

# OUTSOURCING PRICING TO THE EXPERTS

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By Janine Steiner Jovanovic, President of YieldStar

**Today, some multifamily managers are outsourcing revenue management rather than handling it internally.**

A novelty just a few years ago, revenue management is becoming mainstream in the multifamily industry. Where scientific price-setting was once the domain of airlines, rental car companies, and hotels, it's proven to be just as valuable for multifamily, delivering two to five percent revenue outperformance for its users on a sustained basis. By leveraging all the right variables, such as current exposure, projected expirations, renewal conversion trends, seasonal demand behavior, recent leasing velocity, effective rents achieved, competitive positioning, and more, revenue management recommends an ideal price for every new lease and renewal every day.

But while revenue management confers a big advantage on its users, it's a stretch for some. Smaller companies in particular may not have the staff to manage the revenue management function. Some don't have a large enough portfolio to justify the expense, since they can't amortize the cost across enough properties. And others simply don't want to manage the function in-house, regardless of their size.

This staffing obstacle has bred its own solution: outsourced revenue management, with outside industry experts managing pricing and overseeing revenue performance, allowing companies to avoid having a revenue management function internally.

## **BIGGEST FIRST**

As with most new technologies, the first adopters of revenue management were larger multifamily owners who could afford to dedicate internal resources to the revenue management function. These resources are necessary to support the shift in pricing methodology, including training of both on-site and home-office professionals, business process change management, and ongoing price monitoring and adjustment. Typically, at least one dedicated revenue management professional must be added to support revenue management for every 10,000 units.

Over the past couple of years, an opportunity has been created to provide outsourced services to companies without sufficient staff or portfolio size to justify an in-house revenue management expert, or to companies that simply prefer outsourcing to a firm that specializes in revenue management.

"By outsourcing to YieldStar, we've got a team of multifamily experts handling revenue management for us, who essentially act like an extension of our team," said Stephen Adams, senior vice president of

asset management at LaSalle Investment Management. “They monitor pricing and revenue performance at our sites daily, collaborate closely with each of our fee managers, and provide consolidated reports to us often, so we always know what’s going on across our portfolio.”

For LaSalle and others, leveraging a third party to support revenue management operations has delivered added benefits. Their revenue management team works closely with field operations and ownership to ensure everyone understands individual asset strategies and is in agreement on pricing. They also provide insight into performance trends that are easier to identify and contend with quickly when revenue management is being used. Outsourced revenue management professionals are typically seasoned multifamily asset managers or regional managers who have been in the trenches and have chosen to specialize in revenue management.

“Our industry is different from airlines, rental cars, hotels, and other businesses that use revenue management,” said Dan Gumbiner, president and CEO for Orion Residential, who owns and manages approximately 6,300 units in seven markets throughout the United States. “It was important to us that we outsource this function to a group that specializes in the multifamily industry and uses technology designed for owners and operators of apartment communities. It makes a big difference working with people who understand our business strategies and can work with us to help achieve our goals.”

## **BETTER PRICING FOR ALL**

As revenue management spreads inexorably throughout multifamily, outsourcing promises to extend its benefits amongst players of every size. Where once, revenue management delivered a decided advantage in pricing accuracy and leasing flexibility to those who could afford to adopt it and staff for it internally, now it is within everyone’s reach.

Janine Steiner Jovanovic is the president of YieldStar where she is responsible for delivering RealPage's revenue management solutions to the multifamily industry.



YieldStar is a leading provider of revenue management and asset optimization systems to the multifamily industry. More information can be found at [www.realpage.com/yieldstar](http://www.realpage.com/yieldstar).