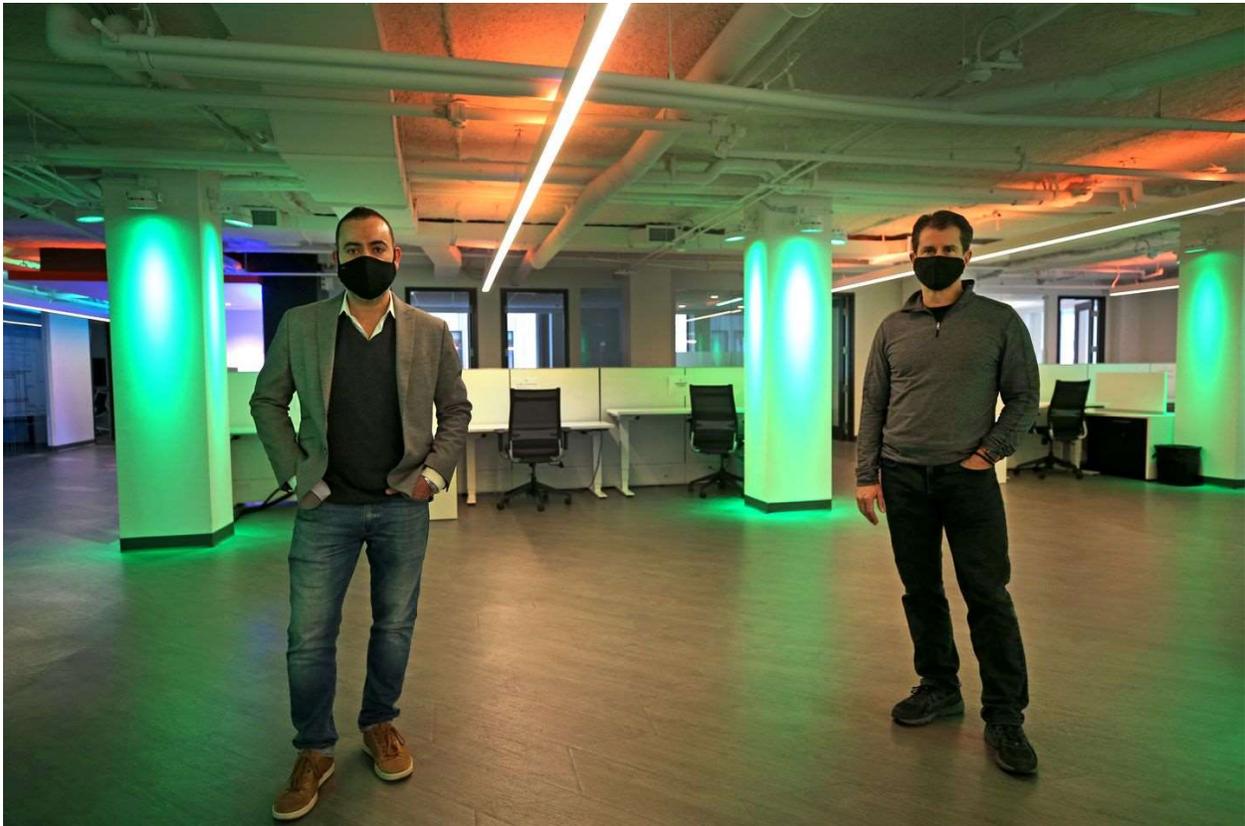


# The Boston Globe

## Will Boston lose its competitive edge in a work-from-home world?

**Executives say they're not worried about a California-style exodus taking place here, at least not yet**

By Jon Chesto Globe Staff, February 2, 2021



*CEO Will Lopes (left ) just signed a lease for a new Boston office for his sports-tech company, Catapult, at 10 Post Office Square. On the right is Chris Cooper, chief operating officer. David L. Ryan/Globe Staff*

Tech companies are heading for the exits in California. Wall Street tycoons are packing their bags to catch some Florida sunshine.

So, a big question looms for Boston's business community: Will we be next?

The most common answer you'll hear: So far, no.

But troubling signs abound for Greater Boston's competitiveness amid the remote-work trend spawned by the COVID-19 pandemic.

More than 4 million square feet of office space in Boston has hit the market as employers rethink their needs for a post-pandemic reality. Vacant storefronts grow by the day downtown, with only one out of 10 people regularly commuting to the high-rises there. Jobs in the state fell 9.1 percent in the past year, the fourth-largest decline in the country. And more than one-fourth of companies surveyed by the Massachusetts Competitive Partnership said they are considering moving jobs or offices out of state.

But Massachusetts hasn't yet registered any high-profile departures of companies complaining about taxes, high costs, or overregulation. No Oracles or Hewlett Packard Enterprises heading for Texas. No hedge-fund executives setting up shop in South Florida.

Get Business Headlines in your inboxThe Globe's latest business headlines delivered every morning, Monday through Friday.

Enter Email

"We're not even hearing rumblings," said Liz Berthelette, research director at the brokerage Newmark.

So what's protecting us? The eds-and-meds economy, for one. Hospitals and universities are primarily in-person operations. It's similar for the region's booming life-sciences sector, with all the office-to-lab conversions underway. Developing drugs is a task best done at a lab bench, not at home.

"Few markets around the globe can compete with Boston in that respect," said John Boyd, who runs a corporate site-selection firm in New Jersey.

Nonetheless, much of the area's economy could hinge on how many white-collar workers return to the office.

For many companies, fewer employees will be expected in the office full time, for all five days. That can translate to shrinking floor plans. For example, LogMeIn is halving its Fort Point headquarters, fund manager Loomis Sayles is trimming its space by a third, and ad agencies Hill Holliday and MullenLowe are leasing smaller digs.

Aaron Jodka, managing director of research at the Colliers International brokerage, said about 3.3 million square feet of office space is available in the Boston market for sublease, a record amount, with more to come likely in 2021. But Jodka remains bullish on the long-term outlook.

Chief executives are eager to reunite their workforces. There are also intangibles — the loss to culture, casual conversations, and collaboration when colleagues see each other only over Zoom.

Jodka said Amazon's recent expansion announcement, to add as many as 3,000 office workers in the Seaport, is a good omen for Boston, even though the lease option was lined up in 2018.

Wayfair is another big employer with no plans to pare back its office plans for Boston. "There is significant value to being together in person," said Niraj Shah, chief executive of the online home-goods retailer. "I don't think the pandemic and the work-from-home period we're going through will materially hurt Massachusetts."

Boston's future will also depend on smaller companies, particularly those hungry for deals caused by the retrenchment of others. A good example: the sports-tech firm Catapult. The Australian business just signed a lease for 15,000 square feet in the Financial District.

"There's still a really deep need to collaborate" in person, said Will Lopes, Catapult's chief executive. "Despite all the advances we're seeing with technology for working from home, it's still not quite the same."

Even companies that go fully remote may not want to leave Boston's orbit.

Consider Zylotech. Chief executive Ernie Cormier decided last year to make the Cambridge software startup completely virtual. He saves on office costs and can hire talent from just about anywhere. But Boston-area candidates often still have an advantage, because Zylotech will periodically hold all-hands meetings in person.

"We're interviewing around the country right now, [but] there's a bias toward the Boston area," Cormier said.

Access to labor is the biggest driver in these corporate decisions. With the densest cluster of colleges in the world, Greater Boston produces that sought-after talent in spades.

"The universities provide a pipeline that's just unstoppable," said Black Kite's Paul Paget, who relocated the cybersecurity startup to Boston from Virginia last year after joining as chief executive.

Those schools support the clusters that have sprung up over decades in biotech, high-tech, financial services, and other key sectors. While sidelined during the pandemic, these invaluable networks are not easy to recreate somewhere else.

"Clusters are hard to form," State Street CEO Ron O'Hanley said. "But they're also hard to break."

Until the pandemic subsides, the tumbleweeds will probably continue to blow through Post Office Square. The eerie quiet in Boston's central business district has sparked numerous conversations at City Hall about the city's economic competitiveness. City officials remain optimistic.

Brian Golden, head of the Boston Planning & Development Agency, said his phone rings off the hook with calls from life-sciences companies.

“The appetite is insatiable for life sciences,” Golden said. “The whole world is focused on making sure things like this [pandemic] don’t ever happen again.”

Many local executives say they’re more concerned about the issues that bedeviled us before the pandemic, such as transportation and housing.

Then there’s the thorny issue of taxes. The Taxachusetts label aside, the state remains middle-of-the-road on that front. The Washington-based Tax Foundation’s latest survey puts Massachusetts in 34th place, while New York, New Jersey, and California are at the bottom. One reason Texas and Florida draw so many businesspeople: their lack of a personal income tax.

Chris Anderson, president of the Massachusetts High Technology Council, warned that work-from-home has reduced “the barriers to exit.” Of particular concern in the C-suites: a looming “millionaires tax” ballot question that could go to voters next year that would raise income taxes on the highest earners. We could be one tax increase away, Anderson warned, from a California-style stampede of taxable wealth and jobs.

Taxation is just one of many factors in expansion decisions, said Tom Stringer, New York-based managing director for the consultancy BDO’s site-selections practice. Talent is paramount. But the cost of doing business is important, too. Expensive cities like Boston may need to step up their game in a work-from-home world, he said.

“It has shown companies they can take enormous costs out of their balance sheets, in terms of their commercial real estate,” Stringer said. “The future for Boston, San Francisco, and New York, the major cities, is still bright, but it doesn’t mean it’s not going to present some challenges that have to be dealt with.”