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Boston development continues to move ahead on projects

October 10, 2007 - Financial Digest

Cranes will be sprouting like weeds all over the Boston area as the conditions are ripe for new development. The downtown market reported the lowest vacancy and availability rates in seven years after several years of decreases. Average asking office rents continued to soar, although a stabilization is expected.

Downtown is abuzz with new and old projects starting to take shape after several years of a development drought. Two Financial Center broke ground this past June and the Russia Wharf project continues to move ahead. Plans continue for a mixed use development at the old Filene's site at Downtown Crossing on Franklin St., including a 24 story office tower. As more projects bring in office hotel, residential and retail aspects into one area, Boston's neighborhoods may be transformed. With a new 38 story residential tower, will Downtown Crossing no longer empty after the office workers in the area go home?

Nowhere has the possibility of community transformation been more anticipated than at Fan Pier in the Seaport District. At the end of the third quarter, Fan Pier's long-awaited groundbreaking highlighted the potential of the area as much as the quality and scope of the project itself. The mayor's presence reinforced the importance of this development to the city, with the site providing the anchor for a whole community's renewal. With the plan for mixed-use development, the area has the potential to draw not only office workers, but also shoppers and residents. There has been slow movement towards the offices in the area over the past few years as the silver line began operations and the convention center provided the base for new hotels and restaurants. However, some tenants still might not see the area as vibrant enough for their needs. Fan Pier could change all that.

The rash of development, or its underlying cause, is not limited to the city. The fundamentals in the suburbs have become progressively stronger as the overall vacancy and availability levels have reached their lowest since 2002. In step with these strong fundamentals, average asking rents increased for the ninth consecutive quarter, making new construction more attractive. In Waltham, where most of the projects are going up, the average asking rental rate has increased by a third over the past year. With limited space in the city, many firms are squeezed out or prefer the more affordable rates the suburbs can offer. This has led to a small construction boom to the Northwest of the city. Waltham, Woburn and Burlington have all seen speculative office construction plans move forward over the last quarter, making this the first time the MetroNorth market has had speculative development since 2001.

These strong fundamentals have signaled to developers the opportunity not only for new space but the rehab of older buildings. This is particularly true in the Seaport District. While the fanfare in the area is connected to large luxury projects like Fan Pier, smaller rehabs are doing their part to marry the industrial past of the area with its promising rebirth as an office center. With modern updates,

sites such as 49-63 Melcher Street, 368 Congress Street and Channel Center will help to bring the Seaport closer to being an integral part of the Boston office community.

Bolstered by the underlying fundamentals, these new developments have the right conditions to flourish. As space in Boston continues to fill up, these developments will be integral to Boston remaining a viable option for companies moving to the area. These projects are not just successes for the developers, but the city itself, too.

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