NEW YORK BUILDING CONGRESS

New York Building Foundation

2017-2019 NEW YORK CITY

CONSTRUCTION OUTLOOK

THE FIVE-BOROUGH AGENDA

New York City Building Boom, Now in its Fourth Year, Still Going Strong

New York Building Congress Forecasts Nearly $150 Billion in Construction Spending Over Three-Year Span

New York City is in the midst of its second and most robust building boom of the 21st century – with no end currently in sight.

Annual Construction Spending

The New York Building Congress forecasts $45.3 billion in New York City construction spending in 2017. While this would represent a 13 percent decline from 2016, when construction spending reached $52.2 billion, it would still be the second highest total (in actual dollars) in New York City history. It also would rank second (behind 2016) after adjusting for inflation since at least 1995.

The Building Congress anticipates a quick return to last year's heights with $52.5 billion in construction spending projected in 2018, followed by $50.1 billion in 2019.

Employment

New York City construction employment is poised to increase for the sixth consecutive year and surpass 140,000 jobs for the second year in a row.

After topping 140,000 jobs for the first time in 2016, the Building Congress anticipates construction employment to increase by 3,600 to 149,800 jobs throughout the five boroughs in 2017. The Building Congress forecasts employment to climb further – to 151,200 jobs in 2018 – before dropping back to 144,100 jobs in 2019.

Non-Residential

Non-residential construction spending, which includes office space, institutional development, government buildings, sports/entertainment venues, and hotels, is expected to reach $17.4 billion in 2017, down from $21.6 billion a year ago.

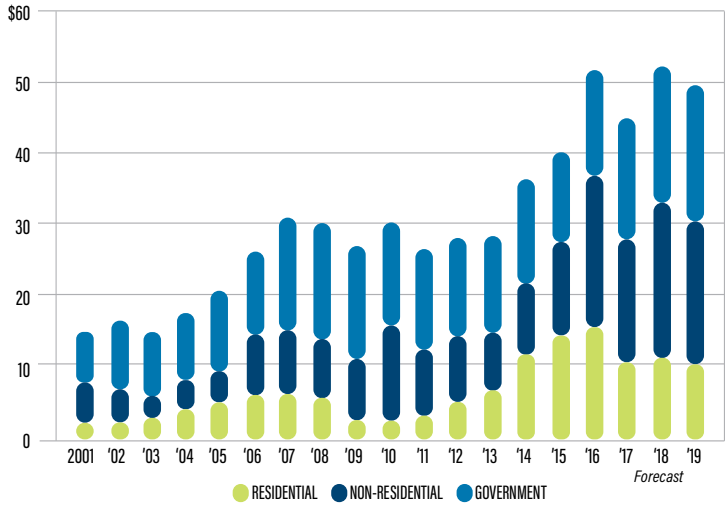
The Building Congress forecasts construction spending in the non-residential sector to reach $22.1 billion in 2018 and $20.3 billion in 2019.

Residential

The Building Congress anticipates $11 billion in residential construction spending this year, down from $16 billion in 2016. Residential spending, which includes spending on new construction as well as alterations and renovations (A&R) to existing buildings, is projected to reach $11.6 billion in 2018 and $10.6 billion in 2019.

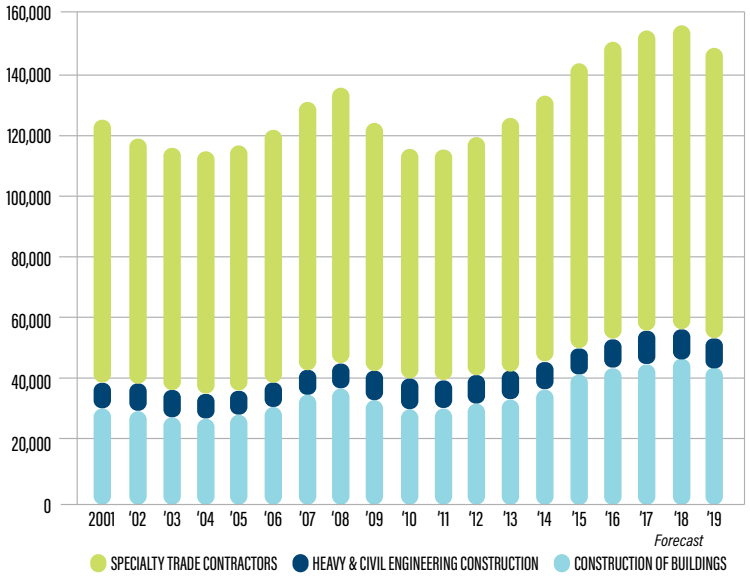
The number of new housing units produced is forecast to reach 26,700 units this year, down from 37,700 in 2016. Looking ahead, the Building Congress predicts 24,000 new units to be built in 2018 and 22,000 units in 2019.

Annual Construction Spending in NYC (in Billions)



Sources: Dodge Data & Analytics, NYS Department of Labor, public sector capital budgets, U.S. Census Bureau, Urbanomics

Construction Employment in NYC



Sources: NYS Department of Labor, Urbanomics

Government

Government spending on public works, which includes investments in mass transit, roads, bridges, and other essential infrastructure, is expected to reach $16.9 billion in 2017, a 16 percent increase from 2016 when spending reached $14.6 billion.

Spending in this sector is anticipated to increase further to $18.8 billion in 2018 and $19.1 billion in 2019.

The City of New York is forecast to spend $8.1 billion on infrastructure in 2017, up from $7 billion spent in 2016.

The Building Congress anticipates City spending to escalate significantly – to $9.6 billion in 2018 and $10.1 billion in 2019, which would be the first time that City spending reaches the $10 billion mark.

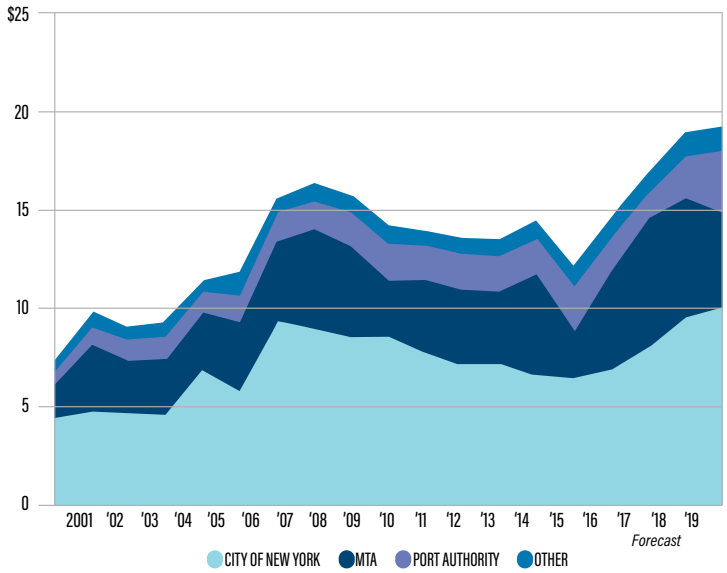
The Building Congress foresees construction spending by the Metropolitan Transportation Authority (MTA) to increase to $6.5 billion this year from $5 billion in 2016. MTA spending is anticipated to drop to $6 billion in 2018 and $4.7 billion in 2019, all robust spending numbers, as the MTA cycles through its largest-ever five-year capital program.

The Port Authority of New York & New Jersey is expected to invest $1.3 billion this year in New York City capital projects, down from $1.7 billion in 2016. The Building Congress estimates that Port Authority construction spending in the city will increase significantly in the coming years – to $2.1 billion in 2018 and $3.1 billion in 2019.

The remaining $1.1 billion in 2017 public works spending will be undertaken by agencies on the State and Federal levels, including DASNY, the State Department of Transportation, and the U.S. Army Corps of Engineers. These entities are expected to account for a total of $1.2 billion in annual construction spending in both 2018 and 2019.

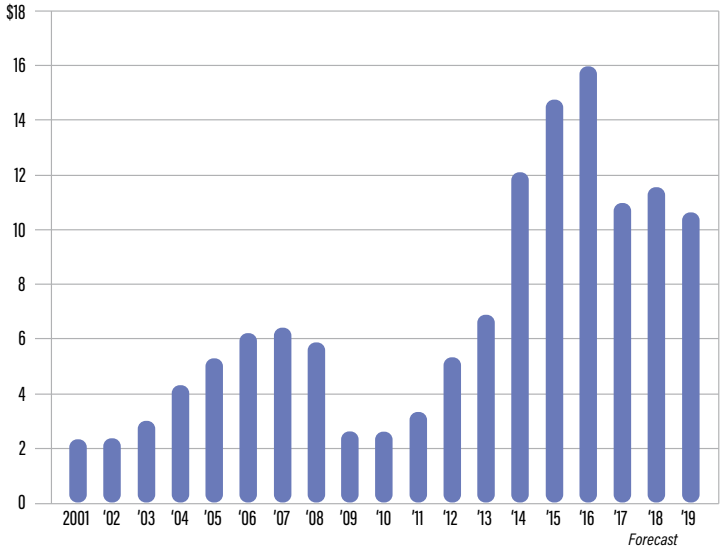
X317, Bronx, courtesy of New York City School Construction Authority, AOR, Paulus, Sokolowski, & Sartor Engineering, P.C.

Government Infrastructure Spending in NYC (in Billions)



Sources: Public sector capital budgets, Urbanomics

Residential Construction Spending in NYC (in Billions)



Sources: Dodge Data & Analytics, U.S. Census Bureau, Urbanomics

Inside the Numbers

White Hot in 2016

From a construction standpoint last year was one of the most productive in city history. While reliable data only extends to 1995, it is safe to assume that New York has not witnessed this level of production since the early 1970s.

After hitting the $40 billion mark for the first time in 2015, construction spending surged by another $12 billion in 2016. The best previous one-year bounce was $8 billion between 2013 and 2014 – a period in which New York was finally shaking off the last effects of the Great Recession.

To put 2016 into perspective, the $52.2 billion in construction spending was nearly 24 percent greater than the next best year (2007), even after adjusting for inflation. And it exceeded the Building Congress' prediction of $43.1 billion from last year's report.

The building boom extended to all sectors:

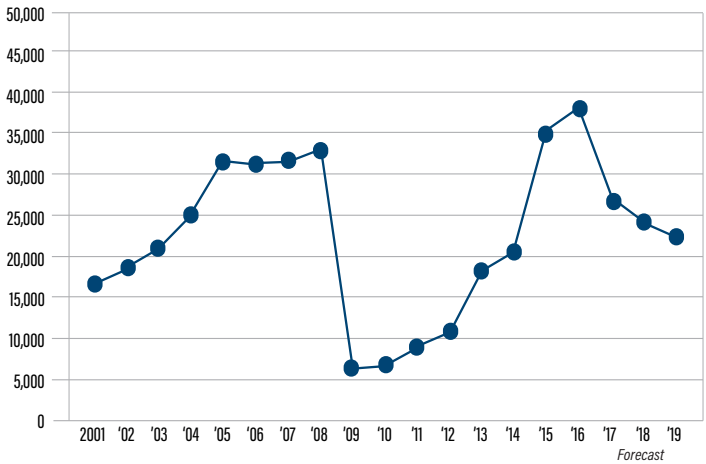
- 72.5 million gross square feet of new residential and non-residential space was created last year – 14 percent greater than the second most productive recent year (63.5 million in 2006).
- The 37,700 housing units created in 2016 surpassed every other year over the past two decades.
- At 27.5 million square feet, New York City produced more square feet of non-residential space last year than in any year since at least 1995.
- The $14.6 billion invested in New York City public works projects last year was the most since 2009.

Office and Education Fuel Non-Residential Boom

The non-residential sector, which was responsible for 32 percent of all New York City construction spending in the decade between 2006 and 2015, accounted for 41 percent of all spending in 2016. The only other time over the past two decades that non-residential accounted for such a large share was 2010, when the rebuilding of the World Trade Center was at its peak and billions of additional dollars were being invested in the new Barclays Center and the renovation of Madison Square Garden.

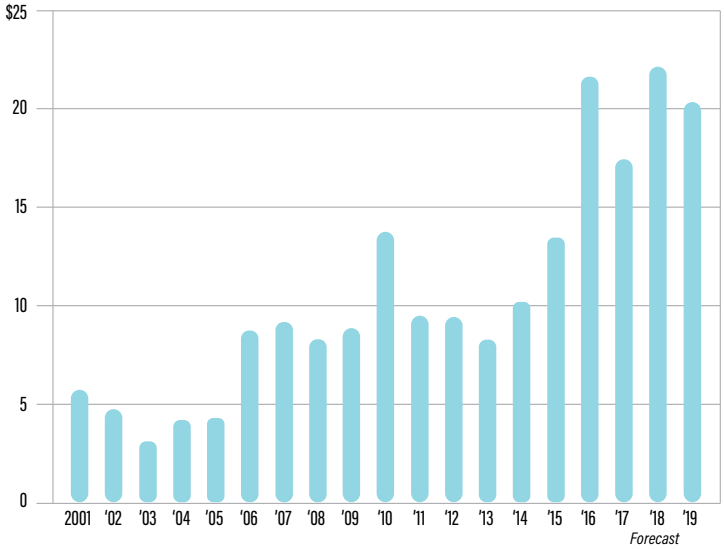
At the moment, the primary driver of non-residential spending continues to be office construction, which is at its highest levels in three decades. The Building Congress estimates that 15 million square feet of office space will be completed in Manhattan alone during the three-year forecast period, with an additional 2 million square feet of office space anticipated for completion in the boroughs of Brooklyn and Queens.

New Housing Units Constructed in NYC



Sources: U.S. Census Bureau, Urbanomics

Non-Residential Construction Spending in NYC (in Billions)



Sources: Dodge Data & Analytics, Real Estate Board of New York, Urbanomics

New York City's public and private institutions continue to be major users of building industry labor and services. After office construction, the Building Congress anticipates that the educational sector, led by the public school system and the city's colleges and universities, to be the second biggest source of construction spending.

The healthcare industry is another major institutional builder. In a separate recent report, the Building Congress estimated that the city's public and private hospitals and health providers would collectively invest more than $6 billion to expand and improve their facilities in 2016 and 2017 combined.

Housing Down But Far From Out

New York City witnessed the construction of more than 72,000 new units of housing in 2015 and 2016, which was easily the most productive two-year period for residential construction in over two decades.

While the 26,700 new units projected for 2017 represents a substantial drop from the recent past, it is still well above the annual average of 20,800 over the past decade.

The same holds true for residential construction spending. While the $11 billion anticipated in 2017 is significantly below annual residential totals for 2015 and 2016, it is considerably greater than the $7.6 billion in average annual spending from 2007 through 2016.

Given the New York Building Congress' longstanding position that at least 20,000 units of housing need to be added to the housing supply every year in order to keep up with population growth, the numbers for 2018 and 2019 remain relatively strong.

Infrastructure Spending Rebounding

While private sector investment remains the primary driver of construction spending, it is worth noting that government infrastructure is the only sector where spending is predicted to increase from 2016.

Despite the shift in momentum, New York City still has to make up considerable ground. Between 2000 and 2009, infrastructure investment accounted for 53 percent of all construction spending throughout the five boroughs. Based on the current projections, however, infrastructure will account for just 37 percent of all construction expenditures from 2017-2019.

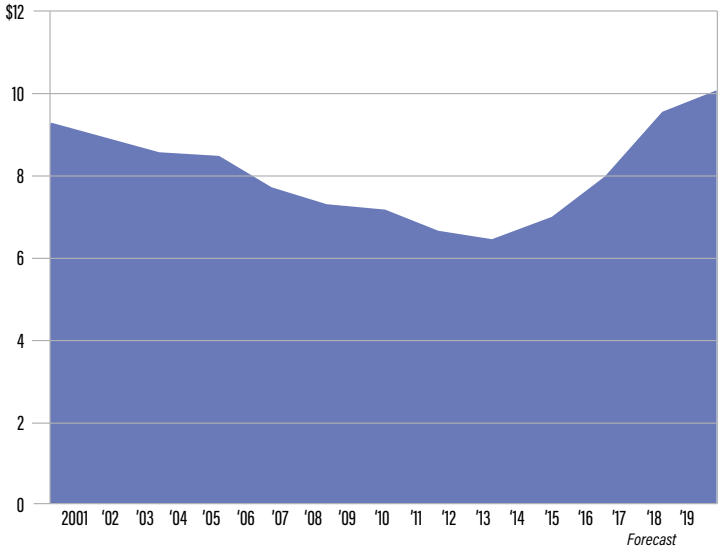
Of course, the recent drop in government spending, as measured as a percentage of all construction spending, was inevitable given the huge increases in private sector investment. Nonetheless, it is increasingly clear that New York's infrastructure is straining to keep pace with the additional demands imposed by a growing economy and robust private investment.

MTA

The current plight of the MTA, which is responsible for operating and maintaining the New York City rail and subway system and a number of bridges and tunnels, is a case in point. The MTA is on track to invest $6.5 billion throughout the five boroughs in 2017, which would be its highest total in recent history. The three-year, 2017-2019 total of $17.1 billion would also be a record. Yet despite these healthy levels of capital spending, as most daily commuters will attest, the city's subways have failed of late to keep pace with the heightened demands posed by record numbers of residents, workers, students, and visitors.

After a series of recent major system disruptions, Governor Andrew Cuomo and MTA Chairman Joe Lhota unveiled an $836 million turnaround plan that involves a variety of immediate physical improvements. As such, MTA spending could increase considerably during the three-year period if additional funding is raised and if the adopted reforms result in previously committed funds being spent on an expedited basis.

City of New York Infrastructure Spending (in Billions)



Sources: City of New York capital budgets, Urbanomics

New Stapleton Waterfront, courtesy of New York City Economic Development Corporation

City of New York

Infrastructure spending by the City of New York continues to move in the right direction after years of declining investment. The 2016 total of $7 billion ended a string of eight consecutive years in which total spending decreased from the previous year. If the 2017 forecast is achieved, it will be the first time since 2010 that City spending exceeds $8 billion. In addition, the anticipated spending for 2018 would mark just the second time that City spending surpassed $9 billion since at least 2007; and 2019 would be the first time to pass the $10 billion mark.

In its current 10-year capital program, the City continues to invest heavily in public schools, housing, resiliency efforts, transportation, and parks, with the largest increases in capital commitments earmarked for repairs and upgrades to the City's roads and bridges, as well as the installation of new water mains throughout the five boroughs.

Port Authority

While the Building Congress estimates construction spending in New York City by the Port Authority will reach its lowest level in more than a decade, the outlook is significantly brighter in 2018 and 2019. The recent dip in Port Authority spending looks to be a result of its pivot from the World Trade Center back toward its traditional transportation focus as outlined in its current 10-year capital plan. In addition to funding general maintenance and repairs, a considerable portion of the $5.2 billion in total Port Authority spending in 2018 and 2019 is earmarked for JFK and LaGuardia airports, as well as capital improvements related to its Midtown bus terminal, the PATH system, and Lincoln Tunnel.

While a number of New York State agencies, most notably NYS DOT, and DASNY, make direct investments in New York City, the State's biggest contributions to the built environment flow through outside authorities that it largely controls. The administration of Governor Cuomo has demonstrated a particular commitment to infrastructure investment and has been the driving force behind the region's biggest-ticket infrastructure projects.

Priorities and Recommendations

Infrastructure Investment

- The MTA's next five-year plan, which starts in 2020, figures to be the most consequential for the transit system since the 1970s. Leaders at the City and State levels must begin working immediately on a plan to fully finance one of the most robust capital improvement programs in MTA history.

- Funding New York City's vast infrastructure needs requires far greater use of dedicated revenue streams. Congestion pricing and other user fees must be on the table.

- The Gateway Program is the region's single most important infrastructure initiative. The federal government must meet its commitment to fund its portion of the project, matching commitments already made by New York and New Jersey, allowing work to quickly begin on these desperately-needed Hudson River commuter tunnels.

- New York's congressional delegation must work with their colleagues and the Trump administration to give life to the President's promised $1 trillion infrastructure program.

- The State Legislature should approve legislation authorizing Design-Build, Public-Private Partnerships, and other alternative delivery methods for all State agencies and municipalities.

- America's coastal regions are increasingly vulnerable to extreme weather events. New York City must redouble its efforts to make its infrastructure more resilient, starting with the federal funds that were made available after Superstorm Sandy for critical projects along the waterfront.

Five-Borough Development

- Mayor Bill de Blasio and the City Council should accelerate the pace of neighborhood rezoning reviews and approvals in order to stimulate further private sector investment in all five boroughs.

- Now that the Affordable New York program is in place, the City must turn to other measures, such as increased incentives to build near transit hubs, to support construction of new housing at all income levels.

- Mayor de Blasio, working with the private sector, should continue and strengthen his campaign to create 100,000 new jobs and foster hubs of innovation for such growth industries as technology, cybersecurity, and life sciences.

- The City should focus on major neighborhood initiatives, like Sunnyside Yards, that ensure long-term public and private investment and job growth.

- The City and State must support expansion of vital industry sectors that have strong and expanding presences in all five boroughs, particularly healthcare, higher education, and cultural institutions.

- In order to combat New York's distinction as the highest-cost city in the nation, the entire construction industry must fully commit itself to continuous innovation and best practices as a means of lowering costs and speeding up project delivery.

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The New York Building Congress is a member coalition of business, labor, associations, and government organizations promoting the design, construction, and real estate industry in New York City.

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The New York Building Foundation was formed in 1998 to advance the long-term growth and well-being of the industry through a program of research, educational, and philanthropic activities.

For information on membership, publications, and events contact: Tel: 212.481.9230 • Email: info@buildingcongress.com

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