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Spending on NYC Residential Construction Jumps, Extending Record

By David M. Levitt

- Housing on `epic' run with \$14.9 billion to be spent in 2015
- Projects shift to Brooklyn, away from Manhattan ultra-luxury

Spending on residential construction in New York City is likely to reach \$14.9 billion this year, extending a record run that's "nothing short of epic," the New York Building Congress said in a report Thursday.

The total is 23 percent higher than the record \$12.1 billion reached last year, when the total was boosted by a wave of construction led by jumbo condominium projects in midtown Manhattan aimed at international buyers, according to the study. Five years ago, as the economy was emerging from recession, housing construction in the city totaled only \$2.6 billion, said the Building Congress, an association of developers, architects, lawyers, construction companies and unions.

This year's data suggest fewer luxury condos, such as the slender tower at 432 Park Ave., are being built, with developers instead targeting buyers below the top end of the market. The Building Congress estimated that a record 36,850 units of housing will be built this year, up from 20,450 in 2014.

"It appears there's a limit to just how much ultra-luxury demand there is for those kind of apartments in Manhattan," Richard Anderson, president of the organization, said in an interview. "The market is spreading in terms of the types of units, and it's spreading to the outer boroughs, especially to Brooklyn."

Anderson cited Building Congress data showing that Brooklyn generated 23,326 housing permits in the first half of the year, just less than half the total for the entire city.

"Just two years ago, we had 20,000 units for the entire city -- and that was for 12 months," he said. Developers "are looking for sites that are available and buildable, in an economically feasible fashion."

Total Spending

Total construction spending, including offices, hotels, retail and infrastructure, will reach \$39 billion, a record when not adjusted for inflation, with office construction reaching a quarter-century peak, according to the report. Spending is likely to total \$41 billion next year, and \$40.8 billion in 2017.

With New York at or near all-time highs in population, jobs, tourism, commuters and students, infrastructure spending -- on water, sewer, transportation and other government projects -- is lagging behind, according to the report.

In addition to improvements to meet rising demand on a daily basis, "New York City's infrastructure is in need of billions of dollars in additional investments designed to fortify its systems against the rapidly growing threat of extreme weather events," the Building Congress said.