

Excellence is the Standard

For three days in March the future of PRG met at the Carolina Inn, in Chapel Hill, NC to define the standards for operation of our 42 property portfolio. Managers, Regional Directors, Regional Maintenance Directors, Asset Managers, and Managers in Training all under the leadership of Sam Foster trained for two days on the key performance and quality skills for expense control, revenue growth, and asset preservation. It was the perfect setting in Chapel Hill. Home to the University of North Carolina, we were surrounded by thousands of dedicated students focused on earning their degrees. Our small group had a similar focus, a PRG degree in property operations and management. At PRG we are serious about giving our Managers the state of the art tools to achieve success. Understanding and knowing how to use those tools are what sets us apart from our apartment management competition. As leaders within the industry in Call Center technology, Web-based marketing, and Optimized Daily Pricing, we strive to hire the best and the brightest and graduate them with a thorough knowledge of apartment operations. Surrounded by the university students we were indeed in the perfect spot to implement our Master's Program.



Betty Hurdle of Lancaster Arms

The program began with an introduction by Sam Foster and a review of our first quarter performance.

With occupancy at 94%, revenue up 2%, and delinquency below 3%, the state of operations is very good indeed. Much of the credit belongs to the talented group of Regional Directors: Amy Cain, Meschelle Sensenig-Roten, Michele McClure, Chari Lewis, Susan Davis, and Jena Paulenich. But if you asked them, they would tell you that they could never succeed without the dedicated managers and maintenance supervisors responsible for day to day operations at the properties.

Day 1 of the conference focused on critical issues that a top flight manager must master to succeed. The basic building blocks of running a successful business were at the top of the agenda. Without training in order to understand financial statements, recruit and supervise staff, and screen prospective residents, a property manager cannot achieve excellence. It is all part of the PRG philosophy of building a strong foundation, not putting out fires after the fact. If you have ever heard that 90% of the problems are caused by 5% of the people you can begin to understand our focus. We want to understand and eliminate the 5% before they ever cause the problems and we give our people the skills to do so. Human Resources, Fair Housing, and topics other companies pay scant attention to are not given short shrift at PRG. Angela Biggs, our HR Director, along with several of our Regional Directors and two of our sponsors Jorge Baldor of Resident Check and Doug Moore of Multifamily Insurance Partners participated in the discussion. (Con't on Next Page)



PRG's Virginia Region enjoying the Awards Dinner



(from L to R) Joby George, Karla Baumgartner, Bobbie Volpe, Cheryl Mitchell, Chari Lewis, Shayne Martin, and Sarah Arnett



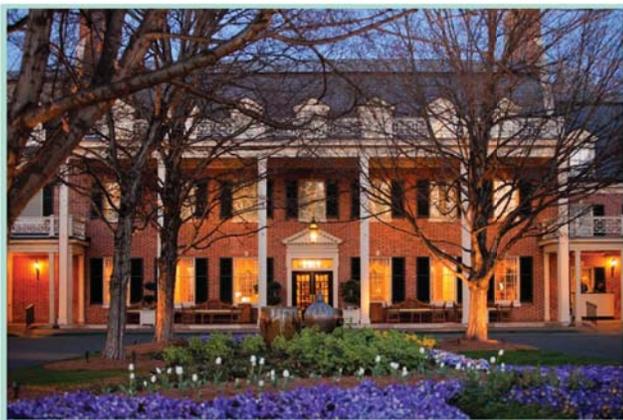
(Con't from First Page)

Day 2 was devoted to expense control, purchasing, and understanding the importance of asset preservation. PRG isn't a company that flips assets. We buy properties for the long term and constantly improve them to create above average returns for our partners and investors over extended periods. From buying the 30-year shingle vs. the 20-year shingle, every decision we make reflects this long term value add philosophy. And on this second day, our group of Regional Maintenance Directors, Jim Gantz, Juan Bettancourt, Tony Elliott, Chad Cook, David Lasly, and Jon Milton each had the opportunity to lead the discussion.

Day 3 we actually devoted to the subject of putting out fires. Sure, everything we do is targeted at creating the proper building block to avoid problems, but sometimes tragedy does strike. Kathleen Betz, one of our PRG Asset Managers along with three of our sponsors, Paramount Services, Disaster One, and Lockton Insurance helped close the conference on the topic of Disaster Planning and Risk Management.

If all that sounds pretty serious, we should mention that we all had a great time. Heather Hayes, our stellar organizer and planner, did not leave a minute unattended. Casino Night the first evening was a great success among our staff and sponsors with everyone moving from table to table getting to play with and know each other. Our Academy Award Dinner the second night was outstanding with everyone dressing up for awards that were both significant and entertaining. Just seeing the Regional Maintenance Staff in their finest was worth the price of admission.

Did we set the standard for excellence? Just wait for the third and fourth quarter to see.



The beautiful Carolina Inn, Chapel Hill, NC



(from L to R) David Lasly, Juan Betancourt, Chad Cook, Tony Elliott, Jim Gantz, Jon Milton

PRG Creates Regional Maintenance Role

Maintenance in the multi-family industry can be a thankless job. But, with the creation of the new Regional Maintenance Director role, maintenance departments at PRG properties will have new allies and representation at the corporate level. Those selected to carry the title of Regional Maintenance Director bring with them over 100 years of combined industry experience along with strong leadership and organizational skills. Reporting to and working with our Regional Directors, they will assist Property Managers and Maintenance Teams with many areas of our business including: Training, Preventative Maintenance, Turn Organization, Contract and Capital Project Reviews and Shop Organization.



Welcome Susan Davis!

Susan Davis joins PRG Real Estate with 31 years of experience in the Multifamily Property Management industry. Prior to joining PRG Real Estate, she was a Regional Director with Apartment Trust of America (formerly Mission Residential) for 3 years overseeing properties in the North Carolina and Virginia area as well as assisting in aspects of developing the operations manual. Susan started her career in Multifamily Property Management with Drucker & Falk, LLC where she worked for 27 years as a Regional Property Manager in various markets. Some of her experience includes court appointed receivership, due diligence for new property assumptions, new construction and rehab. She attended Methodist College and is a member of IREM where she earned her CPM designation. She is also actively involved with both the Triangle and Triad Apartment Associations.

THE PRG HONOR ROLL

Top Gun Collections

October

Brandy Carothers collected every penny of rent at Cascades in October, finishing with 0% delinquency! Also well under the PRG standard of 3%, Jay Rawls finished at 0.18% and Sarah Arnett had delinquency of only 0.2%.

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|----|--------------|-------|------------------|
| 1. | Cascades | 0.0% | Brandy Carothers |
| 2. | Lake Johnson | 0.18% | Jay Rawls |
| 3. | Saddlebrook | 0.2% | Sarah Arnett |

November

The top three finishers are once again Brandy Carothers, Sarah Arnett and Jay Rawls, all with less than 0.3% delinquency.

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|----|--------------|-------|------------------|
| 1. | Cascades | 0.0% | Brandy Carothers |
| 2. | Saddlebrook | 0.10% | Sarah Arnett |
| 3. | Lake Johnson | 0.3% | Jay Rawls |

December

Brandy Carothers held the number one spot all quarter, with delinquency at 0%! Two Kentucky properties round out the top three – nice work Sarah Arnett and Danielle Porche.

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|----|-------------|-------|------------------|
| 1. | Cascades | 0.0% | Brandy Carothers |
| 2. | Saddlebrook | 0.01% | Sarah Arnett |
| 3. | River Oak | 0.32% | Danielle Porche |

January

Team Kentucky takes the top two spots this month with Chinoe Creek's delinquency at 0.14% and Bates Creek's delinquency at 0.25% - nice job Shayne Martin and Alex Becker! Brandy Carothers finished in a close third at Cascades with 0.37% delinquency.

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|----|--------------|-------|------------------|
| 1. | Chinoe Creek | 0.14% | Shayne Martin |
| 2. | Bates Creek | 0.25% | Alex Becker |
| 3. | Cascades | 0.37% | Brandy Carothers |

February

Brandy Carothers at Governor's Ridge holds the number one spot in February with 0.32% delinquency. Brittani Patterson comes in number two with an impressive 0.46%, more than 3% improved from the prior month! And again, Shayne Martin at Chinoe Creek is in the top three with 0.56% delinquency.

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|----|------------------|-------|--------------------|
| 1. | Governor's Ridge | 0.32% | Brandy Carothers |
| 2. | South Square | 0.46% | Brittani Patterson |
| 3. | Chinoe Creek | 0.56% | Shayne Martin |

March

Brandy Carothers is in the number one spot for the second month in a row at Governor's Ridge, followed closely by Shayne Martin at Chinoe Creek and Casie Miller at Country Club.

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|----|------------------|-------|------------------|
| 1. | Governor's Ridge | 0.01% | Brandy Carothers |
| 2. | Chinoe Creek | 0.12% | Shayne Martin |
| 3. | Country Club | 0.28% | Casie Miller |

Titanium Tool Belt

October

The winners of the October Titanium Tool Belt are Michael Griffin, Jon Milton and Ivan Ferrer! These maintenance supervisors had the fewest open work orders at the end of the month.

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| 1. | Magnolia | Michael Griffin |
| 2. | Tates Creek | Jon Milton |
| 3. | Palmetto Place | Ivan Ferrer |

November

Congratulations to the November Titanium Tool Belt winners – Tony Elliott, Armando Perez and Chad Cook with zero open work orders and the most completed this month.

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| 1. | Linkhorn Bay | Tony Elliott |
| 2. | Banyan Grove | Armando Perez |
| 3. | Glendare Park | Chad Cook |

December

In December, Ivan Ferrer, Walter Chavis and Jeff Hutchinson all had zero work orders outstanding for more than 5 days and the fewest total open work orders. Thanks for your hard work!

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| 1. | Palmetto Place | Ivan Ferrer |
| 2. | Lake Johnson | Walter Chavis |
| 3. | Chanticleer | Jeff Hutchinson |

January

The winners of the January Titanium Tool Belt are Earl Brice, David Lasly, and Jeff Hutchinson! These maintenance supervisors had the fewest open work orders at the end of the month.

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|----|------------------------|-----------------|
| 1. | Hyde Park | Earl Brice |
| 2. | Huntington at Sundance | David Lasly |
| 3. | Chanticleer | Jeff Hutchinson |

February

Congratulations to the February Titanium Tool Belt winners – Brandon Cebalt, Adam James and David Lasly!

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|----|------------------------|----------------|
| 1. | Coquina Bay | Brandon Cebalt |
| 2. | Cary Pines | Adam James |
| 3. | Huntington at Sundance | David Lasly |

March

Hyde Park, Magnolia Townhomes and Lancaster Green had all work orders completed at month end – nice job Earl Brice and David Strain and Jim Gantz!

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|----|--------------------|--------------|
| 1. | Hyde Park | Earl Brice |
| 2. | Magnolia Townhomes | David Strain |
| 3. | Lancaster Green | Jim Gantz |

THE PRG HONOR ROLL

Razzle Dazzle Leasing

October

Louis Cabrera had 10 approved applications this month at Magnolia Townhomes. Also leasing strong are Melissa Perry from Tiffany Square and Katie Moore from Woodcreek!

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|----|---------------|----------------|----|
| 1. | Louis Cabrera | Magnolia | 10 |
| 2. | Melissa Perry | Tiffany Square | 18 |
| 3. | Katie Moore | Woodcreek | 15 |

November

Louis Cabrera had another great month at Magnolia. Matt McClintock takes 2nd place with 14 apps. And Christine Guimaraes has contributed greatly to the 5% occupancy increase at Hyde Park with 19 approved applications!

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|----|---------------------|--------------|----|
| 1. | Louis Cabrera | Magnolia | 10 |
| 2. | Matt McClintock | Villas/Palms | 14 |
| 3. | Christine Guimaraes | Hyde Park | 19 |

December

South Carolina takes the top two leasing spots this month – nice work Carlos Hernandez and Britany Haney-Jones! And Michelle Grant rounds out the top three at Tiffany Square in Rocky Mount, NC.

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|----|---------------------|----------------|---|
| 1. | Carlos Hernandez | Magnolia | 5 |
| 2. | Britany Haney-Jones | Corners | 8 |
| 3. | Michelle Grant | Tiffany Square | 8 |

January

Matt Morrison obtained 14 approved applications at the 92-unit Honeytree Apartments; the property achieved 96.7% occupancy in January! Carlos Hernandez is also at the top of the list for the second month in a row with an impressive 15 applications. And rounding out the top three, Christine Guimaraes at Hyde Park had 22 approved applications.

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| 1. | Matt Morrison | Honeytree | 14 |
| 2. | Carlos Hernandez | Lakecrest | 15 |
| 3. | Christine Guimaraes | Hyde Park | 22 |

February

Matt Morrison is in the number one spot for the second month in a row, obtaining 12 approved applications at Honeytree Apartments. Carlos Hernandez and Lauren Crabtree are in a close tie for second at Magnolia Townhomes. Together they approved 28 applications!

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|----|------------------|-----------|----|
| 1. | Matt Morrison | Honeytree | 12 |
| 2. | Lauren Crabtree | Magnolia | 11 |
| 3. | Carlos Hernandez | Lakecrest | 17 |

March

Britany Haney-Jones takes the top spot, obtaining 12 approved applications at The Corners Apartments in Spartanburg, SC. She is followed closely by Lashanda Crowder at Hampton Chase with 13 applications and Anna Wyatt at Bavaria with 12 applications.

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|----|---------------------|---------------|----|
| 1. | Britany Haney-Jones | Corners | 12 |
| 2. | Lashanda Crowder | Hampton Chase | 13 |
| 3. | Anna Wyatt | Bavaria | 12 |

Show Me the Money

4th Quarter 2011

River Oak, the 268-unit property in Louisville, KY, is the 4th quarter winner of the Show Me the Money Award! Property Manager Danielle Porche and Maintenance Supervisor Donald Cook achieved great success this quarter, beating net operating income budget by \$35,000! The property continues to remain highly occupied with low delinquency rates and ongoing rent growth. In 2012, a number of apartments will be upgraded to further rent growth. Keep up the great work in Louisville!

Park Ridge had another great quarter, finishing \$15,600 ahead of net operating income budget. Senior Property Manager Rita Zepeda and Maintenance Supervisor Ronnie Murdock exceeded budgeted expectations all year at Park Ridge!

Cascades, the 146-unit property in Pittsburgh, completed another quarter ahead of budget. Brandy's strong leasing, diligent collections, and tight expense control led the property to success in 2011!

1st Quarter 2012

Willow Ridge, the 456-unit property in Charlotte, NC, is the winner of the 1st quarter Show Me the Money Award! Senior Property Manager Kelsey Cantrell and Maintenance Supervisor Ray Judd achieved great success this quarter, beating net operating income budget by an impressive \$86,600! The property team has made significant improvements at Willow Ridge over the past 12 months, including reducing delinquency by 3.5%, increasing occupancy by 5%, and coordinating interior renovations resulting in a 5% effective rent increase year over year.



PRG EXCELLENCE AWARD



Will Frierson, Property Manager at Lake Boone Trail, is the recipient of a 4th quarter 2011 Excellence Award. Will was hired in September 2011, at which time the property was struggling to remain 90% occupied. Occupancy has since increased by an average of 5% and the property currently 95% occupied. Additionally, delinquency has been reduced by more than 1% quarter over quarter. The property achieved the highest revenue level since acquisition in January 2012; revenue has increased 3% in the past six months since Will was hired. Impressive overall improvements. We expect Lake Boone Trail to have a great 2012 under Will's direction!

Erika Johnson and Melvin Sosa, Property Manager and Maintenance Supervisor at Sawgrass Apartments, are joint winners of the Excellence Award for the 4th Quarter of 2011. Together they have gone beyond expectation to enhance the level of customer service and resident satisfaction at the property. Erika consistently receives letters of appreciation from residents for her attention to detail. She leaves personalized cards in every new resident's apartment, welcoming the resident to the community and offering her assistance throughout the term of the lease. Melvin has also contributed greatly to the success of the property. He organized a safety meeting with the staff and local Fire Marshall to learn best practices for fire prevention. Melvin has taken a proactive approach to cost reduction, negotiating with vendors and carefully monitoring his property's budget. Congratulations to both Erika and Melvin.



Jason Womeldorff, Maintenance Supervisor at Coquina Bay Apartments, is the winner of the 1st Quarter 2012 Excellence Award. Jason was nominated for his consistently strong efforts at Coquina Bay, helping the property meet PRG's work order and ready units standards every week. Property Manager Jessica Aspinwall commended Jason on his tireless efforts saying, "he continues to maintain amazing numbers week after week! If a work order comes in, it is taken care of immediately...our vacant units are turned flawlessly, generally within 5 days, if not less. Jason's dedication and positive attitude is contagious! His employees respect him and mimic his willingness to keep our residents happy and provide excellent customer service."

THE RAVING FAN AWARD

Cedric Hendrix, Assistant Property Manager at Willow Ridge Apartments, is the winner of the 1st quarter 2012 Raving Fan Award. Cedric has been a critical team member in the effort to improve Willow Ridge's performance over the past year. Alongside Property Manager Kelsey Cantrell, Cedric has led efforts to increase traffic through an outstanding Craigslist campaign. He has also played an integral role in the coordination of apartment upgrades and turns at the property. His stellar efforts have contributed to Willow Ridge's 2.5% year over year effective rent growth and 6% quarterly occupancy improvement. Cedric has recently accepted the role of Property Manager at Wellspring Apartments and we are excited to have his leasing skills at work in Columbia, SC!



Tara Watts, Property Manager at Palmetto Place Apartments, is the winner of the 4th quarter 2011 Raving Fan Award. Tara's nomination this quarter came directly from a "raving fan" at her property. A resident sent a complimentary letter, noting that Tara's assistance through the entire move-in process was exemplary. The resident also commended Tara and the maintenance team for quick response to any issue, citing, "we have been blown away by the level of customer service that has been shown...your property Palmetto Place is very well run and extremely inviting, we specifically moved there because of our dealings with Ms. Tara Watts." A recommendation like that is certainly worthy of a Raving Fan Award!

Trending Up...



Sam Foster
Chief Operating Officer

All PRG portfolio operating measures improved markedly from one year ago as the multifamily housing sector continues to be a bright spot in an otherwise underwhelming economic recovery. Performance trends in occupancy, delinquency, and most importantly net operating income continue to show robust gains with an accelerating rate of improvement over the past twelve months. PRG and the multifamily industry as a whole are benefiting from significant changes in macroeconomic fundamentals. Specifically, the rate of homeownership at the end of 2011 fell to 66% from a 2004 peak of 69.4%. With every percentage point drop in the homeownership rate, our industry sees an increase of one million renter households. As such, it appears the notion that single family home ownership as the pathway to the American dream is quickly losing its appeal. Such a sentiment was recently echoed by Harvard Professor Edward Glaeser who stated, "The pain of the great housing convulsion has demonstrated the folly of encouraging everyone to bet everything on housing. Let's not let this hard-won knowledge go to waste". As the attached chart shows, PRG is putting this "hard-won" knowledge to good use as we post the strongest operating results in over two years.

The average daily portfolio occupancy reached 93.5% in the first quarter and as of today stands at 94%, a nearly 200 basis point improvement from the same time one year ago. Note the average portfolio occupancy for the entirety of 2011 was 92.2%. However, having occupied apartments only matters if our tenants can pay the rent. Our focus on collections over the past twelve months has resulted in a very low 30-day delinquency measure of 2.50%. When coupled with tight expense controls and other efficiency measures these statistics provided for substantial increases to PRG's consolidated net operating income. Annualized first quarter NOI of \$45.6MM translates into a 10% improvement from 2011's number of \$41.4MM. Notably, these increases come without any significant improvement to the financial wherewithal of the working class renter living in B or C class apartment homes. A faster economic recovery in the form of lower unemployment (and under-employment), or any improvement to real incomes whatsoever will only serve to bolster these numbers further. At PRG, we don't wait for improving macroeconomic fundamentals. In fact, even in this poor economy we have managed to increase our overall portfolio value by \$60,000,000. That's a lot of zeroes!



PRG Makes Renting Social

The multifamily industry is now in the digital age. More potential renters than ever before go online to gather information about rental communities. Keeping this in mind, it is extremely important to monitor our online reputation to ensure it matches with our corporate vision.

PRG is at the forefront of digital marketing and has developed many techniques to harness the power of online advertising and social media. From introducing a mobile website to plunging into the world of Facebook, online management of PRG's communities is a primary focus of our organization.

The first step PRG took in the digital arena was to enable a wide array of mobile capabilities. With the upgrade of our website, prospects and residents alike can now access all PRG properties directly from their cell phones. Employing a crisp, clean mobile design, our platform allows prospects to easily view floor plans, browse photo galleries and even submit inquiries to rent an apartment. Residents can also use this mobile website to log into their customized Resident Cafe accounts, where they can pay rent or submit work requests 24 hours a day.

The next step was to create (and manage) Facebook Business Pages for each community. These pages allow residents and prospects to "like" and become a fan of the page. Becoming a fan allows residents to receive updates from the PRG community of their choice directly from their Facebook news feed. They can also view property photos, community updates and even safety tips. These pages enable each community to have a more personal connection with residents and prospects alike. As with the mobile website, residents can easily access their Resident Cafe account from Facebook. What's more, prospects can check availability and reserve an apartment online – simply with the click of a button from Facebook!



To coincide with Facebook, property photo albums have been created on Flickr. Flickr is an online photo management and sharing application. Showcasing PRG's extensive portfolio, these photo albums allow us to filter property photos virtually anywhere on the web. Further, Flickr photo albums allow us to extend our advertising reach to their community of over 60 million users.



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