

AT LEGACY PARTNERS, THE PRICE IS RIGHT

By Guy Lyman

Legacy Partners uses YieldStar® revenue management to price rents and grow profit.

With over 30 years in the business, Legacy Partners is one of the leading multifamily developers and operators in the country, with roughly 20,000 units under management today.

“We have always been an information-driven company,” says Dean Henry, President. “We base our decisions on facts, and those facts are shared all the way from the field to the executive offices. Being a true, fact-driven model, revenue management was a logical choice for us.”

EXPLORING REVENUE MANAGEMENT

Revenue management is the use of technology to analyze data to calculate the ideal pricing for apartments, taking into consideration such factors as available inventory, leasing velocity, expirations and renewals, local market competition and conditions, and other criteria. It’s a technology that has been used for quite some time in industries such as airlines, rental cars, and hotels, but has only recently been applied to multifamily.

“We were aware that revenue management was being adopted in multifamily several years ago, and it made sense to us,” says Henry. “There are too many variables for a human being to calculate the best possible rent price on every unit every day. But being relatively new to our business, we wanted to evaluate revenue management thoroughly before jumping in.”

Legacy decided to hire a consultant for the purpose of reviewing its revenue management options. Having worked for a company that created one of the solutions under consideration, the consultant was familiar with the limitations that ultimately took it out of the running when compared to YieldStar. “You’d have expected him to be biased towards the solution he was familiar with, but this familiarity actually helped him recognize the advantages of YieldStar,” says Henry.

“One of the things we preferred about YieldStar is the sophistication of its algorithms. And we liked the competitor data that feeds the system from MPF Research (www.mpfresearch.com),” says Scott Morrison, Senior Vice President at Legacy Partners. “Revenue management depends on the best local market data available, and we were confident that YieldStar would be working with the most accurate data.”

THE EVALUATION PERIOD

Having chosen YieldStar, the company began testing the solution at four properties in four different markets: southern California, northern California, Colorado, and Texas.

“First came buy-in from senior management,” says Morrison. “Then, the focus shifted to the properties.” On-site training was carried out by a team from YieldStar, working in concert with Legacy personnel. The team visited each property to familiarize management and leasing professionals with both the theory and practical use of YieldStar revenue management.

“The main pushback you get from on site is that they’re so accustomed to offering concessions as a tool to close sales,” says Tim O’Brien, Senior Managing Director and Partner. “Revenue management replaces concessions with multiple options at various prices, depending on move-in date, lease term, amenities, etc. Concessions go away, which is a good thing.”

YieldStar is able to instantly calculate a whole range of price options for each unit daily, based on the right criteria, each equally profitable to the company, so the renter’s choice doesn’t affect the profitability of the lease. The leasing professionals and management no longer have to worry that they’re overcharging and losing prospects, or under-charging and leaving money on the table.

“Our leasing professionals find the ability to offer these options to be far more effective as a closing tool than using discounts,” says O’Brien. “And they feel empowered by having the options, because they have the flexibility to close leases on their own.”

Throughout the process, YieldStar and Legacy reviewed pricing together and held regular calls to answer questions and allay any concerns. “We found it a huge advantage that the YieldStar people come from a multifamily background,” said Morrison. “They’re not technology people speaking about software. They have been in our shoes and really understand the business, which was an important element in our success with revenue management.”

RESULTS

“We started using YieldStar in the fourth quarter of 2009, a rough and slow time in our business,” says Morrison. “Nevertheless, we achieved an increase of over two percent in rent growth and another two percent in occupancy during our evaluation period.”

“And the properties have embraced YieldStar. They like it and are using it effectively,” continues Morrison, “At this point, they would never want to operate without it.”

Another dramatic result was the time saved by management in pricing. With YieldStar making pricing suggestions and managers moving to more of a review role, the pricing process has been reduced to a fraction of the time it required before.

Rather than dedicate a resource internally to revenue management, Legacy Partners chose YieldStar's Pricing Advisory Services to provide daily pricing support and help Legacy get the most out of the system's benefits.

"YieldStar doesn't replace human experience and knowledge in pricing, but it does perform calculations nobody in our business has the time to do, and delivers the best possible pricing," says O'Brien. "We then have an opportunity to review and adjust prices daily with our YieldStar pricing advisor. This dynamic creates the ideal balance between YieldStar's solution and our expertise."

GOING FORWARD

With buy-in now throughout the organization, Legacy is in the process of rolling out YieldStar to its portfolio. "Dramatic changes are happening in the apartment market," says Henry. "We're going to see significant opportunity to increase rents in the next few years, and YieldStar will play a leading role in knowing how far we can push."

Guy Lyman is a Dallas-based freelance writer who specializes in the multifamily industry.



Since 1968, Legacy Partners Residential has been acquiring, developing, and managing premier residential communities throughout the western United States. Legacy Partners Residential has acquired or developed more than 68,000 apartment homes and currently manages more than 20,000 units for investors and third-party clients. For more information, visit <http://www.legacypartners.com>.



YieldStar, a division of RealPage, Inc., is dedicated to helping multifamily owners and managers drive maximum revenues and occupancy with revenue management solutions. YieldStar's Price Optimizer was developed from the ground up to address the unique needs and characteristics of multifamily real estate, while leveraging best practices and experiences of other industries that have profited from the use of revenue management. For more information, please visit www.yieldstar.com.