



2023 NY Building Congress report shows \$13 billion construction spending increase

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Manhattan, NY Construction spending on projects across New York City will reach \$83 billion in 2023, up \$13 billion from last year, adjusting for inflation, according to a new report from the NY Building Congress. The updated spending figure is projected to reach \$261 billion over a three-year period and is about 18% higher than pre-pandemic spending.

In its “2023-2025 New York City Construction Outlook Report,” the NY Building Congress found that construction of new residential units dropped by 62% in 2023, largely due to the expiration of the 421-a tax abatement combined with high interest rates. As such, the number of new units projected for 2023 has dropped from 30,000 to 11,300. New York City’s housing gap is expected to reach over half a million units by 2030.

The report was unveiled at the NY Building Congress’ Construction Industry breakfast, which convened more than 400 building industry professionals at 583 Park Ave.

The breakfast featured remarks from mayor Eric Adams and a panel discussion with Bronx borough president Vanessa Gibson, Manhattan borough president Mark Levine, and Brooklyn borough president Antonio Reynoso.

The “2023-2025 New York City Construction Outlook” examined key construction spending, employment, floorspace and investment data across sectors to both provide an update on the state of the industry and make projections for the coming years.

“Construction spending has always served as an indicator of a region’s economic health, and we’re proud to report continued growth and resilience, high levels of employment and billions of dollars in economic outputs across New York City,” said Carlo Scissura, president and CEO of the NY Building Congress. “Notably, residential construction has declined citywide due to the expiration of 421-a, high interest rates and outdated bureaucratic red tape. The Building Congress calls for policies to support housing production at all levels of affordability to combat our housing shortage and ensure New York is a functional and affordable place for all New Yorkers.”

Key insights from the report include:

- Although construction employment in 2023 is still behind pre-pandemic levels by 5%, the building industry is expected to grow by almost 19,000 new jobs over the next three years. The industry

employed 153,353 New Yorkers in 2023. The report projects that the industry will reach pre-pandemic employment levels by 2025.

- Residential development and rehabilitation accounts for 32% of construction spending in 2023, down from 37% in the previous year. Due to the expiration of 421-a, combined with high interest rates and significant bureaucratic hurdles, property owners and investors are expected to prioritize spending on maintaining, renovating, and upgrading existing residential properties over building new ones over the next few years.
- Non-residential development continues to lead construction spending, totaling \$34.9 billion in 2023. In 2023, 6.65 million s/f of new office space will be completed. New office construction is expected to decline by a million s/f each year through 2025. Non-residential construction will likely be driven by manufacturing and educational projects and laboratories in New York City over the next several years.
- Over the next few years, government spending on infrastructure development is projected to dominate the market. In 2023, government construction spending will reach \$22 billion, up from \$20 billion in 2022. While funding decisions are still being made at the federal level for competitive grants from the Infrastructure Investment and Jobs Act (IIJA), formula funding is expected to reach New York City much more rapidly.
- The Metropolitan Transportation Authority is expected to invest \$30 billion within the five boroughs over the next three years, a 47% increase over pre-pandemic total spending between 2017 and 2019. The Port Authority of New York and New Jersey is expected to invest \$1.8 billion in New York City capital projects in 2023, slightly down from almost \$2 billion in 2022. An additional \$1.6 billion in public works spending will be undertaken by various state and federal agencies in 2023.
- With the decline in housing and office construction overall, New York City will continue to see growth in sectors like hotels, retail and restaurants, manufacturing, recreation and entertainment, education, as well as infrastructure development – particularly roadways – driven by IIJA funding.

The NY Building Congress outlined several policy recommendations in the report in order to support continued growth industry-wide. Recommendations include policies to support increasing housing unit production, such as a renewed 421-a tax incentive, eliminating the 12 Floor Area Ratio cap, incentivizing office to residential conversions and more; expediting project approvals through permitting, land use and environmental review reforms; broadening MWBE opportunities; improving procurement reforms to get projects moving faster; and more.

“While the commercial real estate development and construction industries in New York City are facing significant headwinds due to the economic climate, we remain bullish about the long-term growth and success of our industry,” said Ralph J. Esposito, Chair of the New York Building Congress and President of the Northeast and Mid-Atlantic Region at Suffolk. “The federal government’s heavy investment in infrastructure, along with resilient sectors such as healthcare, life sciences, manufacturing, data centers and transportation, will continue to create opportunities to

develop and build incredible projects that will transform our city skyline and improve the quality of life for our citizens.”

“If New York is to maintain its economic revival and set a solid foundation for our future generations, it is critical that we continue to fund development and construction projects that generate thousands of good paying, family sustaining career opportunities for working class New Yorkers,” said Gary LaBarbera, President of the Building and Construction Trades Council of Greater New York. “The trends shown in this year’s Construction Outlook Report are certainly promising, but continued investment, paired with policy efforts that address shortcomings in areas such as housing, are necessary so that we may meaningfully uplift our communities and provide more of our tradesmen and tradeswomen the opportunity to pursue an honorable, fulfilling, and secure path to the middle class.”

“These findings emphasize the vital role of New York City’s construction industry in driving our city’s growth. With projected construction spending reaching \$83 billion in 2023, this data not only showcases resilience but also underscores its significant contribution to our city’s economic expansion,” said Melva M. Miller, CEO of Association for a Better New York. “While the decline in residential construction raises concerns, it highlights the urgent need for housing policy reform to ensure affordability citywide. Non-residential development remains a robust force, with the potential to generate nearly 19,000 jobs, solidifying its pivotal role in NYC’s employment landscape. Furthermore, substantial government investments in infrastructure hold the promise of transforming our transportation and public works infrastructure for a brighter future. The policy recommendations from the NY Building Congress provide a strategic roadmap to nurture this growth, and through collaboration, we can build a more prosperous and vibrant New York City for everyone.”

“The construction trades are an essential pathway to well-paying career opportunities for New Yorkers and toward creating critically needed affordable housing,” said Brooklyn Borough President Antonio Reynoso. “I’m pleased to see that the New York Building Congress is projecting our city’s continued growth and recovery in the years to come. As we continue to strive for a robust supply of affordable housing, sustainable infrastructure, and resilient neighborhoods all across the borough, I look forward to working with our leaders in the construction industry to champion a Brooklyn for all.”

“The NY Building Congress makes clear that there is a strong desire to invest in the future of New York. But current state and local policies make new residential development too difficult, and construction of new homes is lagging as a result,” said Manhattan Borough President Mark Levine. “The public and private sectors need to work together to tackle the housing crisis we’re facing as residential demand far outpaces supply.”

“With economic development critical to stabilizing and strengthening local neighborhoods here in the Bronx and our city still feeling the impact of the global pandemic, we must think creatively and efficiently to protect our communities,” said Bronx Borough President Vanessa L. Gibson. “With the release of the 2023-2025 New York City Construction Outlook Report that shows a \$13 billion increase in construction spending over the previous year, we are eager to see affordable housing and job creation prioritized to ensure our skilled union construction laborers are able to work and

contribute to the restoration of fiscally sound, and vibrant neighborhoods. I want to thank The New York Building Congress and all the partners gathered here that are committed to restoring hope and opportunity for the great people of the Bronx and our entire city.”

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