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Demand in the interior construction market has been building momentum

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Locally, the demand in the interior construction market has been building momentum through the second half of 2007. Available space has become tighter, rents are on the rise, and a number of large lease requirements are competing for the same space. In addition, with new retail centers such as Natick Mall, Patriot Place, Legacy Place, and The Loop either coming on line or completing major phases, the demand for retail and restaurant construction has also increased significantly.

Restaurant Market - Hot

Demographic studies show that consumers are continuing the trend to eat out, fueling expansion of restaurant chains nationwide. In fact, restaurant construction is already up nearly 13% year-over-year. This consumer demand is sparking tremendous expansion, particularly in the fast-casual dining sector that includes chains such as California Pizza Kitchen and The Cheesecake Factory, among others.

As restaurant chains continue to penetrate the Greater Boston market, they are choosing to partner with construction firms that have experience servicing their unique needs while delivering their restaurants on schedule. Timeliness of completion and predictability of outcome is critical to restaurant clients. "Store weeks" are the common denominator to every concept's viability. Suffolk Interiors' ability to be "an extension of our clients" and deliver on schedule, intended design, and overall financial model will put us in a great position to take advantage of this growing market.

Retailers Expanding

The retail market is also expanding rapidly. Luxury and specialty retail stores such as Apple Computer, Lux, Bond & Green and Polo continue to grow, and consumer demand for high-end products is driving retail expansion to an estimated 11% increase in 2007, with another 6% gain anticipated for 2008.

Evidence of the growing luxury retail trend can be seen across New England, particularly in the City of Boston. Suffolk Interiors is experiencing some of this growth first hand. Currently, Suffolk Interiors is constructing the Estudio Zara retail store on trendy Newbury Street in Boston. The team is constructing this 27,168 s/f store in just 24 weeks to meet the grand opening date.

Suffolk is also managing the new construction of several major retail centers including Patriot Place adjacent to Gillette Stadium, Legacy Place and The Loop lifestyle center. Suffolk was selected based on its strong reputation for delivering quality retail projects on very aggressive schedules. We look forward to the continued growth in this sector.

Office Market Turnaround Bolsters Fit-Out Activity

In 2005, the office vacancy rate hovered at 13% - the largest vacancy rate the city had seen in

years. Just two short years later, the office market looks much more promising. Vacancy rates currently stand at just 6%, putting a significant amount of office fit-out projects in the pipeline.

Typically, the Boston corporate interiors market averages approximately 10,000 s/f, with an average of 3.2 million s/f velocity every year. The competition for office space has increased in 2007; many smaller clients are competing with an unusually large number of fit-out requirements in excess of 50,000 square feet. This has created hard choices - do these companies negotiate with their current landlord or move to another location at a competitive price?

As Boston market space has been absorbed, rents have risen and office relocations are at a premium. Many firms have explored new space in the redevelopments of Fort Point Channel and Fan Pier. Continued activity in this space should give contractors a host of new opportunities in corporate interiors through at least 2009.

Suffolk Interiors has been particularly active in the high-end commercial fit-out market. One of the team's most recent project wins is a major 110,000 s/f fit-out for Hill Holliday. This is a significant project for the high-profile advertising agency, which is relocating to a prestigious new address at 53 State St. Hill Holliday selected our team based on strong preconstruction expertise, quality of construction, and a reputation for managing interior construction projects in occupied spaces where communication and minimizing disruption to surrounding clients is critical to success.

Making the Most of New Opportunities

As the restaurant, retail and office interior markets continue to grow, specialization in each of these markets is critical to understanding our clients' needs. As experts in each of these markets, we have quickly gained market share by delivering superior client service and providing a deeper level of expertise to our clients - more than just being on schedule and on budget. We look forward to working with those clients who desire a relationship that is based on adding value well beyond the bricks and mortar of construction.

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