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INSIDERS OUTLOOK

Rental approach guaranteed to work

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New York City renters with a solid income level, but lower than the 40 to 50 times the monthly rent required by most owners, traditionally have sought the help of relatives with greater income to co-sign the lease, or have had to put up significant additional security to secure the apartment.

This approach offered a certain level of comfort for owners. However, in the current economic environment, with increasing unemployment and deep uncertainty, many owners are recognizing that a personal guarantor or even some additional security may actually provide a false sense of security.

These standards have worked well in the past in renting apartments and mitigating rent loss on residential leases.

However, given the existing market conditions of increasing vacancy coupled with economic recession, landlords must balance the need to fill up their buildings against a lessening of financial requirements. Such a lessening carries a possible higher risk of rent loss.

A new insurance program — the Insurent Lease Guaranty Program — enables landlords, at no cost, to reduce vacancies without having to reduce their credit requirements and take on additional risk.

As important, it gives the landlord another tool to expedite the closure of leases, to increase cash flow, and to drive additional renters to their buildings, while simultaneously eliminating all rent loss on those leases guaranteed under the Insurent Program.

New York City experienced approximately 32,000 layoffs in 2008 and is expected to endure an estimated 160,000 more in the next two years.

A renter or guarantor with a high income can quickly lose a job, increasing the risk of default and greatly complicating an owner's ability to regain lost rent.

Not surprisingly, a growing number of New York City rental building owners are seeking to limit exposure through the utilization of the Insurent Program. The Insurent Lease Guaranty Program is the first and only institutional guarantor of residential leases in the nation.

Presently over

50,000 units relating to over 500 buildings accept the Insurent Lease Guaranty Program. Owners now accepting the Program include Glenwood Management, Manhattan Skyline, Stonehenge Management, Abington Properties, Gotham Organization, Stellar Management, Kibel Company, Grenadier, Penmark Realty, Skyline Realty, Edison Properties, Manhattan Park, Dermot Realty Management, Carnegie Hill Place, Waterside Plaza, Samsom Management, Magnum Real Estate, Starrett Corporation, Steinberg & Pokoik Management, Douglaston Development, J & L Holding, Icon Group, AD Real Estate, Superior Management and Cape Advisors.

Through the Insurent Program, leases that previously would have been lost can now be closed. In fact, Insurent increases owners' qualified applicant pool, enabling them to rent apartments more quickly.

In addition, the Program does not allow renters with weak credit into a building. It simply underwrites the same creditworthy people who would be accepted with a qualified co-signer or additional security.

In place of a pledge from an individual co-signer, the Insurent Program, underwritten by a highly rated insurance company, guarantees the full rent obligation under the lease. Under the Program, the renter pays the premium prior to lease signing, and the owner is both the insured and the beneficiary.

Insurent has been swiftly embraced by New York's property owners since its launch last year.

The Program, which will expand to other major cities in the next two years, is also available to condominium owners who are renting their units.

The Program could be critical for these owners who rely on the rental income to fulfill the mortgage obligation.

In addition, owners appreciate that the Insurent Program has enormous appeal to renters as well, enabling them to expand their choices and quickly obtain the apartment of their choice. As owners adjust to a shifting economic environment, they will seek

ways to reduce costs, maintain occupancy levels and reduce exposure to defaults. Insurent provides a solution to many of the issues owners face as the nation works through the current turmoil.

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