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## **With all this activity in multiple segments it is looking like a busy-summer ahead**

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The building industry is booming in Boston, seems everyone from the large contractors to the small tradesman has work. It is a mini-boom at the present time but we do not know whether it will last.

There are some factors which are driving this boom now. Many players in the industry are moving forward with developments large and small. Homeowners finally are comfortable investing money in their homes realizing the value has returned and they are not just pouring cash into a black hole.

Inventory for housing, office space and lab space is tight and employment growth is on an upward trend but not spectacular. There has been so little production in the last 4-5 years that a mini-boom was almost guaranteed. There was an article on the residential market in the Boston Globe about Somerville's transformation. The promise of new subway stations has fueled huge price appreciation and a very limited inventory for an anxious group of buyers. Many have been sitting back for years, living in homes ill-suited to their lifestyles or present needs. The hot market has made it a good time to move into homes which better suit their needs and has provided a market to sell their present home which has been iffy or non-existent for the last few years. Interestingly many are not selling their homes, they have some equity with the market rebound and are thinking that when the subway arrives in 2017 they will be sitting on valuable real estate. The transformation in Somerville will result in 85% on the city within a half mile of a subway station. This will transform it from a bus oriented city to one with ready access to a subway system.

Another article spoke of the market in Cambridge. This heated market has historically been a precursor to improving markets spreading outward to the suburbs from the center core. If you follow the real estate market you see homes inside 128 doing well with good access to transportation and jobs. Now that seems to be expanding as markets improve toward 495 and other sub markets. The sales of existing homes is hampered by little inventory but at least by what we have seen in our town of Reading, most homes are staying on market for only a short time and are often going for well above asking price with multiple offers. This type of activity has not been seen in the last 6 years. Values are also up with most homes selling for prices above the market peak in 2006. As homeowners see this value return and how crazy it is to buy and sell, they are now looking at potential in their home to upgrade, remodel and expand. We have had an increase in inquiries for renovations and additions from homeowners which had all but disappeared from the market for the last few years.

On the development side our clients are definitely on the lookout for new projects. They are finding many landowners who have been sitting back waiting are now in the game, but at sometimes unrealistically high dollars for the land. Deals are happening but slowly as negotiations are taking longer and multiple buyers are in the mix. There is financing available from both traditional banks and second party private investors. An experienced developer with a good track record of projects

can find equity investors to finance projects. Private lenders can act faster and are more committed to making the deal work. This group has been part of the driving force fueling the uptick in new projects.

So where are we headed in real estate? It is hard to tell for the long term. We saw a slow careful recovery with limited job growth and minimal household formation for the last few years. We saw most people cautious with home purchases and businesses slow to expand or invest in new facilities. If our clients are a good indicator, we see private homeowners returning to the renovation and purchase market. We have developers investing in new projects and corporate clients adding new facilities or renovating and updating their existing spaces. In the automotive segment we find that dealerships continue to be renovated and expanded, primarily to enhance customer service and convenience. With all this activity in multiple segments it is looking like a busy summer ahead.

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