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Big jump in housing starts fuels 5% rise in construction

Spending on new residential projects reached \$5.1 billion last year, accounting for almost a third of the total of \$16.1 billion in new construction starts.

[Matt Chaban](#)

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The construction industry is beginning to feel the good effects of the slow but steady recovery in the city's housing market. Spending on new residential construction jumped 54% in 2012 from the prior year and has more than doubled since 2010, according to an [annual report of construction spending](#) from the New York Building Congress. That led to an overall expansion of 5% for the design and construction industry in 2012.

Residential starts, or spending on new projects, reached \$5.1 billion last year, accounting for 32% of the total of \$16.1 billion in new construction starts. In 2011, new housing development accounted for only \$3.3 billion. Still, housing remains well below the peak. It is also below 2008 levels, when the bottom began to fall out of the market. Even then, spending was at \$5.9 billion.

"It's still well below the peak of the market, when the city was building in excess of 30,000 units a year for five years," Richard Anderson, president of the Building Congress, said. But he noted it is also considerably better than the doldrums of 2009, when there were only 6,000 new residential starts.

"The market's been climbing back, and we could be as high as 15,000 units this year, which would still be half of the peak years," Mr. Anderson said. "But it's a nice increase, if you look at it the other way, that figure would be almost 200% of the bottom year."

This is but the latest sign of a housing market recovery in the city, another being [a rise in hiring by residential brokerages](#) in the city.

The rest of the construction market is fairing less well, however.



Buck Ennis

Residential starts, or spending on new projects, reached \$5.1 billion in 2012.

Public works remains an important source of work for the design and construction trades in the city, but it has fallen through the recession and since, hitting \$2.1 billion in starts last year, down from \$2.4 billion in 2011 and from \$5.7 billion in 2008. Commercial construction is also contracting, falling 7% last year, to \$8.9 billion, down from \$9.6 billion in 2011.

"The economy is not generating a lot of jobs, which is bad for commercial development, and, on top of that, businesses are figuring out how to operate within smaller and older spaces," Mr. Anderson said. "Out of some 20 office projects my members have on the boards, only two, Hudson Yards and [Brookfield's West Side project](#) are rising."

Still, two of the three largest new projects last year, including the biggest, were commercial developments: the \$400 million renovation of Macy's Herald Square and the \$250 million renovation of the Winter Garden and shops at the World Financial Center downtown. The second biggest was a \$325 million project to build entrances for the Second Avenue Subway at East 96th Street.

Even if it may not account for the biggest ticket projects, residential development looks like it will remain the core of new work for the industry for the foreseeable future, Mr. Anderson said.

"When people build residential units, they express confidence in the city of New York, because people have to come in and buy these units and rent these units," he said.

Unevenness in the market may not be a bad thing, either.

"This is, to me, a strong market, and a rather typical market," Mr. Anderson said. "Five, six years ago, we were clicking on all cylinders. Now, we're back to normal, which is a market where certain sectors are stronger than others."



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