



Data driven: Pierce-Eislen is a data research firm focused on the commercial apartment industry

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When I began forming the business idea that would ultimately become Pierce-Eislen, a data research firm focused on the commercial apartment industry, online databases and the Internet were still in the incubation stages.

Fast forward a couple of decades, and my company, Pierce-Eislen (acquired in 2013 by Yardi Systems) is the leading provider of performance information about apartment communities.

Nationwide intelligence on markets, developments, rents, occupancy and more can all be gleaned from the company's reports. They are sought out by lenders, investors, developers, multifamily managers, commercial real estate brokers, and economists as accurate indicators of economic trend and performance.

With more than four decades now in the apartment industry, working as a developer, apartment owner, broker and business leader, I have tremendous perspective on how much the industry has changed. The rate of that change "appears to be accelerating."

Nationwide Market Intelligence

It wasn't very long ago that the real estate industry was comfortably unsophisticated. Even when we formed Pierce-Eislen, it was that way. Today the Millennials coming along expect to be able to pull up whatever data they need on the Internet. Advancement in the warehousing and analysis of business intelligence has been beneficial to Pierce-Eislen as the company continues to provide bigger and more robust reports.

Until recently, Pierce-Eislen focused on reporting the apartment market's status as conditions progressed, we didn't look forward. Now we have a new forward looking system that we have been testing for accuracy, and will introduce in early 2014.

Pierce-Eislen's rent surveys target 60 major apartment markets around the country extending from the Pacific Northwest to New England. A full market survey, comprising all properties in the given market of 50 units or more, is conducted three times annually. A smaller, matched, sample survey is completed each month. The firm's patented context rating system compares similar properties and determines which are excelling and which are struggling.

Pierce-Eislen subscribers are able to better support decisions related to where to place investment dollars, lend funds, or build a new apartment community.

I am also in the unique position of being able to closely observe what's happening on the ground at the development and occupancy levels, with hard data at my fingertips to back up the trends that I see.

As apartment development continues, new apartment stock is about to overwhelm demand, resulting in rental markets softening in many regions. The condition most particularly affects new properties coming online to serve "lifestyle" rental categories - affluent empty nester, and young

professional, "double-income-no-kids" rental households.

Concessions are typically a leading rental market condition indicator - more active when rental market conditions soften, as applies currently. We're seeing concessions now in all parts of the country to attract renters among the new projects.

I also believe that developers have over-committed to building class A luxury units positioned to serve "lifestyle renters," - people who choose apartment living because they can afford it, and the rental lifestyle is more attractive to them. What that means to developers is the condition is supported by capital sources and lenders who require that that's where they want their money to be placed.

But all apartment renters, or the property asset classes that serve them, are not alike. The rental category still hurting for adequate supply is in less-expensive properties that serve "renters-by-necessity" residents whose economic status affords no other choice but to rent.

That category of supply is restricted, and demand is increasing. The outcome supports a reasonable premise: The renter-by-necessity segment of the apartment rental market will more probably show some strength in the foreseeable future.

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