

Spec building makes the move down from high end

BY LINDA GOODSPEED
SPECIAL TO THE JOURNAL

As the residential real estate market has slowed in eastern Massachusetts, so has the amount of speculative building.

"I think everybody is taking a somewhat more cautious approach to spec building, us included," said **Lloyd Geisinger**, owner of **Thorndike Construction** in Norton. "Things are staying on the market longer and people are waiting to allow some of the oversupply to be absorbed. Prudent builders are taking a more wait and see approach to new construction."



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Judy Moore of **Remax Premiere Properties** said some developers are waiting to sell before the build anything on spec.

"There's a lot of inventory," agreed **Judy Moore**, an agent with **Remax Premiere Properties** in Lexington and past president of the **Massachusetts Association of Realtors**. "Activity is down across the board. It's a slower market because of the amount of inventory and rising interest rates. Everything is down."

Nevertheless, Moore said, new construction is still going on — depending on the community. In Lexington, for example, Moore said permits for new construction make up about 20 percent of that town's current inventory for sale. Last year, permits for new homes made up about 33 percent of the town's for-sale inventory.

"Some builders are waiting to sell something they built on spec," Moore said. "But there continues to be activity at the upper end."

"People buying are usually selling something else," Geisinger observed. "A year ago, they were willing to sign a contract to have a new home built, assuming they would sell their existing home in a timely fashion. Now they want to make sure they have their home sold before going forward."

David Drinkwater, owner of **Grand Gables Realty Group Inc.** in Scituate and

regional vice president of the **National Association of Realtors for New England**, said it isn't only market conditions that are changing home-buying habits — it's demographics. The residential spec homes being built are dramatically different than spec homes used to be.

"A lot of the type of product we saw being built on spec over the past five or six years — the subdivision, colonial-type home in a neighborhood setting — is not being initiated much these days," Drinkwater said. "Where

the spec building is still occurring, and I expect it to continue, are the condo projects aimed at the baby boomer, empty-nester market. They appeal to a market that wants to get out of the home they're living in now into a home more suited for their lifestyle going forward."

Some of these projects are retirement communities, and some are restricted to buyers age 55 and older. Some are upper-end. Some are larger than buyers' current homes, some smaller. But

what they all have in common is what Drinkwater calls "an easy-care lifestyle."

"Many buyers are looking to make a financial move as well as a size move," he said. "They're selling their the home they've been in for maybe 15 years or 20 years, buying something cheaper and investing some of the proceeds to help supplement their lifestyle going forward. They may be leaving a more

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SPEC: Residential slow-down

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pricey community and moving to a community not as pricey, or one that doesn't have the same cachet as the one they came from. That's not as important to them in this move, because their kids are gone and a good school system and things like that are not important to them."

Drinkwater said most of these products are priced in the \$300,000 to \$600,000 range.

Geisinger agreed most of the spec building going on today is attached, multifamily condominium projects, but even here he said builders are proceeding cautiously.

"Almost by definition, you have to build those projects on spec," he said. "But even within that market, to the extent condo builders are continuing to build, people are taking a more cautious approach. They don't want to get too far ahead of themselves."

Geisinger said Thorndike pre-sells

most of its single-family homes using existing models before starting construction. On the condo side, it likes to pre-sell at least 50 percent of a project before breaking ground.

To some extent, said **John DeShazo** of **FBN Construction** in Readville, which does primarily remodeling projects — a booming part of the residential building market — short-sighted towns are partly responsible for the slowdown in spec and new home construction.

"A lot of towns are going to two-acre zoning, which is a pretty effective barrier to building and development," DeShazo said.

Drinkwater agreed: "Land values have gotten so pricey that for builders to make a return on their investment, the size of the product and the amount of amenities has to be commensurate with their investment. There are still some people doing the big single-family homes, but a lot less than we saw before. It's more of a resale market at that end than new construction."

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