



Economics Research Associates

Project Report

RexCorp Glen Isle Housing Market Update

Prepared for

RexCorp Glen Isle Partners, LLC

Plainview, New York

Submitted by

Economics Research Associates

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General & Limiting Conditions

Every reasonable effort has been made to ensure that the data contained in this study reflect the most accurate and timely information possible. These data are believed to be reliable. This study is based on estimates, assumptions and other information developed by Economics Research Associates from its independent research effort, general knowledge of the market and the industry, and consultations with the client and its representatives. No responsibility is assumed for inaccuracies in reporting by the client, its agent and representatives or any other data source used in preparing or presenting this study.

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I. Introduction and Methodology

Economics Research Associates (ERA) of Washington, D.C. was retained by RexCorp Glen Isle Partners, LLC to analyze potential market support for both for-sale and rental residential development at the RexCorp Glen Isle development site in Glen Cove, New York. Our analysis was comprised of the following tasks:

- Completed a site tour to evaluate locational characteristics and overall accessibility of the subject site
- Examined demographic and economic trends and forecasts for the proposed market areas, including population, household income, tenure, and mobility
- Assessed supply and demand characteristics of the market including inventory trends, building permit activity, and comparable and proposed projects
- Prepared a tailored residential demand model to forecast the site's overall demand potentials by use
- Outlined a set of recommendations and estimates for appropriate unit mix and sizing in relation to the competitive marketplace
- Commented on the retail/commercial components of the program as they relate to the overall viability of the project

The proposed development program includes approximately 25,000 square feet of retail/restaurant related uses, 50,000 square feet of office, a 250 -suite hotel/ conference/ spa complex, and 860 residential units. The focus of this report will be on the condominium, townhouse, and apartment components of the project, as well as a brief discussion of the commercial uses as they relate to the residents.

II. Summary of Key Findings

ERA reviewed market supply and demand characteristics as well as revisited the residential market analysis conducted in 2004. Below are key findings from the analysis; details can be found throughout the report and appendix.

Demographic Findings

While Nassau County household growth is projected to be limited in the next several years, major demographic shifts from larger family households to empty nester households are expected to impact development trends in the area. Both Nassau County and Glen Cove are projected to have strong empty nester household growth as well as increasing household income which bodes well for residential projects geared towards accommodating the needs of this wealthy but local population. Because the majority of in-migration to Nassau County comes from the surrounding metropolitan area, it is likely that a well-positioned and accessible project could induce additional households to relocate.

Residential Market Findings

Residential Supply

The majority of Nassau County residential supply is valued at over \$475,000 with approximately 85 percent of units owner-occupied. Nassau County residents, on average, spend nearly six times their household income on housing, significantly higher than the U.S average. While multi-family and townhouse units make up a relatively small percent of total supply, shifting demographics and regional development trends indicate that there will be an increasing demand for condominiums, townhomes, and apartments in a mixed-use setting.

As evidenced by comparable residential projects in similar locations, the majority of luxury suburban multi-family projects are purchased by empty nesters with some demand from young professionals and an even smaller demand from families. Empty-nesters who purchased units at comparable communities were often from a nearby suburb, seeking a more luxurious and amenity driven lifestyle in a convenient but familiar area near friends and family. The empty-nester market primarily choose to purchase two or three bedroom units, often with an extra den, as they desire to downsize from their homes but still maintain ample living space and have an opportunity to host children and friends in extra bedrooms. It is important to have open floor plans conducive to entertaining, but separate bedrooms from the main living area in order to emulate the privacy of a suburban home. The empty-nester market is willing to pay more for extra living space, views, private outdoor space; all of which are offered in this amenity driven lifestyle alternative.

Residential Demand

For-Sale Condominium and Townhouse Market

ERA's demand analysis indicates that the North Shore (defined as the northern half of Long Island) could attract approximately 900 new owner-occupied households on an annual basis seeking condominium (defined as for-sale apartment flats) and townhouse units similar to those proposed for the Glen Isle site. This analysis is reinforced by the historic pace of (and forecast) absorption, coupled with the expected product to be delivered at the RexCorp Glen Isle site. The anticipated demand accounts for residents moving within the county as well as residents in-migrating from outside of Nassau County. The pool of potential candidates for the project site is based in part on income qualification and preference for moderate to high density residential product. Empty nesters, young professionals, and early retirees make up the majority of target households.

Based on our assessment of the competitive environment for for-sale condominium and townhouse units in Nassau County, ERA concludes that the RexCorp Glen Isle site could capture a reasonable proportion of this demand. RexCorp Glen Isle would have to capture about 38% of total North Shore condominium demand and approximately 10% of townhouse demand in order to sell out in a reasonable amount of time. The analysis assumes that the for-sale housing units will come on line in approximately four to six years, allowing for some stabilization of the housing market. ERA concludes these are feasible target ranges based on few similar products in the market, the planned cohesive mixed-use development, expected range of uses, critical mass at the site, and specific amenities such as water views and a high-speed ferry service to Manhattan (and other destinations) that could likely command a premium in terms of both unit absorption and price points.

Multi-Family Rental Market

ERA's demand analysis indicates that the North Shore could attract 312 new multi-family renter households on an annual basis seeking appropriately priced units to match the target household income range. These households may also choose to rent at one of the annually reoccurring vacancies at new construction buildings in the North Shore area (specifically at the two proximate Avalon projects).

Assuming that approximately half of the 312 households will rent existing units that turn over in existing buildings, ERA estimates that the North Shore can support about 145 new multifamily rental units on an annual basis. This assumption is based on existing area supply (including the 256-unit



and 111-unit Avalon projects), moderate overall vacancy rates, historical absorption in the county, and the relatively limited projected net new household growth. The RexCorp Glen Isle project would have to capture about 33% of total net new rental demand in order to lease up in a reasonable amount of time. This represents a relatively modest capture rate and indicates supportable demand for the proposed product type.

Overall Project Implications

ERA acknowledges that there is significant pent-up demand for multi-family residential projects in Nassau County, and that RexCorp Glen Isle is currently the farthest-along of projects of this type of project with regard to project commencement. The demand analysis suggests a reasonable timeline for buildout and conservative estimations of RexCorp Glen Isle's required penetration rate recognizing that actual latent demand has the potential to significantly accelerate absorption. ERA's analysis demonstrates that this type of product is in demand, and the lack of supply and relative income levels of its prospective consumers suggests that it could be among the first market segments to rebound.



Table 1: Summary of Residential Demand

	Annual Potential Consumers		
	For-Sale Condominiums	Townhomes	Rental Apartments
Potential Annual North Shore Demand	256	636	145
Proposed Units	512	82	180
Monthly Absorption/ Lease-Up			
Baseline	8 units per mo	5 units per mo	4 units per mo
Years to Absorb (rounded to nearest quarter)			
Baseline	5.3 years	1.4 years	3.8 years
Required Market Penetration			
Conservative	38.0%	9.0%	33.0%

Source: Economics Research Associates

Commercial Components

The commercial (retail and office) components of the RexCorp Glen Isle project were initially conceived to be supporting and destinational uses that related to the on-site conditions (water views of the creek and Long Island Sound), proximity to recreational boating, accessibility to public esplanade linking downtown Glen Cove to the project area, and the desire to primarily drive new retail demand toward improvement of the existing downtown area, rather than creating a competing/comparably sized retail concentration that would compete with downtown Glen Cove. From the project's initial meeting with the top retail commercial brokers in the New York City area, as well as throughout the planning process, this core principle – to complement, rather than compete with downtown Glen Cove – has been a central focus of the RexCorp Glen Isle plan. The original recommended retail development program for the site was dramatically cut back due in part to the fact that the 240,000 square feet of retail space that currently exists in Downtown Glen Cove is almost double the square footage needed. This led to the recommendation that the RexCorp Glen Isle plan reduce the retail component of the plan, and in turn, increase the number of residential units. This recommendation was based on the thought that the additional people living on the waterfront would help support the existing businesses located in Downtown Glen Cove.

The information included in this market update suggests that the market conditions and longer term prospects for increased potential spending power have grown stronger since the earlier evaluation, with significant increases in the number of households with an average incomes over \$100,000 per year and an even greater relative increase in the number of households with annual incomes over \$500,000 per year. It is projected that, by 2012, almost half of Glen Cove's population will have an average household income of over \$200,000 per year – approximately 4.5 times the current U.S. national average. If properly conceived and implemented, it is ERA's view that the current amount of retail square footage at RexCorp Glen Isle should be easily supported the new residents, but that the retail component of the project should not try to replace or supplant an improved version of today's Glen Cove retail. The 240,000 square foot retail concentration downtown should be the area's major shopping destination, with RexCorp Glen Isle's smaller component planned to activate public spaces, serve water-based commuters, and provide service to area residents as part of the experience provided by The Walk and other recreation activities on the RexCorp Glen Isle site

The commercial office program is also smaller than might be market-supportable, both to limit the emphasis of the project to creation of a primarily residential neighborhood as well as to not create substantial new office density away from the core of the downtown. ERA recommended an office development program that would focus on multi-tenant professional services spaces, although there



could also be an opportunity for two or three users, should there be a corporate objective to locate within a mixed use development and to have proximity to the Ferry to Manhattan. The concept of the project was not to create an office park, but rather to develop a truly mixed-use neighborhood that would provide real estate product that balances multiple uses. As such, the primary market drivers for retail (and to a large degree, commercial office) are the residents of the site and the surrounding neighborhood areas. ERA remains confident that the sizing and integrated planning recommendations developed in the RexCorp Glen Isle master plan remain supportable and appropriate for the site and setting.

III. Demographic and Economic Analysis

ERA examined demographic characteristics at three levels where appropriate: the City of Glen Cove, Nassau County, and the remaining Long Island counties (include Kings, Queens and Suffolk).

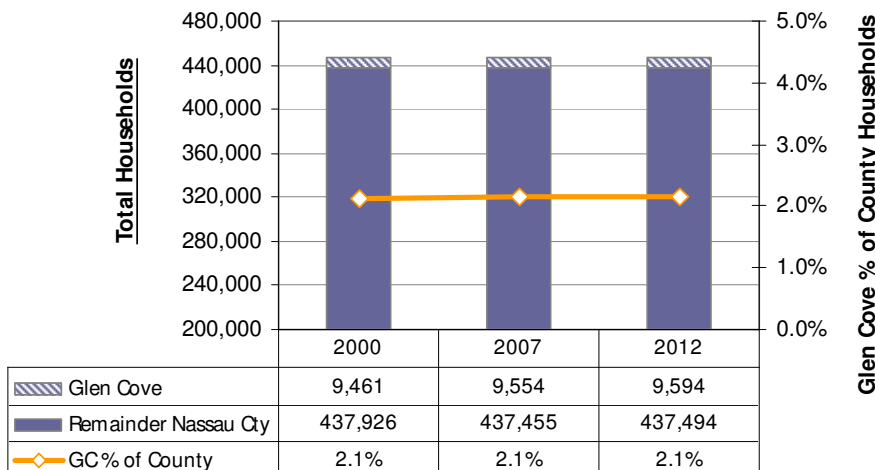
Demographic Indicators

Population and Households

Nassau County makes up approximately 17 percent of the Long Island’s total population. Nassau County’s population is estimated at nearly 1.38 million in over 447,000 households, reflecting an increase of just 0.2 percent between 2000 and 2007. Household growth in the county actually declined with the number of households having decreased by nearly 400 (0.08 percent) from 2000. The increase in population but decrease in households can be attributed to increased household sizes (averaging 2.93 per household in 2007). ESRI Business Analyst forecasts that Nassau County is expected to continue its near flat line growth in population and households. The data forecast the addition of just 80 new households between 2007 and 2012, an annual average growth rate of 0.1 percent.

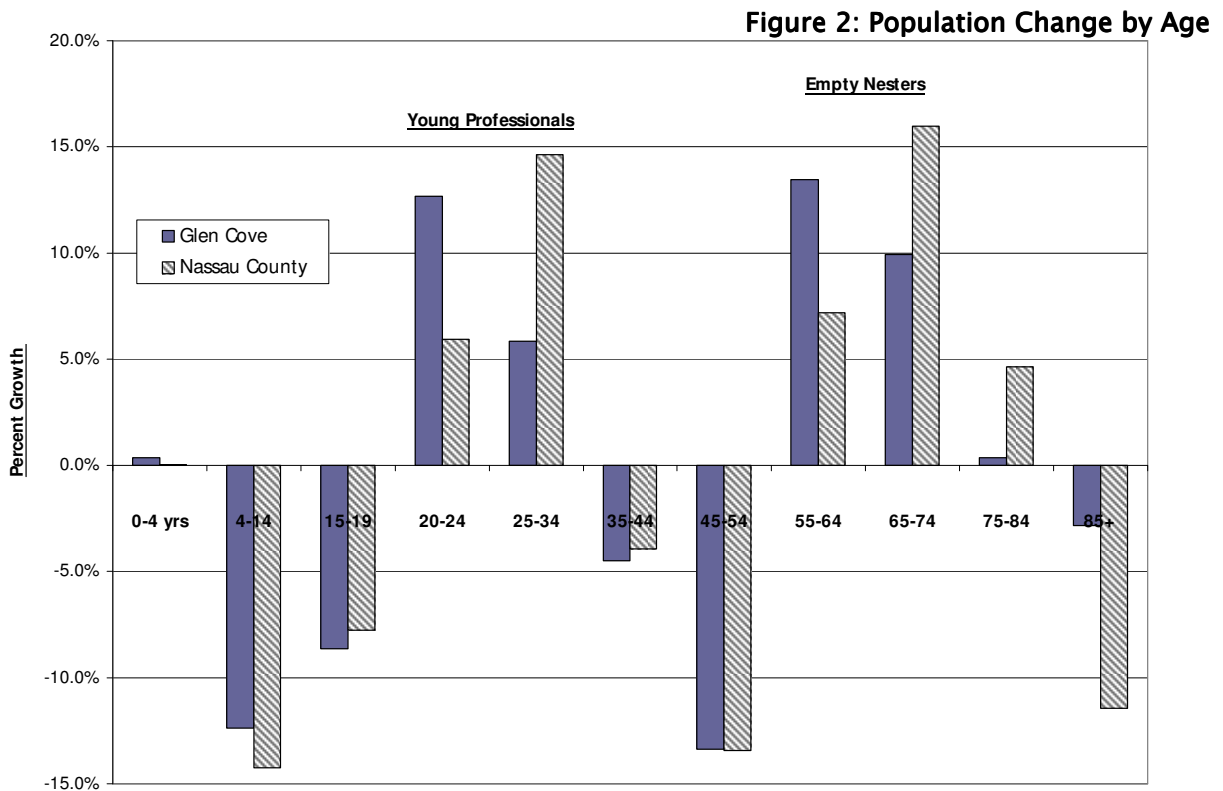
The City of Glen Cove makes up approximately 2.1 percent of Nassau County. It is estimated that the city will add just 40 new households in the next five years, an average of less than 10 annually. As of 2007, about 26,900 residents in 9,550 households lived in the Glen Cove. Figure 1 illustrates household trends and projections with Glen Cove’s percent capture of the county from 2000 through 2012, indicating that the Glen Cove area is expected to maintain its share of total Nassau County households. Note that Glen Cove’s population in 1970 was estimated at 25,800 and projected to be 31,500 by 2000. In reality, population increased by less than 1,000 people over 30 years indicating that a catalytic project like RexCorp Glen Isle is essential for economic development and a healthier downtown.

Figure 1: Household Trends and Projections



Age Profile

Nearly 40 percent of Glen Cove’s resident market’s population is over the age of 55, with a median age of 40. Figure 4 demonstrates the projected percent change in population by age group for both the City of Glen Cove and Nassau County between 2007 and 2012, demonstrating the strongest growth in the empty nester and young professional cohorts. Figure 5 demonstrates the strongest empty nester growth in populations aging between 55 to 69 years old, key targets for new residential demand.



Group, 2007 - 2012

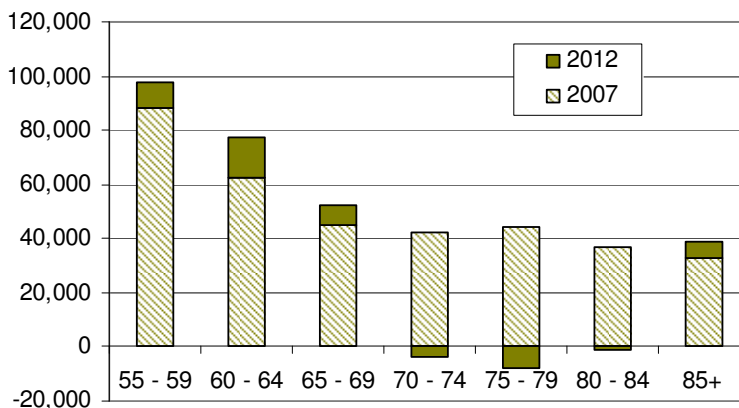


Figure 3: Nassau County Population Change, 55+, 2007 - 2012

Household Income

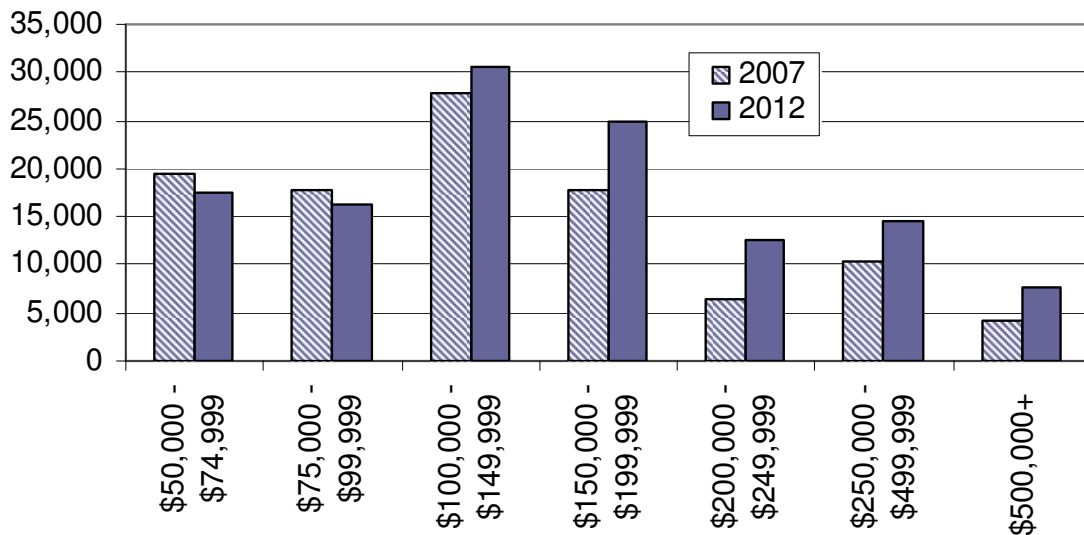
Approximately 35 percent of Glen Cove residents earn in excess of \$100,000 per year in comparison to nearly half of Nassau County residents. Median household incomes are \$73,700 and \$95,500 respectively. Forecasts indicate that the proportion of households with incomes in excess of \$100,000 per year in Glen Cove will increase from a current share of 35 percent to nearly over 45 percent by 2012. The fastest growing income segment is households earning in excess of \$500,000, projected to nearly double by 2012. Table 2 illustrates household growth forecasts, by income level, for the City of Glen Cove, Nassau County, and Long Island. Figure 4 highlights household income for the 55+ group, demonstrating a projected growth of nearly 14,000 households earning in excess of \$200,000.

Table 2: Household Incomes by Income Range, 2007 - 2012

	Glen Cove			Nassau County			Long Island		
	2007	2012	% Change	2007	2012	% Change	2007	2012	% Change
\$0-\$74,999	4,851	4,011	-17.3%	169,222	133,485	-21.1%	1,547,284	1,358,181	-12.2%
\$75,000-\$149,999	3,094	3,225	4.2%	209,747	168,097	-19.9%	1,555,553	1,377,030	-11.5%
\$150,000-\$249,999	1,072	1,638	52.8%	285,188	248,449	-12.9%	1,726,963	1,666,189	-3.5%
\$250,000-\$499,999	395	452	14.4%	320,793	304,993	-4.9%	1,695,107	1,752,379	3.4%
> \$500,000	142	268	88.7%	307,063	314,667	2.5%	1,447,554	1,606,173	11.0%
TOTAL:	9,554	9,594	0.4%	1,292,013	1,169,691	-9.5%	7,972,461	7,759,952	-2.7%

Source: ESPI Business Analyst, Inc.; Economics Research Associates, 2007

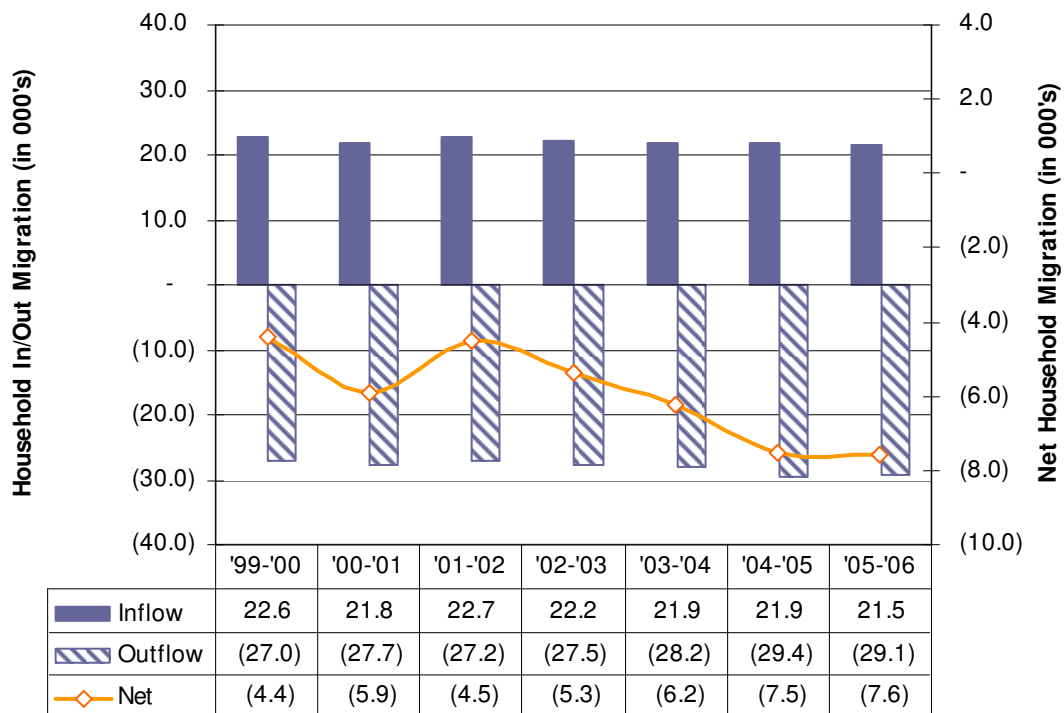
Figure 4: Nassau County 55+ Household Income



Migration Patterns

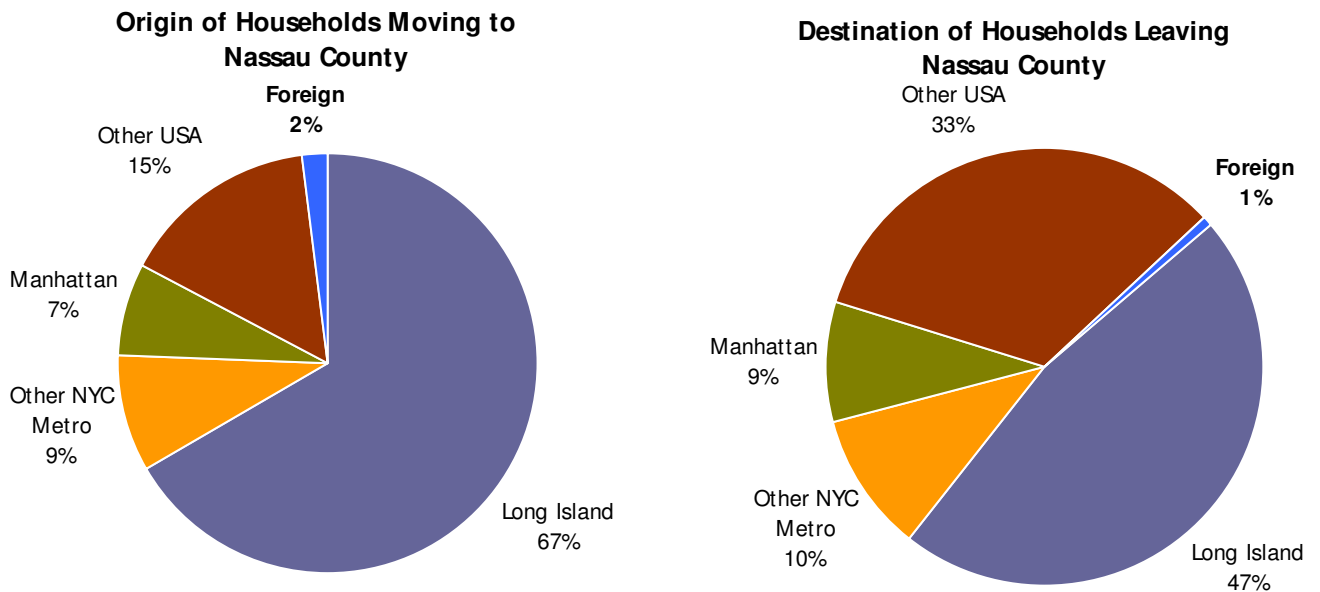
Based on migration data from the IRS, Statistics of Income, over 21,000 households moved to Nassau County in 2006. The number of households moving into Nassau County has remained fairly consistent averaging between 21,500 and 22,700 households per year. Out migration has averaged between 27,000 and 29,400 households per year indicating a continual net household loss of between 4,400 and 7,600 households a year since 2000. The net migration loss indicates that population growth and increased number of households can be attributed to new births, smaller average household sizes and fewer people per household, resulting in more households with fewer people.

Figure 6: Net Migration, Nassau County, 2000 - 2006



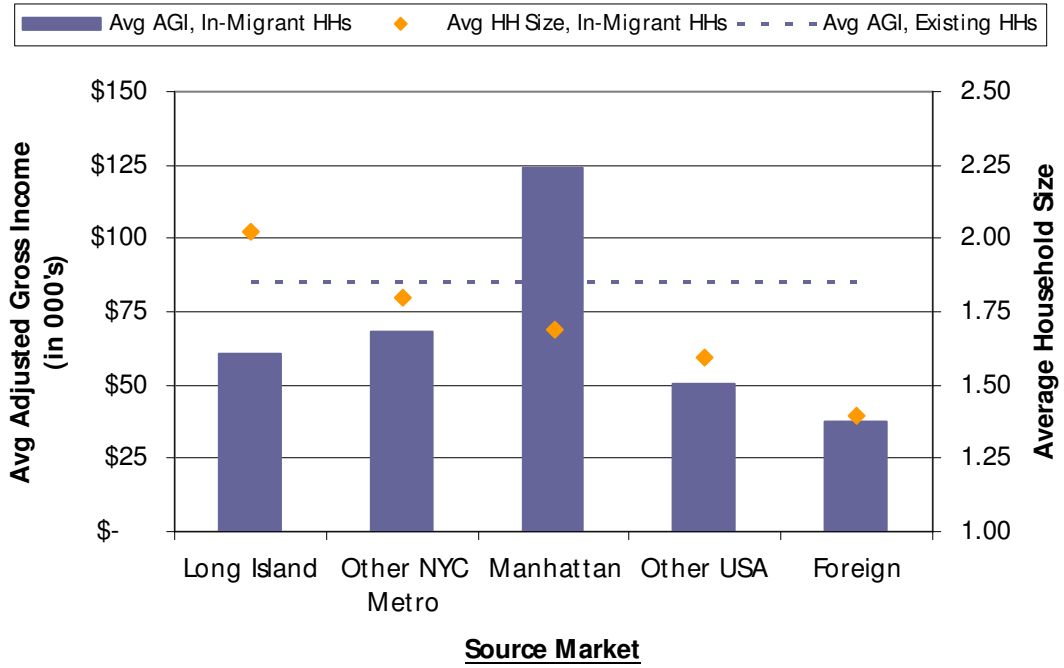
Households relocating to Nassau County from elsewhere in the New York metro area represent 83 percent of total in-migration to the county, the majority of which (67 percent) relocate from within Long Island. Approximately 15 percent of those who immigrate to Nassau County come from other parts of the country, with the remaining two percent coming from overseas.

Figure 5: Origin and Destination of Migrating Nassau County Households



With the exception of Manhattan, households that relocate to Nassau County report an average adjusted gross income (before tax income) that is below non-migrant households already living in the area. While these households are less affluent than existing county residents, they tend to be smaller in size, suggesting a mix of young professionals and empty nesters that are attracted to the area because of its proximity to employment opportunities and regionally competitive housing prices.

Figure 7: Nassau County In-Migration Source Markets, 2006



IV. Residential Market Analysis

ERA examined characteristics of Glen Cove and Nassau County housing markets in order to understand pricing and absorption among various for-sale and rental products. This section of the report analyzes inventory and building permit activity, pricing, historical development trends, and other appropriate potential supply and demand factors as they affect overall residential development opportunities.

Residential Supply Characteristics

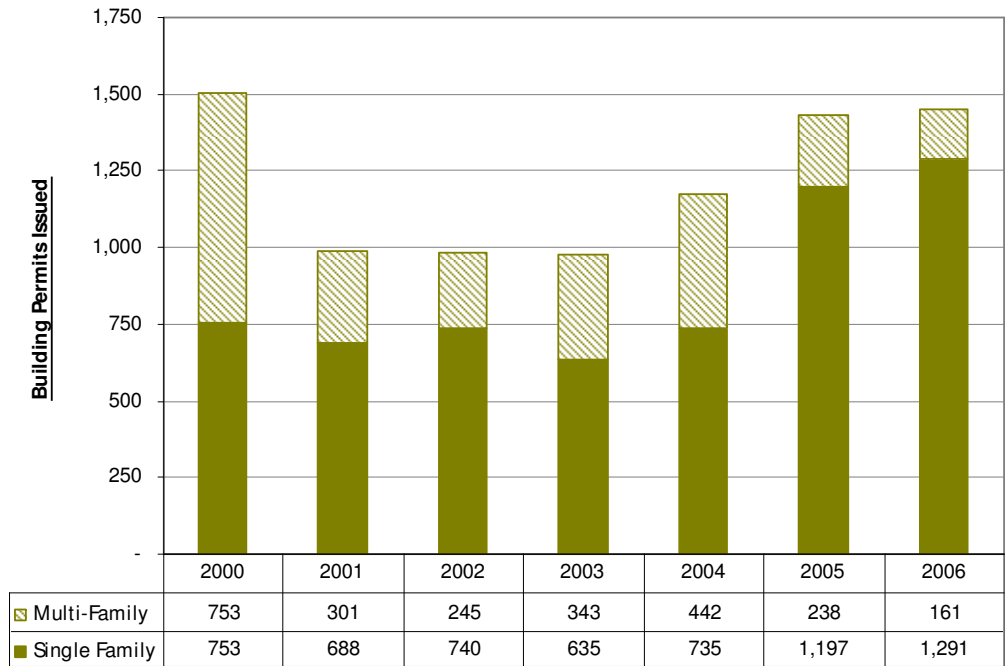
Nassau County is a fairly traditional suburban market with limited residential growth. The following section highlights existing supply trends in Nassau County as well as development trends and statistics in the Glen Cove area.

Existing Overall Supply Trends

Building Permit Activity

ERA analyzed building permit trends by unit type based on data obtained from the U.S. Census Bureau. Our analysis indicates that for the seven-year period between 2000 and 2006 Nassau County issued over 6,000 permits for single-family detached housing, reflecting an annual average of about 860 single-family detached permits. Approximately 2,500 multi-family permits were issued for an annual average of 350 permits.

Figure 6: Summary of Building Permit Activity, 2002 – 2006



Nassau County accounted for approximately seven percent of all building permits in Long Island over the past seven years, with 84 percent of those permits for single-family housing. Only 16 percent were for multi-family units indicative of the low-rise, suburban development patterns in Nassau County.

Figure 7: Comparison of Long Island Building Permit Activity



Unit Growth and Tenure

The majority of housing units in Nassau County (an estimated 80 percent) are owner-occupied in 2007. Total housing units in the county are projected to increase by 0.1 percent annually from 2007 to 2012, with the addition of approximately 1,500 units. A smaller proportion of units in Glen Cove are owner-occupied (59 percent).

Table 3: Projected Unit Growth and Tenure, 2007 – 2012

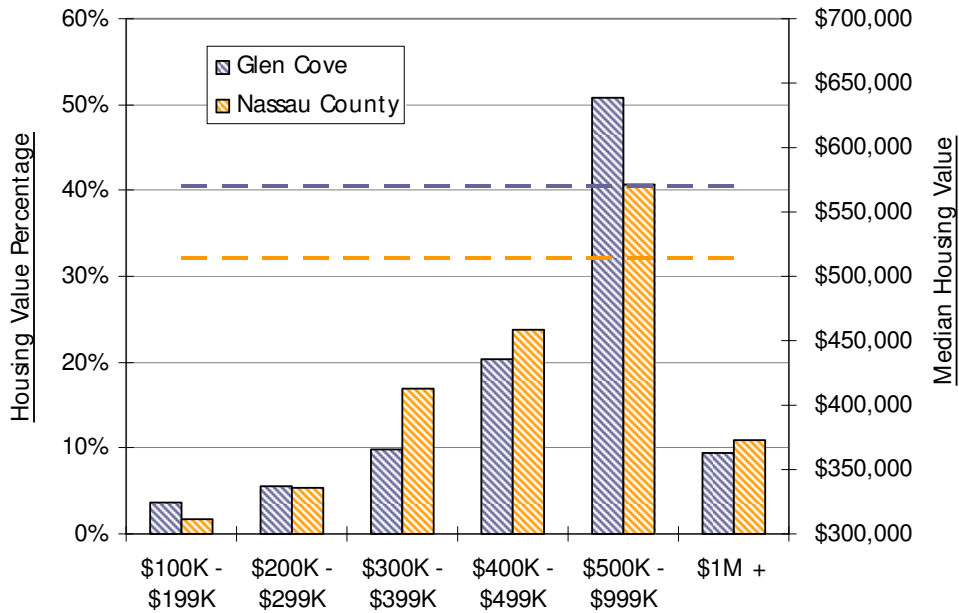
	Glen Cove			Nassau County		
	2007	2012	% Change	2007	2012	% Change
Occupied	9,554	9,588	0.1%	447,079	447,126	0.0%
Owner	5,863	5,839	-0.1%	366,799	366,125	0.0%
Renter	3,691	3,749	0.3%	80,280	81,001	0.2%
Vacant	367	400	1.8%	14,303	15,737	2.0%
Total	9,921	9,988	0.1%	461,382	462,863	0.1%

Source: ESRI Business Analyst, Economics Research Associates, 2007

Housing Values

The majority of both Glen Cove and Nassau County homes are estimated to be valued over \$500,000, with respective median values of \$570,000 and \$514,200. By 2012, an estimated 67 percent of all housing units in Glen Cove will be valued at over \$500,000 and 15 percent over \$1M.

Figure 8: Estimated Housing Values, Glen Cove and Nassau County, 2007



Housing Value to Income Ratio

In comparison to the New York metro area, Nassau County residents, on average, spend slightly less of their income on housing. However, the average U.S. household owns a house worth 3.8 times their income while Nassau County households spend nearly six times the value, about 54 percent more than the U.S. average (indicative of a high-priced market).

Table 4: Ratio of Home Value to Income

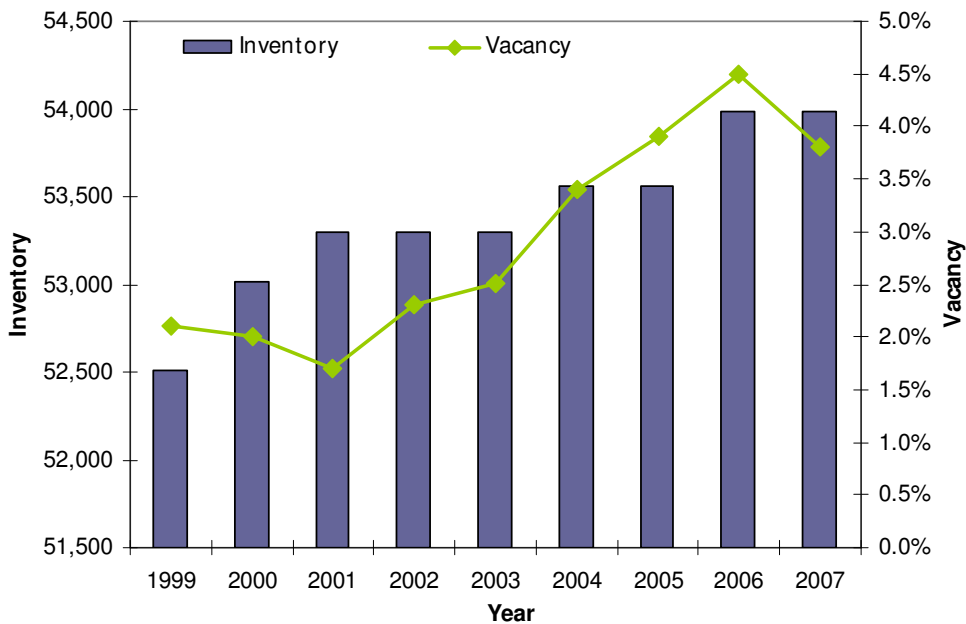
	Median Income	Median Home Value	Ratio of Income to Home Value
Nassau County	\$ 85,994	\$ 506,800	5.89
New York Metro	\$ 59,281	\$ 458,700	7.74
New York State	\$ 51,384	\$ 303,400	5.90
United States	\$ 48,451	\$ 185,200	3.82

Source: American Community Survey, 2006; Economics Research Associates, 2007

Multifamily Rental Supply Trends

Multi-family supply in Nassau County increased modestly between 1999 and 2007, from 52,500 units to 54,000 units. During this same time period, vacancy rates for multi-family apartments increased from just over two percent to 4.5 percent. However, vacancy rates are declining in 2007. Asking rents increased an average 3.1 percent per year, roughly the same rate as inflation, from \$1,220 in 1999 to \$1,560 in 2007.

Figure 9: Multi-Family Inventory and Vacancy Rates, Nassau County, 1999 – 2007



Comparable Supply Trends

Local Pipeline

Three multi-family projects are on the drawing board for the Glen Cove area, given that all are in the preliminary planning stages and construction cannot begin until each of these projects receive their respective entitlements. The Villas at Glen Cove, by Livingston developers, is the largest project totaling 251 condominiums with a majority of these units will be sold at market rate. The project will be located in downtown Glen Cove. A seniors 55+ community of 70 town homes is planned for Landing Road in Glen Cove. Finally, a 50 town home project is planned on the grounds of the Glen Cove Mansion (Harrison House).

Comparable Regional Projects

ERA evaluated the following comparable and competitive properties within the region to determine the project characteristics and buyer profile of condominium purchasers in the area. Each property was asked about unit sizes, configuration, amenities and buyer profile in order to determine how best to capture the desired buyers at RexCorp Glen Isle. Each of the surveyed properties is a high-end mid to high rise property in a New York City suburb with convenient commuting options, with the exception of Avalon at Glen Cove, a rental property included for its proximity to the subject site.

Table 5: Comparable Communities Characteristics -

Project Name/ # Location	Year Built	Total Units	Unit Type	Size (Sq Ft)	Buyer Profile	Competitive Advantage/Disadvantage
1. Maxwell Place Hoboken, NJ	2006	365	Studio 1 BR 2 BR 3 BR	724 996 1,594 1,821	Young Wall Street professionals, Empty Nesters, Young families	PRO: View of Manhattan, ferry and shuttle access to NYC, Riverfront, Surrounded by Public Parks CON: Younger area, less desirable to Empty Nesters
2. Port Liberte Jersey City, NJ	2000	850	1 BR 2 BR 3 BR 3 BR TH 4 BR	1,000 1,500 3,000 3,300 3,800	Young professionals, young families, few empty nesters	PRO: View of Manhattan, marina, ferry access to NYC, shuttle to PATH, gated CON: Need car, not near downtown
3. The Watermark on the Hudson North Bergen, NJ	2006	206	1 BR 2 BR 3 BR Penthouse	906 1,430 1,900 3,183	Empty nesters, young professionals, high profile individuals	PRO: Riverfront, View of Manhattan CON: Distant from ferry terminal or PATH
4. Harbors at Haverstraw Haverstraw, NY	2004	800	Studio 1 BR 2 BR 2 BR TH 3 BR TH	685 995 1,500 2,025 2,661	Young families in TH's, Empty Nesters in 2BR+, Young Professionals in studio/1BR	PRO: Direct access to Hudson River, Ferry to Wall Street or Train CON: Not near town, 1.5 hour commute
5. High Grove Stamford, CT	n/a	83	2BR / 2B 2BR / 2.5B 3BR / 3.5B 4BR / 4.5B	1,766 2,207 2,902 3,755	n/a	PRO: Location in downtown Stamford, Highly accessible train system CON: non-waterfront
6. The Ritz Carlton Residences North Hills, NY	2007	244	1 BR 2 BR 3 BR 4 BR	1,600 2,602 3,098 3,384	Young families, Empty Nesters	PRO: Strong schools, accessible to train, access to public park and country club amenities CON: non-waterfront
7 Proposed Project		860	Lofts Condo Townhome Rental	1,250 2,100 1,750 1,060	n/a	n/a

1: Unit Mix reflects currently available options

2: Project is currently on hold

Source: Economics Research Associates, Individual properties, local realtors

Product Description

Offerings at comparable communities include studios, one bedroom, two bedroom and three bedroom condominiums, and in some cases, town homes. Many one bedroom units in comparable facilities include lofts or den space to expand living areas. Smaller units are concentrated on lower floors to cater to young professionals seeking more affordable options within the building. Larger units are reserved for higher floors with view amenities to maximize pricing potential. Given the primarily empty-nester audience, buildings are weighted toward larger two and three bedroom units as these are a minimum requirement to attract the empty nester crowd. These units are often oversized to provide ample living space or an extra den or office.

Unit sizes in comparable communities are consistently larger than area averages. Studio units are consistent with typical sizing as they appeal to young professionals just meeting the threshold of affordability. However, larger units with two or more bedrooms are sized to appeal to empty-nesters desiring larger living spaces with less concern about pricing.

Amenities

Amenities in the selected condominium projects appeal to the audience they seek to attract. Units are completed with top quality finishes including hardwood floors, granite countertops, large windows, and high ceilings. Additionally, space is configured to maximize openness and provide gracious entertaining and private areas and large kitchens. A major complaint of empty-nester owners across projects is the lack of state-of-the-art kitchen appliances (i.e. Viking, Sub-Zero, Miele). Empty nesters downsizing from suburban homes have, in most cases, sacrificed space for convenient locations, chic design and luxury finishes. It is very important to provide high quality construction and finishes to attract the empty-nester market.

Resort-style amenities are pivotal in attracting both empty-nesters and young professionals. These groups are drawn to the mix of uses and transit opportunities that offer convenience and amenities that are not typical to the area. Not only is it necessary to provide top quality private living spaces, public spaces must be impressively designed and provide ample entertainment options. An amenity especially appreciated by empty-nesters was noted to be private guest rooms available for rent within the mixed-use development. This provides an opportunity to house family and friends without impeding on the space and privacy owners enjoy. Table 6 and Table 7 detail available amenities in comparable communities.



Table 6: Comparable Communities Unit Amenities

#	Project Name	Hardwood Floors	Granite Countertops	Walk-in Closets	Floor-Ceiling Windows	Balcony/Terrace	Washer/Dryer	Top quality appliances	9'+ Ceiling	Master Bath	Other
1.	Maxwell Place	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Michael Graves served as architect
2.	Port Liberte	Yes	Yes	No	No	Yes	Yes	No	Yes	Yes	
3.	The Watermark on the Hudson	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Some units have fireplaces and roof decks
4.	Harbors at Haverstraw	Yes	Yes	Yes	No	Yes	No	No	No	Yes	A variety of upgrades are available for more upscale finishes and inclusions (washer dryer hook-ups)
5.	High Grove	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Some units have fireplaces
6.	The Ritz Carlton Residences, North Hills	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Fireplace, wet bar, juice bar, smart-home technology

Source: Economics Research Associates



Table 7: Comparable Communities Building Amenities

#	Project Name	Water front	Marina	Swimming Pool	24 hr. desk/ Concierge	Fitness Room	Club Room	Business Center	Other
1.	Maxwell Place	Yes	No	Yes	Yes	Yes	Yes	Yes	Rooftop courtyard, adjacent waterfront park, theater, game room, bar
2.	Port Liberte	Yes	Yes	Yes	No	Yes	Yes	No	Tennis courts, basketball court
3.	The Watermark on the Hudson	Yes	No	Yes	Yes	Yes	Yes	Yes	Screening room, Salon, billiards and card room, guest rooms
4.	Harbors at Haverstraw	Yes	No	Yes	No	Yes	Yes	No	Spa, game room, basketball court, river promenade, fishing pier, kayak launch
5.	High Grove	Yes	No	Yes	Yes	Yes	Yes	No	Private wine cellar, yoga studio, private screening room
6.	North Hills	No	No	Yes	Yes	Yes	Yes	Yes	Valet parking, private dining, housekeeping service, clubhouse, etc.
% Projects with Amenity:		83%	17%	100%	67%	100%	100%	50%	

Source: Economics Research Associates

Buyer Profile

Because of the suburban but convenient locations of comparable projects, common markets for buyers were empty-nesters downsizing, young professionals and a small percentage of families with school aged children. Both of these markets are seeking the luxury and convenience of living within close commuting proximity to Manhattan, but may not be able to afford or desire to move into New York City.

Empty-nesters who purchased units at comparable communities were often from a nearby suburb, seeking a more luxurious living space and an amenity driven lifestyle in a convenient but familiar area near friends and family. The empty-nester market primarily chose to purchase two or three bedroom units, often with an extra den, as they desire to downsize from their homes but still maintain ample living space and have an opportunity to host children and friends in extra bedrooms. It is important to have open floor plans conducive to entertaining, but separate bedrooms from the main living area in order to emulate the privacy of a suburban home. The empty-nester market is willing to pay more for extra living space, views, private outdoor space and lifestyle. This is further supported by those seeking a similar urban lifestyle to Manhattan offering more space for significantly lower prices (as much as half the price per square foot)..

Young professionals are a lesser but still strong market for luxury condominiums in New York City suburbs, especially Hoboken and Jersey City, New Jersey. The young professionals market is also highly likely to be interested in housing at the Glen Isle project, because of direct, high-speed ferry access to Manhattan, pricing levels below Manhattan and proximity to a convenient downtown area in Glen Cove that is undergoing revitalization. Pricing and accessibility will increase the appeal of the project this market segment, as the young professional market is often price conscious and seeking to stretch their dollar rather than obtain larger spaces.

Advantages/Disadvantages

The largest advantage the proposed project has over other comparable communities is direct access to a high-speed ferry to New York City and other destinations. In addition, Glen Cove has three stops on the Long Island Railroad, however the commute time to the city is approximately one hour. Ferry service will be restored in a temporary facility in 2009 with a new terminal planned for Glen Cove to be in place by 2012; ERA considers the project to be dependent upon completion of the high-speed ferry link, and the ferry will be dependent upon the Glen Isle project to provide a consistent flow of commuters and other ferry ridership.

VI. Residential Demand Analysis

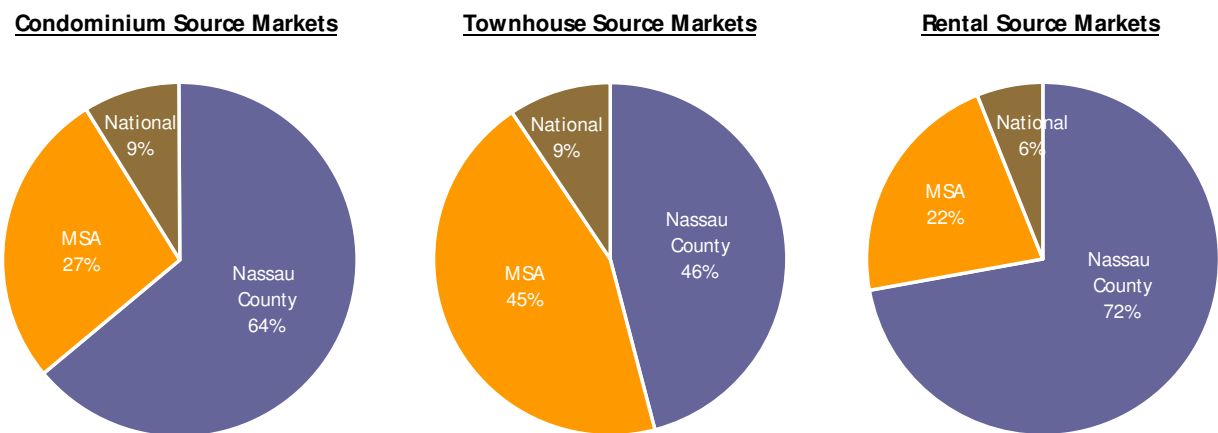
Building upon the findings from the residential market analysis, ERA tested the depth of consumer market demand for for-sale condominiums, townhomes, and multifamily apartments in Nassau County, NY, with a specific focus on the North Shore area. The analysis also assumes that the project will target consumers with a minimum annual household income in excess of \$100,000. The purpose of the analysis is to determine the required market penetration of North Shore consumer demand that the proposed project will need to achieve in order to sustain a reasonable rate of absorption in support of a preliminary multifamily program.

ERA expects that future demand for the target housing products described above will come from two primary sources:

- Turnover of households already living in Nassau County
- Households moving to Nassau County from within the Long Island metropolitan area and other markets elsewhere in the country, as identified in the demographic overview

Based on the methodology described below, ERA estimates that existing Nassau County residents will represent between 46 and 72 percent of future demand for the targeted product types. Households relocating to Nassau County from the greater metropolitan area and other national markets will represent 28 to 54 percent of the total for-sale and rental demand.

Figure 32: Sources of Market Demand for Target Residential Product in Nassau County



For-Sale Condominiums and Townhouses

ERA's demand analysis indicates that the North Shore (defined as the northern half of Long Island) could attract approximately 900 new owner-occupied households on an annual basis seeking condominium (defined as for-sale apartment flats) and townhouse units similar to those proposed for the Glen Isle site. This analysis is reinforced by the historic pace of (and forecast) absorption, coupled with the expected product to be delivered at the RexCorp Glen Isle site. The anticipated demand accounts for residents moving within the county as well as residents in-migrating from outside of Nassau County. The pool of potential candidates for the project site is based in part on income qualification and preference for moderate to high density residential product. Empty nesters, young professionals, and early retirees make up the majority of target households.

Based on our assessment of the competitive environment for for-sale condominium and townhouse units in Nassau County, ERA concludes that the RexCorp Glen Isle site could capture a reasonable proportion of this demand. RexCorp Glen Isle would have to capture about 38% of total North Shore condominium demand and approximately 10% of townhouse demand in order to sell out in a reasonable amount of time. The analysis assumes that the for-sale housing units will come on line in approximately four to six years, allowing for some stabilization of the housing market. ERA concludes these are feasible target ranges based on few similar products in the market, the planned cohesive mixed-use development, expected range of uses, critical mass at the site, and specific amenities such as water views and a high-speed ferry service to Manhattan (and other destinations) that could likely command a premium in terms of both unit absorption and price points.

Multi-Family Rental

ERA's demand analysis indicates that the North Shore could attract 312 new multi-family renter households on an annual basis seeking appropriately priced units to match the target household income range. These households may also choose to rent at one of the annually reoccurring vacancies at new construction buildings in the North Shore area (specifically at the two proximate Avalon projects).

Assuming that approximately half of the 312 households will rent existing units that turn over in existing buildings, ERA estimates that the North Shore can support about 145 new multifamily rental units on an annual basis. This assumption is based on existing area supply (including the 256-unit and 111-unit Avalon projects), moderate overall vacancy rates, historical absorption in the county,



and the relatively limited projected net new household growth. The RexCorp Glen Isle project would have to capture about 33% of total net new rental demand in order to lease up in a reasonable amount of time. This represents a relatively modest capture rate and indicates supportable demand for the proposed product type.



A summary of the residential demand analyses are presented below in Tables 8 through 11. Detailed calculations can be found in the attached Appendix.

Table 8: Required Market Penetration by Product Type at RexCorp Glen Isle

	Annual Potential Consumers		
	For-Sale Condominiums	Tow nhomes	Rental Apartments
Potential Annual North Shore Demand	256	636	145
Proposed Units	512	82	180
Monthly Absorption/ Lease-Up			
Baseline	8 units per mo	5 units per mo	4 units per mo
Years to Absorb			
(rounded to nearest quarter)			
Baseline	5.3 years	1.4 years	3.8 years
Required Market Penetration			
Conservative	38.0%	9.0%	33.0%

Source: Economics Research Associates



Methodology – Target Consumer Demand Model

The methodology to determine the appropriate residential program was created in response to the challenges associated with the application of conventional supply/demand analysis to an unconventional product mix. The fundamental characteristics of this approach were first developed by Zimmerman/Volk Associates, but have since been refined by ERA.

ERA's analytical technique included the use of ESRI Tapestry segmentation data which divides US households into 65 segments based on demographic variables such as age, income, home value, occupation, household type, education, and other consumer behavior characteristics. Based on our demographic analysis of historic, current and projected growth in population, households, age composition, and household incomes, ERA identified specific target age cohorts and income segments with the greatest growth potentials in Nassau County.

Next, ERA identified the geographic market areas from which Nassau County could draw potential consumers based on the analysis of Internal Revenue Service, Statistics of Income county-to-county migration data. Market areas identified included:

- Internal relocation of households within Nassau County, which is also referred to as “turnover.”
- New demand, which consists of all other sources of in-migration to Nassau County from across the metropolitan area and nation.

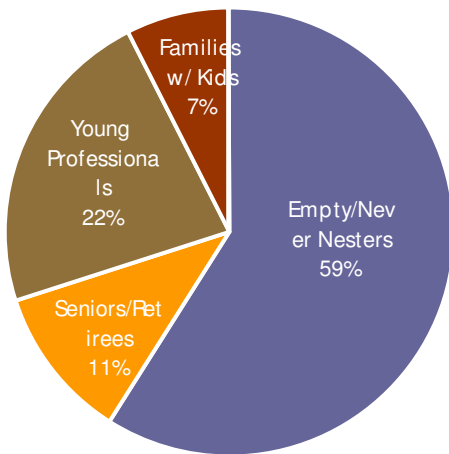
The total number of households in the defined market areas served as the basis for ERA's analysis. Once the draw areas and target consumer segments were identified, ERA then quantified the annual pool of qualified candidates for the defined product type at the RexCorp Glen Isle site. This required a multiple-step process that considers consumer tenure preference by income and property type, annual propensity to move, probability of relocation to Nassau County, income qualification, preference for moderate- to high-density residential product, preference for a location in a mixed-use development, and preference for new construction. The analysis is based on the following assumptions:

- ERA utilized housing information provided in the Tapestry data to estimate homeownership rates for each of the consumer segments. Home rental rates ranged from a low of four percent to over 90 percent for some segments.

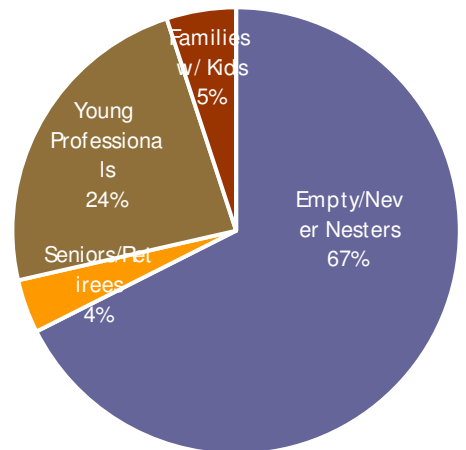
- From the number of qualified consumer segments that are likely to buy or rent a unit, ERA then estimated the share of those households that will move in any given year. The probability that qualified households will relocate to Nassau County is based on county-to-county migration data from the IRS SOI. Estimates of internal relocation within the county are based on one-year migration data from the US Census Bureau 2005 American Community Survey.
- Finally, ERA’s estimate of the propensity to purchase or rent a housing unit in multi-family building in a suburban mixed-use neighborhood is based on the Tapestry data and ERA’s professional opinion about each category’s typical housing choice.

Based on these steps, ERA identified the top clusters of lifestyle segments that are the most likely sources of demand for the types of housing envisioned for the RexCorp Glen Isle site. Empty-nesters and early retirees make up the majority of target households (between 66 and 71 percent) for all of Nassau County. ERA estimates that the nature of the proposed RexCorp Glen Isle product types will attract the majority of empty nesters and some young professionals with very few families with children.

Condominium Target Market



Townhouse Target Market



Apartment Target Market

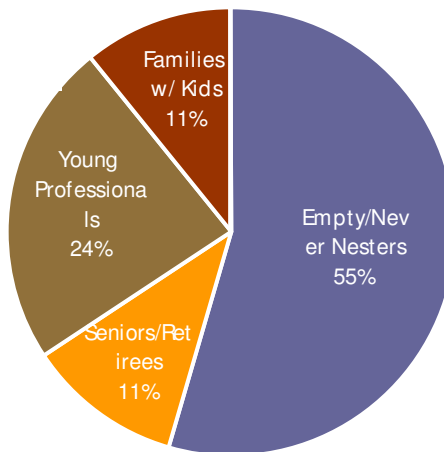




Table 9: Summary of Condominium Residential Demand Analysis

	Source Market		TOTAL
	Nassau County	In-Migrating Households	
Total HH	447,009	22,096	469,105
% Living in Traditional Units	99.3%	98.8%	99.3%
Total HH Living in Traditional Units	443,919	21,835	465,754
% Owners	81.1%	56.7%	80.0%
Total Owner HH	360,170	12,381	372,551
% Move to/within County	3.2%	100.0%	6.5%
HH Relocating to/within County	11,687	12,381	24,068
P propensity for Product & Location	5.0%	3.0%	4.0%
Potential Annual Product Demand	584	371	956
% Income Qualify	55.8%	49.9%	53.5%
Income Qualified HH	326	185	511
P propensity for North Shore	50.0%	50.0%	50.0%
Potential Targeted Annual NS Demand	163	93	256

Source: ESRI Business Analyst; IRS Statistics of Income; US Census Bureau; 2005 American Community Survey; REIS, Inc; Economics Research Associates



Table 10: Summary of Townhouse Demand Analysis

	Source Market		TOTAL
	Nassau County	In-Migrating Households	
Total HH	447,009	22,096	469,105
% Living in Traditional Units	99.3%	98.8%	99.3%
Total HH Living in Traditional Units	443,919	21,835	465,754
% Owners	81.1%	56.7%	80.0%
Total Owner HH	360,170	12,381	372,551
% Move to/within County	3.2%	100.0%	6.5%
HH Relocating to/within County	11,687	12,381	24,068
Propensity for Product & Location	9.0%	11.0%	10.0%
Potential Annual Product Demand	1,052	1,362	2,414
% Income Qualify	54.6%	51.2%	52.7%
Income Qualified HH	575	698	1,273
Propensity for North Shore	50.0%	50.0%	50.0%
Potential Targeted Annual NS Demand	287	349	636

Source: ESRI Business Analyst; IRS Statistics of Income; US Census Bureau; 2005 American Community Survey; REIS, Inc; Economics Research Associates

Table 21: Summary of Multi-Family Rental Demand Analysis

	Source Market		TOTAL
	Nassau County	In-Migrating Households	
Total HH	447,009	22,096	469,105
% Living in Traditional Units	99.3%	98.8%	99.3%
Total HH Living in Traditional Units	443,919	21,835	465,754
% Renters	18.9%	43.3%	20.0%
Total Renter HH	83,749	9,454	93,202
% Move to/within County	16.4%	100.0%	24.8%
HH Relocating to/within County	13,702	9,454	23,156
Propensity for Product & Location	22.0%	12.0%	17.9%
Potential Annual Product Demand	3,014	1,134	4,149
% Income Qualify	37.8%	37.2%	37.6%
Income Qualified HH	1,139	422	1,561
Propensity for North Shore	20.0%	20.0%	20.0%
Potential Targeted Annual NS Demand	228	84	312

Source: ESRI Business Analyst; IRS Statistics of Income; US Census Bureau; 2005 American Community Survey; REIS, Inc; Economics Research Associates



V. Appendix



Table 32: Summary of Nassau County Residential Demand by Geography

Market Area/Segment	Lifestyle Group	ADJUSTED OWNERSHIP UNITS					ADJUSTED RENTAL UNITS				
		1-Detached	1-Attached	2 to 4 Units	5 to 19 Units	20+ Units	1-Detached	1-Attached	2 to 4 Units	5 to 19 Units	20+ Units
Nassau County											
L1	High Society	6,459	286	187	87	109	1,368	263	588	279	352
L2	Upscale Avenues	3,170	175	189	90	77	979	229	721	357	317
L3	Metropolis	377	88	248	73	75	128	120	960	297	310
L4	Solo Acts	11	4	9	12	18	5	7	42	54	82
L5	Senior Styles	127	28	26	38	114	36	34	98	143	453
L6	Scholars & Patriots	0	1	0	0	0	1	4	2	1	0
L7	High Hopes	-	-	-	-	-	-	-	-	-	-
L8	Global Roots	50	15	48	33	44	30	32	231	169	252
L9	Family Portrait	86	7	4	3	3	46	13	19	13	16
L10	Traditional Living	37	3	3	1	1	15	5	11	5	6
L11	Factories & Farms	-	-	-	-	-	-	-	-	-	-
L12	American Quilt	-	-	-	-	-	-	-	-	-	-
Subtotal		10,317	607	714	337	441	2,609	707	2,673	1,318	1,788
NYC CMSA											
L1	High Society	5,079	210	107	27	33	235	32	105	61	63
L2	Upscale Avenues	4,124	181	132	31	26	274	39	173	88	66
L3	Metropolis	694	175	328	52	62	47	39	438	149	157
L4	Solo Acts	12	4	5	4	7	1	1	7	12	17
L5	Senior Styles	73	16	10	9	29	4	3	10	20	60
L6	Scholars & Patriots	0	0	0	0	0	0	0	0	0	0
L7	High Hopes	1	0	0	0	0	0	0	0	1	0
L8	Global Roots	54	17	33	16	33	6	7	65	64	128
L9	Family Portrait	69	5	2	1	1	8	2	4	3	3
L10	Traditional Living	32	3	2	1	1	3	1	4	3	2
L11	Factories & Farms	0	0	0	0	0	0	0	0	0	0
L12	American Quilt	1	0	0	0	0	0	0	0	0	0
Subtotal		10,139	611	619	142	192	578	123	806	400	496
National											
L1	High Society	1,677	75	24	10	18	92	8	37	20	19
L2	Upscale Avenues	715	44	19	12	13	62	8	43	36	23
L3	Metropolis	86	24	22	6	8	10	5	52	17	15
L4	Solo Acts	21	6	4	8	11	3	2	13	32	26
L5	Senior Styles	54	10	4	5	19	5	2	10	13	31
L6	Scholars & Patriots	2	0	0	0	0	1	0	2	2	1
L7	High Hopes	33	6	3	4	3	5	2	9	14	6
L8	Global Roots	37	7	8	6	7	7	3	28	27	22
L9	Family Portrait	71	6	2	1	1	10	2	5	5	3
L10	Traditional Living	52	4	3	2	1	7	1	8	5	3
L11	Factories & Farms	3	0	0	0	0	0	0	0	0	0
L12	American Quilt	4	0	0	0	0	1	0	0	0	0
Subtotal		2,754	184	90	54	82	203	32	209	172	149
TOTAL											
L1	High Society	13,215	571	318	124	161	1,695	303	730	359	435
L2	Upscale Avenues	8,009	400	341	133	116	1,315	276	937	481	406
L3	Metropolis	1,157	288	598	131	145	185	164	1,451	464	481
L4	Solo Acts	44	14	19	24	35	9	10	62	98	124
L5	Senior Styles	254	54	41	51	163	45	38	119	177	544
L6	Scholars & Patriots	3	1	1	1	0	2	5	4	3	1
L7	High Hopes	34	7	3	4	3	5	2	10	14	7
L8	Global Roots	141	39	89	56	85	43	41	324	260	403
L9	Family Portrait	226	17	7	5	5	64	16	28	21	22
L10	Traditional Living	121	11	8	3	3	25	7	23	13	11
L11	Factories & Farms	3	0	0	0	0	0	0	0	0	0
L12	American Quilt	5	0	0	0	0	1	0	0	0	0
TOTAL		23,211	1,402	1,424	532	715	3,390	863	3,688	1,890	2,433
L1	High Society	56.9%	40.7%	22.3%	23.3%	22.5%	50.0%	35.2%	19.8%	19.0%	17.9%
L2	Upscale Avenues	34.5%	28.6%	23.9%	25.0%	16.2%	38.8%	32.0%	25.4%	25.4%	16.7%
L3	Metropolis	5.0%	20.5%	42.0%	24.6%	20.3%	5.5%	19.0%	39.3%	24.5%	19.8%
L4	Solo Acts	0.2%	1.0%	1.3%	4.6%	4.9%	0.3%	1.1%	1.7%	5.2%	5.1%
L5	Senior Styles	1.1%	3.8%	2.8%	9.6%	22.7%	1.3%	4.4%	3.2%	9.4%	22.3%
L6	Scholars & Patriots	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%	0.5%	0.1%	0.2%	0.1%
L7	High Hopes	0.1%	0.5%	0.2%	0.7%	0.4%	0.2%	0.2%	0.3%	0.8%	0.3%
L8	Global Roots	0.6%	2.8%	6.3%	10.6%	11.8%	1.3%	4.8%	8.8%	13.7%	16.6%
L9	Family Portrait	1.0%	1.2%	0.5%	0.9%	0.7%	1.9%	1.9%	0.8%	1.1%	0.9%
L10	Traditional Living	0.5%	0.8%	0.5%	0.7%	0.5%	0.7%	0.8%	0.6%	0.7%	0.4%
L11	Factories & Farms	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
L12	American Quilt	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Nassau County		44.4%	43.3%	50.2%	63.3%	61.7%	76.9%	82.0%	72.5%	69.7%	73.5%
NYC CMSA		43.7%	43.6%	43.5%	26.6%	26.8%	17.1%	14.3%	21.9%	21.2%	20.4%
Outside MSA		11.9%	13.1%	6.4%	10.1%	11.5%	6.0%	3.7%	5.7%	9.1%	6.1%



Table 43: Summary of Nassau County Residential Demand by Pricing

Unit Type	ADJUSTED OWNERSHIP UNITS					ADJUSTED RENTAL UNITS				
	< \$25k	\$25k < \$50k	\$50k < \$100k	\$100k < \$150k	\$150k+	< \$25k	\$25k < \$50k	\$50k < \$100k	\$100k < \$150k	\$150k+
1-Detached	1,169	2,566	7,478	6,125	5,873	258	486	1,205	799	643
1-Attached	90	180	455	349	327	91	148	304	180	139
2 to 4 Units	75	175	460	382	332	464	715	1,349	718	441
5 to 19 Units	25	62	159	139	148	271	383	661	338	238
20+ Units	44	92	210	170	200	443	511	793	386	300
Total	1,403	3,075	8,761	7,166	6,880	1,527	2,242	4,312	2,421	1,761
SFD	1,169	2,566	7,478	6,125	5,873	258	486	1,205	799	643
Townhouse	165	355	915	732	659	556	863	1,654	898	580
Multifamily	69	154	368	309	348	714	893	1,454	724	538
SFD	5%	11%	32%	26%	25%	8%	14%	36%	24%	19%
Townhouse	6%	13%	32%	26%	23%	12%	19%	36%	20%	13%
Multifamily	5%	12%	30%	25%	28%	17%	21%	34%	17%	12%