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## Finance

## Canadian Pension Fund Invests \$206MM in Bay Area Apartment Developments

POSTED ON AUGUST 12, 2014 BY PUBLISHER6 IN FINANCE, INDUSTRY NEWS, RESIDENTIAL

By Jon Peterson

Toronto-based Canada Pension Plan Investment Board has made \$206 million worth of investments into three apartment developments in the San Francisco Bay Area. The projects are located in Pleasanton, San Jose and downtown San Francisco.



The pension fund made a \$77 million investment for a 45 percent interest into the 506-unit Pleasanton BART development in Pleasanton. It has completed a \$39 million investment into phase III of the 200-unit Essex Epic project in San Jose. The pension fund has also allocated \$90 million

for a 44 percent stake into the Block 6 development in San Francisco.

"We think that in general terms the San Francisco apartment market is one of the strongest markets in the country. I believe that one of the best ways to participate in the growth of San Francisco is through the development of new apartment projects," says Peter Ballon, vice president and head of real estate investments in the Americas for CPPIB.

The properties in Pleasanton and San Jose are being developed in a joint venture with Palo Alto-based Essex Property Trust. CPPIB had a previous relationship with the public REIT. One of its previous projects was Phase I and II of the Essex Epic project in San Jose.

The Block 6 development in San Francisco is a joint venture with Washington, D.C.-based The Multi-Employer Property Trust and Chicago-based Golub & Company. The total construction cost on this project is \$200 million.

There will be a total of 409 units developed with this project. It should be completed by the late third quarter of 2015. "We believe that this project is located in a very strong urban transportation setting and should benefit greatly from where it's located," says Amy Price, chief operating officer for Bentall Kennedy U.S. She works out of the company's regional office in San Francisco. Bentall Kennedy is the exclusive real estate investment advisor to the MEPT.

CPPIB and Bentall Kennedy have had a long and successful relationship. "We have worked with the pension fund on a variety of transactions around the country in some very large markets," said Price.

Bentall Kennedy believes that it makes more sense to be a developer than a buyer in the San Francisco Bay Area right now. "I think that from a risk/return basis, we would prefer to be a developer of new properties versus buying existing assets. We are mostly looking for the development of apartments and office buildings. These would be either in downtown San Francisco or in select markets along the Peninsula. We do have one industrial development in the East Bay in Livermore than we are in the pre-development stage on," said Price.

The investments completed by CPPIB were part of over \$330 million of new investments made in apartments in the United States. The transactions located outside of the Bay Area were located in Atlanta and Cambridge, Mass.

The pension fund has a unique structure for investing in real estate. It doesn't have a targeted allocation in real estate like many pension funds. It only invests in the asset class when it finds any attractive investment opportunity to place some capital into.

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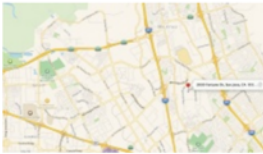
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