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Sharp Drop in Building Residences in the City

By [CHARLES V. BAGLI](#)

After five consecutive years in which residential construction in New York exceeded 30,000 apartments and houses annually, fewer than 6,300 units will be built this year, according to the latest report from the [New York Building Congress](#), an industry trade group.

The abrupt reversal of fortunes in the residential market is one of the main reasons that construction spending is expected to fall by 20 percent this year to \$25.8 billion, from a peak of \$32.4 billion in 2008, according to an annual report released by the group on Wednesday morning.

Spending is down in just about every category, including hotels, office buildings and public works.

The bright spot is that the situation could have been worse, said Richard T. Anderson, president of the Building Congress. A year ago, the group forecast a 30 percent drop, with as many as 30,000 construction workers losing their jobs. It turns out, the report says, that the industry has lost 11,000 jobs this year.

“It’s a declining construction market,” Mr. Anderson said, “but not as much as we anticipated.”

Further, the report contends that the downturn may have bottomed out. Construction spending is not expected to fall below \$25 billion in 2010 or 2011, although Mr. Anderson acknowledged that some industry executives were more pessimistic.

“They’re way too exuberant,” the developer [Douglas Durst](#) said of the report. Commercial vacancy rates are continuing to rise, he said, and rents are falling.

Indeed, the report shows a sharp drop in the construction of office towers, with only two buildings, the Diamond Center on West 47th Street and [1 World Trade Center](#), under way.

It is unclear whether three other office towers at the former World Trade Center site will be built soon.

Meanwhile, Boston Properties canceled two proposed office buildings on Eighth Avenue, and Vornado Realty Trust abandoned plans for a tower over the Port Authority Bus Terminal. And the nearly completed 40-story tower at 42nd Street and Eighth Avenue, 11 Times Square, still does not have a tenant.

“I don’t think you’ll see another new commercial building for some time,” Mr. Anderson said.

The residential market is more bleak. More than 460 residential projects have been delayed, nearly a third of them in Brooklyn, according to the latest figures from the city’s [Buildings Department](#). Many analysts say it will take several years for the market to absorb all the luxury apartments that have been built recently.

Even with the slowdown, Mr. Anderson said, construction spending in 2009 will be 45 percent greater than it was in 2004. Government spending, which is expected to account for 60 percent of construction activity this year in [New York City](#), has held up better than expected, according to the report. The city’s capital spending program has remained above \$10 billion, with much of the money going to schools, the extension of the No. 7 subway line and a water filtration plant in the Bronx. The [Port Authority of New York and New Jersey](#) is also spending billions of dollars rebuilding the World Trade Center.

But the future is uncertain, given the multibillion-dollar financing gap in the state budget. The Port Authority has also been forced to stretch out its capital projects with the drop in revenue from bridges and tunnels. And the [Metropolitan Transportation Authority](#) is struggling financially and may have to postpone its five-year capital program.

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