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BOSTON RETAIL SHOWS NO SIGNS OF SLOWING

The wave of new commercial development sparked by job growth continues.

By David Cohen

Boston's retail landscape continues to change amid waves of sustained commercial development and growth that shows no signs of slowing.

An estimated 1.2 million square feet of retail space will be delivered in 2018, up from 1.1 million square feet in 2017 and 915,000 square feet in 2016, according to research from Marcus & Millichap. Several new large-scale mixed-use projects in the suburbs of Boston are due for delivery

later this year or in 2019. In addition, a number of projects with large retail components are in the process of being delivered in Boston proper.

"We've never had this amount of development in the 30 years that I've been in the business," says Peter Montesanto, who leads Colliers Boston's Retail Team. "I think there was a true lack of retail space before. Historically, Boston has been very conservative on development so there's been

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HYM Investment Group and NB Development Group's Boston Landing project in Brighton will include 80,000 square feet of retail and serve as the headquarters for New Balance, Bose, the Boston Celtics and the Boston Bruins.

CAN AGENCY LENDERS KEEP UP THE PACE?

Multifamily loan production for Fannie and Freddie reached record highs in 2017, but rising interest rates threaten to curb activity this year.

By John Nelson



Grandbridge recently secured a \$35.8 million refinancing through Freddie Mac for The Edge, a 602-unit student housing property near Temple University in Philadelphia.

Fannie Mae and Freddie Mac are coming off a banner year that saw both agencies break their previously held records for annual multifamily loan production. Fannie Mae produced \$67.1 billion in financing, while Freddie Mac's 2017 volume was \$73.2 billion. For the third year in a row, Freddie Mac was the nation's top multifamily financier.

"Last year saw somewhat unexpected growth, and it was very broad-based," says David Brickman, executive vice president and head of Freddie Mac Multifamily.

The agency's production last year far surpassed Brickman's estimate of \$60

billion that he made a year ago, thanks largely to the gains in Freddie Mac's targeted affordable and small balance business lines. The largest leap, though, was in its Green Advantage program.

"There was very little green business in 2016, \$3.3 billion, and then a significant jump in 2017 — \$18.7 billion," says Brickman.

Through the first quarter of 2018, the agencies are doing less business in conventional loans than in previous years. Phyllis Klein, vice president for multifamily customer engagement and marketing at Fannie Mae, says that the agencies are closing fewer acquisition loans than last year, stemming from

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somewhat of a lack of inventory and I still think that's the case."

Even with the 1.1 million square feet of retail delivered in 2017, vacancy continues to be tight. Metro-wide, the vacancy rate currently stands at 2.6 percent with average asking rents at \$21.68 per square foot, an increase of 4 percent from 2017, according to Marcus & Millichap.

In Boston's Seaport district, WS Development is redeveloping 23 acres it acquired in 2015 for \$359 million. Called Seaport Square, the 7.6 million-square-foot project will include 3.2 million square feet of residential with 3,200 units; 2.8 million square feet of office space; several hotels; 5,500 parking spaces and 1.1 million square feet of retail, including 2.5 linear miles of street-front retail when it is ultimately completed.

In May, tech giant Amazon announced it would open a 430,000-square-foot office at Seaport Square, bringing 2,000 technology jobs to Boston. The office is slated to open in 2021. Amazon is one of a number of technology companies to open offices in Boston, which has a plentiful supply of college graduates, who create a

well-educated workforce.

"There are at least a dozen large-scale projects in Boston that are not yet completed," says Tim Thompson, regional manager with Marcus & Millichap in Boston. "This year seems to be shaping up similarly to 2016 and 2017 in terms of deliveries. We have a long ways to go to fulfill the demand."

When it comes to retail strategy, developers across the city are taking a different approach than in years past in order to meet the demands of the millennial population.

Landlords are moving away from the national retail tenants that populated urban developments in the past. Instead, they are targeting unique fast casual food concepts that will get workers out of the office for lunch and restaurant concepts that are fun and have a nightlife component.

"As recently as ten years ago we were seeing the ground floors of urban retail being filled with tenants that you'd typically see in a suburban strip center like Quiznos, GNC and Chipotle," says Matt Curtain, senior vice president and partner at CBRE/New England.

In this article, we look at four Bos-



Expected to open in 2020, Tremont Crossing in Boston's Roxbury neighborhood will add 400,000 square feet of retail space to the geographic center of the city.

ton-area development projects making local and national headlines. From high-density mixed-use developments in the suburbs to urban renewal projects in the city center, Boston's retail market continues to evolve and grow as we move closer to 2019.

Boston's 'City Within a City'

A long vacant eight-acre parcel of land in Boston's Roxbury neighborhood will soon be transformed into Tremont Crossing, a 1.2-million-square-foot, mixed-use project that developer Feldco hopes will become a "city within a city."

"We look at this project as a benefit for all of Boston," says Barry Feldman, president of Feldco Development. "Our project epitomizes the idea of a city within a city in that we're going to have large components of retail, residential and office as well as community benefits and a very large plaza in the center of everything to tie it all together."

Scheduled to break ground later this year, Tremont Crossing is expected to open sometime in 2020. The project, which was designed by Cambridge Seven Associates, will bring more than 100,000 square feet of office space, 655,000 square feet of residential space, 1,371 parking spaces and

400,000 square feet of retail to the geographic center of Boston.

With a location at the junction of Boston's Roxbury, South End, and Longwood Medical Area neighborhoods, the developer plans for Tremont Crossing to become a destination for shopping, dining and entertainment. The development is located across from Ruggles Station, one of Boston's largest transportation hubs and is less than a two-minute subway ride into downtown Boston. Within a half-mile radius of the site, there are 43,500 university students and 35,000 faculty/staff from Northeastern University and Longwood Medical and Academic Area. Feldman says he expects the development to serve all of Boston.

"We really want to be known as the place to come if you're living in Boston or around Boston to have a really good time," says Barry Feldman. "It's not just a place to come to partake in the stores and the facilities. We're going to go beyond that to create a place where you can really be entertained every weekend."

The ground floor of Tremont Crossing will house 100,000 square feet of neighborhood retail space and dining along Tremont Street and the project's central plaza. The second and third



Roche Bros. Market will open a 32,000-square-foot location at the newly renamed Arsenal Yards in Boston's Watertown neighborhood.

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