(this sample is intended as an example only, all plans are designed to property and owner specific criteria)

Market Evaluation

Developed for:
ABC Cooperative
123 Main St
Any town, USA 60101
123-456-7890

Date: ________

Study Period – 9-15-2006 through 9-30-06

Author of Report : Melanie L. Phillips, CPM Tailor Made Property Services, Inc.

I. Executive Summary

A. Rationale for the Market Evaluation

Subject property is experiencing occupancy and cash flow problems. The rationale for this market study is to identify the competition.   Evaluate the property standing within the competitive properties. Determine through market evaluation, the probable cause for the under performing status of the site and make recommendations for correction.

B. General Description of the community, including amenities and services available.

2006 demographic information reports a population of 114,049,635 with 14,841 households. 82% of the population are white with gender being evenly divided. Median household income is $47,346 (slightly under the national average of $51,546).

2006 average home value is $141,970 (47 percent lower than the national average of $264,327.)

This preliminary data would suggest that the area would be a good location for multi family property financed through a tax credit or mixed income program.

Area demographic tapestry breaks down into three categories:

Rust Belt Traditions – this segment of the area population is comprised of stable home owners who invest them selves and their money in home improvement projects and are financially conservative. They enjoy fishing and bowling, they subscribe to cable television and are typically sports fans.

City Dimensions – this segment of the area population has a median age of 29 with young children. This is the most culturally diverse segment. The household income level of this segment is typically under $35,000. Two thirds of this segment are renters. They enjoy sports, video gaming and are top in the market for the purchase of team sport clothing.

Young and Restless – is the third segment of the area population. Again, their median age is 29 years old. More than 70 percent of this segment have moved in the past five years. This segment prefers multi unit apartment buildings . They enjoy the convenience and amenities offered in many rental communities. This segment has a typical household income of $40,000They are technologically savvy and place a premium on access to internet and cable services. They work out, read and frequent bars and night clubs.

C. Proposed target market

25-33 year olds with a household income of $35-40k per year.

Marketing efforts would have to take into consideration several components key to this target

-Access to internet and cable (preferably wireless internet)

This segment of the population is accustomed to the instant access provided by communicating via internet and cable. They are not likely to be happy with dial up modems and antennas

-Location close to shopping and food establishments

This segment likes to shop and go out to eat. They do not want to travel long distances to get there.

-Fitness center

Although some of this segment would use a Gym Membership to meet new friends, they enjoy the convenience of a work out center in their own surroundings that they can use free of charge. They also enjoy the bragging rights about having a fitness center in their building even if they don't ever use it.

-Access to laundry (preferably in unit)

This segment often works from home or work long hours at their office. They do not wish to drag laundry to common areas. They want to do their laundry at a time convenient to them. Being renters they also do not want to worry about the purchase or upkeep of the appliances, they want full sized in unit washer and dryers in their homes and a maintenance person to call should something go wrong.

-Updated appliances

Built in, easy to use modern appliances are a plus to this segment. Again, they want the bragging rights and the convenience. Micro waves do not cost much money but this segment of the population, as stated previously does not want to purchase or maintain items that they believe should just be “there” when they move in.

-Trendy surroundings

Appearances are key for this segment. They want their friends to be impressed about where they live. Their surroundings not only need to be clean and well maintained, they must be attractive and trendy. They must contain an element of excitement and exclusivity.

-Immediate Gratification

This segment of the population grew up in an instant world. Instant popcorn, oatmeal, internet, cell phones, overnight mail etc. They will not typically wait for a response for any length of time. Customer service must be top notch and response time must be rapid or this segment will move. These folks don’t read the newspaper they read the internet, advertising efforts should take this into consideration.

II. Market Analysis

A. Result of market research

Four properties were identified as competition for ABC Cooperative This was due to their proximity to the sight and area knowledge. While other properties are certainly providing competition, these four were initially identified as primary sources.

-Glenn Valley
-Teal Run
-The Landings
-Willow Creek

After completion of phone and site shops and market comparison grid it was determined that Willow Creek, although the only one of the four to be offering and advertising substantial concessions, is not truly comparable to ABC Cooperative due to the huge variance in price.

The comparison grid also identifies that ABC Cooperative , although lacking in many areas, is maintaining a base rental price higher than its more successful competition. This may have been identified by the Marketing Staff at ABC Cooperative and may explain the 2 month free rent concession on a 14 month lease they are offering.

B. Evaluation of market supply and demand

While it is true that several properties within Bingham Creek are offering concessions of up to two months rent along with lower security deposits and free application fees, those locations identified as “doing everything right” are not suffering from high vacancy and have not had to offer such large incentives to attract new residents.

The area does not seem to be saturated and should be providing a competitive yet lucrative source of revenue for investors and owners. There have been no unusually high turnover rates identified.

C. Subject Property Strengths and weaknesses

The Subject property enjoys the benefits of good location, satisfactory unit size and some in unit laundry facilities.

Although not yet 10 years old, the property has the worn / tired look of a property approaching its 20^{th} year. There is no color, no warmth. Nothing draws you in from the road. The main property sign is sorely in need of paint or replacement. You would not pull in unless you were specifically looking for ABC Cooperative . The Clubhouse and mini model, although clean, were drab and created no excitement.

The Site staff performed poorly both on phone and site shops. They treated both shops as interruptions. They created no urgency, they convey no interest in their prospects, no rapport building, they provided no follow up whatsoever. On the phone shop it would be impossible for them to follow up due to the fact that they asked for no contact information. During the site shop the prospect was made to wait several minutes prior to being acknowledged.

The fact that the site does not provide the stackable washer and dryers in each unit is a weakness. These are typically more expensive than conventional washers and dryers and as conveyed earlier in this report, the segment of the population most likely to move in to ABC Cooperative or its competition, is not interested in owning or maintaining major appliances. Furthermore, they do not want to take their laundry out. They want to do it on their schedule and at their convenience.

The staff is not selling the special. They mentioned it near the end of both shops and were not entirely comfortable in the sale of it. As stated previously, the base rent at this site is higher than its main competitors who offer no significant concessions, but do offer a perception of value.

They are advertising in many venues, including two ads in the recent Shopper News (one line ad, one display) Their marketing efforts document a plethora of activity but no quantifying information to speak to the move ins they are getting from these sources. Calls and visits and appearances at public gatherings and events is good, but ultimately it is the qualified move in that you are paying the advertising dollar for. If a source is not producing move ins, it should be eliminated.

If applying the four P’s of sales, (People, Product, Price and Promotion) it would appear that ABC Cooperative , at this point, in time does not have any of these components firmly in place. Until they are brought into line the property performance cannot be expected to improve.

Limited weekend hours, in addition to the unwillingness on the part of the staff to make appointments after 3pm on Sat could inhibit working prospects ability to visit site. With occupancy being an issue, staggering weekday hours and offering a more accommodating weekend schedule could be an option worth consideration.

D. Competitor’s strengths and weaknesses

Glenn Valley

Outstanding grounds and atmosphere. Full sized washer and dryer included, lower cost in house cable and internet available, 30 day out clause on their leases, paid heat, great location, motivated staff. Not suffering occupancy issues due to the nice job in value perception they are doing. Even with heat included their base rent is lower than ABC Cooperative .

Staff performed well on site visit and phone shop, created urgency, built rapport, handled objections well.

Weakness could be the lack of choice in cable and internet services. Although it is actually less expensive than an outside company, some prospects could be put off due to the lack of choice this affords. In the overall scheme, this is not a huge issue.

Limited weekend hours could inhibit working prospects ability to visit site.

Teal Run

Grounds and models look great. Each unit has a view. Good location, full sized hook ups. Very busy property during phone and in person shop. Staff performed well on both. Appears they are running less than 5% vacancy.

Tax credit status (50% of units) could cause confusion to some prospects due to the cumbersome paperwork. However, area income levels are suitable to this lower cost housing. The 50% Market units may from time to time have issues in being able to move qualified persons in due to first available unit rule under section 42 programs. Site staffing may need to be kicked up to handle influx of visitors and calls if the activity level of the site on the days of the phone and site shops are any indication of a typical volume. Prospects who have difficulty reaching site staff will go elsewhere.

Limited weekend hours could inhibit visits from some working prospects.

The Landings

Great location. Very attractive grounds, great signage, great floor plans. Motivated, interested staff. Staff performed very well on site visit and scored the highest on phone shop. Currently leasing into late Oct and Nov. appeared to have limited availability.

Limited weekend hours could inhibit visits from some working prospects.

Willow Creek

Good location, ample floor plans, low prices for qualified income levels.

Staff performed marginally on site and phone shops. Property looks twice its age. Office is dirty and ill kept. No real amenities to speak of. They are choosing concessions over providing quality product.

Not ultimately chosen to be focus competition for Minges Creek Village.

E. An evaluation of how your amenities and services match market needs.

On the comparison grid, ABC Cooperative s' amenities compare most closely with Teal Run followed by The Landings. Glenn Valley comes out higher due to the paid heat and 30 day out clause in their lease. However, if you "back out" the $60 Glenn Valley was given for those two features they come in much closer.

Teal Runs adjusted rent remained the same as its current rate $675.00 . The average of the 3 competitors (removing the $60 from Glenn Valley) comes to $670.00.

The key point being that ABC Cooperative presently has those "amenities" but they don't have the value perception going on that Teal Run, The Landings and Glenn Valley does.

It would seem that a more effective use of ABC Cooperative funding would be to focus on training staff, adding life and excitement to the property through color and imagination and providing the stackable laundry facilities in the units themselves and drop the base rents to the range in which their competitors are enjoying low vacancy. If this were accomplished, it would be likely that the concession program could become a thing of the past. Two months rent on a concession totals $1,410.00 on a 14 month lease. It doesn't really matter how long of a lease you make it, the property is still giving up two months worth of revenue. At this rate the effective monthly rent is roughly $605.00.

If base rents were lowered by $30-40 dollars per month you would lose less than one months revenue in a year. Plus if the money was diverted to installing the laundry facilities in each unit in conjunction with spicing up the property and training the staff you are creating real value in the asset.

III. Advertising & Promotion

Due to the lack of quantifying documentation regarding the effectiveness of any of the sources of advertising currently being used it is not possible to speak in specifics about costs being incurred by the site.

If a strong source tracking system is not in place it must be put into action at once. If it is in place and being utilized it is vital that someone with the training to analyze the results evaluate the information regularly and make appropriate changes as needed.

Again, the goal is to gain occupancy, MOVE INS. A source is not always a good one if it produces a lot of traffic but no “money shots” (aka move ins) .

Prior to throwing a lot of money at ads and trade shows, attention and dollars need to be applied to staff training and curb appeal enhancement. If you take out an ad and draw prospects you want them to move in. If they come to the site because of a great ad but you do not impress them they are gone ------ for good.

Rental concessions are sometimes a necessary evil, sometimes they are an “easy out”. But no matter how they are implemented they are a huge weight on the property NOI. This property should not have to be giving away so much to attract residents. They stack up well in amenities to near by locations who are not suffering vacancy issues and who are not using concessions to draw prospects.

The other issue with concessions is that this type of program does not lend itself to stabilizing the property. When the concessions are used up the folks move on and look for the next deal.

Community outreach is great PR, but it must be done systematically, and tracked. If the site is spending hours on “outreach” with no log or tracking of where they went or what they did you have two issues:

1. No verification that your staff was where they said they were.
2. No way to track the effectiveness of the activity.

Say you go out every Tuesday to “outreach”. You spend 4 hours and drop off 20 pieces (@ 25-50 cents a piece) of collateral materials. You do this for 12 weeks. You would have 48 hours of labor and about $100.00 worth of materials out there. How many move ins have resulted? Who is answering your phone or dealing with your residents while the staff person is out of the office? It’s a balancing act to be sure, but if the activity is producing results, great! If not, eliminate it. But if you are not tracking you cant tell.

The site should maintain a presence in the community and its activities but not at a negative cost to the site.

Resident referrals are fantastic and low cost. However, there must be a reason for people to refer their friends. If the value perception is not there they won’t invite people to join them. Unattractive, worn or tired looking property and a lack luster staff will not inspire referrals.

Resident surveys are a great way to get the pulse of your residents. Although typically there is only a 30% response, you can get a feel for where you are succeeding or failing just by asking. It was disappointing to see that a survey is on the "marketing ideas to be implemented' list of the subject property as item #4.

Quote: "#4 Doing a resident survey to find out where they go shopping, eat, grocery shop, hang out, etc. This way we KNOW where to market. "

It would seem a logical, and cost effective place to begin evaluating why you are having occupancy or cash flow problems would be to look in your own back yard prior to spending money.

IV. Summary

ABC Cooperative Apartments is in a great location. With attention placed on enhancing the appearance, creating excitement and either training or replacing the existing staff it could easily compete with near by locations.

By making those changes and employing an aggressive and creative marketing campaign the value perception of the property could be drastically changed. Allowing for the elimination of the concession policy.

It would be suggested that ownership look at bringing the property base rents into a closer alignment with neighboring sites. It would also be suggested that the capital be spent to further enhance the individual units with washers and dryers. (adding both real and perceived value).

It is vital that the sales team and the rest of the staff under go intense "re training" .

Tracking systems for all advertising sources must be implemented to better allocate dollars. Consideration should be given to offering business hours 7 days per week by staggering week day work times between the office staff, at least until the property reaches a favorable occupancy or cash flow level.

Rating the 4 P's of Sales on a scale of 1-10 , it is my opinion that the site scores as follows:

Product 4 out of 10

This could be drastically improved by adding color, life, etc to the signage and property over all. The addition of washer and dryers would bring this number up significantly.

Price 3 out of 10

Their base price is higher than the better looking and better performing properties within a mile of them. They are giving away the farm in concessions when it shouldn't be necessary.

Promotion 2 out of 10

There appears to be no controls in place, no real planning and no tracking for cost effectiveness of the dollars being spent. The marketing activities report provided doesn't seem possible and never speaks to any results being achieved.

The site weekly report indicates that the site is averaging 2 move outs per week and 1.5 move ins. They are only netting 1 application per week. Total apps are averaging 3 per week but they are losing an average of 1 to rejections and 1 to cancellation weekly. This would indicate that 3rd of their prospects are not qualified and another 3rd are going elsewhere. What ever promotion is actually in place is not working as the site is sliding ever backward according to this report.

People 2 out of 10

The staff is not professional, disinterested and uninvolved. They either need complete re training or replacement. Due to the quality of the faxed document I cannot determine closing ratios.

V. Source Documentation

Sample provided by

Tailor Made Property Services, Inc.

MARKET SURVEY FOR CUMBERLAND GREEN

JULY 2019

NAME	SIZE	$ PER MO.	INCLUDED	AMENITIES
CUMBERLAND	1 BR	$827	WATER----- YES	POOL,
GREEN	2 BR	$1051 - $1101	GAS--------- YES	PLAYGROUND
ST CHARLES	3 BR	$1191 - $1231	ELECTIRC—NO	EXRSZ RM,
	4 BR	$1264	GARBAGE--YES SEWER-----YES	CLUBHOUSE

NAME	SIZE	$ PER MO.	INCLUDED	AMENITIES
ASCEND (AMILY)	1 BR	$1270	WATER------- NO	POOL,
ST CHARLES	2 BR	$1930	GAS----------- NO	EXRSZ RM
ST CHARLES	3 BR	$2588	ELECTRIC---- NO	GARAGE $110
			GARBAGE---- NO	

NAME	SIZE	$ PER MO.	INCLUDED	AMENITIES
ASHFORD AT	1 BR	$1482	WATER-based on usage	POOL
GENEVA	2 BR	$2218	GAS---------NO	
GENEVA			ELECTRIC--NO	
			GARBAGE--$10	MODEST PARTY ROOM

NAME	SIZE	$ PER MO.	INCLUDED	AMENITIES
PRAIRE	1 BR	$1054	WATER-----YES	POOL,
POINT	2 BR	$1270	GAS---------YES	TENNIS,
ST CHARLES			ELECTRIC—NO	GARAGE $75
			SEWER------NO GARBAGE---1/2	PLAYGROUND

NAME	SIZE	$ PER MO.	INCLUDED	AMENITIES
FOX RUN	1 BR	$985	WATER------ YES	POOL
	2 BR	$1285	GAS-------- NONE	

ST CHARLES			ELECTRIC----NO	
			SEWER-------NO GARBAGE----NO	ALL ELECTRIC APTS.

NAME	SIZE	$ PER MO.	INCLUDED	AMENITIES
THE VIEW	1 BR	$1350 - $2111	WATER---YES	POOL,
APTS & TOWN	2 BR	$1476 - $2216	GAS-------YES	PLAYGROUND
ST CHARLES (New name "VIEW")	3 BR TWN. HSE. TENANT PAYS ALL UTILITIES EXCEPT WATER	$1861 - $2531	ELECTRIC--NO GARBAGE---YES	