



The EPMS *Shopping Report Performance Comparison* A Multifamily Industry Benchmark 4th Quarter 2004

We welcome in this new and exciting year and the challenges ahead, but we approach 2005 with a bit more reservation and caution than in the recent past. The next 12 months will be particularly demanding and often frustrating for many of our customers and for the apartment industry in general. This reluctant prediction is not based on an extensive study or expert analysis of the multi-family markets. Rather, it comes from the conversations we have had with many friends and associates who, despite their tireless efforts and competent management, did not meet budget or raise NOI in 2004. It was not a banner year for much of the industry. Furthermore, a number of industry associates have told us that this marks the third consecutive year of little or no rent growth.

Certainly there were bright spots in 2004. We know of many individual and portfolio triumphs. There will always be those that truly excel despite the economic environment. Yet, even those communities who have achieved occupancy nirvana in their particular marketplace have accomplished this at a great price. In many markets, rampant discounting, giveaways, and just lower rent are destroying the economics of the asset. How long can a property give away two months net, pay a locator a full month's rent commission, and remain viable? That is a 25% loss of projected income!

We Are Resolved! Do not think of us as pessimistic. We are not anticipating a year of doom and destruction. But the market and the supply/demand ratio is what it is, and at least cap rates are down! **Our New Year resolution** is to continue partnering with our clients to provide shopping reports, training, and consulting services that will make a measurable difference. In 2005, we will enhance our commitment to make our shopping service even more than simply the accurate and timely reports upon which you have come to depend.

So how about YOUR New Year's resolution? What will you determine to accomplish over the next 12 months? Later in this Benchmark letter we will share some 2005 training and performance goals by our Fourth Quarter 2004 top performers. But first, for our new readers, allow us to explain this report and the EPMS quarterly shopping performance comparison.

The EPMS Quarterly *Shopping Report Performance Comparison*: A Multifamily Industry Benchmark

"How do my on-site leasing professionals compare to those in other similar companies?" Our benchmark of leasing performance was created over five years ago to answer that very question! The EPMS *Shopping Report Performance Comparison* 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 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 average leasing/shopping score. These ten questions are included in the comparison chart attached to this letter.

30 Participating Companies Representing 5,448 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 fourth quarter summary participation represents a record breaking shopping report total of 5,448 evaluations. We want to welcome The Lynd Company as a new participant in the comparison this quarter. We also want to identify and warmly thank the current companies who contributed their shopping data to this quarter's *Shopping Report Performance Comparison*.

Archstone Communities	Fairfield Residential	RAM Partners, LLC
AvalonBay Communities, Inc.	Fogelman Management Group	Simpson Property Group
Capreit	Gables Residential Services	S. L. Nusbaum Realty
Capstone Real Estate	Home Properties	Summit Properties
Colonial Properties Trust	JPI	Tarragon Management
Con Am Management	Legacy Partners	Trammell Crow Residential Services
Concord Management	Lincoln Property Company	United Dominion Realty Trust (UDRT)
CWS Apartment Homes	Lynd Company, The	Village Green Companies
Drucker & Falk, LLC	Metric Property Management	Walden
Equity Residential	Post Properties	Windsor Communities

Fourth Quarter Benchmark Average Drops to 86.2%!

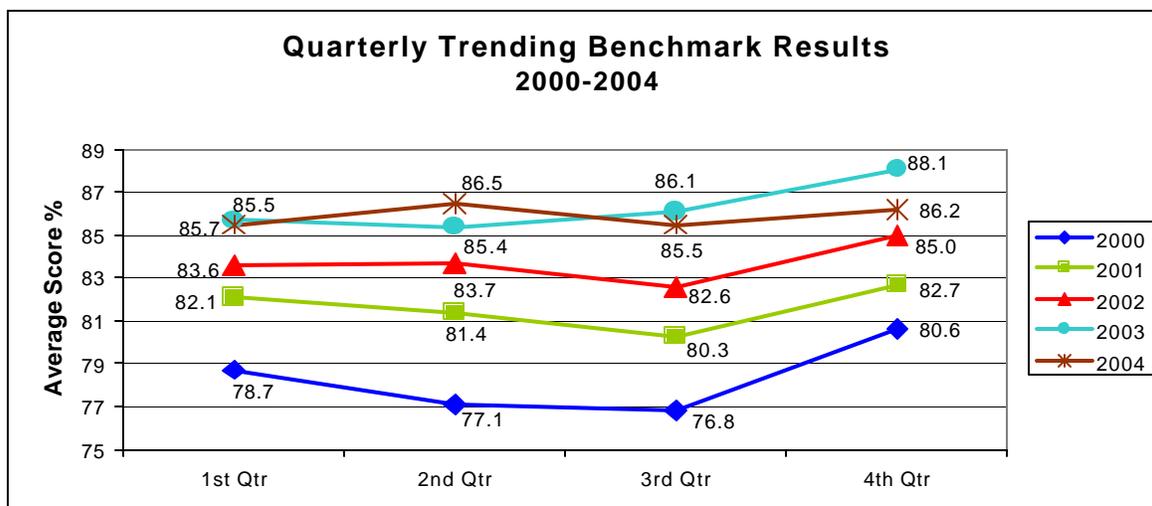
For the first time in the history of this comparison, the Fourth Quarter Benchmark average shopping score has dropped compared to the same quarter the previous year. As noted in the chart below, the 2003 Fourth Quarter average was 88.1%, almost two points above this quarter. Furthermore, the spread between the highest and lowest score was 27.2 points, the most since the first fourth quarter in 2000.

Fourth Quarter Benchmark Historical Data

Quarter/Year	Overall Fourth Quarter Average	Company Score – Average Ranges		Total Shops
		High	Low	
Fourth Quarter, 2004	86.2%	93.9%	66.7%	5,448
Fourth Quarter, 2003	88.1%	94.4%	76.3%	5,131
Fourth Quarter, 2002	85.0%	90.8%	75.2%	2,145
Fourth Quarter, 2001	82.7%	88.9%	64.7%	1,917
Fourth Quarter, 2000	80.6%	89.2%	60.0%	1,261

This drop in the Fourth Quarter continues a trend we have seen for most of 2004. In the past, every year has shown a progressively higher average score than previous years. This trend ended in 2004 as illustrated by the line graph below that provides a quarterly comparison of benchmark average scores since the inception of the EPMS Quarterly *Shopping Report Performance Comparison*. Only in the second quarter of this year did the average Benchmark shopping scores surpass that of the previous same quarter. Perhaps this study reached a threshold in 2003 that will remain the numbers to beat in the future. This dip in average scores can also be attributed to the normal turnover of participating companies in our comparison. Yet, we feel this drop may also signify some possible fatigue within the industry as even the best companies struggle to continue to become *better* and more effective in their portfolio-wide leasing efforts.

One trend that continues is the "Fourth Quarter Peak." In each year of the EPMS Quarterly *Shopping Report Performance Comparison*, the Fourth Quarter has been the highest of the year. We continue to speculate that this spike in average fourth quarter performance scores is due to reduced traffic flow that produces a greater urgency. With less traffic, the leasing professionals spend more "quality time" with each rental prospect.



Gables Residential Ends 2004 On Top!

For the fifth time in the five-year history of our Quarterly *Shopping Report Performance Comparison*, Boca Raton, Florida based **Gables Residential Services** has achieved the top score. At 93.9%, this company has earned the fourth highest quarterly average. Gables National Director of Training, **Jana Martin**, was both elated and surprised. "It is great to achieve this honor once, twice, but to *consistently* outperform is wonderful. I am thrilled for our on-site team members!" When asked how Gables is able to maintain this high level of leasing excellence, Martin points to the company's positive reinforcement, rewards, and recognition for a job well done. This is balanced with a heavy measure of accountability along with "consequences" for performance below par. "We are learning the delicate balance between acknowledgment/appreciation and accountability. Our leasing professionals know they must lease at the highest level and their performance will be measured and compared."

Just a point away in the Fourth Quarter standings is **Lincoln Property Company** at 92.96%. Consistently in one of the top three places of the Benchmark, LPC pulled off this remarkable average with 419 shops in this quarter. Less than a half point away in the third position is **CWS Apartment Homes**, the Austin, Texas based management company with over 8,000 units on 41 apartment communities in 4 states.

We commend each of these outstanding companies, Gables Residential, Lincoln Property Company, and CWS Apartment Homes, for their commitment to leasing excellence. Yet, if your company did not reach one of the top three places, we want to remind you of the level of competition among the 30 participating companies. These shops do not represent the industry at large. Rather, this benchmark reflects the performance of top companies who focus on leasing excellence and have created systems to develop the finest sales teams possible. Even a lower placement on the EPMS Quarterly *Shopping Report Performance Comparison* represents an exemplary performance compared to the apartment industry as a whole.

2005 – A Year of Performance Resolutions - In keeping with our New Year resolution theme, we have asked our three leaders in this quarter's benchmark to share their performance-based goals for 2005. But first we visited with one of the nation's largest operators, Equity Residential, to see what they were brewing for this new year!

A Resolve to SELL! - Equity Residential continues to build on a New Year's resolution that began in 2004 with a new approach to the way they market and lease their vacant apartments. This long time EPMS customer and one of the nation's largest apartment owner and management companies chose to rethink and redefine their primary business last year. The new Equity paradigm is ALL about **sales** as the organization has identified its primary business as **selling apartments**. In this evolving business model, all on-site office team members are *sales professionals* regardless of their specific job title and work scope. Their brand of relationship leasing is called *Action Selling*, and it is taught in dynamic classes using state of the art training techniques and professionally designed curriculum. "All Equity associates are now empowered with the tools they need to create relationship with each customer," according Vice President of Educational Services, Terresa Porizek. "We train our salespeople to delve deeper and truly understand the prospect's desires so they can sell a "solution" to those rental needs."

Action Selling is based on gaining trust and understanding before a rental solution is recommended. Prescription without diagnosis is malpractice! Porizek points out, "Most of us are selling similar products. The key is differentiating our square, white boxes (the apartment home) from everyone else's." Equity's *Action Selling* process results in a more memorable leasing experience by stressing key sales competencies such as "questioning" and "differentiating the product."

"Better is better!" declares Porizek, "And our goal in 2005 is to continue to lead the industry in sales (leasing) performance and results. We will continue our evolution to become a **better** sales organization and give our on-site folks the tools and skills they need to be not simply good but **better**. The competition is incredible in this business, and if we want to provide a memorable and fun experience for each customer, we must be **better!**"

Gables Residential's 2005 resolve is twofold: 1) **enhance** internet leasing efforts and 2) **close** more leases. A three phase training program to improve internet lead response time and increase the number of internet lead move-ins will start with a required online internet leasing module designed for Gables by Grace Hill. This online course will be followed by an intensive one-day internet leasing class presented by the Gables in-house trainers. The final phase will be an increased accountability factor monitored through internet shops and some built-in internet lead tracking tools. "We want to also improve the way we use the internet as a leasing tool," says Martin. "In addition to using our internet presence to provide new leads, we will also direct prospects to our websites to reinforce the sales presentation. Even current rental prospects might be redirected to the websites for additional information."

Gables Residential will also contract with an expert sales trainer to present an advanced sales class with an emphasis on CLOSING, securing the lease. This alone is not new to many training programs. But what will make these sales classes unique is the trainer will be a nationally recognized sales expert who is NOT from the apartment industry. Gables wants to give their on-site teams a fresh perspective to the concept of selling apartments.

Lincoln Property Company continues to be a dynasty in the EPMS Quarterly *Shopping Report Performance Comparison*. No other participating company has earned as many top positions on the Benchmark as this Dallas based company. At one time, LPC hit the top spot in **six consecutive quarters!** The company obviously has an outstanding training department along with leasing performance expectations that are clearly communicated and understood by all company employees. Senior Vice President, **Fred Chaney**, shares the real impetus to the company's consistent high performance levels. "It's all about peer pressure. All my VPs are very competitive. They want to win! We are constantly measuring and comparing by region," Chaney explains. "We have been shopping our people for 25 years. This is nothing new to us." In addition to a company wide benchmark score, LPC produces an internal shopping benchmark that compares scores by region. These numbers are available for all LPC team members to see. Leasing excellence and top shopping scores are a long time part of the LPC corporate culture. "Inspect what you expect! We have very high expectations when it comes to our leasing

professionals and their ability to perform.” Chaney continues, “There is nothing magic about our consistent high scores. It is all about common sense, hard work, and a disciplined method of leasing. Plus, we have a tremendous training program that works!”

Low turnover in the executive level also contributes to LPC’s consistent high leasing performance. Chaney says his people already know the priorities. “It’s to our advantage that we don’t have to get too many new VPs oriented to our expectations. Because we promote from within our organization, LPC people know what we expect as they move up to the next position.”

“Get better or get beat!” summarizes Chaney’s approach to his competition. “Our shopping scores are drastically better than they were three or four years ago. An average score that put us in first place in the past would not even be in the top ten companies on today’s Benchmark.” The bar has been raised, and Chaney believes this is good for the industry. Most of the better companies are emphasizing “sales,” and the result is a better-trained and more capable apartment industry workforce. This helps every company.

LPC’s 2005 New Year Resolution is also leasing related. But the focus is on *re-leasing* the residents they already have. **“Keep The Ones You Got!”** is the LPC 2005 battle cry according to Chaney. He does not see a huge window for rent increases in this new year, but NOI can still be driven up by decreasing turnover costs. “We will continue to give our residents the attention and service they want and deserve. With many of the markets remaining flat, it’s going to be critical to hold on to the ones we have!” Chaney says he also wants his organization to be open to innovation and change. New ideas stimulate change that makes the company better. “But we have to balance change with staying on course. We will keep doing those core items that have kept LPC successful for many years.”

In 2004, CWS Apartment Homes narrowed their focus as they put their training dollars and energy into the telephone leasing presentation. **Janis Cowey**, National Training Director, told us that their attention to the telephone presentation has resulted in an on-site phone presence that is especially friendly as well as persuasive. “You must narrow your focus so you can make the greatest impact. With a three-person training department, there is only so much support and accountability we can offer. Through focusing on the phone, our people are more friendly and informative. The prospect can hear it, and it enhances our chances of creating a better relationship! Best of all, we get more visitors to our communities.” Their superior telephone leasing skills are obvious from the company’s overall high shopping scores and third place finish on this quarter’s *Shopping Report Performance Comparison*. The CWS on-site professionals continue to sharpen their skills and be accountable through listening and reviewing their leasing calls on Call Source.

Cowey reports that the standards are high at CWS and leasing excellence is supported from the top management down. Any shopping score below 83% is considered substandard and requires the leasing professional to be re-trained and re-shopped. Like many companies, CWS uses a “three strike” rule with a third poor shop resulting in serious consequences. But through an open atmosphere and positive work environment, it rarely comes to that! Cowey admits the “strike zone” is getting narrower. The expectations continue to rise and what was once considered good form is no longer acceptable. “You have to keep getting better or you will get left behind. We must have people that are growing in their leasing skills and produce measurable results.”

CWS Apartment Homes aspires to some lofty 2005 New Year Resolutions. First, the training department has created a week long “New Hire Orientation” that will be required for all new leasing professionals. This orientation will be held at the Austin, TX corporate office and will include two full days on all aspects of leasing. Cowey tells us, “All new office employees will attend the “New Hire Orientation” and be shopped within 60 days.” There will be a special two-day “New Hire Orientation” for the Community Directors.

The second part of the 2005 resolution is quarterly meetings that will feature special-topic training by the CWS speakers and other in-house experts. “All this additional training and instruction will contribute to another 2005 goal.” Cowey chuckles, “We are not as large as many of the REITs and national companies we compete with every day! What we really want in 2005 is to stay in the top three positions on the Benchmark so all the larger firms will know that CWS can keep up with the *big dogs!*”

Better Relationships in 2005! – It seems that all our featured companies have two reoccurring themes in their resolves for this new year. The first is *better!* That is the word that seems to define their intentions and efforts. Better leasing, better accountability, better people! Finding new ways to do business *better* is a central part of each company’s 2005 objectives. There is clarity in the belief that we must grow, adapt, change, and improve or this market will knock us down. As Porizek put it, **“Better is better!”** The other theme that is repeated by all is the importance of creating *relationship*. People have always been fundamental in apartment management, but these difficult years have reminded us that we must know how to truly *connect* with our rental prospects and residents. The winners in leasing and resident retention will be those on-site teams that have the capacity for relationship. According to our Benchmark participants, in 2005 the idea that property management is a “people business” will become more than idle words or lip service.

What Do You Show? A Model or a Vacant?

How about both? Our data shows that the shoppers are slightly more prone to say “they would lease” when a model is shown compared to simply a vacant apartment. Yet, when both the model and the vacant are shown, the odds of closing (the shopper saying they would lease based on this presentation) increases five to seven points. Interestingly, the shoppers said they would have leased about 82% of the time when NO apartment was shown. Perhaps the communities that are full with no availability have reached their 100% leased status because their overall product is irresistible! Even without seeing an apartment home, prospects still want to leave a deposit.

Type of Apt Shown	Number of Shops	Average Score	# Would Lease	% Would Lease
Vacant Only	1,774	78.83	1,458	82.2%
Model Only	1,435	80.00	1,208	84.2%
Vacant & Model	317	83.58	283	89.3%
None	2,954	78.70	2,423	82.0%

Thanks to wonderful customers like you, Ellis Property Management Services enjoyed a banner 2004. We look forward to continuing our partnership with you in this new year. We appreciate your continued support and business.

Sincerely,

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Enclosure



**SHOPPING REPORT PERFORMANCE SUMMARY®
MULTIFAMILY INDUSTRY BENCHMARK
FOURTH QUARTER, 2004**

QUESTION	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		
OVERALL AVERAGE	86.67%	72.94%	92.99%	87.54%	94.88%	95.82%	89.83%	94.91%	60.04%	86.14%	86.18%	
Gables Residential Services	91.99%	87.29%	96.69%	94.20%	96.69%	98.90%	97.51%	97.51%	86.19%	91.99%	93.90%	
Lincoln Property Company	92.84%	89.74%	95.70%	94.03%	98.81%	95.47%	92.36%	94.75%	86.40%	89.50%	92.96%	
CWS Apartment Homes	95.00%	85.00%	96.67%	93.33%	96.67%	98.33%	88.33%	96.67%	80.00%	95.00%	92.50%	
CLIENT 4	97.10%	89.86%	91.30%	91.30%	95.65%	100.00%	92.75%	98.55%	79.71%	88.41%	92.46%	
CLIENT 5	92.50%	82.50%	97.50%	95.00%	97.50%	97.50%	92.50%	100.00%	75.00%	92.50%	92.25%	
CLIENT 6	87.88%	86.36%	95.45%	96.97%	95.45%	98.48%	93.94%	95.45%	72.72%	90.91%	91.36%	
CLIENT 7	96.23%	81.13%	98.11%	84.91%	94.34%	98.11%	90.57%	98.11%	79.25%	92.45%	91.32%	
CLIENT 8	89.76%	81.40%	98.11%	90.03%	98.65%	96.77%	95.15%	95.69%	72.78%	93.26%	91.16%	
CLIENT 9	82.26%	91.94%	96.77%	83.87%	95.16%	100.00%	93.55%	95.16%	75.81%	90.32%	90.48%	
CLIENT 10	88.46%	76.92%	94.23%	90.38%	94.23%	100.00%	94.23%	100.00%	78.85%	84.62%	90.19%	
CLIENT 11	94.52%	78.08%	94.52%	90.41%	97.26%	93.15%	86.30%	97.26%	83.56%	84.93%	90.00%	
CLIENT 12	95.24%	73.81%	97.62%	97.62%	97.62%	92.86%	95.24%	95.24%	50.00%	88.10%	88.33%	
CLIENT 13	87.65%	65.43%	93.83%	89.51%	96.30%	96.91%	91.98%	96.91%	53.09%	91.98%	86.36%	
CLIENT 14	89.42%	71.15%	94.23%	94.23%	86.54%	91.35%	87.50%	95.19%	68.27%	83.65%	86.15%	
CLIENT 15	92.13%	78.65%	92.13%	84.27%	94.38%	97.75%	88.76%	92.13%	52.81%	87.64%	86.07%	
CLIENT 16	87.43%	66.49%	95.81%	81.68%	95.29%	98.95%	91.10%	96.34%	58.64%	88.48%	86.02%	
CLIENT 17	91.67%	71.43%	96.43%	95.24%	94.05%	92.86%	83.33%	95.24%	50.00%	86.90%	85.71%	
CLIENT 18	87.63%	71.89%	90.76%	88.69%	97.19%	95.44%	89.63%	95.00%	53.34%	85.20%	85.48%	
CLIENT 19	91.28%	67.44%	94.19%	85.47%	92.44%	95.93%	84.88%	95.35%	62.79%	85.47%	85.52%	
CLIENT 20	85.40%	79.65%	94.69%	81.86%	94.69%	94.25%	92.92%	93.81%	43.81%	85.84%	84.69%	
CLIENT 21	78.82%	63.53%	96.47%	88.24%	94.12%	97.65%	87.06%	94.12%	44.71%	87.06%	83.18%	
CLIENT 22	87.27%	70.45%	91.82%	89.09%	89.55%	95.00%	83.18%	97.73%	44.09%	80.91%	82.91%	
CLIENT 23	87.27%	67.27%	90.91%	86.36%	94.55%	90.00%	88.18%	91.82%	45.45%	83.64%	82.55%	
CLIENT 24	85.25%	45.90%	88.52%	86.89%	91.80%	93.44%	88.52%	98.36%	47.54%	83.61%	80.98%	
CLIENT 25	72.82%	57.28%	88.35%	77.67%	90.29%	91.26%	84.47%	93.20%	51.46%	79.61%	78.64%	
CLIENT 26	67.12%	51.37%	91.78%	80.82%	92.47%	93.84%	82.88%	93.84%	41.10%	86.30%	78.15%	
CLIENT 27	73.49%	57.21%	89.77%	71.63%	87.91%	98.14%	86.05%	88.37%	41.40%	76.28%	77.02%	
CLIENT 28	78.79%	50.00%	86.36%	75.76%	78.79%	93.94%	80.30%	90.91%	51.52%	80.30%	76.67%	
CLIENT 29	72.97%	58.11%	85.14%	70.27%	82.43%	94.59%	83.78%	85.14%	50.00%	72.97%	75.54%	
CLIENT 30	47.14%	30.00%	80.00%	70.00%	80.00%	91.43%	81.43%	88.57%	40.00%	58.57%	66.71%	

Participating Companies:

Archstone Communities	Legacy Partners
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Capreit	Lynd Company, The
Capstone Real Estate	Metric Property Management
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Benchmark 1st Place Company:

Gables Residential Services

National Director of Training, **Jana Martin**

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