

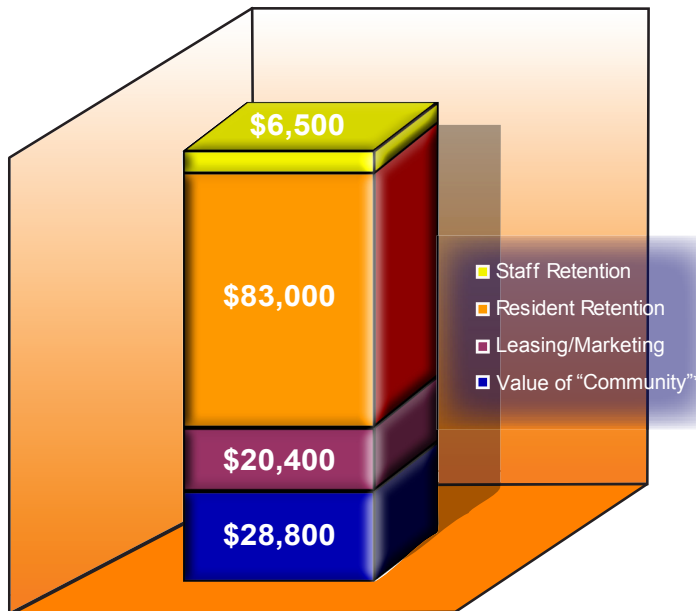
## CARES Program Financial Impact Analysis

Witten Advisors was engaged to measure the financial impact of CARES by Apartment Life on apartment communities. The CARES program is designed to assist apartment owners by building a “sense of community” among the residents. On-site CARES Teams assist management by welcoming new residents, planning social functions, conducting lease renewal visits, and coordinating care for residents in times of special need.

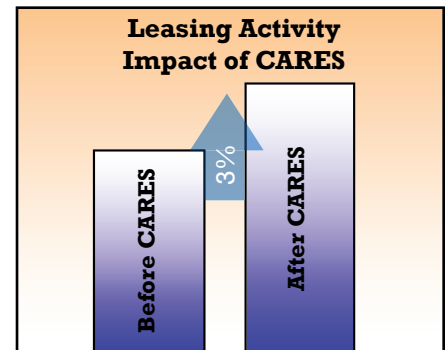
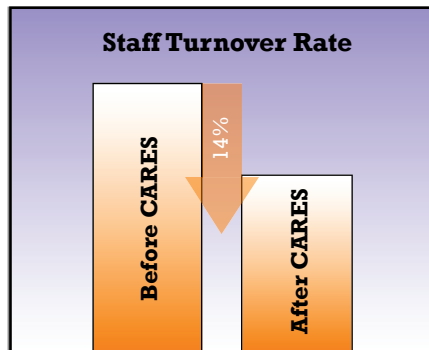
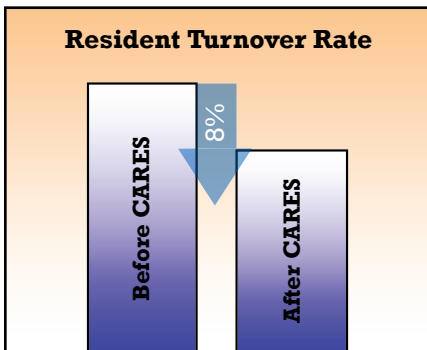
Since 2003, Witten Advisors has surveyed 1,388 residents and 210 staff members on 55 communities that have had the CARES Program in place for at least one year. These communities are located in Texas, Colorado, Arizona, and Georgia and include a variety of sizes, types, ages, and classes of properties.

The results indicate that the CARES Program adds approximately \$138,000 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. The CARES Program annual cost varies by community and approximates \$20,000. See appendix for calculation methodology and assumptions.

### Financial Impact Summary

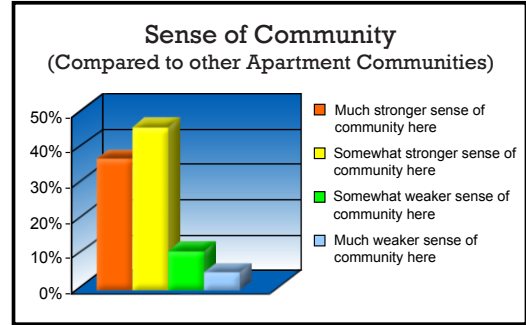
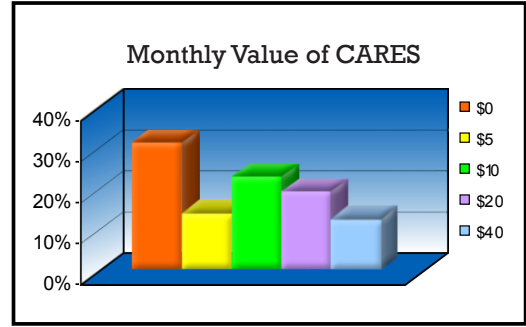
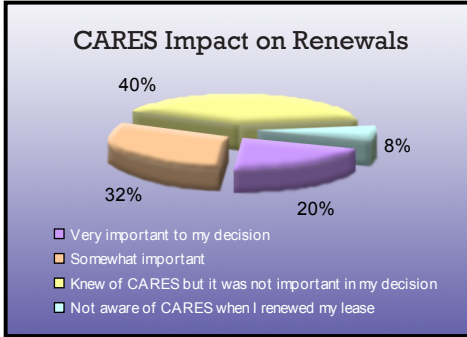


\* value that residents assign to sense of connection to neighbors and others living and working around them.



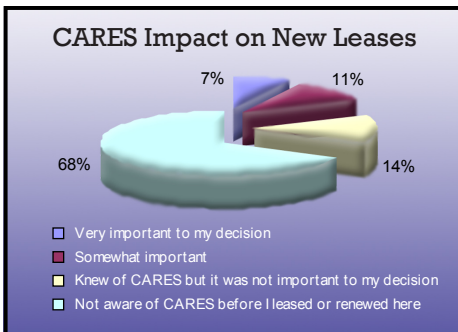
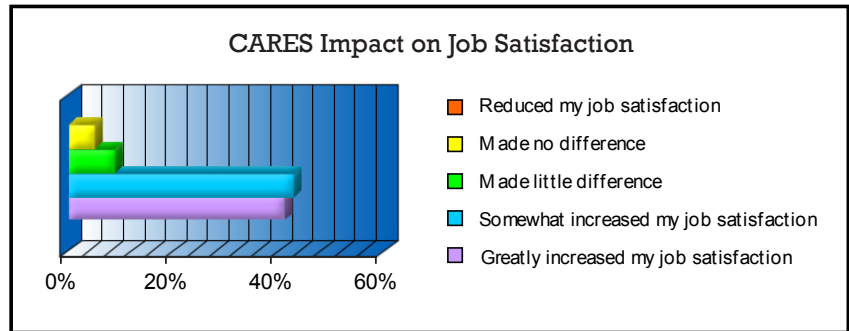
## Resident Retention

The study quantified the value of several factors that contribute a financial impact. Residents assigned an average value of \$11 per month to the CARES Program. According to the survey, 83% of residents believe that the “sense of community” in their current apartment was stronger than previous apartments and 52% of residents indicated that CARES was an important or very important influence on their renewal decision.



## Staff Retention

CARES had a positive impact on staff retention by providing practical and personal support for on-site staff and by improving resident service. Of the staff surveyed, 84% indicate that CARES had increased their job satisfaction, which is in turn expected to reduce staff turnover.



## Leasing

CARES assists in the leasing effort by providing a differentiating amenity in the minds of prospective residents as 18% of residents indicate that CARES was important or very important to their initial lease decision. Given that 68% reported being “unaware” of CARES at the leasing decision, the value of this impact could be easily increased through more thorough training of the leasing staff to sell the CARES program as a community amenity.

## Summary

The average operating income enhancement from CARES demonstrated in the survey totals \$138,000 annually and represents an increase in asset value for the average community of \$1.8 million (assuming a 7.5% cap rate). For more information please call our office at 214.360.4560.

Sincerely,

*Ron Witten*

G. Ronald Witten  
President

# Calculations and Methodology

## 1. Monthly Value of CARES

(Average value of CARES per month) X (12) = (Annual value per unit)  
(Annual value per unit) X (number of units) = (Annual value of CARES in rental income)

## 2. CARES Impact on New Leases

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

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 CARES) X (number of units) = (Annual value of cares in new leasing activity)

## 3a. CARES Impact on Renewals

(Percent of responses indicating CARES was “very important” to renewal decision) X (25% weight of CARES among factors in decision) + (Percent of responses indicating CARES was “Somewhat Important” to renewal decision) X (10% weight of CARES among factors in decision) = (Percent of renewals attributable to presence of CARES)

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 CARES) X (number of units) = (Annual value of CARES in renewals)

## 3b. Reduced turnover costs due to higher renewal rate.

(Move-out cost of ½ -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 CARES) X (number of units) = (Annual value of CARES in reduction of move-out costs)

## 4. Staff turnover.

(Percent reporting CARES has “greatly increased” job satisfaction) X (25% weight of higher job satisfaction in reducing turnover) + (Percent reporting CARES has “Somewhat Increased” job satisfaction) X (10% weight of higher job satisfaction in reducing turnover) = (Percent turnover reduction attributable to presence of CARES)

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 CARES) X (average of 5 front-office staff on site) = (Annual value of CARES in reduction of staff turnover)