



## REAL ESTATE HUB

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# Austin's blue-collar investor

Average apartments, storage space helps shield Newman from vicious cycles

J.P. Newman, a Los Angeles native and former vice president at Sony Home Entertainment, changed career course in the mid-2000s and moved to Austin to head up a couple of real estate companies — Principals Capital Funding and First Capital Funding. Recently, Newman and his partner, Adrian Lufschanowski, rebranded the two entities — one that acquires properties, often apartments, and a second that provides debt to third parties.

The Austin Business Journal asked Newman about his decision to focus on Central Texas real estate and how he views the current market.

For more on the new venture called Thrive FP, visit this story online: [bizj.us/thauz](http://bizj.us/thauz)

### What prompted you to move to Austin from your family roots in Los Angeles?

I was working on my first equity raise in Austin — the development of Secured Climate Storage — when my wife called me stuck in traffic, as usual, on a Los Angeles freeway. I half-jokingly told her that we could find a new city to live in, like Austin, although we didn't have any friends or network here. She came to Austin with me on the next trip and four months later we bought a home in Austin. It's a great place to raise a family.

### Why did you decide to focus mostly on apartment investment and development?

I strongly believe in, and like to invest in, blue-collar investments such as apartments, buildings and storage versus other asset classes because historically they tend to be less volatile. In any economic cycle,

there is always a need for workforce housing, especially if well-located.

### The apartment development business was the first real estate area to recover after the recession, but now is there a concern about retraction?



As there are always cycles in any asset class, you always have to be cautious about where you are in the cycle. That being said, Texas is in a unique cycle today where population and job growth are still driving demand over supply. As buildings are going up with fervor, there are certain submarkets and timelines that should be carefully watched as there will likely be a surplus of units in the next 36 months.

### Will condo development make a comeback?

It already has. As many Texas submarkets continue to see strong residential appreciation, condominiums become a way

for buyers to more affordably live in areas that they may otherwise not be able to afford in a rising submarket. I see this trend continuing for the next 24-36 months.

### Austin seems to be on everybody's radar, in terms of commercial real estate, but are there caveats?

Even with 70,000-plus new residents per year, one must carefully watch to not overbuild. It's a classic cycle of supply and demand issues. We are carefully watching where we are building and purchasing multifamily properties. We are primarily focusing on B-class infill assets for long-term holds, which we think will be less impacted when oversupply occurs.

### Are you trying to attract investors to Thrive?

Yes, as we plan on launching a new fund soon to purchase approximately \$10 million in distressed assets in California. We are lucky that investors find us either directly or indirectly via word-of-mouth



**J.P. NEWMAN**  
Founder and CEO  
Thrive FP

and referrals. We have a unique style and Austin-type culture that attract particular investors. Our clients understand our philosophy that, "when our tenants succeed, a property succeeds — and when a property succeeds, investors win."

### Do you see yourself as a local, regional or national player?

We see ourselves as a regional player. As we are approaching a \$175 million portfolio, we are focusing primarily on the areas where there is long-term population and job growth — the South and Southwest. Our current portfolio includes properties in Texas, Arizona and California.