



2019 - 2021
NEW YORK CITY
**CONSTRUCTION
OUTLOOK**

Photo courtesy of Nontraditional
Employment for Women



BY THE NUMBERS

New York City is in its second and most robust building boom of the 21st century, experiencing the highest levels of investment and employment in history.

6th Year
of New York City Building Boom

\$61.5 Billion
in 2019 Construction Spending

\$189.5 Billion
in 2019-2021 Construction Spending

161,000
Construction Jobs in 2019

ANNUAL CONSTRUCTION SPENDING

The New York Building Congress forecasts \$61.5 billion in New York City construction spending in 2019. This would represent a nearly 10 percent increase from 2018, when construction spending reached \$56 billion, making it the highest total in actual dollars in New York City history. It would also rank first since 1995 – when reliable data became available – after adjusting for inflation. Based on economic forecasting, the Building Congress expects this level of spending to increase to \$65.9 billion in 2020 and reach \$62.1 billion in 2021.

Employment

The number of New York City construction jobs is poised to increase for the eighth consecutive year to just over 161,000 jobs in 2019. The Building Congress forecasts employment to dip in 2020 to 157,200 jobs and again in 2021 to 153,600 jobs. Compared to the previous three-year average, the three forecasted years average 4,900 more jobs.

Floorspace

The Building Congress forecasts 103.3 million gross square feet of floorspace will be built in 2019, the largest amount since at least 1995 and a 28 percent increase from 2018, when 80.7 million

gross square feet of floorspace was built. An estimated 79.1 million and 73.9 million gross square feet will be constructed in 2020 and 2021 respectively, both well exceeding the previous 10-year average of 52.8 million gross square feet.

Non-Residential

Non-residential construction spending, which includes office space, institutional development, sports & entertainment venues and hotels, is expected to reach \$21.2 billion in 2019, up from \$20.4 billion a year ago.

The Building Congress forecasts construction spending in the non-residential sector to increase to \$23.8 billion in 2020 and drop to \$21.2 billion in 2021. This type of construction is forecasted to add an additional 51.2 million gross square feet in 2019 – a record high – followed by 34.1 million gross square feet in 2020 and 28.9 million gross square feet in 2021

Residential

The Building Congress anticipates \$19.7 billion in residential construction spending this year, up from \$17.3 billion in 2018. Residential spending, which includes spending on new construction, as well as alterations

and renovations to existing buildings, is projected to drop to \$17.6 billion in 2020 and level out to \$18.1 billion in 2021.

The amount of new housing starts is forecasted to reach nearly 90,000 units between 2019 and 2021, averaging 30,000 units annually. Though the forecast is down from a peak of 34,800 units in 2015, it is 3,300 units above the average of the past five years.

Residential construction is forecasted to add an additional 52.1 million gross square feet in 2019 and level out to 45 million square feet in both 2020 and 2021.

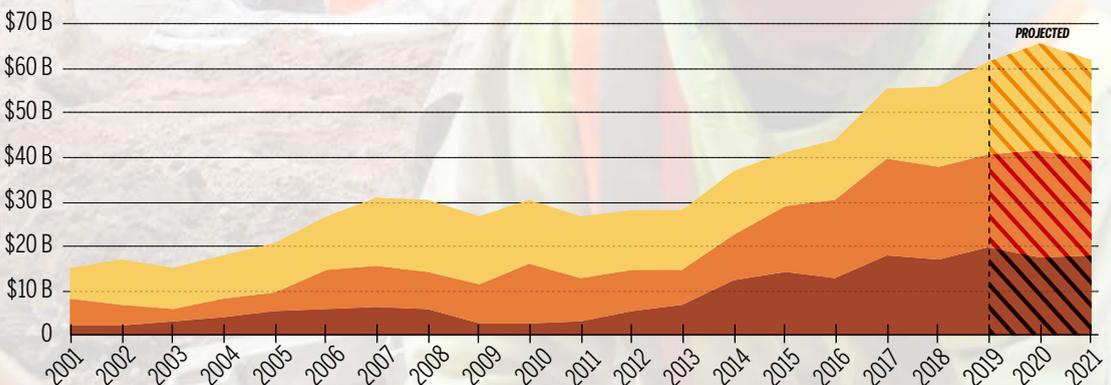
Government

While private sector investment remains the primary driver of construction, government infrastructure spending has increased each year since 2016 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 \$20.6 billion in 2019, compared to \$18.3 billion in 2018. Spending in this sector is anticipated to increase further to \$24.5 billion in 2020 and settle at \$22.8 billion in 2021.

Construction Spending in New York City

RESIDENTIAL NON-RESIDENTIAL GOVERNMENT



Source: Dodge Data & Analytics, NVS Department of Labor, public sector capital budgets, US Census Bureau, Urbanomics

2018 SURPASSES HISTORIC RECORDS

2018 was one of the most productive years for the building industry in the city's history. Although reliable data only extends to 1995, it is safe to assume New York has not witnessed this level of production since the early 1970s, and there is no sign of it slowing down.

After reaching \$55 billion for the first time in 2017, construction spending continued to increase, totaling \$56 billion by the end of 2018. To put that into perspective, the average over the previous 10 years was \$34.9 billion.

The Building Boom Benefited all Sectors:

- 80.7 million gross square feet of new residential and non-residential space was created last year, the most productive year on record.
- 27,200 housing units were started in 2018, surpassing the previous 10-year average by 8,200 units.
- \$18.3 billion was invested in New York City public works projects last year.

2018 marked the fifth consecutive year in which over 20,000 housing units started construction. New York City witnessed the start of

more than 78,300 new units of housing between 2016 and 2018, among the most productive three-year periods for residential construction on record. In upcoming years, major projects expected to be completed include Long Island City's Skyline Tower and Pacific Park's 18 Sixth Avenue, each with over 800 units and nearly one million square feet.

Last year, New York City produced 34.8 million square feet of non-residential space, more than any year since 1995.

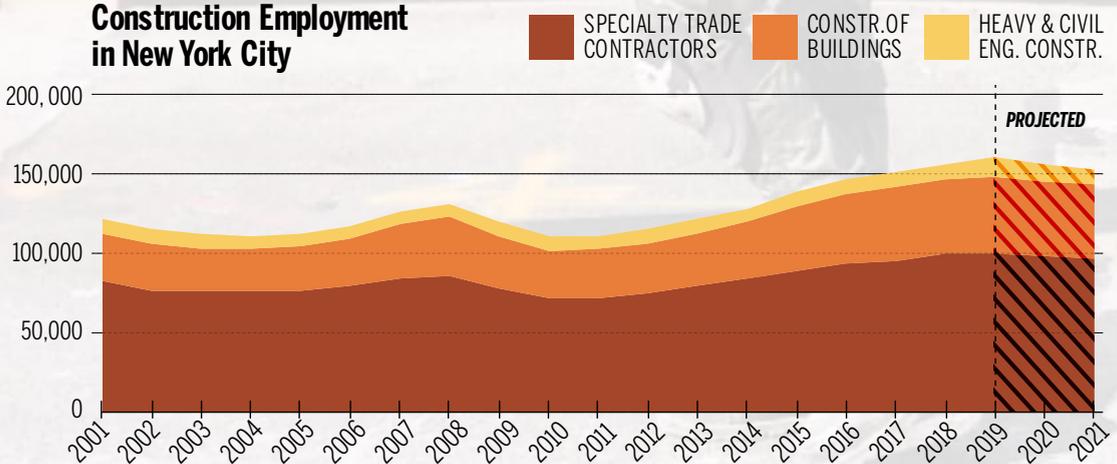
The primary driver of non-residential spending continues to be office construction, which is at its highest levels in three decades and accounted for a third of non-residential spending over the past three years. The Building Congress estimates 16 million square feet of office space will be completed in Manhattan alone during the three-year forecast period.

After office construction, the education sector is the second largest source of non-residential construction spending. Over the past three years, this sector accounted for over \$9 billion in capital spending and has been led by the City's public school

system and private institutions of higher education. The Building Congress anticipates this trend will hold as projects like Columbia University's Manhattanville Center and Fordham University's Lincoln Center expansions pass the design phase.

The healthcare industry is another major institution builder in the city. Since 2016, the construction of hospitals has contributed \$3 billion to the economy. When tallied with clinics, medical offices, assisted living facilities, nursing centers and laboratories, the healthcare industry reached \$4.5 billion in construction spending. Some of the largest projects included the Helen L. and Martin S. Kimmel Pavilion at NYU Langone, the David H. Koch Center and New York Methodist Hospital. The Building Congress expects these levels of spending to persist as the healthcare industry continues to grow. Currently in the design phase, the Lenox Hill Hospital expansion, Coney Island Hospital Campus and Alexandria Center North Tower are likely to lead construction spending.

Construction Employment in New York City



Source: NYS Department of Labor, Urbanomics

PUBLIC SECTOR GROWTH

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 forecasted to spend \$9.3 billion on infrastructure in 2019, up from \$8.2 billion in 2018. The Building Congress anticipates spending to continue increasing to \$10.7 billion in 2020 and \$11.8 billion in 2021.¹

If the 2019 forecast is achieved, it will be the first time since 2007 that the City's spending exceeds \$9 billion. In addition, the anticipated spending for 2020 and 2021 would mark the highest-ever spending totals for the City's capital projects.

For fiscal year 2020, the City committed \$12.7 billion – 28 percent for education, 18 percent for both housing & economic development and city operations & facilities, 17 percent for both transportation and environmental protection and three percent for the administration of justice.² Over the next five years, the administration of justice will see

the greatest increase in capital commitments. By fiscal year 2023, 16 percent of the capital budget will be committed to projects for the administration of justice, largely due to the Rikers Island Relocation Facilities.

Although capital commitments are representative of the City's priorities, actual expenditures will depend on the spending of individual agencies. Moreover, while appropriations have fluctuated over the years, expenditures have increased steadily.

Metropolitan Transportation Authority

The Building Congress foresees construction spending by the Metropolitan Transportation Authority (MTA) in the five boroughs to increase to \$8 billion this year from \$7.3 billion in 2018. MTA spending is anticipated to increase to \$8.9 billion in 2020 and drop to \$6.1 billion in 2021. The total spending of \$23 billion

between 2019 and 2021 would be \$6.8 billion more than the past three years, from 2016 to 2018.

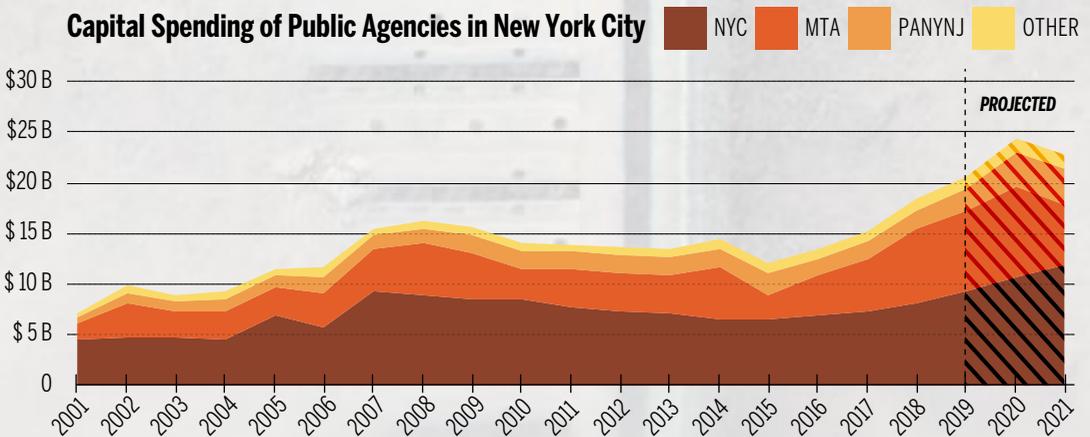
While the MTA released its 2020-2024 Capital Plan with \$51.5 billion in commitments, the Building Congress estimates more conservative levels of spending over the three forecasted years. The bulk of related expenditures in the 2020-2024 Capital Plan will likely occur after 2021. The amount of actual construction spending in the upcoming years will depend on the MTA's execution of its current and past Capital Plans.

In the most recent Capital Plan, the MTA committed \$40.8 billion for NYC Transit, including signal modernization, ADA-accessibility improvements and new subway cars and buses. Some of the priority projects will be the Second Avenue Subway Phase 2, East Side Access and four new Metro-North stations in the Bronx. To fund the capital program, the MTA expects congestion pricing to generate \$15 billion, in addition to traditional federal, state and city sources.

¹ Unless otherwise noted, all figures and estimates are in calendar years

² Percentages do not total 100 due to rounding.

Capital Spending of Public Agencies in New York City



The Port Authority of New York & New Jersey

The Port Authority of New York & New Jersey is expected to invest \$2.1 billion this year in New York City capital projects, up from \$1.7 billion in 2018. The Building Congress estimates that the Port Authority's construction spending in the city will increase significantly in the coming years to \$3.5 billion per year in both 2020 and 2021.

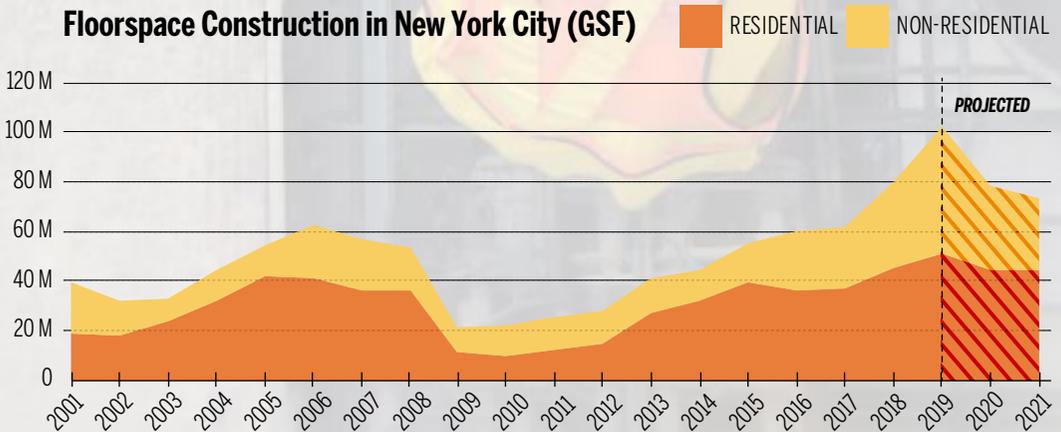
In addition to funding general maintenance and repairs, a considerable portion of the \$7 billion in total Port Authority spending in 2020 and 2021 is earmarked for JFK and LaGuardia airports, including the LaGuardia AirTrain, as well as capital improvements related to its Midtown bus terminal, the PATH system, Lincoln Tunnel and George Washington Bridge.

Although a tenth of that spending is set aside for the 70-year-old bus terminal, the timeline for building a new one is still pending. The Port Authority is deciding between several approaches, and until a design is chosen, the agency's future construction expenditures are variable.

Public Works

The remaining \$1.2 billion in 2019 public works spending will be undertaken by agencies on the state and federal levels, including the Dormitory Authority of the State of New York, the New York State Department of Transportation and the U.S. Army Corps of Engineers. These entities are expected to increase construction spending within New York City slightly over the next two years, totaling \$1.3 billion and \$1.4 billion in 2020 and 2021 respectively.

Floorspace Construction in New York City (GSF)



Source: Dodge Data & Analytics, NYS Department of Labor, public sector capital budgets, US Census Bureau, Urbanomics

PRIORITIES AND RECOMMENDATIONS

Invest

To address current concerns and meet our future needs, the Trump Administration and Congress should develop and pass a comprehensive national infrastructure plan that includes dedicated funding for critical projects like the Gateway Program, the failure of which would lead to billions of dollars in lost economic activity for the region.

To maintain and strengthen the region's inter-connected transportation network, leaders at the state level must fully finance and follow through on the delivery of the MTA's and the Port Authority's capital programs. New York, with much of its core infrastructure built in the midcentury, must continuously reinvest in its critical systems to remain competitive today and in the future.

While the City of New York has made unprecedented levels of infrastructure investment, it must continue this path as crises like the affordable housing shortage threaten continued population growth and economic expansion.

Innovate

While other industries see innovation as a fact of doing business, the building industry is still employing techniques from the 20th century. To take the leap into the future of building, the private and public sectors must advance the use of new technologies and methods, like modular construction to speed up project delivery, 3D printing to reduce material waste and drones to assess buildings' state of repair.

As the construction industry faces a talent shortage, it is critical to engage, retain and develop the next generation of leaders that will bring fresh ideas and embrace innovation. The industry must provide mentorship, professional development and advocacy for its young professionals.

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 Minority and Women Owned Business Enterprises (MWBE) capacity-building programs and provide additional resources to ensure meaningful inclusion and development of MWBE firms.

Plan

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.

The City and State must support the expansion of vital industry sectors that have a strong and growing presence 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 for growth industries, such as technology, cybersecurity, life sciences and logistics.

Climate change is among the toughest 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 as well as intensify its efforts to make its infrastructure more resilient.



New York Building Congress
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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.

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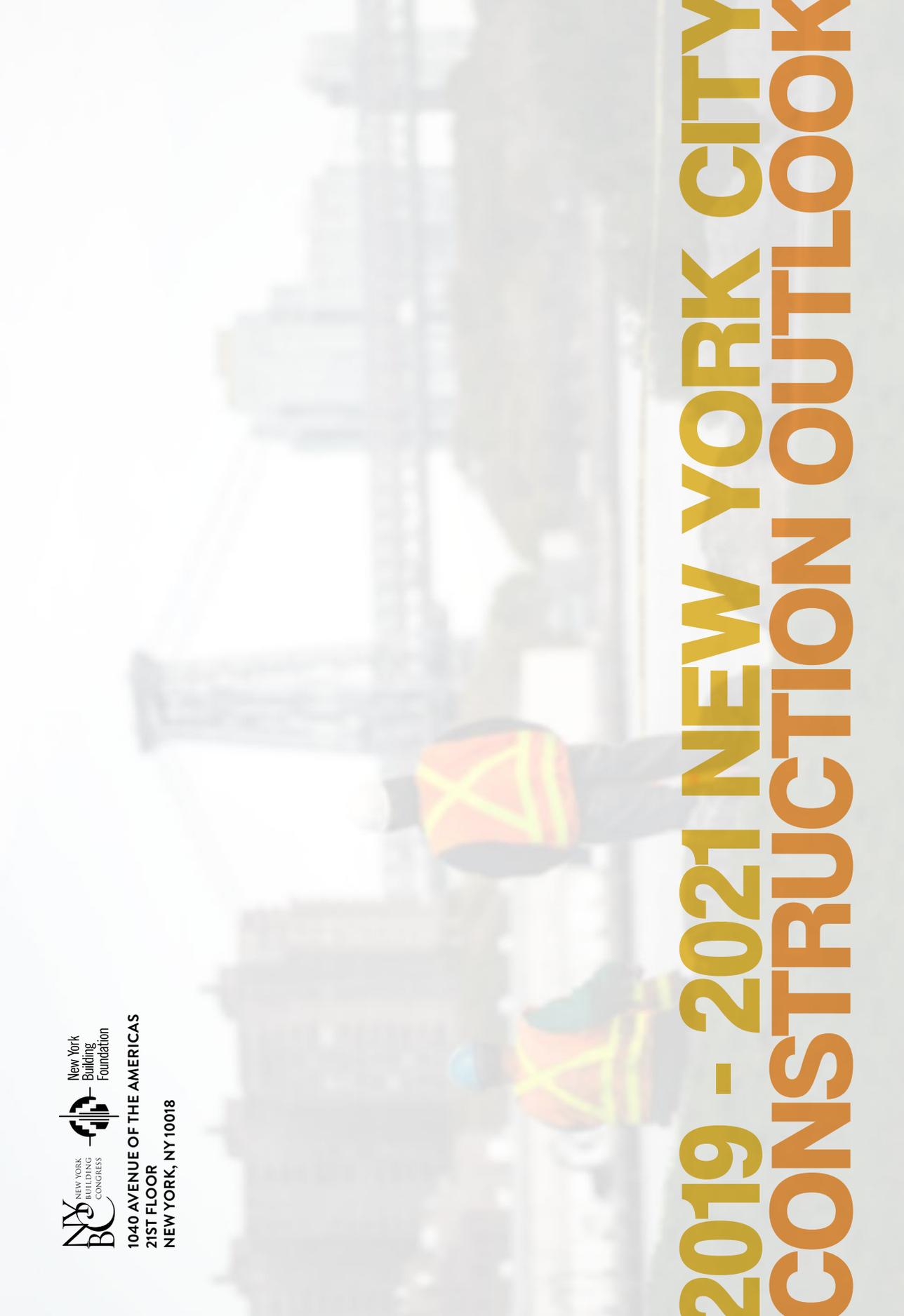
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CREDITS: New York City Construction Outlook 2019-2021 • the 19th in an annual series, was prepared with the assistance of Urbanomics by the New York Building Congress and the New York Building Foundation • Published October 2019



1040 AVENUE OF THE AMERICAS
21ST FLOOR
NEW YORK, NY 10018

A faded background image of a construction worker wearing a white hard hat and a high-visibility orange safety vest with reflective yellow stripes. The worker is standing on a construction site with various pieces of equipment and structures visible in the background.

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