LAS VEGAS | NEVADA

RESEARCH & FORECAST REPORT

Multifamily Moves Forward

According to statistics provided by REIS, multi-family vacancy in Southern Nevada decreased in the second quarter of 2012 (the most recent quarter of available data), continuing a nine quarter trend in declining vacancy. Vacancy stood at 7.0 percent in the second quarter of 2012, a decrease of 0.1 points from the second quarter of 2011. Class A properties enjoyed a 6.5 percent vacancy rate, lower than Class B and C properties, which had an overall vacancy of 7.4 percent. Most submarkets showed positive net absorption, the exception being the Northeast and West Central submarkets. Effective rents were up 0.9 percent over last quarter and 2.5 percent over last year, and stood at $789 per unit overall in the second quarter of 2012. Class A properties posted an average effective rent of $939 per unit, as compared to an average asking rent of $714 for Class B and C properties. In general, rents have been on the rise since 2010, and as vacancy continues to decline will continue that rise.

REIS predicts that the next two years will see multi-family vacancy dip to as low as 5.3 percent before new construction begins driving vacancy rates back up. REIS predicts over 10,000 multi-family units will be added to the Valley's inventory over the next four years, with most of it currently planned for the Henderson/Southeast and North Las Vegas submarkets.

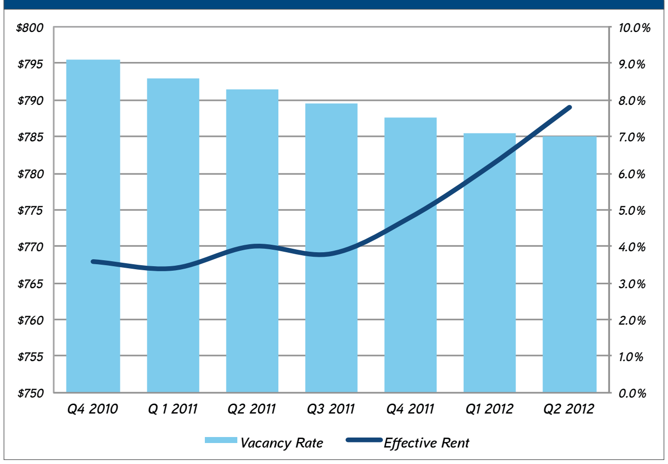
The construction and absorption ratio (Con/Abs Ratio) for the Las Vegas MSA, released by REIS for the second quarter 2012, improved versus the previous quarter with a ratio level of 0.0. This is the lowest ratio level for Las Vegas MSA in the past five years. The Con/Abs Ratio provides a ratio measure of units built versus units absorbed for the quarter on a scale of 0.0 to 2.0, which dropped from a ratio of 0.4 in the first quarter to 0.0 in the second quarter 2012. This ratio provides statistical evidence that demand is out-stripping supply of rental apartments for the Las Vegas market. The Con/Abs Ratio measures three key elements of the multi-family housing market: construction of low-income units, market-rate rental units and "for-sale" units, or

CLARK COUNTY ECONOMIC DATA

	2012	2011
Unemployment Rate (Apr)	11.6%	12.0%
Visitor Volume (Apr YTD)	13.1 MM	12.8 MM
Gaming Revenue (Apr YTD)	$3.21 BB	$3.05 BB
Taxable Sales (Mar YTD)	$7.54 BB	$7.16 BB

SOURCE: THE CENTER FOR BUSINESS & ECONOMIC RESEARCH, UNLV

HISTORICAL VACANCY RATES & ASKING LEASE RATES



"Southern Nevada's multifamily sector is continuing to display a path of steady recovery as new construction has increased to try to keep up with current demand for Class A apartments."

JOHN M. STATER
Research & GIS Manager

HISTORICAL SALES DATA

	2012 YTD	2011	2010	2009	2008
Units Sold	6,293	7,399	2,996	822	3,991
Average Price/Unit	$41,566	$51,700	$42,500	$66,900	$85,300
Cap Rate	9.5%	8.0%	7.9%	6.6%	5.9%

MULTI-FAMILY MARKET INFORMATION

QUARTER	INVENTORY	COMPLETIONS	VACANCY RATE	NET ABSORPTION	EFFECTIVE RENT
Q1 2011	134,547	0	8.6%	670	$767
Q2 2011	134,799	252	8.3%	674	$770
Q3 2011	134,799	0	7.9%	473	$769
Q4 2011	135,253	454	7.5%	1,027	$774
Q1 2012	135,573	320	7.1%	752	$781
Q2 2012	135,573	0	7.0%	162	$789
CLASS					
A	63,800	0	6.5%	100	$939
BC	71,773	0	7.4%	62	$714
SUBMARKET					
Downtown	16,227	0	8.1%	73	$659
East	15,322	0	6.4%	10	$721
Henderson/ Southeast	25,198	0	6.5%	75	$920
North Las Vegas	22,298	0	9.4%	112	$759
Northeast	8,815	0	9.8%	-35	$673
Northwest/ Southwest	20,681	0	4.6%	21	$952
University	14,501	0	7.9%	86	$670
West Central	12,531	0	4.0%	-19	$774

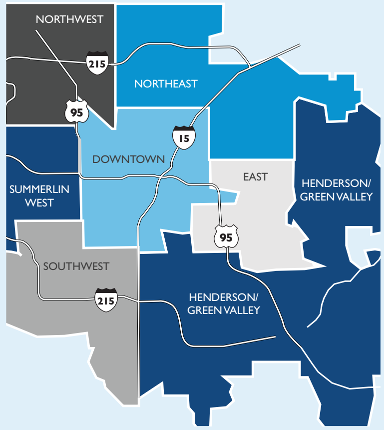
MULTI-FAMILY DEMOGRAPHIC DATA

	2012 est. households	Renter Occupied	Median Household Income	Average Household Size	Roject Annual Growth Rental Households (2011-2016)
Downtown	141,000	63%	$38,000	2.8	-162
East	75,000	43%	$47,000	2.8	109
Henderson/Green Valley	166,000	39%	$62,000	2.6	621
Northeast	68,000	42%	$53,000	3.0	353
Northwest	59,000	14%	$74,000	2.9	117
Southwest	77,000	33%	$63,000	2.6	337
Summerlin West	73,000	40%	$62,000	2.5	149

MULTI-FAMILY SALES

PROPERTY	SALE DATE	UNITS	PRICE	PRICE/UNIT	YEAR BUILT
Desert Lakes	Sep 2012	184	$17.8 MM	$97,000	1991
Villa del Rio Apartments	Sep 2012	168	$8.0 MM	$48,000	1989
Newport	Aug 2012	54	$0.5 MM	$10,000	1979
Marina Bay	Aug 2012	192	$9.6 MM	$50,000	1973
1340 Elizabeth Ave	Aug 2012	64	$1.6 MM	$25,000	1963
Reflections at the Lakes	Aug 2012	326	$30.0 MM	$92,000	1989
Lake Sahara	Jul 2012	296	$9.4 MM	$32,000	1972
Ashton Court	Jul 2012	24	$0.4 MM	$15,000	1961
Pacific Harbors at Sunrise	Jul 2012	87	$3.0 MM	$34,000	1986
Tamarus Village	Jul 2012	87	$3.4 MM	$39,000	1979

Source: Real Capital Analytics

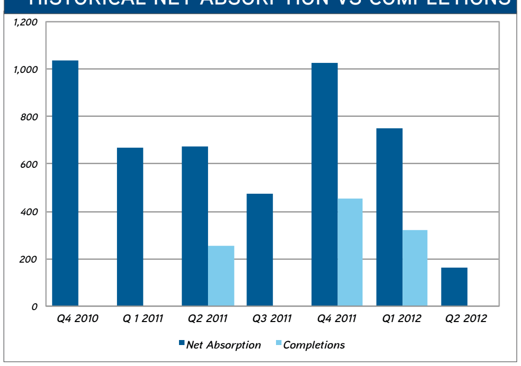


condominium/townhomes. Southern Nevada's multi-family sector is continuing to display a path of steady recovery as new construction has increased to try to keep up with current demand for Class A apartments.

Over the past twelve months, Southern Nevada added 8,700 new jobs net, with most new jobs being in the leisure and hospitality sector. The big job losers these past twelve months have been construction, financial activities, professional & business services and state and local government. Unemployment in the Las Vegas-Paradise MSA stood at 11.6 percent as of July 2012, down from 12.0 percent in July 2011. UNLV's Center for Business & Economic Research is now predicting 1.2 percent employment growth for Southern Nevada in 2012.

Over the past forty years, through good times and bad, Southern Nevada experienced continual year-after-year increases in population. Until the Great Recession of 2007, that is. Population growth has now been stagnant in Southern Nevada for the past five years, and still has not hit the peak achieved in 2007. Rapid population growth was responsible for the wondrous increase in construction and financial services jobs in Southern Nevada, among other things, and lack of population growth is hampering the region's recovery. The difficulty in purchasing homes of late has shifted people in multi-family from single-family housing, so the multi-family market has managed to prosper despite the region's shift from population growth to (minor) population decline. Recent driver's license counts from the Nevada Department of Transportation suggest that population is once again growing in Southern Nevada, feeding the hope that recovery will quicken in 2013 and beyond.

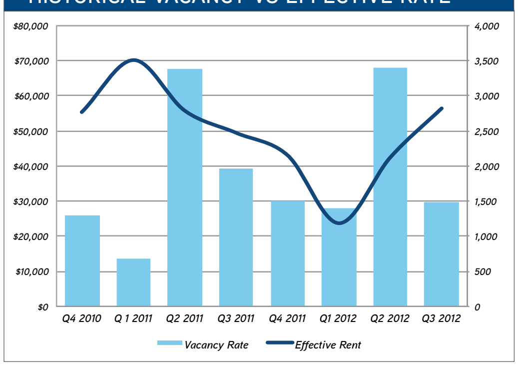
HISTORICAL NET ABSORPTION VS COMPLETIONS



According to Real Capital Analytics, there are 9,964 units in distressed multi-family projects in Southern Nevada in the third quarter of 2012, a decrease from the first and second quarters of 2012. The distressed category includes properties that have received a notice of default, as well as troubled properties and those that are in some stage of the foreclosure process. Over the past twelve months, distressed multi-family projects consisting of 8,621 units have been resolved and another 100 units have had their loans extended or restructured. Distressed properties that were resolved had an average occupancy rate of 90 percent.

Multi-family sales dropped off in the third quarter of 2012, with 1,482 units selling at an average price per unit of $56,440. Compare this to a second quarter surge of 3,406 units sold at an average price per unit of $42,463. On a year-over-year basis, multi-family sales were down in the third quarter of 2012, though the price per unit was up by about $7,000 per unit. On the whole, 2012 looks like it will be roughly even with 2011 in terms of multi-family sales. Cap rates have averaged 9.5 percent in 2012, compared to 8.0 percent in 2011 and 7.9 percent in 2010. In general, buyers appear to be investigating Class A properties, but the sales are in Class B/C properties. According to data from Real Capital Analytics, approximately 91.7 percent of all sales in 2012 were of Class B/C product. Investors are cautious of late, ignoring pro-forma numbers in favor of actual numbers. In addition, the investment picture in Southern Nevada is taking on an international character, with more Canadian and Chinese investors turning their attention to our little corner of the globe.

HISTORICAL VACANCY VS EFFECTIVE RATE



522 offices in 62 countries on 6 continents

United States: 147
Canada: 37
Latin America: 19
Asia Pacific: 201
EMEA: 118

- $1.8 billion in annual revenue
- $1.25 billion square feet under management
- Over 12,300 professionals

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