DRAFT

UPDATE
RESIDENTIAL MARKET ANALYSIS

for

Glen Isle

City of Glen Cove
Nassau County, New York

May, 2010

On Behalf of
RXR GLEN ISLE PARTNERS

Conducted by
ZIMMERMAN / VOLK ASSOCIATES, INC.
P.O. Box 4907
Clinton, New Jersey 08809

ZIMMERMAN/VOLK ASSOCIATES, INC.
P.O. Box 4907
Clinton, New Jersey 08809

908 735-6336
www.ZVA.cc • info@ZVA.cc

Research & Strategic Analysis

STUDY CONTENTS

DRAFT
Update: Residential Market Analysis

ZIMMERMAN/VOLK ASSOCIATES, INC.
P.O. Box 4907
Clinton, New Jersey 08809

908 735-6336
www.ZVA.cc • info@ZVA.cc

Research & Strategic Analysis

DRAFT

UPDATE
RESIDENTIAL MARKET ANALYSIS

Glen Isle

City of Glen Cove, Nassau County, New York
May, 2010

NOTE: Tables 1 through 4, included in this document, contain summaries of the updated market potential and the target households that represent the market for new residential development within the Glen Isle site. Tables 5 and 6 outline the relevant supply-side context in the Glen Cove market area. Tables 7 and 8 detail the optimum market position for new rental and for-sale high-density housing on the site. The appendix tables, provided in a separate document, contain migration and target market data covering the appropriate draw areas for the City of Glen Cove and for the site.

INTRODUCTION

The purpose of this study is to re-examine the market potential and the optimum market position for newly-constructed, high-density market-rate housing units, to be leased or sold within a mixed-use waterfront development proposed for the Glen Isle site. The property is bounded by Glen Cove Creek to the south, Mosquito Cove to the west, and Garvies Point Preserve to the north, in the southwestern portion of the City of Glen Cove, New York. The original study was published in September, 2004.

The significant transformation of American households (particularly the predominance of one- and two-person households which has led to smaller household size) over the past several years, combined with steadily increasing traffic congestion and rising gasoline prices, has resulted in significant changes in neighborhood and housing preferences, with major shifts from predominantly single-family detached houses in lower-density suburbs to higher-density apartments, townhouses, and detached houses in urban and mixed-use neighborhoods. This fundamental transformation of American households is likely to continue for at least the next decade, representing an unprecedented demographic foundation on which cities can re-build their downtowns and in-town neighborhoods.

After experiencing population and household growth through the 1980s, for several years now, Glen Cove is estimated to have lost more residents through out-migration than it has gained through in-migration. Between 2000 and 2009, the city experienced an estimated net loss of nearly 280 households, a decline of more than 2.9 percent. The ramifications over time of this household outflow could be significant: if this trend were to continue, Glen Cove could be home to fewer than 8,900 households by 2020, or a decline in total households of more than 6.5 percent in 20 years.

The City of Glen Cove's existing housing stock is currently limited in terms of type, density and design—in 2009, approximately 55 percent of the city's 9,714 dwelling units were single-family detached houses and 26.3 percent were single-family attached or duplexes. The remaining 18.7 percent were multi-family units in buildings ranging from three to more than 50 units. Less than five percent of the city's housing units have been built since 2000. As market preferences have changed, Glen Cove has lagged behind other cities in terms of offering a wide range of housing options—particularly new construction—from which prospective and existing residents can choose.

A core objective for the City of Glen Cove, then, as it is for any city is that it is just as important to attract new residents as it is to retain existing ones. Properly-targeted new housing opportunities within the city—appropriate in tenure, housing and unit type, and within a vibrant mixed-use neighborhood context—should provide attractive alternatives, not only for those households that would otherwise move out of the city, but also for the significant number of households that would move to Glen Cove if appropriate housing opportunities were made available. Because vibrant residential neighborhoods are critical to the economic and social sustainability of a city, it is vital, both for the proposed development and for the city as a whole, that Glen Cove provide and maintain secure and comfortable neighborhoods that offer housing options for a broad range of lifestyles, ages and incomes.

The depth and breadth of the potential market for new housing units within the City of Glen Cove and the Glen Isle development site were updated using Zimmerman/Volk Associates' proprietary target market methodology. In contrast to conventional supply/demand analysis—which is based on supply-side dynamics and baseline demographic projections—target market analysis establishes the optimum market position derived from the housing preferences and socio-economic characteristics of households in the draw areas within the framework of the local housing market context.

The target market methodology is particularly effective in defining housing potential because it encompasses not only basic demographic characteristics, such as income qualification and age, but also less-frequently analyzed attributes such as mobility rates, lifestyle patterns and household compatibility issues.

The current constrained market—characterized throughout most of the United States by weak or falling housing prices; higher than typical levels of unsold units, both builder inventory units as well as foreclosed and/or abandoned houses; and high levels of mortgage delinquencies by speculators and investors as well as homeowners—has resulted in very restrictive development financing and mortgage underwriting, taking a significant percentage of potential homebuyers out of the market and preventing numerous developments from going forward. As is typical during economic recessions with high unemployment levels, rental occupancies have, in general, also declined.

These market constraints do not reduce the <u>size</u> of the potential market; however, depending on the timing of market entry, the initial percentage of the potential market able to overcome the constraints of the deep recession could be reduced.

For this update, Zimmerman/Volk Associates re-examined the following:

- <u>Where</u> the potential renters and buyers for new housing units within a development of the Glen Isle site are likely to move from (the draw areas);
- <u>How</u> <u>many</u> have the potential to rent or purchase at the site if appropriate housing units were to be made available (depth and breadth of the market);

- What their housing preferences are in aggregate (rental or ownership, multi-family or single-family);
- Who the potential renters and buyers are and what are they like (the target markets);
- What their alternatives are (new construction or existing housing stock in the Glen Cove market area);
- What they will pay to rent or purchase newly-created dwelling units on the site (market-entry rents and prices); and
- How quickly they will rent or purchase the new units (market capture/absorption forecasts).

The target market methodology is described in detail in the METHODOLOGY section at the end of this study.

DEMOGRAPHIC OVERVIEW OF THE CITY OF GLEN COVE

According to estimates by Claritas, Inc., a leading national vendor of both demographic and geo-demographic data, 25,930 people lived in Glen Cove in 2009. (In 2008, the U. S. Bureau of Census American Community Survey estimated the population at 25,154.) Both of these estimates show a loss of population from the 2000 Census, when there were more than 26,600 people living in the city. Claritas' projections for 2014 show continued population decline in the city, to just over 25,550 persons by that year, a decline of nearly 1.5 percent.

The number of households in the city has also fallen since 2000, from 9,461 households at the time of the Census to an estimated 9,182 in 2009. Claritas projects continued household loss through 2014, with 9,038 households projected for Glen Cove in 2014, a decline of another 1.6 percent.

In 2009, nearly 77 percent of the city's residents were white, just under six percent were African-American, 5.5 percent were Asian, and the remaining 12 percent were some other race or mix of two or more races. Over 27 percent of the population were Hispanic/Latino. The median age of the population was estimated at 42.2 years, approximately the same as Nassau County's 41.3, but considerably higher than the national median age of 36.8.

In 2009, Glen Cove contained over 9,700 housing units. The city's median owner-occupied housing value rose from $263,800 in 2000 to an estimated $488,400 in 2009, an increase of more than 85 percent. Over 76 percent of the city's housing units were built before 1970, and just 4.9 percent have been built since 1999. Housing production posted double-digit growth rates through the 1960s; during the 1970s, however, the percentage of new units produced dropped to below 10 percent, and continued to fall through the 1990s; the city is now nearly built out with few areas available for new development. As noted in the INTRODUCTION, in 2009, approximately 55 percent of the city's 9,714 dwelling units were single-family detached houses and 26.3 percent were single-family attached or duplexes. The remaining 18.7 percent were multi-family units in buildings ranging from three to more than 50 units. Just over 58 percent of Glen Cove's occupied housing units are owner-occupied.

The Glen Cove median income of $71,000 in 2009 was approximately 38 percent above the national median of $51,400; however, a third of Glen Cove's households had annual incomes of $100,000 or more. Approximately 55 percent of the households that lived in the city in 2009 contained just one or two persons, somewhat below the national percentage (58.4 percent); the traditional American family household—a married couple with children—represented only 23 percent of all Glen Cove households, slightly below the national percentage of 24 percent.

Approximately 27.8 percent of all residents aged 25 or older held a college or advanced degree, a share that was higher than the national percentage of 24.7 percent. Nearly 27 percent of the city's civilian residents aged 16 or more were employed in sales and office work; just under 15 percent had service jobs; 20.3 percent were in professional and related occupations; 14.4 percent were engaged in production, transportation, and material moving; 13.8 percent in management, business and financial employment; and 9.5 percent were construction and maintenance employees. Overall, more than 60 percent were considered white-collar occupations, 24 percent blue-collar, and 16 percent service/farm occupations.

MARKET POTENTIAL FOR THE CITY OF GLEN COVE

American households, more than any other nation's, have always been extraordinarily mobile. In 2009, because of the impact of the recession on household mobility, approximately 10 percent of American households moved from one dwelling unit to another, a considerably lower mobility rate than in previous years. In general, household mobility is higher in urban areas; a greater percentage of renters move than owners; and a greater percentage of younger households move than older households.

Analysis of migration, mobility and geo-demographic characteristics of households currently living within defined draw areas is therefore integral to the determination of the depth and breadth of the potential market for the Glen Isle development site.

As noted above, the extent and characteristics of the potential market for new and existing market-rate housing units within the City of Glen Cove and for new residential units within a development of the Glen Isle site have been re-examined through detailed analysis of households living within the appropriate draw areas. These draw areas were confirmed through an update of the migration and mobility analyses, with additional supporting data drawn from the 2006-2008 American Community Survey three-year estimates for the City of Glen Cove.

Where will the potential market for housing in the City of Glen Cove move from?

The most recent data available from the Internal Revenue Service—years 2003 through 2007—shows that annual in-migration into Nassau County ranged from the lowest in-migrating total over the study period of 20,475 households in 2006, to 21,910 households in 2003 (the highest in-migrating total). More than two-thirds of the county's in-migration is from the five boroughs of New York City to the west, and Suffolk County, the adjacent county to the east. Nassau continues to lose significant numbers of households annually through net out-migration, although because of lower household mobility due to the recession, that number has dropped substantially. Glen Cove, which experienced higher in-migration than out-migration through 2002, has been losing households because more households are moving out than are moving into the city.

Based on the update of the migration and mobility data, the draw areas for the City of Glen Cove have been refined as follows:

- The local (or internal) draw area, covering households currently living within the Glen Cove city limits and the balance of Nassau County.
- The Suffolk draw area, covering households with the potential to move to the City of Glen Cove from Suffolk County.
- The New York City draw area, covering households with the potential to move to the City of Glen Cove from four of the five counties that comprise New York City: Queens, Kings, and New York.
- The national draw area, covering households with the potential to move to the City of Glen Cove from all other U.S. cities and counties.

As derived from the updated migration and mobility analyses, then, the draw area distribution of market potential (those households with the potential to move within or to the City of Glen Cove) would be as shown on the following page (*see also* Appendix One, Table 9):

Market Potential by Draw Area
City of Glen Cove, Nassau County, New York

City of Glen Cove:	24.1%
Balance of Nassau County:	48.4%
Suffolk County:	4.5%
New York City Draw Area:	15.5%
Balance of US:	7.5%
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2010.

MARKET POTENTIAL FOR THE GLEN ISLE DEVELOPMENT

Where will the potential market for new housing units within Glen Isle be moving from?

As in the 2004 analysis, the target market methodology identifies those households with a preference for new high-density residential development located within a mixed-use neighborhood. After discounting for those segments of the city's potential market that typically choose existing units and/or suburban locations, the distribution of draw area market potential for newly-constructed high-density housing units within Glen Isle would be as follows (*see also* Appendix One, Table 10):

Market Potential by Draw Area
GLEN ISLE
City of Glen Cove, Nassau County, New York

City of Glen Cove:	24.5%
Balance of Nassau County:	54.3%
Suffolk County:	3.8%
New York City Draw Area:	13.1%
Balance of US:	4.3%
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2010.

How many households have the potential to rent or purchase new dwelling units at the site, and what are their housing preferences?

From the perspective of draw area target market propensities and compatibility, and within the context of the new housing marketplace in the Glen Cove market area, the potential market for new housing units within Glen Isle could include the full range of housing types, from rental multi-family to for-sale single-family detached. However, given the objective of establishing a new, mixed-use center anchored by a hotel and marina, only higher-density housing types have been included in the mix. The target residential mix for Glen Isle therefore includes only the following housing types:

- Rental one- and two-level apartments (multi-family for-rent); and
- For-sale one- and two-level apartments (multi-family for-sale).

Based on the updated target market analysis, in the year 2011, nearly 1,100 younger singles and couples, empty nesters and retirees, and compact families represent the annual potential market for new high-density housing units on the Glen Isle site. The current housing preferences of these draw area households—according to multi-family tenure (rental or ownership) preferences—are outlined as follows (*see also* Table 1):

Tenure Preference for New Multi-Family Housing Units
GLEN ISLE
City of Glen Cove, Nassau County, New York

HOUSING TYPE	NUMBER OF HOUSEHOLDS	PERCENT OF TOTAL
Multi-family for-rent (lofts/apartments, leaseholder)	590	55.1%
Multi-family for-sale (lofts/apartments, condo/co-op ownership)	480	44.9%
Total	1,070	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2010.

New rental housing is a key first-phase component for several reasons:

- Rental apartments are essential for the establishment of "critical mass," because rentals are absorbed at higher rates than for-sale units.
- Rentals are the fastest way to bring a large number of households to a new or redeveloping area.
- Rentals allow households to experiment with living in a neighborhood without the mortgage commitment of home ownership.
- Renters form a pool of potential purchasers of for-sale housing types in later phases.

Table 1

Potential Housing Market

Derived From New Unit Purchase And Rental Propensities Of Draw Area Households
With The Potential To Move To The Site In 2011

Glen Isle

City of Glen Cove, Nassau County, New York

City of Glen Cove; Balance of Nassau County; Suffolk County, New York;
New York City Metro Area, New York; All Other U.S. Counties
Draw Areas

Total Target Market Households With Potential To Rent/Purchase In City of Glen Cove, Nassau County, New York	3,740
Total Target Market Households With Potential To Rent/Purchase In Glen Isle	1,830

Potential Housing Market

	Multi-Family		*Single-Family*				
			Attached	*Detached*			
	For-Rent	*For-Sale*	*All Ranges*	*Low-Range*	*Mid-Range*	*High-Range*	Total
Total Households:	590	480	160	250	170	180	1,830
{Mix Distribution}:	32.2%	26.2%	8.7%	13.7%	9.3%	9.8%	100.0%

Target Residential Mix
(Multi-Family Only)

	Multi-Family		
	For-Rent	*For-Sale*	Total
Total Households:	590	480	1,070
{Mix Distribution}:	55.1%	44.9%	100.0%

NOTE: Reference Appendix One, Tables 1 Through 12.

SOURCE: Claritas, Inc.;
Zimmerman/Volk Associates, Inc.

Because many of the potential renters are likely to become purchasers over time, the ultimate tenure mix should reflect a greater proportion of for-sale units than is outlined above. In addition, buyers will be more likely to re-enter the market as the economy continues to improve, mortgage financing becomes more available to younger households, the financial portfolios of many potential empty nester and retiree households have made substantial recoveries, and sales of existing units have resumed to pre-housing " bubble" levels.

Predicated on these conditions, the tenure mix could reflect the following:

Proposed Tenure Mix for New Multi-Family Housing Units
GLEN ISLE
City of Glen Cove, Nassau County, New York

HOUSING TYPE	PERCENT OF TOTAL
Multi-family for-rent (lofts/apartments, leaseholder)	45%
Multi-family for-sale (lofts/apartments, condo/co-op ownership)	55%
Total	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2010.

TARGET MARKET ANALYSIS

Who is the potential market?

The re-urbanization of America is the result of dramatic changes in American households, the growing cost of commuting by private automobile, and the profound impact of the Great Recession—which began in 2007—on both households and home-builders, particularly in the exurbs. The changes in the composition of American households is the result of the convergence of the two largest generations in the history of America: the Baby Boomers, born between 1946 and 1964 (currently estimated at 77 million), and the estimated 78 million Millennials, who were born from 1977 to 1996.

Boomer households have been moving from the full-nest to the empty-nest life stage at an accelerating pace that will peak sometime this decade and continue beyond 2020. Since the first Boomer turned 50 in 1996, empty-nesters have had a substantial impact on urban housing. After fueling the diffusion of the population into ever-lower-density exurbs for nearly three decades, Boomers, particularly affluent Boomers, are rediscovering the merits and pleasures of urban living.

Meanwhile, Millennials are now leaving their parents' homes. The Millennials are the first generation to have been largely raised in the post-'70s world of the cul-de-sac as neighborhood, the mall as village center, and the driver's license as a necessity of life. In far greater numbers than predecessor generations, Millennials are moving to urban neighborhoods at every scale.

In addition to their shared preference for urban living, particularly those neighborhoods served by mass transit, the Boomers and Millennials are changing housing markets in multiple ways. In contrast to the traditional family (married couples with children) that comprised the typical post-war American household, Boomers and Millennials are predominantly singles and couples. As a result, the 21st Century home-buying market now contains more than 63 percent one- and two-person households, and the 37 percent of the homebuyers that could be categorized as family households are as likely to be non-traditional families (single parents or unrelated couples of the same sex with one or more children, adults caring for younger siblings, to grandparents with custody of grandchildren) as traditional families.

As updated by the target market analysis, and reflecting national trends, the potential market for new high-density units within a development of the Glen Cove site is now characterized by general household type as follows (*see also* Tables 2 *through* 4):

Target Markets for New High-Density Housing Units
GLEN ISLE
City of Glen Cove, Nassau County, New York

HOUSEHOLD TYPE	PERCENT OF TOTAL	RENTAL MULTI-FAM.	FOR-SALE MULTI-FAM.
Empty-Nesters & Retirees	37%	24%	54%
Traditional & Non-Traditional Families	4%	5%	2%
Younger Singles & Couples	59%	71%	44%
Total	100%	100%	100%

SOURCE: Zimmerman/Volk Associates, Inc., 2010.

In contrast to the earlier study, younger singles and couples now comprise the largest potential market for new high-density housing units on the Glen Cove site. The two principal factors in the larger share of the market held by younger singles and couples include their higher mobility rates—young people tend to move much more frequently than older people—and the inability, or reluctance, of older singles and couples to sell their existing units in the current housing recession.

Younger singles and couples now make up the largest share of the market for new rental housing, and remain the second largest market for new condominiums. Some of the same target household groups—*e-Types*, *Fast-Track Professionals* and *The VIPs*—are represented in the potential market. New target markets include *The Entrepreneurs*, *Upscale Suburban Couples*, *New Bohemians* and *Twentysomethings*. Approximately 23 percent of these households would be moving to the Glen Isle site from elsewhere in Glen Cove, another 50 percent would be moving from elsewhere in Nassau County or from Suffolk County, 19 percent from New York City, and the remaining eight percent from outside the region.

Since younger singles and couples typically choose to live in neighborhoods that contain a diverse mix of people, housing types, and uses, places for social interaction are significantly more important to them than to either families or empty nesters and retirees. This market segment chooses neighborhoods with a "sense of place," with outdoor public spaces and neighborhood amenities that reflect their interests. To many of these households, the public realm can be more important than the dwelling unit itself. However, the continuing challenge in capturing this potential market is to produce new units that are attractive to young people (lofts, not suburban-style apartments), at rents and prices that the identified target markets can afford, and within a vibrant neighborhood with a varied mix of uses, services and activities.

Older households (empty nesters and retirees) now represent second largest potential market for the site, over a quarter of whom are currently living in Glen Cove's older neighborhoods and suburbs.

Empty nesters and retirees—including *Old Money*, *Urban Establishment*, *Cosmopolitan Elite*, *Affluent Empty Nesters*, *Suburban Establishment*, *Cosmopolitan Couples*, *Mainstream Retirees* and *Middle-Class Move-Downs*—now represent approximately 37 percent of the potential market for the site, a lower percentage than in 2004 in part, as noted above, because of their inability to sell—or reluctance to sell at a loss—their existing housing units. However, as the national, regional, and local housing markets begin to stabilize, and with the introduction of new units in a broader range of rents and prices, older households are likely to become a larger share of the potential market.

The third, and smallest, general market segment—family-oriented households (traditional and non-traditional families)—represents only four percent of the potential market for the Glen Isle site. Depending on housing type, family-oriented households, many of whom are single parents with one or two children, now comprise between just two percent (for-sale multi-family) and five percent (rental multi-family) of the market for new high-density housing units in Glen Isle. Outside of New York City, very few traditional families choose to live in multi-family dwelling units, in large part because of the lack of private outdoor space in which their children can play unsupervised. This means that very few children will be part of the population at build-out of Glen Isle.

Almost 77 percent of the traditional and non-traditional family households that represent the potential market for new housing in Glen Isle currently live in either Glen Cove or elsewhere in Nassau County, up from just over 74 percent in 2004.

The primary target groups, estimated median incomes and median home values in 2009, were:

Primary Target Groups
(In Order of Median Income)
GLEN ISLE
City of Glen Cove, Nassau County, New York

HOUSEHOLD TYPE	MEDIAN INCOME	MEDIAN HOME VALUE (IF OWNED)
Empty Nesters & Retirees		
Old Money	$303,000	$775,000
Urban Establishment	$235,000	$688,000
Affluent Empty Nesters	$105,000	$355,700
Cosmopolitan Elite	$104,000	$347,000
Suburban Establishment	$93,800	$334,900
Cosmopolitan Couples	$75,300	$292,900
Mainstream Retirees	$70,000	$299,300
Middle-Class Move-Downs	$68,900	$288,700
Traditional & Non-Traditional Families		
Full-Nest Urbanites	$144,300	$420,100
Full-Nest Suburbanites	$94,400	$305,100
Multi-Ethnic Families	$75,600	$270,300
Younger Singles & Couples		
The Entrepreneurs	$235,600	$523,700
e-Types	$192,400	$511,700
The VIPs	$139,300	$347,300
Fast-Track Professionals	$108,100	$346,100
New Bohemians	$96,000	$393,700
Upscale Suburban Couples	$89,900	$255,600
Twentysomethings	$77,100	$212,800

NOTE: The names and descriptions of the market groups summarize each group's tendencies—as determined through geo-demographic cluster analysis—rather than their absolute composition. Hence, every group could contain "anomalous" households, such as empty-nester households within a "full-nest" category.

SOURCE: Zimmerman/Volk Associates, Inc., 2010.

(*Reference* APPENDIX THREE, TARGET MARKET DESCRIPTIONS, *for detail on each target group*.)

Table 2

Target Residential Mix By Household Type

Derived From New Unit Purchase And Rental Propensities Of Draw Area Households
With The Potential To Move To The Site In 2011

Glen Isle

City of Glen Cove, Nassau County, New York

		Multi- Family	
	Total	*For-Rent*	*For-Sale*
Number of Households:	1,070	590	480
Empty Nesters & Retirees	37%	24%	54%
Traditional & Non-Traditional Families	4%	5%	2%
Younger Singles & Couples	59%	71%	44%
	100%	100%	100%

SOURCE: Claritas, Inc.;
Zimmerman/Volk Associates, Inc.

Table 3

Target Groups For New Multi-Family For-Rent

Glen Isle

City of Glen Cove, Nassau County, New York

Empty Nesters & Retirees	*Number of Households*	*Share of Households*
Urban Establishment	70	11.9%
Cosmopolitan Elite	10	1.7%
Suburban Establishment	10	1.7%
Cosmopolitan Couples	10	1.7%
Mainstream Retirees	10	1.7%
Middle-Class Move-Downs	30	5.1%
Subtotal:	140	23.7%
Traditional & Non-Traditional Families		
Full-Nest Urbanites	10	1.7%
Full-Nest Suburbanites	10	1.7%
Multi-Ethnic Families	10	1.7%
Subtotal:	30	5.1%
Younger Singles & Couples		
The Entrepreneurs	30	5.1%
e-Types	70	11.9%
Fast-Track Professionals	30	5.1%
The VIPs	50	8.5%
Upscale Suburban Couples	40	6.8%
New Bohemians	130	22.0%
Twentysomethings	70	11.9%
Subtotal:	420	71.2%
Total Households:	**590**	**100.0%**

SOURCE: Claritas, Inc.;
Zimmerman/Volk Associates, Inc.

Table 4

Target Groups For New Multi-Family For-Sale
Glen Isle
City of Glen Cove, Nassau County, New York

Empty Nesters & Retirees	*Number of Households*	*Share of Households*
Old Money	50	10.4%
Urban Establishment	100	20.8%
Cosmopolitan Elite	30	6.3%
Affluent Empty Nesters	20	4.2%
Suburban Establishment	20	4.2%
Cosmopolitan Couples	10	2.1%
Mainstream Retirees	10	2.1%
Middle-Class Move-Downs	20	4.2%
Subtotal:	260	54.2%
Traditional & Non-Traditional Families		
Full-Nest Urbanites	10	2.1%
Subtotal:	10	2.1%
Younger Singles & Couples		
The Entrepreneurs	50	10.4%
e-Types	40	8.3%
Fast-Track Professionals	20	4.2%
The VIPs	20	4.2%
Upscale Suburban Couples	20	4.2%
New Bohemians	30	6.3%
Twentysomethings	30	6.3%
Subtotal:	210	43.8%
Total Households:	**480**	**100.0%**

SOURCE: Claritas, Inc.;
Zimmerman/Volk Associates, Inc.

THE CURRENT CONTEXT

What are the current alternatives?

Preliminary information for relevant rental and for-sale properties located in the Glen Cove general market area is provided as follows: for rental properties, see Table 5; for new for-sale condominium and townhouse properties, see Table 6.

Although there are a number of rental properties located on the North Shore of Long Island, nearly all of them were built during the 1960s through 1980s. There has been very little new rental development since 2000. Two comparatively new rental properties, Avalon at Glen Cove and Glen Cove North, are located in Glen Cove less than a mile from the Glen Isle site. (*See* Table 5.) The two Avalon properties contain 367 units, 256 located in the first buildings, and 111 constructed in later buildings. At the time of the field investigation, both properties were at functional full occupancy (95 percent), although specials, such as the first month free, were being offered to new tenants. The undiscounted rents ranged from $1,525 for a 464-square-foot studio at Glen Cove North to nearly $3,600 for the largest unit, a 1,672-square-foot, two-bedroom/two-bath apartment with dining area and den at Avalon at Glen Cove. The base rent per square foot ranged from $1.90 to $3.45, although the majority fell between $2.10 and $2.85. Community amenities at both properties include swimming pool, fitness center, clubhouse, and 24-hour concierge. Avalon at Glen Cove also has a cinema and conference room. A $500 security deposit is required at the signing of a lease; for pet owners, an initial deposit of $500 per pet is required, and a maximum of two pets are permitted per apartment. Additional fees include a $500 amenity fee per lease term, and monthly fees of $115 per additional car, $50 storage, and $50 per pet. Tenants pay for their own gas, electricity, and water bills.

The 396-unit Archstone at Meadowbrook Crossing located at 1299 Corporate Drive in Westbury opened in 2006. Base rents ranged from over $2,000 for a 765-square-foot, one-bedroom, one-bath unit with a patio to nearly $3,100 for a three-bedroom, two-bath apartment containing 1,382 square feet (with the per-square-foot range of all units between $2.23 and $2.70). This property also requires an initial security deposit of $500, and the pet policy is comparable to that at Avalon:

$500 deposit per pet, with a maximum of two pets per unit and an additional $50 per pet per month. The parking fee per additional car is $175 per month, and the storage fee is $85 per month. Community amenities include a sports club, screening room, internet lounge, and a swimming pool.

The age-restricted Horizon at Roslyn is located at 61 Bryant Avenue at the base of Hempstead Harbor. The 50-unit property, which was developed by David Marom, founder of Horizon Development, opened in 2007. Rents for the seven units that are currently vacant (a vacancy rate of 14 percent) range from $2,700 per month for Unit 312, an approximately 900-square-foot one-bedroom apartment with two baths, to $5,900 for Unit 114, an approximately 1,800-square-foot three-bedroom apartment with two baths. Unit 308, containing two bedrooms and two baths in approximately 1,300 square feet, recently leased for $3,500 per month. Rents per square foot of the vacant units range between $2.50 and $3.97. Each unit has a view of the harbor and a balcony. Community amenities include a billiards and game room, community room, media room, an indoor theater and an outdoor pool. Residents also have access to housekeeping services, a concierge, and assistance with loading and unloading packages and groceries. The property is adjacent to Sterling Glen of Roslyn, at 54 Bryant Avenue, a 158-unit independent living facility, which opened in 2006.

Summary Of Selected Rental Properties

Glen Cove Area, Nassau County, New York

April, 2010

Property (Date Opened) *Address*	*Number of Units*	*Unit Type*	*Reported Base Rent*		*Reported Unit Size*	*Rent per Sq. Ft.*	*Additional Information*
Avalon--							
Glen Cove North (2004)	**111**						**n/a**
100 Glen Street		Studio/1ba	$1,525		464	$3.29	*Swimming pool,*
		Studio/1ba	$1,600		570	$2.81	*fitness center,*
$500 security deposit		Studio/1ba	$1,620	b	469	$3.45	*clubhouse,*
		Studio/1ba/da/sa	$1,725		733	$2.35	*24-hour concierge.*
		1br/1ba	$1,650		782	$2.11	$115 parking fee.
		1br/1ba	$2,315	b	812	$2.85	$50 storage fee.
		1br/1ba/da	$1,800		855	$2.11	$500 pet fee/2 per apt.
		1br/1ba/da	$1,950	b	855	$2.28	$50 pet rent
		1br/1ba/study	$2,050	b	990	$2.07	
		1br/1ba/da	$2,075	b	913	$2.27	$500 amenity fee per
		1br/1ba	$2,100		764	$2.75	lease term.
		1br/1ba	$2,150	b	764	$2.81	
		1br/1ba/study	$2,100		1,030	$2.04	tenants pay for gas,
		1br/1ba/study	$2,100		1,056	$1.99	electricity, water
		1br/1ba/study	$2,190		972	$2.25	
		1br/1ba/dining room	$2,340	b	1,142	$2.05	
		1br/1ba/study	$2,355	b	1,087	$2.17	
		1br/2ba/da/study	$2,790	b	1,315	$2.12	
		2br/2ba/da	$2,865	b	1,387	$2.07	

b: Balcony

SOURCE: Zimmerman/Volk Associates, Inc.

Summary Of Selected Rental Properties

Glen Cove Area, Nassau County, New York

April, 2010

Property (Date Opened) *Address*	*Number of Units*	*Unit Type*	*Reported Base Rent*		*Reported Unit Size*	*Rent per Sq. Ft.*	*Additional Information*
Avalon--							
at Glen Cove (2004)	**256**						**95% occupancy**
1100 Avalon Square		Studio/1ba/sa	$1,530		570	$2.68	*Swimming pool,*
		Studio/1ba	$1,570		588	$2.67	*fitness center,*
$500 security deposit		Studio/1ba/sa	$1,606		698	$2.30	*lounge and clubroom,*
		Studio/1ba/sa	$1,861		805	$2.31	*cinema and conference room,*
		Studio/1ba/sa	$2,141	b	829	$2.58	*24-hour concierge.*
		Sleeping alcove/1ba	$1,941		780	$2.49	
		1br/1ba	$2,105	b	866	$2.43	
		1br/1ba/den	$2,206	b	1,012	$2.18	
		1br/1ba/den	$2,261	b	1,062	$2.13	
		1br/1ba/den	$2,285	b	1,043	$2.19	
		1br/1ba	$2,341		1,012	$2.31	
		1br/2ba/den	$2,051		1,055	$1.94	
		1br/2ba/den	$2,135		1,052	$2.03	
		1br/2ba/den	$2,285		1,048	$2.18	
		1br/2ba/den	$2,316		1,055	$2.20	
		1br/2ba/den	$2,350		1,112	$2.11	
		2br/2ba	$2,235		1,176	$1.90	
		2br/2ba	$2,290		1,140	$2.01	
		2br/2ba/den	$2,772		1,340	$2.07	
		2br/2ba	$2,780		1,065	$2.61	
		2br/2ba	$2,840		1,092	$2.60	
		2br/2ba/da	$2,885		1,210	$2.38	
		2br/2ba/da	$2,950		1,220	$2.42	
		2br/2ba	$3,035		1,254	$2.42	
		2br/2ba/da	$3,145		1,377	$2.28	
		2br/2ba/den	$3,255		1,436	$2.27	
		2br/2ba/den/da	$3,315		1,624	$2.04	
		2br/2ba/den/da	$3,590		1,672	$2.15	

b: Balcony

SOURCE: Zimmerman/Volk Associates, Inc.

Summary Of Selected Rental Properties

Glen Cove Area, Nassau County, New York

April, 2010

Property (Date Opened) / *Address*	*Number of Units*	*Unit Type*	*Reported Base Rent*		*Reported Unit Size*	*Rent per Sq. Ft.*	*Additional Information*
			. . . . . Westbury				
Archstone							
Meadowbrook Crossing (2006	**396**						**n/a**
1299 Corporate Drive		1br/1ba/da	$2,015	p	765	$2.63	*Caliber sports club,*
		1br/1ba/da	$2,065		765	$2.70	*screening room,*
$500 security deposit		2br/2ba/da	$2,650	p	1,098	$2.41	*internet lounge,*
		2br/2ba/da	$2,865	p	1,176	$2.44	*pool*
		2br/2ba/da/w loft	$3,200	p	1,359	$2.35	
		3br/2ba/da	$3,075	p	1,382	$2.23	$175 parking fee.
							$85 storage fee.
							$500 pet fee/2 per apt.
							$50 pet rent
		p: patio					
			. . . . . Roslyn				
The Horizon (2007)	**50**		**Vacant Units**				**86% occupancy**
61 Bryant Avenue		Unit 312: 1br/2ba	$2,700		900	$3.00	**{7 Vacant Units}**
55-Plus Age Restrictions		Unit 101: 1br/1ba	$3,575		900	$3.97	*Billiards and game room,*
		Unit 211: 2br/2ba	$3,250		1,300	$2.50	*community room,*
Security deposit: 1 month rent		Unit 205: 2br/2ba	$4,000		1,300	$3.08	*media room,*
		Unit 305: 2br/2ba	$4,400		1,300	$3.38	*indoor theater,*
		Unit 316: 2br/2ba	$4,500		1,300	$3.46	*outdoor pool,*
		Unit 114: 3br/2ba	$5,900		1,800	$3.28	*Concierge.*
							Housekeeping services.
			Recently leased				
		Unit 308: 2br/2ba	$3,500		1,300	$2.69	

SOURCE: Zimmerman/Volk Associates, Inc.

There has also been limited condominium and townhouse development in recent years on the North Shore. The few for-sale properties that were introduced in 2007 or later have been severely affected by the collapse of the housing market, as numerous buyers cancelled their reservations, were unable to get mortgages, or lost significant amounts of money in the stock market crash. In response, a number of properties have not commenced construction, discontinued marketing, or are leasing unsold units.

An eight-unit townhouse development has been proposed in Glen Cove; at the time of the field investigation, two of the units were being marketed at pre-construction prices—a 3,093-square-foot, three-bedroom, three-and-a-half bath townhouse for $1.7 million, and a 3,477-square-foot, four-bedroom, three-and-a-half bath unit for $1.8 million ($550 and $518 per square foot, respectively. (*See* Table 6.) After purchase, buyers will be able to customize their units; all units will have direct water views. To date, no units have sold.

Sterling Plaza, a 53-unit, four-story condominium building located on 171 Great Neck Road in Great Neck, opened for sales in 2007. To date, only 10 units have sold, so many of the units are available as rentals, with monthly rents ranging from $3,450 to $4,950 per month. The base prices currently range from $630,000 to $999,000 for units containing between 1,164 and 1,545 square feet ($541 to $647 per square foot). All floorplans are versions of two bedrooms and two and a half baths. Monthly maintenance fees range from $402 for the smallest units to $673 for the largest units; property taxes range between $7,174 and $12,024 per year. Two parking spaces are included in the price.

In Port Washington, the 145-unit Addison at Harbor View opened for sales in 2004. Sales at the property are restricted to households where at least one person is aged 55 or older. Currently, there are several resales on the market, ranging in price from $699,000 to $997,000. The smallest unit, at 1,420 square feet, is priced at $725,000 ($511 per square foot); the largest, containing 1,920 square feet, is priced at $997,000 ($519 per square foot). Monthly maintenance fees for these units range from $909 to $1,148, and annual property taxes run from $8,196 to $11,208.

Elsewhere on the North Shore, the 64-unit first phase of the Ritz-Carlton Residences recently opened for sales. The gated property, which will ultimately contain 244 units, has reportedly attracted 11 reservations to date, with an average price of more than $1.95 million for an average of 2,083 square feet (an average of $937 per square foot). The floorplans, which range in size from 1,700 to nearly 4,000 square feet, are predominantly variations on two and three bedrooms and two and three a half baths. The property will provide valet services and a health club with private dining, billiards, a screening room, cigar room, and wine-tasting room. Dog-walking and housekeeping are optional services available to owners.

In Long Beach, on the South Shore, the eight-story Aqua on the Ocean building opened for sales in 2007. The property, developed by the Engel Burman Group, had six reservations before the collapse of the housing market; the reservations were cancelled and marketing was discontinued. The property reopened for sales in 2009, and at the time of the field investigation reportedly had achieved two contracts and 14 reservations. The 36 units in the building, which is located directly on the boardwalk, have views of either the Atlantic Ocean or the Manhattan skyline; all units have terraces. There are six floorplans, ranging in size from 1,730 square feet for two bedrooms, two and a half baths, and a den, priced at $1,297,000 ($750 per square foot) on a lower floor or $1,519,000 ($878 per square foot) on a higher floor, to 2,395 square feet for three bedrooms, two and a half baths, and a family room, priced at $2,195,000 on a lower floor ($916 per square foot) to $3,324,000 for the penthouse. This largest unit, the 6 line, has direct views of the Atlantic. All of the units in the 5 line, which also has direct Atlantic views, are reserved. The lobby has a 25-foot high water wall. The monthly maintenance fee ranges from $1,200 to $1,400, and the property provides a doorman, 24-hour concierge, valet parking, a social room, gym, cabana and small cooling pool, a Zen garden, and putting green. Two parking spaces per unit are included in the price.

Summary Of Selected Condominium or Townhouse Properties

Nassau County

April, 20010

Property	Year Built	Unit Type	Number of Units	Unit Price	Unit Size	Price Per Sq. Ft.	Number of Bedrooms/Bathrooms
				. . . . . Glen Cove			
Sea Isle Landing	pre-const.	TH	8	***. . . . . 0 Sold . . . . .***			
The Boulevard				$1,700,000	3,093	$550	3br/3.5ba
				$1,800,000	3,477	$518	4br/3.5ba
				. . . . . Great Neck			
Sterling Plaza	2007	CO	53	***. . . . . 10 Sold . . . . .***			
171 Great Neck Road				$999,000	1,545	$647	2br/2.5ba
				$920,000	1,518	$606	2br/2.5ba
				$910,000	1,518	$599	2br/2.5ba
				$880,000	1,351	$651	2br/2.5ba
				$845,000	1,260	$671	2br/2.5ba
Rents range from				$820,000	1,351	$607	2br/2.5ba
$3,450 - $4,950 per month				$775,000	1,353	$573	2br/2.5ba
				$745,000	1,281	$582	2br/2.5ba
				$710,000	1,164	$610	2br/2.5ba
				$695,000	1,164	$597	2br/2.5ba
				$630,000	1,164	$541	2br/2.5ba
				. . . . . Port Washington			
The Addison at Harbor View	2004	CO	145	***. . . . . Resales . . . . .***			
				$997,000	1,920	$519	3br/3ba
55-Plus Age Restrictions				$888,000	1,739	$511	3br/3ba
				$785,000	2,400	$327	2br/2ba
				$725,000	1,420	$511	2br/2.5ba
				$720,000	1,495	$482	2br/2.5ba
				$699,000	1,495	$468	2br/2.5ba

SOURCE: Zimmerman/Volk Associates, Inc.

Summary Of Selected Condominium or Townhouse Properties

Nassau County

April, 20010

Property	Year Built	Unit Type	Number of Units	Unit Price	Unit Size	Price Per Sq. Ft.	Number of Bedrooms/Bathrooms
				. . . . . North Hills			
Ritz-Carlton							
Residences	2010	CO	244	***. . . . . 11 Reservations . . . . .***			
RXR Realty			{64 in Phase I}	$1,950,882	2,083	$937	2br/2.5ba
				. . . {Averages} . . .			2br/2.5ba/den
							2br/2.5ba/fam. rm.
							3br/3.5ba/fam. rm.
				. . . . . Long Beach			
Acqua	2007	CO	36	***. . . . . 2 Contracts; 14 Reservations . . . . .***			
403 East Boardwalk			1 line		1,855		2br/2ba/den
Engel Burman Group				300 sf--3 terraces (rear unit)			
			2 line	$1,075,000	1,965	$547	2br/2.5ba/den
				$1,297,000	1,730	$750	
				150 sf--1 terrace			
			3 line	$1,340,000	1,960	$684	2br/2.5ba/den
			PH 3	$2,283,750	1,960	$1,165	2br/2.5ba/den
				120 sf--1 terrace			
			4 line	$1,075,000	1,795	$599	2br/2.5ba
				$1,519,000	1,730	$878	
				120 sf--1 terrace			
All 5-line units are reserved.			5 line*		1,985		2br/2.5ba/fam rm
				245 sf--2 terraces (1 of 2 front units)			
			6 line*	$2,195,000	2,395	$916	3br/2.5ba/fam rm
				$2,385,000	2,395	$996	
			PH 6	$3,324,000	2,395	$1,388	3br/2.5ba/fam rm
				245 sf--2 terraces (1 of 2 front units)			

*Ocean views.

SOURCE: Zimmerman/Volk Associates, Inc.

OPTIMUM MARKET POSITION: GLEN ISLE

The Glen Isle site is comprised of several parcels, totaling approximately 56 acres, bordered by Glen Cove Creek to the south, Mosquito Cove to the west, and Garvies Point Preserve to the north. The property is located in the southwestern corner of the City of Glen Cove, within a short driving or walking distance of the downtown.

From a market perspective, the assets of the site are considerable, and continue to include:

- Views of Mosquito Cove, Hempstead Harbor and Glen Cove Creek.
- The non-residential uses and amenities to be developed on the site. The on-site hotel/destination spa is a significant community amenity that will also be an asset to Glen Cove, which currently is the location of only one hotel—the Glen Cove Mansion and Conference Center. Visitors to and guests at the hotel will also provide support for the limited retail proposed for the site.
- The resumption of ferry service between the site and New York City and other potential destinations, such as LaGuardia Airport, CitiField, and Westchester, among others. The trip to Manhattan on the high-speed ferry will take only 30 minutes, making the site a viable commuter location comparable to other suburbs of New York City.
- Adjacency to the Garvies Point Preserve.
- Limited new condominium and townhouse construction in Nassau County, none of which is directly competitive.
- Numerous shopping opportunities available in Downtown Glen Cove, which, with the advent of significant new residential development, has the potential to once again become the charming and vibrant town center it once was.
- Planned open space and public realm.

From a market perspective, the challenges of the site continue to include:

- Potential market skepticism as to the extent of the remediation of the site, which has Superfund status.
- The existing incompatible and non-water dependent uses that are adjacent to and within view of the site on both sides of the creek.

  For residential development to realize its maximum potential in this location, given the significant negative impact of these uses (ranging from noise, dust, odor and unattractive views to the potential perception of damaging health effects on future residents), it will be necessary to remove or relocate the fuel oil facility, the concrete plant and the remaining industrial uses on the north side of Garvies Point Road within the MW-3 Zone, as well as the asphalt plant and other non-water-dependent industrial uses on the south side of Glen Cove Creek.

  In addition, significant landscaping will be required to buffer the site and mitigate the visual impact of certain non-compatible uses that cannot be relocated, such as the sewer treatment plant. From the market perspective, the visual impact of the sewer treatment plant could be mitigated by refacing it to resemble a residential structure. It will also be imperative that that proper odor control and effluent discharge mechanisms are in place.

  The optimum market position, as outlined in this analysis, is therefore based on the assumption that these uses will be removed and/or repurposed.

- The lack of direct vehicular access to the site.

- The number of buildings in varying states of disrepair along the route to the site.

What is the market currently able to pay?

The optimum market position for new high-density housing units within a development of the Glen Isle site has been updated based on a variety of factors, including but not limited to:

- The site's assets and challenges;
- The proposed mixed-use development of the site;
- The lifestyle preferences and financial capabilities of those draw area households that represent the market for new high-density dwelling units in the City of Glen Cove; and
- The scarcity of new condominium construction, particularly with potential for water views, on the North Shore of Long Island.

Although fewer units are currently approved for Glen Isle, the potential market could easily support up to 1,120 new units on the site (*see* ABSORPTION FORECASTS *below*), the number of units that could be developed based on the current allowable density of 20 units to the acre under the existing PUD ordinance. Maximizing the number of units will enhance the creation of a vibrant, mixed-use neighborhood on the site.

Based on the proposed tenure mix of 45 percent rental units and 55 percent for-sale units, the tenure mix of 1,120 new units would be as follows:

Tenure Mix for 1,120 New Multi-Family Housing Units
GLEN ISLE
City of Glen Cove, Nassau County, New York

HOUSING TYPE	NUMBER OF UNITS
Multi-family for-rent (lofts/apartments, leaseholder)	504
Multi-family for-sale (lofts/apartments, condo/co-op ownership)	616
Total	1,120

SOURCE: Zimmerman/Volk Associates, Inc., 2010.

Rental units should be the first housing type introduced to the market in the first phase because rental dwelling units are the linchpin of urban redevelopment. As noted in the section MARKET

POTENTIAL FOR THE GLEN ISLE DEVELOPMENT above, rental development is important at this site for several reasons:

- Rental apartments are essential for the establishment of "critical mass," because rentals are absorbed at higher rates than for-sale units.
- Rentals are the fastest way to bring a large number of target households to the site.
- Rentals allow target households to experience living in the area without the mortgage commitment of home ownership (or without the challenge of obtaining a mortgage in the current restrictive lending environment).
- Renters form a pool of potential purchasers of for-sale housing types in later phases.

A mix of both rental and for-sale dwelling units in the first phase would therefore be appropriate from the market perspective. A reasonable first phase would include 200 to 250 rental units and 100 to 150 condominiums, or approximately a third of the total units that could be developed on the site. This should be planned for the East Parcel, where Buildings D and E are proposed for 243 rental units and Building H is proposed for 137 condominium units.

The optimum market position for 380 new rental and for-sale multi-family units in the first phase, with market entry in 2011, would therefore be as follows (*see also* Table 7 *for further detail*):

Optimum Market Position: First Phase/Market-Entry
GLEN ISLE
City of Glen Cove, Nassau County, New York

NUMBER	UNIT TYPE	MARKET-ENTRY BASE RENTS/PRICES	UNIT SIZES	RENT/PRICE PER SQ. FT.
MULTI-FAMILY FOR-RENT—45%				
243	Apartments	$1,600 to $3,800 per month	500 to 1,300 sf	$2.92 to $3.25
MULTI-FAMILY FOR-SALE—55%				
137	Condominiums	$250,000 to $1,000,000	600 to 1,750 sf	$412 to $571
380 units				

SOURCE: Zimmerman/Volk Associates, Inc., 2010.

Table 7

Optimum Market Position
Market-Entry, First-Phase Base Rents and Prices
Glen Isle

City of Glen Cove, Nassau County, New York

May, 2010

Number of Units	*Housing Type/ Net Density*	*Unit Configuration*	*Unit Mix*	*Base Rent/Price Range*	*Unit Size Range*	*Base Rent/Price Per Sq. Ft.*	*Average Annual Absorption*
243	**Multi-Family For-Rent**						**120**
	Apartments	Studio/1ba	10%	$1,600	500	$3.20	
		1br/1ba	30%	$1,950	650	$3.00	
		1br/1.5ba/office*	25%	$2,600	800	$3.25	
		2br/2ba	20%	$2,950	1,000	$2.95	
		2br/2.5ba/office*	10%	$3,400	1,100	$3.09	
		2br/2ba/den	5%	$3,800	1,300	$2.92	
		Weighted Averages:		$2,515	820	$3.07	
137	**Multi-Family For-Sale**						**102**
	Condominiums	Studio/1ba	15%	$250,000	600	$417	
		1br/1ba	15%	$325,000	750	$433	
		1br/1.5ba	15%	$350,000	850	$412	
		1br/1.5ba/office*	10%	$450,000	900	$500	
		2br/2ba	20%	$475,000	1,100	$432	
		2br/2.5ba	10%	$500,000	1,200	$417	
		2br/2.5ba/office*	10%	$625,000	1,300	$481	
		3br/2.5ba Penthouse	5%	$1,000,000	1,750	$571	
		Weighted Averages:		$441,250	978	$451	

380 **first-phase dwelling units**

* Two-story unit.

NOTE: Base rents/prices are in year 2010 dollars and do not include premiums, or consumer options or upgrades.

SOURCE: Zimmerman/Volk Associates, Inc.

Base rents and prices are in year 2010 dollars. Unit sizes and configurations have been structured to reflect market preferences and priced to fit within the current leasing and purchasing capabilities of the target market households. However, it should be noted that the rents and prices are base rents and prices for the first residential floor and do not include buyer options and upgrades, or view, floor, or location (*e.g.*—proximity to parks, open space, or the marina) premiums, or additional surcharges (*e.g.*—additional storage or parking spaces). These premiums, options, and upgrades have been included in the leasing and purchasing capabilities of the target market households.

Based on the unit types, sizes, configurations, and mix outlined in the optimum market position above, the weighted average size of the first-phase rental apartments would be 820 square feet, with a weighted average base rent of $2,515 per month ($3.07 per square foot). The weighted average size of the first-phase condominiums would be 978 square feet, with a weighted average base price of $441,250 ($451 per square foot).

As the housing and stock markets recover and mortgage requirements become less stringent, the availability of condominium units could be increased to accommodate the increased number of households that would prefer to purchase units on the site. The majority of the buildings proposed for the site are multi-family structures, permitting a great deal of flexibility to respond to market preferences over time. With a total of 1,120 units, up to 740 units remain after the first phase of 380 units is constructed. Based on the overall tenure mix for 1,120 units described above, the remaining 740 units would be developed as 261 rentals and 479 condominiums. However, depending on market response and developer goals and objectives, all of the remaining 740 units could potentially be developed as condominiums.

Ensuing phases of condominiums could also be designed to include a higher percentage of larger, more expensive units, particularly in the final phase, when a significant number of units will have expansive views of Hempstead Harbor and Mosquito Cove. Although housing values dropped significantly during the housing market collapse, once the recovery is solidly under way and financing and the economy reach levels that will support the pent-up demand that will likely have built up since 2007, annual escalation of existing units could exceed the historic annual rates of three to six percent per year in periods of housing market equilibrium. Location values should increase as each phase moves closer to water adjacency and more expansive views; additionally, in a well-designed and well-executed mixed-use urban neighborhood, values increase in direct proportion to the degree of completion and variety of uses.

Based on a unit count of 616 condominiums (55 percent of 1,120 units)—including a small number of larger and considerably more expensive units in the final phase—that are forecast to be absorbed over a 10-year timeframe, the weighted average base price of all 616 units, from year one through year 10, would be $856,068, with a weighted average unit size of 1,105 square feet, yielding a weighted average base price per square foot of $775. (*See* Table 8 *for further detail.*) Again, these weighted average prices are base prices for the first residential floor and do not include buyer options and upgrades, or view, or floor premiums, or additional surcharges (*e.g.*—additional storage or parking spaces). However, these base prices do include annual escalation and price increases due to improved physical location on the site and degree of completion of the variety of uses currently proposed for the site.

Ultimately, escalation of values will depend upon the establishment of the site's urban character. An urban residential neighborhood succeeds when its physical characteristics consistently emphasize urbanity and the qualities of urban life; conversely, attempts to introduce suburban scale and housing types into urban areas have invariably yielded disappointing results. Therefore, appropriate urban design—which places as much emphasis on creating quality streets and public places as on creating or developing quality buildings—will be essential to success.

Table 8

Weighted Average Unit Sizes/Prices/Prices Per Square Foot
10-Year Absorption Period
Glen Isle

City of Glen Cove, Nassau County, New York

May, 2010

Number of Units	*Housing Type/ Net Density*	*Unit Configuration*	*Unit Mix*	*Weighted Average Base Price*	*Unit Size Range*	*Weighted Average Base Price Per Sq. Ft.*	*Average Annual Absorption*
Number							
616	**Multi-Family For-Sale**						**62**
65	Condominiums	Studio/1ba	10.5%	$475,000	600	$792	
70		1br/1ba	11.3%	$550,000	750	$733	
79		1br/1.5ba	12.9%	$575,000	850	$676	
61		1br/1.5ba/office*	9.9%	$652,500	900	$725	
102		2br/2ba	16.5%	$700,000	1,100	$636	
71		2br/2.5ba	11.5%	$725,000	1,200	$604	
80		2br/2.5ba/office*	13.0%	$847,500	1,300	$652	
57		3br/2.5ba Penthouse	9.3%	$1,540,000	1,750	$880	
31		3br/2.5ba Penthouse	5.1%	$3,000,000	2,100	$1,429	
		Weighted Averages:		$856,068	1,105	$775	

* Two-story unit.

NOTE: Base prices do not include view or floor premiums, or consumer options or upgrades. Base prices do include annual escalation over 10 years, neighborhood appreciation, and site location premium.

SOURCE: Zimmerman/Volk Associates, Inc.

—ABSORPTION FORECASTS—

How fast will the units lease or sell?

After more than 22 years' experience in scores of cities across the country, and in the context of the target market methodology, Zimmerman/Volk Associates has determined that, over the near term, those households that prefer new construction, rather than previously lived-in units, currently represent approximately 20 percent of the potential market, given the production of appropriately-positioned new housing. (Until the collapse of the housing market in the fall of 2008, newly-constructed dwelling units ranged between 15 and 25 percent of all units sold in the nation.) As noted in the INTRODUCTION, the current constrained market is characterized in many locations by reduced housing prices, high levels of unsold units, high levels of mortgage delinquencies and foreclosures, and restrictive mortgage underwriting and development finance. As also noted previously, these market constraints do not reduce the size of the potential market; however, depending on the timing of market entry, they reduce the initial percentage of the potential market able to overcome those constraints.

Assuming a well-executed development and marketing program, market entry in 2011, and based on an approximately 20 percent capture of the potential market, absorption of a first phase of 243 rental and 137 for-sale multi-family dwelling units would likely be achieved within approximately one-and-a-half to two years, depending on the success of pre-leasing/pre-sales programs, phasing, construction and site constraints, and predicated on no significant worsening of the national, regional and local economies. Based on a 20 percent capture of the potential market, the forecast initial average absorption of new housing units constructed within the Glen Isle site would be as follows:

Initial Average Absorption
GLEN ISLE
City of Glen Cove, Nassau County, New York

Multi-family for-rent Apartments	120
Multi-family for-sale Condominiums	102
Total	222 units

SOURCE: Zimmerman/Volk Associates, Inc., 2010.

Once the Glen Isle site has been established as a desirable neighborhood, the housing market has recovered, and the existing incompatible uses that are adjacent to and within view of the site have been mitigated, capture rates would be likely to rise significantly at the first-phase base rent and pricing levels. However, in a recovered real estate market, a desirable neighborhood will command higher prices. Even though continued escalated price escalation over the property's marketing period will reduce the pool of qualified buyers, all of the 1,120 units would be absorbed within a 10-year timeframe.

> NOTE: Target market capture rates are a unique and highly-refined measure of feasibility. Target market capture rates are *not* equivalent to—and should not be confused with—penetration rates or traffic conversion rates.
>
> The **target market capture rate** is derived by dividing the *annual* forecast absorption—in aggregate and by housing type—by the number of households that have the potential to purchase or rent new housing within a specified area *in a given year*.
>
> The **penetration rate** is derived by dividing the *total* number of dwelling units planned for a property by the *total* number of draw area households, sometimes qualified by income.
>
> The **traffic conversion rate** is derived by dividing the *total* number of buyers or renters by the *total* number of prospects that have visited a site.
>
> Because the prospective market for a location is more precisely defined, target market capture rates are higher than the more grossly-derived penetration rates. However, the resulting higher capture rates are well within the range of prudent feasibility.

—PARKING AND IN-UNIT AMENITIES—

Over 45 percent of the households that represent the target groups for the site currently either do not own a car or own only one car. However, potential purchasers are likely to own more cars than potential renters; therefore, from the perspective of the initial cost of providing parking, the higher percentage of rental units in the first phase should enhance development efficiency.

For a first phase of 243 rental units, one assigned covered parking space should be provided per unit. A limited number of additional parking spaces should be available for those tenants who have more than one car; these spaces could be leased at an additional fee of $200 per month for an assigned covered space, and $100 per month for an assigned space in a temporary secure surface lot. For a first phase of 243 rental units, then, it is recommended that 300 covered parking spaces be provided—any additional parking can be accommodated in a temporary secure surface lot.

For a first phase of 137 condominium units, one assigned covered space per unit should be provided for all units (137 spaces); again, an additional number of spaces should be provided to accommodate those owners who have more than one car, at a ratio of approximately one space per two units (70 spaces), for a total of 207 assigned covered spaces. Any additional parking can be accommodated in a temporary secure surface lot. The same lease rates could apply.

Depending on the site plan and how parking for retail uses is handled, visitor parking could be accommodated on-street and shared with retail.

It is quite possible that during later phases, values will have risen to the point where structured parking, particularly some form of robotic parking, can be supported for residential buildings.

It is recommended that initial residents be surveyed for interest in Zipcar, CityCar, or another urban car share service. A jitney service to/from the train station during morning and evening rush hours , along with a shuttle or trolley service to and from Downtown Glen Cove, and the possible inclusion of water taxi service could also be operated on a fee basis or as part of the community association fees.

Once the ferry service to Manhattan is underway, it is likely that somewhat fewer parking spaces will be required.

• • •

A major goal of the developers of Glen Isle is to provide a "triple bottom line" approach to development, encompassing social, environmental, and economic benefits. To meet this goal, as well as the expectations of potential residents, new residential construction should be designed and built to conform, at minimum, to the U.S. Green Building Council's LEED Silver Standards, using high-profile features such as green roofs, Energy-Star appliances and HVAC, sustainable, low-VOC finish materials, filtered air systems, and high-performance window walls as feasible from the cost perspective.

All units should be wired for cable television and high-speed internet or, if practical, be served by a building-wide Wi-Fi system covered in the monthly fees.

Flooring should be bamboo, with sustainably-harvested hardwoods as an upgrade. Ceiling heights should be a minimum of nine feet (10 feet in the condominiums). The size and quality of windows will be important, particularly for those units with the potential for water views. One challenge will be to provide expansive views without adding to the HVAC load; calculated balcony overhangs could reduce afternoon cooling requirements on west-facing units. Corner windows would help increase the perceived space inside the units.

In the kitchens, although, until recently, granite countertops have been the norm for urban development, more environmentally-sensitive alternatives should be considered—such as Fireslate in the rental units, and Richlite and PaperStone, which are composed of recycled materials, in the for-sale units. Optional countertop upgrades could be CaesarStone and Silestone—quartz composite materials—or new terrazzo products such as Vetrazzo or IceStone.

All kitchens should include integral or undermount sinks, and either matching backsplashes or finished in glass or ceramic tile or stainless steel; renters will expect contemporary finishes appropriate to urban living, as opposed to the carpeted "beige" interiors of suburban multi-family housing. Cabinets should have flush fronts with integral or contemporary pulls, offered in a variety of finishes, ranging from bamboo to frosted glass. All appliances should be Energy-Star rated, with stainless steel-front mid-grade models in the rental units, and stainless, black or cabinet-coordinated high-end models in the condominiums. European-style washer/dryers should be provided in the studio and one-bedroom units; large-capacity washer and dryer in the larger units.

Lighting fixtures should have clean and minimalist designs, capable of accommodating compact fluorescent bulbs. Walls should be drywall finished with simple contemporary baseboards. Doors should be flush, matched-grain wood with stainless handles and hardware.

Bathrooms should have a standard contemporary finish package, including a range of sink types from pedestals to vessel-style, and countertops of materials similar to the grade used in the kitchens. Again, all fixtures, faucets and lighting should be clean, minimalist and contemporary; and lighting should accommodate compact fluorescent bulbs. Dual flushometer toilets should be standard, as should contemporary recessed medicine cabinets. The master baths in all but the smallest condominiums should feature separate tub and shower; the master baths in the two-bath rental units can be equipped with only a stall shower. Other features that should be given consideration for the master baths, particularly in the condominiums, include radiant flooring, rainshower head, integral bench in shower, and other unexpected amenities.

Studios should have a sleeping alcove, or a sleeping area separated by partitions that run only partially to the ceiling.

Building amenities should include concierge services, a fitness center, private lounge with wet bar, secure indoor bike storage, and for an additional fee, private storage modules. Each building should also have its own recycling center.

METHODOLOGY

The update of the technical analysis of market potential for the City of Glen Cove and the Glen Isle site included confirmation of the draw areas—based on the most recent migration data for Nassau County, and incorporating additional data from the 2006-2008 American Community Survey three-year estimates for the City of Glen Cove.

The evaluation of the city's market potential was derived from the updated target market analysis of households in the draw areas, and yielded:

- The depth and breadth of the potential housing market by tenure (rental and ownership) and by type (apartments, attached and detached houses); and
- The composition of the potential housing market (empty-nesters/retirees, traditional and non-traditional families, younger singles/couples).

NOTE: The Appendix Tables referenced here are provided in a separate document.

DELINEATION OF THE DRAW AREAS (MIGRATION ANALYSIS)—

Taxpayer migration data provide the framework for the delineation of the draw areas—the principal counties of origin for households that are likely to move to the City of Glen Cove. These data are maintained at the county and "county equivalent" level by the Internal Revenue Service and provide a clear representation of mobility patterns. The migration data for the city has been supplemented by mobility data from the 2006-2008 American Community Survey for the City of Glen Cove.

Appendix One, Table 1.
Migration Trends

Analysis of the most recent Nassau County migration and mobility data available from the Internal Revenue Service—from 2003 through 2007—shows that the county continued to experience significant out-migration throughout the study period, with net migration ranging from a loss of 7,570 households in 2005 to a loss of just under 4,000 households in 2007. (*See*

Appendix One, Table 1.) The 2004 study showed slightly lower net migration losses, ranging between approximately 3,500 and 5,200 households per year through 2001.

Annual in-migration into Nassau County ranged from 20,475 households in 2006, (the lowest in-migrating total over the study period) to 21,910 households in 2003 (the highest in-migrating total). More than half of the county's in-migration is from the five New York City boroughs to the west, and another 17 to 18 percent is from Suffolk County to the east. Annual out-migration from Nassau County ranged between the low of 25,200 households in 2007 to the high of more than 29,400 households in 2004. Approximately a third of the out-migration is to one of the New York City boroughs; another 22 to 25 percent is to Suffolk County. Collectively, the majority of out-migration is to other counties in the Northeast or to Florida.

As noted in the previous study, even though net migration provides insights into a city or county's historic ability to attract or retain households compared to other locations, it is those households likely to move into an area (gross in-migration) that represent that area's external market potential.

Based on the updated migration data, then, the draw areas for the City of Glen Cove have been confirmed as follows:

- The local (or internal) draw area, covering households, with the financial capacities to rent or purchase market-rate dwelling units, currently living within the Glen Cove city limits and the balance of Nassau County. As a direct result of the constrained housing market both locally and nationally in 2007 and 2008, internal mobility has fallen somewhat since the 2004 study, when just under 12 percent of city households moved within the city. In 2008, the mobility rate for households moving within the city was 10.5 percent.

- The Suffolk draw area, covering households with the potential to move to the City of Glen Cove from Suffolk County.

- The New York City draw area, covering households with the financial capacities to rent or purchase market-rate dwelling units and with the potential to move to the City of Glen

Cove from four of the counties in New York City: Queens, Kings (Brooklyn) and New York (Manhattan).

- The national draw area, covering households with the financial capacities to rent or purchase market-rate dwelling units and with the potential to move to the City of Glen Cove from all other U.S. cities and counties.

Migration Methodology:

County-to-county migration is based on the year-to-year changes in the addresses shown on the population of returns from the Internal Revenue Service Individual Master File system. Data on migration patterns by county, or county equivalent, for the entire United States, include inflows and outflows. The data include the number of returns (which can be used to approximate the number of households), and the median and average incomes reported on the returns.

TARGET MARKET CLASSIFICATION OF CITY AND COUNTY HOUSEHOLDS—

Geo-demographic data obtained from Claritas, Inc. provide the framework for the categorization of households, not only by demographic characteristics, but also by lifestyle preferences and socio-economic factors. For purposes of this study, only those household groups with median incomes that enable most of the households within each group to qualify for market-rate housing are included in the tables. An appendix containing detailed descriptions of each of these target market groups is provided along with the study.

Appendix One, Tables 2 and 3.
Target Market Classifications

Of the estimated 9,180 households living in the City of Glen Cove in 2009 (Claritas' estimates), nearly 94 percent, or 8,590 households, have the capacity to rent or buy market-rate housing. (*Reference* Appendix One, Table 2.) More than half of the city's "market-rate" households can be classified as empty nesters and retirees, another 29.7 percent are younger singles and couples, and 18 percent are traditional and non-traditional families. Median income within the city was estimated at $71,000, more than 38 percent higher than the national median of $51,400 in 2009.

Median home value within the city was estimated at $488,400, 2.8 times the national median of $172,400.

Up to 96.8 percent, or 418,810 households, of the estimated 432,640 households estimated to be living in Nassau County in 2009 (again, Claritas' estimates) have the capacity to rent or buy market-rate housing. (*Reference* Appendix One, Table 3.) Just under 53 percent of Nassau County's "market-rate" households are classified as empty nesters and retirees, another 23.8 percent are younger singles and couples, and the remaining 23.6 percent are traditional and non-traditional families.

<u>Target Market Methodology</u>:

The proprietary target market methodology developed by Zimmerman/Volk Associates is an analytical technique, using the PRIZM NE household clustering system, that establishes the optimum market position for residential development of any property—from a specific site to an entire political jurisdiction—through cluster analysis of households living within designated draw areas. In contrast to classical supply/demand analysis—which is based on supply-side dynamics and baseline demographic projections—target market analysis establishes the optimum market position derived from the housing and lifestyle preferences of households in the draw area and within the framework of the local housing market context, even in locations where no close comparables exist.

Clusters of households (usually between 10 and 15) are grouped according to a variety of significant "predictor variables," ranging from basic demographic characteristics, such as income qualification and age, to less-frequently considered attributes known as "behaviors," such as mobility rates and lifestyle choices. Zimmerman/Volk Associates has refined the analysis of these household clusters through the correlation of more than 500 data points related to housing preferences and consumer and lifestyle characteristics.

As a result of this process, Zimmerman/Volk Associates has identified 41 target market groups with median incomes that enable most of the households within each group to qualify for market-rate housing, and an additional 25 groups with median incomes in which a much smaller number of households is able to qualify for market-rate housing. The most affluent of the 66 groups can afford the most expensive new ownership units; the least prosperous are candidates for the least expensive existing rental apartments.

Once the draw areas for a property have been defined, then—through field investigation, analysis of historic migration and development trends, and employment and commutation patterns—the households within those areas are quantified using the target market methodology. The potential market for new market-rate units is then determined by the correlation of a number of factors—including, but not limited to: household mobility rates; median incomes; lifestyle characteristics and housing preferences; the location of the site; and the competitive environment.

The end result of this series of filters is the optimum market position—by tenure, building configuration and household type, including specific recommendations for unit sizes, rents and/or prices—and projections of absorption within the local housing context.

DETERMINATION OF THE POTENTIAL MARKET FOR THE CITY OF GLEN COVE (MOBILITY ANALYSIS)—

The mobility tables, individually and in summaries, indicate the number and type of households that have the potential to move within or to the City of Glen Cove in the year 2011. The total number from each city/county is derived from historic migration trends; the number of households from each group is based on each group's mobility rate.

Appendix One, Table 4.
Internal Mobility (Households Moving <u>Within</u> the City of Glen Cove)—

Zimmerman/Volk Associates uses U.S. Bureau of the Census data, combined with Claritas data, and American Community Survey data, to determine the number of households in each target market group that will move from one residence to another within a specific jurisdiction in a given year (internal mobility).

Using these data, Zimmerman/Volk Associates has determined that up to 900 households living in the City of Glen Cove, and with the capacity to rent or purchase market-rate housing, have the potential to move from one residence to another within the city in 2011. Nearly 59 percent of these households are likely to be younger singles and couples (as characterized within seven Zimmerman/Volk Associates' target market groups); another 23.3 percent are likely to be empty nesters and retirees (in six market groups); and the remaining 17.8 percent are likely to be traditional and non-traditional families (also in six market groups).

Appendix One, Table 5.
Internal Mobility (Households Moving <u>To</u> the City of Glen Cove from the Balance of Nassau County)—

The same sources of data are used to determine the number of households in each target market group that will move from one area to another within the same <u>county</u>. Using these data, 1,810 households, currently living in the balance of Nassau County and with the capacity to rent or purchase market-rate housing, have the potential to move from a residence in the county to a residence in the City of Glen Cove in 2011. An estimated 47 percent of these households are likely to be younger singles and couples (in 12 market groups); 29.8 percent are likely to be empty nesters and retirees (in nine groups); and the remaining 23.2 percent are likely to be traditional and non-traditional families (in 10 groups).

Appendix One, Tables 6 through 8; Appendix Two, Tables 1 through 4.
External Mobility (Households Moving <u>To</u> the City of Glen Cove from Outside Nassau County)—

These tables determine the number of households in each target market group living in each draw area county that are likely to move to the City of Glen Cove in 2011 (through a correlation of Claritas data, U.S. Bureau of the Census data, and the Internal Revenue Service migration data).

Appendix One, Table 9.
Market Potential for the City of Glen Cove—

Appendix One, Table 9 summarizes Appendix One, Tables 4 through 8. The numbers in the Total column on page one of these tables indicate the depth and breadth of the potential market for new and existing dwelling units in the City of Glen Cove in the year 2011 originating from households currently living in the draw areas. An estimated 3,740 households with the potential to rent or purchase market-rate housing have the potential to move within or to the City of Glen Cove in 2011. Younger singles and couples are likely to account for 56 percent of these households (in 12 market groups); and the remainder are evenly split between traditional and non-traditional families (in 10 groups) and empty nesters and retirees (in nine groups).

The distribution of the draw areas as a percentage of the potential market for the City of Glen Cove is as follows:

Market Potential by Draw Area
City of Glen Cove, Nassau County, New York

City of Glen Cove (Local Draw Area):	24.1%
Balance of Nassau County (Local Draw Area):	48.4%
Suffolk County (Regional Draw Area):	4.5%
New York City (Regional Draw Area):	15.5%
Balance of US (National Draw Area):	7.5%
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2010.

DETERMINATION OF THE POTENTIAL MARKET FOR GLEN ISLE—

The total potential market for the new housing units to be developed within new construction on the Glen Isle site also includes the local, regional, and national draw areas. Zimmerman/Volk Associates uses U.S. Bureau of the Census data, combined with Claritas data, to determine which target market groups, as well as how many households within each group, are likely to move to the Glen Isle site in a given year.

Appendix One, Tables 10 through 12.
Market Potential for Glen Isle—

As derived by the target market methodology, up to 1,840 households have the potential to move to the Glen Isle site in 2011. (*Reference* Appendix One, Table 10.) Nearly 49 percent of these households are likely to be younger singles and couples (in seven market groups); another 44 percent are likely to be empty nesters and retirees (in eight groups); and 7.1 percent are likely to be traditional and non-traditional family households (in five groups).

The distribution of the draw areas as a percentage of the market for Glen Isle is as follows:

Market Potential by Draw Area
GLEN ISLE
City of Glen Cove, Nassau County, New York

City of Glen Cove (Local Draw Area):	24.5%
Balance of Nassau County (Local Draw Area):	54.3%
Suffolk County (Regional Draw Area):	3.8%
New York City (Regional Draw Area):	13.1%
Balance of US (National Draw Area):	4.3%
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2010.

The 1,840 draw area households that have the potential to rent or purchase in Glen Isle in 2010 have been categorized by tenure propensities to determine renter/owner ratios. Just over 32 percent of these households (or 590 households) comprise the potential market for new market-rate rentals. The remaining 67.9 percent (or 1,250 households) comprise the market for new market-rate for-sale (ownership) housing units. (*Reference* Appendix One, Table 11.)

Of these 1,250 households, 38.4 percent (or 480 households) comprise the market for multi-family for-sale units (condominium apartments and lofts); this is nearly double the percentage of the market in 2004. Another 12.9 percent (160 households) comprise the market for attached single-family (townhouse or duplex) units. The remaining 48 percent (or 600 households) comprise the market for all ranges and densities of single-family detached houses. (*Reference* Appendix One, Table 12.)

—Target Market Data—

Target market data are based on the Claritas PRIZM geo-demographic system, modified and augmented by Zimmerman/Volk Associates as the basis for its proprietary target market methodology. Target market data provides number of households by cluster aggregated into the three main demographic categories—empty nesters and retirees; traditional and non-traditional families; and younger singles and couples.

Zimmerman/Volk Associates' target market classifications are updated periodically to reflect the slow, but relentless change in the composition of American households. Because of the nature of geo-demographic segmentation, a change in household classification is directly correlated with a change in geography, *i.e.*—a move from one neighborhood condition to another. However, these changes of classification can also reflect an alteration in one of three additional basic characteristics:

- Age;
- Household composition; or
- Economic status.

Age, of course, is the most predictable, and easily-defined of these changes. Household composition has also been relatively easy to define; recently, with the growth of non-traditional households, however, definitions of a family have had to be expanded and parsed into more highly-refined segments. Economic status remains clearly defined through measures of annual income and household wealth.

A change in classification is rarely induced by a change in just one of the four basic characteristics. This is one reason that the target household categories are so highly refined: they take in multiple characteristics. Even so, there are some rough equivalents in household types as they move from one neighborhood condition to another. There is, for example, a strong correlation between the *Suburban Achievers* and the *Urban Achievers*; a move by the *Suburban Achievers* to the urban core can make them *Urban Achievers*, if the move is accompanied by an upward move in socio-economic status. In contrast, *Suburban Achievers* who move up socio-economically, but remain within the metropolitan suburbs may become *Fast-Track Professionals* or *The VIPs*.

Household Classification Methodology:

Household classifications were originally based on the Claritas PRIZM geo-demographic segmentation system that was established in 1974 and then replaced by PRIZM NE in 2005. The revised household classifications are based on PRIZM NE which was developed through unique classification and regression trees delineating 66 specific clusters of American households. The system is now accurate to the individual household level, adding self-reported and list-based household data to geo-demographic information. The process applies hundreds of demographic variables to nearly 10,000 “behaviors.”

Over the past 20 years, Zimmerman/Volk Associates has augmented the PRIZM cluster systems for use within the company’s proprietary target market methodology specific to housing and neighborhood preferences, with additional algorithms, correlation with geo-coded consumer data, aggregation of clusters by broad household definition, and unique cluster names. For purposes of this study, only those household groups with median incomes that enable most of the households within each group to qualify for market-rate housing are included in the tables.

ZIMMERMAN/VOLK ASSOCIATES, INC.
P.O. Box 4907
Clinton, New Jersey 08809

908-735-6336
info@ZVA.cc • www.ZVA.cc

Research & Strategic Analysis

ASSUMPTIONS AND LIMITATIONS—

Every effort has been made to insure the accuracy of the data contained within this analysis. Demographic and economic estimates and projections have been obtained from government agencies at the national, state, and county levels. Market information has been obtained from sources presumed to be reliable, including developers, owners, and/or sales agents. However, this information cannot be warranted by Zimmerman/Volk Associates, Inc. While the methodology employed in this analysis allows for a margin of error in base data, it is assumed that the market data and government estimates and projections are substantially accurate.

Absorption scenarios are based upon the assumption that a normal economic environment will prevail in a relatively steady state during development of the subject property. Absorption paces are likely to be slower during recessionary periods and faster during periods of recovery and high growth. Absorption scenarios are also predicated on the assumption that the product recommendations will be implemented generally as outlined in this report and that the developer will apply high-caliber design, construction, marketing, and management techniques to the development of the property.

Recommendations are subject to compliance with all applicable regulations. Relevant accounting, tax, and legal matters should be substantiated by appropriate counsel.

ZIMMERMAN/VOLK ASSOCIATES, INC.
P.O. Box 4907
Clinton, New Jersey 08809

908 735-6336
www.ZVA.cc • info@ZVA.cc

Research & Strategic Analysis