

October 17, 2012

<http://www.businessweek.com/news/2012-10-17/new-york-city-construction-spending-to-hit-four-year-high>

Bloomberg News

New York City Construction Spending to Hit Four-Year High

By David M. Levitt

New York City construction spending will probably rise this year to the highest level since 2008 as the rebuilding of the World Trade Center and demand for luxury housing fuel a rebound, the New York Building Congress said.

About \$30.7 billion will have been spent by the end of December, up more than 9 percent from 2011, the trade group said in a report today. It would be the first time in four years that spending exceeded \$30 billion, and it will probably stay above that level in 2013, according to the report. The record of \$31.1 billion was set in 2007, the group said.

The industry has had “a swift and rather remarkable resurgence,” Richard Anderson, president of the Building Congress, said in a statement. “From the recently topped-out 1 World Trade Center to the Second Avenue subway below, New York’s private and public sector is investing heavily in its future. The only disappointment in 2012 is that industry employment has not kept pace with spending.”

Spending and employment plunged after the 2008 credit crisis caused developers to postpone work on new office towers and residential buildings. Rising public construction by the city and the Metropolitan Transportation Authority, which runs New York’s subway and commuter trains, helped sustain the market while the financial industry regained its footing.

Jobs Decline

Construction employment probably fell 0.6 percent this year to 110,800 jobs, the fewest since 1998. Increased building costs, better technology and productivity are holding down hiring, according to the Building Congress, which represents New York’s construction industry and unions. The group projected an increase in the next two years to 113,400 jobs, still well below the 2008 peak of 132,600.

Construction of commercial buildings including hotels, offices and sports arenas such as Brooklyn’s new Barclays Center is poised to reach a record of \$12.6 billion this year, up from

\$10.5 billion in 2011, according to the report. Such “big- ticket” projects as 1 and 4 World Trade Center, Boston Properties Inc. (BXP)’s office tower in progress at 205 West 55th St. and the renovation of Madison Square Garden are leading the surge, the group said.

Such spending will probably decline to about \$8.8 billion in 2014 as those developments wind down, according to the report.

Spending on new housing should reach \$3.2 billion this year and keep climbing to \$5.3 billion by 2014, an 83 percent increase over 2011’s \$2.9 billion, the group forecast. The city is expected to add about 10,000 residential units in 2012, up from the average of 7,300 in each of the past three years.

The city is experiencing a “mini-boom” in luxury housing development because of high international demand and more widely available financing, according to the report.

The Building Congress projected 12,500 housing units would be added next year and 15,000 in 2014, still only about half of the more than 30,000 constructed in 2006 and 2007.