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With S.F. overheated, condo builders look to Oakland

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A dearth of new condos available in San Francisco is pushing buyers to Oakland — and developers are paying attention.

With fewer than new 60 condos on the market in San Francisco, buyers are pushing up prices at Broadway Grand and the Bond —the two most high-profile projects selling in Oakland, according to Polaris Pacific, which is handling sales and marketing for both projects.

Last weekend the penthouse unit at the Bond fetched the San Francisco price of \$1,000 a square foot, although the unit had been tricked out with very high end finishes, according to [Chris Foley](#), a principal with Polaris Pacific. Meanwhile, Broadway Grand is close to sold out. Essex Property Trust recently notified residents at the Grand, a 238-unit luxury apartment tower in Uptown, that the building might be converted to for sale.

Foley said Oakland's condo pricing historically lags San Francisco by about 30 percent. Now it is closer to 45 to 50 percent. He expects that gap to close. "You are going to see more people buying in Oakland and winning on price appreciation," he said. "Developers are taking advantage of it."

In San Francisco, new condos are priced near \$1,000 per square foot whereas in the East Bay condos typically go for \$300 to \$600 per square foot.

Market-rate housing development activity has been slow in Oakland with only a few projects underway such as Madison Park Financial's 92-unit Lampwork Lofts apartments in West Oakland.

There are numerous entitled projects, however, that could be revised, said [Todd Vitzthum](#), a broker with **Cushman & Wakefield** who focuses on multifamily properties.

"This is the first opportunity in decades to redevelop Oakland in any significant way because of how sustainable this cycle is — there's job growth, wage growth, there's huge demand," he said. "You're seeing people going outside of San Francisco to shop for housing."

[Kelley Kahn](#), Oakland's economic development director, said the city has fielded inquiries from developers, but the city has not yet received applications revisions to approved projects.

Developers have submitted applications for new housing projects, which could become either apartment or condo.

One developer, Nautilus Group, based in Berkeley, spent \$18 million last fall to buy three entitled sites totaling 261 units and more than 14,000 square of retail in Temescal and plans to start construction later this year. Those sites would be the firm's first foray into Oakland.

Another major factor boosting development interest is institutional investors, which typically shun Oakland, are beginning to see upside to investing there, Vitzthum said.

For a project to go forward, "what you need is confirmation of that rent or value growth to underwrite any development to make it feasible," he said. "We're at the point where Oakland projects are starting to underwrite."

His team is marketing 1640 Broadway, a half-acre site in downtown Oakland that is entitled for a 254-unit, 35-story residential tower.

"We're getting calls from people who are just now looking at Oakland and the East Bay," Vitzthum said. "The upside is there and they are running out of opportunities in San Francisco and Silicon Valley."

The interest comes as San Francisco is going through an unprecedented construction boom, with nearly every entitled housing site now under construction. That means that most of the opportunities are for sites that are not yet entitled.

"If you buy raw land in San Francisco you are looking at an 18 month to three year entitlement process, depending on NIMBY issues," said Foley. "In Oakland there is a lot of entitled land that you can buy and start construction in six to eight months."

[Eric Tao](#) of Avant Housing — which developed SoMa Grand, Mosso, and Vara in San Francisco — said his group is looking at two sites in Oakland. He is so enamored of the Uptown area that he and his staff make regular Friday evening pilgrimages to take in Uptown happy hour.

"The whole Uptown area has an energy and vibe going on with the nonprofits, new companies, and art that reminds me of the Mission," said Tao. "That energy is why people want to live in an urban environment."

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