

## **The overall opinion is we are not heading down anymore, but just what improvements are happening?**

July 26, 2012 - Spotlights

As we pass the midpoint of 2012 and summer is in full gear, we should look at what is happening in the industry. The big question is, "What direction is the building industry headed?". Given that it is an election year there are several conflicting opinions floating around concerning what is right or wrong with the economy and where things are headed and how the building industry may or may not follow along these lines. The overall opinion is we are not heading down anymore, but just what improvements are happening, where and to what extent, how long the upward trend will continue, how fast growth will happen, these are the subject of great debate.

In the design profession, it appears that some areas and some sectors are improving, some are stagnant and others are experiencing growth in fits and starts. I am seeing mostly the fits and starts with our work and our clients. The clients are out looking for new projects, want to move ahead on them but then get thrown off course by environmental or regulatory issues, approvals, financing, development costs, market factors or just plain frustration. Checking the feasibility and researching zoning issues to develop concepts for redevelopment of a site allows our clients to make quick educated decisions on whether a project is viable or a good fit with their abilities or business plan. There is no clear way to predict what the market will be like for any project that is started today and will be ready for occupancy in a year or more. The good news is that homebuilder sentiment nationwide as measured by NAHB/Wells Fargo has jumped 6 points in July to its highest level since 2007. This means builders and developers are more confident in the market and feel things are moving in the positive direction. Locally the MLS Property Information Network reported that sales of homes and condominiums are up for the 10th straight month with many markets seeing price increases. The office vacancy rate in downtown Boston has been steadily decreasing and you see signs of new buildings scattered throughout Boston for the first time in years.

There is a certain feeling with developers looking to get back into the market that there should be great deals out there where they came make a pile of money and cash in on someone else's losses. They are looking for properties in foreclosure, banked owned or approved but stalled projects, as a way to get back in the game fast and leverage what cash they have to make profits for future investments. Unfortunately it seems these kinds of deals are few and far between. There are some developers that can purchase and rework a stalled project to create value where there was none before. More often than not they can generate work for themselves to breakeven or show a small profit. This is a big improvement than the past few years where many developers were willing to take a loss just to cleanup and get out of some projects which were started before the recession.

As the industry works through the leftovers of the past few years there are some truly some new and exciting opportunities in development. The city of Boston through the BRA has been developing some study areas with zoning incentives to spur development and has become flexible if an

innovative project is proposed. Other municipalities have established 40R districts with reasonable criteria for redevelopment while some towns and cities have created overlay zoning allowing increased density and zoning flexibility. We are looking at several of these projects and some design innovations which are exciting to both us and our clients. There is such huge potential moving forward on some sites to create truly new buildings, lifestyles, and communities. Many of my colleagues in other parts of the country are experiencing similar things. At a recent conference where we were developing educational programs for the National Association of Homebuilders, one program is focused on design trends and consumer preferences. The design committee of NAHB which consists of developers, interior designers and architects from across the nation is researching and assembling information to present in January on the topic. The ideas being generated from this process are a benefit we can bring to our clients as they look at new projects and opportunities in the local market.

We think this is a great time to be in this industry and are looking forward to the changes due to lessons learned and new attitudes of municipal officials, consumers and clients.

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

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