



>> BEYOND OUR CONTROL? KINGSLEY WHITE PAPER

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December 16, 2010

Beyond Our Control?

Wrestling with Online Apartment Ratings Services

Today's consumer marketplace offers no shortage of readily accessible user feedback. Web-based technology and business/social networking applications have made it easier than ever to share feedback on experiences, and the Millennial Generation is, it seems, all too eager to capitalize on this opportunity. Multifamily housing is no exception to this.

At Kingsley Associates, our business is built on the premise that customer feedback is good for everyone involved: better information leads to better product quality and better service. For apartment searchers, it can also lead to a better rental decision. But just how "good" is the information available to prospective renters? And what can community managers do to address information that may be misleading?

Creating a Comparison

To address these questions, Kingsley Associates has undertaken a review of data from ApartmentRatings.com, one of the leading online sources of publicly available apartment reviews, and compared the results to those from Kingsley Associates' own controlled survey program. There are several reasons we might expect a controlled survey program to be a more accurate reflection of "true" resident perceptions than an online rating service, including:

- Selection – A controlled survey of actual residents comes much closer to the ideal of a true census (a response from every resident) or a statistically robust random sample than does an unrestricted rating service like ApartmentRatings.com, where even the initiative to participate is driven by self-selection.
- Validity – When a survey is commissioned by a community's ownership or management and conducted by a third party, there is a high degree of certainty that responses are originating from current residents because questionnaires are delivered using confirmed contact information. While sites such as ApartmentRatings.com do require users to register on their Websites, there is no mechanism in place to ensure that the raters live or have lived in the community, nor that they have provided feedback only once.
- Recentness – A recent search on ApartmentRatings.com revealed responses from as far back as 2002 (though it is unclear if the site limits data used for numeric ratings to a more recent time frame – Kingsley Associates was unable to find a detailed explanation of methodology on ApartmentRatings.com).
- Quantity – Given Kingsley Associates' typical response rates, it is increasingly rare that a community's survey results are based on fewer than 100 responses or 35-50% of occupied units (depending on community size). While we have endeavored to find communities on ApartmentRatings.com with a deep set of data, most communities have a far lower number of ratings, again suggesting that the scores are unlikely to be representative of the resident base at large.

Given this background, we now turn to the key question of the accuracy of publicly available apartment ratings. To do this, Kingsley Associates has randomly selected from ApartmentRatings.com a total of 50 apartment communities across the United States for which Kingsley Associates has also conducted a controlled resident survey program *during 2010*. Data from ApartmentRatings.com was collected in November of 2010. We then identified two metrics common to both data sets: Satisfaction with Community Management and Likelihood of Community Recommendation. These metrics were selected for two reasons. First, according to decades of Kingsley Associates' research, they are both very strongly related to overall resident satisfaction and loyalty. Second, they are as conceptually and structurally similar as possible across the two data sets.

Our comparison has yielded three key findings, which will be discussed in greater depth below:

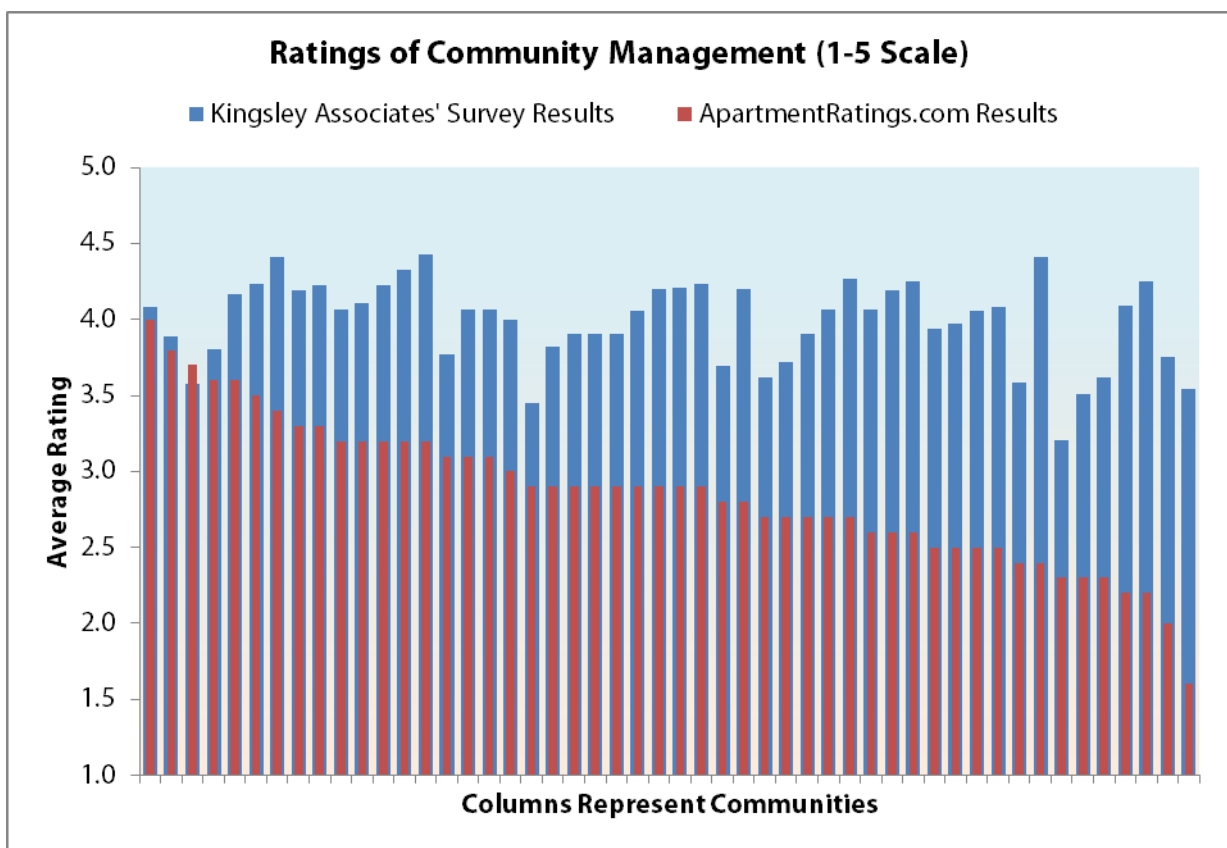
1. Scores on ApartmentRatings.com are consistently and substantially lower than scores given by respondents to Kingsley Associates' controlled resident surveys.
2. Scores on ApartmentRatings.com have a much greater degree of variability across communities than those from Kingsley Associates' surveys.

- The lower or "worse" the result on ApartmentRatings.com, the less likely it is to be reflective of the result from the controlled survey.

Community Management

Both Kingsley Associates and ApartmentRatings.com pose a question about community management. Kingsley Associates asks this question on a scale of 1-5, where 1 is "poor" and 5 is "excellent." On ApartmentRatings.com, users rate management from 1-5 "stars." Because ApartmentRatings.com reports average "star" ratings to a single decimal place, Kingsley Associates data is reported in this manner as well.

The chart below displays the average rating for each of the 50 communities tested for both Kingsley Associates' surveys (in blue) and ApartmentRatings.com (in red). The communities have been sorted in descending order of their average score on ApartmentRatings.com.



A visual scan of this chart shows that scores tend to be higher in Kingsley Associates' surveys than on ApartmentRatings.com. In fact, the reverse is true for only a single community out of the 50 examined. The median difference in ratings is 1.1 points on the five-point scale.

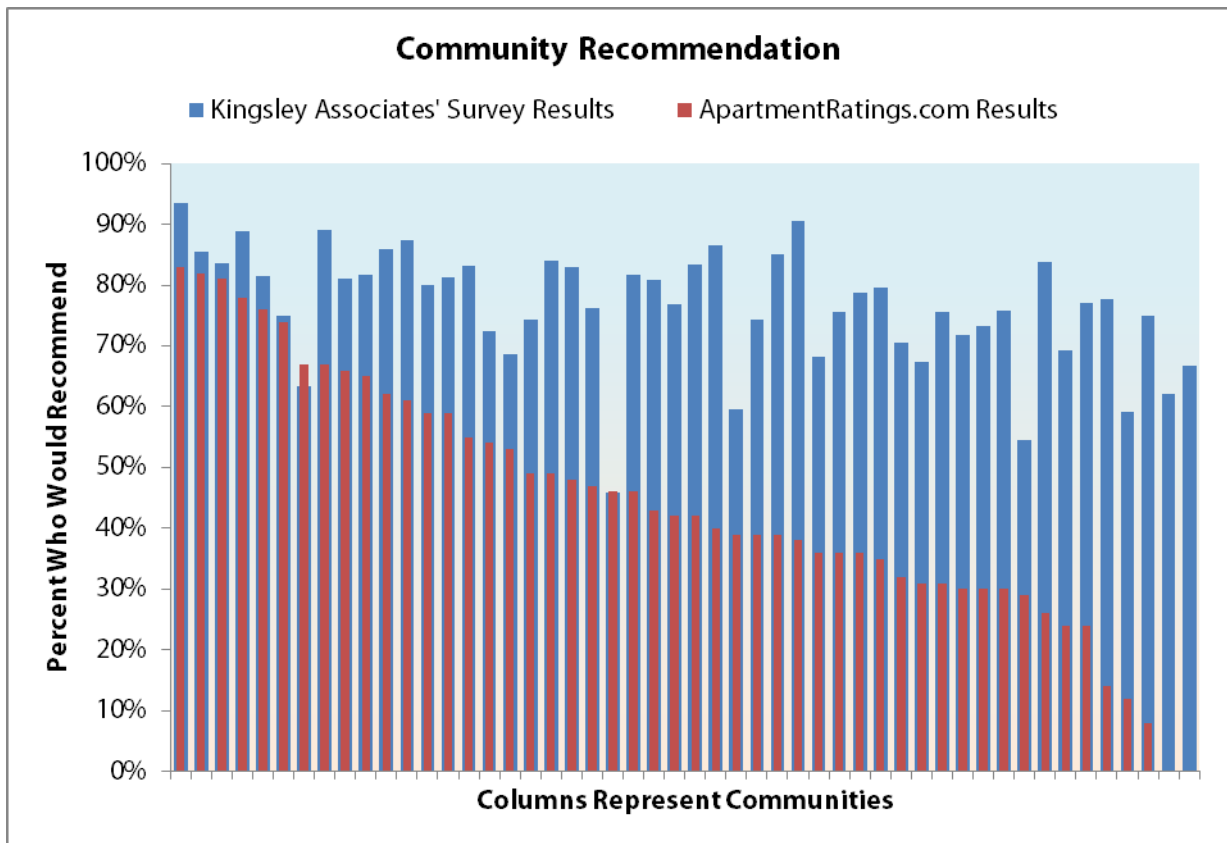
What is also apparent is that there is relatively little relationship between the scores from Kingsley Associates' surveys and those from ApartmentRatings.com – some of the highest-scoring communities in one program are among the lowest-scoring in the other. In fact, the linear correlation between these two data sets is below 0.300, suggesting that scores from ApartmentRatings.com have very little predictive value when it comes to actual resident satisfaction with community management.

Furthermore, the disparity between the results of the two programs is even greater at communities with the lowest scores on ApartmentRatings.com. Among the 10 communities with the lowest scores on ApartmentRatings.com (within the examined group of 50), the median difference relative to Kingsley Associates' results is 1.4 points. This suggests that the more negative the review on ApartmentRatings.com, the further it is from representing reality at that community.

Community Recommendation

Another question common to Kingsley Associates and ApartmentRatings.com relates to willingness to recommend a community. At Kingsley Associates, this question is posed on a scale of 1-5, where 1 = "definitely would **not**" and 5 = "definitely would." On ApartmentRatings.com, the response options are "yes" and "no."

In the chart below, the blue bars represent the percentage of respondents to Kingsley Associates' surveys who indicated that they "probably" or "definitely" would recommend their community. The red bars represent users of ApartmentRatings.com who said that "yes," they would recommend the community being rated.



As with ratings of community management, results on ApartmentRatings.com are consistently lower than those from Kingsley Associates' surveys. The median difference is 35 percentage points, a difference that rises to 50 percentage points at the 10 communities ranked lowest on ApartmentRatings.com.

While there is a somewhat stronger relationship between the two data sets on the question of recommendation (as compared to community management), it remains that only 23% of the variability in the Kingsley Associates results is effectively modeled by the ApartmentRatings.com data (based on a linear correlation of 0.48).

It is also the case that the ApartmentRatings.com data is far more volatile than the Kingsley Associates data. Consider that the percentage of users who said they would recommend their community ranges from 0-83% on ApartmentRatings.com, as opposed to 46-93% in Kingsley Associates' results. This suggests that smaller, non-representative groups of respondents had a greater impact on the scores displayed on ApartmentRatings.com than in the results of Kingsley Associates' controlled surveys.

But beyond this statistical analysis, there is one characteristic of the ApartmentRatings.com data on community recommendation that, on its face, serves to undermine the validity of the Website's results. At 33 of the 50 communities examined (66%), *fewer than half* of the reviewers indicated a willingness to recommend the community being rated. This is a highly doubtful picture of reality. If it were accurate – if renters really disliked their homes to this degree – then apartment industry fundamentals would likely be far weaker than they are today.

Managing a Community's Online Reputation

Given the findings outlined above, there is a very strong chance that scores posted on publicly available apartment rating Websites do *not* present an accurate picture of resident satisfaction or management's service delivery at a given community. Yet, the reality is that prospective residents are using such sites as resources in their decision-making process. According to compete.com, there were nearly 1 million visitors to ApartmentRatings.com during October of 2010.

What, then, can apartment owners and managers do to manage the impact of this potentially misleading information? Kingsley Associates recommends a three-pronged approach:

- First, it is crucial to have access to the "true" picture of resident perceptions via a systematic, controlled resident survey program. Such a program allows staff to take action to improve service areas that may require attention. But beyond this, a solid survey program affords the opportunity to communicate successes, both to current and prospective residents. This can be especially valuable when a deep, market-based benchmark (such as the Kingsley IndexSM) is available to provide a relative comparison of resident perceptions.
- Second, be candid in addressing questions about perceived deficiencies (without responding in kind on a ratings Website). One of the best ways to do this is to describe to prospects new action steps that have been put in place as a response to resident feedback from a controlled survey program. Whether a community's ratings are "good" or "bad," prospects want to know that customer service is always a priority.
- Third, engage the existing resident base to advocate for the community in the online universe. At nearly every community surveyed by Kingsley Associates, the majority of resident feedback is positive in nature, even if residents do also point out areas for improvement. The vast array of social media and networking applications now available offer a tremendous opportunity to take advantage of this general goodwill. These avenues are not only another touch point with current residents, they can also become a prospect-facing representation of positive community life.

Online apartment ratings services are a reality of the current rental market. Based on Kingsley Associates' research, there is certainly good cause to question the validity of the information these services provide. However, a community management staff armed with solid resident survey data can actively engage the online prospect marketplace with positive (and accurate) information about the community – without fretting about things beyond their control.

Appendix – Summary Statistics

| Summary Statistics, 50 Communities | Community Management Rating | |
|---------------------------------------|-----------------------------|----------------------|
| | Kingsley Associates Survey | ApartmentRatings.com |
| | 1-5 Scale | 1-5 Stars |
| Average | 4.0 | 2.9 |
| Minimum | 3.2 | 1.6 |
| Median | 4.1 | 2.9 |
| Maximum | 4.4 | 4.0 |
| Linear Correlation | 0.299 | |

| Summary Statistics, 50 Communities | Willingness to Recommend | |
|---------------------------------------|----------------------------|----------------------|
| | Kingsley Associates Survey | ApartmentRatings.com |
| | % "Likely" | % "Yes" |
| Average | 77% | 44% |
| Minimum | 46% | 0% |
| Median | 77% | 42% |
| Maximum | 93% | 83% |
| Linear Correlation | 0.480 | |

About Kingsley Associates:

The most successful firms in real estate rely on Kingsley Associates for cutting-edge business intelligence solutions. With a depth and breadth of insight unmatched in the industry, we bring thought leadership and passionate client service to every engagement. Kingsley Associates is a leader in real estate research initiatives such as tenant/resident satisfaction surveys, client perception studies, strategic consulting and operations performance benchmarking. Let us partner with you to improve the performance of your assets and organization.

Business intelligence for the real estate industry.

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