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Office Construction Hits 25-Year High

By John Jordan



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NEW YORK CITY—Not since 1990 has there been this many cranes at office construction development sites in New York City.

According to a report released today by the New York Building Congress, office construction in 2015 is at its highest level since 1990. In 2015 and 2016, a total of 9.7 million square feet of new office space will be constructed in 19 separate buildings across Manhattan, including 7.4 million square feet combined in Midtown West and the World Trade Center.

The report notes that this newly constructed space will gradually come on line as these 19 buildings are completed. The biggest wave of openings will occur in 2018 when six different towers are projected to be fully or substantially completed. The heady pace of construction is being fueled by lower interest rates, increasing employment, and a large supply of shovel-ready development sites at Hudson Yards and at the World Trade Center.

The Building Congress forecasts construction of 4.3 million square feet of new office space in 2015, up from 2.4 million square feet last year. Going forward the organization estimates 5.4 million square feet of new office space will be built in 2016, followed by 4.9 million square feet in 2017 and 4.0 million in 2018, which would be almost double what was built in 2014. For the 10 years between 2010 and 2019, the Building Congress forecasts a total of 29.5 million square feet of new office space will be built. In the period between 2000 and 2009, New York City added 22.3 million square feet of newly built office space, which was offset by the loss of more than 10 million square feet in the terrorist attacks on 9/11.

“After years of planning and upfront investment, the vision of a new World Trade Center and Hudson Yards are coming to fruition and in a big way. Even beyond those two mega-projects, it is obvious that the development community is bullish on New York City’s commercial future,” says New York Building Congress president Richard T. Anderson. “At the same time, we are not seeing the sort of irrational exuberance that led to a wave of speculative projects and gluts in the office market during periods of the 20th century.”

Owners and office tenants are ramping up their investments in alterations and renovations to their existing office space. According to a Building Congress analysis of Dodge data, alternation and renovation projects in office buildings in New York City totaled \$2.7 billion in 2014, up from \$2.2 billion in 2013 and \$1.3 billion in 2012. So far in the first six months of 2015, \$1.7 billion worth of alternation and renovation projects were started, up from \$1.2 billion in the first six months of 2014 and \$833 million in the first half of 2013.

“It appears that owners of existing office properties are upping their games in anticipation of the new wave of modern offices that are coming on line over the next five years,” Anderson adds. “In order to remain competitive, they recognize the need to modernize their existing spaces to make them more efficient, technologically-advanced, and appealing to both traditional and new economy tenants.”

According to the Department of City Planning, New York City currently has an inventory of 463 million square feet of office space. Approximately, 84% (or 390 million square feet) is located in the borough of Manhattan, with 81% of the city’s total inventory located south of 60th Street.

The Building Congress’ Anderson theorizes that despite the city’s best efforts to attract new office construction outside of Manhattan, the borough remains the top spot where most companies will invest.

“It will be interesting to see if neighborhoods such as Downtown Brooklyn, DUMBO, and Long Island City are able to take advantage of their growing popularity among residents and the trend toward creative workers wanting to work near where they live,” he says.