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Looking at the data and the trajectory of commercial lending, here's what we're anticipating for the coming year(s) - by Gerry Nadeau

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No one anticipated the events of these past two years. We expected a slowdown, but a pandemic was certainly not in our projections.

So, when I'm asked about what we think the future might hold, 2020 is a stark reminder that predictions should be perceived as directional knowledge and certainly not hard facts.

Looking at the data and the trajectory of commercial lending, here's what we're anticipating for the coming year(s).

1. **Steady Volumes in Multifamily Housing:** Although there were reports earlier in 2020 of a "mass exodus" from apartments and condominiums, we're actually seeing a steady stream of demand in this area. The Greater Boston Association of Realtors® notes that 216 multi-family homes were sold in Greater Boston in October of 2021. When we compare this to October of 2017, the number is 181. When we take this a step further, the trend is certainly supported. According to DataTown, a website provided by the Center for Housing Data, permits for multi-family dwellings have also remained steady over the past few years. In 2019 over 2,600 housing permits were secured for the construction of buildings that consisted of five or more housing units in Suffolk County.

Based on what we're seeing on the construction side, it would seem that the 2020 and 2021 permit numbers likely increased. In 2020, multi-family construction lending was roughly 15% of the Rockland Trust portfolio and as of October 2021 it was 12%.

I anticipate that in 2022 we'll continue to see a strong demand for these property types, and a lot of it has to do with how developers are approaching the design of these units. Take Dakota Partners, a Waltham-based developer of residential and commercial projects. They believe that quality, affordability, and comfort should be at the forefront of all of their projects. We now see that their units at Stockbridge Landing in Scituate are in high demand. Overall, there is a greater focus on the quality of life and the full experience of these developments. That type of commitment and thoughtfulness, I believe, indicates that multi-unit housing will remain a strong presence in 2022.

2. **Continued Interest in Industrial Warehouses:** It's likely not a surprise that industrial warehouses continue to experience an impressive performance in the real estate sector. Businesses like Amazon with large factory needs are a growing presence throughout the nation, as ecommerce has

taken off since 2020. To truly put this growth into perspective, however, here are some key metrics from JLL that are worth reviewing:

- Industrial rental rates: Since Q3 2020, U.S. industrial rents have increased 7.1%
- Demand in Boston: Increased by 64% QoQ in Boston alone
- Leasing: In a new high for 2021, over 137.9 million square feet of industrial product was leased
- Vacancy: In a new record low, there was only 4.3% of industrial vacancy in Q3 of 2021; in Boston the vacancy rate was 4.7%

In 2020, industrial warehousing was roughly 6% of our portfolio and as of October of 2021 it was well over 8%. In Sturbridge we helped New England Cold Storage construct a 120,000 square foot temperature-controlled facility, comprised of 15 dock doors, a sixty-five foot deep refrigerated loading dock, and 25,000 pallet positions. This is just one example of the ways our clients are revisiting how to best service their own customer base.

3. Investment in Air Purification: Whether you're navigating the indoor restaurant or office scene, or prefer to experience them from afar – one of the more interesting developments I have experienced recently is that of air purification and filtration systems. Since 2020 countless reports and articles were written about air flows, air change calculations, and filtration techniques. It was only a few months ago that IRobot announced it acquired Aeris Cleantec AG, a Swiss air purifier company. Early research notes that this area could become a \$22.84 billion industry by 2030.

From a lending standpoint, our data doesn't holistically track air filtration systems, but I can say that anecdotally our clients are also upgrading their systems. E.M. Duggan, a Canton-based mechanical and plumbing company tells me that they install systems like these on almost a weekly basis all throughout the Commonwealth and beyond.

Other areas we're watching closely are hotels and floor plan lending. Although I think it's safe to say that anything can change in a moment's notice, these are some of the strongest trends I've seen this past year. I look forward to seeing how these pan out in 2022.

Gerry Nadeau is president and chief commercial banking officer at Rockland Trust, Rockland, Mass.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540