

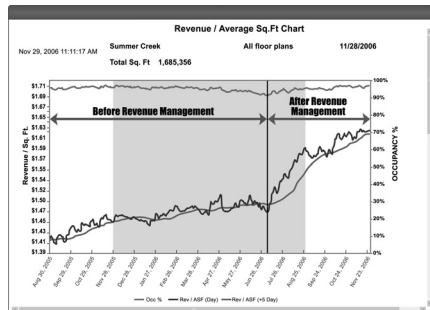
# APARTMENT FINANCE TODAY

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## Bottom Line ASSET MANAGEMENT

# Optimizing Opportunities

Software can help developers weigh potential acquisitions and maximize rents. By Jerry Ascierio



A chart from RealPage's M/PF YieldStar product showing the total revenue per square foot and occupancy levels of a multifamily property, both before and after the product was used. The rising lines denote revenue per square foot and the top line denotes occupancy levels.

In finding out what the market will bear, every developer and property manager engages in revenue management and yield optimization, whether they call it that or not.

Maximizing rents is one obvious example of revenue management, but other processes, like weighing the economic viability of a potential acquisition or development, are becoming easier with the help of software.

In the past, these functions were often determined by mixing spreadsheet data with gut instinct—an uneven, inefficient process. Now a new breed of revenue management and yield optimization software is growing in sophistication, giving property owners and managers an automated crystal ball to help increase their bottom lines.

### Realizing rent growth

Houston-based Camden Property Trust, which owns and manages more than 63,000 units in 185 communities nationwide, has used RealPage's M/PF YieldStar product to help set rents since December 2005, and the results have been dramatic.

In the past, each of the company's operators would set rents based on what they felt the market would bear, informally incorporating metrics like supply and demand and competitor rates into their analysis.

But the company wanted to standardize the process. "It's just the age-old issue of having a level of consistency and making certain that we were maximizing our rates," said Steve Eddington, senior vice president of operations at Camden. Eddington estimates that about 20 percent of the company's operators proved very skilled at the process, "but you want to pick up the other 80 percent," he said.

The company tested YieldStar on several properties with surprising results. "It was requesting rates that ultimately resulted in much higher revenue than anticipated," Eddington said.

On average, the recommended increases were between 2 percent and 4 percent more than the old manual pricing, "and in some cases we saw even more than that," he said. "A year ago, we were all very concerned about the requested rate increases, but we accepted them, and they worked."

Camden uses two of YieldStar's three main features, Market Analyzer and Price Optimizer. Market Analyzer collects and analyzes competitive rent and concession data, broken out by floor plan, identifying which properties and units are under- or overpriced. Price Optimizer uses supply and demand forecasts to make daily rent recommendations, while adjusting individual unit rents for amenities, move-in and move-out dates, and lease terms.

A third function, Investment Analysis, quantifies market opportunities through site-specific research, portfolio-specific research (which compares and contrasts multiple site-specific evaluations), and a market analysis that looks at the economic fundamentals of metropolitan areas and their submarkets.

Camden also uses the software's Executive Dashboard, a snapshot of local, regional, and national property performance in chart form. In the past, the company waded through spreadsheet columns produced weekly, but can now access revenue management information in real-time.

In addition to maximizing rents, YieldStar has served as an education of sorts for Camden's operators. "People are more sophisticated about revenue management than they ever had been," Eddington said. "Now we have 100 percent of our population focused on revenue management."

### **Eyeing acquisitions**

First Advantage SafeRent continues to develop its due diligence suite of products. In the second quarter, the company released MarketVISION, an application that analyzes site-specific market data to weigh the merits of a potential development or rehabilitation opportunity in a given market.

The product analyzes resident data pulled from a database of about 40,000 properties and updated daily, using rent income, traffic quality, and resident demographics to paint a picture of a development opportunity in a given neighborhood. Comparable properties are analyzed to give a snapshot of rents and how

they're distributed in the submarket.

Julian LeCraw & Co., an Atlanta-based developer whose current portfolio totals about 6,000 units, has used the product to test the waters of a recent rehabilitation opportunity, a 266-unit repositioning deal in Alpharetta, Ga. that would see an average \$150 rent increase on completion.

"We really wanted the evidence that proved out our data, that it was first of all a good acquisition from the standpoint of rent increases, but also to understand the profile of what was in the area," said Todd Jackovich, vice president of acquisitions for the company.

MarketVISION helped to validate the company's pro forma estimated rents for the rehabbed property in a much more detailed way than the company's previous manual process.

The company had determined it could raise rents overall, on average, by a certain percentage per square foot once the rehab was completed. "But MarketVISION told us, here's how you're going to get there: You can increase one-bedrooms more than you can increase two- and three-bedrooms," Jackovich said. "It helped us understand how to break it down by unit size."

The analysis also identified resident traffic origin, which helped the company to target its marketing efforts more effectively. ■