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June 4, 2014

Scott Heck, Ringwood Borough Administrator
60 Margaret King Avenue
Ringwood, New Jersey 07456

**RE: Ringwood Redevelopment Analysis
Ringwood Borough,
Passaic County, New Jersey**

Dear Mr. Heck:

In accordance with your request, I submit our market study report for redevelopment within Ringwood Borough. The purpose of this study is to assess market demand and provide an opinion as to the potential for promoting the redevelopment of targeted districts within Ringwood Borough. The intended use of our study is to provide a market-oriented basis for drafting redevelopment zoning within the municipality.

I have inspected the targeted districts and investigated economic, demographic and real estate market factors that are relevant to the purpose and intended use of our market study. The resulting analyses set forth herein have been specifically developed within the context of the local and regional market area.

This market study report reviews the various processes employed in developing our conclusions, the relevant data which formed the basis of our analyses, various exhibit documents upon which we have relied and any assumptions upon which our study has been based.

Respectfully submitted,

J.G. Otteau

Jeffrey G. Otteau, President,
New Jersey Certified General Real Estate Appraiser, #42RG00094100
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MARKET STUDY REPORT

Ringwood Redevelopment Analysis
Ringwood Borough
Passaic County, New Jersey

PREPARED FOR

Scott Heck, Ringwood Borough Administrator
60 Margaret King Avenue
Ringwood, New Jersey 07456

OTTEAU Valuation Group
Bringing CLARITY to Real Estate

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PART I - INTRODUCTION

EXECUTIVE SUMMARY

Date of Study Report:	June 4, 2014
Effective Date of Study:	April 1, 2014
Locations:	Skyline Drive (CC Zone) County Route511 (General Shopping Zone) Margaret King Avenue (Industrial Zone) Ringwood Borough, Passaic County, NJ

Synopsis: The subject of this market study consists of three individual redevelopment areas located within the Borough of Ringwood in Passaic County, New Jersey. Ringwood is one of only five municipalities located entirely within the Highlands Preservation Area. This designation is not surprising given the vast repository of protected watershed lands interspersed among lakefront communities and rural neighborhoods. In many respects, Ringwood embodies the Highlands, providing drinking water for roughly 25% of New Jersey's residents.

The Highlands regulations (N.J.A.C. 7:38-1 et seq.) offer three distinct opportunities for redevelopment for communities located within the Highlands Preservation Area. Based upon these regulations, the following areas may qualify for redevelopment within Ringwood:

- CC-80 Community Commercial Zone - The entire CC-80 zone consists of approximately 140 acres situated along Skyline Drive. Substantial portions of this area are encumbered by wetlands and steep slopes. There are also two known contaminated sites within the district. In accordance with Highlands rules regarding opportunities for new development, only 11.20 acres of this area qualifies for redevelopment, as follows:
    - Site A: 5.5 acres (239,580 Ft^2)
    - Site B: 4.7 acres (207,732 Ft^2)
    - Site C: 1 acre (43,560 Ft^2)
- GS, General Shopping District – Consisting of approximately 40 acres within the GS district, this area is located in the south-central portion of Ringwood adjacent to Wanaque Borough and State reservoir lands along County Route 511. Based upon environmental features, impervious coverage areas, zone boundaries and potential redevelopment areas, the following area qualifies for redevelopment:
    - Site D: 3.1 acres (134,165 Ft^2)
- GB, General Business and LI, Light Industrial Zones – This entire area consists of approximately 716 acres situated along Margaret King Avenue and Greenwood Lake Turnpike. The GB Zone is largely undeveloped and is dominated by steep slopes, wetlands, stream corridors and 300' buffers, therefore no meaningful redevelopment opportunity exists within this zone. The LI zone has seen considerable industrial development to date and includes parcels that are generally free of slopes, wetlands or buffer features. In accordance with Highlands rules regarding opportunities for new development, only 6.2 acres qualifies for redevelopment as follows:
    - Site E: 1.0 acres (44,867 Ft^2)
    - Site F: 0.7 acres (30,492 Ft^2)
    - Site G: 2.5 acres (108,900 Ft^2)
    - Site H: 2.0 acres (85,378 Ft^2)

For a combination of factors, the CC-80 Community Commercial Zone offers the greatest potential for redevelopment in Ringwood.

The purpose of this study is to assess market demand and provide an opinion as to the potential for promoting the redevelopment of targeted districts within Ringwood Borough. The intended use of our study is to provide a market-oriented basis for drafting redevelopment zoning within the municipality.

Economic Conditions: While the national economy continues to improve at a slow pace, New Jersey's economy has been recently weakening. The state experienced a net loss in Non-Farm jobs in 4 of the last 6 months, causing the Federal Reserve Bank of Philadelphia to report its s leading economic indicators as one of the weakest in the nation. To date, New Jersey has recovered only 36% of the Non-Farm jobs lost during the recession while the US has recovered 99.9%. Based upon New Jersey's pace of job recovery since March 2010, the state will not recover the jobs that were lost during the recession until May 2021, or about 7 years later than the July 2014 projected recovery for the US economy.

Office Building Market: Despite recent economic improvements, demand for office space in New Jersey remains depressed. This weakness has been long term in New Jersey, beginning more than 5 years before the start of the recent economic recession and continuing for nearly 5 years since it ended. As a result of this systemic collapse in demand for office space, the available inventory of office space remains critically high and market prices remain deeply depressed. Focusing on the local submarket area, there is presently 2.3 Million ft^2 of available office space being offered in the Passaic County submarket area. Based upon forecasted job growth in Passaic County, demand for office space over the 10 year period from 2010 – 2020 will absorb only 650,000 ft^2 of that availability. Also, Passaic County has carried more than 1.0 Million ft^2 of availability in the office sector going as far back as the 3rd quarter of 2005. Therefore, the development of additional office space in this submarket cannot be supported by economic and real estate market conditions.

Retail Building Market: While retail market conditions in Passaic County have been modestly improving recently, they still remain critically weak. Evidence of the challenges in this sector can be seen in the fact that the local trade area within a 3-mile radius of Ringwood experienced net negative absorption over the past year (Q2.2013 – Q1.2014). Over the same period, the 5-mile trade area experienced minimal net positive absorption equivalent to only 414 Ft^2 per month. In Passaic County, the current availability of retail space will take 73-years to absorb based upon current trends.

As a result, stabilization in the retail market within the local 5-mile and 3-mile trade areas is unlikely to occur in the near term without induced demand generators resulting from residential development. The clear indication from the above analysis is that construction of retail space within the redevelopment area depends largely on the strength of future demand increases associated with background demographic growth and future residential development. Therefore, the development of additional retail space in this submarket cannot be supported by economic and real estate market conditions.

All-Age For-Sale Housing Market: The monthly pace of home purchase contracts in New Jersey rose by 10% in April compared to the prior month as part of the typical Spring increase in buying demand. Home purchase demand has however been weaker in the early months of 2014 compared to the same period last year, declining by 10% over the 1st 4 months of 2014 after increasing by 16% in 2013. Unsold-inventory still remains low however, limiting choices for home buyers and pushing prices higher in the process. Median home prices in the state rose by 4.8% in Q1 compared to one year ago. This marks the 6th consecutive quarterly increase since the housing recovery began. The median home price in New Jersey increased to $275,148 in Q1 up from $262,661 one year earlier.

The pace of home sales in Passaic County also slowed during the 1st Quarter of 2014. However, unlike what's trending at the state and county levels, the pace of home sales in Ringwood Borough during the 1st Quarter of 2014 increased slightly compared to the previous year. This trend indicates that home buyers are beginning to push outward into less populated areas in search of more affordable housing options.

Our demographic analysis of the local submarket area indicates that household characteristics are favorable to new home construction. Comparing household income to new home prices indicates that homeownerhsip is affordable for households aged 25-34, 35-44, 45-54 and 55-64 years. Based upon our analysis, we project the need to construct up to 181 new homes in the local submarket area over the next 5 years. However, any new housing construction will need to feature design characteristics that are not generally available in the market at large. Specifically, single family detached homes should be modestly sized with less than 2,400 Ft^2, feature innovative and flexible floor plans to include home offices and optional first-floor master bedrooms; and be situated on small-size lots of less than 8,000 Ft^2. For any townhouse construction, the project should be designed to appeal to both older and younger buyers by including a 1st floor master bedroom model. Other recommended design features are walkability to supporting retail services and open spaces dedicated to recreation.

Age-Restricted Housing Market: Despite these economic improvements however, demand for age-restricted housing remains critically weak due to range of economic, social, demographic and real estate market factors. As a result of the systemic collapse in this market sector, the unsold inventory of age-restricted homes is measured in years, while all-age housing is measured in months. Evidence of the shallow market for age-restricted housing comes from a joint study published in April 2009 by The MetLife Mature Market Institute and the National Association of Home Builders which found that only 3% of 55+ households live in age-qualified active adult housing.

An update to this study published in January 2011 indicated that the number of 55+ households in the US increased from 38,873,812 in 2007 to 39,603,135 in 2009. Despite this increase of 729,323 households over the age of 55, # of those households living in 55+ households declined from 1,155,882 to 1,090,451. This means that move-outs (represented by voluntary choices and involuntary deaths) exceeded move-ins.

The New Jersey legislature took notice of these conditions with the enactment of bill S2577 (Sarlo/Vitale/Greenwald/Malone) on July 2, 2009 which allowed for the conversion of age-restricted housing developments subject to certain conditions. The preamble to that legislation made note of the oversupply of age-restricted housing in the state, and a corresponding shortage of All-Age small-lot single family housing.

We therefore conclude that developing age-restricted housing in Ringwood Borough lacks financial viability.

Multi-Family Rental Apartment Market: Demand for apartments remains strong four years after the recovery began, even as construction activity has gradually been increasing. In New Jersey, apartment vacancy rates rose slightly in the 1st quarter to 3.3%, reflecting a rise of 10 basis points (bp) over the prior quarter. Still, the state's current vacancy rate is down 190 bp from the 5.2% cyclical peak recorded back in 2010, and 70 (bp) less than the national rate. The central part of the state has the lowest vacancy rate of 2.8% compared to 3.8% in Northern New Jersey and 3.2% in the Philadelphia/Southern New Jersey submarket. As a result of these strong market fundamentals in New Jersey, asking rents in the state continue to rise on the strength of declining vacancy and rising net positive absorption.

Another factor that favors increased construction activity in this sector is that the existing stock of apartments in the state is relatively old with an average year-built of 1975. This indicates that newly constructed buildings will be able to achieve rental price premiums and higher occupancy levels which are likely to induce future construction activity.

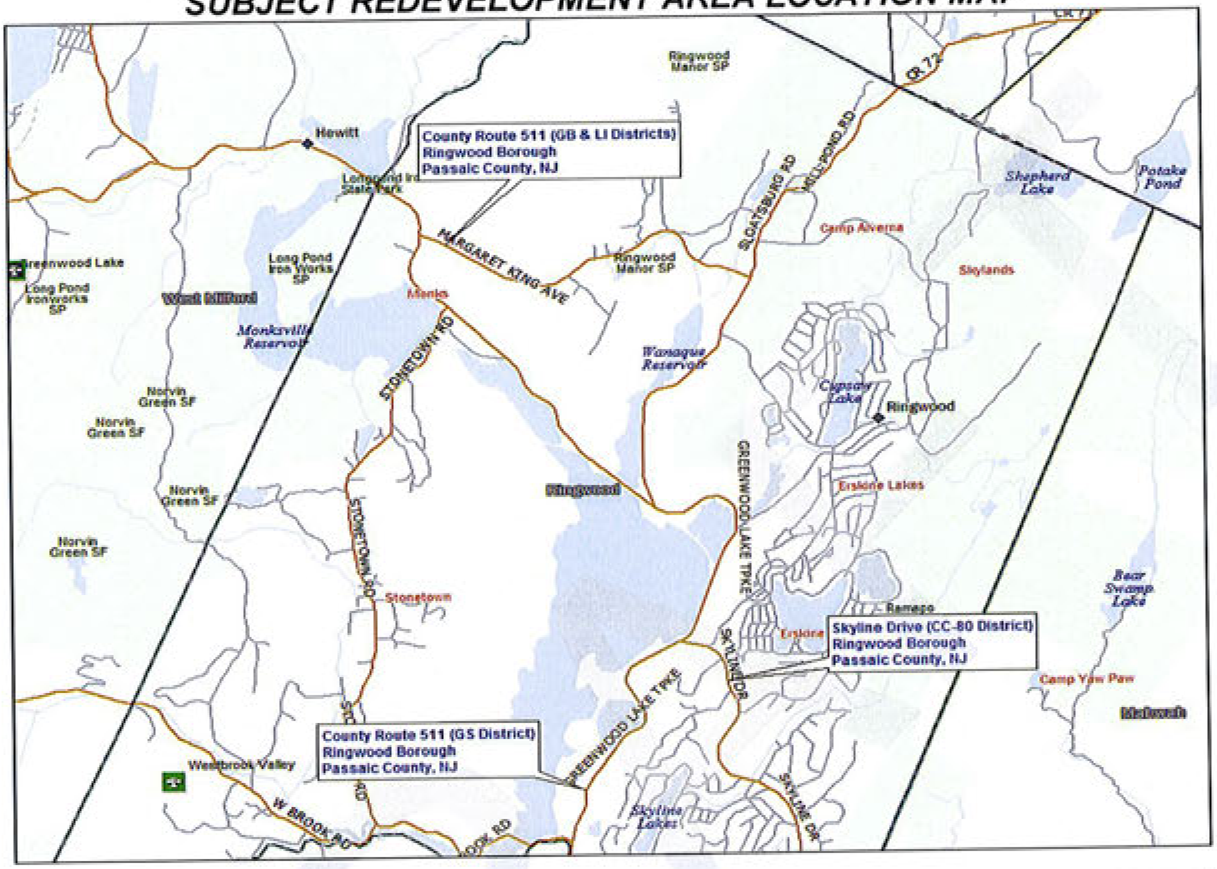
In Passaic County, asking rents have increased at an annualized pace of 1.4% over the past 5 years while effective rents increased by 8.4% over 5 years. Once again, these increases relate primarily to older garden apartment properties that are inferior to new construction. The mean vacancy in Passaic County has declined from 3.9% in 2010 to 2.9% in Q1 2014, while the median vacancy rate is only 1.9%.

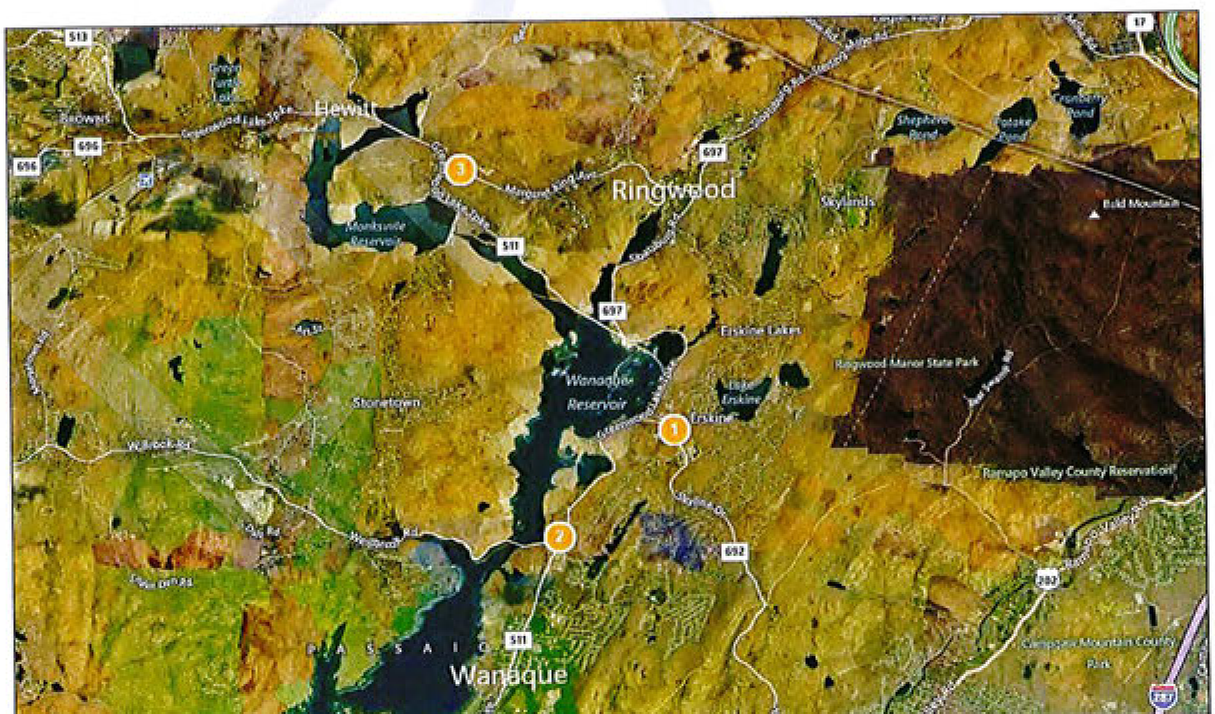
Once again, our demographic analysis of the local submarket area indicates that household characteristics are favorable to new apartment construction. Comparing household income to rental pricing for modern multi-family apartment properties indicates that adequate household income exists within the 25-34, 35-44, 45-54, 55-64 and 65-74 age cohorts.

Based upon our analysis, we project that construction of approximately 150 multi-family rental apartments can be supported over the next 5 years.

Conclusion: Our market study has indicated a limited redevelopment potential for Ringwood Borough. The opportunities that exist are primarily residential in nature, consisting of a combination of small-lot single family homes, attached townhouses and multi-family apartments. Present day economic and market conditions within the commercial market sectors are however not conducive to redeveloping office or retail properties. The construction of residential dwellings would however serve to increase demand for the existing retail space in Ringwood which is currently experiencing elevated vacancy. While the construction of retail space is not recommended at the present time, the combined effects of residential construction, population growth and improved economic conditions over time could create an opportunity for retail development at some point in the future.

SUBJECT REDEVELOPMENT AREA LOCATION MAP





DATE OF THE STUDY

The effective date of the market study is **April 1, 2014** which establishes the context for the analysis in terms of economic, demographic and real estate market conditions. The date of this market study report is **June 4, 2014**, which identifies when the analyses and report were prepared.

IDENTIFICATION OF STUDY AREA

The subject consists of three targeted areas within the Borough of Ringwood in Passaic County, New Jersey, which are identified as follows:

- Sites A, B & C consist of three individual areas which coincide with the CC-80, Community Commercial Zone. The entire Community Commercial (CC) Zone consists of approximately 140 acres situated along Skyline Drive.
- Site D consists of 40 acres of land which coincide with the GS, General Shopping district. This area is located in the south-central portion of Ringwood adjacent to Wanaque Borough and State reservoir lands along County Route 511.
- Sites E, F, G & H consist of four individual areas which coincide with the GB, General Business and LI, Light Industrial zones. This entire area consists of approximately 716 acres situated along Margaret King Avenue and Greenwood Lake Turnpike

PURPOSE & INTENDED USE OF THE STUDY

The purpose of this study is to assess market demand and provide an opinion as to the potential for promoting the redevelopment of targeted districts within Ringwood Borough. The intended use of our study is to provide a market-oriented basis for drafting redevelopment zoning within the municipality.

INTENDED USERS OF THE STUDY

The intended user of the study is the client, **Scott Heck, Ringwood Borough Administrator**. Any reliance upon this report by anyone other than those named above is unintended.

SCOPE OF WORK

The scope of work employed in developing this analysis included:

1. Identification of the redevelopment areas under study, the purpose and intended use of the study, and the effective date of study.
2. Jeffrey G. Otteau inspected the redevelopment areas and surrounding neighborhood areas. During the inspection photographs were taken of the subject property as well as of the surrounding neighborhood area.
3. Reviewed various documents that relate to the redevelopment areas that were provided by the client and its consultants.
4. Reviewed the land use laws affecting redevelopment areas with regard to permitted uses and bulk and area requirements.
5. Regional and local area data was gathered from various public and private information sources including but not limited to US Census Bureau, Bureau of Labor Statistics, Federal Reserve Bank(s), GIS and geographical mapping, Real Estate Market Data Databases and records maintained in the files of Otteau Valuation Group, Inc. Other data sources include public records, recorded deeds, municipal zoning information, real estate brokers, various national, local and regional subscribed services and the Internet. This gather of this information was related to:
   a. Research and analysis of economic factors and trends.
   b. Research and analysis of demographic factors and trends.
   c. Research and analysis of comparable projects and properties having similar characteristics to the proposed development components within the subject properties.
6. The application of various analysis techniques employed in developing our conclusions including formulations of supply and demand, market absorption and achievable pricing for various real estate development types within the redevelopment area(s).
7. A reconciliation of the analysis techniques employed to arrive at our conclusions.

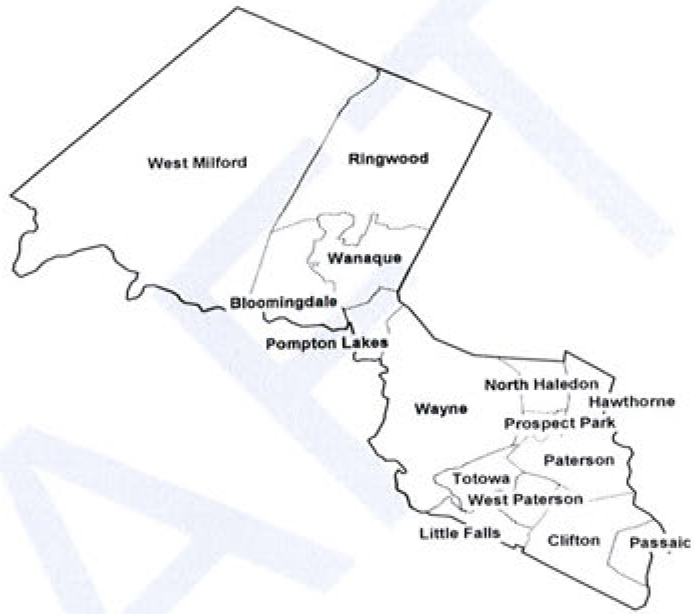
The results of our analysis are presented in this MARKET STUDY REPORT which "summarizes" the study process, the methodologies employed and our conclusions. Additional supporting documentation has been retained in our work file. Therefore, this report is not intended to be a complete stand-alone document encompassing the entire content of our analysis, but rather is limited to the more important and salient facts and analyses which formed the primary foundation for our opinions and conclusions.

It should understood that the data, analysis and conclusions set forth herein do not constitute a real estate appraisal of the subject property and should therefore not be relied upon as a measure of market value for the individual properties that are located within the market study areas. Therefore, an analysis of Highest and Best Use was not part of the Scope of Work for this assignment.

PART II – FACTUAL DESCRIPTIONS

AREA ANALYSIS

The study areas are located within Passaic County which is situated at the extreme northern portion of New Jersey immediately south of Rockland County in New York. Land use within the county is widely varied with the northernmost portion including large undeveloped areas which includes lakes, state-owned forests, recreation areas and reservoirs. The central portion of Passaic County is mostly suburban in character, while it's more urban southern areas include the cities of Passaic and Paterson.



Economic activity and real estate demand in Passaic County are enhanced by its proximity to Manhattan, Newark Airport and Port Newark/Port Elizabeth. Existing transportation infrastructure is also a strong asset for Passaic County including major roadways and rail service. Some of the more significant roadways passing through the county include the Garden State Parkway, New Jersey Turnpike, Interstates 287 and 80, and state Routes 3, 19, 20, 21, 23, 46 and 208.

According to a 2011 Survey, the Passaic County business landscape is estimated to include approximately 12,000 employers ranging from small-businesses to large corporations, creating a solid base of employment for its labor force of 231,000 workers. Major employers in the county include Maquet Cardiovascular, St. Joseph's Hospital and Medical Center, Toys "R" Us, UPS, Valley National Bank, Cytec Industries, Sandy Alexander, Corrado's, Premio Foods, Scher Chemicals, Silver Star Solutions, Building Material Corporation, William Paterson University of NJ, Bank of New York, and Passaic Community College.

Passaic County Private Sector Employment

Sector	Establishments	Annual Average Employment	Total Payroll	Average Weekly Wages
Agriculture	12	107	$ 50,178	$ 7,011
Construction	1,236	6,874	$ 111,673,927	$ 16,245
Manufacturing	767	18,643	$ 286,306,829	$ 15,357
Wholesale Trade	842	8,177	$ 150,519,445	$ 18,407
Retail Trade	1,801	24,807	$ 173,916,970	$ 7,010
Transportation/Warehousing	300	3,880	$ 31,955,779	$ 8,236
Information	1,117	1,984	$ 36,488,729	$ 18,391
Finance and Insurance	456	5,162	$ 86,614,608	$ 16,779
Real Estate, Rental, Leasing	401	2,344	$ 28,380,214	$ 12,107
Professional and Technical Services	1,121	6,305	$ 113,476,016	$ 17,997
Management of Companies	43	5,602	$ 243,791,917	$ 43,518
Administrative and Support/Waste Mgmt & Remediation Svcs	724	15,079	$ 109,753,874	$ 7,278
Educational Services	118	2,679	$ 28,519,233	$ 10,645
Health Care and Social Assistance	1,318	24,105	$ 297,757,769	$ 12,352
Arts, Entertainment, Recreation	110	1,060	$ 6,751,305	$ 6,369
Accommodation and Food Services	879	9,418	$ 40,579,655	$ 4,308
Other Services, except Public Administration	1,136	5,898	$ 44,064,012	$ 7,471
Private Sector Totals	**12,067**	**143,998**	**$ 1,821,235,770**	**$ 12,647**

Source: NJ Department of Labor and Workforce Development, NJ Employment and Wages Covered by Unemployment Insurance 2011

The local professional office market within a 10 mile radius of the redevelopment area contains 12,052,727 Ft^2 of space. This equates to 38,384 Ft^2 per Mile^2, which is less than exists at the state and county levels. This is also less than exists in neighboring Bergen and Morris counties (see table below). Based upon this finding, the ability of the redevelopment area to attract housing demand will depend significantly on attracting residents who are employed outside of the 10-mile radius.

OFFICE SPACE (5-Yr Avg.)

	10-Mile Radius	Passaic County	New Jersey	Morris County	Bergen County
Existing Buildings	483	710	19,634	1,380	2,067
Existing SF	12,052,727	12,591,658	395,053,512	46,003,933	46,659,371
Total # HH's	108,542	167,273	3,258,464	184,457	243,704
Office Space per HH	111	75	121	249	191
Square Miles	314	197	8,721	481	247
Office Space per Sq. Mile	38,384	63,917	45,299	95,642	188,904

In terms of population growth, Passaic County experienced minimal growth (0.42%) over the past 4 years, far less than the statewide growth rate of 1.30%. According to Nielsen-Claritas data, population growth is expected to continue to increase slowly (0.77%) over the 5-year period 2014-2019. The age of Passaic County's residents is younger than for New Jersey overall, with a median age of 36.80 compared to 39.40 statewide. This indicates a lesser share of older age households which correlates to limited demand for age-restricted housing.

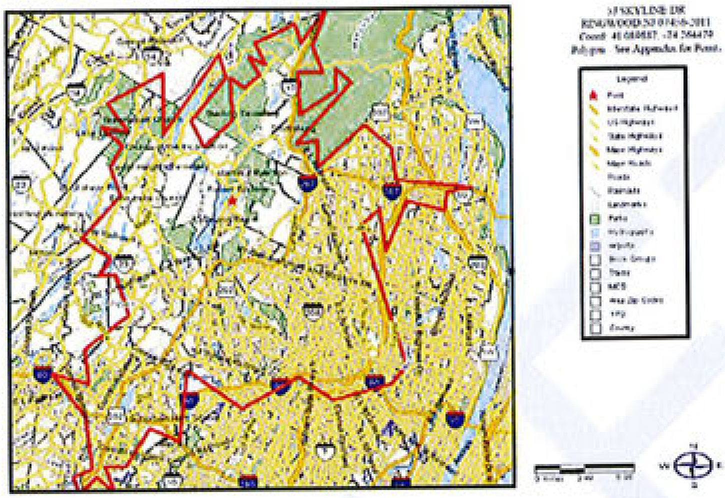
POPULATION FACTS & TRENDS				
	Passaic County		New Jersey	
Population		%		%
2019 Projection	507,249		9,052,188	
2014 Estimate	503,355		8,906,092	
2010 Census	501,226		8,791,894	
2000 Census	489,237		8,414,361	
Growth 2014-2019	0.77%		1.64%	
Growth 2010-2014	0.42%		1.30%	
Growth 2000-2010	2.45%		4.49%	
2014 Est. Median Age	36.80		39.40	
2014 Est. Average Age	36.80		39.40	

Consistent with the slower pace of population growth, the rate of household formation in Passaic County nearly came to a standstill from 2010-2014 with a growth rate of 0.29%, compared to the statewide growth rate of 1.37%. Household formation is expected to increase modestly by 0.75% over the next 5-year period (2014-2019). Also of importance is that 61.04% of households in the county have no children under the age of 18 living at home, which is consistent with statewide trends. This finding indicates limited demand for traditional family oriented single-family housing.

HOUSEHOLD FACTS & TRENDS				
	Passaic County		New Jersey	
Households		%		%
2019 Projection	168,525		3,315,628	
2014 Estimate	167,273		3,258,464	
2010 Census	166,785		3,214,360	
2000 Census	163,931		3,064,642	
Growth 2014-2019	0.75%		1.75%	
Growth 2010-2014	0.29%		1.37%	
Growth 2000-2010	1.74%		4.89%	
2014 Est. Households by Presence of People	167,273		3,258,464	
Households with 1 or more People under Age 18	65,176	38.96	1,140,749	35.01
Households no People under Age 18	102,097	61.04	2,117,715	64.99
2014 Est. Households by Number of Vehicles	167,273		3,258,464	
No Vehicles	27,952	16.71	388,181	11.91
2014 Est. Average Number of Vehicles	1.51		1.65	
2014 Est. Households by Household Size	167,273		3,258,464	
1-person household	37,924	22.67	830,162	25.48
2-person household	44,404	26.55	963,465	29.57
3-person household	29,508	17.64	569,276	17.47
4-person household	27,162	16.24	505,378	15.51
5-person household	14,878	8.89	236,070	7.24
6-person household	6,985	4.18	91,197	2.80
7 or more person household	6,412	3.83	62,916	1.93
2014 Est. Average Household Size	2.94		2.81	

In terms of educational attainment, only ¼ of the county residents have a bachelor's degree or higher, which is well below the statewide average. This compares to 45% of residents in neighboring Bergen County, or nearly double. On average residents in the county have a 29-

minute commute to work, which is less than the 33-minute average for the state. The following map shows that this commuting distance of 29-minutes extends into the employment centers in both Morris and Bergen counties to the south.



Also of interest, is that fewer than 9% of county residents use mass transportation to commute to work, which is also well below the statewide average. This indicates that county residents are not typically employed in New York City, which is associated with higher income levels. Given the heightened sensitivity of residents to commuting distances in light of today's elevated gasoline prices, any housing development opportunities in Ringwood would need to provide a product type and price level that is not available in these neighboring counties. This correlates to lower priced homes designed for today's childless households.

EDUCATION & EMPLOYMENT				
	Passaic County		New Jersey	
2014 Est. Pop. Age 25+ by Edu. Attainment	329,341	%	6,079,109	%
Bachelor's Degree	54,898	16.67	1,337,626	22.00
Master's Degree	20,593	6.25	575,893	9.47
Professional School Degree	5,072	1.54	141,976	2.34
Doctorate Degree	1,903	0.58	87,061	1.43
2014 Est. Pop 16+ by Occupation Classification	231,084		4,354,384	
Blue Collar	56,553	24.47	755,910	17.36
White Collar	131,489	56.90	2,859,094	65.66
Service and Farm	43,042	18.63	739,380	16.98
2014 Est. Workers Age 16+, Transp. To Work	225,124		4,251,183	
Drove Alone	161,161	71.59	3,052,992	71.82
Car Pooled	23,470	10.43	362,566	8.53
Public Transportation	19,883	8.83	465,296	10.95
Walked	7,224	3.21	133,128	3.13
Bicycle	666	0.30	13,701	0.32
Other Means	7,548	3.35	61,928	1.46
Worked at Home	5,172	2.30	161,572	3.80
2014 Est. Avg Travel Time to Work in Minutes	28.75		33.15	

The previous indications of educational achievement and employment location help to explain why household income in Passaic County is significantly less than for New Jersey overall. Average household income is $74,122 and median is $53,787, which is well below the statewide level. As a result, the share of Passaic County households who are living below the poverty-level residents (13.29%) is nearly double the statewide figure (7.64%). Similarly, the share of households with children who are living below the poverty line is nearly double in Passaic County. These figures on poverty and income are however largely attributable to the presence of Passaic City and Paterson City within the county's borders.

INCOME				
	Passaic County		New Jersey	
2014 Est. HHs by HH Income	167,273	%	3,258,464	%
Income Less than $15,000	23,940	14.31	311,816	9.57
Income $15,000 - $24,999	17,263	10.32	278,612	8.55
Income $25,000 - $34,999	17,362	10.38	265,244	8.14
Income $35,000 - $49,999	21,104	12.62	362,974	11.14
Income $50,000 - $74,999	26,194	15.66	535,275	16.43
Income $75,000 - $99,999	19,588	11.71	422,191	12.96
Income $100,000 - $124,999	13,653	8.16	325,204	9.98
Income $125,000 - $149,999	9,957	5.95	223,081	6.85
Income $150,000 - $199,999	10,534	6.30	256,729	7.88
Income $200,000 - $249,999	2,996	1.79	88,784	2.72
Income $250,000-$499,999	3,778	2.26	132,179	4.06
Income $500,000 and more	904	0.54	56,375	1.73
2014 Est. Average Household Income	$74,122		$94,023	
2014 Est. Median Household Income	$53,787		$69,176	
2014 Est. Families by Poverty Status	121,076		2,254,640	
2014 Families at or Above Poverty	104,990	86.71	2,082,442	92.36
2014 Families at or Above Poverty with Children	50,447	41.67	987,431	43.80
2014 Families Below Poverty	16,086	13.29	172,198	7.64
2014 Families Below Poverty with Children	12,565	10.38	131,188	5.82

The median housing unit value in Passaic County is $285,000, which is greater than the statewide value of $275,148. Approximately 42% of the homes are single family detached with a median age of 59 years.

HOUSING				
	Passaic County		New Jersey	
2014 Est. Tenure of Occupied Housing Units	167,273	%	3,258,464	%
Owner Occupied	92,091	55.05	2,124,710	65.21
Renter Occupied	75,182	44.95	1,133,754	34.79
2014 Owner Occ. HUs: Avg. Length of Residence	20.3		20	
2014 Renter Occ. HUs: Avg. Length of Residence	9.7		9	
2014 Est. Median All Owner-Occupied Housing Value	$285,000		$275,148	
2014 Est. Housing Units by Units in Structure	177,535		3,613,438	
1 Unit Detached	75,364	42.45	1,945,706	53.85
1 Unit Attached	9,016	5.08	333,734	9.24
2014 Est. Median Year Structure Built **	1955		1966	

Ringwood is a borough in Passaic County, New Jersey with a total area of 28.173 square miles, of which, 25.211 miles^2 is land area and 2.962 miles^2 (10.51%) is water. The Borough is the home of Ringwood State Park which contains the New Jersey Botanical Garden at Skylands and Skylands Manor, the Shepherd Lake Recreation Area and historic Ringwood Manor. Ringwood is one of only five municipalities located entirely within the Highlands Preservation Area. This designation is not surprising given the vast repository of protected watershed lands interspersed among lakefront communities and rural neighborhoods. In many respects, Ringwood embodies the Highlands, providing drinking water for roughly 25% of New Jersey's residents.

As of the 2010 United States Census, the borough's population was 12,228, reflecting a decrease of 168 (-1.4%) from the 12,396 counted in the 2000 Census, which had in turn declined by 227 (-1.8%) from the 12,623 counted in the 1990 Census. The 2010 Census also reported 4,182 households, and 3,413 families residing in the borough. The population density was 485.0 per square mile. There were 4,331 housing units at an average density of 171.8 per square mile. There were 4,182 households of which 37.9% had children under the age of 18 living with them, 70.8% were married couples living together, 7.3% had a female householder with no husband present, and 18.4% were non-families. 14.5% of all households were made up of individuals and 5.1% had someone living alone who was 65 years of age or older. The average household size was 2.90 and the average family size was 3.23. In the borough, 24.7% of the population were under the age of 18, 7.0% from 18 to 24, 23.7% from 25 to 44, 33.1% from 45 to 64, and 11.3% who were 65 years of age or older. The median age was 42.1 years. In terms of gender, for every 100 females there were 100.3 males.

The Census Bureau's 2006-2010 American Community Survey showed that (in 2010 inflation-adjusted dollars) median household income was $109,139 and the median family income was $117,793. The per capita income for the borough was $39,931. These figures compares to an average household income is $74,122 and median of $53,787 for Passaic County. Ringwood household income is also higher than the statewide median of $94,023 and average of $69,176.

Students in Kindergarten through eighth grade attend the schools of the Ringwood Public School District. Schools in the district are Peter Cooper Elementary School (grades K-3), Robert Erskine Elementary School (K-3), Eleanor G. Hewitt Intermediate School (4-5) and Martin J. Ryerson Middle School (6-8). Students in public school for ninth through twelfth grades attend

Lakeland Regional High School in Wanaque, which serves students from the Boroughs of Ringwood and Wanaque.

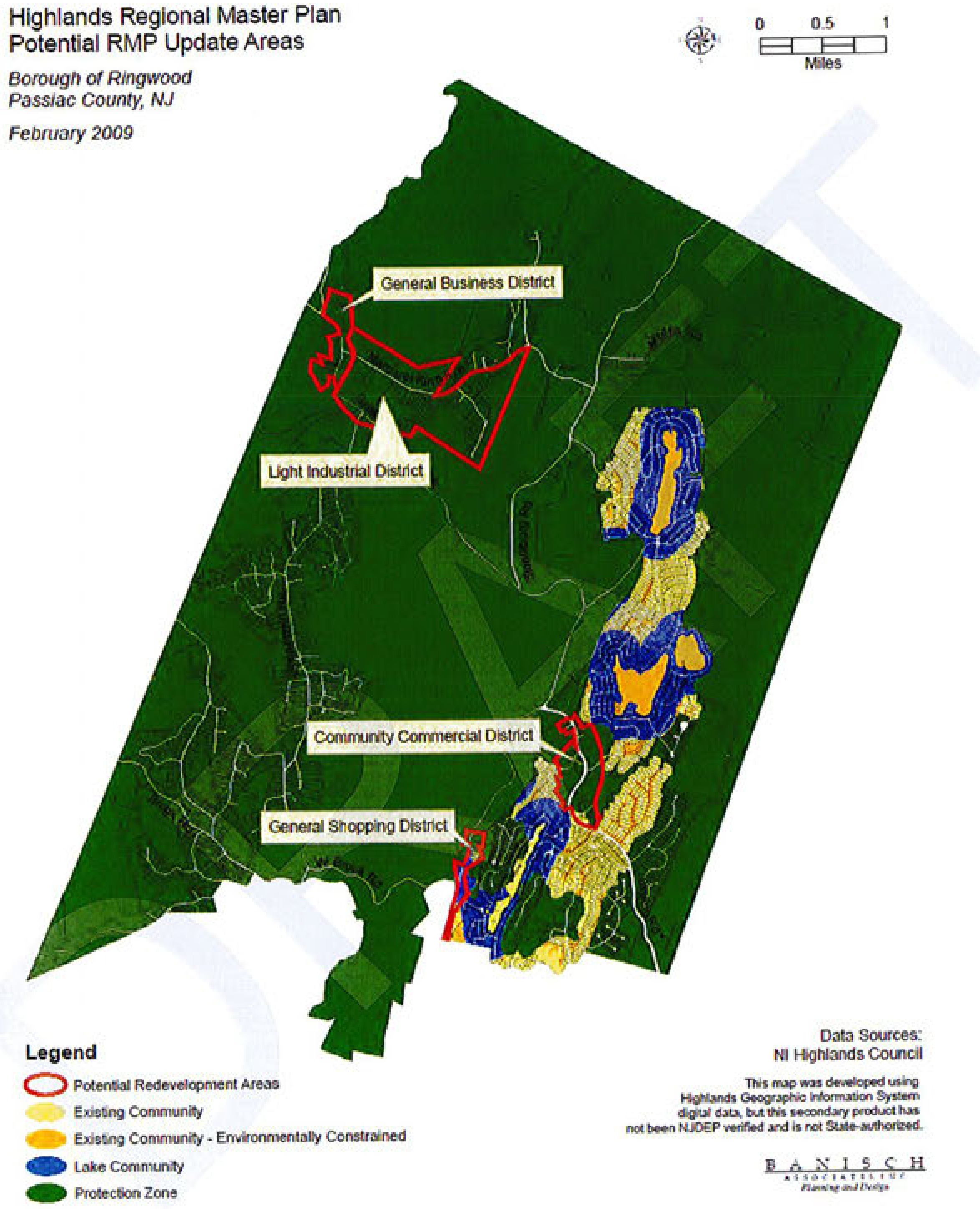
With regard to transportation, the borough has a total of 87.52 miles of roadways, of which 72.73 miles are maintained by the municipality and 14.79 miles by Passaic County. Skyline Drive connects Ringwood and Oakland through Ringwood State Park. There are no State, U.S., or Interstate highways in Ringwood. In June 2013, the first traffic light was installed in Ringwood, at the intersection of Skyline Drive and Erskine Road, though the borough still has no sidewalks or street lights. New Jersey Transit bus transportation is available at the Ringwood Park and Ride, located adjacent to Ringwood Public Library, with service to Port Authority Bus Terminal in Midtown Manhattan, Willowbrook Mall and the Willowbrook Park & Ride.

REDEVELOPMENT AREA ANALYSIS

The subject consists of three individual redevelopment areas located within the Borough of Ringwood in Passaic County, New Jersey. Ringwood is one of only five municipalities located entirely within the Highlands Preservation Area. This designation is not surprising given the vast repository of protected watershed lands interspersed among lakefront communities and rural neighborhoods. In many respects, Ringwood is the essence of the Highlands, providing drinking water for roughly 25% of New Jersey's residents.

The Highlands regulations (N.J.A.C. 7:38-1 et seq.) offer three distinct opportunities for redevelopment for communities located within the Highlands Preservation Area. These options reflect three separate scenarios under which redevelopment and development may occur in Ringwood, as follows:

- CC-80 Community Commercial Zone - The entire CC-80 zone consists of approximately 140 acres situated along Skyline Drive. Substantial portions of this area are encumbered by wetlands and steep slopes. There are also two known contaminated sites within the district. In accordance with Highlands rules regarding opportunities for new development, only 11.20 acres of this area qualifies for redevelopment, as follows:
    - Site A: 5.5 acres (239,580 Ft^2)
    - Site B: 4.7 acres (207,732 Ft^2)
    - Site C: 1 acre (43,560 Ft^2)
- GS, General Shopping District – Consisting of approximately 40 acres within the GS district, this area is located in the south-central portion of Ringwood adjacent to Wanaque Borough and State reservoir lands along County Route 511. Based upon environmental features, impervious coverage areas, zone boundaries and potential redevelopment areas, the following area qualifies for redevelopment:
    - Site D: 3.1 acres (134,165 Ft^2)
- GB, General Business and LI, Light Industrial Zones – This entire area consists of approximately 716 acres situated along Margaret King Avenue and Greenwood Lake Turnpike. The GB Zone is largely undeveloped and is dominated by steep slopes, wetlands, stream corridors and 300' buffers, therefore no meaningful redevelopment opportunity exists within this zone. The LI zone has seen considerable industrial development to date and includes parcels that are generally free of slopes, wetlands or buffer features. In accordance with Highlands rules regarding opportunities for new development, only 6.2 acres qualifies for redevelopment as follows:
    - Site E: 1.0 acres (44,867 Ft^2)
    - Site F: 0.7 acres (30,492 Ft^2)
    - Site G: 2.5 acres (108,900 Ft^2)
    - Site H: 2.0 acres (85,378 Ft^2)



For a combination of factors, the CC-80 Community Commercial Zone comprised of sites A, B and C offers the greatest potential for redevelopment. With 11.2 acres of land area suitable for redevelopment it offers the largest single opportunity in Ringwood. Another favorable factor is the existing concentration of retail space in this area which would be conveniently accessible to any new residential construction. Also, developing residential uses in this area would create induced demand for retail services and help to lower the vacancy in the existing buildings. Finally, the CC-80 area is situated at the southern portion of Ringwood resulting in shorter commuting distance to employment centers to the south.

PART III - MARKET STUDY

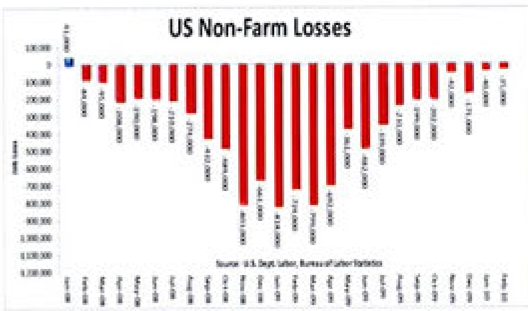
Demand for real estate is directly affected at the macro and micro levels by a wide range of key economic and demographic drivers. This section of the report will explore relevant economic, demographic and real estate sector trends and their correlation to real estate demand.

ECONOMIC & DEMOGRAPHIC TRENDS

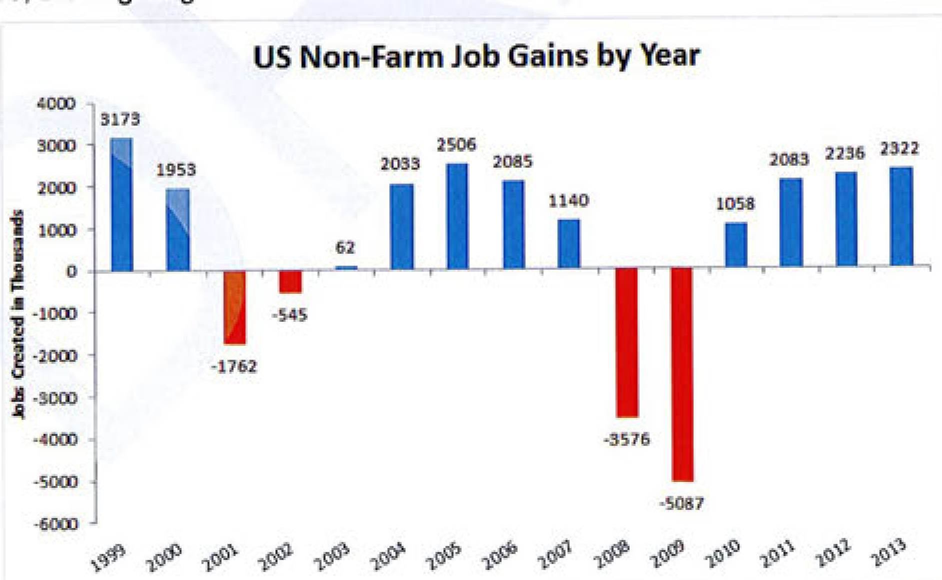
Gross Domestic Product (GDP) - The severity of the recent economic recession coupled with the slow pace of recovery since it ended in June 2009 have created an exceedingly difficult environment for real estate markets. Beginning with the US economy, GDP first began to decline in Q1 2008 coincident with the start of the recent economic recession in December 2007. Over the course of the recession GDP contracted in 5 out of 6 quarters with the deepest declines occurring in late 2008 and early 2009 contemporaneous with the collapse of the financial markets in 2008.

Since the recession's end in June 2009, GDP has increased for 18 out of 19 quarters. GDP increased at an average of 2.6% in 2013 up from an average increase of 2.0% for calendar year 2012. However, in the most recently completed quarter (2014.Q1), the national economy expanded at a 0.1% rate, its lowest since 2012.Q4, which is typically indicative of an economic slowdown. One possible explanation for the disappointing growth in Q1 is the effects of severe winter weather on the national economy.

Employment - Focusing next on job growth, total US non-farm employment declined precipitously during the recession with net Non-Farm job losses of 8,736,000 over the 25 month time period from February 2008 through February 2010.

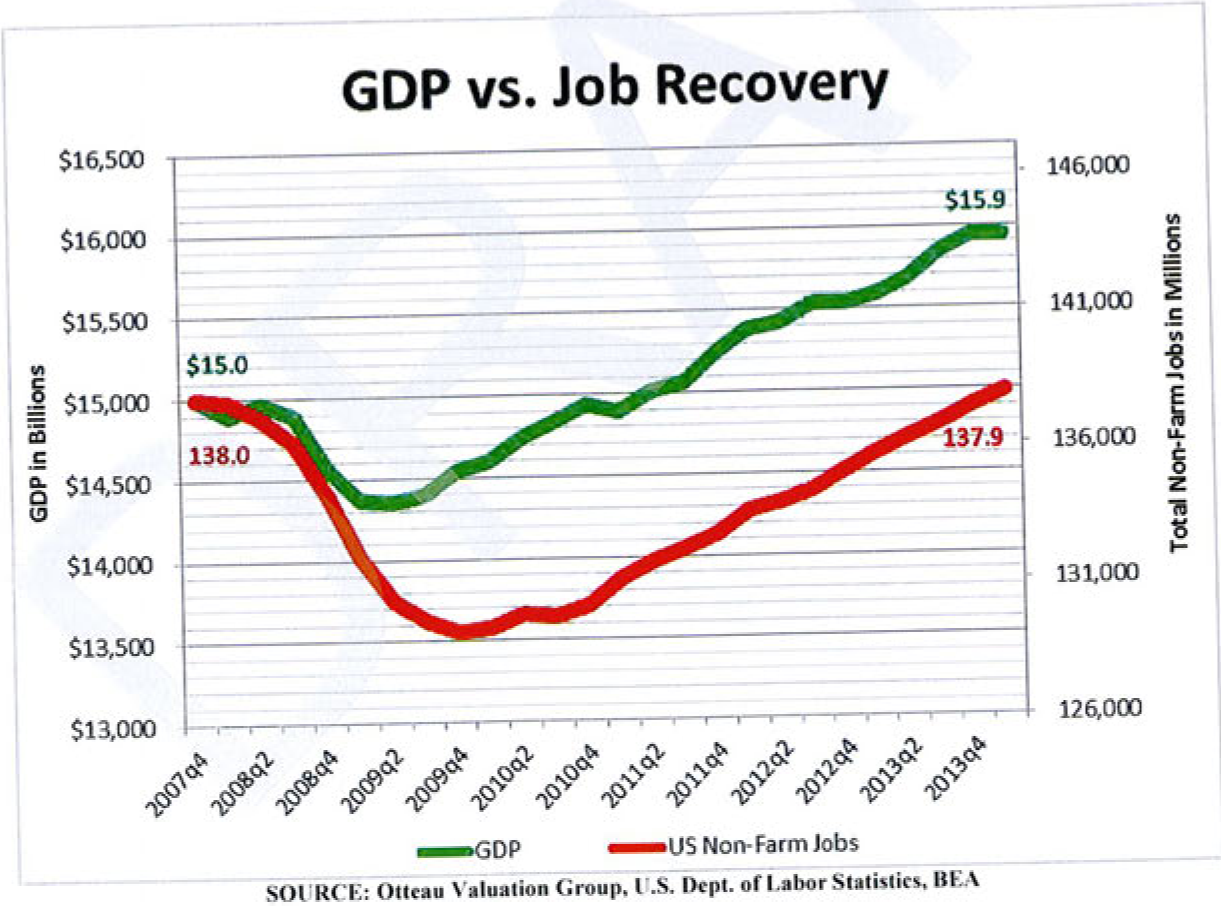


The US economy has since recovered 8,597,000 jobs from March 2010 through April 2014, or 99% of the total lost as a result of the recession. Given that the recession began 68 months earlier in December 2007, the current recovery pace has been the slowest of all Post WWII recessions. On a more positive note, national job creation increased by 2,322,000 Non-Farm jobs in 2013, the largest gain since 2005.



Non-Farm job gains in the second half of 2013 slowed slightly to a pace of 183,500 jobs monthly compared to 203,500 jobs monthly in the first quarter of 2013. In Q1, the nation recovered 569,000 non-farms (189,667 jobs monthly), which was down from 595,000 jobs in Q4 (198,000 jobs per month). Q2td is on pace to be the best quarter for non-farm job recovery since the recession ended with an increase of 864,000 jobs, however, this number is based upon only one month of data and is subject to later revision. It is therefore likely that the unemployment rate will continue to inch down due to continuing job creation.

A more worrisome perspective on economic conditions appears in the graphic below which shows that despite US economic output (GDP) being greater today than at the start of the recession ($15.0 vs. $15.9-Trillion in chained 2009 dollars), US Non-Farm employment is down by 100,000 jobs (138.0-Million vs. 137.9-Million). This implies a stark economic reality, often referred to as the "New Normal" whereby lower employment levels will be a long-term reality.



SOURCE: Otteau Valuation Group, U.S. Dept. of Labor Statistics, BEA

Shifting to New Jersey, the US Census Bureau reported in 2010 that New Jersey had a total estimated population of 8,791,894 reflecting 4.5% growth from 2000, and is the most densely populated state within the entire U.S. The state is comprised of 21 counties and 566 municipalities situated on 7,417.34 square miles of land area. New Jersey's 21 counties are divided into seven Metropolitan Statistical Areas (listed below), and is located at the center of the Northeast Megalopolis. The subject property is located within the Trenton-Ewing MSA.

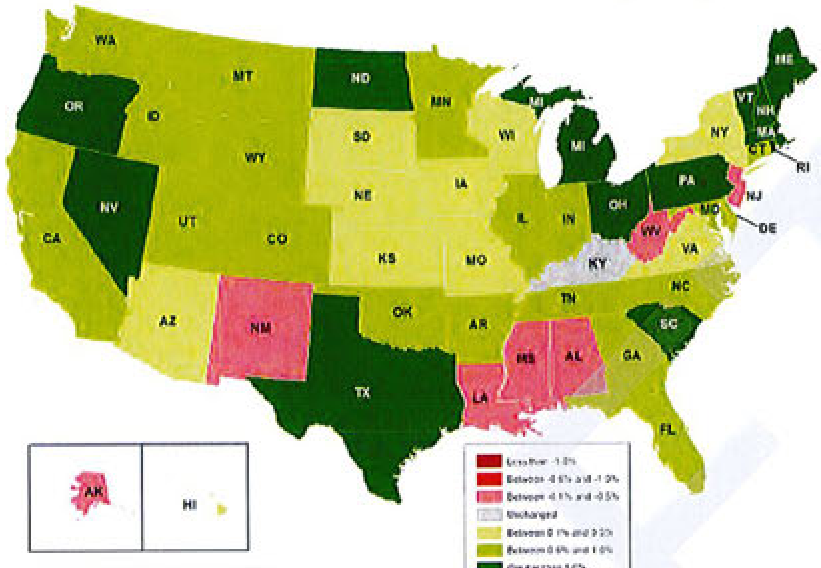
- Allentown-Bethlehem-Easton, PA-NJ
- Atlantic City-Hammonton, NJ
- New York-Northern New Jersey-Long Island, NY-NJ-PA
- Ocean City, NJ
- Philadelphia-Camden-Wilmington, PA-NJ-DE-MD
- Trenton-Ewing, NJ
- Vineland-Millville-Bridgeton, NJ

The state's population density of approximately 1,168 people per square mile which is more than 10 times greater that for the US as a whole (86 / sq. mile) and exceeds that of the more crowded places around the world including India (992), Belgium (917), Japan (907), Israel (875) and the Philippines (785). Similarly, the state is highly urbanized with 94 percent of its residing in urban areas which are defined as places with a population density of 1,000 people per square mile or greater.

The New Jersey economy has a history of being a top performing state due to a combination of factors including its strategic geographic location between New York City and Philadelphia, a diverse and highly educated workforce, the present of Newark International Airport and the Port Newark-Elizabeth shipping port, and its high concentration of technology based jobs. With regard to the state's economy, New Jersey's per-capita Gross State Income (as calculated by Gross State Product) of approximately $55,000 (exceeds the US figure of approximately $48,000 and would rank the state as the 6th highest in the world if New Jersey was a country.

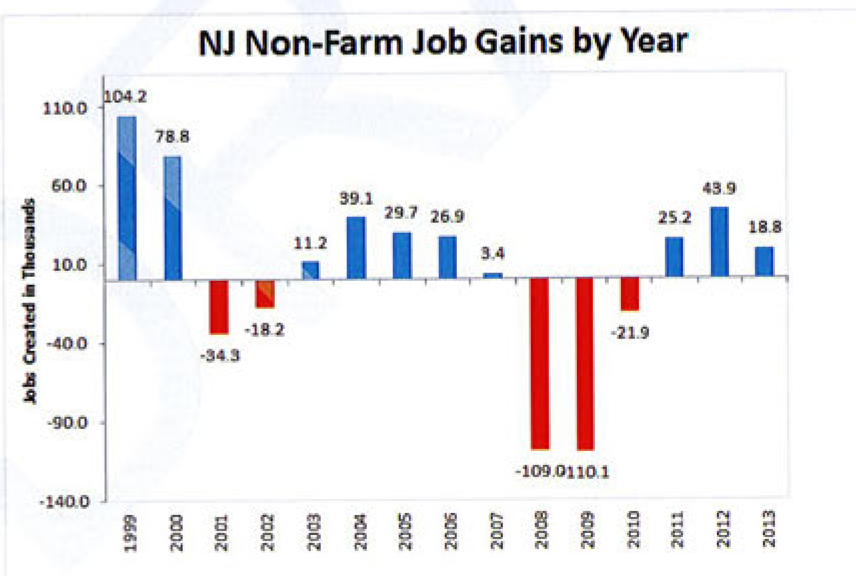
The accelerated pace of New Jersey's economic recovery in 2012 and the 1st half of 2013 has been weakening over the past six (6) months. An analysis by the Federal Reserve Bank of Philadelphia measures the state's leading economic indicators as being one of the weakest in the nation. This follows earlier rankings which placed New Jersey near the top of all state economies.

March 2014 State Coincident Indexes: Three-Month Change



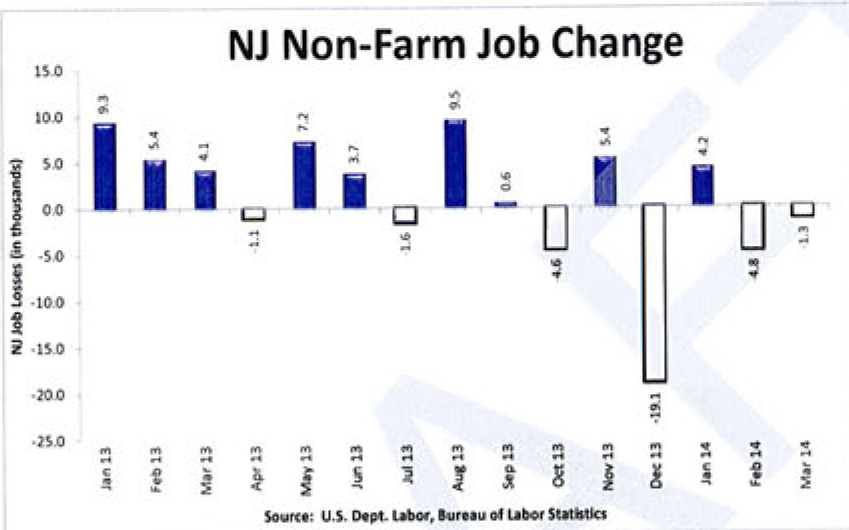
Source: Federal Reserve Bank of Philadelphia

Further evidence of New Jersey's slowing economic growth can be seen in its net job creation recently. The state's 'best in a decade' gain of 43,900 Non-Farm jobs in 2012 was followed by an increase of only 18,800 in 2013.

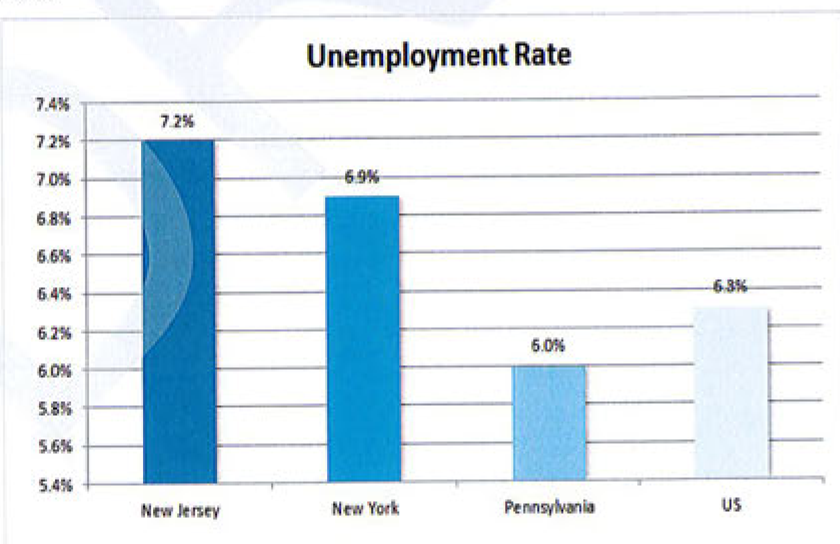


SOURCE: Otteau Valuation Group, U.S. Dept. of Labor

The slower pace of job creation in 2013 was largely attributable to a loss of 19,100 non-farm jobs in December. That job losses have occurred in 4 of the last 6 months, including February and March of 2014, raises concerns about whether the state's ecoomic recovery is again faltering. To illustrate New Jersey's slower economic recovery, the state has recovered only 36% of the Non-Farm jobs lost during the recession while the US has recovered 99.9%. Based upon New Jersey's long term pace (March 2010 to present) of Non-Farm job recovery, it is on pace to recover the jobs that were lost during the recession in May 2021, or about 7 years later than the July 2014 projected recovery for the US economy.



Shifting to unemployment indicators, New Jersey's 7.2% rate remains the highest of the tri-state region and also exceeds the national rate. The unemployment rate in New Jersey increased in March from 7.1% to 7.2%. Based upon recent job losses, unemployment in the state may trend higher in the future.



SOURCE: U.S. Dept. of Labor Statistics

Household Income – According to the US Census Bureau New Jersey had the 3rd highest median household income in 2012 of $66,692 which was 31% above the national median income of $51,017. Also, median income in New Jersey was higher than the neighboring states of New York and Pennsylvania.

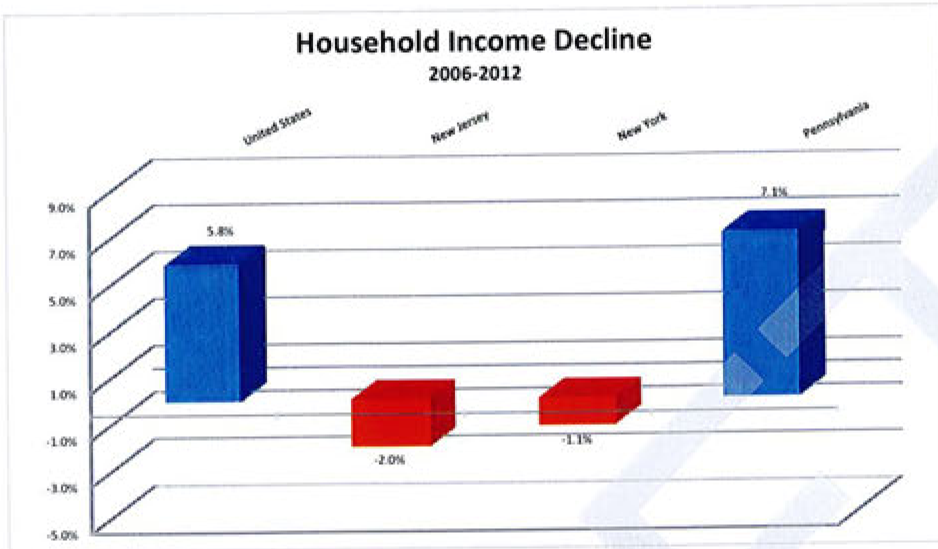
US Median Household Income
Current Dollars - 2012

Rank	State	Income (current $)
1	Maryland	71,836
2	New Hampshire	67,819
3	New Jersey	66,692
-	District of Columbia	65,246
4	Virginia	64,632
5	Connecticut	64,247
6	Massachusetts	63,656
7	Alaska	63,648
8	Washington	62,187
9	Minnesota	61,795
10	Utah	58,341
22	Pennsylvania	51,904
-	United States	51,017
30	Delaware	48,972
34	New York	47,680

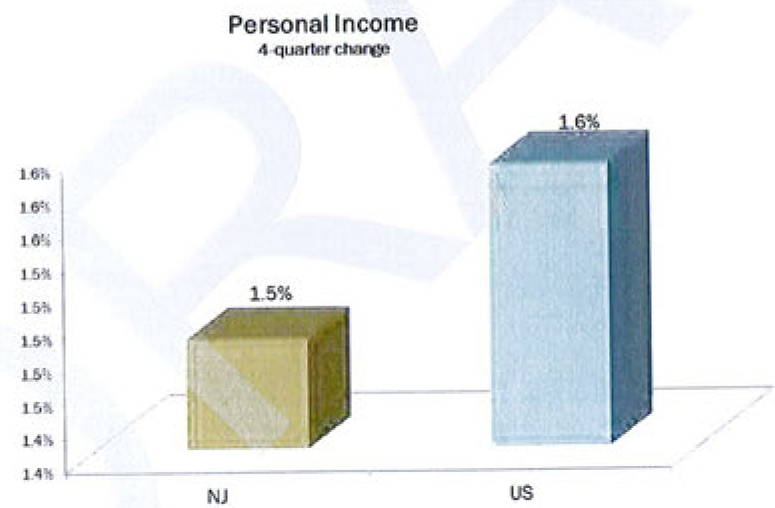
SOURCE: US Census Bureau

New Jersey also has the highest percentage of millionaire households in the United States. In an article published by Forbes Magazine (April 2012) entitled "America's Richest Counties,", and an article published by CNBC (April 2012) entitled "America's 10 Richest Counties," three of NJ's counties were in the top 10. Forbes Magazine lists Hunterdon County at Rank #6, Somerset County at Rank #9, and Morris County at Rank #10, which is based upon median annual household incomes. CNBC lists Hunterdon County at Rank #5, Somerset County at Rank #7, and Morris County at Rank #9, which is based upon average annual household incomes.

Despite these strengths, income levels in New Jersey were disproportionately affected by the effects of the recent economic recession. Evidence of this comes from the state slipping from the #1 ranking of highest median income in 2006 to its current ranking of #3 today. As shown in the table below, median household income in New Jersey declined 2% from 2006 to 2012 (the most recent year available) in inflation adjusted dollars. This decline is almost twice as much as the neighboring state of New York.



More recently, personal income growth in New Jersey has improved, increasing by 1.5% over the past 4 quarters. This is problematic however as this slow pace of income growth will have a limiting effect on future achievable home price increases.



Fewer Households With Children Living At Home & Declining School Enrollment - Since peaking in the 1980's, the percentage of New Jersey households with children living at home has declined to 35% with continued decline likely over the next decade. This trend, which is based in the composition of New Jersey's demographic cohorts, is anticipated to drive future housing demand increasingly toward smaller homes including multi-family housing in more urban locations. The table below shows that 65% of households within the state of New Jersey have no children under the age of 18 living at home.

	State of NJ	%
2012 Est. Households by Presence of People	3,236,020	
Households with 1 or more People under Age 18:	**1,135,547**	**35.09**
Married-Couple Family	791,735	69.72
Other Family, Male Householder	75,898	6.68
Other Family, Female Householder	261,028	22.99
Nonfamily, Male Householder	5,254	0.46
Nonfamily, Female Householder	1,632	0.14
Households no People under Age 18:	**2,100,473**	**64.91**
Married-Couple Family	869,592	41.40
Other Family, Male Householder	74,821	3.56
Other Family, Female Householder	158,606	7.55
Nonfamily, Male Householder	442,593	21.07
Nonfamily, Female Householder	554,861	26.42

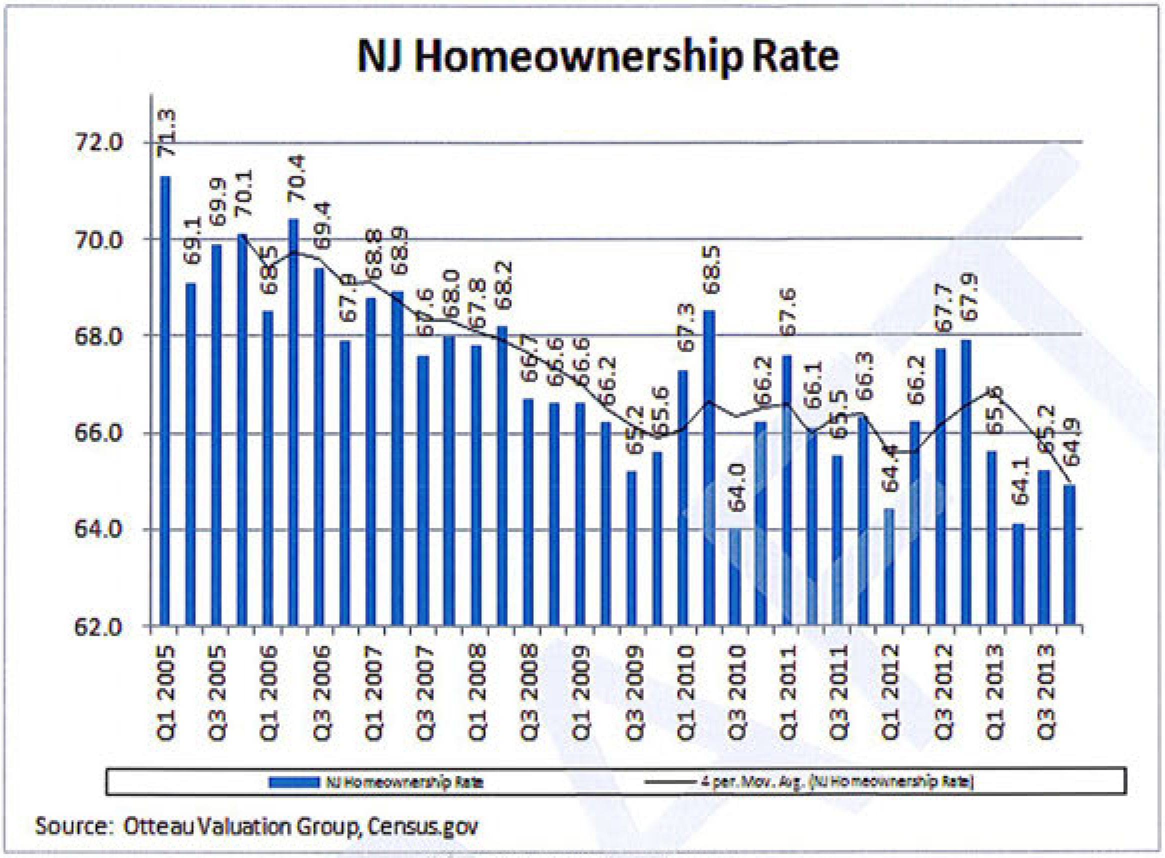
Source: The Nielsen Company

These trends have already affected school enrollments in New Jersey which after decades of increasing have recently begun to decline. According to data published by the New Jersey Department of Education, statewide public school enrollment declined from a peak of 1,393,782 for the 2005-2006 school year to 1,368,516 for the 2013-2014 school year. This reflects a decline of 25,266 students. Given the previously identified trend toward fewer households with children living at home, school enrollment is likely to decline further in the future.

New Jersey Public School Enrollment Totals	
2005-2006	13,393,782
2013-2014	13,368,516
Decline (# students)	**-25,266**

Source: NJ Dept. of Education

Lower Homeownership Rates – Consistent with national trends, the homeownership rate in New Jersey declined precipitously with the onset of the Great Recession. Today's homeownership rate in the state has declined by 9% from 71.3% in 2005.Q1 to 64.9% in 2013.Q4. This decline in homeownership has translated directly into reduced home purchase demand and a corresponding increase in rental demand. This demographic trend suggests weak demand for new home construction and high demand for multi-family rental apartments in New Jersey.



SOURCE: U.S. Census Bureau

Increasing Urban-Inner Ring Suburban-Transit Oriented Demand - A developing trend in New Jersey is an increasing preference among residents toward locations that offer proximity to employment centers and transportation corridors. This trend is evident across a range of demographic and real estate market indicators. One of the reasons for this shift is the previously discussed trend toward smaller size households without children living at home, which presently account for 65% of all households in the state. This is because shrinking household size translates into less demand for the larger living spaces that are prevalent in suburban and rural areas. Another reason for the shift away from rural areas is the increased cost of gasoline due to elevated oil prices which make longer-distance commuting less affordable.

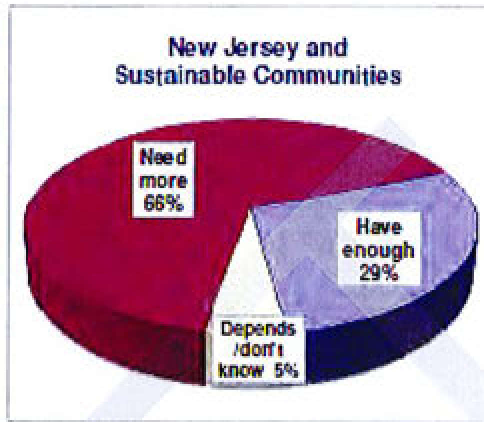
The 2010 Census provided evidence of a shift in population growth, with New Jersey's cities and older built-out counties growing faster than their outlying suburban counterparts for the first time in decades. This was also true for the 2011 county population estimates which found a similar reversal whereby the state's urbanized counties were growing faster than those on the suburban fringe in the wake of the housing market collapse of 2008. The Census Bureau's 2013 county population estimates indicate a continuation of these trends whereby urbanized places in 'northern New Jersey' are growing more rapidly while exurban counties are either stagnating or losing population.

- Hudson County has been the fastest-growing county in New Jersey over the past year, and for the entire post-recession period of 2008-2013.
- The five fastest-growing counties from 2012-2013, and since 2008 are Hudson, Union, Bergen, Middlesex, and Somerset. Only their order of their ranking has changed over the past 5 years. Essex and Passaic counties are also in the top 10 fastest-growing for the last year and since 2008.
- Camden County, South Jersey's smaller counterpart to the "urban core" however lost population from 2012 to 2013, as did Burlington.
- Mercer County, which comprises an even smaller urban area plus its suburbs, fell in between but resembles more closely the northern urban core than the southern one. It was the sixth-fastest growing county in the state this past year, up from eighth place the year before, surpassing Ocean County (formerly the second-fastest-growing county in the state, pre-recession, after Gloucester), which ranked seventh both years.
- At the extreme southern end of the state, Salem, Cumberland, and Cape May counties lost population over the past year, while Atlantic county posted a small increase. Salem and Cape May counties now have fewer residents than in 2008.
- The exurban counties of Hunterdon, Warren, and Sussex in the northeastern part of the state lost population over the past year, as they all did last year. All three have fewer people today than in 2008. This is a dramatic reversal from the earlier part of the 2000s, when Hunterdon and Warren were both in the top 10 (and Sussex just out of it, at no. 11), and from the 1990s, when Hunterdon ranked third and Warren ranked fifth.
- Also reversing course have been Pike and Monroe counties in northeastern Pennsylvania. Both counties have lost population over the last two years, and both have fewer people today than they did in 2008. This reverses their rapid growth of more than 20 percent between 2000 and 2008, after even faster growth in the 1990's.
- The Pennsylvania portion of the Philadelphia metro area is faring better than the New Jersey piece. The City of Philadelphia along with its suburban counties of Bucks, Montgomery, Delaware, and Chester) gained population from 2012 to 2013. For the entire post-recession period from 2008 to 2013, the City of Philadelphia posted a bigger percent increase in population than any of its suburban counties on either side of the river except Chester County. Philadelphia grew faster than Delaware, Montgomery, or Bucks counties in Pennsylvania and faster than Burlington, Camden, Gloucester, or Salem counties in New Jersey.

A series of reports are also emerging which indicate that the flow of jobs to suburban corporate campus settings is also shifting to more urbanized places. The Chicago Crain's Business Journal reports that companies such as Allstate, Motorola, AT&T, GE Capital, Sara Lee and even Sears are re-considering their fringe suburban locations, generally in stand-alone campuses, and considering a move back to downtown Chicago. Such a move by Sears would be significant since it abandoned the country's tallest building for an equally huge, though horizontal, building 45 miles from the Loop over 20 years ago. These current companies follow moves into downtown Chicago by United Airlines and Navteq Corp. in the last decade. Also, UBS, the huge Swiss banking firm, is reportedly considering relocating their U.S. headquarters back to New York City from Stamford, Connecticut citing both a desire to locate nearer to its clients as well as challenges in recruiting young bankers who want to live in Manhattan or Brooklyn to work for the firm. Even downtown Detroit has seen four major corporate moves into the city in recent years including the recent corporate headquarters of the parent company of Quicken Loans. Here in New Jersey, Panasonic Corp.'s move from Secaucus to Newark involved 250,000 ft^2 of office space and 1,000 jobs. Other significant moves include Manischewitz relocating to a renovated 200,000 ft^2 manufacturing and corporate facility in Newark, Forbes plans to move 350 jobs to Jersey City, and Roche's move from Clifton to Manhattan.

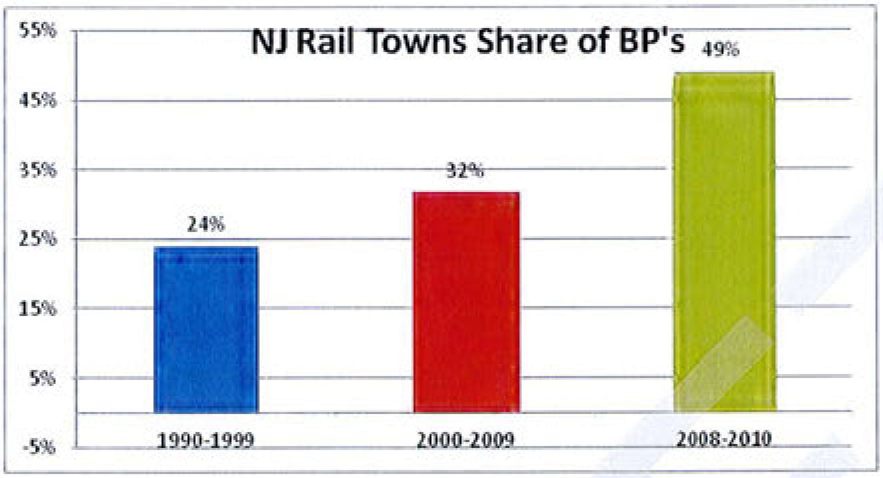
These moves are in part attributable to corporate America's search for the young talent of the Millennial-Generation by relocating to the more urban places they prefer to live in. This trend provides evidence that building a high quality residential base in urban, semi-urban and inner-ring suburban areas can attract jobs and increase construction activity. A side effect of this trend is for diminished vitality in outlying suburban and rural submarkets which would weaken local real estate demand and therefore reduce future construction activity.

An additional component for more urban-centric housing demand comes from older age empty-nest households interested in the lifestyle amenities and/or the lower housing costs associated with higher density multi-family housing.



A survey published by the Monmouth University Polling Institute in August 2011 found strong support for such 'sustainable planning'. According to the survey results, two-thirds (66%) of New Jersey residents feel that the state needs more of these sustainable communities while only 29% say the state already has enough of these types of communities. The survey also found that nearly 3-in-4 state residents say they would definitely (46%) or probably (27%) like to live in a community where they could walk to shops or their job and that offered a variety of transportation options. Of those saying they would *definitely* like to live in this type of community, 67% were current urban residents, 45% already reside in those stable towns and suburbs, and 37% live in expanding suburbs areas of the state. When asked to consider the likelihood of downsizing to a smaller house if they could reduce their commute time and have better access to public transportation and more services within walking distance of their home, just under half say they are very (20%) or somewhat (24%) likely to consider this. Similarly, just under half (47%) of those currently living in large single family homes with at least four-bedrooms say they are at least somewhat likely to consider downsizing their home in exchange for better access to transit and services. Similar numbers of residents living in smaller single family homes (41%) and townhouses or multi-dwelling buildings (47%) say the same. Another finding of the survey was that just over half (52%) of New Jersey residents say they would like to use public transit or walk or bike to places more often than they do now.

Yet another factor in the urbanization of housing demand is the increased importance of employment opportunities in Manhattan to New Jersey households. Different from the employment situation in New Jersey, New York City's economic downturn resulting from the recession began later, declined less, and began recovery sooner. Also, the pace of job recovery in New York City has progressed at a faster pace than for New Jersey and the US overall. Evidence of this shift can be found in the real estate market in a variety of indicators, most notable of which is the rising share of building permits issued in towns with rail stations which increased from 24% in the decade of the 1990's; to 49% in the combined years of 2008-2010.



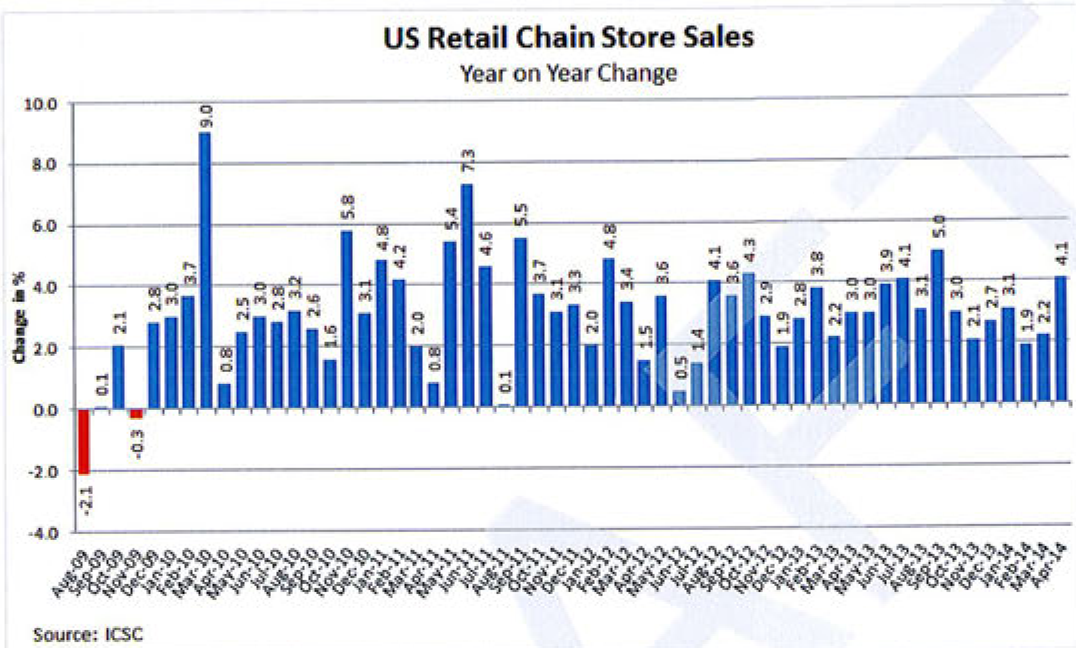
Economic & Demographic Trend Conclusions: When considered collectively, these economic and demographic trends indicate tepid overall economic growth in New Jersey. Also, economic activity will continue to concentrate in urban and inner-ring suburban areas of the state creating significant challenges for rural counties and municipalities. With regard to housing demand, these 'changed circumstances' have caused a shift toward small-lot-single-family and high-density-multi-family forms of residential housing which are generally more affordable.

RETAIL MARKET ANALYSIS

As discussed previously, economic conditions are directly relevant to projecting future real estate demand. In this regard, a weaker economy generally results in lower demand for retail space, and vice versa. While there can be exceptions, such as increasing demand for apartment rentals in a weakened economy, the majority of real estate sectors adhere to this correlation.

Demand for retail space has traditionally been linked to retail spending levels. Contemporaneous with the onset of the recent economic recession, as retail sales slowed across the US, vacancy rates for retail space began to rise. More recently however, vacancy rates for retail real estate have remained elevated despite higher levels of retail sales. The chart below shows a monthly index published by the International Council of Shopping Centers known as the ICSC Chain Store Sales Index. This index measures the U.S. retail industry's sales performance based on publicly-available sales for retail chain stores. Industry sales aggregates are compiled for "comparable-store" or "same-store" sales and for total store sales.

The ICSC Index shows that these retail chain store sales have now risen for 53 consecutive months dating back to December 2009.



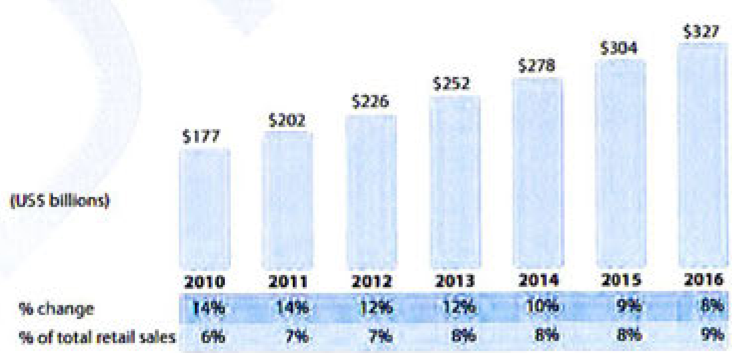
This trend of weakening demand for retail space in the face of rising retail sales is attributable to a range of structural factors which are likely to reduce long-term demand for retail space, including:

- The financial and emotional shock of the recent economic recession resulted in consumers 'spending less & saving more' as evidenced by increased personal savings rates and reduced borrowing.
- Reduced access to consumer credit has resulted in reduced borrowing capacity for consumers both in terms of credit card debt limits and the ability to tap home equity through credit lines and refinancing.
- Consumers have become more value oriented in seeking out lower costs discount outlets and less loyal to more expensive name-brand labels. Therefore, big box retail venues are capturing a larger market share which reduces demand for traditional retail space. It is important to recognize that development of big-box retail stores is primarily concentrated along major highways with large volumes of passing traffic.
- Baby-Boomers are turning age 65 at a national pace of 10,000 daily which suggests a significant reduction in spending from this critical demographic group as they begin to prepare for retirement. Recent studies indicate that middle-class baby-boomers have lost a significant portion of their personal wealth with 60% having underfunded retirement plans. It is therefore anticipated that baby-boomers will account for less consumer-spending both presently and in the future.

- The declining share of households with children living at home will sharply reduce family oriented retail spending on items like clothing, furniture, toys, sporting goods and bicycles. This trend will also result in a sharp reduction in demand for daycare centers which often occupy retail or office type real estate spaces.
- Aggressive building of new commercial retail real estate market in the prior decade created an oversupply of existing space.
- Continuing efforts to limit or reduce public sector employment in New Jersey has the effect of constraining job growth and limiting the growth in consumer spending, both presently and in the future.
- Given the previously discussed trend whereby population and job growth is shifting to more urban locations with rail station access, suburban locations are realizing a smaller share of demand growth.
- Net Domestic Outmigration from New Jersey, as previously documented, has the effect of reducing population growth and demand for retail space in the state.

Another important factor for projecting retail demand is the previously discussed trend of rising share of online sales which reduces demand for physical 'brick & mortar' stores. A study by technology and market research firm Forrester indicates that US online sales in 2011 exceeded $200 billion for the first time, and are expected to reach $327 billion by 2016. Over the same period, the overall share of the retail market for online sales is expected to increase from 7% to 9%. Driving the increases is that more consumers are shopping online with 167 million consumers — 53% of the U.S. population — buying something online in 2011. That number is forecasted to grow to 192 million, or 56% of the population, by 2016. Forrester also projects that consumers' average yearly online spending will increase from $1,207 per person in 2011 to $1,738 per person by 2016.

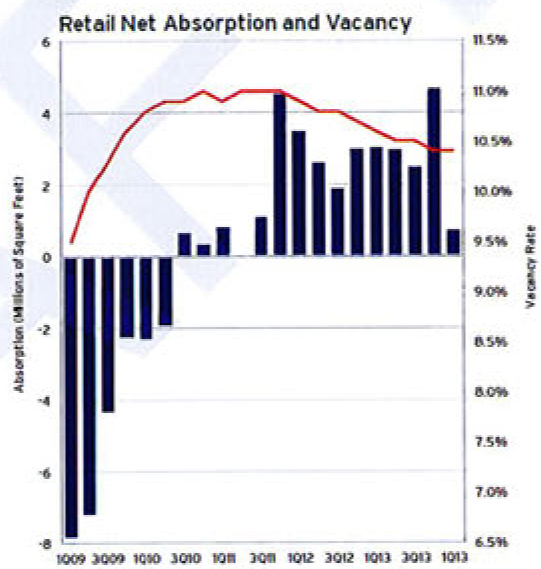
Figure 1 Forecast: US Online Retail Forecast, 2011 To 2016



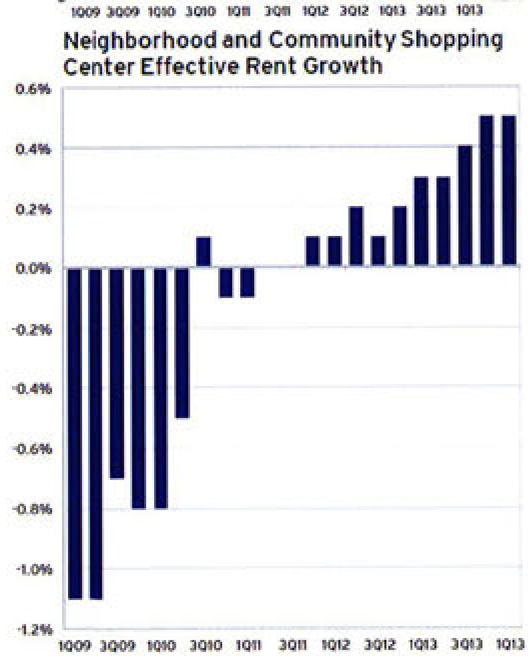
Source: Forrester Research Online Retail Forecast, 2012 To 2016 (US)

Source: Forrester Research, Inc.

The effects of this trend are self-evident as demand for retail building space remains weak in the face rising retail sales. Also, trends whereby big box retailers such as Best Buy have announced store closings and smaller store footprints in the future confirm the diminishing prospects for retail development. Recently, national retailers Radio Shack and Staples announced planned store closings. RadioShack reported it will close as many as 1,100 of its 5,200 U.S. stores to stem widening losses while Staples will be closing 225 stores in North America by the end of 2015 amid falling fourth-quarter revenue as sales increasingly shift online. In announcing the closings, Staples CEO Ron Sargent said "With nearly half our sales generated online today, we're meeting the changing needs of business customers and taking aggressive action to reduce costs and improve efficiency".



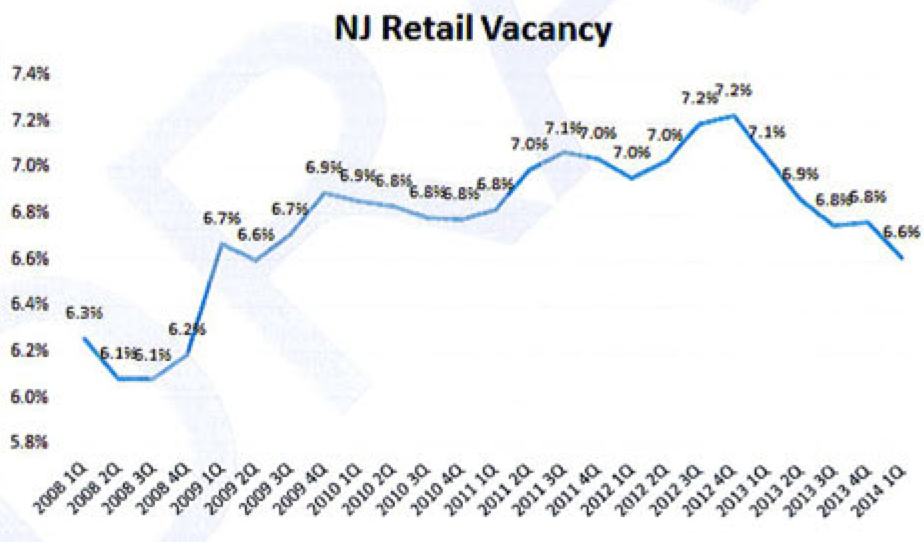
National Retail Trends - The national vacancy rate for neighborhood and community shopping centers remained unchanged in 2014.Q1 at 10.4%. This continues a trend of weak market recovery as evidenced by vacancies having either stayed flat or fallen by only 10 basis points in each of the last ten quarters. The national vacancy rate is only 70 basis points below the historical peak vacancy rate of 11.1%, which the sector hit in late 2011.



Although we continue to see improvement in both the economy and the labor market, gains are not yet sufficient to translate into more meaningful declines in the national vacancy rate. However, with the economy and the labor market both poised for stronger growth in 2014, accelerated market recovery may occur this year. New construction of retail space during 2014.Q1 of 650,000 Ft^2 was the lowest since the first quarter of 2011, while net absorption of 698,000 Ft^2 was the lowest since the second quarter of 2011. Inclement weather during the quarter likely had some effect on these figures.

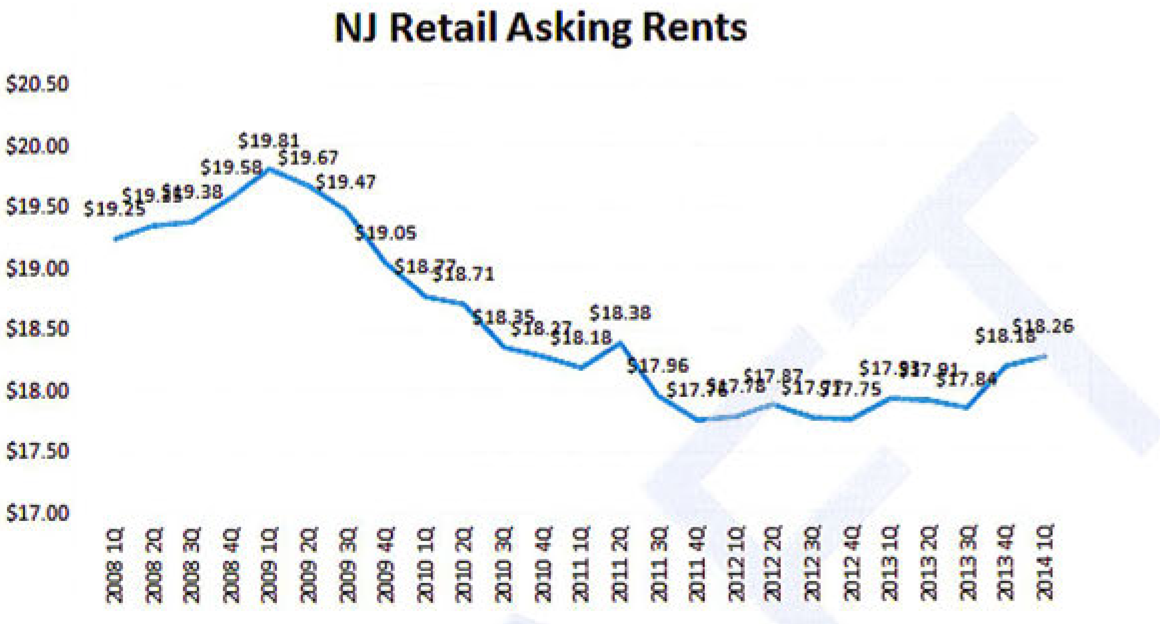
Asking and effective rents grew by 0.4% and 0.5%, respectively, this quarter. Although on par with growth rates from last quarter, rent growth nonetheless remains slightly below growth rates from early to mid-2007 before the onset of the recession. Year-over-year rent growth continues to trend upward with asking and effective rents growing by 1.5% and 1.6%, respectively. This is a slight improvement from last quarter when asking and effective rents both grew by 1.4% on a year-over-year basis, suggesting that the retail market is beginning to see more significant traction.

New Jersey Retail Trends - While national trends provide a broad perspective, a more localized analysis is necessary to understand project viability. Focusing on the subject project's submarket area, the next step is to develop an analysis to determine whether adequate market demand exists to support the creation of additional retail space. Focusing on trends in the New Jersey retail market, vacancy rates drifted to their highest level of five years in Q3 & Q4.2012 (7.2%). Since then, statewide vacancy rates have declined modestly and now stand at 6.6%.



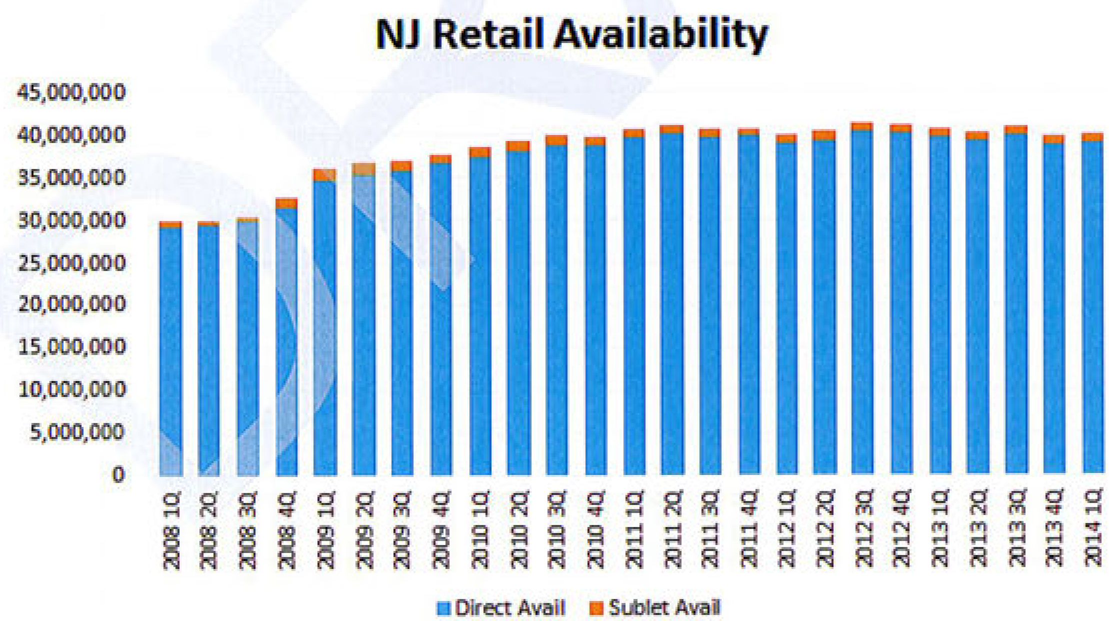
Source: CoStar Group, Otteau Valuation

At the same time, although asking rents for retail space have increased recently, they still remain depressed despite an economic recovery that began 5 years ago with the end of 'The Great Recession'. This reality provides compelling proof of the long-term structural weakness in the retail market.



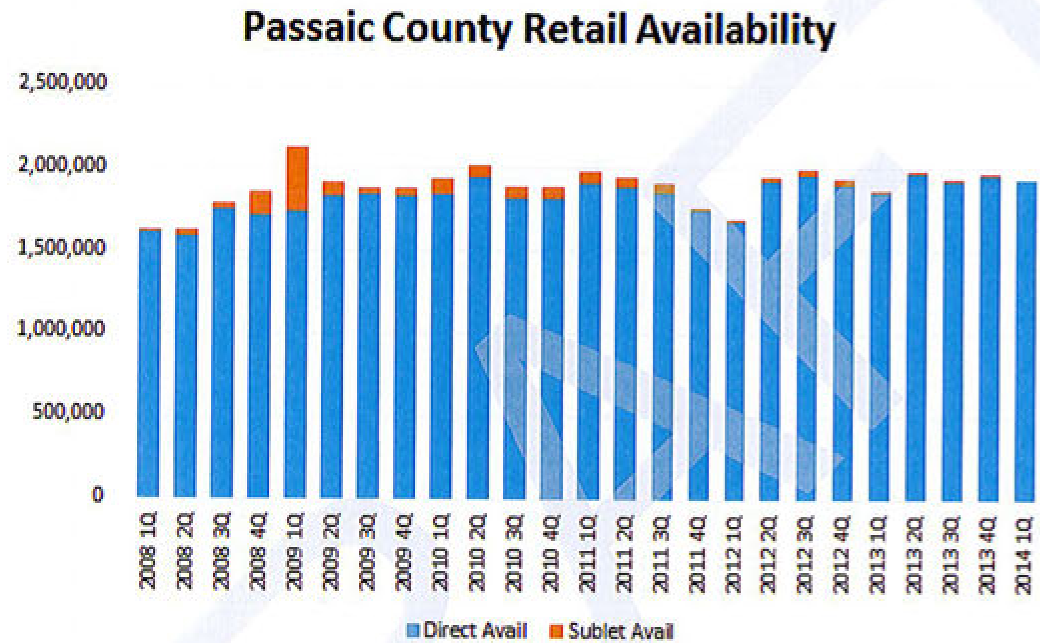
Source: CoStar Group, Otteau Valuation

The chart below indicates an overall statewide vacancy rate for retail space of 6.6%, based upon 28.4 Million ft^2 of vacant space and an availability rate of 9.4% based upon 40.3 Million ft^2 of space presently being offered for lease.



Source: CoStar Group, Otteau Valuation

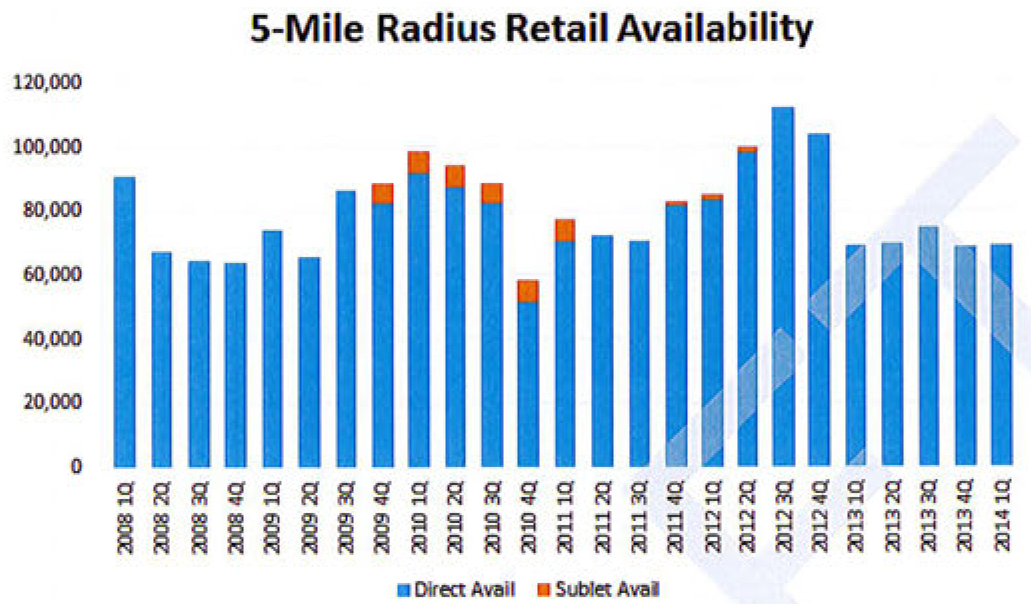
Our demand analysis will begin with a localized analysis of retail market conditions in Passaic County. The vacancy rate in Passaic County is currently 5.7% based upon 1.3-Million Ft^2 of vacant retail space and has availability of 1.9 Million ft^2 of retail space being offered for lease. This 5.7% vacancy is lower than statewide vacancy rate of 6.6%, indicating more favorable market conditions in the county.



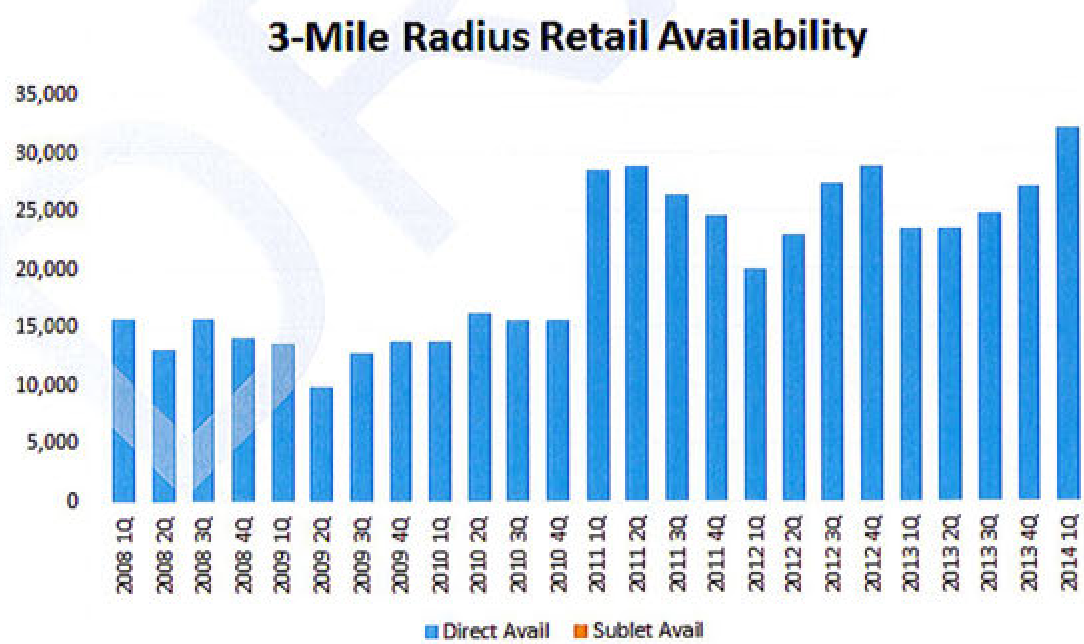
Source: CoStar Group, Otteau Valuation

Given the localized nature of retail real estate, which is closely linked to local economic and demographic factors, we will next examine retail market conditions in a smaller 5-mile and 3-mile radii.

- 5-Mile Radius - The availability of retail space in this trade area declined significantly one year ago in 2013.Q1, but has remained flat since then. Retail vacancy presently stands at 6.6%, which is the same as at the state level, but greater than the 5.7% rate in Passaic County. However, the present availability rate of 10.8% within the 5-mile radius is greater in comparison to 9.4% in New Jersey 8.6% in Passaic County.



- 3-Mile Radius - Drilling down further, retail market conditions within a 3-mile radius of the subject property are significantly worse. Here, the vacancy rate is 11.7% with availability of 16.3%. Clearly, local market conditions for retail space are challenged in this localized trade area.



A summary of the preceding analyses appears in the table below comparing each of the retail trade areas. The most significant findings are as follows:

- Occupancy rates are lowest, and vacancy rates are highest in the local submarket area within a 3 mile radius.
- Rental rates are lower in the local submarket area which corresponds to generally weak demand.
- Retail market conditions are strongest at the county level, which is attributable to higher population densities and closer proximity to employment centers in the southern portion of Passaic County.
- The existing quantity of retail space in the local submarket area (5-miles and 3-miles), on a per-household basis, are significantly less than exists statewide and in Passaic County overall. Yet despite these lesser quantities, vacancy & availability rates are significantly higher in the local trade area. This is indicative of a structural weakness in retail demand within the local trade area. The likely cause of this weakness is low population density which measures 525 persons per square mile within 3-miles, and 528 persons within 5-miles. This compares to 2,555 persons per square mile for Passaic County.

Retail Market Analysis

		3 Miles	5 Miles	Passaic County	New Jersey
Existing Retail Space	Ft^2	196,483	636,586	22,548,605	428,764,643
Occupied Retail Space	Ft^2	173,494	594,571	21,263,335	400,466,177
Occupancy Rate	%	88.3%	93.4%	94.3%	93.4%
Vacancy Rate	%	11.7%	6.6%	5.7%	6.6%
Total Available	Ft^2	32,018	68,799	1,935,332	40,335,049
Total Available Rate	%	16.3%	10.8%	8.6%	9.4%
Average Asking Rent	Ft^2	$16.37	$17.57	$24.50	$18.26
Retail Trade Area	$Miles^2$	28.27	78.54	197.00	8,721.00
Retail Space Per Square Mile	Ft^2	6,949	8,105	114,460	49,165
Existing Households - 2014	#	5,131	13,398	167,273	3,258,464
Retail Space Per Household	Ft^2	38	48	135	132
Occupied Retail Space Per Household	Ft^2	34	44	127	123
Net Absorption: Q2.2013 - Q1.2014	Ft^2	(3,565)	4,970	26,511	1,250,186
Monthly Pace of Net Absorption	Ft^2	(297)	414	2,209	104,182

As a direct result of these market conditions, the local trade area within a 3-mile radius experienced net negative absorption over the past year (Q2.2013 – Q1.2014). Over the same period, the 5-mile trade area experienced minimal net positive absorption equivalent to 414 Ft^2 per month. These are strong indicators that any retail development within the redevelopment area would be dependent on population growth and household formation resulting from the construction of new housing units.

Retail Demand Analysis - The preceding market analysis provides the starting point for developing a demand analysis for the subject project. Using the data contained in the table above, it is possible to project how long it will take for the market to absorb the retail space presently being offered within each of these trade areas. These projections are based upon the current availability of retail space divided by the monthly pace of net absorption in each of the submarket areas. As shown below, these calculations project that the existing supply of retail space being offered on the market will take 73.0 years to absorb in Passaic County. In the 5-mile radius however, current availability equates to 13.8 years of supply. A projection of absorption is not possible in the 3-mile trade area however because net negative absorption continues to occur in this market areas. In other words, full absorption cannot be projected because of continuing declining occupancy levels.

Retail Absorption Projection		3 Miles	5 Miles	Passaic County	New Jersey
Total Available	Ft^2	32,018	68,799	1,935,332	40,335,049
Monthly Pace of Net Absorption	Ft^2	(297)	414	2,209	104,182
Projected Years to Full Absorption	100%	∞	13.8	73.0	32.3

It should be understood that these projections are not literal, as market conditions are dynamic and constantly shifting. Therefore, as the pace of absorption increases or declines over time, the projected absorption period will change accordingly. These projections do however provide compelling evidence that stabilization in the retail market within the local 5-mile and 3-mile trade areas is unlikely to occur in the near term without induced demand generators resulting from residential development. The clear indication from the above analysis is that construction of retail space within the redevelopment area depends largely on the strength of future demand increases associated with background demographic growth and future residential development.

We will next analyze projected demographic growth for these trade areas to project retail demand over the next 5 years. Our market analysis has indicated the following relationships of currently occupied retail space to existing households:

- Within 3 miles — 34 Ft^2 Per Household
- Within 5 miles — 44 Ft^2 Per Household
- Passaic County — 127 Ft^2 Per Household
- New Jersey — 123 Ft^2 Per Household

Applying these figures to demographic projections of household formation can be instructive in quantifying future demand for retail space in a given geographic area. Information on the current number and future growth of households has been sourced from The Nielsen Company, a leading provider of demographic research and analysis. The table below uses the projections to develop an estimate of demand growth for retail space in each of the trade areas over the next 5 years.

Retail Demand Analysis
Background Demographic Growth

		3 Miles	5 Miles	Passaic County	New Jersey
Existing Households - 2014	#	5,131	13,398	167,273	3,258,464
Projected Households - 2019	#	5,180	13,732	168,525	3,315,628
Projected Household Growth (5 years)	#	49	334	1,252	57,164
Retail Space Per Household	Ft^2	38	48	135	132
Occupied Retail Space Per Household	Ft^2	34	44	127	123
Projected Retail Demand (Ft^2)	Ft^2	2,000	15,000	159,000	7,025,000
Projected Retail Demand (% Change)	%	1.2%	2.5%	0.7%	1.8%

The above analysis projects increased demand for retail space, attributable to background demographic growth, as follows:

- Within 3 miles 2,000 Ft^2
- Within 5 miles 15,000 Ft^2
- Passaic County 159,000 Ft^2
- New Jersey 7,025,000 Ft^2

The above projections of retail demand growth over the next 5 years are significantly less than the current availability rate in the local retail trade areas. For example, retail availability in the 3 mile radius of 32,018 Ft^2 compares to projected demand growth of only 2,000 Ft^2. Similarly, availability of 68,799 Ft^2 in the 5 mile radius compares to projected demand growth of 15,000 Ft^2. Therefore, projected background population growth is insufficient to absorb the existing availability of retail real estate in the local trade area.

The next step in our retail demand analysis is to dissect consumer spending patterns for the local submarket area. To accomplish this, we have prepared a Retail Opportunity Gap analysis which compares **retail sales** and **consumer expenditures** within the local market area to develop indications of supply & demand. These **consumer expenditures** reflect purchases by local area households and are considered a reflection of localized demand for retail store space. The **retail sales** figures reflect estimates of store sales within the same local submarket area and are therefore a reflection of the localized supply of retail store capacity (ft^2 of retail space). Information on consumer expenditures (demand) has been derived from the Consumer Expenditure Survey (CE Survey) which is fielded by the U.S. Bureau of Labor Statistics (BLS). Information on retail sales (supply) has been derived from the Census of Retail Trade (CRT) which is made available by the U.S. Census.

Comparing the **retail sales** (supply) and **consumer expenditures** (demand) and figures provides an indication as to whether a need exists to develop additional retail space in the local market area. When local **consumer expenditures** exceed local **retail sales**, the resulting opportunity gap indicates a need for construction of additional retail space capacity. When the opposite dynamic exists, meaning that **consumer expenditures** by local households is less than local **retail sales**, a surplus of retail space exists indicating the local retail to be either in balance or oversupplied. In the latter condition, the construction of additional retail space would be inadvisable.

In formulating this Retail Opportunity Gap analysis we have analyzed consumer expenditures by Ringwood Borough households in 2013. The summary below indicates that spending by local households exceeded local store sales by $165-Million in 2013.

Retail Opportunity Gap Analysis - 2013

Trade Area - Ringwood Borough

	Demand (Consumer Expenditures)	**Supply** (Retail Sales)	**Opportunity** Gap/Surplus
Motor Vehicle and Parts Dealers	54,854,064	3,413,559	51,440,505
Furniture and Home Furnishings Stores	5,806,318	1,195,793	4,610,525
Electronics and Appliance Stores	4,763,326	2,469,207	2,294,119
Building Material, Garden Equip Stores	28,119,582	13,361,270	14,758,312
Food and Beverage Stores	28,436,621	11,521,773	16,914,848
Health and Personal Care Stores	12,092,062	16,439,152	(4,347,090)
Gasoline Stations	22,527,639	9,161,293	13,366,346
Clothing and Clothing Accessories Stores	13,072,037	267,860	12,804,177
Sporting Goods, Hobby, Book, Music Stores	5,036,125	695,372	4,340,753
General Merchandise Stores	28,934,172	1,422,406	27,511,766
Miscellaneous Store Retailers	6,704,415	652,780	6,051,635
Foodservice and Drinking Places	25,620,609	10,315,345	15,305,264
Retail Sales	235,966,970	70,915,810	165,051,160

This gap however is an aggregate measurement that includes all retail spending categories, some of which are not appropriately suited to the subject location. For example, Big-Box retail is not suitable to Ringwood as they require high trafficked highway locations to drive sales. Also, this type of use is not recommended within close proximity to residences as they generally reduce the market appeal of nearby residential housing due to compatibility, traffic and aesthetic factors. This would also be true for such large scale retail operations as Furniture & Home Furnishing Stores and large scale Building Material and Gardening Stores such as a Home Depot or Lowes.

We have therefore expanded the Retail Gap analysis to provide a more detailed categorization of retail spending categories. In the table below, the suitability of the various retail sub-categories to the redevelopment areas is indicated by a yes (Y) or no (N) marking in the "Include?" column.

Retail Opportunity Gap - Retail Stores

Trade Area - Ringwood Borough

Retail Stores	2014 Demand (Consumer Expenditures)	2014 Supply (Retail Sales)	Opportunity Gap/Surplus	Include? Y or N	Allocated Gap/Surplus
Motor Vehicle and Parts Dealers-441					
Automotive Dealers-4411	45,217,366	1,878,616	43,338,750	N	0
Other Motor Vehicle Dealers-4412	5,763,314	1,477,850	4,285,464	N	0
Automotive Parts/Accsrs, Tire Stores-4413	3,873,384	57,093	3,816,291	N	0
Furniture and Home Furnishings Stores-442					
Furniture Stores-4421	3,251,313	0	3,251,313	N	0
Home Furnishing Stores-4422	2,555,005	1,195,793	1,359,212	N	0
Electronics and Appliance Stores-443					
Household Appliances Stores-443111	640,222	1,768,988	(1,128,766)	N	0
Radio, Television, Electronics Stores-443112	2,804,904	392,710	2,412,194	N	0
Computer and Software Stores-44312	1,146,321	307,509	838,812	N	0
Camera and Photographic Equipment Stores-44313	171,879	0	171,879	N	0
Building Material, Garden Equip Stores -444					
Home Centers-44411	9,715,103	0	9,715,103	N	0
Paint and Wallpaper Stores-44412	423,692	681,078	(257,386)	Y	(257,386)
Hardware Stores-44413	2,300,104	0	2,300,104	Y	2,300,104
Other Building Materials Dealers-44419 (incl. Lumberyards)	11,615,979	12,680,192	(1,064,213)	N	0
Outdoor Power Equipment Stores-44421	1,395,727	0	1,395,727	N	0
Nursery and Garden Centers-44422	2,668,977	0	2,668,977	N	0
Food and Beverage Stores-445					
Supermarkets, Grocery (Ex Conv) Stores-44511	17,537,966	9,328,098	8,209,868	Y	8,209,868
Convenience Stores-44512	1,197,268	0	1,197,268	Y	1,197,268
Specialty Food Stores-4452	2,308,859	25,191	2,283,668	Y	2,283,668
Beer, Wine and Liquor Stores-4453	7,392,528	2,168,484	5,224,044	Y	5,224,044
Health and Personal Care Stores-446					
Pharmacies and Drug Stores-44611	9,551,035	16,195,774	(6,644,739)	Y	(6,644,739)
Cosmetics, Beauty Supplies, Perfume Stores-44612	836,840	0	836,840	N	0
Optical Goods Stores-44613	630,307	0	630,307	N	0
Other Health and Personal Care Stores-44619	1,073,880	243,378	830,502	N	0
Gasoline Stations-447					
Gasoline Stations With Conv Stores-44711	16,327,593	0	16,327,593	N	0
Other Gasoline Stations-44719	6,200,046	9,161,293	(2,961,247)	N	0
Clothing and Clothing Accessories Stores-448					
Men's Clothing Stores-44811	359,626	0	359,626	N	0
Women's Clothing Stores-44812	1,660,973	0	1,660,973	N	0
Children's, Infants Clothing Stores-44813	369,234	0	369,234	N	0
Family Clothing Stores-44814	3,521,301	0	3,521,301	N	0
Clothing Accessories Stores-44815	303,496	0	303,496	N	0
Other Clothing Stores-44819	585,318	115,728	469,590	N	0
Shoe Stores-4482	896,607	0	896,607	N	0
Jewelry Stores-44831	4,884,932	152,132	4,732,800	N	0
Luggage and Leather Goods Stores-44832	490,550	0	490,550	N	0
Sporting Goods, Hobby, Book, Music Stores-451					
Sporting Goods Stores-45111	2,349,624	301,945	2,047,679	N	0
Hobby, Toys and Games Stores-45112	1,120,245	75,558	1,044,687	N	0
Sew/Needlework/Piece Goods Stores-45113	367,837	0	367,837	N	0
Musical Instrument and Supplies Stores-45114	482,638	176,601	306,037	N	0
Book Stores-451211	553,910	141,268	412,642	N	0
News Dealers and Newsstands-451212	62,817	0	62,817	N	0
Prerecorded Tapes, CDs, Record Stores-45122	99,054	0	99,054	N	0
General Merchandise Stores-452					
Department Stores Excl Leased Depts-4521	12,844,307	0	12,844,307	N	0
Other General Merchandise Stores-4529	16,089,865	1,422,406	14,667,459	N	0
Florists-4531	276,201	0	276,201	N	0
Office Supplies and Stationery Stores-45321	1,624,668	0	1,624,668	N	0
Gift, Novelty and Souvenir Stores-45322	1,681,329	166,819	1,514,510	N	0
Used Merchandise Stores-4533	544,944	0	544,944	N	0
Other Miscellaneous Store Retailers-4539	2,577,273	485,961	2,091,312	N	0
Foodservice and Drinking Places-722					
Full-Service Restaurants-7221	11,642,123	2,714,102	8,928,021	N	0
Limited-Service Eating Places-7222	10,210,966	3,605,728	6,605,238	Y	6,605,238
Special Foodservices-7223	2,740,642	3,781,035	(1,040,393)	N	0
Drinking Places -Alcoholic Beverages-7224	1,026,878	214,480	812,398	N	0
Total Retail Sales Incl Eating and Drinking Places	**235,966,970**	**70,915,810**	**165,051,160**		**18,918,065**

The above analysis indicates an allocated retail gap for the Ringwood trade area of $18.9-Million, equates to only 26.7% of local retail sales. While in theory this would imply an opportunity to construct additional retail space, it is not the case for Ringwood for the following reasons:

- Based upon our prior demographic analysis of commuter drive times, we found that households in Ringwood drive an average 29 minutes to work each day which extends into the Morris and Bergen County employment centers. This means that Ringwood residents pass numerous retail stores every work day as they commute to and from work. The effect of this commuting distance is that a portion of household spending by is diverted outside of Ringwood, thereby reducing effective retail demand.
- Confirming this observation is that retail vacancy in local trade is elevated (14.4% in Ringwood compared to 5.7% for Passaic County and 6.6% for New Jersey). If in fact a gap existed, local vacancy rates would be significantly lower.

We therefore conclude that the construction of additional retail space in redevelopment areas would hinge on future residential development. The effect of such residential development would create *induced* retail demand as an increased number of resident households would drive increased retail spending.

To quantify the potential for induced retail demand we will utilize our prior Retail Opportunity Gap analysis which found that 26.7% of local retail spending categories are appropriate for the redevelopment areas. This factor needs to be adjusted however to account for supplemental demand associated with non-retailers including bank branches, medical services (including pediatricians) and day-care businesses. Since these additional demand generators are not reflected in our retail gap analysis, the 26.7% capture rate will be increased by a factor of 10% to an adjusted rate of 29.3%.

Next we will develop a projection of induced demand for retail space resulting from the construction of additional dwelling units. Our prior analysis of existing market conditions for retail space indicated that current retail occupancy within Ringwood equals 37 Ft^2 per household. Upon applying the 29.3% factor to the existing occupancy of 37 Ft^2 per household, an adjusted demand of 10.8 Ft^2 per household in indicating. The table below applies these calculations to residential development totals ranging from 100 – 500 dwelling units (see table below).

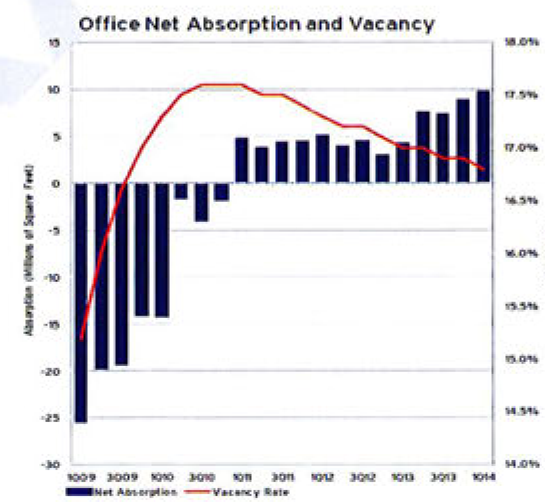
Induced Retail Demand			Ringwood Borough
SUPPLY - Existing Retail Space		Ft^2/hh	43
DEMAND - Occupied Retail Space		Ft^2/hh	37
Category Adjustment		29.3%	(26)
ADJUSTED DEMAND		Ft^2/hh	10.80
Induced Demand Projections	100	DU	1,080
	250	DU	2,700
	500	DU	5,400

The above projections of induced retail demand are small relative to the existing vacancy of 25,900 Ft^2 in Ringwood. Therefore, the development of additional retail space in this submarket cannot be supported by economic and real estate market conditions.

OFFICE MARKET ANALYSIS

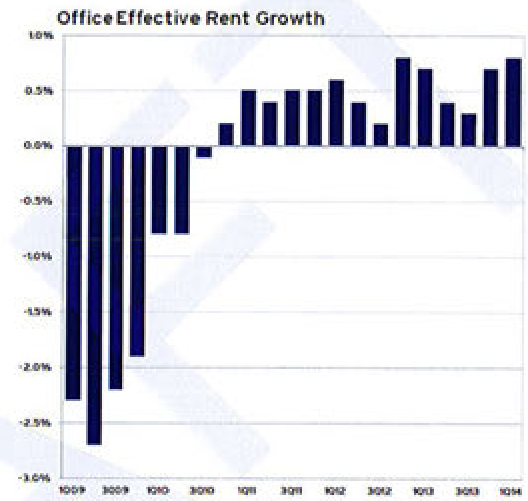
Demand for office space is directly linked to the employment trends. As employment declines or stagnates, demand for office space is directly affected. Conversely, the economic feasibility of constructing new office space is largely dependent on sustained long term job creation.

National Office Trends - At the national level the pace of the office sector's recovery has remained painfully slow with the vacancy rate declining by only 20 basis points (0.2%) over the past year. During 2014.Q1, the national vacancy rate fell to 16.8%, a 10 basis point decline over the first quarter. This is in line with trends over the last three and a half years. Vacancies peaked at 17.6% in late 2010, and since then any recorded declines were no larger than 10 basis points. It has certainly been a slow recovery, but quite in line with expectations, given an economy that has been growing at an average of 2% per year since the recession ended in June 2009.

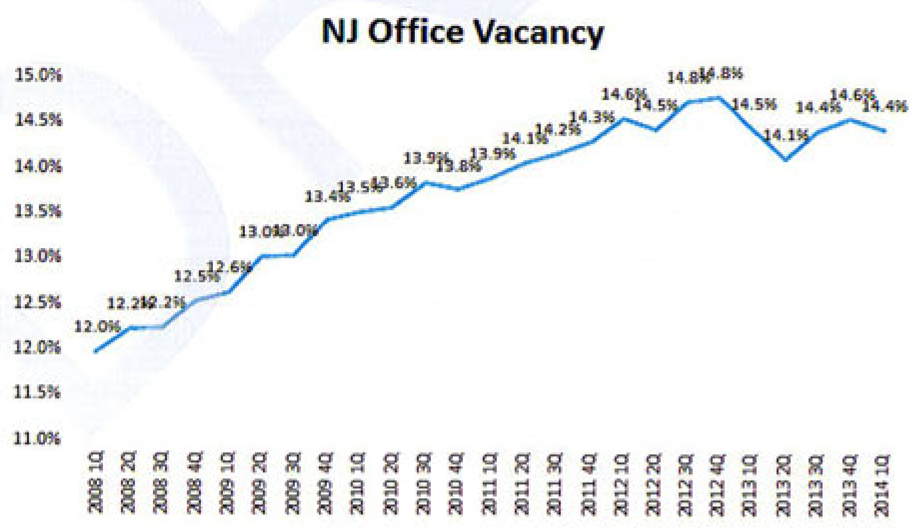


On a slightly positive note, net absorption registered its highest quarterly increase since before the recession began in 2007, with occupied stock rising by 9.8 million square feet. This compares favorably with the quarterly average of 7.1 million square feet in 2013. Supply growth was similar to quarterly averages during 2013, with 6.3 million square feet coming online. The modest increase in net absorption coupled with continuing supply growth, implies increasing underlying demand. During 2013, tenants exhibited a strong preference for newly developed space with absorption patterns linked to new buildings coming online. If net absorption continues to outpace completions over the course of 2014, vacancy declines should be more pronounced.

Asking and effective rents grew by 0.7% and 0.8%, respectively, during the first quarter. While these increases are relatively small, rent growth over the past three years has been strengthening. Rents have now risen for fourteen consecutive quarters, with asking rents increasing by 1.6% during 2011, 1.8% over 2012, and 2.1% in 2013. Still, landlords have little leverage over tenants, with concession packages being pulled back very slowly. As a result, effective rent growth has been about on par with asking rent growth.

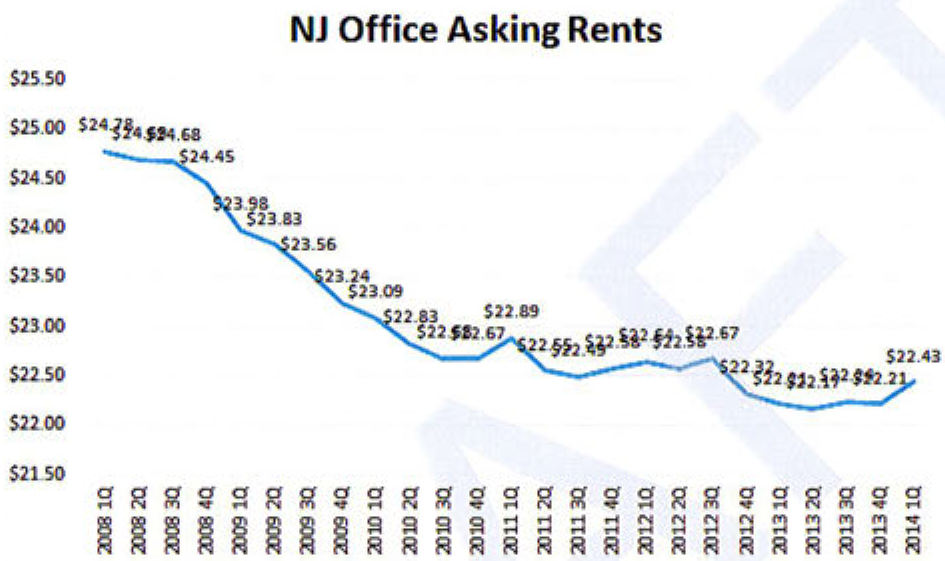


Focusing on trends in the New Jersey office market, after peaking in Q3 & Q4.2012, vacancy rates have declined only minimally and now stand at 14.4%. The current vacancy rate remains high by historical standards however indicating continued distress in this market sector.



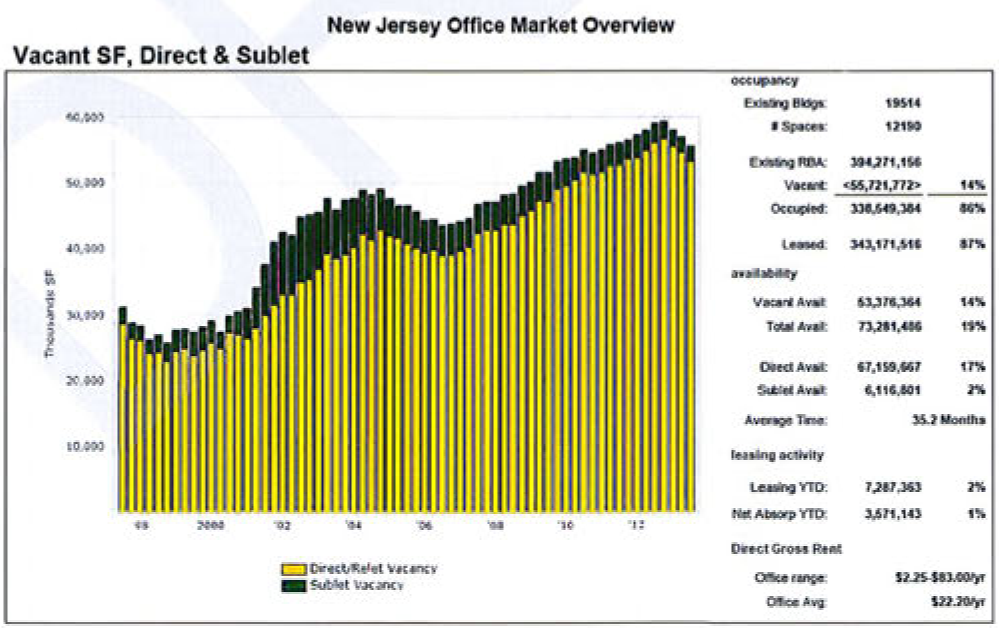
SOURCE: CoStar Group, Otteau Valuation Group

Similar to the minimal decline in office vacancy rates, asking rents for NJ Office space have also increased minimally. As shown in the chart below, asking rents in New Jersey now stand at $22.43, which is their highest level since Q3 2012. Still, rental rates for office buildings remain depressed compared to pre-recession levels.



SOURCE: CoStar Group, Otteau Valuation Group

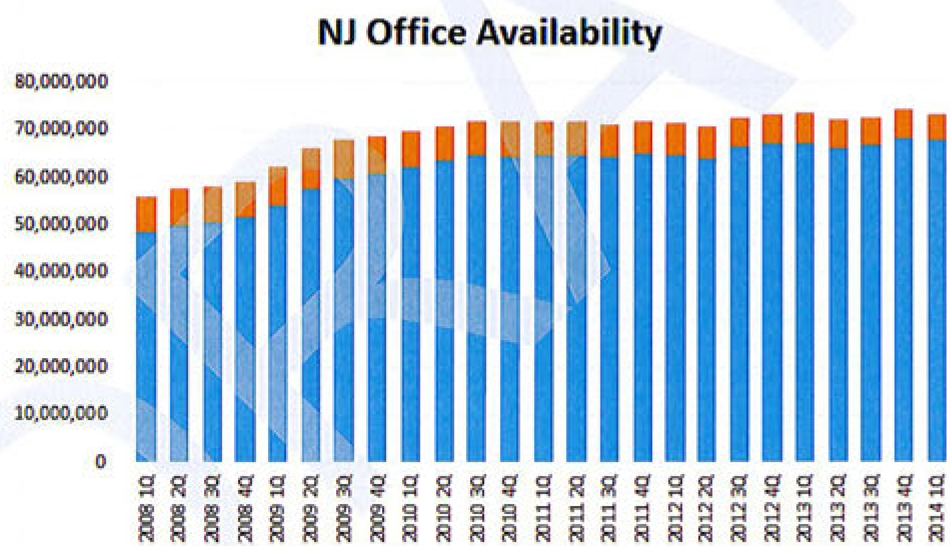
Of particular concern in New Jersey is that vacancy in office buildings began to rise sharply as early as 2002, 5 years before the onset of the economic recession in December 2007.



SOURCE: CoStar Group, Otteau Valuation Group

This indicates a long-term structural weakness in demand for office space unrelated to the effects of the recent economic recession. Also, the timing of this rising office vacancy coincided with an economic growth cycle following the recession that spanned from March 2001 – November 2001. The reasons for the early onset of weakness in office buildings can be traced to New Jersey's stagnant private sector employment beginning in year 2000 due to the high business operating costs and corporate taxes. Therefore, market conditions for office space in New Jersey are indicative of long-term structural weaknesses that are unlikely to correct in the foreseeable future.

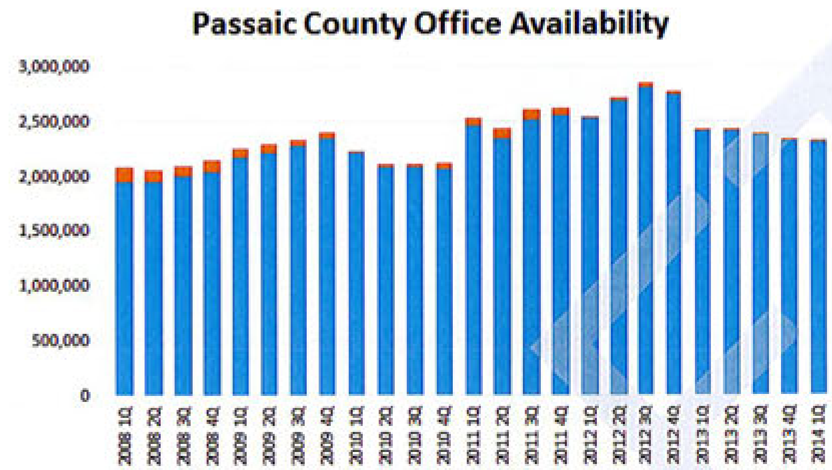
As indicated previously, present-day office vacancy in New Jersey stands at 14.4%, based upon 57.2 Million ft² of vacant office space and an availability rate of 18.5% based upon 73.4 Million ft² of office space presently being offered for lease.



SOURCE: CoStar Group, Otteau Valuation Group

Based upon these trends, demand for construction of new office space in New Jersey will remain depressed for the foreseeable future. Further, given the previously discussed trends whereby employer preferences are shifting toward urban transit oriented locations, what new construction occurs is unlikely to occur in the state's outer-ring suburban and rural markets.

Focusing next on the submarket area of Passaic County, the chart below indicates a slightly higher vacancy rate of 17.1% (2.2 Million ft² of vacant office space) and a similar availability rate of 18.4% (2.3 Million ft^2 of office space) being offered for lease. The elevated rate of vacancy indicates that market conditions for office buildings in Passaic County are similar to the state overall.



SOURCE: CoStar Group, Otteau Valuation Group

The above analysis of the Passaic County office market indicated the current inventory of available existing office space is able to accommodate as much as 2.3 Million ft^2 of demand without constructing any new office buildings.

To provide a context to this availability, we will examine projected job creation as a basis for projecting future demand for office space. The following forecast for Passaic County by the New Jersey Department of Labor and Workforce Development (NJDOLWD) provides a basis by which to project future demand for office space. This forecast projects a net increase in office related employment of 3,250 jobs (8.7%) over 10 year time period from 2010 to 2020.

Forecast of Employment by Major Industry Sector
Passaic County

NAICS Industry Code	NAICS Title	Employment 2010	Employment 2020	Change	% Change
510000	Information	2,350	2,250	(100)	-4.3%
520000	Finance and insurance	5,900	5,800	(100)	-1.7%
530000	Real estate and rental/leasing	2,400	2,550	150	6.3%
540000	Profession, scientific and technical services	7,300	8,650	1,350	18.5%
550000	Management of companies and enterprises	5,050	5,450	400	7.9%
560000	Administrative and waste services	14,350	15,900	1,550	10.8%
	Totals	**37,350**	**40,600**	**3,250**	**8.7%**

We note the following observations to assist in understanding the relevance of these projections:

- It is authored by an authoritative source
- It provides independent projections of forecasted employment change in Passaic County, which is a core consideration in projecting the demand for, and economic feasibility of, developing new office space within the redevelopment area.
- The forecast has a base year starting of 2010, which aligns with the start job recovery in New Jersey.

The above forecast projects an increase in office related employment in Passaic County of 3,250 jobs (8.7%) over the time period from 2010 – 2020. According to the International Building Code 2006, New Jersey Edition an appropriate multiplier is 100 Ft^2 of gross building area per occupant for business areas. Given that occupants would include both employees and visitors, we will apply a multiplier of 200 Ft^2 per employee, thus allowing for a gross building area that can accommodate twice as many occupants as employees. Therefore, the projected demand for office space resulting from the creation of 3,250 jobs is estimated to be 650,000 ft^2 as shown in the table below.

Jobs Created	3,250
SF Allowance	200
Office Demand	650,000

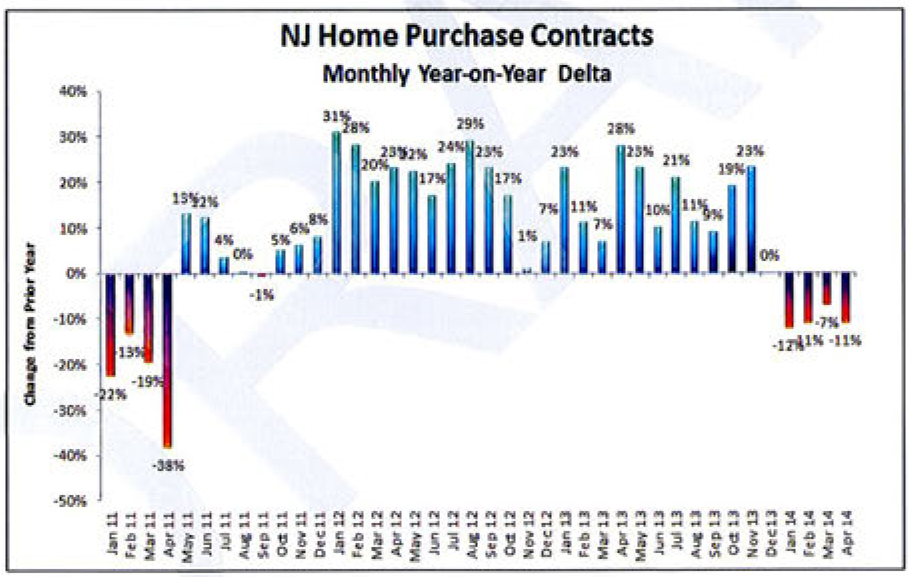
Therefore, the projected demand of 650,000 ft^2 resulting from employment gains over the 10 year forecast period accounts for only 28% of the 2.3 Million ft^2 of office space presently available in the Passaic County submarket.

From a historical perspective, the office market in the submarket area of Passaic County has carried more than 1.0 Million ft^2 of availability office space going as far back as the 3rd quarter of 2005. Given that the recent economic recession did not begin until December 2007, this indicates that weak demand for office space has been a persistent and chronic problem that is unlikely to change substantially once the current economy has normalized.

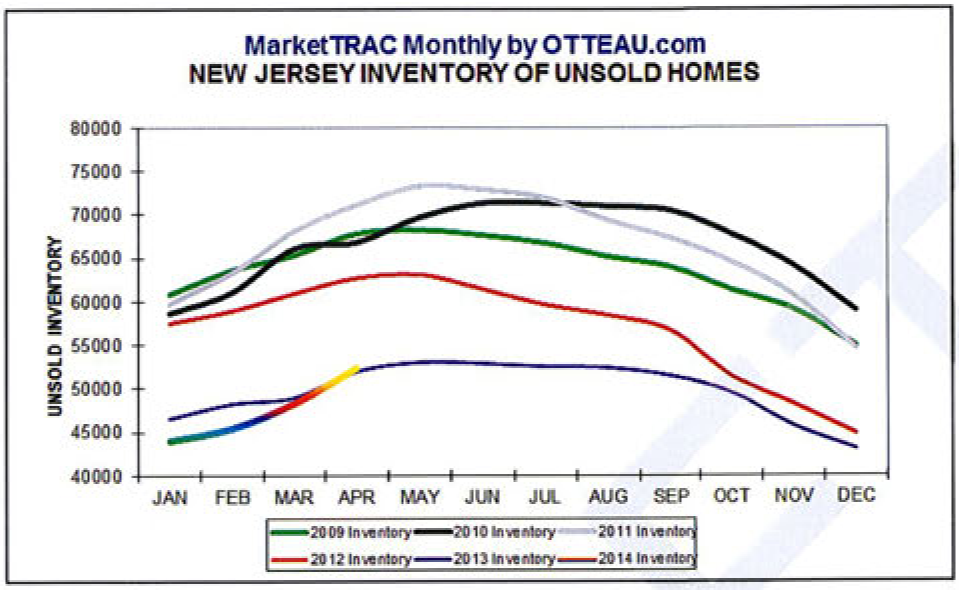
Based upon the preceding analysis of demand for office buildings in New Jersey and Passaic County, market conditions will remain oversupplied for the foreseeable future. Therefore, the development of additional office space in this submarket cannot be supported by economic and real estate market conditions.

ALL-AGE HOME PURCHASE MARKET ANALYSIS

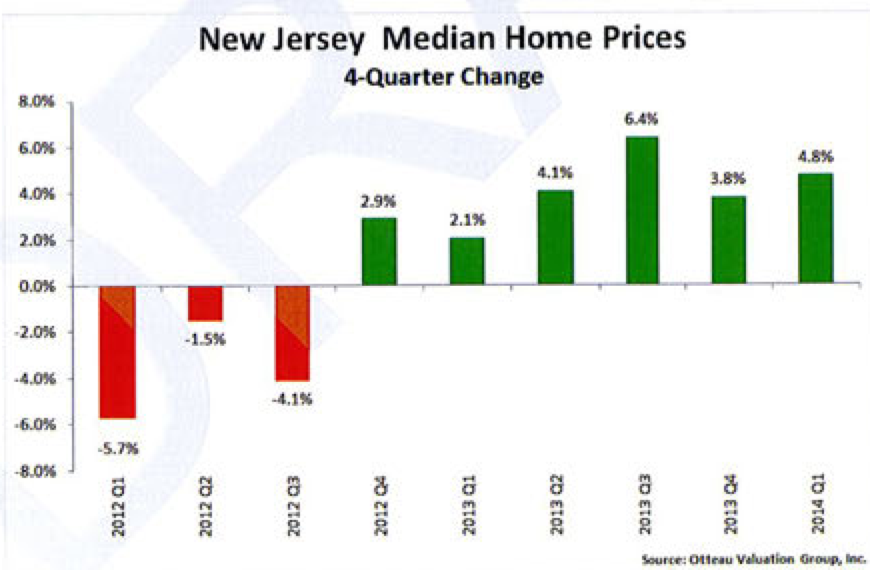
The monthly pace of home purchase contracts in New Jersey rose by 10% in April compared to the prior month as part of the typical Spring increase in buying demand. Home purchase demand has however been weaker in the early months of 2014 compared to the same period last year. A year-on-year comparison of purchase contracts indicates a 4th consecutive month of weaker demand, falling by 11% compared to one year ago. This latest decline compares to declines of 12% in January, 11% in February and 7% in March. The earlier declines in January and February can be partially attributed to the effects of 13 snowstorms in New Jersey in the first 2 months of the year. The March and April figures however seem to align with what is occurring across the rest of the US as the combined effects of low inventory levels, restrictive mortgage lending standards and higher home prices are reducing home buying activity. Overall, home purchase contracts in New Jersey rose by 16% in 2013 above the prior year's pace, while declining by 10% over the 1st 4 months of 2014.



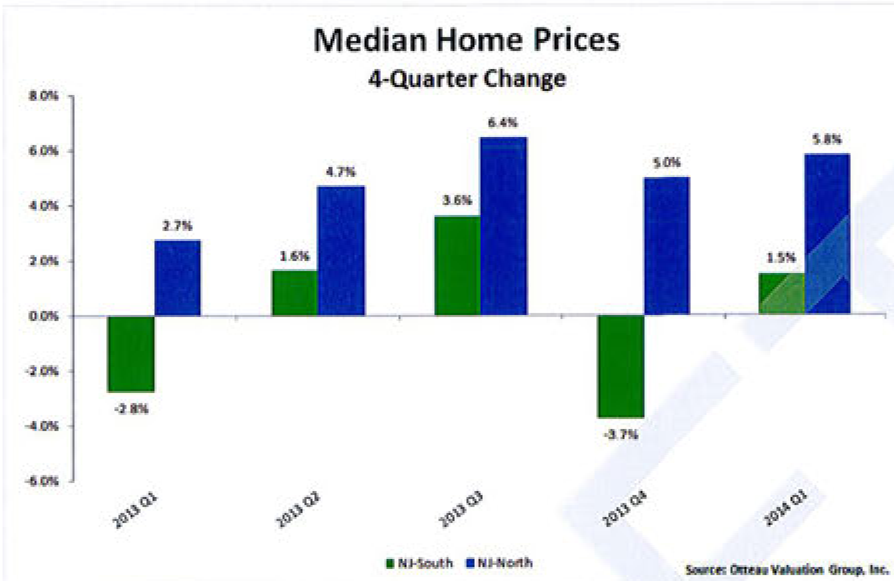
Shifting to the supply side of the equation, unsold inventory remains low, limiting choices for home buyers and pushing prices higher in the process. Unsold inventory in the state has increased slightly by 375 homes (1%) over the past year, but is still about 20,000 (-29%) homes less than the peak in 2011. Today's unsold inventory equates to 6.5 months of sales (non-seasonally adjusted), which is slightly greater than one year ago when it was 5.8 months, but less than 8.9 months two years ago.



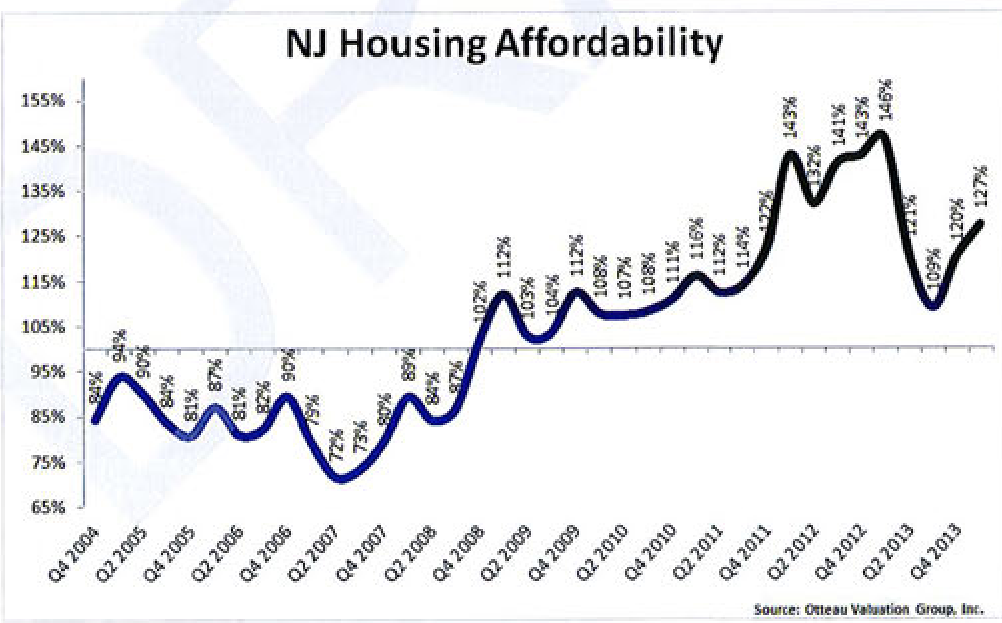
The combined effects of pent-up home purchase demand and tight inventory levels is causing continuing home price increases in New Jersey. Median home prices in the state rose by 4.8% in Q1 compared to one year ago. This marks the 6th consecutive quarterly increase since the housing recovery began. The median home price in New Jersey increased to $275,148 in Q1 up from $262,661 one year earlier.



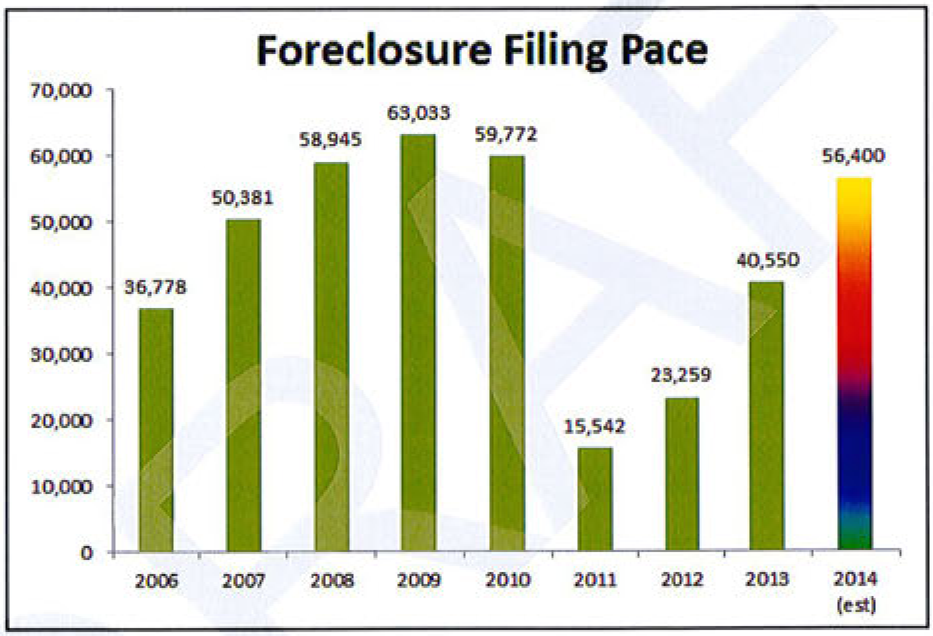
The partial recovery in home prices has occurred primarily in the northern part of the state while southern New Jersey continues to see a much slower recovery. The median home price in northern New Jersey increased to $303,089 in Q1 up from $286,482 one year earlier, whereas home prices in the southern part of the state increased to $187,818 from $185,053 in the prior year.



After two consecutive quarters of declining housing affordability, due to the higher home prices and mortgage interest rates, the affordability of home ownership in New Jersey rose for the second consecutive quarter in Q1 2014. The affordability index climbed to 127%, which means that a home buyer today earning the state's median income of $69,667 is able to afford a home that is priced 27% higher than the state's median home value of $275,148.



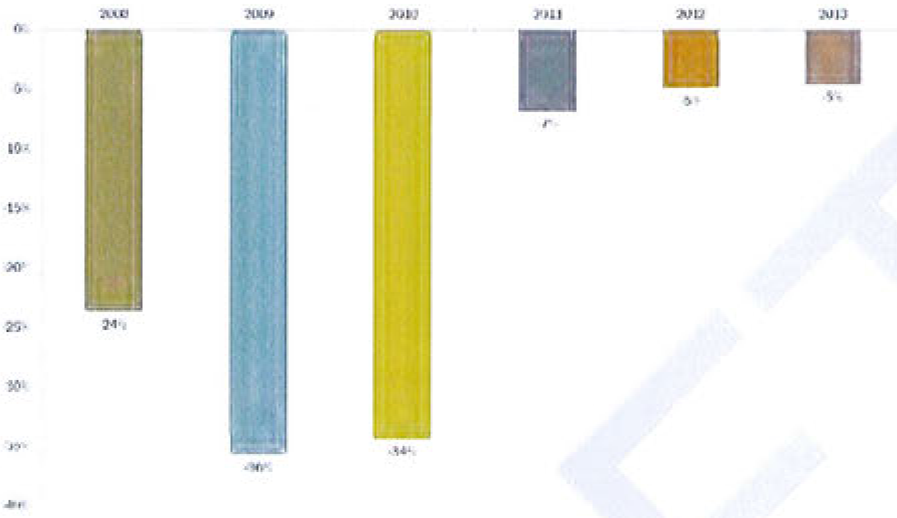
Another factor in analyzing housing market conditions is the trend of foreclosure filings. New Jersey presently has one of the highest rates of mortgage delinquency and pending foreclosures in the nation. The lifting of foreclosure moratoriums in New Jersey coupled with the national settlement deal between the states and the largest banks has resulted in increased foreclosure filings. New Jersey foreclosure filings in 2013 recorded a 74% increase over the prior year, rising from 23,259 to 40,550. More recently, the pace of foreclosure filings in the state have continued to increase. This accelerated pace of foreclosure filings in New Jersey will serve to clear the backlog of pending foreclosures and further restore normalcy to the housing market over the next 12-18 months.



SOURCE: RealtyTRAC & Otteau Valuation Group, Inc.

Because the current acceleration in foreclosure actions is occurring at time when the housing market is strengthening, they will have a lesser effect on overall market conditions. As shown in the table below, the average foreclosure discount declined from a peak of 36% in 2009 to 5% in 2013.

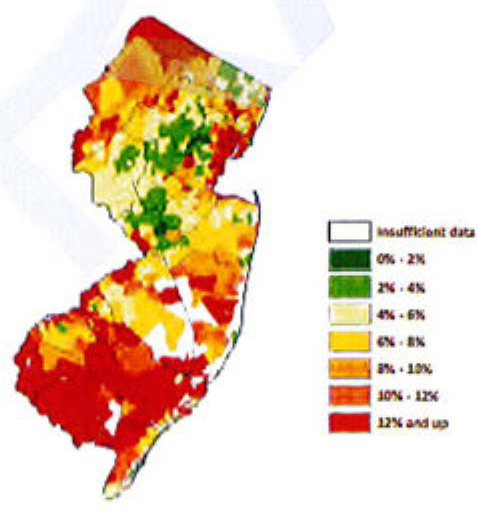
Foreclosure Discounts



Source: RealtyTRAC

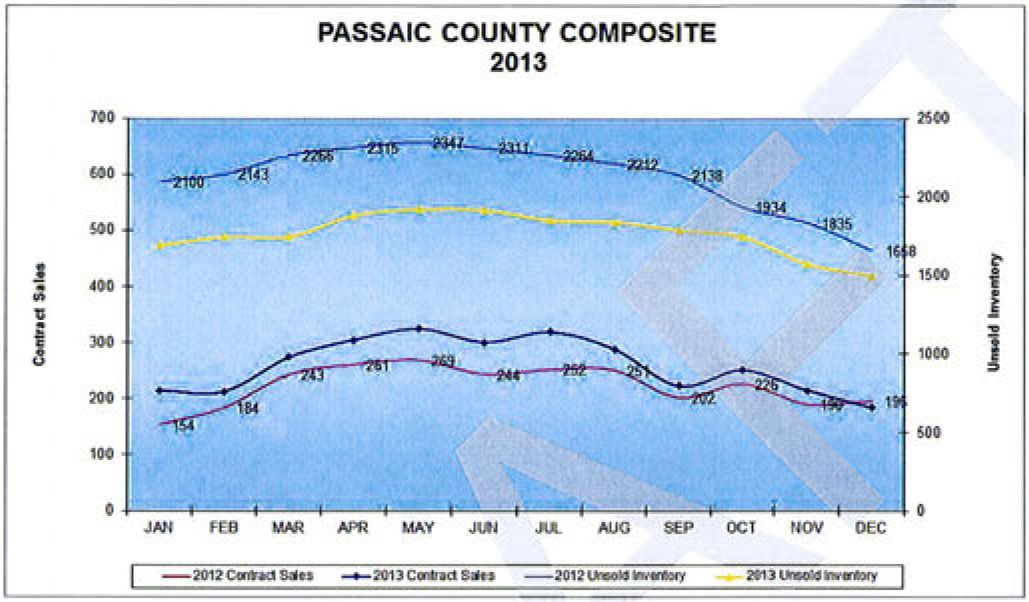
More localized data however indicates a greater concentration of mortgage delinquency and foreclosure in the northwestern and southern parts of the state, as well as in urban areas. This implies slower home price increases in these places.

NJ Seriously Delinquent Mortgages*
(90+ Days Past Due or in Foreclosure)
March 2014



* *Monthly data. Source: LPS Applied Analytics*
** *Quarterly data. Source: FHFA Home Price Index via Haver Analytics*
*** *Monthly data. Source: U.S. Census Bureau via Haver Analytics. Data are seasonally adjusted (SA) by the FRBP Research Department.*

Focusing next on the Passaic County submarket area, it had an 8 month supply of unsold housing inventory in Q1 (non-seasonally adjusted), which is slightly greater than 7-months one year earlier. However, the current Unsold-Inventory is the lowest level of the past 5 years in the county (see chart below).

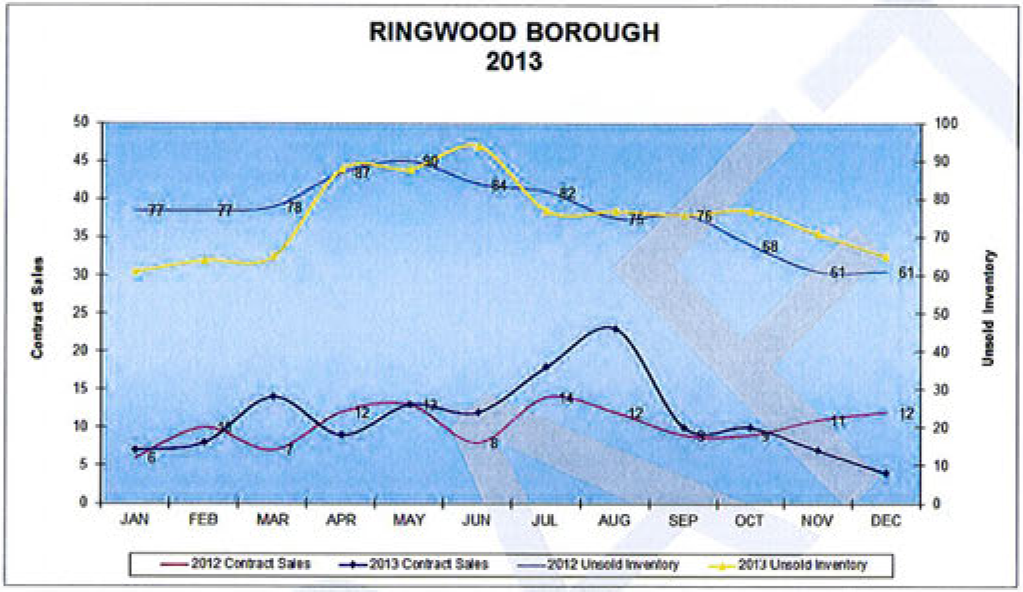


The analysis in the table below however indicates that the pace of home sales in Passaic County during the 1st Quarter of 2014 slowed compared to the previous year. This trend is consistent with the statewide slowdown in home purchase activity, and suggests that 2014 will be less robust than last year.

***PASSAIC COUNTY COMPOSITE** 1st Quarter At-A-Glance*

		2010	2011	2012	2013	2014
Average # Of Offerings/Monthly		492.7	485.3	456.7	410.3	383.7
Average # Of Sales/Monthly		227.3	171.7	193.7	234.0	209.0
Supply & Demand Ratio		46%	35%	42%	57%	54%
Unsold Inventory		2058	2366	2266	1747	1638
Projected Absorption (months)	*Total Market*	9	14	12	7	8
	Less than $400k	8	13	11	7	7
	$400k - $599,999	11	14	12	8	8
	Less than $600k	9	13	11	7	7
	$600k - $1 million	13	31	30	13	18
	$1,000,001 - $2.5 mil.	39	28	75	42	29
	Greater than $2.5 mil.	3	∞	∞	∞	n/a

At the local level, the Ringwood Borough submarket had a 7-month supply of unsold housing inventory at the end of 2014.Q1 (non-seasonally adjusted), which remained the same from the prior year.



However, unlike what's trending at the state and county levels, the pace of home sales in Ringwood Borough during the 1st Quarter of 2014 increased slightly compared to the previous year. This trend indicates that home buyers are beginning to push outward into less populated areas in search of more affordable housing options.

RINGWOOD BOROUGH *1st Quarter At-A-Glance*

	2010	2011	2012	2013	2014
Average # Of Offerings/Monthly	18.3	20.7	16.3	14.7	18.0
Average # Of Sales/Monthly	8.3	7.7	7.7	9.7	10.0
Supply & Demand Ratio	45%	37%	47%	66%	56%
Unsold Inventory	79	94	78	65	72
Projected Absorption (Months)	9	12	10	7	7

These overall trends in the For-Sale Housing Market indicate reduced vigor in home sales which is likely to carry forward into the future

All-Age Purchase Demand Analysis - Home purchase demand is attributable to a variety of factors which can be categorized as follows:

1) Demonstrated Demand or that demand which can be quantified by examining the sales pace of both existing homes and new development projects. Sales of existing homes in Ringwood Borough in 2013 totaled 132. It is significant to note the home purchase demand has declined in Passaic County by 11% in 2014.Q1 while rising by 3% in Ringwood. Still, Ringwood experiences relatively shallow demonstrated demand averaging only 11 home sales per month in 2013, and 10 per month in 2014.Q1 for the entire municipality.

2) Unsatisfied Demand is existing demand that cannot be satisfied within the immediate area due to a scarcity of available homes being offered for sale. These home buyers end up settling for inferior housing choices, or purchasing homes outside the market area. Given that Unsold Inventory levels in the Passaic County submarket area indicate 8.0 months of housing supply, and 7.0 months in Ringwood Borough, unsatisfied demand does not exist.

3) Background Demographic Demand results from net household formation within a submarket area which can be quantified by formulating a growth projection based upon historical demographic patterns. In developing a forecast of purchase demand for the subject property's location we have analyzed demographic trends at the state and local levels. Based upon population data obtained from The Nielsen Company for 2014, there were 13,398 households living within a 5-mile radius of the redevelopment area of which 12,100 are homeowners (owner-occupied) representing a 90.31% market share. Nielsen has projected that the total number of households within the same 5-mile radius will increase to 13,732 over the next 5 years. Based upon this projection, we forecast a demand increase equivalent to 302 new homes within a 5-mile radius of the subject property over the next 5 years.

Background Demand Analysis - For Sale

5-Mile Radius of Subject Property

	Households	Ratio	Purchase Demand
2014 (existing)	13,398	90.31%	12,100
2019 (projected)	13,732	90.31%	12,402
Projected 5-Year Demand Increase (units)			302
Projected 5-Year Demand Increase (overall growth)			2.49%
Projected Annual Demand Increase			0.50%

4) Induced Demand is defined as that demand which does not currently seek housing in the submarket area but could be persuaded to do so through the availability of additional housing units, proper sales efforts and new demand generators. Based upon our prior analysis of retail and office demand, which found no opportunity for to develop these property types, we do not project any induced demand attributable to the Ringwood redevelopment areas.

The next step in our demand analysis is to determine the purchasing power of area households to quantify their ability to afford homeownership. Based upon current mortgage interest rates, which are approximately 4.25% for a 30-year loan, the cost of amortization is $4.92 per $1,000 of loan principal. Based upon this cost it is possible to calculate the home purchasing power of local area households relative to their annual income. To accomplish this, we have applied the following factors and calculations:

- Monthly housing expense ratio equivalent to 35% of gross income
- Approximate cost of homeowners insurance equivalent to $1,000 per year
- Approximate cost of real estate taxes equivalent to $12,000 per year
- Down payment amounts of 5%, 10% and 20% of the purchase price

The tables below develop separate calculations of home purchase power within a 5-mile and 10-mile radius.

PURCHASING POWER BY AGE MATRIX

Household Income by Age of Householder 2014 - 5 Mile Radius of Subject Property

Household Income by Age		Age 15 - 24	Age 25 - 34	Age 35 - 44	Age 45 - 54	Age 55 - 64	Age 65 - 74	Age 75 - 84	Age 85+
Household Totals		136	941	2,148	3,515	3,242	2,160	995	261
% of Total Households		1.02%	7.02%	16.03%	26.24%	24.20%	16.12%	7.43%	1.95%
Median Household Income		$26,519	$97,173	$113,671	$121,792	$109,632	$70,200	$45,521	$32,806
Affordable Monthly Housing Expense @	35%	$773	$2,834	$3,315	$3,552	$3,198	$2,048	$1,328	$957
Less Cost of Homeowner's Insurance	$1,000	($83)	($83)	($83)	($83)	($83)	($83)	($83)	($83)
Affordable Monthly P-I-T		$690	$2,751	$3,232	$3,469	$3,114	$1,964	$1,244	$874
Less Cost of Real Estate Taxes @	$12,000	($1,000)	($1,000)	($1,000)	($1,000)	($1,000)	($1,000)	($1,000)	($1,000)
Affordable P-I		($310)	$1,751	$2,232	$2,469	$2,114	$964	$244	($126)
Mortgage Principal Equivalent		($62,988)	$355,913	$453,728	$501,877	$429,782	$195,993	$49,673	($25,713)
Purchasing Power - Downpayment @	5%	($66,303)	$374,646	$477,609	$528,292	$452,402	$206,308	$52,288	($27,066)
Purchasing Power - Downpayment @	10%	($69,987)	$395,459	$504,143	$557,641	$477,535	$217,770	$55,192	($28,570)
Purchasing Power - Downpayment @	20%	($78,735)	$444,892	$567,160	$627,346	$537,227	$244,991	$62,092	($32,141)
Average Purchasing Power		($72,282)	$408,429	$520,677	$575,931	$493,197	$224,912	$57,003	($29,507)

PURCHASING POWER BY AGE MATRIX

Household Income by Age of Householder 2014 - 10 Mile Radius of Subject Property

Household Income by Age		Age 15 - 24	Age 25 - 34	Age 35 - 44	Age 45 - 54	Age 55 - 64	Age 65 - 74	Age 75 - 84	Age 85+
Household Totals		1,501	8,440	16,703	26,815	24,176	15,925	9,838	5,139
% of Total Households		1.38%	7.78%	15.39%	24.71%	22.27%	14.67%	9.06%	4.73%
Median Household Income		$38,187	$92,340	$117,425	$119,272	$109,189	$71,305	$43,442	$30,864
Affordable Monthly Housing Expense @	35%	$1,114	$2,693	$3,425	$3,479	$3,185	$2,080	$1,267	$900
Less Cost of Homeowner's Insurance	$1,000	($83)	($83)	($83)	($83)	($83)	($83)	($83)	($83)
Affordable Monthly P-I-T		$1,030	$2,610	$3,342	$3,395	$3,101	$1,996	$1,184	$817
Less Cost of Real Estate Taxes @	$12,000	($1,000)	($1,000)	($1,000)	($1,000)	($1,000)	($1,000)	($1,000)	($1,000)
Affordable P-I		$30	$1,610	$2,342	$2,395	$2,101	$996	$184	($183)
Mortgage Principal Equivalent		$6,191	$327,259	$475,985	$486,936	$427,155	$202,544	$37,347	($37,227)
Purchasing Power - Downpayment @	5%	$6,516	$344,483	$501,037	$512,564	$449,637	$213,204	$39,313	($39,186)
Purchasing Power - Downpayment @	10%	$6,878	$363,621	$528,873	$541,040	$474,617	$225,049	$41,497	($41,363)
Purchasing Power - Downpayment @	20%	$7,738	$409,074	$594,982	$608,670	$533,944	$253,180	$46,684	($46,533)
Average Purchasing Power		$7,104	$375,547	$546,219	$558,785	$490,183	$232,430	$42,858	($42,720)

A summary of our findings appear in the table below which calculates the average purchasing power within both the 5-mile and 10-mile radii.

PURCHASING POWER BY AGE MATRIX

Household Income by Age of Householder 2014

	Age 15 - 24	Age 25 - 34	Age 35 - 44	Age 45 - 54	Age 55 - 64	Age 65 - 74	Age 75 - 84	Age 85+
5-Mile Radius	($72,282)	$408,429	$520,677	$575,931	$493,197	$224,912	$57,003	($29,507)
10-mile Radius	$7,104	$375,547	$546,219	$558,785	$490,183	$232,430	$42,858	($42,720)

To provide a context for the purchasing power calculations above we have investigated market pricing for new construction projects offering detached-single-family and attached-townhouse type housing. This competitive set reflects a representative sampling of new construction and is therefore not an all-inclusive listing of projects.

Each of these projects is summarized on the following pages.

COMPETITIVE SFD DEVELOPMENT #1
CLOVERDALE
Hardyston Township - Sussex County

Proximity to Subject	15.91 miles
Developer	Crystal Springs Builders
Developer Web Site	www.crystalspringsbuilders.com
Market Segment	All-Age / Market-Rate
Product Type	Single Family
Total Units	35
Net Sales	22
Unsold Units	13
Average Lot Size	0.33 acres
Average House Size (SF)	2,395
Average Base Price	$469,746
Average Price/SF	$196.14
Marketing Period	Since August 24, 2009
Project Life (Months)	57
Sales Velocity (Project Life)	0.39
Net Sales (Past 90 Days)	1
Sales Velocity (Past 90 Days)	0.33
Standing Inventory	None
Incentives	None
Sources of Buyers	Local
Upgrades (average)	Not available
Basement	Full / Unfinished
Garage	2 Car Garage
Site Premiums	$30,000 - $120,000 (golf course lots)

AMENITIES: Clubhouse, golf courses, indoor & outdoor swimming pools, tennis courts, restaurants & banquet facilities, health club & spa, planned social events

PRICING MATRIX

Model Names	Canoe Brook I	Evergreen	Glen Eagle I	Baltusrol	Canoe Brook II	Augusta	Canoe Brook III
House Size (sf)	1,628	2,063	2,124	2,205	1,975	2,120	2,138
Base Price	$384,900	$404,900	$414,900	$424,900	$429,900	$459,900	$459,900
$ Price / SF	$236.43	$196.27	$195.34	$192.70	$217.67	$216.93	$215.11

Model Names	Glen Eagle II	Glen Eagle III	Forest Hills	Glen Eagle IV	Hawks Nest I	Hawks Next II
House Size (sf)	2,469	2,612	2,637	2,900	2,955	3,308
Base Price	$459,900	$487,900	$499,900	$519,900	$539,900	$619,900
$ Price / SF	$186.27	$186.79	$189.57	$179.28	$182.71	$187.39

Average base price:	$469,746
Average house size:	2,395
Average price per sf:	$196.14

COMPETITIVE SFD DEVELOPMENT #2
BRECIA FARMS
Hardyston Township - Sussex County

Proximity to Subject	17.61 miles
Developer	Aandrei J. Investors, LLC
Developer Web Site	www.breciafarms.com
Market Segment	All-Age / Market-Rate
Product Type	Single Family
Total Units	20
Net Sales	2
Unsold Units	18
Average Lot Size	1.50 acres
Average House Size (SF)	2,867
Average Base Price	$421,567
Average Price/SF	$147.06
Marketing Period	Since December 2007
Project Life (Months)	77
Sales Velocity (Project Life)	0.03
Net Sales (Past 90 Days)	0
Sales Velocity (Past 90 Days)	0.00
Standing Inventory	1
Incentives	None
Sources of Buyers	Not available
Upgrades (average)	Not available
Basement	Full / Unfinished
Garage	2-3 Car Garage
Site Premiums	$10,000 - $15,000

AMENITIES: None

PRICING MATRIX

Model Names	Davon	Aandrei	Junie	Thalia	Anthony	Claudia
House Size (sf)	2,450	2,600	2,700	3,000	3,150	3,300
Base Price	$369,900	$389,900	$409,900	$439,900	$449,900	$469,900
$ Price / SF	$150.98	$149.96	$151.81	$146.63	$142.83	$142.39

Average base price:	$421,567
Average house size:	2,867
Average price per sf:	$147.06

COMPETITIVE SFD DEVELOPMENT #3
FAIRWAYS AT WALLKILL RIVER
Hamburg Borough - Sussex County

Proximity to Subject	16.90 miles
Developer	Lorterdan Properties, LLC
Developer Web Site	http://thefairwaysatwallkillriver.com
Market Segment	All-Age / Market-Rate
Product Type	Single Family
Total Units	67
Net Sales	21
Unsold Units	46
Average Lot Size	Common Areas - Condominium Ownership
Average House Size (SF)	2,015
Average Base Price	$299,950
Average Price/SF	$148.86
Marketing Period	Since June 2011
Project Life (Months)	35
Sales Velocity (Project Life)	0.60
Net Sales (Past 90 Days)	3
Sales Velocity (Past 90 Days)	1.00
Standing Inventory	1
Incentives	None
Sources of Buyers	Local
Upgrades (average)	$20,000
Basement	Considered an option
Garage	2 Car Garage
Site Premiums	0 - $15,000

AMENITIES: 5,000 Ft^2 clubhouse and swimming pool

PRICING MATRIX

Model Names	Allaire	Buckingham	Cambridge II
House Size (sf)	1,706	2,139	2,200
Base Price	$269,950	$309,950	$319,950
$ Price / SF	$158.24	$144.90	$145.43

Average base price:	$299,950
Average house size:	2,015
Average price per sf:	$148.86

COMPETITIVE SFD DEVELOPMENT #4
GLENVIEW HILLS
Town of Warwick - Orange County, NY

Proximity to Subject	17.96 miles
Developer	Beazer Homes
Developer Web Site	www.beazer.com
Market Segment	All-Age / Market-Rate
Product Type	Single Family
Total Units	93
Net Sales	56
Unsold Units	37
Average Lot Size	0.50 acres
Average House Size (SF)	2,526
Average Base Price	$381,240
Average Price/SF	$150.91
Marketing Period	Since May 2007 but discontinued market for approx. 2 years
Project Life (Months)	60
Sales Velocity (Project Life)	0.93
Net Sales (Past 90 Days)	3
Sales Velocity (Past 90 Days)	1.00
Standing Inventory	1
Incentives	Free morning room upgrade included
Sources of Buyers	Primarily from NYC Boroughs
Upgrades (average)	$10,000
Basement	Full / Unfinished
Garage	2 Car Garage
Site Premiums	0 - $10,000

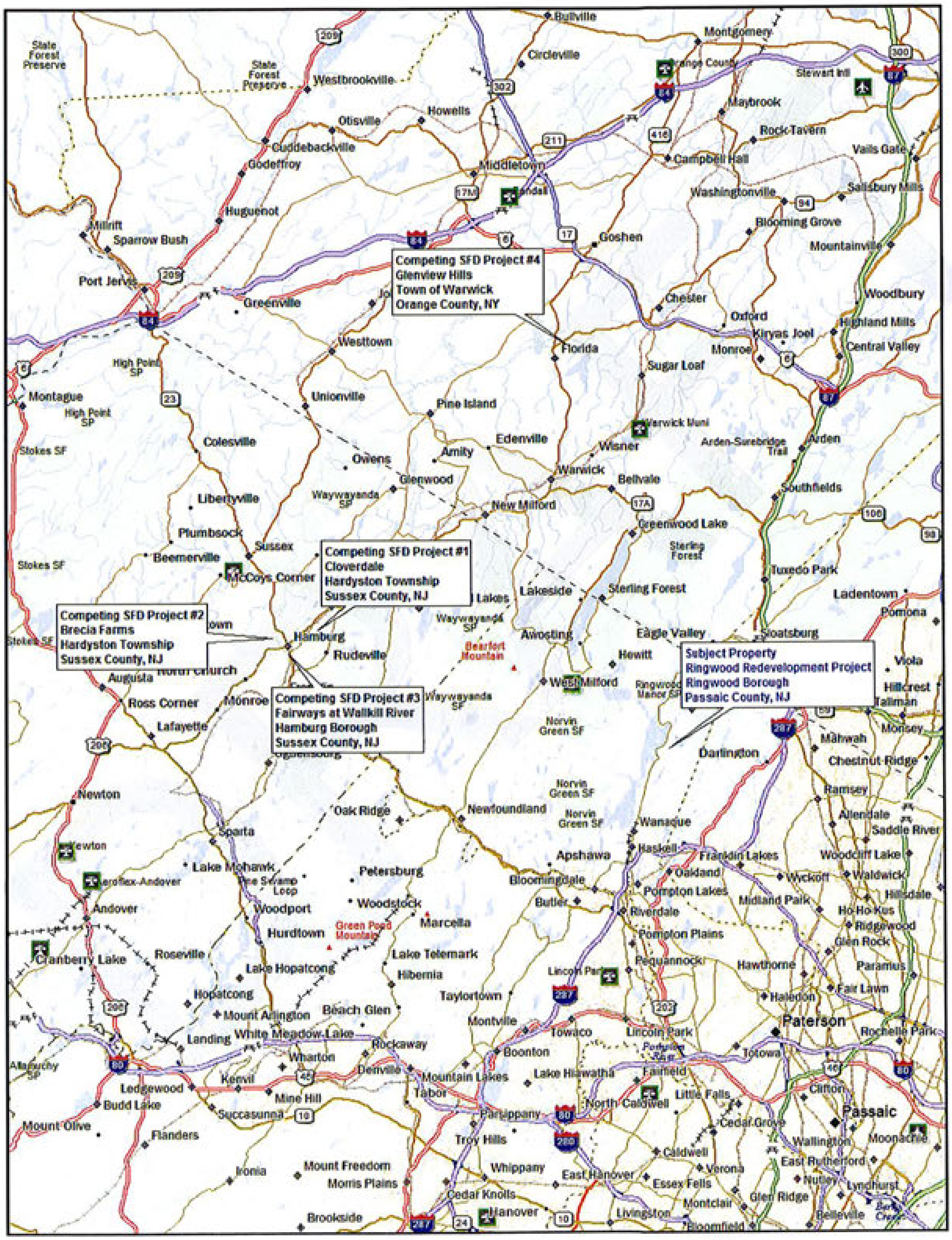
AMENITIES: Clubhouse, swimming pool & recreation center

PRICING MATRIX

Model Names	Harrison	Bradley	Juniper	Jefferson
House Size (sf)	2,093	2,356	2,674	2,982
Base Price	$371,990	$374,990	$382,990	$394,990
$ Price / SF	$177.73	$159.16	$143.23	$132.46

Average base price:	$381,240
Average house size:	2,526
Average price per sf:	$150.91

COMPETITIVE SINGLE FAMILY DEVELOPMENT LOCATION MAP



COMPETITIVE ATTACHED DEVELOPMENT #1
ROUND TOP AT SPARTA
Sparta Township - Sussex County

Proximity to Subject	19.61 miles
Developer	Sparta Builders, LLC
Developer Web Site	http://roundtop.gardenhomes.com/
Market Segment	All-Age, Market-Rate
Product Type	Low-Rise Flats & Townhouses
Total Units	120
Net Sales	119
Unsold Units	1
Average Lot Size	Common Areas - Condominium Ownership
Average House Size (SF)	2,165
Average Base Price	$274,900
Average Price/SF	$126.97
Marketing Period	Since March 2006
Project Life (Months)	98
Sales Velocity (Project Life)	1.21
Net Sales (Past 90 Days)	9
Sales Velocity (Past 90 Days)	3.00
Standing Inventory	Remaining unit is a spec home
Incentives	None
Sources of Buyers	Surrounding counties in NJ & PA
Upgrades (average)	$15,000
Basement	Full / Unfinished
Garage	1-2 Car Garage
Site Premiums	None

AMENITIES: Clubhouse with fitness center & kitchen facility, playground

PRICING MATRIX

Model Names	Colonial	Beekman	Aristocrat
House Size (sf)	1,326	2,165	2,173
Base Price	$209,000	$274,900	$279,900
$ Price / SF	$157.62	$126.97	$128.81
	SOLD OUT		SOLD OUT
Average base price:	$274,900		
Average house size:	2,165		
Average price per sf:	$126.97		

COMPETITIVE ATTACHED DEVELOPMENT #2
FERNDOWN CONDOMINIUMS
Hardyston Township - Sussex County

Proximity to Subject	15.62 miles
Developer	Crystal Springs Builders
Developer Web Site	www.crystalspringsbuilders.com
Market Segment	All-Age, Market-Rate
Product Type	Mid-Rise & Loft-Style Flats
Total Units	144
Net Sales	22
Unsold Units	122
Average Lot Size	Common Areas - Condominium Ownership
Average House Size (SF)	1,385
Average Base Price	$232,900
Average Price/SF	$168.16
Marketing Period	Since April 2012
Project Life (Months)	25
Sales Velocity (Project Life)	0.88
Net Sales (Past 90 Days)	6
Sales Velocity (Past 90 Days)	2.00
Standing Inventory	4
Incentives	$5,000 towards closing costs
Sources of Buyers	Local Buyers (60%); Vacation Buyers (40%)
Upgrades (average)	$10,000
Basement	None
Garage	1 Car Garage w/ select models
Site Premiums	0 - $15,000

AMENITIES: Clubhouse, golf courses, indoor & outdoor swimming pools, tennis courts, restaurants & banquet facilities, health club & spa, planned social events

PRICING MATRIX

Model Names	Losthorn	Clongswell	Castle Rock	Allonsville	Henrik	Mooregate	Bilibogs	Roscoman	Margaid	Frodsham
House Size (sf)	1,200	1,215	1,225	1,230	1,235	1,330	1,385	1,400	1,410	1,575
Base Price	$207,900	$209,900	$217,900	$209,900	$222,900	$224,900	$232,900	$249,900	$269,900	$249,900
$ Price / SF	$173.25	$172.76	$177.88	$170.65	$180.49	$169.10	$168.16	$178.50	$191.42	$158.67

Average base price:	$232,900
Average house size:	1,385
Average price per sf:	$168.16

COMPETITIVE ATTACHED DEVELOPMENT #3
PEMBRIDGE TOWNHOMES
Hardyston Township - Sussex County

Proximity to Subject	15.62 miles
Developer	Crystal Springs Builders
Developer Web Site	www.crystalspringsbuilders.com
Market Segment	All-Age, Market-Rate
Product Type	Townhouses
Total Units	22
Net Sales	14
Unsold Units	8
Average Lot Size	Common Areas - Condominium Ownership
Average House Size (SF)	2,181
Average Base Price	$379,900
Average Price/SF	$174.16
Marketing Period	Since April 2013
Project Life (Months)	13
Sales Velocity (Project Life)	1.08
Net Sales (Past 90 Days)	3
Sales Velocity (Past 90 Days)	1.00
Standing Inventory	None
Incentives	Paid taxes & maintenance fees for 1 year (Up to $12,900 value)
Sources of Buyers	Local Buyers (60%); Vacation Buyers (40%)
Upgrades (average)	$20,000
Basement	Full / Unfinished
Garage	2 Car Garage
Site Premiums	None

AMENITIES: Clubhouse, golf courses, indoor & outdoor swimming pools, tennis courts, restaurants & banquet facilities, health club & spa, planned social events

PRICING MATRIX

Model Names	Ballantyne	Cardiff	Dorset
House Size (sf)	1,813	2,202	2,529
Base Price	$309,900	$379,900	$449,900
$ Price / SF	$170.93	$172.52	$177.90

Average base price:	$379,900
Average house size:	2,181
Average price per sf:	$174.16

COMPETITIVE ATTACHED DEVELOPMENT #4
HIDDEN CREEK AT MONROE
Town of Monroe - Orange County, NY

Proximity to Subject	16.94 miles
Developer	Herskowitz Builders
Developer Web Site	http://www.hiddencreekny.com
Market Segment	All-Age, Market-Rate
Product Type	Townhouses
Total Units	134
Net Sales	100
Unsold Units	34
Average Lot Size	Common Areas - Condominium Ownership
Average House Size (SF)	2,171
Average Base Price	$314,567
Average Price/SF	$144.89
Marketing Period	Since October 2009
Project Life (Months)	55
Sales Velocity (Project Life)	1.82
Net Sales (Past 90 Days)	3
Sales Velocity (Past 90 Days)	1.00
Standing Inventory	1
Incentives	None
Sources of Buyers	Local, NYC Boroughs & Northern NJ
Upgrades (average)	$10,000
Basement	None
Garage	2 Car Garage
Site Premiums	0 - $12,000

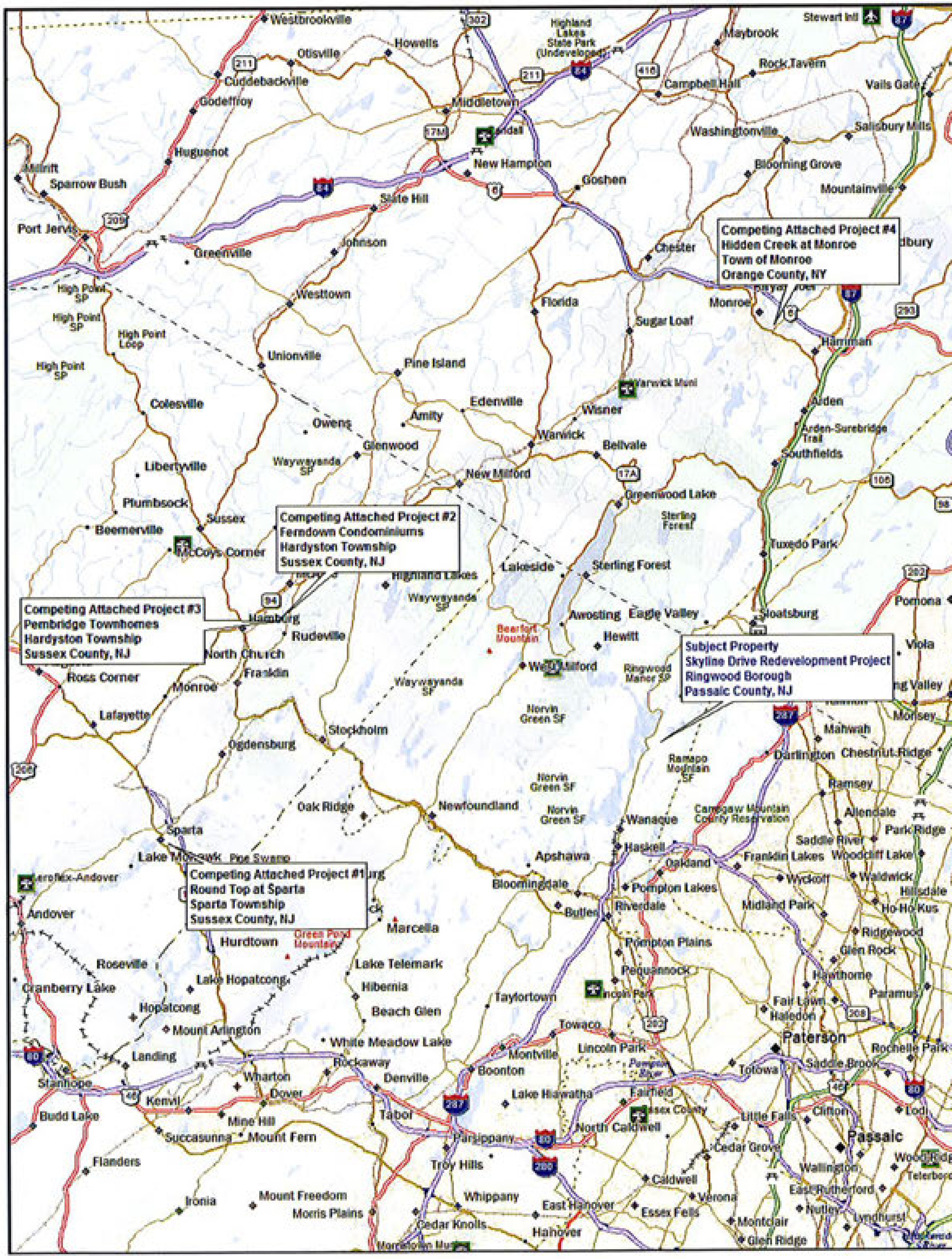
AMENITIES: Outdoor swimming pool, basketball court, fitness center, billiards & entertainment room, playground, walking trails

PRICING MATRIX

Model Names	The Harriman	The Tuxedo	The Woodbury
House Size (sf)	2,161	2,176	2,176
Base Price	$309,900	$319,900	$313,900
$ Price / SF	$143.41	$147.01	$144.26

Average base price:	$314,567
Average house size:	2,171
Average price per sf:	$144.89

COMPETITIVE ATTACHED DEVELOPMENT LOCATION MAP



This competitive set for detached-single family homes indicates base prices ranging from a low of $299,950 to a high of $381,240.

COMPETITIVE SET Detached-Single-Family Homes				
	OMPETING PROJECT	OMPETING PROJECT	OMPETING PROJECT	OMPETING PROJECT
Project Name	Cloverdale	Brecia Farms	Fairways at Wallkill River	Glenview Hills
Developer	Crystal Springs Builders	Aandrei J. Investors, LLC	Lorterdan Properties, LLC	Beazer Homes
Municipality	Hardyston Township	Hardyston Township	Hamburg Borough	Town of Warwick
County	Sussex County, NJ	Sussex County, NJ	Sussex County, NJ	Orange County, NY
Average Base Price	$469,746	$421,567	$299,950	$381,240
Average House Size	2,395	2,867	2,015	2,526
Base Price Per SF	$196	$147	$149	$151
Total Units	35	20	67	93
Project Life (mos.)	57	77	35	60
Net Sales - Project Life	22	2	21	56
Net Sales - 90 Days	1	0	3	3
Sales Pace - Project Life	0.39	0.03	0.60	0.93
Sales Pace - 90 Days	0.33	0.00	1.00	1.00

This competitive set for attached-townhouses indicates base prices ranging from a low of $232,900 to a high of $379,900.

COMPETITIVE SET Attached-Townhouses				
	OMPETING PROJECT	OMPETING PROJECT	OMPETING PROJECT	OMPETING PROJECT 4
Project Name	Round Top at Sparta	Ferndown Condominiums	Pembridge Townhomes	Hidden Creek at Monroe
Developer	Garden Homes	Crystal Springs Builders	Crystal Springs Builders	Herskowitz Builders
Municipality	Sparta Township	Hardyston Township	Hardyston Township	Town of Monroe
County	Sussex County, NJ	Sussex County, NJ	Sussex County, NJ	Orange County, NY
Average Base Price	$274,900	$232,900	$379,900	$314,567
Average House Size	2,165	1,385	2,181	2,171
Base Price Per SF	$127	$168	$174	$145
Total Units	120	144	22	134
Project Life (mos.)	98	25	13	55
Net Sales - Project Life	119	22	14	100
Net Sales - 90 Days	9	6	3	3
Sales Pace - Project Life	1.21	0.88	1.08	1.82
Sales Pace - 90 Days	3.00	2.00	1.00	1.00

Comparing these market prices for new single family homes to our prior analysis of purchasing power indicates that adequate household income exists within the 25-34, 35-44, 45-54 and 55-64 age cohorts. Not surprisingly, household income is insufficient however to afford homeownership in the 15-24, 65-74 and 75-84 cohorts.

PURCHASING POWER BY AGE MATRIX

Household Income by Age of Householder 2014

	Age 15 - 24	Age 25 - 34	Age 35 - 44	Age 45 - 54	Age 55 - 64	Age 65 - 74	Age 75 - 84	Age 85+
5-Mile Radius	($72,282)	$408,429	$520,677	$575,931	$493,197	$224,912	$57,003	($29,507)
10-mile Radius	$7,104	$375,547	$546,219	$558,785	$490,183	$232,430	$42,858	($42,720)

Comments on Sales Pace: It is important to note however that the pace of sales at the competitive sets of new construction projects has been extremely weak. For example, the projects offering detached-single family homes have experienced an average sales pace of 0.5 sales per month over their project lives, and 0.6 sales over the most recent 90-day period. Similarly, the projects offering attached-townhouses have experienced an average sales pace of 1.25 sales per month over their project lives, and 1.75 sales over the most recent 90-day period. These performances are insufficient to support new construction projects which typically need to achieve a minimum pace of 3 sales or greater per month to achieve financial viability. Therefore, any new housing construction proposed for the redevelopment area will need to feature design characteristics that are not generally available in other projects as an inducement to achieving a satisfactory pace of sales. Specifically, single family detached homes should be modestly sized with less than 2,400 Ft^2, feature innovative and flexible floor plans to include home offices and optional first-floor master bedrooms; and be situated on small-size lots of less than 8,000 Ft^2. For any townhouse construction, the project should be designed to appeal to both older and younger buyers by including a 1st floor master bedroom model. Other recommended design features are walkability to supporting retail services and open spaces dedicated to recreation.

Home Purchase Demand Segmentation Analysis – Home purchase demand can be generated from a range of demographic cohorts which typically include the following:

- Low Income/Net Worth Households: Attributable to those who are unable to afford market-rate prices and therefore require subsidized affordable housing opportunities such as COAH units.
- New Household Formation: Attributable to young people between the ages of 25-29, living in 1-person or 2-person households, who are beginning their working careers.
- Older Generation-Y: Attributable to households between the ages of 30-34, living in 1-person or 2-person households, who have sufficient earning power and savings to afford the cost of homeownership.
- Family Households: Households with children living at home, who are typically enrolled in local public or private school systems. This demand cohort typically prefers to purchase single-family detached homes which are generally more conducive to family oriented lifestyles.
- Childless-By-Choice Households: Primarily includes households between the ages 35-55, either 1-person or 2-person in size, which have remained childless by choice.
- Empty-Nester Households: primarily includes 55+ households, whose older age children are living independently, who are selling their present homes and transitioning to smaller size housing.

- Relocated Employees: individuals and families who have accepted a job assignment far from their present place of residence and are seeking to purchase a home closer to their new place of employment. Included in this group are transferred employees.
- Transitional Households: includes those who are seeking an alternative living arrangement due to 'changed personal circumstances" attributable to divorce, financial circumstances or the death of a spouse.
- Second Home Buyers: also referred to as vacation-home buyers, consists of higher wealth households who are seeking a vacation home near to recreational amenities such as beaches, rivers, lakes, mountains and ski resorts. Included in this group are 'snow birds', who are generally higher wealth households who are seeking a home in the local market area who also own a home in a warm weather vacation market such as Florida, Arizona or Nevada
- Investors: Speculative and long-term investors interested in purchasing a home for capital appreciation, and/or rental income.

Our demographic analysis of the local submarket area has revealed the following household characteristics which are instructive in forecasting housing demand for the subject project:

- The largest population cohorts living within 10-miles of the redevelopment area are those between 45-54 (50,187 or 16.82%) and 55-64 (42,848 or 14.36%). The former typically consists of family households with children living at home, while the latter reflects aging baby-boomers who are approaching retirement. The next largest cohort is aged 35-44, which is likely to be either childless couples or young families. These findings indicate that a range of housing types should be considered for the redevelopment area including small-lot single family homes ranging between 3-4 bedrooms. The large presence of aging baby-boomers suggests that designing some of the housing development to include a first-floor master bedroom option, also on small lots.

	0 - 3 miles		0 - 5 miles		0 - 10 miles	
		%		%		%
2014 Est. Population by Age	14,839		41,473		298,338	
Age 0 - 4	822	5.54	2,038	4.91	15,747	5.28
Age 5 - 9	862	5.81	2,247	5.42	17,241	5.78
Age 10 - 14	1,006	6.78	2,719	6.56	20,890	7.00
Age 15 - 17	644	4.34	1,764	4.25	13,284	4.45
Age 18 - 20	646	4.35	3,292	7.94	13,272	4.45
Age 21 - 24	749	5.05	2,898	6.99	14,942	5.01
Age 25 - 34	1,351	9.10	3,349	8.08	26,053	8.73
Age 35 - 44	1,748	11.78	4,503	10.86	33,771	11.32
Age 45 - 54	2,582	17.40	6,750	16.28	50,187	16.82
Age 55 - 64	2,354	15.86	5,882	14.18	42,848	14.36
Age 65 - 74	1,360	9.17	3,738	9.01	26,749	8.97
Age 75 - 84	547	3.69	1,718	4.14	15,392	5.16
Age 85 and over	168	1.13	575	1.39	7,963	2.67
2014 Est. Median Age	42.70		40.40		43.20	
2014 Est. Average Age	40.10		39.40		41.10	

- The largest household types, as measured by the household size, living within 10 miles of the site have "2-persons" (33,500 or 30.86%) which is commonly demand for small lot single family homes or multi-family housing in the form or for-sale townhouses or multi-family rental apartments.

	0 - 3 miles		0 - 5 miles		0 - 10 miles	
		%		%		%
2014 Est. Households by Household Size	5,131		13,398		108,542	
1-person household	819	15.96	2,159	16.11	25,094	23.12
2-person household	1,661	32.37	4,375	32.65	33,500	30.86
3-person household	1,045	20.37	2,636	19.67	18,866	17.38
4-person household	1,017	19.82	2,665	19.89	18,783	17.30
5-person household	403	7.85	1,095	8.17	8,236	7.59
6-person household	134	2.61	336	2.51	2,627	2.42
7 or more person household	51	0.99	131	0.98	1,437	1.32

- The largest household type as measured by the presence of children, living within 10 miles of the site is have no children under the age of 18 (70,167 or 64.65%), which is more commonly associated with small lot single family homes or multi-family housing demand in the form or for-sale townhouses or multi-family rental apartments.

	0 - 3 miles		0 - 5 miles		0 - 10 miles	
		%		%		%
Households no People under Age 18:	3,163	61.64	8,241	61.51	70,167	64.65
Married-Couple Family	1,849	58.46	4,796	58.20	34,773	49.56
Other Family, Male Householder	100	3.16	291	3.53	1,918	2.73
Other Family, Female Householder	187	5.91	508	6.16	4,381	6.24
Nonfamily, Male Householder	447	14.13	1,146	13.91	11,697	16.67
Nonfamily, Female Householder	581	18.37	1,500	18.20	17,397	24.79

Support for this finding comes from data published by the New Jersey Department of Education indicting that public school enrollment in Ringwood Borough for grades Pre-K through 8th declined from 1,433 for the 2005-2006 school year to 1,218 for the 2013-2014 school year. This reflects a decline of 215 students, or -15.0%. Ringwood Borough high school students attend Lakeland Regional High School in Wanaque who are not included in these totals. Given the previously identified trend toward fewer households with children living at home, public school enrollment is expected to decline further in the future. This trend also indicates that housing demand will be increasingly concentrated in small lot single family homes or multi-family housing demand in the form or for-sale townhouses or multi-family rental apartments.

Ringwood Borough School Enrollment Totals	
2005-2006	1,433
2013-2014	1,218
Decline (# students)	**-215**
Decline (%)	**-15.0%**

Source: NJ Dept. of Education

- The largest marital status for the population living within 10 miles of the site is "Married, Spouse Present" (137,387 or 56.20%) which corresponds directly to the dual income characteristics necessary to afford homeownership in New Jersey.

	0 - 3 miles		0 - 5 miles		0 - 10 miles	
		%		%		%
2014 Est. Pop Age 15+ by Marital Status	12,149		34,469		244,460	
Total, Never Married	3,571	29.39	9,833	28.53	65,855	26.94
Married, Spouse present	6,959	57.28	19,890	57.70	137,387	56.20
Married, Spouse absent	203	1.67	664	1.93	6,145	2.51
Widowed	545	4.49	1,824	5.29	16,106	6.59
Divorced	872	7.18	2,258	6.55	18,966	7.76

In the case of the subject project, home purchase demand is unlikely to originate from some of these buyer cohorts for the following reasons. Low Income/Net Worth, Transitional Households and New Household Formation households are typically unable to afford the higher cost of market-rate homeownership. Demand is also not anticipated from Relocated Employees, as the redevelopment area is not a corporate employment center. And it is also unlikely that Investors will purchase the proposed market rate townhouses due to the higher costs associated with new construction. We also do not project any significant purchase demand from Second-Home or Vacation-Home buyers as the redevelopment areas being targeted in this study are not waterfront or resort location. However, the proximity of the redevelopment areas to large lakes may result in nominal demand in this category.

Purchase demand is therefore likely to be concentrated in the following demand components in decreasing order of tendency:

- Primary Target Purchasers
  - Older Generation-Y: Attributable to households between the ages of 30-34, single or married, who reside regionally or are employed locally or regionally, and have sufficient income and savings to afford homeownership. Based upon the previously discussed trend whereby a declining share of local households have children living at home, these buyers will likely prefer modestly sized homes ranging between 3-4 bedrooms to be constructed on small lots.
  - Childless-By-Choice Households: Primarily includes households between the ages 35-55, either 1-person or 2-person in size that have remained childless by choice.
  - Empty Nester Households seeking to downsize, who overwhelmingly prefer to move into smaller size single family homes or townhouses.
- Secondary Target Purchasers
  - Family Households typically prefer single family detached housing which is more conducive to family lifestyles.

- Tertiary Target Purchasers
  - Widows & Divorcees - who presently reside locally or are employed locally, who would be selling their primary residence and transitioning to small-lot single family or townhouse living.

With regard to the geographical origin of prospective purchasers, one of the few sources of area-to-area migration data in the United States is the Statistics of Income Division (SOI) of the Internal Revenue Service (IRS), which maintains records of all individual income tax forms filed in each year. This raw data is then geographically coded by the US Census Bureau to identify the "sending & receiving" areas associated with household migration. The table below indicates the top 10 sending areas from which households are moving into Passaic County, according to the IRS data:

Passaic County - Inbound				Hshld Income
1	NJ	Bergen County	2,556	$52,685
2	NJ	Essex County	1,057	$51,254
3	NJ	Morris County	768	$54,160
4	NJ	Hudson County	570	$50,777
5	NY	New York County	280	$53,536
6	NY	Bronx County	266	$29,526
7	NJ	Sussex County	195	$47,226
8	NJ	Middlesex County	180	$51,572
9	NY	Kings County	166	$37,886
10	NJ	Union County	163	$50,736

Source: Internal Revenue Service & Otteau Valuation Group

Based upon our review of this data we project that purchase demand for proposed for-sale dwellings will primarily originate from within Passaic County, as well as from Bergen, Essex and Morris Counties. Such migrant purchasers will likely be seeking lower home prices in the Ringwood area as a trade-off for the greater commuting distances to their places of employment.

In reconciling our entire demand analysis to the Ringwood redevelopment areas, we note our earlier projection for 302 homes within a 5-mile radius. The next step in our analysis is to allocate this for-sale housing demand to Ringwood. The 5-mile radius includes all of Ringwood Borough as well as portions of surrounding West Milford, Wanaque, Oakland and Mahwah. It also includes a small slice of land area to the north in Rockland and Orange Counties.

Ringwood Borough displaces an area of 28.2 miles^2, which accounts for 36% of the 78.5 miles^2 within the 5-mile radius. In allocating housing demand to Ringwood, we will increase the 36% factor to 60% for the following reasons:

- The high household income levels in Ringwood, which are significantly greater than for Passaic County and New Jersey overall.
- Redevelopment areas have the potential to capture more than their fair-share of housing demand through innovative zoning that permits housing product types that are not generally available in the market area (e.g. small-lot-single family homes).
- The potential for capturing home purchase demand associated with 55+ age households transitioning out of their current empty-nest homes.
- The pricing of new housing developed in Ringwood would have the competitive advantage of being less expensive than in Oakland and Mahwah which are located in Bergen County
- The portions of New York's Rockland and Orange Counties that are included in the 5-mile radius are primarily low-density rural areas which are unlikely to account for significant residential development
- The presence of numerous lakes in the Ringwood area which offers recreational attractions to local residents.

Therefore, projection for the Ringwood redevelopment areas calls for new construction demand of 181 for-sale homes over the next 5 years.

Background Demand Analysis - For Sale Ringwood Borough		
For-Sale Housing Demand		302
Ringwood Allocation @	60%	181

AGE-RESTRICTED HOUSING MARKET ANALYSIS

While market conditions for all-age housing have improved significantly over the past several years, demand for age-restricted homes has remains for the following reasons:

Shallow Demand - It is significant to note in this regard that the target population for 55+ housing demand is relatively small compared to the overall housing demand. In New Jersey, the demographic cohorts who comprise the entire range of home buyers typically ranges from 25 to 74 years of age, representing 61% of the state's total population. By contrast, the statewide target buyer cohort for Age-Restricted housing, which ranges between 55-74 years of age, comprises only 21% of the state's population.

An examination of the local population residing within a 3-mile, 5-10 and 10-mile radius of the proposed project indicates a similar mass ranging between 23%-25% in the age range of 55-74 years. This compares to 58%-62% across the entire homebuyer spectrum of 25-74 years and 35%-38% between 25-54 years of age (see chart below).

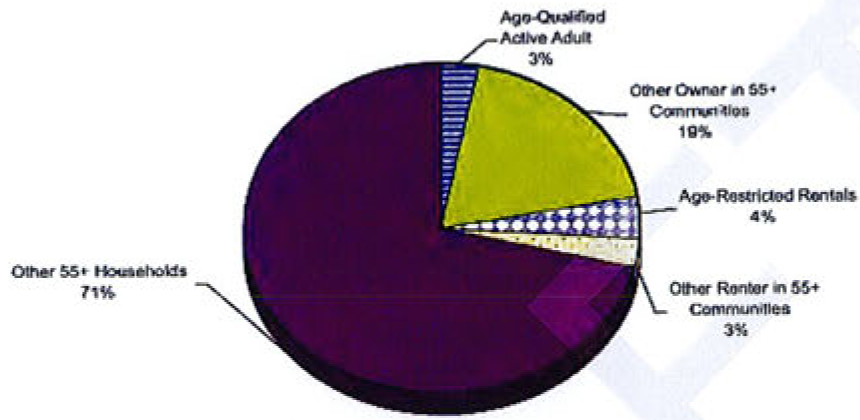
2014 ESTIMATED POPULATION BY AGE

	3.00 miles		5.00 miles		10.00 miles	
Age 25-74	9,395	63%	24,222	58%	179,608	60%
Age 25-54	5,681	38%	14,602	35%	110,011	37%
Age 55-74	3,714	25%	9,620	23%	69,597	23%

Aging in Place - Beyond the relatively shallow pool of potential home buyers, weak demand for Age-Restricted housing sector is also attributable to a shift in preferences among Baby-Boomers who are increasingly opting to age-in-place in their current homes instead of making the move to 55+ housing. A 2003 study conducted by Pulte Homes found that 59% of Baby Boomers planned on moving out of their present homes and into another home. However, a later study by AARP conducted in 2008 reported that this projection had declined to only 21%, reflecting a 64% reduction from the prior study findings. The reason for this change is that 79% of Baby Boomers indicated a preference to stay in their current homes and *Age-In-Place*. This shift in Baby-Boomer intentions has dramatically reduced demand for age-restricted housing both now, and for the foreseeable future.

The same 2008 AARP study also reported that some 55+ households have had, or are currently experiencing an adult child returning home, or never leaving home. The study further found that while this usually happens for economic reasons, it is not necessarily specifically related to the current economic crisis. Given the limitations that most age-restricted communities place on younger children living in the home, this is considered an additional factor in the limited demand for 55+ housing.

Evidence of the shallow market for age-restricted housing comes from a joint study published in April 2009 by The MetLife Mature Market Institute and the National Association of Home Builders which found that only 3% of 55+ households live in age-qualified active adult housing.



An update to this study published in January 2011 indicated that the number of 55+ households in the US increased from 38,873,812 in 2007 to 39,603,135 in 2009. Despite this increase of 729,323 households over the age of 55, # of those households living in 55+ households declined from 1,155,882 to 1,090,451. This means that move-outs (represented by voluntary choices and involuntary deaths) exceeded move-ins.

Domestic Outmigration – Directly relevant to projecting real estate demand, and more specifically to age-restricted demand, are demographic trends in New Jersey whereby outmigration has been occurring at an elevated pace in recent years. From this perspective, future demand for age-restricted housing is dampened as older age residents opt to leave New Jersey in favor of states with lower living and housing costs. Net Domestic Migration represents the net flow of residents moving into the state from another state verses those moving out of New Jersey to another state now. New Jersey now ranks among the highest in the US in this regard due in part to older age residents relocating to other states offering lower housing costs and a lower overall cost of living (*see prior discussion of this trend in the Economic and Demographic Trends section of this report).*

These domestic outmigration trends are anticipated to have a substantial effect on future housing demand for age-restricted housing as older-age residents on fixed incomes are disproportionately affected by the higher cost of living in New Jersey. As a result, this trend threatens to further weaken demand for age-restricted housing in future years by reducing the potential buyer pool.

Marketwide Effects – The overall weakness in the Age-Restricted housing has been widely evidenced in reduced sales pace, unfinished and failed projects. Also significant is that home price declines contemporaneous with 'The Great Recession' were of much greater magnitude for Age-Restricted housing. The New Jersey legislature took notice of these conditions with the enactment of bill S2577 (Sarlo/Vitale/Greenwald/Malone) on July 2, 2009 which allowed for the conversion of age-restricted housing developments subject to certain conditions. The preamble to that legislation made note of the oversupply of age-restricted housing in the state, and a corresponding shortage of All-Age small-lot single family housing.

Excessive Oversupply – As a result of these conditions, there is an oversupply of age-restricted housing in New Jersey, both existing and planned. Based upon supply & demand factors, the unsold inventory of age-restricted homes is measured in years, while all-age housing is measured in months.

There is also widespread recognition of the long term structural problems facing the Age-Restricted housing market as evidenced by the following:

- Numerous published articles have chronicled the systemic weakness in age-restricted housing.
- Many Age-Restricted new construction projects have been stalled and unable to proceed with development and construction
- Lending institutions are generally unwilling to finance new construction of age-restricted projects due to a lack of economic feasibility.
- Municipalities have permitted many Age-Restricted new construction projects to proceed as All-Age housing, either voluntarily or pursuant to S2577.
    - Note: Governor Jon Corzine signed bill S2577 (Sarlo/Vitale/Greenwald/Malone) on July 2, 2009 which allowed for the conversion of age-restricted housing developments subject to certain conditions. The time limit for conversion under this bill has since expired.

While present day and near term prospects for 55+ Age-Restricted housing projects are grim, the long term presents even greater challenges. This is because the retirement of the Baby-Boom generation, which began in 2011, as they turned age 65 at a pace of 10,000 per day (US) and 105,000 per year (NJ) includes a substantial number of households that are financially unprepared for what lies ahead.

- The economic recession and ensuing crisis in the financial markets that reached a peak in the Fall of 2008 resulted in US households losing a combined $13-Trillion in net worth comprised primarily of declines in home equity and retirement savings through Spring 2009.

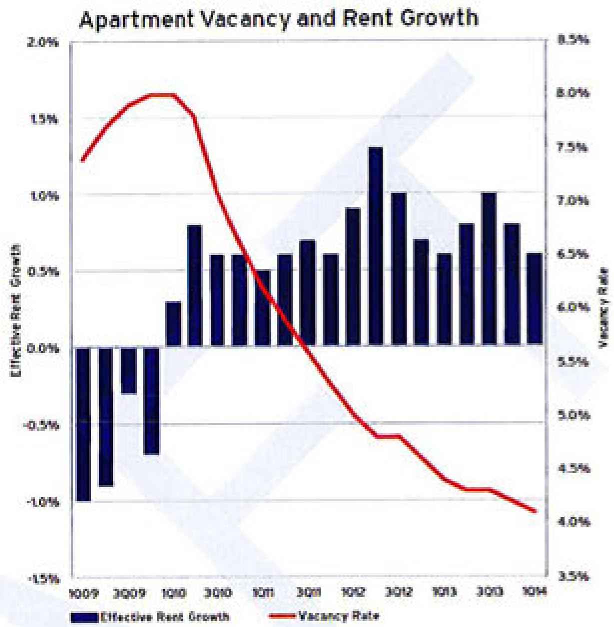
- A recent study published by McKinsey& Co. indicates that 1/3 of US households have no retirement savings and that only 4% of middle-income married couples who don't have a pension and are nearing retirement are likely to have enough money to last their lifetime.
- A recent study by Ernst & Young concluded that persons that households that are 5-10 years away from retirement have a higher risk of outliving their financial assets than those currently at retirement age and that 60% of middle-class retirees will outlive their retirement savings. The study further opined that in order to avoid outliving their retirement assets, workers aged 55 to 59 will have to increase their savings substantially or work beyond age 65. This indicates reduced demand for Age-Restricted housing as Baby-Boomers opt to age-in-place in order to remain close to their present place of employment.

Based upon these study findings it appears likely that New Jersey's high rate of domestic outmigration will accelerate as retiring households opt to relocate to lower cost of living states. The effects of such outmigration would be to further weaken 55+ housing demand in future years.

Yet another long term challenge for the age-restricted housing market will occur in 10 years, as baby-boomers will be turning age 75. Given that the following generation, commonly referred to as Generation-X or Baby-Bust is 40% smaller in number, it appears that demand for age-restricted homes will be insufficient to absorb the resale of Baby-Boomer houses as the increased pace of full-retirements accelerates outmigration from the state.

As a result, the sustainability of existing age-restricted housing developments, both in terms of housing demand and fiscal budgeting, is anticipated to be further threatened. From this perspective, the long term financial viability of existing age-restricted housing projects is tenuous. We therefore conclude that developing age-restricted housing in Ringwood Borough lacks financial viability.

RENTAL HOUSING MARKET ANALYSIS



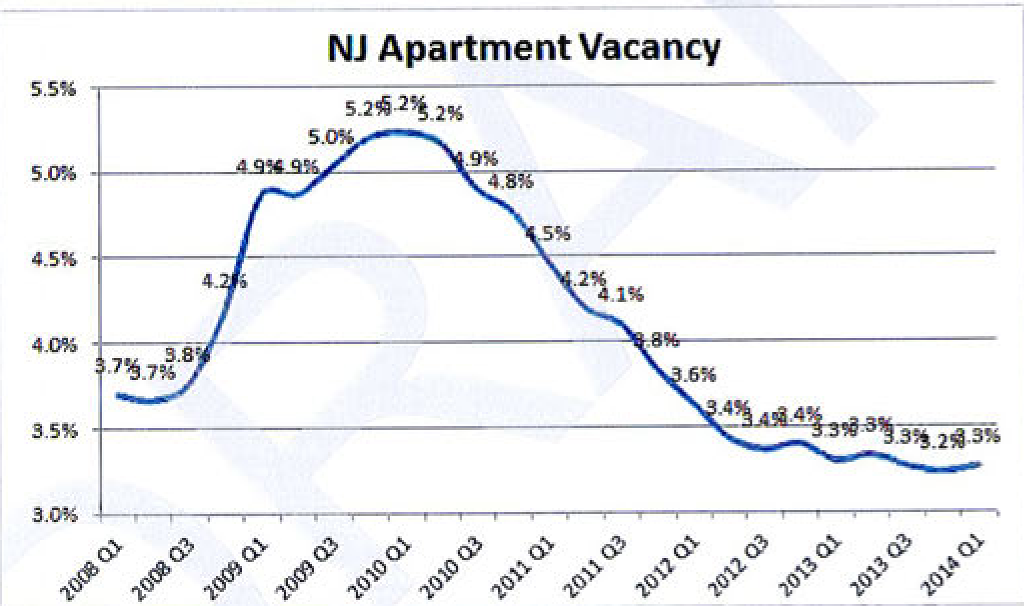
National Trends - Demand for apartments remains strong four years after the recovery began, even as construction activity has gradually been increasing. The national vacancy rate plunged 20 basis points in 2014.Q1, ending the quarter at 4.0%. Much like most sectors of the economy, the sector was severely bludgeoned by the recession, with vacancies reaching a 30-year high in late 2009 as levels peaked at 8.0%. That historic level has now been cut by half, and is 140 basis points below the long-term average of 5.4%.

In 2014's first quarter, net absorption remained healthy, despite dire predictions of a slowdown in hiring and household formation due to an unusually cold and prolonged winter. The national apartment market absorbed 41,881 units, down slightly versus last quarter's 48,325 but nonetheless the strongest figure for a first quarter since 2011. Completions during the first quarter totaled 25,745 units. This is a pullback from last quarter's 45,203, though inclement weather may have caused some delays. Construction is still on an upswing, with close to 130,000 units coming online in 2013. Bad weather is likely to delay, but not cancel projects. 180,000 additional units to be delivered in 2014, with most projects coming online in the latter half of the year.

Rents are continuing to increase, but at a relatively subdued pace given how low vacancies have fallen. Asking and effective rents grew by 0.5% and 0.6%, respectively, during the first quarter. These represent a slight slowdown relative to the previous quarter, and are the weakest rent growth figures since the first quarter of 2013. On a year over year basis, asking rents grew by 3.1% and effective rents grew by 3.3%.

Rent growth remains relatively weak given the fact that the national average occupancy rate for apartments is 96% occupancy rate. Historical data suggests that at comparably low vacancies, rent growth ought to be stronger by roughly 100 basis points. While market fundamentals have been strong, it remains affected by overall economic conditions. Median household wages have been stagnant, and unless landlords are catering exclusively to the richest segments of the rental market, double-digit annual rent increases have now become much more difficult to extract. To illustrate the slow growth in rents, effective rents rose by 3.9% in 2012, 3.2% in 2013 and 0.6% in 2014.Q1.

<u>Local Trends</u> - In New Jersey, apartment vacancy rates rose slightly in the 1st quarter to 3.3%, reflecting a rise of 10 basis points (bp) over the prior quarter. Still, the state's current vacancy rate is down 190 bp from the 5.2% cyclical peak recorded back in 2010, and 70 (bp) less than the national rate.



SOURCE: REIS, Otteau Valuation Group

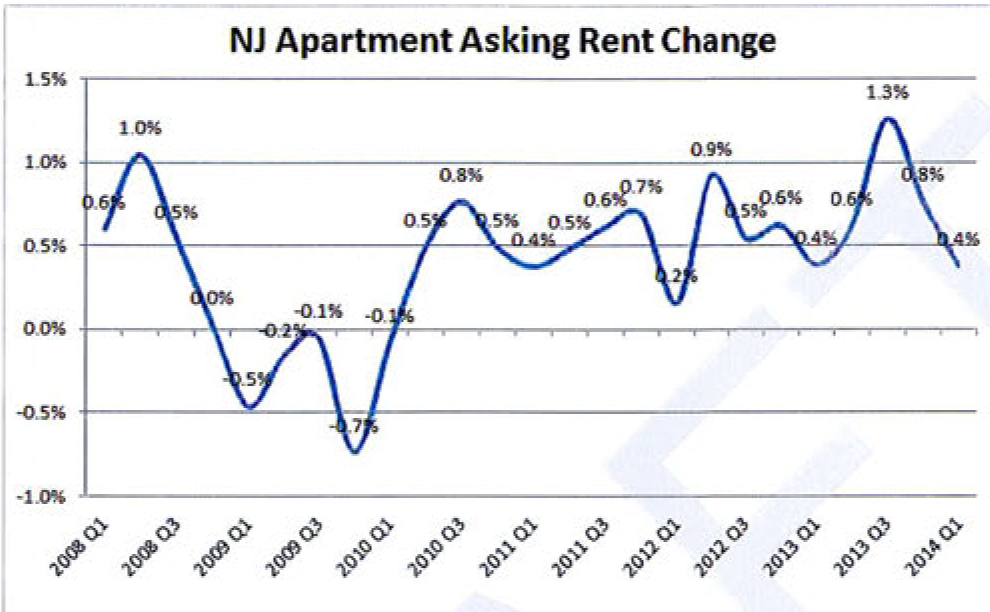
At the regional level, the central part of the state has the lowest vacancy rate of 2.8%. This compares to 3.8% in Northern New Jersey and 3.2% in the Philadelphia/Southern New Jersey submarket. By comparison, the lowest vacancy in the US is New Haven, CT which has a vacancy rate of 2.3%.

New Jersey Multi-Family Rental Market Q1 2014 At-A-Glance				
Market	Asking Rent	Rent Change	Vacancy Rate	Vacancy Change (Basis Pts.)
Central NJ	$1,236	-0.1%	2.80%	-10
Northern NJ	$1,626	0.6%	3.80%	30
NYC	$3,187	0.4%	2.80%	10
Philadelphia/Southern NJ	$1,123	0.5%	3.20%	-10
US	$1,138	0.5%	4.00%	-10

SOURCE: REIS, Otteau Valuation Group

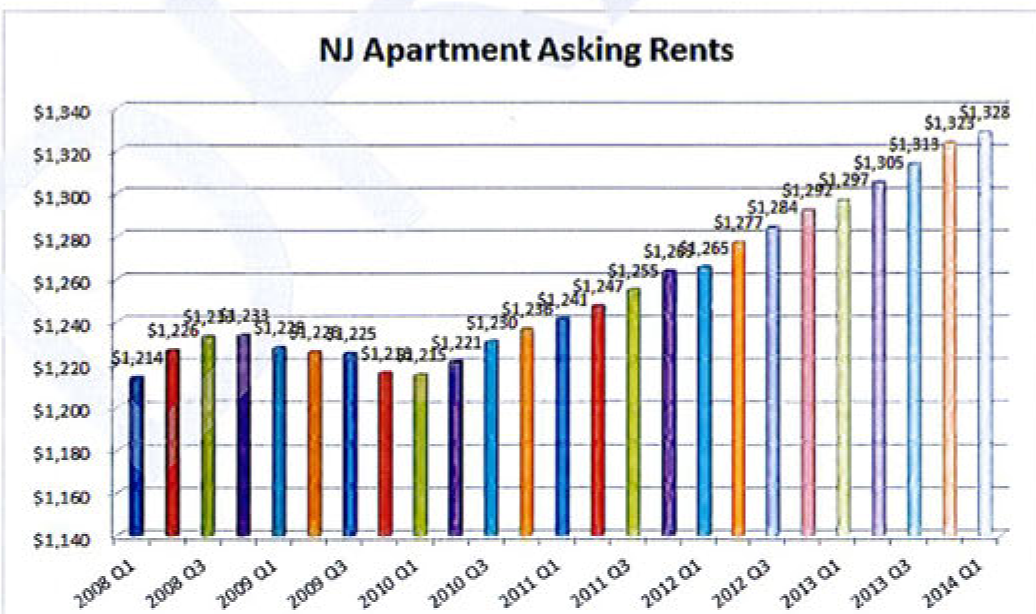
SOURCE: REIS, Otteau Valuation Group

As a result of these strong market fundamentals in New Jersey, asking rents in the state continue to rise on the strength of declining vacancy and rising net positive absorption.



SOURCE: REIS, Otteau Valuation Group

Rental prices for New Jersey apartments have risen steadily since Q2 2010, reaching an average of $1,328 in Q1 2014. As will be discussed later, these average rental price increases relate to New Jersey's aged stock of apartments which have an average age of 39 years. More modern apartments are able to capture significantly higher rents.



SOURCE: REIS, Otteau Valuation Group

In addition to increasing rental pricing, another factor that favors increased construction activity in this sector is that the existing stock of apartments in the state are relatively old with an average year-built of 1975. This indicates that newly constructed buildings will be able to achieve rental price premiums and higher occupancy levels which are likely to induce future construction activity.

Year Built	Percent
Before 1970	52%
1970 - 1979	25%
1980 - 1989	7%
1990 - 1999	5%
After 1999	11%
All	100%
Avg Year Built	1975

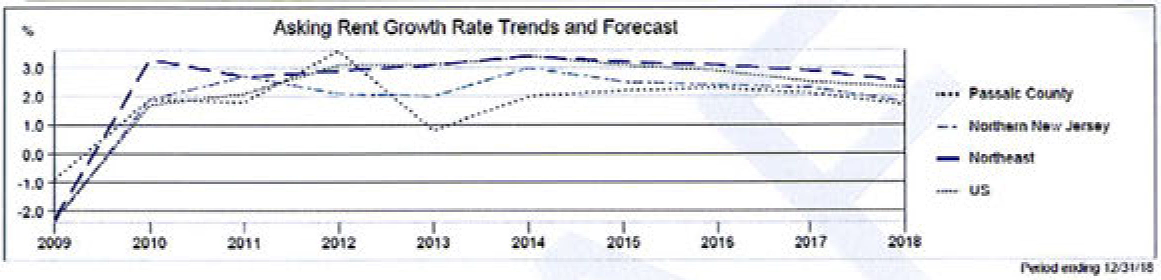
SOURCE: REIS, Otteau Valuation Group

The strong market dynamics for the multi-family apartment sector coupled with the economic and demographic factors previously discussed, rising foreclosure rates and tightened mortgage lending standards suggest continued strong demand for multi-family rental apartments.

Shifting to the submarket level, the subject property is located within the Passaic County submarket area which primarily includes the entire County of Passaic. Asking rents in the Passaic County submarket area have increased at an annualized pace of 0.8% over the past year, and 1.4% over the past 5 years (shown below), while effective rents increased by 0.5% over 1 year and 8.4% over 5 years. Once again, these increases relate primarily to older garden apartment properties that are inferior to new construction.

	Asking Rent Growth						
	Quarterly			Annualized			
	1Q14	4Q13	YTD Avg	1 Year	3 Year	5 Year	5 Yr Forecast
Passaic County	0.3%	-0.2%	0.3%	0.8%	2.1%	1.4%	2.0%
Northern New Jersey	0.6%	0.7%	0.6%	2.0%	2.3%	1.2%	2.4%
Northeast	0.5%	0.9%	0.5%	3.1%	2.9%	1.9%	3.0%
United States	0.5%	0.8%	0.5%	3.1%	2.7%	1.5%	2.8%
Period Ending:	03/31/14	12/31/13	03/31/14	12/31/13	12/31/13	12/31/13	12/31/18

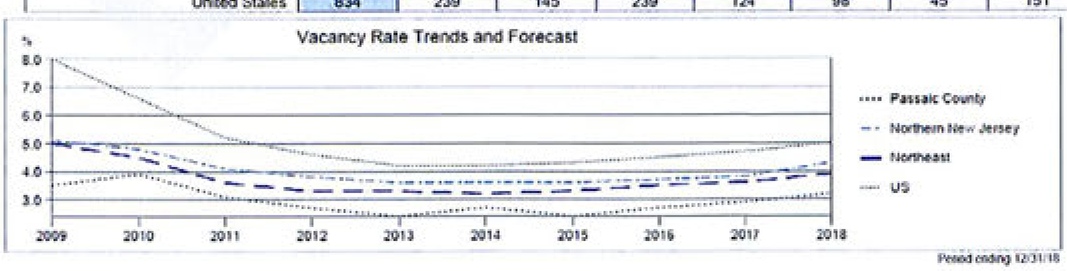
Submarket Rank Compared to:	Total Subs	Submarket Ranks						
		1Q14	4Q13	YTD	1 Year	3 Year	5 Year	5 Yr Forecast
Northern New Jersey	7	3	7	3	7	3	2	3
Northeast	103	51	97	51	95	59	56	64
United States	834	482	745	482	742	513	403	629



An analysis of vacancy rates provides a similar indication of strengthening demand for the rental market in the local submarket area. As shown in the chart below, the mean vacancy rate in the subject property's submarket area has declined from 3.9% in 2010 to 2.9% in Q1 2014 despite the addition of 165 new apartments being constructed. This provides compelling evidence that increasing demand for multi-family apartments is able to absorb the additional supply resulting from new construction.

	Vacancy Rates						
	Quarterly			Annualized			
	1Q14	4Q13	YTD Avg	1 Year	3 Year	5 Year	5 Yr Forecast
Passaic County	2.9%	2.4%	2.9%	2.6%	3.0%	3.0%	2.8%
Northern New Jersey	3.8%	3.6%	3.8%	3.7%	4.1%	4.2%	3.8%
Northeast	3.3%	3.3%	3.3%	3.3%	3.7%	4.0%	3.5%
United States	4.0%	4.2%	4.0%	4.4%	5.2%	5.9%	4.5%
Period Ending:	03/31/14	12/31/13	03/31/14	12/31/13	12/31/13	12/31/13	12/31/18

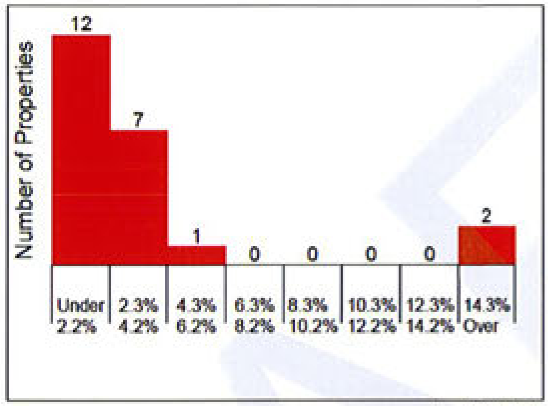
Submarket Rank Compared to:	Total Subs	Submarket Ranks						
		1Q14	4Q13	YTD	1 Year	3 Year	5 Year	5 Yr Forecast
Northern New Jersey	7	2	2	2	3	3	2	4
Northeast	103	49	35	49	34	37	20	34
United States	834	239	145	239	124	98	45	151



The following analysis however indicates a lower median vacancy rate of 1.9% for multi-family apartment properties in the Passaic County submarket area.

Vacancy Rate Distribution

Low	25%	Mean	Median	75%	High
0.2%	0.9%	2.9%	1.9%	2.6%	25.0%



As of 03/31/14

A closer look at the local submarket area indicates that the existing stock of apartments is relatively old. As shown below, the median property age for multi-family apartments in the Passaic County submarket area is 48 years (built in 1966), and the mean property age is 47 years (built in 1967).

Apartment Stock Traits

	Submarket			
	Low	Mean	Median	High
Year Built	1935	1967	1966	2014
Size (units)	84	266	160	1,188
Distance to Highway (miles)	0.1	1	0.8	2.4
Distance to CBD (miles)	8.3	13.6	13.4	22.1
Distance to Landmark (miles)	7.5	10.6	11	14.8

As of 03/31/14

Therefore, any new apartments constructed on the subject site will have a competitive advantage in the marketplace and be able to outperform older existing properties. It is therefore anticipated that any new apartments to be constructed within the redevelopment area will exceed its 'fair share' of occupancy demand and also be able to achieve a higher market rents than existing properties.

Apartment Supply Analysis - The subject apartment development project will primarily compete with existing apartment projects located within the Passaic County submarket area. Using data provided REIS, a leading provider of commercial real estate trend analysis, the supply of competing apartment projects within this submarket area has seen an increase of 165 apartments (average of 41 units per year) reflecting an overall increase of 1.0% over the entire 5 year period from 2009 – 2014, or 33 (0.1%) annually. It is significant to note however that all of that growth is attributable to the recent completion of the Avalon Bloomingdale project in Bloomingdale Borough. This project's 165 apartments equates to a 0.7% increase in apartment inventory which occurred entirely in the 1st quarter of 2.14. Given the trend toward increased apartment construction in New Jersey, future supply growth is likely to outpace the historical rate over the next 5 years (see table below).

Passaic County Submarket Area

Submarket	Sector	Year	Inventory (SF/Units)	Inventory Growth	New Construct	Conversions	Vac %	Vacant Stock	Occupied Stock	Occupied Growth	Net Absorption	Asking Rent % Chg	Eff Rent % Chg
Passaic County	Apt	2009	24,088	0.0%	0	0	3.5%	843	23,245	n/a	-241	-0.9%	-2.0%
Passaic County	Apt	2010	24,088	0.0%	0	0	3.9%	939	23,149	-0.4%	-96	1.9%	0.6%
Passaic County	Apt	2011	24,088	0.0%	0	0	3.1%	747	23,341	0.8%	192	1.8%	2.4%
Passaic County	Apt	2012	24,088	0.0%	0	0	2.7%	650	23,438	0.4%	97	3.6%	4.3%
Passaic County	Apt	2013	24,088	0.0%	0	0	2.4%	590	23,498	0.3%	60	0.8%	0.8%
Passaic County	Apt	2014	24,253	2.7%	165	0	2.9%	703	23,550	0.2%	52	0.3%	0.2%

Note: 2.7% Inventory Growth in 2014 reflects Q1 pace projected out over a full year

These trends of limited new construction coupled with rising occupancy levels and rental pricing provide a strong indication that the construction of additional apartment units can be accommodated from a demand perspective.

Pipeline Supply Analysis - In quantifying future growth in the supply of available apartment units it is necessary to account for additional inventory growth in the local area. Quantifying future apartment projects that may be developed at some later date is however a speculative process due to the uncertainty of such projections. Some projects in the planning and pre-planning stage may never be constructed due to economic conditions or financial considerations while others may see changes to their initial plans that affect a project's design, apartment competitive market segment, and amenities. Additional supply growth will likely result as increased rental demand spurs more projects to be constructed in the future. In developing our projection we have accounted for annualized construction activity equivalent to 1.0% of current supply in 2014, then increasing to 1.5% in 2015, and then slowing to 1% in 2020 and beyond. This compares to an historical increase averaging only 0.14% over the past 5 years.

Competitive Apartment Supply Projection

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Existing Supply	24,253	24,496	24,863	25,236	25,615	25,999	26,389	26,653	26,919	27,188	27,460
Pipeline Supply (%)	1.00%	1.50%	1.50%	1.50%	1.50%	1.50%	1.00%	1.00%	1.00%	1.00%	1.00%
Pipeline Supply (Apts)	243	367	373	379	384	390	264	267	269	272	275
Total Supply *	24,496	24,863	25,236	25,615	25,999	26,389	26,653	26,919	27,188	27,460	27,735

As presented in the above table, we have accounted for a total supply increase from 24,253 apartments in 2014 to 27,735 by year-end 2024, representing an increase of 3,482 (14.4% growth) in total inventory over the 10 year forecast period. On an annual basis, we project an increase of 317 new construction units per year from 2014 through 2024.

Demand Analysis – Demand for apartments in any given area is measured by occupancy levels and average rental rates. Although these statistics vary between properties due to age, condition, location and marketing efforts, a review of area occupancy levels and rental pricing is useful in preparing an estimate of future market performance.

Demand for apartments can be categorized as follows:

1) "Demonstrated Demand" or that demand which can be quantified by examining occupancy levels at existing apartment projects.
2) "Induced Demand", defined as that demand which does not currently seek apartments in the market area but could be persuaded to do so through proper sales efforts, new demand generators or the availability of additional rooms supply.
3) "Unsatisfied Demand" is existing demand that cannot be satisfied within the immediate area due to fully occupancy. Each source of demand is discussed as follows.

Demonstrated Demand - The proposed subject apartment project will primarily compete with competing properties within the Passaic County submarket area. Present day demonstrated demand (apartments rented) for competitive apartment projects in the area was calculated to be 23,550 units as shown in the table below:

Demonstrated Demand						
	2009	2010	2011	2012	2013	2014 ytd
Total Units	24,088	24,088	24,088	24,088	24,088	24,253
Vacant %	3.5%	3.9%	3.1%	2.7%	2.4%	2.9%
Vacant Stock	843	939	747	650	578	703
Occupied Stock	23,245	23,149	23,341	23,438	23,510	23,550
Demand Growth	n/a	-0.4%	0.8%	0.4%	0.3%	0.7%

Note: 2014 ytd Demand Growth reflects annualized pace over a full year

The table above indicates demand growth of 0.7% in 2014 and an average annual growth of 0.6% over the past 4 years.

Induced Demand - Induced demand represents apartment rentals that are attracted in a market. These rentals can be induced through the opening of a new demand generator such as a major employer or transportation service. Induced demand can also result from the placement of a project near to a significant demand generator such as an employment center or train station. In the case of the Passaic County submarket area, we have not projected any induced demand to occur over the forecast period. We will however account for induced demand specific to the Ringwood redevelopment area later in this section of the report.

Unsatisfied Demand - Unsatisfied demand refers to individuals who are unable to secure rental housing in a market because all of the local apartment projects are fully occupied. These renters end up settling for inferior apartment projects, or leasing apartments outside the market area. Given that current occupancy levels are running below 100% in the Passaic County submarket area, unsatisfied demand does not presently exist.

Overall Demand Projection - Overall demand equates to the base year demonstrated demand, inflated at the growth rates previously developed, plus any induced demand or unsatisfied demand. The following tables summarize the overall demand projection for the competitive market area which is projected to rise from 23,550 apartments in the current year to 27,064 apartments by 2024.

Market Demand											
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Demand Demonstrated	23,550	23,903	24,261	24,625	24,995	25,370	25,750	26,008	26,268	26,530	26,796
Market Occupancy (year begin)	96.1%	97.6%	97.6%	97.6%	97.6%	97.6%	97.6%	97.6%	97.6%	97.6%	97.6%
Demand Growth (%)	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.00%	1.00%	1.00%	1.00%	1.00%
Demand Growth (Apts)	353	359	364	369	375	381	258	260	263	265	268
Total Demand	23,903	24,261	24,625	24,995	25,370	25,750	26,008	26,268	26,530	26,796	27,064

Marketwide Occupancy - Combining the projected supply and demand data presented in the preceding analyses, we can project the occupancy for the local area. The following tables detail our occupancy projection for the subject property's submarket area, for which market-wide occupancy is projected to operate in the range of 97% over the 10-year forecast period despite a projected supply increase of 1,368 new construction units over that time period. These strong occupancy projections indicate the market can accommodate additional supply and continued rental price increases in the future.

Projection of Market Occupancy

Supply	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Existing Supply	24,253	24,496	24,863	25,236	25,615	25,999	26,389	26,653	26,919	27,188	27,460
Pipeline Supply (%)	1.00%	1.50%	1.50%	1.50%	1.50%	1.50%	1.00%	1.00%	1.00%	1.00%	1.00%
Pipeline Supply (Apts)	243	367	373	379	384	390	264	267	269	272	275
Subject Supply *	0	0	0	0	0	0	0	0	0	0	0
Total Supply	24,496	24,863	25,236	25,615	25,999	26,389	26,653	26,919	27,188	27,460	27,735
Market Demand	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Demand Demonstrated	23,550	23,903	24,261	24,625	24,995	25,370	25,750	26,008	26,268	26,530	26,796
Market Occupancy (year begin)	96.1%	97.6%	97.6%	97.6%	97.6%	97.6%	97.6%	97.6%	97.6%	97.6%	97.6%
Demand Growth (%)	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.00%	1.00%	1.00%	1.00%	1.00%
Demand Growth (Apts)	353	359	364	369	375	381	258	260	263	265	268
Total Demand	23,903	24,261	24,625	24,995	25,370	25,750	26,008	26,268	26,530	26,796	27,064
Market Occupancy (year end)	**97.6%**	**97.6%**	**97.6%**	**97.6%**	**97.6%**	**97.6%**	**97.6%**	**97.6%**	**97.6%**	**97.6%**	**97.6%**

Correlating these projections to the subject property's local submarket area, we note that population projections provided by The Nielsen Company indicate there are 13,398 households living within a 5-mile radius of the subject project (as of 2014), of which 1,298 are renters representing a 9.69% share of total households. The Nielsen Company has projected that the number of households will increase to 13,732 by 2019. Based upon these figures, coupled with a projected 1.5% annualized increased in rental demand, we project a demand increase of 132 additional rental units over the next 5 years within a 5-mile radius of the subject project (see chart below):

Rental Demand Projection
(5-Mile Radius of Subject Property)

	Households	Ratio	Rental Demand
2014 (existing)	13,398	9.69%	1,298
Annual Growth Rate (applied)		1.50%	
2019 (projected)	13,732	10.41%	1,430
Projected 5-Year Demand Increase (units)			132
Projected 5-Year Demand Increase (overall growth)			10.2%
Projected Annual Demand Increase			2.0%

The next step in our demand analysis is to determine the purchasing power of area households to quantify their ability to afford homeownership. The tables below develop separate calculations of rental power within a 5-mile and 10-mile radius.

RENTAL POWER BY AGE MATRIX

Household Income by Age of Householder 2014 - 5 Mile Radius of Subject Property

Household Income by Age	Age 15 - 24	Age 25 - 34	Age 35 - 44	Age 45 - 54	Age 55 - 64	Age 65 - 74	Age 75 - 84	Age 85+
Household Totals	136	941	2,148	3,515	3,242	2,160	995	261
% of Total Households	1.02%	7.02%	16.03%	26.24%	24.20%	16.12%	7.43%	1.95%
Median Household Income	$26,519	$97,173	$113,671	$121,792	$109,632	$70,200	$45,521	$32,806
Affordable Monthly Housing Expense @ 35%	$773	$2,834	$3,315	$3,552	$3,198	$2,048	$1,328	$957
Monthly Rental Power	$773	$2,834	$3,315	$3,552	$3,198	$2,048	$1,328	$957

RENTAL POWER BY AGE MATRIX

Household Income by Age of Householder 2014 - 10 Mile Radius of Subject Property

Household Income by Age	Age 15 - 24	Age 25 - 34	Age 35 - 44	Age 45 - 54	Age 55 - 64	Age 65 - 74	Age 75 - 84	Age 85+
Household Totals	1,501	8,440	16,703	26,815	24,176	15,925	9,838	5,139
% of Total Households	11.20%	62.99%	124.67%	200.14%	180.44%	118.86%	73.43%	38.36%
Median Household Income	$38,187	$92,340	$117,425	$119,272	$109,189	$71,305	$43,442	$30,864
Affordable Monthly Housing Expense @ 35%	$1,114	$2,693	$3,425	$3,479	$3,185	$2,080	$1,267	$900
Monthly Rental Power	$1,114	$2,693	$3,425	$3,479	$3,185	$2,080	$1,267	$900

A summary of our findings appear in the table below which calculates the average rental power within both the 5-mile and 10-mile radii.

RENTAL POWER BY AGE MATRIX

Household Income by Age of Householde 2014

Household Income by Age	Age 15 - 24	Age 25 - 34	Age 35 - 44	Age 45 - 54	Age 55 - 64	Age 65 - 74	Age 75 - 84	Age 85+
5-Mile Radius	$773	$2,834	$3,315	$3,552	$3,198	$2,048	$1,328	$957
10-mile Radius	$1,114	$2,693	$3,425	$3,479	$3,185	$2,080	$1,267	$900

To provide a context for the purchasing power calculations above we have investigated market pricing for competing properties offering modern market-rate multi-family apartment rentals within the general market area. This competitive set reflects a representative sampling of modern apartment properties and is therefore not an all-inclusive listing of properties.

Each of these projects is summarized on the following pages.

COMPETING APARTMENT COMPLEX #1
MILLPOND AT FRANKLIN LAKES
Franklin Lakes Borough - Bergen County

Proximity to Subject	6.05 miles
Approx. Year Built	7 years
Apartment Type	Garden & Loft-Style Apartments
Total Units	100
Current Vacancy (units)	3
Current Vacancy (%)	3.0%
Marketing Period	Not available
Lease-up Period (Months)	Not available
Leases / Month	Not available
Average Apt Size (SF)	1,115
Average Base Rent	$2,373
Average Rent/SF	$2.13
Minimum Lease Term	Annual
On-Site Management	On-site
On-Site Maintenance	On-site
Utilities Included in Rent	None
Elevator	None
Air Conditioning	Yes
Dishwasher	Yes
Extra Storage	None
Laundry Facilities	Washer & dryer in each unit
Parking Type	Garage & Surface Parking
Parking Fee	None
Current Incentives	None
RECREATIONAL AMENITIES:	Clubhouse, fitness center, swimming pool w/ sundeck, business center, package receiving
AMENITIES FEE:	Included in rent

PRICING MATRIX

Apartment Type	1 Bedroom	2 Bedroom
Unit Mix	40	60
Sq. Ft.	1,012	1,184
Monthly Rent	$2,225	$2,472
Annual Rent / SF	$2.20	$2.09

Weighted Avg. base rent:	$2,373
Weighted Avg. apt size:	1,115
Weighted Avg. rent per sf:	$2.13

COMPETING APARTMENT COMPLEX #2
ALEXAN RIVERDALE
Riverdale Borough - Morris County

Proximity to Subject	7.12 miles
Approx. Year Built	2010
Apartment Type	Mid-Rise Apartments
Total Units	212
Current Vacancy (units)	9
Current Vacancy (%)	4.2%
Marketing Period	May 2010 - November 2011
Lease-up Period (Months)	18
Leases / Month	11.78 leases per month
Average Apt Size (SF)	1,047
Average Base Rent	$2,037
Average Rent/SF	$1.95
Minimum Lease Term	6 months
On-Site Management	On-site
On-Site Maintenance	On-site
Utilities Included in Rent	None
Elevator	Yes
Air Conditioning	Yes
Dishwasher	Yes
Extra Storage	Yes
Laundry Facilities	Washer & dryer in unit
Parking Type	Garage & Surface Parking
Parking Fee	Included in rent
Current Incentives	None

RECREATIONAL AMENITIES: Game/theater room, spin studio, business center, lounge area, fitness center, pool and outdoor grilling area

AMENITIES FEE: Included in rent

PRICING MATRIX

Apartment Type	1 Bedroom	2 Bedroom
Unit Mix	80	132
Sq. Ft.	858	1,161
Monthly Rent	$1,761	$2,205
Annual Rent / SF	$2.05	$1.90

Weighted Avg. base rent:	$2,037
Weighted Avg. apt size:	1,047
Weighted Avg. rent per sf:	$1.95

COMPETING APARTMENT COMPLEX #3
AVALON BLOOMINGDALE
Bloomingdale Borough - Passaic County

Proximity to Subject	5.49 miles
Approx. Year Built	New
Apartment Type	Mid-Rise Apartments & Townhouses
Total Units	165
Current Vacancy (units)	8
Current Vacancy (%)	4.8%
Marketing Period	Since July 2013 - Still Renting
Lease-up Period (Months)	9
Leases / Month	17.44
Average Apt Size (SF)	960
Average Base Rent	$1,977
Average Rent/SF	$2.06
Minimum Lease Term	6 months
On-Site Management	On-site
On-Site Maintenance	On-site
Utilities Included in Rent	None
Elevator	None
Air Conditioning	Yes
Dishwasher	Yes
Extra Storage	Yes
Laundry Facilities	Washer & dryer in unit
Parking Type	Surface & Garage Parking
Parking Fee	Surface: $5/monthly; Garage: $175/monthly
Current Incentives	6-month lease: 1/2 month rent-free; 12-month lease: 1 month rent-free; 15-month lease: 1.5 months rent-free

RECREATIONAL AMENITIES: Clubhouse with business center, conference room, fitness center, billiard room, swimming pool with BBQ area, playground & package receiving

AMENITIES FEE: Initial lease term: $500; Following terms: $375

PRICING MATRIX

Apartment Type	1 Bedroom	2 Bedroom	3 Bedroom
Unit Mix	66	78	12
Sq. Ft.	776	1,153	1,437
Monthly Rent	$1,793	$2,261	$2,630
Annual Rent / SF	$2.31	$1.96	$1.83

Weighted Avg. base rent:	$1,977
Weighted Avg. apt size:	960
Weighted Avg. rent per sf:	$2.06

COMPETING APARTMENT COMPLEX #4
KINNELON RIDGE

Kinnelon Borough - Morris County

Proximity to Subject	7.65 miles
Approx. Year Built	11 years
Apartment Type	Low-Rise Apartments & Duplexes
Total Units	210
Current Vacancy (units)	0
Current Vacancy (%)	0.0%
Marketing Period	Not Available
Lease-up Period (Months)	Not Available
Leases / Month	Not Available
Average Apt Size (SF)	1,099
Average Base Rent	$1,686
Average Rent/SF	$1.53
Minimum Lease Term	Annual
On-Site Management	On-site
On-Site Maintenance	On-site
Utilities Included in Rent	None
Elevator	None
Air Conditioning	Yes
Dishwasher	Yes
Extra Storage	None available
Laundry Facilities	Washer & dryer in each unit
Parking Type	Garage & Surface Parking
Parking Fee	Included in rent
Current Incentives	None
RECREATIONAL AMENITIES:	Clubhouse, fitness center
AMENITIES FEE:	Included in rent

PRICING MATRIX

Apartment Type	1 Bedroom	2 Bedroom
Unit Mix	56	154
Sq. Ft.	645	1,264
Monthly Rent	$1,350	$1,808
Annual Rent / SF	$2.09	$1.43

Weighted Avg. base rent:	$1,686
Weighted Avg. apt size:	1,099
Weighted Avg. rent per sf:	$1.53

COMPETING APARTMENT COMPLEX #5
THE COMMONS
Upper Saddle River Borough - Bergen County

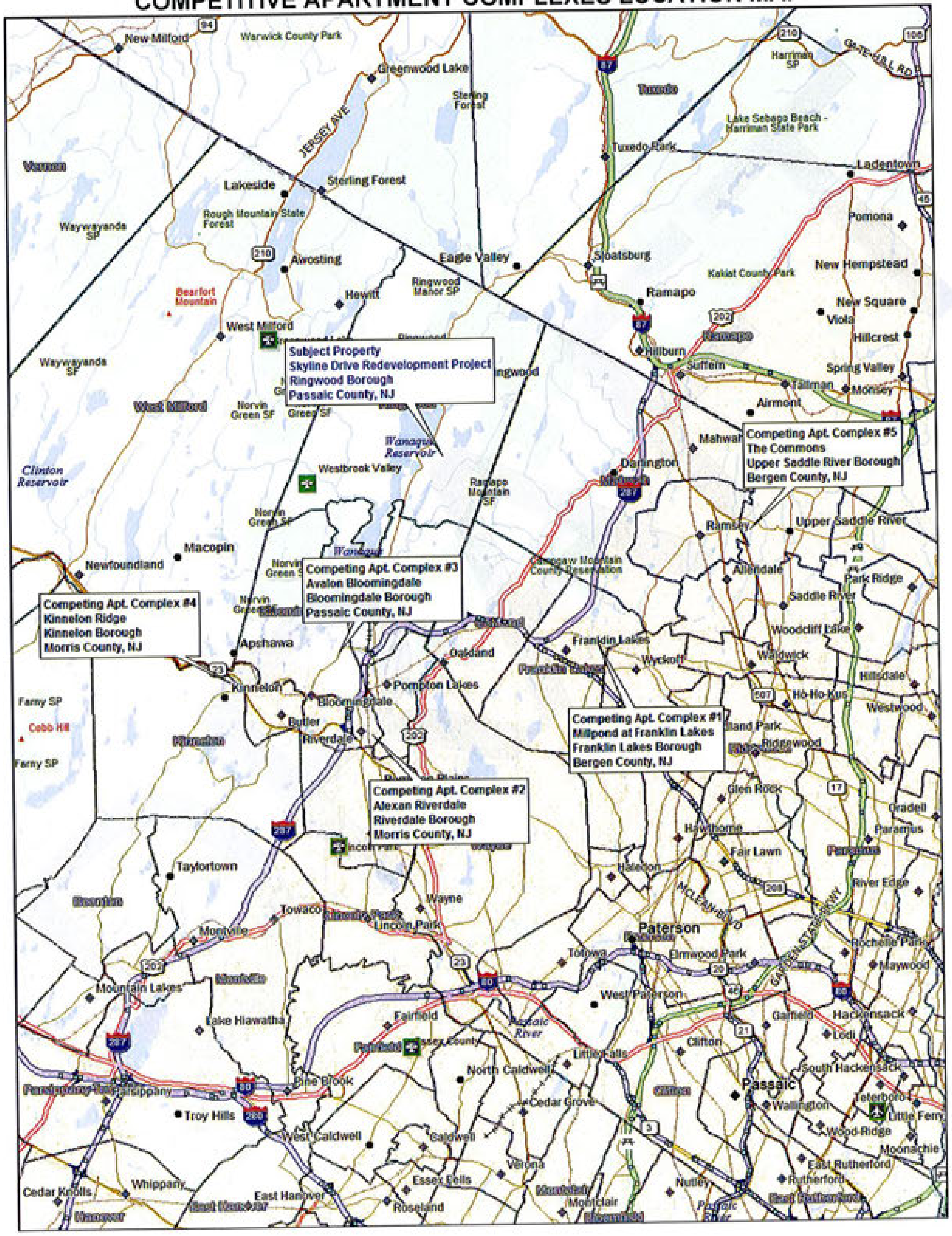
Proximity to Subject	7.84 miles
Approx. Year Built	14 years
Apartment Type	Garden Apartments
Total Units	136
Current Vacancy (units)	1
Current Vacancy (%)	0.7%
Marketing Period	Not Available
Lease-up Period (Months)	Not Available
Leases / Month	Not Available
Average Apt Size (SF)	1,600
Average Base Rent	$2,450
Average Rent/SF	$1.53
Minimum Lease Term	Water, sewer & trash removal
On-Site Management	On-site
On-Site Maintenance	On-site
Utilities Included in Rent	None
Elevator	None
Air Conditioning	Yes
Dishwasher	Yes
Extra Storage	Additional storage available
Laundry Facilities	Washer & dryer in each unit
Parking Type	Surface Parking
Parking Fee	Included in rent
Current Incentives	None
RECREATIONAL AMENITIES:	Jogging paths/walking trails
AMENITIES FEE	Included in rent

PRICING MATRIX

Apartment Type	2 Bedroom
Unit Mix	136
Sq. Ft.	1,600
Monthly Rent	$2,450
Annual Rent / SF	$1.53

Weighted Avg. base rent:	$2,450
Weighted Avg. apt size:	1,600
Weighted Avg. rent per sf:	$1.53

COMPETITIVE APARTMENT COMPLEXES LOCATION MAP



This competitive set for modern multi-family apartments indicates average rental prices ranging from a low of $1,686 to a high of $2,450 per month.

Competitive Set - Market-Rate Apartments	Project 1	Project 2	Project 3	Project 4	Project 5
Project Name	Millpond at Franklin Lakes	Alexan Riverdale	Avalon Bloomingdale	Kinnelon Ridge	The Commons
Municipality	Franklin Lakes Borough	Riverdale Borough	Bloomingdale Borough	Kinnelon Borough	Upper Saddle River
County	Bergen County, NJ	Morris County, NJ	Passaic County, NJ	Morris County, NJ	Bergen County, NJ
Proximity to Subject	6.05 miles	7.12 miles	5.49 miles	7.65 miles	7.84 miles
Total Apartment Units	100	212	165	210	136
Average Monthly Rent	$2,373	$2,037	$1,977	$1,686	$2,450
Avg. Apt. Size (SF)	1,115	1,047	960	1,099	1,600
Base Price Per Sq. Foot	$2.13	$1.95	$2.06	$1.53	$1.53
Current Vacancy (#)	3	9	8	0	1
Current Vacancy (%)	3.0%	4.2%	4.8%	0.0%	0.7%

Comparing these market prices modern multi-family apartments to our prior analysis of rental power indicates that adequate household income exists within the 25-34, 35-44, 45-54, 55-64 and 65-74 age cohorts. Not surprisingly, household income is insufficient however to rental prices for modern apartment properties within the 15-24 75-84 and 85+ cohorts.

RENTAL POWER BY AGE MATRIX

Household Income by Age of Householde 2014

Household Income by Age	Age 15 - 24	Age 25 - 34	Age 35 - 44	Age 45 - 54	Age 55 - 64	Age 65 - 74	Age 75 - 84	Age 85+
5-Mile Radius	$773	$2,834	$3,315	$3,552	$3,198	$2,048	$1,328	$957
10-mile Radius	$1,114	$2,693	$3,425	$3,479	$3,185	$2,080	$1,267	$900

Rental Demand Segmentation Analysis - Our demographic analysis of the local submarket area has found favorable household characteristics for rental housing demand:

- The largest household type, as measured by the household size, living within 10 miles of the site have either "1-person" or "2-persons" (58,594 or 53.98%) which corresponds directly to the typical occupant of rental apartments.

	0 - 3 miles		0 - 5 miles		0 - 10 miles	
		%		%		%
2014 Est. Households by Household Size	5,131		13,398		108,542	
1-person household	819	15.96	2,159	16.11	25,094	23.12
2-person household	1,661	32.37	4,375	32.65	33,500	30.86
3-person household	1,045	20.37	2,636	19.67	18,866	17.38
4-person household	1,017	19.82	2,665	19.89	18,783	17.30
5-person household	403	7.85	1,095	8.17	8,236	7.59
6-person household	134	2.61	336	2.51	2,627	2.42
7 or more person household	51	0.99	131	0.98	1,437	1.32

- The largest household type, as measured by the presence of children, living within 5 miles of the site is "Households no People under Age 18" (70,167 or 64.65%) which corresponds directly to the typical occupant of rental apartments.

	0 - 3 miles		0 - 5 miles		0 - 10 miles	
		%		%		%
Households no People under Age 18:	3,163	61.64	8,241	61.51	70,167	64.65
Married-Couple Family	1,849	58.46	4,796	58.20	34,773	49.56
Other Family, Male Householder	100	3.16	291	3.53	1,918	2.73
Other Family, Female Householder	187	5.91	508	6.16	4,381	6.24
Nonfamily, Male Householder	447	14.13	1,146	13.91	11,697	16.67
Nonfamily, Female Householder	581	18.37	1,500	18.20	17,397	24.79

Support for this finding comes from data published by the New Jersey Department of Education indicting that public school enrollment in Ringwood Borough for grades Pre-K through 8th declined from 1,433 for the 2005-2006 school year to 1,218 for the 2013-2014 school year. This reflects a decline of 215 students, or -15.0%. Ringwood Borough high school students attend Lakeland Regional High School in Wanaque who are not included in these totals. Given the previously identified trend toward fewer households with children living at home, public school enrollment is expected to decline further in the future. This trend also indicates that housing demand will be increasingly concentrated in small lot single family homes or multi-family housing demand in the form or for-sale townhouses or multi-family rental apartments.

Ringwood Borough School Enrollment Totals	
2005-2006	1,433
2013-2014	1,218
Decline (# students)	-215
Decline (%)	-15.0%

Source: NJ Dept. of Education

- One of the largest population segments living within 10 miles of the subject property are those between the ages of 25-34 (26,053 or 8.73%) which are most likely to be childless and are therefore likely to reside in rental apartments. Additionally, those between the ages of 55-64 (42,848 or 14.36%) have a large presence in the submarket area, and will likely contribute to rental demand as 'empty-nester' households transitioning from homeownership to rentership.

	0 - 3 miles		0 - 5 miles		0 - 10 miles	
		%		%		%
2014 Est. Population by Age	14,839		41,473		298,338	
Age 0 - 4	822	5.54	2,038	4.91	15,747	5.28
Age 5 - 9	862	5.81	2,247	5.42	17,241	5.78
Age 10 - 14	1,006	6.78	2,719	6.56	20,890	7.00
Age 15 - 17	644	4.34	1,764	4.25	13,284	4.45
Age 18 - 20	646	4.35	3,292	7.94	13,272	4.45
Age 21 - 24	749	5.05	2,898	6.99	14,942	5.01
Age 25 - 34	1,351	9.10	3,349	8.08	26,053	8.73
Age 35 - 44	1,748	11.78	4,503	10.86	33,771	11.32
Age 45 - 54	2,582	17.40	6,750	16.28	50,187	16.82
Age 55 - 64	2,354	15.86	5,882	14.18	42,848	14.36
Age 65 - 74	1,360	9.17	3,738	9.01	26,749	8.97
Age 75 - 84	547	3.69	1,718	4.14	15,392	5.16
Age 85 and over	168	1.13	575	1.39	7,963	2.67
2014 Est. Median Age	42.70		40.40		43.20	
2014 Est. Average Age	40.10		39.40		41.10	

- The second largest cohort living within 10 miles of the site is classified as "Never Married" (65,855 or 26.94%) which corresponds to occupancy in smaller and mid-sized apartments. Also of note are that Married-Spouse Absent, Widowed and Divorced households account for 41,217 or 16.86%. Based upon these findings, we project demand level smaller and mid-sized apartment units.

	0 - 3 miles		0 - 5 miles		0 - 10 miles	
		%		%		%
2014 Est. Pop Age 15+ by Marital Status	12,149		34,469		244,460	
Total, Never Married	3,571	29.39	9,833	28.53	65,855	26.94
Married, Spouse present	6,959	57.28	19,890	57.70	137,387	56.20
Married, Spouse absent	203	1.67	664	1.93	6,145	2.51
Widowed	545	4.49	1,824	5.29	16,106	6.59
Divorced	872	7.18	2,258	6.55	18,966	7.76

Apartment demand can be generated from a range of demographic cohorts which typically include the following:

1. Low Income/Net worth Households: attributable to those who are unable to afford homeownership
2. New Household Formation: attributable to young people beginning their working careers who have not yet attained sufficient income/net worth to qualify for homeownership.
3. Renters-By-Choice: households with income/personal wealth that is sufficient to qualify for homeownership but have opted for rentership due to familial status (i.e. childless), lifestyle (i.e. don't want maintenance responsibilities) or financial considerations (lack faith in long-term financial benefits of homeownership)
4. Older Age Households: primarily includes retirees or those approaching retirement who are selling their present homes and transitioning to rental housing.
5. Relocated Employees: individuals and families who have accepted a job assignment far from their present place of residence who are renting an apartment or home. Included in this group are transferred employees.
6. Transitional Households: includes those who are transitioning from homeownership to rental occupancy due to 'changed personal circumstances" attributable to divorce, financial circumstances or the death of a spouse.

In the case of the proposed subject project, demand is unlikely to be generated by Low Income/Net Worth or dislocated households as these cohorts tend to locate in older garden apartment properties offering lower rental pricing. . Demand is also not anticipated from Relocated Employees, as the redevelopment area is not a corporate employment center.

We do however project demand to originate from New Household Formation. Due to the anticipated "top of the market" rents for the subject project, some of this demand will be associated with unrelated single individuals living within a single 2-bedroom apartment unit. We therefore recommend that some of the 2-bedroom apartment units feature a split-bedroom floor plan. An additional source of rental demand for the subject project will come from Renters-By-Choice seeking a more luxurious rental experience. Another source of demand will be relocated employees employed in the Morris and Bergen County submarket areas who do not qualify for homeownership. We also anticipate moderate rental demand associated with older age households seeking to downsize their present living space and transition to rental housing. These tenants will be primarily comprised of 55+ Active-Adult households. It is anticipated that these households will primarily originate from within the local submarket area and have a preference for larger 2-bedroom apartments.

The following demand components are considered primary target markets for the proposed rental apartments, in decreasing order of tendency:

- Primary Renter Cohorts
  - 25-34 Age Households - single or married, who reside regionally or are employed locally or regionally, who are seeking an upscale luxury rental experience. Based upon the previously discussed trend whereby a declining share of local households have children living at home, this buyer subtype is anticipated to be primarily without children living at home.
  - 35-44 Age Households – often referred to as 'renters by choice', these tenants will be single or married, who reside locally or are employed locally, who are seeking an upscale luxury rental experience. Although some of these renters will have a child living at home, the majority will be childless.
- Secondary Renter Cohorts
  - 55+ Households - desirous of downsizing their housing situation and remaining in, or relocating to, the local area. This buyer subtype is anticipated to be overwhelmingly 'empty nester' households whose children are living elsewhere.
  - Widows & Divorcees - who presently reside locally or are employed locally, who would be selling their primary residence and transitioning to luxury rental housing. The 'widows' and 'widowers' included in this buyer subtype are anticipated to be largely without children living at home as they will tend to be older in age. The 'divorcees' in this subtype are anticipated to primarily comprise households without children living at home as those with children are likely to opt for more traditional single family detached housing.

Based upon these projections, the subject property is anticipated to achieve higher market rents and occupancy levels than the older existing competing supply of apartment properties.

In reconciling our entire demand analysis to the Ringwood redevelopment areas, we note our earlier projection for 132 apartments within a 5-mile radius. The next step in our analysis is to allocate this rental demand to Ringwood. The 5-mile radius includes all of Ringwood Borough as well as portions of surrounding West Milford, Wanaque, Oakland and Mahwah. It also includes a small slice of land area to the north in Rockland and Orange Counties. Ringwood Borough displaces an area of 28.2 miles^2, which accounts for 36% of the 78.5 miles^2 within the 5-mile radius. In allocating rental demand to Ringwood, we will increase the 36% factor to 60% for the following reasons:

- The portions of New York's Rockland and Orange Counties that are included in the 5-mile radius are primarily low-density rural areas which are not well suited to multi-family development.

- The potential for capturing rental demand associated with 55+ age households transitioning out of their current empty-nest homes, which is not captured by projections of household growth.
- The potential for new rental housing in Ringwood to offer less expensive rents than in Bergen and Morris counties, due to lower land costs.

Therefore, projection for the Ringwood redevelopment areas calls for new construction demand of 181 for-sale homes over the next 5 years.

Adjusted Demand Analysis - Rental Apartments Ringwood Borough		
Rental Demand (units)		132
Ringwood Allocation @	50%	66

Induced Demand – The final step in our demand analysis is to account for induced demand, which represents apartment rentals that are attracted in a market due to changed circumstances. Induced demand can result from the opening of a new demand generator such as a major employer or transportation service. Another factor which can lead to induced demand is the creation of a redevelopment area which will attract capital investment for real estate development which would otherwise not occur. This recently occurred in Bloomingdale, another Passaic County municipality, where a redevelopment area resulted in Avalon Bay constructing 165 luxury apartments. This project, which was completed earlier in 2014, is located approximately 5-miles from the Ringwood redevelopment areas. Based upon our earlier background demographic analysis within a 5-mile radius, Avalon Bay's Bloomingdale project would not be anticipated. The creation of Bloomingdale's redevelopment area therefore induced multi-family development. We therefore project induced demand for the subject redevelopment area to support development of approximately 150 multi-family rental apartments, as follows:

Induced Rental Demand Projection Ringwood Borough	
Background Rental Demand Projection	66
Redevelopment Bonus	84
Adjusted Rental Demand	150

PART IV -ADDENDUM

LIMITING CONDITIONS, ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

This appraisal is subject to the following Limiting Conditions

- All statements in this market study that are not historical facts should be considered as forward-looking projections. Although we believe that the expectations reflected in or suggested by such forward-looking projections are reasonable, we can give no assurance that they will be achieved. Known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements expressed or implied by these forward-looking projections to be different from these projections. Such risks, uncertainties and other factors include, but are not limited to, changes in general and local economic and industry and business conditions; adverse weather and other environmental conditions and natural disasters; changes in market conditions; changes in market pricing; government regulation, including regulations concerning development of land, tax laws and the environment; fluctuations in interest rates and the availability of mortgage financing; shortages in and price fluctuations of raw materials and labor; levels of competition; utility shortages and outages or rate fluctuations; changes in tax laws; and geopolitical risks, terrorist acts and other acts of war. We undertake no obligation to update or revise any forward-looking projections, whether as a result of new information, future events, changed circumstances or any other reason.
- The legal description furnished to us is assumed to be correct. I assume no responsibility for the matters legal in character nor do I render any opinion as to the title, which is assumed to be held in fee simple. All existing liens and encumbrances have been disregarded and the property is appraised as though free and clear under responsible ownership and competent management.
- Title is assumed to be held in fee simple, unless otherwise noted, and no liens or encumbrances, except those noted, were considered.
- Possession of this report, or a copy thereof, does not carry with it the right of publication, nor may it be used for any purpose by any but the client and then only with proper qualification. Neither all nor any part of the contents of this report (especially conclusions as to value, identity of the appraisers or the firm) shall be used for any purposes by anyone but the client specified in the report nor shall it, or any part, be disseminated to the public through advertising media, public relations consent or approval of the appraisers. Further, the appraisers, or the firm, assume no obligation, liability, or accountability to any third party. If this report is placed in the hands of anyone but the client, the client shall make such party aware of all of the assumptions and limiting conditions of the assignment.
- I have made no survey of the property and any sketches in this report are for illustrative purposes only.
- I believe to be reliable the information which was furnished to us by others, but I assume no responsibility for its accuracy.

- Unless otherwise noted herein, it is assumed that there are no detrimental encroachments, easements, zoning violations, use restrictions, or other conditions not evident upon surface inspection of the property. Description of the physical condition of the improvements is based on a visual inspection only. No liability is assumed for the soundness of structural members since no engineering tests were made by the appraiser.
- Testimony and court appearances in connection with this appraisal are limited to those situations for which prior arrangements have been made.
- I reserve the right to recall this report and make any amendments, corrections, or changes that I deem necessary.
- This report must not be used in conjunction with any other valuation analysis or report.
- The appraiser is not qualified to test for the presence of Hazardous substances. The presence of such hazardous substances or environmental conditions may affect the value or development potential of the property.
    - Due to the property's prior industrial use, environmental contamination occurred on the site. Therefore, this study is based upon the extraordinary assumption that cleanup of the site's environmental constraints will be completed to a 'residential standard' prior to construction of the proposed redevelopment uses.
- The Freshwater Wetlands Protection Act restricts the use and development of freshwater wetlands. Effective July 1, 1988 the DEP was established as the reviewing and approving authority for all development within or adjacent to freshwater wetlands. This legislation established certain development criteria including, but not limited to, variable buffers around authorized development adjacent to freshwater wetlands. The identification and delineation of freshwater wetlands on the subject property, if any, has not been brought to our attention nor did we become aware of any such delineations during our inspection of the subject nor during our investigations for this report; however, the appraisers are not qualified to render a professional opinion as to the presence or extent of freshwater wetlands. The reader is advised to seek competent, professional advice in identifying any such potential freshwater wetlands since identification and delineation of any freshwater wetlands within the subject boundaries could have significant impact upon values thereby requiring study revision.
- The subject site may have underground fuel storage tank(s). The underground tank(s) could be a liability. Neither the composition nor the conditions of such tanks, to the extent they exist, are known to the appraiser. The typical life expectancy of an underground tank is 15 to 20 years, (federal guidelines suggest a 10 year life span). Soil contamination could occur if a tank leaks and would be costly to clean up. Without a detailed physical inspection of the tanks and the surrounding soil, it is impossible to estimate potential cleanup costs. Therefore this analysis does not cover such contingencies.

<u>Extraordinary Assumptions</u> reflect an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to

the property, such as market conditions or trends; or about the integrity of data used in an analysis. This study is subject to the following Extraordinary Assumptions

- That all entitlements and approvals can be secured for the project to allow commencement of site development and building construction within six (6) months of the effective study date.
- Due to the property's prior industrial use, environmental contamination occurred on the site. Therefore, this study is based upon the extraordinary assumption that cleanup of the site's environmental constraints will be completed to a 'residential standard' prior to construction of the proposed redevelopment uses.
- That development and construction of the project will be appropriately timed and adjusted to coincide with market demand and absorption for the project.
- At the present time, construction plans and architectural specifications for the project have not been prepared as the purpose of this market study is to provide early reconnaissance to assess market demand. Therefore, the analysis and conclusions set forth herein are based upon the extraordinary assumption that the eventual construction of the project would reflect construction designs, materials and finishing commensurate with standards for modern luxury apartments in the general submarket area. We have included recommendations for these design standards in this report for reference.

Hypothetical Conditions reflect an assumption that is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

- Our study has not been based upon any hypothetical conditions.

CERTIFICATION OF THE CONSULTANT

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and is my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this study.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice which also govern real estate appraisal and consulting assignments.
- I have made a personal inspection of the property that is the subject of this report.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- Jessica L. Petraccoro has provided research, analysis and report writing assistance to Christopher Otteau.
- The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

J.G. Otteau

Jeffrey G. Otteau, President,
New Jersey Certified General Real Estate Appraiser, #42RG00094100
New York Certified General Real Estate Appraiser, #46000045325
Pennsylvania Certified General Real Estate Appraiser, #GA003481
Delaware Certified General Real Estate Appraiser, #X1-0000419
National Association of Independent Fee Appraisers, IFA Designation #2377

GLOSSARY OF DEFINITIONS

The following definitions apply to the terminology utilized in this report:

Availability Rate: The ratio of available space to total rentable space, calculated by dividing the total available square feet by the total rentable square feet.

Available Space: The total amount of space that is currently being marketed as available for lease in a given time period. It includes any space that is available, regardless of whether the space is vacant, occupied, available for sublease, or available at a future date.

Average Rental Rate is defined as: "the calculated average rental rate for the proposed dwellings based upon the consultants recommended unit sizes.

Average Unit Size is defined as: "the calculated average size of a real estate space based upon market data or developer projections.

Class A: A classification used to describe buildings that generally qualify as extremely desirable investment-grade properties and command the highest rents or sale prices compared to other buildings in the same market. Such buildings are well located and provide efficient tenant layouts as well as high quality, and in some buildings, one-of-a-kind floor plans. They can be an architectural or historical landmark designed by prominent architects. These buildings contain a modern mechanical system, and have above-average maintenance and management as well as the best quality materials and workmanship in their trim and interior fittings. They are generally the most attractive and eagerly sought by investors willing to pay a premium for quality.

Class B & C: A classification used to describe buildings that generally qualify as a more speculative investment, and as such, command lower rents or sale prices compared to Class A properties. These buildings typically have lesser maintenance, management and tenants. They are less appealing to tenants than Class A properties, and may be deficient in a number of respects including location, site appeal, or physical factors. They lack prestige and must depend chiefly on a lower price to attract tenants and investors.

Developer: The company, entity or individual that transforms raw land to improved property, or converts an existing building to an alternative use, by use of labor, capital and entrepreneurial efforts.

Economic Feasibility is defined as: "the ability of a project or an enterprise to meet defined investment objectives; an investment's ability to produce sufficient revenue to pay all expenses and charges and to provide a reasonable return on and recapture of the money invested. In reference to a service or residential property where revenue is not a fundamental consideration, economic soundness is based on the need for and desirability of the particular purpose. An investment property is economically feasible if its prospective earning power is sufficient to pay a fair rate of return on its complete cost (including indirect costs) i.e., the estimated value at completion equals or exceeds the estimated cost."

Existing Inventory: The square footage of buildings that have received a certificate of occupancy and are able to be occupied by tenants. It does not include space in buildings that are either planned, under construction or under renovation.

Flex Building: A type of building designed to be versatile, which may be used in combination with office (corporate headquarters), research and development, quasi-retail sales, and including but not limited to industrial, warehouse, and distribution uses. A typical flex building will be one or two stories with at least half of the rentable area being used as office space, have ceiling heights of 16 feet or less, and have some type of drive-in door, even though the door may be glassed in or sealed off.

Industrial Building: A type of building adapted for such uses as the assemblage, processing, and/or manufacturing of products from raw materials or fabricated parts. Additional uses include warehousing, distribution, and maintenance facilities. The primary purpose of the space is for storing, producing, assembling, or distributing product.

Leased Space: All the space that has a financial lease obligation. It includes all leased space, regardless of whether the space is currently occupied by a tenant. Leased space also includes space being offered for sublease.

Leasing Activity: The volume of square footage that is committed to and signed under a lease obligation for a specific building or market in a given period of time. It includes direct leases, subleases and renewals of existing leases. It also includes any pre-leasing activity in planned, under construction, or under renovation buildings.

Market: Geographic boundaries that serve to delineate core areas that are competitive with each other and constitute a generally accepted primary competitive set of areas. Markets are building type specific, and are non-overlapping contiguous geographic designations having a cumulative sum that matches the boundaries of the entire Region (See also: Region). Markets can be further subdivided into Submarkets. (See also: Submarkets).

Multi-Tenant: Buildings that house more than one tenant at a given time. Usually, multi-tenant buildings were designed and built to accommodate many different floor plans and designs for different tenant needs. (See also: Tenancy).

Net Absorption: The net change in occupied space over a given period of time. Unless otherwise noted Net Absorption includes direct and sublease space.

Occupied Space: Space that is physically occupied by a tenant. It does not include leased space that is not currently occupied by a tenant.

Office Building: A type of commercial building used exclusively or primarily for office use (business), as opposed to manufacturing, warehousing, or other uses. Office buildings may sometimes have other associated uses within part of the building, i.e., retail sales, financial, or restaurant, usually on the ground floor.

Planned/Proposed: The status of a building that has been announced for future development but not yet started construction.

Preleased Space: The amount of space in a building that has been leased prior to its construction completion date or certificate of occupancy date.

Price/SF: Calculated by dividing the price of a building (either sales price, asking sales price, rental price, or asking rental price) by the Rentable Building Area (RBA) or Gross Building Area (GBA).

Quoted Rental Rate: The asking rate per square foot for a particular building or unit of space by a broker or property owner. Quoted rental rates may differ from the actual rates paid by tenants following the negotiation of all terms and conditions in a specific lease.
RBA: Abbreviation for Rentable Building Area. (See also: Rentable Building Area).

Region: Core areas containing a large population nucleus that together with adjacent communities have a high degree of economic and social integration. Regions are further divided into market areas, called Markets. (See also: Markets)

Relet Space: Sometimes called second generation or direct space, refers to existing space that has previously been occupied by another tenant.

Rentable Building Area: (RBA) The total square footage of a building that can be occupied by, or assigned to a tenant for the purpose of determining a tenant's rental obligation. Generally RBA includes a percentage of common areas including all hallways, main lobbies, bathrooms, and telephone closets.

Rental Rates: The annual costs of occupancy for a particular space quoted on a per square foot basis.

Rent-Up Velocity is defined as: "the projected pace at which prospective renters will enter into a contract-of-lease for individual apartment units within a project. This is also referred to as Absorption Pace or Rent-Up Velocity.

Sales Price: The total dollar amount paid for a particular property at a particular point in time.

Sales Volume: The sum of sales prices for a given group of buildings in a given time period.

Seller: The individual, group, company, or entity that sells a particular commercial real estate asset.

SF or Ft^2: Abbreviation for Square Feet.

Single-Tenant: Buildings that are occupied, or intended to be occupied by a single tenant. (See also: Build-to-suit and Tenancy) Sublease Space: Space that has been leased by a tenant and is being offered for lease back to the market by the tenant with the lease obligation. Sublease space is sometimes referred to as sublet space.

Submarkets: Specific geographic boundaries that serve to delineate a core group of buildings that are competitive with each other and constitute a generally accepted primary competitive set, or peer group. Submarkets are building type specific (office, industrial, retail, etc.), with distinct boundaries dependent on different factors relevant to each building type. Submarkets are non-overlapping, contiguous geographic designations having a cumulative sum that matches the boundaries of the Market they are located within (See also: Market).

Suburban: The Suburban and Central Business District (CBD) designations refer to a particular geographic area within a metropolitan statistical area (MSA). Suburban is defined as including all office inventory not located in the CBD. (See also: CBD)

Tenancy: A term used to indicate whether or not a building is occupied by multiple tenants (See also: Multi-tenant) or a single tenant. (See also: Single-tenant)

Time On Market: A measure of how long a currently available space has been marketed for lease, regardless of whether it is vacant or occupied.

Under Construction: The status of a building that is in the process of being developed, assembled, built or constructed. A building is considered to be under construction after it has begun construction and until it receives a certificate of occupancy.

Vacancy Rate: A measurement expressed as a percentage of the total amount of physically vacant space divided by the total amount of existing inventory. Under construction space generally is not included in vacancy calculations.

Vacant Space: Space that is not currently occupied by a tenant, regardless of any lease obligation that may be on the space. Vacant space could be space that is either available or not available. For example, sublease space that is currently being paid for by a tenant but not occupied by that tenant, would be considered vacant space. Likewise, space that has been leased but not yet occupied because of finish work being done would also be considered vacant space.

Weighted Average Rental Rate: Rental rates that are calculated by factoring in, or weighting, the square footage associated with each particular rental rate. This has the effect of causing rental rates on larger spaces to affect the average more than that of smaller spaces. The weighted average rental rate is calculated by taking the ratio of the square footage associated with the rental rate on each individual available space to the square footage associated with rental rates on all available spaces, multiplying the rental rate by that ratio, and then adding together all the resulting numbers. Unless specifically specified otherwise, rental rate averages include both Direct and Sublet available spaces.

Year Built: The year in which a building completed construction and was issued a certificate of occupancy.

YTD: Abbreviation for Year-to-Date. Describes statistics that are cumulative from the beginning of a calendar year through whatever time period is being studied.

PROFESSIONAL QUALIFICATIONS

Curriculum Vitae for Jeffrey G. Otteau, SCGREA

PROFESSIONAL EXPERIENCE & LICENSING

Actively engaged in real estate valuation and consultation since 1974 with broad based experience in all property types including residential, commercial, industrial, land, subdivision development analysis and special purpose properties.

State Certified General Real Estate Appraiser in the State of New Jersey (License #42RG00094100)
State Certified General Real Estate Appraiser in the State of Pennsylvania (License #GA003481)
State Certified General Real Estate Appraiser in the State of New York (License #46000045325)
State Certified General Real Estate Appraiser in the State of Delaware (License #X1-0000419)
President, Chief Appraiser, Otteau Valuation Group, East Brunswick, New Jersey
Member, National Association of Independent Fee Appraisers (IFA Designation)
FHA/HUD Approved Appraiser – NJ, PA, NY
FEMA Approved Appraiser & Consultant

AFFILIATIONS & HONORS

Member, National Association of Independent Fee Appraisers: IFA Designation
Licensed Real Estate Broker in the State of New Jersey
Member, Client Advisory Council, Homearnings Reverse Mortgage, Louisville, Kentucky - 1992,1993,1994
National Review Appraiser, United Parcel Service, Atlanta, Georgia 1989- 1999
President's Award, Employee Relocation Council (E-R-C), Washington, D.C. - 1992 & 1995
Co-Author, The Relocation Appraisal Guide, published by Employee Relocation Council – 1991, 1994 & 2001
Co-Designer, E-R-C Appraisal Report Form, 1991,1994 and 2001 versions
Past Member, Executive Board of Directors, The Relocation Appraisers Consortium (RAC), Washington, DC
Member, Editorial Advisory Committee, Mobility Magazine, 1992
Member, National Relocation Conference Planning Committee, 1991
Member, Appraisal Standards Council, Washington, D.C., 1991-2000
Member, Industry Practices Committee, Washington, D.C., 1990, 1991
Member, Appraisal Standards Advisory Council which consults with the Appraisal Foundation Washington, D.C. on its agenda of projects and major technical issues - 1992-1994

EXPERT TESTIMONY

Aberdeen Township Board of Adjustment
Absecon City Planning Board
Absecon City Zoning Board
Appraisal Standards Council, Washington DC
Berkeley Township Board of Adjustment
Clinton Township Planning Board
East Brunswick Township Board of Adjustment
East Brunswick Township Town Council
Elk Township Planning Board
Essex County Board of Taxation
Franklin Township Board of Adjustment
Franklin Twp. Planning Board (Warren)
Garfield City Redevelopment Agency
Hamiltown Township Zoning Board
Hightstown Planning Board
Jackson Township Planning Board
Lacey Township Board of Adjustment
Magnolia Borough Planning Board
Maplewood Township Town Council
Mercer County Superior Court
Monmouth County Superior Court
Morris County Superior Court
Middlesex County Board of Taxation
Middlesex County Condemnation Commission
Monmouth County Board of Taxation
Neptune City Town Council
Neptune Township Board of Adjustment
New Jersey State Tax Court
Old Bridge Township Planning Board
Pine Hill Borough Planning Board
Piscataway Township Planning Board
Plainfield City Council
Red Bank Borough Planning Board
Riverdale Borough Planning Board
Riverdale Borough Town Council
Robbinsville Township Planning Board
Roxbury Township Planning Board
Somerset County Board of Taxation
Somerset County Superior Court
Somerville Borough Town Council
South Brunswick Township Planning Board
Tinton Falls Borough Planning Board
Upper Deerfield Township Planning Board
Wall Township Planning Board
Wall Township Zoning Board

OTTEAU VALUATION GROUP, INC.

PROFESSIONAL QUALIFICATIONS: JEFFREY G. OTTEAU, SCGREA, IFA
Appraisal and Consulting Services Performed for the Following Clients:

THE FORTUNE 500
Abbott Laboratories
Alcoa
American Home Products
Amoco Oil Co.
Anheuser Busch Companies
Armstrong World Industries
Bristol-Myers Squibb
Brown-Forman
Carter-Wallace
Circuit City Group
Digital Equipment Corporation
E. I. duPont de Nemours
Eastman Kodak Company
Eli Lilly Company
ExxonMobil
F.M.C. Corporation
Foster Wheeler
General Motors Corporation
Hercules Incorporated
Marriott Corporation
McGraw Hill
Merck
Nabisco
Pharmacia & Upjohn
Procter and Gamble
Prudential Insurance Co.
Raychem Corp.
Rhone-Poulenc Rorer
Sara Lee Bakery
Schering-Plough
State Farm Insurance
Time Warner
W.R. Grace
Westinghouse Electric Corporation

FINANCIAL INSTITUTIONS
Affinity Federal Credit Union
Amboy Bank
Bank of New York
Bank of Oklahoma
Bank of St. Louis
Barclay's Bank PLC
Broadway National Bank
Chase Home Mortgage Corporation
Citigroup
Columbia Bank
Community Investment Strategies
Connecticut National Bank
Countrywide Financial
Dun and Bradstreet Corporation
Fannie Mae
First Savings Bank
First Washington State Bank
Freddie Mac
General Electric Credit Corporation
General Motors Acceptance Corp
GMAC Model Home Finance
Goldman, Sachs
Hopewell Valley Community Bank
Investors Savings Bank
JP Morgan Chase
Lehman Re LTD.
Magyar Bank
Morgan Guaranty Trust Company
New Jersey Bankers Association
New Millennium Bank
Northfield Bank
North Fork Bank
Ocean First Bank
PNC Bank
Philadelphia National Bank
Pittsburgh National Bank
Procida Advisors LLC
Sovereign Bank
Texas Commerce Bank
The Bancorp Bank
The Bank of Princeton
Sun National Bank
Unity Bank
Valley National Bank
Washington Mutual
Wachovia
Wells Fargo Bank

CONSTRUCTION INDUSTRY
American Properties
Beazer Homes
Bob Meyer Communities
Building Contractors Assoc. of NJ
Canuso Communities
Capodagli Property Company
Centex Homes
CRC Communities
D'Anastasio Corp.
Diversified Properties, LLC
D.R. Horton
Edgewood Properties
Fernmoor Homes
I Heller Constructions Co, Inc.
Jerald Development Group
J.S. Hovnanian & Sons
Kushner Companies
Kaplan Companies
K Hovnanian Homes
Kushner Real Estate Group
Lennar
M. Alfieri Company
M. Rieder Companies
Matrix Development Corp.
Matzel Development
Mill Creek Residential Trust, LLC
Millennium Homes
Mountain Funding, LLC
New Jersey Builders Association
Operating Engineers, Local No. 825
Paramount Homes
Pinnacle Companies
PRC Group
Pulte Homes
Renaissance Properties, Inc.
Richmond American Homes
Sharbell Building Company, LLC
Summit Materials – Blackstone Group
The Schultz Organization
Toll Brothers
Trammell Crow Residential
Tim Schaeffer Communities
Tucker Development, LLC
Woodmont Properties

LAWYERS
Ansell Zaro Grimm & Aaron
Bathgate, Wegener & Wolf
Carella, Byrne
Clemente Mueller, P.A.
Connell Foley
Copeland, Shimalia & Wechsler
Day Pitney
Epstein Becker & Green, P.C.
Flaster Greenberg, P.C.
Fox Rothschild LLP
Giordano Halleran & Ciesla
Greenbaum, Rowe, Smith & Davis
Heilbrunn, Pape & Goldstein
Herrick, Feinstein
Hill Wallack, LLP
Hoagland Longo Moran, et al
Kirkpatrick & Lockhart, Gates
Lum Danzis Drasco
Mandelbaum & Mandelbaum
Mandelbaum Salsburg
Norris Mclaughlin & Marcus
Parker McCay
Porzio, Bromberg & Newman
Riker Danzig Scherer Hyland & Peretti
Saul Ewing
Stark & Stark
Stein McGuire Pantages Gigl LP
Sterns & Weinroth, P.C.
Tesser & Cohen
Wilentz, Goldman & Spitzer
Wolff & Samson

MISCELLANEOUS
ADP
Bausch & Lomb
CSX Transportation
Ciba-Geigy Corporation
Cigna Corporation
Fox Rothschild, LLP
Frito-Lay
Gulf Oil
Honeywell
Janssen Pharmaceuticals
JFK Health Systems, Inc.
Kemper Insurance Group
Kraft-General Foods
McDonald's Corporation
Nationwide Insurance Co.
Nestle USA
New Jersey Natural Gas
OneBeacon Professional Insurance
Princeton University
Public Service Electric & Gas
Salvation Army
Siemens Corporation
Sony Corporation of America

GOVERNMENTAL
Branchburg Township
East Brunswick Township
Linden City
Marlboro Township
Medford Township
Metuchen Borough
Metuchen Parking Authority
Middlesex County Improvement Auth.
Monroe Township
Montgomery Township
New Jersey Green Acres
NJ Transit
Washington Township
West Orange Township

OTTEAU VALUATION GROUP, INC.

DETAILED DEMOGRAPHIC ANALYSES

POPULATION DEMOGRAPHICS

	0 - 5 miles	%	0 - 10 miles	%	0 - 15 miles	%
Population						
2019 Projection	36,459		107,919		309,107	
2014 Estimate	36,778		108,770		307,566	
2010 Census	37,258		110,061		307,096	
2000 Census	34,518		107,760		291,865	
Growth 2014-2019	-0.87%		-0.78%		0.50%	
Growth 2010-2014	-1.29%		-1.17%		0.15%	
Growth 2000-2010	7.94%		2.14%		5.22%	
2014 Est. Population by Sex	36,778		108,770		307,566	
Male	18,105	49.23	53,787	49.45	151,688	49.32
Female	18,673	50.77	54,983	50.55	155,878	50.68
Male/Female Ratio	0.97		0.98		0.97	
2014 Est. Population by Age	36,778		108,770		307,566	
Age 0 - 4	1,787	4.86	5,108	4.70	14,983	4.87
Age 5 - 9	2,165	5.89	6,043	5.56	17,413	5.66
Age 10 - 14	2,754	7.49	7,685	7.07	21,827	7.10
Age 15 - 17	1,770	4.81	5,180	4.76	14,213	4.62
Age 18 - 20	1,502	4.08	4,521	4.16	12,323	4.01
Age 21 - 24	1,735	4.72	5,535	5.09	14,559	4.73
Age 25 - 34	3,087	8.39	8,877	8.16	26,630	8.66
Age 35 - 44	4,323	11.75	12,571	11.56	37,504	12.19
Age 45 - 54	7,152	19.45	21,136	19.43	57,730	18.77
Age 55 - 64	5,461	14.85	17,036	15.66	46,896	15.25
Age 65 - 74	2,898	7.88	9,191	8.45	25,606	8.33
Age 75 - 84	1,396	3.80	4,059	3.73	12,333	4.01
Age 85 and over	748	2.03	1,830	1.68	5,551	1.80
Age 16 and over	29,490	80.18	88,233	81.12	248,680	80.85
Age 18 and over	28,301	76.95	84,755	77.92	239,131	77.75
Age 21 and over	26,799	72.87	80,233	73.76	226,808	73.74
Age 65 and over	5,043	13.71	15,080	13.86	43,490	14.14
2014 Est. Median Age	43.30		44.10		43.50	
2014 Est. Average Age	40.40		40.70		40.70	
2014 Est. Median Age, Male	41.70		42.60		42.10	
2014 Est. Average Age, Male	39.20		39.70		39.60	
2014 Est. Median Age, Female	44.70		45.30		44.80	
2014 Est. Average Age, Female	41.50		41.70		41.70	
2014 Est. Pop Age 15+ by Marital Status	30,071		89,935		253,343	
Total, Never Married	7,914	26.32	23,523	26.16	66,474	26.24
Males, Never Married	4,117	13.69	12,675	14.09	35,845	14.15
Females, Never Married	3,797	12.63	10,848	12.06	30,629	12.09
Married, Spouse present	17,453	58.04	53,222	59.18	146,293	57.75
Married, Spouse absent	709	2.36	2,210	2.46	7,764	3.06
Widowed	1,461	4.86	4,108	4.57	13,057	5.15
Males Widowed	243	0.81	783	0.87	2,194	0.87
Females Widowed	1,218	4.05	3,325	3.70	10,863	4.29
Divorced	2,534	8.43	6,872	7.64	19,755	7.80
Males Divorced	1,036	3.45	2,714	3.02	7,706	3.04
Females Divorced	1,498	4.98	4,158	4.62	12,049	4.76

HOUSEHOLD DEMOGRAPHICS

	0 - 5 miles	%	0 - 10 miles	%	0 - 15 miles	%
Households						
2019 Projection	13,387		39,360		115,118	
2014 Estimate	13,449		39,443		114,136	
2010 Census	13,554		39,657		113,653	
2000 Census	12,355		37,636		106,744	
Growth 2014-2019	-0.47%		-0.21%		0.86%	
Growth 2010-2014	-0.78%		-0.54%		0.42%	
Growth 2000-2010	9.71%		5.37%		6.47%	
2014 Est. Households by Household Type	13,449		39,443		114,136	
Family Households	9,946	73.95	29,509	74.81	82,509	72.29
Nonfamily Households	3,504	26.05	9,935	25.19	31,626	27.71
2014 Est. Family HH Type, Presence Own Children	9,946		29,509		82,509	
Married-Couple Family, own children	4,187	42.10	12,238	41.47	34,064	41.29
Married-Couple Family, no own children	4,315	43.38	13,408	45.44	36,156	43.82
Male Householder	417	4.19%	1,128	3.82%	3,558	4.31%
Male Householder, own children	188	1.89	498	1.69	1,510	1.83
Male Householder, no own children	229	2.30	630	2.13	2,048	2.48
Female Householder	1,026	10.32%	2,734	9.26%	8,731	10.58%
Female Householder, own children	545	5.48	1,392	4.72	4,394	5.33
Female Householder, no own children	481	4.84	1,342	4.55	4,337	5.26
2014 Est. Households by Household Size	13,449		39,443		114,136	
1-person household	2,942	21.88	8,276	20.98	26,224	22.98
2-person household	4,189	31.15	12,755	32.34	36,125	31.65
3-person household	2,390	17.77	7,171	18.18	20,430	17.90
4-person household	2,452	18.23	7,257	18.40	19,843	17.39
5-person household	1,041	7.74	2,880	7.30	8,074	7.07
6-person household	296	2.20	787	2.00	2,449	2.15
7 or more person household	139	1.03	317	0.80	990	0.87
2014 Est. Average Household Size	2.70		2.68		2.64	
2014 Est. Households by Presence of People	13,449		39,443		114,136	
Households with 1 or more People under Age 18:	5,118	38.0549	14,688	37.2385	41,651	36.4924
Married-Couple Family	4,279	83.6069	12,524	85.2669	34,829	83.621
Other Family, Male Householder	217	4.23994	558	3.79902	1,747	4.19438
Other Family, Female Householder	599	11.7038	1,543	10.5052	4,893	11.7476
Nonfamily, Male Householder	16	0.31262	45	0.30637	140	0.33613
Nonfamily, Female Householder	6	0.11723	17	0.11574	42	0.10084
Households no People under Age 18:	8,332	61.95	24,756	62.76	72,485	63.51
Married-Couple Family	4,219	50.64	13,113	52.97	35,373	48.80
Other Family, Male Householder	202	2.42	570	2.30	1,810	2.50
Other Family, Female Householder	429	5.15	1,204	4.86	3,870	5.34
Nonfamily, Male Householder	1,484	17.81	4,343	17.54	13,634	18.81
Nonfamily, Female Householder	1,997	23.97	5,525	22.32	17,799	24.56
2014 Est. Average Number of Vehicles	2.04		2.10		2.03	
Family Households						
2019 Projection	9,910		29,451		83,160	
2014 Estimate	9,946		29,509		82,509	
2010 Census	10,016		29,680		82,244	
2000 Census	9,344		28,946		78,264	
Growth 2014-2019	-0.36%		-0.20%		0.79%	
Growth 2010-2014	-0.70%		-0.58%		0.32%	
Growth 2000-2010	7.19%		2.54%		5.09%	

EDUCATION & EMPLOYMENT DEMOGRAPHICS

	0 - 5 miles	%	0 - 10 miles	%	0 - 15 miles	%
2014 Est. Pop. Age 25+ by Edu. Attainment	25,064		74,699		212,249	
Less than 9th grade	476	1.90	1,628	2.18	4,761	2.24
Some High School, no diploma	779	3.11	2,487	3.33	7,270	3.43
High School Graduate (or GED)	5,095	20.33	16,581	22.20	47,806	22.52
Some College, no degree	4,277	17.06	12,230	16.37	33,362	15.72
Associate Degree	1,796	7.17	4,926	6.59	13,354	6.29
Bachelor's Degree	7,512	29.97	21,511	28.80	59,604	28.08
Master's Degree	3,651	14.57	10,866	14.55	31,959	15.06
Professional School Degree	821	3.28	2,401	3.21	7,286	3.43
Doctorate Degree	657	2.62	2,069	2.77	6,847	3.23
2014 Est. Civ Employed Pop 16+ Class of Worker	20,000		57,140		162,492	
For-Profit Private Workers	13,102	65.51	38,259	66.96	109,822	67.59
Non-Profit Private Workers	1,984	9.92	4,722	8.26	13,320	8.20
Local Government Workers	1,499	7.50	4,518	7.91	12,475	7.68
State Government Workers	917	4.59	2,314	4.05	6,019	3.70
Federal Government Workers	121	0.61	572	1.00	2,095	1.29
Self-Emp Workers	2,348	11.74	6,655	11.65	18,371	11.31
Unpaid Family Workers	29	0.15	99	0.17	389	0.24
2014 Est. Civ Employed Pop 16+ by Occupation	20,000		57,140		162,492	
Architect/Engineer	570	2.85	1,796	3.14	4,778	2.94
Arts/Entertain/Sports	526	2.63	1,488	2.60	3,987	2.45
Building Grounds Maint	445	2.23	1,135	1.99	4,192	2.58
Business/Financial Ops	1,427	7.14	4,240	7.42	11,805	7.26
Community/Soc Svcs	240	1.20	616	1.08	1,848	1.14
Computer/Mathematical	912	4.56	2,873	5.03	8,873	5.46
Construction/Extraction	521	2.61	1,776	3.11	6,149	3.78
Edu/Training/Library	1,102	5.51	3,542	6.20	11,093	6.83
Farm/Fish/Forestry	24	0.12	144	0.25	361	0.22
Food Prep/Serving	736	3.68	2,172	3.80	5,904	3.63
Health Practitioner/Tec	1,325	6.63	3,439	6.02	9,646	5.94
Healthcare Support	150	0.75	727	1.27	2,570	1.58
Maintenance Repair	554	2.77	1,587	2.78	3,814	2.35
Legal	443	2.22	1,062	1.86	2,935	1.81
Life/Phys/Soc Science	255	1.28	905	1.58	3,317	2.04
Management	3,021	15.11	9,172	16.05	25,624	15.77
Office/Admin Support	2,729	13.65	7,189	12.58	20,060	12.35
Production	372	1.86	1,407	2.46	4,145	2.55
Protective Svcs	487	2.44	1,134	1.98	2,854	1.76
Sales/Related	2,946	14.73	7,126	12.47	18,498	11.38
Personal Care/Svc	561	2.81	1,533	2.68	4,107	2.53
Transportation/Moving	654	3.27	2,077	3.63	5,932	3.65
2014 Est. Pop 16+ by Occupation Classification	20,000		57,140		162,492	
Blue Collar	2,101	10.51	6,847	11.98	20,040	12.33
White Collar	15,497	77.49	43,448	76.04	122,465	75.37
Service and Farm	2,402	12.01	6,845	11.98	19,987	12.30
2014 Est. Workers Age 16+, Transp. To Work	19,557		55,825		158,741	
Drove Alone	16,372	83.71	46,056	82.50	130,260	82.06
Car Pooled	900	4.60	3,130	5.61	10,003	6.30
Public Transportation	507	2.59	1,362	2.44	4,329	2.73
Walked	235	1.20	700	1.25	2,240	1.41
Bicycle	7	0.04	79	0.14	221	0.14
Other Means	171	0.87	343	0.61	998	0.63
Worked at Home	1,365	6.98	4,156	7.44	10,690	6.73
2014 Est. Workers Age 16+ by Travel Time to Work *						
Less than 15 Minutes	4,874		11,009		32,022	
15 - 29 Minutes	4,468		14,712		44,854	
30 - 44 Minutes	3,695		11,711		32,990	
45 - 59 Minutes	2,117		6,654		17,027	
60 or more Minutes	3,157		7,742		21,956	
2014 Est. Avg Travel Time to Work in Minutes	35.36		35.28		34.59	

INCOME DEMOGRAPHICS

	0 - 5 miles		0 - 10 miles		0 - 15 miles	
		%		%		%
2014 Est. HHs by HH Income	13,449		39,443		114,136	
CY HHs, Inc < $15,000	622	4.62	1,503	3.81	5,387	4.72
CY HHs, Inc $15,000 - $24,999	682	5.07	1,989	5.04	6,017	5.27
CY HHs, Inc $25,000 - $34,999	862	6.41	2,244	5.69	6,345	5.56
CY HHs, Inc $35,000 - $49,999	990	7.36	2,557	6.48	8,464	7.42
CY HHs, Inc $50,000 - $74,999	1,905	14.16	5,502	13.95	15,880	13.91
CY HHs, Inc $75,000 - $99,999	1,711	12.72	5,345	13.55	15,783	13.83
CY HHs, Inc $100,000 - $124,999	1,523	11.32	4,975	12.61	13,643	11.95
CY HHs, Inc $125,000 - $149,999	1,310	9.74	3,797	9.63	10,101	8.85
CY HHs, Inc $150,000 - $199,999	1,518	11.29	4,855	12.31	13,405	11.74
CY HHs, Inc $200,000 - $249,999	598	4.45	1,854	4.70	5,080	4.45
CY HHs, Inc $250,000 - $499,999	1,128	8.39	3,254	8.25	9,162	8.03
CY HHs, Inc $500,000+	600	4.4613	1568	3.97536	4868	4.26509
2014 Est. Average Household Income	$132,991		$133,595		$131,714	
2014 Est. Median Household Income	$99,304		$102,920		$98,719	
2014 Median HH Inc by Single Race Class. or Ethn						
White Alone	99,621		103,202		97,486	
Black or African American Alone	56,366		70,345		68,411	
American Indian and Alaska Native Alone	157,998		147,595		66,487	
Asian Alone	143,981		130,863		138,448	
Native Hawaiian and Other Pacific Islander Alone	68,526		65,676		64,029	
Some Other Race Alone	48,294		66,678		58,251	
Two or More Races	99,199		89,343		97,615	
Hispanic or Latino	83,694		89,943		70,163	
Not Hispanic or Latino	100,483		103,660		100,936	
2014 Est. Families by Poverty Status	9,946		29,509		82,509	
2014 Families at or Above Poverty	9,669	97.21	28,834	97.71	80,496	97.56
2014 Families at or Above Poverty with Children	4,975	50.02	14,062	47.65	40,826	49.48
2014 Families Below Poverty	277	2.79	675	2.29	2,013	2.44
2014 Families Below Poverty with Children	266	2.67	540	1.83	1,548	1.88

HOUSING DEMOGRAPHICS

	0 - 5 miles		0 - 10 miles		0 - 15 miles	
		%		%		%
2014 Est. Tenure of Occupied Housing Units	13,449		39,443		114,136	
Owner Occupied	11,114	82.64	33,828	85.76	93,149	81.61
Renter Occupied	2,335	17.36	5,616	14.24	20,987	18.39
2014 Owner Occ. HUs: Avg. Length of Residence	17.6		18.5		18.6	
2014 Renter Occ. HUs: Avg. Length of Residence	8.6		8.5		8.2	
2014 Est. All Owner-Occupied Housing Values	11,114		33,828		93,149	
Value Less than $20,000	23	0.21	117	0.35	156	0.17
Value $20,000 - $39,999	55	0.49	154	0.46	478	0.51
Value $40,000 - $59,999	63	0.57	190	0.56	449	0.48
Value $60,000 - $79,999	9	0.08	46	0.14	175	0.19
Value $80,000 - $99,999	65	0.58	192	0.57	483	0.52
Value $100,000 - $149,999	134	1.21	495	1.46	1,600	1.72
Value $150,000 - $199,999	461	4.15	1,111	3.28	3,658	3.93
Value $200,000 - $299,999	1,954	17.58	5,547	16.40	17,168	18.43
Value $300,000 - $399,999	2,263	20.36	7,782	23.00	21,592	23.18
Value $400,000 - $499,999	2,229	20.06	6,978	20.63	16,237	17.43
Value $500,000 - $749,999	3,149	28.33	8,780	25.95	22,075	23.70
Value $750,000 - $999,999	582	5.24	1,807	5.34	5,850	6.28
Value $1,000,000 or more	129	1.16	627	1.85	3,228	3.47
2014 Est. Median All Owner-Occupied Housing Value	$423,830		$418,323		$405,025	
2014 Est. Housing Units by Units in Structure	14,045		41,428		120,521	
1 Unit Attached	1,758	12.52	4,260	10.28	15,318	12.71
1 Unit Detached	9,701	69.07	30,959	74.73	82,351	68.33
2 Units	323	2.30	1,064	2.57	4,939	4.10
3 or 4 Units	564	4.02	1,073	2.59	3,819	3.17
5 to 19 Units	1,392	9.91	2,990	7.22	9,342	7.75
20 to 49 Units	55	0.39	413	1.00	1,859	1.54
50 or More Units	250	1.78	537	1.30	2,462	2.04
Mobile Home or Trailer	3	0.02	133	0.32	410	0.34
Boat, RV, Van, etc.	0	0.00	0	0.00	21	0.02
2014 Est. Housing Units by Year Structure Built	14,045		41,428		120,521	
Housing Unit Built 2005 or later	614	4.37	1,521	3.67	3,825	3.17
Housing Unit Built 2000 to 2004	1,277	9.09	2,963	7.15	8,505	7.06
Housing Unit Built 1990 to 1999	2,045	14.56	7,261	17.53	21,624	17.94
Housing Unit Built 1980 to 1989	3,936	28.02	9,971	24.07	23,623	19.60
Housing Unit Built 1970 to 1979	1,773	12.62	5,794	13.99	16,101	13.36
Housing Unit Built 1960 to 1969	1,264	9.00	3,800	9.17	12,883	10.69
Housing Unit Built 1950 to 1959	1,160	8.26	3,416	8.25	11,931	9.90
Housing Unit Built 1940 to 1949	466	3.32	1,385	3.34	4,887	4.05
Housing Unit Built 1939 or Earlier	1,511	10.76	5,318	12.84	17,144	14.22
2014 Est. Median Year Structure Built **	1982		1981		1978	