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Why are developers rushing to get projects done and to market? Competition? Cost? Demand? - by David O'Sullivan

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As we approach the fall season in the design and construction industry, we see contractors and developers worrying about the winter weather to come. At this time of year we see a rush to get projects in the ground before the cold. It seems this year there is additional pressure to move projects along. Developers are wanting to get projects done and to market, be it condominiums, rentals and commercial spaces especially in Boston, Cambridge, Somerville or Quincy. These city markets have such a high volume of building activity, the sooner a project is completed, the less competition exists.

So why all this rush to market? What has changed to explain it? Overall economic growth seems good with 1.5% last year, 2.1% in 2017 and predicted to be 2.3% for 2018. So on a national level things look good. The more concerning thing is the amount of growth Boston has seen in recent years. New housing in the greater Boston metropolitan area is strong. In Boston currently 14 million s/f is under construction and 40 million s/f more in planning and permitting stage. This may seem like more space than the city can absorb and the numbers seem huge, especially if you are a small developer who typically builds buildings of 20,000 s/f to 90,000 s/f on smaller parcels in the area. But despite this boom in new housing, it is generally acknowledged that demand may still exceed the supply. This points to another dilemma, the type of housing. A large majority of the housing being built has costs to own or rent which to many are out of reach or at least appear high based on their beliefs.

The design of housing has evolved, greatly influenced by the millennials who have lived a suburban lifestyle growing up and are now desiring that community feeling but in a more diverse urban setting. These millennials were the first to have a college life, full of housing options with great facilities for school and leisure time with on campus dining options, great athletic facilities, and community spaces etc. Now that they are in the working world many want to continue this into their everyday life. Boomers on the other hand are experiencing new freedoms as their children establish themselves and are not as dependent. Many are couples with two incomes, college expenses in the past and want to connect with others like themselves and find the suburbs not suited to what they want anymore.

We are seeing some projects getting approved through municipalities which seem rushed by landowners or developers looking to make a quick buck flipping approvals. One in particular we have in office which our client purchased as an approved project glossed over some issues which have an impact on marketability and constructability. The designs of these projects are not always well thought out. The developers want a quick design and approval and will sometimes give concessions which are hard to follow through with the builder. The residential unit layouts are fit into an unusual shape or odd assemblage of lots to form a development parcel. Many are not well suited geometrically for housing and have issues with proper light, long corridors which hurt livability and building efficiency. The design process is not given full thought and the resources needed to create good living spaces. Unfortunately many are back to the "Build it and they will come" and are not worried in this heated market about good design or real marketability.

So back to why developers want things marketable now. Another worry is cost of construction is increasing with ever tightening labor supply, material costs increases and each year brings new code requirements. The full impact of the new 9th edition of the Mass. Building Code is not clear yet. There are usually items that impact construction and costs which are not readily apparent. None of these factor appear to be improving but a sustained strong economy and continued high demand will keep the industry busy for at least the foreseeable future.

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