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Another great migration causes dislocation and renewal - Valerie Pontiff

January 14, 2022 - Appraisal & Consulting



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Referencing movement by black families from the southeast to the north and west from about 1915 to 1970, The Great Migration changed demographics in the United States in ways that endure today. Six million people, or over 100,000 per year (250,000 using today's US population), relocated during this period. Covid-19 has spurred another migration, from locked down states to those open for business and education. Census estimates for 2021 show Massachusetts having experienced net outmigration (-37,500) ranking fourth in raw numbers and seventh in percentage terms, behind California (-262,000, fifth), New York (-320,000, second) and Illinois (-114,000, third). While some note that the Massachusetts declines may be in part due to higher education closures, others see this as a population preference for business and education freedom. Massachusetts business leaders have an opportunity now to set a new statewide tone letting the national and international community know that Massachusetts is open for both business and education. Our economy depends upon it.

Office occupancy has been in a free fall, though declines plateaued in the second half of 2021. CBRE's third quarter 2021 market report showed Boston CBD office vacancy at 18.4 percent, and suburban Boston office vacancy at a nearly identical 18.6 percent (with availability of 22.5 percent or nearly a quarter of the market). These figures indicate that there is a lot of opportunity ahead to both fill these vacancies and repurpose space. Tony Hayes, Senior Vice President Capital Markets at CBRE, headlined the November meeting of the Counselors of Real Estate New England Chapter. Tony discussed the intensifying trend of repurposing even core CBD office assets to life science, made possible by continuously improving technology allowing office-standard deck-to-deck height to now support life science plumbing and venting. BioMed's conversion of 601 Congress and Oxford's conversion of 745 Atlantic are two examples of this trend. These are welcome and interesting developments that will help shape a bright future for the greater Boston CBD.

Another trend percolating in New York and Washington DC is the repurposing of office, especially older Class B office space, to residential. While this eventually may ramp up in Boston, the Boston market has added an average of 7,730 units each year for the past five years, with vacancy finally hitting a wall in 2021 jumping to 5.44 percent from 1.06 percent only one year prior. This is still a healthy vacancy rate, but perhaps not low enough to cause developers to rush to convert office space. Restoring the region's population will go a long way toward filling these vacant apartments and perhaps even making converting office buildings to residential towers economically feasible.

In prior columns I have discussed the confluence of lack of adequate public school education delivery in Boston with aggressive commercial property taxation that funds the schools. The new year provides the opportunity for leaders to ensure our great region is not only a place for people to successfully operate their business and educate their children, but the place to do so. We have an embarrassment of riches. Let's deliver accordingly.

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Sources:

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