

South San Francisco's Cadence Apartments trades hands for \$206 million

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South San Francisco's booming biotech industry is slated to bring tens of thousands of jobs to the city over the next decade. That has piqued investors' interest in something they say South City now needs more of: rental housing.

Enter Cadence Apartments, a 260-unit, two-building apartment complex delivered by San Mateo developer Sares Regis Group of Northern California in 2019. The property sold to North Carolina investor Bell Partners for \$206 million



CHET FROHLICH

Cadence Apartments, to be renamed Bell South City, sold for \$260 million to Bell

Thursday after a spate of competitive bidding.

Partners May 12.

That works out to about \$793,000 per unit.

The seven-story apartment complex, at 400 Cypress Ave., is a short walk from the city's new Caltrain station and less than two miles away from Oyster Point and the Genentech headquarters. Occupancy rates at Cadence, to be renamed Bell South City, hover between 90% and 95%, said Drew Hudacek, chief investment officer of development properties for Sares Regis.

“Biotech is one of the few industries where people have still been going into work. So that did very well for Cadence,” Hudacek said Thursday.

The property includes a mix of one-, two- and three-bedroom apartments; asking rents were not available Thursday.

Bell, which has existing properties in the North and East Bay, saw a unique opportunity in Cadence, Executive Vice President of Investments Nickolay Bochilo told me. The complex, he said, sits within five or 10 miles of roughly 200 different South San Francisco companies.

Despite that booming local economy — and the tens of thousands of workers South City expects its life science industry to draw there over the next decade — its housing stock is largely outdated and “mostly single-family” in nature, Bochilo said.

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Cadence is among the few modern apartment complexes in proximity to Oyster Point and the biotech cluster, said Brett Betzler, a senior managing director with brokerage firm Berkadia Institutional Solutions, which represented Sares Regis and its capital partner AFL-CIO Building Trust Investment in the sale. The second-newest comparable apartment complex, Betzler told me, was built just before the Great Recession.

The pool of housing options available to workers at Oyster Point and beyond is likely to remain largely stagnant for the next few years, Betzler said. Projects in South San

Francisco and beyond were put on pause during the pandemic, a disruption that could prove a long-term obstacle given the rising construction costs and interest rates.

“There have been no groundbreaking of new developments in two years,” Betzler said. “It’s not like a light switch, where you flip it back on and go break ground.”

He believes it could be as long as three-and-a-half years before renters see significant new residential supply come online in the Bay Area.

Among the projects that are slated to deliver before then: the second phase of Sares Regis' Cadence project, a 195-unit apartment building at 401 Cypress Ave., which is currently under construction. Hudacek said Thursday the developer has two more years to bring that project, which the AFL-CIO BIT sees as a longer-term investment, to completion.

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