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NYBC: Construction Activity Through 2016 Near Record Levels

By Rayna Katz



Anderson: "The NYC construction market has just about fully rebounded from its post-recession depths and is nearing boom territory"

NEW YORK CITY—Driven by an unprecedented surge in high-end residential construction—as well as by continued strength in the commercial and government sectors—New York City construction activity is approaching the extraordinary heights experienced during the boom years of 2007 and 2008, according to a new report by the New York Building Congress, with support from the New York Building Foundation.

The NYBC's construction outlook for 2014 through 2016 forecasts \$32.9 billion New York City construction spending in 2014, a 17% increase from 2013, when spending reached \$28.2 billion.

Construction spending is expected to increase further—to \$35.3 billion in 2015 and \$35.6 billion in 2016. If the forecast holds, it will mark the first time that construction spending has topped \$32 billion.

“Thanks to an improving economy, increased foreign investment, and continued progress on a handful of major public and private sector initiatives, the New York City construction market has just about fully rebounded from its post-recession depths and is nearing boom territory once again,” says Building Congress president Richard T. Anderson.

Residential construction is booming, according to the report. The Building Congress forecasts a total of \$10.9 billion will be spent on housing in New York City in 2014—an increase of \$4.1 billion from 2013. The Building Congress anticipates residential spending of \$11.7 billion in 2015 and \$12.4 billion in 2016.

One bearish forecast was issued regarding non-residential construction, which by NYBC's measure includes office space, institutional development, sports/entertainment venues, and hotels, to reach \$7.8 billion in 2014, down from \$8 billion a year ago. If realized, it would mark the first year since 2005 in which spending dipped below the \$8 billion mark. The Building Congress anticipates spending in this sector to rebound to \$10.3 billion in 2015 and \$9.6 billion in 2016.

However, the office market continues to be a considerable source of investment. As many as 13 new office buildings will be under various stages of construction between 2014 and 2016, highlighted by the World Trade

Center project and the Hudson Yards district. The Building Congress also reports a positive near-term outlook for the hotel, retail and institutional construction sectors.

Government spending, which includes investments in mass transit, public schools, roads, bridges, and other infrastructure, is forecast to increase from \$13.4 billion in 2013 to \$14.3 billion in 2014, before dropping back to \$13.3 billion in 2015 and \$13.6 billion in 2016.

The City of New York remains the single largest purchaser of construction services in the five boroughs. The Building Congress estimates that the City of New York will spend \$7.7 billion in 2015 and \$6.9 billion in 2016. The second largest construction spender in New York City is the Metropolitan Transportation Authority, which is currently undertaking a number of major expansion projects and a host of repairs and resiliency upgrades in the aftermath of Superstorm Sandy. The Building Congress estimates MTA construction-related spending to reach \$5.1 billion in 2014, followed by \$3.7 billion in 2015 and \$4.6 billion in 2016.

In its report, the Building Congress identified a number of challenges the state, city, and the building industry will need to address in order to sustain and build upon the City's growing momentum and offered the following recommendations: Mayor Bill de Blasio and the building community need to form a partnership to achieve his administration's goal of preserving and constructing 200,000 units of affordable housing over the next decade. The building community, along with transit advocates and elected officials representing downstate commuters, must form a united coalition advocating new sources of dedicated revenue and increased budgetary support from Albany. All segments of the design, construction, and real estate community must analyze and adopt best practices.

The design, construction, and real estate industry must step up its efforts to educate government leaders on the multiple benefits of forward-looking private development and the Cuomo and de Blasio administrations must remain vigilant in ensuring that the billions of dollars in federal funding are put to quick and productive use.