



NATIONAL
MULTIFAMILY
HOUSING
COUNCIL

APARTMENT LEADERSHIP RESIDES HERE™

2017 NMHC Annual Meeting
January 24-26, 2017



Stan Dobbs
Apartment Life
Founder & CEO



Ron Witten
Witten Advisors
Founder & CEO



Rick Graf
Pinnacle
President & CEO



Todd Farrell
LMC
President

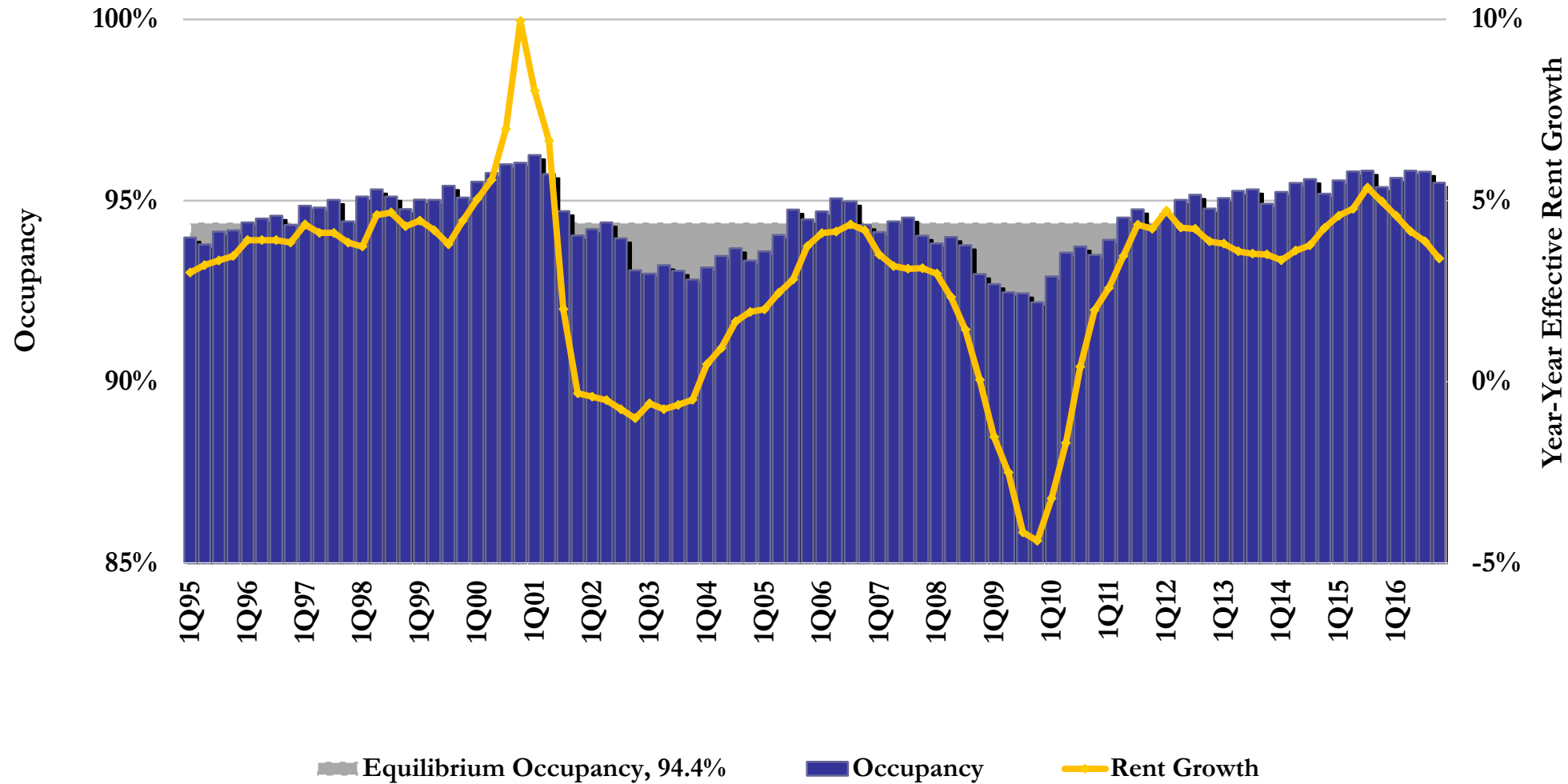
Hanging on to Residents
By Cultivating Real Community and Relationships

THE STATE OF THE MARKET

THE NEED

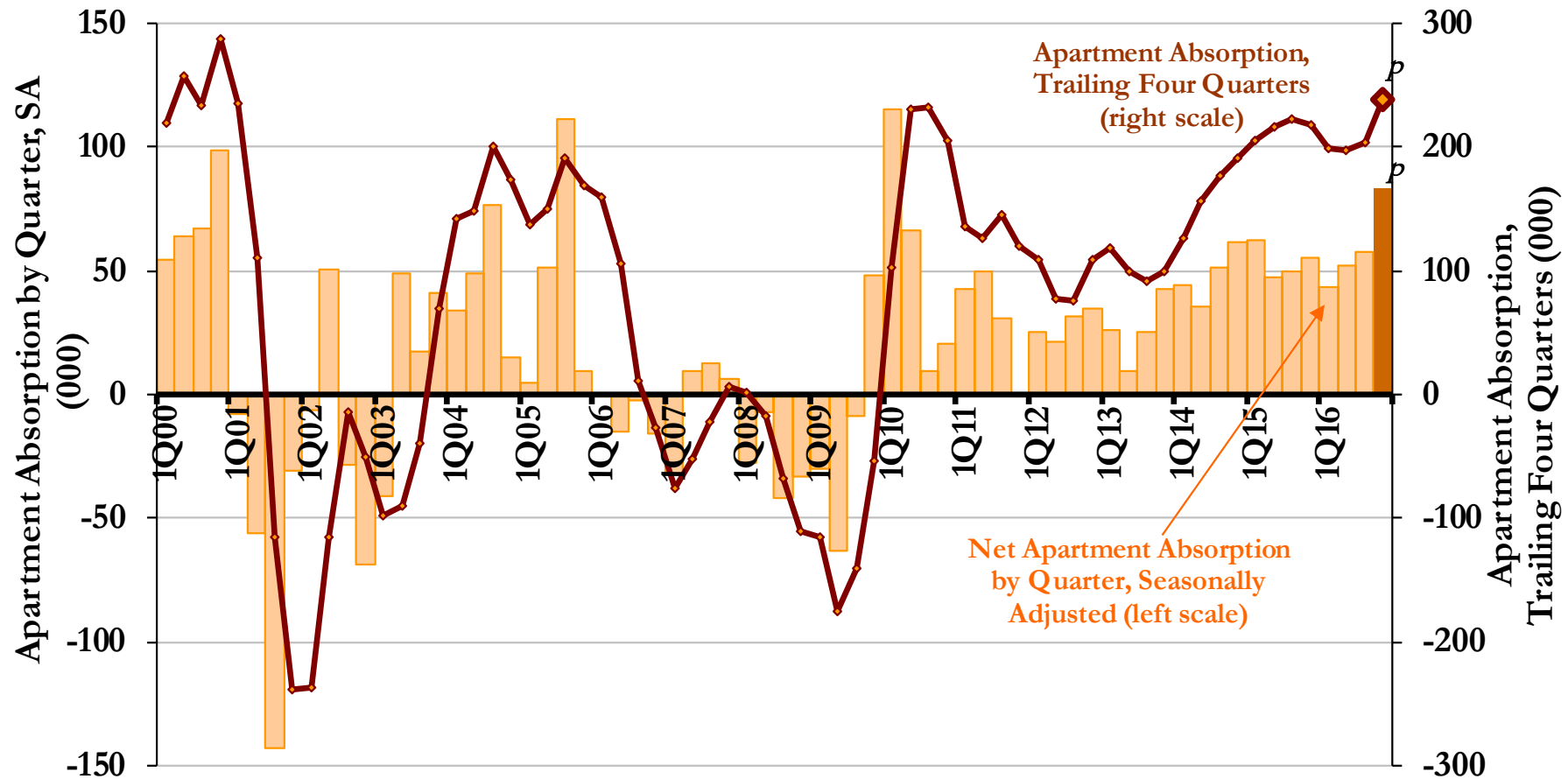
Ron Witten: Founder, Witten Advisors

Apartment market performing as expected to date:
occupancy stabilizing, rent growth decelerating... both above normal



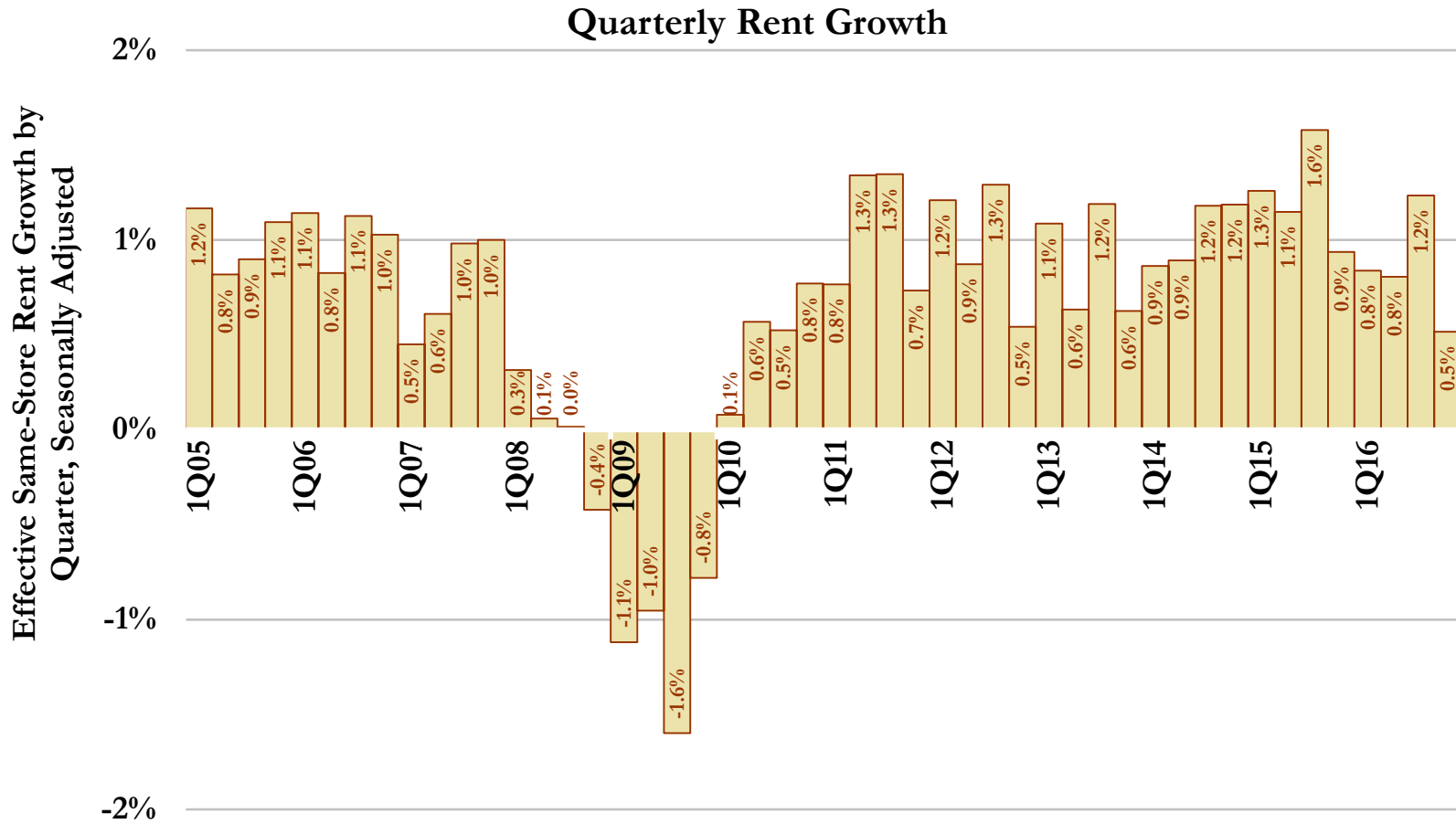
Source: Witten Advisors

New move-ins surged in 4Q16 – best quarter in six years –
lifted annual demand near 2010 levels...



Source: Witten Advisors

...but, at the expense of rents: the weakest quarter in four years
(seasonally adjusted)

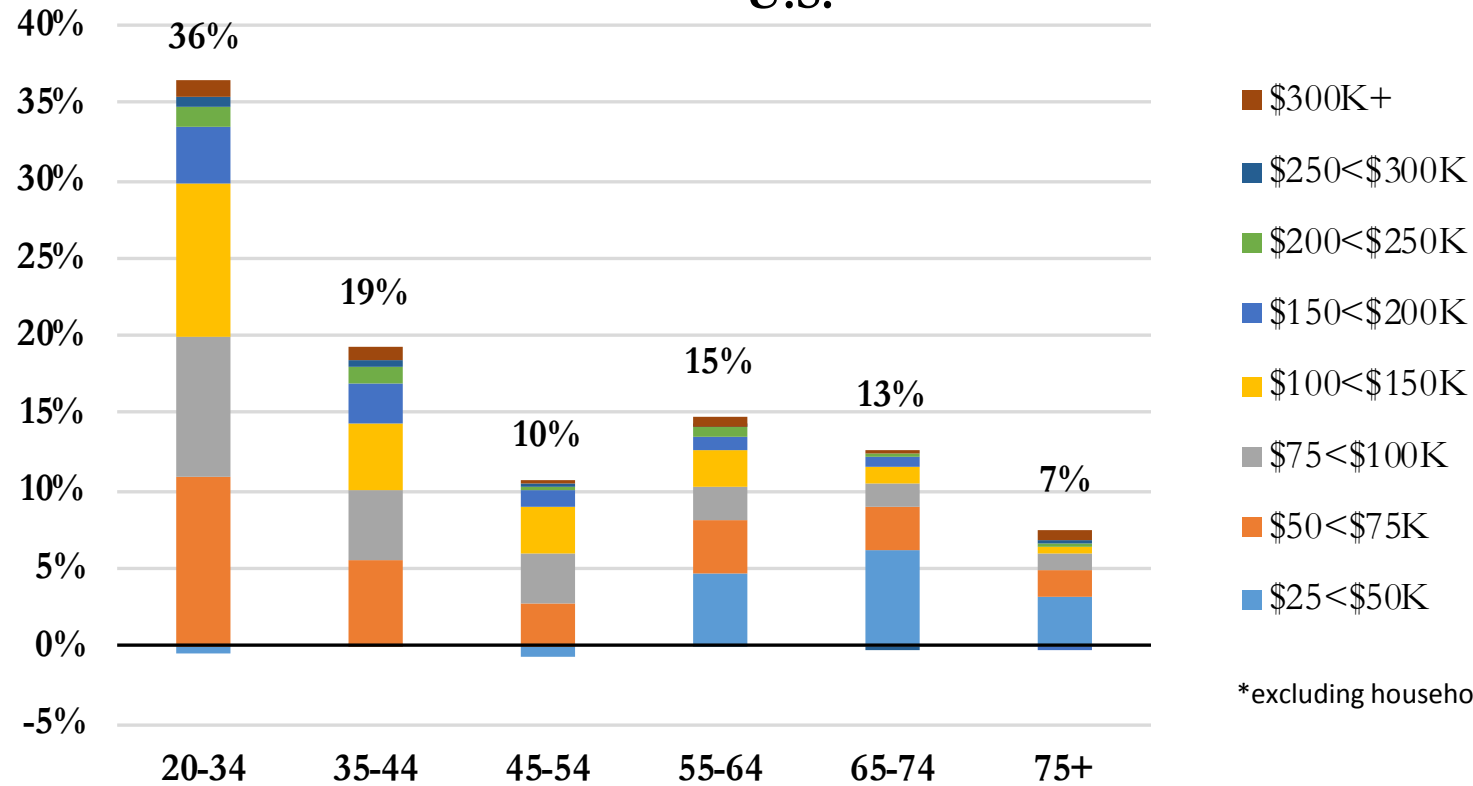


Source: Witten Advisors

Millennials the dominant source for new residents in this recovery

Apartment Household Growth*, 2010-2015, by Age

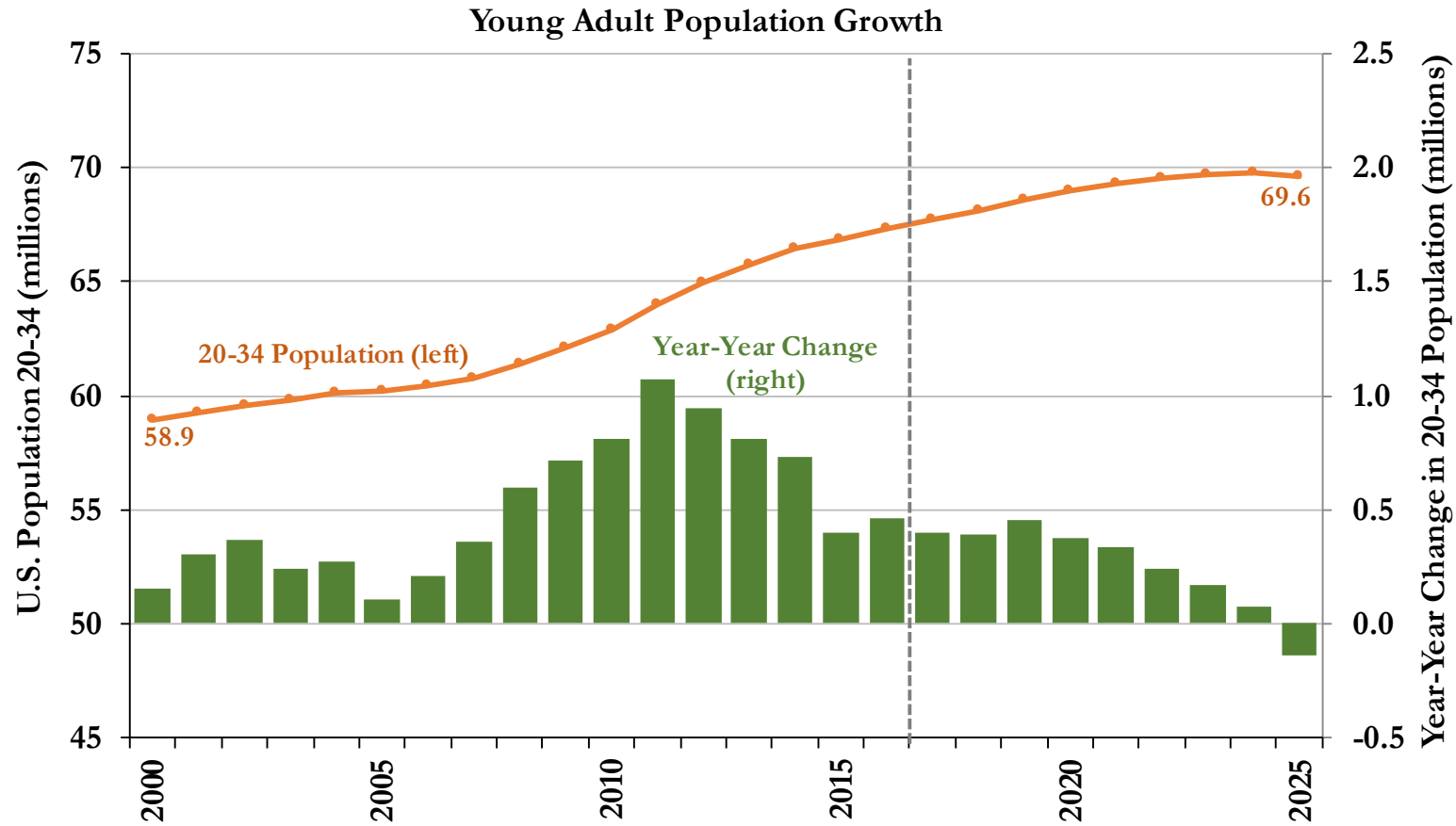
U.S.



*excluding households under 20 and incomes under \$25,000

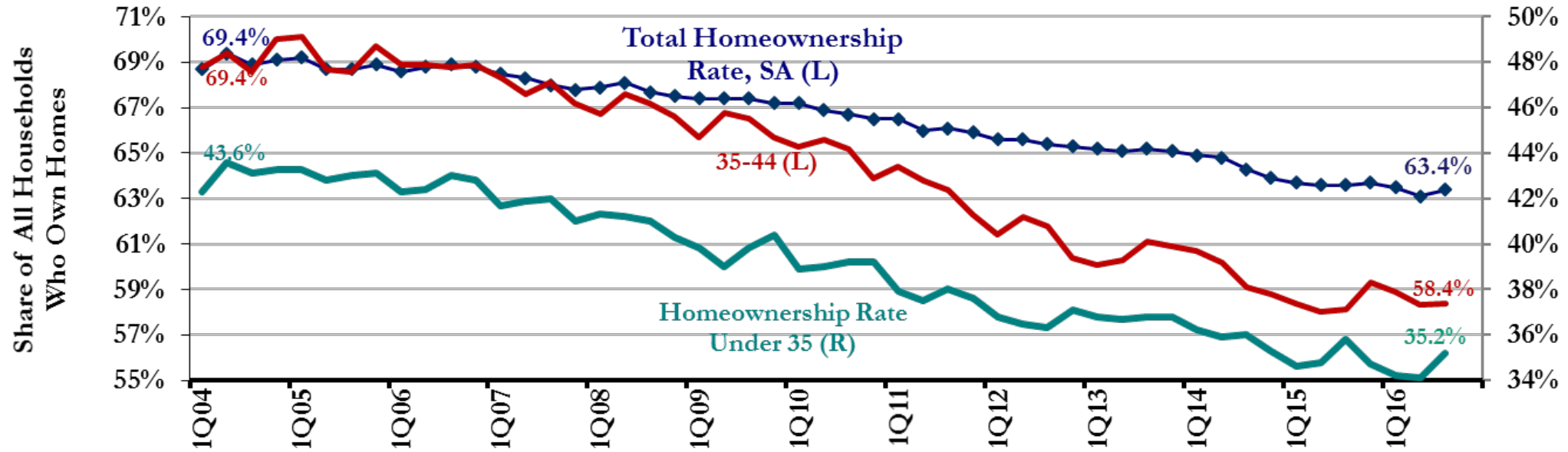
Source: U.S. Census Bureau, Witten Advisors

Fewer new Millennials ahead (*fortunately, others are moving to apartments too*)



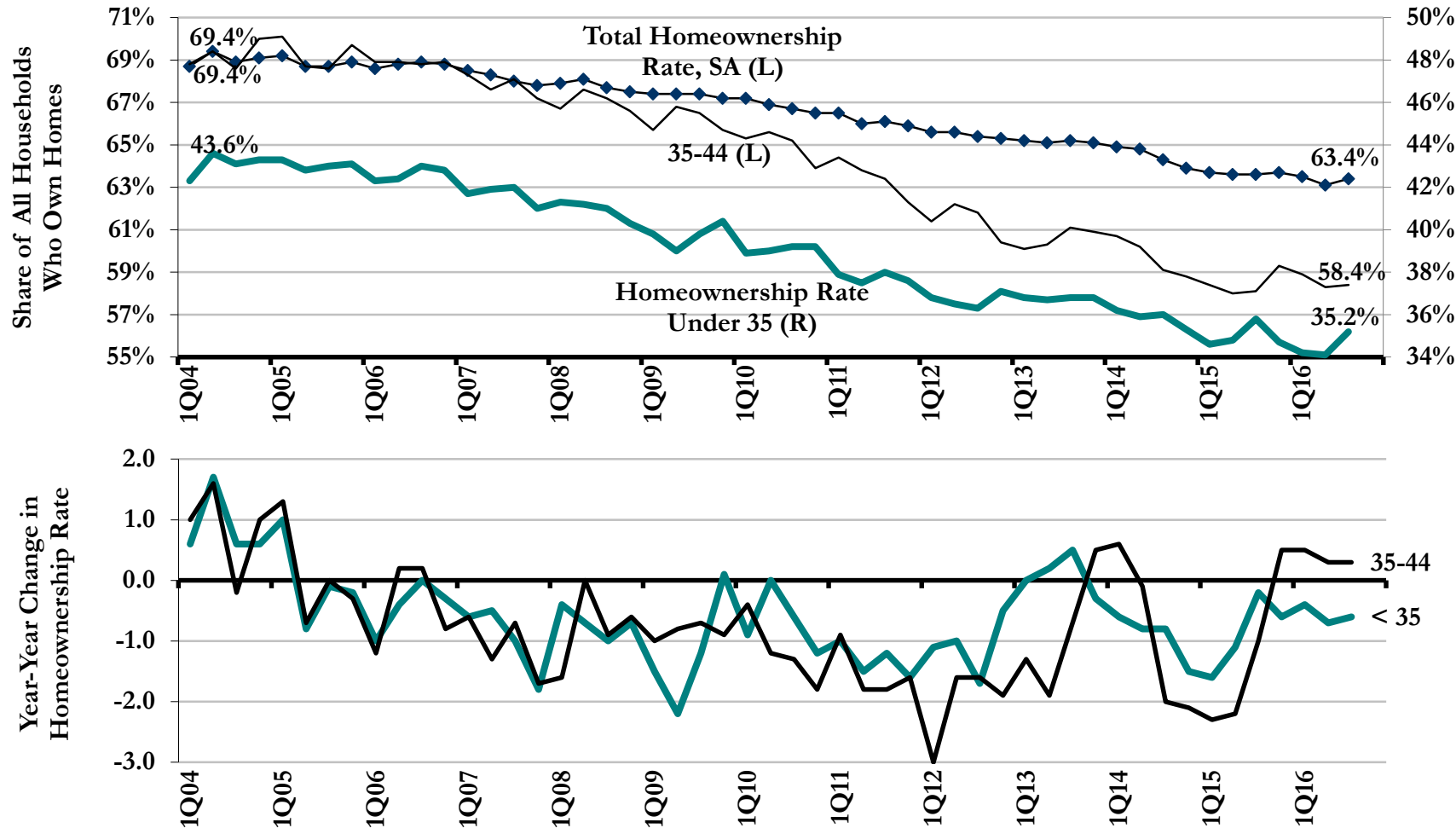
Source: U.S. Census Bureau, Witten Advisors

Homeownership still not a threat to rentals?
Overall rate finally firmed in 3Q; less clear for young adults



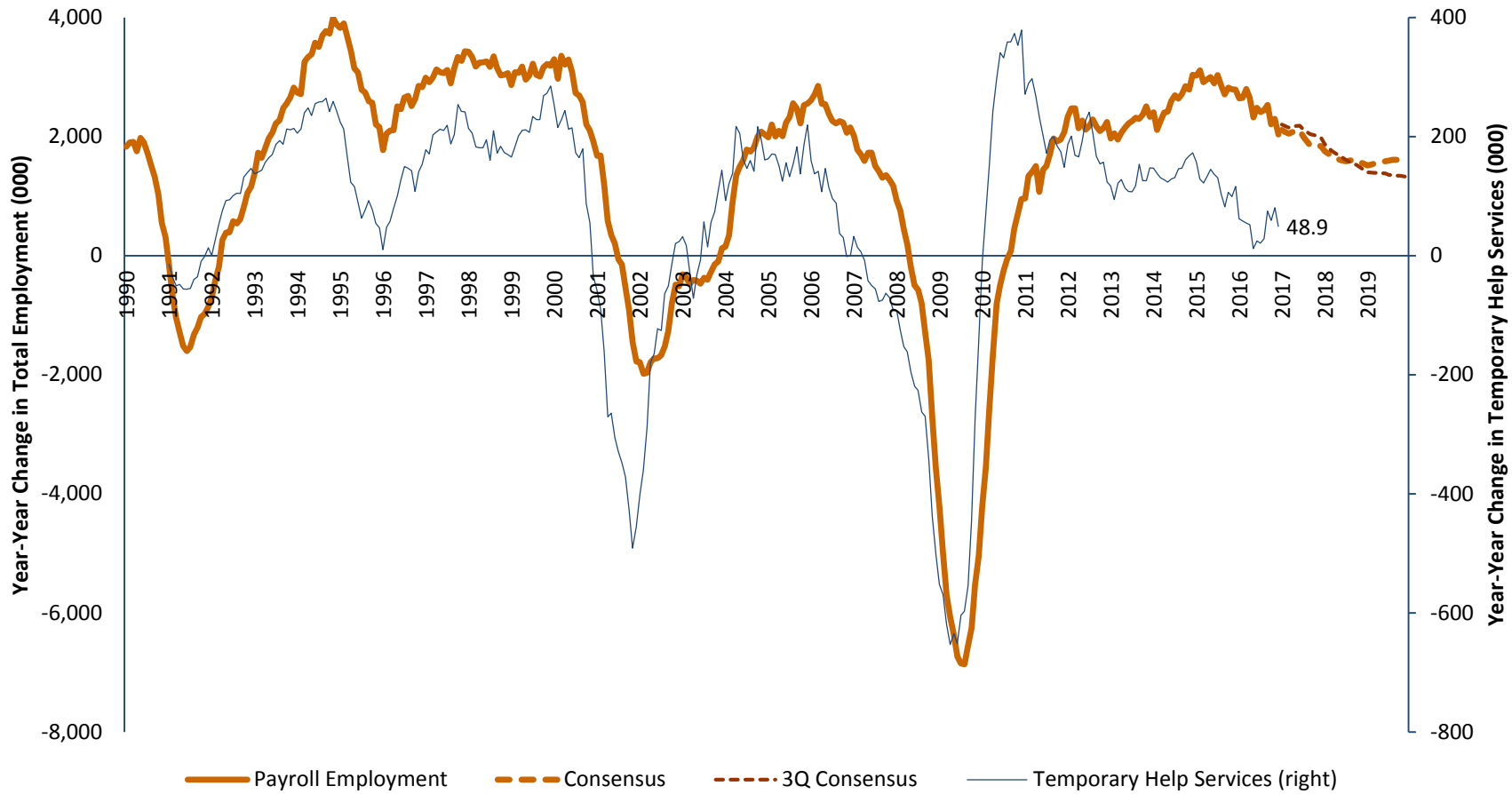
Source: U.S. Census Bureau

Young Millennials (<35) still trending toward rentals year-year
 Older Millennials (35-44) are buying now (*HO up year-year for last four quarters*)



Source: U.S. Census Bureau

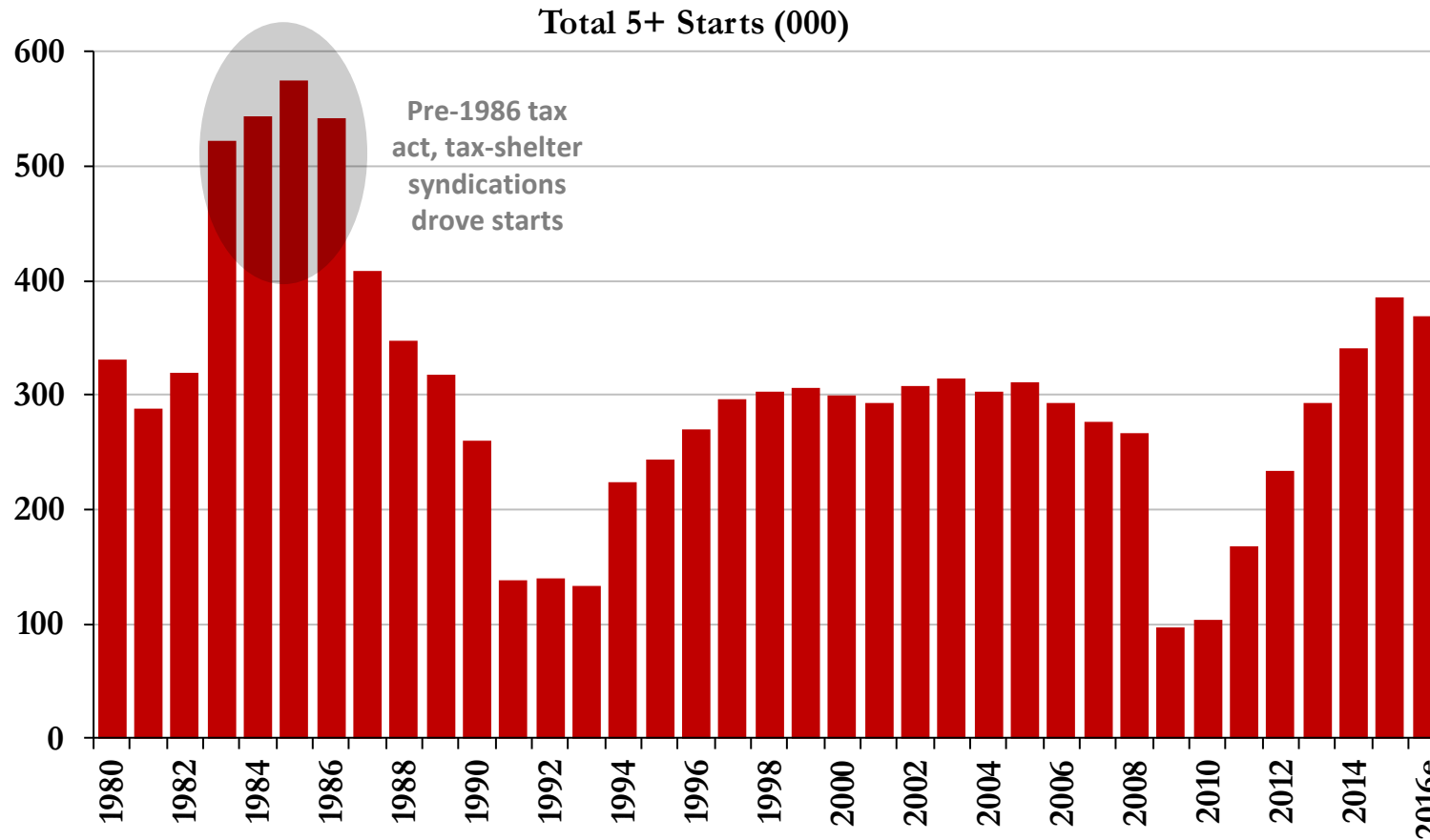
Temp agencies suggest job growth moderating, but no recession
Consensus expects hiring slowdown



Source: U.S. Bureau of Labor Statistics establishment survey; Consensus forecast

Total 5+ starts the highest since the 1980s (i.e., 2015-2016 at a 29-year high)

Deliveries will continue to rise – peak hits this year



Source: U.S. Department of Commerce; Witten Advisors

Where do we go from here? A New Phase of the Cycle



Where do we go from here? A New Phase of the Cycle

- 2010-2012: Almost all tailwinds for apartments
 - Consumer uncertainty very high; strong aversion to ownership
 - Rents a bargain; rent affordability the highest in over 20 years
 - Negligible competition from new construction

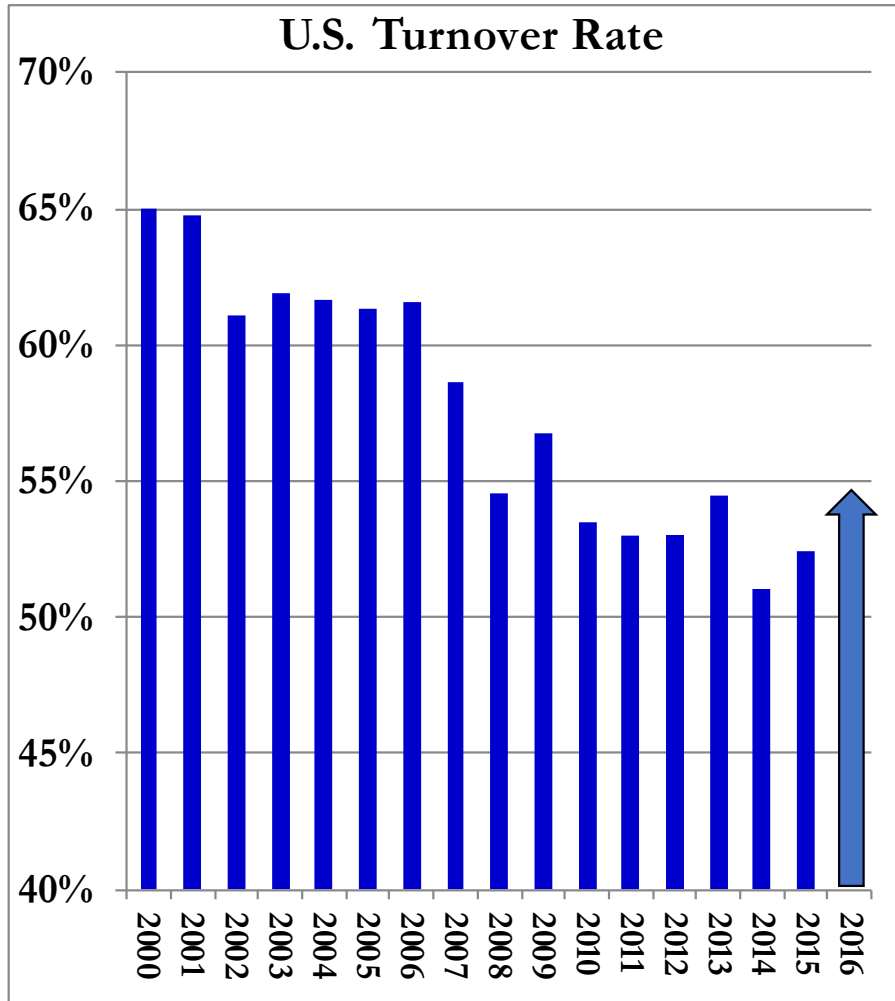


Where do we go from here? A New Phase of the Cycle

- 2010-2012: Almost all tailwinds for apartments
 - Consumer uncertainty very high; strong aversion to ownership
 - Rents a bargain; rent affordability the highest in over 20 years
 - Negligible competition from new construction
- 2013-2015: Winds mostly favorable but beginning to shift
 - Consumers mostly cautious but fear lessening (confidence up)
 - Rents growing more expensive
 - Increasing new supply

Where do we go from here? A New Phase of the Cycle

- 2010-2012: Almost all tailwinds for apartments
 - Consumer uncertainty very high; strong aversion to ownership
 - Rents a bargain; rent affordability the highest in over 20 years
 - Negligible competition from new construction
- 2013-2015: Winds mostly favorable but beginning to shift
 - Consumers mostly cautious but fear lessening (confidence up)
 - Rents growing more expensive
 - Increasing new supply
- 2016-2018: Headwinds strengthening
 - Rent increases have really stretched budgets (faster wage growth will help)
 - Higher mortgage rates provide urgency to buy, especially after big rent increases
 - Substantial new supply ahead in most markets, while job growth slows



Increasing headwinds likely to boost turnover

- **Next phase of the market cycle requires owners to balance raising rents versus:**
 - down-time,
 - make-ready
 - marketing
- **Resident retention programs have reduced turnover by 3-5 points**
- **Community a sound investment in a more competitive market**

Source: 2000-2015 data from National Apartment Association survey



NEW THOUGHT PROCESS

Friendship Factor

Stan Dobbs: CEO, Apartment Life

STAYING ALIVE

Less Heavy Drinking

Breathing Clean Air

Quit Smoking

Social Integration

Reducing High Blood Pressure

Exercise

Losing Weight

STAYING ALIVE

1. Social Integration

2. Quit Smoking

3. Less Heavy Drinking

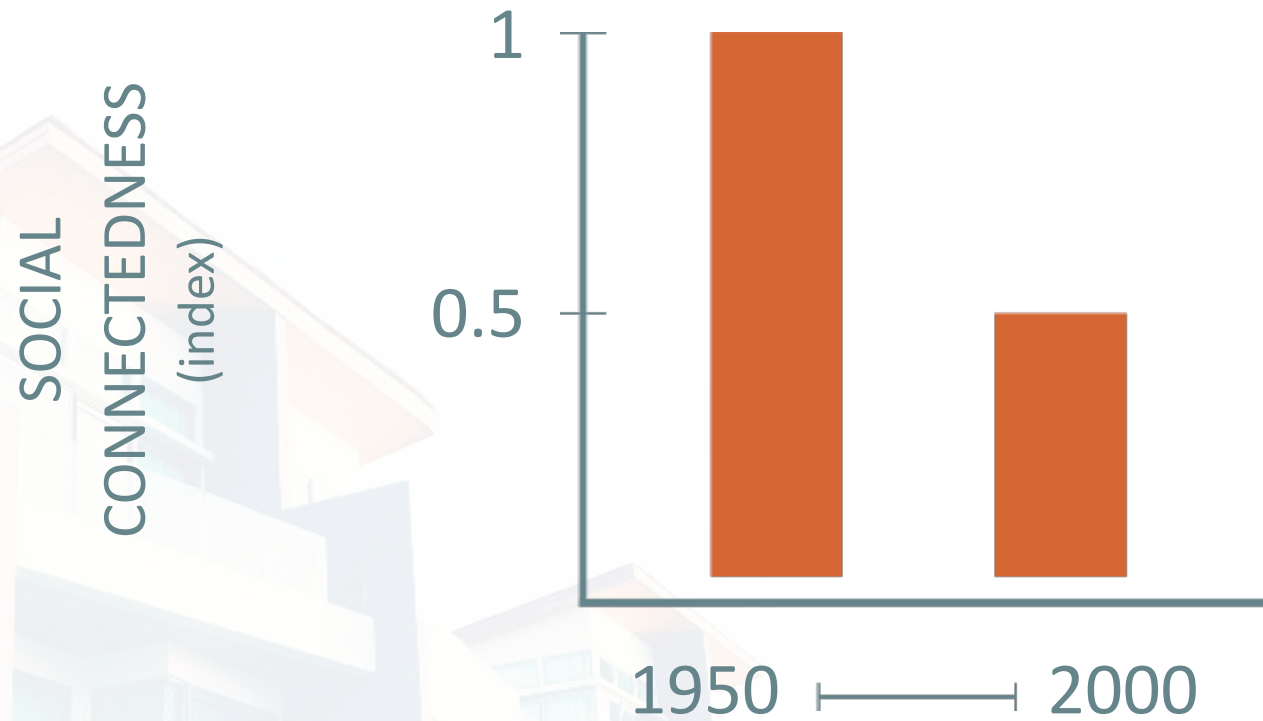
4. Exercise

5. Losing Weight

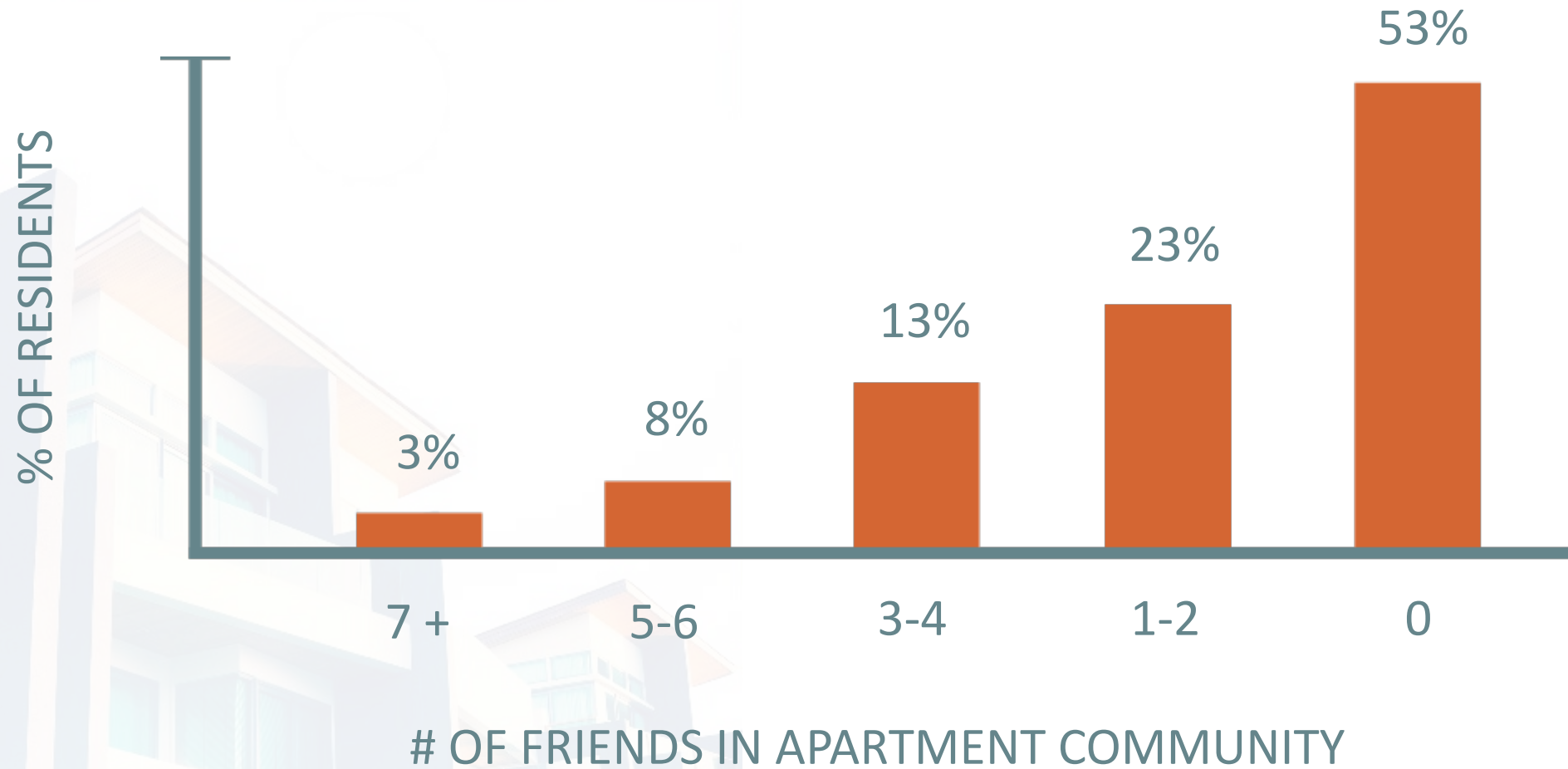
6. Reducing High Blood Pressure

7. Breathing Clean Air

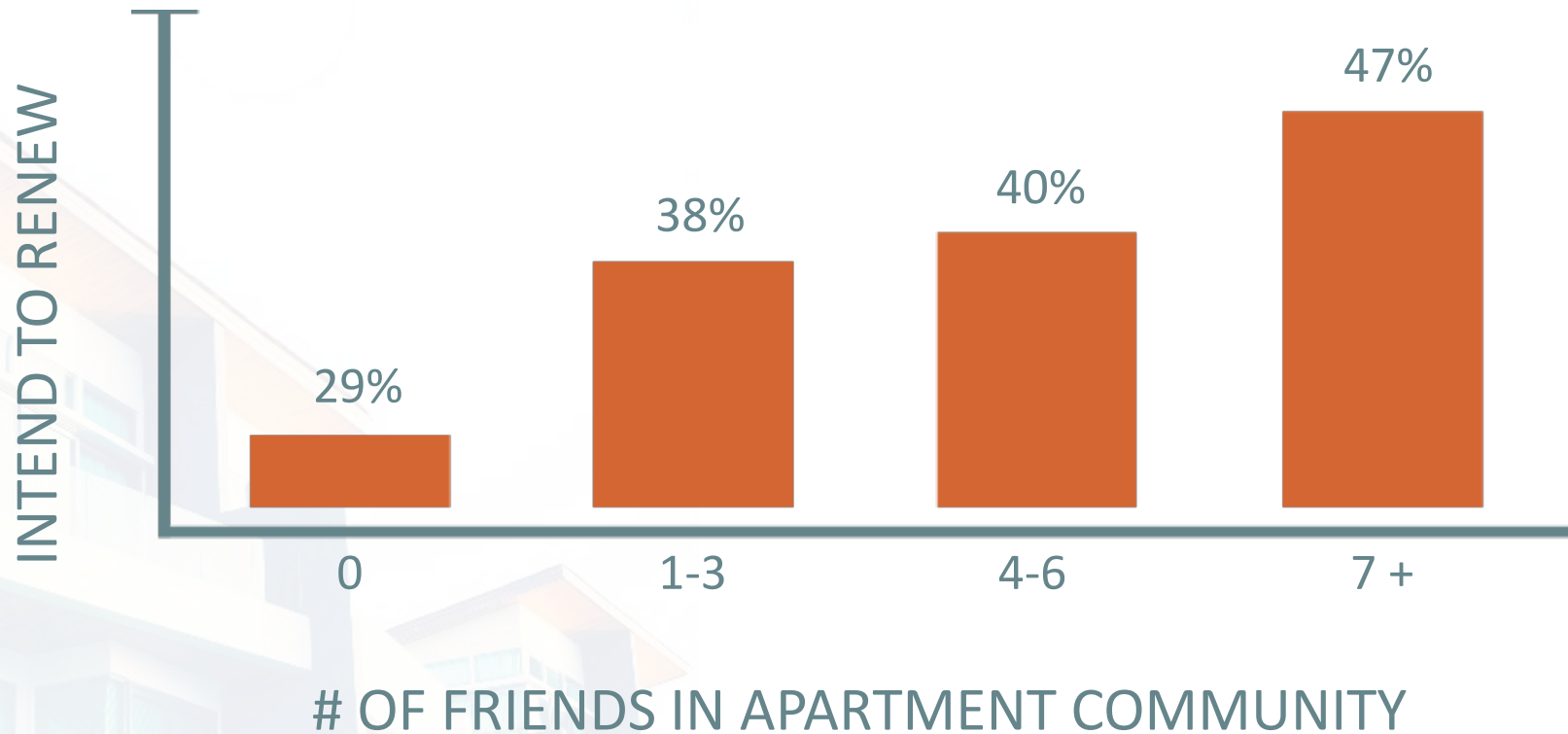
DECLINE of SOCIAL CONNECTEDNESS



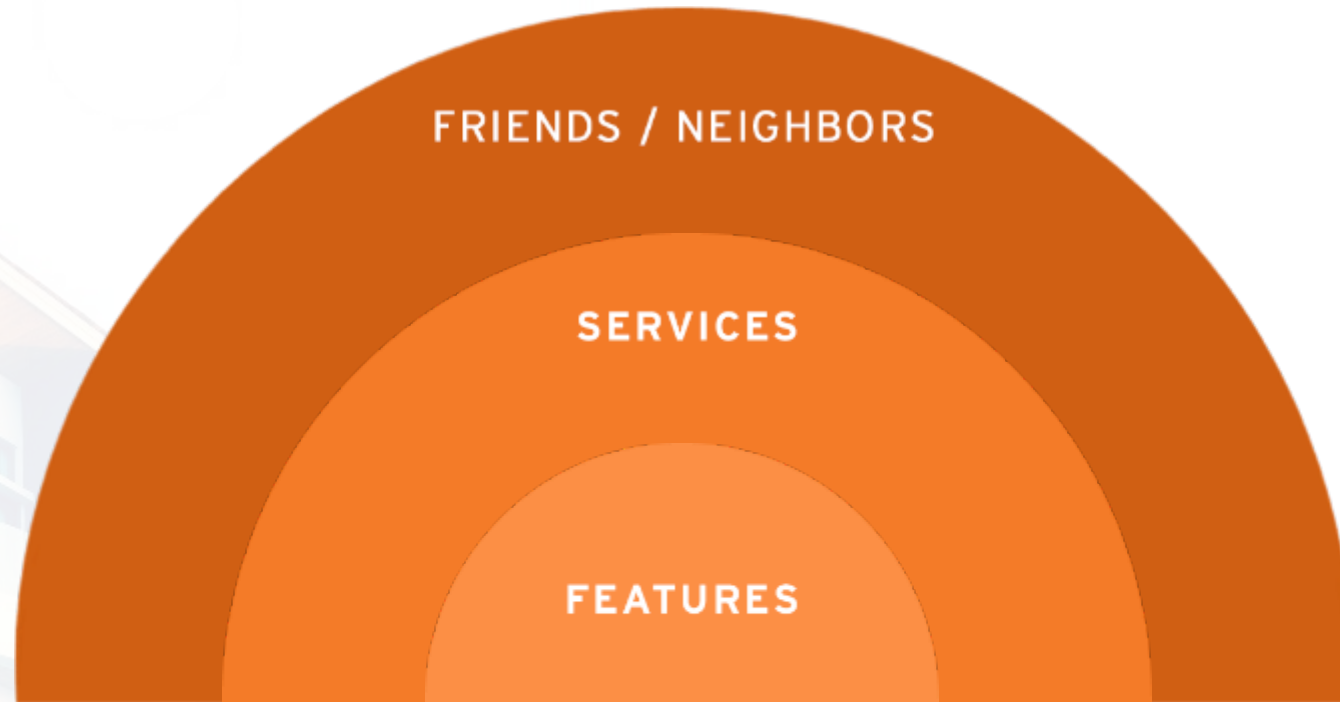
STATE of CONNECTEDNESS in APARTMENTS



FRIENDS MATTER to BUSINESS!



THE APARTMENT PRODUCT



CULTIVATING CONNECTEDNESS



WELCOME



CARE



CONNECT



GIVE

PRACTICAL APPLICATION | LMC

Stories, Case Studies, and Results

Todd Farrell: President, LMC

Why Build Community At My Community?

- Resident satisfaction is enhanced by relationships with neighbors and staff
- Word-of-mouth, whether by social media or otherwise, is important
- Communities with a “friendly” reputation outperform on lease-ups and renewals
- Satisfied residents renew
- A happy, engaged resident base is easier on our staff

Doing “Community” Right

- It starts with hiring people with a heart for serving residents
- Think Nordstrom and Southwest Airlines - not the cable company
- Measuring and rewarding excellence in customer service
 - Deficiencies in Property Management metrics (leasing, collections, NOI, and blind shopping reports)
 - Changing the focus is imperative

Building Community

- Emphasis on “Touch Points”
 - Move-in contact (within 2 weeks)
 - Resident functions
 - Weekly better than monthly
 - Personal invitation from appropriate Leasing Agent to resident
 - Renewal is a key touch point
- Great resident functions matter
 - Many residents need the “nudge” to interact
 - Our most successful functions have been when we let the residents lead with ideas

Community Building Resources

- CARES Teams
 - Outsourcing community outreach
 - Frees staff up to focus on their primary responsibilities
 - Act as liaison between residents and staff
 - Renewal time is critical
 - Timely contact
 - Timely feedback
 - Responding to resident needs
- ACTIVE BUILDING
 - Community Intranet
 - Activities, communications, announcements, etc.
 - Careful—bad news travels fast

Real Stories

- West & Fondren (New Lease-up, Houston, TX)
 - Weekly resident functions
 - Large turnouts and buy-in from residents
 - CARES Team introduced themselves to prospects who were touring during the resident function, told them about what life was like at the property
 - Successful leasing tool
- Crest at Millenia (Stabilized property, Orlando, FL)
 - Crime from neighboring property spilled over, car break-ins, one apartment break-in
 - CARES held a community meeting (without management team present) and got to the heart of residents' concerns
 - Headed off a potentially challenging situation with residents by allowing our staff to formulate a plan, instead of being blind-sided
 - Started having weekly meetings with local officers until problem subsided



PRACTICAL APPLICATION | PINNACLE

Stories, Case Studies, and Results

Rick Graf: President & CEO, Pinnacle



Community Starts With Us

- Won't happen in the field if it doesn't happen within the company
- Culture creates community
- Core values must be more than words on paper
- Our Focus: Do the right thing. Be Kind. Be humble.



Community Within Pinnacle

- Hire for customer service
- Train our team members in the little things
- Facilitate opportunities for community-building
- Pay attention to the details
- Monitor results



Redefining The Resident Experience | The Adair Apartment Homes

- The CARES program has redefined the resident experience at The Adair Apartment Homes through relationships with a focus on increasing resident retention, enhancing online reputation, and improving resident satisfaction. They do this by:
 - Building community
 - Building relationships
 - Being good neighbors
 - Being available
 - Welcoming new residents
 - Helping residents get acquainted with the community

Redefining The Resident Experience | The Adair Apartment Homes

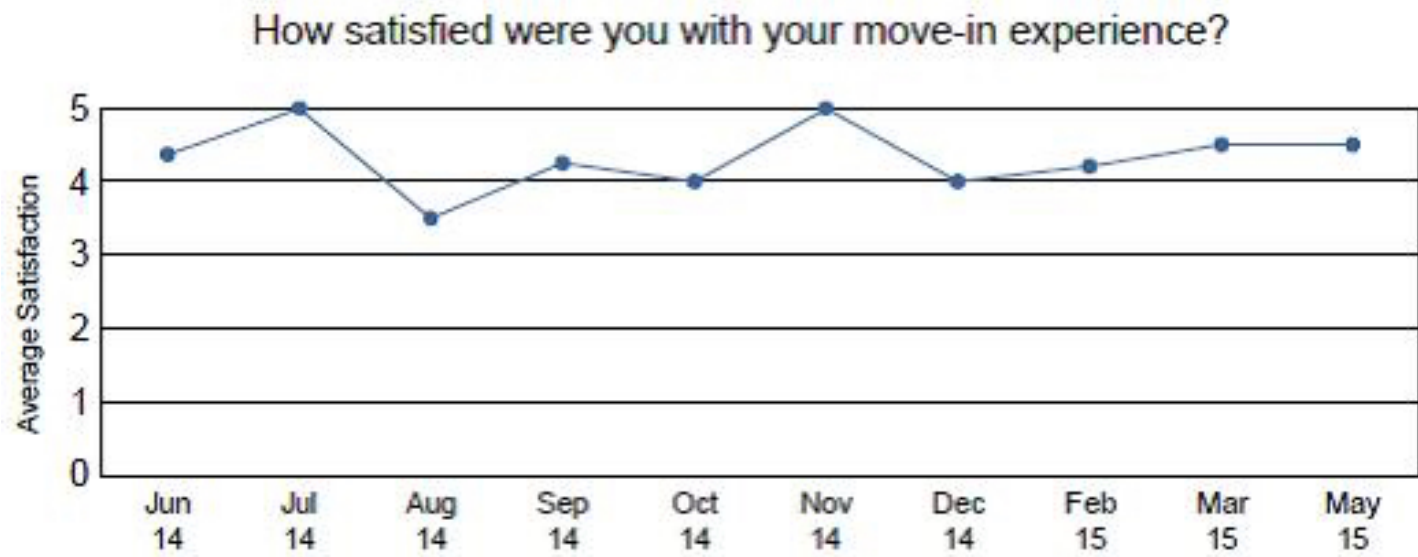
- The CARES Team has helped The Adair Apartment Homes create great customer service, raise the level of resident satisfaction, and increase resident satisfaction scores.





The Move-in Experience | The Adair Apartment Homes

- The CARES Team personally welcomes new residents and helps them get acquainted with the community.
- The average satisfaction score for new move-ins is in the upper percentile on a scale of 0 to 5.





The Community Experience | The Adair Apartment Homes

- The CARES Team helps residents connect, cultivate friendships, and give back to the greater community.
- They do this by planning engaging community events, organizing small groups with common interests, coordinating resident appreciation events, and facilitating outreach projects.



The Renewal Experience | The Adair Apartment Homes

- The CARES Team helps The Adair maximize renewals by visiting each resident prior to renewal to assess satisfaction and uncover any threats to retention.
- CARES Teams generate Immediate Retention Alerts to allow quick intervention to save renewals at risk.



Case Study | Kirby Place

- The resident who lived at Kirby for six years and almost fell through the cracks at renewal



- CARES personal visit with resident
- Resident was going to vacate after 6 years
- CARES Team brings resident's concern to staff
- Manager fixed the miscommunication & resident renewed

Bottom Line

- Kirby pays CARES approximately \$12,000/annually. They helped us save a resident who is paying \$29K a year for his lease! Had he vacated, with the new lease pricing now (substantially lower) we would have lost around \$13K on a new lease.

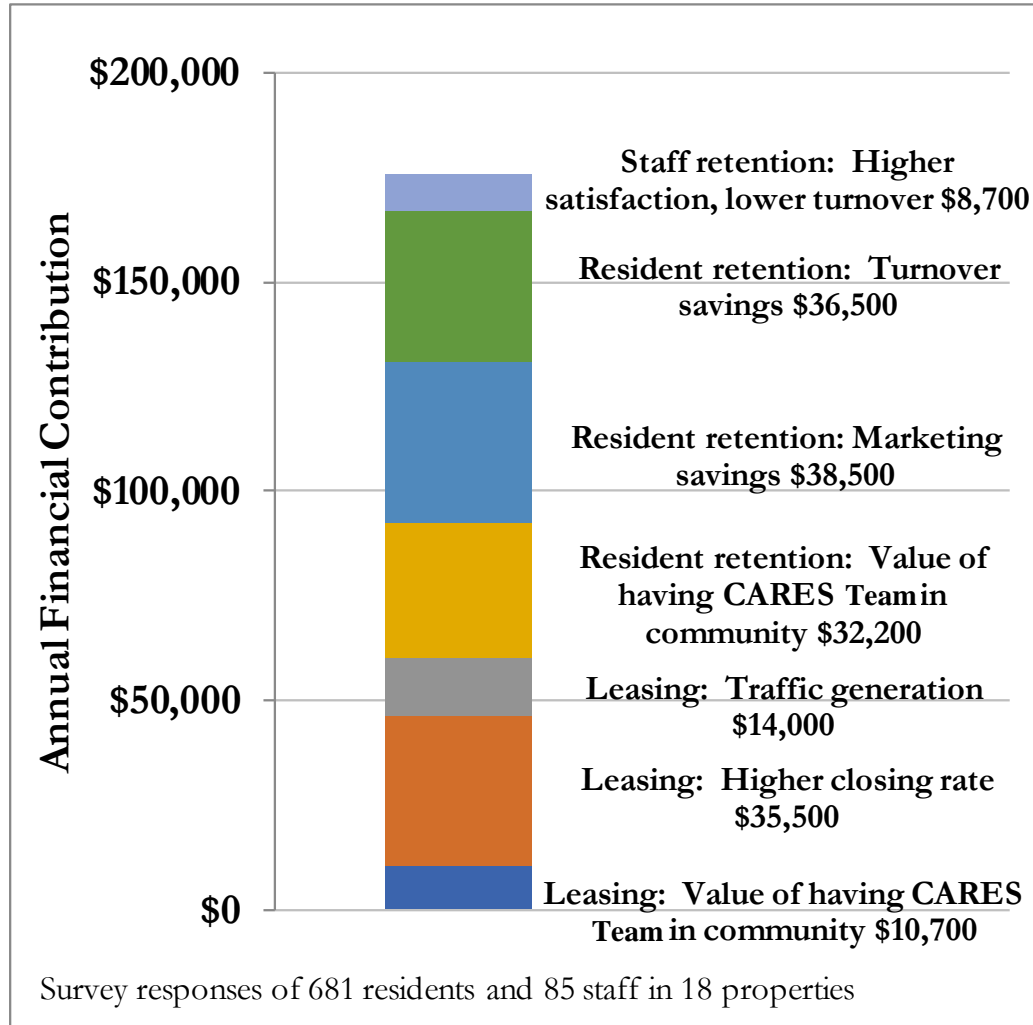
VALUE PROPOSITION OF RELATIONSHIPS

Proving The Value

Ron Witten: Founder, Witten Advisors

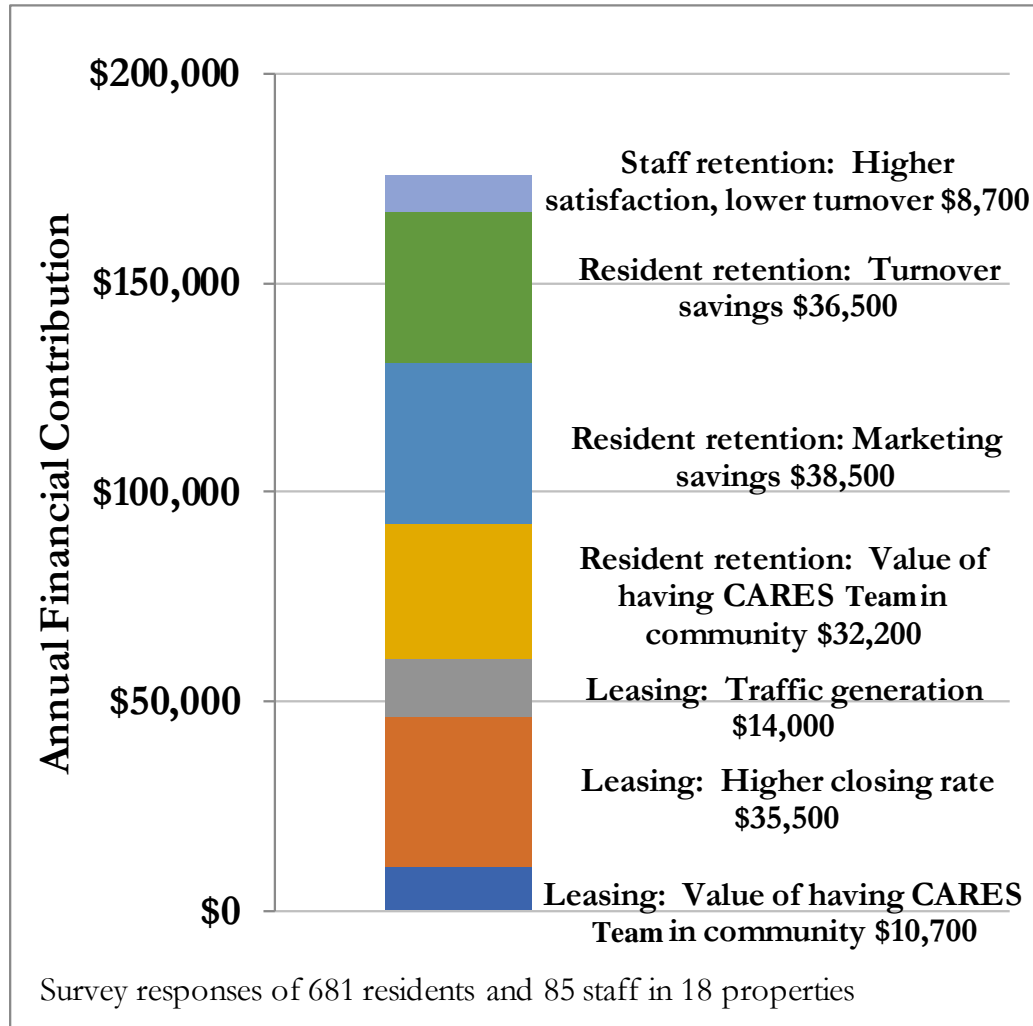
Hanging on to Residents
By Cultivating Real Community and Relationships

RESEARCH ON COMMUNITY



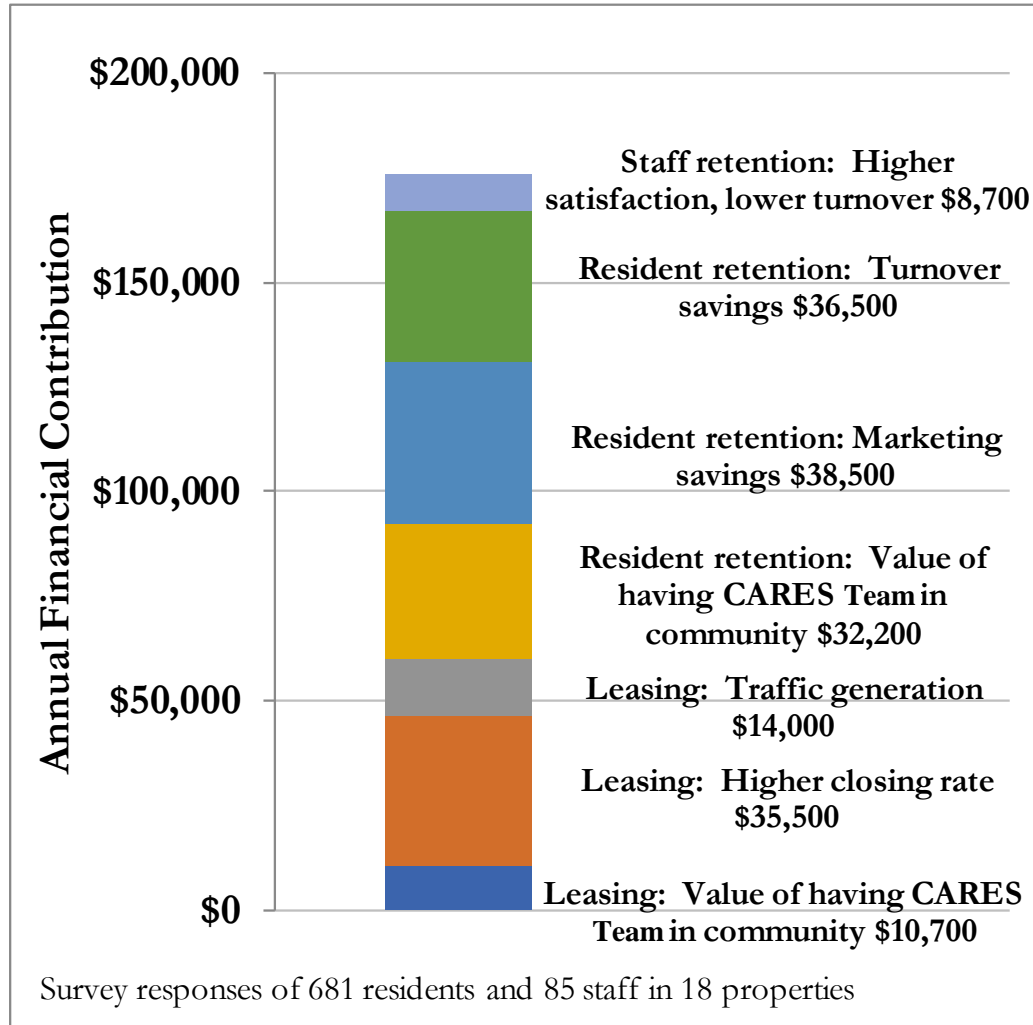
Measuring the impact of community building

- Resident and staff surveys regarding CARES:
On-site resident team focused on redefining the resident experience through relationships
 - Increases resident satisfaction
 - Raises resident retention
 - Enhances online reputation
 - Increases staff satisfaction



Measuring the impact of community building

- Resident and staff surveys regarding CARES:
On-site resident team focused on redefining the resident experience through relationships
 - Increases resident satisfaction
 - Raises resident retention
 - Enhances online reputation
 - Increases staff satisfaction
- Witten Advisors' analysis: Resident and staff surveys attribute the equivalent of \$176,000/year in revenue to having a CARES team on site



Measuring the impact of community building

- Resident and staff surveys regarding CARES:
 - **On-site resident team focused on redefining the resident experience through relationships**
 - Increases resident satisfaction
 - Raises resident retention
 - Enhances online reputation
 - Increases staff satisfaction
- Witten Advisors' analysis: Resident and staff surveys attribute the equivalent of \$176,000/year in revenue to having a CARES team on site
- Owners' analysis
 - CARES raised retention 3 to 5 points (Greystar, Archon)
 - Resident satisfaction increased 12% year-year in CARES communities [2% higher than entire portfolio] (CWS)
 - CARES communities showed 18% increase in online reputation rating (Asset Plus, Riverstone)

The background features a modern, multi-story building with a mix of dark and light tones. A large, faint circular graphic is centered in the upper half of the image. The text 'QUESTIONS/DISCUSSION' is prominently displayed in the center, flanked by two horizontal lines.

QUESTIONS/DISCUSSION