

THE CORNERSTONE



PRG Real Estate Management, Inc.

Volume 3, Issue IX
Second Quarter 2003

"The Newsletter So Good Someone Named A Company After It"

NOTHING COULD BE FINER THAN INVESTING IN CAROLINA!



Encouraged by the success of our recent investments in Charlotte and in Durham, PRG is thrilled to announce that we will soon be closing on our next acquisition, the attractive 232 unit Wellspring Apartments in Columbia, South Carolina. The purchase of Wellspring will increase our portfolio to 23

communities, with approximately 5,500 units now under management.

The purchase of Wellspring will enable PRG to gain entry into one of Columbia's most desirable sub-markets. The community is situated on the popular Northwest side of town, just a mile from a major Route 26 interchange, and a similar distance from the city's renowned Columbiana Centre Mall. And unlike the competition, it is on the opposite side of Rt. 26 from the mall, meaning that while the proximity is close, the traffic is substantially less than those we compete with. Wellspring is also a convenient 20 minute commute to downtown Columbia.

The site itself is extremely attractive with plenty to offer to those who appreciate outstanding ambiance. The property is surrounded by very mature trees which offer plenty of shade in the summer sun. Also, a portion of the community overlooks a tranquil duck pond which will certainly afford the opportunity for view premiums. And finally, the community is a part of the Harbison Association, which is one of the more exclusive areas of town.

For those who are health conscious, Wellspring seems the ideal place to live! One of the benefits which the association provides is a tunnel under the road leading to the Harbison Recreation Center and New Life Fitness World. Wellspring provides its residents with free membership to this club. The community also includes a lovely outdoor pool and Jacuzzi, tennis and racquetball courts, and jogging trails throughout the surrounding woods.

The unit interiors feature a variety of one, two and three bedroom floorplans which range up to 1,304 square feet. The apartments are characterized by popular split floorplans with fireplaces, ceiling fans and wet bars. They also include French doors leading to pleasant balconies and patios, washer/dryer connections in all units, and a spacious gourmet kitchen.

The acquisition of the Wellspring Apartments will simply become our latest successful acquisition in the Carolinas, and will be the perfect fit within the constantly growing PRG portfolio of communities.

THE DURHAM MARKET IS SHAKEN AS WELL AS STIRRED

When the PRG marketing team came to town shortly after the May 17th closing on Park Ridge, the Durham market started shakin' when we started bakin'! The community was only 73% occupied at closing, with enough units on notice to drag that occupancy 10 points lower. But that was before Nan Rollins, Pamela Penny and Andrea Superak, supplemented by an extensive capital improvement program, began to put on the old razzle dazzle!



Of course, making improvements to the product itself can only enhance any marketing program, and PRG with the very capable direction of regional director Tim Shearer, has attacked this with a vengeance. Beginning with the more obvious items neglected by our predecessor, we began with a landscaping project intended to cut back the overgrowth of many trees which obscured the view of the buildings. Next, eight roofs were replaced, thereby allowing us to remove the blue tarps which had been left in place by the seller. Some roads and parking lots have been repaved, and those that were not have received a fresh covering of seal coat. Before the entire program is complete, the tennis courts will be resurfaced, the building trim color will be changed from an unappealing blue to a more pleasant gray, antiquated awnings will be removed, retaining walls will be reconstructed, and piping will be replaced in 132 apartments. The program when complete will cost more than \$750,000.

The capital improvements have had a gradually escalating impact upon the marketing program. The momentum began slowly, with rental weeks of 2, 4, 8 and 9 rentals in our first four weeks of ownership. However, weeks five and six saw Park Ridge generate 14 deposits each. More recently, in the third week of July the expert marketing team netted 18 deposits. The result of all this is that as of the time of this writing, we project a September occupancy rate over 90%. And the prospect of being completely leased up by the first of September is not out of the question. This would be far ahead of the our expectations.

After three months of ownership, the early success of the marketing program, as well as the anticipated acceleration of this success resulting from the capital improvement program, provides plenty of reason for optimism at this, one of our three recent acquisitions.

PRG Invited to Join Advisory Board of Nation's Largest College Property Management Program



PRG Begins Relationship with FSU

“ This is not the first time that PRG has received national recognition in our very short six years...”

Here at PRG, we have a keen understanding that as we grow, our continued success is dependent upon our ability to attract the best and brightest students graduating from college each year to join our dynamic organization. And in that regard, we are exceptionally pleased to inform you that we have been asked to become part of the Advisory Board to the property management program at Florida State University. FSU has recently established themselves as having the largest property management program of any college or university in the nation.

This is not the first time that PRG has received

national recognition in our very short six years of existence. In 2000, IREM conveyed upon us the AMO accreditation, enabling us to become one of a limited number of accredited organizations throughout the country.

But there are several extremely important reasons for us to become involved in this capacity. First, it will give us instant recognition with the students who will be graduating from Florida State. Second, it will enable us to establish a relationship which may lead to many students having internships with PRG prior to their graduation.

Further, it will afford us outstanding

networking opportunities, and it will also add to the ever increasing prestige and national recognition of PRG.

As for the current college recruitment year, we are exceptionally pleased to announce that we have had a number of new recruits who chose to join PRG. At the Philadelphia home office, Regina Matozzo became Project Manager after graduating from the University of Pittsburgh. Angela Trout, who is also a University of Pittsburgh graduate, is working for us at McKee Place. And in Virginia Beach, Jeremy Devlin, a graduate of Virginia Tech has begun work at Linkhorn Bay.

Tearing Up The Track While Contributing to a Worthy Cause

Over the weekend of July 19th, PRG continued its relationship with the Allegheny Valley School and the Autism Society of Pittsburgh through its participation in the 21st Pittsburgh Vintage Grand Prix event.

The Autism Society of Pittsburgh addresses needs in the Pittsburgh area through a comprehensive array of counseling and referral services, by working with those who have a commitment to children with autism, and those who wish to learn more about autism. The Allegheny School provides care for more than 800 children, adults and senior citizens with mental retardation.

The philosophy of the Pittsburgh Vintage Grand Prix Organization is to produce a quality event for both the participants and the viewing public in order to raise vitally important funding for its charities.

Over the years, the event has gradually evolved into an entire week of activities. Some of the many activities include the PVGP golf tournament, a vintage car show, a “Black Tie and Tailpipes” dinner, and the Vintage Grand Prix race itself.

In order to participate in the race, several months ago PRG invested in a 1958



Alfa Romeo, which has been modified for racing purposes. Jon Goodman, principal at PRG, qualified to drive in the race. PRG was also a silver sponsor of the event, and had a tent close to the finish line.

In addition to the contribution which was made and the promotion of the PRG name, this activity was also an enjoyable event for many PRG employees from our Pittsburgh communities. Among those in attendance were Suzanne and Awilda Nardini, Jackie Johnson, Clarissa Prosser, and Garrett Wood, who took pictures of the event. The many employees in attendance were able to take advantage of the company tent, and we are assured that a great time was had by all!

.....

Extensive Renovations Enable PRG to Outperform!



Linkhorn Bay Leasing Center

At so many multifamily housing companies across the U.S., difficult economic times have resulted in a substantial curtailment of renovations. But nothing could be further from our experience here at PRG, where 2003 has proven to be our most ambitious year ever in terms of renovations. And the result can be seen in our ability to outperform in markets throughout the East Coast.

We begin in Virginia Beach, where a kitchen and bath renovation program costing \$1.6M was completed at the Courtyards of Chanticleer in July. Occupancy at the property has soared to 99.4%, and rents have been increased by 7.9%.

Also in Virginia Beach, at the 864 unit Linkhorn Bay, a project costing \$1.9M

to replace T-111 siding with new, two tone vinyl was recently concluded. A new leasing center is expected to be completed in September, a major renovation to the exercise facility is scheduled, and a comprehensive renovation to all kitchens and baths is underway. At Linkhorn, occupancy rates have increased to 96.4% while market rents have been increased by 12.5%.

At Flagler Pointe in St. Petersburg, all kitchens and baths have been renovated at a cost of 1.9M. Occupancy at Flagler now stands at 95% in a market which is only 92% occupied.

At the 308 unit Park Ridge in Durham, our latest acquisition, an \$800K renovation program is underway. This will involve replacing 8 roofs, resurfacing the streets and parking lots, resurfacing the tennis courts, replacing many retaining walls, changing the exterior trim color, and performing extensive landscaping. Despite the market being extremely soft, Park Ridge's occupancy has risen from 73% to 88%.

And at the 456 unit Willow Ridge Apartments in Charlotte, North Carolina, a program is underway which will involve the redecoration of the leasing center, the refurbishment of the fitness center, the resurfacing of the tennis courts, the construction of a new maintenance shop,

and the creation of a new entrance. Willow Ridge now stands at 92% occupied, while the market continues to languish at 85%.

At McKee Place in Pittsburgh, under the direction of Marilyn Fields, many units have been renovated on the interior, allowing us to increase the rents from \$650 to \$1,200 per month. Also, many units were reconfigured and combined with adjacent units, enabling us to increase the rents on those units by as much as \$800 per month at this all student property. Other projects have included siding replacement, exterior enhancements and the creation of a new parking lot which also allowed us to raise revenue.

Also in Pittsburgh, at The Ambassador, we have resurfaced streets and parking lots, installed new signage in front of the building and on the building itself, renovated the elevators and improved the landscaping. As a result of these projects, The Ambassador was recognized by the Pittsburgh Apartment Association as the winner of the 2003 Best Highrise Community Appearance Award.

Maintaining competitive edge requires a total team effort in times as challenging as these. And the ambitious scope of these renovations can do nothing but help a marketing staff already determined to trounce the competition.

Capital Renovations Enhance 2701 East Luzerne Street

The renovations which cause our communities to sparkle throughout the Carolinas, Virginia and Florida are not the only improvements which PRG has made throughout the first half of 2003. For our headquarters at 2701 E. Luzerne St., Philadelphia has undergone extensive renovations as well!

The cost for the entire project cost was several hundred thousand, and caused the total square footage of the home office to nearly triple. The work began in April, at various times caused individuals situated in different areas of the building to relocate for varying periods of time, and was completed by June. And now that it is complete, it has provided PRG with a substantially improved working space.

Upon entering the front door, you are immediately impressed with the new greeting and seating area. A new moderately sized conference room has been constructed on the left side of the room. On the right hand side are new executive offices, with expanded space for our principals. Attractive multi-colored carpet has been installed throughout.

The rear two-thirds of the space is entirely new space. The entire accounting staff is now situated in one very large space, with exceptionally high ceilings and an abundance of window space. At the rear of the space is an extremely large conference room. And in the left rear corner is a new kitchen and lunch room.



Taken collectively, it is a space which has been substantially enhanced, reflects the success which we have enjoyed, and provides a far more comfortable working environment for all.

Making the Sale: We're All in This Together



...A Few Words From Bob Dominy

It was May 27, 1862, when General McClellan, commanding the Army of the Potomac, predicted "glorious victory" following his defeat of the Confederate Army at Hanover Courthouse. Unfortunately for McClellan, five days later the opposing General Johnston was shot, resulting in the promotion of an untested general named Robert E. Lee. Within weeks, his entire army of over 100,000 men were driven off the Virginian peninsula by an inferior force.

I often equate the warfare which we engage in within the apartment industry with real battles which occurred years ago. And as can be seen from this example, situations can change very quickly. It's been a great first half of 2003, and I want to congratulate everyone for helping us to be so successful. As I write this article, our portfolio stands at 94% occupancy, and our financial performance is a lofty \$640K ahead of budget. There are few companies, I am quite certain, which can report similar results. But as pleased as I am with our performance, let's remember that the job for 2003 is in no way finished. And as I look around the portfolio, the markets in which I see weakness are not difficult to spot, and much remains to be accomplished.

In that regard, I want to remind everyone that if we are to continue to be successful over the duration of 2003, it will require a total team effort. In other words, not only the marketing representatives, but each member of the team will need to come to work each morning and ask what they can contribute to enhance making the sale today.

From our property managers, we need to see more of the creativity which we have seen from Richard Counselman at The Corners in Spartanburg. Richard played a key role in relocating the model from a location overlooking the street to one which looks over the pool and courtyard. This assisted him in taking the property to 95% occupied in a market only 88%.

From our business managers, we need to see a greater focus upon marketing over administration, such as we have seen from Gini Redman. Gini assumed the reins as manager at Magnolia, and closed 18 of 22 prospects in June.

From our marketing representatives, we need to see attention to every detail, from the cleanliness of the golf carts, to the condition of the model, every second that we are open for business. This is the kind of performance which we have seen from Pamela Penny at Park Ridge in Durham and has caused that property to project more than 25 units ahead of budget for August.

From our maintenance supervisors, we need to see more individuals who understand how much they can do to facilitate the sale such as Kenny Griffin from Cascades. Kenny comes in on the weekends as well as on evenings to make sure that his property is looking spotless if it will help close more sales.

From our technicians and prep personnel, we need more performances such as Kevin Winzek, also from Cascades, who provides us with units which are ready to be shown to prospects. Not only does he understand that having multiple units available at all times enables us to offer choices, but he also understands how valuable it is to limit days vacant from one resident to the next. Nothing rents an apartment faster than having the capability to show the actual apartment.

And from our cleaners, we need more performances such as that which we get from Sharon Kucinski at Flagler Pointe. Sharon not only provides us with make readies that shine, but she also keeps the common areas in meticulous fashion, and contributes to the appearance of the grounds!

In short, it's the middle of the year. We have a big lead, but situations change quickly. And I don't intend to give any of our positive variance back!



In Perfect Control of a Stern Situation

An ever evolving and expanding organization such as PRG is constantly confronted with healthy but nevertheless serious growing pains and the need to change. In recent months, we have been concerned not only with our need to develop our field management, but also to strengthen the quality of our accounting department. And in response to those increasing concerns, we are pleased to introduce to you our new controller, Sandy Stern.

Sandy is a native Philadelphian who comes to PRG after having gained a wealth of financial and accounting experience throughout an interesting career. A graduate of the University of Pittsburgh, Sandy holds a B.A. in Liberal Studies as well an Accounting Certificate from the College of General Studies.

Sandy began his career in July of 1989 when he joined the public accounting firm of Bush, Levin and Tecosky, CPA's as a Semi-Senior Accountant. After spending two years with that firm and four more years at a second public accounting firm, he became the Director of Finance at Global Television Sports, Inc.. Demonstrating his ability to reduce costs, Sandy implemented a budget which resulted in a 10% reduction in expense.

Global Television was not Sandy's only experience in

telecommunications. In March of 1999 Sandy once again became the Director of Finance, this time for Eziaz, Inc., a company which specialized in telecommunications and the internet. Sandy's last position prior to joining PRG was as the controller of ARCCA, Inc. a professional services/engineering firm. While there Sandy was heavily involved in the start up activities for property management companies. This included the development of the construction and vendor payment process, constructing tenant/landlord lease agreements, and the administration of the collection process of annual reimbursements for tenant's proportionate share of expenses.

Sandy states that what attracted him to PRG was the opportunity to join a young, growing and highly successful firm. He goes out of his way to stress "successful". Since joining the company, Sandy says that his biggest challenge results from attempting to envision projects being undertaken at various properties, which will obviously be resolved through future road trips. And with regards to his future goals, Sandy claims that he intends to focus on whatever he feels can make PRG more profitable. Sounds like a natural fit to us!

In what little is left after PRG that can be considered his leisure time, Sandy resides in Fort Washington area northwest of Philadelphia with this wife. He enjoys basketball, a sport which he played in high school, days at the beach on the Jersey shore, and makes more than an occasional visit to the track to watch the horses. Sounds to us like the type of guy who might know more than just a little about how to play the numbers!

THE PRG HONOR ROLL

Show me the Money!

FIRST QUARTER, 2003

1. Karen Reid	Willow Ridge	\$88,014
2. Tina Kaster	Linkhorn Bay	\$83,006
3. Tandra Wohlleb	Chanticleer	\$36,646

In one of the closest competitions which we have had in recent quarters, Karen Reid, our new regional director and manager over Willow Ridge won our most prestigious award, Show Me the Money, for the company's top financial performance! Tina Kaster from Linkhorn Bay also had a great quarter and finished a very close second place. Tandra Wohlleb, from the Courtyards of Chanticleer in Virginia Beach, claimed third place in her first quarter at this property. Honorable Mention goes to Marilyn Fields from McKee Place, who exceeded budget by \$26,437, and to Janet Heath from Hyde Park in Richmond, who finished \$22,570 favorable. Across all of PRG, the portfolio exceeded budget by \$384,856 for the quarter, and stands \$640,728 ahead of budget year to date!

Top Gun Leasing Winners

APRIL

Joy Brock had one of the best months in leasing in PRG history! Joy received plenty of support from her associates, Christy and Holly.

1. Joy Brock	Linkhorn	37
2. Christy Haycox	Linkhorn Bay	28
3. Holly Browne	Linkhorn/Chant	27

MAY

Christy Haycox had a second consecutive month in the top three, but this time it was the top slot! Joy Brock and Cindy Chatham kept things hopping in Virginia Beach!

1. Christy Haycox	Linkhorn Bay	25
2. Joy Brock	Linkhorn Bay	24
3. Cindy Chatham	Linkhorn Bay	24

JUNE

Christy Haycox made it two in a row in June! But Jennifer DeProspro leased her way into second place!

1. Christy Haycox	Linkhorn Bay	25
2. Jennifer DeProspro	Lancaster Green	22
3. Pam Williams	Gateway Lakes	20
4. Jesse Bittencourt	Lancaster Green	20

Top Gun Collections Winners

APRIL

Jennifer Percell from Country Club in Williamsburg and Carrie Buttles from Honeytree in Raleigh tied for first when each had a nearly perfect month!

1. Jennifer Percell	Country Club	\$0.07
2. Carrie Buttles	Honeytree	\$0.07
3. Marilyn Fields	McKee Place	\$1.23

MAY

Marilyn Fields from McKee Place in Pittsburgh returned to a familiar territory in May by winning this award again! Her cross town colleague, Suzanne Nardini, took second!

1. Marilyn Fields	McKee Place	\$0.18
2. Suzanne Nardini	Alcoma	\$2.60
3. Jennifer Percell	Country Club	\$2.61

JUNE

In June Marilyn Fields won for her second consecutive month. Hollie Robinson had a great month at her 864 unit community in Virginia Beach!

1. Marilyn Fields	McKee Place	\$1.14
2. Suzanne Nardini	Alcoma	\$3.17
3. Hollie Robinson	Linkhorn Bay	\$3.73

Superstar Award Winners

APRIL

Jim Deans, Maintenance Supervisor, Linkhorn Bay

In addition to directing maintenance at his own 864 unit city of a property, Jim also traveled to Charlotte on his own volition to supervise the renovation of a building damaged by fire. After driving the six hour trip each way, Jim ordered all materials, checked on contractors who rehabbed the exterior, and even did some of the work himself. He also spent his own time interviewing maintenance supervisor candidates for Willow Ridge over the weekend!

MAY

Pamela Penny, Marketing Rep/MIT, Park Ridge

When Pamela assumed the reins of the Tree Top Marketing program, occupancy was in the 70's. By May, it had reached 95.6%, and as a result, Pamela was promoted to our new acquisition, Park Ridge in Durham! And we have all seen what she has done since then!

JUNE

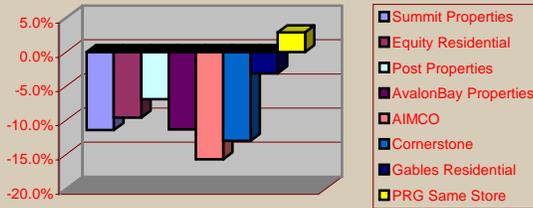
Dennis Schermock, Maintenance Supervisor, Gateway Lakes

By June, Dennis had demonstrated what cost savings was all about! Through mid-year, he had saved 24% of his budget for Materials, 33% of his budget for Contracts & Repairs, and 45% of his budget for Recurring Replacements. And on top of his work, production of 40-50 work orders per week, Dennis also provided valuable assistance with complex problems in Jacksonville.

Gini Redman, Asst. Manager, Willow Ridge

Gini Redman was our second winner in June. She accepted the manager position at the Magnolia Townhomes in Spartanburg on a temporary assignment, and promptly increased occupancy by 7 percentage points!

1st Qtr. 2003 Same Store NOI



PRG versus the REITs

We'd love to be sharing second quarter numbers with you. Unfortunately, we cannot do so because it takes the REIT's so long to calculate their second quarter numbers that at the time of this writing, they were still unavailable!! Can you imagine? We know two weeks before the quarter is over what our financial result will be. And they can't figure out how much they made until over a month later! Sounds like Office Max has had another run on red tape to us!

Visit our Fabulous New Website: www.prgrealestate.com

TEN YEAR PLANS LOCK IN PROFITS FOR LIFE!

This is a continuation of the series which we began in our last issue in our never ending effort to be kind to those larger, slower, lumbering publicly held companies commonly referred to REITs, in an honest to goodness attempt to cause their numbers to look more like ours. A quick glance at the chart at the top of this page will demonstrate the difficulties which we refer to.

It was not that long ago that someone we sent to conduct a market study in Florida began to notice a pattern in the properties they were shopping. That person later reported that at one point, it seemed that if one was led blindfolded to a property, simply by looking around they could tell whether the property was privately or publicly owned. It was obvious that the property looked tired, the marketing appeal was gone, and many items were well beyond their useful life.

Here at PRG, once each year we take very deliberate steps to avoid ever falling into this trap, and it is accomplished through our annual creation of new ten year plans. Following is how it is done.

The process begins with the property manager and maintenance supervisor at each property taking a property

walk together, taking close notes with regards to that which needs to be addressed. Upon returning to the office, the number calculations begin. Each item at a property, from appliances to condition of roofs and streets to the condition of the paint job is evaluated. Cost estimates are made, and items are entered into the ten year plan in the appropriate year.

When this process is complete, the current year Cash Flow From Operations is entered, and debt service is inserted for the entire ten year period, resulting in a projected net cash flow. The final step is to examine changes in net cash flow, and attempt to smooth out peaks and valleys as long as it is sensible to do so.



The final result is that we avoid painting ourselves into a corner, as our larger, lumbering and now grumbling friends have. Whereas so many of them produced unreal cash flows for many years while unwisely postponing improvements, our approach results in an even level of expenditures, communities which always retain their marketing appeal, and a very predictable level of cash flows. Hope it helps!

PRG Real Estate Management Inc.

2701 E. Luzerne Street, Philadelphia, PA 19137

Phone: 215-744-1200 Fax: 215-744-4042

WHO ARE THOSE GUYS?

As the second quarter comes to a close, we have a number of new names at the top of our maintenance leader board, demonstrating the quality and depth of our maintenance team. For the quarter, the winner of our most prestigious award in maintenance is Walter Schwartz and his crack team from the Pinewood Square Apartments in Pittsburgh. Walter and his supporting cast were the only team which had a perfect 0.00 score for the quarter.



But as is consistently the case, we had a number of outstanding performances in the quarter. Second place went to Javier Aquayo from the Honeytree Apartments in Raleigh, who had a near perfect score of 0.06. The third best performance came from Ed Winzek at Governor's Ridge, who had a score of 0.14. Fourth place went to Dennis Schermock and his team at Gateway Lakes in Sarasota, while fifth place went to Ron Taylor and his staff at the 416 unit Flagler Pointe in St. Petersburg.

For those unfamiliar with this award, the "Who Are Those Guys" award is presented each quarter to the maintenance team with the best record for service request completion. A score of 0.00 equates to no resident ever during the quarter having an incomplete work order at the conclusion of the work on Friday of any week. A score of 1.00 equates to an average work order taking one day to complete. And the name for this award comes from a famous scene in the movie "Butch Cassidy and the Sundance Kid", and reflects the feelings we certain are felt by residents who experience swift and high quality service.

We also like to take this opportunity to recognize spectacular performances within the maintenance department during the second quarter. Among the many which stand out, there are two which must be mentioned. Jim Deans, maintenance supervisor from Linkhorn Bay and regional maintenance director for the Mid-Atlantic region, traveled on his own volition over the six hour trip from Virginia Beach to Charlotte to assist with the renovation of a building which had suffered a fire.

The second person who must be mentioned is Dennis Schermock, maintenance supervisor at Gateway Lakes and regional maintenance director in Florida. Throughout the first half of the year, Dennis saved an amazing 24% of his budget in Materials, 33% in Contracts, and 45% in Recurring Replacements. It was a spectacular demonstration in cost consciousness!