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Top issues affecting real estate in 2022-2023 - by Connolly and Sokul

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Each year, the Counselors of Real Estate (“CRE”), a group of veteran real estate professionals, issue a report on what they believe are the top ten issues that will affect real estate in the coming year. From that list, our team has identified the top issues for New England this year is inflation and interest rates, hybrid work, and regulatory uncertainty.

Inflation and Interest Rates

The CRE report notes, “an economic slowdown is already underway and the greatest recession risk to real estate is whether rising unemployment and lower household income cuts demand for residential and commercial property.” Despite that news, in Greater Boston, the demand for specialized commercial space remains high as manufacturers, logistics, and wholesalers see continued growth. Even as the Federal Reserve attempts to curb inflation by raising interest rates, it’s predicted that the commercial real estate market will continue to remain active. It is inevitable that rate increases will impact deal pricing. We are starting to see increased spreads between asking and offering prices in our deal flow.

Hybrid Work

Continuing the trend from last year, hybrid work remains a popular option for many companies across New England. Last year, it was estimated that 40% of workers in Greater Boston would work from home until 2022. Today, at least that number are working from home, if not more, and most workers have indicated a strong preference for remote work. The Massachusetts Business

Roundtable, whose members include some of the largest employers in the state, said that while 90% of their organizations operated in person before the pandemic, today 80% of them intend to stay hybrid. This means that demand for commercial office real estate in Boston and other large New England cities will continue to wax and wane reflecting the choices of workers. It may also build, “future resilience, forcing a move toward a more decentralized, diversified, and adaptable built environment and geographic land use pattern across all regions.” There are signs that management in larger companies is taking an increasingly firm stance with respect to in-the-office work.

Regulatory Uncertainty

Predictability and risk management are key elements of successful real estate transactions. Planning for projects becomes even more challenging in a dynamic regulatory environment. As federal, state, and municipal governments codify new laws to tackle climate change and protect the environment, developers are forced to grapple with new and revised regulations that impact almost every stage of a building project. Coastal states continue to work to balance the health of marine ecosystems with proposed land use needs as the EPA and other regulators tighten restrictions related to water and wildlife.

When it comes to navigating the fluctuations of the real estate market, the best advice is always to seek reputable counsel. Regardless of the size or scope of your project, having an experienced real estate attorney on your team can streamline the process and reduce potential liabilities.

See the full report on the top ten issues from The Counselors of Real Estate on their website.

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