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## Firm plans to build in Austin, buy elsewhere

Austin Business Journal - by [A.J. Mistretta](#) ABJ Staff

Since moving his real estate investment firm **The PPA Group** to Austin a little over a year ago, Monte Lee-Wen has learned a few things. Among them: Austin's a great place to be in business and attract talent, but the multifamily investment market here has become overpriced. So he's switching strategies to play ball in his own backyard.

Launched in late 2004 in Bellevue, Wash., The PPA Group had already accumulated about \$65 million in mostly multifamily assets before the relocation to Texas in August 2006. This year alone, the company expects to acquire another \$75 million in property, including a \$41 million, 1,000-apartment portfolio in San Antonio that's currently under contract. Its multifamily holdings are expected to total about 5,000 units by year-end.

But while many of the multifamily properties PPA is snagging are in Texas markets, the company hasn't found viable opportunities in Austin for its investors. Abundant money seeking real estate here in recent years has led to higher prices per door and lower cap rates on apartment properties, compared with cities like Dallas or San Antonio.

"Austin is a pretty expensive market," says Lee-Wen, founder and president of PPA. "We're all about solid investment returns, so we need to be able to adapt to where we can make those returns."

Given that, The PPA Group is turning to new office and retail development in outlying areas around Austin. Lee-Wen points to Leander's transit-oriented development district and other cities experiencing rapid growth, like Bastrop, as examples of opportunity. The company is looking at several prospective sites but no deals have been inked yet. PPA is also talking with potential development partners.

"We believe that the market here is going to be about new supply," says Lee-Wen. "A lot of investors from California really like Austin, and they continue to look for ways to invest their money here."

Though PPA plans to start small in Central Texas development, Lee-Wen says he wants to eventually field projects upwards of \$40 million. PPA also plans to launch a hedge fund focused on commercial real estate acquisition in the first quarter of 2008, which will add another vehicle for raising capital to the firm's structure. The company's current modes of investment include tenant-in-common investments and joint-venture partnerships, among others.

The company has added 13 people to its payroll since coming to Austin, for a total of 18. With development ramping up and plans to add new services, Lee-Wen says PPA's headcount could double in the near future.

PPA has focused most of its investment dollars on markets recovering from recession -- where returns are apt to be greater, says Joy Schoffler, property acquisition manager for the company. Besides Washington and Texas, PPA has places like Louisville, Ky., and Winston-Salem, N.C., on its radar. But Austin remains one of the easiest markets to sell to both institutional and private investors, she says.



Brett Buchanan

Joy Schoffler and Monte Lee-Wen in their Austin office with their properties marked on a Texas map. Both recently transferred from the Seattle area for the attractive real estate scene in Austin.

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As the credit crunch has slowed the national housing market by stifling homebuyers, the rental industry has picked up steam. Rents across the country's top multifamily markets have climbed an average of 2.6 percent in the last year, according to data from Dallas-based research group **MPF YieldStar**.

*amistretta@bizjournals.com | (512) 494-2519*

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