

# BANKER & TRADESMAN

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FAIR WEATHER AHEAD

## Conditions Ripe For A Perfect Storm In Retail Development

### Bold Developers Will Find No Time Better Than Now To Get Into Retail

BY THOMAS SCOTT AND TODD FINARD  
SPECIAL TO BANKER & TRADESMAN

The book "The Perfect Storm" detailed how the convergence of a series of weather factors led to the creation of a killer storm off the Massachusetts coast in 1991. Today, the term is commonly used to describe any extraordinary combination of factors that creates a unique event. Fortunately, not all perfect storm situations are deadly.



TOM SCOTT

In fact, today's economy has created a positive 'perfect storm.' And it could mean good news for forward-thinking developers and property owners, not to mention local communities.

We are just now emerging from the most difficult recession in decades, and for those who are ready to take the initiative, opportunities abound. In particular, it's a great time to pursue new retail development or expand existing properties.

Several economic factors are converging to make retail development more attractive than it has been in years. Foremost among these is the fact that real estate prices are more reasonable than they've been in decades. After years of steady rises in property values, that bubble has burst, and land is once again affordable.

### Coming Together

At the same time, interest rates are at historically low levels. And, after a lengthy period when lenders were skittish about supporting new development, banks are once again showing a willingness to support projects, especially smaller and moderately-sized projects coming in below the \$20 mil-

lion plateau. Local banks are particularly interested in finding sensible local projects. Employment – or the lack thereof – is the third economic factor that can benefit retail developers. Local communities are hungry for jobs, and retail development provides the double benefit of construction jobs while the project is being developed and permanent jobs when it's done.



Communities want to develop retail complexes that will fit into neighborhoods.

Todd Finard

Responsible development enjoys support from local planning officials and politicians, as well. They understand how important it is to create new jobs today, and they are also invested in promoting development that will complement their communities. In fact, many community development boards throughout the region are showing a new-found willingness to help developers navigate the process to ensure success and make sure that they get the

development right. This is a noticeable improvement over the adversarial relationship between the community and the developer that has often prevailed in the past.

### Design For Success

Of course, with these new opportunities comes responsibility. Communities are willing to go the extra mile to assure the success of new retail developments, but at the same time, they want developers to behave like responsible partners in the process. They expect developments to provide myriad benefits to the community, and they expect to be able to exert influence over the project.

What does that mean? For one, the Big Box, which was traditionally designed to stand out amongst a sea of other big boxes,

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is now being presented in an improved format. Cities and towns don't want big ugly stores that are going to cause severe congestion on their roadways. Instead, they want attractive complexes that will fit seamlessly into the neighborhoods in which they are located.



**TODD FINARD**

This isn't hard for developers and their design teams to accomplish. It's largely a matter of the development team understanding the neighborhood, and letting that understanding serve as the project's architectural foundation.

How much sense does it make to put a glistening, steel-and-glass structure in the middle of a mill town? Regardless of how impressive the design is, it's probably going to stick out, rather than fit into the context of the surrounding community.

This is a particularly important issue here in Massachusetts because so many of our cities and towns have rich histories reflected in their architecture. Developers and their design teams should be responsive to local architecture in the designs of their projects, particularly in densely populated neighborhoods.

Thomas Scott And designers can't operate

in a vacuum. It's not enough for developers merely to understand the community – they need to engage it as well. This means meeting regularly with community leaders and local residents to explain the design team's ideas and solicit feedback. At the least, this process promotes a sense of teamwork between the development team and the community. And often, community representatives come up with good ideas that can be incorporated into the project's design.

### **Cost Containment**

Fortunately, incorporating creative architectural elements to help a project fit better into the neighborhood doesn't have to be a budget buster. Recent advances in building materials and technologies make this approach much more affordable than in the past. In fact, building materials that were once considered specialized or exotic are now commonplace and priced comparably to more traditional materials. This is due, in part, to manufacturers' efforts to be more environmentally conscious. Manufacturers must now take into account where their raw materials originate from, and how to incorporate more recycled content into their products. A beneficial side-effect of this focus on sustainability has been the development of more cost-effective processes for bringing architectural products to market.

And even in cases when these materials do cost more, those costs can often be offset over time. New architectural materials last much longer than typical design components. So even if advanced paints, trim boards, and sidings initially cost more, they more than return that investment by minimizing maintenance costs and lasting much longer.

These investments in engaging the community and creating appropriate designs do more than ease the way to completion of the project, though they certainly play an important role in that regard. They also help assure the ongoing success of the project once it's completed. Communities that feel invested in a retail project are more likely to continue to support it once it is completed and the shops are open.

This is an ideal time for developers and local communities to invest in new retail development or the expansion of existing retail. However, success depends as much on developers fulfilling their responsibilities to the community as it does to current economic conditions. When retail development is done right, developers and communities alike benefit. ■

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