



BLDUP Update **05/21/21**



With Massachusetts Governor Charlie Baker's announcement that the Commonwealth will lift nearly all pandemic-era restrictions on May 29th, Greater Boston is now anticipating the effects of entirely opening up the economy just in time for summer. Memorial Day weekend, in particular, marks the unofficial start of the travel season, with the hospitality industry particularly hammered by the restrictions. As industries begin to prepare for reopening, hotel developments across the Boston area have been completely upended and impacted by the last year.

Last week, Governor Baker made the surprise announcement to lift Massachusetts' restrictions 3 months earlier than previously stated. "We said since day one that we will get through this together because the people of Massachusetts are strong, kind, and willing to sacrifice to help their neighbor," said Governor Baker in a press announcement. Massachusetts is on track to meet the

goal of vaccinating 4.1 million in June, and the state of emergency in place since last year is set to end June 15th.

“Massachusetts' reopening is welcome news for every industry,” said Gary Saunders, Chairman of Saunders Hotel Group and Co-Developer of Raffles Boston Back Bay Hotel. “The sooner the state reopens, the more lead time hotels have to reignite interest and confidence from tourists. Raffles Boston Back Bay Hotel & Residences will open in 2022, and our expectation is that it will be a very busy, very dynamic destination hotel -- unlike any other in Boston. We also expect that Covid will largely, if not entirely, be in the rearview mirror by the latter part of next year.”



The industry has its share of expected challenges. Travel tourism and hospitality was the hardest-hit sector of employment during the pandemic, and as a result recovery will take time. “We were a little bit more challenged than other metros,” Martha Sheridan, CEO of the Greater Boston Convention & Visitors Bureau tells BLDUP. “We’re the last city to reopen which has inhibited our ability to retain businesses and attract new businesses. Even other states in New England are open, and we’re way behind the region.”

As a result of the pandemic, many developers have changed their plans on including hotels as a component of their mixed-use sites. Greater Boston has seen a dramatic increase in demand for life science space, and developers are examining their planned office and hotel developments with the intent to repurpose their plans to include lab space instead. Mark Development dropped a planned hotel from the Riverside Station development approved last November, instead converting the planned space to research facilities. In Downtown Boston, a notice of project change was approved for the under-construction 150 Kneeland Street to convert a planned 230 hotel rooms to 115 condo units in the planned 21-story building.

According to the Pinnacle Perspective Monthly Report, the occupancy rate for the region dropped from 72.7% in February 2020 to 5.3% in April, and projected recoveries are expected to only reach 42% occupancy for 2021. This has impacted some developments that already received approval in the City of Boston. Damien Chaviano, Principal of Mark Development, has stated the firm hasn't locked in a time frame to begin construction on the approved Kenmore Hotel as they are still navigating the uncertainty left by the pandemic.

Among the biggest shifts the hospitality industry has seen has been that towards boutique hotels, such as smaller, intimate developments often located in historic buildings and districts. In February, Cross Ventures, LLC submitted plans for a 137-key boutique hotel in Boston's North End on the Rose Kennedy Greenway, while in Providence the recently completed Dye House features an intimate, 5-key hotel with mixed cultural and artistic space.

Others have gone ahead in their plans with a recovery in mind. In December of 2020, SKW Partners submitted a PNF for a 266,000 SF hotel at Hook Wharf with 9,000 SF of ground-floor restaurant space.

Fundamentally, many hotels already in the pipeline have continued progress on their development with reopenings expected to coincide with the loosening of state regulations put in place last year. "I've seen very few people shift gears on hotel projects," said Sheridan. "The Omni is about to open up in July, I just attended the ribbon cutting of the Hilton Garden Inn in Longwood, and The Newbury recently unveiled its hotel after renovations."



With 3,297 hotel rooms currently under construction and another 4,034 either under review or approved, many of the planned hotel projects are picking up where they left off before the pandemic. In 2019, the City of Boston boasted just under 23,000 hotel rooms - an increase from 18,000 over the past 10 years.

With new cases of Coronavirus having dropped by 89% since January 8, and COVID hospitalizations down 88% since January 1 in Massachusetts, health officials and developers are optimistic. "We are now prepared and protected, and we can move forward together," said Governor Baker.