

MarketView

Reno Multi-Housing

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80+ Units | Fourth Quarter 2008

QUICK STATS

Change from last

Current	Yr.	Qtr
Vacancy	9.63%	↑ ↑
Avg. Asking Rent	\$875	↓ ↓

*The arrows are trend indicators over the specified time period and do not represent a positive or negative value..

For the first time in a year, the average rental rate decreased and vacancy rate increased (quarter-to-quarter) for apartments in the Reno/Sparks market. From the 3rd to 4th quarter, the average rental rate experienced a \$10 (0.11%) decrease from \$885 to \$875 and vacancy jumped 228 basis points from 7.35% to 9.63% according to Johnson-Perkins & Associates. It has become evident that the slowdown in our local economy has taken its toll on small to large-size apartments. The unemployment rate for Washoe County is now at 9.3%, 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 apartment transaction activity. Five properties sold in 2008, only two of which properties were publicly marketed. This made for a 50% decrease in transaction activity from last year. We believe transaction activity in 2009

Softening Economy takes its toll on Northern Nevada Apartment Market

is somewhat unpredictable for three reasons. First, competitive financing will be available throughout 2009 at 6% to 6.5% interest rates, however loan to value and DCR requirements will

be more stringent. Second, the seller-buyer price expectation gap should begin to narrow as motivated sellers become more accepting and in tune with the market's increased cap rates, coupled with buyers espousing less 'doom & gloom' and becoming more comfortable with the prospect of a stabilizing market in 2009. Third, trying to predict an end to the negative impact of housing turmoil is nearly impossible. Existing home sales are up but so is foreclosure activity. Owners are becoming renters but more homes are entering the market as rentals. Coupled with this added "shadow market", there are 958 units under construction.

Northern Nevada's foreseeable economic future remains optimistic. But the road to this rosy future is bumpy. According to Moody's Economy.com the region's downturn will be steeper in the near future due to the previous unsustainable expansions. However, competitive business costs will help attract companies from across the state line. The area will post growth slightly above average over the long term".

INSIDE THE 4TH QUARTER

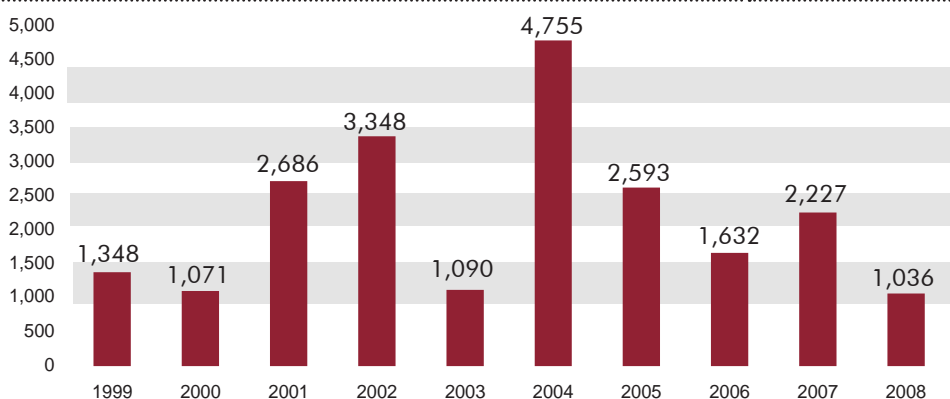
- Multi-Housing Statistics
- Market Statistics
- Number of Units Sold
- Average Price Per SF
- Average Price Per Unit
- Cap Rate by Year
- Current Vacancy & Rent
- Average Rental Rates
- Occupancy Rate
- No. NV 4Q Sales 80+ Units
- Current Listings

Market Statistics

LOCATION	VACANCY RATE	AVERAGE RENT
Area 1 – Northwest Reno	7.06%	\$901
Area 2 – Northeast Reno	10.08%	\$788
Area 3 – West Sparks/North Valleys	10.46%	\$777
Area 4 – East Sparks	7.70%	\$966
Area 5 – West Reno	25.56%	\$797
Area 6 – Southwest Reno	14.22%	\$816
Area 7 – Brinkby/Grove	8.69%	\$817
Area 8 – Airport	8.82%	\$855
Area 9 – Lakeridge	9.13%	\$1,078
Area 10 – Southeast Reno	8.69%	\$907

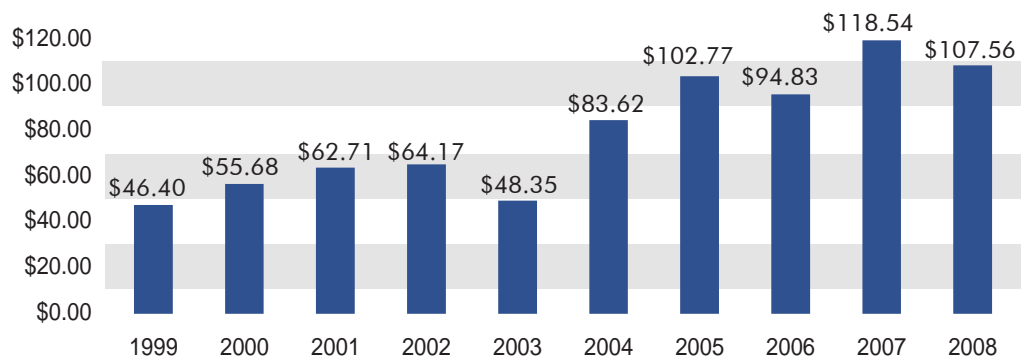
Source: Johnson-Perkins Apartment Survey January 2009 (Washoe County)

Number of Units Sold: 80+ Units



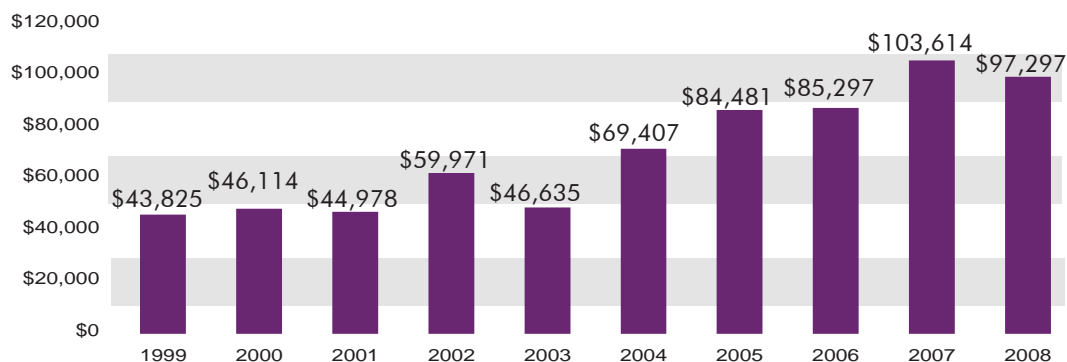
Source: Washoe County Assessor

Average Price per SF



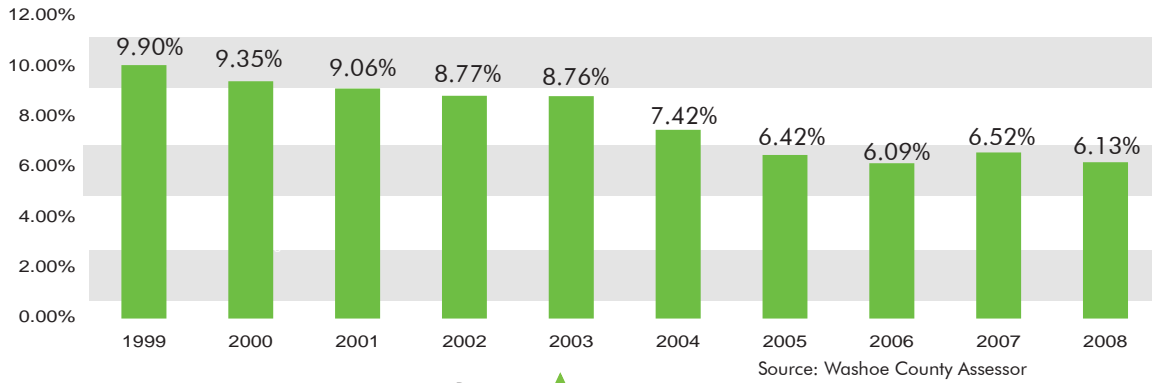
Source: Washoe County Assessor

Average Price per Unit

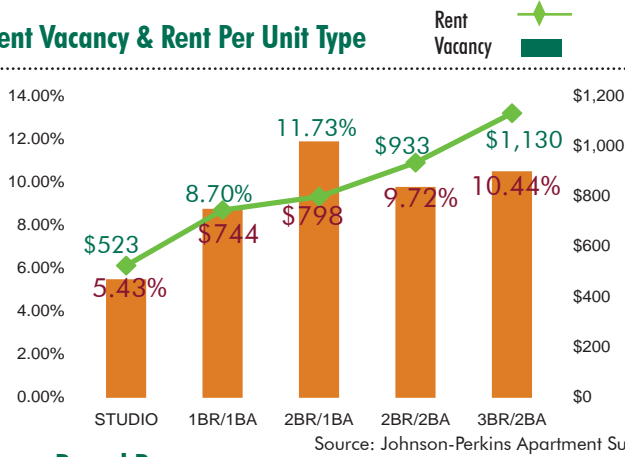


Source: Washoe County Assessor

Cap Rate by Years

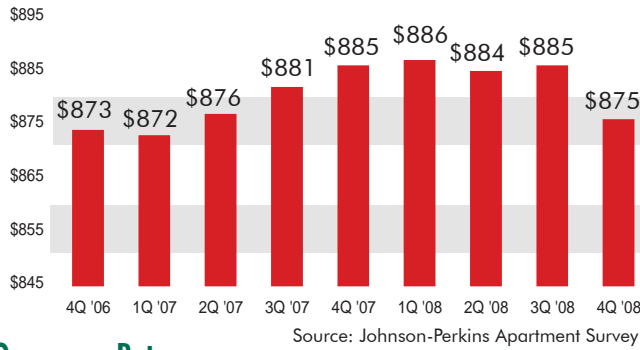


Current Vacancy & Rent Per Unit Type



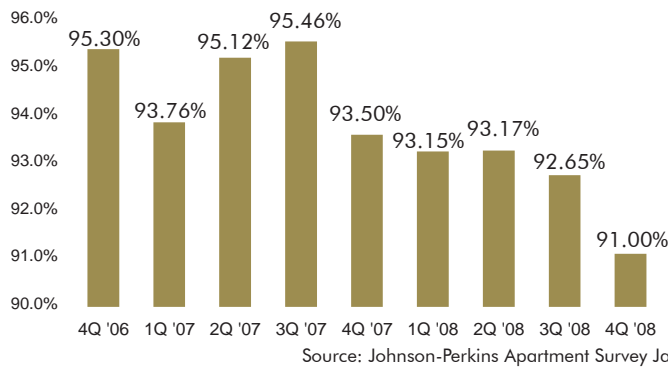
Vacancy rates increased for all type units except for studios which decreased from 5.62% to 5.43%. Perhaps we are experiencing some degree of gait-tightening on the part of singles tenant occupancy.

Average Rental Rates



Through the third quarter of this year the average rents remained flat. However, average rent rates decreased by \$10 in the fourth quarter reflecting operator's tendency to maintain occupancy.

Occupancy Rate



The overall vacancy rate for the 4th quarter of 2008 shot above 9% for the first time in recent memory. The increase in unemployment has affected all asset classes.

Northern Nevada 3Q Sales Transactions: 80+ Units

PROPERTY/ADDRESS	CITY	ZIP CODE	# OF UNITS	SALES PRICE	PRICE/UNIT	PRICE/SF
Montebello @ Summit Ridge	Reno	89523	450	\$56,000,000	\$124,444	\$117.17

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	7.09%	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
Rey Rex (Downtown)	Las Vegas	\$1,250,000	30	N/A	6,792	N/A
Townhouse Apartments	Carson City	\$1,599,000	26	7.05%	15,114	1963

CBRE Multi-Housing Group | Reno

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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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Real Estate Valuation



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Reno Multi-Housing Group

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