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BayArea SmallBiz



DOUGLAS ZIMMERMAN

Out of the fog

CLEAR VIEW: Lynch Investments founder Peter Lynch scans the foggy horizon for the clear winners in real estate.

Real estate investment firm reaches beyond Bay Area for growth

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Looks can be deceiving, particularly in real estate.

And the real estate industry is risky enough these days without looking for trouble, according to Peter Lynch.

But that doesn't mean the owner of Lynch Investments in Oakland won't look like he's searching for trouble.

The trick, Lynch says, is to invest in properties that have a high perceived risk — which helps drive a better bargain — with a property that has a low actual risk.

Case in point is Lynch's most recent acquisition, a \$27 million deal for a 708-unit apartment building in Houston. Most industry observers who glance at the Houston market only see the seemingly shaky boom-bust history of the place, but Lynch said the area has a much more stable occupancy rate and a more open economy than, say, the Bay Area.

The company also sold three apartment buildings in Fairfield with 250 units collectively for about \$15 million.

All told, the company did about \$100 million in transactions during the past 12 months. It holds about a million square feet of space and 2,000 apartment units in its portfolio, but doesn't hang on to many properties longer than three years.

Lynch Associates is only one of dozens of local real estate investment firms with a similar profile, but because of the company's desire to reach out to undervalued markets (and divest its holdings in over-valued ones), it's fared better than some real estate investment firms that have taken a bath because they've concentrated more of their money in the now-deflated Bay Area market.

"It's difficult to find opportunities in the Bay Area," Lynch said. "We think that maybe it will happen in the next year, but we've been saying that for three years. So it's tough to say."

SNAPSHOT

Company: Lynch Investments in Oakland.
Founder: Peter Lynch. Begun in 1988.
Employees: 15.
What's next: Begin an investment fund and find new investments globally.
Web site: www.lynchinvestments.com

In the meantime, the company is concentrating on other so-called high-perceived-risk areas, like Hawaii, where the firm hopes to buy its first raw land in the next year. Lynch also hopes to initiate its first investment fund in the next year or two to bankroll bigger and more purchases. The company now buys its properties through direct investments funded by any of 90 individuals who have participated in Lynch purchases.

"We're relentlessly looking for investments to increase our building capacity in both apartment buildings and commercial properties," Lynch said.

On top of all that, the company's corporate personnel is also considering a move not often made these days — a migration into, rather than out of, San Francisco.

It's been a long journey for the former nonprofit employee who is active in the Global Partnership in Seattle and the Center for Global Development in Washington, D.C. But if Lynch's plans to branch out his business in other areas of America and, possibly, Mexico, pan out, his journey is just beginning.

Jessica Materna is the small business editor of the San Francisco Business Times. ■