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# All property sectors are showing signs of improvement - by David Kirk

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All property sectors are showing signs of improvement. For hospitality, entertainment, travel and retail, operations continue to lag substantially pre-pandemic performance and operations are forecast for extended short to long term uncertainty. Housing and places of employment are still strong and getting stronger as the economy recovers remarkably broadly. Personal services and local retail are recording positive gains as employment lifts.

Building materials have been pushing costs throughout the pandemic. Inflationary pressures are expected in operations and services. Recovering economies often record additional costs as production and supply chains react to increasing demand for goods and services. And the pandemic recovery is similarly impacting new additions and operations in the built environment.

Place of business. Place of work. Place of meeting. All really up in the air. Still. And these positive trends in the performance and pricing in the property markets will continue to depend on trends, decisions, fluctuations. As they would have without the pandemic. Remember flex space. Pivot. Transition. Tenant improvements and lease terms and arrangements are being revisited and revised.

Most of the commercial property office users are staying flexible if not stable. And responding deliberately to decisions on occupancy and remote working. Markets are and will continue to be a mix. This decision has been present in the market for a decade. Now more revolution than evolution. The pandemic forced players in the commercial property markets to try starting from empty rather than gradually modifying full.

More now an employee than an employer market. Because there will be choices for the employees now. Boston’s economy is strong and growing, resilient even with sector changes in the recovery. Office property market accordingly should be ok, stable, possibly at marginally lower price points, by 2023-2025, with upside risk.

For the Boston market, IBM relocating to Lowell, and Raytheon, reducing footprint by 25%, have announced decisions. Others are reported without public acknowledgment except in subleasing activity. Pre-pandemic, Boston CBD traffic and commute have deteriorated significantly which complicates the pandemic induced impact. Shifts and adjustments in working environments, physical and virtual, will continue through 2022. Many major (and small to mid-sized) techs, life sciences, related white collar services are stable or growing and leasing, not subleasing.

For any client I would detail assumptions and qualify with reason. Different sub markets and properties will compete differently. Good to be granular with primary research and monitor closely to meet and beat the market. Good cities, including particularly 18/24-7, will still have appeal and perform better. The dashboard is complicated and blinking opportunity, stuck, J curve. And for some time to fold’em. All options are highly dependent on current and prospective capital sources. The economy’s outlook has preserved the appeal of commercial property investments without completely mitigating the short-term uncertainty from the pandemic and the recovery, the shape and the timing of the J curve.

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