

LOCATION, LOCATION, LOCATION:

In downtown Boston, three takes on pandemic recovery

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Since the start of the pandemic, there have been lots of questions about the future of downtown Boston. But three years in, it's increasingly becoming clear that the answer to those questions hinges largely on which downtown Boston you're talking about.

After all, the city's core business districts — stretching roughly from Mass. Ave. to the edges of Boston Harbor — are hardly a monolith. And in a time of hybrid work, it's the hybrid places, where people don't just work but also live and play, that are bouncing back fastest.

So the post-COVID recovery of downtown can look quite different depending on where you're standing. Just ask Arturo Barroso.

Barroso owns Boston Instant Shoe Repair, a snug shoe-repair shop on Oliver Street in the Financial District where for 15 years he's built a business on the foot traffic of office workers. When COVID hit, sales plummeted, and even now the volume of customers dropping off their brogues and boots is a fraction of what it once was.

"I'd say we're probably a little bit more than 50 percent of what we used to be," he said.

But it's a different story for his friend on Newbury Street.

Rosibel Rodriguez, who owns Newbury Shoe Repair, has struggled, too, but she says her business is faring better. It's back to 70 percent of pre-pandemic sales, which she credits to her Back Bay location

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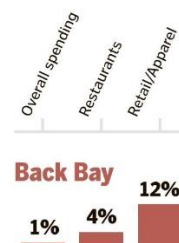
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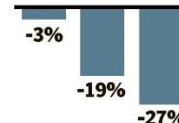
The Seaport is thriving, with entertainment spots like the Puttshack.

How in-person spending changed from 2019 to 2022



In Back Bay, with its mix of office, retail, and living space, spending numbers are up across the board.

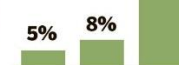
Financial District



Space for lease is plentiful in the Financial District, where the pandemic recovery has been slow to take hold.

Seaport 78%

SOURCE: Mastercard Spending Data, 2019-2022, BPDA Research Division Analysis.



Based on average of 2022 comparison to same week in 2019, weeks of Feb. 26, 2022, to April 16, 2022

Boston's recovery in three takes

• DOWNTOWN

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and the mix of office workers and people who live nearby.

"This is a small neighborhood kind of business," she said. "Everybody comes."

Then there's the Seaport, where retail is booming, but no shoe repair business has yet to find a foothold, in part because little guys like Barroso say they can't afford the rent.

"They wanted me to open one over here," Barroso said of his Seaport clients, "but it's too expensive."

The divergent tracks of Boston's three downtowns — Back Bay, the Financial District, and the Seaport — highlight the ways that neighborhoods are evolving as the pandemic eases. Nine-to-five commuters are becoming less central as white-collar workers spend more of their workdays at home. Residents and tourists are filling the gaps, to the extent they can. And some employers are dumping their staid office towers for shiny state-of-the-art buildings in the hopes their workers will actually want to come back.

The numbers are stark: As of last spring, restaurant spending in the Financial District was down 19 percent from 2019. It was up 4 percent in Back Bay and 8 percent in the Seaport. Meanwhile, retail sales plummeted 27 percent in the Financial District over that same period, while Back Bay and the Seaport saw increases of 12 percent and a staggering 78 percent respectively, according to in-person spending data crunched by Mastercard and released by the city last fall. (Of course, the Seaport has seen a boom in new retail period. It's added over 30 new stores since the start of the pandemic.)

To Tracy Loh, who studies urban development at the Brookings Institute, city-building these days is a bit like investing. You want a diversified portfolio to ride out shifts in the market.

"It does make sense that when neighborhoods are more diverse they would be more resilient to a shock," she said.

The making of the new Back Bay

On a recent weekday morning, the Tatte on Boylston Street in Back Bay was bustling — tourists tucked into skillet shakshuka, parents fed small children pastries, professionals downed lattes at their laptops — while a line stretched to the front door. Almost every seat was occupied.

But it wasn't always this way. While Boston's insurance giants have long lined Boylston Street, it was only in the early aughts that Back Bay became thought of as a destination for a wider range of companies like Wayfair, said Meg Mainzer-Cohen, executive director of the Back Bay Association. And as lawyers and consultants set up shop in the Pru or what many still call the Hancock Tower, they began to see the neighborhood as a "lifestyle center," she said.

"You could come here to work," she said, "But also then meet someone for dinner or run your errands or do dry cleaning or go shopping. That became part of the attractiveness of the offices here."

And even as working in the office

has become less central to white-collar life these last few years, that appeal has persisted, said Bryan Koop, executive vice president at Boston Properties, the office-building giant that owns — and is headquartered — in the Prudential Center. Even as Boston endures its highest vacancy rate in decades, the 1.2 million-square-foot tower is still more than 91 percent leased.

"Whereas the rest of America was going very much towards a [central business district], which was office, office, office, and then you live somewhere else, Back Bay was this wonderful mix that was more close to a European thing," Koop said. "And that resiliency is shown through in terms of the recovery right now."

And it's not just the Pru. Offices in Copley Place and along Newbury Street are largely occupied, too, Mainzer-Cohen said. The retail there is also booking at a brisk rate, said Whitney Gallivan, a broker with Boston Realty Advisors, in contrast to some corners of the city.

"I feel like Newbury has never been stronger," Gallivan said.

Across town, a very similar story is playing out, one that might have seemed inconceivable just a few years ago: The Seaport is getting its sea legs. And even on Newbury Street, people are noticing.

"If you took the best pieces of Seaport, it would be very much correlated to Back Bay," said Koop.

A neighborhood emerges

Back Bay and the Financial District, of course, have been mapped out for decades. But the Seaport — with office and lab towers, and condo buildings sprouting from the asphalt — has allowed developers to craft a new neighborhood from scratch.

As they did, executives at WS Development, which owns and manages street-level retail space across 23 acres of the Seaport, expected foot traffic to be busiest during the daytime, when office workers filled the glass towers above. Now though, it's busiest during nights and weekends, said WS senior vice president Yanni Tsipis. That's thanks to new entertainment venues like Flight Club, Puttshack, and soon-to-arrive Alamo Drafthouse — which do double time as after-work drink destinations or as birthday party spots for your kid.

Thanks to those evening revelers, restaurants like Madras Dosa Company successfully petitioned the city last summer to extend its late-night hours to 2 a.m. on weekdays and 3 a.m. on weekends. Now it's taking in 30 to 40 percent more revenue, said operations manager Uday Gummakonda. "It's going crazy," he said. "On the weekends, it's way too much. We can't handle the crowds."

"People like to go where the most people are, and where there are lots of interesting things to see and do," said Tsipis. "So the diversity of the economic base here, the diversity of the land use allocations, and just frankly, the number of new and interesting things to do and public events and programs that are here has helped to drive those key metrics significantly higher than pre-COVID."

It also helps that there are a lot of new bodies. Tsipis said the district has added nearly 2,000 new residential units since 2019.

Residents are quick to point out that while the neighborhood has people, putt-putt, and gleaming new offices, it still lacks basic amenities like a school, library, or a cobbler. It's an enclave of the wealthy, with a median household income topping \$167,000, more than twice that of the city as a whole. And de-

spite its many amenities, the Seaport remains harder to reach than the Financial District, with only the Silver Line servicing the area. And yet ... it's still thriving.

"The reason the Seaport is doing better than other downtown neighborhoods is because it's newer," Loh said. "The buildings are more modern, they are less obsolete, and they are relevant to the way that people live now."

The disruption of downtown

And then there's the Financial District. Home to 42 percent of the city's office space, it was the beating heart of Boston's commercial core. But now it has gone from being the district with the highest volume of foot traffic, according to the report released last October by the city and the Boston Consulting Group, to one that's limping behind. Foot traffic is still one-third below pre-pandemic levels in the Financial District, according to data firm Placer.ai, and the office vacancy rate is 20.4 percent, Colliers data show.

This downward drift threatens to become a vicious cycle. A central business district where people aren't going to work isn't very appealing to retailers and restaurants looking to open up shop. Empty storefronts on quiet streets don't give workers much reason to return to the office. That's part of why the vacancy rate around South Station is twice what it is in the Seaport.

That's making life harder even for those businesses that remain.

Before the pandemic, Cuban-themed hot spot Mariel in Post Office Square started to get busy by 5:15 on weekdays, just after bankers hours ended. Now, not so much.

"At our locations in the Financial District — Yvonne's, Ruka, Mariel — everything related to office workers is gone Monday and Friday," Christopher Jamison said, citing the popular hybrid schedule for many downtown companies. "The rest of the week, it's not much better," at least until the dinner crowd shows up later in the evening.

Jamison's COJE Management Group has places in other parts of town too; the Lolita tequila bars in Back Bay and Fort Point, and the Coquette restaurant in the Seaport. They're busier, and Jamison thinks he knows why. "The Financial District is going to continue to struggle without the return of workers," he said. "Back Bay, Fort Point, and Seaport all have the benefit of heavily residential populations."

City officials see this too, and increasingly think the solution may lie in some of those nearly empty office buildings that dot the Financial District, that could potentially be turned into housing. On Thursday the Boston Planning & Development Agency hired a consultant to study this, and some building owners have at least run the numbers on what it would take.

The same story is playing out across the country, as developers are contemplating office-to-residential conversions and other ways to reinvigorate downtowns. Washington, D.C., has 2.5 million square feet of office space dedicated to residential conversions, and is actively courting developers to find ways to transform some of the 20 million more that's sitting empty. Last month, New York-based commercial landlord Silverstein Properties announced plans to funnel \$1.5 billion to turn office towers into apartments.

But the numbers are hard to make work. Because of their different design, not many office buildings work for conversion, and even for those that do, the process can be difficult and costly. And in general, office space commands a higher rent than residential, leading owners to want to hold on and hope, Loh said. So cities that want to convert buildings should look at incentives for building owners, she said.

"A lot of the conversions are kind of awkward, and it's not as ideal as built-to-suit," she said. "But what these buildings have going for them is that they are in incredibly accessible locations."

Of course there has been some new residential downtown in recent years.

Millennium Tower brought more than 400 high-end condos to Downtown Crossing when it opened in 2017, and hundreds more are going up at the nearby Winthrop Center and South Station. The BPDA recently relaunched a downtown plan "to develop a new framework for the preservation, enhancement, and growth of the Downtown area." But right now, out of 31,000 housing units approved or under construction citywide as of mid-2022, only 400 are in the Financial District, according to city data, compared with 1,300 in Back Bay and 1,100 in the Seaport.

City officials say the cure for what's ailing the core of downtown is more people using it for more reasons. That includes housing, said Segun Idowu, the city's chief of economic opportunity and inclusion. It also includes filling vacant storefronts with nonprofits and a wider range of small businesses through a new grant program the city is launching this year.

All the vacancy, he said, is a chance to imagine something new.

"The Financial District or really any downtown cannot rely on one specific audience which has been the employee base," he said. "It's an opportunity to reshape and rethink these areas that have been traditional for so long."

Take High Street Place, for example, former underutilized cut-through between office towers that is now a thriving food hall teeming with office workers.

But whatever that reimagining looks like, it's going to take time, if for no other reason than that roughly 60 percent of the commercial space in Boston is already locked into its current leases until 2026 or beyond. There'll be no answers overnight.

In the meantime, struggling store owners like Barroso have a faster solution.

"Tell everybody to come back," he said.



ERIN CLARK/GLOBE STAFF

SEAPORT Developers expected daytime to bring the most foot traffic, but nights and weekends are even busier.



DAVID L. RYAN/GLOBE STAFF

FINANCIAL DISTRICT For cobbler Arturo Barroso and others, business is not back to what it was before the pandemic.



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BACK BAY New retailers are filling in empty storefronts, restaurants are full, and the recovery feels strong.