

AREA ANALYSIS – CAPITAL REGION

Regional Overview

The subject is located in Saratoga County, which is part of the New York State Capital Region. Located in the eastern-central region of New York State along the Mohawk and Hudson Rivers, the Capital Region encompasses an 8-county area including Albany, Columbia, Greene, Rensselaer, Saratoga, Schenectady, Warren, and Washington counties. The Capital Region is also commonly known the Albany-Schenectady-Troy MSA.

Albany is strategically situated from both an economic and geographic standpoint. The area is within one day's shipping time (850 miles) of 35 of the country's top 100 retail markets, accounting for 50% of U.S. retail sales. These markets include cities such as Baltimore, Boston, Chicago, Cincinnati, Detroit, New York City, Philadelphia, Pittsburgh, and Washington D.C., and Montreal, Quebec, and Toronto in Canada.

Saratoga County borders the counties of Albany to the south, Warren to the north, Fulton to the west, and Washington to the east. The city of Albany, which is the capital of New York State and the economic center of the region, is located 30 minutes south of Saratoga County.

The region's proximity to major markets is good, with overnight access to 48% of all U.S. and Canadian retail sales, 56% of all skilled workers in these two countries, and 132 million people with an annual disposable income of \$1.7 trillion. More importantly, from a warehouse/distribution standpoint, 60% of all the manufactured products shipped within the U.S. and Canada, as well as 53% of all wholesale receipts in these two markets, are located within one day's shipping time. The region is accessible by all major forms of transportation including, air, sea, motor freight and rail.

Economy

Historically, the region was known as a transportation, trade, and industrial center. Today, the region has further developed into a major center for government, finance, education, technology, health care, services, and tourism in upstate New York. As the capital of New York State, the Albany area enjoys the stability of a major government center.

Even though the Albany-Schenectady-Troy (A-S-T) metropolitan area's labor market has suffered through its weakest period in many years, it has once again beaten the national average during the current recession. In 2011, the national unemployment rate was 8.2%, the New York State unemployment rate was 8% and local area's unemployment rate was 7.2% percent. The figures for 2012 are 7.5%, 8.1% and 7.3% respectively.

Challenging Times

The area's job losses have been widespread as government (-2,300) suffered the largest decline of any single sector over the last 12 months. The State's budget and fiscal challenges, which were exacerbated by the meltdown on Wall Street, led to a hiring freeze by State agencies. Because the local area is home to the state's capital, it was disproportionately affected by the

freeze. In addition, many local municipalities and school districts have reduced staffing levels in the face of declining budgets.

Trade, transportation and utilities (-1,800) experienced significant employment losses over the past year, due mostly to reduced consumer spending. The decline in trade, transportation and utilities jobs was centered in wholesale and retail trade which is particularly sensitive to economic fluctuations. Leisure and hospitality also lost 500 jobs, as less disposable income and lower net worth, brought on by reduced home values and poor investment returns, typically causes people to cut back on meals out and recreational activities.

The natural resources, mining and construction sector (1,500) experienced some job gains over the past 12 months. This industry was one of the first to benefit from the federal stimulus as the Capital Region should receive \$98 million in funds for bridge and roadwork. In addition, the State Department of Transportation will award the region \$87 million in highway and bridge contracts while the Consolidated Highway Improvement Program will chip in \$31 million.

There is long term concern for the construction sector was the Global Foundry project begins to wind down in the coming years.

Business and Industry

As home to the state capital, Albany, government has historically been the leading source of jobs in the Capital Region. Recently, the service sector has overtaken that role, boosted by the region's growth as a vacation destination showcasing major attractions such as Lake George, Saratoga Springs, and the Catskills.

Manufacturing accounts for close to 10% of all non-farm jobs in the region with General Electric Company (GE) a major employer. The region is also one of the State's premier high technology centers with such world-class research institutions as Albany Medical Center, GE Corporate Research and Development, Knolls Atomic Power Lab, and Rensselaer Polytechnic Institute, among others.

The Capital District is currently undergoing numerous economic developments. The largest driver is Advanced Micro Devices, Inc. which held a ceremonial groundbreaking in July 2009 for a \$4.6 billion chip fabrication facility within the Luther Forest Technology Park. Further expansions have since been announced. The site is expected to ramp up to full production some time this year.

The Capital Region has attracted a significant number of distribution and warehousing centers. These centers utilize the region's excellent transportation systems to access their growing Northeast markets.

In addition to government employment, the Albany-Schenectady-Troy area has a diversified private sector. The sectors that generate the largest amount of export income within the region

include professional, scientific and technical services; education; and insurance carriers. The region's most important export and income-generating manufacturing industry is chemicals.

Research and development partnerships between the University at Albany's Center for Advanced Thin Film Technology and Rensselaer Polytechnic Institute's (RPI) Center for Advanced Interconnect Science and Technology have drawn an industry-sponsored semiconductor research center to the region, positioning the area to attract new manufacturing to the state. RPI also houses a new \$100 million Center for Biotechnology. The Center's mission is to create a forum for experts in various fields to meet and work together to create solutions to current problems in the industry.

Population

Local and regional population statistics are presented below:

	2000 Census	2010 Estimate	2015 Projection	% Change 2000-2010	%Change 2010-2015
Saratoga County	200,635	219,312	226,102	9.31%	3.10%
Capital Region	999,928	1,035,307	1,043,940	3.54%	0.83%
New York State	18,976,457	19,562,561	19,697,478	3.09%	0.69%

Source: Claritas

As illustrated, Saratoga County's population has grown at a pace faster than the rest of the region since 2000 and is projected to grow in each of the regions over the next 5 years. This is noteworthy as many older Upstate New York towns have experienced sharp population declines as manufacturing jobs have left the region. Overall, the region has a very low population density, as there are still large areas of farmlands and otherwise undeveloped land outside the city of Albany and the immediate suburbs.

Transportation

The area is well served by the Interstate Highway system; Albany is situated at a hub that provides direct vehicular access to New York City, Boston, Montreal, Buffalo, and points beyond. The New York State Thruway (I-90/I-87) and I-88 are the main highways through the area. The Thruway is the most important highway in upstate New York, running from Buffalo to New York City. Albany is an excellent distribution point with over 120 carriers within overnight trucking time to 35 of the country's top 100 retail markets. Passenger and freight rail services are also extensive. Amtrak runs passenger service from Albany (Rensselaer), Schenectady, and Saratoga and operates nationwide as well as service into and from Canada. Conrail, which provides rail service to the subject, and D&H/CP transport freight nationwide and into Canada.

The Port of Albany has had fluctuating fortunes in recent years. After dropping dramatically in 1990 and again in 1997, tonnage doubled in 1999. At present, it is handling over 700,000 tons of freight annually, near historical norms. The port is located 124 nautical miles north of New York City, and is accessible by a 32-foot channel via the Hudson River. The largest ships serviced by the port are 750 feet long and 50,000 deadweight tons. Rail service from the port is provided by the Albany Port Railroad Corporation. Major commodities include grain, molasses, forest products, and scrap iron.

The area is served by the Albany County Airport, located 7 miles west of the city of Albany, with direct service to 24 airports. Last year, the airport handled 1.2 million enplanements, at or near record levels. The ongoing terminal upgrading is giving the region a first-class airport.

Quality of Life

The Capital Region of New York State is a relatively low cost area, especially when compared to the high cost of living in other cities around the world and the high costs of living in cities such as New York City, Boston, and Los Angeles. Austin, Texas, the first Sematech site, and Raleigh, North Carolina, the site of the Research Triangle are both well known for their concentration of hi-tech businesses. The overall cost of living for the Capital Region is actually about the same as found in Austin and Raleigh, and the cost of housing is actually lower. The rate of crime per 100,000 populations in Saratoga County is low with property crime actually being far less than that found in Austin and Raleigh. These factors make Saratoga an attractive location for new high paid workers to relocate to.

A variety of cultural and recreational offerings make Saratoga a highly desirable place in which to live and work. Sports fans enjoy a variety of professional and collegiate sporting events or take to the outdoors for water sports, golfing, hiking, or skiing. Saratoga offers the nation's oldest and most prestigious thoroughbred racetrack and a trotting track, along with the summer home of the New York City Ballet and the Philadelphia Orchestra.

Conclusion

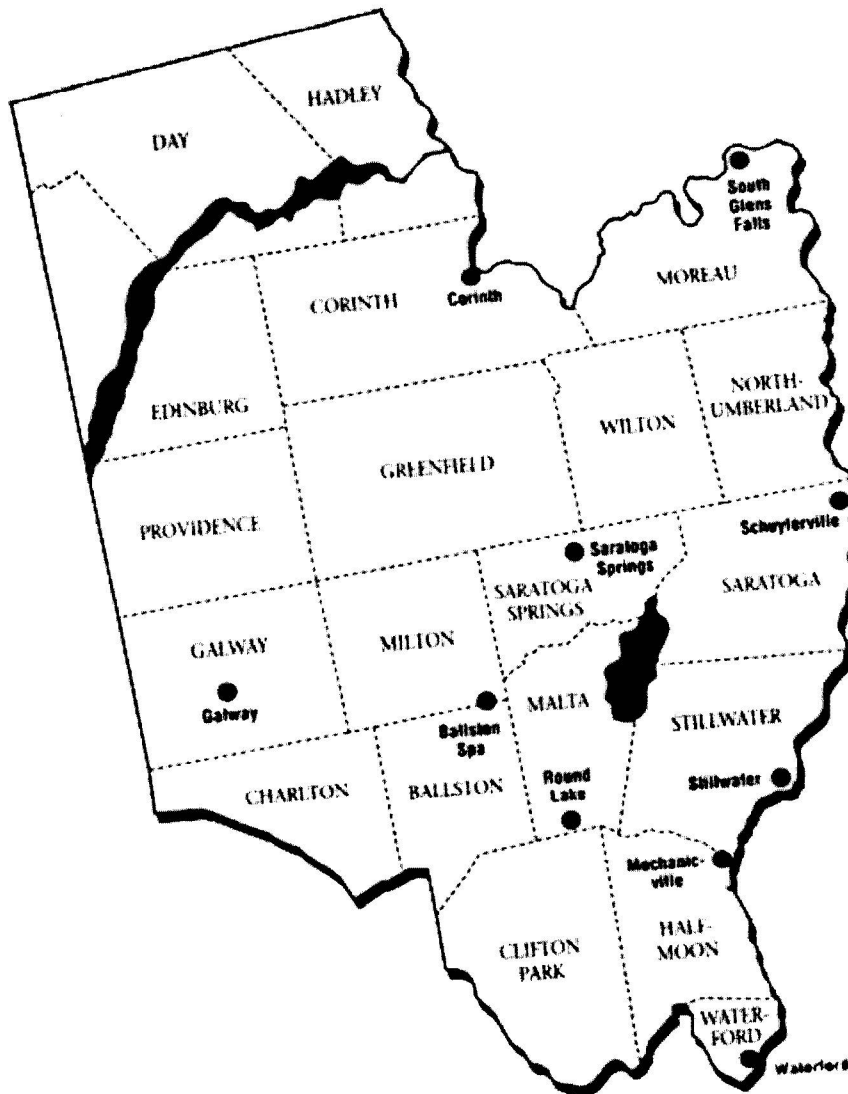
The addition of Advanced Micro Devices to the area is widely seen to be a boon to Saratoga and the entire the Capital Region. In addition to Advanced Micro Devices, the Capital Region has seen a wave of new development to support the Advanced Micro Devices plant. Advanced Micro Devices' investment is the largest industrial investment made in New York and one of the largest in the country. The University at Albany's Albany NanoTech is less than a decade old, but its complex is valued at \$3 billion and has all the major computer chip tool manufacturers and chip makers on-site including Sematech, a consortium of computer chip manufacturers.

With all the growth in the manufacturing industry as well as the high amount of people employed in state government, Saratoga and the Capital Region economy are expected to sustain growth over the foreseeable future. With 2,000 new hi-tech jobs expected for the area, population and income growth is expected to be significantly greater than elsewhere in the State or the U.S.

An overview of the Greater Capital Region's labor market reveals both promising developments and potential challenges. Both total and private sector job counts increased fairly steadily from 1990 to 2002. After dropping slightly in 2002, the number of private sector jobs bounced back to a record high in 2003. Though held back by a large number of retirements in state government in early 2003, continued growth in the private sector pushed total jobs to a record high in 2004. Not all industries shared in this growth. Significant additions occurred in such industries as health care and professional, scientific and technical services. Manufacturing, however, suffered significant losses due to increased productivity, global competition and outsourcing. This resulted in a structural mismatch between the types of workers needed and the unemployed.

Despite this mismatch, the region's unemployment rate (an indicator of labor supply) remains well below that of the nation.

SARATOGA COUNTY



Saratoga County was formed from its parent, Albany County, in 1791. Within the county's borders are the Adirondack Mountains, the Kayaderrossas and Sacandaga Rivers, numerous lakes and streams, and rolling farmland. The Hudson River forms the eastern and northern boundaries of the county and the Mohawk River, the southernmost boundary. Originally, Saratoga County had 4 towns: Ballston, Stillwater, Halfmoon, and Saratoga. Today, there are 19 towns and 2 cities. Warren, Washington, Rensselaer, Albany, Schenectady, Montgomery, Fulton, and Hamilton Counties all border Saratoga County.

Saratoga County's location and geography have led to its prominence in American history. As described by Nathaniel Sylvester in his book, *History of Saratoga County*, "In the angle formed by the junction of these two long deep valleys or passes through the mountain ranges, in the angle between the old Indian war-trails, in the angle between the pathway of armies, in the angle between the great modern routes of travel, in the angle formed by the junction of the Mohawk and Hudson Rivers, lies the territory now known as the county of Saratoga."

Pre-historic Native Americans used the lands of Saratoga County as hunting and fishing grounds. In later years, the name Sarach-togue was given to the Hudson River area by the Mohawk, meaning 'hillside of a great river' or 'place of the swift water.' In 1777, during the American Revolution, General Gates defeated British forces under General Burgoyne at the Battles of Saratoga. Saratoga County was also a gateway for the westward migration of many settlers as the Mohawk River provided a natural passageway through the Appalachian Mountains. Both the historic Champlain Canal, located on the Hudson River, and the Erie Canal, located on the Mohawk River, operated in Saratoga County.

The current residents of Saratoga County today enjoy its numerous recreational facilities including mountains and wooded paths and various water activities among its rivers, lakes, and streams. Residents also enjoy visiting a vast number of preserved historic sites, museums, and parks that have been established throughout Saratoga County.

Government

Saratoga County is the largest governing entity, providing overall services to over 200,000 residents. The County is divided into 19 towns, 9 villages, and 2 cities. The Saratoga County Seat is located in Ballston Spa, and it is from here that most functions operate. Saratoga County is administered by a 23-member Board of Supervisors. Voting in the Board of Supervisors is by majority vote, weighted according to population. The County Clerk's office is the official recording office. It maintains records such as deeds, mortgages, discharges of mortgages and liens, official bonds, adoption surrender, and all court actions.

Employment

The following is a listing of the major employers within Saratoga County.

SARATOGA COUNTY EMPLOYMENT

1000+ employees	Town	# of employees
Stewart's Ice Cream Co.	Greenfield	1,550
General Electric - Silicone Division	Waterford	1,409
Shenendehowa Central School District	Clifton Park	1,350
State Farm Insurance	Malta	1,171
Saratoga County	Ballston Spa	1,075
Target Distribution Center	Wilton	1,000

500-999 employees	Town	# of employees
Saratoga Springs City School District	Saratoga Springs	988
Navy - Personnel at GE Lab	Milton	900
Quad Graphics, Inc.	Saratoga Springs	825
Saratoga Hospital	Saratoga Springs	823
Skidmore College	Saratoga Springs	713
Sysco Foodservice	Halfmoon	500

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Unemployment Rates	9-Mar	9-Apr	9-May	9-Jun	9-Jul	9-Aug	9-Sep	9-Oct	9-Nov	9-Dec	10-Jan	10-Feb	10-Mar
ALBANY County	6.60%	6.30%	6.50%	7.20%	7.00%	6.90%	7.10%	6.80%	6.40%	6.50%	7.30%	7.00%	6.50%
Montgomery County	11.00%	9.60%	9.00%	9.20%	9.00%	8.70%	8.80%	8.80%	8.90%	9.50%	10.90%	11.10%	10.10%
RENSSELAER County	8.00%	7.40%	7.30%	7.80%	7.80%	7.60%	7.70%	7.40%	7.10%	7.40%	8.50%	8.30%	7.90%
SARATOGA County	7.00%	6.10%	6.20%	6.70%	6.30%	6.10%	6.40%	6.40%	6.30%	6.60%	7.40%	7.50%	7.00%
SCHENECTADY County	7.50%	7.00%	7.20%	7.70%	7.40%	7.50%	7.70%	7.60%	7.30%	7.40%	8.20%	8.10%	7.50%
Schoharie County	11.10%	8.80%	7.80%	8.70%	8.50%	7.80%	7.60%	7.50%	7.80%	9.10%	11.10%	11.30%	10.20%
Warren County	10.00%	8.30%	7.40%	7.10%	6.60%	6.70%	7.20%	7.70%	8.50%	9.20%	10.30%	10.10%	9.60%
Washington County	8.80%	7.60%	7.60%	7.70%	7.10%	6.80%	7.40%	7.30%	7.50%	7.70%	9.10%	9.30%	8.60%
CAPITAL DISTRICT	7.20%	6.60%	6.70%	7.30%	7.00%	6.90%	7.10%	7.00%	6.60%	6.90%	7.70%	7.60%	7.10%
Albany-Schenectady-Troy MSA	7.50%	6.80%	6.90%	7.40%	7.20%	7.10%	7.20%	7.10%	6.80%	7.10%	8.00%	7.90%	7.30%
New York State	8.10%	7.50%	7.90%	8.60%	8.60%	8.70%	8.80%	8.70%	8.40%	8.80%	9.40%	9.20%	8.80%
United States	9.00%	8.60%	9.10%	9.70%	9.70%	9.60%	9.50%	9.50%	9.40%	9.70%	10.60%	10.40%	10.20%

As of March 2010, Saratoga County had a 7% unemployment rate which is among the lowest in the state.

Utilities

Telephone - The major part of Saratoga County is served by Verizon. Citizens Communications serves homes and businesses in the Towns of Corinth, Day, and Edinburg. Various businesses design, install, and service private telecommunications systems.

Power – NationalGrid serves the majority of Saratoga County. New York State Electric & Gas provides service for parts of Halfmoon, Stillwater, Malta, Mechanicville, and Clifton Park. There are a number of gas, petroleum, and solar energy equipment suppliers throughout the county.

Water and Sewer - Saratoga County has access to water resources coming from the river systems as well as underground spring reserves. The county is examining a countrywide water system. Sewers are maintained by municipalities and the county, although there are private lines in some sections of the county that must be privately maintained. The County Sewer District now serves a major part of Saratoga.

Disposal of garbage and waste is normally the responsibility of the private household.

Public Safety

Ten municipalities in the county have their own police agencies: The Villages of Corinth, South Glens Falls & Ballston Spa, the Cities of Mechanicville and Saratoga Springs, and the Towns of Waterford, Charlton (part-time), Clifton Park, and Stillwater (part-time). The remainder of the county is covered by the County Sheriff's Office and the New York State Police. Emergency medical services are rendered by paid staff and trained volunteers. Fire protection in all municipalities except the City of Saratoga Springs is performed by trained volunteers. Saratoga Springs has a career fire department.

Transportation

Saratoga County is served by a number of transportation options and routes. Interstate 87, also known as the Northway, is the major north-south route and has 11 interchanges in its 30-mile stretch through the county. Routes 29, 67, and 146 provide the major east-west automobile routes. Commuter bus service is provided by Upstate Tours & Travel, and many local bus routes are provided by the Capital District Transportation Authority/CDTA. Adirondack Trailways & Greyhound offer long distance bus service from their terminal in Saratoga Springs.

By air, the Albany International Airport, located just south of Saratoga County, has major carriers including American, United, US Airways, Delta, and Southwest, as well as regional commuter lines such as Air Canada. The Saratoga County Airport in the Town of Milton accommodates private, prop, and jet aircraft on its two runways, which are 4,000 and 4,700 feet. Amtrak is the primary source of passenger train service. The railroad has a station off West Avenue in Saratoga Springs, as well as a station in Rensselaer (known as Albany-Rensselaer station) with more frequent trains.

The Port of Albany has 2 wharves, 4,200 feet and 1,200 feet, and outside storage acreage, including rail distribution. The Port is open year-round and can handle ships up to 750 feet in length. The channel depth and width are 32 feet and 400 feet, respectively. There is 750,000 tons annually that is put through this channel. The Hudson River is the eastern and northern border of Saratoga County. Waterways north of the port are open approximately 9 months out of the year via the Champlain Canal. They are closed only during winter months.

Education

Saratoga County is served by 14 public school districts with a total enrollment of over 37,700 students. In addition, there are 28 public libraries, in addition to the Skidmore College Library which is also a Federal Depository. The following higher education facilities are located within Saratoga County:

Adirondack Community College - Gansevoort, NY

Hudson Valley Community College - Malta, NY

Skidmore College - Saratoga Springs, NY

SUNY Empire State College - Saratoga Springs, NY

Union College - Schenectady, NY

Univ. at Albany Graduate Business Programs- Albany, NY

Demographic Profile

The following information illustrates the demographic profile of Saratoga County. The tables below illustrate growth rates and trends for population, households, housing unit, and income levels within the Saratoga County geographic area.

POPULATION TRENDS – SARATOGA COUNTY

Population	
2015 Projection	226,102
2010 Estimate	219,312
2000 Census	200,635
1990 Census	181,276
Growth 2010-2015	3.10%
Growth 2000-2010	9.31%
Growth 1990-2000	10.68%

Source: Claritas

As indicated, population growth was strongest between 1990 and 2000, with average growth over 1% per year. Population grew at a slightly slower pace between 2000 and 2010. Consistent with this trend, the 2015 population is also projected to grow at a fairly strong level of approximately 3.10%, or less than 1% per year.

INCOME TRENDS – SARATOGA COUNTY

Description	2000 Census	2010 Estimate	% Change 2000-2010	2015 Projection	% Change 2010-2015
Average Household Income	\$60,618	\$80,028	32.02%	\$89,027	11.25%
Median Household Income	\$49,507	\$64,802	30.89%	\$70,318	8.51%
Per Capita(\$)	\$23,945	\$32,416	35.38%	\$36,346	12.12%

Source: Claritas

The subject area illustrates an average overall level of affluence with very strong increases projected over the next 5 years. Income levels within Saratoga County are correspondingly higher than for several other counties within the Capital District. The following table presents the income distribution level among households in Saratoga County.

2010 Est. HouseHolds by HH Income	87,806	%
Income Less than \$15,000	5,754	6.55
Income \$15,000 - \$24,999	6,995	7.97
Income \$25,000 - \$34,999	7,734	8.81
Income \$35,000 - \$49,999	12,180	13.87
Income \$50,000 - \$74,999	18,984	21.62
Income \$75,000 - \$99,999	13,741	15.65
Income \$100,000 - \$124,999	9,118	10.38
Income \$125,000 - \$149,999	5,053	5.75
Income \$150,000 - \$199,999	4,822	5.49
Income \$200,000 - \$499,999	2,899	3.30
Income \$500,000 and more	526	0.60

Source: Claritas

As indicated, the majority of the income distribution is between \$35,000 and \$125,000, as 61.52% of the households fall within this range. This also illustrates the overall average level of affluence within the county.

Housing

Saratoga County’s housing stock, like many upstate New York suburban counties, contains a

mixture of older and newer developments. Saratoga is more developed than Warren and Washington Counties, as 96,911 housing units indicates a density of approximately 116 housing units per square mile. Relative to other counties within the Capital District, Saratoga County has the highest median sale prices for homes with the 2010 median housing price at more than double that of Montgomery County and double the median price of Schoharie and Washington Counties. Saratoga County contains more upscale communities relative to other Capital District suburbs. The following tables provide additional information regarding the housing stock in the County, as well as the average age of housing and its value.

HOUSING BREAKDOWN – SARATOGA COUNTY

2010 Est. Housing Units by Units in Structure	96,911	%
1 Unit Attached	4,829	4.98
1 Unit Detached	58,684	60.55
2 Units	7,018	7.24
3 or 4 Units	5,729	5.91
5 to 19 Units	6,413	6.62
20 to 49 Units	1,315	1.36
50 or More Units	1,899	1.96
Mobile Home or Trailer	11,022	11.37
Boat, RV, Van, etc.	2	0.00

Source: Claritas

AGE OF HOUSING – SARATOGA COUNTY

2010 Est. Housing Units by Year Structure Built	96,911	%
Housing Unit Built 2000 or later	12,345	12.74
Housing Unit Built 1990 to 1999	15,970	16.48
Housing Unit Built 1980 to 1989	16,832	17.37
Housing Unit Built 1970 to 1979	15,775	16.28
Housing Unit Built 1960 to 1969	9,481	9.78
Housing Unit Built 1950 to 1959	6,396	6.60
Housing Unit Built 1940 to 1949	3,340	3.45
Housing Unit Built 1939 or Earlier	16,772	17.31

Source: Claritas

2010 Est. Tenure of Occupied Housing Units	87,806	%
Owner Occupied	65,767	74.90
Renter Occupied	22,039	25.10

Source: Claritas

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2010 Est. All Owner-Occupied Housing Values	65,767	%
Value Less than \$20,000	1,530	2.33
Value \$20,000 - \$39,999	2,270	3.45
Value \$40,000 - \$59,999	1,619	2.46
Value \$60,000 - \$79,999	1,314	2.00
Value \$80,000 - \$99,999	1,859	2.83
Value \$100,000 - \$149,999	9,671	14.70
Value \$150,000 - \$199,999	14,707	22.36
Value \$200,000 - \$299,999	20,787	31.61
Value \$300,000 - \$399,999	6,543	9.95
Value \$400,000 - \$499,999	2,719	4.13
Value \$500,000 - \$749,999	2,082	3.17
Value \$750,000 - \$999,999	379	0.58
Value \$1,000,000 or more	287	0.44
2010 Est. Median All Owner-Occupied Housing Value	\$199,704	

Source: Claritas

As the data indicates, the vast majority of the single family housing in Saratoga County were constructed between 1970 and the present and that over 60% of the units consist of single-family residences. Almost 13% of housing was constructed in the past decade, indicative of the ongoing residential development taking place in the county due to more attractive pricing and suitable vacant land available for development. The estimated 2010 median structure age is 1978. Over 70% of all housing is owner occupied and the average home in the area is worth approximately \$200,000.

Conclusion

Saratoga County area has witnessed significantly lower unemployment compared to that of New York State. The population for the county, as well as the number of households is projected to increase from 2010 to 2015. Also, median and average household incomes are both projected to show strong growth between 2010 to 2015, with average household income expected to rise by over 11%. Residential development has been growing over the past several years as almost 13% of the housing stock was constructed after 1999. Furthermore, the low unemployment rate, diverse employment, addition of jobs from AMD, and excellent transportation system should provide Saratoga County opportunity for continued growth and stability.

HOUSING MARKET CONDITIONS

Market Overview

Saratoga County has traditionally been a haven for moderate to high-income families. As per the 2000 census data, the Saratoga County had 78,165 households, a slight increase from 1990. Claritas projects that, as of 2010, households have increased by 12.33% to 87,806 households. This increase in households is happening in conjunction with a decreasing real estate market and favorable financing. Of the total occupied housing units, approximately 75% are owner occupied and 25% are renter occupied.

All indications are that owner occupied real estate rebounded over the past several years fueled, in part, by historically low interest rates. However, in conjunction with the national housing downturn and resulting credit crisis, real estate professionals have indicated that demand has slowed over the last year or so.

In terms of vacancy, there are no published sources from which to obtain vacancy information in Saratoga County. However, according to area real estate professionals, there was a significant increase in real estate and demand during the past several years that resulted in an average county-wide occupancy rate of greater than 97%. And yet, over the past year, vacancy rates in older, less expensive buildings have increased due to the disproportionate affect of high gas prices and increased unemployment on low and moderate-income families. Multiple real estate professionals confirmed the recent jump in vacancy, as did the tax assessor's office. Several professionals said that families are doubling up in apartment units due to higher costs of living. In an effort to fill vacancies, landlords have been reducing rental rates in older properties within the past two years.

However, conversations with real estate brokers in the area as well as through conducting a market survey of the newer and larger apartment complexes, indicate that demand is still strong for these products with many places still exhibiting occupancy rates greater than 97%. The results of Leitner Group's informal survey are presented below:

Town	Complex	# of Units	# of vacant units	Percent Vacant
Ballston Lake	Northway Eleven Communities	952	20	2.10%
Clifton Park	Clifton Court Apartments	750	23	3.07%
	Fox Run Apartments	476	8	1.68%
	Hollondale Apartments	493	12	2.43%
	Pine Ridge Apartments	48	0	0.00%
	Strawberry Ridge	188	9	4.79%
	The Landings	240	21	8.75%
Halfmoon	Halfmoon Heritage Apartments	176	9	5.11%
Malta	Steeplechase at Malta	234	11	4.70%
Saratoga Springs	Saratoga Heritage Apartments	216	2	0.93%
	Cpngress Park Center	34	1	2.94%
	Skidmore Apartments	186	4	2.15%
	The Paddocks of Saratoga	336	11	3.27%
	Winners Circle at Saratoga	122	0	0.00%
		4,451	131	2.94%

Survey by Leitner Group Inc. May 2010

Although vacancy has increased county-wide, area real estate professionals concur that new construction, which has been mostly in the form of ground-up construction of large garden apartment complexes on the outskirts of the cities, has seen significantly higher demand than the typical older building stock. Size and condition are primary factors in demand for rental properties at this time. Exemplifying the affect of condition on demand, one newer project located in Half-moon, Half-moon Heritage, which currently has 176 units completed, is leasing them out as fast as they can build them. Due to the limited supply of newly renovated properties in the subject's primary market area, it is our opinion that newly built or renovated apartment properties should command rents at the high end of the market and have significantly higher demand than is typical in the market due to a general lack of supply of quality properties. Based on market data, newly renovated market rate apartment properties such as the subject should lease at a rate of 7 to 10 units per month.

General Market Conditions: Saratoga County Multi-family Market

The difficulty of analyzing the rental market in Saratoga County is apparent when you look at some of the data that has been previously presented. In an earlier table, we presented the fact that less than 2%, or 1,523 units of housing, is within structures with 50 or more units. However, we have just presented a table that does not even account for all of the rental units available in Saratoga County and yet it contains over 4,500 units. This can be explained by the fact that most of the new developments in Saratoga in the past decade have been large apartment complexes set up in a garden style with 2 to 8 units per building and then multiple buildings on the property. This is evident when you look at the table of housing units by structure where there are over 13,000 units in the 2-19 range. In addition, if you look at the table of housing units by year built, there were almost 12,500 new units constructed in the past decade. The majority of the new developments lie just on the outskirts of downtown areas like Saratoga Springs and attract people who are looking for larger units with upscale amenities and finishes that are within a short traveling distance to cities like Saratoga Springs and Malta. While there are certainly quite a few older buildings with 2-10 units in more urban areas, it is nearly impossible to quantify their numbers. In addition, the type of renter who is considering renting at the subject would most likely not be looking at these older and smaller units as an alternative. While their in-town location is certainly a plus, they do not offer the size or amenities that the newer and more "sprawled out" complexes can offer.

The type of amenities and services vary from complex to complex. Amenities such as recreational facilities, pools, doormen, personal services (e.g. dry cleaning), etc., which are virtually non-existent in urban areas, are beginning to show up at the newer facilities. Most apartment properties contain laundry facilities; however, multi-family homes and row houses rarely have this feature. On-site laundry facilities have a positive affect on rental rates due to the limited number of laundromats in the area. Free parking is typically provided for apartment buildings and sometimes for multi-family homes, but rarely provided for row houses. This feature has a positive affect on rental rates as automobile ownership is fairly typical in the subject's area and the cold weather makes indoor parking a sought-after feature. Residential services within the subject market are summarized in the following table:

Service	Typically Provided (Yes or No)	Paid By (Landlord or Tenant)
Heat (Gas or Oil)	Yes	Landlord or tenant
Cooking gas	Yes	Tenant or Landlord
Water/Sewer	Yes	Landlord
Hot Water	Yes	Landlord or tenant
Trash Removal	Yes	Landlord
Electricity	Yes	Tenant
Cable TV/Telephone	Yes	Landlord or tenant
Laundry	Sometimes	Tenant
Parking	Yes	Free
Security Staff	No	Landlord, if provided
Personal Services	In Newer Complexes	N/A
Doorman	No	N/A
Pool	Seasonal in New Complexes	N/A
Recreation Room	In Newer Complexes	N/A

In older construction, rent usually includes heat, water, hot water, and trash removal. Typically, buildings will have master metered cooking gas or have electric stoves, in which case the tenant pays for cooking energy based on their separate electric meter. The cost of tenant electricity is usually paid by tenants directly to the utility provider. In newer properties that have been renovated in recent times, the tenant typically pays for heat and electric and sometimes pays for hot water. The landlord typically pays for cold water or both cold and hot water plus trash removal.

Rent Regulations

Apartment buildings in Saratoga County are not subject to rent stabilization laws. However, some properties may have been developed with government funds and have restricted rents along with income restrictions. However, it has been our observation that these rents often approximate market rents due to the high median income in Saratoga County.

Immediate Market Overview

The subject's primary market was reported to have 86,701 housing units as of the 2000 census, which increased to 96,911 by 2010, representing a 11.78% increase.

Description	2000 Census	2010 Estimate	%Change 2000-2010	2015 Projection	%Change 2010-2015
Population	200,635	219,312	9.31%	226,102	3.10%
Households	78,165	87,806	12.33%	91,364	4.05%
Families	53,738	60,366	12.33%	62,898	4.19%
Housing Units	86,701	96,911	11.78%	100,812	4.03%

The population is projected to increase by 9.31%. As stated previously, this projection of housing units is based on previous data and does not take into consideration planned developments in the pipe line. There are several projects in the works that will be discussed in more detail later, but they will all be marketed to higher income households much like most of the units built within the last decade. The county has a population of more than 80,000 persons with significantly higher household incomes, resulting in a large pool from which to draw higher income tenants. Therefore, the growing population and the relatively small increase in supply of housing units will have a positive affect on demand in the subject's neighborhood.

Demand appears adequate at the present time for rental units in newly renovated properties. Specific rent comparables are analyzed in more detail within the following section of the report. For the purposes of this study, we have focused on a handful of newer properties within the subject's primary area. These represent the most similar value per dollar to the proposed subject.

Conclusions

Demand for newly renovated properties has remained strong due to a limited supply and above average demographics. Based on our research, market rents for newly constructed properties area above the norm and have remained relatively stable, with agents indicating that occupancy rates remain over 96%. Overall vacancy rates are anticipated to be nominal due to the condition of the subject upon completion of renovations and demand should remain adequate for the foreseeable future.

CURRENT SUPPLY: QUANTITATIVE AND QUALITATIVE ANALYSIS

This section will detail a qualitative and quantitative analysis of the current supply of comparable rental housing in the subject's market area. The following section will detail prospective new competition. The data was compiled and analyzed in accordance with HUD guidelines to derive a comprehensive perspective of the market in the area and to determine the optimal mix of unit types in order to maximize rental income. A map and description of the comparables follow. Rental information was verified through rental agents, city records, and other principals with knowledge of the properties. On a qualitative basis, there were found to be few options in the rental housing market for traditional, mid-rise apartment buildings. The majority of available rental units in the primary market were in newer complexes that resemble townhouses units. We have identified 7 rental properties in the primary and secondary market as most comparable to the subject. The majority of units are situated in the primary market. There is one rent comparable that is located in the secondary market (Harmony Mills), but it was chosen due to its similarity to the subject.

Primary emphasis was placed on units in the primary market that are similar in location, condition, and appeal. Since there is a lack of truly comparable rental buildings in the primary market, we have also relied on units within the secondary market.

COMPARABLE PROPERTY SELECTION PROCESS

The subject building will be undergoing gut rehabilitation, and its overall condition will be generally superior to the majority of the building stock in the primary trading area. For this reason, in selecting the comparable rentals, every effort was made to find recent leases in buildings that have been newly constructed or gut renovated. Due to a general lack of supply of renovated properties within the subject's primary market, we were forced to expand our search to include comparables in the secondary market and inferior properties in the primary trading area in terms of condition and appeal. Overall, there is a lack of studio units in this market, with the majority of the units being 1- to 3-bedroom units. The rental information was verified through rental agents, managing agents and city records.

A map and description of the comparables follows.

MAP OF RESIDENTIAL COMPARABLES

