

Heard on the Street

Spring 2016 Edition



Hello friends and colleagues,

Here is a quick note about the mural pictured above. I recently came across a talented artist named Nigel Sussman and hired him to paint a mural on a long stretch of construction plywood at my retail project in Berkeley. You can see the mural on Telegraph Avenue at Dwight Way. The feedback from the locals has been amazing plus it has kept the taggers at bay!

<http://nigelsussman.com/wired-mural/>

I call this missive "Heard on the Street" - so what exactly have I heard? Well, it seems that San Francisco office rents are sky-high and tech companies, in

anticipation of expansion took more space than needed, and now much of that excess space is up for sublease. It leads me to believe there is a softening in the tech industry and that a slow down is nearing in the office rental market.

I've heard that San Francisco condo sales are lagging, especially in the luxury market, as we are reaching over-saturation. Additionally, I have heard apartment owners tell me that rents are softening in some buildings.

In many pockets of the Bay Area, we are still seeing multiple offers on single family homes, driving sales prices above asking. For commercial properties, we are experiencing downward pressure on CAP rates and it is continually hard to find good deals as there are a lot of investors chasing yield.

Speaking of which, I had a conversation with a friend about the trend of Californians doing 1031 exchanges into out-of-state investment properties. Sure, yield in other markets may be higher and the investors avoid some capital gains, but what does the future hold in... Arkansas, Ohio, Illinois? I don't know, but I am willing to take the position that there is more certainty to see property values hold (and rise) locally here in the Golden State.

I continue to believe in the Bay Area, even knowing it is prone to downturns and corrections. Some of my current activities include breaking ground next week on the former Bay Wolf restaurant site, joint-venturing the construction of a property close to Berkeley's 4th Street shopping district, pre-leasing the now under construction "Shops at Telegraph Avenue," lending money on smart, value-add renovation projects throughout the Bay Area, and brokering real estate deals to bring new retail, office and industrial uses to life. All local.

Finally, I started herein by sharing with you the new mural on Telegraph Avenue. I also wanted to share with you my excitement over the opening of the Berkeley Art

Museum and Pacific Film Archive. I was there for an event last week and the architecture is stunning. The museum is quite a shot in the arm for Downtown Berkeley. I am also eager to get a peek at the revamped SF MOMA, which is scheduled to re-open May 14. Anytime I get a chance to sneak away to a museum, it always feeds and informs my mental and creative energy, which I try to carry over to my professional life.

I look forward to connection with you.

Best regards,

Ito Ripsteen

