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Signs for improvement in the housing market are there, just not as strong as we would like

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As we enter the New Year there are mixed signals with the economy and the long hoped for recovery. Over the last few years the architecture profession has seen high employment, lack of work and the demise of many firms. The industry has been hit especially hard in this recession with falling property values making it uneconomical to complete many projects, leaving architects with unpaid bills and piles of designs sitting unfinished.

There are signs that 2012 is looking better as the volume of architectural billings has seen steady improvement and property values show signs of at least stabilizing and even improvement in some areas. Commercial rents are still very much a tenant's market but residential rentals have landlord smiling.

We have seen a growth in new job inquiries during the last year as developers are finding reasonable land deals and towns and cities have become more open to new growth. Unfortunately many of these deals are just old bad deals which never should have been designed the way they were back looking for a buyer. It is hard to make these deals work in their old form in today's changed marketplace. Astute developers are finding ways to repurpose and reposition these deals and make them economically viable. Sometimes when you are looking at a well designed and thought out project which has not moved forward it is as simple as going back to municipality and renegotiating conditions, off-site improvements or finding grant money to help subsidize some costs. Other times it is being more creative with financing. There are a lot of deals out there that still do not work no matter what you do. The developers must be cautious and be sure to have a qualified team to analyze all aspects before fully committing to a deal.

So where are we headed in 2012? A number of outlooks for housing accentuate the positive. Others like Bloomberg/Business Week talk of a mild improvement in 2012. Still others like Atlantic Cities' Richard Florida talk of the pent-up demand from the mobility trap, homeowners trapped in their homes with underwater mortgages with no options to move. Many builders fear a drop in homes sales fueled by another round of foreclosures hitting the market as banks work through their legal issues and take action on people behind on payments. Most feel that the competition from foreclosures is limited to certain markets and here in the Boston Area there is less of an issue.

The signs of improvement are there, just not as strong as we all would like. Housing has traditionally been the driver which has lifted the economy out of recession but this time it has not been the leader. Automotive has been a contributor, low interest rates another and business efficiency from cost cutting yet another.

The fundamentals of improvement are there now as well. Household formation is getting back on track. During the recession, America's population grew at an annual rate of +/-1% or 3 million people. Household formation fell off a cliff to around 400,000 to 500,000 from almost triple that a few

years before. Now it is expected to be 800,000 in 2012 and possibly as high as 1.3 million in 2013. Selling conditions are stabilizing. Inventory of available housing is shrinking. The NAHB's Robert Dietz calculates that new home construction will reach 42% of normal activity during 2012 and 61% during 2013. This may not seem great to you but it is far better than the last 3 years. The job market will continue to improve as well. More than one-quarter of employed adults recently surveyed by Fannie Mae feared losing their jobs in the next six months. This comes after more than a year of erratic and mediocre job growth. Analysts expect there to be at least 150,000 jobs added per month in 2012.

There are still many caveats to improvement and not everyone buys into the fact that we are headed to improved conditions. 2012 could be another year of frustratingly slow economic growth and stubbornly high unemployment. It appears to be a mixed recovery with some areas faring better than others. Signs for the Boston Area are good with many local industries are seeing job growth, Mass. seeing lower unemployment, and real estate prices stable or improving. In fact a recent article in the Globe cited a strong interest by national player in Boston's commercial buildings.

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