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Luxury Homes Fare Well in a Mixed Market

By Catherine Bolgar

In Boston real estate, it's the best of times and the worst of times.

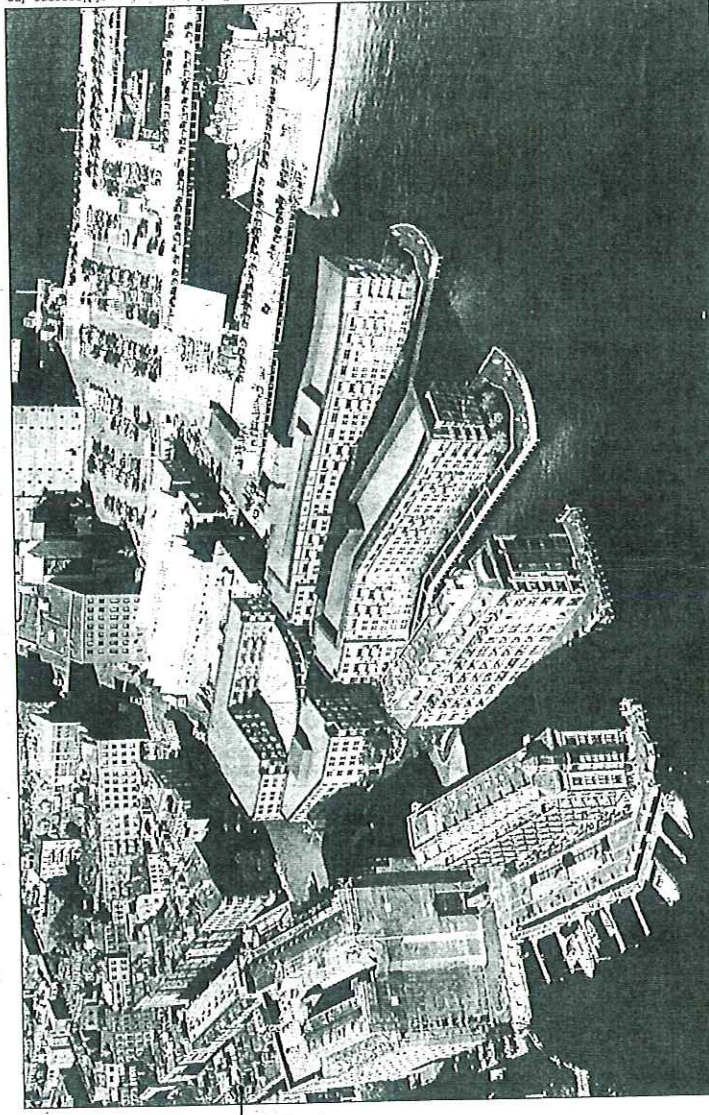
Fifteen Boston homes sold for more than \$3 million between Jan. 1 and April 25, compared with only six during the same period in 2007, at the height of the real estate market boom. Meanwhile, the number of overall sales in the second half of last year fell about 25%, says Timothy Warren, chief executive of the Warren Group, a financial information-services and media company based in Boston. "This year, the first quarter has been the same or even worse," Statewide home prices fell more than 10% in March.

"The housing market in Boston is highly segmented, by location and by income, and the segments don't affect each other very much," says Barry Bluestone, professor of political economy and director of the Center for Urban and Regional Policy at Northeastern University in Boston. "You can have a buoyant market at the high end and a weak market in the middle and at the low end."

Boston is an accentuated case of the national phenomenon of growing income inequality, Prof. Bluestone says. The city's boom in financial services and venture capital firms has created a growing pool of people able to afford luxury homes. At the same time, Boston is riding the new urbanist trend toward boomers and young professionals alike are looking for maintenance-free living within walking distance of top restaurants, cultural events and work.

The result is that the downtown condominium market is faring well. Although the number of sales through April 25 is down 31% from a year ago, the average sale price is up 8%, according to Otis & Ahearn, a Boston real estate firm. Apartments costing over \$1 million made up 16.7% of total downtown condo sales in the same period vs. 11.3% in red-hot 2005.

"In general, we are seeing fewer sales in our most prestigious and established residential neighborhoods, however, the average selling prices are up, with the exception of the waterfront," says Debra Taylor Blair, president of LINK, Listing Information Network, a Boston-based real estate information and



Renderings courtesy of Neoscape, Inc.

Prof. Bluestone of Northeastern. The Clarendon, a 33-story tower under construction in the Back Bay, will even have a "culture lounge," affiliated with the Assouline publishers of art, design and photography books, where residents can sip tea and read.

The building, expected to open in late 2009, will have 225 rental apartments on lower floors, with 103 condos on floors 15 to 33. The building, designed by architect Robert A.M. Stern, will be clad in red brick which is architecturally characteristic with the older buildings in the neighborhood, says Bruce Beal, principal at The Beal Companies, co-developer of the building with the Related Companies of New York. Currently, 20% of the units are on the market, and 10 condos are under sales agreements, with purchase prices ranging from \$1,150 to \$1,650 a square foot, he says. Three penthouse units will each cover 3,600 square feet.

A block from Copley Square and two blocks from trendy Newbury Street, the Clarendon is a short walk from high-end shops and some of Boston's best restaurants. And if walking is too far, a restaurant will be situated on the ground floor, offering not just catering but cooking classes.

The dominant buyer profiles for these high-end downtown condos are young professionals — singles or couples — empty-nesters and divorced middle-age professional-

als, says Mr. Ahearn of Otis & Ahearn. He sees a few families with children in private schools and a few pied-a-terre buyers who are either commuting to other cities or who have univerted to other cities primarily use the condo. "They're very wealthy people, and the condo is usually one of three homes," he says. Investors play a minor role, but Mr. Ahearn says they tend to be locals who sometimes buy with cash and who hold onto the units and rent them to newcomers to the city.

with harbor views in the Residences at the InterContinental, which has 130 luxury condos along with a 424-room hotel. They previously lived in a 2,000-square-foot condo at the InterContinental, where prices run around \$1,000 a square foot.

After 20 years of delays, the South Boston waterfront development is finally bearing fruit and has the potential to be like Hong Kong or Sydney, he says. "It's going to be the up-and-coming area." A tunnel just in front of the InterContinental means Mr. Cronin can get to the airport in five minutes by car, or he can take a water taxi. "It's phenomenal for a city this size," he says.

Convenience is the operative word for many downtown residents, with larger luxury buildings offering catering, concierges and health clubs. "They don't want to worry about a lawn, they don't want to deal with maintenance and they want to walk to great restaurants," says

spa, a marina, a maritime museum and 104 condos in the waterfront area. Condo units, which range from 900 to 2,500 square feet, run from \$1.15 million to about \$8.5 million for a customized double unit and are 60% presold, says David Theran, director of sales and marketing. Resident services include valet parking, a discount at the hotel

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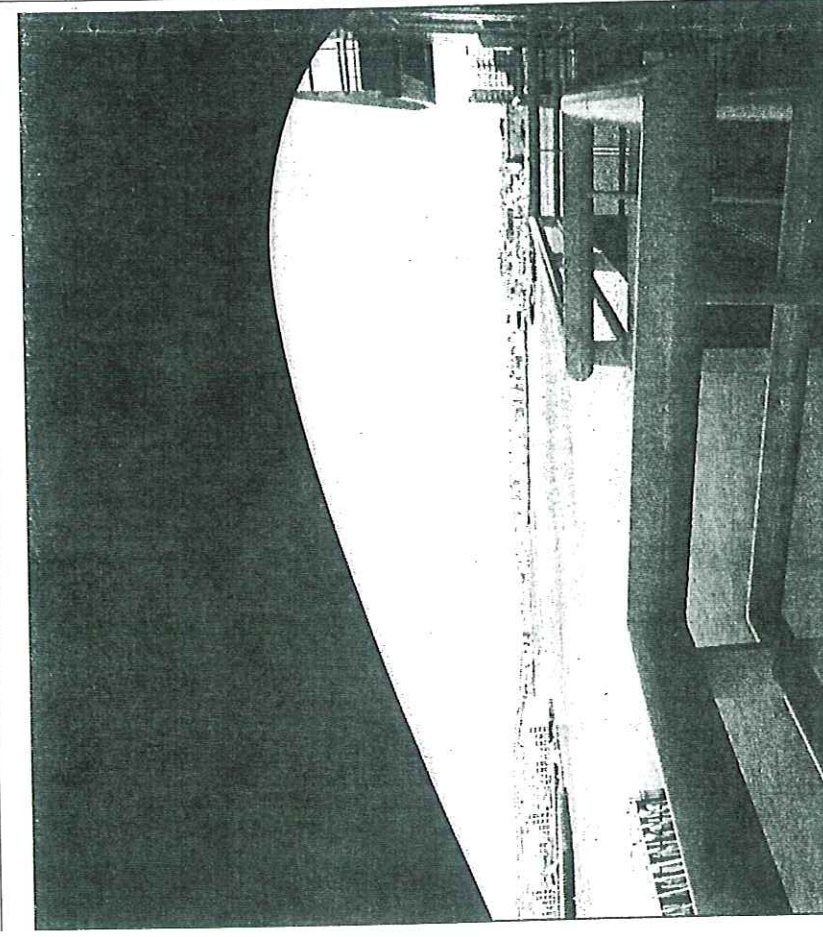
and in-house catering from the restaurants. Residents are now moving into the new buildings.

The waterfront was the draw for Jon Cronin, a real estate and restaurant developer who has lived in Boston for 15 years. He and his wife recently moved into a 3,500-square-foot condo

listing service. "The luxury market, over \$1 million, in established neighborhoods continues to rally, compared with the less-established neighborhoods in Boston that are experiencing property depreciation and auctions." Condos in downtown Boston run the architectural gamut, from 1850s brownstones to renovated warehouse lofts to modern glass towers. The properties that continue to command top dollar are in the mature markets that have round-the-clock activity and the full panoply of neighborhood services: convenience stores, banks, restaurants, cleaners, art galleries, florists etc., says Kevin Ahearn, president of Otis & Ahearn. Condos in pioneering neighborhoods that were just starting to gentrify have run into problems.

By contrast, 285 Columbus, a former industrial building being renovated into 60 lofts in the Back Bay neighborhood and marketed by Otis & Ahearn, is half sold even though the building isn't ready for occupancy. Mr. Ahearn says. Units range from \$600,000 to \$1.6 million.

Battery Wharf, a four-building "urban resort" being developed by Development Management Corp., includes a 150-room Regent hotel, restaurants, a Guertan



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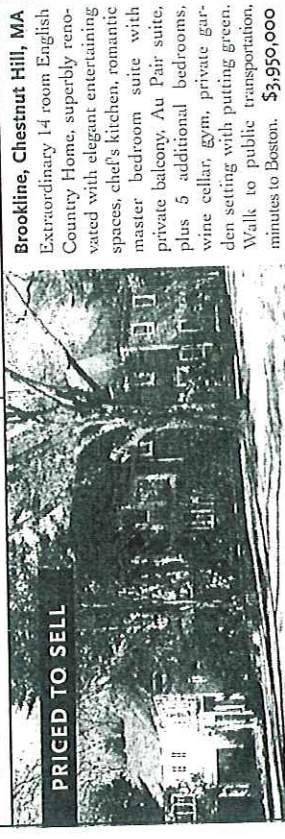


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