

# SPEC ARRIVES IN SURPRISING MARKETS

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Although our small city has a finite amount of land, the property markets have shown us a **grand opportunity** to build in areas that **weren't deemed possible before**. Boylston Properties' **Bill McQuillan**, for one, is making a **\$200M bet on Watertown**. We offer a few details below and invite you to learn more at ***Bisnow's Emerging Markets*** event, **June 24**, starting at 7:30am at the Westin Waltham.



Since 2000, Bill and partner **Mark Deschenes** have been investing in this city

on the Charles River, adjacent to Cambridge. First they redeveloped a lab building that sold well in '05. In '04, they acquired One Arsenal in Simon Properties' Arsenal Mall: 60k SF of office, retail and parking. In 2013, BP, in partnership with the Wilder Cos and Jonathan Bush, bought the **Arsenal Mall** for \$80M and are planning a **major overhaul**. Last month, they started construction on a **\$39M**, 150-key **Marriott Residence Inn**. In the fall, they plan to start building a **\$60M**, 185k SF **spec office** at 480 Arsenal St, also in partnership with The Wilder Cos.



Boylston Properties' early experience with the town and its residents led the company to pay \$5.1M for a 1.45-acre site then occupied by a Saab dealership. Now, **15 months of construction** for the **Marriott** has begun. Bill says local officials have helped East Watertown expand its **commercial property base**, breathe new life into the mall and add the amenity of a new hotel.



Boylston Properties and its partners have acquired enough property to build the kind of **mixed-use neighborhood** that's in demand. With a substantial amount of multifamily property in development by others, Watertown will be able to offer an **urban live/work/play experience** in a **bucolic riverfront setting**. Bill is confident the **spec office** will lease up because office supply is scant—1.2M SF—and **vacancy rate is 3%**. That Class-A Watertown **rents** are in the \$30s/SF to \$40s/SF versus the \$50s/SF to \$70s/SF and higher in neighboring cities can often **seal a deal**.



The wide range of “acceptable” new locations is “unprecedented,” says Prellwitz Chilinski’s **David Chilinski**, who will moderate our event. Now, the clients of his architecture firm are **looking** everywhere from **Dorchester to Bedford, NH**, for multifamily sites. In South Boston’s long overlooked **Andrew Square**, one client, **DJ Properties**, is planning a mixed-use project that will create six new city blocks: 700 residential units, 80k SF of retail and 2.5 acres of public open space (rendering below), he says.



When his firm designed the **Green District** in Boston's **Allston** neighborhood for The Mount Vernon Co a few years ago, it was the **first** new housing to come into the neighborhood **in 40 years**, David tells us. Developers' new openness is driven by the **low cost of money** and a "profound **change**" in attitude—Millennials want to live in an urban village atmosphere. The renter pool is big, with some potential homebuyers still spooked by the **financial crisis** or unable to meet **lender demands** for a 20% down payment.



The Mount Vernon Co Chairman **Bruce Percelay** says there's a **renaissance underway** in Boston thanks to a strong economy and growing population. Ready to **pioneer**, Bruce acquired a building on **Parker Hill Avenue** in Mission Hill.



After successful trailblazing in **Allston** with the nearly 300 new apartments in the Green District (above), Bruce is considering projects in **East Boston** and **Dorchester**—which hasn't seen new development in many years. In Dorchester, Bruce **may develop** a **250-residence complex** with an array of restaurants and other amenities. In all of these areas, there's a **strong demand** for housing from people **priced out of the South End** and other more core locations.



Rents and sale prices are being driven up by the cost to develop. Four years ago, land could be purchased for **\$45k/unit; now it's \$75k/unit**. And the price tag for construction has risen from \$175/SF to \$250/SF, Bruce says.

**Investment values** are being **propped up by low interest rates**. If interest rates rise substantially, cash flow may slow to a trickle or even go negative. We have an exciting lineup of speakers planned, talking about the most important neighborhoods for you to know. Join us for ***Bisnow's Emerging Markets***, **June 24**, starting at 7:30am at the Westin Waltham. [Register here.](#)

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