



2018-2020 NEW YORK CITY

# CONSTRUCTION OUTLOOK



**New York City  
Building Boom,  
Now in its**

**5th**

**Year, Still Going  
Strong**

**2018  
Construction  
Spending Highest  
in New York City  
History at**

**\$61.8  
Billion**

**New York  
Building Congress  
Forecasts Over**

**\$177**

**Billion**

**in Construction  
Spending Over  
Three-Year Span**

**Construction  
Employment  
Reflects Gains as  
Workforce Approaches**

**158,000**

**In 2018**

New York City is in the midst of its second and most robust building boom of the 21st century, experiencing continued growth in residential development, as well as a significant expansion in public capital investment. Record spending was especially boosted by the ongoing construction of massive non-residential buildings throughout the five boroughs.

# Annual Construction Spending

The New York Building Congress forecasts \$61.5 billion in New York City construction spending in 2018. This would represent a 25 percent increase from 2017, when construction spending reached \$49.3 billion, making it the highest total (in actual dollars) in New York City history. It would also rank first after adjusting for inflation since at least 1995.

The Building Congress expects this level of spending to remain relatively consistent, with \$59.3 billion in construction spending projected in 2019, followed by \$56.4 billion in 2020.

## FLOORSPACE

The Building Congress forecasts 73.7 million gross square feet of floorspace will be built in 2018, the largest amount since at least 1995 and a 24 percent increase from 2017 when 59.3 million gross square feet of floorspace was built.

An estimated 66.7 million and 59.8 million gross square feet will be constructed in 2019 and 2020 respectively, both well exceeding the previous decade average of 41.7 million gross square feet.

## EMPLOYMENT

New York City construction employment is poised to increase for the seventh consecutive year and surpass 150,000 jobs for the second year in a row.

After topping 150,000 jobs for the first time in 2017, the Building Congress anticipates construction employment to increase by 6,800 to just under 158,000 jobs throughout the five boroughs in 2018. The Building Congress forecasts employment to dip in 2019 – to 145,600 jobs – before leveling out to 147,700 jobs in 2020, which is seven percent more jobs than the average for the last five years.

## NON-RESIDENTIAL

Non-residential construction spending, which includes office space, institutional development, government buildings, sports/entertainment venues, and hotels, is expected to reach \$39 billion in 2018, up from \$23.5 billion a year ago.

The Building Congress forecasts construction spending in the non-residential sector to drop to \$30.4 billion in 2019 and \$23.4 billion in 2020.

Non-residential construction is forecasted to add an additional 39 million gross square feet in 2018 – a record high – followed by 30.4 million gross square feet in 2019 and 23.4 million gross square feet in 2020.

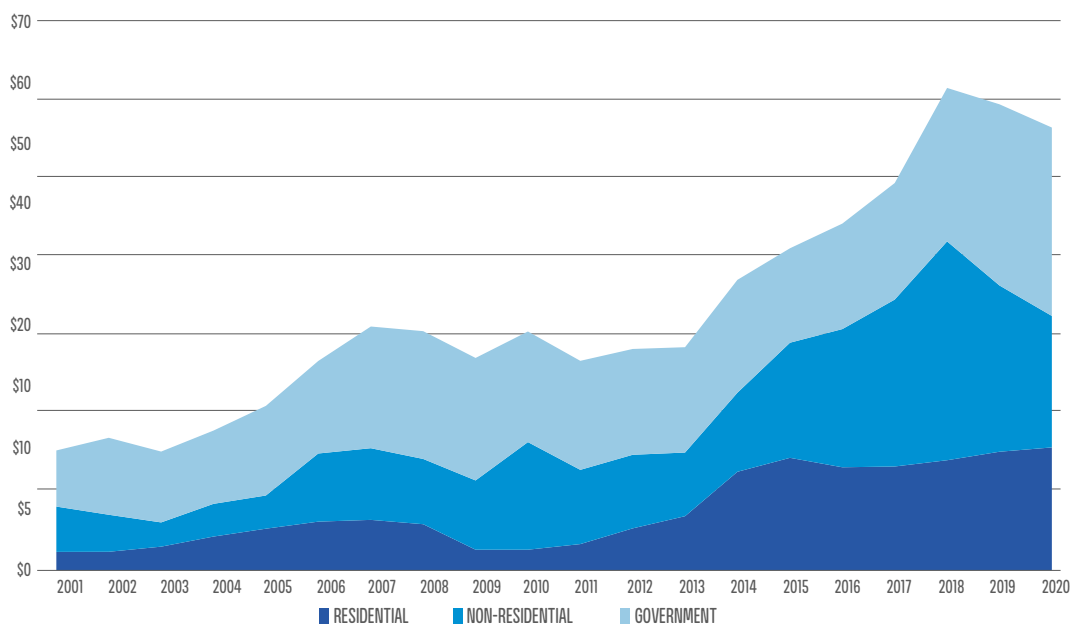
## RESIDENTIAL

The Building Congress anticipates \$14 billion in residential construction spending this year, up from \$13.2 billion in 2017. Residential spending, which includes spending on new construction, as well as alterations and renovations to existing buildings, is projected to reach \$15 billion in 2019 and \$10.6 billion in 2020.

The amount of new housing produced is forecasted to reach 60,000 units over the next three years, averaging 20,000 units in 2018, 2019 and 2020. Though the forecast is down from 27,800 in 2017, it is above the average from the previous decade.

Residential construction is forecasted to add an additional 34.6 million gross square feet in 2018, increasing to 36.2 million gross square feet in 2019 and 36.4 million gross square feet in 2020.

Annual Construction Spending in New York City, 2001-2020 (in billions)



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

# 2017 Caps Another Record Year

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, and there is no sign of it slowing down.

After hitting the \$40-billion mark for the second consecutive year in 2016, construction spending surged by another \$5 billion in 2017. To put 2017 into perspective, the \$49.3 billion in construction spending was more than 12 percent greater than the next best year (2016), even after adjusting for inflation. And it exceeded the Building Congress' prediction of \$45.3 billion from last year's report.

The building boom extended to all sectors:

- 59.3 million gross square feet of new residential and non-residential space was created last year – the second-most productive year since the recession.
- The 27,898 housing units created in 2017 surpassed the average annual new housing units for the last decade by eight million.
- At 23.6 million gross square feet, New York City produced more square feet of non-residential space last year than in any year since 1995.
- The \$14.8 billion invested in New York City public works projects last year was the most since 2009.

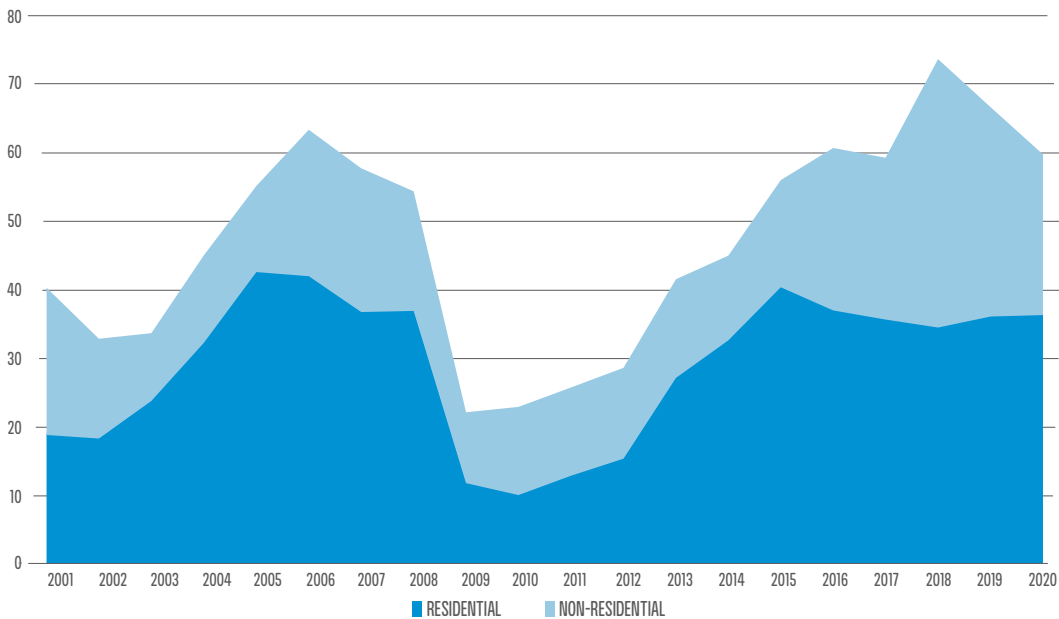
In residential construction, the 27,898 units in 2017 marked the third consecutive year producing over 25,000 units and was well about the average of 20,800 over the past decade. New York City witnessed the construction of more than 94,560 new units of housing between 2015 and 2017, the most productive three-year period for residential construction since 2008.

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 18.8 million square feet of office space will be completed in Manhattan alone during the three-year forecast period, with an additional 6.6 million square feet of office space anticipated for completion in the boroughs outside of Manhattan.

After office construction, the Building Congress anticipates that the educational sector, led by the City's public school system and private colleges and universities, will be the second biggest source of construction spending.

The culture and tourism industry is another major institutional builder. In a separate, recent report, the Building Congress estimated that the construction of tourism and cultural projects like museums, theatres, arenas, retail centers and hotels will generate \$9.7 billion in total economic output and provide over 47,000 construction jobs over the next three years.

Annual Floorspace Construction in New York City by Sector, 2001-2020, GSF (in millions)



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

# Public Sector Growth

While private sector investment remains the primary driver of construction, government infrastructure spending has increased each year since 2015 and is predicted to continue increasing through 2020.

Government spending on public works, which includes investments in mass transit, roads, bridges, and other essential infrastructure, is expected to reach \$19.5 billion in 2018, a 32 percent increase from 2017 when spending reached \$14.8 billion. Spending in this sector is anticipated to increase further to \$23 billion in 2019 and \$24 billion in 2020.

## 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 City of New York is forecast to spend \$9.1 billion on infrastructure in 2018, up from \$7.4 billion spent in 2017. The Building Congress anticipates City spending to continue increasing, to \$10.9 billion in 2019 and \$11.1 billion in 2020.

If the 2018 forecast is achieved, it will be the first time since 2007 that City spending exceeds \$9 billion. In addition, the anticipated spending for 2019 and 2020 would mark the highest-ever spending totals for the City's capital projects.

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.

This year, the City of New York was given authority to use design-build on a project-by-project basis after successful advocacy efforts from the New York Building Congress. State law now gives the City authority to use design-build to rebuild the triple-cantilever portion of the Brooklyn-Queens Expressway, create new jails to replace Rikers Island and fix NYCHA buildings, all scheduled to start construction over the next three years.

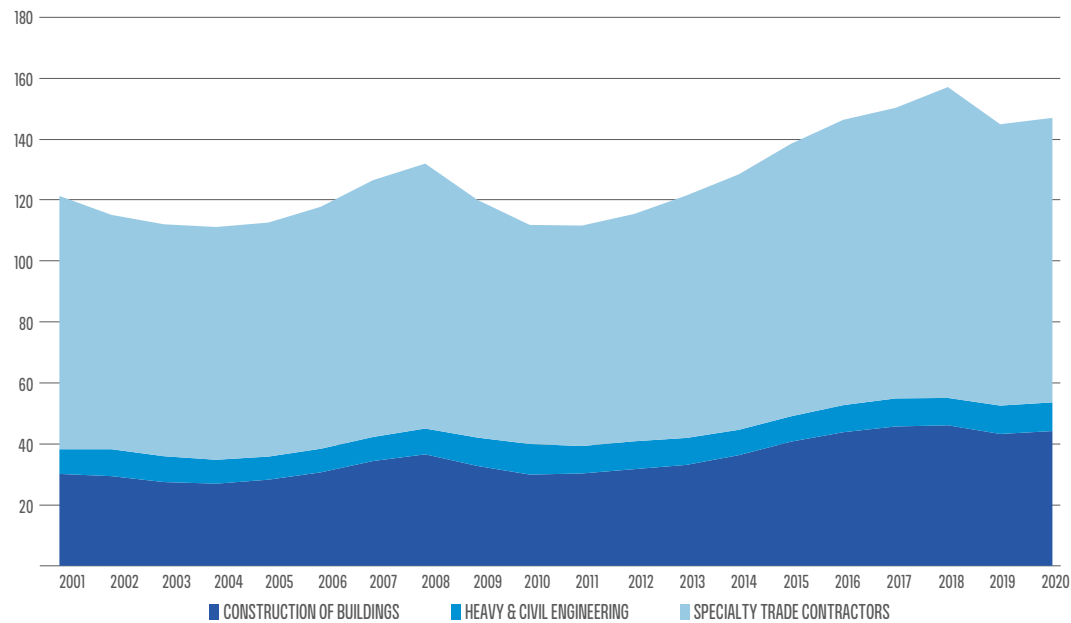
## MTA

The Building Congress foresees construction spending by the Metropolitan Transportation Authority (MTA) to increase to \$7.2 billion this year from \$5.1 billion in 2017. MTA spending is anticipated to increase to \$7.9 billion in 2019 and \$8.5 billion in 2020, which represent robust spending numbers as the MTA cycles through its largest-ever five-year capital program.

The three-year, 2018-2020 total of \$23.6 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 continued service disruptions, New York City Transit Authority president Andy Byford unveiled a \$37 billion plan to repair and modernize the New York City subway system in May. The plan, called "Fast Forward," would replace an antiquated signal system,

Construction Employment in New York City, 2001-2020 (in thousands)



Sources: NYS Department of Labor, Urbanomics





redesign the way passengers pay fares, increase the number of subway cars, and install elevators at stations. 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.

PORT AUTHORITY

The Port Authority of New York & New Jersey is expected to invest \$1.9 billion this year in New York City capital projects, up from \$1.2 billion in 2017. The Building Congress estimates that Port Authority construction spending in the city will increase significantly

in coming years to \$2.9 billion in both 2019 and 2020.

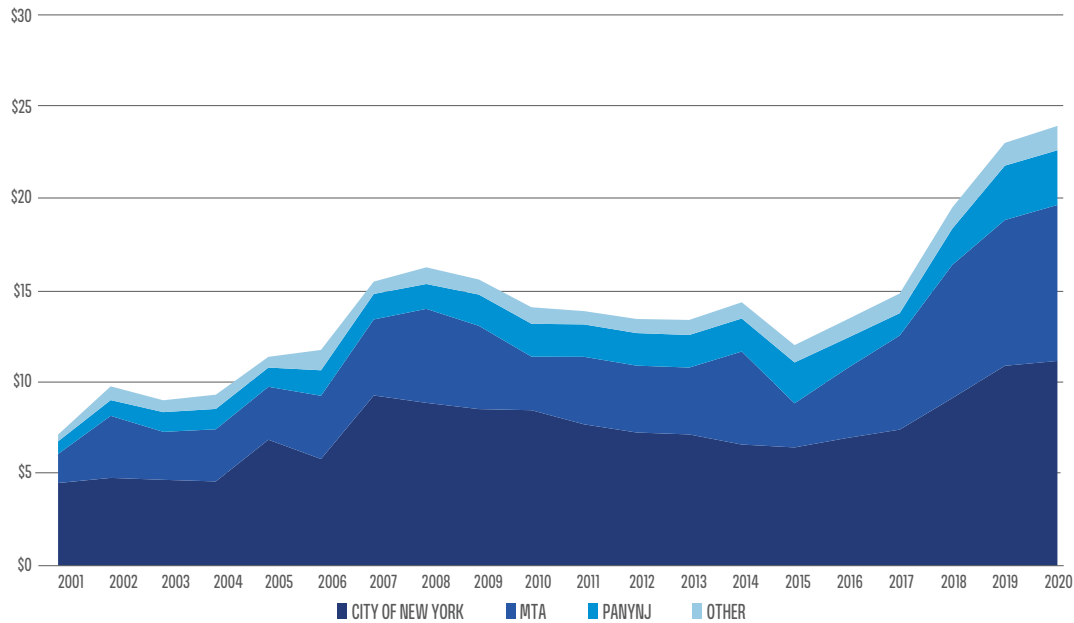
The previous years' dip in Port Authority spending looks to be a result of its pivot from the World Trade Center back toward its traditional transportation focus as outlined in its current 10-year Capital Plan. In addition to funding general maintenance and repairs, a considerable portion of the \$5.8 billion in total Port Authority spending in 2019 and 2020 is earmarked for JFK and LaGuardia airports, as well as capital improvements related to its Midtown bus terminal, the PATH system, and Lincoln Tunnel.

PUBLIC WORKS

The remaining \$1.1 billion in 2018 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 increase construction spending slightly over the next two years for a total of \$1.2 billion and \$1.3 billion respectfully in 2019 and 2020.

Governor Andrew Cuomo's administration has demonstrated a particular commitment to infrastructure investment and has been the driving force behind the region's largest infrastructure projects.

Capital Spending of Public Agencies in New York City, 2001-2020 (in billions)



Sources: public sector capital budgets, Urbanomics

# Priorities and Recommendations

## INFRASTRUCTURE INVESTMENT



The Gateway Program is the nation's most important infrastructure project. This critical link connects 800,000 daily riders across eight states. A failure of this crossing would have a ripple effect on the entire national economy. New York and New Jersey must work together with the federal government to immediately fund Phase I of the Gateway Program, allowing work to quickly begin on these desperately-needed Hudson River commuter tunnels.



In the absence of significant investment and an inclusive vision for America's future growth, existing systems will further deteriorate, leading to more congestion, pollution, and lost productivity, among other challenges. To advance effective infrastructure policy that addresses current concerns and meets future needs, the Trump Administration and Congress should develop and pass a comprehensive national infrastructure plan that includes dedicated funding for specific highways and mass transit networks, passenger and freight rail, aviation, ports, inland waterways, flood control, and drinking and wastewater, as well as energy production and transmission infrastructure.



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 for this MTA Capital Plan requires far greater use of dedicated revenue streams. Value capture, congestion pricing and other user fees must be considered.



Recent years have seen the City make unprecedented levels of investment to protect, maintain and expand its network of schools, libraries, hospitals, parks, roads and bridges, water and sewer systems, and other core components that ensure the quality of life for all residents. It is critical that the City continue to make similar levels of investment in 2019 and beyond, and demonstrate a longer-term commitment in its 10-Year Strategy, as the population continues to grow and the economy expands.

## STRATEGIC DEVELOPMENT



To accommodate population growth, the City must continue to explore and develop comprehensive rezoning strategies throughout the city. Successful rezonings promote the growth of livable neighborhoods, foster jobs and economic development, invest in essential services and infrastructure, and create housing for all income levels. In addition, plans should epitomize smart growth strategies of high-density development at transit hubs and major thoroughfares.



The City and State must support the expansion of vital industry sectors that have strong and growing presences in all five boroughs, particularly healthcare, higher education, and cultural institutions. At the same time, the public and private sector should work together to strengthen and foster hubs of innovation for such growth industries as technology, cybersecurity, and life sciences.



Climate change is perhaps the hardest challenge New York City will face in the coming decades. The public and private sectors must continue efforts to implement long-term reductions in carbon emissions produced by New York's buildings, transportation, and solid waste. In addition, New York City must intensify 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.



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. As the City and State maintain their goals for participation of minority and women-owned firms in capital construction, efforts must be made to improve MWBE capacity-building programs and provide additional resources to ensure meaningful inclusion and development of MWBE firms.



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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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