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June 25, 2015

How Boston's Top Developers Discover Emerging Markets

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Every developer wants the next big thing. Yesterday, we asked developers how they go out and find it at **Bisnow's Boston's Suburban and Emerging Markets** event at the Westin Waltham.



The panel on emerging urban submarkets (above) included moderator Prellwitz Chilinski's **David Chilinski**; Mount Vernon Co's chairman, **Bruce Percelay**; US2's **Greg Karczewski**; Boylston Properties' **Bill McQuillan**; and Boston Realty Advisors' **Chris Sower**, a broker.

The developers on our first panel are doing projects in **Allston, Somerville** and **Watertown**. Here are some features they seek when choosing a site and some challenges they face.



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Bruce, who sold his multifamily Green District in Allston, has a “**voracious appetite**” for new sites. For a development on **Western Avenue in Allston**, he’s “racking his brain” trying to come up with a **compelling product**. Such differentiators help a developer **survive a down cycle**. For The **Green District**, the first major new multifamily development in Allston in at least 50 years, Bruce saw what others missed: a location with **convenient T service** that borders the hot Boston and Cambridge markets, and was filled with **derelict buildings**.



Greg leads Union Square Station Associates (US2), the master developer that’s planning the \$1B, 2.3M SF redevelopment of Union Square. He gives lots of credit to Somerville and



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Mayor Joseph Curtatone. The mayor, a lifelong resident, lobbied hard to get the **T** to agree to build **six new stations** in the former industrial city. He's also strongly supported Federal Realty Trust's **\$1.3B Assembly Row** mixed-use project, where Partners Healthcare is building an office complex that could reach 1.1M SF. Demographically, Somerville has a population heavy with **Millennial college grads**, the type of workers sought by companies in the surrounding "**Brain Triangle**" of Tufts, MIT and Harvard, Greg says.



To **Bill**, raised in Needham and living in Brookline, **Watertown** is not the "hinterlands" described by some. It sits between Cambridge and Boston. A quick bike ride from his sites, which include (and are near) the **Arsenal Mall**, is a dynamic mix of new developments including the \$500M mixed-use **Boston Landing** and **Harvard's** site for its **Allston campus**. Last year, after his firm opened a 175-key **Marriott** in Brookline, the hotelier decided to focus on Watertown and is partnering with Bill's firm on a hotel that **recently broke ground**. Boylston Properties is also redeveloping the Arsenal Mall and planning an office building nearby.

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The Future of the Suburbs panel included: moderator Lean Project Consulting’s **Hal Macomber**, National Development’s **Andrew Gallinaro**, The Davis Cos’ **Quentin Reynolds**, and Sam Park & Co’s **Sam Park**.



Sam and his partners (developers of the **\$100M Point** on 90 acres in **Littleton**) face the lingering aftershock from the **Great Recession** that hit the **outer suburbs hard**. But he figures that building across Rte 495 from **IBM’s** largest software R&D site in North America with **1,600 employees** means, “We won’t fall on our face.” The key is to invest in **density and amenities**, he says. He plans to plow back **10% of expected office rents** of about \$32/SF into **amenities** like fire pits, climbing walls and outdoor walkways. Already in

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Retaining tenants calls for **significant TI**, says Quentin. In older buildings, opening up floor plates and activating a lobby can **bring new life** and new tenants. In Burlington, where TDC paid **\$36M** in Q1 for One Burlington Business Center—now **The Center at Corporate Drive**—there’s a strong existing market, infrastructure and a deep tenant pool.



Andrew (center), whose firm paid **\$216M** for **New England Executive Park** two years ago, is doing a major **renovation and addition** to bring the Class-B complex up to Class-A. They’ll convert the old fashioned suburban offices

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into a **walkable, amenity rich** environment with open plan offices, more retail and a **new hotel**. **Class-B** product may soon become **obsolete**, as owners reinvent or redevelop them, he says. Big issues for suburban towns: create access to **public transit** and encourage **more residential** development near office nodes.



Finding the next hot market takes “**pioneers**,” and we had plenty of those on our panel, Chris says. Still, it isn’t easy to find big sites for a major mixed-use project. Typically, they’re **industrial sites** with **existing businesses** on them. Once he identifies them, he tries to get in front of the property owners to **explain the value of the land**. It’s important to be creative and flexible so the acquisition isn’t presented as just buying the land and shuttering the businesses.

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Our events always include time for fruitful **networking**. Here's Gilbane's **Michael Kennedy** and a mysterious hand.



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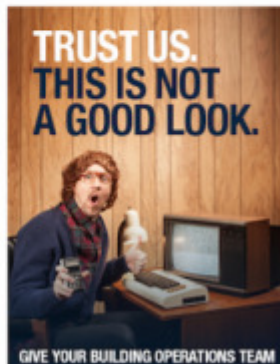
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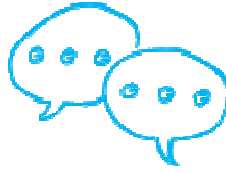
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If it weren't for folks talking about low-flow aerators and HVAC tune-ups, we might have thought we were on line for Epcot's Soarin' flight simulator. (Also the line wasn't four and a half hours long so that also tipped us off.) Luckily, we didn't need a FastPass to get into the Every Building Conference & Expo floor, which opened yesterday afternoon.



Don't Miss the BOMA Show Dailies!

For the fourth year, *Bisnow* has been chosen by **BOMA International** to produce its **award-winning official show dailies** at the [2015 BOMA International Conference & Expo](#), which runs from **June 28 to 30** in Los Angeles. Our Property Management and Southern California reporters are there on the ground producing **up-to-the-minute coverage** (as long as they don't give in to the siren song of celebrity house tours). BOMA is sending out the coverage to its more than **25,000 members** and partners; [subscribe](#) to *Property Management Bisnow* to make sure you receive the latest show dailies. At the conference? Email [Amanda Marsh](#) and [Elliot Golan](#) to say hello or give them tips on the **hottest expo swag**.



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