

WHITE PAPER SUMMARY:

Independent International
Consulting Firm Validates

Archstone's Increased Revenue
Per Unit while using

Level One's Central Leasing Office

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Joshua Tree Consulting

Stephen Lefkovits

Executive Summary

In 2009, a top-tier international consulting firm reviewed and validated a nine-month test of the incremental renter prospect demand created by Level One's Central Leasing Office ("Level One") at Archstone Communities. The consultant is one of the world's leading business consulting firms. Their core consulting competencies include growth strategy, performance improvement, customer strategy, change management and information technology.

The Validated Test Results at a Glance

- Level One captured and converted new incremental leads from existing marketing sources – no new marketing was purchased - into an expanded demand curve. This expansion of demand translated into higher asking rents and higher revenues per unit;
- Archstone turned increased demand (prospect guest cards) into a 1.5% lift in revenue per unit vs. an incremental cost of \$9,600 per property;
- Extrapolated to typical portfolios, Archstone's 1.5% improvement in revenue per unit could mean an additional \$45,000 - \$67,500 in annual revenue per property or potentially millions of dollars annually per portfolio;
- The test results contradict traditional industry thinking which has held that new or excess demand in fully occupied properties is wasted because the property has no ability to raise rents in a competitive market; and
- Level One captured significantly more prospect guest cards than the control properties - while saving time for the staff at the test communities.

	UNIMPROVED (CONTROL) PROPERTIES	LEVEL ONE (TEST) PROPERTIES	LEVEL ONE'S IMPACT
GUEST CARD APPOINTMENTS (VS. 2008)	+21%	+ 53%	+26.5%
MOVE-IN RENTS (RECESSION)	-2.3%	+1%	+2.4%
REVENUE PER UNIT	-.6%	+.9%	+1.5%
PHONE CALLS ANSWERED	50 - 60%	98 - 99%	+40 - 49%

The test was conceptually simple: 20 properties used Level One's TimeWise product where 98 - 99% of all property prospect phone calls were handled by Level One. The test

properties were compared to 20 similar properties that did not use the service. There were approximately 7,200 units in each of the test and control groups. Archstone’s marketing program and lead sources remained constant throughout the test. The test was conducted in a declining rent environment at the height of the recession from January to early September 2009.

Financial Benefit of Level One Extrapolated

Evaluating the cost of Level One against the benefits on an annualized basis appears to be the simplest method of understanding Level One's impact. Below we've created a table that summarizes the expected benefits based on the average rents at a typical property, assuming a similar percentage of lift in revenue per unit. Every company's performance will differ.

	\$/MONTH	TOTAL MONTHS	\$/YEAR (250 UNITS PER COMMUNITY)	INCREMENTAL GROSS REVENUE
(NOTIONAL) AVERAGE RENT	\$1,000	12	\$3,000,000	\$45,000
	\$1,500	12	\$4,500,000	\$67,500

Level One's TimeWise product is priced according to a number of factors including size of property and seasonality. Although this cost ranges from \$600 – \$1,000, for the sake of estimation, we use the average in the range provided by Level One - \$800.

Estimated Return on Investment in Level One's TimeWise

AVERAGE RENT	INCREMENTAL REVENUE	COST OF TIMEWISE	ROI ON TIMEWISE
\$1,000	\$45,000	\$9,600	468%
\$1,500	\$67,500	\$9,600	703%

Under these types of results, we expect that a 40-property portfolio will see a portfolio-wide net revenue increase of \$1.4 - 2.1 million, net of the cost of TimeWise. From the tables above,

readers can easily input their own average rents and number of units to determine their expected impact and ROI on the investment.

Conclusions and Further Discussion

1. Level One's TimeWise service captured Archstone's significant number of unanswered prospect phone calls;
2. Capturing those calls and converting them into prospects is equivalent to creating new leads and new revealed demand from existing advertising sources;
3. Archstone translated increased demand into increased rents and higher revenue per unit – without increasing its investment in other marketing services. This test was conducted in a environment of declining rent and occupancy;
4. Extrapolated across their portfolio, Archstone will likely generate many millions of additional revenue dollars in the next twelve months from picking up missed calls;
5. Archstone's test validates ad publishers and internet listing services that have long claimed that they are delivering far more leads than they "get credit" for. Further education and research are warranted to underscore the marketing dollars that are currently wasted by sub-optimal lead handling.

This test answered the question "what happens if we can generate 'excess' demand for a property?" Level One captured significantly more lead traffic at the test properties than Archstone at the control properties. Archstone used this increased demand to push revenue per unit in a declining market. Doing so with third-party validation contradicts traditional industry thinking. New or excess demand in fully occupied properties is not wasted. Archstone has shown that it can use increased demand in a fully occupied portfolio to create pricing power and increase rents.

About this White Paper Summary

This white paper summary was condensed from a white paper drafted with the cooperation of Archstone Communities, Level One and The Rainmaker Group. Data was provided primarily by Archstone Communities with assistance from Level One and the Rainmaker Group. The white paper was sponsored by Level One and The Rainmaker Group

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Stephen Lefkovits, President
Joshua Tree Consulting
5834 Vallejo St., Emeryville, CA 94608
(510) 444-2988
steve@joshuatreeconsulting.com