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# Exclusive: Big money investor dives into West Oakland apartment project

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While downtown Oakland has lured major investments from big-name investors, West Oakland was largely overlooked — until now.

New York Life Real Estate Investors is among the first institutional investors to place a bet on West Oakland. The firm plans to invest \$18 million into The Union, a 110-unit apartment building at 532 Union St.

Holliday Development plans to build out most of the project at Factory OS, its modular construction facility in Vallejo.

“This investment legitimizes the location and Factory OS,” said Brett Mlinarich, vice president with Highland Realty Capital Inc., who arranged the investment. “New York Life saw the opportunity to be the first.”

The Union, designed by David Baker Architects, will cost about \$46 million to develop and will be one of first residential projects in Oakland built using modules. That type of construction involves producing building components



TODD JOHNSON / SAN FRANCISCO BUSINESS TIMES  
Rick Holliday (left) and Kevin Brown of Holliday Development also have projects near West Oakland's historic 16th Street train station.

made in a factory that are later stacked onsite to create a new structure.

The project site, formerly owned by Caltrans, is three blocks from the West Oakland BART Station.

"We've been active in West Oakland for over 15 years," Kevin Brown, partner at Holliday Development, told the Business Times last fall. "It's a great place to live. The demand is absolutely there."

With the money from New York Life and a loan from City National, Holliday Development expects to complete the building by the end of next year.

Institutional investors are firms with large pools of money from insurance companies, pension funds, unions, and other sources. They typically look for projects that are big enough to generate substantial returns.

New York Life Real Estate Investors has roughly \$52 billion of assets under management that invests capital from an insurance company into real estate deals.

"Overall, investor appetite for property investments remains quite strong, global "dry powder" earmarked for commercial real estate acquisitions sits at an all-time high," the company stated in its second quarter Market Perspective. "New York, Los Angeles, and the San Francisco Bay Area continue to attract the most investment."

Investors are targeting apartment projects for a variety of factors, the New York Life report states. The homeownership rate is dropping, especially in urban areas that have robust job growth and not enough supply, which is pushing apartment rents up and vacancies down. Also, many renters prefer to live in neighborhoods where they can walk where they need to go or take transit.

For decades, institutional investors shied awhile from markets like Oakland, which was not considered a prime location for investment. Oakland's image has changed, however, as a new crop of investors are now pouring money into office buildings and apartment developments.

Mlinarich said most of the institutional money coming into Oakland

concentrated on the city's Broadway corridor running from Jack London Square through downtown to Uptown. Other institutional investors that have bought into Oakland include KKR & Co., Goldman Sachs and KBS Capital Advisors. Also, many investors have not been interested in mid-size development projects in the \$30 million to \$70 million range, such as the project in West Oakland, he said.

The Union in West Oakland bucks that trend. The project is among a wave of new housing in West Oakland's pipeline of more than 2,000 homes from developers including City Ventures, Panoramic Interests, Madison Park Financial, TRI Pointe Homes and Wood Partners.

"West Oakland has really become something special and it's in an Opportunity Zone," Mlinarich said, referring to a tax credit program that encourages long-term investment in designated low-income urban and rural areas.

The New York Life deal "makes institutional investors see West Oakland as an institutional grade investment," Mlinarich said. "That's huge for West Oakland."

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