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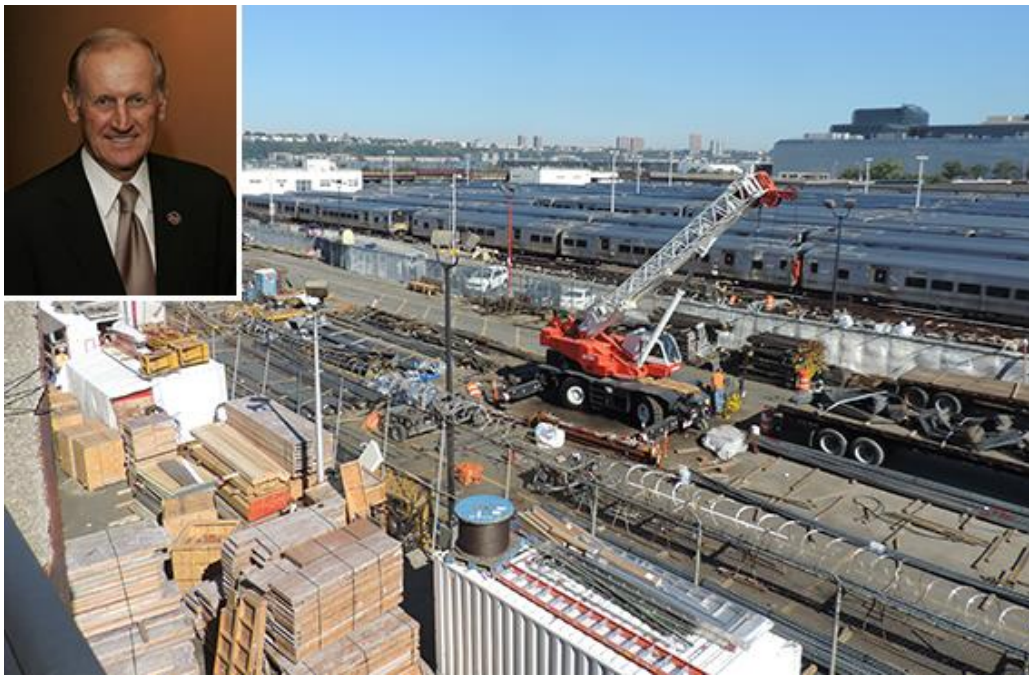
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<http://therealdeal.com/blog/2015/10/29/construction-spending-to-hit-40b-in-2016-building-congress/>

Construction spending to hit \$40B in 2016: Building Congress

By Rich Bockmann

Total figure to fall short of inflation-adjusted 2007 peak



A construction site on the West Side (inset: Richard Anderson)

Driven by a boom in residential development, construction activity in New York City is soaring.

The New York Building Congress is forecasting construction spending to break the \$40 billion barrier next year for the first time in the city's history.

That figure, however, falls short of the inflation-adjusted peak from 2007.

What's different this time around, though, is the driving force behind the wave of construction. Unlike past building booms when government accounted for the majority of spending, this time around the private sector – residential development, in particular – is leading the surge.

“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,” New York Building Congress President Richard T. Anderson said in a statement Thursday as the industry group released its annual outlook. “The residential sector, in particular, is on a run that is nothing short of epic.”

Government has been the biggest spender in every year from 1995 to 2014, writing checks for large infrastructure projects and public works. This year, however, government spending accounts for only 32 percent of all construction dollars, while residential building (38 percent) and non-residential projects such as office buildings and hotels (30 percent) make up the difference.

The Building Congress, which bases its residential numbers on U.S. Census figures pulled from city building permits, said its projections are adjusted for a spike in permits filed in May and June ahead of anticipated changes to the 421a tax abatement program.

The city is also the most expensive place to construct a new office building, with hard construction costs alone ranging from \$500 to \$550 per square foot, according to CBRE.

“Indirect soft costs, which include costs for things such as architect/engineering fees, legal, administration, marketing, financing, FF&E and tenant improvements, can represent an additional 30 to 40 percent of the direct hard costs ranges,” senior director Robert Barone said in a statement.

San Francisco was the second-most expensive construction market, with hard costs falling in the \$350 to \$400 range.

Construction employment is projected to reach 130,900 jobs this year, still short of the 132,600-job peak in 2008. The building congress estimates employment will grow to 131,800 in 2017.

The current building boom has also brought with it a rise in construction-related deaths. Between October last year and this September, 18 workers have died at construction sites, up from 12 who were killed the previous year.