

Essex Property Trust, Inc.

Move-Out Incentive Plan Highlights

How? When? What?

Q. What is the purpose of this plan?

A. The goal of this plan is to ultimately finish unit turn renovations at your property. The primary driver for finishing a redevelopment project is that it will free up resources, both internal and external, allowing them to be utilized elsewhere in the portfolio. Completing a property-wide unit turn renovation will also allow you to focus on additional tasks needed to maximize productivity at the site while increasing scheduled rent from the renovations.

Q. When do I reach out to the residents regarding the move-out incentive plan?

A. Start the conversation early. The initial focus should be on the residents in “classic” or “unrenovated” units with leases expiring soon; however, feel free to start the conversation with those residents whose leases are a bit further off. It is better to let them know in advance so they can work to make arrangements if they do choose to transfer/leave the property.

Q. How should I address this program with residents?

A. It is best to have this discussion in person. This is a very sensitive subject, so please use the utmost care when discussing potential options.

Q. What if the resident is not interested?

A. It should be noted to residents who choose to stay in their unrenovated unit that once the renovation at the property is deemed complete, they will no longer be provided with the move-out incentives and their rent will continue to increase by a maximum of 10% per year until it is on par with the current renovated market rent. Once the Move-Out Incentive Plan has started on a given property, the Renovation shall be deemed complete within one year, meaning that residents will only receive the move-out incentive once.

Q. What do I do if a resident accepts one of the incentive options?

A. Email Lauren Lewis (llewis@essex.com) in legal with the following information:

- Property name
- Current unit number
- Move-out date
- Incentive amount (\$1,000 or \$1,500 – depending on which option)
- Future unit number (if transferring to a unit within same property)
- Property name and unit number (if transferring to another Essex property)
- New rental rate (if transferring to an Essex unit; same property or new property)
- Other concessions

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Q. How does this affect Yieldstar and Yardi?

A. Internally, once a renovation at a property is deemed complete, any remaining unrenovated units will have an amenity added as a placeholder to ensure Yieldstar prices the units as if they are renovated. However, there should still be a footnote denoting which units remain unrenovated so that when they do eventually turnover, Operations can give Redevelopment adequate notice to renovate the units. Reach out to Asset Management when the end of the project is near.

Misc. Questions

Q. What are the proposed incentives?

A. Below is a breakdown of the proposed options for creating additional classic turnover throughout the various properties listed in this program:

- 1) 10% renewal increase, or
- 2) Resident receives \$1,500, plus their entire deposit in order to transfer to either a renovated unit within your same community at the current market rent or relocate to a vacant unit at the current market rate at another Essex community, or
- 3) Resident receives \$1,000, plus their entire deposit in order to vacate 60 days (or sooner, at their option) from the date of the meeting with Operations

Ultimately, the priority is to incentivize residents to stay on site. If that is not feasible, the priority is then to incentivize the resident to move to another Essex property.

Q. Are employees eligible for the move-out incentives?

A. Employees are not eligible for the move-out incentives.

Q. Operations is responsible for turnover costs outside of the renovation scope in all cases except for units with excessive damage. What constitutes excessive damage?

A. Examples of excessive damage are as follows, though not limited to:

- Hoarder units
- Holes in the walls or ceiling more significant than a door knob punching through.
 - Multiple holes in the ceiling from a resident using a broom to try to quiet an upstairs neighbor.
 - Multiple holes in the walls throughout the unit; something more excessive than a door knob punching through a wall or two in the unit.

Q. Where does the incentive money come from?

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A. The move-out incentive plan will be funded with previously approved capitalized funds from redevelopment unit turn budgets. The intention is to use the remaining marketing and contingency funds from previous unit turn budgets to fund the incentive program.

Q. Does this change our on-site accounting process?

A. Yes, there will be a new charge code that should be used for the incentive charge. See job aid.

Q. Are all residents eligible for the move-out incentive program?

A. No, not all residents are eligible. Please refer to standard company policy regarding unit transfers. A resident will not be eligible in cases where they trashed their unit, they have bed bugs or they have an outstanding balance on their account (residents can pay any outstanding AUM or Rent balance in order to qualify for the transfer or may opt to have it deducted from deposit or incentive if transferring to a non-Essex community).

Q. When do I find out if a resident is eligible for the move-out incentive program?

A. A resident's eligibility will be determined when you review their file and when you walk their unit.

Q. Do we return their full deposit?

A. If transferring units, their deposit will be transferred in full per standard Essex procedures (if transferring within Essex, the resident will need to pay their AUM out of pocket so that the entire deposit can be transferred to the new community) unless the resident wants any AUM balance deducted. Otherwise, their deposit will be transferred in full.

Q. How are RUBs addressed with residents that elect to transfer units?

A. The resident will have three options regarding AUM accounts:

- They can be billed the remaining balance of their AUM account.
- They can deduct their remaining AUM balance from their deposit.
- They can transfer their AUM account to their new unit.

Q. Should I let a resident out of their lease early?

A. We should work with the residents to accommodate their schedules within reason. It is ok to let them out of their lease early, particularly if it opens the unit up in prime leasing season. If they find a great deal, we will waive the lease break fee. Be sure to give the Redevelopment team as much notice as possible, particularly when a resident is leaving early.