



CELEBRATING
55 YEARS



Challenges for 2019 - by Jonathan Avery

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The real estate markets continued to be on a roll during 2018. Home values continue to rise in eastern and central Massachusetts. The commercial markets continue to be strong, particularly in the industrial sector. Granted, the residential supply shortage continues in many local markets and the retail property sector is in transition and somewhat challenged by increasing vacancies. But on the whole, 2018 was a good year for real estate.

Looking ahead, there are some challenges to this continued strong market. Rising interest rates may present somewhat of a drag on the market. However, the Federal Reserve has backed off somewhat and long term mortgage rates have actually declined of late. It will be interesting to see if this trend is sustainable. The wild card is the increasingly political nature of rate adjustments.

This issue of increasingly expensive housing will not go away and will present a drag on economic expansion if it continues at the pace of the past few years. Analysts suggest that the lack of supply of homes for sale can be traced to many “boomers” choosing to stay in their homes and age in place. This trend has restricted supply in some markets preventing millennials from entering the market and slowed the traditional “move-up” process to second and third homes.

Others suggest that the desire for home ownership is less with the millennials than their predecessors. The college loan issue, desire to rent vs. own, and living in urban settings rather than suburban locations are all playing a role. The one certainty is that time marches on. Although delayed, the “boomer” homeowners will eventually transition, and the supply of resale homes will increase.

Another interesting challenge for 2019 and beyond is the mega project and associated difficulties in success for these initiatives. The recent decision by Amazon to pull out of their planned New York City project demonstrates how these large projects face difficulties which can derail them – in this case political pushback against the incentive package. It appears that Amazon intends to spread this planned expansion partly to their existing facilities and partly to the other part of the HQ II in Virginia.

Locally, we continue to struggle with the redevelopment of the former Weymouth Naval Air Station. This 1,450 acre property just south of Boston has had a difficult time gaining the necessary traction. The recent foreclosure of a 115 acre development site at this property, with the potential for as many as 3,300 units, is a troubling event. The public agency overseeing development, the Southfield Redevelopment Authority is working to develop a solution which may involve naming a new master developer.

As reported recently in the Boston Globe, “Developers are scrambling for the next Kendall Sq.” This is clearly the next challenge to support our nationally recognized technology and biotechnology industries. Kendall Sq. is near capacity, so the hunt is on! Will this take the form of a mega project or a number of satellite development areas; it is not yet clear. The demand is strong – the question remains how to best serve it.

Yes, there are challenges ahead. The strength of our real estate markets will serve as a base to meet these challenges and those sure to appear in the future.

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