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Hot Housing Market Sparks MF Permit Spike

By John Jordan



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NEW YORK CITY—A true measure to just how hot the residential housing market is right now in New York City comes from the level of new development interest. A major construction industry trade group reports there has been a 156% increase in the number of new units being built in the city.

The **New York Building Congress** reports that the **New York City Department of Buildings** authorized construction of 52,618 residential units in Fiscal Year 2015 (July 1, 2014-June 30, 2015), a 156% increase from FY 2014, when permits were issued for 20,574 units. The newly released data is based on a New York Building Congress analysis of U.S. Census data. This marks the sixth consecutive year of increases in permitted units. Since a post-recession low of 6,194 authorized units in FY 2010, the DOB issued permits for 8,781 units in FY 2011, 8,800 units in FY 2012, and 12,939 units in FY 2013.

While the number of permits rose in each of the five boroughs, Brooklyn enjoyed the most dramatic increase with 23,326 dwelling units authorized for construction in FY 2015, compared to 7,181 in FY 2014. Manhattan ranked second among the boroughs with 13,499 permitted units. Manhattan placed second to Brooklyn for the third consecutive fiscal year, the Building Congress reports. Queens was home to 12,326 newly authorized units, followed by the Bronx with 2,753, and Staten Island with 714.

“The Building Congress has long believed that New York City needs to produce at least 20,000 new housing units each year to keep pace with demand and a growing population,” says New York Building Congress president **Richard Anderson**. “But we never thought we would see a year in which that many units would be authorized in one borough alone. The current strength of the Brooklyn market is quite remarkable.”

Good news for Mayor **Bill de Blasio** is that construction had started on 8,483 units of affordable housing in FY 2015, an 80% increase from 4,708 reached in FY 2013, according to a Building Congress analysis of **New York City Department of Housing Preservation and Development** data.

The Building Congress points out that while the raw number of affordable units rose significantly, that number fell as a percentage of overall units authorized in the five boroughs. In FY 2015, the number of affordable units started equaled about 16% of the housing units authorized, compared with 23% in FY 2014. In 2010 when the housing market was still reeling from the recession, affordable housing starts equaled 55% of all authorized units.

Of the 52,618 permits issued by the DOB in FY 2015, 42,088 were issued from the start of January through June of this year. The Building Congress attributes the surge in residential development to the strength of the residential sector and what was the looming June 15 expiration of New York State’s **421-a tax abatement program**. Gov. Andrew Cuomo and state legislative leaders agreed on an overhaul of the 421 a tax abatement program as part of the end of session package coined “the big ugly.”

A similar situation occurred in the spring of 2008 after the adoption of a new, less generous, and more restrictive version of the 421-a program that would apply to any residential project started after July 1 of that year. At that time a number of developers rushed to obtain the necessary permits and start foundations. As a result, the DOB issued permits for 26,851 residential units in the first half of the year—with more than 17,000 issued in June of that year alone.