

MarketView

Reno Multi-Housing

www.cbre.com/MHGreno

8-79 Units | Third Quarter 2008

QUICK STATS

Change from last

	Current	Qtr
Vacancy	6.58%	↓
Avg. Asking Rent	\$646	↑

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Avg. Asking Rent	\$646	↑

For three straight quarters apartment fundamentals have improved for small and mid-size apartments (8 to 79 units) in the Reno/Sparks market. Since last quarter, the average rental rate increased from \$645 to \$646 and the overall vacancy rate decreased from 6.89% to 6.58%. YTD 2008 indicates a rental increase of 5.04% from \$615 to \$646 and a 127 basis point decrease in vacancy from 7.85% to 6.58%. Based on these improved occupancy levels and rental rates, it appears that the small & mid-size apartment market is stabilizing and the shadow market impact is abating.

Small & Mid-size Apartment Market is Stabilizing

Unemployment for Washoe County was 6.6% in August compared to 4.3% a year earlier. Also, compared to one year earlier taxable sales were down 8.8% in September and gaming win was down 2.4% in October. On a brighter note, the Department of Employment, Training and Rehabilitation is forecasting 1.6% annual job growth in 2009. According to a recent EDAWN (Economic Development Authority of Western Nevada) survey, business/financial services, life sciences, and software companies expect to add 550 new jobs and \$39 million in capital investment to our market by 2011.

There are other bright spots to the future of our local market as well. Northern Nevada is at the forefront of the renewable energy movement. Just recently the U.S. Department of Energy awarded a \$3.4 million grant to Ormat Technologies of Reno, NV to test an enhanced geothermal system at Brady Power Plant northeast of Fernley, NV. In addition, Washoe County ranked 19th in the nation for per capita income (\$46,734). According to a survey completed by the Development Counselors International of New York City, the

Nevada Business climate ranks 5th among all states (Texas is #1 and California is #50). On the tourism front, Reno will be included in National Geographic Adventure Magazine's next big segment, "Next 50 Great Adventure Towns". As for long-term growth, the State of Nevada Demographer projected Washoe County's population to grow 36% over the next 20 years to 595,000 by 2028.

Over the next 2 years we should see rental rates and occupancy levels continue to improve. Not only are very high foreclosure rates (1 in 158 homes in Washoe County) creating more rental

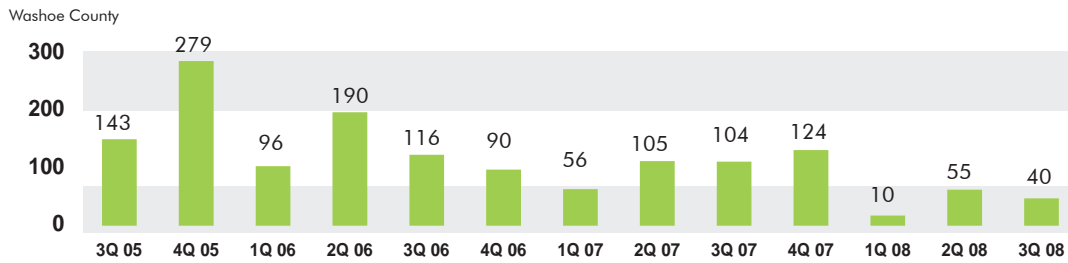
demand, but more homeowners are becoming renters both locally and nationally since it is more affordable, allows for a more flexible lifestyle and less maintenance. It's unlikely that supply-side growth will outpace this new rental demand considering lack of construction financing and current developer risk-aversion.

On the transaction side (units sold), this has been the slowest year in the last decade. We have experienced a 70% decrease since last year and 90% decrease since the peak transaction years of 2003 and 2004. We should see at least a gradual increase in 2009 since sellers are becoming more realistic on pricing and multi-family loans are still accessible with competitive interest rates and terms especially when compared to other commercial loans for properties such as retail, office and triple net investment properties. Capitalization rates are 6.5% on the low end and close to 8% on the higher end. We anticipate a lot more 8% cap rate deals in 2009 for small & mid-size apartment assets.

INSIDE THE 3RD QUARTER

- Multi-Housing Statistics
- Submarket Map
- Web Map
- Occupancy Rate
- Average Rental Rate
- Vacancy & Rent per Unit Type
- Recent Sales Transactions
- Listings

Number of Units Sold: 8-79 Units



Source: Washoe County Assessors Office

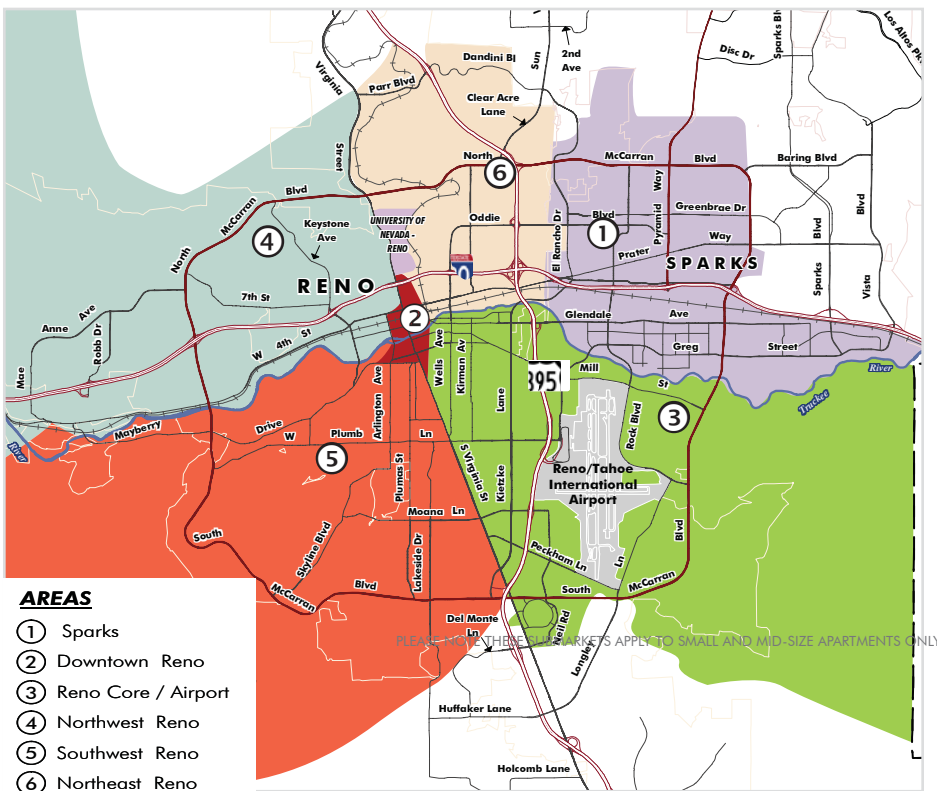
Multi-Housing Statistics: 8-79 Units

Washoe County

LOCATION	VACANCY RATE	STUDIO	ONE BED / ONE BATH	TWO BED / ONE BATH	TWO BED / TWO BATH	THREE BED / ONE+ BATH	OVERALL
Area 1 - Sparks	5.63%	\$450	\$539	\$666	N/A	\$900	\$604
Area 2 - Downtown Reno	5.31%	\$504	\$588	\$709	\$960	\$760	\$579
Area 3 - Reno Core / Airport	6.33%	\$528	\$595	\$679	\$734	N/A	\$626
Area 4 - Northwest Reno	8.45%	\$520	\$599	\$754	\$750	\$1,174	\$768
Area 5 - Southwest Reno	9.12%	\$506	\$600	\$693	\$686	\$861	\$660
Area 6 - Northeast Reno	1.79%	\$437	\$502	\$628	\$895	N/A	\$569
OVERALL	6.58%	\$500	\$579	\$689	\$770	\$940	\$646

Source: The CBRE Multi-Housing Group - Reno September 2008 Apartment Survey

Reno/Sparks Area Apartment Map: 8-79 Units

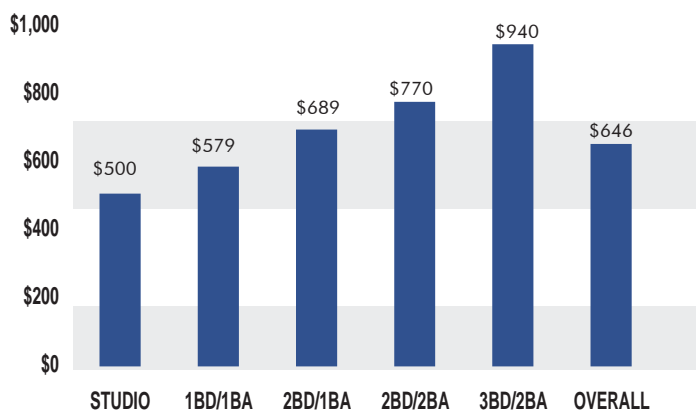


- AREAS**
- ① Sparks
 - ② Downtown Reno
 - ③ Reno Core / Airport
 - ④ Northwest Reno
 - ⑤ Southwest Reno
 - ⑥ Northeast Reno

Web Corner

- CBRE Multi-Housing Group | Reno Website www.cbre.com/MHGreno
- Economic Development Authority of Western Nevada (EDAWN) www.edawn.org
- Downtown Reno Makeover Site www.downtownmakeover.com
- Reno-Gazette Journal www.rgj.com
- Northern Nevada Business Weekly www.nnbw.biz
- Nevada Magazine www.nevadamagazine.com
- City of Reno www.ci.reno.nv.us
- City of Sparks www.ci.sparks.nv.us
- Washoe County (Reno/Sparks) www.co.washoe.nv.us
- Lyon County (Fernley/Dayton) www.lyon-county.org
- Carson City County (Carson City) www.carson-city.nv.us
- Douglas County (Minden/Gardnerville) www.douglascountynv.gov
- Churchill County (Fallon) www.churchillcounty.org

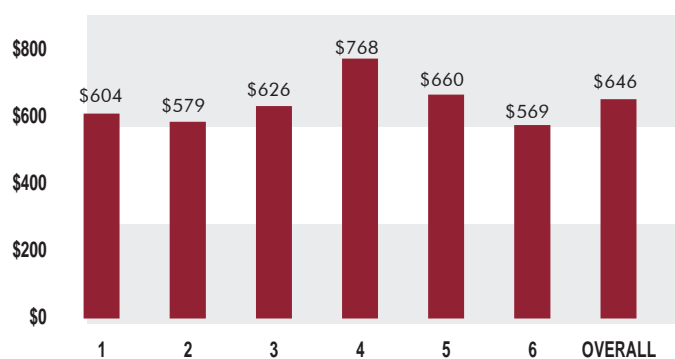
Rental Rate by Unit Type



Source: The CBRE Multi-Housing Group – Reno September 2008 Apartment Survey

The average rental rate for the Reno/Sparks market for small & mid-size apartments is \$646, which is a one dollar increase over last quarter. The average rental rate increased for 1bd/1ba and 2bd/1ba units by 0.52% and 1.77%, respectively. The average rental rates for studios, 2bd/2ba, and 3bd/1ba+ units experienced decreases of 1.19%, 0.65%, and 5.34%, respectively.

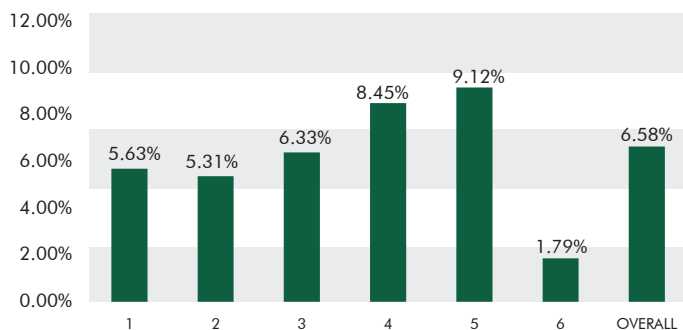
Rental Rate by Area



Source: The CBRE Multi-Housing Group – Reno September 2008 Apartment Survey

All submarkets except for the Reno Core/Airport (Area 3) and Northeast Reno (Area 6) experienced an increase in the average rental rate. The highest average rental rate submarket for small & mid-size apartments is now Northwest Reno (Area 4) at \$768. The other top rental submarkets are Southwest Reno (Area 5), Reno Core/Airport (Area 3 – the largest submarket), and Sparks (Area 1) at \$660, \$626, and \$604, respectively. Downtown Reno (Area 2) and Northeast Reno (Area 6) have average rental rates of \$579 and \$569, respectively. The Northwest Reno submarket had the largest quarter-to-quarter percentage increase in average rental rate at 11.79%.

Vacancy Rate by Area



Source: The CBRE Multi-Housing Group – Reno September 2008 Apartment Survey

The overall vacancy rate for small & mid-size apartments in the Reno/Sparks market is 6.58%. The Northeast Reno (Area 6) and Downtown Reno (Area 2) submarkets have the lowest vacancy rates at 1.79% and 5.31%, respectively. The highest vacancy rate submarkets are Southwest Reno (Area 5) and Northwest Reno (Area 4) at 9.12% and 8.45%, respectively. The Northeast Reno (Area 6) submarket experienced the largest quarter-to-quarter decrease in vacancy from 5.55% in the 2nd quarter to 1.79% in the 3rd quarter.

Northern Nevada 3Q Sales Transactions: 8-79 Units

PROPERTY / ADDRESS	CITY	ZIP CODE	# OF UNITS	SALES PRICE	PRICE / UNIT	PRICE / SF
476 Grand Canyon Blvd.	Reno	89502	14	\$560,000	\$40,000	\$73.20
Colonial Court*	Sparks	89431	12	\$895,000	\$74,583	\$128.59
155 Gardner Street	Reno	89503	14	\$800,000	\$57,143	\$100.55

* CB Richard Ellis represented the Seller and Buyer

Source: Washoe County and Carson City Assessor Offices

MarketView Reno Multi-Housing

Current Listings

LOCATION/PROPERTY	CITY	PRICE	UNITS	CAP RATE	±SF	YEAR BUILT
Marina Village	Sparks	\$37,000,000	240	6.24%	227,640	2005
Woodside Village	Reno	\$17,500,000	250	6.40%	201,880	1977
Stardust Apartments	Reno	\$2,600,000	38	7.75%	31,110	1963
80-90 Burns St. and 123 Wonder St.	Reno	\$2,600,000	24	6.16%	17,620	1999/2000
3700-3730 Kings Row	Reno	\$1,890,000	24	7.20%	18,000	1978
Hwy 395 & Virbel Ln.	Reno	\$1,725,000	LAND	N/A	3 Acres	N/A
W 11th Street & Buena Vista	Reno	\$1,585,000	17	5.40%	7,463	1929/48/66
100 Ralston St. and 429 W. 1st St.	Reno	\$1,500,000	19	4.67%	10,639	1936/1960
460 E. Grove Street	Reno	\$1,299,000	21	6.66%	12,600	1973
1365 & 1395 Stardust St.	Reno	\$1,200,000	16	7.02%	12,544	1964
1947-1965 Wedekind Road	Reno	\$1,190,000	17	7.23%	12,576	1963/1965
511 Roberts Street	Reno	\$1,185,000	12	7.28%	8,319	1939/2006
550 S. Wells Avenue	Reno	\$949,000	12	6.54%	8,178	1940
105 E. Nugget Avenue	Sparks	\$895,000	LAND	N/A	1.57 Ac.	N/A
231 1st Street	Sparks	\$860,000	11	6.03%	5,700	1987
820 Spokane Street	Reno	\$625,000	9	7.00%	4,665	1961/1974
1275 Berrum Lane	Reno	\$560,000	7	5.88%	4,580	1944/2001
3371 Gypsum Road	Reno	\$527,000	6	6.16%	4,590	1976
2150(A) Sutro Street	Reno	\$499,950	4	6.77%	4,150	2003
2150(B) Sutro Street	Reno	\$499,950	4	6.77%	4,150	2003
2150(C) Sutro Street	Reno	\$499,950	4	6.77%	4,150	2003
2150(D) Sutro Street	Reno	\$499,950	4	6.77%	4,150	2003
2440 Sutro Street	Reno	\$485,000	6	6.80%	5,184	1964
342 W. 11th Street	Reno	\$455,000	4	6.12%	3,198	1956
438 E. Taylor Street	Reno	\$455,000	6	6.53%	3,840	1984
Fremont Street	Fernley	\$395,000	LAND	N/A	3.63 Ac.	N/A
437 Wonder Street	Reno	\$299,950	2	5.97%	1,838	1939/1953
643 Elko Avenue	Reno	\$175,000	LAND	N/A	0.17 Ac.	N/A
Moran Street Land (S. Wells Ave.)	Reno	\$99,000	LAND	N/A	4,000	N/A
Rey Rex (Downtown) IN CONTRACT	Las Vegas	\$1,250,000	30	N/A	6,792	N/A
Townhouse Apartments IN CONTRACT	Carson City	\$1,599,000	26	7.05%	15,114	1963

CBRE Multi-Housing Group | Reno

The CBRE Multi-Housing Group – Reno is exclusively dedicated to multi-family properties in Northern Nevada. Offering over 35 years of combined experience in the apartment industry, the Team focuses on one-on-one relationships to understand the specific needs of each individual Client and the ability to maximize value in each transaction. Since 2001, the team has sold approximately 6,054 units totaling over \$394 million dollars.

This unique assemblage of two highly experienced sales professionals offers our clients a diverse set of skills to better service them. The experience each partner brings to the table provides for a winning combination for our clients because it allows our team to accomplish multiple objectives simultaneously in order to provide superior service for our clients. Advising our clients to make intelligent real estate decisions regarding purchasing, selling or management of their existing assets are primary functions we provide.

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THANK YOU to all those who contributed to making our 3rd Quarter 2008 Apartment Survey a success!

Please continue to join us in making this the premier report for owners of small and mid-size apartment assets by submitting your survey starting the first day of December for our Year End 2008 MarketView.

Please visit www.cbre.com/MHGreno for further details.

Reno Multi-Housing Group

ALEX MELLINGER, CCIM
Senior Associate
T 775.823.6964
alex.mellinger@cbre.com

LEONARD RAMOS
First Vice President
T 775.823.6988
leonard.ramos@cbre.com

SHARON LONG
Client Services Specialist
T 775.321.4461
sharon.long@cbre.com

CB Richard Ellis, Inc.
6980 Sierra Center Parkway
Suite 160
Reno, NV 89511
F 775.356.6181

www.cbre.com/MHGreno