

Profitable Volkswagen of Oakland Dealership Owner, Mike Murphy, Devises Plans to Create an Apartment Complex on Auto Row in the Bay Area, California

Few dealers would close a deal offering a \$2,500-a-month lease; not on a car, anyway. But outside San Francisco, where the booming technology sector has sent real-estate prices into the stratosphere, one Volkswagen dealer is betting that apartments are a different story.

Oakland, CA ([PRWEB](#)) January 07, 2015 -- [Mike Murphy](#), owner of Volkswagen of Oakland, is working with Volkswagen of America to tear down his dealership and build a 500-unit apartment complex called the Villas at Auto Row, with VW and Hyun-dai stores on the ground level.

When the apartments open, around 2018, Murphy expects to charge \$3.50 per square foot, or about \$2,500 per month for a 700-square-foot apartment, to capitalize on a Bay Area real-estate boom that has spilled over into Oakland. His strategy is unusual. Over the past few decades, U.S. dealerships have largely left city centers and clustered in suburban auto malls. Outside of ultradense areas such as Manhattan, few dealerships have residential units on top.

Murphy's site is well-suited for an urban retail experiment, given VW's popularity in the progressive havens of Oakland and Berkeley, but it also illustrates how dealerships are taking advantage of the trend toward urban living.

Brian Maas, president of the California New Car Dealers Association, said he has heard from urban dealers in the Bay Area that repair shops make the economics work. "They do incredible service business," Maas said, "because everybody wants to drive into town, drop their car off when they go to work and pick it up when they go home."

Volkswagen of Oakland's three-story art deco building has been tied to VW since the 1950s, and its history has tracked with Oakland's decline and resurgence. The building sits along a section of Broadway Avenue dubbed Auto Row after the dealerships that clustered there during Oakland's post-World War II heyday. Auto Row's luster faded between the 1960s and 1980s as blight and crime caused residents and businesses to flee Oakland. A dozen or so dealerships remain, but many have weathered facades, a telltale sign of the economic challenges they have faced.

Now they sit on prime real estate again. Murphy's store is eight blocks from a train station that can get a commuter to San Francisco's financial district in 15 minutes. Trendy bars and shops open every week. A block away is Cat Town Cafe, a U.S. outpost of a Japanese trend in which patrons can play with kittens as they drink lattes. Oakland rezoned the area in July as the Broadway Valdez District, allowing Auto Row's faded showrooms and parking lots to be turned into apartments and retail stores that would boost the city's housing stock and tax base.

Murphy and his partner on the development, Volkswagen of Oakland General Manager Samir Rohayem, devised a plan to build three apartment buildings on five parcels of land, four of which Murphy owns outright. The fifth is jointly owned by Murphy and Volkswagen of America. They plan to begin construction in mid- to late 2016 and finish in 2018. During construction, the VW and Hyundai stores will need to move into



temporary homes. Murphy owns a vacant lot across the street and a showroom across the street with a lease ending next year, but the project will mean upheaval for multiple dealerships, some of which are his tenants.

"There's going to be some hassle, no doubt about it," Murphy said. "But at the end of the day it's going to be a very profitable deal."



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