

# CRE Heat Index Sizzles

BY JOE CLEMENTS

**B**OSTON—Global cooling has had a deleterious impact on commercial real estate worldwide, but for the “Hub of the Universe,” conditions midway through 2012 are downright toasty.

The economic woes that have frozen European economies and are increasingly chilling Asian countries have steered capital currents into New England, a region that took its wallops during the 2008 recession but has rebounded impressively. Boston is deemed among the five most desired US markets for CRE investment, competing against New York City, San Francisco and Washington, D.C. Institutional funds are hungry for safe havens, experts explain, while REITs and other operators are tantalized by an oasis where rents appear to be stabilizing or even on the rise, as in the case of taut office districts such as Boston’s Back Bay, East Cambridge and suburban Burlington.



JONATHAN G. DAVIS



DAVID GREANEY



PAUL L. FELDMAN

“It’s noticeably better,” Davis Malm D’Agostine partner Paul L. Feldman says of CRE activity at the Boston-based law firm. While anticipating a slowdown due to the US presidential elections, Feldman says Davis Malm has assisted clients already this year in refinancing existing assets and in pursuing potential acquisitions. Feldman declined to provide specifics, but says “we didn’t see” the same pace since 2009 as



441 Stuart Street Boston MA

that enjoyed in the opening two frames of this year. While cautioning political uncertainty could disrupt the trend, Feldman also expects the halt will only be temporary. “There is a lot of capital sitting on the sidelines,” he says, and points to historic low interest rates and a sea of loans maturing through 2014 as forbearers of future business. “There’s a lot of paper coming due, and it will have to be dealt with,” Feldman says.

One other consistent trend to date in 2012 appears to be a handful of marquee trades or portfolio buys set amidst a plethora of small- and mid-sized transactions in nearly all product types save for multifamily, which continues to dominate investor wish lists in all price ranges. A Real Reporter review counts in excess of 120 multifamily sales of \$1 million or more through June 30th, and brokerage houses spoken to say the pipeline remains chock full entering the summer.

Trumping all other single-asset transfers at midyear was the lightning-fast, \$610 million dis-

position of 100 Federal St. in downtown Boston, a 37-story, 1.3-million-sf tower acquired by Boston Properties in a deal negotiated by Cushman & Wakefield. Other nine-figure sales included the \$119 million purchase of a Cambridge office facility and the \$115 million acquisition of Seaport Center in South Boston by Shorenstein Properties, those two listed by Eastdil Secured.

Besides interlopers from other parts of the US and overseas capital arriving on the Bay State shoreline, the usual local suspects have played a significant role in 2012, as private investment groups were responsible for a variety of commercial deals in virtually every area including hotels, land and mixed-use properties. Construction giant Skanska shelled out a whopping \$12.5 million for a 22,000-sf land site near Fenway Park. That was actually outdone by the biggest land deal—certainly the most high-profile one—in a \$59 million sale of the underwater Westwood Station site off

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## PUBLISHER’S MESSAGE

“Hot Town (Summer In The City)! These lyrics (literally) express Greater Boston’s climate as we review the 2012 Investment market, midway. While the single family housing market value continues its slide south, the multi family mogul is reaping the awards of the hottest rental market ever, as Boston advances - breaking new heights in rental prices.

Accompanying its stable, cash flowing assets, Greater Boston has embraced new investors (local and international) to the market place, while local banks and thrifts prevail and part-



ner, handling large amounts of CRE loans to its hub.

Assembling some of the most respected professionals in investment property sales, we’ve integrated transactional data, award winning editorial coverage and front line analysis, to deliver a comprehensive, insightful review of the 2012 investment market to date. Thank you to our sponsors and advertisers, enabling us to produce and present this invaluable content to you. Enjoy this hot summer read!

MICHAEL J. WALSH, PUBLISHER