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Construction Spending Booming As Developers Spend More to Build Fewer Units

By Laura Kusisto



A building under on construction on West 42nd St. is pictured on August 1.

New York's construction spending is booming, with the total dollars poured into development in the city expected to reach \$31.5 billion in 2014, according to a new report by the New York Building Congress.

The numbers seem in contrast to the lackluster number of permits issued in recent years, but in fact developers are simply spending more to build fewer units, underscoring the challenge faced by the mayor promoting the creation of both formally affordable apartments as well as less costly ones in Queens and Brooklyn.

The Building Congress, which promotes the construction industry, estimates that while residential construction spending will reach a new record high of \$10.2 billion in 2014, only about 20,000 new units will be created. That is a 9% increase from the number of units created in 2013 but still significantly below the more than 30,000 units that were constructed annually between 2005 and 2008.

“One area of concern, however, is the relative lack of new housing that is being created by virtue of all this residential spending,” said Richard Anderson, president of the Building Congress.

The Building Congress expects the number of construction jobs to reach 122,700 in 2014, which is up slightly from 2013 but still well below the 2008 peak of 132,600 jobs.

Experts point to the high cost of land, which makes it difficult to build anything other than luxury condos. Rezonings have also made it difficult to build in some parts of the city where land might be cheaper.

Developers also face significant challenges navigating the city's bureaucracy. Mayor Bill de Blasio has also pledged to make the Department of Buildings easier to navigate for smaller developers in the outer-boroughs.

“While the luxury residential market is booming in Manhattan and in parts of Brooklyn and Queens, we have our work cut out for us in terms of achieving Mayor de Blasio's plan to create or preserve 200,000 units of affordable housing over the next decade,” Mr. Anderson said.