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## **Start digging around and find those forgotten sites and old buildings: The opportunities are there**

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Fall is here and in some areas mortgage foreclosures are as numerous as fallen leaves on the ground. As the leaves disappear the buyers seem to be disappearing just as fast from the market. The mortgage meltdown is making it difficult for anyone to feel comfortable that the housing industry will be healthy soon. Everyone wants to blame the mortgage companies for this latest crisis but really the seasoned developers realize it is all part of the real estate cycle. The question is how low the drop will go and for how long. The market is still good in a few isolated locations and certain segments but overall it is not a pretty picture.

The overall economy is not showing signs of recession but that may be due to the recent action of the Federal Reserve and not because the economy as a whole is strong. No one knows if the fallout from the mortgage crisis will have a lasting effect on other segments of the economy. We in the housing industry know that the effect has been another factor in struggling market. Will the other segments of the construction industry slow down? The commercial market, after several years of sluggish or no growth, has improved. As some office markets rebound and vacancy rates decline it does seem on the upturn. There are even some markets where there is speculative building of offices and labs as rising rents make it feasible for their construction. The retail market is still growing but many feel it is due for a slowdown. Any recession in the overall economy will have the potential of turning these segments into decline. The construction industry has seen a strong institutional market as colleges continue building. This is to satisfy the desires of boomers wanting to send their children to schools with better facilities. The money for this expansion may not be there either if the overall economy falters.

Given what we are experiencing in the housing market and the potential for poor performance in other segments of the construction industry, there is little to be optimistic about. But if we only looked at the downside, none of us would stay in this industry! We are seeing that housing has some bright spots. The move toward more environmental awareness, the higher gas prices and a desire for spending less time on commuting has helped some segments. The close in suburbs and small cities are full of opportunities for reasonable scale developments that appeal to a variety of markets.

The concept of mixed use to combine living spaces with places to shop and work may be just the opportunity you are looking for. It can appeal to buyers because it can lead toward less time spent in traveling. Often these types of developments are located in areas closer to established commercial centers. They also fit well with the trend of smart growth and reuse of brownfield sites. Working on these projects can prove challenging for developers, architects and contractors. The scale of these

often makes them reasonable given the present climate, not having to take on a large project with huge risk. Also mixed use lets you broaden the market where if you can get a retail or office tenant to fill the space while you have time to market the other part of the building. Mixed use in an urban area can appeal to both ends of the housing market as well. A young single or couple often is looking for the same housing as a 50+ who is downsizing.

As we move toward the winter we have a couple choices. If you can afford it and would not be bored a long vacation maybe the answer but for the majority of us, finding a low-risk, challenging project may be the answer. So start digging around and find those small forgotten sites, those old buildings with potential. Do your research on zoning, market needs and design ideas and move ahead. The opportunities are there and it is up to us to act on them.

David O'Sullivan, AIA, is president of O'Sullivan Architects, Inc., Wakefield, Mass.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540