

Fan-Tastic Voyage

5.1.07: Commercial Property News

Fan-Tastic Voyage

By Russ Colchamiro

Joe Fallon Moves Boston's Long-Gestating Fan Pier Waterfront Forward

When Joe Fallon plunked down \$115 million in September 2005 for Fan Pier, the 21-acre site that sits next to Boston's Financial District and overlooks Boston Harbor, it was only the beginning of his quest to do what many before him had attempted – and failed – to do during the past 25 years: convert the space into a vibrant area. But as The Fallon CO.'s president & CEO said, "IF you're in the real estate business, you have to learn to adjust – daily."

The Fallon CO. recently started its conversion of the giant row of parking lots along South Boston's waterfront into a \$2 billion mixed-use community. At full buildout, Fan Pier will deliver 3 million square feet of space, including residential condominiums, office space, retail space, public parks and a marina.

Family Matters

As he grew up, working in his family's Boston-based construction firm, the unassuming Fallon always planned to work in real estate. But he never expected to become such a prominent figure in one of the nation's most storied cities. "No one can predict how far or little you will go in one field," he said. "I never had any idea that I would get into deals this big, but it turned out that I had passion for it."

After graduating from Wentworth Institute of Technology in Boston, Fallon went to work with his neighbor Tom Flatley, owner of respected real estate firm the Flatley Co., while earning a Master of Business Administration degree in night school at Suffolk University. "I always liked being involved with real estate," said Fallon, whose father guided him into the architectural and development side of the business.

But it was the 1 million-square-foot mixed-use Copley Place, in the center of Boston's Back Bay, which he oversaw in the early 1980's as a development manager for JMB Realty Corp., that changed his landscape forever. "This was my new world," Fallon said. "After that it's really hard to go back to the smaller deals."

Fallon then oversaw construction of large office projects for Jaymont Properties Inc., although his time there was cut short when the company, like many developers of the late 1980s and early 1990s, fell victim to recession.

He went on to start his own firm in 1993, making bold moves despite his reputation as a quiet man, and he is often credited with revitalizing Boston's Seaport District. "He was the only one who, in hindsight, took on an obvious area for investment when nobody else would touch it," said longtime colleague Matt Kenney, managing director for hotel real

estate firm Pinnacle Realty Investments. “Over the last 10 years, Joe has proved the doubters wrong, and he continues to do so.”

Fallon’s recent Seaport District projects include the 465-unit Park Lane Seaport apartment complex and the 471-key renaissance Boston Waterfront Hotel. Fallon also built The Westin Boston Waterfront hotel to complement the new Boston Convention and Exhibition Center. He said that the project, which he has since sold, came to fruition in large part because Mayor Thomas Menino pushed the city’s Department of Housing and Urban Development to help capitalize it not long after Sept. 11, 2001, when hotels were not thought well of and financing was difficult to come by. “We needed a hotel for the convention center,” said Menino. “I was able to help Joe get the funding.”

Starwood Hotels & Resorts Worldwide Inc. North America division president Geoff Ballotti, who like Menino has known Fallon for about 20 years, added, “The Westin Boston Waterfront is one of the most successful hotel developments Starwood has done in the last five years. It’s a testament to the quality of construction... and the quality of his relationships.”

Building a Legacy

But no matter what else Fallon takes on, including new residential and hotel projects in New York City, Fan Pier will, to a significant degree, define his legacy: taking on a massive development that initially invited far more criticism than praise.

The Pritzker family had held the property for some 20 years but decided to sell around 2000, Fallon recalled. After several developers passed on the project following due diligence, the Pritzkers wanted a quick sell: a 60-day close. Fallon saw opportunity, and in that small window in 2005, he bought the land and entitlements for 3 million square feet of space. The development plan calls for approximately 10 years of construction.

“The timing (for Fan Pier) is impeccable,” noted Thomas Dudeck, executive vice president for Cornerstone Real Estate Advisers L.L.C., which, along with Massachusetts Mutual, is Fallon’s equity partner in the project. “When Joe and (Cornerstone) put (Fan Pier) under contract, numerous colleagues wondered what the heck we were doing,” given that the area was seen as all but a developer’s nightmare.

But Boston waterfront living is always in high demand, Dudeck said. More important, he noted, a huge wave of large office tenants will reach their lease expirations between 2009 and 2011 and will likely need new and expanded space. And so Fan Pier will finally come to pass. “We were comfortable because of our development partner,” Dudeck said. “It’s a remarkable undertaking. We think Joe... can execute the plan.”

According to Fallon, more than \$800 million worth of development, including 120 residential condo units, approximately 200 guest rooms for an undetermined five-star hotel and approximately 500,000 square feet of office space, will be under way at Fan Pier by the end of 2007. All is scheduled to come online 24 to 28 months after construction commences.

Projects of such size and complexity require a hefty amount of fortitude, an attribute that has endeared Fallon to the local real estate community. “Joe is one of those very rare individuals who has long-term vision, tenacity and an ability to get things done,” said Tony Campbell, president & CEO of Anglo-Irish Bank’s North America division, which has a long-standing relationship with Fallon. “We as a bank... underwrite the individual, first and foremost, and trust them to manage the real estate. With Joe, we’re comfortable all day long.”

Noting that Starwood hopes to partner with Fallon on additional hotel projects, Ballotti seconded that sentiment. “Joe surrounds himself with quality guys,” he said.