

# REAL ESTATE WEEKLY

Vol. 62, No. 1 • 30 pages in 4 sections

WEDNESDAY, OCTOBER 26, 2016

\$2.50

## FRONT PAGE

### Office demand driving New York's \$40B construction boom

With office building at a 25-year high and an apparently insatiable appetite for new apartments, New York City construction spending is on course to break the \$40 billion mark.

And experts predict the building boom will continue through at least 2018.

"While the non-residential sector has benefited from spending on hotels and hospitals, as well as colleges and universities, the big story is office construction, which is at its highest level in more than a quarter of a century,"

said Richard Cavallaro, chairman of the New York Building Congress which produced the forecast and analysis.

"We estimate that 11.6 million square feet of office space will be constructed in Manhattan alone during the forecast period, with millions of additional square feet anticipated in Brooklyn and Queens."

The New York City Construction Outlook 2016-2018 was prepared by the New York Building Congress with support from the New York Building Foundation.

The Congress forecasts New York City construction spending of \$43.1 billion in 2016. This would mark the first time in City history that construction spending has eclipsed the \$40 billion mark and represents a 26 percent increase from 2015, when spending reached \$34.3 billion.

The Building Congress anticipates spending will hit \$42.1 billion in for 2017 and \$42.3 billion in 2018.

If the forecast holds, 2016 spending will surpass the peak of the previous building



RICHARD CAVALLARO

boom, even after adjusting for inflation. In 2007, \$31.1 billion in actual dollars were spent on New York City con-

struction, which equates to \$41.6 billion in spending when measured in constant 2016 dollars.

On an inflation-adjusted basis, this year's projected spending on residential and non-residential buildings is 47 percent greater than the total for 2007.

Government spending on infrastructure projects, however, is expected to be 39 percent lower than in 2007, after factoring in the effects of inflation. This indicates that the current building boom is

**Continued on Page A7**

### NYBC: Office building driving \$40B construction boom

Continued from Page A1

being driven far more by private sector investment than the previous construction surge, when spending was split almost evenly between the government and private sectors.

"Since reaching \$16.3 billion in 2008, government spending on infrastructure has fallen in each of the past seven years," noted Building Foundation chairman John M. Dionisio.

"This is a cause for concern given the additional demands that have been placed on the City's infrastructure by record levels of private sector growth. The good news is, judging by our forecast and a recent review of the long-term capital plans, it appears as though that downward trend will be reversed starting in 2016."

The Building Congress forecasts a total of 147,100 jobs in the five boroughs in 2016, an increase of 8,900 jobs from

2015. If realized, it would mark the fifth consecutive year of rising New York City construction employment.

Residential construction spending is forecast to reach \$13.4 billion in 2016, which would mark the third consecutive record-breaking year.

While overall residential spending is expected to increase, the number of new housing units produced is forecast to decline from 36,850 units last year to 31,300 in 2016. Looking ahead, the Building Congress forecast calls for 27,000 new units and \$13.1 billion of residential spending in 2017, and 25,000 units and \$12.7 billion in spending in 2018.

"The residential construction sector remains in the midst of a historic run," said Building Congress President Richard T. Anderson.

"More than \$50 billion in residential spending and the

construction of 120,000 new housing units throughout the five boroughs are expected over the four-year period from 2015 through 2018.

"The big question is whether this pace can be sustained once all the projects currently in the pipeline have been completed. It is going to be very tough, if not impossible, without a renewal of the 421-a tax reduction program or better progress on the de Blasio's administration's efforts to rezone areas of the City to accommodate greater density and more affordable units."

Non-residential construction spending, is projected to skyrocket to \$17 billion in 2016, a 27 percent increase from a year ago when spending reached \$13.4 billion. If the numbers hold, it would be the highest level of inflation-adjusted, non-residential spending in more than two decades and just the fourth time that nominal spending has topped \$10 billion.