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Resi construction spending hits all-time $12B high
By Rich Brockman

Despite record, output is still 1/3 below peak levels: Building Congress

From left: Richard Anderson, 432 Park Avenue and a rendering of 3 World Trade Center (credit: Silverstein Properties)

Spending on residential construction in New York City rose sharply to an all-time record of nearly $12 billion last year, according to a new report. Those dollars, however, produced only about two-thirds of the units that were created during the peak years of the previous building boom.

Residential construction spending in 2014 shot up 73 percent year-over-year to $11.9 billion – a record figure even after accounting for inflation, according to the New York Building Congress, a trade group for the construction industry.

But while the number of new units produced in 2014 climbed 11 percent to 20,329, overall output still lags below the more than 30,000 units produced each year between 2005 and 2008. In addition to increased costs for labor and materials used in luxury product, developers have also cited high land prices and the quagmire that is the city's approval process as reasons production continues to lag.

“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,” said Richard Anderson, president of the Building Congress.

“As an industry,” Anderson continued, “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.”

Overall, construction spending rose 26 percent year-over-year to $36 billion in 2014. That’s still below peak spending in 2007, which measured in 2014 dollars would equal $39.5 billion. Growth actually outpaced the Building Congress’ own projections from last fall.

Government construction spending rose 7 percent to $14.3 billion. Non-residential spending – which includes projects like office buildings, hotels and sports stadiums – climbed 20 percent to $9.8 billion on the backs of projects in Hudson Yards and full-scale resumption of work on Silverstein Properties’ 3 World Trade Center.

It marked the first time year-over-year spending grew in the non-residential category since 2010.