

MarketView

Reno Multi-Housing

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8-79 Units | Fourth Quarter 2008

QUICK STATS

Change from last

	Current	Qtr
Vacancy	8.03%	↑
Avg. Asking Rent	\$641	↓

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Avg. Asking Rent	\$641	↓

INSIDE THE 4TH QUARTER

- Multi-Housing Statistics
- Occupancy Rate
- Average Rental Rate
- Vacancy & Rent per Unit Type
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For the first time in a year, the average rental rate decreased and vacancy rate increased (quarter-to-quarter) for small and mid-size apartments (8 to 79 units) in the Reno/Sparks market. From the 3rd to 4th quarter, the average rental rate experienced a \$5 (0.77%) decrease from \$646 to \$641 and vacancy jumped 145 basis points from 6.58% to 8.03%. It has become evident that the slowdown in our local economy has taken its toll on small and mid-size apartments. The unemployment rate for Washoe County is now at 9.03%, taxable sales are down 14%, gaming win is down 15.2% and total employment has decreased by 7,000 jobs (year-over-year figures).

2009 will be a challenging year for the Reno/Sparks market, but rest assured that our long-term economic outlook is strong considering our favorable business tax environment especially when compared to California, consistent population growth and new found affordability in housing, which should continue to entice companies to relocate here. The median home price in Reno/Sparks is down 27%, but home sales are up 30% from last year. Home foreclosures are still well above the national average at 1 in 134 homes, but nowhere near Las Vegas foreclosures, which currently sit at 1 in 58 homes.

There are other bright spots. The average wage in Reno has increased 18.76% over the last 5 years according to a new study by the U.S. Bureau of Economic Analysis. According to the Manufactures Directory, annual manufacturing employment growth in Reno was 1%. Nevada exports are up 10% over last year. Orbitz stated that Lake Tahoe is on track to be the top ski destination this winter. In addition, an article in Commercial Property News stated that areas such as Tucson, Reno, and Jacksonville are poised to become what Phoenix, Las Vegas,

and Orlando were over the past 25 years. Their prediction is based on the U.S. population growing by 45 million people (17 million households) in 2020 with a majority of that growth occurring in warm weather markets.

2008 was the slowest year in the last decade for small and mid-size apartment transaction activity. Only 3 properties within the 8 to 79 unit range sold since late July and only one of those properties was on the market. This made for a 70% decrease in transaction activity from last year and 90% decrease from the peak transaction years of 2003 and 2004. We still believe transaction activity in 2009 will

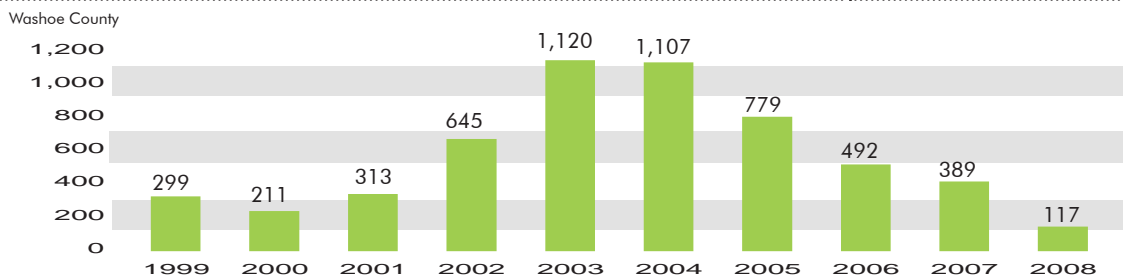
increase somewhat for two reasons.

First, competitive financing will be available throughout 2009 with 6% to 6.5% interest rates available, 30-year amortization, and 70% to 75% LTV ratios. Fannie and Freddie were associated with over 80% of the loans in 2008 and the same is projected for 2009. Second, the seller-buyer price expectation gap should begin to narrow as motivated sellers become more in tune with the market reflecting increased cap rates and discounted pricing coupled with buyers espousing less 'doom & gloom' and becoming more comfortable with the prospect of a stabilizing market in 2009.

Sales activity should start to increase sometime in mid-year 2009 and maybe even late 1st quarter. The investment community is currently looking for cap rates in the 7% to 10% range. We expect to see the majority of B & C class apartment properties to trade in the 7.5% to 8.5% cap rate range and Class A & B+ small & mid-size apartment properties to trade in the 6.5% to 7.0% cap rate range once the market stabilizes.

Softening Economy takes its toll on Small & Mid-size Apartment Market

Number of Units Sold: 8-79 Units



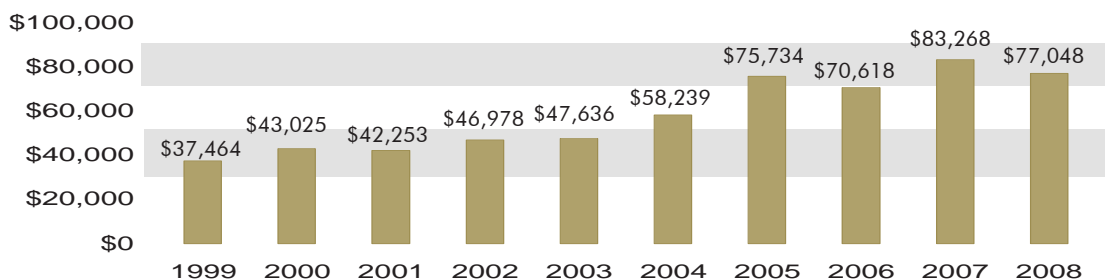
Source: Washoe County Assessor

Average Price Per SF



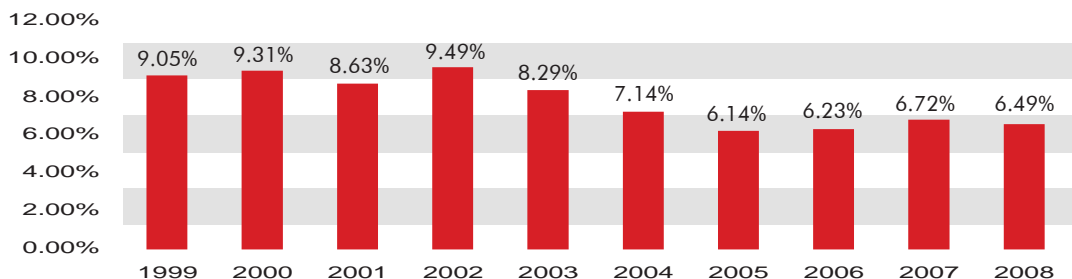
Source: Washoe County Assessor

Average Price Per Unit



Source: Washoe County Assessor

Cap Rate By Year



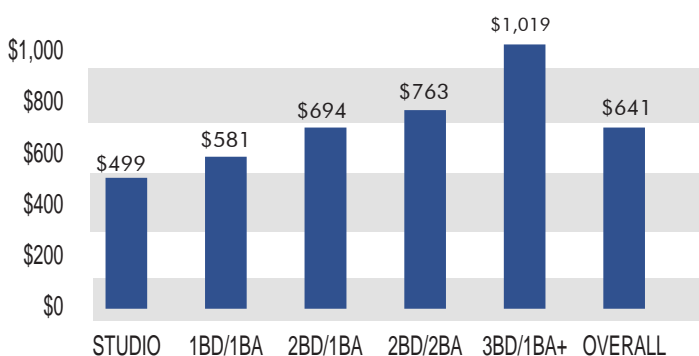
Source: The CBRE Multi-Housing Group - Reno

Rental Rate & Vacancy Statistics: 8-79 Units

LOCATION	VACANCY RATE	STUDIO	ONE BED / ONE BATH	TWO BED / ONE BATH	TWO BED / TWO BATH	THREE BED / ONE+ BATH	OVERALL
Area 1 - Sparks	4.96%	\$450	\$578	\$676	N/A	\$1,149	\$622
Area 2 - Downtown Reno	6.05%	\$499	\$558	\$735	\$960	\$760	\$574
Area 3 - Reno Core / Airport	7.74%	\$520	\$587	\$684	\$734	N/A	\$619
Area 4 - Northwest Reno	8.24%	\$516	\$615	\$753	\$744	\$1,221	\$736
Area 5 - Southwest Reno	10.47%	\$508	\$595	\$699	\$658	\$867	\$655
Area 6 - Northeast Reno	10.00%	\$455	\$500	\$708	\$895	N/A	\$582
OVERALL	8.03%	\$499	\$581	\$694	\$763	\$1,019	\$641

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

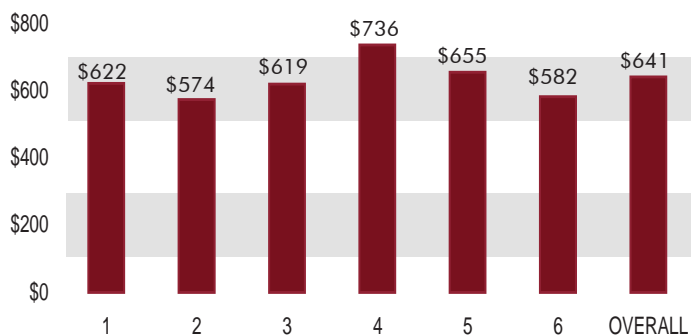
Rental Rate by Unit Type



The average rental rate for the Reno/Sparks market for small & mid-size apartments is \$641, which is a five dollar decrease (-0.77%) from last quarter. The average rental rate decreased for studios and 2bd/2ba units by 0.20% and 0.91%, respectively. The average rental rates for 1bd/1ba, 2bd/1ba, and 3bd/1ba+ units experienced increases of 0.35%, 0.73%, and 8.40%, respectively. The majority of 3bd/1ba unit rental rate increases occurred in properties near the University of Nevada, Reno.

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

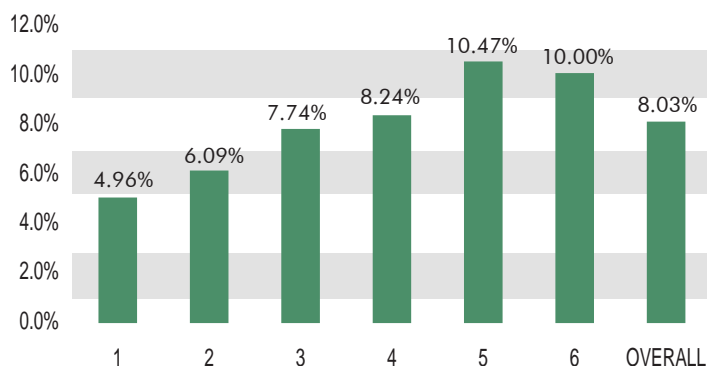
Rental Rate by Area



All submarkets except for Sparks (Area 1) and Northeast Reno (Area 6) experienced a decrease in the average rental rate. The highest average rental rate submarket for small & mid-size apartments is still Northwest Reno (Area 4) at \$736. The other top rental rate submarkets are Southwest Reno (Area 5), Sparks (Area 1), and Reno Core/Airport (Area 3) at \$655, \$622, and \$619, respectively. Downtown Reno (Area 2) and Northeast Reno (Area 6) have average rental rates of \$574 and \$582, respectively. The Sparks (Area 1) submarket had the largest quarter-to-quarter percentage increase in average rental rate at 2.98%.

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

Vacancy Rate by Area



The overall vacancy rate for small & mid-size apartments in the Reno/Sparks market is 8.03%. Sparks (Area 1) and Downtown Reno (Area 2) have the lowest vacancy rates at 4.96% and 6.05%, respectively. The highest vacancy rate submarkets are Southwest Reno (Area 5) and Northeast Reno (Area 6) at 10.47% and 10%, respectively. Sparks (Area 1) experienced the largest quarter-to-quarter decrease in vacancy from 5.63% in the 3rd quarter to 4.96% in the 4th quarter.

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

Northern Nevada 4Q Sales Transactions: 8-79 Units

PROPERTY / ADDRESS	CITY	ZIP CODE	# OF UNITS	SALES PRICE	PRICE / UNIT	PRICE / SF
830 N. Center Street*	Reno	89501	12	\$1,600,000	\$133,333	\$147.66

* Property was not put on the market (non-listed).

Source: Washoe County Assessor

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
Sierra Crest Apartments	Reno	\$6,995,000	84	6.29%	37,800	Renovated 2008/2009
Village Drive Apartment Homes	Fernley	\$3,200,000	35	7.19%	48,300	2008
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
Frontier Motel	Carson City	\$1,650,000	57		19,708	1949
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
511 Roberts Street	Reno	\$1,185,000	12	7.28%	8,319	1939/2006
100 Ralston St. and 429 W. 1st St.	Reno	\$1,165,000	20	6.01%	10,639	1936/1960
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
100 Ralston Street	Reno	\$805,000	12	6.02%	6,724	1960
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
2440 Sutro Street	Reno	\$485,000	6	6.80%	5,184	1964
2150(A) Sutro Street	Reno	\$465,000	4	7.28%	4,150	2003
2150(B) Sutro Street	Reno	\$465,000	4	7.28%	4,150	2003
2150(C) Sutro Street	Reno	\$465,000	4	7.28%	4,150	2003
2150(D) Sutro Street	Reno	\$465,000	4	7.28%	4,150	2003
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 6,208 units totaling over \$398 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 participated in our 4th Quarter 2008 Apartment Survey!

Please continue to join us in making this the premier report for owners and investors of small & mid-size apartment assets by submitting your survey starting the first day of March for our 1st Quarter 2009 Market-View.

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

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