

# THE REAL DEAL

## NEW YORK REAL ESTATE NEWS

ONLINE

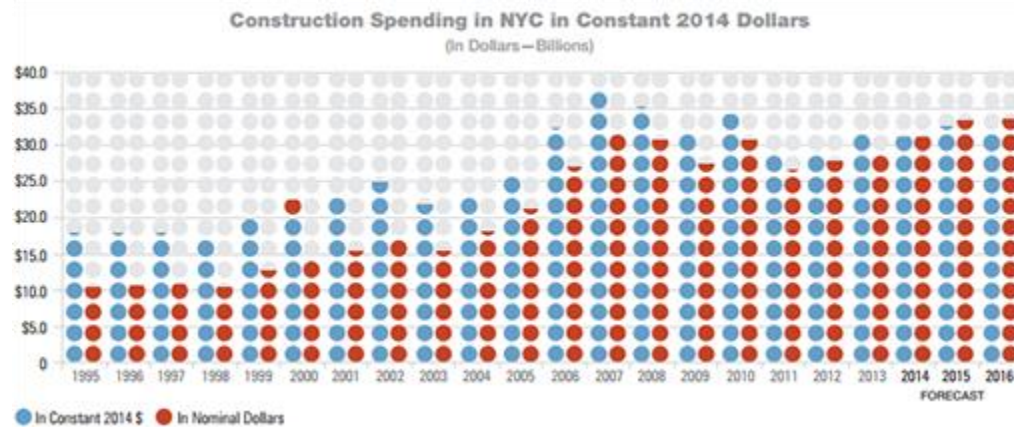
October 23, 2014

<http://therealdeal.com/blog/2014/10/23/nyc-construction-spending-to-surpass-100b-over-next-3-years/>

### NYC construction spending to surpass \$100B over next 3 years

By Rich Bockman

*But inflation-adjusted spending this year still well below '07: NY Building Congress*



*Projected NYC construction spending (Credit: New York Building Congress)*

Construction spending in New York City from 2014 through 2016 is projected to rocket past the \$100 billion mark, according to a new report from the New York Building Congress, an advocacy group for the construction industry.

The Building Congress forecasts that construction in the five boroughs will reach \$32.9 billion in 2014 – up 17 percent from last year – and climb to \$35.3 billion in 2015 and \$35.6 billion in 2016.

If the forecast holds, it would be the first time in history construction spending topped \$32 billion, but the milestone would be purely nominal. Measured in constant dollars, the 2014 prediction is 17 percent below the peak level seen in 2007.

Leading the spending surge is a boom in residential development, but the number of units being delivered is not keeping pace.

The group expects residential spending to increase 60 percent in 2014 to \$10.9 billion, but the number of units is only projected to grow 22 percent.

“New York City is producing more than 20,000 housing units annually, which is the benchmark that the Building Congress believes is necessary to accommodate household growth, replace antiquated buildings, and maintain adequate housing options for New Yorkers of all income levels,” the group’s chairman Thomas Scarangelo said in a statement. “What is concerning, however, is that the current level of production is falling far short of the more than 30,000 units that were constructed annually between 2005 and 2008.”



*A rendering of 551 West 21st Street (Credit: Foster + Partners)*

The disparity between production and spending can be explained in part by the shift toward building ultra-luxury condominiums in Manhattan, said Frank Sciame, chairman of the New York Building Foundation, which is an arm of the Building Congress. Indeed, an analysis by *The Real Deal* this month found that developers are now routinely paying nearly \$900 per foot to build their high-end condo towers — more than double what the Zeckendorfs paid to build 15 Central Park West in 2005.

“While any and all new housing stock is certainly welcome,” Sciame added, the key to the city’s future success will rest in part on our ability to produce a wide range of housing at multiple price points throughout the five boroughs.”

On the non-residential side — which includes office buildings, hotels and sports stadiums — spending is forecasted to drop from \$8 billion in 2013 to \$7.4 billion this years, mostly due to lack of spending on projects like the Barclays Center and Yankee Stadium.

More than a dozen office towers under construction at Hudson Yards and The World Trade Center are expected to push spending next year to \$10.3 billion. *TRD* recently looked at some of the city’s costliest under-construction towers.