

APARTMENT SURVEY

OCTOBER 2011
(3RD QUARTER 2011 DATA)

RENO/SPARKS METRO AREA

PRESENTED BY

JOHNSON-PERKINS & ASSOCIATES, INC.



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REAL ESTATE APPRAISERS & CONSULTANTS

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ACKNOWLEDGEMENTS

We would like to thank all participating management companies, municipalities, and the Survey Committee for their invaluable contributions to the design and content of this report.

SURVEY SPONSORS

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STATEMENT OF METHODOLOGY

The information presented in this report was collected and assembled from a combination of original research and secondary sources. This section summarizes the methods used in gathering the data.

Sources

The survey data is collected on a quarterly basis from participating apartment managers, management companies and owners. All information collected from individual complexes is completely confidential and only aggregate statistics are reported. The information furnished by the survey participants is considered reliable. However, the Survey Committee makes no warranty as to the reliability of the data and assumes no legal responsibility for the use of the data from the survey.

Survey Criteria

- The projects have 80 units or more in the Reno/Sparks service area;
- The projects reflect market rents. Affordable housing, student and senior housing projects are excluded;
- New projects have reached a stabilized occupancy of at least 90%;
- The projects have a competitive on-site management program; and
- A willingness of the on-site manager to participate in the survey.

The results of this survey depict the operating conditions of the average of 19,428 units reported. A total of 76 projects were surveyed. We believe the statistics presented here are representative of the overall conditions of the Reno-Sparks Survey Area.

Survey Modifications

There were no modifications to the 3rd Quarter 2011 Survey.

Vacancy and Rents

The overall vacancy rate decreased for the eighth time in the past nine quarters, while the average rental rate increased for the second straight quarter. The **3rd Quarter 2011** Survey indicates an overall vacancy rate of **5.38%**, indicating a decrease of 13 basis points over the previous quarter. The **3rd Quarter 2011** Survey indicates an overall rent of **\$840**, indicating an increase of 0.36% over the previous quarter.

OVERALL COMPARISON			
	2 nd Quarter 2011	3 rd Quarter 2011	Change
Average Vacancy	5.51%	5.38%	-13 Basis Points
Average Rent	\$837	\$840	0.36%

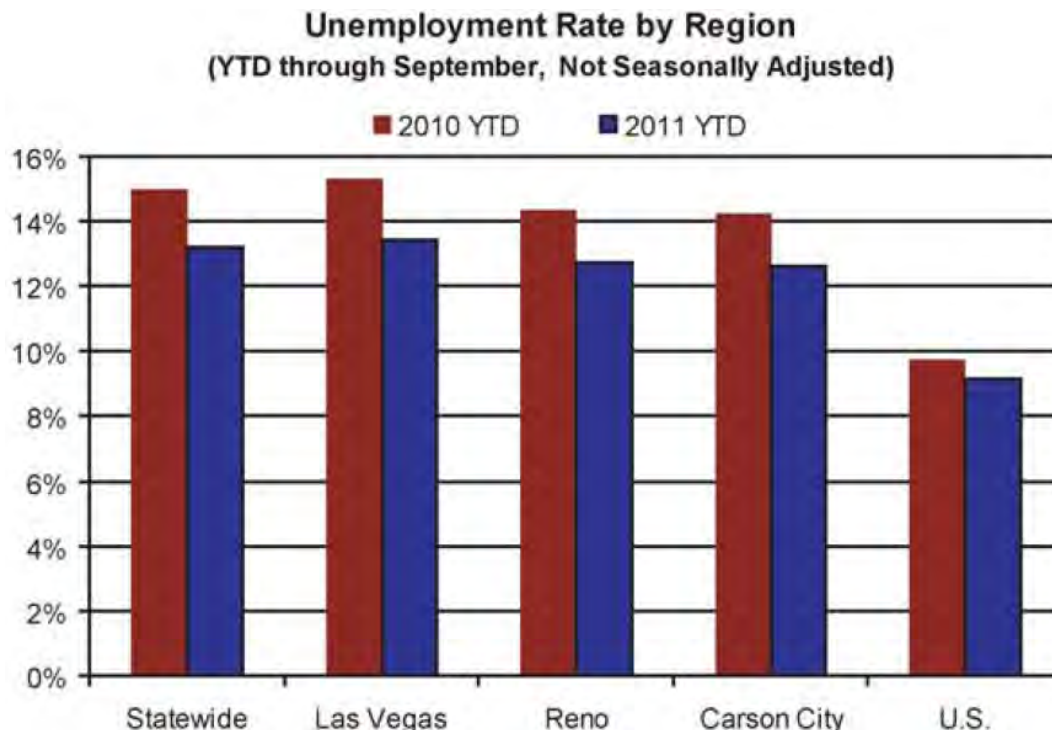
Economic Outlook

According to the State of Nevada Department of Employment, Training and Rehabilitation (DETR), Nevada's unemployment rate in September 2011 was 13.3%. The DETR Economic Summary September 2011 states, "The national economy has gone through a lot this quarter with increasing commodity prices, turmoil throughout the Middle East and North Africa, global stagnation, crashing financial markets, and political incongruity. Throughout all of this the U.S. economy has still been able to hold on and is slowly pushing forward. The recovery will continue to be slow until consumers decide to cheer up and start spending once again."

In September 2011, Nevada's non-seasonally adjusted unemployment rate was 4.5 percentage points higher than the national average. DETR reports the non-seasonally adjusted unemployment rate as of September 2011 for the Reno-Sparks MSA was 12.6%, while the State of Nevada was 13.3%. The national average was 8.8% for the month of September 2011.

According to DETR, the unemployment rate for the State of Nevada ranged from 3.8% to 6.4% from January 2004 to June 2008. From July 2008 to November 2010, the unemployment rate ranged from 6.9% to 14.5%. That is an increase of 7.6 percentage points for the State of Nevada unemployment rate in nearly two and one half years. To put into perspective the state of the economy, from January 2010 to September 2011, the State of Nevada unemployment rate ranged from 11.9% to 15.3%. Since January 2011, Nevada's unemployment rate has averaged 13.2%.

The Reno-Sparks overall vacancy rate decreased for the eighth time in the past nine quarters, while the average rental rate increased for the second straight quarter. For the Third Quarter 2011, the overall average vacancy rate for the Reno-Sparks market is 5.38%, while the overall average rent is \$840.



Source: Nevada Department of Employment, Training and Rehabilitation Economic Summary September 2011

RENTAL AND VACANCY RATES BY UNIT TYPES:

UNIT TYPE	AVERAGE RENT			AVERAGE VACANCY		
	2 nd Qtr. 2011	3 rd Qtr. 2011	Result	2 nd Qtr. 2011	3 rd Qtr. 2011	Result
Studio	\$476	\$484	↑	7.21%	4.20%	↓
1 Bedroom/1 Bath	\$686	\$691	↑	5.22%	4.76%	↓
2 Bedroom/1 Bath	\$738	\$744	↑	5.33%	3.87%	↓
2 Bedroom/2 Bath	\$902	\$913	↑	5.73%	6.31%	↑
Townhouse	\$1,009	\$1,027	↑	6.52%	6.83%	↑
3 Bedroom/2 Bath	\$1,115	\$1,098	↓	5.06%	9.06%	↑

3 bedroom/2 bath units were the only unit type within the Reno-Sparks area to experience a decrease in rental rates. All other unit types experienced an increase in rental rates. 1 bedroom/1 bath units had the smallest increase at \$5, while Townhouse units had the largest increase at \$18.

Studio, 1 Bedroom/1 Bath and 2 Bedroom/1 Bath units experienced a decrease in vacancy rates, while 2 Bedroom/2 Bath, Townhouse and 3 Bedroom/1 Bath units experienced an increase in vacancy rates.

RENTAL AND VACANCY RATES BY SUB-MARKET AREA:

Area	Sub-Market	AVERAGE RENT			AVERAGE VACANCY		
		2 nd Qtr. 2011	3 rd Qtr. 2011	Result	2 nd Qtr. 2011	3 rd Qtr. 2011	Result
1	Northwest Reno	\$875	\$896	↑	4.65%	4.14%	↓
2	Northeast Reno	\$768	\$804	↑	7.22%	4.48%	↓
3	W. Sparks/N. Valley	\$720	\$725	↑	5.08%	5.04%	↓
4	East Sparks	\$979	\$976	↓	4.56%	5.62%	↑
5	West Reno	\$748	\$748	=	1.33%	3.11%	↑
6	Southwest Reno	\$697	\$687	↓	5.17%	4.65%	↓
7	Brinkby/Grove	\$595	\$575	↓	12.88%	9.96%	↓
8	Airport	\$732	\$726	↓	6.25%	10.00%	↑
9	Lakeridge	\$942	\$971	↑	3.47%	3.09%	↓
10	Southeast Reno	\$887	\$881	↓	5.85%	5.96%	↑
Overall Reno-Sparks		\$837	\$840	↑	5.51%	5.38%	↓

Five out of ten market areas in the Reno-Sparks area experienced an increase in rental rates, four market areas experienced a decrease in rental rates and one remained stable. Six out of ten market areas in the Reno-Sparks area experienced a decrease in vacancy rates.

GUIDELINES

The units reported in the survey are subject to the following conditions:

- Occupancy rates represent conditions as of September 2011.
- Rents utilized in the report represent the base price of an unfurnished apartment, with tenants paying for electricity and gas.
- Units with more than one size per unit type were calculated on a weighted average for each unit type.
- Weighted averages were used in all charts to give the most accurate statistics possible. The averages were weighted by the number of units reporting each data type.
- Vacant units are defined as those units currently available for lease (no contract in place).

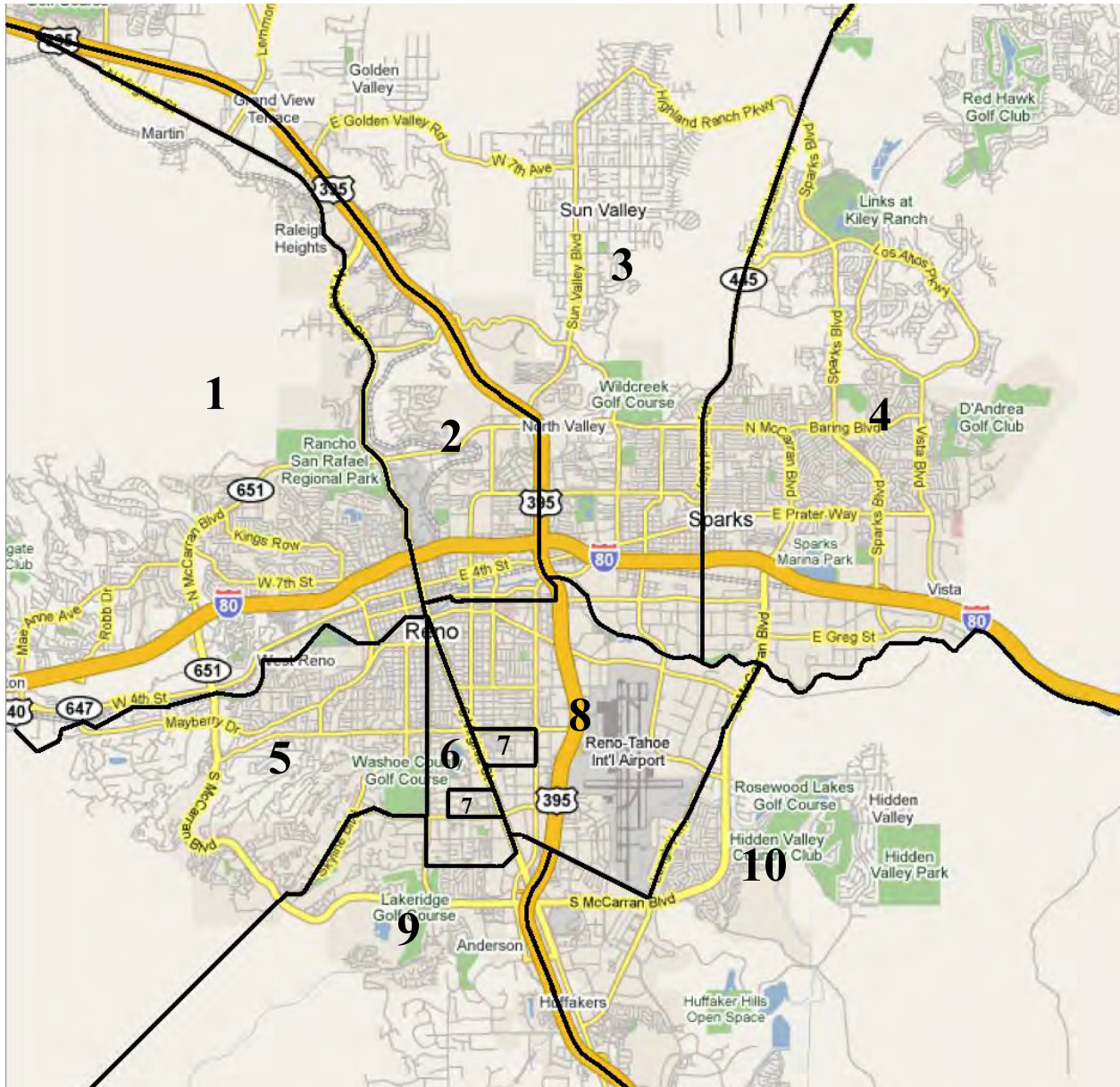
The apartment units were classified as follows:

STUDIO	Units with one living area plus bath & kitchen
1BR/1BA	Units with one bedroom and 1 or 1-1/2 baths
2BR/1BA	Units with 2 bedrooms, 1 bath OR 1 bedroom, den, 1 bath
2BR/2BA	Units have 2 bedrooms and 2 baths
TOWNHOUSE	Units having 2 or 3 bedrooms, 2 baths OR 2 bedrooms, den, 2 baths
3BR/2BA	Units having 3 bedrooms and 2 baths

MARKET AREAS

<u>Area</u>	<u>Sub-Market</u>	<u>Location</u>
1	Northwest Reno	North of the Truckee River and west of N. Virginia St.
2	Northeast Reno	North of 2 nd Street; west of US-395 and Northtowne Lane; east of N. Virginia Street
3	West Sparks/North Valleys	North of the Truckee River; west of Pyramid Way; east of US-395
4	East Sparks	North of the Truckee River and east of Pyramid Way
5	West Reno	North of Moana Lane; west of Plumas Street; south of Truckee River
6	Southwest Reno	South of Truckee River; west of S. Virginia Street; east of Plumas Street; north of Redfield Parkway
7	Brinkby/Grove	North of Moana Lane; west of S. Virginia Street; south of Brinkby Avenue; east of Lakeside Drive and north of Linden Avenue; west of Kietzke Lane; south of Plumb Lane; east of Virginia Street
8	Airport	North of Peckham Lane; west of Longley Lane; east of S. Virginia Street; south of 2 nd Street and the Truckee River
9	Lakeridge	South of Moana Lane and Redfield Parkway; west of S. Virginia Street
10	Southeast Reno	South of the Truckee River; east of S. Virginia Street and Longley Lane

MARKET AREA MAP



PROJECTS APPROVED AND/OR UNDER CONSTRUCTION

According to the City of Reno Planning Department, Silver Peak Apartments received a five year extension on their special use permit which was set to expire April 2011. The special use permit is for the development of a 420 unit apartment complex and is now set to expire March 2016.

Project Name	Units	Location	Area	Status
Silver Peak Apartments	420	Intersection of Military Road and Lemmon Drive	Area 3	Special Use Permit will expire March 2016
Total Units:	420			

ABSORPTION

The Trails at Pioneer Meadows and The Alexander at South Virginia Apartments began leasing in August 2009. Both apartment projects reached a stabilized occupancy during the 2nd Quarter 2011. Therefore, these projects have been removed from the absorption chart. As of the current survey date, there were no apartment projects being tracked for absorption.

RENT CONCESSIONS

During the 3rd Quarter of 2011, 72% of the apartment projects in our Survey offered rent concessions, in comparison to 76% in the 2nd Quarter 2011 Survey. Concessions range from discounted deposits to one month free rent with a six or twelve-month lease. The most commonly found rent concessions consist of:

- One month free rent
- Discounted deposit
- Reduced Rent with 6 or 12 month lease

Project Area	Projects Offering Rent Concessions 2nd Qtr. 2011	Projects Offering Rent Concessions 3rd Qtr. 2011
Area 1 – Northwest Reno	10	9
Area 2 – Northeast Reno	5	4
Area 3 – West Sparks/North Valleys	10	8
Area 4 – East Sparks	9	8
Area 5 – West Reno	1	1
Area 6 – Southwest Reno	4	4
Area 7 – Brinkby/Grove	4	4
Area 8 – Airport	2	4
Area 9 – Lakeridge	3	3
Area 10 – Southeast Reno	10	10
Totals:	58 out of 76	55 out of 76

In the 3rd Quarter of 2011, there are 55 of 76 projects offering rent concessions. In the 2nd Quarter of 2011, 58 of 76 projects offered rent concessions. Multi-family residential projects are highly competitive. Most properties are either offering discounted deposits or one month free rent with a signed lease.

SURVEY RESULTS

This section of the report covers survey findings pertaining to the total survey area for the 3rd Quarter of 2011. Subjects include:

OVERALL QUARTERLY TRENDS:

The graphs in this section illustrate percentage vacant, percentage of rent increases or decreases and average monthly rent per quarter. The following graphs are included in overall trends:

- Overall Reno/Sparks averages
- Overall trends for studio units
- Overall trends for 1BR/1BA units
- Overall trends for 2BR/1BA units
- Overall trends for 2BR/2BA units
- Overall trends for townhouse units
- Overall trends for 3BR/2BA units
- Average rent per unit type

TRENDS PER MARKET AREA:

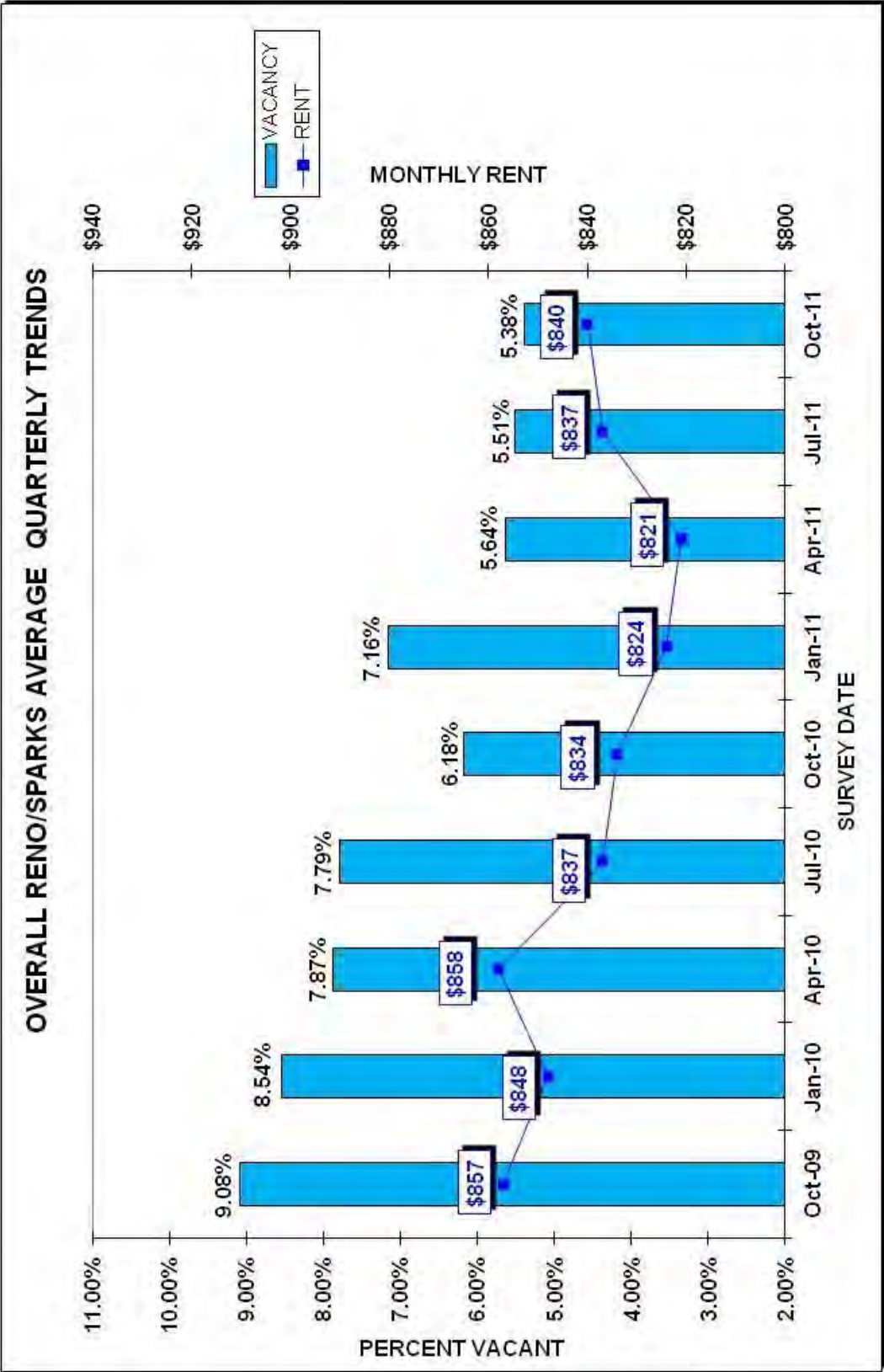
These graphs illustrate quarterly vacancy percentage and average monthly rent. The sub-market categories are as follows:

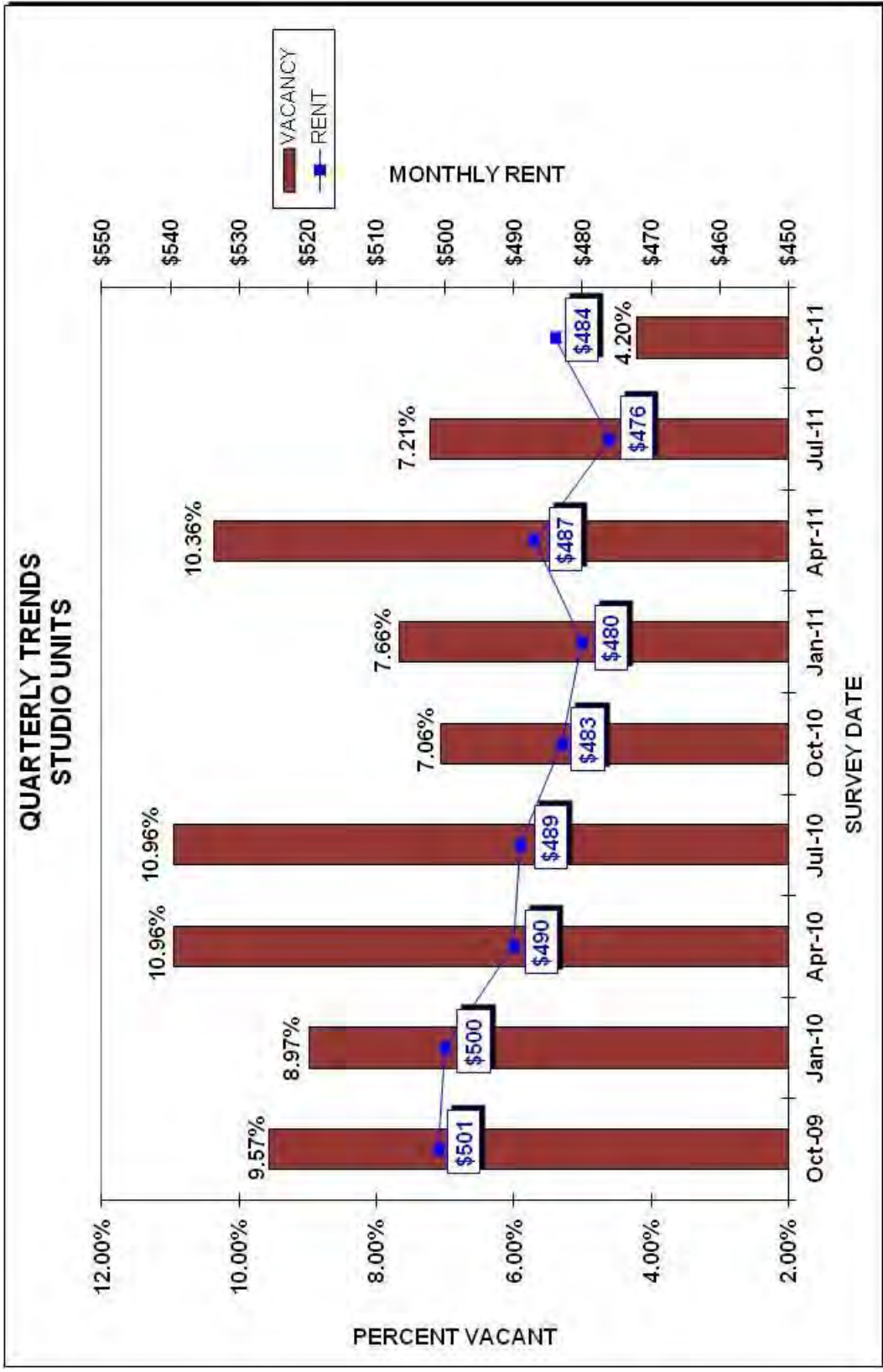
- Area 1 - Northwest Reno
- Area 2 - Northeast Reno
- Area 3 - West Sparks/North Valleys
- Area 4 - East Sparks
- Area 5 - West Reno
- Area 6 - Southwest Reno
- Area 7 - Brinkby/Grove
- Area 8 - Airport
- Area 9 - Lakeridge
- Area 10 - Southeast Reno

CURRENT SURVEY COMPARISONS:

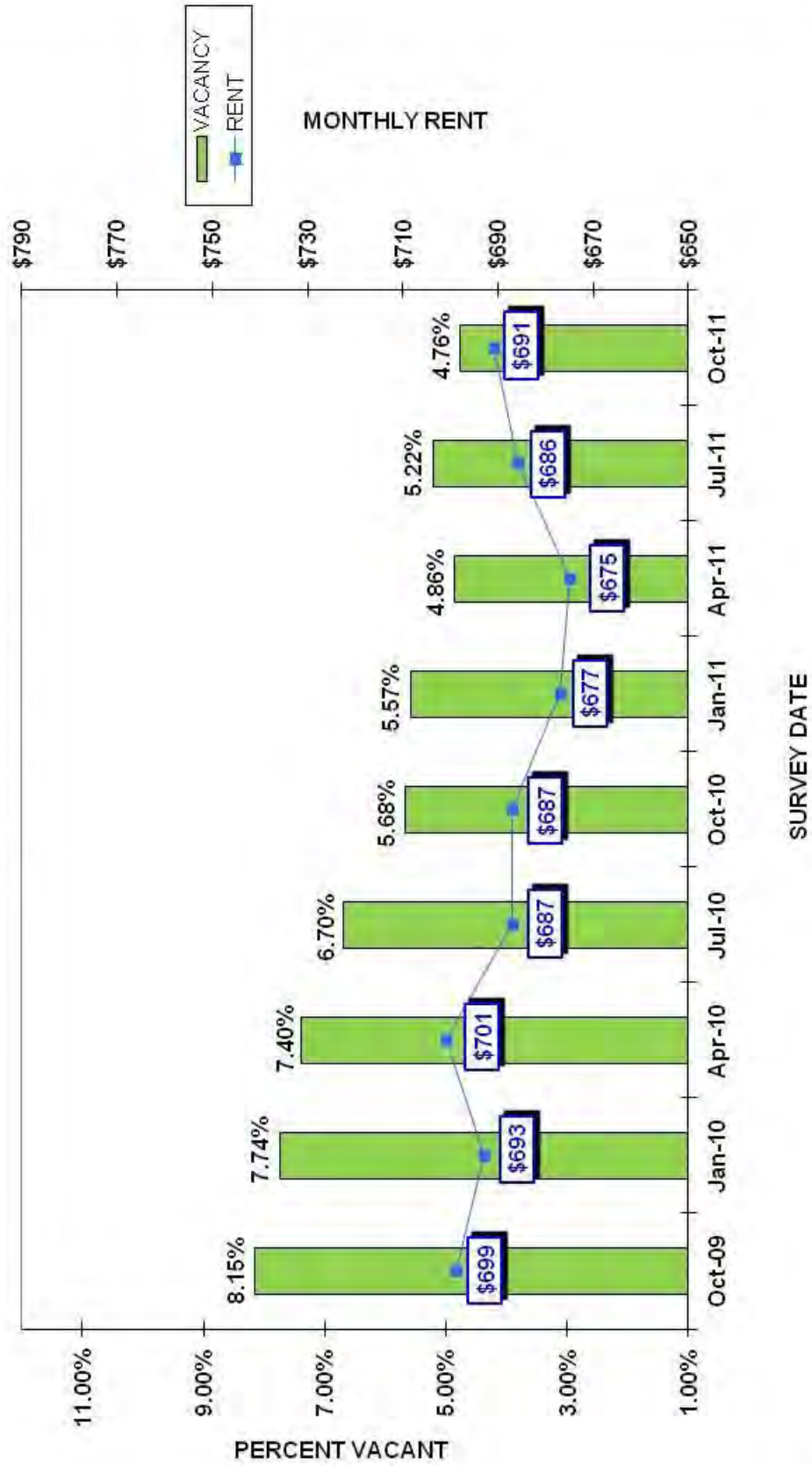
This section of graphs illustrates overall comparisons based on unit type and sub-market categories. These graphs include:

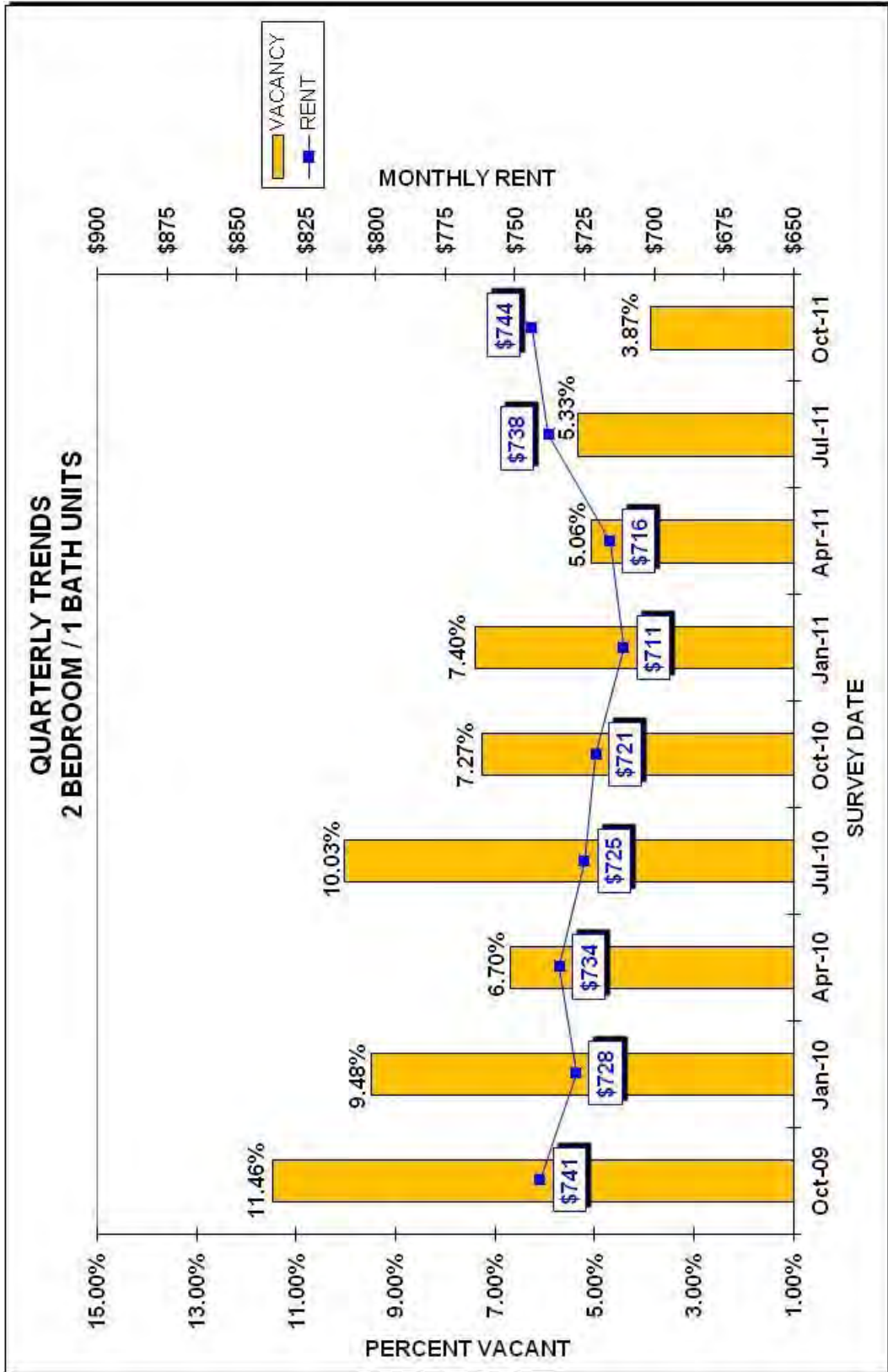
- Vacancy & rent per unit type
- Vacancy by market area
- Area vacancies per unit type
- Area rent averages per unit type
- Annual rents and vacancies

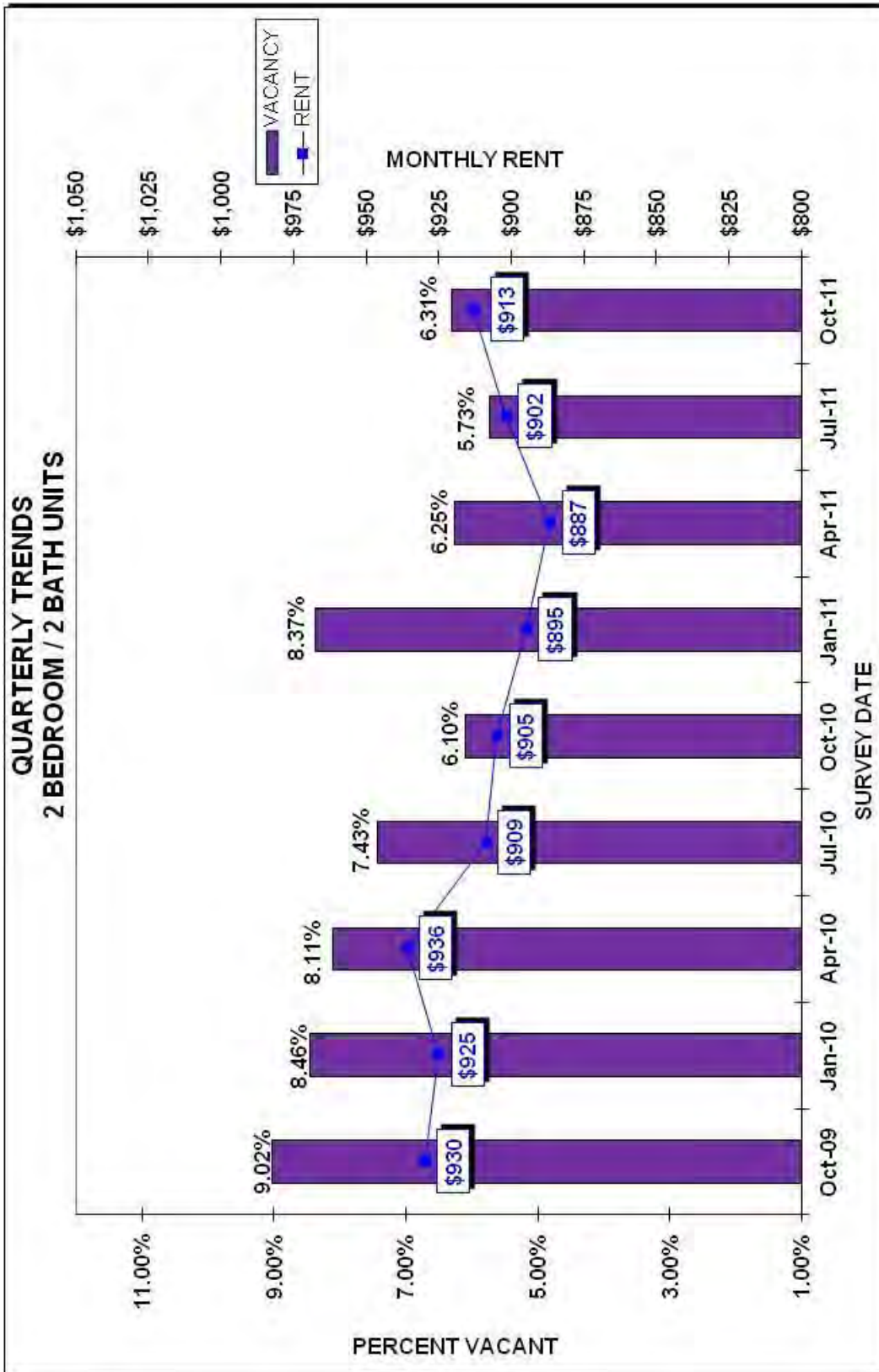


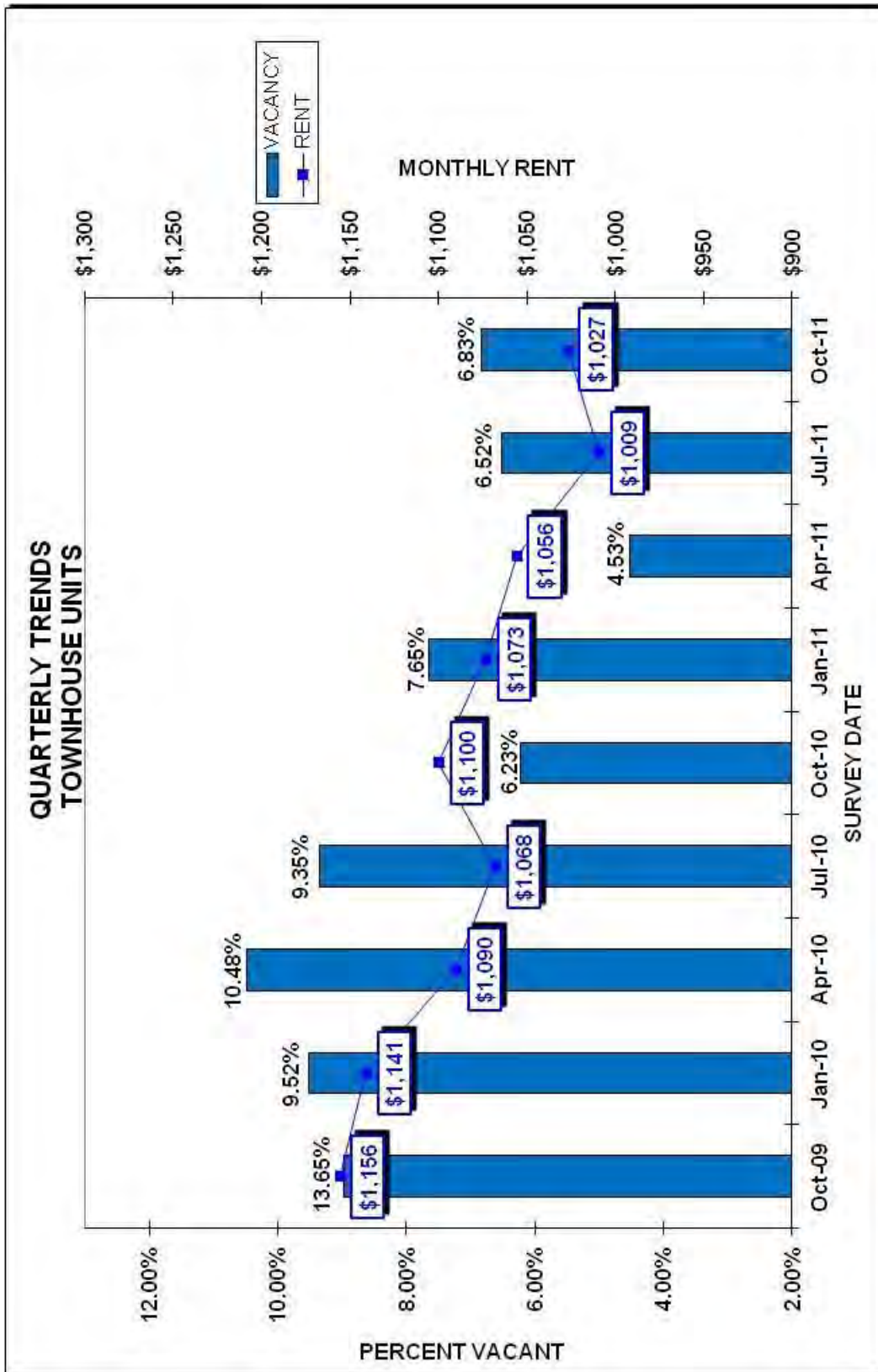


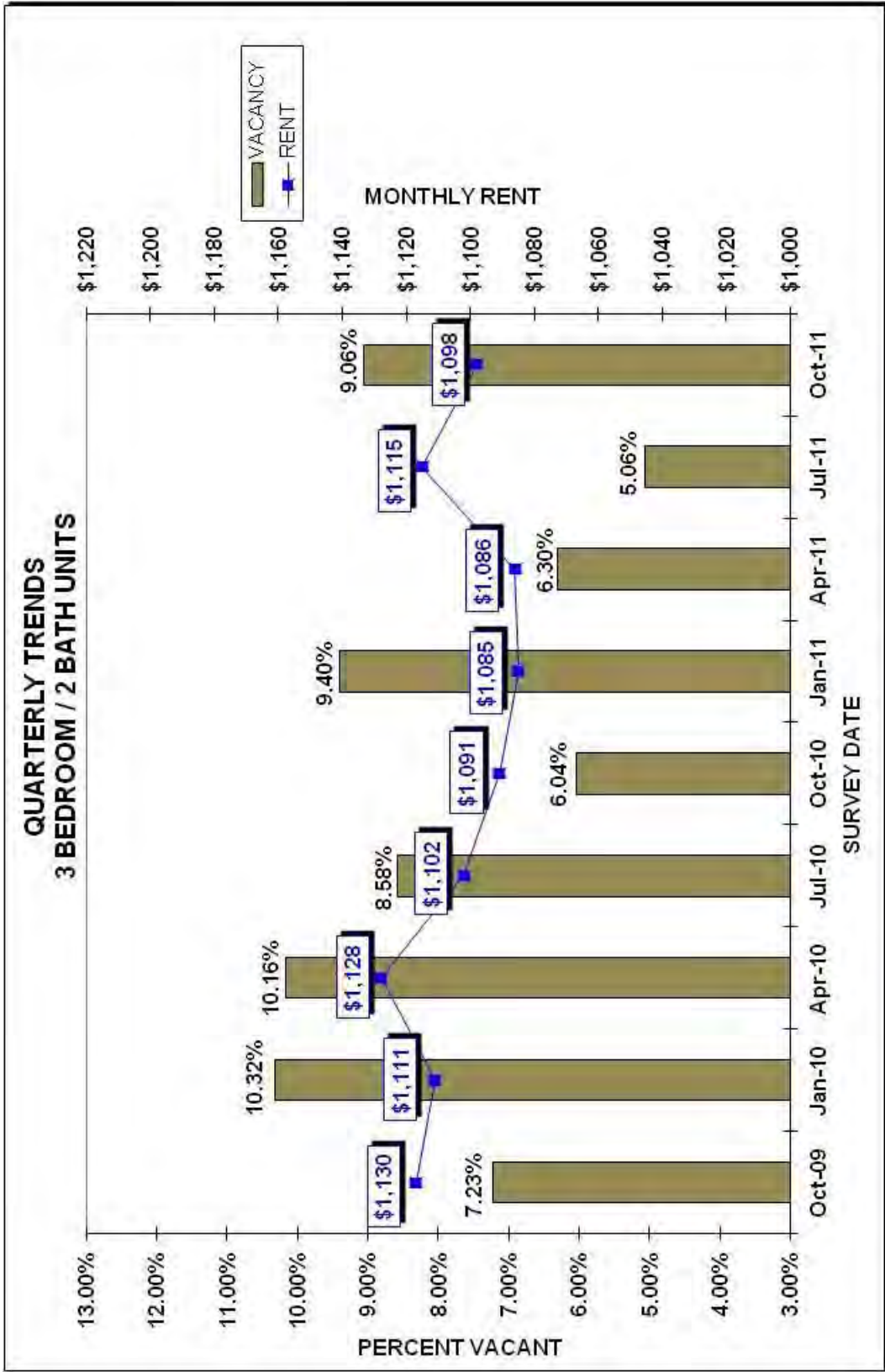
**QUARTERLY TRENDS
1 BEDROOM / 1 BATH UNITS**

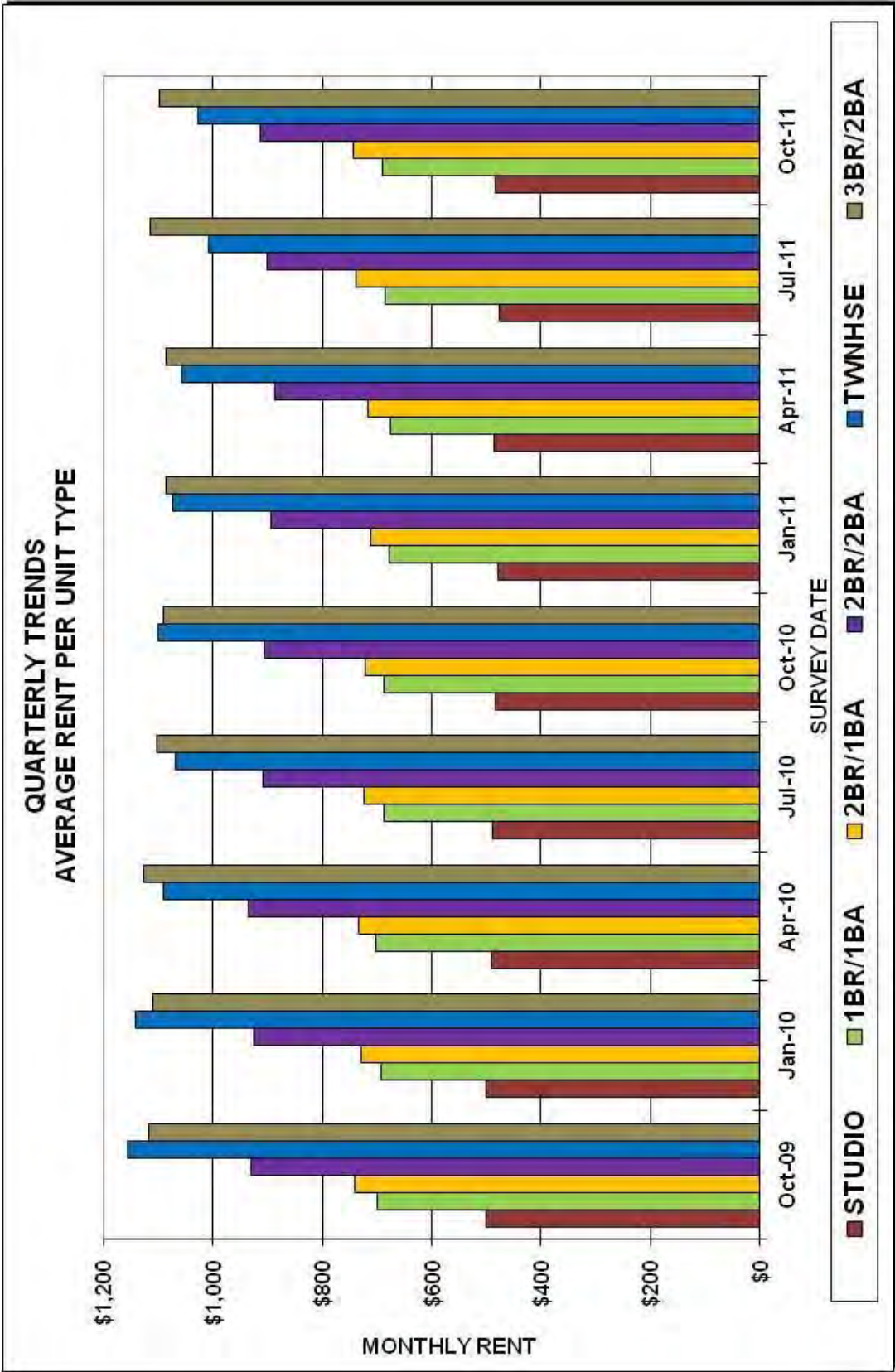




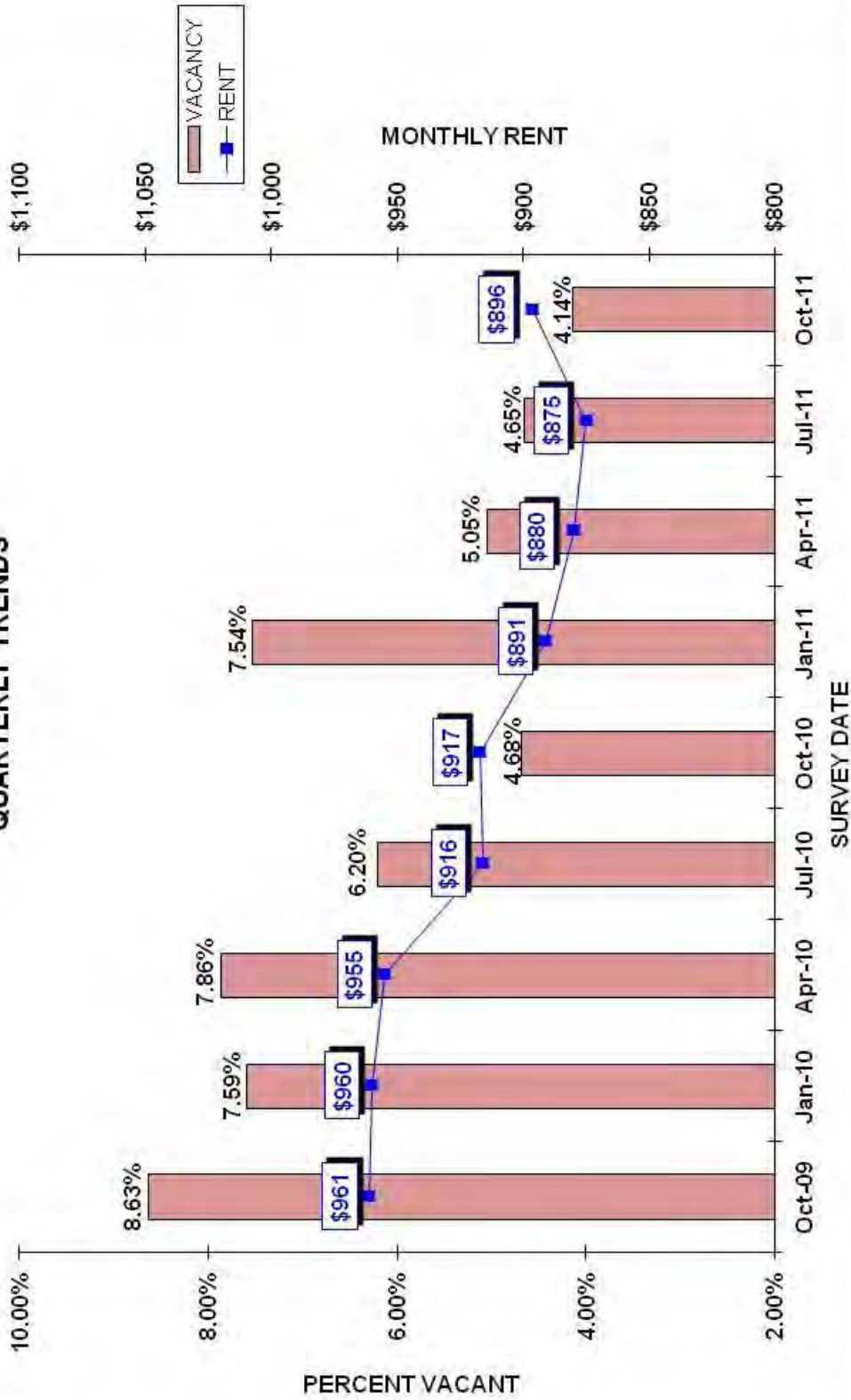




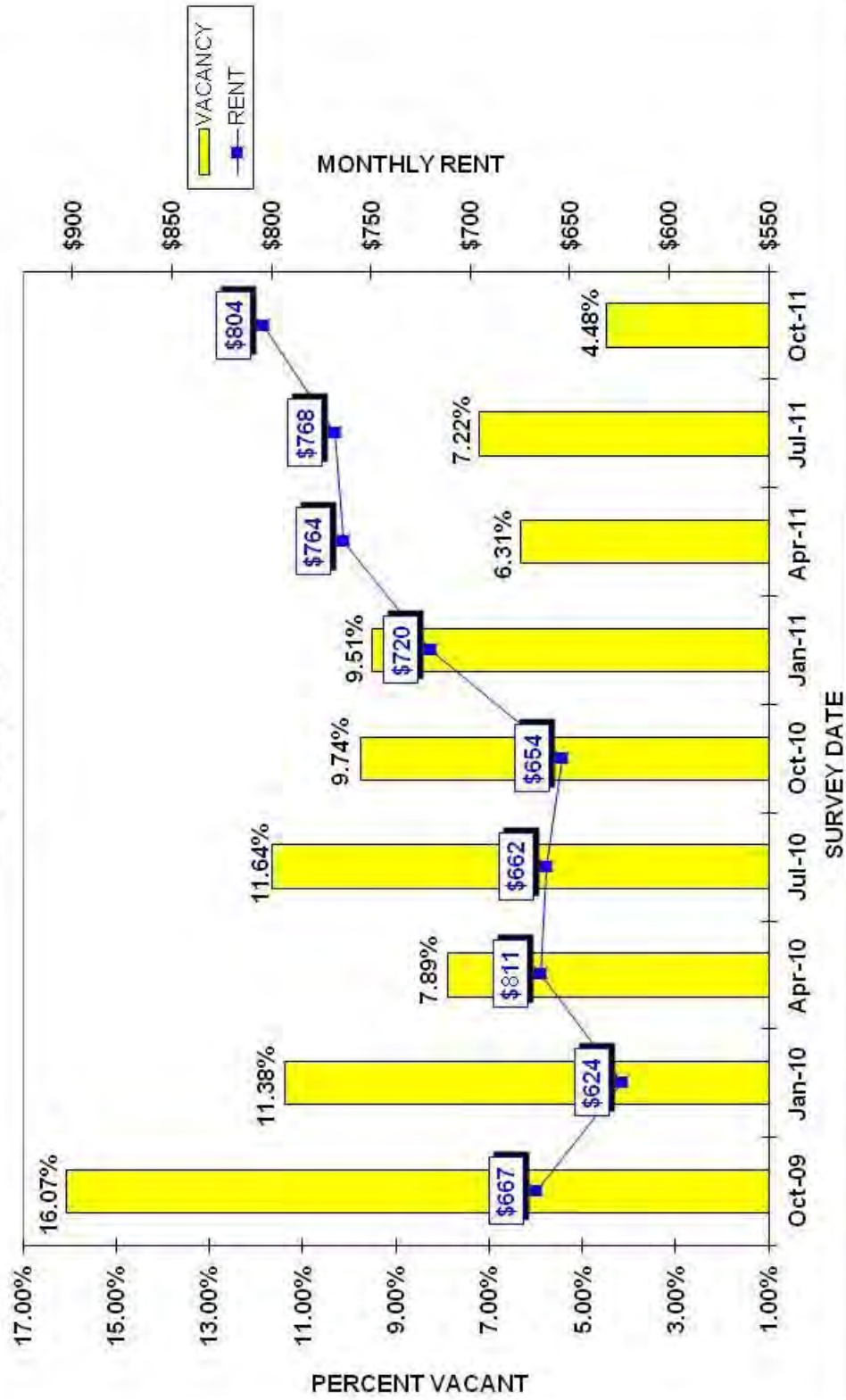


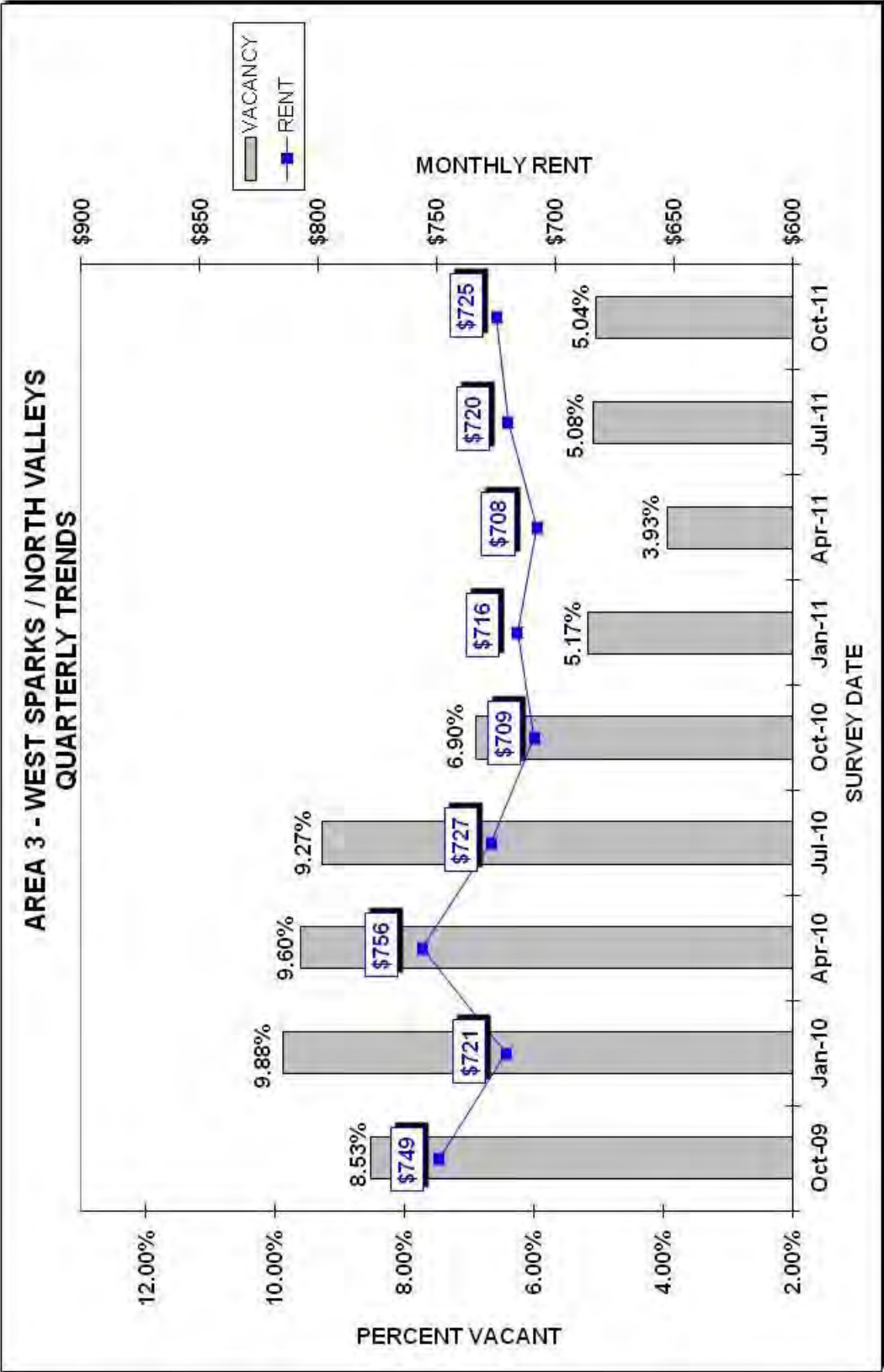


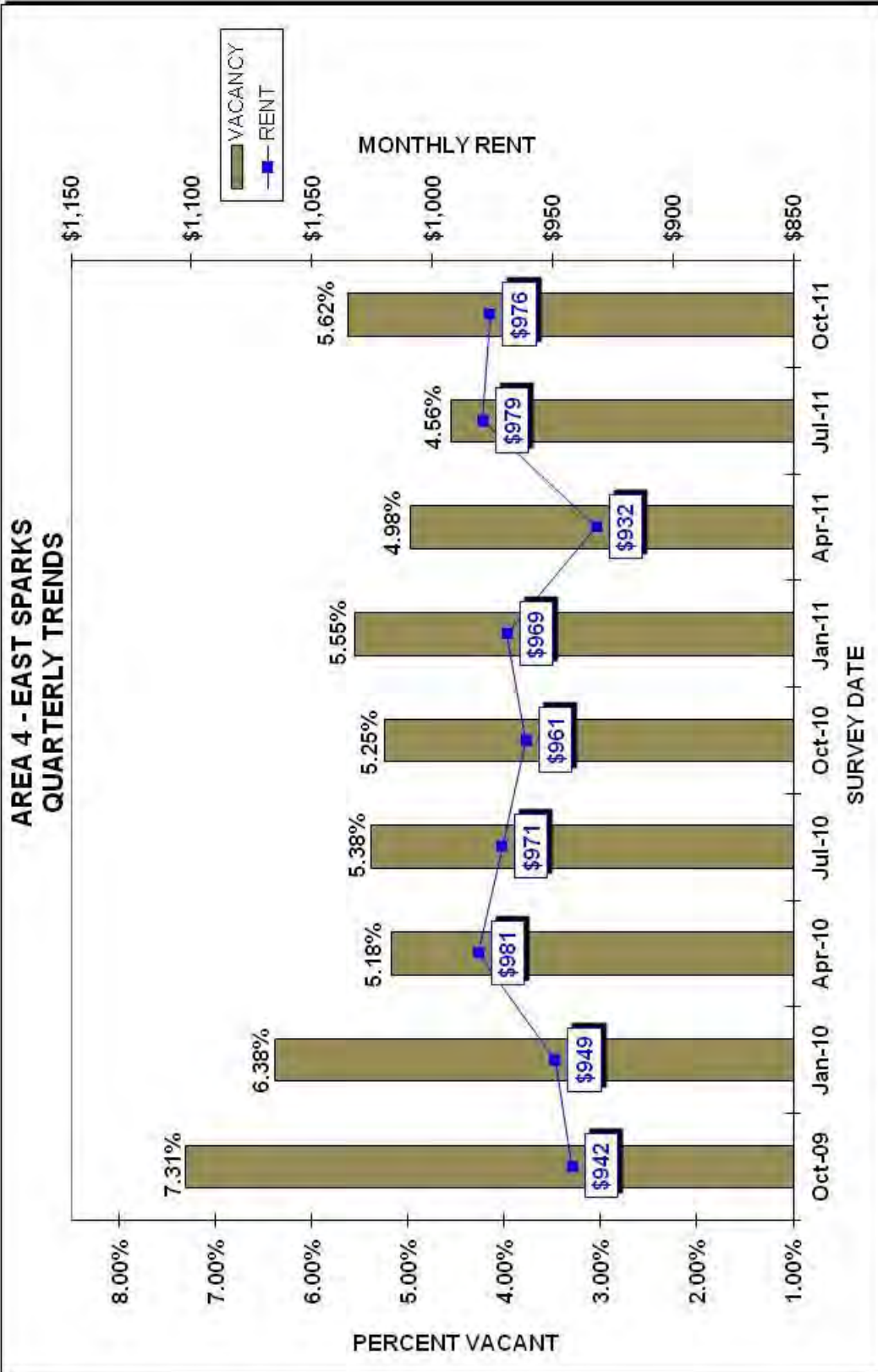
AREA 1 - NORTHWEST RENO QUARTERLY TRENDS



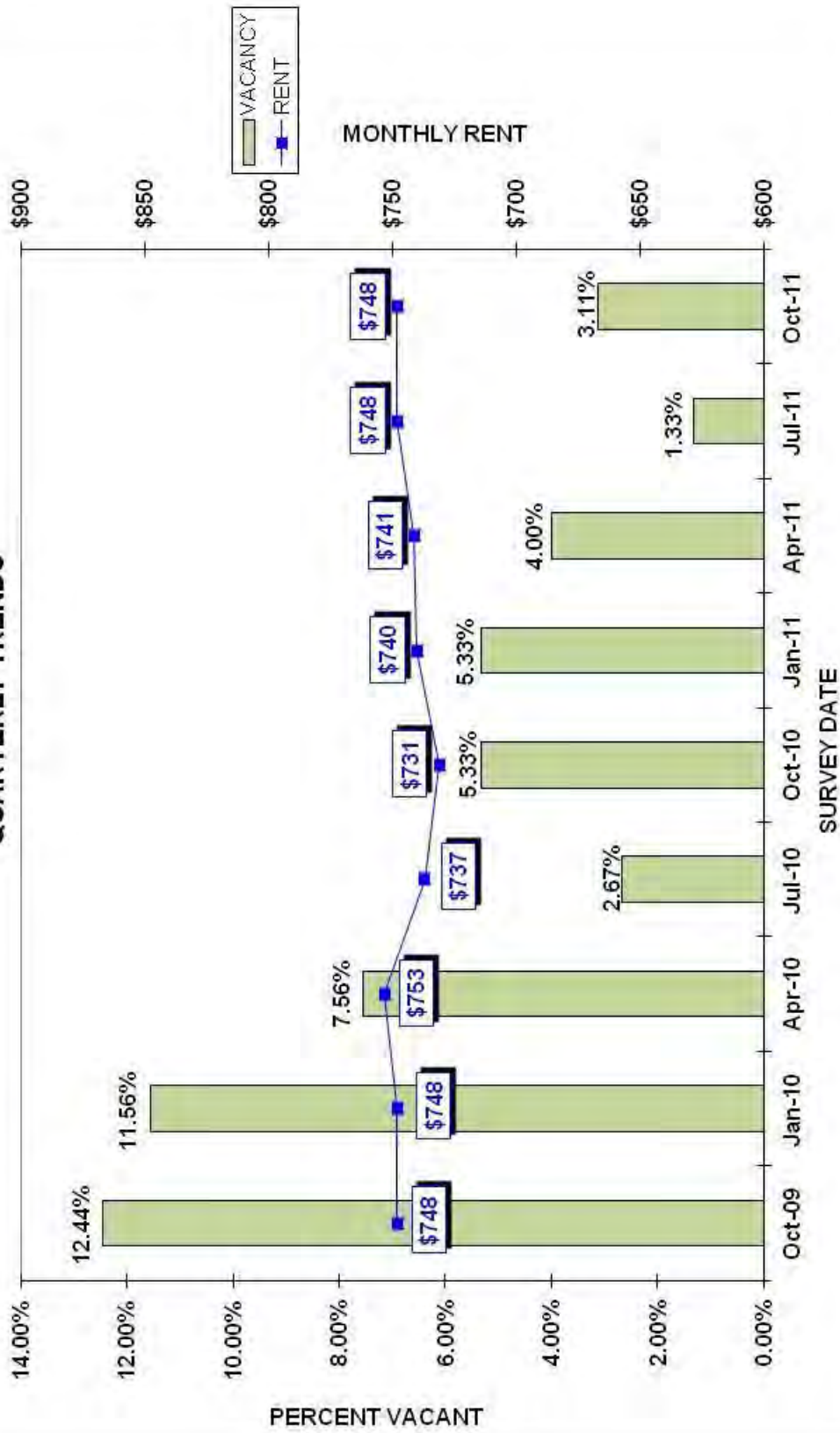
AREA 2 - NORTHEAST RENO QUARTERLY TRENDS

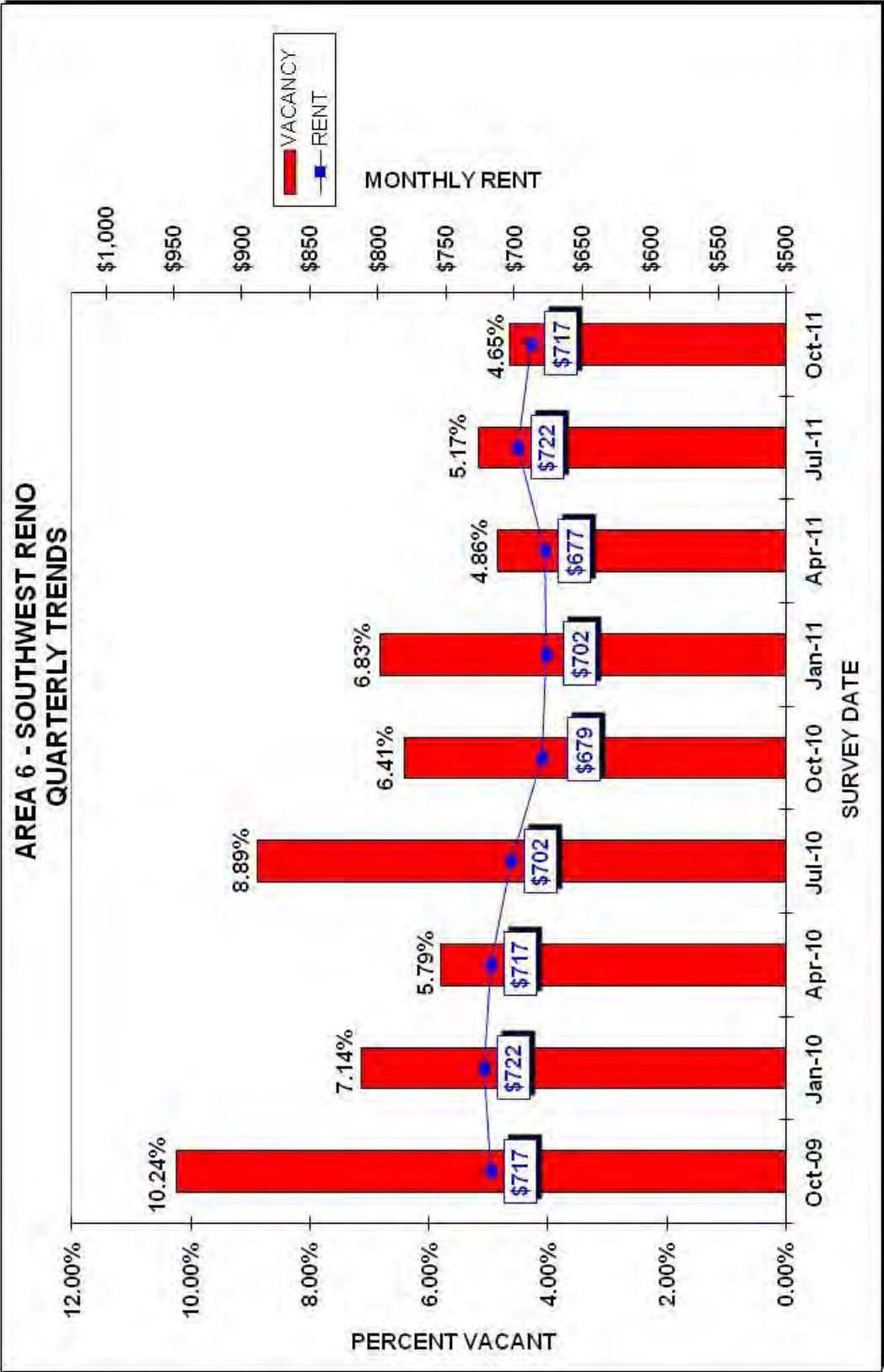


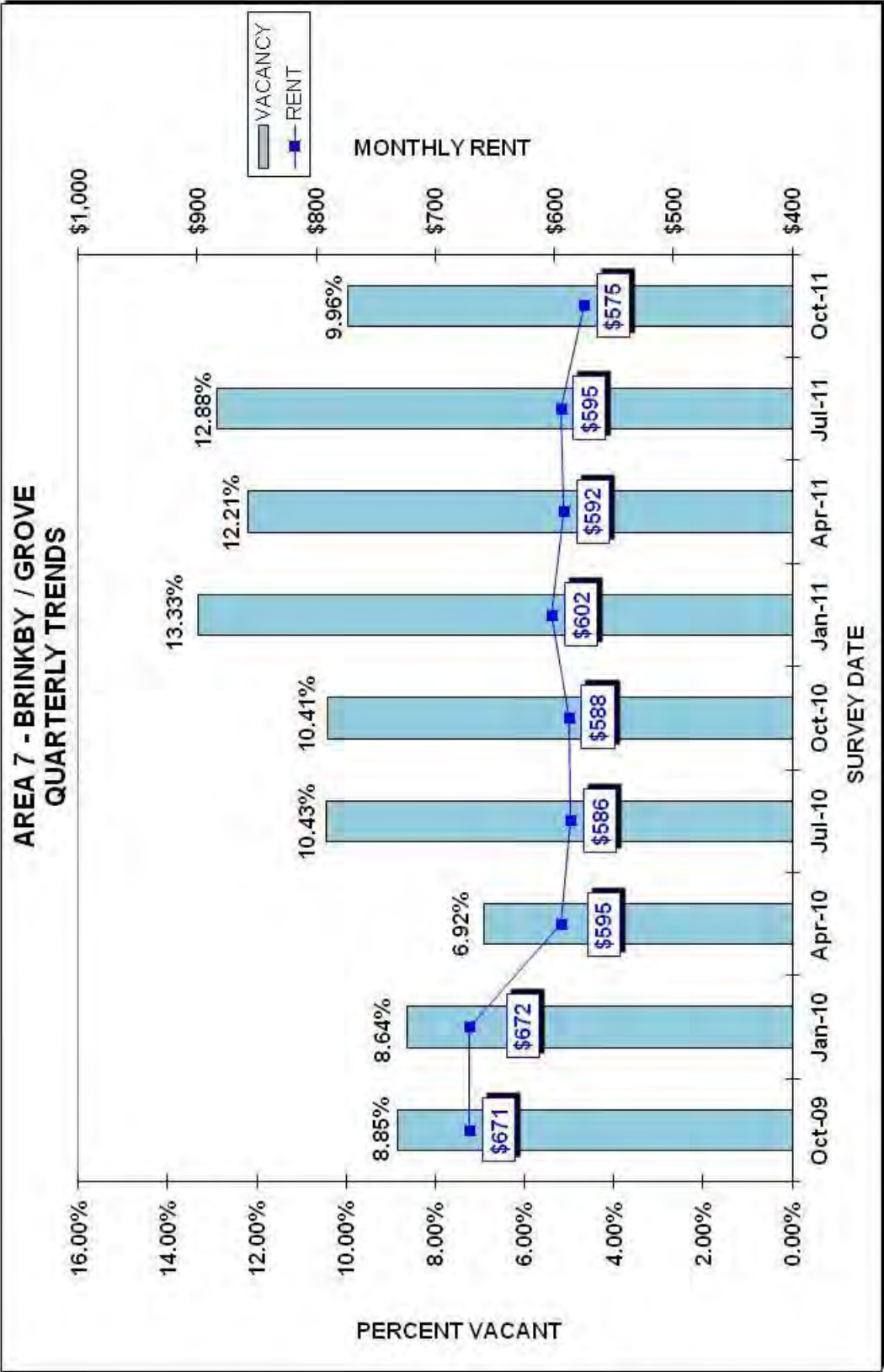


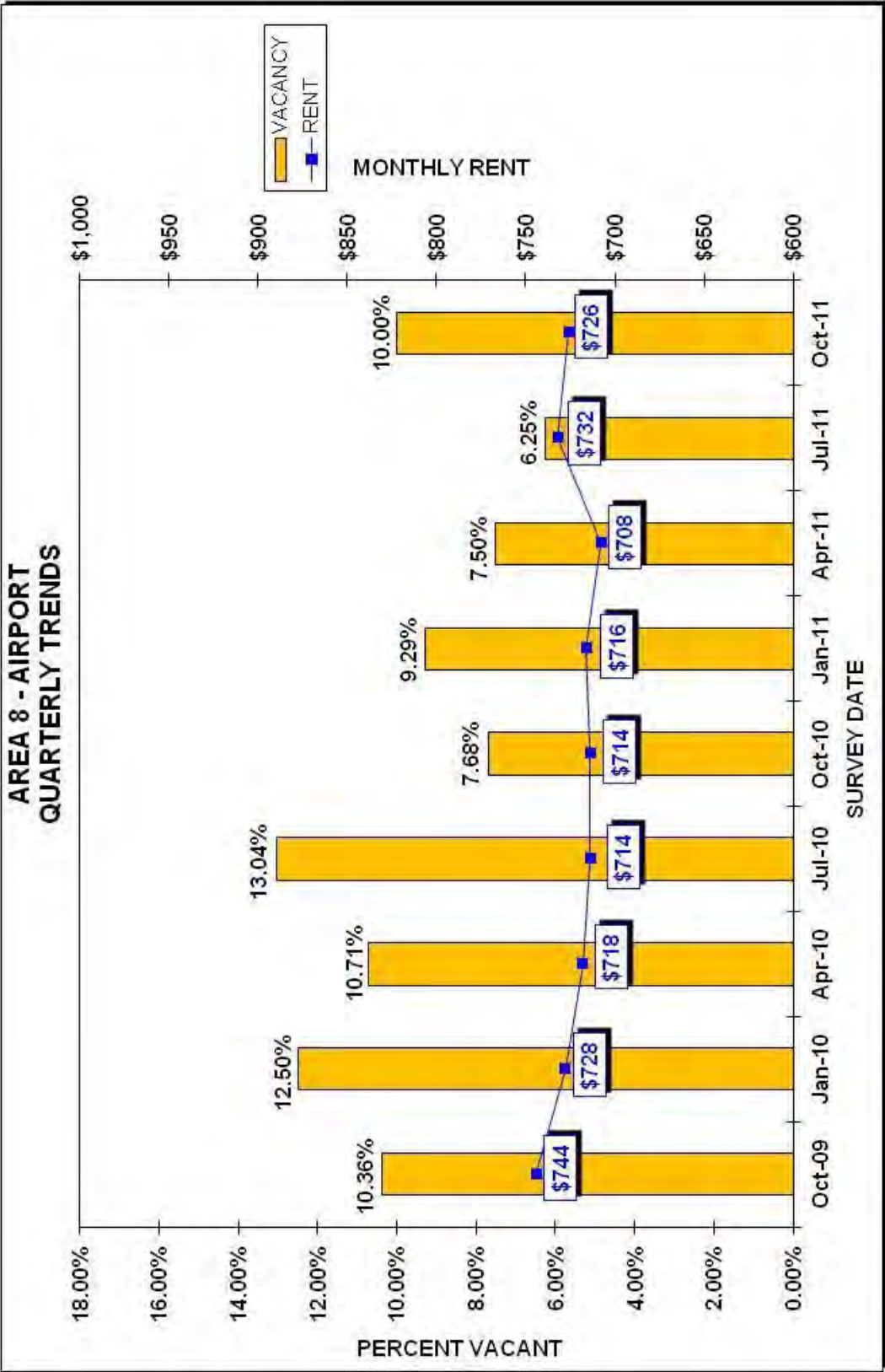


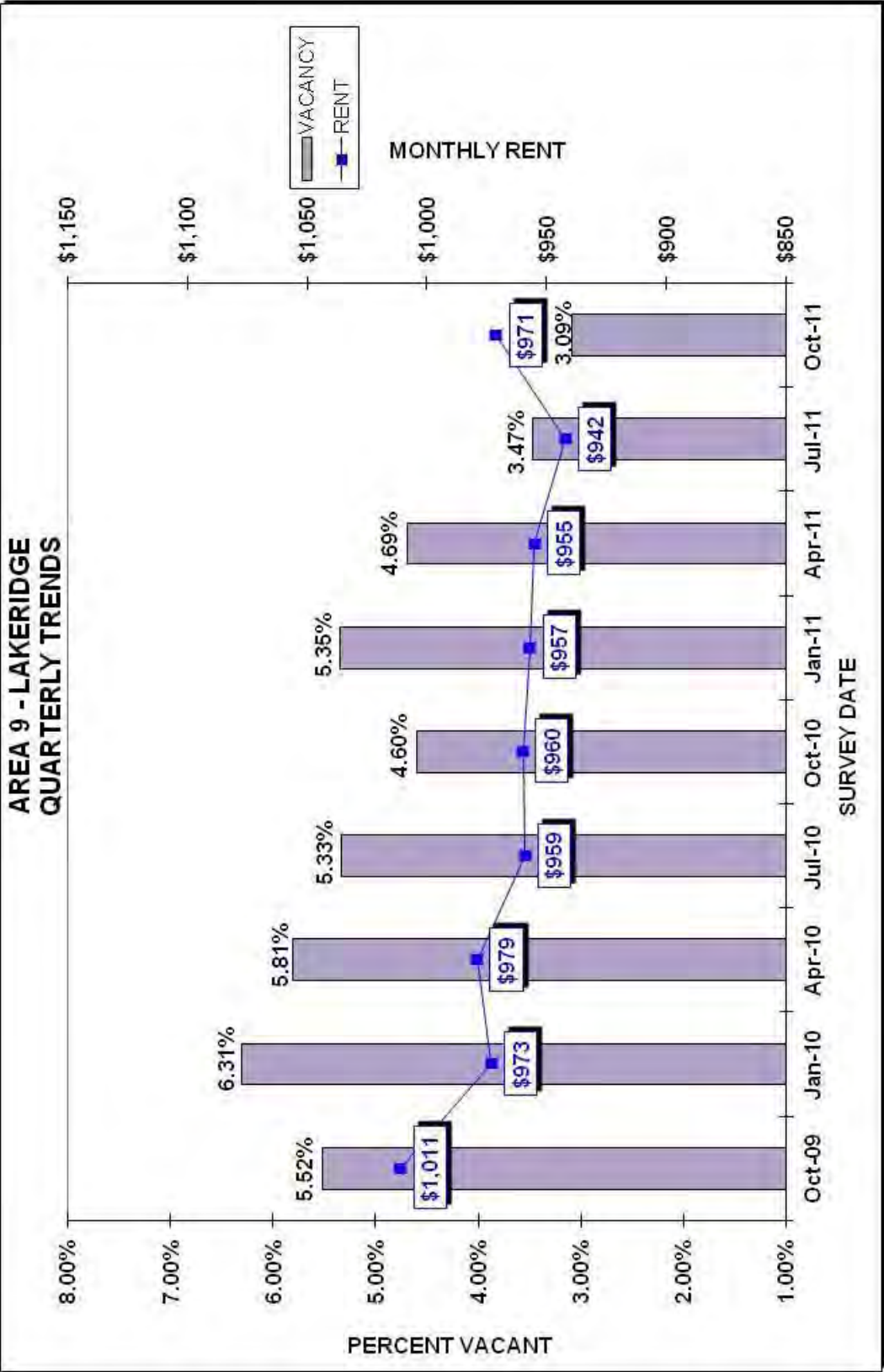
AREA 5 - WEST RENO QUARTERLY TRENDS



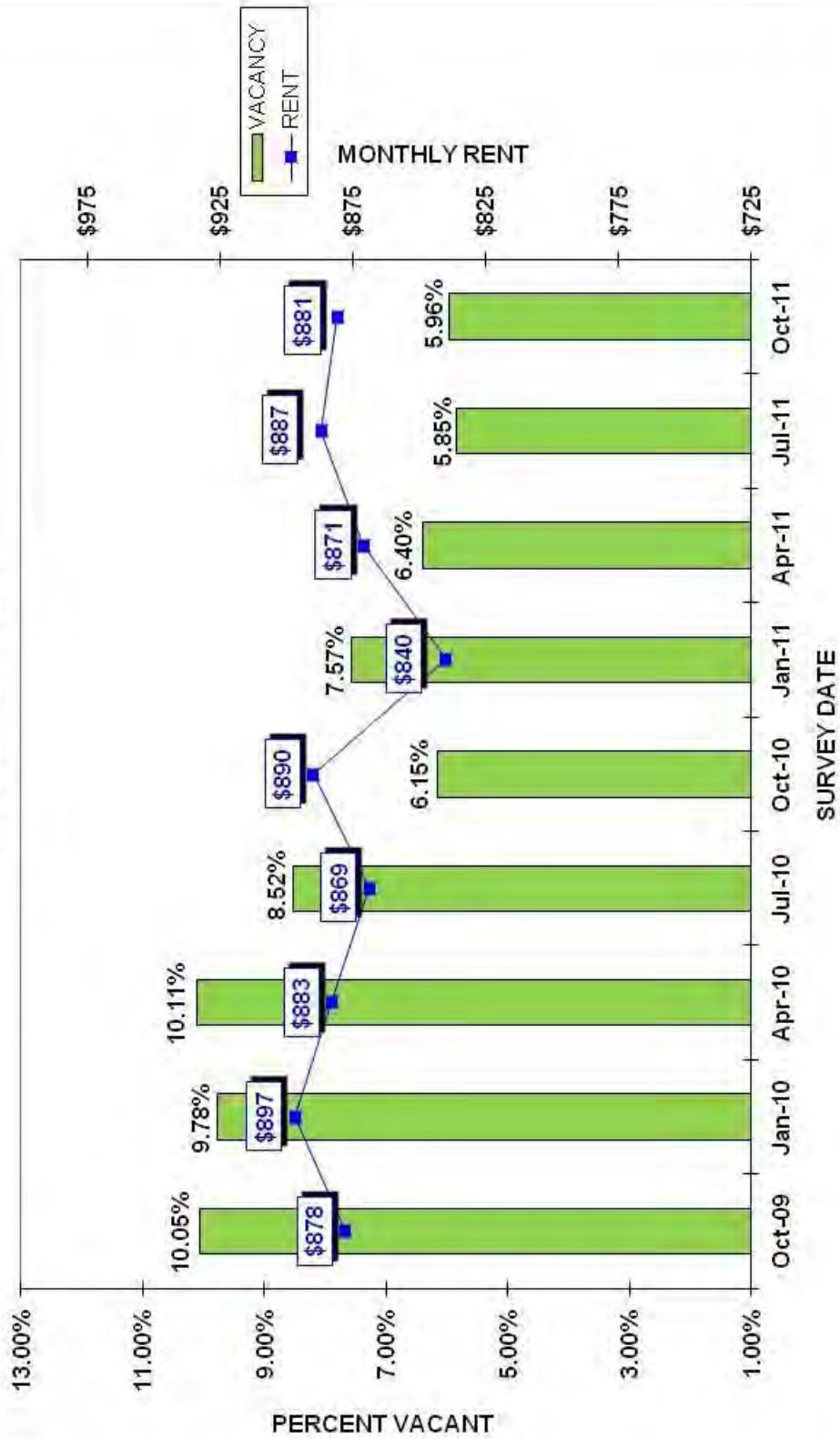


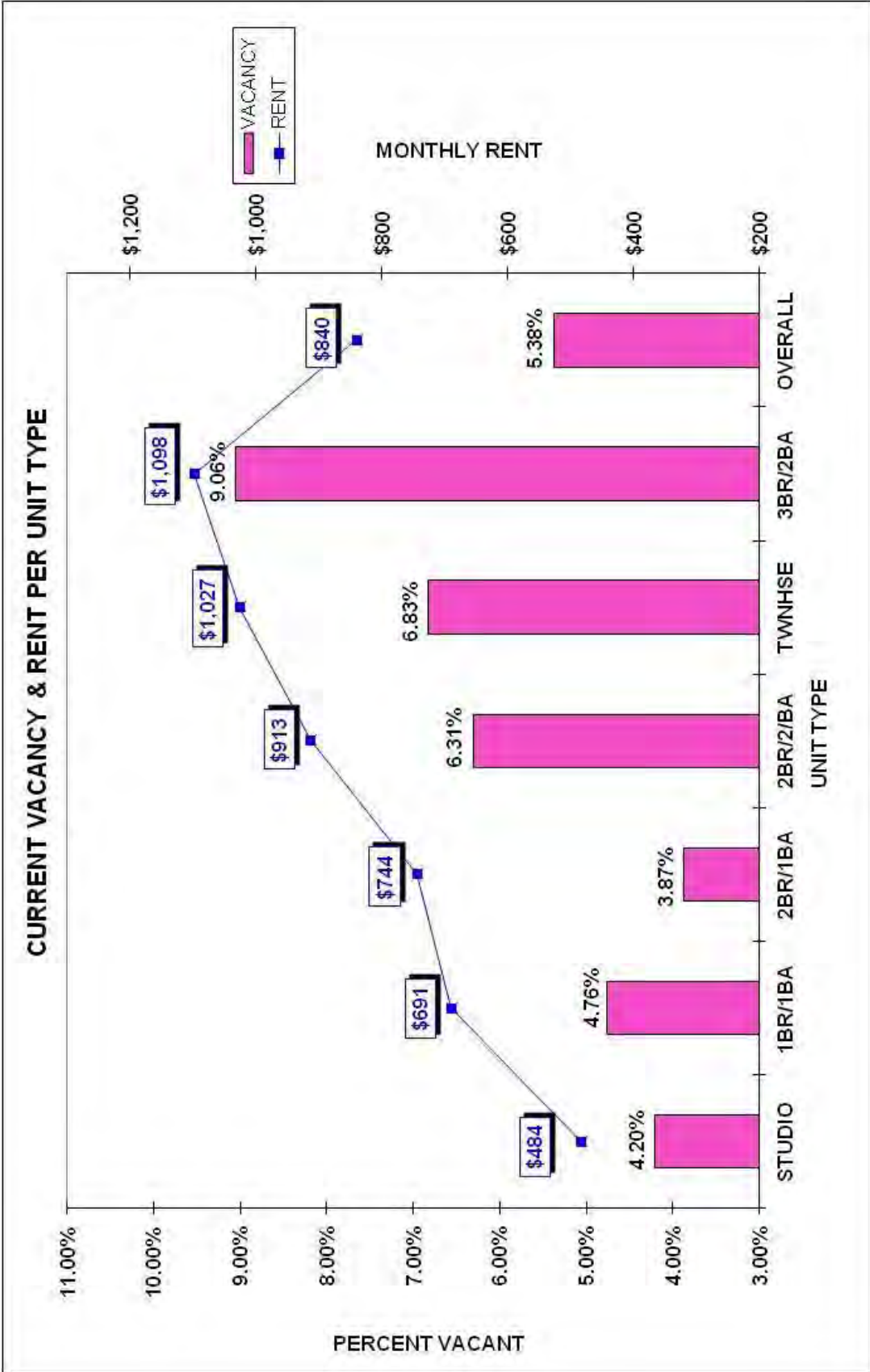


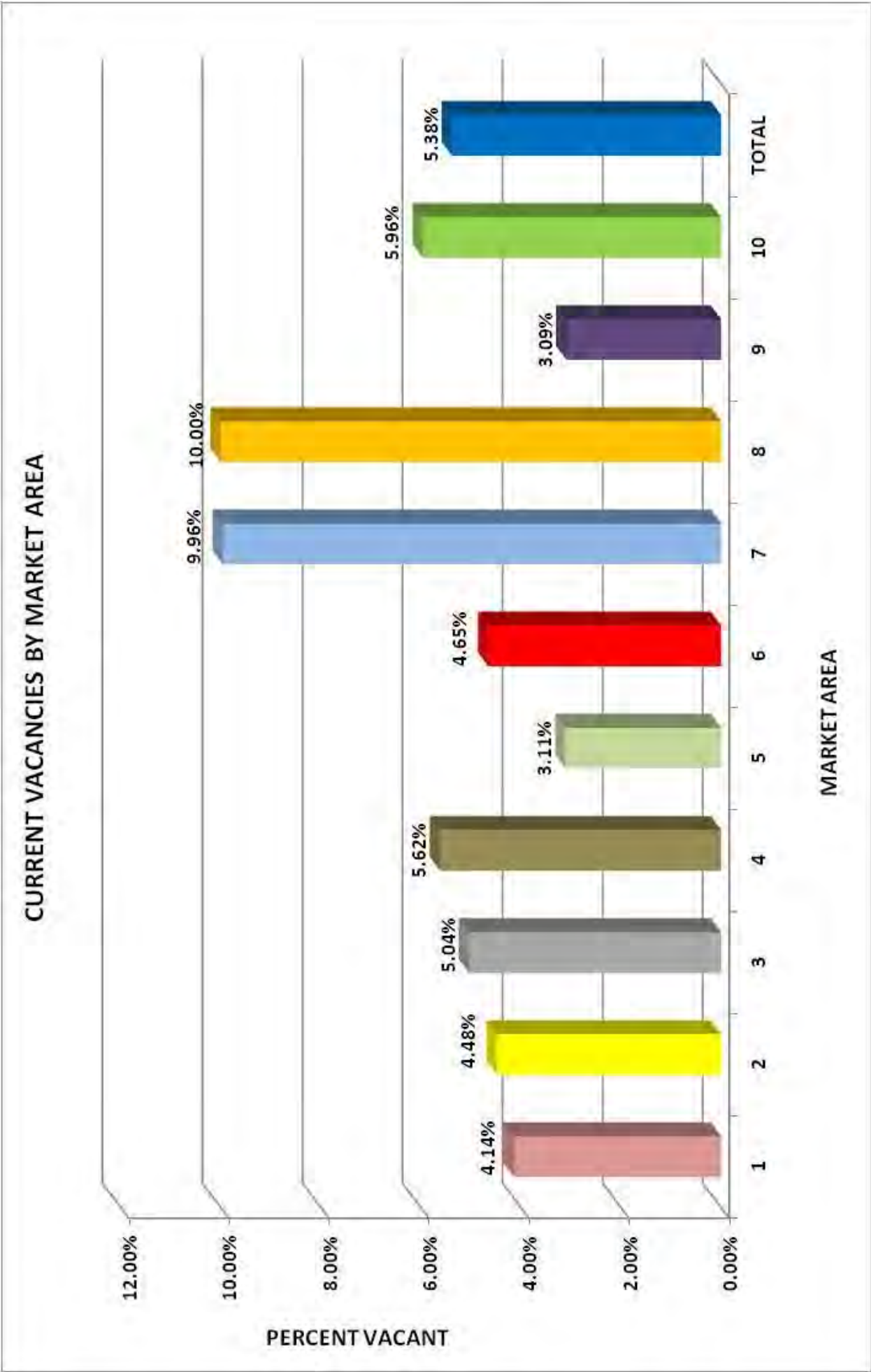


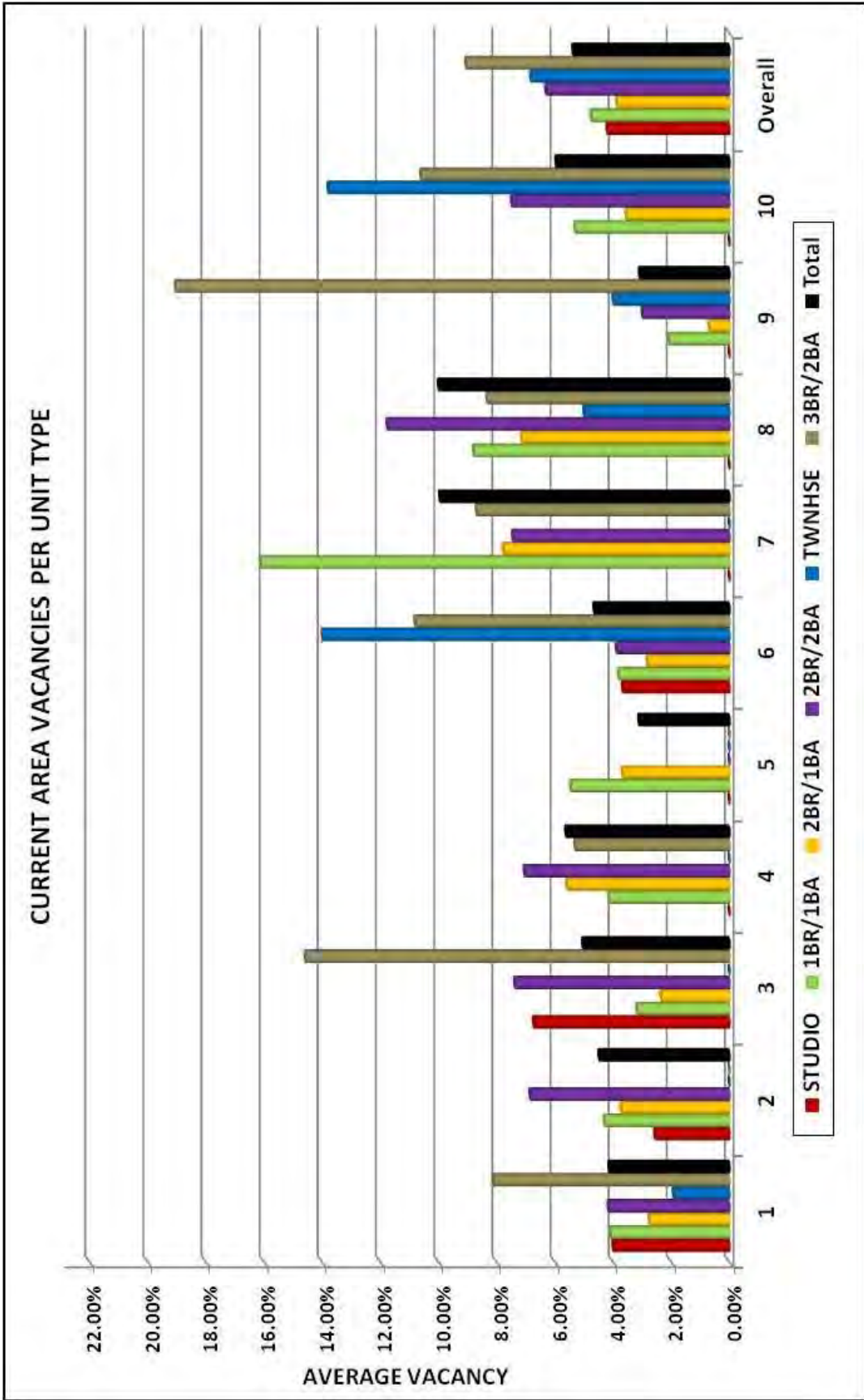


AREA 10 - SOUTHEAST RENO QUARTERLY TRENDS

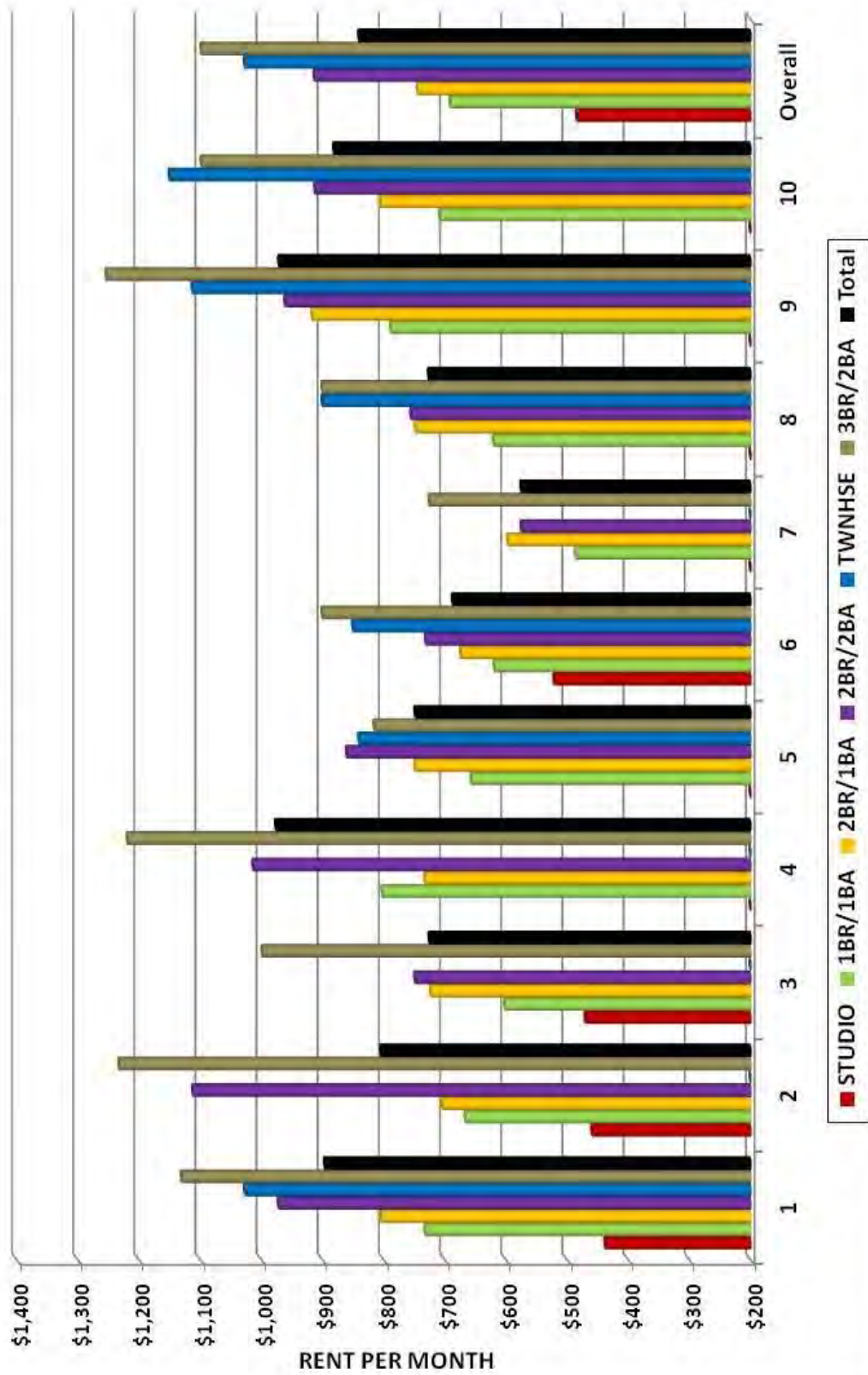




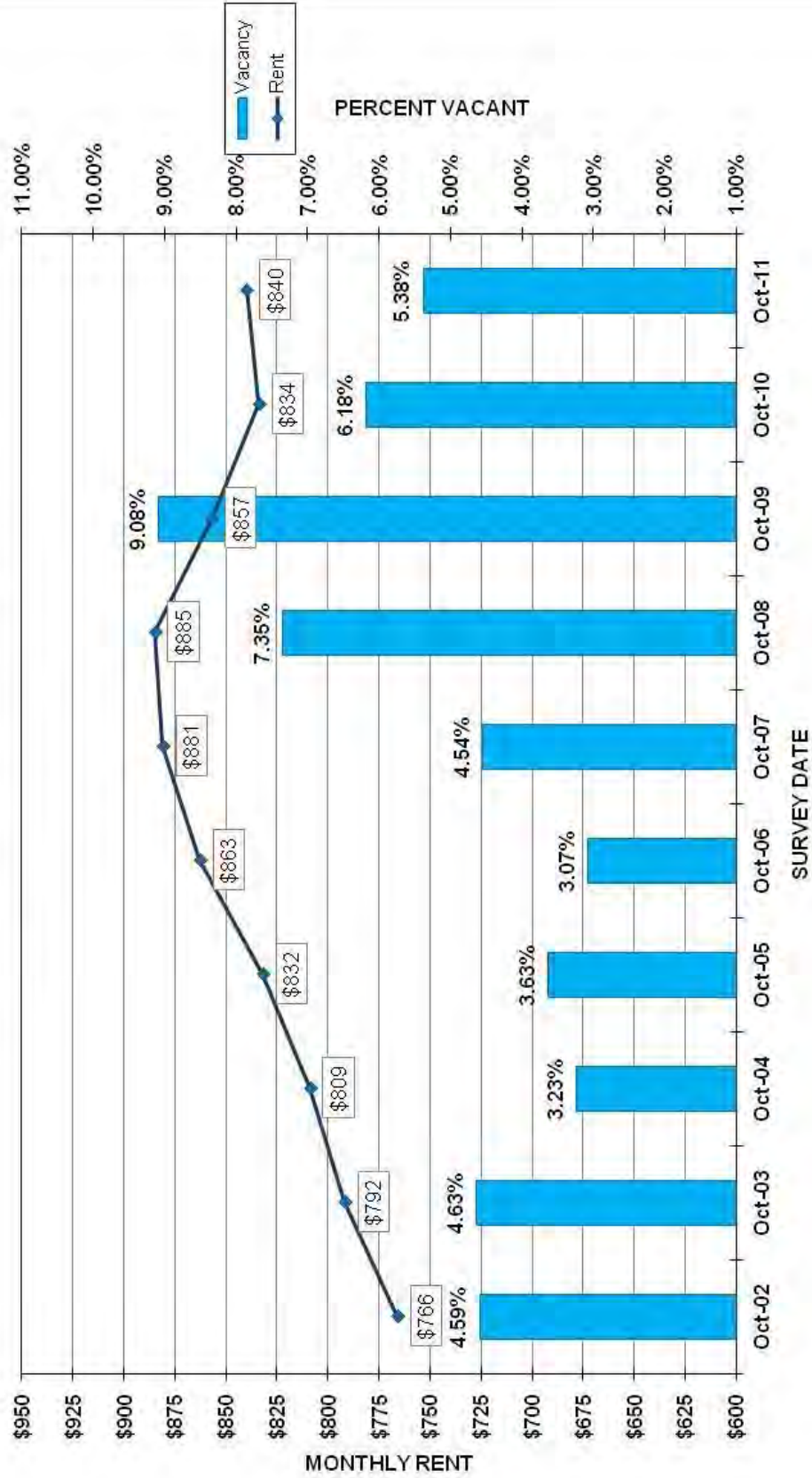




CURRENT AREA AVERAGE RENTS PER UNIT TYPE



ANNUAL OCTOBER RENTS AND VACANCIES



SURVEY PARTICIPANTS

Special thanks to the following apartment complexes for their continued and reliable support:

Ala Moana Apartments	Sharlands Terrace
Aviana at Tuscany	Sherwood Forest
Balfour Place	Shoreline Plaza
Bristle Pointe	Sierra Point Apartments
Bristol Bay Apartments	Sierra Sage Apartments
Brooktree Apartments	Sierra View Apartments
Canyon Vista Apartments	Sierra Woods
Caviata at Kiley Ranch	Silver Lake Apartments
Century Park Apartments	Silver Ridge Apartments
Club Ambassador	Sky Vista Commons
Courtside Gardens	Skyline Canyon
Creekside Apartments	Southwest Village
Delucchi Lane Apartments	Spring Villas Townhomes
Eastland Hills	Stonegate Apartments
El Chaparral	Sundance West
Horizons at South Meadows	The Alexander at South Virginia
Kirman Gardens	The Boulders
Lakeridge Apartments	The Enclave
Lakeside Village	The Lodge at McCarran Ranch
Lakeview Apartments	The Meadows II
Lansdowne House	The Park at Idlewild
Manzanita Gate	The Trails at Pioneer Meadows
Marina Garden Apartments	The View Apartments
Marina Village	The Village at Iron Blossom
Meadowood Apartments	The Village at Wildcreek
Montebello at Summit Ridge	The Villas at D'Andrea
Northgate Villas	Truckee River Terrace
Northtowne Summit	Village of the Pines
Northwind Apartments	Vintage at South Meadows
Park Vista	Vista Ridge Apartments
Plumas Gardens	Vizcaya Hilltop Apartments
Redfield Ridge	Waters Edge Apartments
Reno Vista Apartments	Waterstone at Kiley Ranch
Riverwood Apartments	Westcreek Apartments
Roselake Apartments	Westridge Apartments
Rosewood Park	Willow Creek Villas
Sandpebble/Spanish Oak	Willowbrook Apartments
	Woodside Village