

NORTHERN NEVADA LAND RUSH

Mid Year 2008

REVIEW

MID YEAR REVIEW

Despite a cool first half in sales activity, we are still predicting new home prices will hit bottom in the second half of this year. There are signs that prices are leveling off; builders (mostly public) have made significant adjustments in base pricing and incentives and are realizing improved sales activity. Prices in active communities are now averaging between \$125-\$150 per square foot - a price range not achieved since the 2002/2003 building season. Builders have been forced to "re-tool" and introduce smaller product to hit the active price range which is \$250,000-\$325,000 for detached and \$175,000-\$250,000 for attached product. Projects that have been able to adjust to the market are selling homes! In the first half of 2008 we measured 880 sales in 96 communities - which is down 40% from the first half of last 2007. Our survey showed 89 communities existing at the mid point, but many of these have struggled to remain "active". More than 2/3 of the sales were generated in the top 25 communities - all but four of these being developed by public builders. Standing inventory spiked slightly as prices continued to fall with a large percentage of this inventory being held by private builders and their lenders. New home inventories continue to move toward normal levels as nearly all speculative construction has halted. The south suburban submarket jumped out in front in year to date sales due primarily to the success of KB's Monte Sereno and Centex's Cyan Communities.

Our private builders may be the latest casualty of the market downturn. Many of these builders are over leveraged as a result of 2005/2006 land and home appraisals and are unable to drop prices to match the publics. As a result, they are waiting for the lenders to decide their fate. The lenders waited and watched during the first half of 2008 to see if market conditions were permanent or temporary - and only recently have decided to take action. Notice of defaults have been filed on nearly two dozen residential projects as of the date of this report. Whether we like it or not, lenders will become owners of new home communities in the months to come.

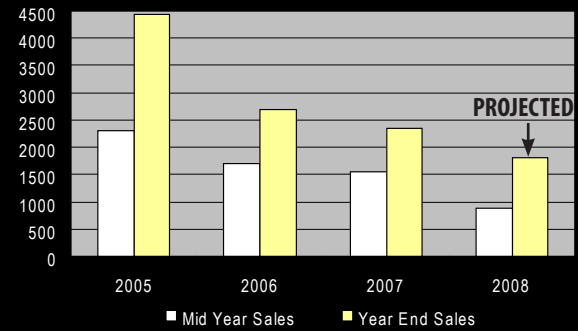
A new breed of land buyer is following these lenders into the market - they are the "hedge or opportunity" Funds. These Funds consist of billions of dollars generated from Wall Street and private sources formed for one purpose - to acquire "distressed" residential land. Because limited financing is available for builders to acquire land and construct new homes, these Funds offer an exit strategy for anxious land sellers. The Funds buy the land at a discount with speculative plans to hold the asset for 3-5 years until the market recovers. A prime example of the new phenomenon is the recent sale of 1,546 paper lots in the Stonebrook Master Plan in Spanish Springs. The property was purchased by an "opportunity fund" at a price comparable to the original acquisition of Stonebrook in 2001. Another example is the recent purchase of 21 acres in Wingfield Foothills. This land was purchased by a fund at less than 25% of its value in 2005. Centex and Lennar also completed large portfolio sales of surplus land holdings at the corporate level that included land in northern Nevada. More of these acquisitions are on the horizon.

EXPECT

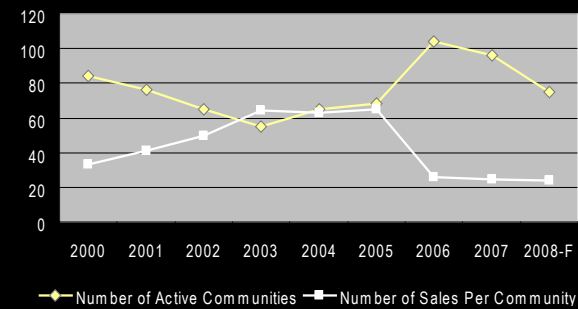
WHAT TO EXPECT FOR LAND

Residential land prices will continue to fall and may not hit bottom until late 2009 or early 2010 - Here's why: We currently have 3,000+/- finished lots and 5,000+ final mapped (recorded) lots in the Reno/Sparks market. At the new home sales pace expected in 2008, this is a 4 year+ supply. In addition, thousands of paper lots are sitting in limbo waiting for the market to improve. Some of this finished lot and final map inventory are held by public builders who have written down the land and are actively selling homes and burning through the land inventory. Ironically, these builders may actually be short on lots by the 2009/2010 building season and many again become lot buyers. It's only then that we should see land prices stabilize and start to rebound.

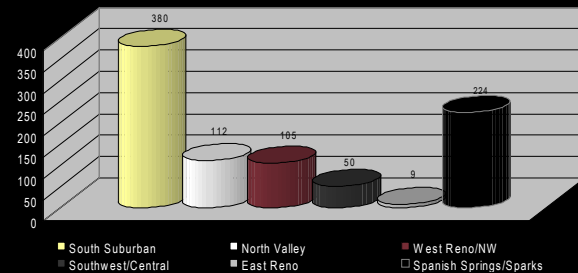
MID YEAR & ANNUAL SALES



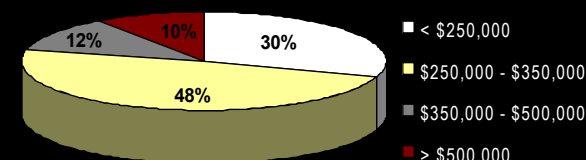
ACTIVE COMMUNITIES



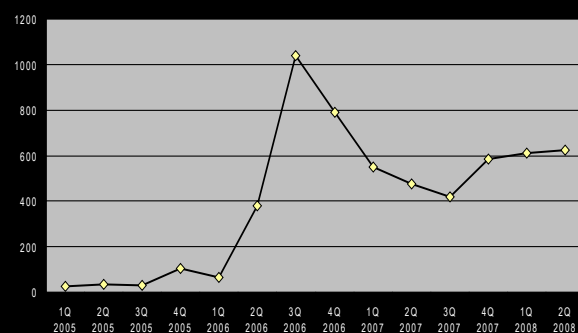
MID YEAR SALES BY AREA



MID YEAR SALES BY PRICE RANGE






STANDING INVENTORY



HOT PROPERTIES

GRUBB & ELLIS | NCG HOT PROPERTIES

PHOTO	PROPERTY NAME	LOCATION	LOTS	PRICE	WATER
	Stone Ridge Community	Foothills @ Wingfield Spanish Springs, NV	95+/- Finished Homesites	\$7,552,500 (\$79,500/homesite)	Included
	Jackson Ranch Village 2 & 5	Main St. & Miller Ln. Fernley, NV	348 Tentative Mapped Homesites with 389.76 AF of water	\$5,900,000 (\$16,954/homesite)	Included
	Shadow Ridge	Pyramid Hwy. Spanish Springs, NV	59 Finished/126 Tentative Mapped Homesites	\$6,207,500 (\$62,500/finished) (\$20,000/paper)	Included

"IT'S A GREAT TIME TO BE A LAND BUYER - LAND PRICES ARE APPROACHING 2001/2002 LEVELS!"

RECENT LAND SALE TRANSACTIONS

PROPERTY	LOCATION	DESCRIPTION	BUYER	SELLER	SALE DATE	PRICE	PRICE/UNIT
 Pioneer Meadows Village 7	Spanish Springs	300 MF Units 20 Acres	Pioneer Meadows Apartment, LLC	BPH I, LLC	2/21/2008	\$4,000,000	\$13,333
 Wingfield Village 11	Spanish Springs	241 Tent. Map Lots 20.879 Acres	DBSI Development	Taylor Morrison Homes	6/23/2008	\$2,350,000	\$9,751
Stonebrook Master Plan	Spanish Springs	1,546 Units 425.951 Acres	Regent Properties	Reynen and Bardis	6/27/2008	\$29,575,000	\$19,130

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TOP 5 BUILDERS (MID YEAR 08)

1. Centex Homes
2. TIE: DR Horton & Lennar Homes
4. KB Home
5. Reynen and Bardis

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