

## The architectural outlook in real estate relies on understanding the market conditions

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When looking at the architectural outlook in real estate, developers and architects need to look at the market conditions that prevail. Every architect needs to understand these conditions before setting pen to paper (or finger to mouse).

What are these conditions? Generally there are headwinds that will continue to make home ownership tough sailing.

But is that a danger?

Only insofar as it is also an opportunity...for everyone.

The broad trends indicate a firm (but lower) market for single family ownership, as indicated by generally stronger activity, rising prices, and declining inventory.

But the concurrent trend is toward rising rentership, and the market has responded to these demographics with new multifamily developments which provide excellent homes at affordable rates, while developers are able to sustain solid earnings by aggregating costs.

New construction in both markets, as well as in the corollary market for rehabilitation provide excellent opportunities for architectural creativity and sustainable living.

Among the broad trends cited on houzz.com included two that will resonate strongly in New England - something for city, town, and country:

- \* City living, a well documented trend, provides opportunities for rental and condominium housing, sustainable design, and creative expression. New England's small cities will be an excellent template.

- \* Contemporary interior cores inside existing construction is a trend moving from cities, where this has been done in former industrial buildings, to traditional suburban and exurban houses. Many of New England's trademark 18th C. colonials will acquire entirely 21st C. interiors.

- \* Subdividing the McMansions we love to hate: a discernible trend toward multiple smaller buildings rather than one huge one seems to be emerging. Given current economic conditions, it doesn't seem a stretch to consider the idea of multigenerational homesteading. The 30-something in the basement can live next door, instead. Maybe it's just me, but I can picture this.

Trending

The math behind these trends is tangled, and needs some exegesis. But the story within those numbers is one that points to a return to balance, between ownership and rentership, income and expense, opportunity and risk.

The single most important number is unemployment. While the pessimists might see 7.3% unemployment as disastrous, the optimists (I am one!) see 92.7% employment. Not bad for a near-catastrophic financial collapse.

Moreover, the financial system is flush with "cash," and eager to loan that out to credit worthy

buyers. And that buyer is not going to be an overburdened sub-prime borrower, it is going to be a strong buyer for personal single-family properties...and representing families and individuals with less financial strength, it will be the property developer.

Either way, the outlook for well-designed, sustainable living spaces looks strong.

#### Rebalancing

The Warren Group has published a report, available online, that indicated a healthy balance has emerged. Citing 2011 versus 2012 numbers, they observe the emergence of home rentership:

- \* Single-family sales up 22% '11-'12

- \* Multifamily 4-8 units up 28% '11-'12!

- \* Multifamily 9+ units up 44% '11-'12!!

Trulia supports this with the finding that in Boston, rents are rising slower than asking prices, 4.1% to 7.9%, though this will mitigate in the fourth quarter of this year as housing prices clearly peaked in July. (Visit the [trends.trulia.com](http://trends.trulia.com) website for well presented metrics and trends).

At this moment, the lid over single family house prices makes ownership more reachable for owners - and the designers who will have a chance to update and rehabilitate older properties.

Meanwhile, the growing trend toward higher-density housing, which we see in our smaller cities as well as in both commuter suburbs and exurban communities, creates excellent design opportunities for architects designing innovative, larger scale projects that deliver affordable high quality housing with improved sustainability.

#### Reflecting the broader trend

Though we've focused on the

widely discussed residential markets, other segments show similar, solid strength. Chicken or egg? Hard to say, but the hen house is busy.

There is a well-defined increase in commercial tenant fit-ups that matches multifamily housing. This suggests a healthy climate for mixed-use and small retail, New England's vibrant small cities and "market towns" will accrue the benefits.

This trend overlaps the decentralization of large medical centers, as satellite medical facilities and office buildings extend healthcare to smaller communities. ObamaCare will fuel this trend, and small-town New England will be the beneficiaries. Some of these facilities will fit nicely into mixed-use and tenant fit-up contexts.

And though pronounced "dead" several years ago, senior living facilities - which overlaps both housing and healthcare - continue development unabated. Quality of life housing for an aging population ensures that there will be continued demand. The strongest opportunities will be in more affordable projects, as the financial conditions of the overall housing market will be reflected in senior housing.

Is the glass half full? Half empty? If you consider that the current trend is on the same trajectory as it was pre-bubble, then the glass is the size it's supposed to be.

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