

**The Ellis Shopping Report Performance Comparison
A Multifamily Industry Benchmark
Executive Summary
Third Quarter, 2011**

Welcome to the Third Quarter 2011 Ellis Quarterly Shopping Report Performance Comparison. Our new company name, [Ellis, Partners in Management Solutions](#), supports our vision and the commitment to the growing needs of our customers and YOUR customers. With the feedback that is so readily available to all customers on all types of products, and in particular our industry, the “voice of the customer” has become influential and can no longer be easily dismissed. Going beyond satisfaction and understanding what drives customer loyalty allows your customer to become a powerful voice for your community.

Our new innovation, a resident survey feedback tool, allows you to understand the emotional drivers behind the customer’s decision to be loyal and speak favorably about your community. Loyalty is driven by emotion and the willingness to put personal reputation on the line for products and services that a customer passionately believes in. Understanding the customer, their passions, through generational analysis and behavioral characteristics allows you to focus on key decision drivers. In this letter, we discuss what Gen Y, a generation that is 78 million strong, is looking for in their home, along with our traditional market update and the results of our quarterly performance comparison.

☑ MARKET CLIMATE UPDATE

The demand for rental housing is skyrocketing, home sales remain vapid, job growth is slow, and unemployment remains high. These are very interesting economic times. For decades, home ownership has symbolized the fulfillment of the American dream. Despite the most affordable home buying market in decades, home sales remain sluggish. Slow job growth and high unemployment are beating down consumer confidence, resulting in increasing financial worries. This has placed the rental housing market in a unique position. Even in the absence of job creation, rentals are in strong demand, and vacancy rates are declining. The bottom line: If someone cannot afford to own a home, they will rent. This is driving rental occupancy down ↓and rents up↑.

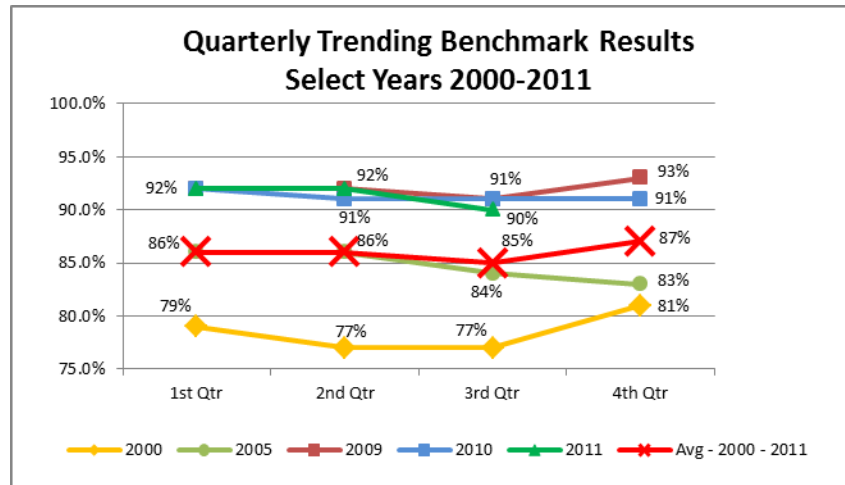
- The U.S. unemployment rate in September was 9.1%, according to the [U.S. Department of Labor](#). This rate has shown little change since April, 2011.
- According to [Gallup](#), underemployment, a measure that combines the percentage of unemployed with the percentage working part-time but wanting full-time work, was at 18.3% at the end of September - a slight improvement from 18.5% at the end of August, as a decline in unemployment more than offset a slight increase in part-time workers seeking full-time employment.
- 30% of U.S. workers in a Gallup poll conducted in August said [they fear being laid off](#), which essentially matches the record-high 31% who said the same in August 2009. This may also signal additional job losses yet to come.
- As stated in [The Research Brief Blog-Marcus & Millichap-October 7, 2011](#), increased caution among prospective homebuyers, together with steep financing hurdles, will continue to slow home sales, a trend that will strengthen apartment operations. Nationwide, the vacancy rate slipped 30 basis points in the third quarter to 5.6%, 10 basis points less than was recorded at the start of the recession. Following net absorption of roughly 36,000 units in the third quarter, an additional 118,000 rentals were occupied in the first nine months of 2011. Overall, demand growth has enabled property owners to make steady progress raising rents and easing concessions. Asking and effective rents rose 0.6% and 0.7%, respectively, in the third quarter, pushing down concessions slightly to 7% of asking rents.
- "Dissatisfaction about the direction of the economy and related employment fears are damping demand to buy homes and slowing the recovery," Fannie Mae's chief economist, Doug Duncan, said in the August, 2011 [quarterly housing survey](#). "People who believe owning is a better deal than renting are nonetheless planning to rent, at least until things improve."

☑ ELLIS QUARTERLY SHOPPING REPORT PERFORMANCE COMPARISON: A MULTIFAMILY INDUSTRY “BENCHMARK”

For many years, our shopping customers asked, “**How do my on-site leasing professionals compare to those in similar companies?**” In the First Quarter 2000, we created the *Ellis Shopping Report Performance Comparison* to answer that question. Known as the “Benchmark”, our quarterly report allows you to compare your company’s leasing performance to other national and regional operators. By measuring the affirmative answers to ten leading and universal performance questions common to all telephone/on-site mystery shopping reports, we rank participating companies on a weighted and equal basis. These 10 questions are included in the comparison chart attached to this letter.

☑ ELLIS BENCHMARK QUARTERLY PERFORMANCE TRENDING

The overall average in the Third Quarter 2011 reached 90% based on 3,868 shops. This average is slightly lower than the same time period one year ago when the overall average reached 91%. While this number dipped slightly, the high and low company averages took a big swing on both sides. The “high average” increased by 2.3% while the “low average” dived downward by 7.8%. As companies at the bottom continue to address specific leasing performance weaknesses through training and communicating their increased expectations, their scores will move up and increase their averages. The demand for rental apartments will continue to rise based on a demographic change and tougher lending standards for would-be home buyers. Will leasing teams become lackadaisical or will they rise to the occasion?



☑ TOP-RANKED PARTICIPATING COMPANIES

1st Place – Western National Property Management. 99% (3.4% standard deviation)

“Congratulations to the top five winners! Western National Property Management is once again delighted to be counted among the top five of the nation’s premier mystery shop benchmarking competition. Western’s Leasing Professionals incorporate an attitude of care, compassion and accountability each and every time a prospective resident enters any one of our communities. I am so very pleased, but more importantly, so very proud of my team. They work hard to be one of the best and it shows.”

-Laura Khouri, President

2nd Place – Venterra Realty. 98% (7.28% standard deviation)

“We are very excited to have achieved a Top 5 ranking again. This achievement is a great testament to the commitment our teams show toward delivering an awesome customer experience and providing exceptional products to lease. To all of our employees reading this, I want to express my sincere thanks for achieving such amazing results again. I am always impressed with the commitment you show towards making Venterra a world class place to work and live and this is just another shining example. Great stuff everyone.”

-Richard Roos, Chief Operating Officer

3rd Place – Gables Residential Services. 97% (6.94% standard deviation)

Gables Residential is thrilled with our accomplishment of ranking among the Top 5 in the Ellis Benchmark. Our associates’ focus on customer service is unwavering despite the challenges they face daily. Congratulations to the Gables team.

-Jennifer Antos, Vice President of Learning and Development

4th Place – Sequoia Equities. 96% (8.59% standard deviation)

What an amazing team we have at Sequoia Equities! Congratulations goes out to our team member’s for their outstanding performance in the third quarter EPMS benchmark survey. Their commitment to making the experience matter for our client’s and resident’s is evident in everything they do. We are extremely proud of this accomplishment!

-Tammy Georgantes, Director of Training

5th Place – SARES-REGIS Group. 96% (9.35% standard deviation)

We are very pleased to be in the top five EPMS benchmark rankings again this year. It is a combination of a commitment to delivering outstanding service, pride in their performance and a dedication to consistently developing their skills that has allowed our team to enjoy this success. Congratulations to all our team members on this achievement.

-Michelle Adrian, Director of Training

☑ PERFORMANCE IMPROVEMENT WHEN IT COMES TO HOUSING AND WHAT GENERATION Y WANTS

Between 2008 and 2020, the U.S. Census Bureau reports that approximately 57 million members of Gen Y will reach the age of 22 - the beginning of prime rental age. What Gen Y is saying about their desire for homes affects everyone in the real estate industry.

The sheer size of Generation Y will have enormous influence on the housing industry and the economy in general, an impact likely to be as long-lasting as the infamous Baby Boomers. If you want to get their attention, it is important to begin exploring their housing wants and needs. What is important to them should be important to you, too. *What will Gen Y want?*

1. LOCATION!

As stated in [Housing In America - The Next Decade](#), an in-depth overview of the future of housing published by the Urban Land Institute (ULI) in 2010:

Early signs of new trends in U.S. housing markets have been present for years now. These trends will become stronger following the recession and affect where people live, whether they own or rent their homes, and the size and style of the homes they choose. These choices, whether made by desire or necessity, will be very different from those made by people over the years since World War II, the period of the great suburbanization of America. The coming decades will be the time of the great reurbanization as 24/7 central cities grow and suburbs around the country are redeveloped with new or revived walkable suburban town centers. [Housing in America, The Long Term: Expect the Unexpected, page 10]

Urban living might be what they want but at the end of the day, it comes down to budget. It is a challenging situation both for renter and developer. While developers chase this massive power purchasing generation, the cost of developing in urban infill markets demands a higher rent than most members of Gen Y are willing and able to pay. Could this lead to more doubling up or smaller apartments? It certainly will be a factor when determining apartment mixes. Another consideration for developers is building close enough to urban markets where renters can take advantage of the activities without having to drive too far.

Regardless of what the results will be, from an economic stability standpoint, it is refreshing that this generation is showing signs that they are more realistic about what they can and cannot afford. If they cannot afford urban living, then urban “like” living will do. They may even sacrifice luxury in their home to get the location they want. [Jason Dorsey, The Gen Y Guy](#), believes the importance of housing location boils down to this: *experiences*. “In Austin, people want to live near the music, the Frisbee-golf parks, and walking distance to great restaurants that are happening.” He went on to say that mentioning certain amenities that are in walking distance in a sales presentation will attract the attention of Gen Y.

According to researchers, the highest ranked decision factor that will keep Gen Y in their current location is the ability to meet people and make friends. This should not come as a surprise to those that have studied the behavior of this generation. They are social networkers, and they want to connect with others for both personal and professional purpose.

2. WOMEN DOMINATE!

According to Dr. Sheila Barry-Oliver, Business and Professional Women’s Foundation Board of Trustees and Research & Education Committee Chair, “Women represent 46% of the Generation Y workforce, which by 2025 will represent 42% of the US workforce. This is something that we have never seen before in this country or any country. Research reveals that there are now more women in colleges and universities than men for the first time in U.S. history. Women are earning more bachelor’s degrees, advances degrees, even more doctorates than men. This group is being referred to as [WINKS](#) - Women with Incomes and No Kids and may represent 70% of all women aged 20-28 today.

According to [RCLCO](#), a leading knowledge solutions provider to the real estate industry, WINKS could represent 34% of all Gen Y by 2015. Their consumer research into Gen X and Gen Y women uncovers the following:

- *Gen Y female headed households prefer living in urban or urban-like settings*
- *Convenience is key*
- *They would like to walk to work, dining, entertainment and shopping*
- *They are career minded but believe in balance*
- *Over half have incomes of over \$50,000 per year*

This could mark a departure from typical home purchasing patterns and their “parent’s home” in suburbia.

3. LIVING INSIDE AND OUT!

According to discoveries made at The National Association of Home Builders conference held in January, 2011, formal living rooms, soaker bathtubs and three-car garages will be out! Even though a lot of the conference was focused on the housing needs of aging Baby Boomers, the fact that their kids, Generation Y, represent an even larger demographic could not be ignored. Surveys showed that 88% want to be in an urban setting, where they can walk to shops, restaurants and mass-transit.

Here were some additional discoveries made at [The National Association of Home Builders conference](#):

They **DO NOT** Want

- Cookie cutter homes
- A lawn to mow
- A formal dining room
- A ginormous bathtub

They **DO** Want

- Interesting layouts and unique home features
- Enough outdoor space to grill and entertain
- Flexible living space/a gathering space
- Large shower stalls

Generation Y is opting for a more liberating lifestyle where they can be flexible with their time. It is called renting! They want to live in areas with good public transportation, close to all their amenities, close to work, and have the flexibility to move. They are unique. They do not live to work; they work to live. A “home” to them means something different than it did to their parents or grandparents. Places to congregate are more important than a large apartment: community rooms, fitness areas, jogging trails, movie-screening theaters, anything shared that makes a community more like a “community”. Renting is a perfect match for Generation Y - at least for now, offering them the flexibility and freedom they value. **Are you ready for Generation Y?**




We thank you for your participation and feedback, which help make this report informative and a reliable resource. We hope you will find Ellis, Partners in Management Solutions to be not only the finest source for mystery shopping but a true partner in management solutions for your organization. Visit our blog, [All Things Considered...An Ellis Perspective](#), for more insight on Generation Y and other current topics.

Sincerely,

Joanna Ellis

Joanna Ellis, CAPS
Chief Executive Officer

Enclosure

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MULTIFAMILY INDUSTRY BENCHMARK
THIRD QUARTER, 2011

	TELEPHONE PRESENTATION		ON-SITE PRESENTATION								CLIENT AVERAGE	STD DEV
	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10		
	Set Appt	Telephone Number	First Impression	Identify Specific Needs	Discuss/ Show Property	Apt. Condition	Feature/ Benefit Sell	Overcome Objection	Ask for Deposit	Lease from Agent		
QUESTION OVERALL AVERAGE	92.92%	83.43%	94.08%	91.31%	93.95%	93.72%	92.48%	95.35%	70.66%	89.61%	90%	16.16
Western National Property Management	100.00%	97.92%	100.00%	98.96%	100.00%	98.96%	100.00%	100.00%	94.79%	98.96%	99%	3.40
Venterra Realty	96.83%	96.83%	96.83%	96.83%	100.00%	98.41%	100.00%	98.41%	95.24%	98.41%	98%	7.28
Gables Residential Services	97.31%	93.73%	99.70%	99.10%	99.10%	94.93%	99.40%	99.10%	88.06%	99.10%	97%	6.94
Sequoia Equities	97.62%	92.86%	100.00%	92.86%	98.81%	96.43%	94.05%	100.00%	96.43%	95.24%	96%	8.59
SARES-REGIS Group	100.00%	96.49%	96.49%	96.49%	98.25%	96.49%	96.49%	98.25%	89.47%	96.49%	96%	9.35
CLIENT 6	87.88%	100.00%	98.48%	98.48%	98.48%	98.48%	100.00%	93.94%	80.30%	95.45%	95%	8.64
CLIENT 7	95.80%	93.01%	94.41%	95.10%	99.30%	95.80%	91.61%	99.30%	87.41%	96.50%	95%	9.18
CLIENT 8	95.00%	92.50%	100.00%	97.50%	97.50%	87.50%	97.50%	97.50%	87.50%	95.00%	95%	10.12
CLIENT 9	97.92%	90.63%	94.79%	95.83%	97.92%	100.00%	95.83%	97.92%	86.46%	92.71%	95%	11.79
CLIENT 10	95.24%	85.71%	98.10%	96.19%	98.10%	97.14%	99.05%	99.05%	73.33%	97.14%	94%	8.49
CLIENT 11	94.12%	90.20%	96.08%	98.04%	98.04%	98.04%	98.04%	98.04%	70.59%	92.16%	93%	9.73
CLIENT 12	96.00%	89.33%	97.78%	93.78%	97.78%	95.56%	92.00%	95.56%	76.44%	92.44%	93%	11.65
CLIENT 13	92.62%	85.23%	97.32%	96.64%	94.63%	95.97%	96.64%	98.66%	81.21%	91.28%	93%	12.67
CLIENT 14	93.33%	75.56%	97.78%	97.78%	95.56%	97.78%	88.89%	95.56%	80.00%	97.78%	92%	10.57
CLIENT 15	98.04%	74.51%	96.08%	90.20%	98.04%	96.08%	100.00%	96.08%	80.39%	94.12%	92%	13.20
CLIENT 16	100.00%	95.45%	90.91%	87.50%	94.32%	95.45%	94.32%	96.59%	77.27%	86.36%	92%	15.05
CLIENT 17	91.94%	83.87%	95.16%	91.94%	98.39%	95.16%	96.77%	93.55%	74.19%	90.32%	91%	13.92
CLIENT 18	96.95%	80.92%	95.42%	92.37%	96.95%	96.18%	89.31%	99.24%	75.57%	89.31%	91%	14.14

Participating Companies	
Alliance Residential Company	JMG Realty, Inc.
Amlı Residential	Kettler Management
Apartment Trust of America	Laramar Group
BH Management Services, Inc.	Madison Apartment Group, LP
Bozzuto & Associates	Pinnacle (PRMC)
BRE Properties	Post Properties
Capreit	RAM Partners, LLC
Capstone Real Estate	SARES-REGIS Group
Carmel Partners	Sequoia Equities, Inc.
Colonial Properties Trust	Simpson Property Group
Cottonwood Capital Property Management, LLC	The Bainbridge Companies
CWS Apartment Homes	Timberland Partners
E & S Ring Corporation	UDR
Fairfield Residential	Venterra Realty
Gables Residential	Waterton Residential
Greystar Management Services	Weidner Apartment Homes
Guardian Management, LLC	Western National Property Management
IMT Residential	Windsor Property Management Co / GID
	* Representing 3,868 shopping reports

Benchmark 1st Place Company
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CLIENT 19	92.52%	89.72%	92.52%	94.39%	93.46%	97.20%	92.52%	97.20%	62.62%	87.85%	90%	13.39	
CLIENT 20	100.00%	80.43%	95.65%	78.26%	97.83%	91.30%	89.13%	95.65%	84.78%	86.96%	90%	16.19	
CLIENT 21	94.40%	80.80%	93.60%	94.40%	88.80%	92.80%	92.00%	94.40%	71.20%	88.00%	89%	15.83	
CLIENT 22	95.05%	79.86%	92.93%	93.29%	94.70%	95.76%	91.17%	93.99%	66.78%	87.99%	89%	15.89	
CLIENT 23	98.28%	79.31%	93.10%	94.83%	94.83%	87.93%	93.10%	87.93%	67.24%	89.66%	89%	16.59	
CLIENT 24	90.59%	81.18%	95.29%	89.41%	91.76%	94.12%	91.76%	91.76%	61.18%	90.59%	88%	14.34	
CLIENT 25	91.23%	85.96%	92.98%	92.98%	98.25%	87.72%	89.47%	94.74%	63.16%	85.96%	88%	14.90	
CLIENT 26	95.10%	70.59%	92.16%	92.16%	95.10%	92.16%	91.18%	93.14%	63.73%	88.24%	87%	13.71	
CLIENT 27	89.29%	82.14%	91.07%	92.86%	91.07%	91.07%	91.07%	100.00%	53.57%	89.29%	87%	15.58	
CLIENT 28	90.86%	76.34%	88.71%	87.63%	88.71%	93.55%	88.71%	94.09%	59.68%	77.96%	85%	19.65	
CLIENT 29	89.40%	77.99%	90.76%	83.42%	86.96%	89.40%	89.67%	92.12%	56.52%	85.60%	84%	19.20	
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CLIENT 31	79.17%	75.00%	89.58%	85.42%	95.83%	93.75%	89.58%	91.67%	56.25%	81.25%	84%	19.53	
CLIENT 32	88.61%	81.01%	91.14%	86.08%	87.34%	88.61%	83.54%	92.41%	56.96%	84.81%	84%	20.79	
CLIENT 33	85.71%	59.52%	95.24%	95.24%	90.48%	90.48%	85.71%	90.48%	50.00%	90.48%	83%	16.63	
CLIENT 34	84.13%	65.08%	82.54%	82.54%	82.54%	93.65%	92.06%	87.30%	42.86%	79.37%	79%	22.88	
CLIENT 35	75.86%	77.01%	82.76%	73.56%	87.36%	86.21%	81.61%	89.66%	54.02%	77.01%	79%	25.08	
CLIENT 36	76.23%	57.38%	88.52%	68.85%	80.33%	81.97%	82.79%	89.34%	27.05%	76.23%	73%	26.46	

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