

# Better opportunities ahead! Boston remains a desirable place with a diverse economy

**do David O'Sullivan**



O'Sullivan Architects

As we wake up in New England to cool temperatures, we have been thankful that we are living in this area despite the prospect of winter approaching. The economic news for the real estate industry in many parts of the country still appears to be gloomy. Most news for our area show some promise of the end to what we have seen in the last two plus years. The Architecture Billings Index reported by the AIA shows that billings are up for the fourth straight month. The American Institute of Architects (AIA) reported the September ABI score was 50.4, up from a reading of 48.2 the previous month. This score reflects an increase in demand for design services (any score above 50 indicates an increase in billings). This is a good leading indicator for future construction and economic recovery. The highest region in the country was the Northeast at 56.7. The new projects inquiry index was also up sharply, moving from 54.6 to 62.3 – the highest mark since July 2007.

*The Emerging Trends in Real Estate 2011* report, released by PwC US and the Urban Land Institute (ULI) hint at signs of tempered commercial real estate market improvements. "Well-located and well-tenanted properties that can generate strong cash flow over the next several years are exactly what buyers and lenders want, according to survey respondents," said Mitch Roschelle, partner, U.S. real estate advisory practice leader, PwC. "As a result, prime apartments and office buildings in gateway cities are generating the most attention from the increasing pent-up sidelined capital." Boston was cited in this report as a market to watch. It states that "Boston registers high marks for livability, controlled development, and a highly educated labor force, but lacks economic vibrancy. Office rents didn't drop precipitously off pre-crash 2007 highs, but remain well below 2000 peaks, and local brokers predict only a slight turnaround in 2011. Apartment rents will track back up as expensive for sale housing keeps tenant demand high for multifamily units, and hotels show life." All this means we are in a good area to work in the real estate industry.

So what does the savvy person do to take advantage of the positive trends in the area? What are the sectors of the market which it makes

sense to focus on? If you look at the recent successes, you see a trend toward infill developments near the city or order existing urban cores. The return to centers of activity trend gains force as twenty-something Echo Boomers want to experience more vibrant urban areas and aging Baby Boomer parents look for greater convenience in downscaled lifestyles. Families are also looking at close-in neighborhoods which offer good schools, transportation and active downtowns. Just look at Brookline, Wellesley or Arlington as examples. These communities have seen their housing values remain relatively stable and even rebound during the last year. Inventories of homes for sale have dropped and demand is increasing in these close-in suburbs. In my own practice

I see an increase in clients proposing new infill projects. These are within the city of Boston or nearby places such as Cambridge, Brookline, Somerville or Chelsea. Many are smaller projects which involve rehabilitation and new construction as well as a mix of commercial and residential uses. Other architects I know are dealing with projects in Arlington, Lexington or Watertown. There are few projects proposed outside on the I28/95 belt. As much as the household creation that was expected has not materialized and remains at about a third of what it was in a few years ago, there are still people that need a place to live. Due to who is looking for a new place to live, we are seeing the most activity in the urban markets which translates to smaller infill develop-

ment. For developers and bankers, these types of projects are desirable. The infrastructure exists, the risk is lower and the time from conception to sellout is shorter. As architects, like the opportunities and challenges presented by these projects and like the freedom to use innovation and new products in a smaller controlled project. Developers can use methods and products that have better energy efficiency without a big risk. Better quality materials can be used in these smaller projects as well. Complex sites and multiple uses, demand for more flexible spaces and unique solutions allow us to apply our problem solving skills better than the cookie cutter suburban projects of the past. The buyers also have done more research on location, products and options which allows developers to

get a better return on our services and their investment.

As developers recognize the areas of opportunities and banks become willing to lend on viable new projects, we will see more activity. The greater Boston area remains a desirable place with a diverse economy and a huge pool of skilled people. Thankfully we can work here and not have to deal with the issues of foreclosure and abandoned properties on the scale that other areas of the country are experiencing. It just takes a little patience, lots of perseverance, some skill and maybe a little bit of luck.

**David O'Sullivan, AIA, CAASH, is principal of O'Sullivan Architects, Inc., Reading, Mass.**



O'Sullivan Architects, Inc  
Architecture Design Planning



51 St. Paul - Brookline, MA



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