



CELEBRATING
55 YEARS

nerej

Successful people in our industry are ahead of the curve and have prepared for this recovery

October 25, 2012 - Spotlights

As we enter the fall season, we see the country in a great debate related to the national election. The signs of a housing recovery are all around us and commercial demand appears to be increasing. This should translate to a growth industry where people are finding work and projects would be moving forward but much can change with the election so instead we are experiencing many unknowns and indecision.

NPR just reported that with housing prices stable, interest rates near rock bottom many fence sitters are jumping into the home market and leaving the world of renting behind. One remaining issue is for them to get approved for the loans they need. This return of the first time buyer is what the housing industry has been waiting for to boost the market. After four or more years of unstable or falling home values and uncertainty we are seeing a welcome change. This is giving young buyers who have been delaying a home purchase more confidence translating to additional home ownership. The good news is that people are remembering the past few years so it is serious buyers and not speculators driving the market.

There is good news on sales in housing as well. Market Watch's Melodie Warner reports that Fitch Ratings revised projections upward for single-family starts and new home sales this year, with starts to improve 19% in 2012, with new-home sales and existing home sales increasing 19.5% and 8.5%. This far exceeds past year increases and bodes well for the economy and a steady climb out of the recession. Traditionally housing has led us out of the recession and been a driver of recovery for the economy. This recovery has been marred by several false starts and a housing industry which has not seemed to be able to get out of its own way. In our business over the last 4 years we have seen times when we were busy and upbeat about the future and times when it seemed we were slipping back into the recession. Many projects start to move forward only to have issues with approvals, bank financing, appraisals or construction costs which then delays the project or sends it into the category of not feasible. The same has happened with several new prospects where it looks like it will be a viable development but when digging deeper there are flaws which make the sales price too high or the market is not strong enough. We spend a lot of time, research and expertise with our clients in evaluating the merits of a project, working with other consultants to determine zoning, market factors, construction costs and comparables. This is the best way to protect your client and help each project to be successful. Unfortunately it also shows that some projects which initially seem worthwhile have hidden issues which will cause problems and even losses in the future. Better to invest in a quality analysis at the start then scrambling to fix problems later or worse end up with a money losing development.

Here in Boston we are in a better situation than many parts of the country. We have many communities where home values are reaching new highs and have recovered from the losses of the

past few years. It seems to be about quality and locations. These were the traditional fundamentals of a good investment which many lost sight of in the boom times of the past. When speaking to my peers in other parts of the country there is a wide range to this recovery. Places like Florida and Arizona may be seeing improvement but they went down so low there was nowhere to go but see improvement. Other areas like Southern California or Colorado see a steady improvement which started over a year ago. Through our involvement with the National Association of Home Builders on a national level we have the opportunity to hear and learn about markets throughout the country and what is happening. This helps us and our clients to be aware of national trends in sales, design and construction sometimes before they get to the public and often before they are known here in Boston.

We need to realize that the successful people in our industry are ahead of the curve and have prepared for this recovery. They have continued to seek out deals and position themselves to capitalize on the market. It looks like the recovery is here in Boston but no one would call it a boom. By paying attention to the fundamentals and fully vetting projects, we can all participate in the recovery.

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

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