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The Happenings of Land Development - by David Skinner

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One of the stalwart discussion pieces over the last few years has been the spike in sales activity for industrial land, especially for redevelopment in the Greater Boston market. Record prices have been set for old industrial buildings and scarcely utilized land parcels for either the purpose of being torn down and rebuilt as new industrial, or torn down and turned into something completely different in an “adaptive reuse” scenario.

There have been a few significant adaptive reuse projects around the Greater Boston area that were slated for mixed-use or residential development that now look more questionable, especially due to the effect on residential real estate demand in and around the Boston housing market. So the question is – how is industrial land valued in markets like this?

First, we are seeing that the developers who have experience in the city and know how to get units rented are remaining bullish on the market and continuing to do deals and pursue new opportunities. The developers who may not understand the market economics have been seen to take fewer risks and pivot more quickly from their development plans.

One of the consequences of this trend is that many of these projects are not necessarily falling out of contract, but buyers are seeking more extensions, even past their agreed upon periods of time in their Purchase and Sale Agreements. Some sellers are open to this discussion with further non-refundable monies applied to the deal, but others back out when they believe they will have a more sure deal elsewhere.

Top development areas with close proximity to downtown Boston remain hot as the remaining industrial / redevelopment sites are becoming harder and harder to find. Each month we still see record-setting sale prices, especially on a per acre basis for these “urban core” locations.

We shall see if the rental market will produce industrial, residential, or lab rents to justify these all-time high sale prices, which will likely play itself out in the next few months and years.

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