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## **A.I. held Economic Outlook and R.E. Trends 2010 meeting**

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The Massachusetts Chapter of the Appraisal Institute held its Economic Outlook and Real Estate Trends for 2010 meeting at the Federal Reserve building in January. As usual, this event was sold out as representatives of greater Boston's appraisal, brokerage, and assessing communities gathered to hear current market condition summaries, recent transaction details, and forecasts for downtown and suburban office, apartment, and retail property markets. I have summarized portions of the information.

Biria St. John, executive director of Cushman & Wakefield's Capital Markets Group presented an analysis that illustrated support for positive expectations in Boston's multi-family market. National investors consider Boston to be one of the top three market areas in the county. After a topping out of the vacancy rate in 2010 at about 7%, the area's significant barriers to entry that include many towns reaching compliance with 40B minimums, a decreased supply with apartment production in 2010 at only 20% of the past 5-year's average, and an improving economy suggest lower vacancy with significant rent upside in three years. Capitalization rates may also have over-corrected in early 2009 and have more recently declined with investors becoming more optimistic.

Michael Joyce, partner at Richards Barry Joyce & Partners provided an analysis of the Boston office market that supported an estimate of "nearing bottom" conditions in general, with bright spots being low vacancy and strong demand for upper floor tower space, and the Back Bay in general. The lack of new supply beyond that already under construction will benefit the market, yet there are no other big economic drivers on the horizon. The small yet world class office and lab space market in Cambridge continues to see strong demand with rising rents in East Cambridge.

Robert McGuire Sr., senior vice president/partner at CB Richard Ellis/New England indicated the suburban office market has experienced a substantial market rent decline with perhaps a small decline remaining, increased vacancy, and with the greatest problems existing in "B" buildings. The suburbs were adversely impacted by supply growth, yet have a greater diversity of tenants than Boston and its demand is generated more quickly as tenants often present their space demands months rather than years away. Waltham continues as a prime location, while larger adverse issues exist along Rte. 495 than 128. Landlords are advised to retain financially stable tenants with short term leases, while tenants should attempt longer deals. Availability of sublease space is declining and current leasing market opportunities should not be missed.

James Koury, managing director and national director of the retail sales group at Jones Lang LaSalle focused on the suburban shopping center market. After being "frozen" in 2008, the shopping center market had few tenants in 2009 and conservative prospective buyers. In the 3rd quarter of 2009 local banks stepped up lending kept the market afloat. Sales activity and value recovery have been delayed due to "pretend and extend" financing; however, there are many performing/non-performing assets whose notes will be due in the next few years suggesting sales

illustrating the re-priced reality. The current positives are that the decline in market rent has reduced occupancy costs and there is optimism among tenants. Supermarket-anchored centers remain in demand, yet there is a large spread between rates of good versus entrepreneurial product. Overall, New England retail enjoys the best/highest prices and lowest capitalization rates in the country. Stay informed. The Massachusetts chapter of the Appraisal Institute has a schedule of seminars and courses available on its web site. Check for upcoming offerings at [www.appraisalinstitute.org](http://www.appraisalinstitute.org).

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