

Slow Condominium Market Speeds South Boston Rentals

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Reporter

Cardinal Cushing High School Redevelopment Project Banks on Demand for Transit-Oriented Apartment Units

Timing is everything.

When home sales started to fall, Boston developer John Brennan abandoned his proposal to build condominiums at the former Cardinal Cushing High School in South Boston.

“The original idea was to do for-sale units, but a year ago we saw a shift in the market so we repositioned the project to rentals,” said Brennan, president of The Brennan Group.

Brennan’s decision to switch from homes to rentals was made despite what on the surface appears to be a consistent market for condominium sales in South Boston. During the first four months of this year, 25 condos were sold, compared to 29 for the same period in 2007, according to The Warren Group, parent company of Banker & Tradesman. During the same months in 2005 and 2006, there 22 sales in each year. The neighborhood’s condo market appears to be fairly strong, but a closer examination of other data reveals a different story. Consider the Macallen Building on nearby Dorchester Avenue, developed by Pappas Properties. About half of the 140 condos have been sold since sales commenced in December of 2006, according to the Suffolk Registry of Deeds.

But the last 6 units have sold at deep discounts, according to statistics from MLS Property Information Network. Recent sales at what has been called the city’s first “green” residential building fetched well below asking price and most carried double-digit discounts. Among the largest of the price breaks was an 18.6 percent discount for a one-bedroom unit that initially was priced at \$750,000 and ultimately sold for \$610,000. The biggest reduction came for a two-bedroom dwelling that had an asking price of \$1.3 million but sold for \$1 million, a 23 percent concession.

Timothy Pappas, executive vice president of Pappas Properties, did not return a call seeking comment.

In addition, resales at the Trolley House, a 24-unit complex on nearby West Second Street, have been disappointing. A two-bedroom unit sold last month for \$503,000, from an asking price of \$589,000, a 14.6 markdown.

A broker familiar with the Trolley House said sellers are taking a loss because home values have been flat for the last three years in South Boston.

“Some of the first people who bought overpaid at the peak of the market and they are taking a loss selling now,” said the agent, who asked not to be identified.

Neighborhood Growth

Still, Mayor Thomas M. Menino is convinced that the rental complex can continue the transformation of what had been a commercial section of South Boston. Last week, the mayor led a groundbreaking for The Residences at 50 West Broadway. The former high school will be demolished and replaced with 139 apartments priced from \$1,800 to \$4,000 per month. It also will include more than 3,500 square feet of ground-floor retail, 9,000 square feet of open space and 17 affordable units. The \$61 million transit-oriented development is located across the street from the MBTA's Red Line.

“This is an important, quality project in the city of Boston,” said Menino. “When this project is completed next year, we will have families living here.”

The apartments are expected to revitalize an underused parcel and result in the creation of needed affordable and market-rate housing units steps from public transportation and minutes from downtown. Upon completion, the new building will range from 2 stories to 6 stories. The facade will include cornices and bay windows varying from one wing to another, giving the impression of a group of smaller buildings, respecting the neighborhood context, according to the Boston Redevelopment Authority.

Vmy Vitols Architect of Newton and Arrowstreet of Somerville designed the building. The Massachusetts Development Finance Agency provided \$47 million in tax-exempt bonds for the project.

Daniel O'Connell, Secretary of Housing & Economic Development, praised funding sources GE Capital, Workers Realty Trust, Union Pension Fund and Sovereign Bank for providing money at a time when “the financial markets are in turmoil and the financing is often the toughest part of putting the deal together.”

“For many years, the area around the Broadway [MBTA] station was mostly filled with commercial uses,” said John F. Palmieri, BRA director. “Now, with developments like the Macallen Building and the Court Square Building, this area is becoming a neighborhood full of families and young professionals. The 50 West Broadway project will greatly add to this growing community.”