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# By David O'Sullivan - Architects need to be a resource for clients on trends, new products, and methods

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What is next?

The news has been good in Boston if your work involves rental communities. Everyday there is news of another new community, a story about rising rents or lower apartment vacancies. Investors see it as the best place to get a decent return on their investment. Another strong segment seems to be Universities or medical/labs. After a couple years of freezing projects, reevaluating facilities and assessing needs, these institutions and businesses seem to be back on an expansion/facilities upgrade mode.

How do things look for our industry as a whole? Design firms are busy one month and not the next. This reflects the difficult climate out there in which projects are easily held up for a variety of factors. The financing is still one of the biggest issues but simple economics, where construction costs are still high and the market is spotty make for a bumpy road in the development world.

Some of the factors that lead to hope for the future and explain the lack of growth at present are what is going on with household formation. As students graduate from college and think of starting new households, demand grows. This has not been the case over the last few years. Pew Research plots an 17% growth between 2007 and 2009 in the number of 25-to-34 year olds living in multi-generational households, which pretty much synchs with the doubling-up anecdotal phenomenon of adult children living in their parents' basements. The report says, "The number and share of Americans living in multi-generational households rose for all age groups from 2007 to 2009. The sharpest growth was among adults ages 25 to 34 --8.7 million members of this group lived in multi-generational households in 2009 compared with 7.4 million in 2007. Both the numerical growth (about 1.3 million people) and the percentage increase it represents (16.8%) were larger than for any other age group. The share of these adults in multi-generational households rose to 21.1% in 2009 from 18.7% in 2007 -- this 2.4 percentage point increase was again larger than for any other age group." When will this trend reverse? That is unclear with limited economic growth and young people carrying debt from college.

On the front of the economy there are mixed messages. Factories notched a slightly faster pace last month. The Federal Reserve's manufacturing production index rose 0.4% in September from August, buoyed by increased motor-vehicle output. The Fed's overall index of industrial production rose a smaller 0.2% as utility production fell 1.8%, probably in response to cooler weather, which meant people used their air conditioners less. (Quoted from Wall Street Journal). But the jobs picture is finally showing some promise. Gallup is not the official source and keeper of jobs and unemployment data, but its monthly measure of unemployment on a non-seasonally adjusted basis is often regarded as a pre-indicator of what the Bureau of Labor Statistics will later report. Here unemployment, Gallup says, "is 8.3% in mid-October -- down sharply from 8.7% at the end of

September and 9.2% at the end of August. A year ago, Gallup's U.S. unemployment rate stood at 10.0%. While seasonal hiring patterns may explain some of this improvement, the drop suggests the government could report an October unemployment rate of less than 9.0%." This is good news for the construction industry as stable jobs leads to more spending.

The news for people looking to buy homes or even deal with their debt is good as well. The Feds seems to be intent on keeping borrowing costs low. The Dow Jones Newswire reports that "Speaking to a group of mortgage bankers in Chicago on Tuesday, Moody's Analytics chief economist Mark Zandi said that tweaks, not a complete overhaul, could be enough to stabilize house prices and help the mortgage financing industry work through the glut of foreclosures," House price drops may persist as the share of distressed sales hovers at one-third or more of transactions, but an equilibrium that signals stability is in sight, said Zandi. "I don't think our problems are overwhelming ... they are manageable." Zandi said that in 12 to 18 months, the share of home sales that are distressed properties will start to drop, at which time home prices will stabilize and then start to grow. All these are good signs for the future if we can just hang in a little longer.

But what should we be doing in the design and development industry now? How do we prepare for this future? The days of "build it and they will come" are gone, writes Mollie Carmichael, principal with John Burns Real Estate Consulting. Carmichael says smart builders have a well-defined process for assuring success. It is the developers who stay focused and do the research on their market who will prevail. Architects need to play a role by being a resource for clients on trends, new products and methods and knowing what is happening in the marketplace. Architects need to study the competition. The best strategy in any market includes strategically positioning both your aesthetic design and financial design. You don't want to design a luxury product across the street from a better luxury builder. For the community developer, understanding both the aesthetic performance and financial performance for different product segments, and choosing the right product line, can spell success for your client. Design for both financial and aesthetic performance. This step rarely gets enough attention in home building and community planning. All designs do not equate to the same profit. In addition, good design does not always cost more. The right density and home design varies by location based on the consumer's acceptance, opportunity, and willingness to pay for the choices available to them. Working as a team with your client and his construction and marketing team will help everyone to bring the right combination of value and design.

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