

NEW ENGLAND REAL ESTATE JOURNAL

Friday, January 16, 2004

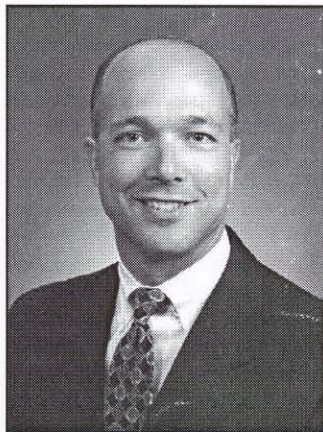
THE LARGEST BUSINESS PUBLICATION OF ITS KIND IN THE NATION

By David Ross, Tremont Realty Capital

Boston's real estate community will benefit from the Big Dig project

The Big Dig, Boston's famous or perhaps infamous construction project will finally see its major components completed this year, after what seems like an eternity of renovation to the city's highway system. The concept of the project was first established in 1972 with construction partially started in 1987 and going into full swing in 1992: two full decades after inception. The project has certainly disrupted businesses and has had its share of controversy over its construction process, but what are the expected effects on the real estate market?

Abutting commercial properties should stand to benefit immediately from the removal of the elevated highway through increased value. There are multiple factors impacting the value of these properties not the least of which is access. After years of torment from new traffic schemes implemented almost on a daily basis, commercial property owners will soon find access to their property set in stone. Further, the elimination of the construction process with its accompanying noise, debris, traffic tie-ups



etc. should make the area more "friendly" to customers and visitors. These factors (all things being equal) should result in an increase in sales, thus a corresponding increase in ability of tenants to pay rent and consequently landlord property values.

The residential market should see special valuation spikes from the removal of the elevated highway. The aesthetics overlooking a park offer a clear increased value over the congested, pollution-generating highway system that once stood there. Multiple facilities will also now have water views, which were previously unavailable. A boom in residential conversions is cur-

rently underway providing evidence of this phenomenon. From Intercontinental's The Causeway in the North Station area and The Gale Company's Lafayette Lofts at 88 Kingston St. in the South Station neighborhood, quality new residential properties are coming on line all along the Central Artery corridor.

Although existing properties will benefit from the completion of this project through greater value or new and higher use, the removal of Rte. 93, as a surface artery has also created the opportunity for future new development. The sum of the newly available land is broken down into 23 different parcels designated for different uses. Much of the 27 acres will become open space and public use land including streets and sidewalks. Parcels in which building is permissible will cover only 7 acres of land (assuming the legislation does not alter the current plan), which sit mainly on either of the two outlying sections of the project.

The opportunities to build include restoration of city blocks dismembered in the 1950s by the creation of the highway as well as construc-

tion over exit ramps and development using transferred air rights. In addition, significant new development is expected over the next few years in the abutting neighborhoods of the North End, Financial District, Leather District and Chinatown as benefits of increased traffic flow becomes clearer. Much of the initial new commercial development will occur in the Bulfinch Triangle and Chinatown areas where four new buildings are already scheduled to be added. Although as we have seen first hand or in the press, demolition of the old elevated artery is well underway, new development is not scheduled to commence until 2005. This timing should dovetail nicely with the improving economy.

In summary, the Big Dig benefits for Boston traffic and aesthetics will be accompanied by big dividends for the Boston real estate community. These benefits will come from increases in overall values, new residential uses and development of reclaimed land.

David Ross, CFA is a senior director with Tremont Realty Capital in Boston.