

CONSTRUCTION ACTIVITY & MARKET INDICATORS, GREATER NEW YORK

April 21, 2016

PANYNJ, Planning and Regional Development, Economic
Analysis Unit

To the NYIEC Estimating Committee

Potential factors beneath bid price increases

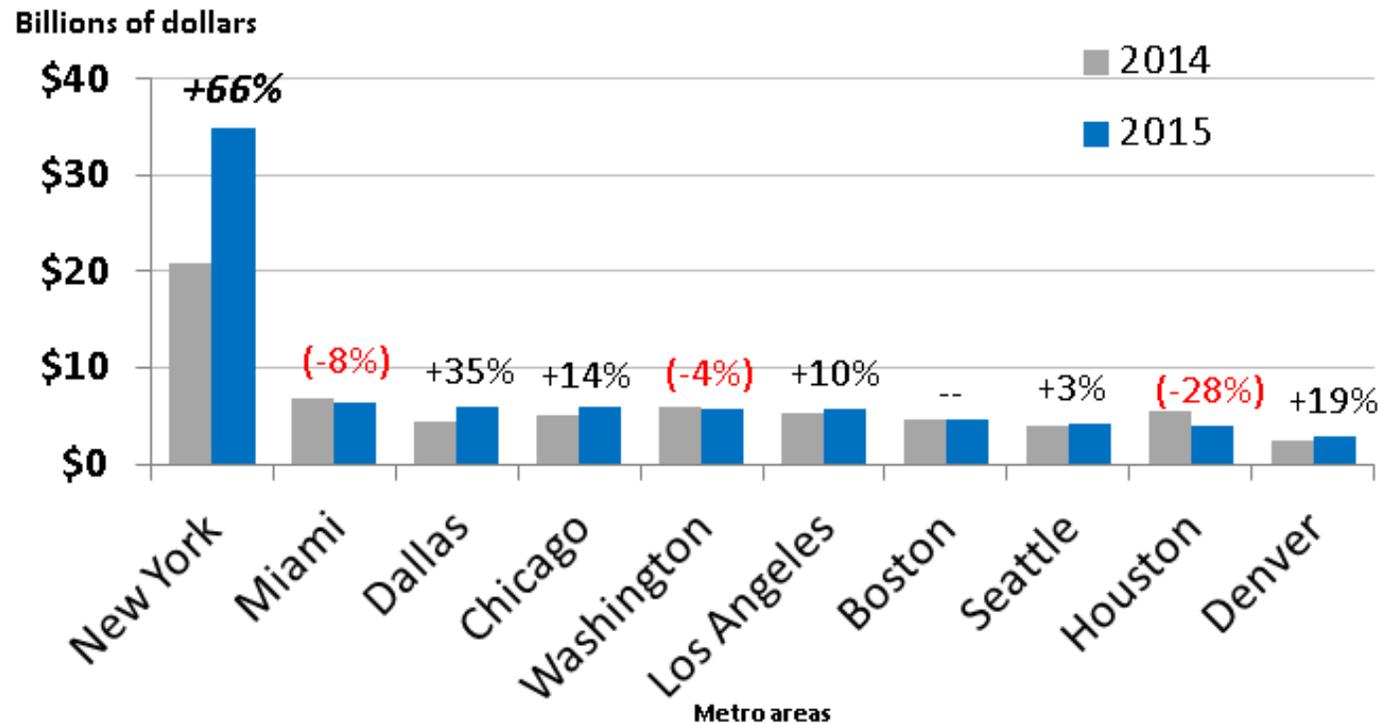
- Private sector construction **way** up in 2015
 - Attractive **alternative** to government work
 - **Disequilibrium** between demand for labor and supply of firms/workers
- Government spending (in NYC) down
- Commodity prices: non-factor
- Labor costs may be up

Conclusion:

- **Hot market** influencing bid prices

Increased construction activity, largely in New York City

Value of **commercial and multifamily residential** construction starts (below) in metro area grew 66 percent in 2015, dwarfing increases in other major metro areas. In the rest of the country, it was generally flat.



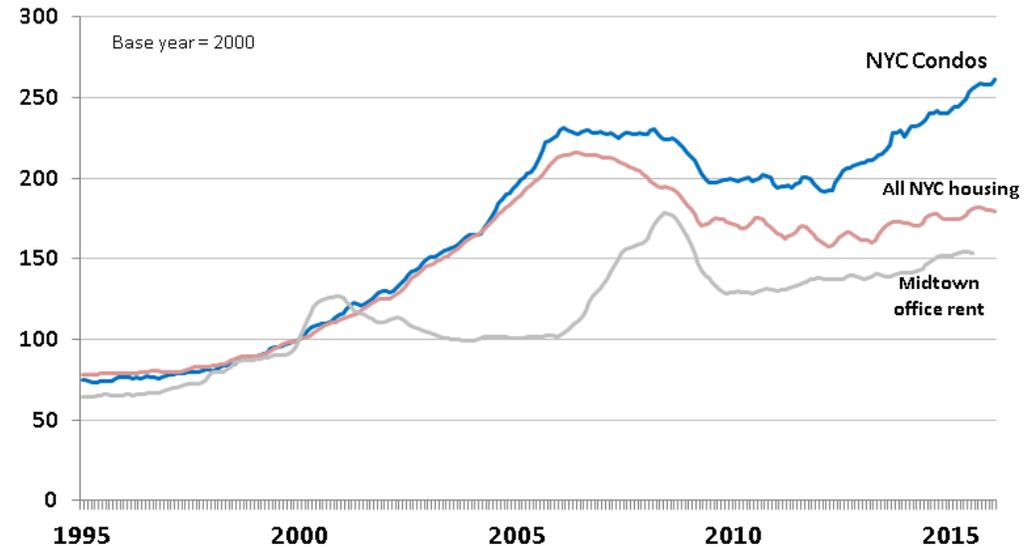
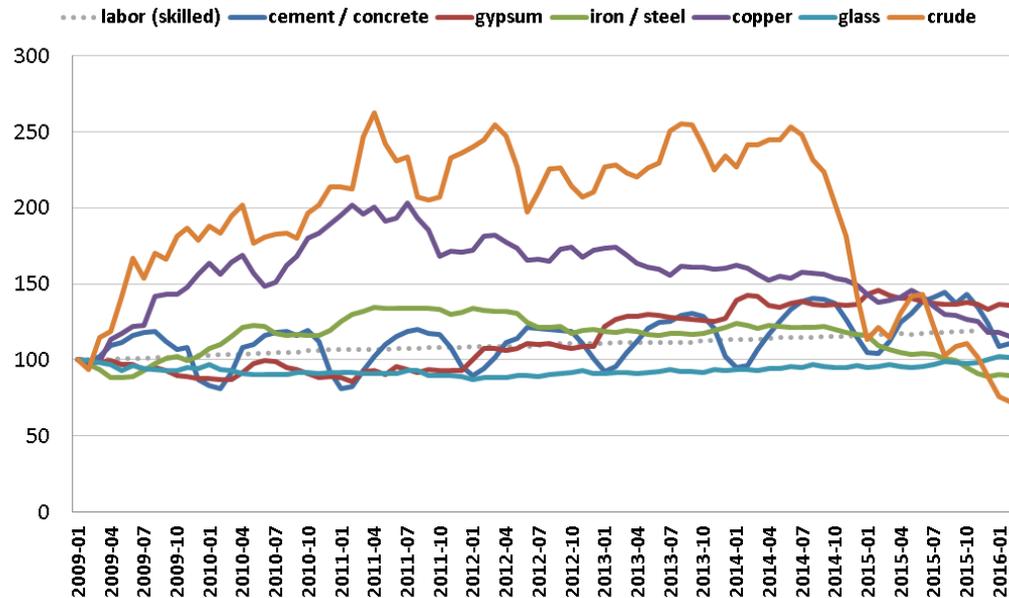
Some major commercial projects:

- *Midtown West (Hudson Yards)*
- *World Trade Center site*
- *Upper East Side cancer & medical research center*

Cost of inputs, price of product

Price of construction inputs has fallen, while the upside (the market price of built space) continues to climb, particularly for condominiums. Data is through February 2016.

All indices based on nominal prices.

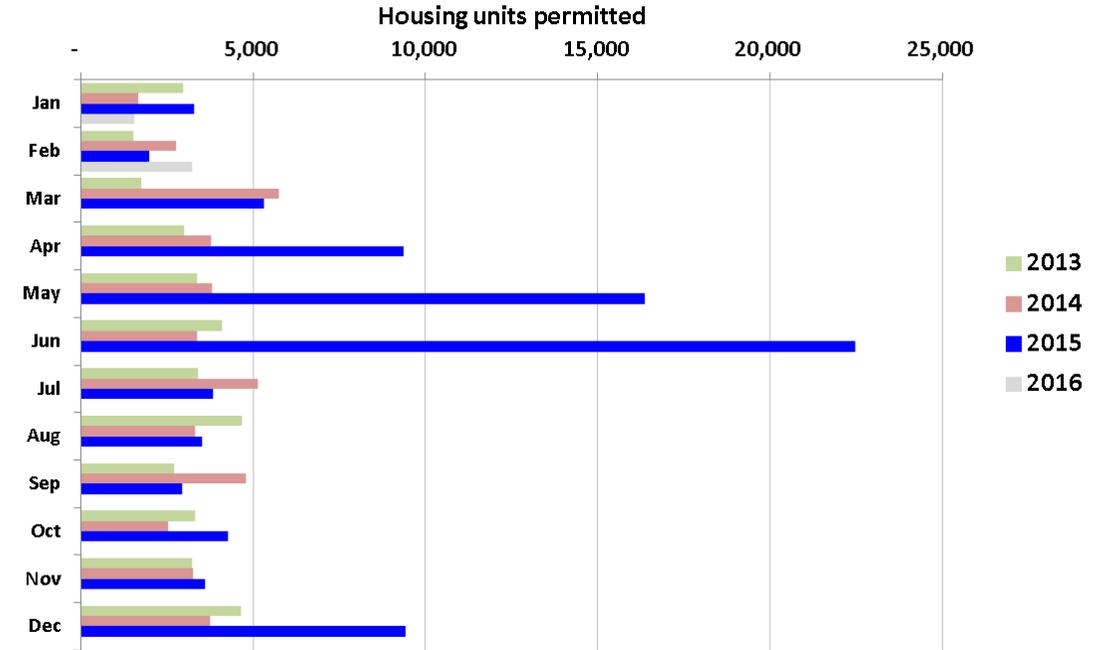
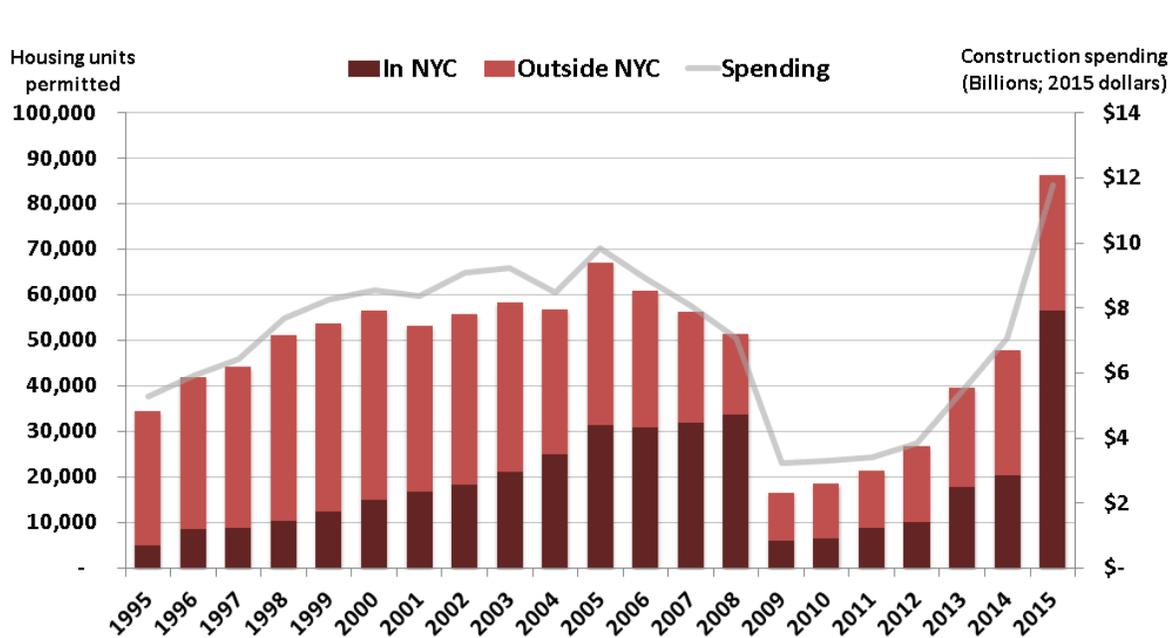


- Commodity prices are flat in recent years, with some (crude, copper) falling significantly in recent months. Labor prices, particularly for union work, is relatively predictable.

- New York real estate continues to command high prices. Often, market incentives drive returns for much NYC-specific work upward.

Demand and supply

Residential construction permitting was through the roof last year, largely due to an expiring NYC-issued tax break. Data is through February 2016.



- Permits for housing construction in the metro area exploded last year, partly due to a rush to capitalize on expiring NYC-specific development incentives.

- ... those permits were concentrated in late summer, when the 421-A tax break was up for possible renewal, and year's end, right before the break expired.

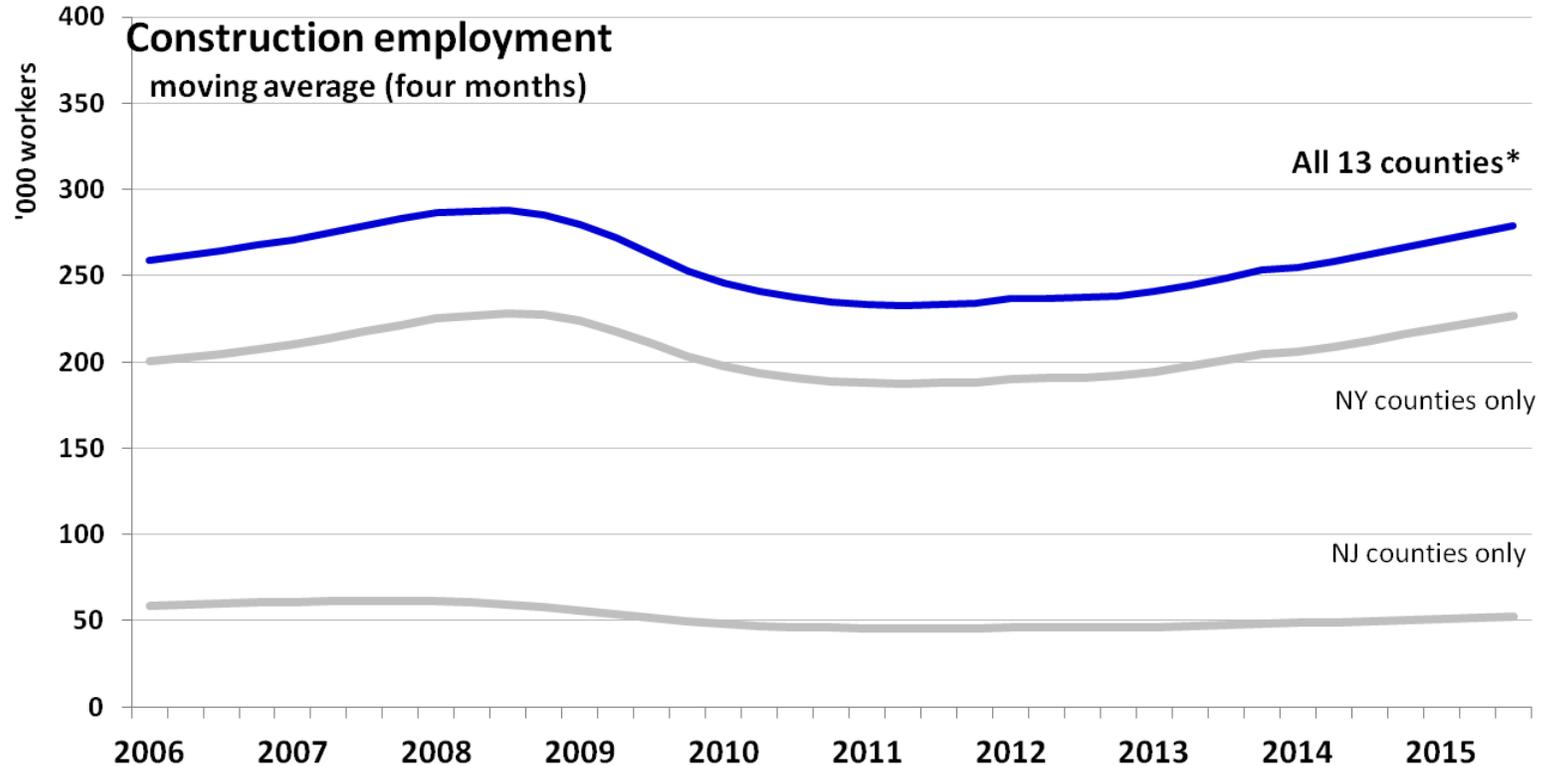
What happened? Strong demand pinched the labor supply.



- ***“Last year, U.S. construction spending approached prerecession levels for the first time during the economic expansion. But the number of workers hasn’t, leaving contractors across the country looking for plumbers, carpenters, masons and other tradesmen”***

Demand and supply

Need for resources likely grew too fast for supply to keep up. Data is through third quarter of 2015.

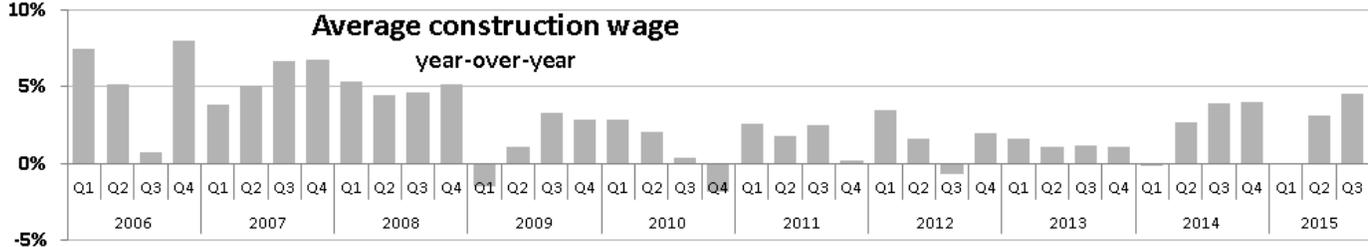
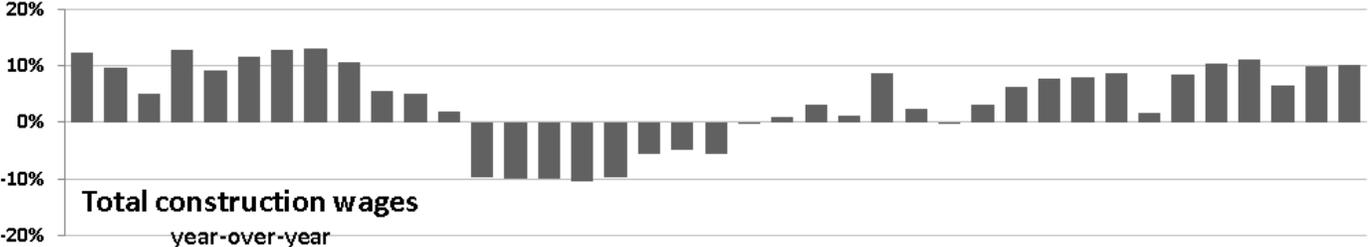


- Construction employment in **13 key metro area counties*** was already nearing all-time highs as of the third quarter of 2015 - may have still been short to meet extreme demands.

**Bergen, Hudson, Essex, Union; NYC (5), Middlesex, Nassau, Suffolk, Westchester*

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- Data point to watch: construction wages.

**Bergen, Hudson, Essex, Union; NYC (5), Middlesex, Nassau, Suffolk, Westchester*

Questions?

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