NEW YORK BUILDING CONGRESS

New York Building Foundation

Rockaway Viaduct Repair Work | Photo Credit: MTA, Trent Reeves

2025-2027 NEW YORK CITY CONSTRUCTION OUTLOOK REPORT

SPENDING

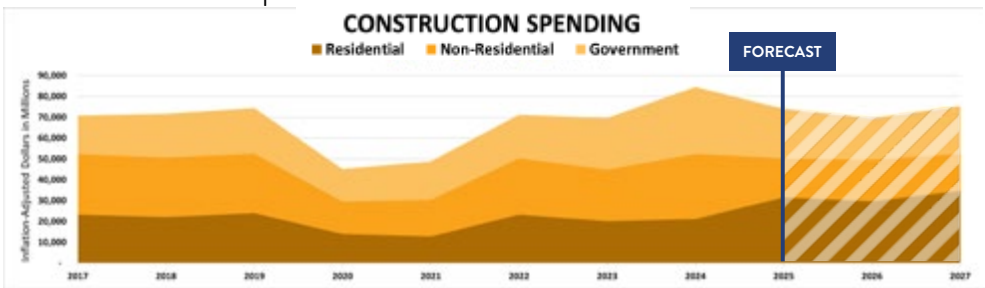
The New York Building Congress forecasts $74 billion in New York City construction spending by the end of 2025. This represents development growing $1 billion in nominal dollars year-over-year, though a 12% decrease in today's dollars when accounting for the recent high-inflationary period.

When compared to the prior three-year period from 2022-2024 spending is up 18% in nominal spending, yet down 2.5% in inflation-adjusted spending. Despite high interest rates, tariff uncertainty, and escalating material costs holding back growth the past few years, spending this year is up 5%, after adjusting for inflation, compared to the average annual spending between 2022-23. However, when adjusting for inflation from a high watermark year 2024, we expect year-over-year spending to reflect a 12% reduction.

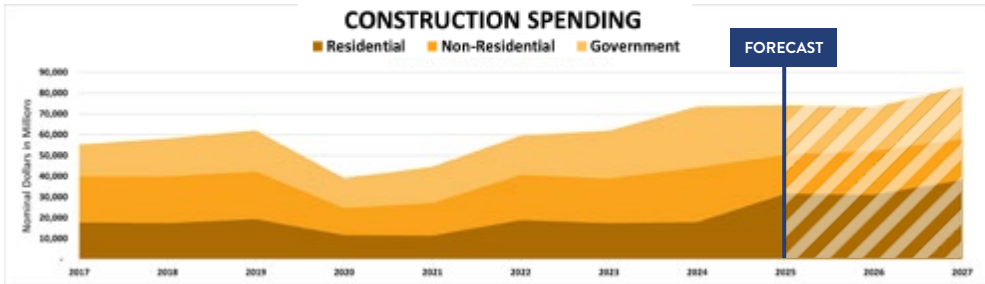
Spending in inflation-adjusted dollars is expected to reach $219 billion ($230 billion, in nominal dollars) over a three-year period, to $69.6 billion in 2026 and $75 billion by 2027. In nominal dollars for all sectors, total construction spending is forecasted to increase to $83 billion in 2027, moving from $73 billion in 2026. The sectors which saw the largest year over year growth this year are: Residential, Offices, Healthcare, and Transportation Infrastructure.

Higher borrowing costs remain a key reason for reduced industry activity. The Federal Reserve began hiking interest rates mid-2022, starting from a range of 1.5%-1.75%, reaching a peak of 5.25%-5.5% by 2023. From 2024 until September 2025 the range has been between 4.25%–4.5%, making project financing expensive and dampening demand. September saw a .25% interest rate cut, and further cuts seem likely. At the same time, Washington's decision this summer to double steel tariffs to 50% and expand duties on aluminum is pushing material prices higher, squeezing already-thin margins. These cost and financing pressures are evident in the data: nationwide construction spending fell 0.4 % in June and was 2.9 % below last year, with July figures also negative as builders postpone starts, likely awaiting future rate cuts.[1]

While development is expected to cool down somewhat, construction activity in NYC continues to lead the nation. As a share of US construction spending, New York City has consistently accounted for 3% of all dollars spent nationwide on an annual basis in the past 5 years. As of 2024, gross construction output topped $2 trillion dollars nationwide with some 6 million construction workers employed, thus representing 4.5% of national economic output.



Inflation-Adjusted Dollars in Millions	Actual			Forecast		
	2022	2023	2024	2025	2026	2027
Residential	23,407	20,137	21,276	31,639	29,677	34,706
Non-Residential	26,986	24,784	31,168	18,726	19,977	17,787
Government	20,845	24,721	32,104	23,738	19,972	22,883
Total	**71,238**	**69,641**	**84,549**	**74,103**	**69,627**	**75,376**

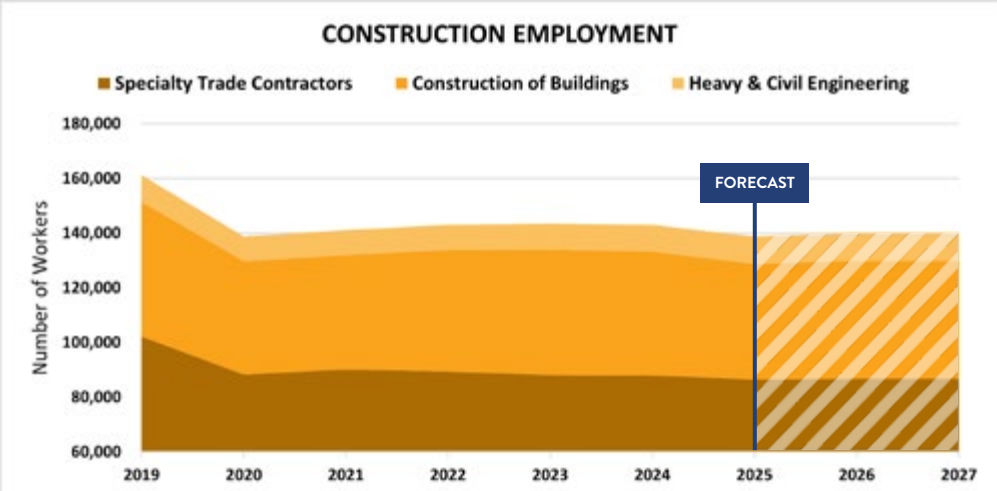


Nominal Dollars in Millions	Actual			Forecast		
	2022	2023	2024	2025	2026	2027
Residential	18,913	17,434	17,956	31,639	31,161	38,264
Non-Residential	21,804	21,457	26,305	18,726	20,976	19,610
Government	18,863	22,994	29,279	23,738	20,971	25,228
Total	**59,580**	**61,885**	**73,541**	**74,103**	**73,108**	**83,102**

1 https://kpmg.com/us/en/articles/2025/june-2025-construction-spending.html
https://www.federalreserve.gov/aboutthefed/fedexplained/accessible-version.htm

EMPLOYMENT

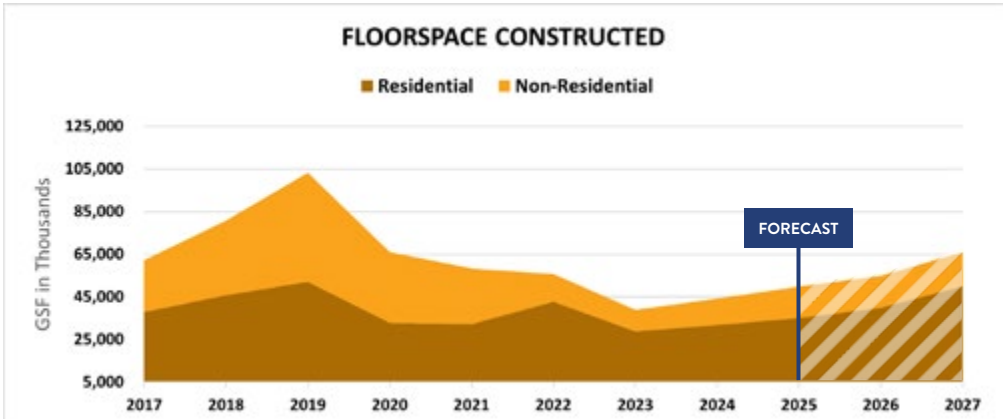
Private sector construction employment is expected to remain steady over the next three years, as the industry continues to pursue surpassing its pre-pandemic levels. The Building Congress anticipates employment in the construction of buildings, heavy and civil engineering, and specialty trades to total 139,000 jobs in 2025, and 140,000 in 2026 and 2027. Today's employment numbers are alarmingly down about 4,000 jobs from 2024 report's forecasts, a sign of overall activity cooling. With the ongoing rise in construction costs, construction jobs per $1 million in spending have dropped from a pre-pandemic average of 2.7 between 2017-2019, to a new average of 1.9 within 2025-2027.



Construction Employment	Actual			Forecast		
	2022	2023	2024	2025	2026	2027
Specialty Trade Contractors	89,458	88,125	88,033	86,541	86,887	86,890
Construction of Buildings	44,467	45,900	45,158	42,249	43,008	43,003
Heavy & Civil Engineering	9,167	9,450	9,842	10,031	10,106	10,107
Total	**143,092**	**143,475**	**143,033**	**138,821**	**140,001**	**140,000**

FLOORSPACE

2024 saw 44 million gross square feet (GSF) built. The Building Congress predicts this year will see an increase, ending the year with almost 50 million GSF built. This figure is expected to increase in the following two years, to 55 million in 2026 and 66 million in 2027. Approximately 70% of floorspace construction predicted in 2025 will be residential development – which is primarily driven by alteration and renovation work. The high share of alteration and renovation work persists as a market reaction to the high cost of financing new projects.



Floorspace Constructed	Actual			Forecast		
	2022	2023	2024	2025	2026	2027
Residential	42,786	28,794	31,863	35,000	40,000	50,000
Non-Residential	12,999	10,185	12,378	14,839	15,000	16,000
Total	**55,785**	**38,979**	**44,241**	**49,839**	**55,000**	**66,000**

SECTOR BREAKDOWN

RESIDENTIAL

In the residential sector, building permits are expected to be issued for nearly 19,000 new units in 2025, one-third less than in 2024, but still double the volume of 2023. Since the onset of the current decade to mid-year 2025, some 111,350 residential units have been authorized by building permits in the city, averaging roughly 20,250 units per year. State and local government initiatives to increase this volume well above the prior average have been proposed, but are yet to be realized. These new housing investments are also more costly on average – construction costs have risen from $120,500 to $179,000 per unit between 2020 and 2025. Including renovations, today's capital spent on residential construction now averages $600 per square foot of floorspace and may amount to over $31.6 billion by year-end 2025. This suggests new investment efforts continue to be focused on renovation of existing space, as well as office-to-residential conversions. Given continued housing demand and unit cost pressures associated in part with imported building materials, new and rehabilitated residential spending is likely to continue to rise for the foreseeable future.

Compared to the previous three-year period, forecasted residential spending for 2025 to 2027 is expected to be up 48%, after adjusting for inflation, an increase of about $31 billion. Residential investment in new development, rehabilitation, and interior renovation accounts for 43% of the share in construction spending in 2025, up from a 24% share the prior year. By 2026, nominal residential investment is projected to remain relatively constant, at $31 billion, increasing to $38 billion in 2027.

State and local government spending on housing has a large impact on maintaining the pace of housing unit development. It is still too soon to measure the full impact of the new housing development incentive program set to replace 421-a, the Affordable Neighborhoods for New Yorkers Tax Incentive program, or 485-x.

Dwelling Units					
Actual			Forecast		
2022	2023	2024	2025	2026	2027
21,490	9,504	27,241	18,775	21,280	23,805

NON-RESIDENTIAL

Taking a high-level view, the volume of new office construction has more than doubled in New York City on an annual yearly basis over the past 10 years (at 4.8 million square feet per year, 2015 to 2024), compared to the prior 10-year period (2.2 msf /year, 2005-2014).

Non-residential spending, which includes office space, manufacturing, retail, hotels, education, healthcare, entertainment venues, and recreational facilities, is expected to reach $18.7 billion, in 2025, relatively consistent with the nominal average from the past 5 years. Though a dip from 2024 is noteworthy, this dip is primarily due to JFK Airport's value being captured in 2024. Spending is expected to reach $38 billion in spending (when adjusting for inflation) between 2026 and 2027. The share of spending in the non-residential sector is projected to reflect to 25% of all construction spending in 2025, down from 36% in 2024.

Two multi-million square foot towers at the World Trade Center, including Two World Trade Center at 200 Greenwich Street and Five World Trade Center at 130 Liberty Street; the 2.5 million square foot JPMorgan Chase global headquarters at 270 Park Avenue; the 1.2 million square foot Disney headquarters at 4 Hudson Square, and the 2.6 million square foot Grand Hyatt replacement at 175 Park Avenue all bode for continued multi-million square foot office construction in the 2025-2030 period. Historically, over the prior ten years, nonresidential construction spending has outpaced residential spending, but going forward to 2027, this relationship is expected to flip, driven by the sky-high demand for housing in NYC.

Major new projects and redevelopment work can also be expected in New York City's health care sector over the current forecast period. Most notable is the proposed upgrade that will expand and revitalize Northwell Health's Lenox Hill Hospital to provide vital community healthcare services.

GOVERNMENT

Capital investment in public facilities and infrastructure continues to represent a major source of construction spending in New York City. At its peak in 2024, public infrastructure outlays amounted to $29.3 billion by New York City and New York State government, the Metropolitan Transportation Authority, and the Port Authority of New York and New Jersey. Since then, public spending on infrastructure maintenance and expansion has declined, to $23.7 billion budgeted for 2025 followed by $20.9 billion for 2026. It is only expected to recover marginally to $23 billion in current dollars by 2027. The main cause of this decline is that in 2023-24 there was an outsized uptick in capital commitments recorded for large MTA projects (accessibility/station upgrades, and signal modernization efforts). 2025 returns to a more familiar level of spending, with increases planned as the new capital plan ramps up.

While capital commitments and liquidations are expected to remain relatively stable in New York City government, they are forecasted to begin rising in the new MTA Capital Plan for 2025-29. From a commitment of $7.3 billion in 2025 towards the city's transit and bus systems, its MNR and LIRR intra-city rail facilities, as well as all nine bridges and tunnels, the MTA anticipates spending $10.4 billion by 2027.

However, as its current capital plan of 2017-2026 reaches completion, the Port Authority of New York and New Jersey's (PANYNJ) next phase of long-term capital development has not yet been released, and the anticipated 2026 level of spending has been extended to 2027 for the purposes of this report. The new Port Authority Bus Terminal in Manhattan, projected to cost $10 billion, is soon to be a major component of 2025-2027 construction forecast period.

As of December 2024, only $30 billion of the $1.2 trillion Bipartisan Infrastructure Law (BIL) has been awarded to New York. And while the state is set to receive at least $36 billion in transportation funding from the BIL – the majority to fund transit improvements within NYC – continued advocacy for swift allocation of funds from Washington to individual states as well as a robust Surface Transportation Reauthorization must be a priority for the industry.[2]

GOVERNMENT SPENDING IN DEPTH

City of New York

In Fiscal Year 2025, New York City is set to expend $13 billion on construction and design in 72 categories of municipal infrastructure. The top three spending categories were Education at $3.9 billion, Housing Preservation & Development at $2.6 billion, and Water Pollution Control at $847 million. The City's Capital Budget's 2025 to 2028 top five priority categories for spending are, in order, Education, Correction, Housing Preservation & Development, Highways, and Water Pollution Control. Municipal capital investment is planned to decline through 2027 without additional federal or state infrastructure spending.

Metropolitan Transportation Authority (MTA)

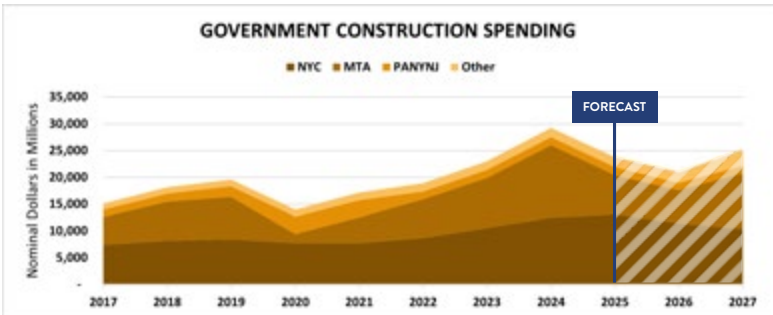
Within the five boroughs, the MTA is likely to invest $23 billion in nominal dollars over the next three years, which would be a 17% increase over total spending between 2017 and 2019. Actual expenditures will depend on the agency's execution of its current and past capital plans, including the availability of federal funding. The 2025-29 capital plan aims to increase spending by 24% over the current plan, focusing on critical infrastructure improvements in NYC Transit signal modernization, and plans for further accessibility enhancements, as well as rehabilitation of line structures, Second Avenue Subway expansion, and the new Interborough Express (IBX).

Port Authority of New York and New Jersey (PANYNJ)

PANYNJ is expected to invest $1.5 billion this year in New York City capital projects, relatively unchanged from 2024. Spending levels in the next three-year period are pending further development, yet are expected to close out major items from their 2017-26 capital plan, last revised in 2019 to include debt service payments to kickstart phase 1 of the Gateway Development Corporation's Gateway Program.

Other

The remaining $1.9 billion in 2025 public works spending will be undertaken by agencies at the state and federal levels, including the Dormitory Authority of the State of New York, the New York State Department of Transportation, and the U.S. Army Corps of Engineers. These entities are expected to invest $2 billion and $3.1 billion within New York City in 2026 and 2027, respectively. This number must be monitored closely as federal infrastructure funding continues to flow to New York, in particular, for the Penn Station Transformation Project, expected to begin construction in 2027.



Government Construction Spending	Actual			Forecast		
	2022	2023	2024	2025	2026	2027
NYC	8,650	10,537	12,475	13,066	11,429	10,361
MTA	7,242	9,340	13,563	7,340	6,165	10,396
PANYNJ	1,448	1,487	1,497	1,466	1,334	1,361
Other	1,523	1,630	1,744	1,867	2,043	3,111
Total	**18,863**	**22,994**	**29,279**	**23,738**	**20,971**	**25,228**

2 https://www.usaspending.gov

CONCLUSION & RECOMMENDATIONS

New York City's construction industry has shown remarkable determination in 2025, navigating through high interest rates, tariffs driving up the cost of construction materials, and uncertainty with regards to policy changes at the federal level. Many firms and private sector investors are choosing to delay large expenditures until conditions become more predictable or until interest rates are cut.

The Building Congress will remain steadfast in its advocacy for a robust Federal Surface Transportation Reauthorization bill to build off the infrastructure spending momentum kicked off by 2021's Bipartisan Infrastructure Law. This will ensure much-needed funding for critical transportation infrastructure, including transit, which continues to be one of the city's key drivers of economic activity. We will also continue to advocate for the efficient distribution and targeted use of these resources in New York, ensuring our industry can build a more connected, resilient, and economically vibrant future for all.

Further, the Building Congress recommends:

1. A rapid release of Surface Transportation Reauthorization funding and ensuring New York gets its fair share relative to its population and size of its public transit. systems, and the amount it contributes to the federal tax base and GDP.
2. Establishing the Federal Infrastructure Bank to guarantee that adequate infrastructure investment continues nationwide.
3. Improving and reforming project delivery methods and procurement reforms to get projects moving faster and with greater flexibility.
4. Streamlining project approvals through land use reforms, including the common-sense pro-housing policies included in the "City of Yes" plan.
5. Permitting and NEPA reforms to expedite environmental reviews through legislation such as the RESTART Act.
6. Further investment in workforce training and development at all levels of government.
7. Maintaining robust capital budgets and adequate staffing levels for state and city agencies, including public authorities.
8. Advancing and broadening M/WBE opportunities and developing policies to ensure meaningful economic prospects for M/WBE firms.
9. Broaden and expand development incentives in the Affordable Neighborhoods for New Yorkers Tax Incentive program, 485-x.
10. Investments in citywide resiliency measures to protect at risk communities and critical infrastructure from extreme weather events.
11. Significant investments to improve energy infrastructure and grid networks, including battery energy storage systems, to fortify our grid and ensure that reliable energy is maintained as our energy usage continues to increase.

NEW YORK CITY BY THE NUMBERS

(Adjusted for inflation)

139,000

EST. NYC PRIVATE CONSTRUCTION JOBS IN 2025

$74 BILLION

IN 2025 CONSTRUCTION SPENDING

DOWN $1 BILLION FROM ANNUAL AVERAGE ('22-'24)

$219 BILLION

EST. CONSTRUCTION SPENDING 2025-2027

$230 BILLION IN NOMINAL DOLLARS

A STEADFAST INDUSTRY FACES INCREASING UNCERTAINTIES

Members of the New York Building Congress are at the forefront of economic development, leading the charge to rebuild and reshape our city's landscape. The familiar hum of construction activity continues to stand as a testament to our city's economic capacity. This report showcases the remarkable resilience and accomplishments of the construction industry in the face of rising national and global economic headwinds.

From 2025 to 2027, New York City's building industry looks steady but challenging. National policy shifts, new spending priorities, tariff uncertainty, and the unknowns of the city's mayoral race add layers of unpredictability. Yet the city's need for new housing and infrastructure remains clear.

After adjusting for rising costs, total construction spending and jobs are expected to hold consistent for the next three years. In today's dollars, spending is expected to dip from roughly $74 billion in 2025 to about $69 billion in 2026 before edging back up to $75.3 billion in 2027, while construction employment will remain close to 140,000 workers across the three-year period.

One clear success this year has been growth in large office space, a clear sign that companies are betting big on New York City. Office spending is set to nearly double the nominal value spent in 2024, to almost $9.5B in 2025. Some large investments, totaling over $4.25B, include 343 Madison Ave., 70 Hudson Yards, 574 5th Ave, 125 W 57th St., and 1211 Avenue of the Americas.

Residential spending has also increased. However, this does not appear to correspond with an increase in housing unit production, but rather a general increase in costs and an emphasis on alteration and renovation work as well as expensive office-to-residential conversions, rather than strictly new residential tower construction. More details on residential spending are in the following pages.

Growth in areas like Healthcare and Transportation Infrastructure, have been prominent over the past year, with work advancing on projects such as the Hospital for Special Surgery's 1520 First Avenue tower and The Gateway Program, respectively.

Cutbacks in development over the remaining months of 2025, new tariffs on construction materials, interest rate cuts, and/or subsequent reduction in price increases, may change this outlook, while potential benefits from signature actions like a robust Surface Transportation Reauthorization bill are expected to bring additional spending. Further, it's uncertain whether federal infrastructure funding, currently being withheld for major projects in NY, will remain frozen for the foreseeable future. Thus, this forecast should be continuously monitored.

This forecast assumes that all projects identified by Dodge Data and Analytics will not be stopped or stalled during the forecast period.

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The New York Building Congress, a broad-based membership association celebrating its 104th year, is committed to promoting the growth and success of the construction industry in New York City and its environs.

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Formed in 1998, the New York Building Foundation is in its 26th year of promoting the long-term growth and well-being of the New York City building industry and the wider community through an active program of research, education, and philanthropy.

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CREDITS

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