



## **New York construction activity - by James Ricca**

November 28, 2023 - Front Section



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With interest rates for commercial loans at levels not seen since the 1990s, origination activity has trickled to a standstill for most commercial real estate and commercial and industrial loans, as credit and underwriting standards have tightened and borrowers are trying to wait it out until interest rates drop to a predictable level.

Despite the uncertainty and dire predictions that we are headed for a recession with the Federal Reserve's efforts to dampen inflation by steadily increasing and holding the Federal Fund Rate, there is still cause for optimism, as seen by strong activity in new construction lending.

All one needs to do is walk through midtown Manhattan or drive the industrial areas of Long Island to see impressive new construction activity. There is something to be said for "American Exceptionalism" as it pertains to the strength and resiliency of our economy, as demonstrated by a strong GDP, low unemployment and the forward-looking can-do attitude of U.S. entrepreneurship. Construction in New York is booming. Per YIMBY, total filed-for square footage permits rose by 73% for the third quarter of 2023.

At Forchelli Deegan Terrana LLP, our land use, IDA and construction law departments are assisting clients with new projects that include warehousing, mixed use, multifamily, transfer stations, distribution centers and healthcare facilities.

Although 2023 construction lending is down from pre-pandemic levels, construction lending is up as a percentage of total lending. According to Newmark, \$209 billion worth of construction loans were issued in the first half of 2023, compared to \$150 billion worth of refinances and \$38 billion worth of acquisition loans for investment sales; by comparison, the first half of 2022 saw \$421 billion worth of construction loans issued. The sources of construction loan facilities are diverse. Private equity, institutional lenders, loan participations, REITS, foreign investment and bond financing, are among the alternatives developers employ.

Developers continue to see opportunities for the future and remain undaunted in their vision of bringing services and jobs to our communities. Something we can perhaps find inspirational and give cause for optimism is the uniquely American attitude our clients and the NY building community have – they see an opportunity and find a way.

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