

Brookfield cashes out \$215 million from San Francisco apartment portfolio

Refinance highlights improvement since 2024 foreclosure

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Brookfield Asset Management and Ballast Investments are cashing out \$215 million in equity from a dramatically turned-around San Francisco apartment portfolio, backed by a \$585 million commercial mortgage-backed securities deal.

Analysis of the transaction shows that institutional sponsors can extract substantial equity returns from distressed urban housing, even in one of the nation's most tenant-protective regulatory environments.

The deal refinances 75 rent-controlled multifamily properties spanning 2,145 units across San Francisco — one of the city's largest such portfolios.



Brookfield Asset Management and Ballast Investments refinanced 75 San Francisco apartment buildings, including the 645 Stockton Apartments. (CoStar)

Goldman Sachs, Bank of America, Citi Real Estate and German American Capital are to co-originate the loan to close around March 16, according to Fitch Ratings.

The deal marks the payoff of a two-year turnaround plan. Brookfield acquired the troubled portfolio in a January 2024 foreclosure auction after the prior owner, Veritas, defaulted on roughly \$800 million in Goldman Sachs-issued debt. No competing bidders emerged at the auction.

At the time of acquisition, occupancy sat at 68% and rent collections stood at 70%, according to Fitch. The properties were largely vacant and deteriorating.

Brookfield and Ballast moved fast. The sponsors deployed \$18 million — about \$8,392 per unit — in capital improvements. They eliminated leasing concessions entirely. The last 430 leases signed with no concessions attached, Fitch reported.

By January, occupancy had climbed to 96.5%. Collections reached 98% overall, with units leased under the new ownership surpassing 99% collection rates.

"Since acquisition, we've focused on improving day to day performance and resident experience, while funding building capex and targeted upgrades across the portfolio," Ballast CEO Gregory MacDonald told CoStar News in an email.

"Operationally, performance has strengthened materially since acquisition, including higher occupancy, superior collections and the elimination of leasing concessions, all consistent with the Fitch summary in its presale," MacDonald said. "Ballast expects this successful recapitalization to accelerate interest and investment into the San Francisco apartment market."

The MLTI 2026-SF75 transaction commands attention across commercial real estate capital markets for several reasons.

San Francisco's rent control ordinance caps annual increases at 60% of Bay Area consumer price index growth for occupied units — severely limiting revenue upside on stabilized leases. Yet Brookfield and Ballast found their upside in apartment turnover.

The sponsors reported capturing an average 25% rent premium on new leases, exploiting the gap between in-place rents averaging \$2,669 and market rents averaging \$3,000, according to CoStar data from the first quarter.

Fitch estimated an additional \$15.6 million in revenue potential remains embedded in the portfolio's below-market leases — about 24.1% below prevailing market rates on average.

The \$585 million floating-rate, interest-only mortgage loan — structured as a CMBS trust — carries an initial two-year term with three 1-year extension options. The loan is supplemented by \$65 million in mezzanine financing.

Proceeds refinance the existing \$410 million mortgage, cover an estimated \$15 million in closing costs and fund a \$10 million line of credit earmarked for future building systems improvements and unit upgrades, according to Fitch.

Brookfield, headquartered in New York, manages more than \$1 trillion in assets across infrastructure, renewable energy, private equity, real estate and credit. Its U.S. multifamily portfolio encompasses about 62,000 units across 239 properties, with more than 15,000 units in development, according to Fitch.

San Francisco-based Ballast has \$3 billion in assets under management. The firm operates more than 7,100 rent-controlled units in the Bay Area, focusing on affordable and workforce housing, Fitch said.