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## Hyper-pricey homes to sap housing growth

By Joe Anuta

*An expected 80% jump in residential construction spending over next two years will yield only a 30% gain in the number of housing units, as much of the \$12 billion goes to housing for the ultra-rich.*

The New York Building Congress predicts that residential construction spending will increase by billions of dollars over the next two years. The hitch is that much of it will be spent on housing for the ultra-affluent.

By 2016, residential construction spending is forecast to hit \$12.4 billion without adjusting for inflation, according to the report, an increase of almost 80% from 2013 levels. But the number of units generated by that wall of spending is predicted to increase by just 30% over the time period, to 24,000, from 18,400 last year.

"It is good news that we are getting this volume of work, but we are not providing the housing we need for moderate-income New Yorkers," said Richard Anderson, president of the congress. "This is a real issue."

In contrast, at the previous peak of the market in 2007, 33,200 units were built at a cost of \$5.9 billion—less than half of what is predicted to be spent in 2016.

In part, the lower apartment count comes from developers spending more on each unit, as they cater to wealthy buyers who drop tens of millions of dollars on condos—prices that in part are dictated by the price of building sites that have exploded in recent years in the city.

To compound New York City's housing problem, many of these luxury units stand vacant for much of the year, according to Mr. Anderson.

To help foster the construction of much-needed affordable housing, the congress recommended that the de Blasio administration partner with the private sector to identify areas of the city to rezone for greater density, work to restart stalled construction sites, and streamline the regulatory environment to make development easier.

Spending across all sectors is expected to reach \$32.8 billion by 2016 in inflation-adjusted 2014 dollars, according to the building congress. That translates to an increase of 10% since 2013, but a sum that will still fall short of the 2007 peak.

Government construction spending is predicted to briefly peak between now and 2016, when the numbers will return close to the \$13.4 billion seen in 2013. But several questions remain.

For example, the Metropolitan Transportation Authority spends the second-largest amount on construction in the city, but nearly half of its \$32 billion five-year capital budget is unfunded.

As one possible solution, the congress recommended establishing a new, dedicated source of funding from Albany, and advocating for more funds from the federal government.