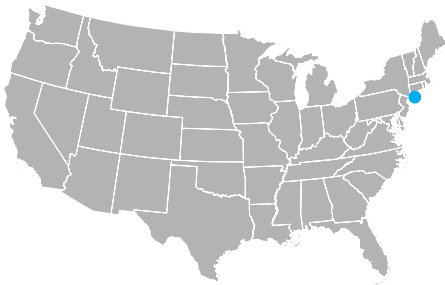




LONG ISLAND | NASSAU & SUFFOLK COUNTY

RESEARCH & FORECAST REPORT



Office Market Overview | Class A and B

AT A GLIMPSE

In like a lion, out like a lamb may best describe the commercial real estate scenario for Nassau and Suffolk County Class A and B Office market as 2011 drew to a close. The thrust of leasing activity during the 1st quarter, and an overall decline in vacancy of 2.31%, lost stamina in the 4th quarter as figures resulted in only a 1.19% reduction for the quarter; and an overall reduction of 1.34% for the year, due to a 4.42% increase in vacancy during the 2nd quarter. Absorption remained positive for the 4th quarter; although at a more gradual pace of 65,231 square feet as compared to the previous quarter's 127,428 square feet. Average asking rents for both Counties continued to decline slightly by \$0.54, representing a 2.00% reduction from 3rd quarter; a percentage that in a positive trend continues to lessen, resulting in an overall 5.42% decrease year-to-date.

LOOKING TO THE FUTURE

American's confidence in the economy continues to improve as reported by the independent research association, The Conference Board Consumer Confidence Index® which now stands at 64.5 as of December 27th, up from 55.2 in November; and National private sector employment rose 0.23% from the end of September 2011 according to the US Census Bureau's preliminary figures for November.

Following a similar trend, NYS Department of Labor figures compiled November 2011 show an increase of 1.56% in Nassau and Suffolk County private sector employment, and reports that lending will begin to flow — albeit slowly as the tenor of bankers swings to a cautious optimism upon crossing the threshold of 2012; brings encouraging signs that Long Island's economic recovery, although somewhat protracted, is continuing to gain momentum.

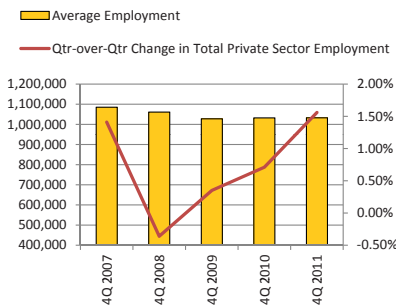
Long Island is taking action — employing more aggressive steps towards fueling recovery, exemplified by its recent success in an economic development contest sponsored by New York State. As one of the four "Best Plan Awardees," Long Island was the recipient of over \$101 million in funding that will be used towards projects in local community revitalization, transit-oriented development, affordable housing and thriving downtowns occupied by young adults; as well as technological partnerships for energy research.

MARKET INDICATORS

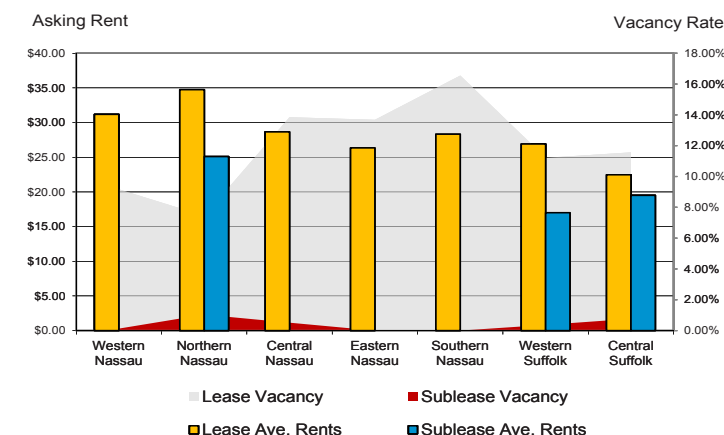
	2011 Q4	Nassau	Suffolk
VACANCY		↑	↓
RENTAL RATE		↓	↓
NET ABSORPTION		↓	↑
CONSTRUCTION		—	—

EMPLOYMENT TRENDS

Nassau and Suffolk County



LEASE/SUBLEASE VACANCY RATES AND ASKING RENTS



OVERVIEW

The average asking rent for Nassau and Suffolk County Class A and B lease space at the end of the year was \$28.38 per square foot, with a year-to-date change of negative 8.09%. Sublease rents fell slightly to \$21.67 per square foot; down from \$22.03 per square foot in the 3rd quarter, and resulting in an overall 7.09% reduction year-to-date.

Source: NYS Dept of Labor

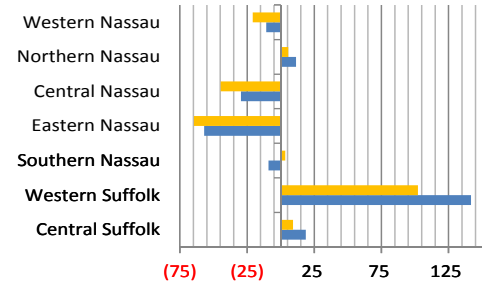
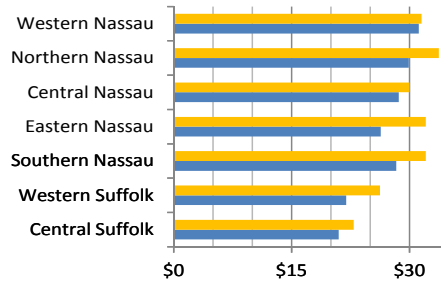
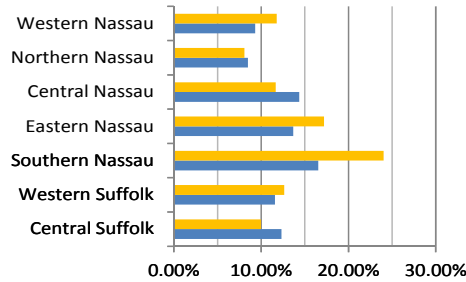
UPDATE Vacancy Rates, Asking Rents, and Absorption

Vacancy Rates

Average Asking Rents

Net Absorption Rates (in '000's)

■ Class A ■ Class A&B



RENTAL RATES

The 4th quarter asking rental rate for Class A and B Office space declined for the 3rd consecutive quarter; but at a rate that continues to lessen, incurring only a negative 2% change versus 3rd quarter's negative 2.54% decrease. Submarkets across the board for both Counties sustained rent price drops ranging from a high of negative 4.29% in Eastern Nassau and a low of negative 0.26% in Southern Nassau, resulting in an overall average for Nassau and Suffolk County of \$26.77 per square foot. Western Nassau continued to boast the highest figure of \$31.19 per square foot for Class A and B space, in comparison to Suffolk County's high of \$21.95 per square foot in its western submarket.

Asking rents for Class A space also continued to slip downwards with a diminishing margin. Suffolk County Class A asking rent of \$24.59 remained unchanged in the 4th quarter; contrary to Nassau County's irregular fluctuations throughout its submarkets as Central Nassau incurred a 4.12% plummet and Northern Nassau boasted a 2.61% rise. Class A asking rents across the two Counties ranged from \$33.74 per square foot in Northern Nassau at the high and the low at \$22.92 in Central Suffolk.

The average asking rent for Nassau and Suffolk County Class A and B lease space at the end of the year was \$28.38 per square foot, with a year-to-date change of negative 8.09%. Despite shrinkage of sublease space, rents for the final quarter of 2011 fell slightly to \$21.67 per square foot; down from \$22.03 per square foot in the 3rd quarter, and resulting in an overall 7.09% reduction year-to-date. Landlord rent concessions continue to be a variable, further reducing net effective rents; however the average one month concession per each lease year, standard throughout most of the year, has been slowly diminishing with concessions being offered somewhat more conservatively as Landlords begin to anticipate a more optimistic outlook for 2012.

LEASE AND SUBLEASE ACTIVITY

Sublease activity was less notable in the 4th quarter as inventory continued to shrink, accounting for less than 3.5% of the total 5,432,414 square feet available at 2011's close; as compared to over 7% in the 1st quarter, with the central submarkets in both Counties retaining the highest percentage. Nassau and Suffolk County equally accounted for 50% of the 188,293 square feet of sublease space; a figure that may begin to shift as the rate of absorption in Nassau County appears to be gaining momentum, yielding a figure close to 25% of the remaining sublease space versus Suffolk County's 16.4%. Sublease absorption in Nassau and Suffolk County was 24,278 square feet and 14,904 square feet respectively, Northern Nassau and

Western Suffolk the most active; yielding an overall vacancy at the end of December 2011 of 0.35%, less than half of the year-over-year figure of 0.84%.

The 4th quarter brought insignificant change to the 5,243,491 square feet of lease inventory, representing a positive absorption of 26,049 square feet and a overall vacancy of 11.76% for the end of the year, a negligible increase over 3rd quarter's positive 15,895 square feet; and the hope that the market is stabilizing from the erratic swing in activity of the first half of the year, as the strong rebound of 1st quarter's positive 105,208 square feet fell into the abyss of the negative 284,471-square-foot setback of 2nd quarter's close

ABSORPTION

Absorption remained positive for the 4th quarter, although at the less significant figure of 65,231 square feet overall for Nassau and Suffolk County; about 50% less than that of positive 127,546 square feet at the end of September. Despite positive absorption in three of the four quarters during 2011, and a strong rebound of over 127,000 square feet in both the 1st and 3rd quarters, 2nd quarter's negative 152,000 square feet resulted in a year-to-date figure of negative 137,319 square feet.

Throughout the year, Suffolk County's absorption remained positive; and the 160,320 square feet absorbed in the fourth quarter represented a figure three times that of 3rd quarter's 51,908 square feet, and a year-to-date total of positive 332,567 square feet. By contrast, Nassau County leasing activity took on the feeling of a wild roller coaster ride as the County ended the year with a negative 95,089 square feet, one third that of 2nd quarter's negative 278,749 square feet; but a reversal of 1st and 3rd quarter's positive 34,586 square feet and 75,520 square feet. This irregular pattern of activity resulted in a negative 263,732 square feet of Class A and B Office space absorbed within the County for 2011.

The spread between inventory removed and added continued to shrink quarter-over-quarter. Suffolk County boasted an almost 90% turnover of inventory for the 4th quarter; while the overall figure of 60%, representing the proportion of 512,797 square feet of inventory removed and 847,882 square feet added, reflects an increase of 13% improved turnover of Class A and B Office space in Nassau and Suffolk County from the 47% of the 1st quarter.

UPDATE Transaction Highlights- Class A and B

Office Sale Transactions

Address	Town	Submarket	Sq. Ftge.	Sold Price	Purchaser
400 Oak Street	Uniondale	Central Nassau	74,615	\$13,000,000	Grand Metro Builders

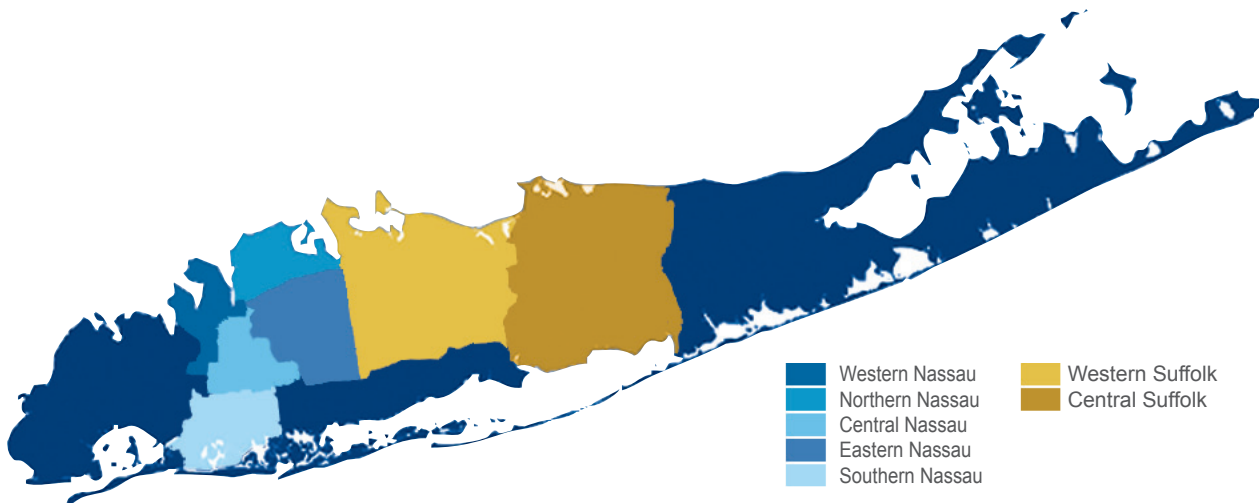
Office Lease Transactions

Address	Town	Submarket	Sq. Ftge.	Bldg Class	Tenant
1983 Marcus Avenue	Lake Success	Western Nassau	25,424	Class A	Rampart Brokerage Corp (renewal)

UPDATE Market Statistics Snapshot - Class A and B

Submarket		Vacancy Rate					Average Asking Rents				
		4Q11	3Q11	2Q11	1Q11	4Q10	4Q11	3Q11	2Q11	1Q11	4Q10
Western Nassau	Total	9.30%	9.16%	9.02%	9.14%	10.36%	\$31.19	\$31.12	\$30.78	\$31.86	\$32.29
	Lease	9.17%	9.09%	8.91%	8.89%	9.79%	\$31.19	\$31.12	\$30.78	\$31.72	\$32.59
	Sublease	0.13%	0.07%	0.10%	0.24%	0.57%	-	-	-	\$32.00	\$32.00
Northern Nassau	Total	8.49%	8.85%	8.89%	8.70%	8.24%	\$29.91	\$31.00	\$31.09	\$31.22	\$30.78
	Lease	7.45%	7.33%	7.32%	7.13%	6.94%	\$34.74	\$35.99	\$35.98	\$36.23	\$35.37
	Sublease	1.04%	1.51%	1.57%	1.57%	1.30%	\$25.09	\$26.00	\$26.20	\$26.20	\$26.20
Central Nassau	Total	14.36%	14.08%	14.35%	12.29%	12.39%	\$28.65	\$29.51	\$29.63	\$32.19	\$27.82
	Lease	13.85%	13.48%	13.78%	11.71%	11.86%	\$28.65	\$29.51	\$29.27	\$29.87	\$29.34
	Sublease	0.51%	0.60%	0.57%	0.57%	0.53%	-	-	\$30.00	\$34.51	\$26.29
Eastern Nassau	Total	13.68%	12.51%	13.53%	12.87%	12.55%	\$26.35	\$27.53	\$30.25	\$30.66	\$30.54
	Lease	13.68%	12.42%	12.76%	12.10%	11.77%	\$26.35	\$27.53	\$29.99	\$30.81	\$30.58
	Sublease	0.00%	0.09%	0.77%	0.77%	0.77%	-	-	\$30.50	\$30.50	\$30.50
Southern Nassau	Total	16.55%	16.04%	16.48%	15.59%	13.33%	\$28.33	\$28.40	\$33.30	\$34.09	\$35.14
	Lease	16.55%	16.04%	13.34%	12.36%	10.10%	\$28.33	\$28.40	\$34.59	\$36.38	\$38.48
	Sublease	0.00%	0.00%	3.14%	3.23%	3.23%	-	-	\$32.00	\$31.81	\$31.81
Western Suffolk	Total	11.59%	13.11%	13.61%	12.76%	13.35%	\$21.95	\$21.90	\$22.29	\$22.33	\$22.55
	Lease	11.21%	12.62%	12.95%	12.19%	12.67%	\$26.91	\$26.79	\$26.96	\$27.15	\$27.27
	Sublease	0.37%	0.49%	0.66%	0.57%	0.68%	\$17.00	\$17.00	\$17.63	\$17.50	\$17.83
Central Suffolk	Total	12.34%	12.59%	12.67%	14.31%	14.65%	\$20.98	\$21.74	\$18.82	\$19.02	\$18.88
	Lease	11.57%	11.76%	11.75%	12.81%	13.15%	\$22.47	\$24.36	\$23.01	\$23.94	\$23.66
	Sublease	0.77%	0.83%	0.91%	1.50%	1.50%	\$19.50	\$19.12	\$14.63	\$14.09	\$14.09

Source: Costar and Colliers International LI Inc.



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.

Source: Long Island Business News (LIBN)

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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