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Landscape architecture 2009 market forecast: Planning ahead is vital to meet facility needs

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National

As we move into the first quarter of 2009, it is clear that the New England real estate market is unquestionably experiencing the effects of an economic crisis that national news networks remind us about on a daily basis. It is also clear, however, that our region is being affected to a lesser degree than the hard-hit manufacturing region in the Midwest and areas of the country that experienced more speculative development over the past decade. Therein lies the basis of my optimism for the months ahead in New England.

Virtually every day over the past several weeks, we have been faced with depressing national economic data stemming from poor decisions by lenders and borrowers based on the speculative and grossly misguided notion that real estate values would continue outpacing inflation by a significant margin. Businesses are reacting to souring economic data by retooling their organizations to keep pace with the decreased demand in the market.

Given the national and global effects of this financial crisis, politicians, economists and businesses agree to a large extent that significant and swift government intervention and investment is needed to break the vicious cycle of the market reacting to negative economic data that then creates a new batch of bad news in the next measured period. The scope and value of the economic stimulus plan proposed by the new administration is unprecedented and will undoubtedly lessen the severity and duration of this down cycle. As proposed it includes major investment in public infrastructure, essential services, unemployment and worker retraining that will put people back to work and strengthen the economic base necessary for a recovery.

In coupling the government's response to this crisis with a message of courage and determination, President elect Barack Obama recognizes how important positive thinking is in bringing about this recovery...that a recovery depends as much on what we do as individuals as it does on public investment in our economic foundation.

New England Outlook

Landscape architectural firms in New England play a lead role in the planning and design of development projects and incorporate functional requirements in attractive places to live, work and play. A typical project follows the logical process from scoping and planning through design, construction and management. This process is often phased to obtain permits and secure funding as each step requires an incrementally greater commitment by the project proponent. The trend of more projects being limited to early planning and feasibility studies and the few that are developed, being done so in carefully planned phases will continue while there is uncertainty about the future and difficulty securing funding.

What is not unique to New England, but has affected our region nonetheless is the disappearance of speculative development as real estate and commercial lease values decline and financing is harder to come by. It will take a period of price stability and access to cash to encourage developers to become bullish again. The market's reality check; however, does present opportunity for those who are able to acquire property now substantially discounted from recent highs and either develop it for an immediate need or secure low-cost long-term financing for a return to higher values. The real estate mantra, "location, location, location" is true more than ever now with most market sectors under-performing and only a select few taking action.

Economists are predicting that the recovery will be a gradual process. Since it is impossible to tell where the bottom of the market is until after it has occurred and a trend can be charted, prospective projects must be guided by decisions on the fundamentals that are important to their success. Given that the New England region did not overbuild space and overextend budgets to the same extent as hard-hit areas in other parts of the country during the mortgage boom, it is probable that the market bottom regionally will occur sooner at a less severe degree than the nation as a whole.

Therefore a reasonable prediction for the New England real estate trend in 2009 is that we will see price stabilization in the overall market with developments moving ahead that have access to financing, are strategically located and are carefully planned based on market need. Across the broader commercial market, renovation of existing facilities will undoubtedly take on a larger share of development activity in the short term as owners adapt property to meet existing lessee's and sub-lessee's changing needs and attract new tenants. Sectors less affected by the overall market such as health care, biotech and big pharma as well as specific projects coming out of public infrastructure investments (aka government economic stimulus) will lead the recovery and capitalize on a limited period of lower costs for property, materials and energy.

For the recovery leaders and the broader market that will follow, planning ahead is vital to be prepared to meet facility needs. Preliminary phase services such as site evaluation, feasibility studies and planning will be in high demand as the development community jockey for position in the economic recovery, and landscape architects will play a major role in shaping this new direction with quality site planning and design.

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