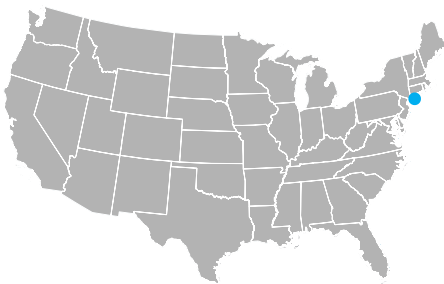


RESEARCH & FORECAST REPORT



Industrial Market Overview

AT A GLIMPSE

The Industrial real estate market in Nassau and Suffolk County continued to rally, carrying forth the positive momentum and encouraging signs of recovery of the 3rd quarter; as overall vacancy throughout both counties maintained a steady decline. A positive absorption of 610,929 square feet in the 4th quarter resulted in a vacancy of 8.79% at the close of 2011; the lowest figure of the year, compared to the high of 9.49% reported in the 2nd quarter. The sharp increase in sale activity of Industrial buildings over 10,000 square feet in the 3rd quarter lost vigor during the final period, but remained stable, increasing slightly by 3.28%.

LOOKING AHEAD

While the direction of Long Island's economy continues to remain somewhat unpredictable, a constancy of activity for the Industrial real estate market seems to have been recaptured during the 2nd half of 2011. Although employment statistics compiled by the NYS Department of Labor for the 4th quarter continue to reflect the roller coaster trend of the 1st half of the year, the margin of fluctuation during the 2nd half of 2011 narrowed; ending the year up 0.87%.

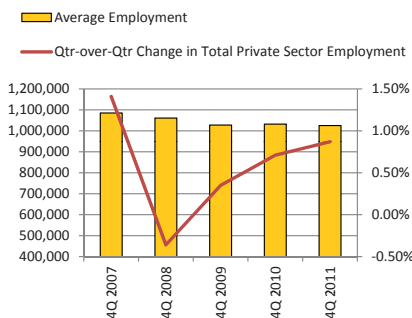
Predictions for 2012 deliver a positive tone for the Industrial market; as the economic turbulence through mid 2011 settled into a steadier rhythm of activity in the 3rd and 4th quarters. It has been projected that there will be an increasing demand for industrial space, due to the surge of internet based retailing and the need for fulfillment centers to meet the demand of online purchasing. With the least amount of new construction underway among the major commercial real estate property types and vacancy continuing to diminish, the Industrial market promises to be the new "Star Performer."

MARKET INDICATORS

	2011 Q	Nassau	Suffolk
VACANCY		↓	↓
RENTAL RATE		↑	↓
NET ABSORPTION		↑	↑
CONSTRUCTION		—	—

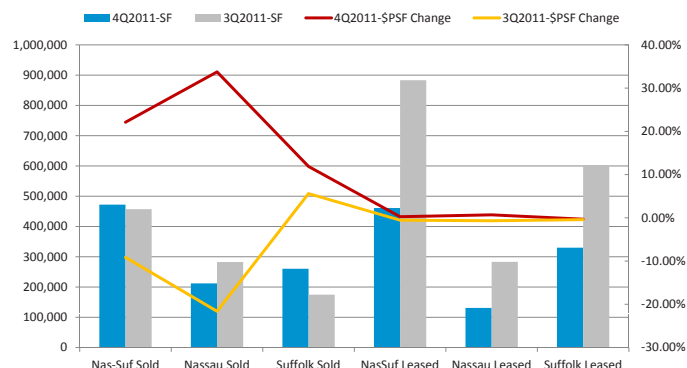
EMPLOYMENT TRENDS

Nassau and Suffolk County



Source: NYS Dept of Labor

SOLD/LEASED SQ. FTGE. AND \$PSF QTR-OVER-QTR CHANGE



OVERVIEW

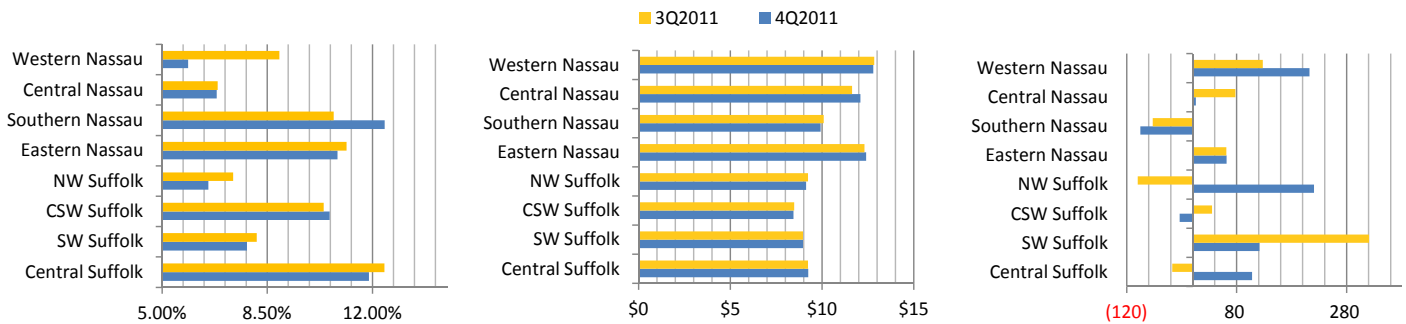
Overall Industrial sales increased quarter-over-quarter despite the reversal of activity in Nassau County, due to the significant increase of square feet changing hands in Suffolk County. Conversely, leasing activity slowed, as 4th quarter figures resulted in an overall 50% reduction quarter-over-quarter.

UPDATE Vacancy Rates, Asking Rents, and Absorption

Vacancy Rates

Average Asking Rents

Net Absorption Rates (in '000's)



RENTAL RATES

Despite increased activity, rental rates realized negligible change during the 4th quarter. Submarket prices continued to fluctuate throughout both Counties, Central Nassau boasting the highest increase of 3.92%; and South Nassau the sharpest decrease of 1.66%. The overall average asking rental rate of \$10.37 per square foot industrial gross (including base year real estate taxes), for Nassau and Suffolk County, represented a 0.25% increase from the \$10.35 average of the previous quarter; and a year-to-date decrease of 0.74%. County per square foot gross rental rates for the 4th quarter ranged from \$9.92 to \$12.79 and \$8.45 to \$9.24 in Nassau and Suffolk County respectively, with overall per square foot tax for Nassau County averaging just under \$4.00 in comparison to the lower tax base of \$2.50 in Suffolk.

LEASE AND SUBLEASE ACTIVITY

The 4th quarter realized a continued reduction in lease and sublease availability in Nassau and Suffolk County, down 4.63% and 2.44%. Of the total 10,102,908 square feet of combined lease and sublease inventory, Nassau County accounted for 35% and Suffolk County 65%; percentages that have remained fairly constant throughout the year, representing approximately 7% of the total rentable building area for each County.

Lease inventory tended to steadily decline quarter-over-quarter, ending 2011 with a year-to-date reduction of 8.61%; while the change in sublease inventory throughout both Counties took on a more erratic trend, incurring a 10.51% increase in the 2nd quarter, a sharp 25.86% decrease in the 3rd quarter, and a sluggish 2.44% reduction in the 4th quarter; resulting in an overall shrinkage of 17.79% year-to-date. The largest single block of sublease space, 128,517 square feet vacated by Elm Freight Handlers at 2002 Orville Drive North, Ronkonkoma in the Central Suffolk submarket, accounts for close to 40% of the total 333,419-square-foot sublease inventory; and has been on and off the market since 2006.

VACANCY RATES

The yearend vacancy of 8.79% represented a positive absorption of 610,929 square feet and a negative 4.55% reduction from 3rd quarter's 9.20%; despite the negative 4th quarter absorptions of 95,199-square-foot and 23,804-square-foot in the South Nassau and Central Southwest Suffolk submarkets. Figures show an overall shrinkage of year-to-date vacancy for Nassau and Suffolk County of 6.24%; Suffolk County the more active as

reflected by its 6.93% year-to-date drop in vacancy and boasting absorption of 420,135 square feet for the quarter — almost double that of 3rd quarter, contrary to Nassau County's less significant figure of 2.78% and a 4th quarter absorption of 184,794 square feet — 4.57% less than 3rd quarter.

A reduction of inventory introduced to the Industrial market at the close of the 4th quarter continued the downward trend of the previous quarter, but at a less robust pace. Both Nassau and Suffolk County figures shrank proportionately, although representing close to a 50% lesser quarter-over-quarter change; as numbers fell from negative 25.94% and 42.69% respectively to negative 14.89% and 20.53%, resulting in an overall quarter-over-quarter average of negative 18.63%. Year-to-date, new availability totaled 7,077,741 square feet as compared to the removal of 9,807,451 square feet, of which the 1st quarter accounted for 4,761,587 square feet. The steadier activity of the 4th quarter seems to indicate an encouraging trend as we leave 2011 behind and its roller coaster fluctuations in the 1st half of the year; setting the stage for a more optimistic and stabilized forecast as we enter the 1st quarter of 2012.

SALE ACTIVITY

The total square footage of Industrial buildings sold over 10,000 square feet increased quarter-over-quarter by nearly 50% in Suffolk County during the 4th quarter; and although Nassau County sale square footage declined 25%, it boasted the largest transaction for the quarter with the sale of 44 Harbor Park Drive, Port Washington — a 145,000-square-foot building purchased by WAC Lighting. Of the inventory sold in Nassau and Suffolk County between October and December 2011, months on the market ranged from approximately 4 to 48 months; averaging out to approximately 18 months overall. Sale prices in both Counties jumped in the 4th quarter for an overall increase of 22.11% from the end of September, with Nassau County claiming the steeper rise. Average per square foot prices of \$85.75 and \$81.63 reflected 33.75% and 11.88% respective gains for Nassau and Suffolk County; up from 3rd quarter's \$64.11 and \$72.93 per square foot figures. Sale square footage for the most part remained unchanged quarter-over-quarter. Approximately 310,135 square feet in new sale inventory of buildings over 10,000 square feet was added during the 4th quarter, up slightly from the previous quarter's 302,330 square feet; and resulting in a total of 5,811,705 square feet, with Nassau County incurring over a 20% increase as compared to the 8.25% decrease in Suffolk.

UPDATE Transaction Highlights

Industrial Sale Transactions

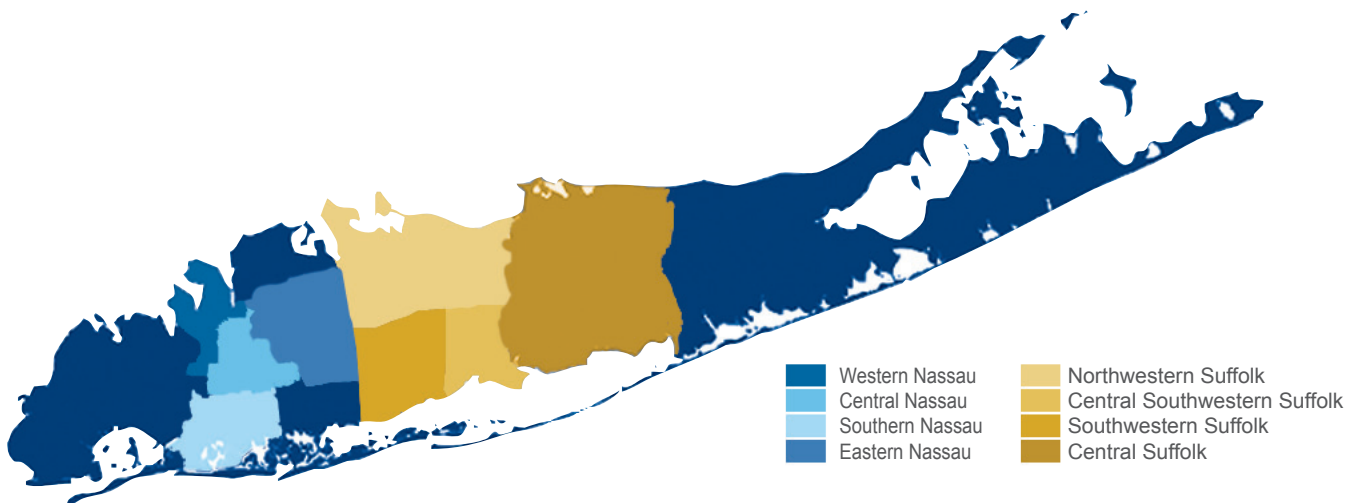
Address	Town	Submarket	Sq. Ftge.	Sold Price	Purchaser
44 Harbor Park Drive	Pt Washington	Western Nassau	145,000	\$12,300,000	WAC Lighting
2120 Smithtown Avenue	Ronkonkoma	Central Suffolk	71,224	\$5,100,000	Scott Rudolph
115 Engineers Road	Hauppauge	Western Suffolk	72,622	\$6,100,000	Aladdin Packaging

UPDATE Market Statistics Snapshot *

Submarket		Available SF	Lease SF	Sublease SF	Vacancy	Average Asking Rents**
Western Nassau	4Q2011	410,625	379,425	0	5.87%	\$12.79
	3Q2011	623,025	446,825	0	8.91%	\$12.84
	2Q2011	750,575	574,375	0	10.73%	\$12.76
	1Q2011	770,375	572,745	0	11.01%	\$13.33
Central Nassau	4Q2011	1,104,015	930,338	45,606	6.82%	\$12.09
	3Q2011	1,109,917	947,916	30,000	6.85%	\$11.63
	2Q2011	1,187,713	1,005,930	49,400	7.33%	\$11.49
	1Q2011	1,061,369	965,696	21,900	6.55%	\$11.04
Southern Nassau	4Q2011	695,498	292,786	0	12.41%	\$ 9.92
	3Q2011	600,299	219,679	0	10.71%	\$10.09
	2Q2011	527,605	220,832	0	9.41%	\$10.28
	1Q2011	511,735	235,581	0	9.14%	\$10.62
Eastern Nassau	4Q2011	2,248,742	1,875,054	57,000	10.84%	\$12.40
	3Q2011	2,310,433	2,060,406	63,580	11.14%	\$12.31
	2Q2011	2,371,426	2,128,262	63,663	11.43%	\$12.65
	1Q2011	2,254,597	2,028,551	86,393	10.87%	\$12.62
Northwest Suffolk	4Q2011	1,758,513	1,307,836	47,596	6.54%	\$9.13
	3Q2011	1,979,156	1,421,533	46,645	7.36%	\$9.24
	2Q2011	1,879,054	1,382,613	78,912	6.99%	\$9.85
	1Q2011	2,015,177	1,671,277	97,863	7.50%	\$9.58
Central SW Suffolk	4Q2011	1,225,675	933,110	19,000	10.58%	\$8.45
	3Q2011	1,201,871	926,431	29,000	10.37%	\$8.48
	2Q2011	1,236,903	988,978	10,000	10.68%	\$8.05
	1Q2011	1,138,293	994,341	10,000	9.83%	\$8.31
Southwest Suffolk	4Q2011	2,894,711	2,263,445	30,700	7.82%	\$8.96
	3Q2011	3,016,116	2,375,256	37,000	8.15%	\$8.95
	2Q2011	3,351,588	2,573,319	122,950	9.06%	\$8.74
	1Q2011	3,308,632	2,729,455	69,950	8.94%	\$8.82
Central Suffolk	4Q2011	2,469,435	1,787,495	133,517	11.88%	\$9.24
	3Q2011	2,577,326	1,845,597	133,517	12.40%	\$9.23
	2Q2011	2,547,875	1,792,246	136,017	12.26%	\$9.38
	1Q2011	2,463,042	1,568,293	131,017	11.85%	\$9.28

*Buildings 10,000 SF and larger

**PSF Rent includes base year real estate taxes



Recovery 2011

As the curtain lowers on 2011, the forecast for the Class A and B Office market remains unclear, as Nassau and Suffolk County continue to ride the unpredictable wave to recovery. Recent news, events, and programs effect an “ebb and flow” to the shore of economic revitalization and overall resurgence.

Smart Growth Plans Initiated: The Incorporated Village of Mineola leading the way, along with other forward thinking villages, to put into motion smart growth and downtown master plans. The plans include transit-oriented development; concentrating housing close to mass transit, as well as downtown revitalization.

Real Estate Mortgages Due: It has been reported that about \$10 billion in commercial real estate mortgages on Long Island will be coming due relatively soon; bringing the return of a downward trend of renegotiated rents; an increase in vacancy rates; and higher equity requirements by banks from borrowers than before the recession, when many of these five-year mortgage agreements were set up.

Construction Jobs Gain: According to a new analysis of federal employment data released by the Associated General Contractors of America, Nassau and Suffolk counties added 400 construction jobs in the last year, a gain of 1%. The Building and Construction Trades Council on Nassau and Suffolk also noted that several project-labor agreements negotiated in recent years were realized in 2011, the result of which reduced unemployment rates of the earlier months of the year.

Professional Certification: A pilot program that is being pursued by the Association for a Better Long Island (ABLI) and the Suffolk County Planning Commission will allow some construction projects to be self-certified by qualified licensed engineers; a certification that has been speeding up development in Manhattan for nearly 15 years.

Nassau Hub Redevelopment: Reports show developers doubtful that there would be any movement on redevelopment in 2012, after the initial bond referendum was voted down back in August 2011; but optimism remains for some that a new plan will come together by the end of 2012.

Build a Better Burb: The Long Island Index, a project that gathers and publishes data on the Long Island region, created the “Build a Better Burb” competition, in an effort to help Long Island achieve a list of goals they identified by presenting possibilities that have been done elsewhere and are feasible for Long Island. Some of the goals included are the development of an economy that nurtures innovation, vibrant communities with affordable housing, and improved regional transportation networks.

Local Developers Cross Borders: Shrinking development opportunities on Long Island has moved portions of local development company portfolios off Long Island, as firms put investment dollars into Manhattan, out-of-state, and beyond the U.S. borders. Despite Long Island’s need of an infusion of job-creating investment, several initiated projects continue to hang due to long delays in Village and Town approvals. Some say other municipalities have more centralized decision-making processes.

Rail Supplier Alliance Created: Long Island Forum for Technology (LIFT) has created the Long Island Rail Suppliers Alliance using a \$200,000 grant from the U.S. Small Business Administration. The Alliance, a consortium of 50 to 60 companies, will work together to secure large rail contracts for local suppliers.

Long Island Bus: In response to the Metropolitan Transit Authority’s termination of their contract with Nassau County to operate the Long Island Bus, the County Legislature approved a contract with Veolia Transportation at a fraction of the cost; reportedly a taxpayers’ savings of over \$32 million dollars annually. The privatization of the Long Island Bus service, now named Nassau Inter-County express (NICE) has been praised by some, noting that the county will for the first time assume control over its own transit system; although some are skeptical with rumors of route cuts and fare hikes, supporters have noted that incentives have been put in place to run a larger system and for providing higher-quality service.

Company Exodus: Recent years have brought an exodus of companies relocating from Long Island; with Arrow Electronics’ relocation of its headquarters to Colorado, taking center stage this year. It has been noted that while Long Island is a leader in innovative ideas and entrepreneurship, it does a poor job hanging onto the companies it spawned. Long Island’s high costs of living have made it impossible to compete with other states offering comparable quality of life at a lower cost. To further add salt to the wound, despite New York’s bounty of economic development initiatives, the state lacks unification, making the application process confusing and complicated. The recent initiation of New York is Open for Business program brings a hopeful resolution establishing a one-stop shop for benefits; thereby streamlining a paramount aspect of the process.

Helping Existing Businesses to Thrive: Long Island has been successful through tax incentives to retain and further cement the roots of several firms, bringing business expansion and creation of new jobs to the area. Success stories have helped retain approximately 7,365 jobs, bringing the addition of another 873 jobs over the next few years; but the rising of steel for the new Canon USA headquarters in Melville, retaining 2,000 jobs on Long Island alone, offers a more visible trophy as the final steel beam for the 700,000–square-foot structure was welded into place last May.

MTA Payroll Tax Eliminated: Governor Cuomo signed a new law that eliminated or reduced the 0.34 percent tax per employee for businesses on Long Island; a tax reduction that will ease the more than 2 year burden since it’s implementation on local businesses across Long Island, allowing for the creation of jobs.

Migration of Long Island’s Young: As the economy continues to falter, many of Long Island’s young remain unemployed; and with the high cost of living, much of the Island’s young — the pool of talent that businesses need to draw from, are migrating to other states offering the opportunity to move from their parent’s homes at more affordable costs. It has been reported that there has been a decline of 129,000 Long Island residents between the age of 25-34 in the past decade, despite a 5% increase nationally.

514 offices in 61 countries on 6 continents

United States: 137
Canada: 26
Latin America: 20
Asia Pacific: 214
EMEA: 117

- \$1.5 billion in global revenue
- 2.2 billion square feet under management
- Over 12,500 professionals

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