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Boston real estate market maintains top spot - high demand for office and lab space

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As we move further into 2014, Boston continues to lead real estate markets in the nation. Billions of dollars are changing hands each year in the development and sale of commercial properties. The Boston market, fueled by the regional boom in healthcare institutions, educational institutions, biotech and high-tech industries, embraces high demand for office and lab space throughout the area.

Key Areas

A few key neighborhoods and areas will see particularly high levels of growth this year. Although major areas like the Back Bay and the Financial District continue to provide the largest amount of market space, growth and many new lease transactions will be seen in other areas, which provide more opportunities for company relocation and for out-of-town businesses to take root.

Kendall Sq. in Cambridge is currently red hot, both for offices and for lab space in medicine, high-tech, and more. In particular, Google is coming in to Kendall Sq. and will take up 300,000 s/f of office space. Google will leave its own large footprint, while making the area even more attractive for other tech companies.

The Seaport District has been booming with development and, despite talks of a slowdown, the Innovation District continues to thrive with multiple projects underway and in the pipeline. Although the Seaport District comprises only 10% of Boston office space, its real estate footprint is much larger, and it comprises as much as a third of lease transactions in recent years. Expect to see more major companies relocating to the Seaport District from their previous neighborhoods.

By and large, companies seeking high-tech, customized spaces are choosing build-to-suit development options. This is still feasible in many areas of the city, especially since certain areas are slated to grow in future years - for example, the Seaport District will increase in size by as much as one-third by 2016.

Even suburban areas are seeing growth. Over the last couple of years, the suburban markets in Boston, such as Burlington and Waltham, have become increasingly popular for repositioning existing properties and for new commercial development. This growth is driven by the boom of high-tech, biotech, and healthcare industries that maintain a steady demand for highly-skilled, highly-paid workers.

Proper Financing Key to Realistic Returns

With so much institutional and even foreign capital coming into the city, activity will be particularly robust as winter thaws and spring arrives.

With many changes coming and many potential areas of investment, it's important to get pricing for construction, rental rates, project financing and deal structure right. Developers and investors should be able to make a great return on Boston real estate holdings. One area not to be ignored are the

income tax benefits of real estate investment. One example of the ever changing tax rules are the new capitalization rules under section 263a which can provide advantages for developers and investors if they use proper planning. The regulations, which have been evolving over the last few years, drive the need for cost segregation studies to properly classify assets, among other tax planning opportunities. Seeking help from a tax advisor early in the process can help maximize the potential benefits and avoid obstacles down the road.

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