



The EPMS *Shopping Report Performance Comparison* A Multifamily Industry Benchmark 4th Quarter 2005

Another new year and another fresh start! Happy New Year and welcome to what we predict to be a hallmark year for our industry. Both rental rates and occupancy crept up in some markets this Fourth Quarter, 2005, bucking the typical downward trends usually seen during the fall and winter. We hesitate to be too optimistic but with almost two million jobs created nationwide in 2005 along with 31 straight months of job growth, the outlook is positive! New jobs drive apartment demand and occupancy; most experts predict a similar pace for 2006.

EPMS Quarterly *Shopping Report Performance Comparison*. January marks the seventh year of our nationwide survey. While the total shops included and the number of participating companies has increased dramatically, the primary objective of this comparison remains the same. Our quarterly benchmark allows you to compare the leasing performance of your company's on-site professionals to those of other regional and national apartment operators. With over 78,000 total shopping reports included in the data since inception, the **EPMS *Shopping Report Performance Comparison*** is the industry's leading and most authoritative standard for comparing on-site apartment leasing skill level and execution.

The Evolution of the Benchmark. At this seven year anniversary, we feel the need to make a few observations about the **EPMS *Shopping Report Performance Comparison***. Referred to as "the Benchmark" because it is used as a tool to compare a company's leasing efforts with other similar companies, this quarterly report was originally designed for the following reasons:

- To answer the question posed so often by our clients, "***How do my leasing professionals compare to other companies using the EPMS shopping service?***"
- To establish a benchmark or standard of leasing performance among the apartment owners and management companies who are regular EPMS customers.
- To allow regular EPMS customers to benchmark their overall individual company performance and monitor changes on a quarterly basis.
- To establish a measure that even non-participating EPMS shopping customers can use to compare their leasing performance to the Benchmark participating companies. (This can be done through our website.)
- To provide some insight and observations to EPMS customers in particular and to the apartment industry in general regarding leasing trends and performance improvement ideas.
- To share industry training and leasing "best practices" by featuring Benchmark participating top scoring companies.

Through the years, the industry has found additional uses for the **EPMS Quarterly *Shopping Report Performance Comparison***. Companies often use their leasing expertise and success as evident by their Benchmark placement as a tool to market their company for third party business as well as show corporate strength and acumen to investors and owners. Some property management executives whose companies achieve a particularly high ranking in a given month have been known to throw a playful jab at their friendly competitors. And while we reveal the rankings of only the top three performers each quarter, we suspect that there are considerable conversations between participating companies. This is a healthy outcome of industry measurements like our Benchmark and facilitates healthy and appropriate exchanges between competitors and industry friends. Yet, there are some purposes that this quarterly comparison is not intended to serve.

- The **EPMS Quarterly *Shopping Report Performance Comparison*** does not measure nor report the apartment industry's average leasing performance. Our Benchmark shopping data reflects only top companies throughout the nation who focus intently on leasing performance, train their on-site associates using the best learning models available, and hold their leasing professionals accountable to a level much higher than industry norms. While any EPMS customer is welcome to participate in the Benchmark, those who do choose to be measured, ranked, and compared are also actively preparing their on-site team members to perform at the highest levels in the business!
- The quarterly Benchmark includes only a part of the overall shopping reports performed by Ellis Property Management Services. We average over 7,500 mystery shops a quarter with only a portion of these included in the Benchmark averages.

- Our **EPMS Quarterly Shopping Report Performance Comparison** does not favor or promote any particular company or property owner. We are diligent to apply the same standards to every shopping assignment and maintain rigid but fair and equal guidelines for participation. Companies that commit to being involved in the nationwide comparison relinquish the option of excluding shops that do not meet their typical company guidelines or performance expectations. Of course, every leasing professional has an occasional bad day. And inevitably, a shopper shows up on that “bad” day. While this rare poor performance should not result in termination, the score is still counted in the Benchmark averages. This guideline can be confirmed by any of our participating companies. There are no exceptions.

We hope this clarifies some of the concerns a few individuals and companies may have about this quarterly leasing performance comparison. There are a few other issues that have come up after six years of reporting. Long-term clients must ask an important question when considering the direction of their leasing efforts. Does shopping make a difference? Our Benchmark participating companies should ask, “Is the shopping report score and Benchmark averages truly a reflection of overall performance?” These are fair questions that will be addressed by the leading companies in this Fourth Quarter, 2005 Benchmark letter.

This quarter marks our fourth and final installment of the series **The Anatomy of a Leasing Professional**, insights and ideas about managing and relating to the on-site team “hunter”, the *leasing professional!* In the first quarter, we discussed the characteristics and attributes of the ideal person for this key position and how testing can be used to identify those candidates who fit this special role. **Hiring Models** was the next topic as we examined the systems leading apartment management firms use to process applicants and secure the best candidates to fill the leasing desk. Last quarter, we discussed “**A training program that ‘fits’**” and how to nourish and retain our leasing professionals by creating an effective training program that fits both the company’s needs and the budget! These benchmark letters are still available on our website at www.epmsonline.com.

The Proper Care and Feeding of a Leasing Professional. This letter will conclude our series on the cultivation of great leasing people by focusing on the relationship between the shopping report and actual leasing performance. What impact does shopping have on performance and putting more prospects into apartments? Is there really a correlation between high shopping scores, increased occupancy, and NOI? But first, let us look at this quarter’s Benchmark leading companies as well the overall averages of all participating companies.

The EPMS Quarterly Shopping Report Performance Comparison: A Multifamily Industry “Benchmark” With consultation from our major customers, EPMS has identified the ten leading performance questions that are common to all telephone/on-site mystery shopping reports. By measuring the affirmative answers to these ten performance questions that are common to all telephone/on-site mystery 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.

33 Participating Companies Representing 3,796 Total Shops

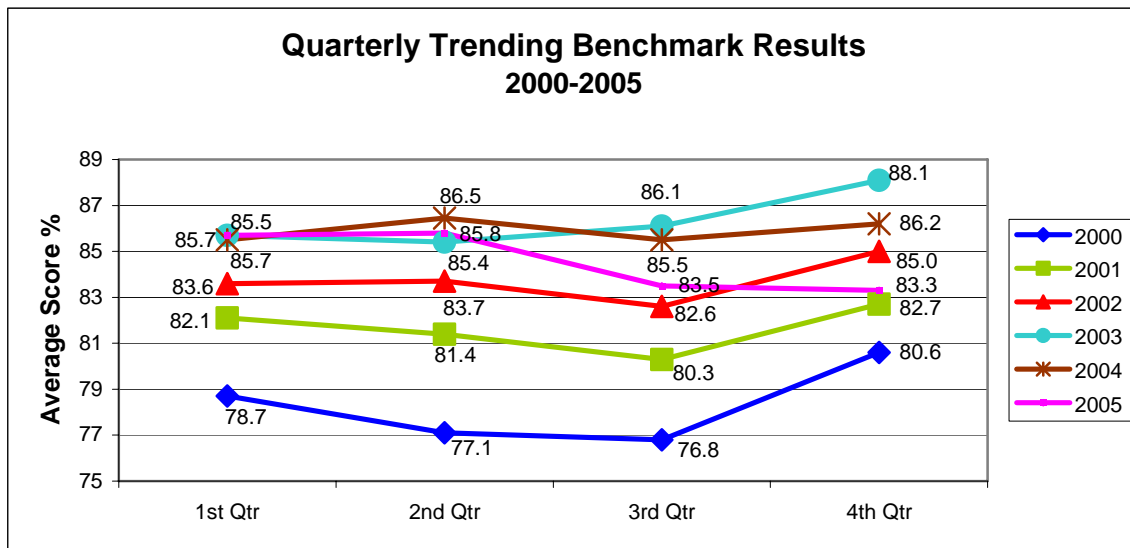
Participation in our quarterly comparison remains high although the total number of shops was down. Participation in the EPMS Quarterly *Shopping Report Performance Comparison* is a privilege reserved for those companies who are frequent, long-term shopping customers. A minimum of 40 shops during the quarter is required. We want to recognize and warmly thank all the current participating companies.

Archstone Communities	Fairfield Residential	Orion Real Estate Services, Inc.
AvalonBay Communities, Inc.	Fogelman Management Group	Pinnacle Realty Management
Bozzuto & Associates	Gables Residential Services	Post Properties
Capreit	Greystar Management	Prometheus Real Estate Group
Capstone Real Estate	Home Properties	RAM Partners, LLC
Colonial Properties Trust	JPI	Rockwell Management
Con Am Management	Legacy Partners	Simpson Property Group
Concord Management	Lincoln Property Company	Sterling Management, Ltd., Inc.
CWS Apartment Homes	Lynd Company, The	Tarragon Management
Drucker & Falk, LLC	Metric Property Management	United Dominion Realty Trust (UDRT)
Equity Residential	Milestone Management	Village Green Companies

Fourth Quarter 2005 Average of 83.3% Breaks Trend by Dropping Below Previous - Down Three Points from One Year Ago. For the first time since inception, the Fourth Quarter *Shopping Report Performance Comparison* overall average dropped below the previous third quarter. The graph below illustrates the typical quarterly average score trend with the first and fourth quarters performing higher than the middle second and third quarters. In the past, the graph lines would show a

bowl-shaped curve as the scores would go down in the spring and summer and often reach their highest point in the fourth or fall quarter. We speculated in the past that these average scores are higher in the winter and fall (first and fourth) quarters because there tends to be less traffic resulting in a hungrier leasing team who spends more “quality” time with each phone and walk-in prospect. In the spring and summer (second and third quarters), apartment traffic is up, occupancy increases, and leasing professionals may feel too busy to give as much attention to every person. Perhaps properties are also inadequately staffed due to summer vacation schedules. Regardless, the previous trends showed the dip in average benchmark scores in the second and third quarters in most years. What had *always* occurred was an improvement from the third to the fourth quarter of up to four points!

What happened this quarter? Why did the fourth quarter average score not show the usual up-tick? There may be several reasons. First, our total sampling (shops included) this quarter is down compared to one year ago. Yet, lower participation did not change the trend in 2001 or 2002 when the total included shops were significantly less. This trend change may have to do with an overall shift in the apartment rental marketplace. Last quarter, we saw a major drop from the average score peak in 2003. This fourth quarter follows that trend of lower averages and, we assume, a less dynamic on-site sales effort. Note below how after a record high average benchmark score in the third and fourth quarters of 2003, the quarterly scores have lagged behind except in the first quarters. Could a stronger economy and increased apartment demand be dulling our leasing professionals’ sense of urgency? Do “better times” take some of the fire out of our sales presentations? We will continue to watch this disturbing trend for our participants and readers to see if it continues. This is certainly a trend that must be curbed and reversed.



The chart below illustrates the continued drop in fourth quarter average Benchmark scores since the peak in 2003 at 88.1%, still the record high for the history of the **EPMS Quarterly Shopping Report Performance Comparison**. The 4.8 point difference in overall average score between 2003 and 2005 does not parallel the difference in the top ranking company of those two quarters. The high score difference this quarter is only a half a point less than 2003. The difference in overall average scores between these two quarters is due to the increasing gap or spread between the highest scoring and lowest scoring company in the fourth quarter 2005 vs. fourth quarter 2003.

Quarter/Year	Overall Fourth Quarter Average	Company Score – Average Ranges	
		High	Low
4 th Quarter, 2005	83.3%	93.9%	69.8%
4 th Quarter, 2004	86.2%	93.9%	66.7%
4 th Quarter, 2003	88.1%	94.4%	76.3%
4 th Quarter, 2002	85.0%	90.8%	75.2%
4 th Quarter, 2001	82.7%	88.9%	64.7%
4 th Quarter, 2000	80.6%	89.2%	60.0%

We again recognize our top three performers and congratulate them on this accomplishment! We have also invited these three companies to share their thoughts about the objective and purpose of an active shopping program. We think you may be surprised about their mystery shopping comments!

Gables Residential Earns Top Spot at 93.88%

Gables Residential continues to be a leader in the industry in leasing excellence. This marks the seventh time Gables has reached the pinnacle of the **EPMS Quarterly Shopping Report Performance Comparison**. Gables Vice President of Training, **Jana Muma**, is excited about this remarkable achievement and credits the many Gables on-site associates for their ongoing successes:

“This is not about simply winning a contest. This is about Gables Residential being the best we can be, and we are extremely proud of our associates. This quarter marks a huge comeback for us. A giant leap from 5th place last quarter to 1st place this quarter is remarkable! Our leasing professionals have done a phenomenal job in a tough quarter.”

Congratulations also to our second and third positions, Lincoln Property Company at 92.79% and JPI at 92.45%. Both of these companies frequently place at the top of the **EPMS Quarterly Shopping Report Performance Comparison** and are familiar names to many followers of this leasing benchmark. Occasionally a customer wonders out loud, “Is this Ellis benchmark fixed? Why do some companies seem to *always* appear in the top positions?” A few clients have even thrown up their hands in frustration after struggling to increase their Benchmark score average and declared, “This Benchmark Leasing **Performance Comparison** is not really valid! These companies that do well in the rankings are simply training their leasing people to respond to the benchmark questions! These scores do not correlate to better overall leasing performance.”

There are still more valid concerns and important questions to ask about a benchmark like ours. We agree it is critical to consider the validity and value of mystery shopping in general! Does shopping really impact overall leasing performance? Is it truly worth the effort and expense? These are fair questions that we have asked our three top ranking companies this quarter to briefly address.

Does an Ongoing Shopping Program Truly Enhance the Cultivation and Growth of Leasing Professionals? Not surprising, the companies that place at the top of our quarterly benchmark no longer ponder these kinds of questions. They have tackled these issues, addressed them, and moved on. So we asked Gables, LPC and JPI their opinions and conclusions about the overall value of an ongoing shopping program. We are aware that this entire topic could seem a bit self-serving when posed by a shopping and on-site leasing evaluation company. Please see past our personal biases and listen to what these three major players in apartment development and management have to say.

Shop to Train and Provide Accountability! That is the unanimous opinion of all three companies. “JPI has been shopping our leasing professionals consistently for more than 15 years. We utilize the shopping experience to assist us in training for “superior” performance, associate recognition and reward, and to ensure accountability of our leasing professionals,” says **JoAnn Blaylock**, JPI Divisional President and Managing Partner. “But ultimately, we shop our associates to gauge the level of customer service being extended to the *incoming* Resident.” Shopping as a training tool and to create accountability is also the foundation of conducting on-site evaluations for Gables Residential. “We use the shopping report feedback to tailor and customize our training programs. Gables sets high standards, and shopping helps us hold our people accountable,” says Muma.

Scores Matter! Are shopping scores important? “Absolutely! And scores parallel actual performance. No question!” says Blaylock. “Our leasing superstars consistently score high on their shops. It is definitely an indicator of leasing skill and effectiveness.” JPI not only benchmarks leasing through their shopping program, they also benchmark actual closing ratios, lease production, resident interaction/customer service, NOI, and even employee satisfaction. Then Benchmark averages are used to measure both internal performance and JPI’s relative position in the industry. “If you do not measure and benchmark, both internally and externally, you do not have a clear understanding of what is working and what is a waste of time.”

At LPC, the shopping report is a partial reflection of the company sales training program. “Our LPC shopping report includes the 10 Benchmark questions as well as many other sales and service performance indicators. The shop has a definite positive influence on the actual presentation which is reflected in a higher score,” explains **Maria Lawson**, LPC Vice President of Training and Marketing. Shopping scores and leasing performance are also seen as synonymous at Gables. “We view the closing ratio and the shopping scores equally important. You can’t have one without the other.”

Yes, We Train to the Benchmark Questions! Why not? The Benchmark questions reflect the fundamentals of an effective leasing presentation. “Our shopping report has a number of *soft* questions that reveal the quality of the relationship that is created between the leasing professional and the incoming resident. But the report also includes the 10 Benchmark questions,” explains Blaylock. “We train to all the shopping report questions; especially the Benchmark! These questions are the core of the presentation. Which of those ten would you want a leasing person to NOT cover with a customer?”

“Learning and training to the ten Benchmark questions clearly has a positive impact at LPC,” Lawson tells us. “We train employees to ask these key questions in every presentation. Leasing is all about sales and these are basic sales questions.” LPC believes *consistency* is the key to their successful training programs and leasing efforts. All leasing professionals know these questions and are consistently coached to apply them to their sales presentation. Other companies often ask how LPC maintains the top position on the **EPMS Quarterly Shopping Report Performance Comparison** quarter after quarter. Lawson says it again, “Consistency! Consistency in training, consistency in accountability, and consistency in reward and recognition equals **consistency in results.**” Do not miss the obvious here. There is no secret formula to these three companies’ Benchmark score successes. It is simply focus and hard work!

How Do You Stay on Top? “It is all about focus. If you want to be at the top, spend the time, money, and effort to get there,” says Blaylock. “We worked our tails off this quarter and accomplished in the Benchmark what we wanted. More important, we leased a lot of apartment homes!” Training to the Benchmark and other shopping report questions will create better scores. ALL the top ranking participating companies practice this policy. The more important result is the enhanced sales. Muma explains, “Training to the Benchmark questions keeps our Gables’ sales force focused and on their toes. It gives us a goal for which to strive and a reason to celebrate when achieved.” But if a leasing professional is simply programmed to cover the ten EPMS Benchmark questions will their presentation have any impact? Our panel tells us that covering ONLY the Benchmark questions would not be effective and their leasing professionals are trained to cover all the shopping report questions. This training, combined with competency-based hiring models, produces top-notch sales professionals who have the desire and skills to perform at high levels. And yes, these employees score very high on a shop!

Expect a Shopper! All three companies shop their leasing professionals on an arbitrary basis. Yet there is also heightened anticipation about a shopper visit. “Our shops are done at random, random months, random associates, the phone shop completed after the physical shop...everything possible to duplicate the true leasing experience a real life customer would receive,” Muma tells us. “But we definitely prepare them for the inevitable shopper. They know it is coming and Gables’ people are clear about our expectations.”

Each company is upfront with their leasing professionals; expect to be shopped! But the training culture teaches these frontline associates to be more concerned that each property visitor is a prospect...not that they might be a shopper. “Leasing Professionals must assume that every person they greet is the most important person that day. Provide each visitor with your best and don’t fret about who might be a shopper,” says Blaylock. “Shoppers are prospects and prospects are shoppers,” adds Lawson. “We have had shoppers who actually lease from us. And all prospects are *shoppers* in the sense they will report to friends and family what they experience on their visit to our LPC community.” Does alerting your on-site personnel that they will be shopped give a company an advantage in their Benchmark ranking? Of course! It is also the only fair and effective way to create a healthy shopping environment and appropriate sense of accountability.

Perhaps JPI’s Blaylock best summarizes the essence of the Benchmark with this final thought. “The **EPMS Quarterly Shopping Report Performance Comparison** provides us an indication of how our Leasing Professionals are performing against other high quality management companies. That is important since one of our core philosophies is to hire the best in the industry for every position. However, we also benchmark our shopping scores internally looking for improvement quarter after quarter to ensure that we are continually improving our customer experience.”

We appreciate the insights, opinions, and ideas from these three apartment industry experts. And we look forward to sharing new ideas and “best practices” through this new year. We thank all of this quarter’s participants for allowing us to share your shopping report benchmark data with the industry. May your 2006 be prosperous and fulfilling. Here’s to a strong and productive first quarter!

Sincerely,

Rick Ellis

Rick Ellis, CPM
President
rellis@epmsonline.com

Joanna Ellis

Joanna Ellis, CAPS
Vice President of Operations
jellis@epmsonline.com

Enclosure



**SHOPPING REPORT PERFORMANCE SUMMARY®
MULTIFAMILY INDUSTRY BENCHMARK
FOURTH QUARTER, 2005**

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	
78.90%	70.10%	90.75%	84.38%	91.41%	93.05%	87.25%	93.39%	60.43%	82.96%	83.26%	
Gables Residential Services	94.14%	88.27%	95.77%	92.83%	97.07%	97.07%	98.05%	97.07%	88.27%	90.23%	93.88%
Lincoln Property Company	91.36%	89.42%	95.82%	92.76%	98.05%	97.49%	91.36%	96.94%	83.29%	91.36%	92.79%
JPI	98.11%	81.13%	94.34%	92.45%	94.34%	100.00%	94.34%	90.57%	86.79%	92.45%	92.45%
CLIENT 4	84.78%	86.96%	97.83%	91.30%	91.30%	100.00%	91.30%	95.65%	84.78%	93.48%	91.74%
CLIENT 5	84.37%	80.83%	95.87%	95.58%	97.94%	96.76%	94.69%	96.76%	79.35%	94.10%	91.62%
CLIENT 6	85.71%	87.76%	95.92%	87.76%	97.96%	97.96%	95.92%	95.92%	73.47%	91.84%	91.02%
CLIENT 7	85.71%	90.48%	95.24%	85.71%	90.48%	97.62%	88.10%	100.00%	69.05%	88.10%	89.05%
CLIENT 8	90.48%	84.13%	96.83%	92.06%	92.07%	96.83%	87.30%	95.24%	69.84%	84.13%	88.89%
CLIENT 9	82.09%	74.63%	92.54%	92.54%	97.01%	94.03%	91.04%	94.03%	76.12%	88.06%	88.21%
CLIENT 10	84.89%	65.47%	97.84%	97.84%	94.24%	96.40%	90.65%	96.40%	58.99%	92.09%	87.48%
CLIENT 11	84.90%	76.04%	92.19%	91.67%	98.96%	93.23%	90.63%	94.27%	61.46%	86.46%	86.98%
CLIENT 12	87.88%	71.21%	89.39%	93.94%	89.39%	93.94%	87.88%	93.94%	72.73%	87.88%	86.82%
CLIENT 13	62.22%	73.33%	97.78%	93.33%	95.56%	100.00%	95.56%	100.00%	57.78%	88.89%	86.44%
CLIENT 14	88.02%	76.04%	94.79%	90.10%	92.19%	94.79%	88.02%	94.79%	55.21%	84.38%	85.83%
CLIENT 15	89.47%	80.70%	94.74%	94.74%	94.74%	85.96%	84.21%	91.23%	50.88%	89.47%	85.61%
CLIENT 16	67.50%	85.00%	100.00%	85.00%	95.00%	85.00%	92.50%	95.00%	57.50%	85.00%	84.75%
CLIENT 17	76.74%	69.77%	95.35%	76.74%	97.67%	93.02%	86.05%	93.02%	65.12%	86.05%	83.95%
CLIENT 18	74.19%	58.71%	91.61%	80.00%	98.06%	96.13%	91.61%	98.06%	61.29%	83.23%	83.29%
CLIENT 19	85.16%	65.63%	90.62%	80.47%	94.53%	92.97%	81.25%	98.43%	51.56%	82.81%	82.34%
CLIENT 20	74.24%	51.52%	93.94%	95.45%	89.39%	98.48%	92.42%	92.42%	50.00%	84.85%	82.27%
CLIENT 21	81.40%	71.16%	89.77%	84.65%	89.77%	94.42%	80.47%	93.95%	49.77%	81.40%	81.67%
CLIENT 22	66.07%	57.14%	91.07%	87.50%	89.29%	96.43%	82.14%	100.00%	58.93%	82.14%	81.07%
CLIENT 23	60.91%	61.82%	93.64%	84.55%	88.18%	95.45%	85.45%	95.45%	50.91%	85.45%	80.18%
CLIENT 24	75.56%	66.67%	88.89%	86.67%	88.89%	91.11%	93.33%	88.89%	37.78%	75.56%	79.33%
CLIENT 25	75.00%	52.17%	85.87%	77.17%	90.22%	95.65%	93.48%	98.91%	36.96%	79.35%	78.48%
CLIENT 26	76.21%	60.19%	90.29%	64.56%	88.35%	96.12%	86.89%	88.83%	49.03%	76.21%	77.67%
CLIENT 27	68.57%	53.33%	89.52%	85.71%	94.29%	97.14%	84.76%	92.38%	32.38%	76.19%	77.43%
CLIENT 28	60.40%	55.45%	89.11%	75.25%	91.09%	91.09%	84.16%	95.05%	54.46%	75.25%	77.13%
CLIENT 29	70.67%	69.33%	85.33%	73.33%	94.67%	84.00%	81.33%	89.33%	42.67%	76.00%	76.67%
CLIENT 30	59.32%	49.15%	89.83%	69.49%	86.44%	86.44%	77.97%	91.53%	50.85%	72.88%	73.39%
CLIENT 31	67.41%	53.33%	78.52%	71.85%	80.00%	88.15%	81.48%	94.81%	33.33%	68.89%	71.78%
CLIENT 32	67.74%	46.77%	83.87%	74.19%	82.26%	91.94%	77.42%	85.48%	43.55%	64.52%	71.77%
CLIENT 33	63.22%	57.47%	85.06%	65.52%	71.26%	85.06%	77.01%	94.25%	33.33%	65.52%	69.77%

Participating Companies:

Archstone Communities	Legacy Partners
AvalonBay Communities, Inc.	Lincoln Property Company
Bozzuto & Associates	Lynd Company, The
Capreit	Metric Property Management
Capstone Real Estate	Milestone Management
Colonial Properties Trust	Orion Real Estate Services, Inc.
Con Am Management	Pinnacle Realty Management
Concord Management	Post Properties
CWS Apartment Homes	Prometheus Real Estate Group
Drucker & Falk, LLC	RAM Partners, LLC
Equity Residential	Rockwell Management
Fairfield Residential	Simpson Property Group
Fogelman Management Group	Sterling Management, Ltd., Inc.
Gables Residential Services	Tarragon Management
Greystar Management	United Dominion Realty Trust (UDRT)
Home Properties	Village Green Companies
JPI	

Benchmark 1st Place Company:

Gables Residential Services

Gables Vice President of Training, Jana Muma

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* Representing 3,796 shopping reports