

A Calculated Bet on Condo Market Growth

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By Steve Adams



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Age: 46
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Brooklyn, New York developer Fortis Property Group made its first splash in Boston commercial real estate with its 2007 acquisition of the 1.1 million-square-foot One Lincoln office tower that's home to State Street Corp.'s headquarters. Now it's starting to make its mark in multifamily development with a new 21-story, 146-unit condominium tower under construction on the edge of the Theater District and a planned 132-unit condo addition to the Dock Square Garage next to Faneuil Hall Marketplace. CEO Jonathan Landau's real estate career began as a tax attorney advising developers before joining Fortis Property Group in 2004.

Q: How did the development plan for the 55 LaGrange St. project evolve and lead to the final version?

A: When we started the project, the residential multifamily market was really strong. Some of the softness that had predated the project two or three years before commencement had evaporated from the marketplace. When we designed the interiors of the project, we really designed the project for condos. The project was going to work both as a condo and a rental, but we turned around and pursued the rental because the market was super strong on that front.

As COVID permeated the marketplace around the urban centers, rentals took a \$2 to \$3 per foot hit on monthly rates. We felt confident that ultimately the rental rates could creep back up, but from a timing perspective, we also kept a close eye on the for-sale product in Boston. We also have the Dock Square project and we were looking at the condo markets relative to that.

What was really most striking to us was although the rental markets declined significantly, the for-sale market held its own. It lost a little velocity, but from a price-per-square-foot and overall sales price perspective, the sales market was resilient. The reason for that is there are very few new condo development projects in Boston, for which you can sort of thank the absolutely rigorous process to get approval for new construction. There never was a lot of supply, the average supply is about three or four months of demand, which is incredibly tight compared to other markets, maybe the tightest new supply market in the country.

Q: What elements of the LaGrange Street site, previously a small parking lot, made Fortis think this would be a good development opportunity?

A: What I liked about it is its proximity. Boston Common is an amazing amenity. It was the right size that it could absorb quickly and not really flood the market. We weren't looking to build the next Four Seasons, or something that needed a Main Street address or needed sizes for larger floor plates. This was that perfect infill location where we could create a jewel box. About 50 percent of our building is below the \$1 million price point and is going to appeal not only to the people who work in the central business district, but people in the suburbs who want a crash pad if they have to work late or are in the city on the weekend. We think the location is only going to get better with the densification of that entire area.

Q: You recently received \$115 million in financing from Deutsche Bank for the Dock Square garage property. How is that being used?

A: During COVID, the garage revenue was decimated. Nobody was coming into the central business district and as a result of that we had revenues drop probably over 90 percent. The parking is back and the revenue is back up to pre-COVID, and a significant percentage of the downtown population has yet to return. The usage of private transportation is going to far exceed what we saw pre-COVID. We refinanced the parking element of the garage, and now we're going to place some financing on to do the construction work. The first phase is to shore up and increase the capacity on the foundation by buttressing and supplementing the existing piles on the building, and run that up through the existing garage by increasing capacity on the columns and ultimately building the deck on top of the garage. Over the next year, we're looking to do the structural work and hope to begin the structure in the beginning or middle of the fourth quarter.

Q: Last year Fortis received approval to redesign the Dock Square project with fewer and larger units. What was the thinking that went into that decision?

A: Originally we went for the maximum number of units. That was the advice of our design team. When we started analyzing the prospective purchaser group and market demand, it became clear if we were going to build a luxury project, we needed to build homes, not just apartments or shoebox condos. All the units we have designed in the new zoning are really luxurious, spacious, beautifully laid-out units. We expect to start marketing in late 2022.

Q: What are your plans for the One Lincoln St. office tower following State Street Corp.'s departure in 2023?

A: We're going to totally redevelop that building. It's a monument to State Street. The common spaces at the ground level are cavernous and not what you would typically see in a multi-tenant building. We're going to reconstruct the common areas to a level that is probably better than anything I've seen before. We're looking to do an Eatery-style food court at the ground floor. We're building a new lobby and a beer garden concept with outdoor space on the back side of the building, and we'll entirely rebuild a seventh-floor amenity space which will have approximately 25,000 square feet of conference facilities and event space. And that will connect to a roof terrace on the lower portion of the building which will have outdoor dining and a basketball and tennis court. There's a massive amount of redundant HVAC and electrical generator equipment which will be removed.

Editor's note: This report has been updated to correct the number of units at the 55 LaGrange St. project.

Landau's Five Favorite Things about Boston

1. Its history
2. The accent
3. The Boston Harbor
4. The North End
5. His talented coworkers