

October 26, 2016

<https://www.bisnow.com/new-york/news/construction-development/can-anything-be-done-about-rising-construction-prices-66868?rt=29340>

News

WHAT CAN THE INDUSTRY DO TO MAKE CONSTRUCTION MORE AFFORDABLE?

[Benjamin Mazzara](#)

NYC's always been a **city of cranes**, but never has this been more apparent than today. Development remains strong, and **construction spending** and employment are hitting **record levels**.



A recent forecast from the [New York Building Congress](#) estimated NYC will spend **\$43.1B** in construction this year, a **26% increase** from 2015. The number of jobs in the five boroughs will also increase by 147,100. This building boom's expected to continue for the next two years: the NYBC projects **\$42.1B** in construction spending in 2017 and **\$42.3B** in 2018.

Can developers finance record levels of construction? Is there anything they can do to **slow rising costs**? These are a few of many questions the panelists at *Bisnow's* [NYC Construction and Development event](#)—which will be held at eSpace (635 West 42nd St) on **Nov. 1**—will try to answer.



GFI Development president **Steven Hurwitz** (pictured) says his firm started in 2007, just before the crash. In its wake, many projects stalled, and contractors and subcontractors did any project just to keep their lights on. In **2012**, lenders and developers regained their confidence and **prices began to skyrocket**.

For Steven and [Metropolitan Realty Associates](#) CIO [Todd Bassen](#), the current plight mainly comes down to simple **supply and demand dynamics**. With a record number of buildings on the rise, contractors have a bevy of projects to choose from.

Steven says there's so much business construction firms can barely keep up, especially with a **limited amount of skilled labor** (already spread thin).



Todd (pictured, right, with [RXR Realty's Seth Pinsky](#)) and Steven are optimistic. Steven says he's already seen **prices begin to cool** as the loss of the [421-a](#) has slowed residential development and the **frozen land market** slows the pipeline.

“Contractors are starting to see that and are growing hungry,” Steven says. Unskilled labor is much easier to find, and companies have “staffed up so much that they now **have a lot of mouths to feed.**”

Steven advises the K.I.S.S. philosophy: **keep it simple, stupid. Value engineering** for simplicity and ease of constructability (without becoming cookie-cutter) can deliver just as solid a product as any uber-complex with expensive materials. Michael adds he's seen an increase in cases based around complex systems and materials.



Courtesy of Michael Vardaro

[Honest Buildings](#) CEO [Riggs Kubiak](#) believes the issue of rising prices boils down to **inefficiencies**. With so many change orders, squabbles and other delays, developers could spend almost **20% more** than they projected. Zetlin & De Chiara managing partner **Michael Vardaro** (pictured) tells *Bisnow* that most of his cases come from parties not being on the same page.

Riggs says his company's platform helps remove cumbersome manual tracking processes that come with traditional pen-and-paper or spreadsheet-based workflows and keeps a **centralized system** the different parties can check. This ensures that everyone's using the same accessible, readable and accurate data.

“In order to further evolve, the industry will not only need to continue to **embrace technology**,” he said, “but also focus on the dollars that are being bled out through **inefficient expenditure tracking.**”

[Virtual reality](#) can also give owners ability to see the jobs before they happen. Michael (pictured) and L&L Holding SVP **Josh Carson** believe [BIM systems](#) and **revit models**—computer-generated, scaled models of projects—could help in a similar regard, allowing developers to **truly understand a design** from all angles, rather than try and guess it from a 2D perspective.



Image: L&L Holding Co

Another solution? **Transparency**. Steven says real estate's "in the stone age" when it comes to **sharing information**, despite how efficient it could make things. Todd says MRA likes to **peer-source** their projects to make sure they're using the best, most efficient practices, and couldn't imagine who benefits from hiding that information.

Josh (pictured) says transparency has been vital in many of L&L's projects ongoing projects, such as [425 Park Ave](#) and **390 Madison Ave**. While L&L has avoided many headaches—like difficulty acquiring non-recourse construction lending—due to their status as "a top-tier sponsor and developer," Josh says **complications are inevitable**, and having **collaborating teams** of consultants and experts has helped L&L work through many of the problems that come with aging office stock, **without breaking the bank**.