

NHD APARTMENT FACTS

Greater Reno/Sparks Area
Second Quarter 2002

The Nevada
Housing
Division's
Annual
Multi-Family
Housing
Survey of the
Greater
Reno/Sparks
Area

Second Quarter
2002

Final Report

2nd Quarter 2002

NHD Apartment Facts

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**The Nevada
Housing
Division**

mission....

**to assist and
encourage the
private sector
and other
governmental
entities in the
creation and
maintenance of
affordable housing
throughout the
state.**

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From The Administrator



Charles L. Horsey

NHD's Annual Multi-Family Survey

It is with great pleasure that the Housing Division is presenting its findings for the second quarter 2002 multi-family housing survey.

Research through mail questionnaires and telephone interviews help the Division each year to systematically identify and compare for analysis the Greater Reno/Sparks Area apartment market. The survey information has proven to be invaluable in the Division's decision making process in the planning and financing of apartment complexes.

One of the Division's primary goals is to serve those populations most in need. For the past several years, a great deal of our multi-family financing has been for providing affordable senior housing, housing for special needs populations, and housing for the low- to moderate-income individual and families.

Through the annual point-in-time survey, we are able to evaluate our effectiveness in serving

these populations. At the same time, the housing market study assists NHD's managers to determine those housing gaps to better serve our community's rental housing needs and its population.

I take this opportunity to thank everyone involved with our survey, as the Division strives to continue its financial support in the production of quality affordable housing.

Charles L. Horsey

"NHD's focus has been on providing affordable senior housing, housing for special needs populations, and housing for the low- to moderate-income individual and families."

The Survey

Goals and Objectives

The Division's goals for the NHD Apartment Report survey is to assist staff in their short-term and long-range planning processes.

The Division, through this data collection, documents new multi-family units and tracks vacancies and rental rates for existing multi-family housing units in the Greater Reno/Sparks Area.

The primary reasons the Housing Division continues this task are to:

- ? Create a comprehensive data base of rental properties;
- ? Give interested parties planning tools to target funding; and
- ? Create long-range monitoring devices to identify emerging and changing trends in the rental property market.

Methodology

The scope of work used in this study consisted of the following tasks:

- ? Design and administration of a mail survey to all identified apartment projects in the Greater Reno/Sparks Area.
- ? Follow up data collection by a telephone interview, for those apartment complexes who did not respond to the mail survey.
- ? Data collected was focused on specific housing related questions:
 1. total number of housing units in the multi-family housing complex,
 2. address of the property,
 3. year property built,
 4. number of vacancies,
 5. number of vacancies by apartment type,
 6. breakdown of total housing units by unit

sizes,

7. rental rates (low to high range) for unit sizes,
8. special restrictions of property, such as transitional housing, senior housing, and housing for disabled,
9. percentage of apartment units rented to persons 55 of age and over, and
10. other restriction policies.

- ? Analysis of data collected through the mail survey and telephone interviews. A final report outlining the findings of the survey.

Data:

All data is based upon primary data collection of the Housing Division. From this data collection, 205 apartment complexes were identified representing 28,850 apartment units.

Of the total identified apartment complexes, 13 of the complexes, representing 6.8% of the total identified data base, were classified as no contact. The no contacts represented those complexes whose mail was returned as "non-deliverable." They have no on-site management present and reaching management by telephone personnel proved unsuccessful.

In the section of the report covering apartment rental information and apartment restrictions, 192 complexes' data was used for analysis. This represented a 94% response rate of the identified data base.

For vacancy information, 176 complexes responded to a specific vacancy rate question. Out of the 176 responses, 102 complexes provided a breakdown of their vacancies by unit type, i.e., by single room occupancy (sro), studio, one-, two-, three-, and four-bedroom size apartments.

Greater Reno/Sparks Area Apartment Survey Study — Key Points

The Reno/Sparks Area multi-family survey data reflects changes in the overall rental housing market. The Area has shown an increase in vacancies.

Key findings from the 2nd Quarter 2002 survey reflect the following:

- ? The two-bedroom size apartments continue to remain the most popular unit type.
- ? The two-bedroom size apartments comprise 47% of the identified multi-family housing units, down 2% from 2001's data.
- ? The average apartment complex shows an increase in size, averaging over 190 units per complex compared to 133 units per complex during the early to mid 1990's.
- ? Data reflects an overall vacancy rate of 5.8%, a 44.8% change in vacancy rate from the 2001 point-in-time survey data.
- ? Studio-size apartments reflect the highest vacancy rates.
- ? The 3- and 4-bedroom size apartments reflect the lowest vacancy rates.
- ? Vacancy rates are highest in older areas and in areas where newer projects are concentrated.
- ? Five zip codes, located in the southern part of the Area house nearly 2/3 of all multi-family units.
- ? Nearly 50% of new multi family construction in the past 2½ years has occurred in the 89511 and 89523 zip codes.
- ? Years 2000 and 2001 saw the greatest number of new apartment units produced in the Reno/Sparks Area over the past 20 years.

"The greatest rental rate change occurred in the studio-size apartments."

- ? Since 1999, construction rate of the three-bedroom size units has decreased.
- ? Post 1999 construction shows equal numbers of studio and 3 bedroom-size apartments being constructed.
- ? The greatest rental rate change occurred in the studio-size apartments with a 6.1% increase in rental rates.
- ? Affordable units rental rates¹ are 10% to 25% lower than market units rental rates, with exception to the studio size apartment which reflects higher rental rates in designated income restricted properties.
- ? The one-bedroom size unit is the most popular for the 55+ age group.
- ? Rental rates increased for all size of apartment units.
- ? Zip code 89509 provides the greatest number of housing targeted for the active 55+ population.
- ? Monthly rental rates for assisted living units average \$1,895 to \$4,250 a month.
- ? Average rental rates for assisted living units serving Alzheimer's or dementia residents average \$3,100 to \$4,000 a month with intensity of services dictating final pricing.

¹ Affordable rents are those rents provided to individuals or families in which 1/3 of those families' income is 60% or less of area median income.

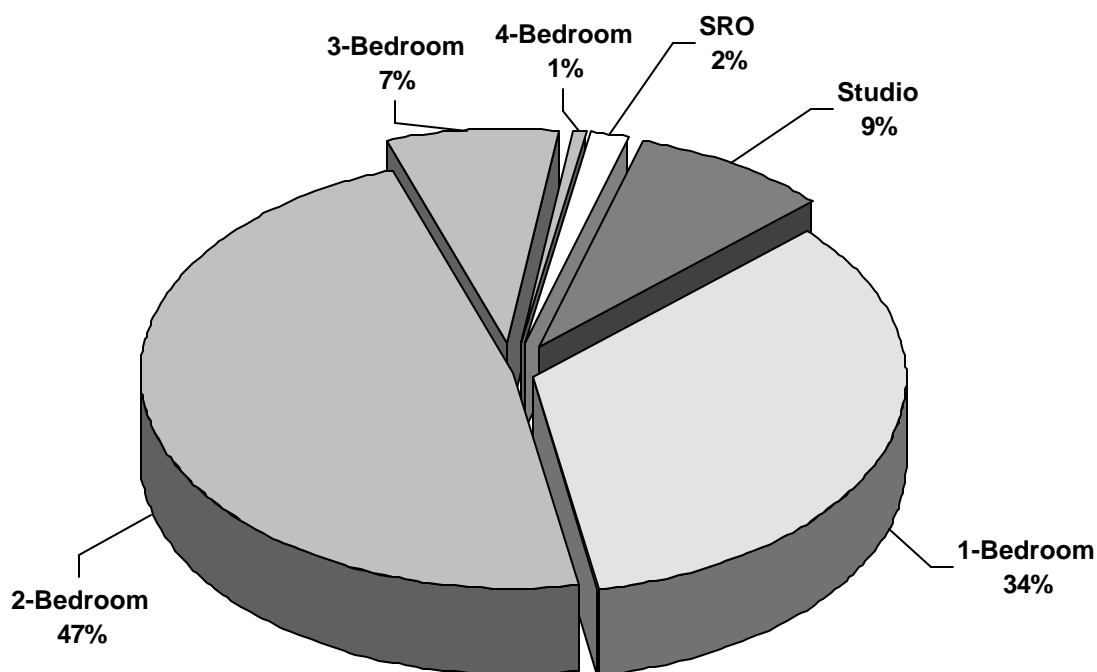
Distribution of Apartments by Type of Unit

The split of unit types shows that the two bedroom is clearly the most common unit type, comprising 47% of the Reno/Sparks Area's apartment units.

TABLE 1
Number of Apartments by Type of Unit
June 2002

	Units in Completed Survey	SRO	Studio	1-Bedroom	2-Bedroom	3-Bedroom	4-Bedroom
June 2000	16,556	252	1,090	6,147	8,065	983	19
June 2001	24,046	335	1,700	8,562	11,757	1,600	92
June 2002	28,499	473	2,448	9,733	13,541	2,123	181

GRAPH 1
Distribution of Apartment Units by Size
June 2002

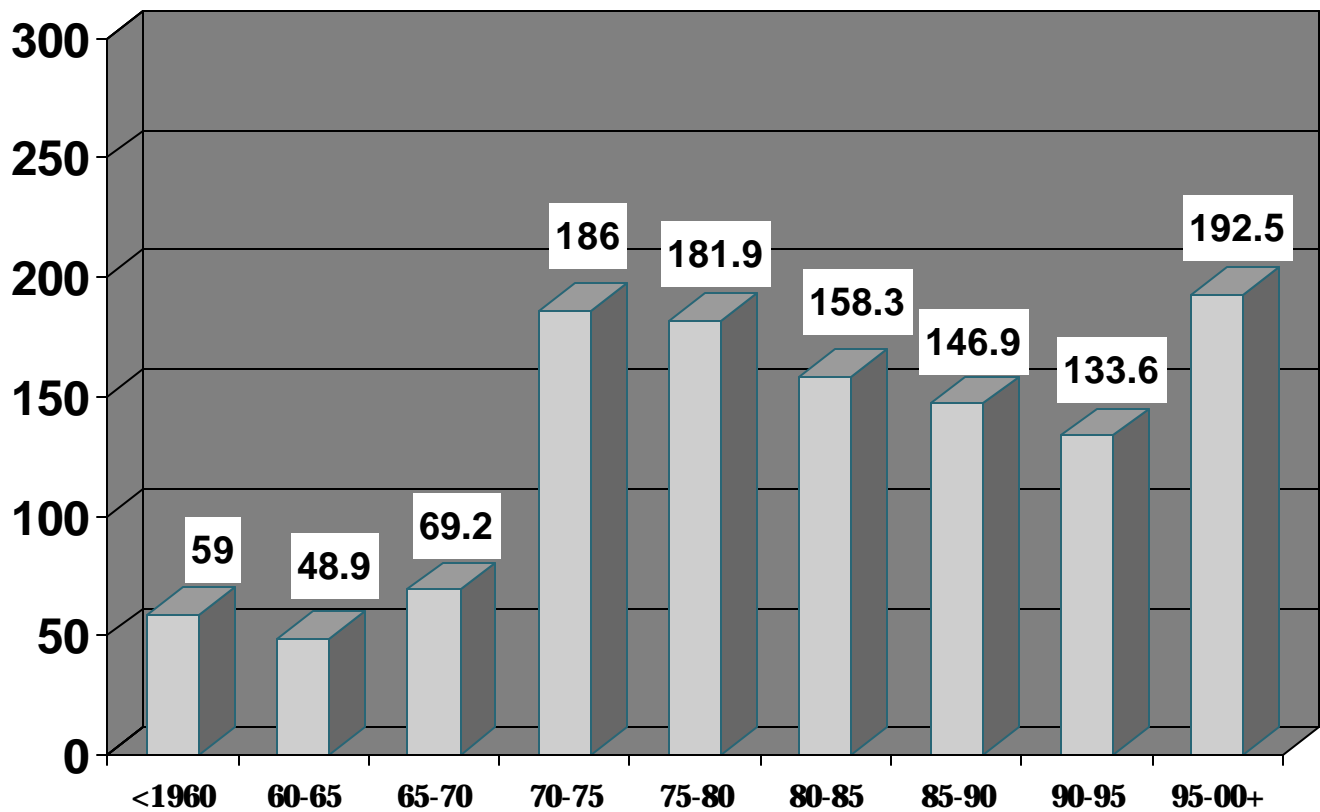


Growth in Average Apartment Project Size

Since the 1960's, there has been a steady increase in the average size of apartment projects. Those projects built after 1995 have shown the largest number of units, averaging over 190 units per project.

GRAPH 2
Growth in Average Apartment Project Size
June 2002

Units per Project



Year Built

Vacancy Rates

The vacancy rates reflected in the Division's 2002 point-in-time survey show an overall Reno/Sparks Area vacancy rate of 5.8%. This is a 44.8% increase in vacancy rate from the second quarter 2001 survey data.

TABLE 2
Vacancy Rates in the Reno/Sparks Area
 (Data by Year Project was Built)

Date Project Built	2nd Qtr. 2002 # Units Responding to vacancy question	2nd Qtr. 2002 # of Reported Vacant Units ²	Vacancy Rate 6/30/02	Vacancy Rate 6/30/01
2000 only	1,367	208	15.2%	na
1995 to 1999	4,179	266	6.4%	4.4%
1990 to 1994	1,568	70	4.5%	3.9%
1985 to 1989	3,700	113	3.1%	2.7%
1980 to 1984	2,127	140	6.6%	1.0%
1975 to 1979	6,029	376	6.2%	2.2%
1970 to 1974	4,373	213	4.9%	2.7%
Pre-1970	1,427	44	3.1%	3.3%
known pre-2001 con- struction, but specific date unknown	219	12	5.5%	NA
Totals	24,989 ¹	1,442	5.8%	3.2%

¹Totals do not include 2001 and 2002 data as units are in the rent-up phase.

²Vacancy data is derived from a 93% survey response rate to the specific vacancy rate question.

na— not applicable.

NA — not available.

Note: Totals do not include assisted living or group homes nor public housing complexes.

Vacancy Rates

Table 3 reflects that studio size apartments have the highest number of units available to rent. The studio size apartments make up less than 10% of the total areas multi-family rental housing, but experience the highest vacancy rate for those projects responding to the survey vacancy question. The larger sized 3- and 4-bedroom units reflect the lowest vacancy rate.

TABLE 3
Reported Vacancies By Type of Unit *
for All Reporting Apartment Complexes

Apartment Type	Number of Units in Sample	Vacancies by Unit Type	Vacancy Rate
Single Room Occupancy (SRO)	424	19	4.5%
Studio Apartments	1,719	145	8.4%
1-Bedroom Size Apartments	11,384	282	2.5%
2-Bedroom Size Apartments	11,745	532	4.5%
3-Bedroom Size Apartments	5,093	77	1.5%
4-Bedroom Size Apartments	298	4	1.3%

*Vacancy rate by type of unit was derived from the responses of 100 apartment complexes that provided a breakdown of number of vacancies by size of unit where the vacancies occurred.

Housing Units and Vacancy Rate by Zip Code

Zip code 89431 shows the highest percentage of apartment units reporting vacancies. A reporting 11.1% vacancy rate. Zip code 89502 shows the highest number of apartment units vacant available to rent.

TABLE 4
Total Number of Housing Units and Vacancy Rate by Zip Code

Zip Code	Total Number of Apartment Units in Zip Code Area	Vacancy Rate (%) By Zip Code Area for those Apartment Units Reporting Vacancies
89431	3,241	11.1
89433	397	4.3
89434	1,796	4.4
89436	664	7.8
89501	859	5.8
89502	5,462	5.1
89503	3,268	7.5
89504	26	7.7
89506	898	6.7
89509	4,643	4.1
89511	2,868	6.4
89512	1,606	8.2
89513	24	8.3
89523	2,747	5.0

Vacancy Rates and Type of Units by Zip Code

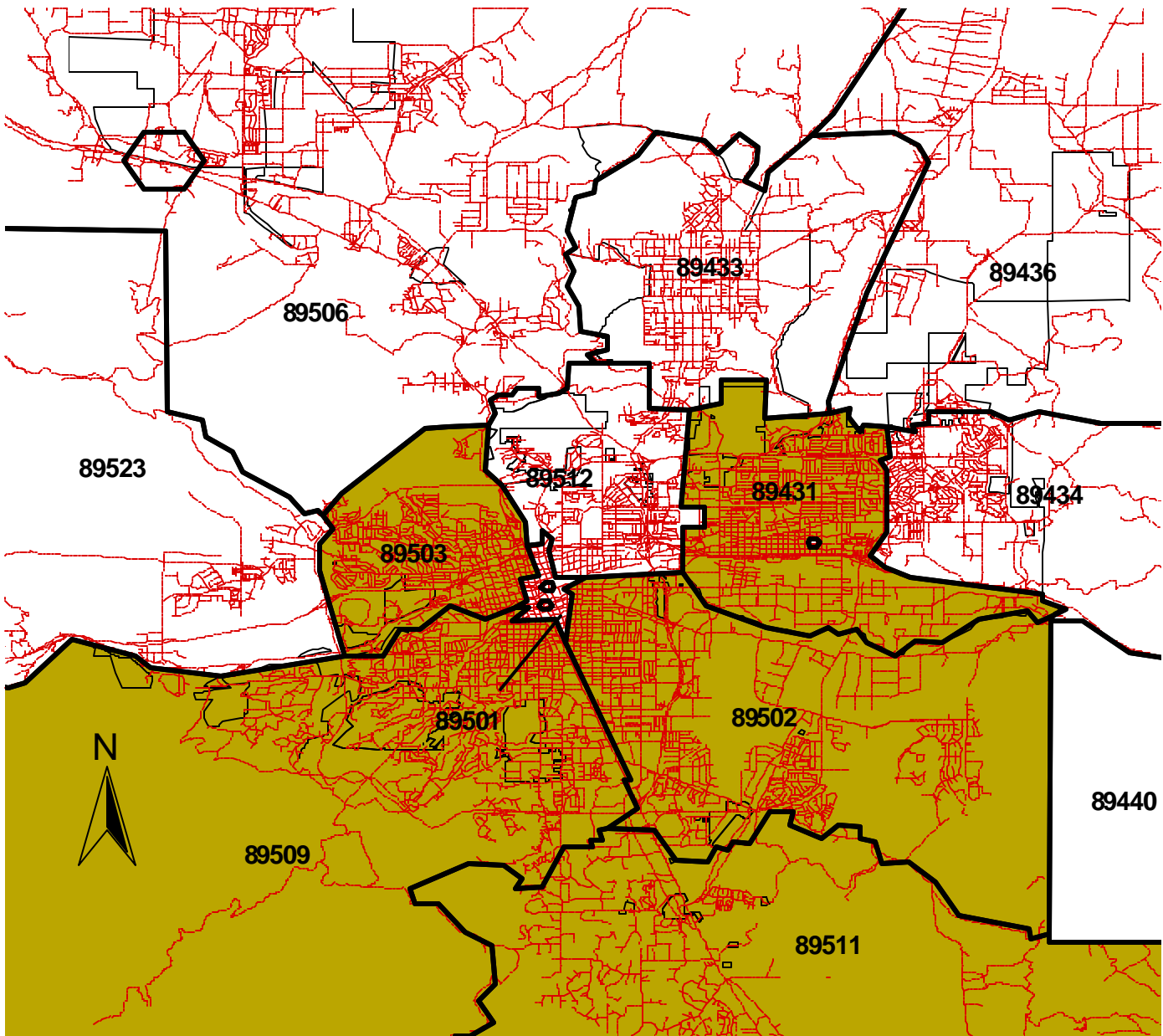
Table 5's data shows that of all the Reno/Sparks multi-family housing units, two-thirds are located within five zip code areas. Map 1 shows those areas to be in the south part of the Reno/Sparks metropolitan area.

TABLE 5
Total Number of Apartment Units by Zip Code
June 2002

Zip Code	Total # of Apartment Units in Zip Code Area	Percent	Cumulative Percent
89502	5,462	19.2	19.2
89509	4,643	16.3	35.5
89503	3,268	11.4	46.9
89431	3,241	11.4	58.3
89511	2,868	10.1	68.4
89523	2,747	9.6	78.0
89434	1,796	6.3	84.3
89512	1,606	5.6	89.9
89506	898	3.2	93.1
89501	859	3.0	96.1
89436	664	2.3	98.4
89433	397	1.4	99.8
89504	26	.09	99.9
89513	24	.08	100.0
Total Units	28,499		

Zip Code Map of the Greater Reno/Sparks Area

Map 1
High Density Zip Code-Areas for Multi-Family Housing



Growth Zip Codes

The outlying zip code areas show the highest activity of new construction. All of the new multi-family construction during the first six months of 2002 occurred in the outlying zip codes located to the west and northeast part of the Reno/Sparks urban area.

Table 6
New Construction of Multi-Family Housing
 During 2000, 2001, and First 6 Months of 2002

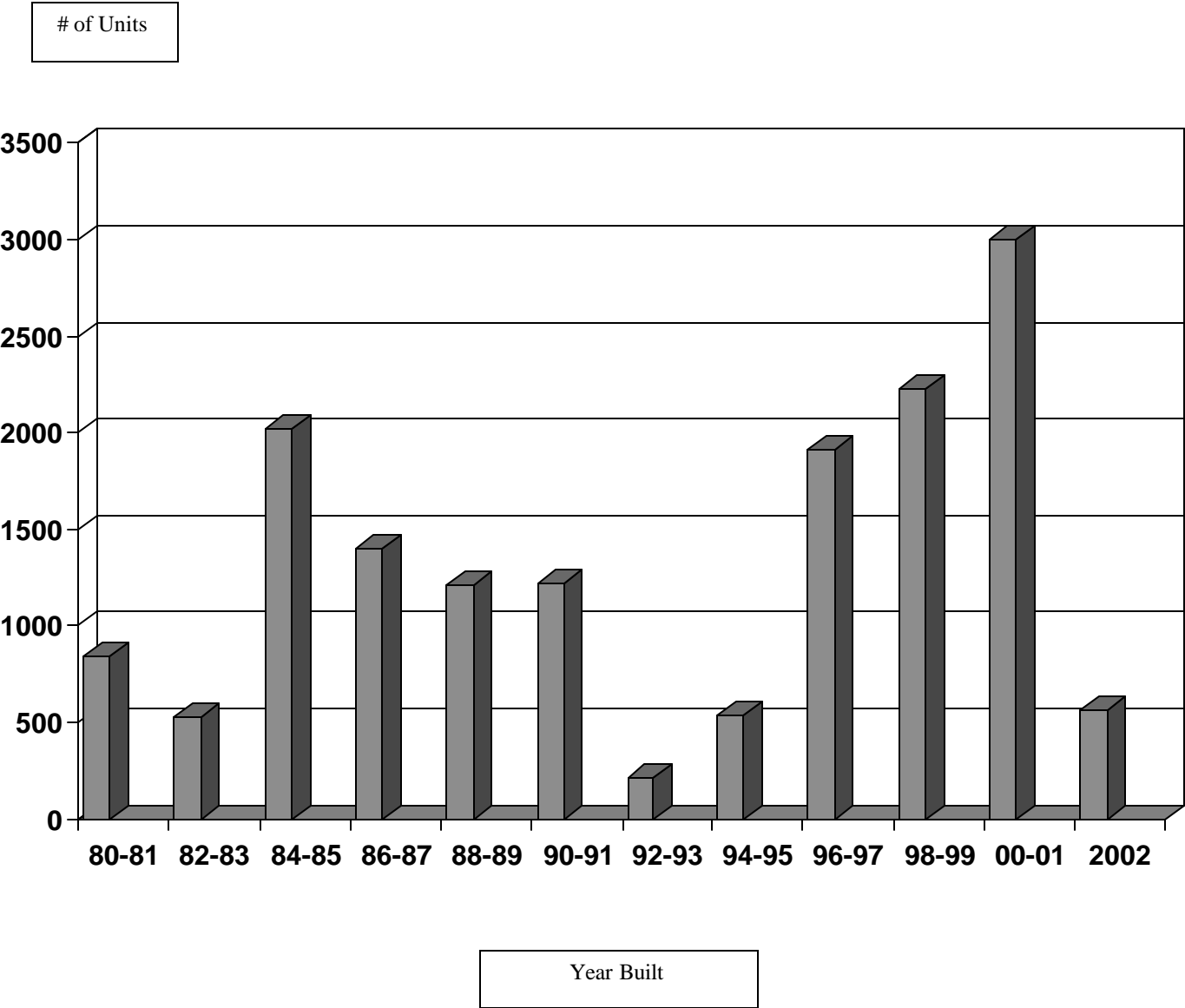
Zip Code	New Units Recorded for 2000	% of New Construction	Zip Code	New Units Recorded for 2001	% of New Construction	Zip Code	New Units Recorded for 2002*	% of New Construction
89511	1,092	78%	89523	376	24%	89523	304	54%
89503	275	19%	89506	288	18%	89436	256	46%
89523	40	3%	89501	258	16%			
			89436	256	16%			
			89431	240	15%			
			89512	152	9%			
			89504	26	2%			
Total	1,407		Total	1,596		Total	560	

*New units recorded are for the first 6 months of 2002.

Number of Apartment Units By Year Built

The years 2000-2001 produced the greatest number of new apartment units in the Reno/Sparks Area, with the 1998-1999 period ranking second.

GRAPH 3
Apartments by Year Built Since 1980 in the Reno/Sparks Area
1980-2002

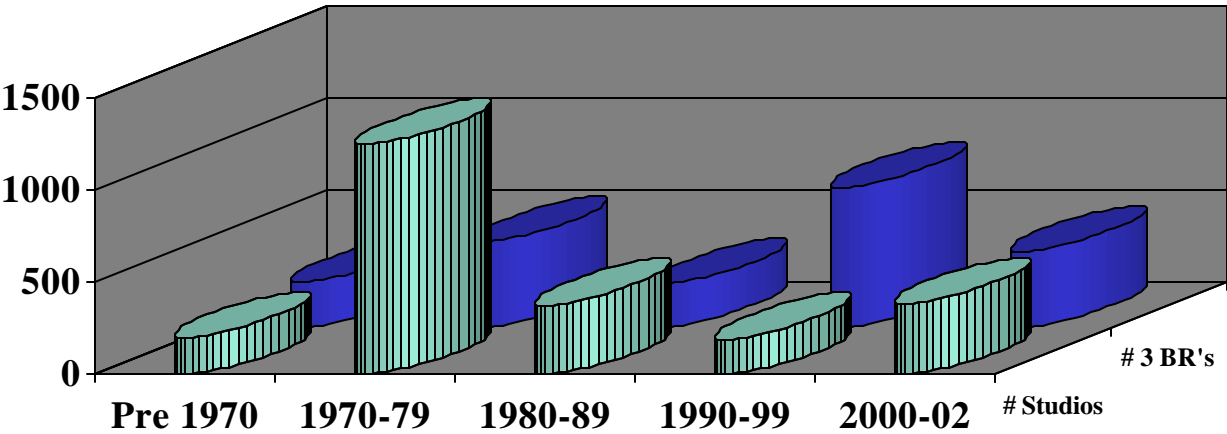


Mix of Apartment Unit Types By Year Built

The 1970's clearly show an emphasis in the construction of studio-size apartments. The 1980's reflect similar numbers of studio versus three bedroom size units constructed. The 1990's construction emphasis was on the three-bedroom size units far outpacing the number of smaller studio-size units added to the housing inventory. Post 1999 data reflects an equal number of studio and 3-bedroom size apartments constructed.

GRAPH 4
Apartment Unit Types by Year Built
June 2002

of Units by Type



Year Built

Distribution of Rents by Apartment Size

Rental rates, as of June 2002, reflect an overall increase for all size units. The greatest change occurred in the studio size apartments with a 6.1% increase in rental rates and the two-bedroom size apartments with a 5.5% increase.

Table 7
Mean Rental Rates By Apartment Sizes
June 2002

Date	Studio	1-Bedroom	2-Bedroom	3-Bedroom
June 2001	\$446	\$574	\$695.50	\$923.50
June 2002	\$475	\$600	\$736	\$942
% change 01-02	+6.1%	+4.3%	+5.5%	+2.0%

Table 8
Market Rate and Affordable Rental Rate Comparison
June 2002

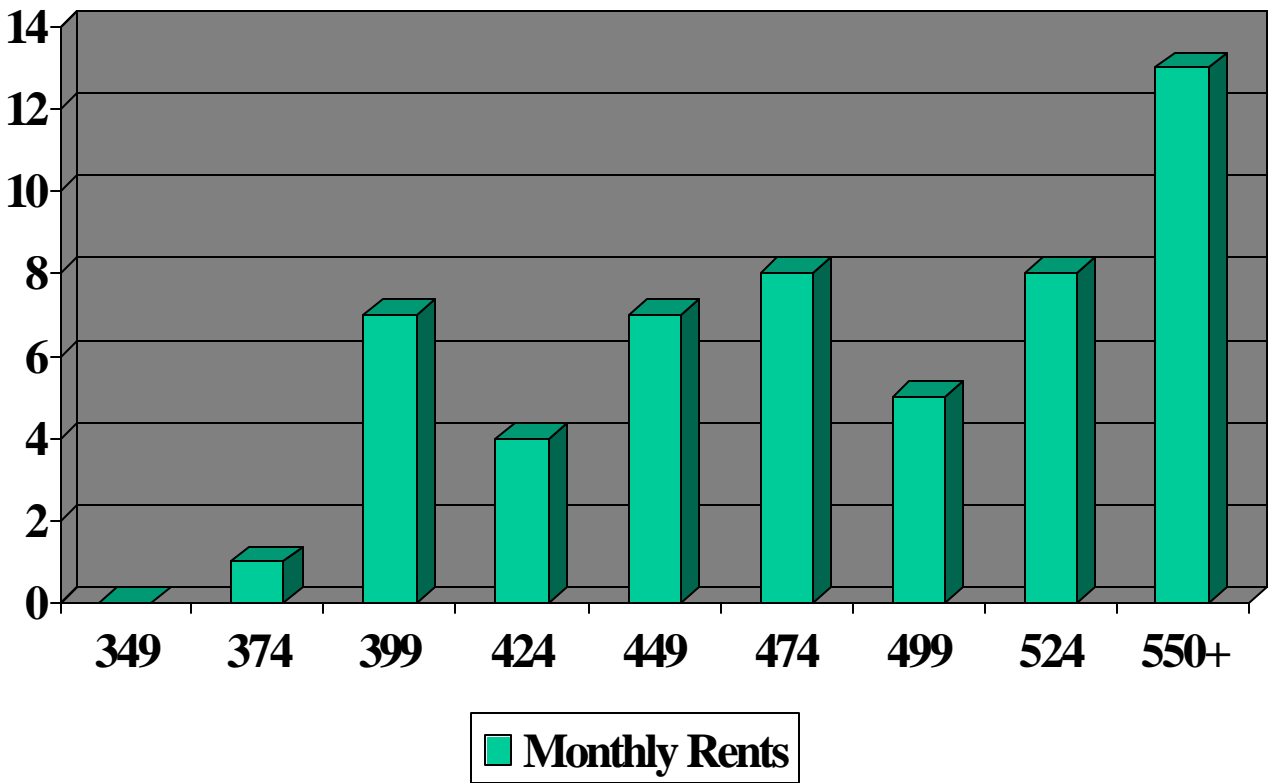
Type of Units	Studio	1-Bedroom	2-Bedroom	3-Bedroom
Market Units Rental Rate	\$475	\$600	\$736	\$942
Affordable Units ¹ Rental Rate	\$504	\$540	\$655	\$755

¹Affordable units denote apartment complex units that are income restricted.

Distribution of Rents by Apartment Size (continued)

GRAPH 5
Distribution of Rental Rates for Studio Apartments
June 2002

of projects

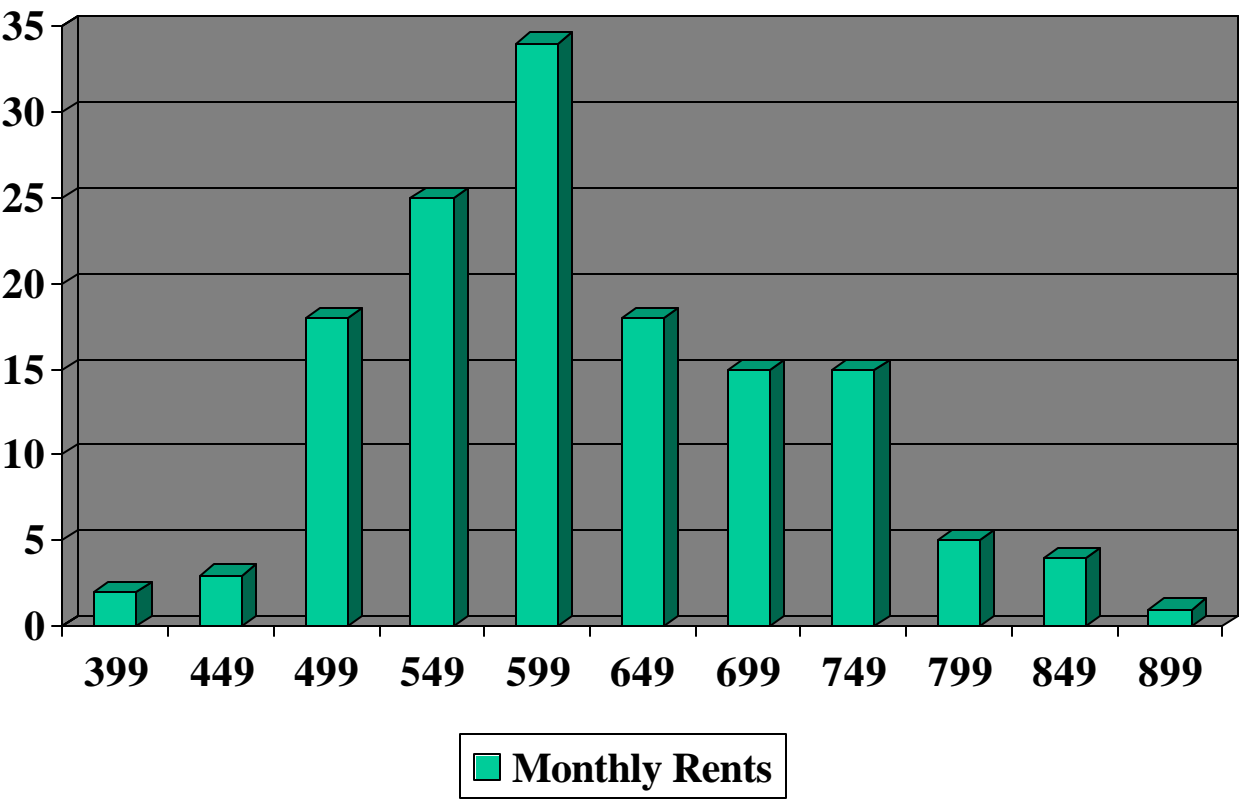


Mean Rental Rate
\$475

Distribution of Rents by Apartment Size (continued)

GRAPH 6
Distribution of Rental Rates for 1-Bedroom Apartments
June 2002

of projects

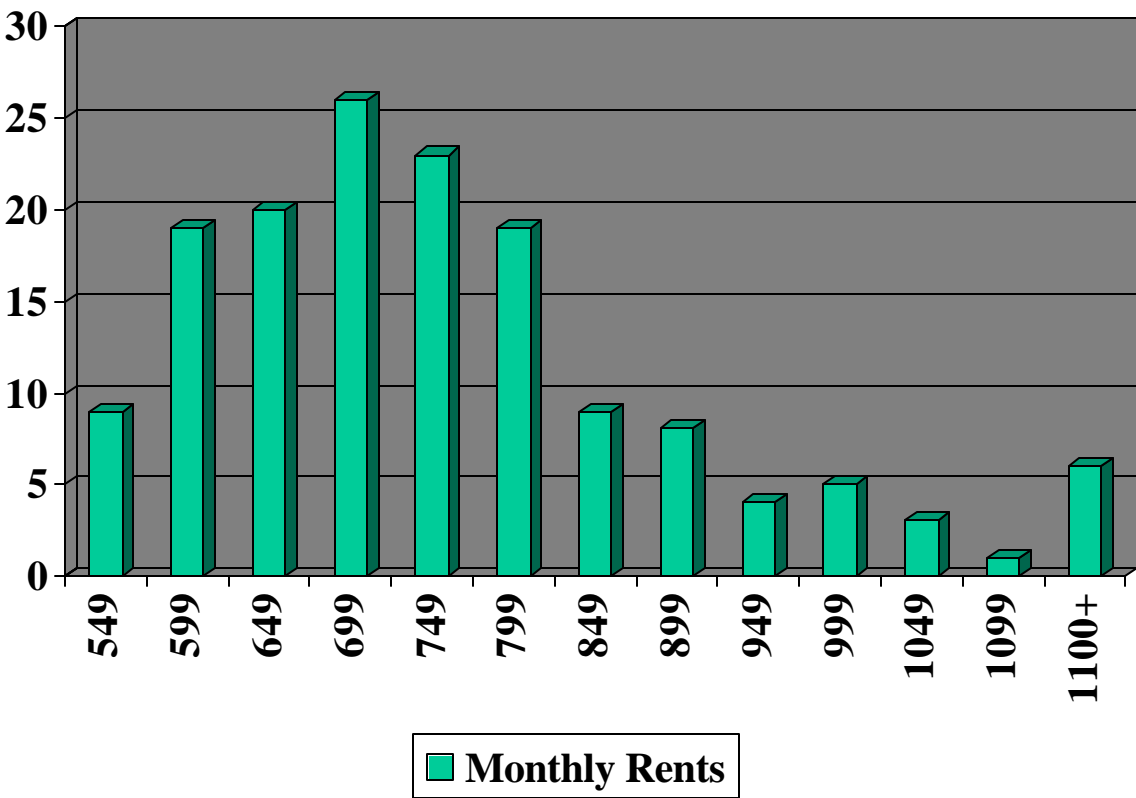


Mean Rental Rate
\$600

Distribution of Rents by Apartment Size (continued)

GRAPH 7
Distribution of Rental Rates for 2-Bedroom Apartments
June 2002

of projects

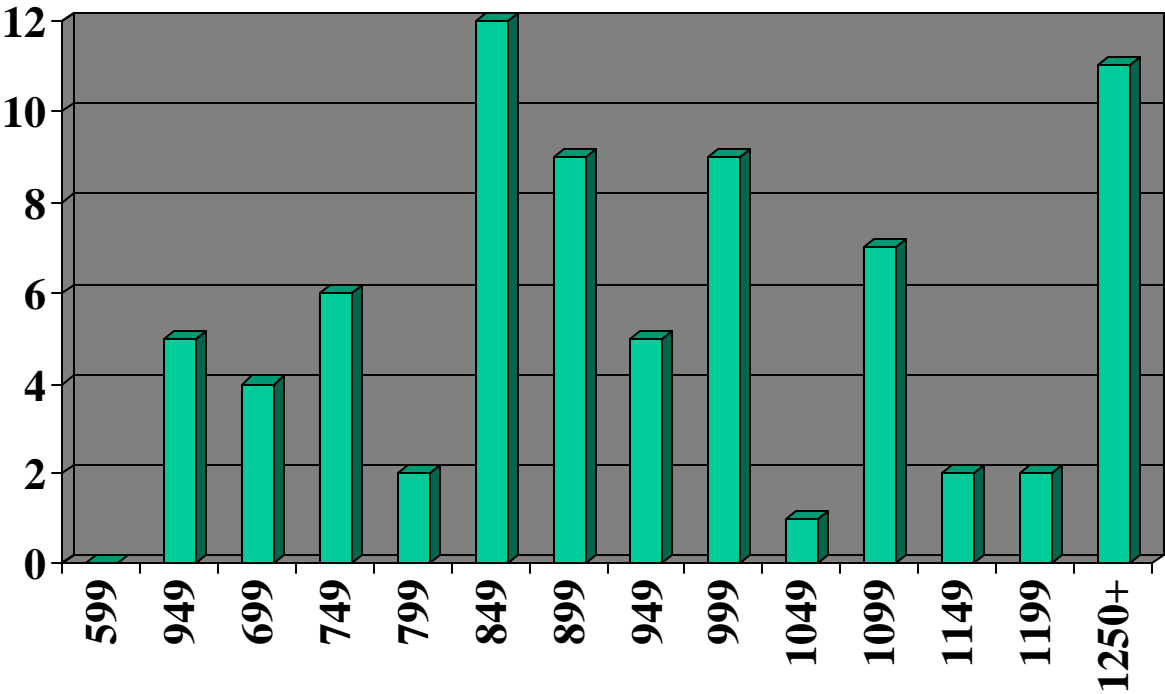


Mean Rental Rate
\$736

Distribution of Rents by Apartment Size (continued)

GRAPH 8
Distribution of Rental Rates for 3-Bedroom Apartments
June 2002

of projects



Monthly Rents

Mean Rental Rate
\$942

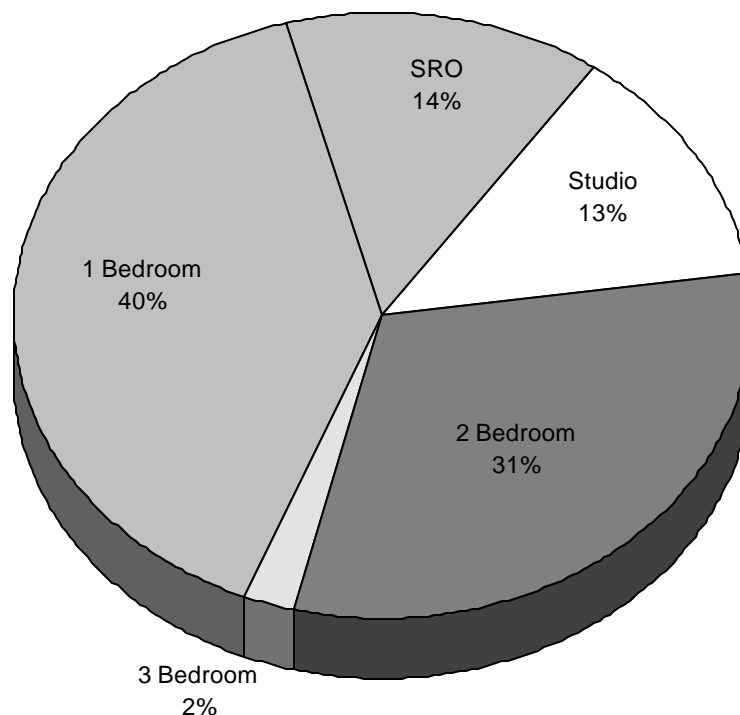
Distribution of Apartments by Type of Unit That House the Active 55+ Age Group

Table 10 and Graph 10 below show that the one-bedroom size apartment unit is the most popular size unit for seniors, with nearly 40% indicating the one-bedroom size preference, while nearly one-third or 31% show a two-bedroom preference.

Table 9
Number of Apartments by Type of Unit That House the Active 55+ Age Group

Apartments Targeting 55+ Population	Total Units	SRO	Studios	1-Bedroom	2-Bedroom	3-Bedroom
Apartments 6/02	1,502	208	197	597	468	32

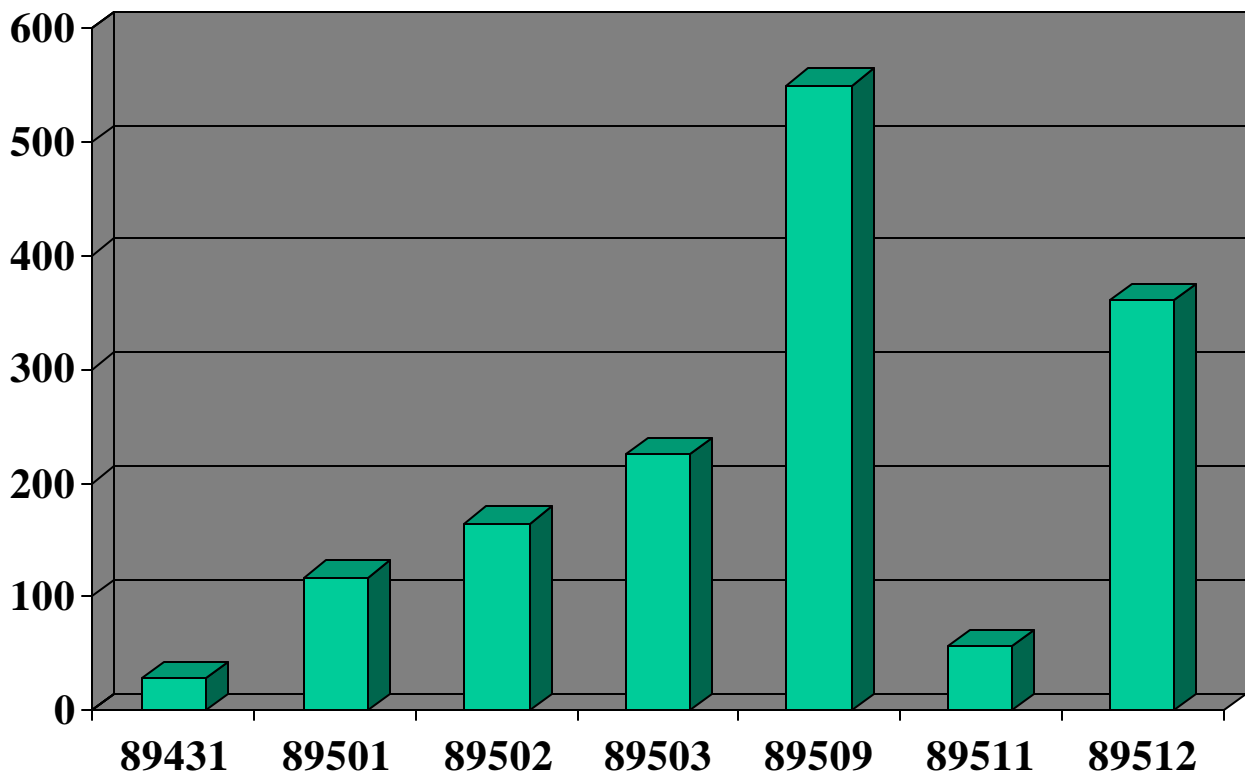
Graph 9
Percentage Distribution of Apartments by Type of Unit That House the Active 55+ Age Group
June 2002



Distribution of Apartments by Zip Code That House the Active 55+ Age Group

Seven zip codes represent those areas where multi-family senior housing is constructed. Of these areas, zip code 89509 has the highest number of multi-family units housing the 55+ age group. Zip code 89512 ranks as the second highest area of senior housing.

Graph 10
Number of Apartments by Zip Code That House the Active 55+ Age Group
2002



Assisted/Independent Living Units Targeting 55+ Age Group

The Assisted Living Federation of America defines an “Assisted Living” residence as “.....a special combination of housing, supportive services, personalized assistance and healthcare designed to respond to the individual needs of those who need help with activities of daily living and instrumental activities of daily living.”

An assisted/independent living facility provides the following as basic services:

1. Three meals a day.
2. Snacks.
3. Transportation to shopping and doctor appointments.
4. Housekeeping/linen service.
5. Medication administration.
6. Planned social and physical activities.

Monthly housing rental for homes or projects providing these basic services is reflected in the table below. If an individual needs more care, the monthly rental is adjusted upwards. Once an individual is in need of a registered nurse, that person is transferred to a nursing home where they can receive 24-hour supervision.

Table 10
Assisted/Independent Living Units

Type of Group Home	# of beds	# of facilities	Vacancy Rate	Monthly Rental Rate
Assisted/Independent Living (group homes with 11+ beds)	493	10	0% to 15% range	\$1,895 to \$4,250*
Assisted/Independent Living (group homes with 1 to 10 beds)	183	32	0% to 14% range	\$1,000 to \$2,500**
Assisted Living facilities for Alzheimer's or Dementia (group homes with 11+ beds)	277	7	16% to 23% range	\$3,100 to \$4,000
Assisted Living facilities for non-ambulatory and/or mild Dementia (group homes with 1 to 10 beds)	59	10	Caregivers surveyed reported having 0 vacancies	\$1,800 to \$2,400
Total	1,012	59		

*The monthly rental rate denotes minimum base rate going up to the maximum charged before an individual normally leaves the assisted living setting.

**Most interviewed reported working with their clients' financial limitations.

Note: There are 1,017 skilled nursing beds licensed in the greater Reno/Sparks area. (Source: Nevada Bureau of Licensure and Certification.)

NHD's Multi-Family Programs

Multi-Family Bond Program

Bonds are sold to finance projects that will benefit low- and moderate-income persons and families. Loans are made to projects which provide: (1) at least 20 percent of the total units to persons earning 50 percent or below median income, or (2) at least 40 percent of the total units to persons earning 60 percent or below the area median income.

Low Income Housing Tax Credit Program (LIHTC)

The LIHTC Program provides federal tax credits to sponsors of low-income rental housing projects. Sponsors can use the tax credits directly, or sell them to one or more purchasers and use the proceeds of the sale as equity for their project. Eligible applicants include for-profit and nonprofit organizations.

Investors receive an income tax credit each year for 10 years equal to approximately 4 percent of total eligible project costs for acquisition-rehabilitation projects and 9 percent for substantial rehabilitation and new construction.

To qualify for credits, at least 20 percent of the apartments in a project must be rented by families who earn no more than 50 percent of the area median income or 40 percent must be rented by families who earn no more than 60 percent.

Account for Low-Income Housing Trust Fund

The Account for Low-Income Housing (Trust Fund) is a state-funded program for affordable housing. Funds are allocated by formula to participating jurisdictions (state and local governments) to expand and improve the supply of rental housing through new construction and rehabilitation of multi-family projects.

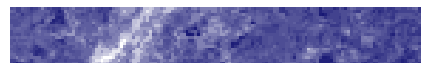
Trust Funds may also be used to provide financing for down payment assistance and homeowner rehabilitation of single family residences, and to provide emergency assistance to families who are in danger of becoming homeless. Funding is supported with a real property transfer tax of ten cents for each \$500 of value or fraction thereof.

All funds allocated must be used to benefit individuals and families whose incomes do not exceed 60% of the area median income, as defined by the U.S. Department of Housing and Urban Development.

HOME Investment Partnerships Program (HOME)

HOME Investment Partnership Program (HOME) is a federally funded, large-scale program for affordable housing. Funds are allocated by formula to Participating Jurisdictions (state and local governments who receive funds to operate HOME).

HOME is designed as a partnership among the federal government, state and local governments, and those in the private sector (profit and not-for-profit) who build, own, manage, finance and support low-income housing initiatives.



"Since the Division's inception in 1975, more than 19,000 multi-family affordable rental housing units statewide have been financed by the Housing Division's Multi-Family Programs."