

Heard on the Street – Real Estate News from Ito Ripsteen Fall Edition 2019



Friends and Colleagues,

Starting with the classic question, "what did you do on your summer vacation?" My answer- I had a few stretches of R&R but mostly it has been a busy summer for me. I spent time facilitating several private loans, acquiring new real estate, bringing in new tenancies (see photo) and contemplating re-positioning and/or development of properties. All the while I have been keeping my eye on the Fed cutting rates, the President flexing against China, and the delicate global economy that has countries like Germany charging negative interest rates. Plus, here at home we have to prepare for an election year, which beyond creating a media

frenzy, will certainly have ramifications for the economy.

Specifically, here's what's I'm watching:

1. The Fed is likely to reduce interest rates again in the coming weeks, possibly by a quarter-percentage point. If we fall into any sort of serious recession, the Fed can't really bail us out by reducing rates much further. So then what?
2. Will WeWork work? With the impending WeWork IPO, I continue to scratch my head as this is a company with a fairly wild CEO and a large amount of debt and losses. To value itself at \$47 Billion, and then consider slashing that valuation to \$20 Billion prior to the IPO? Red flag? On the face of it, the model makes sense. As my brother says, "it's like buying sushi by the pound and selling it by the ounce." (I like that, Tim). But I just don't see how sandwich leases work out in the long run. The best scenario would be if they can continue their model of owning their real estate. The big office property players like Hines and Boston Properties could just do the model themselves in their own buildings. And with that, WeWork's got nothing if they don't control the real estate.

Other interesting items I have heard on the street:

Very cool: Rick Holliday's success with his modular development. Not only has Rick started a modular factory line, <https://factoryos.com/> but he has also put the modular construction into practice, erecting his last structure in ten days. <https://www.bizjournals.com/sanfrancisco/news/2019/08/23/holliday-development-factory-os-modular-oakland.html>

Breezy and cool: I took an Oakland to SF Ferry ride with my son just for fun the other day and it was neat to see real commuters using the Ferry. For most of us that sit in car traffic, this is a really appealing commute option: fresh air, wifi, full bar for the ride home. It lets off at the Ferry Building where your cup of Blue Bottle Coffee awaits. Pretty cool. With the addition of new ferry routes, there has been a lot of property speculation in Richmond, Vallejo, and adjacent cities. Here is an article from earlier in the year about the new Richmond

route: <https://www.mercurynews.com/2019/01/04/richmond-ferry-service-to-sf-begins-thursday-ushering-new-era-of-expanded-water-travel-for-bay-area/>

Contemplating the above items are why I enjoy real estate so much; I am always learning in this ever-changing landscape. This Fall I will continue to provide funds for good real estate projects, improve my real estate holdings, and selectively broker transactions. The view from my desk shows an economy that continues to hum along, investors with oodles of capital to invest, but with few places to find a reasonable return. For me it means sticking to what I know, even if that means being slow and steady like the tortoise. While I don't know if WeWork works, I do know my model does.

Please call or email me for coffee and a chance to catch up and talk real estate, lending and investing.

Best,

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