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Boston's mixed bag - The commercial real estate market report for the first quarter 2012

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Despite varying market indicators, the commercial real estate market in the greater Boston area, continues to look up. Greater Boston is among the commercial real estate markets that are expected to outperform the national market in 2012. The two areas of the commercial market to keep a pulse on are the multi-family sector which is strong and will continue to lead the recovery and the office market which is improving moderately and stalls periodically. According to Reis, Inc. a commercial reporting information and analysis firm, the Boston metropolitan apartment market is among the strongest in the Country. The apartment market entered 2012 with low vacancy rates and with average rents increasing by 2.2%. These market rents are expected to continue to increase during 2012. Reis also reported that Boston's multi tenant office market had the 10th lowest vacancy rate in the Country and the 8th highest rent gain of 2.9%.

The New England real estate market, on a whole, continued to improve in the first quarter of 2012 with Multi Family vacancy rates at pre-recession, 2005-2006 levels. Vacancy has continued to decrease to below 5% as we entered 2012. This compares with a national vacancy rate of 5.3% for the same period. Over all the apartment demand continues to increase at a strong pace as is evidenced by a high absorption rate over the last quarter of 2011 and first quarter 2012. This will lead to further strengthening and growth of apartment rents and an increase in new construction due to Greater Boston's reputation as being one of the strongest markets in the Country. According to new data from the Census Bureau, building permits for multifamily housing is up and approximately 35% higher than the same quarter, Q1, in 2011. New apartments in the Chinatown, Back Bay, Seaport areas of Boston and Cambridge led the way in new construction. Some suburban construction has also taken place in the western suburbs and along the Rte. 1 south corridor. multi-family will continue to be the leader in the commercial Real Estate Market throughout 2012 and will be the preferred sector of real estate Investors.

Although forecasted to stabilize in 2012, the Massachusetts office market recovery slowed down in the first quarter due to low office-employment growth, tenant favorable conditions, and global economic issues. Insulated by growing technology companies, educational institutions and health care organizations, the downtown Boston office market has led the recovery, although it may be slight, in this sector. Most of the growth has occurred, mainly in the development of the South Boston Waterfront and relocation of some companies from the suburbs into the city, like the anticipated move of Cambridge based Vertex to Fan Pier. Many companies have taken advantage of the new development in the Seaport area and leased space at favorable lease terms. The city of Boston has also encouraged this development by focusing on this area through incentives and creation of area amenities.

The suburban office market consistently shows mixed results in this slow path to recovery especially in view of the fact that fewer jobs were created than anticipated in 2011. The South Shore market remains sluggish while other suburban markets, specifically the Waltham market saw substantial gain in occupancy rates. More companies have moved from their suburban locations into Boston rather than expanding within the suburban market. The good news is that there are some Massachusetts based companies who prefer to expand in the suburban market taking advantage of the massive Class A vacant commercial space as did TJX with its anticipated move and recent purchase of the Fidelity buildings on the Rte. 495 Beltway.

Overall as the commercial real estate market improves, Boston area managers can look only one way - up!

Christopher Mellen, CPM is vice president of management at the Simon Companies, Braintree, Mass. and a senior vice president of the Institute of Real Estate Management.