

# Real Estate Journal

THE LARGEST WEEKLY COMMERCIAL/INVESTMENT NEWSPAPER COVERING THE STATE

## Summers' time

As most of our readers know, Boston's apartment market remains well balanced and the slowing construction will foster additional improvements in fundamentals this year. Metro employment growth will continue to advance at a steady clip with pay roll additions forecast to be heaviest in the educational and health services sectors. And these will be followed by leisure and hospitality, an employment category whose workers tend to rent rather than own. As local economic growth generates renter demand for apartments, completions will slow to the lowest rate in three years, increasing inventory by just 1.5%. Vacancy is projected to end the year below 6%, enabling owners to raise rents and continue to trim concessions moderately.

Looking ahead, expect leasing activity in the class B office market to progress as companies see class A options continue to diminish. The spread between classes A and B will begin to narrow as the B market establishes momentum. As class A rents remain high and the market's supply continues to decrease, developers will feel an urgency to deliver new product before these fundamentals settle. While the underlying fundamentals remain strong, expect Boston landlords and tenants to be cautious this year as they react to the subprime crisis and the overall uncertainty in the economy.

Some brief comments on retail single tenant outlook. Fast food properties remain investment of choice, with healthy sales forecast as rising prices push consumers to more affordable dining options. While Wal\*Mart may exhibit some weakness in same store sales as a result of consumer preference for quality over price, deep-discount dollar stores will post strong sales growth, supported by low income job expansion and wage increases. Rising profits driven by pharmacy and front-end sales will keep drug stores highly sought-after over the rest of the year. Pharmaceutical sales are expected to ignite within five years as a greater number of generic brands enter the market. Traditional grocers could get a boost from consumer demand as the cooling economy leads to more meals consumed at home. The industry will also be mindful of the arrival of Tesco's Fresh & Easy stores from the United Kingdom (England). And Home Depot's management team will focus its efforts on store improvements to boost same-store sales. Lowe's continues to expand its existing locations, increasing its market share.

People underestimate their capacity for change. There's never a right time to do a



Ben Summers

difficult thing. A leader's job is to help people have vision of their potential. John Porter, Educator