

Understanding Consumer Trends for 2008

With the economy slowing down, 2008 started off on a rather anxious note for many in the apartment industry. In the quest to survive and succeed in this competitive industry companies need to swiftly adopt innovative methodologies to deal with emerging consumer trends and stay ahead of competition. J Turner Research conducted a study to get an inside perspective on consumer demands as viewed by apartment management. The objective of the study was twofold:

- Understand and identify top trends which will drive consumer preferences while selecting an apartment.
- Outline measures which apartment owners can adopt to maintain high levels of customer satisfaction and increase internal management efficiency.

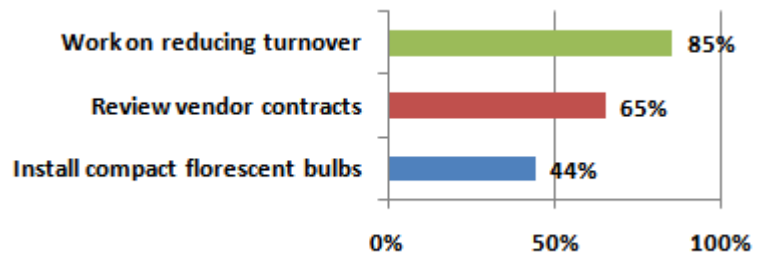
The respondents included apartment managers and upper management across the country. The study also highlighted any differences that the two set of respondents had.

With all the new technology, green concerns, immigration issues for 2008 it is still the basic issues of customer satisfaction and renewing leases that dominate responses.

The two groups of respondents had similar outlooks for this year on most aspects. Online rent payment, Wi-Fi Internet access and online maintenance requests topped the new technologies demanded by residents. “In-unit Laundry” topped the amenity most important to residents by the managers and upper management. The managers rated a weight/cardio room and a pool as the next most important amenity where as the upper management rated custom interiors (gourmet kitchens, vaulted ceilings and fireplaces) and Wi-Fi internet access as the next most important amenity to residents.

| | Upper Management | Onsite Managers |
|--|---|---|
| Technology Demanded by residents | Wi-Fi Internet Access | Online Rent Payment |
| Amenity most important to the residents | In-Unit Laundry | In-Unit Laundry |
| Incentives to retain top leasing professional | Renewal Compensation Program | Increase Commissions |
| Measure to reduce expense | Work on reducing turnover | Work on reducing turnover |
| Techniques to attract and secure a potential resident | Online Leasing | Improve Lead Follow-up |
| The most pressing issue to expect in 2008 | Increasing level of customer/resident service | Increasing level of customer/resident service |

Over 85% of respondents indicated working on reducing turnover as a measure to reduce a property’s expense. Reviewing vendor contracts was another measure indicated by

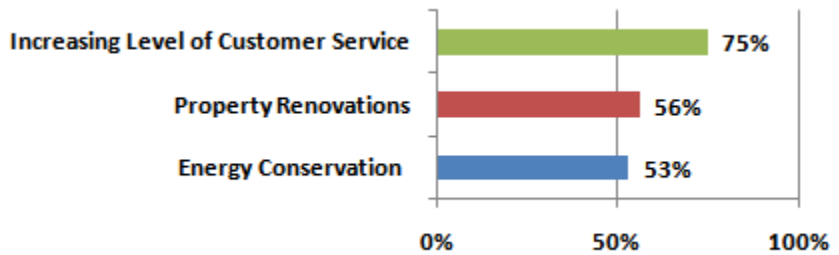


Measures to reduce property expenses – Upper Management

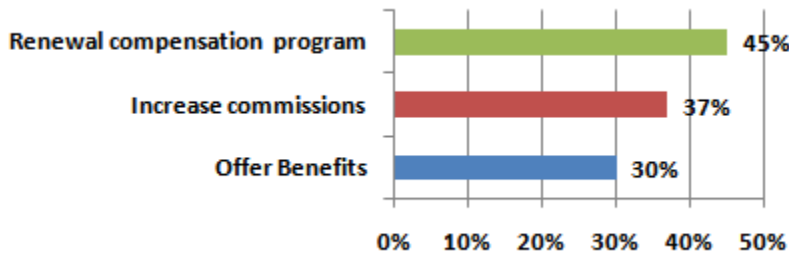
respondents to control expense. Approximately 40% of the upper management respondents indicated considering “Sub-metering” as a measure to reduce a property’s expense.

The respondents were also probed on the techniques they will implement in 2008 to attract and sign a prospective resident. An aggressive referral program, online leasing and an improved lead follow-up were the top techniques indicated.

Increasing Level of Customer/Resident Service followed by energy conservation and property renovations were the 3 most pressing issues expected in 2008.



The 3 most pressing issues expected in 2008 – Upper Management



Top Ideas to Retain On-Site Leasing Professionals – Upper Management

An On-site leasing agent continues to be the position with the highest turnover rate. The managers indicated increasing commissions in 2008 to retain the top leasing professionals where as the upper management indicated employing a stronger renewal compensation program to retain them.

The study highlights the growing internet usage and its impact among renters. The use of internet goes beyond the point of having just an information website. Having Wi-Fi Internet access, online leasing and rent payment figured as the top requirements of renters in 2008. In another study of internet apartment shoppers, 62% of prospects agreed that a virtual tour of the apartment unit helped them in their leasing decision. Almost one third of respondents also indicated leasing an apartment online without visiting the property.

The study also highlights the need for increased customer satisfaction that results in reduced turnover and increased referral rate. Upper management also indicated implementing aggressive renewal programs to retain leasing agents. 2008 will see more companies adopting such programs to increase customer service and reduce turnover of residents.

In the past companies have measured customer satisfaction through a survey at predetermined intervals usually once or twice a year. The results of such surveys usually have been plagued with certain biases depending on the longevity of the resident and also due to primacy/recency effect of a pleasant or an unpleasant experience. That model is slowly changing to one where a portion of the residents are surveyed on an ongoing basis. A proactive and regular approach helps companies get constant feedback which in turn aids in identifying key problem areas when they surface instead of waiting for a annual or a bi annual survey. This approach also gives an immediate and accurate picture of how residents view the office staff which again has direct correlation to turnover.

Hence as reflected by the trends above, it will become imperative in 2008 for owners to adopt a consistent and scientific approach to analyze and improve customer satisfaction levels. Whether it is meeting the most basic consumer expectations or improving the efficiency of the onsite management staff, Companies need to deploy effective research mechanisms to surge ahead of competition and maintain a high success rate.

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