

# BANKER & TRADESMAN

THE FINANCIAL SERVICES AND REAL ESTATE WEEKLY FOR MASSACHUSETTS

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Photo courtesy Berkeley Investments

Fort Point's FP3 condo project is doing well since its strategy switch.

**SOMETHING IS GOING ON**

## ONE BOSTON CONDO DEVELOPER DIDN'T PANIC, FOUND SUCCESS

Fort Point's FP3 Project Seeing Sales Increase During Downturn

BY PAUL MCMORROW | BANKER & TRADESMAN STAFF WRITER

**F**P3, the 92-unit condominium project in Boston's Fort Point neighborhood, came online weeks before the bottom fell out of the city's red-hot condo market. Last year set records for big condo deals, but an economy limping along on life support put an end to that. Transactions tumbled by upwards of 60 percent. New condo construction became un-financeable, and real estate observers took to talking about large blocks of unsold units like an albatross around developers' necks.

FP3's developer, Berkeley Investments, didn't panic. Berkeley overhauled the project's marketing, trimmed prices and resolved to work through the doldrums. They emphasized the warehouse-and-infill project's location, award-winning architecture, amenities (including two new Barbara Lynch establishments) and value.

That strategy is now paying dividends.

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**COMMERCIAL INTERESTS**

## Bay State's Foray Into Casinos May Bust Foxwoods, Twin River

BY SCOTT VAN VOORHIS | BANKER & TRADESMAN COLUMNIST

**C**asinos in Connecticut and Rhode Island have sucked billions from the Massachusetts economy over the past decade. Now Bay State lawmakers, as they prepare to legalize casinos as early as this January, could wind up turning the tables with a vengeance.

A green light for slot machines in Massachusetts could put both Foxwoods and Twin River, already struggling, on the ropes.

The legalization of one or more casinos in the Bay State, combined with some slot parlors, could strike a devastating blow at both Foxwoods and Twin River,

If Massachusetts does indeed pull the trigger on casino gambling early next year, as widely expected, you can expect some real scrambling by these two major out-of-state competitors.



Scott Van Voorhis

overnight wiping out a third or more of their business, according to one top local gaming industry expert.

And it could not come at a worse time for our still formidable, but increasingly vulnerable, out-of-state casino competitors.

Now the largest casino in the world, Foxwoods is scrambling to renegotiate billions in debt after a massive expansion plan gone awry. Rhode Island's Twin River, for its part, is stuck in bankruptcy court, its future ownership uncertain and its lenders increasingly holding the cards.

Really the only gainer outside the Bay State of casino legalization here would be Mohegan Sun, which has craftily insulated itself from such a future with plans for a network of feeder casinos.

"It does not put them out of business, but it certainly creates some major difficulties for them," said Clyde Barrow, a professor and gaming industry expert at the University of Massachusetts Dartmouth, of Foxwoods. "They would have to downsize their operations."

Of course, there's one very simple reason why casino legalization in Massachusetts would strike particularly

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## Despite Recession, No Surge In Bay State Check-Cashers

Meanwhile, Banks' Pursuit Of 'Unbanked' Still Spotty

BY LAURA SCHREIER  
BANKER & TRADESMAN STAFF WRITER

**C**ritics of check-cashers might assume the rough economy has brought more of them cropping up like stubborn weeds within low-income neighborhoods – but that doesn't appear to be the case.

A review of Division of Banks data shows the number of check-cashing outfits approved in the state in 2008 and so far in 2009 is roughly on par with the four years prior – anywhere from three to eight check-cashing license applications were granted from the years 2004-2007,

when the economy was much stronger.

The one major exception came in 2006, when Wal-Mart got permission to open check-cashing in all 44 of the Massachusetts locations it operated at the time. Many check-cashers nationally double as payday lenders, but Massachusetts doesn't allow them.

**No Boom Here**

As far as the check-cashing industry is concerned, consider this: It's hard to get a paycheck cashed when you don't have a paycheck in

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Mass. check-cashers haven't seen big payday.

Photo courtesy

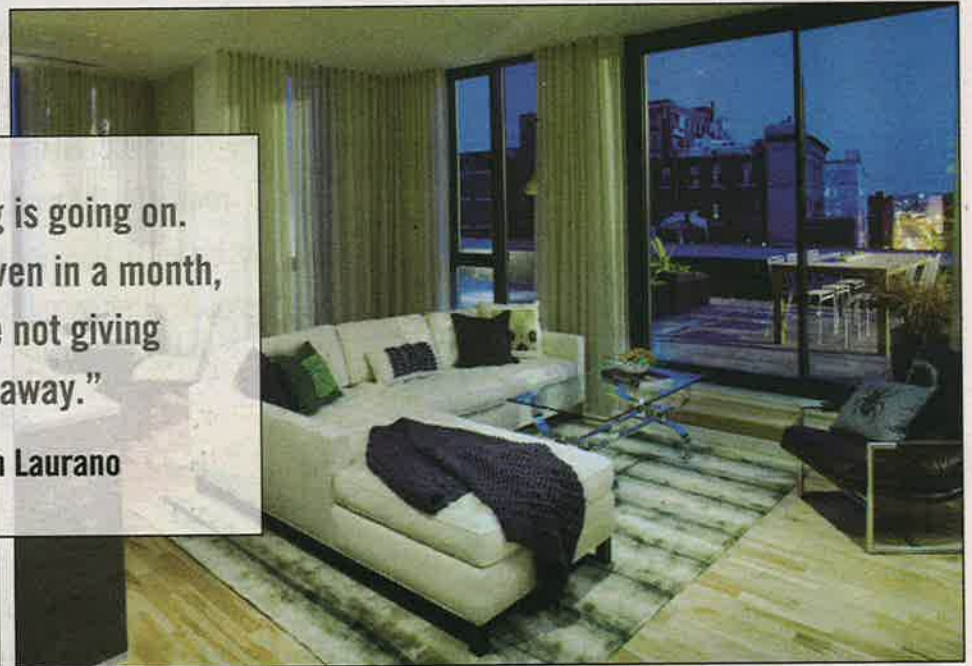
# COMMERCIAL & INDUSTRIAL

## While Other Condo Developers Chose Auctions, Berkeley Changed Its Strategy For FP3



"Something is going on. We closed seven in a month, and we're not giving them away."

- Joseph Laurano



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Some condo developments have spent much of the year averaging less than one sale per month; Berkeley was doing two to three during the summer, and closed seven in October. Three more are under agreement, and four others are being held on reservation. Berkeley believes FP3 is the busiest new condo development in town.

### No Quick Turnaround

"It didn't happen overnight," said Berkeley principal Young Park. He said the project's repositioning efforts had an eye on "the intrinsic value of FP3, given the market, the neighborhood and our building. It was clear, from our perspective, that the project offers something very unique."

"We are confident in our optimism that the market is getting better," added Joseph Laurano, director of operations for Berkeley's residential marketing group. After a strong autumn, Laurano predicted FP3 will hit the 51 percent sold mark in the coming months, allowing Berkeley to tap a much wider pool of buyers with Fannie Mae-backed financing.

"The momentum is building off itself. We have good value and good momentum."

Building momentum isn't necessarily the go-to plan at Boston-area condo developments. Year-to-date condo sales in Boston are off last year's pace by 16 percent, according to data from The Warren Group, publisher of Banker & Tradesman. Statewide year-to-date condo sales have also slowed by 16 percent. The owners of a few high-profile new developments have responded to that slowdown by putting some, or all, of their units on the auction block — often at steep discounts. Others have backed off condos altogether, and converted to rentals.

Early in the spring, Berkeley committed to a strategy of trimming prices by an average of 15 percent, and working through the sales process steadily. Park said Berkeley decided to discount the project's lower floors, believing "it was not the time to be pushing million-dollar-plus penthouse units. For them to be successful, we had to firm up the base."

### Reengaging The Community

Laurano credited the swell in activ-

ity to a decision Berkeley made several months ago to bring their marketing operations in-house. As head of Berkeley's new ResMark unit, Laurano reengaged Boston's brokerage community, launching an event-based marketing effort that established firm links between the project and Fort Point's arts and fashion scene. They saw foot traffic nearly double right off the bat.

He said ResMark also worked hard to combat the notion that FP3 was a tough place to do a deal.

"Whether it was true or not, we worked hard to change that perception," he said. Berkeley now is tossing in extras like free parking and prepaid condo fees to get deals to closing.

"We are flexible. We are reasonable. If we are close, we will make it happen."

"In the condo landscape, as devastated as it was, there were opportunities to attract people who sought value," Park said. Berkeley bet that price points and supply and demand fundamentals were in their favor. Laurano is seeing tremendous activity in studios, one-bedrooms and one-bedroom-plus units priced in the \$300,000 to \$700,000 range. Penthouse units, with commanding views of the Boston skyline and Fort Point's brick-and-beam warehouses, are priced under \$1,000 per-square-foot.

"Something is going on," Laurano said. "We closed seven in the month, and we're not giving them away." He added, "The sense of urgency has returned to this building. Folks will come on Sunday for an open house, and by the time they zero in on three or four units, their top two are gone. They almost don't believe you."

"It's picking up, but it's very value-conscious," Park added. "You can't blame buyers for wanting the best deal. Because there's no new supply, people will naturally navigate to projects that have the right combination of immediate value and long-term growth potential."

In September, Massachusetts saw its first year-over-year increase in condo sales volume in more than two years, according to Warren Group data. Sales volume in the third quarter was down 3 percent year-over-year, compared to a 16 percent year-to-date slide.

"Time is on our side now," Laurano said. He predicted upward pressure on

pricing in the spring, thanks to dwindling new supply and a growing pool of buyers.

Park argued that most condo auctions have been the result of lender pressure.

"We not only met lender requirements, but we also refinanced our construction loan in pretty tough market conditions," he said. "Do we wish the market was more positive? We all share that hope."

But it is what it is. We're certainly not losing sleep over it. There are opportunities in the marketplace. The key is executing well what you have in your portfolio today, so you can take advantage of the opportunities tomorrow. ■

E-mail:

[pmmcmmorrow@thewarrengroup.com](mailto:pmmcmmorrow@thewarrengroup.com)



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