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Trends to watch in Boston's real estate market in 2019 - by Peggy Pappas

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The commercial real estate landscape is showing signs of continuous change, particularly with some potentially major shifts in the ongoing trends we saw in 2018. The first quarter of 2019 has shown us that nothing is certain in this industry, and real estate professionals should pay close attention to these “pivot points” as we look forward into the rest of the year.

1. Development is still prominent in downtown Boston and the surrounding suburbs. We continue to see projects being completed in the Seaport, in Fenway, and at North Station. Although Boston might seem oversaturated with development, we anticipate that several prime development sites will be traded in 2019. The 20-acre Bayside Expo Center site located near the JFK/UMass stop on the Red Line is for sale, along with another 18-acre municipal tow lot and storage site between Dorchester and South Boston. We will begin to see development shift beyond Boston proper, with development of various sites in the Dudley Sq. section of Roxbury, and parts of Dorchester.

2. In 2018, we continued to see growth in the co-working leasing space, with companies like WeWork expanding to accommodate the increasing demand, particularly from rapidly growing startups. To appeal to startups that might have outgrown co-working spaces, WeWork is offering the new concept “WeWork HQ,” which offers private, customizable office space. The company has acquired 11 floors at 1 Lincoln St. in Boston, which will provide companies with the opportunity to lease much larger, private office space with a two-year commitment. Prospective tenants will likely cite such options when negotiating with other landlords for shorter lease terms in order to compete with flexible new options from companies like WeWork. Tenants who may not want to pay a premium for leasing office space through companies like WeWork may seek to negotiate flexible assignment and sub-leasing provisions within their leases.

3. Massachusetts saw its first recreational marijuana retail shops open for business in 2018. The city of Boston's Zoning Board of Appeals has issued a conditional use permit for the construction of a retail marijuana store on Friend St. near the T.D. Garden. A proposal for the development of a

recreational marijuana shop at Mary Ann's, the former college dive-bar in Cleveland Circle, is also in the works, although nearby Boston College is voicing its opposition to city officials. Real estate developers, investors, and brokers will need to work closely with legal counsel to properly navigate this uncharted retail territory.

4. "Opportunity zones" have become a great incentive for real estate developers. However, development in 2019 might be largely propelled by other programs and tax credit incentives. Almost 50% of Massachusetts opportunity zones are in lower-income "gateway cities," which are also covered by state incentives like the Housing Development Incentive program. Moreover, the process involving opportunity zone incentives needs clarification.

5. The Seaport continues to grow and expand, despite the news that General Electric will no longer build a \$200 million development along Fort Point Channel. City of Boston officials nonetheless expect intense demand for the now-available land. It remains to be seen whether development of the land will favor office or lab/life sciences use. Either scenario would confirm that development and investment in the Seaport is still strong.

Boston's commercial real estate market remains red-hot. Professionals in this market must pay close attention to these shifting trends in order to stay one step ahead of the competition. In this dynamic market, the only constant is change.

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