

# CRAIN'S

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### City construction soars as residential outpaces government spending

By Greg David

The potential end of the 421-a tax break played a crucial role in the surge of apartment projects.



Photo: Buck Ennis

Total construction spending in the city will reach a record \$39 billion this year, a new report says.

Spurred by the boom in residential building, total construction spending in the city will reach a record \$39 billion this year and increase another 5% in the next two years, according to New York Building Congress projections.

While impressive, the total would be slightly below the 2007 peak when adjusted for inflation.

Here are the key points:

It's all about the private sector. Government spending on infrastructure will actually decline this year, mostly because of the failure to approve a new capital plan for the MTA. Government spending, which accounted for more than half of all construction outlays in the previous two decades, will account for only a third this year.

The 421-a tax break is crucial. Developers have taken out permits to construct more than 46,000 housing units so far this year as they raced to make sure they received the 421-a tax break. Virtually all the permits were issued before June 30, the original expiration of the incentive. With its continuation beyond 2015 now dependent on a deal between builders and the construction unions over wages on 421-a projects, there could be another flurry at end of the year. In any event, it will take a couple of years to actually complete all these units. (The number is slightly less than originally reported, as the Census Bureau revised its statistics.)

Expect gains in good middle-class jobs. The Building Congress predicts a gain of about 3,300 jobs this year, to 130,000, just shy of the record of 132,600 in 2008. These are good-paying jobs, whether they are union or nonunion.

The bottom line: The surge in construction, like the big boost in Wall Street pay, is a sign of the broad strength of the city's economy.

