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Tempered Optimism - by Keith Singh

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Keith Singh

Matt Damon and Ben Affleck are shooting a movie in Quincy, a sure sign spring is around the corner and the commercial real estate market is back to full health.

Well, no - the arrival of hometown Hollywood actors filming in our backyards is not a good indicator for the arrival of spring, or the health of commercial real estate markets. We have a groundhog to tell us when spring is arriving. As for commercial real estate, the indicators of change are prevalent, whether its rising industrial rents, increases in the housing supply, macroeconomic factors (interest rates) and disruptions in business operations.

To start with more certain terms, we'll look at the industrial market. While the demand for industrial space has seen a significant uptick, there are limited opportunities for future development in the Quincy/Braintree and Route 3 submarkets. This is mainly due to constraints on zoning, infrastructure and political landscape.

One example of new industrial development is Riverside Business Park, located at 71 Adams St. in Braintree. This fully approved industrial park spans roughly 16 acres and is currently under construction. The approvals are for 120,000 s/f of new industrial flex warehouse space with 24 flex-warehouse bays coming to market in spring of 2024. Located right outside of Boston near the Braintree split, this location will be perfect for companies seeking easy access to Boston and the South Shore.

Turning our attention to the multifamily market, trading and development has been strong over the past 12 months, with roughly 770 units delivered. While vacancy rates in the multifamily sector hovered around 7.7%, rents grew at a rate of 3.8%, indicating that the supply is still not enough to meet demand.

This summer we will see the delivery of "The Vault at 88", a 32-unit mixed-use building with 30 residential units and roughly 1,900 s/f of retail space located at 88 Pleasant St. in Weymouth. This newly constructed building is on the site of a former bank and sits in the heart of Weymouth's soon to be redeveloped Columbian Square. The Vault at 88 will benefit from the Columbian Square Improvement project, making the area a safer and more vibrant square for pedestrians and the businesses and residents in the neighborhood.

In addition to the Vault at 88, the Skysail at Driftway project located at 318 Driftway in Scituate will be delivering 78 units this year, along with 8,914 s/f of commercial space. These new developments bring a much-needed supply of residential housing that provides easy access to public transportation and local amenities.

Despite the optimistic numbers and developments, recent trends in the banking world do have some people worried. Our clients are curious about the impact of the recent run on deposits at SVB, Signature Bank, First Republic, etc. They want to know how this will impact the commercial real estate market, their business, and their property. While the longer-term impact remains to be seen, it

is clear there is a lack of confidence in the banking system, and we will start to see a tightening of liquidity (debt and equity).

Further complicating the situation are looming mortgages that will mature in an escalating interest rate environment. While there are predictions of stabilizing rates and a “soft-landing”, there is an expectation that there will be a shift in market dynamics with supply starting to meet or exceed demand.

We encourage commercial property owners to engage in strategic planning and ask themselves what their three to five year real estate objectives looks like. Does your real estate portfolio still align with your objectives? What are the short-term and long-term factors (internal and external) that may change along the way and what solutions might be available?

These are the types of questions we tackle when we work with our clients. If you are curious about learning more about the market or bringing in a strategic advisor, give us a call and we’ll be happy to provide our expertise.

Ellis Realty Advisors is a leading provider of real estate services on the South Shore of Massachusetts. Ellis Realty’s team consists of multi-disciplined commercial real estate professionals specializing in a range of services for tenants, owners, investors and developers.

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