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Interiors market primed for steady growth and new opportunities throughout 2008

January 23, 2008 - Spotlights

In its first year, Suffolk Interiors has grown beyond expectations. The success of our team is in part due to our ability to provide first class preconstruction and planning, which is absent in many parts of the market. With a tightening marketplace, planning and informed decision making are the keys to a successful project. With our focus on a client's needs and project set up, there will continue to be opportunities for Suffolk Interiors to continue its success.

Strong Team Solidifies Reputation

The other driving factor to our early success is staff experience and expertise in each market segment. We have selectively hired staff with in-depth knowledge and experience who can fluently navigate the entire planning and construction process, while eliminating potential issues before they arise. Understanding our clients, how they conduct their business, and knowing how to ask the right questions has been critical to delivering for our clients.

Frank Scalli, vice president of restaurants & hospitality, brings over 25 years and \$250 million of experience in restaurant construction with such clients as Morton's Steakhouse, Houston's, California Pizza Kitchen and Wagamama. Frank has a passion for understanding his client's business, maximizing "store weeks" and delivering projects above client expectations.

Fred Cook, vice president of corporate interiors, has over 22 years of experience helping clients navigate their tenant build-out projects. With experience on both the brokerage and general contracting sides of the business, Fred has a unique expertise to help his clients navigate the lease, base building requirements, space planning and construction costs. Fred's reputation is to "walk a mile" in his clients' shoes and working closely with them to make informed decisions.

With a strong, experienced team in place, we have been fortunate to partner with a number of fantastic clients including the Hill, Holliday, Connors, Cosmopolos, Inc., the Westin Boston Waterfront Hotel, and BJ's Brewhouse.

Market Offers Room for Growth

*** Restaurants**

Consumers continue to eat out, fueling expansion of restaurant chains nationwide. Statistics show a 13% increase in construction spending year-over-year. This demand is sparking expansion in the fast-casual dining sector with national chains such as California Pizza Kitchen, The Cheesecake Factory and BJ's Brewhouse.

As restaurant chains continue to penetrate Greater Boston, they will partner with construction firms with experience servicing their unique needs while delivering on schedule. Timeliness and predictability are critical. Our team's ability to be an extension of our clients and deliver on schedule, design, and overall financial model has put the group in a great position to take advantage of this growing market, and will pave the way for further growth into 2008.

* Retailers

The retail market is also expanding rapidly. Luxury and specialty retail stores such as Apple, Calvin Klein, Frette and Polo continue to grow, and consumer demand for high-end products drove retail expansion to an estimated 11% increase in 2007, with another 6% gain anticipated for 2008.

Evidence of the growing retail trend can be seen across New England. With urban retail centers such as Patriots Place, Legacy Place and Westwood Station creating millions of square feet of retail and restaurant space, the demand for retail construction will be significant over the next few years.

We have been fortunate to partner with a number of retail clients over the last few months including Estudio Zara on Newbury St. The team is constructing this 27,168 s/f store in just 24 weeks to meet the grand opening date.

Corporate Interiors Market

In 2005, the office vacancy rate hovered at 13% - the largest vacancy rate seen in years. But now, the office market paints a much more interesting picture. Boston's overall vacancy rate fell to 7.1% in 2007, with an average asking price per s/f of nearly \$55. With a yearly velocity of over 3 million s/f, the office fit-out projects in the pipeline are being forced to take a hard look at their current arrangements - stay put and negotiate your best deal or explore space in new, potentially less expensive options.

This has made the planning and decision making process more critical than ever. Clients need to evaluate each option on a "Total Cost Basis". With rent in Class A pushing above \$70 per s/f, the cost of construction, moving, furniture, A/V, etc., need to be weighed against less expensive scenarios.

As Boston market has become more competitive with prime office space at a premium, rents many firms have explored new space in the Fort Point Channel and Fan Pier areas. Continued activity should give contractors a host of new opportunities through at least 2009.

Overall for 2008, I fully expect the interiors market to have steady growth. By focusing on the specific client needs in each segment we believe this will open new opportunities, paving the way for a successful 2008.

Jim Stukel is an executive vice president and general manager of Suffolk Interiors, Boston.

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