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All segments of the real estate market will continue to improve into 2015

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Although commercial leasing and occupancy patterns have been showing steady gains in all commercial real estate sectors it has still been a long travelled road. The most encouraging economic signs in the 3rd Quarter, 2014 has been the dip in the jobless rate to a 6 year low of 5.9%. This indicates that a major impact on commercial real estate, an industry that is more cyclical than others, might be on the horizon. A lower unemployment rate influences all commercial real estate sectors positively; more people seeking rental housing, businesses expanding with new employees and more people shopping with more disposable income.

Our strongest sector continues to be multi-family. Although, rents have not increased at the levels as they did in the previous 4 years since the Great Recession, actually peaking in 2012, we did see rents rise at approximately 3.5% in 2014. Average vacancy has also risen to approximately 4.5%. Demand still exceeds supply, though and like any tight market, there is a need for more product.

According to Multi Family Executive Magazine, Metro Boston is in the top 10 construction apartment markets with a projected 6,829 new units coming on line. Even with this projected growth, there is still not enough apartment units to meet the growing number of people who choose to rent and many who don't but do so out of necessity, because of higher interest rates and even higher home prices that have outpaced the average household income, in the Greater Boston area. Given this growth in supply, vacancy is still projected to rise only modestly in the next year due to these factors of supply and demand. Consequently, rent will still be non- negotiable with no concessions in the foreseeable future, according to a survey recently completed by Rent.com. This is mainly due to the fact that if you lose your apartment in this market there is just no place to go. In conclusion, strong demand, favorable economic indicators, and new construction which is not in pace with demand, are reasons why real estate managers will have another favorable year, in this multi-family market.

The office sector is also expected to improve and has shown remarkable improvement in the past few quarters. The Greater Boston office market has posted its strongest numbers since the recession officially ended. While not in a full recovery the office market is going in the right direction. Boston's average rents are in the $40 per s/f range. Suburban average rents are well into the low $20 per s/f range with vacancy rates for the first time in a very long time below 10%, at an average of 9.4% in the Boston market to an average of 14.3% in the suburban market and as low as 10.8% in the 128 Beltway, according to a recent office survey conducted by Cassidy Turley. Considerably lower than just one year ago. The 495 Beltway continues to experience negative absorption.

With little new construction, in the suburbs, this office market should continue to improve. There is, however, approximately 1.6 million s/f of new construction in the Financial and Seaport Districts which will strengthen the Class A office building market. Rents are expected to hold steady while vacancy is absorbed further.

The Greater Boston's retail market is one of the best in the vountry. The region's vacancy rate is approximately 6% compared to the nation's rate of 10.3%. The region's effective rent is also approximately $20 per s/f. With a favorable vacancy rate and demand up, there are many new developments in construction. Most notable are the Needham St. Village Shops in Newton and the Boston Public Food Market that will house food vendors and directly replace and expand on the farmer's market near Faneuil Hall and the much anticipated Westwood Station, a transit oriented mixed use project in Westwood. This all points to a healthy retail market in the foreseeable future. Retailers will continue to grow and take advantage of new opportunities in both the suburban areas and the city.

Although there is still recovery ahead, all segments of the real estate market will continue to improve into 2015, with a few more bumps in the road.

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