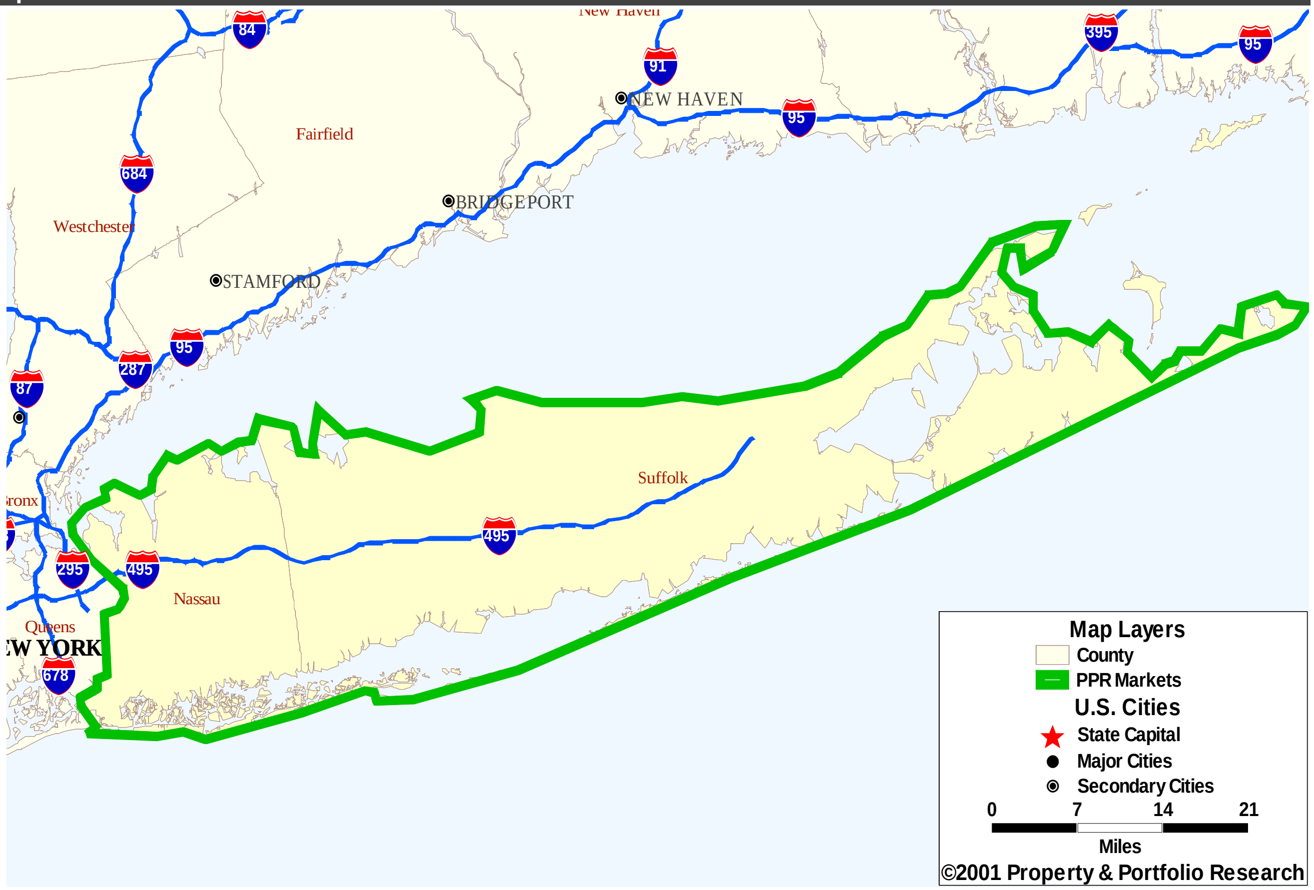
LONG ISLAND

Overview

Map



Summary of Last Twelve Months vs. Historical Minimum, Maximum, and Average

	Current Vacancy*			Net New Supply (000SF)**			Net Absorption (000SF)**		
Apartment		⇧ 6.0%			⇩ 626			⇩ -173	
	1.1%		7.2%	-293		2,469	-630		1,459
	83:4		88:4	95:3		86:4	96:1		86:4
Office		⇧ 14.9%			⇧ 1,144			⇧ -211	
	4.1%		18.5%	-105		1,467	-954		1,255
	82:1		91:2	97:3		89:1	91:1		99:3
Retail		⇧ 8.8%			⇩ 1,078			⇩ -251	
	3.9%		19.5%	51		2,196	-1,418		3,724
	87:4		82:1	82:3		97:2	91:1		99:3
Warehouse		⇧ 14.2%			⇧ 399			⇩ -212	
	5.7%		16.5%	-23		741	-908		2,525
	85:4		95:4	88:4		86:2	89:1		85:4
Hotel		⇩ 69.7%			⇧ 739			⇩ -478	
	79.6%		58.0%	-64		1,182	-902		853
	00:4		92:1	98:4		83:2	91:1		00:1

*Occupancy for Hotels

**Apartment and Hotel data are in units.

LONG ISLAND

Analysis/Economy

Notable Economic and Real Estate Market Events

- **ECON – Long Island continues to defy the downward pull of the national economy** and was one of the few metros to add jobs during the year ending in June. **Growth was far from robust, however, with just 3,500 jobs added to local payrolls over the past year**, a growth rate of 0.3%. Local manufacturers such as Tellabs, which trimmed another 100 jobs in June, are the main inhibitor of economic expansion in the metro. On the upside, economic incentive from the Empire State Development Corp. will help preserve 1,800 Northrop Grumman jobs in Bethpage. On the opposite side of the spectrum, **the government, retail trade, and services sectors continue to add jobs at a steady clip**. Budget constraints are expected to limit future government employment growth, however. **Steady net out-migration will limit economic expansion over the forecast** and the local population is expected to grow by just 0.2% annually through 2006.
- **APT – Weak demographic trends and slower job growth are pushing vacancies higher.** Additionally, Long Island's homeownership rate was nearly 83% last year, and given today's historically low mortgage rates, many would be renters have opted to buy. Rising prices will eventually discourage residents from buying, however. **Single family prices in both Nassau and Suffolk Counties grew by nearly 30% year-over-year as of May.** Slow demand growth, high land costs, and a difficult approval process have all discouraged development. **AvalonBay has been one of the few developers with the resources to build large-scale projects here.** The apartment REIT has a number of projects in the pipeline and hopes to get underway on a 450-unit community in Coram and the 256-unit Avalon at Glen Cove this year. Despite weak demand, low levels of construction will allow vacancies to tighten slowly over the forecast.
- **OFF – Office vacancies have risen two percentage points from year-ago levels to 14.9%,** as local office-using employers have cut back on their space needs. The business services and FIRE sectors have both trimmed payrolls over the past year, **pushing absorption into negative territory.** Vacancies have nearly topped out, however, and **leasing activity has picked up in recent months.** Sublease availabilities fell more than 100,000 SF to 820,524 SF during the first six months of the year, according to Insignia. Firms such as Titleserv and The Risk Management Group have both picked up sublease space in recent months. Suffolk County, which has struggled more severely than Nassau County due to its faster growth over the past few years, has seen companies such as Zurich American (78,000 SF), AutoOne (82,000 SF), and Metro One (40,000 SF) lease space. **Nassau County is at risk should WorldCom pull out of its 165,000 SF there.**
- **RET –** Slower economic growth has pushed economic vacancies higher in the local retail market, but Long Island's economy has continued to create jobs and **the downturn has not been severe here.** Well-above-average household incomes, have also staved off a more dramatic deterioration in the economic vacancy rate. **National big-box chains continue to expand and Riverhead in Suffolk County has been the focal point of recent growth.** Home Depot is completing a project here and Lowe's is looking to build a store nearby. Meanwhile, Target has announced plans for a store in the area. Wal-Mart is underway on stores in Islandia and Setauket. **Taubman's 750,000 SF Mall at Oyster Bay recently got new life** after a state supreme court judge overturned the local zoning board's decision to deny the developer a permit.
- **WHS** – Limited new construction and a tenant base largely unaffected by the current economic slowdown **have kept local warehouse fundamentals relatively healthy,** but vacancies have been ticking higher. **The MacArthur Airport Corridor has emerged as a key distribution area** with the likes of ADP and Elm Freight Handlers leasing up space here in recent quarters. **Development at the former Northrop Grumman site may add to supply later in the forecast**. Mivila Foods recently moved into a vacant 320,000 SF facility at the site.
- **HOT – Occupancies have dipped notably from highs near 80% in 2000.** This year will be a peak year for completions, further exasperating the current situation, but **supply is expected to shut down next year.**

Demographic Trends

	2002*		Annual Growth Rates					
			1982-1991		1992-2001		2002-2006	
Category	Market	U.S.	Market	U.S.	Market	U.S.	Market	U.S.
Population	2,784	288,644	0.1%	1.0%	0.6%	1.2%	0.2%	0.9%
Households	925	107,955	0.6%	1.3%	0.7%	1.3%	0.4%	1.1%
Median Household Income	$72,216	$44,924	5.8%	4.4%	3.4%	3.7%	3.8%	3.4%
Apartment-Renting Households	159	36,052	0.4%	1.7%	-1.1%	0.5%	0.6%	1.2%
Real Retail Sales Per Capita	$5,368	$4,493	2.5%	1.5%	0.6%	1.8%	1.6%	1.5%

Employment Trends

	2002*		Annual Growth Rates					
		Location	1982-1991		1992-2001		2002-2006	
SIC Category	Employment	Quotient	Market	U.S.	Market	U.S.	Market	U.S.
Total Services	419	1.1	3.3%	4.3%	3.0%	3.7%	2.0%	2.6%
Business Services	85	1.0	3.8%	6.6%	3.6%	6.2%	2.5%	3.1%
Other Services	334	1.1	3.2%	3.8%	2.8%	3.0%	1.9%	2.5%
Retail Trade	229	1.0	1.2%	2.5%	1.3%	2.0%	1.2%	1.6%
Government	196	1.0	0.4%	1.6%	0.9%	1.3%	0.2%	0.7%
Manufacturing	105	0.7	-2.6%	-0.6%	-2.0%	-0.6%	-0.5%	-0.3%
F.I.R.E.	80	1.1	4.4%	2.2%	-0.0%	1.5%	0.2%	0.9%
Wholesale Trade	84	1.3	1.6%	1.3%	1.1%	1.4%	0.6%	1.2%
Trans., Comm., Util.	59	0.9	1.7%	1.1%	2.0%	2.0%	1.1%	1.0%
Construction	63	1.0	1.6%	1.4%	4.0%	4.2%	0.3%	0.6%
Mining	0	0.0	-6.4%	-6.0%	1.0%	-1.6%	-1.9%	-1.2%
Total Employment	1,235	1.0	1.3%	1.9%	1.4%	2.0%	1.0%	1.4%
Office-Using Employment	293	1.0	2.9%	3.0%	1.7%	2.9%	1.4%	1.9%
Trucking/Warehouse Employment	88	1.1	1.8%	1.5%	0.4%	1.7%	0.1%	1.2%

*All units (except for dollar denominated figures) in thousands.

Current Economic Indicators

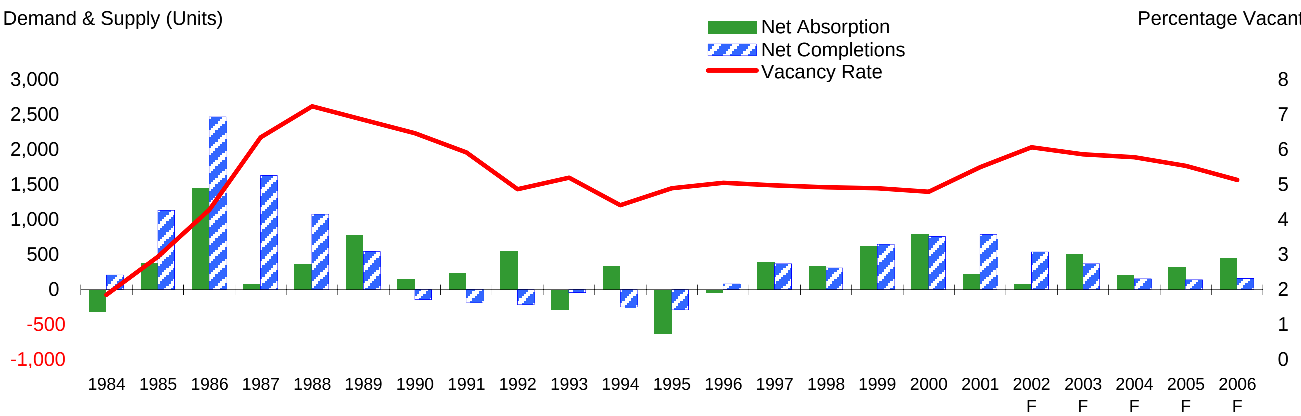
Employment Growth 6/02	Labor Force Growth 6/02	Unemployment Rate 6/02	Employment Volatility Ratio	Net Migration (000) 2001	Cost Indices (U.S. = 100) Business	Living
0.3%	3.0%	4.1%	1.0	-4.3	117	119

Sources: PPR; Economy.com

LONG ISLAND

Apartment

Supply, Demand, and Vacancy

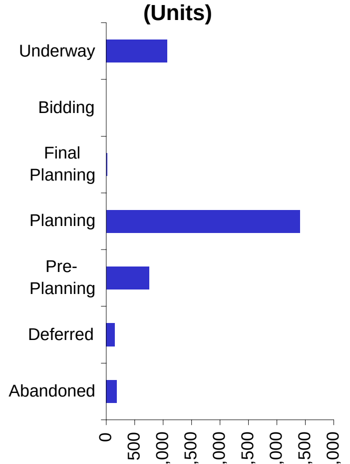


Apartment Market Statistics (Units)

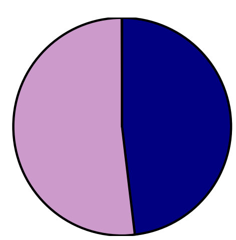
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Apt. Vacancy	5.0%	4.9%	4.9%	4.8%	5.5%	6.1%	5.9%	5.8%	5.5%	5.1%
Apt. Net Absorption	400	339	630	795	224	77	502	209	318	454
% Growth	0.6%	0.5%	0.9%	1.1%	0.3%	0.1%	0.7%	0.3%	0.4%	0.6%
Multifamily Starts	1,158	644	1,427	1,664	401	916	353	192	209	302
% Change	81.2%	-44.4%	121.6%	16.6%	-75.9%	128.4%	-61.5%	-45.6%	8.9%	44.5%
Net Apt. Completions	368	311	647	758	785	536	369	154	139	160
Apt. Inventory	72,283	72,594	73,241	73,999	74,784	75,321	75,690	75,843	75,983	76,143
% Growth	0.5%	0.4%	0.9%	1.0%	1.1%	0.7%	0.5%	0.2%	0.2%	0.2%
Apt. Rent Index	106	122	128	131	137	139	136	138	143	147
% Change	6.0%	15.4%	4.5%	2.6%	4.4%	1.2%	-1.7%	1.6%	3.0%	3.1%

PPR/Dodge Pipeline Summary

Current Activity (Units)

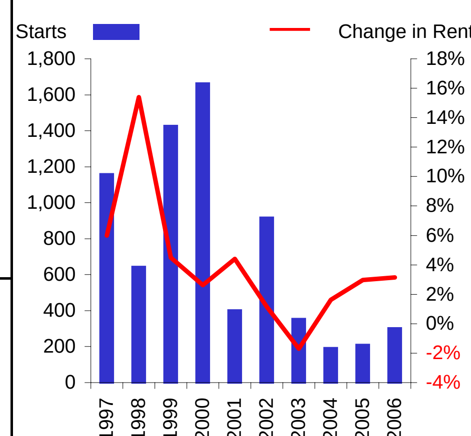


Multifamily Underway by Subclass



	Underway (Units)	%
Apartments	511	48%
Townhouse/Condo	554	52%
Low Income	-	0%
Unclassified	-	0%

Change in Rent vs. Starts

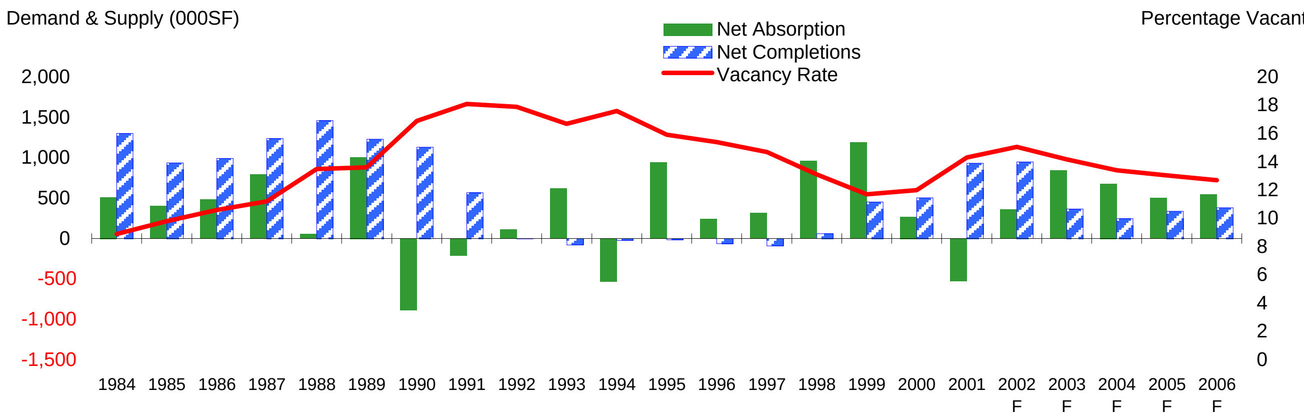


Sources: PPR; McGraw-Hill Construction - Dodge; National Real Estate Index

LONG ISLAND

Office

Supply, Demand, and Vacancy

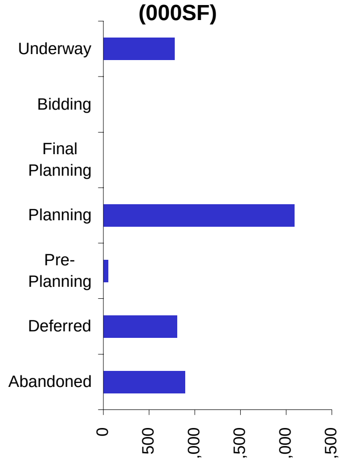


Office Market Statistics (000SF)

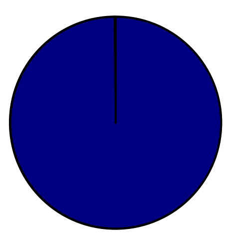
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Vacancy	14.7%	13.1%	11.7%	12.0%	14.3%	15.1%	14.2%	13.4%	13.0%	12.7%
Net Absorption	319	959	1,192	271	-527	360	844	678	502	543
% Growth	0.7%	2.0%	2.4%	0.5%	-1.0%	0.7%	1.7%	1.3%	1.0%	1.0%
Starts	294	645	859	385	960	604	413	368	434	468
% Change	253.0%	119.1%	33.1%	-55.1%	149.0%	-37.1%	-31.7%	-10.9%	17.9%	8.0%
Net Completions	-91	61	451	503	932	950	366	246	338	379
Inventory	56,636	56,697	57,148	57,651	58,583	59,533	59,900	60,145	60,483	60,862
% Growth	-0.2%	0.1%	0.8%	0.9%	1.6%	1.6%	0.6%	0.4%	0.6%	0.6%
Rent Index	112	120	126	128	128	126	127	131	134	138
% Change	11.6%	7.4%	5.5%	1.4%	-0.5%	-1.0%	0.6%	2.8%	2.6%	3.1%

PPR/Dodge Pipeline Summary

Current Activity (000SF)

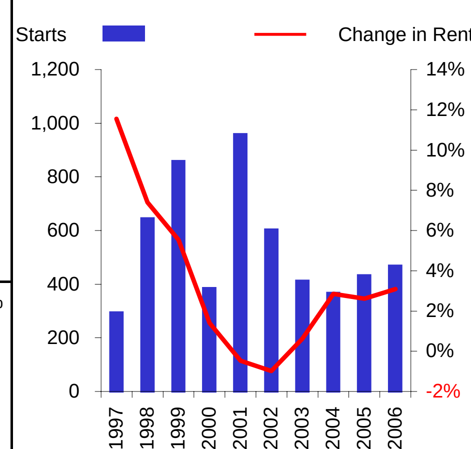


Office Underway by Subclass



	Underway (000SF)	%
Low Rise	775	100%
Mid Rise	-	0%
High Rise	-	0%
Office R&D	-	0%
Unclassified	-	0%

Change in Rent vs. Starts

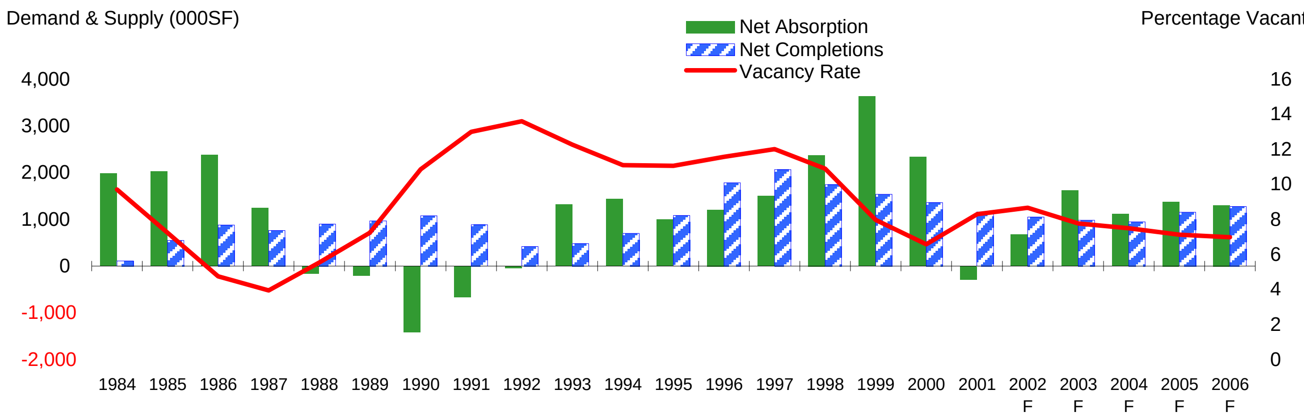


Sources: PPR; McGraw-Hill Construction - Dodge; National Real Estate Index

LONG ISLAND

Retail

Supply, Demand, and Vacancy

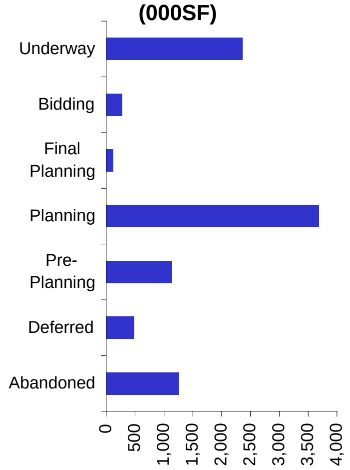


Retail Market Statistics (000SF)

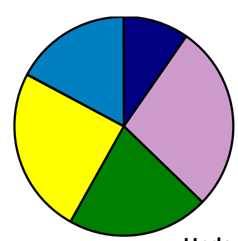
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Vacancy	12.0%	10.9%	8.0%	6.6%	8.3%	8.7%	7.8%	7.5%	7.1%	7.0%
Net Absorption	1,504	2,373	3,637	2,343	-288	674	1,621	1,115	1,378	1,306
% Growth	2.4%	3.6%	5.4%	3.3%	-0.4%	0.9%	2.2%	1.5%	1.8%	1.7%
Starts	1,686	2,206	1,477	1,455	1,483	1,518	1,005	1,202	1,366	1,445
% Change	-42.1%	30.9%	-33.1%	-1.5%	1.9%	2.4%	-33.8%	19.6%	13.6%	5.8%
Net Completions	2,064	1,743	1,538	1,362	1,164	1,049	982	951	1,157	1,280
Inventory	73,944	75,687	77,225	78,587	79,751	80,800	81,782	82,734	83,891	85,171
% Growth	2.9%	2.4%	2.0%	1.8%	1.5%	1.3%	1.2%	1.2%	1.4%	1.5%
Rent Index	99	103	101	105	106	106	107	107	108	110
% Change	-1.2%	3.9%	-1.2%	4.0%	0.2%	0.5%	0.4%	0.8%	0.8%	1.9%

PPR/Dodge Pipeline Summary

Current Activity (000SF)

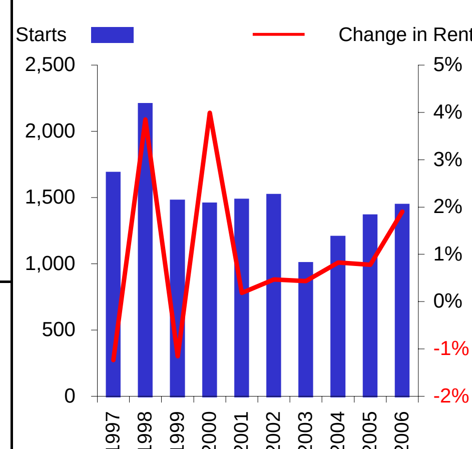


Retail Underway by Subclass



	Underway (000SF)	%
Freestanding Stores	229	10%
Neighborhood Center	650	28%
Community Center	489	21%
Regional	584	25%
Super Regional	-	0%
Outlet	-	0%
Unclassified	407	17%

Change in Rent vs. Starts

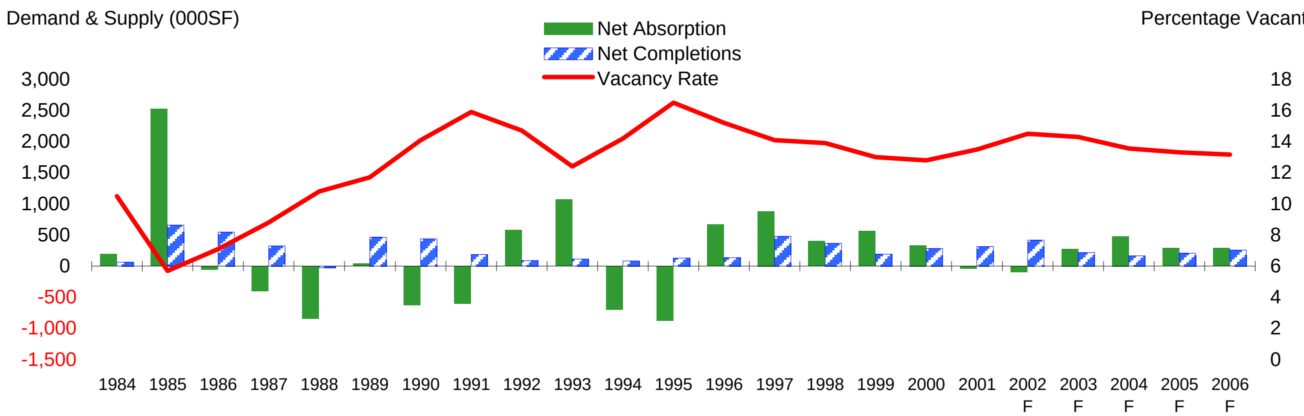


Sources: PPR; McGraw-Hill Construction - Dodge; National Real Estate Index

LONG ISLAND

Warehouse

Supply, Demand, and Vacancy

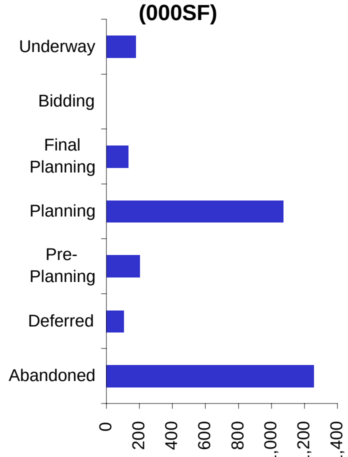


Warehouse Market Statistics (000SF)

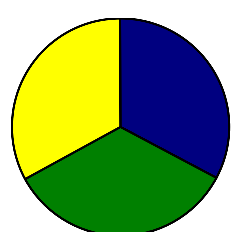
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Vacancy	14.1%	13.9%	13.0%	12.8%	13.5%	14.5%	14.3%	13.6%	13.3%	13.2%
Net Absorption	881	404	561	336	-36	-91	280	481	291	289
% Growth	2.4%	1.1%	1.5%	0.9%	-0.1%	-0.2%	0.7%	1.2%	0.7%	0.7%
Starts	709	458	376	1,032	197	386	227	199	263	315
% Change	331.8%	-35.4%	-17.8%	174.4%	-81.0%	96.6%	-41.2%	-12.5%	32.4%	19.8%
Net Completions	478	369	193	285	315	416	217	167	205	258
Inventory	43,259	43,628	43,821	44,106	44,421	44,837	45,055	45,222	45,427	45,685
% Growth	1.1%	0.9%	0.4%	0.7%	0.7%	0.9%	0.5%	0.4%	0.5%	0.6%
Rent Index	105	113	118	121	120	118	115	116	117	119
% Change	4.9%	8.1%	4.2%	2.3%	-0.5%	-1.7%	-2.3%	0.1%	1.3%	1.6%

PPR/Dodge Pipeline Summary

Current Activity (000SF)

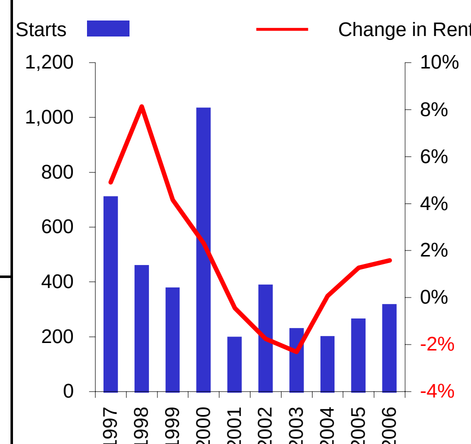


Warehouse Underway by Subclass



	Underway (000SF)	%
Distribution	58	33%
Warehouse/Flex	-	0%
Light Industrial	60	34%
Unclassified	59	33%

Change in Rent vs. Starts

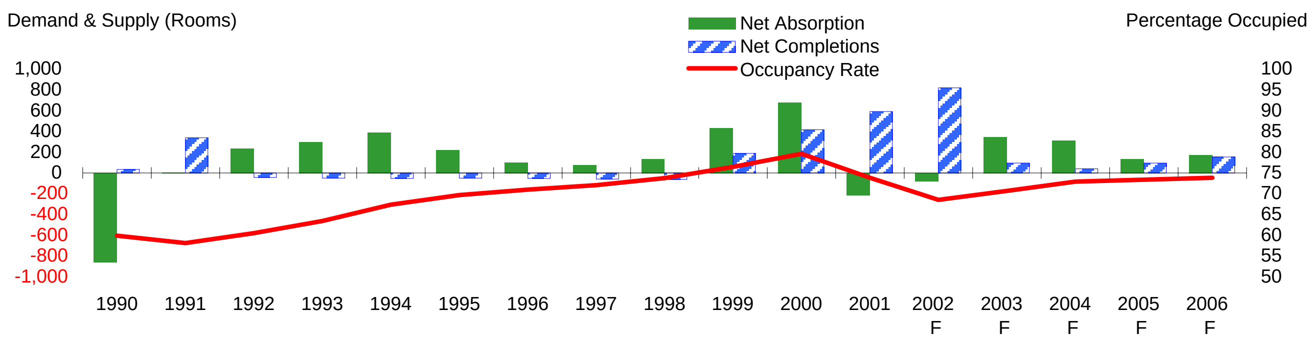


Sources: PPR; McGraw-Hill Construction - Dodge; National Real Estate Index

LONG ISLAND

Hotel

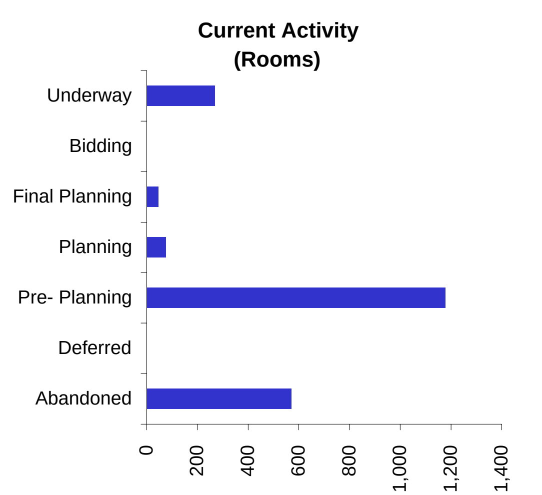
Supply, Demand, and Occupancy

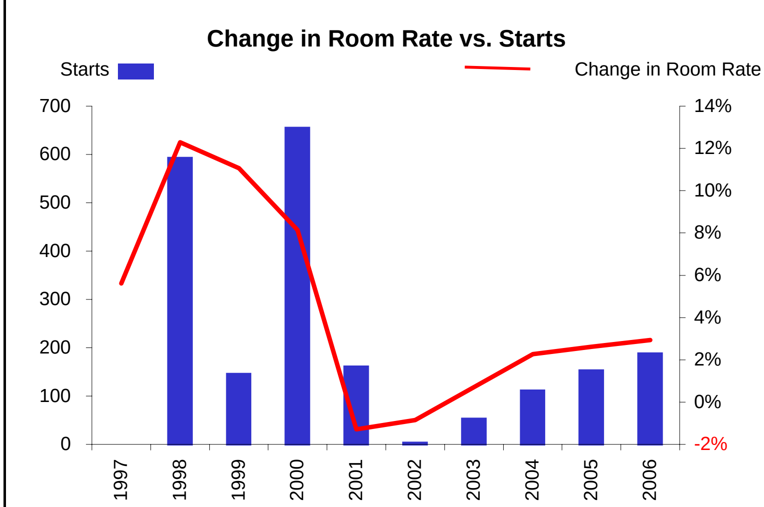


Hotel Market Statistics (Rooms)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Occupancy	72.0%	73.7%	76.4%	79.6%	73.8%	68.5%	70.7%	72.9%	73.4%	73.8%
Net Absorption	76	132	429	676	-213	-77	347	309	132	172
% Growth	1.0%	1.7%	5.4%	8.1%	-2.4%	-0.9%	4.0%	3.4%	1.4%	1.8%
Starts	0	593	146	655	161	3	53	111	153	188
% Change	NA	NA	-75.4%	348.6%	-75.4%	-98.1%	NA	109.4%	37.8%	22.9%
Net Completions	-60	-64	185	416	589	818	94	39	94	154
Inventory	10,763	10,699	10,884	11,300	11,889	12,707	12,802	12,840	12,935	13,088
% Growth	-0.6%	-0.6%	1.7%	3.8%	5.2%	6.9%	0.7%	0.3%	0.7%	1.2%
Room Rate Index	106	119	132	142	141	139	140	144	147	152
% Change	5.6%	12.3%	11.1%	8.1%	-1.3%	-0.8%	0.7%	2.3%	2.6%	2.9%
RevPar Index	104	120	143	156	135	132	139	145	150	155
% Change	4.3%	14.9%	19.3%	9.4%	-13.5%	-2.7%	5.7%	3.9%	3.4%	3.4%

PPR/Dodge Pipeline Summary



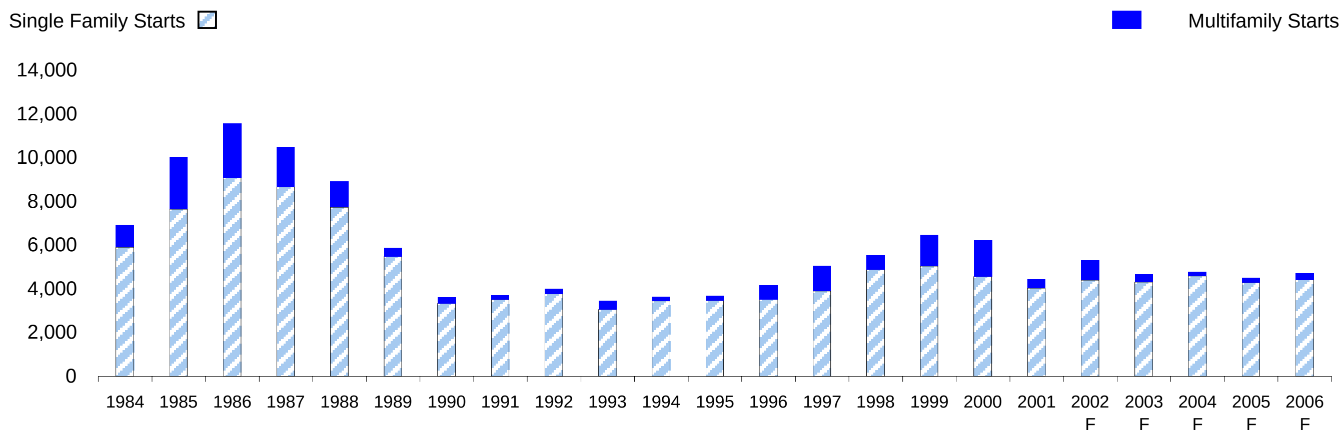


Sources: PPR; McGraw-Hill Construction - Dodge; Smith Travel Research

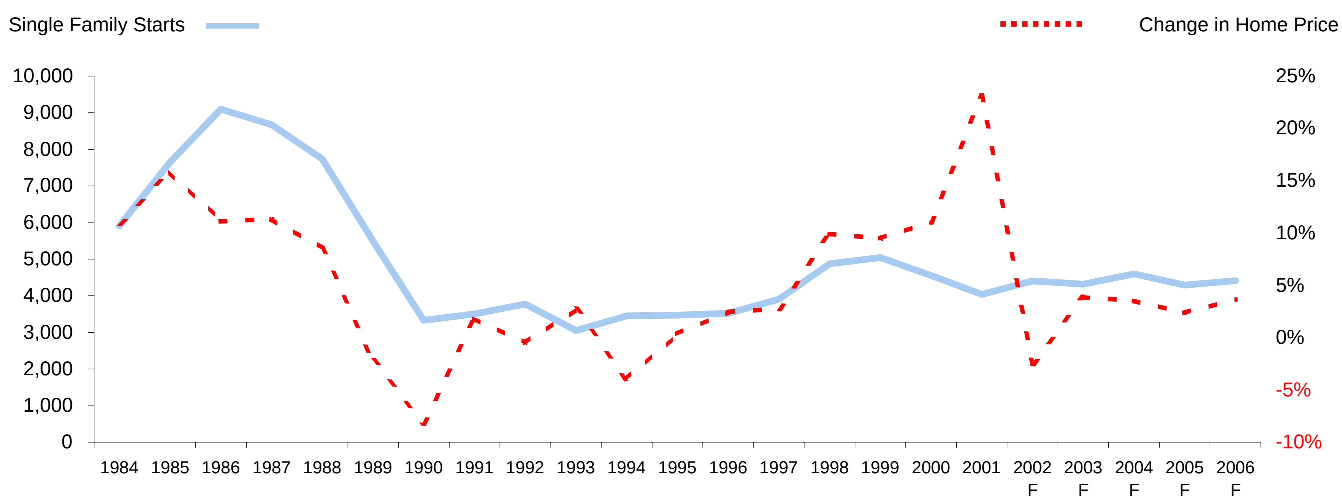
LONG ISLAND

Single Family

Housing Starts



Single Family Market



Sources: PPR; Economy.com

Single Family Market Statistics

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Starts	3,910	4,880	5,041	4,557	4,037	4,402	4,320	4,598	4,293	4,417
% Change	10.9%	24.8%	3.3%	-9.6%	-11.4%	9.0%	-1.8%	6.4%	-6.6%	2.9%
Completions	3,716	4,557	5,038	4,739	4,179	4,311	4,255	4,581	4,376	4,366

Apartment Market Statistics

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Multifamily Starts	1,158	644	1,427	1,664	401	916	353	192	209	302
% Change	81.2%	-44.4%	121.6%	16.6%	-75.9%	128.4%	-61.5%	-45.6%	8.9%	44.5%
Apartment Completions	368	311	647	758	785	536	369	154	139	160

Sources: PPR; McGraw-Hill Construction - Dodge

LONG ISLAND

Apartment Projects

Projects

Title	Address	Units	Stage	Target Start	Target Completion
Apartment Buildings	off of LIE, Melville Suffolk	1,200	Planned		
Apartments at Roosevelt Raceway	Roosevelt Raceway site in Hempstead Nassau County	746	Planned		
Alexan Brookhaven Phase I	1220 Orchid Circle, Bellport Suffolk County	550	Completed		3/01
AvalonBay Community	Coram Suffolk County	450	Planned	3/02	
Avalon Court North	Melville Suffolk County	340	Completed		3/00
Farifield Knolls @ Pt Jefferson Station	Route 347 & Old Town Rd, Pt Jefferson Station Suffolk	307	Planned	3/02	
Meadows @ The Ponds Condominiums	N/W/C Granny Rd, Coram Suffolk	305	Underway	12/01	2/03
Avalon at Glen Cove	Glen Cove Nassau County	256	Planned	6/02	9/03
Medford Pond Apartments/Community Center (NEGOTIATED)	Route 112, Medford Suffolk	200	Planned		
Kings Park Townhomes	Indian Head Rd, Kings Park Suffolk	191	Planned	5/02	5/03

LONG ISLAND

Office Projects

Projects

Title	Address	SF (000)	Stage	Target Start	Target Completion
Brookhaven Technology Center	(Exit 68), North Shirley Suffolk	709	Proposed		
LI Business and Tech Center (FKA LI Tech Center) Ph II & III	Great River, Central Suffolk	600	Planned		
Corporate Center (2) Office Buildings (Negotiated)	Walt Whitman Road, Melville Suffolk	520	Planned		
Reckson Executive Park Building	58 S. Service Rd., Reckson Executive Park, Melville, Central Suffolk	277	Completed		11/01
Granite Buildings	Lake Success, Western Nassau Nassau	260	Underway	6/02	6/03
Industrial Space & Office Building	Precision Dr. & Ramsay Road, Yaphank Suffolk	220	Planned		
100 Motor Parkway PH I (West Tower)	100 Motor Parkway, Hauppauge, Central Suffolk	183	Completed		12/01
Retail/Office Development	1 W Chester St, Long Beach Nassau	164	Proposed		
IRS Building	5000 Corporate Dr, Holtsville Suffolk	128	Completed	7/99	9/00

LONG ISLAND

Retail Projects

Projects

Title	Address	SF (000)	Stage	Target Start	Target Completion
Brookhaven Town Center	NW corner of Exit 68 off LI Expressway, Yaphank Suffolk County	1,000	Planned		
Mall at Oyster Bay Tenants: Neiman Marcus, Lord & Taylor	Former Cerro Wire Factory in Syosset (Oyster Bay) Nassau County	750	Planned		
IKEA Long Island	1100 Broadway Mall, Hicksville Nassau County	360	Completed		12/00
Shopping Center	Nesconset Port Jeff Highway, Nesconset Suffolk	200	Deferred		
Islandia Wal-Mart	Islandia Shopping Center, Veterans Memorial Highway, Central, Islandia Suffolk County	128	Underway		11/02
Wal-Mart Store #2915 (Setauket)	Nesconset Hwy (Hwy 347), South Setauket Suffolk County	128	Underway	6/02	10/02
Riverhead Center Home Depot	Rte. 58 and LI Expressway, Riverhead Suffolk County	120	Completed		5/02
Riverhead Center Wal-Mart	Riverhead Center Suffolk County	115	Completed		6/01
King Kullen Supermarket Shopping Center New/Renov	233 W Merrick Rd, Valley Stream Nassau	106	Planned	4/02	
B J's Wholesale Club	50 Daniel Street, Farmingdale Suffolk	105	Completed	3/01	12/01

LONG ISLAND

Warehouse Projects

Projects

Title	Address	SF (000)	Stage	Target Start	Target Completion
Industrial / Commercial Center	Off Veterans Memorial Highway, Bohemia Suffolk	1,000	Proposed		
Industrial & Office Development	off of Crooked Hill Rd, Brentwood Suffolk	750	Planned		
Mivila Foods distribution center	former Grumman Property in Calverton Suffolk	320	Planned		
Heartland Business Park Addition Tenants: ADP Investor Communication Services	Heartland Business Park, Edgewood Suffolk	293	Completed		2/02
Industrial and Office Bldgs (2)	50 Marcus Drive, Melville Suffolk	200	Proposed		
Storage Facility with Office & Apartment (Hempstead NY)	Hempstead Ave & Woodfield Rd, Hempstead Nassau	110	Completed	12/01	5/02
Self-Storage Facility	Horseblock Road, Farmingville Suffolk	95	Planned	5/02	11/02
Landmark Food Corp (Addition)	865 Waverly Ave, Holtsville Suffolk	46	Cancelled		
Storage.Com Self Storage Building	Horseblock Road, Medford Suffolk	41	Planned		
Woodside Industrial Park Buildings (Negotiated)	Horseblock Rd & Woodside Ave, Yaphank Suffolk	31	Deferred		

LONG ISLAND

Hotel Projects

Projects

Title	Address	Rooms	Stage	Target Start	Target Completion
Mega-Entertainment Complex	Former Calverton Site, Calverton Suffolk	593	Proposed		
Hotel	Long Beach Blvd and Riverside, Long Beach Nassau	150	Cancelled		
Inn at Fox Hollow Hotel	7755 Jericho Tpke, Woodbury Nassau	145	Completed	7/00	2/02
Farmingdale NY Courtyard by Marriott Hotel (120 rooms)	east side of Route 110 -, Farmingdale Nassau	120	Proposed		
Staybridge Suites Holiday Inn Extended Stay Hotel (120 rms)	east side of Route 110, Farmingdale Nassau	120	Proposed		
Hotel w/ Restaurant	Roned Road & LIE, Shirley Suffolk	120	Planning		
(Hauppauge) Homewood Suites Hotel	Veterans Hwy & Motor Pkwy, Hauppauge Suffolk	120	Cancelled		
Residence Inn by Marriott Hotel-NEGOTIATED	850 Veterans Memorial Hwy, Hauppauge Suffolk	100	Completed	4/01	4/02
Country Inn Hotel	Route 25 A, Wading River Suffolk	83	Underway	8/00	
Fairfield Inn Hotel (74 Rooms)	E/S Route 112, Medford Suffolk	74	Planning	3/03	

