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Positive signs that this spring will see a recovery: As business increases, be prepared and act smart

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So it is 2012...

We in the real estate industry have been looking forward to each spring for the last couple years and hoping all the pieces come together to make it the year when we see a turn around. The reality is that this recession has been different from most of the past ones and the typical recovery will be different as well. There will most likely not be a recovery that will allow everyone to ride it and see growth and profits.

There are many positive signs that this spring will see a sustained recovery. The Wall Street Journal's Neil Shah and Nick Timiraos look at both headwinds and upticks in housing's economic metrics series and place them in context of the granddaddy of them all, residential real-estate investment, which has clocked in as a GDP positive for three consecutive quarters for the first time in seven years. We all know that unemployment is slowly dropping and in Boston area overall job health is better than much of the country. We even hear that things are improving in Michigan with a rebound in the automotive industry. If fact car sales seem to be the driver of the early recovery, which has not been the case for past recoveries.

So Massachusetts does not have the auto industry but it does have a much diversified employment base. There have been several articles on bio-tech, medical and software industries growing in Massachusetts. If fact a recent study of best places to live by MoneyRates.com went through state by state looking at: Average income, Cost of living, based on the ACCRA Cost of Living Index, State income tax rate (based on the bracket for the state's average income), and Unemployment rate to provide insight into the earning environment of each state, and determine which places fare best -- and worst -- when all four variables are taken into account. Massachusetts is ranked 10th but they do cite it as another state that benefits from high incomes but is also experiencing a rapid rise in cost of living.

The Boston Globe last week listed 11 communities where prices for home sales today have surpassed the peak in 2006. This shows that a recovery is in progress but that it is not even overall. There are industries, States and even towns that seem to be doing better than the overall whole. Again, this is another example where all things are not the same.

Locally, we see an increase in business. Over the past month or two many of our clients are seriously looking for new projects, having us do quick feasibility sketches, zoning reviews and land planning to determine the potential of buildings to rehab and land to develop. Through this process we have realized that there is a large inventory of property available but owners seem to be all over the map with perceived value. Some of the potential projects just make no economic sense given the purchase price while others are truly bargains. There does seem to be a lot of properties which have been in a holding pattern, properties with no or low maintenance with owners just waiting for a

better time to sell. Many of these are testing the waters not really knowing what their property is worth. In order to evaluate these opportunities, developers need to have in place the proper professions to advise them as we see the best deals quickly being sold. The ability to act fast is important in today's market. The other issue is that there are pockets where development makes sense and other areas around Greater Boston which do not. Close to Boston and some areas of the city are hot if you put the correct product and price point. This may be for sale housing or rentals depending on the area, it may be entry level housing or empty nester housing, or a combination of both.

Another aspect which gives rise to hope for an improved market is the number of approved projects which seem to be able to be feasible again and obtain financing. Our clients are finding good terms, albeit with higher equity requirements than in past to finance projects. Many of these have floundered over the past 3 years due to no money available. Investors, looking for a better return on their cash are turning once again to real estate as a means to reasonable returns.

All these factors, taken as a whole have made me upbeat and finding my business increase as spring approaches, hopefully you are prepared and act smart so you can as well.

David O'Sullivan is president of O'Sullivan Architects, Inc., Reading, Mass.