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Inside Pillar Properties

By Keith Loria, Contributing Editor

When you're talking multifamily development in the Puget Sound region, the conversation ultimately begins and ends with Pillar Properties, which has approximately 1,200 multifamily units currently operating, plus another 250 that are actively under construction and another 375 scheduled to break ground in 2015.

Under the leadership of its president Bill Pettit, Pillar Properties has established itself as a leader in the Pacific Northwest for developing, owning and managing apartment buildings that define the region. By its company mantra, Pillar Properties only deals with residences that express the unique personality and vitality of Seattle's signature neighborhoods.

"We have a saying around here called 'quietly awesome' that we use at all levels across all aspects of our business," says Bill Pettit's son, Billy Pettit, senior vice president of the company, who was interviewed for this profile. "The concept of 'quietly awesome' emerged out of our branding initiative and was initially focused on the experience we wanted to provide for our residential tenants or our residents who are choosing to live in one of our communities. Ultimately that evolved and it now defines our culture and, in general, our approach to multifamily operations within our portfolio."

Another word the younger Pettit likes to throw around is "localicious," an admittedly made-up term that expresses Pillar's desire to being a good neighbor and its approach to creating a sense of community.

"It's the backbone for all our content marketing initiatives delivered via various social channels, our ratings and reviews," he says. "It also helps define Pillar Passions, which is our new charitable initiative where we run quarterly campaigns supporting four different nonprofit organizations or charitable organizations that we support each year."

A 125-year history

Pillar Properties is a privately owned company capitalized by the Merrill Family; therefore, it can trace its roots all the way back to 1890, when timber pioneer R.D. Merrill began his first timber operation.

"R.D. Merrill Company still exists and is a holding company with two real estate portfolios: Pillar Properties, a developer, owner and operator of premier multifamily assets in the Puget Sound Region as well as a few other strategic real estate investments," Pettit says. "And our sister company Merrill Gardens, which has been around for almost 22 years and at one point was the sixth largest private owner/operator of independent and assisted living in the industry with roughly 71 properties operating in as many as 16 states."

However, Pillar Properties as known today, has only been around since 2011.

"That said, we started launching the strategy in 2007 and started acquiring or assembling a few sites for planned multifamily development in some of the unique neighborhoods surrounding the downtown core here in Seattle," Pettit says. "We launched a branding initiative in 2011 that resulted in the naming of the company—Pillar Properties—and really defined who we are today from both a strategic standpoint as well as culture-based initiatives and ultimately an operating strategy."

Billy the Kid

Prior to joining his father at the Merrill companies in 2006, Pettit was a senior associate at Herbert J. Sims & Co., a boutique investment bank focusing on the senior housing industry.

It was his insistence and enthusiasm that led to the creation of Merrill's multifamily division being separate from the company's flagship senior housing portfolio.

Today, the younger Pettit is responsible for the oversight of the development pipelines and asset management for the company, overseeing the operations at all the Pillar Properties locations including The Century in lower Queen Anne, The 101 in Kirkland, The Corydon in Seattle's University District and The Lyric in the heart of Seattle's Capitol Hill.

He regularly is invited to speak at industry events (everything from the Urban Land Institute to the Apartment Internet Marketing Conference) and has won numerous industry awards (including MHN's Excellence Award in 2014), which he credits to "the phenomenal team members that I work with on a daily basis."

A rising portfolio

Since its beginnings, Pillar Properties has prided itself as a quiet player in the multifamily market and believes the quality of its portfolio is unmatched in Seattle.

"We have really built the company on a relationship-based approach. Almost all of our sites were acquired in off-market transactions that were sourced via long-standing relationships, and over time it's brought us a few unique opportunities," Pettit says. "A lot of it is premised on a kind of comprehensive plan or growth management active in the city of Seattle set in place back in the mid-'90s and it's geared towards these pockets or concentrations of density in unique neighborhoods surrounding Seattle."

Up until about 10 years ago there was very little in the way of density from a residential standpoint in Seattle's downtown core. When that changed, Pillar Properties was uniquely positioned to acquire land because it was capitalized by the Merrill Family and so was aggressive in the early years to jump on opportunities.

"It's resulted in assets such as the work up on Capitol Hill, which over the last two years has been one of the hottest, if not the hottest, submarket in all of Seattle, and The Lyric (215 10th Avenue East) really established itself as the market leader from a fundamental standpoint in terms of occupancy or vacancy rate as well as rental growth," Pettit says. "We opened our doors November of 2012 and were stabilized in February of 2013 and actually reached 100 percent leased in March."

The Lyric's year-over-year rental growth since the property opened has been in the low- to mid- double-digit range. On the heels of that property, Pillar opened the doors at The

Century (101 Taylor Avenue North), a 258-unit luxury building near Seattle Center and the Space Needle, which also had a blazing fast start to lease up.

"We also completed the second phase at Stadium Place, which is the largest transit-oriented development on the West Coast. It's a 496-unit mixed use, with apartments and retail as well as a parking structure, located in what was formerly the north lot of CenturyLink Field, the home of both the Seahawks and Seattle Sounders," Pettit says. "This also happens to be really at the gateway of historic Pioneer Square and what is emerging to be the Stadium District, so it's really creating the front door that connects or joins those two neighborhoods and has proven to be a truly iconic project here in the city of Seattle."

Pillar Properties was recently named to the Puget Sound Business Journal's annual list of the 100 fastest growing private companies in the region, coming in at number 22.

"I consider that to be a spectacular achievement in a region that is largely dominated by the tech industry," Pettit says. "To finish 22 was a tremendous achievement for our small company."

Pillar Properties expects to develop 1,600 luxury apartment units over the next few years. While the majority of Pillar's multifamily units are located in the city of Seattle itself, with four assets in cities that are within the greater Seattle MSA, Pettit is not ruling out eventually expanding to other areas.

"When the Merrill family first capitalized Merrill Gardens, it started with the acquisition of one existing property here in the Seattle area and ultimately grew to 71 properties in roughly 16 states," he says. "So, I don't discount the possibility of our expanding into other markets."

However, right now our focus is purely on the Puget Sound Region. But I tend to be a rather ambitious person, and I could definitely see us at some point in time expanding into other markets in our region or even other markets on the Pacific Coast."

Key Industry Partnerships

Daniels Real Estate. "Stadium Place really never would have come to life if it weren't for all of Kevin Daniels' hard work. He's a true visionary when it comes to development in Seattle. He has been involved in a few spectacular projects that are extremely well respected here in the city."

SRM Development, Spokane, Wash. "Led by principals Jim Rivard, Dean McGonigle and Bryan Stone, SRM has been an extremely important partner of ours both in the growth of our multifamily portfolio, but also in our senior housing development activity. That partnership now dates back 10 years and covers over 12 projects during that timeframe."
—Billy Pettit, Senior Vice President, Pillar Properties

At a Glance

Headquarters: Seattle

No. of Employees: 52

Portfolio: 1,600

Apartment Locations: Seattle, Kirkland, Bellevue, Wash.