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Construction Growth Looking Sturdy in 2013

By Rayna Katz



NEW YORK CITY-2013 is poised to be a year of growth—on the construction front. A new study by the New York Building Congress—conducted with the analysis of McGraw-Hill construction dodge data—\$7.9 billion worth of construction projects were started in New York City in the first half of 2013, a 10% increase from the first half of 2012, when construction starts reached \$7.2 billion.

In another sign of increased building activity, the Building Congress found that \$16.8 billion in projects were started in all of 2012, a nearly 10% increase from 2011, which saw \$15.3 billion in construction starts.

“Our forecast is that 2013 will be a strong construction period; with 2014 coming in even stronger,” Richard Anderson, president, tells GlobeSt.com. “Looking at building permit data and other research we evaluate, everything looks positive in virtually all construction sectors. We’re predicting \$37 million in construction starts next year, bringing us back to peak levels.”

In particular, says Anderson, private sector work is flourishing, which is a contrast to the last few years. “In recent history, private work was languishing with government spending going strong. Now, the private sector looks stronger while public projects are filled with question marks.”

The value of new construction starts in commercial real estate actually declined slightly in the beginning of 2013, from \$3.8 billion in the first half of 2012 to \$3.7 billion during the same period in 2013. Still, Anderson remains optimistic. “Residential is going forward and office work is finally on track, so private work is moving ahead solidly.

“The data for the non-residential sector is encouraging,” he adds. The two biggest starts this year in the non-residential sector were construction of the 72nd street Station and ancillary buildings for the Second avenue subway, valued at \$258 million, and a \$252 million academic building for the New York City College of Technology. The biggest office construction start during this period was the \$150 million Seven Bryant Park tower.

Meanwhile, with regard to the public sector, “there are a lot of question marks,” Anderson says. “There’s a new mayor coming in and we have no indication of how he or she will approach the capital budget.”

Still, the sector has made a strong showing. "Non-building" construction starts, which encompass bridges, highways, mass transit, water supply systems and other infrastructure, held steady at \$1.5 billion for the first six months of 2013. Non-building construction starts reached \$906 million in the first half of 2011 and \$1.7 billion in the first half of 2010.

Anderson is realistic about the future, but hopeful. “It is a bit concerning that infrastructure projects are lagging behind the residential and nonresidential sectors in terms of new construction starts. Spending is robust at the moment—thanks to ongoing work on a number of big ticket transportation projects—but there is a question as to whether enough new work is being generated today to maintain spending levels in the future once these mega-projects wind down.”

Still, Anderson notes, “the MTA five-year capital program is up for renewal next year, and Thomas Prendergrast has said he’s hoping for a \$29 billion program. That’s a lot of money. Plus, public construction has been helped by Hurricane Sandy recovery money. I think the public work will hold.