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Bullish builders



STUART GARFIELD

Curtis Kemeny of Boston Residential Group, one of the lead developers of 285 Columbus Ave., says the high-end market has survived mainly due to its limited volume.

High-end developers push forward while those in the midrange step to sidelines

BY MICHELLE HILLMAN
JOURNAL STAFF

Christopher Maher knows his condo project suffers from two of the ailments high-end developers say are sure-fire killers: units are priced in the mid-range and the building is located too far outside downtown Boston.

Those two factors, primarily, can sink a project in today's finicky residential market where timing, location, product type and financing make all the difference. Take one element out of the equation and it could be years before a single resident moves in.

Maher, vice president of Boston Garden Development Corp., said the planned 361-unit condo project called Nashua Street Residences has stalled.

The 37-story tower, located behind the TD Banknorth Garden, was approved in mid-2005 and is significant in both cost and risk, said Maher. For that reason and to respond to the market slowdown for mid-range, Boston Garden Development is in search of alternatives, including a development or financial partner.

"The market softened as we came out of the approvals for that building," said Ma-

CONDO: Midrange market slows while high-end projects march on

her. "That's a lot of product to bring into the marketplace."

Maier said he'll wait at least a year for the market to turn around before beginning construction.

While some large condominium projects have faltered or not started at all, developers of specialized, high-end condominium projects are moving full steam ahead. Even though the overall condominium sales market has slowed, the demand for luxury condominiums is as robust as ever, say developers and real estate brokers.

"It's doing terrific," said Mary Kelleher, a broker with Gibson Sotheby's International Realty of the high-end market. Kelleher said last year 352 units were sold for \$1 million or more and so far this year, there have been 282 sales of \$1 million-plus units, according to a report Gibson Sotheby's compiled on the high-end condo market last week. Also, year over year the per-square-foot price for million-dollar units has remained static from last year when it was \$861 per square foot compared to this year at \$873 per square foot.

The sales of high-end condos have continued in what is generally considered to be a slumping market. Even still, there are developers who have chosen not to put a shovel in the ground and instead wait out the market.

Kelleher acknowledged the mid-range downtown condo market isn't doing so well.

"I do think a lot of places are going on the shelf," said Kelleher. "The big thing is a lot of them are going to be going forward later. They may need to reevaluate their position in the market."

For Maier the risk versus reward equation did not work in Boston Garden Development's favor. Rather than inflate sale

prices to keep up with increasing construction costs and alienate the targeted market, Maier said he's willing to be patient. The demographic Maier is chasing is buyers who can afford \$700 per square foot or condos in the \$600,000 range.

Despite the fact that high-end condos seem insulated from the current slowdown, Maier said there's a limited supply of buyers who can afford luxury units that typically start at \$1,000 per square foot.

"Are we a little more on the fringe from the core? I would say we probably are," said Maier. "Would we have wanted to open up this building with \$1,000 per square foot units when we were planning this way back in the beginning? I don't think so."

Developers like John B. Hynes III of Gale International see no reason not to start building condos as soon as possible. Hynes is redeveloping the former Filene's site in the heart of Downtown Crossing into a mixed-use development that contains 140 condos. Hynes plans to start marketing the condos next year for between \$1,200 and \$2,000 per square foot and said his only competition is the nearby 138-unit project at 45 Province St. which is being developed by The Abbey Group and is under way now.

"The fact is the high-end residential market in this city has never been stronger," said Hynes. "The market here for \$1 million homes and above continues to grow."

Just ask Curtis Kemeny who is developing his second high-end loft project in two years at 285 Columbus Ave. in the South End on the edge of the Back Bay. Kemeny, president of **Boston Residential Group**, was the developer behind 360 Newbury St., which has one of 54 units left to sell. Construction on 63 high-end loft units at 285 Columbus is under way and

Kemeny expects to sell the units for about \$850 per square foot.

Kemeny said the high-end market has survived because there's a limited supply on the market. Kemeny credits the size, location and type of unit he's building as reasons for moving forward.

"When you're in the upper end of the market ... that's a factor because there isn't much of it out there," said Kemeny.

Hynes said projects that have faltered are the ones in "fringe locations" or unproved residential neighborhoods like parts of South Boston and the South End. Kemeny counted Downtown Crossing a "new" residential location especially for for-sale units.

One project still on the drawing board, called Hayward Place, is located on Washington Street in Downtown Crossing on the border of Chinatown.

The developer, Anthony Pangaro of Millennium Partners, insists it is on track and will start "as soon as possible."

Hayward Place was approved last October as a 220-unit condominium project. However, Pangaro didn't rule out the possibility of converting for-sale units to rentals during the sales process.

"Those decisions can be made at a later time," said Pangaro. "No one can say things can't be rented in part, that's a device we always use, but at the end of the day it's for sale."

Developers are looking for ways to minimize risk especially those like Maier who said he's trying to find a way to make the Nashua Street Residences work, including considering rental as an option.

MICHELLE HILLMAN CAN BE REACHED
AT MHILLMAN@BIZJOURNALS.COM.