THE REAL DEAL
REAL ESTATE NEWS

Ballast and Carlyle pay $15.6M for Russian Hill multifamily

Deal for 38-unit apartment building is among several backed by private equity giant

Compass' Stephen Pugh and Jay Greenberg with 899 Green Street (Compass, Getty)

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By Emily Landes

Ballast Investments has added another apartment building in San Francisco to its portfolio of Bay Area properties, picking up a 38-unit multifamily in Russian Hill for just over $15.6 million, according to Compass Commercial agent Stephen Pugh, who handled both sides of the transaction with co-listing agent Jay Greenberg.

Property records link the Ballast deal at 899 Green Street to The Carlyle Group, with the limited partnership for the buyer sharing the global investment giant's Washington, D.C. address. Many top posts at Ballast are filled by former Carlyle employees, including co-founder and CEO Greg MacDonald and co-founder and Managing Partner Ryan Brewer.

Property records show the same D.C. address listed for LPs behind Ballast's other big apartment purchases in the city's northern neighborhoods, including the nearly $10 million deal in April 2021 for 225 Mallorca Way in the Marina. Property records also link the deal to a Ballast address in San Francisco. The deed for the $6.5 million purchase of 1633 Washington in Nob Hill in September 2021 was also sent to the Ballast address, while the LP behind the deal has the Carlyle address.

More recently, the deed for a $8.8 million deal that closed in May of this year on 2028 Scott Street in Pacific Heights was sent to a different Ballast address while the LP had the Carlyle Group address.

These deals, and the recent close on 899 Green, also share the same lender, RBC Real Estate Capital Partners, according to public records.

Pugh said he listed the long-held five-story Russian Hill building in June for $15.5 million for its brother-sister co-owners, who inherited the apartments “a couple of decades ago.” It was time for them to “part ways with the building” as they were looking to “go in different directions” with the proceeds.

The 25,000-square-foot, 1920s-era building has a distinct Moorish-style architecture, with rounded doorways, beam ceilings and working fireplaces in many units, Pugh said. The top three floors have unobstructed bay views on the north side and city skyline views to the south.

He received five offers on the building with the top two going back for a second round and Ballast “raised theirs to a level where it got accepted.” The deal equates to $410,000 per unit, which has been the post-pandemic norm, Pugh said.

The 60-day close, with a 30-day extension, is typical of deals backed by private equity investors, he added.

Rents top $4,000 for renovated one-bedrooms with bay views in the building. Pugh said Ballast will likely do a “pretty special” renovation on other units in the building, as they become available, starting with the four that are currently vacant, to “see how far they can push the rents for new tenants.”

The common spaces were well-maintained by the long-time owners, he added, but “as with any building of this vintage, there’s always something you can spend some money on.”