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2015 design-build forecast for suburban Boston market - by Chuck Reilly of Dacon

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2014 saw the continued return to healthy occupancy rates across the commercial market sectors in the suburban Boston market. There are build-to-suit, ground-up projects in construction for the office, R&D and laboratory markets. Ground-up manufacturing and full building renovations are underway with more in the permitting and planning stages. The high-bay distribution market has come back strong with over 1.5 million s/f under construction with up to 2 million s/f to break ground in 2015. There are ongoing conversations with a couple of local developers for speculative, multi-tenant, high-bay distribution facilities primarily along the Rte. 495 belt. It is this writer's opinion that had site preparation costs been in the normal spectrum, speculation high-bay construction would be underway this spring. Don't be surprised to see high-bay spec development where normal site preparation, site utilities and site improvement costs are within traditional boundaries.

In Massachusetts, there were eight build-to-suit or full renovation projects for manufacturing firms totaling over 830,000 s/f.

In the office market, over 1.5 million s/f came out of the ground in the Rte. 128 and the MetroWest markets.

2014 was a great year. There is a backlog of these projects running into the second quarter of 2015. Can we expect this robust market to continue?

As we headed into February, suburban activity in schematic design and permitting for new projects is off by 15% from a year ago. There were some very large build-to-suit projects in 2014: Keurig, Trip Advisors and Vistaprint on Rte. 128; Prologis and FedEx in New Hampshire; which don't happen every year; so a decline in activity was expected. Taking up the slack in the suburban industrial market however, will be Martignetti Liquors' 800,000 s/f consolidation build-to-suit facility in Taunton, Victory Packaging's 250,000 s/f manufacturing plant in Bellingham and Amazon's planned Fall River distribution center of one million s/f.

Repurposing 1980 style, two story R&D and office buildings will see better activity in 2015 as the cost to renovate these existing buildings is more cost-effective than ground-up, new construction but more importantly, the demand seems to be there. Building facade, main entry and improvements to corporate image are required as well as the additions of food service and on-site fitness centers. We are seeing this in markets for Northborough and Marlborough to Billerica and Andover.

Construction costs have seen across-the-board increases in both material and labor costs primarily on a supply and demand basis. Everyone is busy and subcontractors are in a position to pick and choose projects.

It will be very important for owners, users, and in-house facility personnel to choose a design-builder or general contractor as a partner based on recent project experience, historical cost implementation of similar projects and a project team that has exposure, influence, and project history with the

subcontractor market.

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