



## The EPMS *Shopping Report Performance Comparison* A Multifamily Industry Benchmark 4<sup>th</sup> Quarter 2006

Welcome to 2007 and to this issue of the EPMS Quarterly Shopping Report Performance Comparison. Ellis, *Partners in Mystery Shopping* looks forward to providing you with our national leasing performance benchmark for another year. And what kind of year can our industry expect? After a strong 2006 with double digit rent growth in some of the hotter markets, can we look forward to the same this year? We will continue to benefit from a strong economy. Higher interest rates and a slow down in condominium construction will also work to our advantage. Yet, rent growth will still slow since the industry will be working off of record 2006 numbers. In some markets, new condominiums will be put back on the market as rentals, creating new and what has been called the *invisible* supply. Noted authority Ron Witten, President of Witten Advisors, projects average rents will increase four percent across the Country in 2007.

Dallas based M/PF YieldStar, one of the industry's leading forecasters, reports preliminary results that may better reflect the overall condition of the apartment industry. Its fourth quarter 2006 national survey of roughly 2.5 million units shows average U.S. apartment occupancy at 94.5%. This late 2006 reading is down a meaningful 1.6 points from the September 2006 mark. According to M/PF YieldStar, on a year-over-year basis, U.S. occupancy eased 0.4 points from the December 2005 figure. Measuring change on a same-store basis, effective rent growth across the U.S. cooled to 2.7 percent during the past year.

### **Customer Service as a KEY Component of the Leasing Presentation!**

*Customer Service* as reflected in the leasing presentation has been our theme the past three quarters. In addition to adding to the resident, the leasing experience also defines the sort of long-term relationship you will have with this *future resident*. The leasing experience is the initial stage of that never-ending wooing of our residents that we generally refer to as **resident retention**. There is not a distinct line drawn between the end of the sales presentation and beginning of customer service. Rather, it is a blur as one blends into the other. The sales presentation marks the initial beginning of what we hope will be a longtime relationship while customer service is our effort to maintain and deepen that relationship.

Review the last three quarter's benchmark letters to understand how our customers have redefined leasing as much more than a sales job, [www.epmsonline.com/benchmark.html](http://www.epmsonline.com/benchmark.html). The leasing presentation has become so "relationship oriented" that the creation of trust and friendship has become paramount to persuasion and influence. The industry has adopted a style of selling that emphasizes the long-term relationship, not the immediate sale or lease. We have matured to a fuller understanding of how the initial sales presentation can create a customer foundation that actually enhances the potential profit of the asset. In other words, a service based sales approach will potentially generate more rent from each resident as they start the residency satisfied and positive and are more likely to renew. Later in this report we will ask our benchmark average leaders to share how they begin the renewal process within the initial leasing and sales contact.

### **What is the "Benchmark", the EPMS Quarterly *Shopping Report Performance Comparison*?**

Over seven years ago, this multi-family measurement of mystery shopping scores was created to provide EPMS customers with a point of comparison. Through our interactive website and comparison database of over 97,000 shopping reports, our customers can see how their leasing performance compares to other national and regional apartment operators and management companies. With consultation from our major customers, EPMS has identified the ten leading performance questions that are common to all telephone/on-site apartment mystery shopping reports. By measuring the affirmative answers to these ten performance questions that are common to all telephone/on-site shopping reports, we can rank participating companies, on a fair, weighted, and equal basis, according to their benchmark score. These ten questions are included in the comparison chart attached to this letter.

**36 Participating Companies Representing 4,441 Total Shops!**

Participation in the **EPMS Quarterly Shopping Report Performance Comparison** is a benefit reserved for those companies who are frequent, long-term shopping customers. A minimum of 40 shops during the quarter is required to be included. This quarter’s summary participation represents a shopping report total of 4,441 evaluations. We are delighted to BH Management Services, Inc. E & S Ring Corporation, Lyon Apartment Companies, and Weidner Investment Services to this quarter’s comparison. We want to identify and warmly thank all the current companies who contributed their shopping data to this quarter’s *Shopping Report Performance Comparison*.

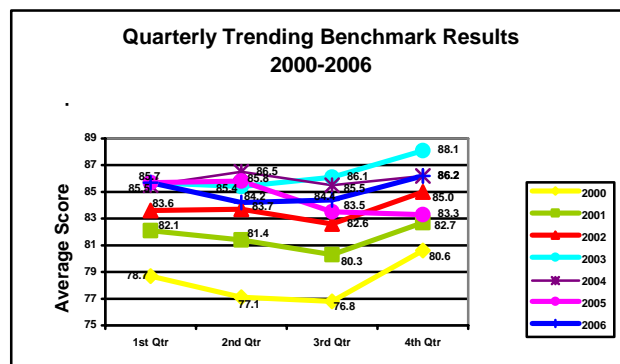
- |                              |                             |                                     |
|------------------------------|-----------------------------|-------------------------------------|
| Amlı Residential             | CWS Apartment Homes         | Milestone Management                |
| Archstone Communities        | Drucker & Falk, LLC         | Pinnacle Realty Management          |
| AvalonBay Communities, Inc.  | E & S Ring Corporation      | Post Properties                     |
| BH Management Services, Inc. | Equity Residential          | Prometheus Real Estate Group        |
| Bozzuto & Associates         | Fogelman Management Group   | RAM Partners, LLC                   |
| BRE Properties               | Gables Residential Services | Simpson Property Group              |
| Capreit                      | Greystar Management         | Tarragon Management, Inc.           |
| Capstone Real Estate         | JPI                         | United Dominion Realty Trust (UDRT) |
| Carmel Partners              | Legacy Partners             | Village Green Companies             |
| Colonial Properties Trust    | Lincoln Property Company    | Waterton Property Management        |
| Concord Management           | Lynd Company, The           | Weidner Investment Services         |
| CTL Management, Inc.         | Lyon Apartment Communities  | ZOM Residential Services, Inc.      |

**Fourth Quarter 2006 Ties Third Highest Benchmark Record at 86.2%!**

This quarter’s participating companies have tied the third highest all-time *Shopping Report Performance Comparison* record of 82.6% set in the fourth quarter, 2004. As we have pointed out in previous benchmark letters, the fourth quarter is usually a strong month in terms of leasing performance as measured by shopping scores. Add to this a record setting score for our top two performers this quarter and we end up with a very strong overall average. Below is a 7-year summary of the fourth quarter benchmark averages as well as the highest and lowest average scores of the participants. The 21.4 point gap between the top and bottom companies this quarter is slightly less than last year’s 24.1 point gap. Also noteworthy, the top company in the Fourth Quarter 2006 comparison, Gables Residential, has achieved the highest average score in the history of the comparison.

Quarter/Year	Overall Fourth Quarter Average	Company Score – Average Ranges		Total Shops
		High	Low	
4 <sup>th</sup> Quarter, 2006	86.2%	95.7%	74.3%	4,441
4 <sup>th</sup> Quarter, 2005	83.3%	93.9%	69.8%	3,796
4 <sup>th</sup> Quarter, 2004	86.2%	93.9%	66.7%	5,448
4 <sup>th</sup> Quarter, 2003	88.1%	94.4%	76.3%	5,131
4 <sup>th</sup> Quarter, 2002	85.0%	90.8%	75.2%	2,145
4 <sup>th</sup> Quarter, 2001	82.7%	88.9%	64.7%	1,917
4 <sup>th</sup> Quarter, 2000	80.6%	89.2%	60.0%	1,261

**Quarterly Trending Remains Consistent.** As indicated by the graph below, quarterly trends continue to be consistent with higher scores in the first and fourth quarters, Fall and Winter, and lower overall shopping scores during the height of the leasing season in the spring and summer quarters, the second and third quarters. We have speculated for years that this upswing in leasing performance in the Fall and Winter is the result of hungrier leasing professionals trying harder in response to less rental prospect traffic. For a detailed discussion of this dilemma and our recommendations for enhancing leasing performance in the busier Spring and Summer quarters, review the third quarter, 2006 newsletter, <http://www.epmsonline.com/benchmark/benchmark3Q06.pdf>.



**Gables Residential tops this Quarter's Benchmark - Highest Individual Company Score in History of Comparison!**

Atlanta-based **Gables Residential** has established a new "benchmark" for the EPMS Quarterly Shopping Report Performance Comparison. Coming in first this quarter with an average shopping score of 95.71% on 133 total reports, the on-site team members at Gables surpassed by a tenth of a percent the previous record shopping score average set by JPI in the third quarter of 2005! With over 37,000 apartment homes on 142 apartment communities, Gables combines high expectations, positive reinforcement with rewards, and an excellent training program to maintain one of the apartment industry's most effective leasing forces. **Jana Muma**, Gables Residential Vice President of Training, was excited for the top ranking of the Gables Residential on-site team members and made this comment:

*"We are thrilled and extremely proud of all of our associates for this astounding achievement but at the same time, not surprised. Gables associates are a remarkable group of people with great capacity to continuously outperform. It is amazing what a unified and focused team can accomplish. I would like to personally congratulate all of our associates!!"*

Just 0.36 points behind at 95.35%, our second top performer, **Tarragon Management, Inc.**, earned marks this quarter that put them at the third highest average in the Benchmark's seven-year history. In the third position is **Legacy Partners** at 93.15%, a remarkable achievement and this company's second appearance on this top tier of the EPMS Quarterly Shopping Report Performance Comparison.

**The Leasing Presentation as the Foundation for the Future Lease Renewal!**

Once more we ask our top three Benchmark performers to discuss how their leasing efforts are also an extension of their ongoing customer service and resident retention efforts. As we review shopping reports and observe participating companies' practices, we realize an aspect of customer service that is being included in many sales presentations is the anticipation of repeat buying or renewing of the lease. Many companies adhere to the concept that the "renewal process starts at move-in." **Denise Bailey**, Senior Vice President of Marketing and Training at Legacy Partners, says their leasing professionals take this concept a step farther. "We are thinking *renewal* in our very first contact with the rental prospect! And the key is communication, combined with an immediate accommodation of the rental prospect's needs and expectations. Whether it is responding to an Internet inquiry, answering a phone call, or greeting a visitor at the door, we demonstrate a responsive and sincere attitude that sets the stage for a long-term residency." By establishing a two-way dialog and open communication, the Legacy Partners on-site leasing professionals model the sort of positive relationship they plan to extend after this prospect moves in.

"First and foremost, we develop a relationship that is warm and inviting. Whether online, by phone, or face-to-face, the Gables Residential leasing associates will strive to connect with the prospect in a way that implants the idea of renewing from the very beginning" reports **Jana Muma**. Her company does even more to entice future renewals and long-term residency by introducing the Gables "Great Rewards" program in the initial sales presentation. With the "Great Rewards" card, all new residents get immediate discounts to major retailers and service providers such as AMC Theaters, Linens & Things, Costco, and AirTrans. Yet, the leasing professional also explains the added bonuses as residents celebrate their first, second, and each additional anniversary at the Gables community. With a years residency a resident receives a carpet shampoo, for two years a free patio detail, for four years a full carpet replacement, and so forth. Muma continues. "By selling the Great Rewards program in our leasing presentation, we communicate our expectation that the prospect will want to renew in the future as they anticipate the benefits and rewards they receive as a Gables resident". This program also promotes brand loyalty since it is transferable to any other Gables community nationwide.

At Tarragon Management, the goal of the future renewal is reflected in the company leasing model. "The objective in leasing is not simply to gain a new resident. We want to recruit a *raving fan* who not only refers others to our communities but also has the mindset of staying longer and even renewing due to the positive leasing experience", says Tarragon Vice President of Education, **Wendy Muse**. An award winning leasing presentation is service oriented first and sales focused second. "Of course we want to offer an aggressive and persuasive sales presentation that maximizes our closing ratios. Yet, we must think long-term even in this first contact with the *future resident*." Says Muse, "We want to create the sort of experience that will not only get them into an apartment now but will also make the prospect think they are making a really good long-term decision."

**Follow Up by On-site Professionals!**

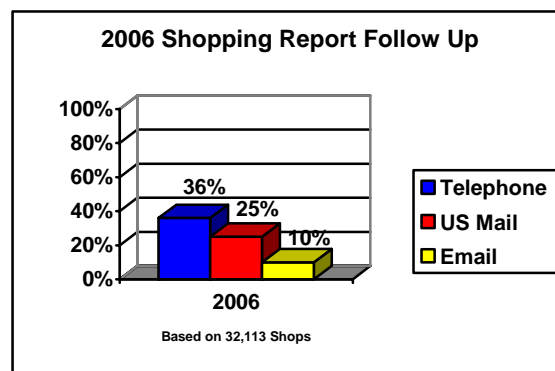
We periodically track the percentage of leasing professionals who follow up on their rental prospects by telephone, US Mail, and email. It is interesting that the follow up percentages have remained fairly consistent through the years until this year. In 2006, the percentage that followed up with their rental prospect actually declined. Even though our industry continues to be more sophisticated, the numbers do not seem to improve.

The chart below shows the number of follow up attempts by category: mail, phone, and email. Out of a total of 32,113 shops, we recorded 8,795 individuals who followed up in some manner. Note that some leasing professionals used more than one method to follow up with their prospect so the total follow up count is slightly higher than the actual number of prospects. Factoring out the multiple follow up attempts on the same prospect, the leasing professional followed up with the shopper 27.4% of the time.

	% of Follow Up
One Form of Follow Up	27.4%
Two Forms of Follow Up	16.3%
Three Forms of Follow Up	3.9%
No Follow Up	85.9%

Based on 32, 113 shops in 2006

Despite more and more of our leasing prospects choosing the internet to make the initial contact with our communities, follow up by email remains dismally low. Only 10% of follow up was done online. This is perhaps the most efficient and effective forms of communication with the prospect, especially the internet prospect. Follow up with a thank you note by US Mail was in second place at 25% just behind the 36% of the on-site professionals who used the phone to keep in touch with their prospect.



**And it all starts with TRAINING!** Top performing companies integrate sales and service in every prospect/customer encounter by design through their training efforts. It is never an accident that these two disciplines co-exist in harmony and purpose. We have found that in every case, the formal and informal training received by the on-site team members is the driver of their successful implementation. Therefore, we will embark upon an “educational journey” in 2007 as we review the training concepts and methods of companies participating in the **EPMS Quarterly Shopping Report Performance Comparison**. Starting next quarter, we will take a look at the impact an effective training program, large or small, in-house or outsourced, classroom or online, will have on leasing.

We look forward to providing you with new services and informative surveys in 2007, as Ellis Property Management Services remains your **Partners in Mystery Shopping**. Ellis is the name that is synonymous with the finest mystery shopping in the apartment industry. We also are your resource for an array of leasing and training related benefits that will be featured on our new website sometime in February.

It is a delight to partner with you. We wish you an OUTSTANDING New Year!

Sincerely,

*Joanna Ellis*

Joanna Ellis, CAPS  
 President  
 jellis@epmsonline.com

Enclosure



**SHOPPING REPORT PERFORMANCE COMPARISON®  
MULTIFAMILY INDUSTRY BENCHMARK  
FOURTH QUARTER, 2006**

QUESTION OVERALL AVERAGE	TELEPHONE PRESENTATION		ON-SITE PRESENTATION									CLIENT OVERALL AVERAGE
	Q1 Set Appointment	Q2 Telephone Number	Q3 First Impression	Q4 Identify Specific Needs	Q5 Discuss/ Show Property	Q6 Apt. Condition	Q7 Feature/ Benefit Sell	Q8 Overcome Objection	Q9 Ask for Deposit	Q10 Lease from Agent		
<b>85.86%</b>	<b>74.78%</b>	<b>92.91%</b>	<b>86.62%</b>	<b>92.82%</b>	<b>95.29%</b>	<b>89.39%</b>	<b>95.23%</b>	<b>63.18%</b>	<b>85.95%</b>	<b>86.20%</b>		
Gables Residential	97.74%	90.23%	97.74%	96.24%	98.50%	96.99%	97.74%	96.24%	90.98%	94.74%	<b>95.71%</b>	
Tarragon Management, Inc.	95.35%	95.35%	97.67%	93.02%	100.00%	97.67%	93.02%	100.00%	86.05%	95.35%	<b>95.35%</b>	
Legacy Partners Residential, Inc.	94.44%	88.89%	98.15%	88.89%	100.00%	100.00%	85.19%	100.00%	81.48%	94.44%	<b>93.15%</b>	
CLIENT 4	88.64%	84.09%	97.73%	86.36%	95.45%	95.45%	97.73%	100.00%	86.36%	97.73%	<b>92.95%</b>	
CLIENT 5	94.40%	87.20%	96.53%	91.20%	97.33%	96.00%	94.67%	97.60%	82.13%	92.00%	<b>92.91%</b>	
CLIENT 6	95.25%	88.65%	97.10%	91.29%	98.42%	94.46%	88.92%	95.78%	86.54%	89.71%	<b>92.61%</b>	
CLIENT 7	100.00%	85.71%	93.88%	97.96%	89.80%	95.92%	95.92%	97.96%	71.43%	93.88%	<b>92.24%</b>	
CLIENT 8	94.20%	92.75%	92.75%	98.55%	98.55%	97.10%	92.75%	95.65%	69.57%	89.86%	<b>92.17%</b>	
CLIENT 9	96.23%	86.79%	95.28%	90.57%	96.23%	97.17%	95.28%	97.17%	74.53%	89.62%	<b>91.89%</b>	
CLIENT 10	90.91%	80.17%	96.69%	95.87%	95.87%	98.35%	96.69%	98.35%	71.07%	92.56%	<b>91.65%</b>	
CLIENT 11	89.29%	79.76%	97.62%	94.64%	96.43%	98.21%	93.45%	93.45%	74.40%	91.67%	<b>90.89%</b>	
CLIENT 12	95.35%	89.53%	89.53%	90.70%	84.88%	97.67%	96.51%	98.84%	76.74%	87.21%	<b>90.70%</b>	
CLIENT 13	95.65%	80.43%	97.83%	95.65%	95.65%	93.48%	91.30%	97.83%	56.52%	91.30%	<b>89.57%</b>	
CLIENT 14	90.63%	91.67%	90.63%	87.50%	96.88%	97.92%	95.83%	97.92%	60.42%	83.33%	<b>89.27%</b>	
CLIENT 15	82.93%	85.37%	95.12%	85.37%	97.56%	92.68%	97.56%	95.12%	65.85%	92.68%	<b>89.02%</b>	
CLIENT 16	91.86%	79.07%	91.86%	91.86%	96.51%	95.35%	91.86%	94.19%	66.28%	90.70%	<b>88.95%</b>	
CLIENT 17	80.95%	71.43%	96.83%	87.30%	96.83%	96.83%	92.06%	96.83%	66.67%	92.06%	<b>87.78%</b>	
CLIENT 18	86.31%	77.95%	90.87%	91.25%	96.58%	96.58%	87.83%	95.82%	66.16%	83.65%	<b>87.30%</b>	
CLIENT 19	88.27%	61.73%	95.06%	83.95%	97.53%	93.21%	87.65%	95.68%	62.35%	89.51%	<b>85.49%</b>	
CLIENT 20	92.21%	74.03%	90.91%	90.91%	92.21%	92.21%	84.42%	96.10%	50.65%	87.01%	<b>85.06%</b>	
CLIENT 21	86.96%	69.57%	91.30%	71.74%	100.00%	97.83%	86.96%	95.65%	67.39%	82.61%	<b>85.00%</b>	
CLIENT 22	82.55%	71.91%	88.94%	88.51%	91.91%	94.47%	84.26%	95.32%	51.06%	84.26%	<b>83.32%</b>	
CLIENT 23	86.55%	66.39%	93.28%	81.51%	90.76%	89.92%	87.39%	93.28%	60.50%	83.19%	<b>83.28%</b>	
CLIENT 24	87.85%	68.22%	90.65%	88.79%	91.12%	95.33%	81.78%	95.79%	50.47%	81.78%	<b>83.18%</b>	
CLIENT 25	87.10%	72.04%	91.94%	81.18%	84.95%	95.69%	83.87%	95.69%	53.76%	85.48%	<b>83.17%</b>	
CLIENT 26	77.38%	61.90%	92.86%	83.33%	94.05%	94.05%	89.29%	95.24%	59.52%	82.14%	<b>82.98%</b>	
CLIENT 27	69.89%	83.87%	94.62%	78.49%	93.55%	94.62%	90.32%	89.25%	34.41%	76.34%	<b>80.54%</b>	
CLIENT 28	80.39%	47.06%	92.16%	82.35%	84.31%	96.08%	90.20%	90.20%	50.98%	84.31%	<b>79.80%</b>	
CLIENT 29	82.44%	61.07%	89.31%	70.23%	90.84%	96.18%	91.60%	89.31%	50.38%	74.81%	<b>79.62%</b>	
CLIENT 30	68.12%	56.33%	93.45%	81.22%	90.39%	95.63%	86.90%	91.27%	49.78%	80.79%	<b>79.39%</b>	
CLIENT 31	70.64%	61.47%	92.66%	79.82%	79.82%	97.25%	83.49%	95.41%	41.28%	84.40%	<b>78.62%</b>	
CLIENT 32	85.29%	70.59%	83.82%	73.53%	82.35%	86.76%	80.88%	94.12%	42.65%	76.47%	<b>77.65%</b>	
CLIENT 33	55.00%	58.33%	86.67%	76.67%	90.00%	95.00%	93.33%	78.33%	55.00%	85.00%	<b>77.33%</b>	
CLIENT 34	80.22%	51.65%	79.12%	79.12%	90.11%	96.70%	91.21%	97.80%	31.87%	71.43%	<b>76.92%</b>	
CLIENT 35	64.39%	61.36%	83.33%	78.03%	79.55%	93.94%	79.55%	96.21%	43.94%	76.52%	<b>75.68%</b>	
CLIENT 36	70.45%	52.27%	90.91%	71.97%	76.52%	87.12%	84.85%	92.42%	40.15%	76.52%	<b>74.32%</b>	

Participating Companies:

Amlis Residential	Greystar Management
Archstone Communities	JPI
AvalonBay Communities, Inc.	Legacy Partners
BH Management Services, Inc.	Lincoln Property Company
Bozzuto & Associates	Lynd Company, The
BRE Properties	Lyon Apartment Communities
Capreit	Milestone Management
Capstone Real Estate	Pinnacle Realty Management
Carmel Partners	Post Properties
Colonial Properties Trust	Prometheus Real Estate Group
Concord Management	RAM Partners, LLC
CTL Management, Inc.	Simpson Property Group
CWS Apartment Homes	Tarragon Management, Inc.
Drucker & Falk, LLC	United Dominion Realty Trust (UDRT)
E & S Ring Corporation	Village Green Companies
Equity Residential	Waterton Residential
Fogelman Management Group	Weidner Investment Services
Gables Residential Services	ZOM Residential Services, Inc.

Benchmark 1st Place Company:

Gables Residential Services

Jana Muma - Vice President of Training

*"We are thrilled and extremely proud of all of our associates for this astounding achievement but at the same time, not surprised. Gables associates are a remarkable group of people with great capacity to continuously outperform. It is amazing what a unified and focused team can accomplish. I would like to personally congratulate all of our associates!"*

\* Representing 4,441 shopping reports