

preserved; companies could begin adding more jobs; and foreign buyers, attracted by declining prices, could increase their investments in the Manhattan housing market—all of which would drive demand for office space and housing.

Thanks to recent actions by government, particularly the Bloomberg administration, there are numerous opportunities to build as demand dictates. This is the result of a series of enlightened rezonings affecting nearly one-sixth of New York City. In addition, approvals are in place and developers selected for massive undertakings such as the World Trade Center, Atlantic Yards, Hudson Yards, and the former Con Edison Waterside plant site.

Furthermore, major institutions, such as Columbia University, Saint Vincent's Hospital, and the United Nations, are eager to embark on major expansion and redevelopment plans. In this scenario, government continues making critical investments in major infrastructure systems and, quite possibly, construction spending and employment would quickly return to record-setting levels.

The second scenario, also realistic, is a prolonged economic downturn that finds government slashing funding for mass transit, education, and other infrastructure projects, and the City's next leaders adopting a more anti-development stance, making it harder for the private sector and major educational, health and cultural institutions to realize their expansion plans. This would likely signal an end to New York's construction boom and potentially usher in a period of slow growth for New York City's economy and the building industry.

While the forecast beyond 2010 is difficult to determine, current indicators show significant construction activity and high employment. Which scenario for the long-term prospects of the industry is realized depends largely on the state of the local and national economy, and actions by government and the industry itself.

RECOMMENDATIONS

New York City must continually build for growth, in good times and through down cycles. If New York City is to maintain its strength and its position as a global capital, the following steps are recommended over the coming months and years.

- **Identify and implement dedicated sources of funding for the Metropolitan Transportation Authority's capital program.** The region's stake in an expanded and efficient transit network has never been greater, and this is no time to underfund the MTA or overburden its ridership with regular and steep fare increases.

- **Affirm and extend other dedicated sources of revenue for capital budget priorities,** such as the New York City Water Board. During a period of growing budget deficits, it is essential to devote dedicated sources of funding outside the normal budgeting process.

- **Government must be an ally, rather than a hindrance, as major institutions move forward with critical expansion plans.** Education, healthcare, arts, and culture are as vital to New York City as the financial industry. The ability of these institutions to build for the future cannot be made torturous by government.

- **The industry needs to work cooperatively with government in coming to grips with the rising cost of construction in New York City**—before it becomes prohibitively expensive to build here.

- **The next mayoral administration needs to extend the successful strategy of the Bloomberg administration to strategically rezone neighborhoods** to permit sensible and sustainable growth in the decades to come.

The New York Building Congress is a nonpartisan public policy coalition of businesses, labor, associations, and governmental organizations representing the design, construction, and real estate interests of more than 250,000 individuals.

NEW YORK BUILDING CONGRESS



Chairman
Vice Chairmen

Officers

Stuart E. Graham, Skanska USA Civil
Louis J. Coletti, Building Trades Employers' Association
Carl J. Cosenzo, Schiavone Construction Co.
John M. Dionisio, AECOM Technology Corp.
MaryAnne Gilmartin, Forest City Ratner Companies
Maureen A. Henegan, Henegan Construction Co., Inc.
Edward J. Malloy, Building & Construction Trades Council of Greater New York

President
Past Chairman
Treasurer
Secretary
General Counsel

Peter A. Marchetto
Anthony P. Schirripa, AIA, Mancini-Duffy
Richard T. Anderson, New York Building Congress
Dominick M. Servedio, P.E., STV Group, Inc.
Thomas D. Farrell, Tishman Speyer
James H. McGraw, McGraw-Hill Construction
Michael S. Zetlin, Zetlin & De Chiara, LLP

Staff

Cathy A. DelliCarpini-Kruse, Senior Vice President
Laura Gallo, Vice President — Policy and Programs
Sheri J. Bell, Finance Director
Dawn M. Rubino, Membership & Events Manager
Robert Chapman III, Membership Coordinator
Yesenia Brito, Executive Coordinator
Sandra Diaz, Administrative Assistant

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

NEW YORK BUILDING FOUNDATION



Chairman
Vice Chairmen

Officers

Richard L. Tomasetti, P.E., Thornton Tomasetti, Inc.
Jane Chmielinski, AECOM Technology Corp.
Ralph Esposito, Bovis Lend Lease LMB, Inc.
Robert E. Fee, Hunter Roberts Construction Group, LLC
William A. Marino, Allied North America
John F. Hennessy III, Hennessy & Williamson
Richard T. Anderson, New York Building Congress
Patric O'Malley, AIA, Gensler
George E. Leventis, Langan Engineering & Environmental Services, P.C.

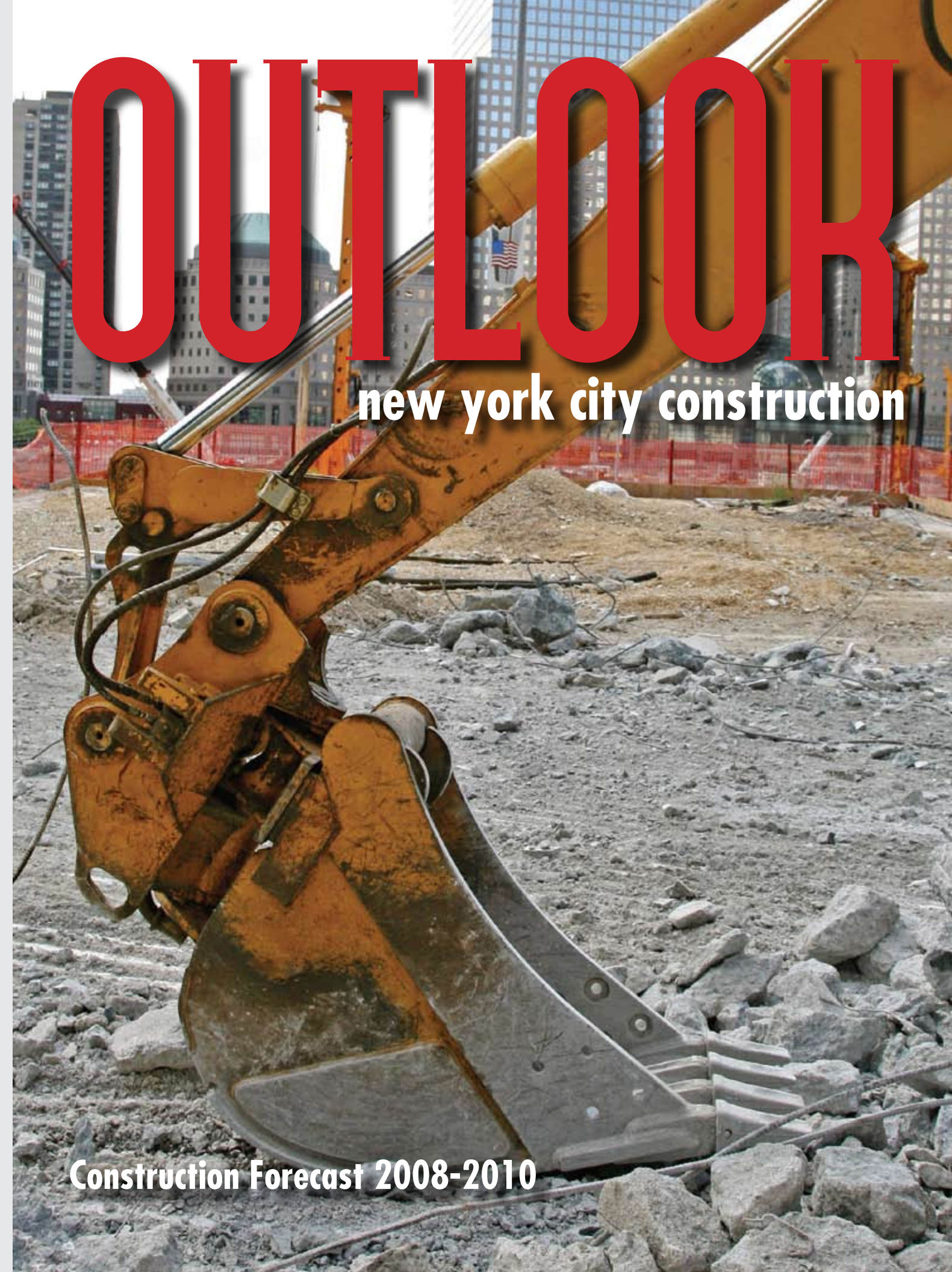
Past Chairman
President
Treasurer
Secretary

General Counsel

Michael K. De Chiara, Zetlin & De Chiara, LLP

New York City Construction Outlook 2008-2010, the eighth in a continuing series, was prepared with the assistance of Urbanomics by the New York Building Congress and the New York Building Foundation. For information on membership, publications, or events contact:
New York Building Congress/New York Building Foundation
44 West 28th Street, 12th Floor, New York, NY 10001
(212)481-9230 | Fax (212)481-9290 | www.buildingcongress.com

Sources of Statistical Data: F. W. Dodge; New York State Department of Labor; Public Capital/Budget Plans; Urbanomics; U.S. Bureau of Census; U.S. Bureau of Labor Statistics



OUTLOOK

new york city construction

Construction Forecast 2008-2010

CONSTRUCTION TOPS DOWN ECONOMY: \$93 BILLION CURRENTLY PROJECTED OVER THREE YEARS; BUT UNCERTAINTY LIES AHEAD

For the second time this decade, New York City's construction industry has proven its resilience while helping to bolster a struggling local economy. The industry continues to generate billions in new spending and thousands of new jobs. The New York Building Congress forecast currently calls for \$93 billion in overall construction spending in the five boroughs by government, businesses, and institutions over the next three years.

This forecast, however, cannot assess how recent developments in the financial markets—and resulting actions by the Federal government—might impact the building industry through 2010 and beyond. While New York City's economy is certain to be affected by the losses in the Wall Street community, it is too soon to accurately analyze how these losses might alter the *Outlook*.

Based on data currently available, New York City construction continues to perform at record-breaking levels, buoyed by projected increases in each main industry sector. Construction spending by year-end 2008 is forecast to reach a record \$33.8 billion, a 16 percent increase from 2007 when spending reached \$29.1 billion. Overall construction is currently forecast to reach \$33.4 billion in 2009 before easing to \$26.2 billion in 2010.

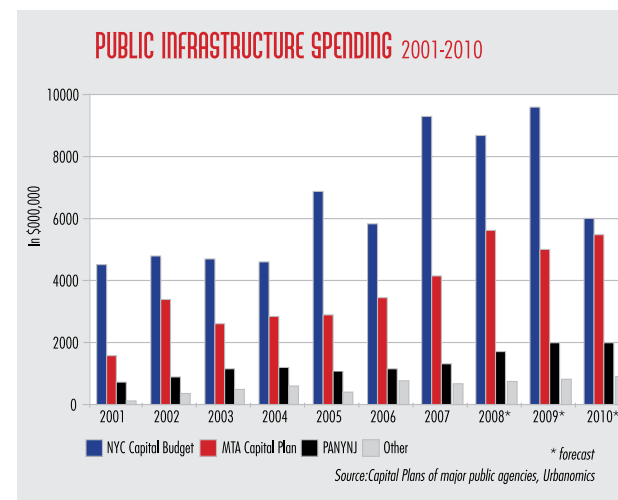
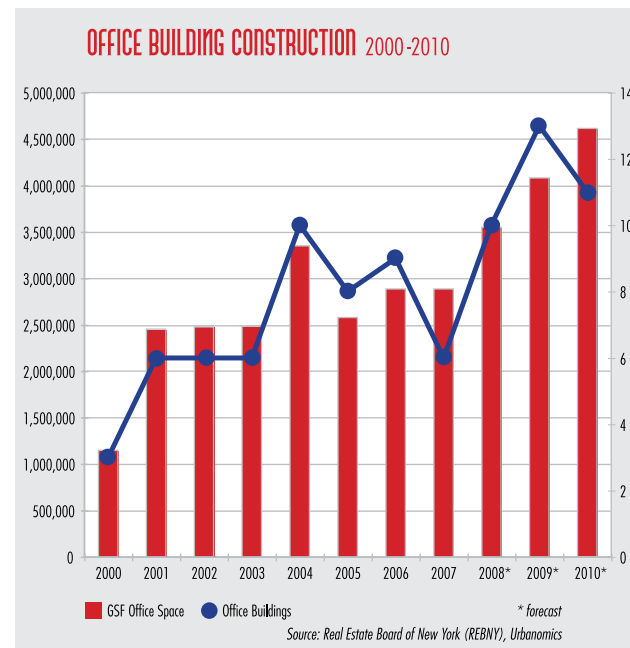
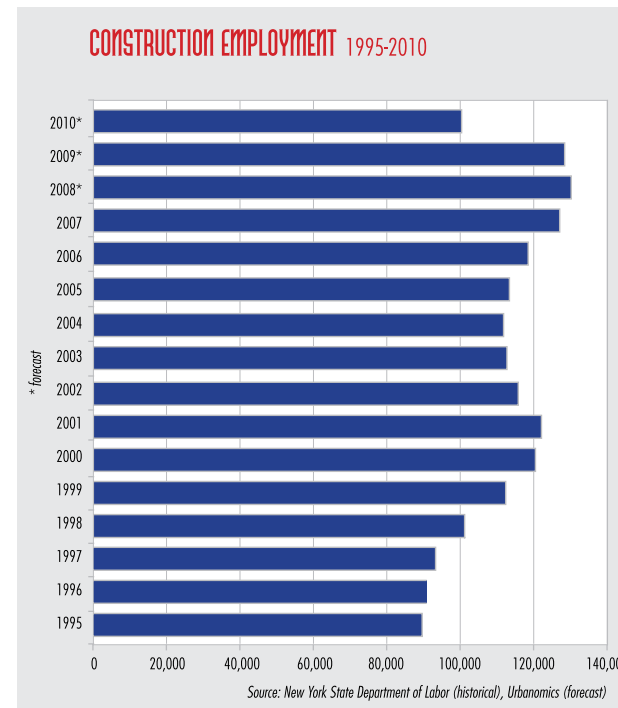
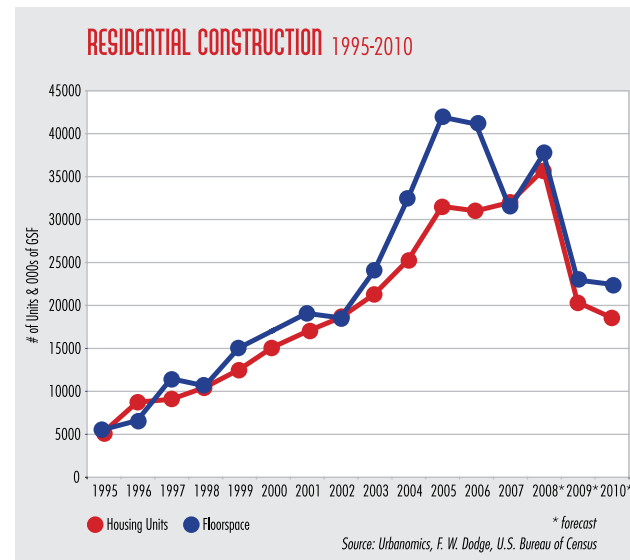
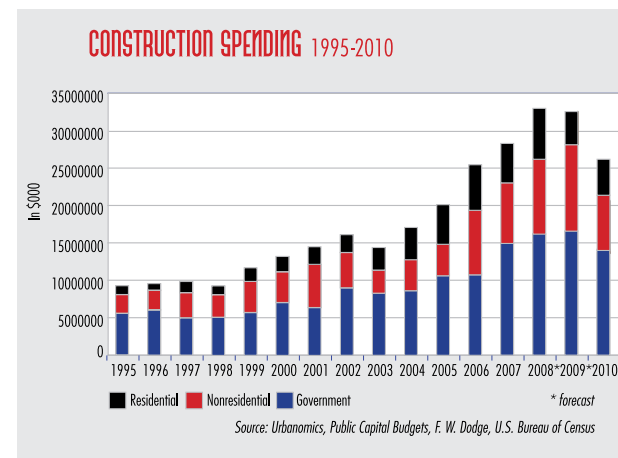
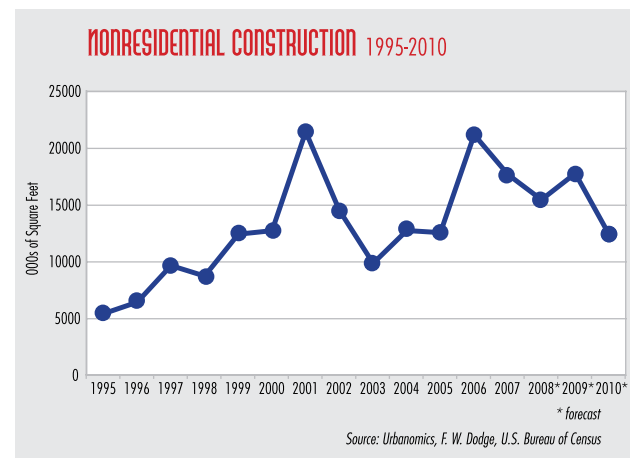
Construction employment, which reached 127,000 in 2007, will peak at a record 130,100 workers in 2008. Total construction employment in 2009 is expected to hold relatively steady at 128,300; however, an estimated drop in construction employment to 100,250 is expected in 2010. If realized, this would mark the smallest industry workforce since 1997. If recent events lead to a significant economic downturn, employment levels after 2010 could decline even further.

Government projects remain the largest source and primary driver of construction activity in New York City. The New York Building Congress estimates that overall capital spending, which includes investments in mass transit, public schools, roads, bridges, and other essential infrastructure, will reach \$17.0 billion in 2008, up from \$15.8 billion in 2007 and \$11.6 billion in 2006. Based on a thorough review of current capital budgets and projected expenditures, spending in this sector is set to rise to \$17.4 billion in 2009 before dropping to \$14.4 billion in 2010.

For the fourth consecutive year, residential construction is forecast to exceed 30,000 new dwelling units in 2008. This level of work continues a remarkable trend for New York City, which did not produce more than 20,000 units annually from the 1990s through 2002. The Building Congress forecasts production of 35,700 units this year with a total construction value of \$6.8 billion. This is up from 31,902 units (\$5.3 billion) in 2007.

This spike, during a reported slowdown in the housing market, is partially explained by a push from residential developers to get new projects started prior to a July 1, 2008, change in the 421 (a) tax incentive program. Partly as a result of that accelerated development and partially in response to market conditions, the forecast calls for 20,285 units (\$4.4 billion) to be produced in 2009 followed by 18,500 units (\$4.66 billion) in 2010.

Nonresidential construction, including office space, institutional development, and sports/entertainment venues, remains a continued source of strength. Annual construction spending is currently forecast to increase by nearly 25 percent from 2007 (\$8.1 billion) to 2008 (\$10.0 billion), and increase again to more than \$11.5 billion in 2009. Notably, this is more than triple the number achieved five years ago (\$3.1 billion in 2003). But in 2010, spending in this category is forecast to drop to \$7.1 billion. While this is a significant decline, the number, if achieved, still represents robust activity in this sector.



INSIDE THE NUMBERS

Given the turmoil in the credit markets throughout 2008, a slowing economy, and warnings of growing budget deficits, the expectation was that construction spending in New York City would begin to ease in 2008 and further decline into 2009. To the contrary, 2008 is expected to set records for overall construction spending and employment. While residential construction will likely decrease in 2009, government spending is expected to remain stable; and nonresidential construction is currently forecast to increase by 15 percent.

In the government sector, which encompasses New York City and State as well as entities such as the Port Authority and the Metropolitan Transportation Authority, the strongest and most durable source of spending has been New York City and its various agencies. Overall spending in Fiscal Year 2009, which began on July 1, 2008, is estimated at \$9.6 billion, up from \$8.7 billion in FY 2008. Major categories of spending include public schools (\$2.7 billion in FY 2009), highways, bridges, and roads, as well as maintenance and improvement projects to protect the City's water supply.

While New York's construction industry is not immune to downturns in the regional and national economy, historically there has been a lag between an economic dip and a slowdown in construction. Consequently, it appears that the effects of the current downturn may be felt in 2010 and, potentially, thereafter.

Judging from the current data used for this forecast, however, the numbers do not foretell an end to the sustained period of robust construction activity experienced this decade. If spending reaches \$26.2 billion in 2010, as currently projected, the industry overall will remain a strength for the City's economy, with spending remaining well above the levels reached in the 1990s and early 2000s, even when adjusted for inflation.

Of course, any drop in employment in any industry is felt individually, as well as by the economy and in government. As such, the most troubling aspect of this *Outlook* is the potential drop in construction employment. According to the forecast, there will be 28,000 fewer construction workers employed in New York City between 2009 and 2010.

ACHIEVING THE FORECAST

Project Pipeline Remains Strong . . . For Now

Despite calls for budget cuts in Albany and City Hall in response to expected deficits in the coming years, much of the funding for near-term government projects, which represent more than half of all City construction spending, has been allocated and committed. While it is likely that a portion of these projects will be stretched to some extent, it seems that most of the projects calculated in this forecast can continue apace.

Similarly, major office tower construction already in the pipeline is likely to sustain current estimates for the nonresidential sector. In fact, construction has begun on the majority of the 15 office towers factored into the 2009 and 2010 estimates.

The residential sector is the most vulnerable to present market conditions. But even here, demand for new housing is holding up in New York City, and many projects remain in the pipeline. Because housing construction is the smallest of the three sectors, it would take a considerable downturn to significantly impact the overall forecast.

What Next?

It is difficult to predict the duration and depth of the current economic downturn, particularly in light of recent federal intervention. Consequently, two possible scenarios must be considered. In the first, any downturn in the construction industry would be short-lived and relatively shallow. With government steps to ease the credit crunch, thousands of jobs could be