



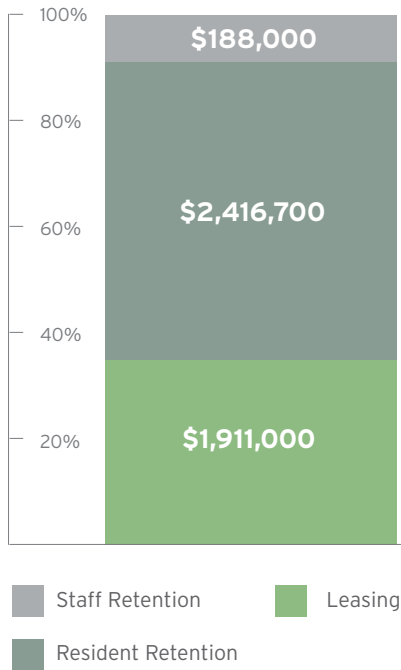
APARTMENT LIFE FINANCIAL IMPACT ANALYSIS

Witten Advisors

Market-Smart Apartment Decisions

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▶ FINANCIAL IMPACT SUMMARY



APARTMENT LIFE FINANCIAL IMPACT ANALYSIS

Witten Advisors was engaged to measure the financial impact of Apartment Life's onsite program on apartment communities. Apartment Life assists apartment owners with building a sense of community among the residents. Onsite teams assist management with welcoming new residents, planning social functions, conducting lease renewal visits, and coordinating care for residents in times of special need.

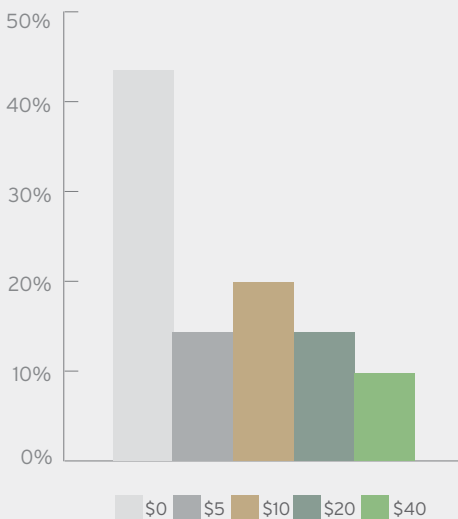
Since 2008, Witten Advisors has surveyed 949 residents and 96 staff members on 24 communities that have had Apartment Life's onsite program in place for at least one year. These communities average 323 units, are located across the country, and include a variety of types, ages, and classes of properties.

The results indicate that Apartment Life adds approximately \$188,154 in annual financial benefit to the average community through reduced resident and staff turnover, increased leasing, and the value added for residents through an increased sense of community.

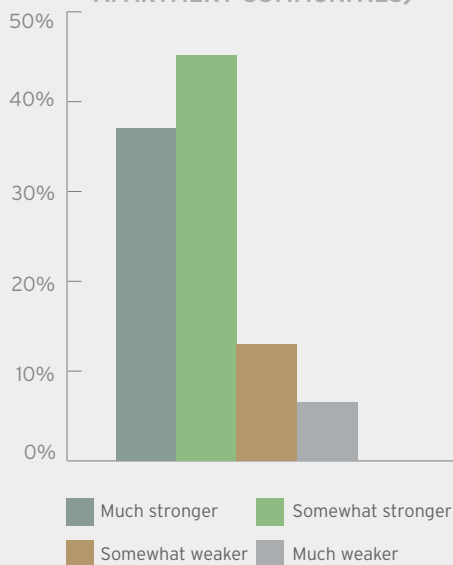
RESIDENT RETENTION

The study quantifies the value of several factors that contribute to Apartment Life's financial impact. Residents assigned an average of \$9 per month in value to Apartment Life. When asked what portion of the decision to renew was due to the presence of Apartment Life, residents attributed an average value of 13.4 percent. In addition, staff members estimate that 28 percent of renewals were influenced by the presence of Apartment Life.

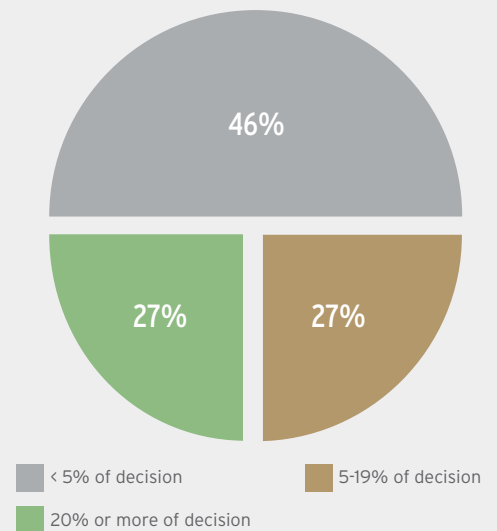
▶ MONTHLY VALUE OF APARTMENT LIFE



▶ SENSE OF COMMUNITY (COMPARED TO OTHER APARTMENT COMMUNITIES)



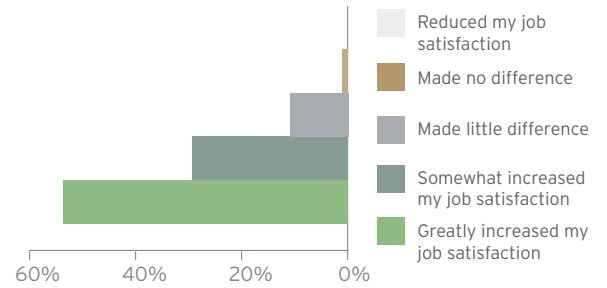
▶ PORTION OF RENEWAL DECISION ATTRIBUTABLE TO APARTMENT LIFE



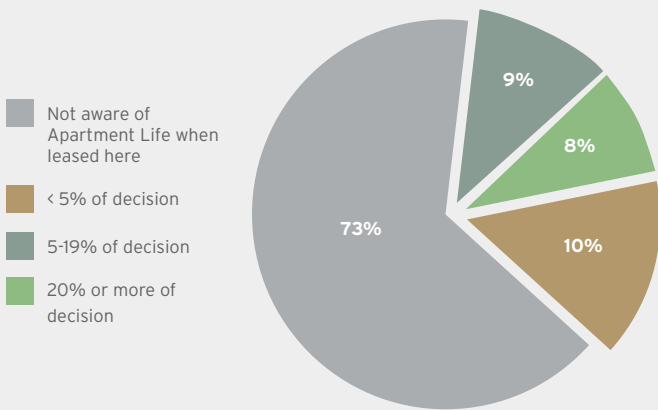
STAFF RETENTION

Apartment Life has a positive impact on staff retention by providing practical and personal support for onsite staff and by improving resident service. Of the staff surveyed, 100% indicate that Apartment Life has increased their job satisfaction, which is in turn expected to reduce staff turnover.

▶ APARTMENT LIFE'S IMPACT ON JOB SATISFACTION



▶ PORTION OF LEASING DECISION ATTRIBUTABLE TO APARTMENT LIFE



LEASING

Apartment Life assists in the leasing effort by providing a differentiating amenity in the minds of prospective residents. When asked what portion of the initial decision to lease was due to the presence of Apartment Life, residents attribute an average value of 4 percent to Apartment Life. Given that 73 percent reported being “unaware” of Apartment Life at the leasing decision, the value of this impact could be increased through more thorough training of the leasing staff to sell Apartment Life as a community amenity. By comparison, staff members attributed 17 percent of new leasing decisions to the presence of Apartment Life.

SUMMARY

The average operating income enhancement from Apartment Life demonstrated in this survey totals \$188,154 annually due to enhanced leasing, reduced resident turnover costs, and greater staff retention as a result of offering Apartment Life’s onsite program. The analysis represents an increase in asset value for the average community of \$3,135,916, calculated with a conservative 6.0% capitalization rate. Please call our office at 214-360-4560 if we can be of any further assistance.

Sincerely,
RON WITTEN
 President, Witten Advisors



CALCULATIONS AND METHODOLOGY

APARTMENT LIFE'S IMPACT ON NEW LEASES

(Percent of responses indicating Apartment Life was “very important” to leasing decision) X (25% Weight of Apartment Life among factors in decision) + (Percent of responses indicating Apartment Life was “somewhat important” to leasing decision) X (10% Weight of Apartment Life among factors in decision) = (Percent of leases attributable to presence of Apartment Life)

Annual savings relative to apartment locator fees: (Locator cost of one month’s rent (average of \$800)) X (Percent of leases attributable to presence of Apartment Life) X (Number of units) = (Annual value of Apartment Life in new leasing activity)

APARTMENT LIFE'S IMPACT ON RENEWALS

(Percent of responses indicating Apartment Life was “very important” to renewal decision) X (25% Weight of Apartment Life among factors in decision) + (Percent of responses indicating Apartment Life was “somewhat important” to renewal decision) X (10% Weight of Apartment Life among factors in decision) = (Percent of renewals attributable to presence of Apartment Life)

Annual savings relative to apartment locator fees: (Locator cost of one month’s rent (Average of \$800)) X (Percent of renewals attributable to presence of Apartment Life) X (Number of units) = (Annual value of Apartment Life in renewals)

MONTHLY VALUE OF APARTMENT LIFE

(Average value of Apartment Life per month) X (12) = (Annual value per unit) (Annual value per unit) X (Number of units) = (Annual value of Apartment Life in rental income)

REDUCED TURNOVER COSTS DUE TO HIGHER RENEWAL RATE

(Move-out cost of 1/2-month lost rent (on average \$800) rent) + (Average make-ready cost of \$1,004 (Sales, marketing, and resident retention by Mindy Williams)) = \$1,404

Annual savings in move-out costs: (\$1,404) X (Percent of renewals attributable to Apartment Life) X (Number of units) = (Annual value of Apartment Life in reduction of move-out costs)

STAFF TURNOVER

(Percent reporting Apartment Life has “greatly increased” job satisfaction) X (25% Weight of higher job satisfaction in reducing turnover) + (Percent reporting Apartment Life has “somewhat increased”: job satisfaction) X (10% Weight of higher job satisfaction in reducing turnover) = (Percent turnover reduction attributable to presence of Apartment Life)

Annual savings in staff turnover cost for typical property: (35% Average staff turnover) X (\$33,831 Cost per lost staff member (*National Multi Housing Council Study*, 1999)) X (Percent of turnover reduction attributable to Apartment Life) X (Average of 5 front-office staff on site) = (Annual value of Apartment Life in reduction of staff turnover)

