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Residential Construction Citywide Jumps 50%

Boom will yield fewer new units as more money is spent on super-luxury projects.

By Joe Anuta

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Spending on residential construction is poised to hit a new record high this year of \$10.2 billion, up 50% from 2013, according to a report released Wednesday by the New York Building Congress. Last year's total was \$6.8 billion. The bad news is the steep run up in spending will actually yield fewer units—20,000—than the 30,000 per annum pace that was hit several times in the last real estate cycle. The difference is that this year there will be far more money spent on luxury properties designed for wealthy residents or investors.

"While the luxury residential market is booming in Manhattan and in parts of Brooklyn and Queens, we have our work cut out for us in terms of achieving Mayor [Bill] de Blasio's plan to create or preserve 200,000 units of affordable housing over the next decade," Richard Anderson, president of the congress, said in a statement.

While a rise in construction costs also contributed to the decline in the number of new residential units built compared to the last boom, New York City is also trailing behind most other growing cities in terms of the percent change in total housing units between 2000 and 2012, according to a policy brief recently released by the Citizens Budget Commission. In fact, with a gain of under 10% in that 12-year span, the Big Apple came in 19th out of 22 large cities in the country.

But regardless, the current boom in residential construction has created thousands of new construction industry jobs and increased economic activity and tax revenues, Mr. Anderson noted. In fact, the Building Congress report predicts that the residential sector will single-handedly lift total construction spending across all sectors by 10% this year over last year's level.

Total construction spending is estimated to increase from \$28.5 billion last year to \$31.5 billion by the end of this year.

In contrast, spending on non-residential buildings, which includes commercial office towers, is expected to dip slightly from last year's \$8 billion figure—though Mr. Anderson was optimistic about several large commercial office projects in the offing including the World Trade Center and Hudson Yards.