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A construction site in Brooklyn's Gowanus neighborhood zoned for mixed use, commercial and residential, last year. TIMOTHY MULCARE FOR WSJ

New York City Sees Apartment Building Boom

BY LILY BELLE POLING

Apartment construction in the U.S. has been declining sharply for years and fell to a 15-year low earlier this year. But in New York City, it is booming.

Note

The city added 38,682 units to its housing stock last year— the most new apartments completed in a single year for the city since 1965, according to the Department of City Planning, when developers rushed to complete buildings before a new zoning resolution.

The city's residential push shows no sign of slowing down. New application filings indicate a robust pipeline, with 16,815 new units across 281 buildings proposed in this year's first quarter, a recent Real Estate Board of New York report shows.

That is a glimmer of good news for a city in the midst of an acute housing shortage, and where a rent freeze on nearly half the rental apartment stock came after rents hit record highs. In both recent completions and proposals for new apartments, New York is ahead of every other big city in the country.

A combination of steady job growth in sectors such as tech and finance, and the highest rents in the country are encouraging developers to break ground on new projects. New zoning and tax incentives in the city are also playing a

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role.

"People want to be here and they want to work here and therefore there will continue to be a very significant demand for housing," said Rick Gropper, principal at Camber Property Group, an affordable and mixed-use housing developer.

These forces help explain why many New York developers are undeterred by the soaring construction costs and high mortgage rates that have squashed construction activity in other parts of the country. Note

Last week, the city's Rent Guidelines Board voted to approve a rent freeze for the roughly one million apartments in New York City's rentregulated stock. The freeze was one of Mayor Zohran Mamdani's top campaign promises, despite pushback from landlords who argued that they would struggle to keep their properties afloat without rent increases.

But, outside of the rentregulated market, developers say it is still an encouraging time to build in New York City.

"You still have a very significant sector of the market that is not rent-stabilized," Gropper said, and with sustained rent growth, that area of the market remains a strategic investment.

Still, the New York City boom may not last, especially after some of the tax benefits burn off. And don't expect that wave of new, unregulated apartments to slow rent growth in the city soon. The city's new supply is still dwarfed by the 400,000 or more homes Zillow estimates are needed in the metropoli--tan area to relieve unmet demand.

Costs will continue to rise until the supply of new apartments added to the market can meet the demand to live in New York City, developers and economists say. If the city added 40,000 new apartments to the market each year— about 2,000 more than it did last year—it would take 10 years to close that deficit.

Note

In May, the median rent for a one-bedroom apartment in New York City was $4,000, a record high for the city, according to the most recent data from the listings website StreetEasy. And a budget of $1,500 would rent 210 square feet of space in Manhattan, according to RentCafe, the smallest amount of the 200 markets ranked.

For Michele Wu, 20, finding an apartment she could afford in Manhattan meant choosing to share a room with a set of bunk beds with a friend.

Wu, a student at City College, and her roommate each pay $400 a month, Wu said. "I definitely feel really fortunate to have this living arrangement," she said.

Kenny Lee, a senior economist at StreetEasy, said he thinks zoning reform across the city has been the most significant driver of multifamily housing development.

He pointed to rezoning in neighborhoods like Mott Haven in the Bronx, Brooklyn's Gowanus district and Long Island City in Queens. In these three neighborhoods alone, thousands of new units have been added to the market, Lee said.

Developer Domain Companies said zoning reform made possible a recently finished 360-unit building in Gowanus and a 499-unit building in Long Island City, where 30% of the units are affordable and there is a pool and a dog park on the roof.

"The rezonings are necessary because the demand is there, and the city is meeting the need by effectuating these rezonings," said co-chief executive Matt Schwartz.

Some of what motivated last year's development push doesn't look sustainable, according to New York University's Furman Center for Real Estate and Urban Policy.

The center attributed the surge to a rush of developers scrambling for permits before a longstanding tax break expired. So long as developers met certain requirements by June 15, 2022, they were eligible for the tax exemptions offered by the program, which applied to new multifamily projects that contained at least 20% affordable units.

And, developers noted that for about two years, between the expiration of the old tax break and the implementation of a new tax incentive, multifamily development lulled.

Data from the Real Estate Board of New York shows proposals for new apartments were at their highest level in the first quarter of this year since the 2022 increase.
