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# SPECIAL SECTION

## Metro New York, New England, and the Mid-Atlantic

MIKE SHERIDAN

### New England

Along with New York City, Boston has one of the strongest economies in the country. "We're hearing that from all the national investors who monitor all the U.S. gateway cities," says Matthew E. Pullen, executive managing director, capital markets, in the Boston office of Newmark Knight Frank. "The local economy is firing on all cylinders. Venture capital, biotech, eds and meds, and all other sectors continue to perform well. The life sciences sector is expanding rapidly. The demand for lab space is so heavy in Cambridge there is basically zero vacancy."

Boston's real estate sector has been healthy because the city has a diverse tenant mix across all asset types, Pullen adds. "Capital markets investors are looking for strong business diversification; it gives them comfort over the long run that there is no overexposure to one industry," he continues. "Boston differs greatly from Seattle, where Amazon plans to occupy over 14 million square feet [1.3 million sq m], or New York, where shared-office-space giant WeWork is the largest tenant in the city with over 5 million square feet [465,000 sq m]."

Among the largest developments anticipated are MP Boston's Winthrop Center, an under-construction skyscraper that will have 1.4 million square feet (130,000 sq m) of commercial, office, and residential space, expected to be completed in fall 2022; and Boston-based HYM Investment Group and Washington, D.C.'s Carr Properties' construction of the 43-story, 1 million-square-foot (93,000 sq m) One Congress, with State Street Financial taking about half the building.

Strong job growth in Boston's technology and life sciences sectors is driving this development and has created seemingly insatiable demand for office and laboratory space inside

the Route 128 beltway, says Jeremiah Manfra, senior managing director at the Boston office of Integra Realty Resources (IRR).

"Cambridge and Boston lead the region in new inventory and net absorption," he says. "Amazon leased 430,000 square feet [40,000 sq m] in the Seaport while Verizon committed to 440,000 square feet [41,000 sq m] in new North Station. The region's job and population growth has expanded the consumer base. Improving retail sales with limited availability drive demand for additional space. Boston has one of the lowest vacancy rates in the country, with most submarkets below 5 percent."

In the multifamily sector, Manfra says, the Boston area's reliable job growth combined with limited supply has resulted in steady vacancy improvements and strong rent increases. "However," he cautions, "a moderating job market and a surge in new supply are likely to soften conditions, particularly for high-end projects already offering increased concessions."

And with sub-3 percent unemployment, Pullen adds, the region's constraining factor is the availability of workers. "In addition, affordable housing is a concern," he continues. "Developers are trying to balance building more affordable housing with not disrupting the fabric of a community."

In New England overall, economic activity is expected to continue to improve, according to the Federal Reserve Bank of Boston. Through May 2019, employment increased and unemployment rates fell compared with one year earlier, says Riley Sullivan, a senior policy analyst at the Boston Federal Reserve Bank. Payroll employment increased 0.7 percent regionally between May 2018 and May 2019, and all six New England states experienced year-over-year gains in wages and salaries.

"Through the first quarter of 2019, home prices continued to climb both regionally and nationally compared to the same period in



STEELEBUE, MP, BOSTON



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2018," adds Riley. "Between the first quarter of 2018 and the first quarter of 2019, home prices increased 4.3 percent regionally. All six New England states reported positive house price growth year-over-year. Maine was the only New England state to outpace the national average, at 5.7 percent."

Real estate activity is a mixed bag in the region. Connecticut's Fairfield office sector, for example, continues its resilient path of increased absorption and rent increases, while Greater Hartford continues to report negative absorption, says Thomas M. Lescalleet, senior vice president at Bloomfield, Connecticut-based Griffin Industrial Realty. "The state is experiencing continued growth in the industrial manufacturing and



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warehouse/distribution sectors," he continues. "There have also been advances in the med-tech sector, albeit this is more prevalent toward New Haven and the downstate area such as Fairfield County."

Information technology services, insurance tech, biotech/biomed, advanced manufacturing, aerospace, and regional warehousing and distribution are powering the Connecticut economy.

"We continue to build within our New England Tradeport business park in Windsor and East Granby," Lescalleet adds. "In August 2018, we completed a BTS [built to suit]/lease with Ford for a 234,000-square-foot [22,000 sq m] parts distribution facility in Windsor."

Construction costs keep rising, Lescalleet notes, although so far increases are being absorbed within deals being done. "It's a bit stifling, but it is not preventing development," he says. "State and federal environmental and traffic-control permitting is always an area that could use improvement, and we'd like to see some relief on certain regulations and increased efficiency in processing applications.



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There's also much hullabaloo about installing tolls on Connecticut interstate highways. The effects of this on economic development in the region remain to be determined."

**Above and facing page:** Construction of MP Boston's Winthrop Center on an acre (0.4 ha) of formerly city-owned land in the center of downtown Boston is expected to be completed in spring 2022. Designed by New York City-based Handel Architects, the \$1.35 billion development is the largest private investment for a single project in the city, developers say. It will be Boston's fourth-tallest building and contain 750,000 square feet (70,000 sq m) of office space and 420 luxury multifamily units. At the base of the building will be the Connector, a civic space open to the public.