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## **Discerning the competitive market for a variety of uses**

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New development in the Boston metropolitan area will continue to have a dramatic impact on supply and demand for several years. Discerning the competitive market for a variety of uses will accordingly be a moving target for the appraiser, the analyst and the underwriter and their clients in the investor and lending markets. The impact of mixed use, large single use and use clusters will alter market boundaries and market pricing for existing inventory. Although most tests of feasibility begin with current rents and pricing, financially sustainable projects are dependent upon achieving stabilized occupancy within a reasonable period and balanced market conditions of supply and demand.

Demand from new and expanding employment nodes in downtown Boston, such as the Seaport District, and in the suburbs, such as Burlington's Northwest Park and Westwood's The Station, will enhance demand for housing, shopping and services in the surrounding markets for those uses. Charting prospective demand with prospective supply can be an elusive exercise because of uncertainty and timing. However, best efforts should include consideration of prospective changes in demand and supply and appropriate qualifying conditions and probabilities on outlook and outcomes. For example, prospective absorption of 1,500 clustered housing units already permitted will be slower or faster than absorption of 1,000 or 2,000 units respectively.

Supply is usually the focus in dynamic markets like the metro market is anticipated to be. Often the pipeline is simply a disclosure. The metro pipeline is permitted and financed and under construction in many submarkets. The likely supply and timing of many of these additions require more than disclosure. Projects should be reconciled with market boundaries and existing competition when completed. Assumed details of likely completion, rents and services are necessary for establishing market position and rents even if tentative or unknown. More important than the precision of such assumptions and conclusions are the likely characteristics and impact of additions on the existing inventory.

During this transitional period, existing properties will gain and lose market position, occupancy and probably net operating income. These marginal fluctuations can be negligible and temporary in markets where fundamental economic conditions are stable or supportive of reasonable. The changing outlook for a property, submarket or overall market will suggest an expanded level of diligence, analysis and conclusions to consider the pipeline of the Boston metropolitan market during the next 2 to 3 years or so.

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