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<http://rew-online.com/2015/10/29/new-report-warns-new-york-will-have-plenty-of-apartments-but-no-roads-or-rails-to-get-people-there/>

New report warns New York will have plenty of apartments, but no roads or rails to get people there



In a year that has seen private sector builders reach “epic” levels of spending, New York’s powerful Building Congress has chided the public sector’s lack of investment in vital infrastructure projects.

“It is remarkable that New York City is poised to reach such heights in spending in a year in which government spending on transportation and other infrastructure projects is declining,” said Building Congress Chairman Thomas Scarangelo.



THOMAS SCARANGELLO

“Such declines in government spending should be a source of concern in any year, but even more so in this period of skyrocketing private investment and solid economic growth. Hopefully, the tentative agreement, recently announced by Governor Cuomo and Mayor de Blasio, to fully fund the MTA five-year capital plan will be the start of an upward trend in overall infrastructure investment.”

According to NYBC’s calculations, the private sector will spend over \$26 billion this year, driven by a white-hot residential market.

Meanwhile, public spending is forecast to be at its lowest level since 2001.

Building Foundation Chairman John Dionisio added, “New York City is at or near all-time highs in terms of residents, jobs, tourists, commuters, and students, which is helping to fuel the building boom. At the same time, all of these people and activity are putting extraordinary pressure on an aging infrastructure system that sustains the City’s economy and quality of life.



JOHN DIONISIO

“ Unfortunately, after years of straining to keep pace with new development, New York City is now in danger of falling farther behind.

“The recently completed 7 line extension and the ongoing work on the Second Avenue Subway are great examples of the types of forward-looking investments that are necessary to support New York’s continued long-term growth.”

In its New York City Construction Outlook 2015-2017, an annual forecast and analysis prepared by the New York Building Congress with support from the New York Building Foundation, total construction spending in 2015 is set to hit \$39.0 billion, a 10 percent increase from 2014, when spending reached \$35.4 billion.

The Building Congress expects construction spending to increase even further — to \$41.0 billion in 2016 and \$40.8 billion in 2017. If the forecast holds, overall New York City construction spending would break the \$40 billion barrier next year for the first time in New York City history.

Construction employment in the five boroughs is poised to reach 130,900 jobs in 2015 — an increase of 3,300 jobs from 2014. If realized, employment would surpass 130,000 jobs for just the second time since at least 1995 (the earliest year in which the Building Congress has reliable data). The high-water mark for construction employment over the period was 132,600 jobs in 2008. The

Building Congress anticipates New York City construction employment to reach 130,400 jobs in 2016 and 131,800 in 2017.

While 2015 and 2016 spending are expected to set consecutive records in terms of actual construction dollars spent, both years would fall just a shade below the prior building boom — after factoring for the effects of inflation.

In 2007, \$31.1 billion in actual dollars were spent on New York City construction, which equates to \$40.3 billion in spending when measured in constant 2015 dollars. That would put it 3 percent ahead of this year's forecast and 1 percent in front of projected 2016 construction spending in terms of the amount of work actually delivered.

On an inflation-adjusted basis, this year's forecasted spending on residential and non-residential buildings is 32 percent greater than the total for 2007. Conversely, 2015 government spending on infrastructure projects is expected to be 38 percent lower than in 2007 after factoring in the effects of inflation.

“The numbers bear out what most in the industry have long suspected – the current building boom is being driven to a remarkable extent by private sector investment,” said New York Building Congress President Richard T. Anderson. “The residential sector, in particular, is on a run that is nothing short of epic.”



RICHARD ANDERSON

Residential

The Building Congress forecasts \$14.9 billion in residential spending in 2015, an increase of 23 percent from 2014, when spending reached a then-record \$12.1 billion. This would be a 468 percent increase from five years ago, when housing construction dropped to a post-recession low of \$2.6 billion.

The Building Congress estimates that 36,850 units of new housing will be produced in 2015, an increase of 16,400 units from 2014. The forecasted number of newly constructed units in 2015 would top the previous peak of 33,150 units produced in 2008. The forecast calls for 30,000 new units and \$11.5 billion of residential spending in 2016, and 27,000 units and \$10.5 billion in spending in 2017.

Non-Residential

Non-residential construction, which includes office space, institutional development, government buildings, sports/entertainment venues, and hotels, is forecast to reach \$11.6 billion in 2015, up from \$9.9 billion a year ago. It would be the second time in New York City history that non-residential spending topped the \$10 billion mark. (Non-residential spending reached \$13.7 billion in 2010.) Non-residential spending is expected to take another substantial leap forward — to \$15.0 billion in 2016 — and then settle in at \$14.0 billion in 2017.

The Building Congress expects that office construction will account for approximately 40 percent of all spending in this sector, and 12 percent of overall construction spending, in 2015.

Government

The Building Congress forecasts \$12.6 billion in 2015 public works spending, which includes investments in mass transit, roads, bridges, and other essential infrastructure. This is down from \$13.4 billion in both 2013 and 2014, and, if realized, would mark the lowest level of infrastructure spending in actual dollars since 2006, when spending reached \$11.8 billion. The Building Congress anticipates government spending will rise to \$14.5 billion in 2016 and \$16.3 billion in 2017.

After adjusting for inflation, 2015 government spending is forecast to be at its lowest level since 2001 and down 38 percent from its peak year of 2008. Even the forecast of \$16.3 billion in spending for 2017 would fall short of the inflation-adjusted investments that were made annually from 2005 through 2012.

The Building Congress identified a number of challenges that need to be addressed in order to sustain and build upon the City's current building boom and offered the following recommendations:



NYBC IS WARNING THAT NEW YORK NEEDS MORE INFRASTRUCTURE PROJECTS LIKE THE SECOND AVENUE SUBWAY NOW UNDER CONSTRUCTION.

Transportation and Infrastructure

- New York State and City leaders must finalize their tentative agreement to fund the MTA's five-year capital plan. Ideally, their agreement will include new, dedicated revenue streams rather than relying on even larger amounts of debt financing to close the gap.

- Now that all parties have recognized the urgent need for a new trans-Hudson commuter rail connection and have committed to share the financial burden, it is up to the federal government, along with Governors Cuomo and Christie, to come up with a workable plan to design, finance, and build it.
- New York City's congressional delegation must work to pass a long-term surface transportation bill that recognizes the importance of the nation's urban transit systems.
- Given the great success of the Tappan Zee Bridge project, the Cuomo administration and the New York State Legislature should pass legislation enabling local governments to also make use of design-build contracting and public-private partnerships on major infrastructure projects.



VIA 57 WEST IS THE ANCHOR OF A 57 WEST RESIDENTIAL BLOCK THAT INCLUDE 600 WEST 58TH STREET AND THE 598-UNIT HELENA, PROJECTS UNDERTAKEN BY A SINGLE PRIVATE DEVELOPER, THE DURST ORGANIZATION.

Housing

- The real estate and construction labor communities must extend their decades-long spirit of cooperation and interdependence by creating a workable framework for the continuation of the 421-a program, which is a key component of Mayor de Blasio's affordable housing agenda.
- The de Blasio administration and City Council should ramp up their efforts to spur new housing for residents at all income levels through a series of strategic rezoning initiatives, such as has already been proposed for East New York.

Innovation and Safety

- The recent surge in construction activity has coincided with an increase in worksite injuries and fatalities, particularly on nonunion jobs. The design, construction, and real estate industry must not treat these occurrences as the inevitable byproduct of the building boom. Instead, all stakeholders must redouble their efforts to ensure that workers are being properly trained and supervised and that best safety practices are being replicated at job sites throughout the five boroughs.
- The building industry and government must work together to improve project delivery in a host of areas, including more streamlined procurement processes, updated work rules, and a renewed emphasis on workforce development.

- To ensure maximum benefit for all of this construction activity, the building community must seek to reclaim its role as an incubator for construction innovation and promote best practices throughout the industry.
- Insurance reform is urgently needed to overcome the costly effects of the “Scaffold Law,” which include higher insurance premiums and more limited availability of insurance/liability coverage, that threaten the size of public capital programs and construction jobs.

The New York Building Congress prepared New York City Construction Outlook 2015-2017 with the assistance of Urbanomics, an economic consulting firm. It incorporates reviews of U.S. Census Bureau and private construction data as well as public capital budgets and plans at the City, State, and Federal levels. The New York Building Foundation, which is the philanthropic arm of the New York Building Congress, co-sponsored the report.