion.

Photo: Buck Ennis

The New York Building Congress reported what seems to be good news Thursday: Construction spending in the city jumped 26% last year, to \$36 billion. The gain was attributed almost entirely to residential building, which surged 73%, to \$11.9 billion, a record even after adjusting for inflation. In fact, this is the first year residential construction exceeded \$7 billion.

But the news is actually worrisome because it reflects the super-tall luxury towers rising near Central Park. The number of new units last year inched past 20,000, about a third fewer than were built annually from 2005 to 2008.

The figures include both new construction and renovations, and it isn't possible to know if the percentage of renovations changed between the two years. But if the percentage was about the same, the average unit construction cost in 2008 was \$177,875. Last year, the average soared to \$585,370. (Figures are not adjusted for inflation, but that would narrow the gap only slightly.)

	2008	2014
Total construction cost	\$5.9 billion	\$11.9 billion
Units built	33,170	20,329
Average cost per unit	\$177,875	\$585,370

Source: New York Building Congress

Interfering with markets is always fraught with the danger of creating unintended consequences as bad as the problem being fixed, or even worse. But there is little doubt the current construction boom is making a few developers rich without commensurate benefits for the city—which needs to produce a greater amount of housing. The more complicated question is whether or not the superluxury boom is crowding out other housing activity (by raising land prices, for example), and there is no good answer yet.