

LAKE VIEW EAST

1738 4th Avenue, Oakland, CA

PROJECT DESCRIPTION

This apartment building overlooks Lake Merritt in the center of Oakland, CA, with an imposing presence and a view of the downtown skyscrapers. It is in a fast-appreciating area popular with young, professional tenants, a magnet for higher end retailers, trendy theaters and cafes, and walking distance to the jazz clubs downtown. New retail arrivals include Whole Foods and Trader Joe's.

Though well located, the building had much deferred maintenance, many vacant units, a poor entrance, no landscaping, outdated kitchens and baths. Rents were well under market when Drake acquired it in 2007.

The City of Oakland has a rent control regime which, properly implemented, allows Drake to pass through the full costs of improvements to tenants over 5 years. That does act as an additional barrier to entry for new rental housing development, which favors re-positioning existing assets. Drake has special expertise and thus a competitive advantage in these matters.

As developers, Drake secured project funding, planned and managed the \$1M rehab construction, and directed the refinancing to take out the construction loan out one year after purchase.

George Smith Partners of Los Angeles brought construction financing from China Trust Bank and takeout lending via Kinecta FCU. Refinancing appraisal valued the building as worth \$2M over cost which translates to a 100% return to our investors in one year. Fifty percent of equity was returned to investors on stabilization.

PROJECT FACTS

Units	24
Parking	17 indoor
Building area	17,080 sf
Architects	Lowney Architects
Structural Engineers	Ingraham DeJesse
General Contractor	MRM, Inc.
Funding:	\$3,100,000
Completed value:	\$4,300,000
ROI	50%/yr

