THE GHOST TRAIN

New York, the world's financial hub, is eerily quiet but there are plans to repurpose half-empty office blocks and reinvent the business district

The Long Island Railroad into Midtown Manhattan is the busiest commuter train service in North America. At least it used to be. These days Carl Oliveri, an expert on New York property and construction, sits in blissful isolation when he rides into the office.

"I went into Manhattan recently on a rush hour train which is usually standing room only and there were 10 people in the car, including me," says Oliveri (pictured), construction practice leader and a partner at accountancy services firm Grassi, part of Moore North America.

"Then a journey from the station through Times Square took only six minutes in a cab because there was nobody there." In the city that never sleeps it is, he says, like a drowsy Sunday every day.

According to the New York Building Congress, construction activity was on course for another standout year for growth until the state halted all non-essential construction between March and June.

However, while the congress forecasts $55.5 billion in NYC construction spending in 2020 – an 8.5% decline from 2019's $60.6bn – this would still match 2017's then record-breaking amount and exceed the spending in eight of the last 10 years.

It then anticipates spending increasing to $56.9bn in 2021 and dipping back to $56.1bn in 2022.

Oliveri agrees with the trajectory. He is mindful of the tough times immediately ahead and his mantra to clients is: 'Shrink to grow.'

$55.5bn

will be spent in New York City construction in 2020, matching the record sector spending in 2017

BELOW: an empty NY commuter carriage

"Projects that were earmarked for funding are being put on hold indefinitely because nobody wants to take the financial risk right now," he explains. "So to weather the storm in 2021, identify the areas in your company in which you can get lean and mean so that you're in a position to ramp up very quickly and rocket into the recovery,"

Contractors, he believes, are by their nature entrepreneurs. "I asked a client the other day what his biggest opportunity was and he said 'You mean opportunities. Now I can get into a different market segment, pick up good people who are getting laid off right now and really build up my infrastructure and my bench strength. And I'm going to make that investment'."

In the short term, Oliveri says the sector that will experience the most contraction is residential property. "People are deciding to move out of the city and it's not 'if', it's 'when'. There's been a lot of talk about affordable housing and having properties re-zoned but, if nobody's there, it's not going to happen.

"The biggest opportunity in construction will be in the healthcare space. The big hospitals have talked about taking over some of the empty office space to move their offices there and maybe also retrofit the space into off-premises facilities and clinics."

Oliveri also highlights the opportunity for interior office contractors and non-residential contractors to reimagine socially-distanced work environments with their clients. "There's huge scope in this new, blended work environment – you just need the first company to take a dive and get it rolling."

While the blended environment is here to stay he points out that "You can't build a building virtually, you can't pave a road virtually, these guys have to be out there swinging the hammer day in and day out".

In the meantime, technology presents exciting prospects.

"Pre-pandemic, technology accounted for just 1% to 2% of a contractor's annual spend because they couldn't see any real return on investment," says Oliveri.

2%

Amount contractors invested in technology pre-Covid. It will be much higher in 2021.

"Now, the best contractors know that they have to invest in technology to have virtual meetings, to do virtual mock-ups. We can't go on a jobsite walkthrough right now but we can do it virtually, using augmented reality tools to see what a room is going to look like after construction is over."

Other global financial centres have not been immune to the Covid effect. Thousands of office-based staff in London have been doing their jobs remotely since March and The City of London Corporation has drawn up a plan to create start-up hubs and more affordable workplaces in the Square Mile to attract smaller businesses.

Meanwhile, a recent report from property consultancy CBRE forecasts that rentals in Hong Kong's Central District will fall by as much as 25% during 2020, the steepest drop since the Global Financial Crisis.

And while Oliveri concedes that every market has a bearing on other markets, he adds: "New York is its own little bubble, its own economy and it's one that keeps you pretty busy.

"People are still trying to figure out how to go back into the city and how to do it safely – but by the first half of 2021 I think you will see capital deployed to start rebuilding hotels and bring the arts back here. Everyone is still very, very bullish about New York City."

25%↓

Rentals in Hong Kong's Central District will fall by as much as 25% during 2020

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