

The Boston Globe

Real Estate

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Q & A | NICOLAS RETSINAS, DIRECTOR OF HARVARD UNIVERSITY'S JOINT CENTER FOR HOUSING STUDIES

Taking stock of urban housing

Fueled by strong demand, many empty downtown offices are being converted into condos. But is it enough to make a dent in the glut of space?

Some real estate specialists hope that the strong demand for urban housing will help absorb the large supply of downtown Boston offices left empty by companies that have cut staff, closed shop, or shipped work abroad. Certainly, some older offices have been converted into residences that have sold at strong prices.

But is that activity enough to dent the approximately 10 million square feet of excess downtown offices now available for lease or sublease? Nicolas Retsinas, director of Harvard University's Joint Center for Housing Studies and chief executive of the Federal Housing Administration from 1991 to 1998, addressed this and other issues with Globe correspondent Susan Dienenhouse.

Q. Who's buying condominiums in converted offices?

A. In our barbell economy with many high- and low-income households, one of the fastest-growing groups coming into the city are affluent empty nesters, usually baby boomers. ... They're leaving the suburbs so they can



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Q. How strong is demand for Boston condominiums?

A. Demand is still strong but it takes a suburban homeowner a little longer to sell their house than it did a year ago; a bigger house takes even longer to sell. If they can't get their asking price, they'll probably take their house off the market and wait to move.

Q. Will new downtown residents create more demand for offices?

A. Certainly they'll need services, but with technology people can access a lot of that through the Internet, phone, and fax, so the impact

on business creation is not great. It's hard to get a haircut over the Internet but easy to find an accountant. Some may buy downtown to have the face-to-face contact needed to do deals. But many of them already work downtown.

Q. Will newcomers help revitalize downtown, like those who bought condos in converted mills and are reviving some old factory townhomes?

A. They'll add a little muscle to the arts community. High-income people living downtown are more apt to attend a cultural event than when they lived in a suburb and

had to drive in and find parking.

Q. Will enough condominiums in converted commercial space be sold to absorb the available offices?

A. Not in the near term. I don't think demand will reach the level needed to absorb the vast amount of office space available. Also, a slice of the old offices are conversion candidates, but many others are not in the right location or near amenities. Some don't have the right size or shape. A profitable condo project usually needs smaller floor plates and more windows than most office buildings.

2,693

Number of condos sold in Greater Boston in 2001, at an average price of \$471,251. Days on market: 63.

4,583

Number of condos sold in Greater Boston in 2004, at an average price of \$548,242. Days on market: 78.

SOURCE: Listing Information Network Inc.



PHOTO/MALONEY PROPERTIES INC.

Nicolas Retsinas (left) says that for the time being, conversions of commercial space into condominiums won't "absorb the vast amount of office space available" in Boston. Among the recent conversion projects — driven in large part by demand from affluent empty nesters — are (clockwise from top right) 360 Newbury, Strada 234, and Lincoln Plaza.



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Q. Is there a shortage of housing in the city?

A. It's more a question of affordability than supply. People must find what they need by moving further out or spending more of their income on housing. And, of course, there's the serious issue of homelessness.

Q. Does the scarcity of land contribute to the high price of Boston housing?

A. Increasingly, the land available for development is constrained by regulation imposed by government, communities, or

neighbors who oppose density and multifamily housing. That constrains supply and keeps prices up.

Q. Will city housing prices decline steeply?

A. There isn't much overbuilding but in locations with some, sales may stagnate for the next couple of quarters but prices won't fall precipitously. There will only be a steep falloff if there are major job losses. It appears the economy will continue to be stable, so forced sales are not likely, but you can lose money.