

Freudenheim Partners Takes Long View

As the COVID-19 pandemic continued to wreak havoc across the country, the real estate industry has faced its own persistent problems. At Freudenheim Partners, the Boston-based commercial leasing and sales real estate firm, CEO Leigh Freudenheim and Executive Vice President Ellen (Ellie) Fantini Cullinan are taking the long view in their expectations of what may happen as we turn the calendar to 2022.

“One of the overarching things we discovered is, I think a year ago we expected there would be more certainly in the market by now,” says Freudenheim. “But what we’re learning as the pandemic persists, we’re not as confident. At this point we expected CEOs would know whether to be remote or not, but a lot of decisions have been put off; short-term decisions are made but no one has a crystal ball to know what will happen.”

He adds, “The sentiment is to not make big decisions now for five years out.” But, contrary to reports of the death of American cities as a result of COVID, the Freudenheim team hasn’t seen many companies pulling up stakes in major urban areas to head toward “safer” locations outside of city-centers. CEO Leigh Freudenheim “There’s been no flight to the suburbs,” according to Cullinan. “It’s just a light to ‘flexibility’ - employers want to keep people happy because the market for talent is so tight. We are seeing from companies that Human Resources is more heavily involved in real estate decisions. They want to be cognizant of all employees’ needs, which vary.”

“With Covid we learned what we like and don’t like,” Freudenheim says. “Covid makes us realize what’s really appealing to people: work from home; getting deliveries; things were cut from lives in general. A lot of people who work from home will stay at home.” But “stay at home” comes with its own set of challenges. As Synergy Investments CEO Dave Greaney recently told The Real Reporter, “It’s not just the employers that are losing (from the remote working model), it’s the employees. How do you develop your skills and knowledge? You do it by sitting with people who have 10 or 20 years in the business, and you learn from them in real-time.”

Says Freudenheim’s Cullinan, “It’s very productive for employees to be together, in real time; to be able to ask informal questions - things you miss when One Westinghouse Plaza, Hyde Park MA you’re not together. It’s been interesting: it’s the younger group that really wants to come back to the office. It’s where you’re social; where you make friends. [And] I think CEOs would much prefer to have employees socialize together, to build trust and loyalty.”

Although it’s been a tipsy-topsy world for some sectors of the real estate market, others have been weathering the pandemic storm quite well. According to CBRE, New England’s largest commercial real estate services company, for the first time, the Greater Boston industrial market hit a sub-2.0% vacancy rate in 3rd-quarter 2021. Almost 3.2 million square feet of positive absorption was recorded in Q3 and just under 6 million square feet year-to-date. It’s also helped that landlords have been quick to adjust to the changing environment, almost on a dime.

“One thing Leigh and I were talking about is the adaptive re-use of space,” explains Cullinan. “Retail, restaurants; they were hit hard. Now we’re starting to see some creative solutions.” “Supermarkets are changing [for example],” says Freudenheim. “They used to be everything, like assisted living, but now, they’re much more personalized - smaller, ancillary, delivered within an hour. It’s keeping people in their homes. People don’t want to leave home and they got used to the idea. And there’s not a lot of price increase from that type of service.” He predicts, “I think it will be very appealing even without health as the concern.”

According to the Freudenheim team, the saving grace for restaurants could be the rise of what’s known as a “ghost kitchen” (aka virtual kitchen, shadow kitchen, commissary kitchen, cloud kitchen or dark kitchen). Ghost kitchens, a term that has only recently entered the daily lexicon, are a way for restaurants to continue to operate while protecting the health of their staff and customers. An existing - or completely new - restaurant sets up a kitchen in a closed restaurant space - or, really, in any location - and transacts business solely through food apps (e.g., GrubHub, DoorDash, Uber Eats). No waiters, no dining rooms, no parking necessary.

Similarly, Freudenheim Partners has helped its clients adapt and reuse. As reported exclusively in The Real Reporter, the company assisted Bosse Sports Training, which will be opening a 62,000 square foot basketball and soccer facility in a vacant industrial building at One Westinghouse Plaza in Hyde Park (Boston) near the Readville commuter rail station in the fall of 2022. “It seems counterintuitive; growing in the midst of the pandemic but it recognizes the importance of children and parents needing to get together,” Freudenheim explains. “There are ways to train and to figure out how dense the building can be. Sports venues have grown as opposed to being shut down. It’s a way for children to gain strength; as a way to grow. They need to get out.”

Things were looking up just a few months ago. While retail and hotel sectors continued to suffer, life science and e-commerce companies were filling space throughout the country. “Omicron is very recent; the fear factor is going way up,” says Freudenheim. “There’s a heightened sense of fear (or just concern). We can all speculate but it’s harder to anticipate.” “It was behind us but it is only going to further complicate decision-making,” adds Cullinan. “It’s not Omicron itself; it’s that it makes people realize it won’t end anytime soon,” Freudenheim concludes, somewhat prophetically. “This is the foreseeable future.”