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SIOR NEews

March 2019

PRESIDENT'S LETTER



We have had a mild winter so far as we enter the month of March and hopefully slowing down. In tandem the U.S. economy seems to be slowing down as well. The Q4 2018 Real GDP was released at 2.6% while the 3Q 2018 was revised at 3.4%. The 2Q of 2018 was over 4%. The good news is that although the economy is slowing, these GDP numbers are higher than in 2017. But clearly there is a slowdown. The Bureau of Economic Analysis stated: "The increase in real GDP in the fourth quarter reflected positive contributions from personal consumption expenditures (PCE), nonresidential fixed investment, exports, private inventory investment, and federal government spending. Those were partly offset by negative contributions from residential fixed investment, and state and local government spending. Imports, which are a subtraction in the calculation of GDP, increased.

The deceleration in real GDP growth in the fourth quarter reflected decelerations in private inventory investment, PCE, and federal government spending and a downturn in state and local government spending. These movements were partly offset by an upturn in exports and an acceleration in nonresidential fixed investment. Imports increased less in the fourth quarter than in the third quarter.

Disposable personal income increased \$218.7 billion, or 5.7 percent, in the fourth quarter, compared with an increase of \$160.9 billion, or 4.2 percent, in the third quarter. Real disposable personal income increased 4.2 percent, compared with an increase of 2.6 percent.

Personal saving was \$1.21 trillion in December 2018, compared with \$996.0 billion in the third quarter. The personal saving rate -- personal saving as a percentage of disposable personal income -- was 7.6 percent in December 2018, compared with 6.4 percent in the third quarter."

In short, the consumer is making more money, saving more money and not spending as much money. The savings rate is explosive at 7.6% while remembering that we had close to 0 % savings rate over 15 years ago. Real estate investments are still strong but have cooled slightly. But, of course, the strength of real estate is micro as well as macro. The Boston area market still remains strong. On a real estate mutual fund basis, Morningstar reports that the full 2018 real estate fund returns were as follows: Global Real Estate (7.1) and Real Estate (6.0). The first month of 2019 shows a different story: Global Real Estate 10.6% and Real Estate 11.3%. We will see how the year plays out. Interest rates and inflation still seems tame. To learn more about the state of our local real estate market, we have attached an article written by Rob Nahigian and Bob Cleary. SIOR National had asked them to contribute to the February Northeast Real Estate Business publication and this month's BBJ online edition.

As we close out the first quarter, we should recognize Harold Brown who started Hamilton Properties and was an iconic Boston real estate residential and commercial landlord. He passed away on February 24th at the age of 94 and had just received the Blue Jacket Club Lifetime Achievement Award from The New England Real Estate Journal. He has spoken in the past at many commercial real estate events about his investment insight.

We also held our first Chapter event with Big Brother and Big Sister due to Greg Klemmer's efforts. We have other events planned that you will read in this issue. And do not forget that our SIOR Spring Convention is available for registration for April 10-13 in Washington, D.C.

Wishing everyone well.

Mike Giuttari, SIOR NE
Chapter President

SIOR NE CELEBRATES NATIONAL MENTORING JANUARY MONTH AT HARPOON BREWERY

The New England Chapter of SIOR sponsored a joint evening event with the Big Brothers Big Sisters of Massachusetts Bay on Wednesday, January 23, 2019 at the Harpoon Brewery and Beer Hall in Boston. The event was both social and educational to inspire attendees to be more involved as a Big Brother or Sister. The two organizations were able to secure a private beer tasting room at the Harpoon Brewery of which 38 attendees from both organizations were presented. Many different beers were on tap for everyone but the focus was to celebrate National Mentoring Month and to share with the attendees how simple it can be to make a difference in a child's life. The event ran from 6-8pm in the Tasting Room and guests were welcomed.



Caroline Krantz, Senior Director, Recruitment for BBBS was the focal person as well as Mike Giuttari, SIOR Chapter President and Greg Klemmer, Chapter Vice-President. The event was to help BBBS defend, inspire and empower the potential of young people. Greg Klemmer, SIOR has been an impactful volunteer of the Big Brothers. He offered his story and advice to the attendees.

After some social pleasantries and tastings, Mike welcomed the crowd and stated that this was the second annual event. He introduced both Caroline and Greg to give their stories on being a Big Brother or Sister. Additionally Dan Driscoll of Colliers, who was present, has also been a Big Brother over the years.

Greg Klemmer started with an overview of what SIOR is all about. He said that SIOR is a network but it's primarily a professional designation. It is more like a fraternity but with quality brokers and the best brokers in the U.S. Many large development and landlord companies such as Pantatoni, Pro Logis, will only use SIOR designees in its line of business.

Then Greg transferred to his involvement with BBBS. He has been a volunteer for 33 years and started his journey mentoring a 12 year old boy with a mother and two boys in Charlestown. He would go to see the mother and take her out for Christmas to inspire her day. He remembered that prior to his involvement he was a commercial Boston broker running around Boston working on transactions and grinding away at the industry. But he needed more than transactional success, he needed a "cause." He found out that he only needed to spend 2 hours a month with BBBS and realized that it was not a great deal of time involved. In fact, he looked forward to seeing his kid so he could mentor him. He realized that the time spent meant a lot to this boy who did not have a dad in his life. He felt that the Big Brother gets more out of the mentoring than the Little Brother. Greg exclaimed that the audience would not regret mentoring. Selfishly, mentoring makes you feel good and the kids feel good too. There's a lot of kids, Greg said, looking for Big Brothers/Guys. There are many high executives in Boston's financial sector that are involved in BBBS such as Jim Pallotta. Greg's question was "where's the real estate group?" He said that the real estate industry needs to step it up and be involved in BBBS. Greg mentioned that Dan Driscoll of Colliers was involved at a very young age as well.



Then Caroline Krantz, Senior Director of BBBS gave more detailed specifics. She thanked the SIOR Chapter for sponsoring the event. She said that it is more challenging to recruit guys to volunteer than women so there's a shortage. The goal with the January mentoring month is to inspire more people to get involved with BBBS. There's two programs; Community Base Program and Mentor 2.0. Caroline is a 20 year volunteer. She was a mentor to a Quincy kid who is now 30 years old, married with a kid and holds a Masters degree. Her kid learned about the BBBS program at school and she needed an adult in her life to help her since she was in a chaotic family with more pets than people in a small house. Caroline has kept in touch via Facebook and in fact had dinner with her Little about 5 weeks ago. The Little told BBBS that Caroline had a big impact in her life during her mentoring years but Caroline never knew that she was having that much of an impact. Being a BBBS is simple. The volunteer is not a babysitter nor a financial supporter nor a parent. It is about your time and advice for two hours a month. You are matched with 7-12 year olds in your community and you have fun. You give kids a role model. BBBS has hundreds of kids on a waiting list and they need guys to get involved. It's low cost to no cost including taking a kid to low-cost to no cost events. You can take a child to a Red Sox game or to free museums, Blue Man Group, go for an ice-cream or just go for a walk. Greg said that he would take his kid to wash his car with him or have him keep score at his softball team games. It is that simple. BBBS has an Uber relationship as well and BBBS will pay for the Uber if you don't have a car. It's a successful and flexible program that only involves two hours a month.



Caroline then went on to discuss the Mentor 2.0 program. It is a different program and the fastest growing program with BBBS. It is focused on high school success and college preparation. They have Charter School relationships as well. Every kid has a mentor demand. Every freshman needs a mentor. There is a strict curriculum and its 1 on 1 mentor of the same gender. The program is once a week online platform during the school week. You work on the child's future and you see the kid once a month between 5:30-7:30 pm at their school. You receive support from BBBS with current issues or ideas on what to do. The program measures success with confidence, 6 C's. Child development is the focus. It's about empowering, inspiring and supporting these kids. There is another office BBBS handles in Eastern MA with a local office. BBBS has a Rhode Island and Central MA location.

SIOR NE CELEBRATES NATIONAL MENTORING JANUARY MONTH AT HARPOON BREWERY continued

Greg then came back to share more of his experiences. He stated that the time commitment was not an issue. You can bring a kid back to your house and wash the car or watch sports on TV. Time is a non-issue and it is not a big deal to commit. Your job is to be there for a kid and not to be a babysitter. You need to just give back since there is no particular time in your life to give back. Greg's own children got involved with Greg's Little Brother, Billy. Billy would come over to the house for dinner and interact with his kids. Dan Driscoll told the audience that he spends three times a month with his Little for about two hours per visit. He goes to sport games with his Little.

Caroline then guided the audience with information to become a BBBS. She said that there is a form online and a paper application that is required to be completed. You need a sponsor and there is a required interview process. BBBS wants to get to know you so that they can "cherry pick" a kid that will match your likeness. She closed the program thanking everyone and asked that the attendees consider becoming a Big Brother or Big Sister.



SIOR NE BOARD HOLDS ITS FIRST MEETING WITH NEW BOARD

The New England Chapter Board held its first meeting under the new Chapter President Mike Giuttari on December 6, 2018. In attendance was Mike Giuttari, Garry Holmes, Greg Klemmer, Jeremy Fried and George Paskalis and by phone, Tim Brodigan, Jim Boudrot, Katherine Kane, David Gilkie, Tom Farrelly and Loreen Liberty.

The Treasurer's Report shows a healthy bank account for 2019. The Chapter had a number of sponsors including Vantage Builders. SIOR National also provided matching funds for the MIT Scholarship that goes to a premier student at MIT. Leeds Mitchell and Charlie Hope both were recent recipients of Chapter scholarships. Mike Ogaspian and Kevin Brawley also have outstanding scholarship obligations.

The SIOR Chapter will again team up with NAIOP for the Mid-Year Review and the End-of-the-Year Forecast. The two programs are scheduled for Wednesday, May 29 and Wednesday, Nov. 20, 2019. Mark your calendars.

Golf Report: There are 4 confirmed sponsors for the summer golf event. Location has not been finalized but under consideration is Warwick Country Club, Wannamoisett Country Club, Dedham Country Club and Kittansett Country Club.

Other Events considered for the year may include the Pease Air Force Base which was a success. Chapter members met incoming military at Pease Air Force to welcome them home and offer a donation. Tom Farrelly is working on dates. There is also a Bull & Beer event under consideration that Tim Brodigan is organizing.

The Admissions update was delivered by Jim Boudrot as he is interviewing a new potential designee. Both Jim Boudrot and Drew Sigfridson will remain on as Admissions Officers.

Garry Holmes is heading up Recruitment and wants to refocus on Developer Breakfasts as a strong venue for inviting potential members. The Bull & Beer Nights are also effective but need more attendance.

Retention report from Tom Farrelly and David Gilkie was that a formal committee is required as per National's instruction.

Under New Business: Greg Klemmer has agreed to take on the Chapter Vice-President Position. There was a discussion about limiting Board members. Board Member Term of Office Limitation Waiver Vote is 8 years. Mike made a motion to keep open Board terms for the life of the term. Loreen suggested extending 2 years for the term.

Announcements that the Spring Convention is in Washington DC and the Fall Conference is in Portland, Oregon. As a heads up, Boston will be hosting the fall World Conference in 2020.

The next board meeting will be held on Thursday, March 21, 2019.

SIOR SPRING CONFERENCE PLANNED FOR APRIL IN WASHINGTON, DC

The Society of Industrial and Office Realtors (SIOR) will be holding its Spring World Conference from April 10-13, 2019 in Washington, DC. All Spring World Conference activities will take place at the Omni, unless otherwise noted. Located in one of the area's premier residential neighborhoods, this elegant urban retreat boasts a resort atmosphere and a personal taste of politics, culture, art, and music. Situated on 11 lush acres and just steps away from the National Zoo, the hotel boasts a vibrant location.

Omni Shoreham

2500 Calvert Street NW
Washington, DC 20008

Hotel Reservations: You must register for the conference prior to making your hotel reservations. A link to reserve your room will be provided in your registration confirmation email. If you do not receive your confirmation email, please email events@sior.com to receive the hotel reservation link.

Committee and group meetings will occur on the first day, April 10. Wednesday night will have a number of receptions for different committee and independent groups.

On Thursday is the Opening General Session entitled, If Demography is Destiny, What is the Future of Real Estate? The speaker is Joseph Coughlin. As Director of the Massachusetts Institute of Technology AgeLab, Joseph Coughlin will examine how the disruptive demographics of an aging society, social trends, and technology will shape future innovations.

Demography is destiny. Unlike economic and technology forecasting that are most often based upon selected and changeable assumptions, demographics are based upon the people that are already here. Demographic transition, evolving lifestyles as well as related technology trends are rapidly changing. These trends are likely to have a transformative impact on real estate touching residential and commercial property as well as fuel the growth of specialized emerging developments. Among these factors are the aging of the population, high divorce rates, smaller household



SIOR SPRING CONFERENCE PLANNED FOR APRIL IN WASHINGTON, DC continued

composition, a three- or even four-generation workplace and the drastic reduction of fertility rates across the nation. This new demographic reality combined with the emergence of the sharing economy—a world where you can have it all, but own none of it—is changing our ideas about the future of community, home, retail and work. This engaging and entertaining presentation will explore the disruptive demographics of tomorrow and weave a story of how demography, along with next-gen technologies, will shape the future of communities, where we choose to live and housing.

There are breakout sessions in the afternoon including:

1. Federal Real Estate Opportunities
2. Investment Property Market
3. State of the Industrial Market
4. Emotional Intelligence
5. Broker Disintermediation: What can we do?
6. Secret Weapons for Broker Efficiency
7. Using Tax Deferral Strategies for Commercial Real Estate Sales



There were a number of receptions again that evening.

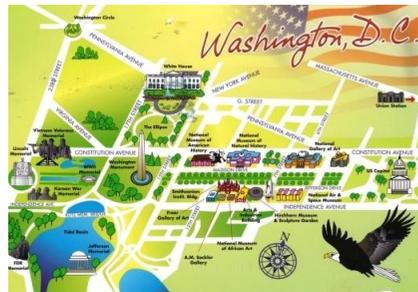
On Friday, the General Session is: The Future of Transportation with Robin Chase.



Robin Chase, the founder and former CEO of Zipcar, unpacks the underlying principles that enabled a startup to transform an industry. She is one of the pioneers of the sharing economy. Since their inception, Zipcar, GoLoco and Buzzcar have been seen as disruptive and innovative: they used technology and marketing to change the way people own and use cars; they changed the ways cities are lived in and built; they changed prejudices about the incompatibility of environmentalism and capitalism. Innovator Robin Chase helps individuals, companies and government understand where to look for innovation and how to enable it. She explores how rethinking “excess capacity” can be combined with technology and platforms for participation to unlock innovation, new profit centers and ultimately lead us to a sustainable planet. Technology is transforming the ease and convenience of accessing a car instead of owning it, and cities are getting fed up with valuable city streets being clogged with idle parked cars and vehicles in motion holding just one person. Zipcar, Uber and Lyft, transit apps, and autonomous vehicle pilots are all signs of the incredible disruption that is upon us. The future is going to be multi-modal, shared, and ultimately automated. What will this future look like? How soon is it coming? What are the implications for cities and the 20% of the economy that is driven by the automotive sector?

Friday afternoon will include a number of tours including:

1. Private Brewery Tour of 2-3 DC brewery's
2. Office Tour
3. Architectural Tour
4. Georgetown Food Tour
5. Mt. Vernon Tour
6. US Capital and Library of Congress Tour



The last day, Saturday, includes the Closing General Session: Big, Smart, & Green - How Cities Shape Our Future with Greg Lindsay.



Greg Lindsay is a senior fellow of the New Cities Foundation — where he leads the Connected Mobility Initiative — a non-resident senior fellow of The Atlantic Council's Strategic Foresight Initiative, and a visiting scholar at New York University's Rudin Center for Transportation Policy & Management. He is also a contributing writer for Fast Company and co-author of *Aerotropolis: The Way We'll Live Next*. He writes, speaks, and consults frequently on the future of work and cities, most recently at the OECD, the MIT Media Lab, Microsoft Research, and McKinsey. He's written for The New York Times, The Wall Street Journal, Harvard Business Review, McKinsey Quarterly, The New Republic, The Economist Group, and The World Economic Forum. He has advised Intel, Ericsson, Samsung, Audi, Chrysler, André Balazs Properties, Emaar, and Expo 2020, among other organizations. His work with Studio Gang Architects on the future of suburbia was displayed at New York's Museum of Modern Art (MoMA) in 2012. His work on the future of cities is currently on display at the 15th Venice Architecture Biennale, the International Architecture Biennale Rotterdam, and will be exhibited at Habitat III in Quito, Ecuador in October 2016. He's been cited as an expert on the future of travel, technology and urbanism by The New York Times, The Washington Post, The Wall Street Journal, The Guardian, USA Today, CNN, NPR, and the BBC. Greg is a two-time Jeopardy! champion (and the only human to go undefeated against IBM's Watson).

GREATER BOSTON COMMERCIAL MARKET REMAINS ROBUST: 2018

In case you missed it, SIOR National asked Rob Nahigian and Bob Cleary if they would co-author an article on the 2018 Boston commercial real estate market review. The article was published during February, 2019 in the Northeast Real Estate Business publication and is reprinted for the entire month of March (March 1-30) in the Boston Business Journal on-line edition. The following is a copy of the article.

While other U.S. cities have demonstrated volatile economic markets, Boston has sustained a strong, healthy economy for more than 40 years. This economic health coupled with the city's diversity of industries has had a lasting, positive impact and increased demand for commercial space in the greater Boston market.

Overview

The snapshot of the Class A and B, lab and office market is strong but shows some signs of regression. Today's overall vacancy for lab & office including sublet space is 12.8%. When you break down the numbers by region, the current downtown Boston office market has 71 million square feet, with a 9.2% vacancy rate. Cambridge has 23.6 million square feet of space and a 3.8% vacancy, and the suburbs total 123.5 million square feet with 16.6% vacancy. The entire Boston area absorption for lab/office space is 5.2 million square feet. While those stats are favorable compared to the last two years, (2017 with 1.8 million square feet and 2016 with 1 million square feet), they're dwarfed by 2015 which had absorption of 5.8 million square feet. It is also the first time that Class B rents have topped \$50 per square feet in aggregate. Class A office rents are at record highs of \$63 per square feet and still record high tenant demand.

Boston

With only a few large blocks of office space left and a very fluid leasing market, availability is a challenge. Two million square feet of office space was absorbed in 2018. Notable downtown Boston leases include Wayfair Inc. (395,000 square feet, Back Bay); Amazon (430,000 square feet, Seaport); Oath Inc. (440,000 square feet at North Station) and Putnam Investments, which completed its HQ relocation for nearly 250,000 square feet at 100 Federal Street, Boston. A prominent market trend has been company migration into Boston and Cambridge to attract and retain young talent. This employee demand has benefitted the Seaport area (live, play, work), as rents climb towards \$100 per square feet in East Cambridge and Back Bay. The lowest Boston submarket vacancy is Charlestown (3.2%) and the highest is the Seaport (12.6%). Other impactful trends include the co-working craze, consolidation and operational efficiency, and insatiable lab demand. WeWork, a prominent co-working space, constantly looks to lease blocks of 100,000 to 200,000 square feet at a time, as they become one of the largest landlords in Boston. ezCater, an international corporate catering firm, is an example of co-working in which they leased 100,000 square feet from WeWork at 40 Congress Street. New Boston development projects continue at: Two Drydock Avenue; 321 Harrison Avenue, Parkside on A, and The Beat.



Cost Concerns

There has been a steady 35-40% increase in asking rents over the past five years. Downtown Boston rents have increased by \$30+ per square foot during that same period; suburban office rents for Class A properties have increased \$12-15 per square foot during that same period. As five year leases expire, accelerated rental costs are unavoidable.

Cambridge

East Cambridge has the lowest vacancy (1.2%) with rents exceeding \$100 per square feet while West Cambridge / Alewife Station has the highest vacancy (20.1%). Tech Drive has experienced nearly a 70% rent inflation. Five years ago rents were \$51 per square feet triple net, and today rents are \$85 per square feet, triple net. With vacancy so low, new leasing is limited and highly competitive. Sanofi committed 900,000 square feet for 2,700 employees at Cambridge Crossings. Phillips committed 337,000 square feet from DivcoWest in East Cambridge. 90% of leasing has been on speculative or renovated properties. Due to the low availability, "space banking" (when a company leases more space than necessary and sublets or warehouses the space until needed) has become popular.



Inner Suburbs

The Inner Suburbs with 6.77 million square feet of inventory and, a low vacancy (11.2%) have become a very attractive value alternative for lab and office space, especially for artificial intelligence (AI) and companies supporting AI, robotics, and academia. The need for space has spread to the inner suburbs in areas such as Watertown, Allston, Somerville and Fenway. Watertown most recently is experiencing a development explosion with a one million square foot renovation/redevelopment of Arsenal Mall into retail, residential and office space, among other sound projects. This market is converting many of its older industrial stock into "must need" lab space as a relief valve to the low vacancy and high priced Cambridge market. In addition, hospitals and area universities are competing for commercial and campus space. Hebrew College is new to this market and seeking 40-60,000 square feet as it recently monetized its Newton campus.

SIOR NE 2019 Events & Calendar

March 21:	Board Meeting
April 09:	NAIOP What's New in the Woo
April 10 - 13:	SIOR Spring Conference in Washington, DC
May 9:	Board Meeting
May 14:	NAIOP A Conversation with Bill Cummings
May 29:	SIOR NE NAIOP Mid-Year Review
July 22:	SIOR NE Annual Golf Tournament at Warwick Country Club
September 12:	Board Meeting
Sept / Oct TBA:	SIOR NE / MIT RH Holmes Scholarship Night
October 17 - 19	SIOR Fall Conference in Portland, OR
November 20:	SIOR NE / NAIOP End of the Year Forcast
November TBA	SIOR NE & SIOR CT Function
December 12:	Board Meeting

For additional information, or to register for any of these events, please visit: <https://www.siorne.com/events-calendar> or contact Loreen Swann at siorne@siorne.com / 508-635-6788.



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