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## **Navigating the landscape of 2025 - The second half - by David O'Sullivan**

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David O'Sullivan

As we pass the halfway mark of 2025, the home building and design industry continues to navigate a climate of economic hesitation and structural change. Between lingering tariff threats, high interest rates, and a nervous lending environment, architects, builders, and brokers alike are asking: How do we manage our businesses amid so much uncertainty?

As architects, our purpose is grounded in more than just aesthetics, it's in designing environments that meet both physical and emotional needs. Yet today's national and regional indicators challenge us to adapt that mission to new economic realities.

The latest data from HUD confirms a pronounced pause in new residential development. As of May 2025, with single-family housing starts have remained flat. Multifamily starts are down nearly 30% year-over-year. In the Northeast, building permits have declined 17.2%, signaling a significant dip in developer and homeowner confidence.

The National Association of Home Builders adds further insight with 40% of surveyed members have reported lowering prices on new homes, a clear response to sluggish sales and increasing inventory. The speculative nature of new construction has given way to calculated risk-taking.

One encouraging trend has emerged; remodeling is on the rise. With much of the housing stock in our region aging, there is a growing interest in upgrades, renovations, and additions. This segment of the market offers potential and momentum, even while new builds remain stagnant.

Architecture is often seen as visionary — but in times like these, its pragmatic nature shines through. Projects today must be smarter, leaner, and strategically aligned with long-term value. Our job isn't only design; it's to help our clients make economically resilient decisions. That means we must create designs that prioritize energy efficiency and flexibility of use and anticipate changing market dynamics. As construction becomes riskier from a cost perspective due to tariffs and unstable markets, the architect has an opportunity to step in as an important team member delivering solutions that reduce construction costs and optimize value.

Locally, we're experiencing the same national headwinds which are compounded by high land costs or lack of land, especially near transit and in desirable neighborhoods. Labor shortages, driven in part by immigration fears affecting a sizable portion of the workforce make scheduling a nightmare. Another hindrance is financing costs and gaps needing to be filled with additional equity that are stalling promising multifamily and urban infill developments.

Despite these hurdles, interest in transit-oriented development, urban density, and adaptive reuse remains strong. In response to market conditions, our firm has observed several strategic shifts among clients such as increased renovation and reuse, especially of underutilized or outdated properties and smaller-scale projects, possibly phased over time to allow for flexible financing. Sometimes the creative use of incentives, including historic tax credits and energy rebates, make projects financially viable.

These changes reflect a cautious optimism — developers and homeowners are not walking away from projects; they are just approaching them differently.

Our role as architects is to act not only as designers but as team players. We support clients through clear communication, knowledge-sharing on incentives, zoning, and market feasibility as well as problem-solving that balances vision with cost-conscious planning.

The second half of 2025 is likely to remain challenging. But architecture, grounded in long-term thinking, has the tools to turn adversity into opportunity. The current market isn't one of collapse — it's one of recalibration. As we move forward, architects must continue to adapt and advocate for development that reflects the conditions of today while anticipating the needs of tomorrow. Architecture, like development is a long game. And in times of disruption, thoughtful design and understanding your market becomes not just a service, but a strategy for success.

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