



# nerej

## **Construction industry has to recognize how the market has changed and respond to it to succeed**

October 27, 2009 - Spotlights

Well the recession is over, at least if we believe the government and economists. We should all be happy and the new work will flow in. The bankers and money managers are back making money, what about those in the construction industry? Many of us are waiting and hoping we see some increase in activity for the building industry. Maybe it will just take a little more time for the recovery to reach the construction industry. Maybe it will take us realizing what has changed and respond to it.

There is even a realization emerging in Washington that maybe housing could lead us out of the recession. There was a fear that since most of the financial industry problems were related to housing, mortgages and price run-ups so avoid housing. The feeling was to concentrate on other industries such as automobiles and we would have time to sort through all the bad mortgages, work through and establish a stable value for properties and sell off the excess inventory. This process has seemed slow to those of us in the industry. The media has played up all the problems with the banks and the foreclosures and the drop in real estate values. This has led to a total loss of confidence by the public and business leaders. From there the banks have been hoarding their money afraid to lend to homeowners, businesses and builders. Banks also do not trust other banks so they will not syndicate loans. With all these issues it is no wonder that even if the recession is over, there are so many issues for our industry to overcome we may not see much change in the immediate future.

In our own business we see a desire to move ahead with projects that fill certain niches. Not every project is designed correctly for today's market and not all markets are seeing signs of a rebound. The well located, correctly programmed, quality built and competitively priced projects have seen new sales and great interest. If there is little inventory in the immediate market, the project has good design and quality execution it can be successful in today's market. But the market tastes and desires have changed from what was being built a year or more ago.

One client thought if they built a new phase of the development, made a few very minor changes, mostly for cost savings and offered the same units at a lower price it would be a winner. Well they are now sitting with a mostly vacant building, no additional sales and asking what they did wrong. They thought it was the marketing, not getting the right message out, maybe it was the sales people not connecting with buyers and the developers were frustrated. Never did they step back and ask; Is this the right product in this location? How can we make our homes different from others so people will buy here? So they sit with more of the same product and are considering lowering prices even

more as a means to sell.

In contrast to that a different client looked at the market in his target area, saw that most of his competition was building 2 bedroom units in a community which had a strong school system and attracted lots of families. The units which did not stay on the market were the 3 bedroom units with lots of family space. We designed a product for him that had the spaces and layout which would appeal to families with children. Large informal eating areas, kitchens which allowed for multiple uses, separate master suites which allow for privacy. We had all the things which were not offered in other units in the marketplace. The results were that he sold all 8 units in 3 months at well above the prices of similar size units which had 2 bedrooms and lots of formal rooms.

Working with yet another client who is looking to move forward with a project which has been dormant for a couple years, we started with a meeting to discuss recent design trends and changes to the market. This helped us to look critically at the site plan, product offerings, target market and layouts before just moving on to the construction drawings. This extra step cost some money up front but will result in more timely designs, a better product and elements which will differentiate the project from its competition, local resale of older units and provide a niche which should attract buyers and give them a reason to move to his project.

The market is there for the well thought out, properly located project. The recession is over and we live in a changed world. Those of you who go back to business as it was with older designs, no new market information and try to succeed, good luck. If you want to succeed in this post recession era, recognize that yesterday is past and adapting to today will bring rewards tomorrow.

David O'Sullivan, AIA, CAASH, is the president of O'Sullivan Architects, Inc., Wakefield, Mass.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540