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Apartment demand driving building tab to \$30B

Led by a surge in the residential sector, New York City construction spending is poised to increase by 10 percent in 2014, according to a New York Building Congress midyear analysis of current and forecasted construction activity.

After reaching \$28.5 billion in total construction spending in 2013, the Building Congress is currently forecasting spending of \$31.5 billion for all of 2014.

If realized, it would mark just the fourth time, and the first since 2010, that construction spending in the five boroughs topped the \$30 billion mark.

While the \$31.5 billion in forecast spending would be a record in nominal terms, the value of construction in 2014 would be 17 percent below the peak of 2007, after factoring for construction cost inflation.

The Building Congress expects construction employment to reach 122,700 in 2014, up 1.5 percent from 2013, when 120,900 jobs were produced. The current number remains well below the peak of 132,600 jobs reached in 2008.

The 10 percent increase in overall construction spending is solely the result of a resurgent residential sector, which is estimated to increase by 50 percent in 2014.

The Building Congress expects residential construction spending to reach \$10.2 billion in 2014, up from a previous record high of \$6.8 billion in 2013. This forecasted record-setting number comes just four years after a post-recession low of \$2.4 billion in 2010 residential spending.

If the Building Congress forecast holds, residential spending will account for 32 percent of all construction spending in New York City this year. The next best showing in recent memory occurred in 2005, when residential accounted for 25 percent of all spending. In the post-recession year of 2010, residential spending accounted for approximately 8 percent of all construction.

The Building Congress estimates that 20,000 new dwelling units will be produced in 2014, a 9 percent increase from 2013, when 18,378 units were built. While the recent level of new unit production is far above the amounts produced after the 2008 recession, it remains significantly below the more than 30,000 units that were constructed annually between 2005 and 2008.

“The recent breakthrough in residential construction spending has produced thousands of new construction industry jobs while generating increased economic activity and tax revenues for the City,” said Building Congress President Richard T. Anderson.

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

He added, “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.”

Government spending is expected to reach \$13.5 billion in 2014, after reaching \$13.7 billion in 2013. If the number holds, it would be the fourth consecutive year in which annual government spending has come in between \$13 billion and \$14 billion. In the prior four-year period – from 2007 to 2010 – government spending ranged from \$14.1 billion to \$16.3 billion annually.

Non-residential construction, which includes office space, institutional development, sports/entertainment venues, hotels and retail, is estimated to reach \$7.8 billion in 2014, down from \$8.0 billion in 2013. If the forecast holds, 2014 would mark the lowest level of non-residential spending since 2005.

Anderson concluded, “At this point in the City’s economic recovery, we had hoped for better results in the non-residential sector. The good news, here, however, is that a number of major institutions, such as Columbia and NYU, are poised to move forward with major expansion projects, and millions of square feet of new office development are currently on the drawing board at the World Trade Center and the Hudson Yards district.”