AMS CONSULTING, LLC
Real Estate & Marketing Consultants

Market Assessment Update

September 30, 2015

To: Carla Sylvester, Chair, East Hampton Brownfield Redevelopment Agency

From: Lawrence Kenney, Senior Vice President

RE: Market Assessment Update – East Hampton, CT

At your request, we have undertaken a Market Assessment Update of a study conducted by AMS Consulting titled: *Market Assessment & Real Estate Analysis – East Hampton* dated May 2006.

The purpose of the update, as it was in 2006, is to assess the current and projected state of the market for economic growth in East Hampton and specifically for redevelopment of Brownfield sites located in the Village Center of East Hampton, CT. Particular focus has been on identifying any changing fundamentals affecting markets today compared to 10 years ago.

The target study area represents a mix of uses that includes older industrial mill properties which once supported a major bell manufacturing center but now are mostly underutilized. The Village also maintains a small and eclectic mix of commercial, residential and civic uses.

The goal of the assessment is to independently benchmark current market conditions and consider future trends prevailing in East Hampton and the region which together can serve as a basis for evaluating proposed concepts, alternatives, and actions for the targeted sites. In undertaking this assessment, emphasis has been placed on determining market capacity and thresholds for alternative uses as opposed to direct feasibility of any one component.

The general order of the report closely follows the format presented in first study. Major sections covered in the Market Update are presented below:

Market Assessment Update – East Hampton

I. Approach to Assignment

The intention of this update has been to determine what changes, if any, have occurred in market fundamentals since last market study (2006) that would warrant revision on conclusions of opportunity for East Hampton, and specifically for brownfield sites in the Village. The real estate sectors of study include: Industrial, Office, Retail, and Housing. Due to the limited nature of the update, the format of the study has been designed as an abbreviated update – though many of the areas covered in previous study are included in update.

As an abbreviated update, emphasis was placed on collecting and analyzing data and information of key importance to evaluating growth opportunities within the four targeted sectors. Towards that end, most of the update is based on analysis of secondary data research. A limited amount of phone interviews were conducted as well in order to obtain first-hand information on select real estate activities in East Hampton.

Time constraints and budget precluded any meaningful on-site field work, which in first study comprised a good portion of the work effort used in completing assignment. We did however have access to field notes taken in interviews and surveys in earlier study which proved useful as background information for current update.

Additionally, a number of subsections in previous report were left out in present update as being superfluous relative to current study objective or eliminated from scope due to time and budget issues.

Presented below is a summary of our basic approach to this assignment:

- Review of Past Research & Findings of 2006 study.
- Collection, Analysis & Presentation of Key Market & Economic Data and Trends.
- Select Phone Interviews with developers, brokers, business owners, and town officials.
- Survey and analysis of select data and information on real estate transactions, listings and development proposals in East Hampton.
- Summarizing Key Market Findings and Conclusions on Market Opportunity within each targeted Real Estate Sector.

II. Summary of Findings & Conclusions

Demographic – Housing Characteristics

- ***Population Growth Stalling in State, Region and Locally:*** Population estimates for 2015 for Connecticut, Middlesex County and East Hampton all confirm that a significant slowdown in population growth has occurred in recent years. In East Hampton, estimates for 2010 to 2015 actually indicated some erosion in population base, in sharp contrast to an 18% burst in population that occurred 2000-2010. Steep fall-offs have also been recorded in Middlesex County (0.68% annually 2000-2010 vs 0.04% annually 2010-2015) and the State (0.49% annually 2000-2010 vs 0.20% annually.
- ***Income Trends Reflect Solid Wealth and Positive Growth:*** East Hampton residents continue to reflect an upper income profile with median income of $92,820 for 2015, ranking well above the median income for Middlesex County and State. Most impressive is latest data pointing to a sharp increase in number of households earning above $100,000 climbing from 33% in 2005 to 46% in 2015. Further evidence of income strength in East Hampton is found in the rate of income growth since last report jumping from a median of $78,236 in 2005 to $92,820 in 2015, far outpacing income growth for Middlesex and Connecticut over same period.
- ***Housing Tenure Shifts Showing up in 2015 Census Data:*** East Hampton experienced exponential housing growth in the last decade adding 1,347 units to its housing base, predominantly single family, amounting to a 33% increase in supply between 2000 and 2010. Notably, much of this new supply translated into owner-occupant housing boosting owner-occupancy from 80.9% to 85.3% from 2000 to 2010. Over the period 2000-2015, very little growth in housing supply occurred in East Hampton (net 13 units), but a major reversal in tenure trends is observed with rental occupancy rising from 14.7% in 2000 to 16.6% 2015.
- ***Majority of East Hampton Households Moved to Town After 2000:*** Reflective of the surge of new housing in East Hampton produced from 2000 to 2010, over half, of the resident households, or 55%, relocated to the town after 2000. Meanwhile, another 20% moved to East Hampton between 1990 and 1999, which on a combined basis results in 3 out every four households having moved to East Hampton after 1990.
- ***Housing Production Craters after Collapse, But Signs of Renewed Activity Noted:*** With the onset of the Great Recession sparked by a nation-wide housing collapse and ensuing financial crisis, housing production dropped dramatically locally, state-wide and nationally. In East Hampton, housing permit activity fell by 78% from 98 permits on average between 2001 and 2007 to an average of 21 permits/year from 2008 to 2014. At one point in 2011, 7 housing permits were issued. Evidence of renewed housing activity in East Hampton, however, is showing up with permits edging up to 35 in 2014.

Economic Environment

- ***Pace of Job Recovery in State and Region Diverges:*** State of Connecticut lost a net total of 119,000 jobs from March 2008 to February 2010, of which 85.7% has been retrieved by July 2015. Forecasts call for attaining full recovery by mid-2016. However, a recent study completed by

Connecticut Center of Economic Analysis reports state economy weaker than earlier forecasted threatening capacity for job creation over the near term. The Hartford LMA region, on the other hand, has regained all 33,000 jobs eliminated in the region during the contraction as of January 2015. The healthy job growth in the Hartford region bodes well for East Hampton's prospects.

- ***Unemployment in East Hampton Now Below Pre-Recession Level:*** East Hampton's unemployment reached a peak of 8.1% in 2009 and has fallen steadily since and now stands at 4.3% as of July 2015, a level not seen since before the recession. Also worthy of note, East Hampton's unemployment rate has tracked consistently below state levels over course of contraction and recovery. This is a reversal of trend in joblessness reported in last study for East Hampton (2000-2006) where rate regularly exceeded state levels by a notable margin. East Hampton's recent rise in white collar and services jobs and less dependence on volatile manufacturing is partially influencing recent stability in unemployment.
- ***East Hampton Spared from Steep Job Losses During Contraction , But Growth Erratic***: Employment in East Hampton steadily grew by 10%, 184 jobs, from 2005 to 2009 , its peak year. Most job growth was linked to Government, Retail Trade, Health Care and Accommodation & Food Services. With the onset of the recession, job losses began to mount resulting in a net loss of 86 jobs (-4.4%) from its peak to valley (2012). This compares favorably, however, to the state which absorbed a -7% decline, peak to valley. Job growth in East Hampton has been choppy since 2012, a trend seen elsewhere in the region, with a recorded gain of only 11 jobs by 2014.
- ***East Hampton Private Job Profile Headed by Retail and Health Care:*** Overall, there has been very little change in the economic base of East Hampton since last studied in 2006. Construction and Manufacturing constitute 10.1% of the town's job base in 2014, essentially the same as 2006[1]. Meanwhile the four largest job sectors in town continue to be Retail Trade, Health Care, Accommodations & Food Services, and Government which in 2014 accounted for 2 out of 3 jobs in East Hampton, with Government the leading sector at 26.6%. In 2014, these four sectors would make up 68.6% of total employment in East Hampton, a slight rise from 65.3% in 2006
- ***Primary Out-Bound Commutes-Hartford and Middletown***: East Hampton functions primarily as a bedroom community with most jobs in-town taken by local residents (56%). In total, 2,275 workers commuted into East Hampton (including East Hampton residents), while 7,052 commuted out from town, mostly to Hartford and Middletown. Top three in-bound locations to East Hampton were from Colchester, Marlboro, and E. Haddam.

[1] Due to changes in how State collected employment data in 2006 vs present, differences in employment data presented on a local level will be seen between two reports. Currently, state uses quarterly census of employment and wages (QCEW) to tabulate jobs and wage data. This data draws its information from workers covered by Connecticut Unemployment Insurance laws and Federal workers through Unemployment Compensation for Fed. Employees. Previously a more total picture of employment was captured using through surveys of employers. Neither methodology included self-employment jobs.

Local Market Opportunity for Industrial– Update

Key Fundamentals Now Affecting Market

- ***National Perspective:*** The industrial market nationwide is benefitting from expanding U.S. economic growth that is accelerating absorption of space and stimulating rent growth. Within the U.S. overall vacancy has been steadily dropping and now stands at 6.8% (Q2 2015), down from its 2010 peak of 10.8%, representing its lowest level since 2001.
- ***Lower Interest Rates Helping Industrial Market:*** Federal Funds rate which stood at 5.25% (8.25% prime) in June 2006, is now pinned close to zero at a rate of 0.25%, a measure designed to support an anemic national economy following Great Recession. Signs point to rates rising soon, but odds are that it will be small and measured, keeping interest rates well below 2006 levels for the foreseeable future – a critical factor to the health of industrial sector.
- ***Struggling State Economy:*** Although the state is on track to regain by 2016 all jobs lost during contraction (now at 85.7% recovery), according to a recent study by CT Center for Economic Analysis, Connecticut's economy is in a weaker state now in output and job growth compared to 2006. Findings of study show Connecticut's GDP output has been underperforming over the last four years raising concerns on capacity to support healthy job growth going forward. This issue has potential repercussions for all four market sectors reviewed, but particularly for industrial and office.
- ***Manufacturing a drag on state economy:*** Both durable goods (aerospace, helicopters, submarines) and non-durable goods are in decline in state in terms of output and jobs resulting in 27,000 fewer manufacturing jobs since before the recession.
- ***Absorption Turning Positive Hartford Area***: Some momentum in industrial market is beginning to build in Hartford region as net absorption of industrial space has improved. The lack of new inventory in nearly 15 years has helped lower vacancies and stabilize prices somewhat. Analysts, however, are yet unclear if recent improvement is part of a larger sustained upturn or an extension of uneven fluctuations that has afflicted the market over past four years.
- ***Central CT Industrial Market Improving:*** Forecasts provided by Cushman & Wakefield point to "cautious optimism" with data on four important metrics describing industrial health of Central Connecticut all turning positive: asking rent, vacancy, leasing and absorption. Vacancy starting to slide down in response to increased leasing activity amounting to a 70% increase, year over year.
- ***Conversion of Industrial to Mixed Use in State:*** Recent state survey (CERC) is showing an increase in conversion of older industrial property to mixed use or all housing buildings. This trend is picking up on growing demand for rental housing thorough out the state and has implications for re-use potential of mill buildings in East Hampton Village.
- ***Shift to Warehousing Focus*:** Nationally and statewide the industrial market is shifting to greater emphasis and growth on warehousing and distribution in response to changing business models and needs in global trade (fewer, but bigger ports and distribution centers) and growing role of e-commerce.

Industrial Market Summary

Based on the current update of market environment for industrial, no material changes to conclusions on opportunity outlined in 2006 Market Assessment study on this sector appears to be warranted. While present market conditions show some level of improving, both macro and local factors are likely to constrain all but modest growth of industrial in East Hampton.

To some degree, the market environments for both 2015 and 2005-2006 are remarkably similar. Like 2005-2006, the current period represents a time of economic recovery from a recent recession, albeit state losses in the Great Recession was far greater at 119,000 vs 60,000 for the 2000-2003 recession. In both cases, early signs were emerging of a stabilizing, if not growing industrial market – even as manufacturing jobs were declining. Meanwhile, vacancy levels were becoming more manageable in both instances in part due to little investment interest in new speculative inventory and fewer distressed properties coming back into the market.

Similarly, issues cited in 2006 as limiting opportunities in this sector for East Hampton continue to be a factor today: distance from key transportation networks, lack of product that meet current standards for industrial space (at grade single story, high bays, with adequate storage and docking), small labor market, particularly skilled workers tied to industrial market, and issues with water and sewer.

Despite these constraints, the inventory of underutilized industrial space within the village with their attendant low cost base continues to present ideal space for start-up and emerging businesses, in addition to more mature companies looking to control overhead. Some of this has already occurred as noted in earlier report and is likely to grow and contract in tune with business cycles going forward.

One opportunity of note is the construction trades, which was picked up in last report as an important job sector in East Hampton and more recently has managed to fully recover jobs lost locally from the recession. Such a business seeking to expand or upgrade facilities presents a highly suitable candidate for space located in the Village. Given that in many cases such firms are in need of financial and technical assistance, the town might look to developing (or strengthening) some in-house capacity for small business assistance even if it is limited to an ombudsman role.

Local Market Opportunity for Office – Update

Key Fundamentals Now Affecting Market

- ***Growth in Key Job Sectors for Office Mixed:*** Office demand is driven by growth in white collar jobs; principally finance activities, information, professional and business services, and education-health. Within Connecticut and the region, job growth within these sectors has been decidedly mixed with net increases achieved 2008 to 2015 in Professional-

Businesses services and Education-Health. But job losses through 2015 have continued in Information and Financial Activities sectors even in the midst of a state economy rebound since 2010. Of the two, the yearly fall-off in Financial Activities jobs is particularly troubling given its importance in the overall state and regional economy.

- ***Hartford Area Office Market Vacancy Dropped but Then Rose*:** Net absorption of office space has started to occur but continued weakness in several key office sectors in the Hartford region has produced an unsettled market keeps vacancy high and rent appreciation flat. The region's vacancy is off its high of 23% in 2011 after dropping to 17% in 2012, then rose to 20% in 2013, where it has remained since through Q2 2015 (19.9%). By comparison, office vacancy in New Haven and Stamford region for 2015 are a reported at much lower levels of 15.3% and 16.3%, respectively.
- ***Improved Space Utilization Leading to Lower Space Needs:*** A number of changes are occurring in the office market today that could represent a paradigm shift in the way people work, while also reducing the amount of space needed for office use. Triggered in part by the the recession, companies are increasingly looking at ways for encompassing non-dedicated workspace and technology that commands a smaller footprint and is appealing to workers seeking a more collaborative environment in which to work and communicate. These trends have gained a foot hold on the market and have already helped push down the average square feet per employee from 250 sf to 195 sf.

Office Market Summary

The case for office in East Hampton today, as it was in 2006, centers on its small market requirements that largely targets on meeting the needs of the immediate community.

Estimates of office space demand in earlier study was roughly 50,000 to 60,000 sf based on local job base within key sectors of Finance & Insurance, Real Estate, Information, Professional & Business Services and Health Services. At the time, these sectors accounted for 16% of total employment in town. Data for 2014 show an increase in share of total employment from 16% in 2006 to 18% currently, reflecting a net increase of 45 jobs.

The uplift locally in office sector employment suggests a modest rise in demand for space of 9,000 to 10,000 sf that has occurred since last study. Much of this new demand has focused on growth in Health Care services which expanded by 18% between 2006 and 2014. Health Care and Social Services is also the largest private job sector in East Hampton outside of Retail.

One constraint on commercial-office growth highlighted in 2006 centered on the lack of new, updated space in the marketplace. This appears to have been addressed rather dramatically with the recent approval of Edgewater Hill, a large scale mixed-use development off Route 66 that calls eventually for 80,000 square feet of commercial space (plus 200 units of housing). The initial phase of that project recently came on line with the construction of an 18,000 sf commercial-office building, along with two of five buildings targeted for apartments. A number of commercial tenants have already been lined up for the space in the building including a day care, which is housed in top floor and real estate firm, the latter of which also handles the listing of space in the property.

For the moment it is too early to tell how successful lease-up will be in the new Edgewater Hill building. Discussions with developer indicate the current new building is mostly leased with only 4,000 SF remaining, but they are actively marketing for key tenants in other planned pad sits and buildings within the development. No doubt many of the market headwinds affecting commercial-office regionally are being played out locally. However in terms of product and market capture potential, it has no local competitor. And certainly its location is strategic; well placed in East Hampton's well-traveled commercial district on Route 66 with good visibility.

One immediate outcome of the Edgewater project seems clear; market capacity for additional inventory of new speculative commercial-office space is likely to be constrained for the foreseeable future (this excludes any built to suit space). Nor should is it likely needed as the incremental growth in demand not taken by Edgewater should be satisfied in large part by commercial space in existing less expensive Class B & C properties, some of which could be linked to conversions of mill space and properties in the Village. Building acquisitions for office use provide another form of inventory growth that is well suited for smaller markets, including conversions of homes to commercial as opportunities arise.

Locally, strongest growth in demand has been in Health Care and Social Service, a sector that has performed well even through the recession. Recent studies have reported some recent pull back in this industry, but the lull is projected to be temporary as demand for medical space expands as an outgrowth of both the Affordable Care Act (more people becoming insured) and the aging of the baby boom population.

Outside of Medical space, one potential niche area deserving of further exploration is provision of office space that caters to a more open, shared and collaborative environment, typically packaged with on-site amenities. Such space is ideally suited for industrial buildings (on a small scale) as found in the Village, but is also seen in quirky in-fill space ranging from older, historic buildings to even vacant in-line commercial space in a retail center. According to WeWork, a company specializing in building and managing shared office space, the biggest market for this space is freelancers and independent contractors who are expected to make up 40% of the workforce by 2020.

Although still only a minor part of the office market, growth in shared office space rose 84% last year. Underpinning this upswing have been advances in technology with mobile devices and cloud computing that are enabling more flexibility in how and where people work. People no longer need to be tethered to their desks. This could be an attractive office option for some in East Hampton, which according to the Census has a high concentration of work at home businesses which may have occasional need for in-expensive and flexible out of home office option (space can be rented by hour, week or month).

Local Market Opportunity for Retail – Update

Key Fundamentals Now Affecting Market

Retail - National

- ***Consumer confidence continues to trend upward*: **There is a direct relationship between rise in consumer confidence and increase in total retail sales. And while shocks to consumer confidence have been evident, overall it has consistently moved upwards since the end of the recession. Key factors fueling rise in consumer optimism have been improvement in the job market and stabilization of the housing sector. More recently, declines in gas prices have helped to boost consumer spending, a trend that is likely to hold steady for the near term.
- ***Consumption rising, but path of growth erratic*:** According to Marcus & Millichap, retail sales nationally are 17% above their pre-recession peak, but the upward lift has been all but smooth with consumers still hesitant to spend, as issues of debt and uncertainty in the economy, Washington and world politics, continue to weigh heavy on households. This has resulted in fitful swings and slowdowns in retail sales despite improvements in the economy. Analysts, however, believe that increase in hiring will eventually bring about much needed wage growth which has been largely dormant for seven years. Consumption is also expected to get a boost from an improving housing market.
- ***Growth in spending anticipated from Millennials as hiring increases*:** The millennial generation, which has an estimated purchase capacity of $2.5 trillion, is becoming more of a factor in retail growth as employment opportunities strengthen for this demographic group. For the moment, job creation targeted to young adults has yet to materialize sufficiently, but by 2018, it is anticipated that millennials will reach $3.0 million in spending power, matching the level of baby boomers.

- ***E-commerce continues to expand; presenting challenge to brick and mortar retail:*** Internet sales as a share of retail sales continues to grow steadily and now stands at 10%, up from 5% in 2005. By 2020, it is expected to rise to 15%. The fall-out from this growth is being broadly felt among all retail sectors resulting in store contractions and consolidations in many cases. In the face of such losses conventional brick and mortar retailers have been forced to reexamine, and in certain cases, reinvent their businesses in order to better compete more effectively. How successively that is done could determine the course of growth of physical retail inventory in the marketplace.

Retail – Regional/Greater Hartford

- ***Retail Market Firming-up in Most Greater Hartford Submarkets***: Most of the region's submarkets reported declines in retail vacancies 2013 to 2014 suggesting improved retail fundamentals are being broadly felt throughout Greater Hartford. Highest vacancy was reported in Hartford at 13.7% for 2014, but that is a sharp drop from the 16.3% a year earlier. Meanwhile, the tightest retail market is found in the Northwest submarket (8.9%) which coincidentally is where much of the newest retail resides, including Blue Back Square in West Hartford. This submarket also contains the highest concentration of retail in the Hartford area accounting for 31% of overall inventory. The Southeast market which covers East Hartford, Glastonbury, Manchester and Vernon reported a drop from 12.3% to 11.4% from 2013 to 2014.

- ***Retail Absorption Gaining, but Growth in Retail Inventory Flat***: While vacancies are dropping in the region, it has not led to much expansion of the retail base in Greater Hartford. Between 2013 and 2014, inventory rose a miniscule 0.2%, largely centered in City of Hartford. Moreover, the lack of growth extends back more than seven years. For the moment, analysts suggest this is a good thing as a level of saturation was being approached even before the recession started.
- ***Flat Population & Income Growth Forecasted for Region:*** Middlesex County population is forecasted to grow by a meager 0.05% annually between 2015 and 2020. This contrasts to the healthy 0.68% annual rate achieved last decade. Notably, the State is not much better with projection of 0.26% over next five years compared to 0.49% annually in the 2000s. Meanwhile, income growth for Middlesex is expected to trail core inflation for nation for 2015 -2020.
- ***Per Capita Support of Retail Space Falling, but Still High Comparatively***: The Hartford area currently supports 45.6 sf per capita, a sharp rise from 2003 but a drop from 2009 level. Analysts suggest, however, that despite recent drops in per capita retail support, Hartford region may be one of the most over-stored areas in New England.
- **Retail Expansions Mostly Centering on Food-related Industries**: The most notable trend observed in growth among retail sectors types is the major shift to food related businesses in 2014 compared to 2003 as reported in earlier market study. Food and Drink sectors accounted for half of the leading business types reporting new openings in 2104, with new restaurants ranking highest, compared to only two in 2003. In 2003, the trend in retail growth was oriented in service-based businesses (beauty and salon, fitness centers, business services, medical and dental services) which accounted for 6 of the top growing retail sectors in the region.

Retail - East Hampton Market Area

- ***Different Methodology Used for Assessing Local Retail Potential***: In order to evaluate the retail potential for East Hampton, we have identified trade areas of 5 minute, 10 minute and 15 minute drive times with the midpoint of the radius located within the center of the Village (see following map). This differs from previous study which used a 1, 3 and five mile radius to define trade markets. Most analysts agree the drive time methodology provides a more accurate representation of potential demand as it aligns more closely to consumer patterns in terms of where they shop and do business.
- ***Trade Areas defined for 5 minute, 10 minute, 15 minute:*** Based on an analysis of consumer demographics within a radius of 5 minute, 10 minute and 15 minute drive time to center of town an assessment can be made on the capacity of the area to support retail. At the 5 minute distance, population density is modest at 4,493, but triples to 12,297 residents at the 10 minute trade area containing much of East Hampton. This area is typically the range that caters to convenience-day to day shopping (laundry,

food market, personal services, banks, local hardware). Retail depending on a 15 minute trade area expands seven-fold to 30,080 in population and is more destination oriented and discretionary in spending. (examples include clothing, specialty food, furniture, and jewelry) The 15 minute trade area includes both East Hampton and parts of Portland, Marlborough , Colchester and East Haddam

- ***Population Growth Seen as Falling This Decade in Trade Areas***: Symptomatic of a trend observed regionally and state-wide, all three trade areas reflect declines in population growth rate from previous decade which could impinge on retail support over time. This trend is expected to continue through 2020 with each trade area actually slipping in population compared to 2010 levels.
- ***Income High in Market Area, an Important Consideration for Retailers*: ** Income patterns for the trade areas reflect an area of comparatively high wealth an important factor for retailers. The lowest median income is found in the 5 minute trade area which at *3,748 is still well above the state median of $67,549. Estimates for median income ten and 15 minute sector are: $96,385 (ten min.), $91,439 (15 min.). Notably income growth in the two largest sectors is projected to grow at a rate exceeding inflation, providing some offset to low growth trends in population.
- ***Retail Leakage Broadly Identified in all Market Areas:*** Expenditure patterns in the market area are strongest in the wider 15 minute trade area, but all three trade areas (5 min., 10 min., and 15 min.) report retail leakage that could be captured locally. In the 10 minute range, the gap between retail potential and existing supply is $ 115 million, a gap not much different from the $111 million reported in 2006. Much of it, however, is associated with more challenging to capture – destination retail (apparel, specialty shops, ect).
- ***Promising Data on Retail Leakage for Food-Drink*: ** All three trade areas identify solid opportunities for food services and drinking establishments as well as retail food which as noted for Greater Hartford has been highest expanding sector of the retail market recently. Within the 10 minute trade area, unmet demand of $12 million in sales was identified targeting this expenditure (in 2006 - $7 million).
- ***Traffic Counts Remain Favorable, but Drop Noted from 2003 Levels:*** Favorable 2010 traffic counts, considered important for retail, were identified along Route 66 averaging 12,200 both directions in the town center. This however, is a drop from 14,000 in 2003. Similar declines seen in other areas of town. Traffic counts in the Village markedly lower than Route 66, averaging 7,500 cars daily at the intersection of Barton Hill and Summit Road and 4,800 south of Route 66.

Retail Market Summary

The current updated data info on the economic and market environment for retail in East Hampton offers both encouraging news and a few red flags.

Touching first on concerns, while modest improvement in retail vacancy has been observed at the state and region in recent years, growth in inventory has not, having largely stalled since 2008. Several factors are contributing to this slackness, including of course, the severity of the Great Recession, but also closer to home - a slowly recovering state economy, particularly in housing which has a disproportionate impact on consumer spending. Numbers also show that on a regional level the area was had possibly become overstored even before the recession started.

Inventory aside, a more fundamental issue affecting capacity for retail growth is the pronounced shift from healthy population/household growth in the early to mid 2000s to stagnant growth dating back 2007. As noted above, Middlesex County barely expanded in population 2010-2015 (0.05% annually), and is projected to remain flat through 2020. This compares to 0.68% annually rise in the 2000s. State-wide trends in population for 2000-2015 are slightly better at 0.21%, but still more than half below previous decade's rate. Nor has East Hampton been spared with estimates for 2015 indicating possible erosion of resident base.

The usual suspects are contributing to this environment of slow resident growth. They include a tepid state economy, an aging population, growing net out-migration (state lost 2.7% of its population 2010-14), and even elevated housing costs despite the recent spate of declines absorbed from the housing collapse.

To what degree these trends will reverse, and when, is unclear, but for now they potentially present challenging headwinds for sustaining healthy retail growth. Growth in consumer spending is the one positive trend providing a boost to retail currently as consumer confidence rises with a recovering national economy. Strong income levels locally and regionally that are growing at rate exceeding inflation is contributing as well. Together both help offset the impact, to some degree, of the slow-down in population density that is now occurring.

On a local level, the East Hampton region also continues to show opportunities for retail, as it did in 2006. Based on our latest analysis of retail leakage in the 5 minute, 10 minute , 15 minute trade area, gaps (local retail dollars spent outside marketplace) are found in all three trade areas, but are most amplified in the 10 and 15 minute market ranges. In the 10 minute trade area, representative of the market with greatest direct impact on retail in the town's commercial district (Route 66) and the Village, retail potential amounts to an estimated $115 million of unmet demand.

Specific areas of opportunities were found primarily among the more destination/comparison retail sectors but also included convenience based goods and services as well as. For the 10 minute range, highest gaps were noted within Auto Dealers & Parts, Home Furnishings, Apparel, Office Supply, Electronics & Appliances, Lawn-Garden Stores, Sporting, and Special Food Services – all representing more destination/cost comparison type stores. Attracting this retail locally, however, can at times be challenging for smaller markets as much of it is dominated by chain-based retail typically seeking to locate in or near strong retail centers with excellent visibility (high traffic counts) and good regional access.

Convenience based sectors are more broadly represented locally – thus smaller un-met demand, but in terms of growth potential, conform better to the market dynamics prevailing within East Hampton. Greatest support in this retail sub sector for expansion is seen in Specialty Food Stores[2], Beer,Wine, Liquor Stores as well as Full and Limited service eating places, the latter representing highest growth in the Greater Hartford area in number of new openings last several years. Personal and Educational services provide additional areas for growth outside typical retail that have yet to be fully tapped locally.

Opportunities for commercial/retail will be strongest in East Hampton's commercial district on Route 66 which offers greater visibility and wider range of traditional formats for commercial space with ample parking. The environment for retail-commercial growth – locally/regionally, however, has been improved in recent years presenting opportunities for expanding /diversifying around specific commercial nodes in the Village. Based on examination of regional data and more local analysis of retail gap, best prospects for the Village are in food related service and goods. The retail gap analysis also highlighted highest unmet demand in a number of destination-based retail[3] that could be accommodated, with the right business acumen, management and location, in older mill buildings as found in the Village. A good example of this retail format seen in many areas of state is businesses in home furnishings and accessories in older high bay industrial space, much of it upscale.

Local Market Opportunity for Housing – Update

Key Fundamentals Now Affecting Market

- ***National Recovery of Housing Market is Progressing*:** Home prices nationally have been on the mend since 2012, a trend directly related to drops in foreclosure rates that began a year earlier. By July 2015, RealtyTrac reported that median sale price of U.S. single family homes and condos had rebounded to levels last seen in September 2008. Residential construction has also grown; however, much of it has been led by multifamily developers. Analysts project growth in new single family housing starts will begin to pick up in 2016 as inventory of existing homes tightens, which would represent an important milestone in the recovery of the market that has yet to materialize.
- ***Housing Growth in East Hampton Region Sharply Down from 2010:*** The rate of housing expansion in the East Hampton region has dropped precipitously since the recession in sharp contrast to the hyper growth achieved in earlier part of 2000 decade. Between 2000 and 2005, inventory in the East Hampton area increased at a meagre rate of 0.3% annually, compared to 1.3% last decade. In East Hampton the rate of growth was even smaller at 0.05% annually 2010-2015. This compares to a 2.4% rate attained last decade, ranking it highest in the region.

[2] A good example of growth in this sector is the recently opened *Lucky Goat* on West High Street, a purveyor of specialty meats, seafood and deli goods, soups, and artisan cheese.
[3] Destination-based retail is generally associated with comparison shopping vs convenience shopping which functions off meeting basic needs that change little in cost and quality from one store to another. Destination retail generally requires a wider arc of demand, or trade area than convenience based retail.

- ***Permit Activity In East Hampton and Region Lowest in Decades:*** Housing permits in East Hampton region of eight adjoining towns 2010-2014 averaged only 159 permits annually representing its lowest pace in more than two decades. During the peak years of 2000-2005, the region averaged 2,735 permits. Permit data trends for East Hampton portray a similar pattern falling from a high of 158 units in 2004 to a low of just 7 permits in 2011. Since 2011, however, a modest rebound in housing activity is observed for both the town and region, but most analysts expect the pace of growth will be continue to be constrained for the foreseeable future.
- ***Tenure Trends Beginning to Shift Towards Rental:*** While ownership housing dominates in the region, a noticeable shift towards rental that began as early as 2005 has occurred. According to 2015 estimates, all 8 towns in the East Hampton region posted increases in rental occupancy between 2010 and 2015. This trend is playing out across America spurred in part by the upheaval of the Great Recession, but also due to demographic shifts: portions of baby boomers downsizing to rentals coupled with leading edge of Millennials moving out of homes into apartments.
- ***Single Family Sales Price in Region and Town Still Well Below Pre-Recession Levels:*** Based on residential data collected by the Warren Group, single family home prices in the East Hampton market area reached their peak between 2007 and 2008 before declining sharply through 2010 and have fluctuated since, a trend seen elsewhere in the state. As of 2014, no town in the East Hampton market area had reached full rebound in pricing to levels reported in 2005, much less peaks achieved in 2007/ 2008.
- ***Town/Region SF Pricing Hit Bottom 2011/2012; Followed by Fluctuating Increases Since:*** Most towns in region, including East Hampton, saw pricing bottom out in 2011 or 2012 and have seen modest increases since. East Hampton homes peaked in median price in 2008 at $276,650 before dropping to a low of $211,122 in 2012 (a -23.7% decline). Fluctuations in pricing occurred over the next two years, with an increase of 12% in 2013 followed by a small dip in 2014. As of 2014, price decline in East Hampton from its peak still amounted to -14.4%.
- ***Single Family Sales Volume Trending Up, But Pace of Increase Declining:*** Since reaching its low point in sales in 2011 with 936 sales, East Hampton Region has posted increases three years in a row, though sales in 2014 barely rose above 2013. A similar trajectory in sales volume increases (sharp rise in 2012, tailing off in 2013 and 2014) was observed for East Hampton.
- ***Condo Pricing Hit Hard by Housing Contraction:*** In East Hampton region, condo prices experienced steeper declines peak to bottom averaging -30% versus -18% for single family. In East Hampton, condo prices skidded in value by -38% from its high point in 2008 to its low in 2012, while condo sales dropped by nearly 75%. Condo sales and pricing have rebounded slightly since.
- ***Rental Housing Occupancy Rising in East Hampton:*** Rentals account for 17% of full time year-round occupied housing in East Hampton as of 2015, amounting to 840 units. This is an increase from 15% in 2010 and is symptomatic of nationwide trends among

households increasingly turning to rental for housing. Overall vacancy for full time rentals is estimated at 5.4%. The addition of seasonal rentals--which during the off-season are often vacant--can effectively inflate rental vacancy up to 18% in town depending on time of season

- ***Rental Mix in East Hampton Mostly Single Family:*** According to the Census, East Hampton offers a mix of rental product type; however, much of it is concentrated in single family accounting for 61% of rental supply. The balance of the market is approximately 28% in multi-family housing and mixed-use properties of 2 to 4 units, much of it in older building stock. Only a small amount is located in properties exceeding five units or more with the bulk associated with two subsidized senior housing communities totaling 70 units: Chatham Acres and Bellwood Court. The Census does not include data on Edgewater Hill units which just came on line.
- ***East Hampton Rental Options Thin:*** In East Hampton, rental options, exclusive of single family homes, are somewhat thin with only two market rate apartment complexes identified in town, Chatham Apartments, an older property built in 1920 located on Route 66 with views of the lake, and Edgewater Hill Apartments, a 40-unit complex that recently came on line in 2015 as part of a larger mixed-use development. As would be expected, asking rents at each project differ vastly with Edgewater Hill targeting a more affluent household with two bedroom rents ranging from $1375 to $1450 (Net) a month, while Chatham Apartments caters to a more transient household of modest means.
- ***Average MLS Rents in East Hampton :*** In East Hampton, rental averages for multi-family – mostly private homes - calculated to $787/m for a one bedroom and $930/m for two bedrooms. Condominium rentals averaged $975/m for one bedroom (survey of 2) and $1,233/m for two bedrooms.

Housing Market Summary

Of the four market areas covered in 2006 as part of original Market Assessment, the greatest change in fundamentals affecting the market environment is seen in housing.

Market Environment for Ownership Housing

In 2006, housing state-wide and locally had just experienced a period of hefty expansion over the preceding last five years. East Hampton saw home value pricing rise 57% between 2001-2005, while condo pricing jumped 75% over the same period. Sales absorption of single family homes was equally robust averaging 2,072 sales regionally (East Hampton and adjacent towns). This filtered down to East Hampton where home sales averaged 220 transactions a year, up from 170 average 1997-2001. The rental market, meanwhile, was in a mild slump, due to lack of jobs formation and a booming entry level ownership housing market, a point highlighted in earlier study.

A few signs pointing to a slowdown in ownership housing were seen, particularly with sales – but this seemed a natural response to rising interest rates and interpreted as a positive move in order to achieve the so called “soft landing”.

Issues with price appreciation were a bit more worrisome as questions of sustainability began to arise. However, on the whole, most state wide housing analysts saw no areas of concern as none of the factors which caused Connecticut's last major housing collapse (1989-92) seemed to be apparent: unbridled overbuilding, excessive over hangs in un-sold condo inventory, loose real estate lending practices of banking, and weakness in key industries (defense, insurance and finance).

As we know now of course, a housing collapse did occur that catapulted the country into a financial crisis of such depth not seen since the Great Depression. In terms of housing, the consequences were devastating flooding the market with foreclosures that at its peak nationally and echoed state-wide accounted for as much as 25% of sales (it's now down to 10%). After nearly eight years, the foreclosure impact on housing pricing is beginning to lessen but as in the case of Connecticut, a disproportionate number of high risk subprime loans issued 2004 to 2008 continue to destabilize the market and hold back the housing recovery in the state.

In East Hampton, along with the state and U.S., the most visible impact of the housing collapse was a rapid, and in many cases dizzying decline in housing prices that coincided with a rise in foreclosures and bank auctions. Locally in East Hampton, the median price of a single family home sank by -22%, peak to valley, from 2008 to 2011. Slight increases in East Hampton's home prices have since cut the decline to -14% by 2014, but consistent gains in rising values has yet to be achieved. Meanwhile, sales are down by 33% 2010-2014 as compared to even a more normalized housing activity period stretching 1997-2001 and 50% off from 2001-2005 – indicative of a market still in recovery mode.

While the ownership housing market in the state and East Hampton continues to be fragile, for the moment, at least, its recovery is going in the right direction – though in fits and starts. Resales of existing homes are climbing from previous lows, and more importantly, consist of fewer REO and foreclosure sales. Rising jobs and income are helping as well. On the other hand, there is little sign of new construction activity for housing, outside of multi-family, marking this the seventh year of deflated housing growth for much of the state, precipitated in part by the state's slow economic recovery and weak population growth.

Market Environment for Rental Housing

In contrast to guarded forecast for ownership housing opportunity locally near term, growth in rental housing has gained significant traction as the housing of choice that cuts across most demographic sectors. This trend was first observed nationally in 2005 and has gained momentum since. According to Joint Center of Housing Studies (Harvard University), the recent growth in rental households has been the largest expansion in more than four decades. On a more local level, the trend towards rental housing is reflected vividly in recent Census data with all towns in the East Hampton Study area – the majority representing single family strongholds - reporting gains in rental households.

There are a variety of factors driving this growth – demographic (Millennials), job uncertainty, homeowners from foreclosed homes, stiffer underwriting, even growing concerns of the risks of ownership, to name a few. Taken together it has resulted within the state a period of growth in rental housing, particularly in new inventory, not seen since the 1970s.

In East Hampton, an impressive example of this trend can be seen in the introduction of Edgewater Hill Apartments, a planned 40-unit complex that is part of a much larger mixed-use development located on 72 acres in East Hampton's commercial district (141 East High Street). In total five apartment buildings are planned for the site which ultimately will encompass 200 units of housing (the balance targeted for ownership) and 80,000 square feet of commercial. Presently, two of the five planned apartment buildings are built and occupied consisting of a total of 16 units. The remaining three buildings are targeted for completion in summer 2016. Unit prices at Edgewater Apartments range from $1,150/m for a one bedroom to $1,450 for a two bedroom flat.

According to listing broker, household profile in the apartment is mixed with tenants ranging in age from 20s to 60. A number are local, but many are from outside the area seeking closer access to jobs in East Hampton. A few include dual households looking to split a commute in different directions to area job centers. Split households (divorced-separated) also make-up a component of the tenant base. Gauged interest in units in the remaining buildings targeted for completion Summer 2016 is small for the moment (3 non-binding reservations) but is expected to pick up once construction starts.

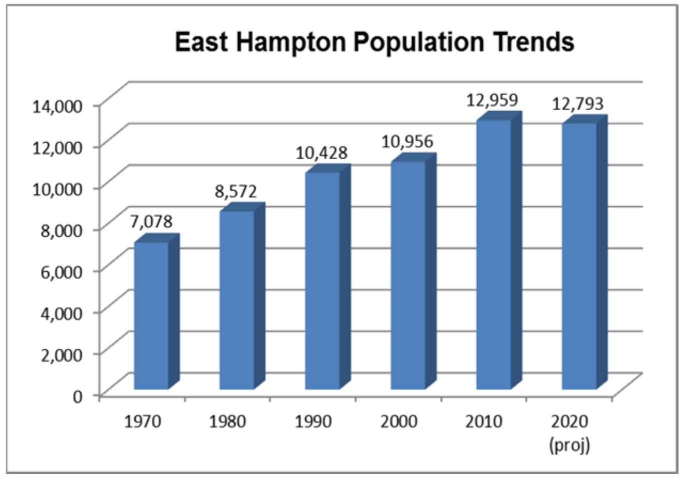
A similar success story is noted at Village at 81 Main, a mixed use building located in the Village containing recently renovated apartments. Unit rents at the building range from $850/m for a studio loft, $825-$1,025 for a one bedroom, and $1,000-$1,100/m for two bedroom. Though this building is relatively new, its represents the type of prototype mix and format that could be envisioned for certain brownfield properties in the Village.

Relative to assessing pricing thresholds for rental in East Hampton, both Edgewater, and Village at 81 Main, provide good benchmarks on level of price support for new construction and newly renovated market rate product in town. Condo rentals provide another with MLS rentals averaging $975/m and $1,233/m, respectively for one and two bedrooms.

Absorption capacity, however, might be tested for any large infusion of upper price product in East Hampton given constraints on household trends and in-town employment growth. For the moment at least, the heart of the rental market in town (exclusive of single family) trends towards more affordable options which are best accommodated in measured amounts in mill buildings and properties in the Village.

III. Demographic & Housing Trends

Population Trends: Population growth in the current decade has begun to stall following healthy expansion 2000-2010.



East Hampton's resident base expanded sharply during the 2000s posting an 18.3% increase. This compares to the modest growth of 5.1% recorded in 1990s. Region-wide among area towns, the 18.3% gain in East Hampton ranked highest in rate of growth.

Data estimates for 2015, however, point to a significant cool-down in resident growth throughout the region, and in the case of East Hampton, a modest decline in population is projected through 2020. This trend is not unique to the area with moderating to declining growth noted state-wide in response to changing demographics (aging population), net out-migration, and impacts from the Great Recession. Projections for East Hampton for 2020 indicate an overall decline for the decade of -1.2%. Flat to negative growth is also projected for populations in surrounding area towns.

Exhibit 1
Population Changes 1990-2020 (proj.)
East Hampton & Select Towns

Town	Year					Annual % Change	Annual % Change	Annual % Change
	1990	2000	2010	2015 (est)	2020 (proj)	90-00	00-10	10-20
East Hampton	**10,428**	**10,956***	**12,959**	**12,849**	**12,793**	**0.51%**	**1.83%**	**-0.12%**
Colchester	10,980	14,551	16,068	16,257	16,948	3.25%	1.04%	0.54%
East Haddam	6,676	8,333	9,126	9,254	9,358	2.48%	0.95%	0.25%
Glastonbury	27,901	31,876	34,427	34,542	34,757	1.42%	0.80%	0.10%
Haddam	6,769	7,157	8,346	8,569	8,716	0.57%	1.66%	0.44%
Marlborough	5,513	5,706	6,404	6,424	6,473	0.35%	1.22%	0.11%
Middletown	42,762	45,563	47,648	47,860	48,021	0.66%	0.46%	0.07%
Portland	8,418	8,732	9,508	9,389	9,330	0.37%	0.89%	-0.18%

Source: US Census, State of CT Department of Public Health, ESRI
* Represents Corrected Data from overstatement in 2000 census

Household Trends: Consistent with latest trends in population, household formation in East Hampton has flattened out in the current decade, with little change projected through 2020 (Source: ESRI). This is a substantial downward shift from previous decade when a gain of 23%, or 924 households was realized over the 2000-2010 period. As noted in earlier discussion on population, this trend is not particular to East Hampton but is observed regionally and statewide as well, with moderating to flat household growth noted in Middlesex County, with slightly better growth rates observed at the state level.

As noted in earlier study, family households continue to be an important component in East Hampton accounting for 71% of the household base for 2015. By contrast, Middlesex County and the state report lower ratios of 64.9% and 66.1%, respectively for the same year. All three areas continue to witness gradual declines in the percentage of families to households that date back to the 1970s, though the rate of decline has leveled somewhat in recent years.

Reductions in share of family households reflect growing number of single, split and non-family households statewide and nationally. In East Hampton family households saw its steepest drop between 1990 (76.6%) to 2000 (72.2%). Very little change, however, is noted over the next ten years with the ratio dipping only slightly to 71.5% by 2010.

Exhibit 2 - Household Trends

Attribute	East Hampton	Middlesex County	State of CT
1980 Households	2,941	45,922	1,093,068
1990 Households	3,770	54,651	1,230,479
2000 Households	4,126	61,341	1,301,670
2010 Households	5,060	67,202	1,371,087
2010 Average Household Size	2.54	2.39	2.52
2015 Households (est)	5,058	67,728	1,388,063
2020 Households (proj)	5,053	68,018	1,406,983
2000 - 2010 HH Annual Rate	***2.26%***	***0.96%***	***0.53%***
2010 - 2015 HH Annual Rate	***-0.01%***	***0.16%***	***0.25%***
2015 - 2020 HH Annual Rate	***-0.02%***	***0.09%***	***0.27%***
1990 Families	2,886	37,966	864,493
2000 Families	3,004	40,580	881,170
2010 Families	3,617	43,743	908,661
2010 Average Family Size	3.00	2.95	3.08
2015 Families	3,603	43,943	917,225
2020 Families	3,593	44,042	928,125
2000 - 2010 Families Annual Rate	***2.04%***	***0.78%***	***0.31%***
2010 - 2015 Families Annual Rate	***-0.08%***	***0.09%***	***0.19%***
2015 - 2020 Families Annual Rate	***-0.06%***	***0.05%***	***0.24%***

Source: US Census, ESRI

Income Trends: East Hampton residents continue to reflect an upper income profile with median income of $92,820 for 2015, ranking well above the median income for Middlesex County and State. Most impressive is latest data pointing to a sharp increase in number of households earning above $100,000 climbing from 33% in 2005 to 46% in 2015. Biggest increase occurred within the $150,000-$200,000 bracket which rose from 5% to 18% in share of households. At the County and State level, households above $100,000 accounted for a smaller 38% and 32% share, respectively.

Further evidence of income strength in East Hampton is the rate of income growth among local households since last report jumping from a median of $78,236 in 2005 to $92,820 in 2015, far outpacing income growth for Middlesex and Connecticut over same period.

Exhibit 3 – 2015 Income Distribution

2015 Households by Income	East Hampton	Middlesex Cty	State of CT
Household Income Base	5,058	67,728	1,388,057
< $15,000	4.0%	6.1%	9.2%
$15,000 - $24,999	2.0%	5.8%	7.2%
$25,000 - $34,999	5.4%	7.0%	8.8%
$35,000 - $49,999	8.8%	10.8%	12.2%
$50,000 - $74,999	16.3%	15.8%	16.4%
$75,000 - $99,999	17.5%	16.7%	14.8%
$100,000 - $149,999	22.5%	18.6%	14.7%
$150,000 - $199,999	17.7%	12.3%	8.2%
$200,000 +	5.8%	6.9%	8.6%
Average Household Income	***$106,799***	***$98,306***	***$93,959***
Median Household Income	***$92,820***	***$80,337***	***$67,549***

Source: ESRI

Housing Supply and Tenure: East Hampton experienced exponential housing growth in the last decade adding 1,347 units to its housing base, predominantly single family, amounting to a 33% increase in supply between 2000 and 2010. This compares to a 4.9% increase during the 1990s. Notably, much of this new supply translated into owner-occupant housing boosting owner-occupancy from 80.9% to 85.3% from 2000 to 2010.Over the period 2000-2015, very little growth in housing supply occurred in East Hampton (net 13 units), but a major reversal in tenure trends is observed with rental occupancy rising from 14.7% in 2000 to 16.6% in 2010. This trend and its implications will be covered in more detail in Housing Market Assessment section

Exhibit 4 – East Hampton Housing Tenure

	Census 2000		Census 2010		Census 2015		2000-2010	2010-2015
	Number	Percent	Number	Percent	Number	Percent	% Change	% Change
Housing Units by Occ.								
Total Housing Units	4,112	*100.00%*	5,485	*100.00%*	5,498	*100.00%*	33.40%	0.23%
Occupied Housing Units	4,126	*93.5*	5,062	*92.3*	5,058	*92.0*	22.60%	-0.08%
Owner Occupant Units	3,337	*80.9*	4,316	*85.3*	4,218	*83.4*	29.30%	-2.27%
Renter Occupied Units	789	*19.1*	744	*14.7*	840	*16.6*	-5.70%	12.90%
Vacant Housing	286		425		484	*8.8*		

Source: US Census, ACS survey

Housing Characteristics: Consistent with its exurban-suburban character, East Hampton's housing is primarily single family with 84% single family detached housing, and 3% single attached for a combined 87%. This represents a jump from 81% single family recorded in 2000. 6.8% is found in housing of 5 units or more, a decline from 7.8% in 2000.

Exhibit 5 – East Hampton Housing Structure

			Census 2000		Census 2010		2000-2010
			Number	Percent	Number	Percent	Annual Rate
Housing Units by Units in Structure							
Total			4,412	*100.0%*	5457	*100.00%*	2.37%
1, Detached			3,443	78.0%	4557	83.51%	3.24%
1, Attached			110	2.5%	162	2.97%	4.73%
2			213	4.8%	110	2.02%	-4.84%
3 or 4			215	4.9%	154	2.82%	-2.84%
5 to 9			203	4.6%	215	3.94%	0.59%
10 to 19			106	2.4%	65	1.19%	-3.87%
20+			36	0.8%	90	1.65%	15.00%
Mobile Home			86	1.9%	100	1.83%	1.63%

Source: US Census, ACS survey

Household Relocation Patterns: Reflective of the surge of new housing in East Hampton produced from 2000 to 2010, over half, of the resident households, or 55%, relocated to the town after 2000. Meanwhile, another 20% moved to East Hampton between 1990 and 1999, which on a combined basis results in 3 out every four households having moved to East Hampton after 1990. Among older long standing residents within the community, 26% indicate East Hampton as their home of thirty years or more, similar to the ratio reported at the 2000 Census.

Exhibit 6
Year Householder Moved

Total		**4,838**
2010 & Later		9.4%
2000-2009		45.7%
1990-1999		20.4%
1980-1989		14.4%
1970-1979		5.5%
1969 and earlier		4.6%
Median Year		**2001**

Source: US Census, ACS survey 2009-2013

Housing Permit Trends: With the onset of the Great Recession sparked by a nation-wide housing collapse and ensuing financial crisis, housing production dropped dramatically locally, state-wide and nationally. In East Hampton, housing permit activity fell by 78% dropping from 98 permits between 2001 and 2007 to an average 21 permits/year 2008 to 2014, a period covering both recession and subsequent lackluster recovery. In fact, the period of 2008 to 2014 represents the least productive period for new housing for East Hampton dating back to 1990, which coincidentally marked an earlier recession in the state tied to another housing-financial collapse. The decline in housing production is mirrored at the state level with permit activity dropping by as much as 70% of total annual permits posted pre-2008.

Recently, however, there has been growing evidence of renewed housing activity with permits in East Hampton edging up to 35 units in 2014 from an average of 11 units/annually in preceding 3 years, helped in part by the addition of 16 multi-family permits. Likewise permit activity state wide has increased by 74% from its low point in 2011.

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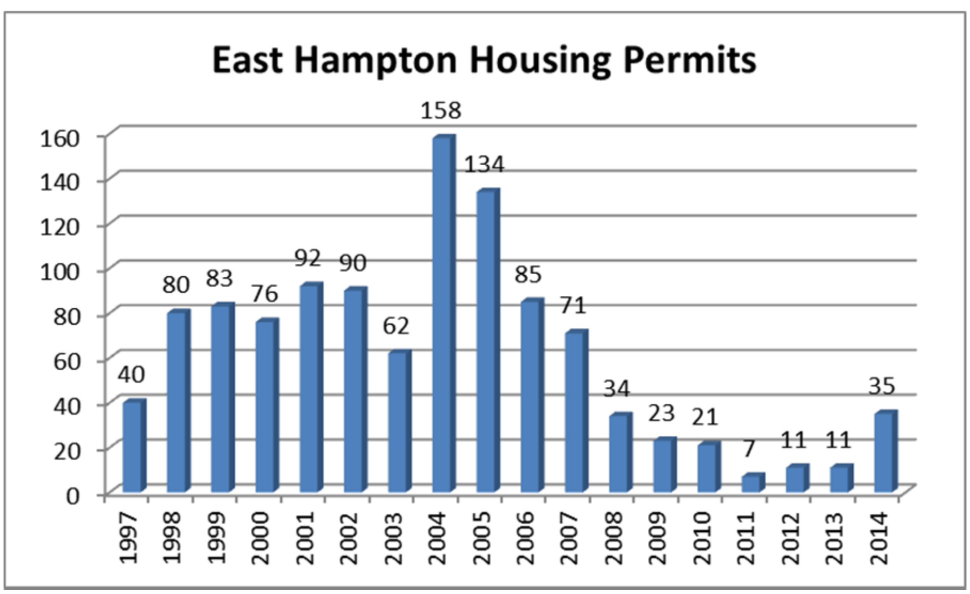
Exhibit 7

EAST HAMPTON HOUSING PERMIT ACTIVITY

Year	Total New Units	Total 1 Unit]	2 Unit attached	3-4 unit	5+ Unit	Demo-litions	Net Gain
2005	134	134	0	0	0	0	134
2006	85	85	0	0	0	0	85
2007	71	71	0	0	0	0	71
2008	34	34	0	0	0	0	34
2009	23	23	0	0	0	0	23
2010	21	19	2	0	0	0	21
2011	7	7	0	0	0	0	7
2012	11	11	0	0	0	0	11
2013	16	16	0	0	0	0	16
2014	35	19	0	0	16	3	32
Totals	**437**	**419**	**2**	**0**	**16**	**3**	**434**
avg.	**44**						

Source: US Census, CT DECD



Education Attainment: On the whole, East Hampton residents are well educated presenting wide opportunities for jobs with 96.2% reporting a high school diploma and some college, up from 91.3% a decade earlier. Meanwhile 51% of East Hampton's adult population reported an associate degree or better, an upgrade from 40% in year 2000. Only 3.8% lacked a high school diploma in East Hampton as compared to 5.8% for the region and 10.2% for the state.

Exhibit 8

2015 Population 25+ by Educational Attainment

		East Hampton	Middlesex Cty	State of CT
	Total	**9196**	**119,199**	**2,491,454**
	Less than 9th Grade	1.2%	2.1%	4.5%
	9th - 12th Grade, No Diploma	2.6%	3.7%	5.7%
	High School Graduate	26.7%	27.6%	27.1%
	Some College, No Degree	18.8%	18.0%	19.7%
	Associate Degree	9.8%	8.5%	7.5%
	Bachelor's Degree	22.4%	22.2%	20.7%
	Master's/Prof/Doctorate Degree	18.6%	17.9%	16.8%

Source: US Census

East Hampton Journey to Work: As can be seen from the 2010 commuter data, East Hampton functions primarily as a bedroom community with most jobs in-town (over half) taken by local residents. In total, 997 workers commuted into East Hampton (excluding East Hampton residents), while 7,052 commuted out from town, mostly to Hartford and Middletown. Other major out-bound destinations included Glastonbury, East Hartford and Portland. Inbound commuters mainly originated from the surrounding towns and cities of Middletown, Haddam, Colchester and Marlborough. In part this is explained by limited accessibility due to few connections over the Connecticut River and lack of highway linkages. Two unusual in-bound commuter towns that broke into the top ten ranking for 2010 include Montville (25 Miles) and Groton (44 Miles).

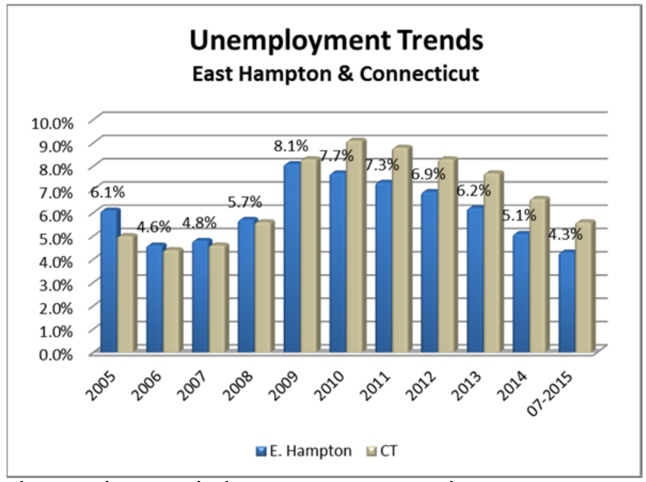
Exhibit 9

Year 2010 COMMUTER TRENDS - EAST HAMPTON

Inbound Commuters to East Hampton	Number	%	Outbound Commuters from East Hampton	Number	%
East Hampton	1,278	56.2%	**East Hampton**	1,278	18.1%
Colchester	135	5.9%	Hartford	1,043	14.8%
Marlboro	130	5.7%	Middletown	924	13.1%
E. Haddam	89	3.9%	Glastonbury	291	4.1%
Montville	83	3.6%	East Hartford	289	4.1%
Middletown	79	3.5%	Portland	212	3.0%
Portland	50	2.2%	Cromwell	195	2.8%
Glastonbury	42	1.8%	Berlin	165	2.3%
Groton	35	1.5%	Bloomfield	144	2.0%
East Hartford	32	1.4%	E. Haddam	133	1.9%
SubTotal	**1,953**			**4,674**	
Total Commuters	**2,275**			**7,052**	

Source: US Census

IV. Economic Environment



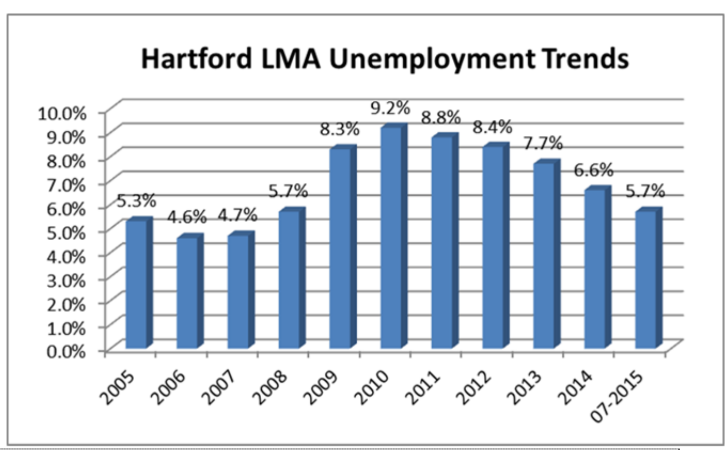
East Hampton Labor Force Trends: East Hampton's resident labor force experienced elevated unemployment from 2004 through 2007, averaging 5.2% over the four year period compared to 4.6% for the state. Starting in 2008, however, both areas recorded substantial increases in number of unemployed that coincided with a national melt-down of the housing and financial sector.

East Hampton Unemployment Trends Unemployment in East Hampton peaked at 8.1% in 2009, its highest rate in over 15 years. Meanwhile, the region and the state reported even grimmer news on joblessness peaking at 9.2% for the region and 9.1% for the state in 2010. Since 2009, the unemployment rate for East Hampton has since comes off its highs and has steadily dropped each year reaching 4.3% by July 2015. Meanwhile unemployment at the state level has also dropped each year since 2010 but has consistently trailed above East Hampton by as much as 1% or more.

Exhibit 10 – East Hampton & CT Labor Force Data

	2007	2008	2009	2010	2011	2012	2013	2014	Change 2007-15	
									No.	%
E.Hampton										
Labor Force	6866	7010	7187	7292	7722	7727	7589	7493	**627**	**9.1%**
%Unemployed	4.8%	5.7%	8.1%	7.7%	7.3%	6.9%	6.2%	5.1%		
	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**Change 2007-15**	
State of CT	(000)	(000)	(000)	(000)	(000)	(000)	(000)	(000)	(000)	
Labor Force	1,846	1,868	1,886	1,911	1,913	1,887	1,896	1,885	**39**	**2.1%**
%Unemployed	4.6%	5.6%	8.3%	9.1%	8.8%	8.3%	7.7%	6.6%		

Source: CT Department of Labor



Regional Labor Force Trends (Hartford LMA): Labor force growth in the Hartford region has been mixed in recent years. Some decline occurred in the Hartford Labor Market Areas in 2001 as the dot-com national recession began to impact on Connecticut economy. Over the ensuing two years, healthy labor force gains were realized despite a declining or flat employment picture. In 2004, however, the region once again saw labor force totals slip again suggesting some frustration with the jobs picture. Throughout the Great Recession beginning in 2008 and its subsequent low key recovery, periodic expansions and retreats of the labor force are observed due largely to actions of long term unemployed entering or leaving the labor force in response to a choppy economic recovery. Additionally labor force constraints are not unique to the region – it is a statewide concern, exacerbated by lack of jobs formation, aging population, increasing out-migration and relatively high cost of living, especially housing.

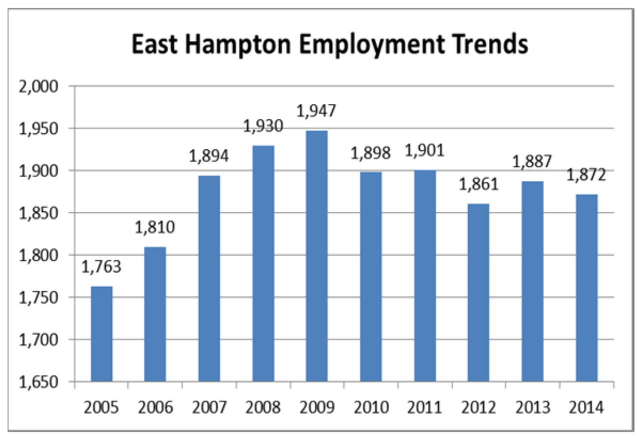
Unemployment Trends: Meanwhile, unemployment in the he Hartford Labor Market Area over the past seven years has essentially mirrored the state with joblessness peaking in 2010 at 9.2% and dropping to 5.7% by July 2015.

Exhibit 11 – Hartford LMA

	2007	2008	2009	2010	2011	2012	2013	2014	Change 2007-15	
Hartford LMA	(000)	(000)	(000)	(000)	(000)	(000)	(000)	(000)	(000)	
Labor Force	572.8	589.2	598.1	625.7	625.5	615.9	609.7	615.1	**42.3**	**7.4%**
%Unemployed	4.7%	5.7%	8.3%	9.2%	8.8%	8.4%	7.7%	6.6%		

Source: CT Department of Labor

East Hampton Employment Trends: East Hampton witnessed steady employment growth from 2005 to 2009 adding 184 jobs, mostly linked to Government, Retail Trade, Health Care and Accommodation & Food Services. Not surprisingly, job losses began to mount locally with the Great Recession and subsequent sluggish recovery. However, notably the town's economic base was spared from deep declines during this period incurring falling just -4.4% (86 Jobs) from peak (2009) to valley (2012). By contrast, the state absorbed a -7% decline peak to valley. Full job recovery, on the other hand, has yet to occur in East Hampton with the last five years largely characterized by choppy rise and falls in total jobs since 2009 that has amounted to a net gain of only 11 jobs since 2012 (low point).



East Hampton Job Profile: Overall, there has been very little change in the economic base of East Hampton since last studied in 2006. Construction and Manufacturing constitute 10.1% of the town's job base in 2014, essentially the same as 2006. Meanwhile the four largest job sectors in town continue to be Retail Trade, Health Care, Accommodations & Food Services, and Government which in 2014 would comprise 2 out of 3 jobs in East Hampton, with Government the leading sector at 26.6%. In 2014, these four sectors would make up 68.6% of total employment in East Hampton, a slight rise from 65.3% in 2006.

Retail Trade and Health Care/Social Services have shown consistent growth over the past ten years with overall gains through 2006 to 2014 of 77 and 35 jobs, respectively. Accommodations/Food Services has actually declined slightly, while total

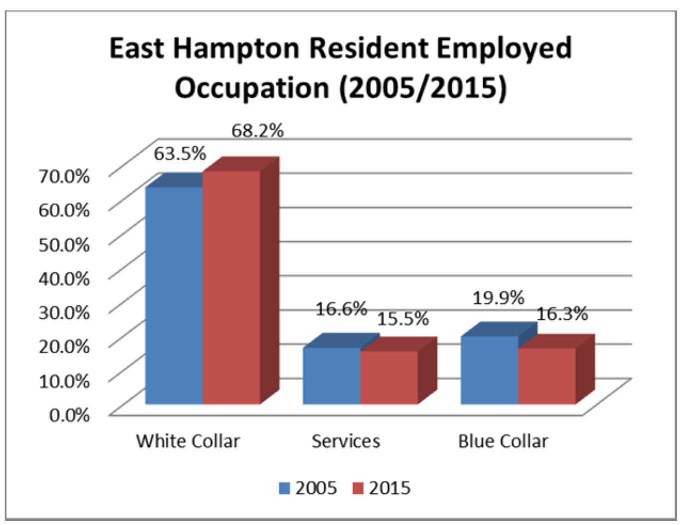
Government jobs are unchanged. Other sectors showing promise for growth include Professional, Scientific, and Technical Services, and Finance and Insurance Services, both representing target candidates for expanding into available office space.

Exhibit 12
Employment Trends -Town of East Hampton
2000, 2006, 2010, 2014

East Hampton Job Base by NAICS Empl. Sector	Year				% Change 2006 - 2014 Employ.	% Sector to Total Jobs 2006	% Sector to Total Jobs 2014
	2000	2006	2010	2014			
Total Employment	**1670**	**1810**	**1898**	**1872**	3.4%		
# of Establishments	234	214	223	235			
Construction	105	102	75	109	6.9%	5.6%	5.8%
Manufacturing	156	83	87	81	-2.4%	4.6%	4.3%
Wholesale Trade	40	35	24	35	0.0%	1.9%	1.9%
Retail Trade	281	246	318	323	31.3%	13.6%	17.3%
Prof.,Scientific,Tech Serv	64	73	81	80	9.6%	4.0%	4.3%
Information		11	10	6	-45.5%	0.6%	0.3%
Finance & Insurance	31	28	32	35	25.0%	1.5%	1.9%
Health Care & Soc. Serv.	189	189	229	224	18.5%	10.4%	12.0%
Accom & Food Serv.	177	256	268	238	-7.0%	14.1%	12.7%
Other Services	63	67	24	83	23.9%	3.7%	4.4%
Government	410	498	519	498	0.0%	27.5%	26.6%
Local Govt	386	418	475	465	11.2%	23.1%	24.8%

Source: CT Department of Labor, Quarterly Census of Employment & Wages

East Hampton Occupational Characteristics: Occupation profile among East Hampton residents underwent an upward shift in white collar jobs in 2015 vs 2005, while dropping in share among service and blue collar sector jobs. Contributing to the lift in white collar residents was an increase among professionals in Management, Business, and Financial sector typically considered some of the best paid occupations. A similar, but smaller gain in white collar resident employment was observed for the region, while no change was seen at the state level.



Despite the recent shift towards white

collar, blue collar jobs in manufacturing and construction continue to be an important source of employment for local East Hampton residents with 20.6% share of resident workbase compared to 18.5% for Middlesex County and 16.8% for the State.

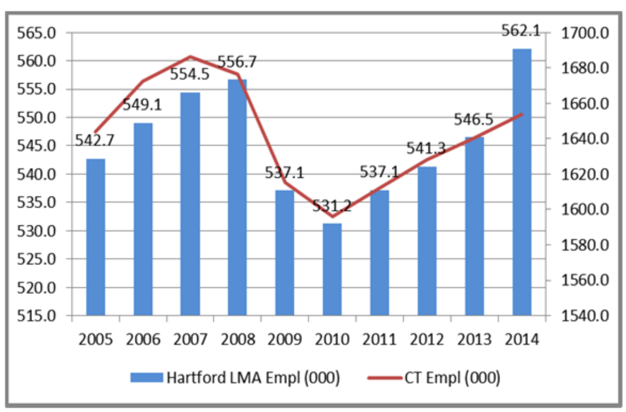
Exhibit 13 – East Hampton Resident Occupational Characteristics

	East Hampton	Middlesex Cty	State of CT
2015 Employed Population 16+ by Occupation			
White Collar	**68.2%**	**68.1%**	**64.4%**
Management/Business/Financial	18.8%	17.4%	16.1%
Professional	24.2%	26.2%	24.2%
Sales	11.2%	11.2%	10.8%
Administrative Support	14.1%	13.3%	13.3%
Services	**15.5%**	**14.6%**	**18.0%**
Blue Collar	**16.3%**	**17.2%**	**17.5%**
Farming/Forestry/Fishing	0.3%	0.2%	0.3%
Construction/Extraction	4.5%	4.5%	4.6%
Installation/Maintenance/Repair	3.1%	3.6%	3.1%
Production	6.0%	5.5%	5.3%
Transportation/Material Moving	2.4%	3.5%	4.3%

Source: US Census, ESRI

	East Hampton	Middlesex Cty	State of CT
2015 Employed Population 16+ by Industry			
Total	7,159	88,721	1,806,202
Agriculture/Mining	0.0%	0.4%	0.4%
Construction	6.4%	6.0%	5.8%
Manufacturing	14.2%	12.5%	11.0%
Wholesale Trade	2.3%	2.5%	2.4%
Retail Trade	7.9%	11.1%	11.2%
Transportation/Utilities	3.0%	3.5%	3.5%
Information	1.4%	2.1%	2.0%
Finance/Insurance/Real Estate	13.3%	9.2%	9.0%
Services	47.4%	48.4%	50.9%
Public Administration	4.0%	4.4%	3.7%

Source: US Census, ESRI



Hartford Labor Market Area Employment Trends: Changes in employment in the Hartford Labor Market have paralleled the state over the last ten years, with one major exception – unlike the state which has yet to fully recover the 119,000 jobs lost during the recession (now at 86% recovery), the Hartford LMA has regained all 33,000 jobs eliminated in its region during the contraction as of

January 2015. Regional Job sectors that have held steady or rebounded in recent years include Transportation & Warehousing, Retail Trade, Education and Health, Professional & Business Services and Leisure & Hospitality. Meanwhile, Manufacturing continues to experience erosion of its job base, much as it has for the last 40 years. Other key sectors that have failed to rebound include Construction, Wholesale Trade, Information Services, and most troubling – Finance, Insurance & Real Estate which presently accounts for 10.1% of jobs in the region and historically an important job generator in the region.

Exhibit 14
Non-farm Employment Trends (000) - Hartford LMA
June 2008 - 2015

Hartford LMA	Year					% Change 2008-2015	% Change 2014-2015
	2008	2010	2012	2014	2015		
	June	June	June	June	June	Percent	Percent
NON-FARM EMPLOYMENT	***564.7***	***535.1***	***545.5***	***568.1***	***576.6***	2.11%	1.50%
GOODS PRODUCING	***86.9***	***74.7***	***75.8***	***75.4***	***76.3***	*-12.20%*	*1.19%*
Construction & Mining	22.4	17.9	17.8	19.8	20.8	-7.14%	5.05%
Manufacturing	64.5	56.8	58.0	55.6	55.5	-13.95%	-0.18%
SERVICE PRODUCING	***477.8***	***460.4***	***469.7***	***492.7***	***502.3***	*5.13%*	*1.95%*
Trans.,WHousing & Utilities	11.8	12.0	12.6	14.3	15.5	31.36%	0.00%
Wholesale T.	20.5	18.4	18.2	18.3	17.7	-13.66%	-3.28%
Retail Trade	56.0	52.2	54.3	57.2	58.1	3.75%	1.57%
Finance, Ins & Real Estate	66.6	61.8	61.6	57.1	58.2	-12.61%	1.93%
Information	12.6	11.0	10.7	11.5	11.6	-7.94%	0.87%
Edu & Health	92.2	96.1	97.2	103.1	106.2	15.18%	3.01%
Pro. & Bus.	63.4	59.9	64.0	70.5	72.1	13.72%	2.27%
Leisure & Hosp	43.0	42.6	46.6	49.5	51.0	18.60%	3.03%
Other Services	21.4	20.5	20.9	21.6	22.0	2.80%	1.85%
Government	85.5	82.4	80.7	87.0	87.4	2.22%	0.46%

Source: US Bureau of Labor, CT Department of Labor

V. Industrial Market

National Perspective: The industrial market nationwide is benefitting expanding U.S. economic growth that is helping to accelerate absorption of space and stimulate rent growth. Within the U.S. overall vacancy has been steadily dropping and now stands at 6.8% (Q2 2015), down from its 2010 peak of 10.8%, representing its lowest level since 2001. Moreover, rising demand and falling vacancy is beginning to spread broadly throughout all regions of the country, led by the West (5.1%), but with recorded lows seen in the Northeast (8.8%), South (7.9%) and Midwest (6.8%) as well.

While biggest boost to industrial market is being provided by marked improvement in the economy, other key drivers fueling growth of the sector include:

- Expansion of e-commerce,
- Growth of domestic manufacturing
- Low interest rates
- Retraction of global outsourcing for labor`
- Declines in energy costs

Forecasts provided by Colliers International point to continued positive outlook near term (though 2017) for the industrial market as healthy economic and market fundamentals continue to underpin growth in this sector. Supply is increasing rapidly but for the moment is being easily absorbed due to pent up demand and need for more modern and larger facilities. Primary beneficiary of this new growth is warehousing as e-commerce is transforming these facilities into retail stores of the future as more consumers rely on the internet for purchase of merchandise. Internet transactions now account for 10% of retail sales in 2015 and is expected to reach mid-teens by 2020.

U.S. manufacturing has also picked up and is expected to post steady increases going forward as evidenced by four consecutive years of employment expansion. Flex and R&D space market has been more constrained as employment gains needed to support this market have been slow to evolve. Areas that have seen the highest performance in this submarket include Boston (tech, pharmaceuticals, and aerospace), Dallas (aerospace, tech, energy), and Denver (tech and energy). The lack of production of flex space over the last seven years, however, is expected to drop vacancy rates across most metros over the near term forecast period and apply upward pressure on rents.

While current forecasts are upbeat for the industrial market, a number of factors could transform into stiff headwinds on growth. First and foremost is the impact from recent volatility and weakness with trade partners headed by emerging markets, including China and Europe. The recent rise in the dollar could also crimp the sector, particularly if the spread with competing economies widens as they look to falling currencies to boost output. Consumer confidence is also beginning to waver which has important implications for the warehousing sector. Finally in terms of manufacturing, overall capacity utilization has begun to flatten at a level below optimum level, though improved from depths of the recession. Analysts suggest this could reflect stiffening competition world-wide which might be hard for U.S. manufacturing to overcome due to higher dollar value and labor and operating costs.

For the moment, however, the general signs point to ongoing supportive economic environment leading to continued growth in the industrial market in the short run.

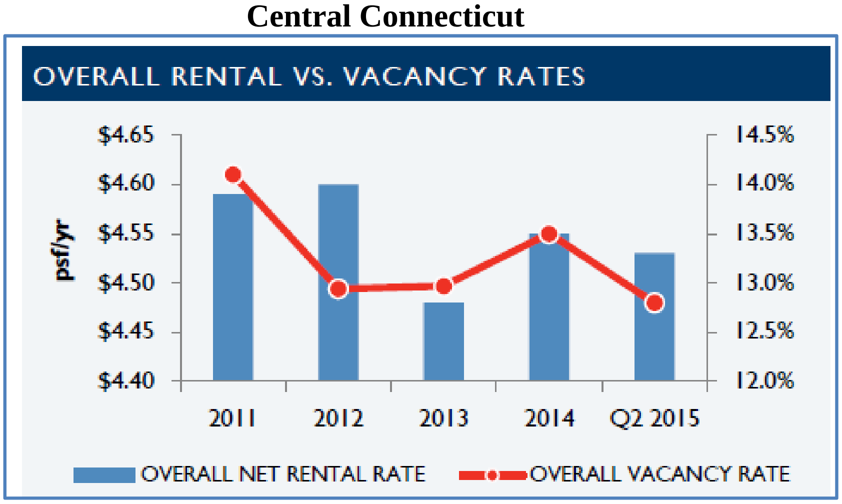
Central Connecticut Industrial Market: East Hampton is at the edge of several market areas, in terms of Labor Market Areas, economic regions and other geographic filters. The area most analogous to East Hampton surrounds Middletown, Portland, Cromwell and the Route 9 corridor. But, analysis of the Hartford region offers a solid indicator of general industrial activity better than any other well-delineated statistical region.

Unlike the major distribution hubs of New York and New Jersey, and to a lesser degree Boston which have strongly rebounded, the Hartford region industrial market is more reliant on local demand generated by area output and local employment growth, both of which have been slow to recover subsequent to the recession. The one bright spot in the region has been associated with aerospace, essentially due to presence of Pratt & Whitney.

Nevertheless, according to Cushman & Wakefield[4] a number of favorable metrics have begun to emerge over the last year and half for the Hartford Area industrial market:

- The region has experienced a dramatic increase in occupier activity for industrial space (new leases) in 2014 in sharp contrast to declines year to year in 2013.
- User sales rose steeply in 2014 representing the highest level of square feet sold in over 10 years.
- Absorption became positive in 2014, reversing negative trends in lease-up that have hampered the market since 2010.
- With higher absorption, asking rents have begun to tick up.
- Vacancy dropped in 2015 (Q2) to a low of 12.8% the lowest since 2008, reversing an upward rise in 2014 due in part to introduction of new product on the market.

Exhibit 15
Industrial Market Trends
Central Connecticut



Source: Cushman & Wakefield

[4] Marketbeat Industrial Snapshot, Q4-2014, Q2-2015 – Cushman & Wakefield

Central CT Outlook: Forecasts provided by Cushman & Wakefield point to "cautious optimism" with data on four important metrics describing industrial health of Central Connecticut all turning positive: asking rent, vacancy, leasing and absorption. As noted above, vacancy starting to slide down in response to increased leasing activity amounting to a 70% increase, year over year. Asking rents have also nudged upwards from $4.39 in Q2/2014 to $4.54 Q2/2015, indicative of rising demand and fewer concessions. However, analysts indicate the strength in the industrial market that is sweeping the country has yet to meaningfully filter down to rising demand in Hartford area. Meanwhile, job growth regionally and state-wide in sectors associated with industrial growth continues to be sluggish on a net basis.

Central Connecticut Submarkets: According to CBRE, industrial vacancy and available sublease opportunities in the Hartford region stood at 13.3% in third quarter 2014. The City of Hartford reported a 12.2% vacancy rate. Vacancy rates among suburban areas in the region ranged from a low of 7% in the West submarket to 16% in the East submarket – which includes nearby East Hartford, Glastonbury and Manchester. For the period studied (Q3- 2014), four of the five submarkets reported positive YTD absorption suggesting an industrial market on the mend, with only North Submarket reporting negative absorption. Among the submarkets reporting positive transaction - West Submarket ranked highest with 220,989 sf. The Hartford area market overall reported net absorption of 333,869.

A comparison of 2015 vacancy rates and total industrial supply for the region with data collected in 2005 by CBRE indicate very little new supply has entered the market over the past 10 years, with overall industrial supply in 2015 of 71,090,373 square feet, representing only a 4% increase from 2005 levels. This in part has helped to drive down vacancy rates as the market has heated up. Notably also, vacancy level over the two periods are closely aligned suggesting the current market is approaching a level of performance not seen since prior to the economic contraction beginning in 2008.

Leasing activity in the region is predominantly weighted towards warehousing and distribution accounting for 63% of the activity, followed by manufacturing at 25% and flex space at 12%.

Exhibit 16
Greater Hartford Industrial Market – 2005/2014

Submarket	Year 2005 Gross Building Sf	Year 2005 Vacancy Rate	Year 2014 Gross Building Sf	Year 2014 Vacancy Rate	Avg.Asking Rate
City of Hartford	4,268,591	18.5%	4,817,263	12.2%	$5.52
North Submarket	24,808,013	7.3%	27,515,261	14.4%	$5.05
West Submarket	11,131,544	14.9%	10,152,763	7.0%	$5.41
South Submarket	11,026,083	10.7%	11,297,061	11.7%	$4.82
East Submarket	17,058,816	13.0%	17,308,025	16.0%	$3.88
Total	**68,293,047**	**11.2%**	**71,090,373**	**13.3%**	**$4,71**

Source: CB Richard Ellis

East Hampton Industrial Market: Within East Hampton there are three historic commercial/industrial centers, which include the Village, Cobalt and Middle Haddam. The majority of the industrial properties, however, are concentrated within the Village Center, on Summit St., Watrous St., Skinner St., Walnut Ave. and Main Street.

Similar to findings in earlier report, industrial property sales in East Hampton have been somewhat modest since 2006, with none recorded in 2009 and 2010, representing the deepest part of the recession, and surprisingly none since 2013 even as the industrial market region-wide has firmed up. Sales that have occurred have been located in the Village district which houses the highest concentration of industrial property in town.

Average sales price for identified industrial properties sold in East Hampton calculated to $226,320. Calculated yields ranged from a low of $3.16/sf at 13 Summit St to $29.69/sf at 26 Skinner St. and averaged $13.94/sf. By comparison, $/sf yields achieved in sample of industrial sales found in Portland and Middletown were nearly double at $28.80/sf and $26.68/sf, respectively.

Exhibit 17
Sales of Improved Industrial Properties, East Hampton & Area

Town/Address	Building Age	Building Size	Sale Date	Price	Price/sf
East Hampton					
11 Skinner St	1967	30,660	2007	$575,000	$18.75
25-27 Skinner St	1900	42,524	2008	$150,000	$3.53
26 Skinner St	1930	11,788	2011	$350,000	$29.69
29 Skinner St	1947	4,410	2011	$115,000	$26.08
13 Summit St	1900	43,509	2011	$137,500	$3.16
85 Main St	1910	8,814	2013	$126,064	$14.30
17 Watrous St	1910	20,834	2013	$250,000	$12.00
80 Walnut Ave	1875	26,570	2013	$107,000	$4.03
Portland					
90 Main St	1979	41,775	2007	$1,787,500	$42.79
36 Brownstone Ave	1900	21,127	2008	$600,000	$28.40
47 Main St	1977	14,917	2010	$200,000	$13.41
Middletown					
27 Stack St	1913	24,812	2006	$175,000	$7.05
440 Middletown St	1977	68,577	2006	$660,000	$9.62
30 Industrial Park Rd	1980	27,000	2010	$1,200,000	$44.44
722 Newfield Ave	1984	15,350	2010	$640,000	$41.69
299 Industrial Park Rd	1982	27,365	2013	$1,110,000	$40.56

Source: Warren Data, Sentry Commercial

In order to determine the direction of the industrial market in East Hampton, comparison of recent sales to past sales were calculated on a select number of properties sold over the last 15 years. Time periods between sales range from 6 to 9 years.

As seen in the chart below, three of the properties reflect price appreciation since last sale ranging from an average of 1.2% annually to 11.4%. Relative to typical yields in the investment market these are not strong indicators of healthy growth, but nevertheless are an encouraging sign given the age, type and condition of the properties surveyed.

Only one property in survey, 11 Skinner St., reported a small dip in price, dropping from $600,000 in 2001 to $575,000 in 2007. It is to be noted, however, that for the purpose of this analysis, the three sales that have occurred post-recession, all with increases, provide a better indicator of future outlook for this sector in town.

Exhibit 18
Comparative Sales Trends - Industrial Properties, East Hampton

Town/Address	Building Age	Building Size	Sale Date	Price	Price/sf	Avg Annual % Increase
East Hampton Comparative Ind. Sales						
26 Skinner St	1930	11,788	2005	$195,000	$16.54	
		11,788	2011	$350,000	$29.69	11.4%
13 Summit St	1900	43,509	2002	$100,000	$2.30	
		43,509	2011	$137,500	$3.16	4.2%
11 Skinner St[5]	1967	30,660	2001	$600,000	$19.57	
		30,660	2007	$575,000	$18.75	-0.7%
17 Watrous St	1910	20,834	2004	$225,000	$10.80	
		20,834	2013	$250,000	$12.00	1.2%

Source: Warren Data, Sentry Commercial

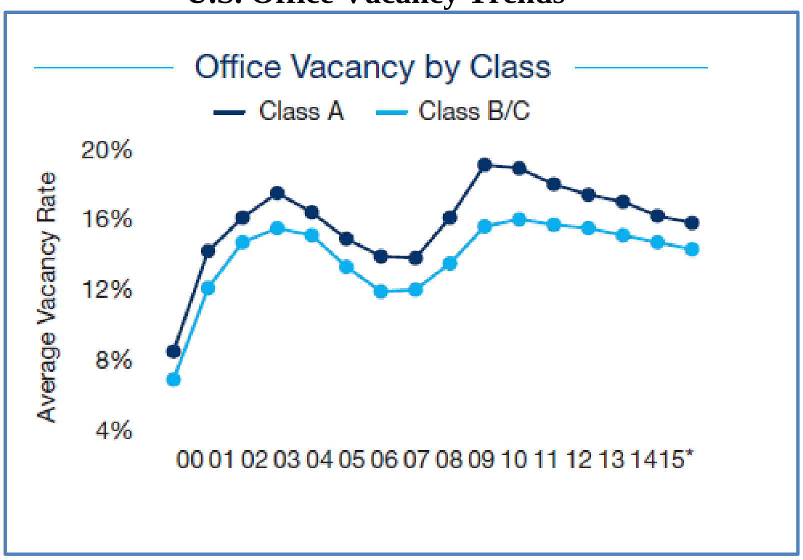
[5] In 2006 Market Assessment, 11 Skinner was identified as listed for sale for $750,000, reportedly a reduction from original listing of property.

VI. Office Market

National Perspective: Recent gains in payrolls nationwide are accelerating the rate of recovery of the office market within the U.S which until recently has been in the doldrums. This has led to declining vacancy and rising rents across most markets in the country, fundamentals helped in part by the dearth of new office construction since the recession. Analysts anticipate, however, that the recent expansion of the workforce and the growing demand for more flexible, sustainable office space will likely propel a new wave of office construction, albeit most of it targeted within top tier markets and primarily serving large corporate users.

Following a peak vacancy of 19.5% nationally in CBD space in 2010, availability has since dropped to 16.5% by 2nd half 2015. Class B&C space has fallen to 14.6% vacancy following a peak of 16.1% in 2010. Contributing to recent demand for space has been a recent surge of growth in core office employment sectors linked to financial services, insurance, professional and business services accounting for over 25% of total job growth in the last year. Other key employment sectors for office that have picked up in pace of hiring include technology, trade, education and health care. Meanwhile, a number of hot office markets are catering to the rise in "edgier" job sectors that include technology, advertising, media and information, or TAMI, typically concentrated in locations generally attractive to Millennials seeking live, work, play environments.

Exhibit 19
U.S. Office Vacancy Trends



Source: Marcus & Millichap

U.S. Office Outlook: Expectations of a breakout in 2015 from the slow growth path the country has been on for past several years has yet to materialize and with the recent volatility in the stock market, slackening consumer confidence, instability among global partners, analysts are anticipating firms will continue to be conservative in taking on new space. Despite the headwinds, forecasts call for steadily declining vacancy rates over the near term primarily centered within southern and midwestern markets and less so in the northeast.

Office Trends with Implications on Future Office Demand: A number of changes are occurring in the office market today that could represent a paradigm shift in the way people work as well as leading to a significant cut in the amount of space needed for office use. Precipitated in part by the fall-out from the recession, companies are increasingly looking at ways for encompassing non-dedicated workspace and technology that commands a smaller footprint, is adaptable to changing needs in the workforce, and is appealing to workers seeking a more collaborative environment in which to work and communicate.

Based on research conducted by Norm Miller, Ph. D., a real estate professor at the University of San Diego, there are four major trends impacting the office market[6]:

- Move to more standardized work space.
- Non-dedicated office space, along with more on-site amenities.
- Growing acceptance of telecommuting and working in third places.
- More collaborative work spaces and functional project teams.

These trends have already gained a toe-hold on the market helping to reduce average square feet per office employee from 250 square feet to 195 square feet as companies look for ways to obtain greater utilization from space leased. Leading the way towards more sustainable and open office environments has been the technology sector, but greater numbers of traditional office users are embracing this approach both to cut cost and to improve worker productivity. While much of the focus so far has been on larger users, there has been an emergence of small business centers featuring high amenity/non-dedicated office space catering to the smaller users, often in older office space that has been retrofitted and reconfigured to accommodate this new market.

Hartford Region Office Market Environment: Office market demand is driven by growth in white collar jobs, principally, Finance Activities, Information, Professional and Business Services and Education-Health. Within Connecticut and the region, job growth within these sectors is decidedly mixed with net increases achieved 2008 to 2015 in Professional-Businesses services and Education-Health. However, job losses continue to be absorbed within Information and Financial Activities sectors even subsequent to a rebound in the overall state economy after hitting bottom in 2010. Of the two, the slack recovery in Financial Activities is particularly worrisome given its importance in the overall state and regional economy[7].

The continued weakness in several key office sectors in the Hartford region shows up in the form of elevated vacancy and flat rental rates. After tipping downward to a low of 17% in 2012 from its high of 23% in 2011, regional vacancy rate popped up to 20% in 2013, where it has essentially remained through Q2 2015 (19.9%). By comparison, office vacancy in New Haven and Stamford region for 2015 are a reported 15.3% and 16.3%, respectively (Cushman & Wakefield)[8].

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[6] "*Downsizing and Workplace Trends in the Office Market*" , Real Estate Issues, Vol 38, # 3, 2013, Norm G. Miller, Ph.D., University of San Diego

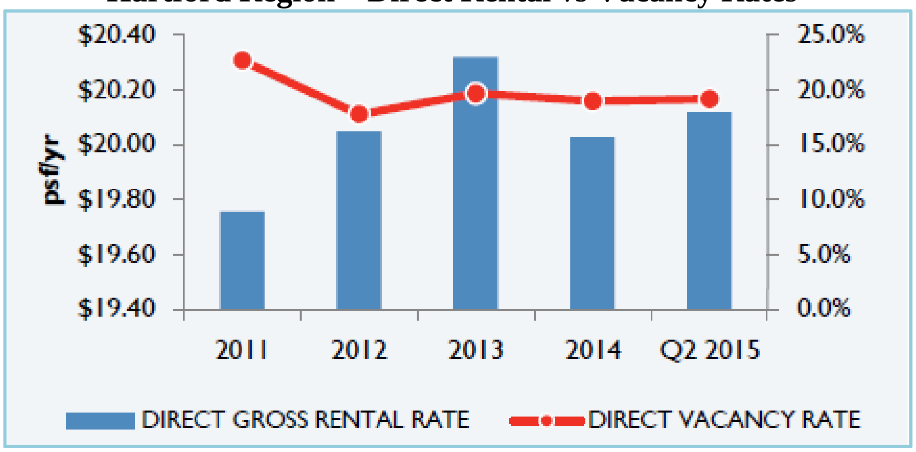
[7] Financial Activities accounted for 7.7% of state jobs in July 2015, a drop from 8.5% in February 2010, the latter representing the state's low point in job decline resulting from the recession. A similar decline is noted in the Hartford LMA with a -5.8% decline from 2010 to 2015 for this sector.

[8] It is to be noted that according to Colliers International, office vacancy for class A space in City of Stamford stood at 20.4% 3rd Quarter 2014, ranking it highest among major cities in the state, and among highest in the Northeast region.

Net absorption of space in Hartford area has also been inconsistent occurring in only two quarters over the last year according to Cushman & Wakefield. On a year to year basis - 2014 to 2015, negative absorption amounted to -314,353 sq. feet, much of it linked to give-back of space in the East Hartford submarket (Cushman & Wakefield). Providing a level of support for the market is the near absence of speculative office space in the last ten years.

Brokers do point to increased activity in the last three years but much of it has been concentrated in renewals, expansions, and consolidations that have little impact on reducing availability (thus vacancy). These same brokers also confirm a trend towards office downsizing with firms looking to achieve savings in smaller space that is better optimized. Within such an environment, prospective tenants generally have the upper hand, particularly in negotiating rental rates. Within the region, overall asking rents have changed little from an average of $20.10/sf in 2014 to $20.16 in 2015.

Exhibit 20
Hartford Region – Direct Rental vs Vacancy Rates



Source: Cushman & Wakefield

Hartford Region Submarkets: A comparison was undertaken of the regional office market in 2014 with the 2005 marketplace covered in previous study, a period not unlike the present in terms of a recovering economy. This comparison reveals very little change in total supply occurred over the ten year period, though modest increases and reductions occurred among the submarkets. The most meaningful net reduction occurred in City of Hartford with the conversion of several older office buildings into mixed use rental housing. This in effect has reduced availability and helped stabilize the office market in the city which in 2005 stood at nearly 20.0%.

2014 Vacancies within the suburban Hartford communities, on the other hand, are largely elevated compared to 2005 as seen in chart below, as noted in the North (18.6%), West (18.2%) and East (17.6%) submarkets, with only the South (13.4%) reporting a moderately tight market. In contrast, three of the submarkets in 2005 reported vacancies of under15%. On a positive note, however, CB Richard Ellis reported declining vacancies within all submarkets in the Hartford region between 2013 and 2014 suggesting that broad base strengthening of demand may be mounting for office.

Exhibit 21

Greater Hartford Office Market – 2005/2014				
Submarket	**Gross Building Sf - 2005**	**Gross Building Sf - 2014**	**Vacancy Rate 2005**	**Vacancy Rate 2014**
City of Hartford	10,225,658	9,186,209	19.78%	16.50%
North Submarket	2,823,741	3,063,758	18.81%	18.60%
West Submarket	4,707,354	5,335,256	10.17%	18.20%
South Submarket	3,227,557	3,313,770	14.76%	13.40%
East Submarket	3,284,067	3,231,683	12.06%	17.60%
Total	**24,268,378**	**24,130,676**		

Source: CB Richard Ellis

Exhibit 22

Greater Hartford Office Market - Vacancy Trends		
Submarket	**Vacancy Rate 2013**	**Vacancy Rate 2014**
City of Hartford	16.80%	16.50%
North Submarket	19.70%	18.60%
West Submarket	18.70%	18.20%
South Submarket	13.60%	13.40%
East Submarket	21.40%	17.60%

Source: CB Richard Ellis

South Submarket: New Britain, Newington, Rocky Hill & Wethersfield
West Submarket: Avon, Farmington, Simsbury, West Hartford, Southington
East Submarket: East Hartford, Glastonbury, Manchester, South Windsor
North Submarket: Bloomfield, East Windsor, Windsor, Windsor Locks, Enfield, East Granby

Hartford Region Office Market Outlook: Analyst point to a number of positive metrics signaling an improved environment for Hartford region office market that include vacancy rates that are beginning to drop, net absorption gaining traction, and asking rents sliding up modestly. While possibly boding well for the future, the current fundamentals driving overall demand have yet to gain sufficient momentum to meaningfully change the status quo. According to Cushman & Wakefield, leasing activity in the Hartford region for 2014 was less than 2010 when the state and region was still in the grips of a recession. Stronger activity is showing up among sale of investment property, but even this segment of the market has remained somewhat tepid even as the state enters its 5th year of recovery. Expectations at this point for the Hartford regional office market, according to most analysts, is thus more of the same for the near term with the office market likely remaining a “tenants” market for the near term.

East Hampton Office/Commercial Market: As noted in earlier study, historically, the office market in the region has functioned at a small scale sufficient to accommodate local consumer demand. With local Finance, Real Estate, Business services and Healthcare/Social Services representing under 18% of the employment base, demand is estimated at 50,000 square feet of office space which continues to be met comfortably internally with existing space. Nor are there signs of an expanding or emerging demand for office space within East Hampton area outside of the limited amount of neighborhood-based business services in support of local needs.

Very little information could be gathered on commercial listings in East Hampton, in part due to few properties being actively marketed locally. Below can be found a few property listings identified in East Hampton providing an indicator of the type and cost of space and opportunities available in town. One property of particular interest is 82 Main St., a mixed-use property recently purchased and renovated, which is listing 1,475 sf commercial space for $1250/month. In 2006, this same space was renting for under $750/m.

Exhibit 23
Survey of Available Commercial Properties/Space - East Hampton

Address	Building Age	Building Size (sf)	Asking Rent Price	Asking Sale Price	Comments
East Hampton					
4 Main St	1912	6,240		$259,900	Flex Space
95 Main St	1890	10,496		$215,000	Mixed Use Property Apts on upper floors
42 E. High St	1997		$21.00/sf Gross		1800 sf in Lakeveiw Court commercial complex
38 W. High St	1982	5,702		$399,900	Current tenants: hospital & Town of E. Hampton
10 Summit St	1914		$16.00/sf mod. Gross		Converted mill bldg to Office space in Village
82 Main St	1920 Mix Use-renov.	24,000	$13.92/sf mod Gross		Mixed use property – 1450sf @ $1250/m Bldg bought in 2013

Source: LoopNet, MLS, Craigslist, Area Brokers

VII. Retail Market

Hartford Region Retail Environment: While retail markets are largely influenced by local fundamentals there are a number of macro trends worth noting that are impacting on the health and direction of retail nationally, state-wide, and regionally. These are summarized below[9].

- *Consumer confidence continues to trend upward* -
  There is a direct relationship between rise in consumer confidence and increase in total retail sales. And while shocks to consumer confidence have been evident over the years, as witnessed recently with the sharp fall in the stock market, overall it has consistently moved upwards since the end of the recession. Key factors fueling rise in consumer optimism has been improvement in the job market and stabilization of the housing sector. More recently, declines in gas prices have helped to boost consumer spending, a trend that is likely to hold steady for the near term.

- *Total Retail Sales rising, but path of growth erratic* –
  According to Marcus & Millichap, retail sales nationally are 17% above their pre-recession peak, but the upward lift has been all but smooth with consumers still hesitant to spend, as issues of debt and uncertainty in the economy, Washington and world politics, continue to weigh heavy on households. This has resulted in fitful swings and slowdowns in retail sales despite improvements in the economy. Analysts, however, believe that increase in hiring will eventually bring about much needed wage growth which has been largely dormant for seven years. Increase in consumption should also get a boost from an improving housing market, particularly from millennials as they shift from rental housing to home ownership.

- *Growth in spending anticipated from Millennials as hiring increases* –
  The millennial generation, which has an estimated purchase capacity of $2.5 trillion, is becoming more of a factor in retail growth as employment opportunities strengthen for this demographic group. For the moment, job creation targeted to young adults has yet to materialize sufficiently, but by 2018, it is anticipated that millennials will reach $3.0 million in spending power, matching the level of baby boomers.

- *Past Pullback in retail construction providing measure of stability-*
  One factor helping overall fundamentals for the retail market is the sharp pullback in retail construction that took place even before the recession hit. Notably the fall-off in construction continued even as the economy rebounded and retail sales began to rise. This has certainly been the case in the Hartford region which has seen only nominal growth in inventory over the last five years. The net result has been tightened vacancies that have easily absorbed the relatively modest increases in inventory that have come on-line since 2010.

- *E-commerce continues to expand; presenting challenge to brick and mortar retail* –
  Internet sales as a share of retail sales continue to grow steadily and now stands at 10%, up from 5% in 2005. By 2020, it is expected to rise to 15%. The fall-out from this growth is being broadly felt among all retail sectors

[9] *The Retail Outlook, Summer 2015,* Marcus & Millichap

resulting in store contractions and consolidations in many cases. In the face of such losses conventional brick and mortar retailers have been forced to reexamine, and in certain cases, reinvent their businesses in order to better compete more effectively. How successively that is done could determine the course of growth of physical retail inventory in the marketplace.

Hartford Area Retail Supply: Retail Data collected by Keypoint Partners indicates total inventory in square feet in the Hartford Region rose only slightly between 2013 and 2014 amounting to a 0.2% increase. On a net basis, there was no change in number of retail establishments. It was further noted that the lack of growth in retail represents a trend extending back to 2007. For the moment, analysts say this is a good thing as a level of retail saturation was reached in the region even before the recession started. With the state economy improving, the region is now absorbing more vacant retail space helping to push the rate down to 11.0% from 11.3% a year ago.

Exhibit 24
Greater Hartford Area Retail Market – 2013/2014

Category	2013	2014	% Change
Total Market Size (sf)	37,110,000	**37,179,800**	0.2%
Total # of Retail Properties	3,600	**3,600**	0.0%
Total # of Retail Establishments	8,200	**8,200**	0.0%
Total Market Vacancy (sf)	4,196,600	**4,105,800**	-2.2%
Vacancy Rate	11.3%	**11.0%**	-2.3%
Total Retail Space per Capita	45.6	**46.2**	1.4%

Source: KeyPoint Partners, LLC

Hartford Area Submarket Trends: Most of the region's submarkets reported declines in retail vacancies 2013 to 2014 suggesting improved retail fundamentals are being broadly felt throughout Greater Hartford. Highest vacancy was reported in Hartford at 13.7% for 2014, but that is a sharp drop from the 16.3% a year earlier. Meanwhile, the tightest retail market is found in the Northwest submarket which coincidentally is where much of the newest retail resides, including Blue Back Square in West Hartford. This submarket also contains the highest concentration of retail in the Hartford area accounting for 31% of overall inventory.

Exhibit 25 - Greater Hartford Submarkets – 2013/2014

	2013		2014	
Submarket	Size (sf)	Vacancy	Size (sf)	Vacancy
City of Hartford	2,828,900	16.3%	**2,811,500**	**13.7%**
Northeast	4,958,700	10.0%	**4,977,700**	**10.3%**
Northwest	11,562,200	8.9%	**11,530,500**	**8.7%**
Southwest	10,170,500	13.0%	**10,229,100**	**13.1%**
Southeast	7,589,800	12.3%	**7,630,900**	**11.4%**
Greater Hartford	37,110,000	11.3%	**37,179,800**	**11.0%**

Source: KeyPoint Partners, LLC

Hartford Area Tenant Size Trends: As observed in most submarkets, vacancies are also declining among separate size classifications in retail with only 5,000 to 10,000 sf sector reporting an increase. Over one-third of the retail in the region is concentrated in stores of under 5,000 square feet, with the highest proportion (19.2%) in configurations of 2,500 sf or less consisting mostly of local “mom and pop” stores serving immediate markets. This end of the market also posted the highest vacancy with 18% in 2014, well above the next highest classification of 13.3%, highlighting the tenuous nature of this retail segment. At the other extreme in size, 27% of the market is in property units of 50,000 square feet, which typically includes supermarkets, big boxes and warehouse stores. On a consolidated basis, this segment reported a low vacancy of only 7.8% in 2014.

Exhibit 26 - Greater Hartford Retail – Market Composition

Tenant Size	Market Share	2013 Vacancy	2014 Vacancy
Less than 2,500 sf	19.2%	19.1%	**18.0%**
2,500-4,999 sf	15.6%	13.7%	**13.3%**
5,000 to 9,999 sf	12.7%	12.5%	**11.9%**
10,000 to 24,999 sf	15.9%	10.1%	**10.4%**
25,000 to 49,999 sf	10.1%	13.2%	**12.2%**
50,000 to 99,999 sf	14.1%	7.8%	**7.8%**
100,000 to 199,999 sf	11.3%	0.0%	**0.0%**
200,000 sf and above	1.1%	0.0%	**0.0%**

Source: KeyPoint Partners, LLC

Expansions & Contractions: The chart on the following page (Exhibit 23) presents a comparison of the Greater Hartford retail market in terms of growth and contractions by business classification for 2003 (data from precious study) and 2014. The most notable trend observed is the major shift to food related businesses in 2014 compared to 2003. Food and Drink sectors accounted for half of the leading business types reporting new openings in 2104, with new restaurants ranking highest, compared to only two in 2003. In 2003, the trend in retail growth was oriented in service-based businesses which accounted for 6 of the top ten sectors. Three business classifications, however, that continue to carry-over in growth from 2003 to 2014 though at different degree of expansion, include Eating Places, Beauty Salon and Services, and Food Stores – Grocery. Notably, these same businesses rank highest in the list in number of establishments.

In contrast to growth in food/drink related businesses for 2014, the list of contractions among businesses identifies far more traditional retail. Interestingly, none of the top contracting sectors of 2003 have continued to carry-over into 2014, with the exception of Banks and Savings Institutions which has been pushing to reduce its retail footprint nationally as online banking has become more popular. One explanation is that few brick and mortar businesses remain in these categories, particularly in sectors associated with Video Rental, Printing and Publishing, Record & Tape Stores, and Used & Antique Merchandise, all of which were hard hit by changes in business models impacting their respective industry, particularly in terms of growing use of the internet. One declining category that does stand out in 2014 is Apparel and Shoes, affected as much by shifts in demographics and consumer attitudes as any fall-out from e-commerce.

Exhibit 27
Expansion by Number of Stores
Greater Hartford Area – 2003/2014

2003			2014		
Business Classification	New Stores	Total Stores	Business Classification	New Stores	Total Stores
(1) Beauty Salon & Services	36	895	Eating Places	26	1395
(2) Health & Fitness	25	184	Food Stores- Grocery	14	303
(3) Professional Services	17	140	Food Stores - Dairy Products	13	26
(4) Medical & Dental Services	13	96	Beauty Salons & Services	13	860
(5) Eating Places	11	1384	Drinking Places	8	48
(6) Beauty Supplies & Cosmetics	9	57	Home Furnishings	6	99
(7) Food Stores-Grocery	8	396	Apparel - Family	4	85
(8) Telephone Equipment	8	77	Gift, Novelty, and Souvenir Shops	4	88
(9) Educational & School Services	7	104	Beer, Wine, & Liquor Stores	4	239
(10) Insurance	6	58	Computer & Software Stores	3	25

Source: KeyPoint Partners LLC

Contraction by Number of Stores
Greater Hartford Region – 2003/2014

2003			2014		
Business Classification	Store Contraction	Remaining Stores	Business Classification	Store Contraction	Remaining Stores
(1) Printing & Publishing	-10	52	Apparel - Women's	-11	131
(2) Gift, Novelty & Souvenir	-9	172	Telephone Equipment	-7	58
(3) Transport/Public Utilities	-7	102	Apparel - Children & Infants	-3	29
(4) Banks & Savings Institution	-7	250	Banks & Savings Institution	-3	281
(5) Record & Tape Stores	-7	26	Shoe Stores	-3	47
(6) Miscellaneous Retail	-6	138	Auto & Home Supply	-2	110
(7) Used & Antique Merch.	-6	137	Book Stores	-2	22
(8) Video Rental	-6	61	Cleaners & Laundry Services	-2	146
(9) Paint Glass & Wallpaper	-5	61	Household Appliances	-2	25
(10) Jewelry	-5	130	Insurance	-2	67

Source: KeyPoint Partners LLC

Retail Demographics – Demand Factors: Retailers are attracted to areas where population density and growth can sustain their entry to the market. In order to evaluate the retail potential for East Hampton, we have identified trade areas of 5 minute, 10 minute and 15 minute drive times with the midpoint of the radius located within the center of the Village (see following map). This differs from previous study which used a 1, 3 and five mile radius to define trade markets. Most analysts agree the drive time methodology provides a more accurate representation of potential demand as it aligns more closely to consumer patterns in terms of where they shop and do business. Similar to the radius approach, the 5 minute drive time consists principally of the Village, town center and parts of the Lake area, and the 10 minute drive time best represents demand for convenience and non-discretionary goods and services, while the 15 minute drive time includes a greater percentage of destination-based shoppers.

Population and Households: In 2015, the population for the 5-minute trade area is small calculated at 4,493, with density nearly tripling to 12,297 in the 10 minute trade area and expanding nearly 7-fold to 30,080 in the 15 minute market. From a retail perspective the 5 and 10 minute trade areas are considered somewhat modest for retail support beyond what is typically required to support a community (food, personal services, banks and pharmacies, medical), however, high visibility and healthy traffic support along Route 66 helps mitigate this affect. The 15-minute trade area, on the other hand, begins to approach a critical level of potential demand typically necessary to attract more destination type retail. Additionally, as noted in previous report, East Hampton does experience a boost in its population base in the summer months as tourists and summer residents descend on Lake Pocotopaug.

Recent growth trends for East Hampton, along with many towns East of the River, and in fact for the Connecticut overall, are not as favorable as reported in 2006 dampening hopes of near term healthy increases in population representing an expanding source of demand for retail. Between 2000 and 2010, the five minute and 15 minute trade areas gained 1.3% in 4.1% in population base respectively, with the a slight decline noted in the 10 minute drive time. In the five years since 2010, population growth has tailed off with slight declines noted for all three areas. Projections for the area through 2020 indicate continued flat growth in sharp contrast to last study when the pace of growth had more than doubled 2000 to 2005.

Meanwhile, households are expected to increase, but just barely. Between 2000 and 2010, households expanded by as much as 9.5% (1.9% annually) in the 10 minute trade area. This positive trend, however, has not carried over into present decade with estimates for 2010 to 2015 pointing to a steep drop of 0.40% annually. Similar shifts from healthy expansion to flat growth in households through 2020 are evidenced in the 5 minute and 15 minute trade areas.

Exhibit 28

East Hampton Area

Drive Time Map – 5 Minutes, 10 Minutes, 15 Minutes

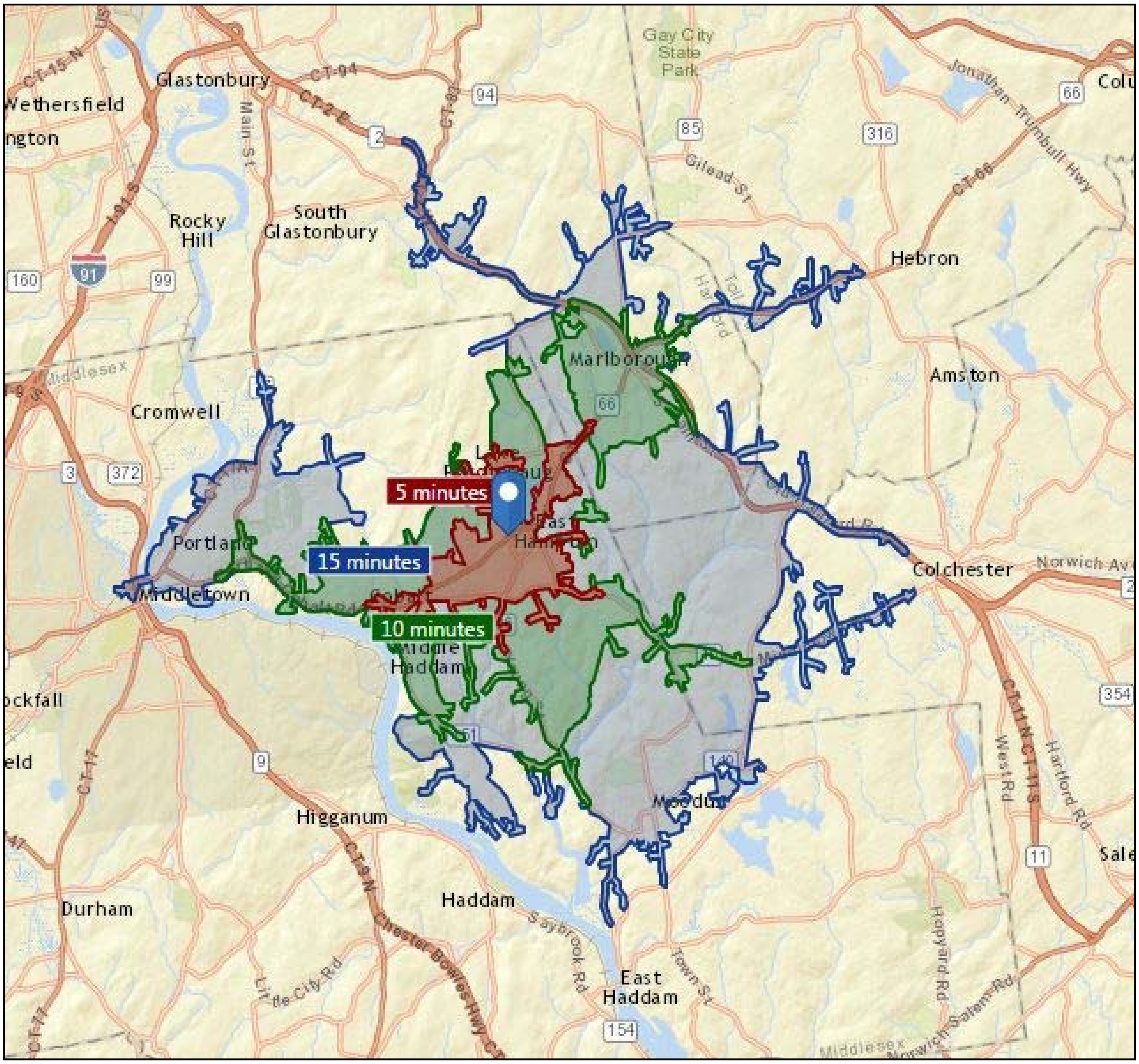


Exhibit 29
East Hampton Travel Time Demographics

Attribute	5 Minutes	10 Minutes	15 Minutes
Population			
2000 Total Population	4,450	12,721	28,906
2010 Total Population	4,509	12,344	30,113
2015 Total Population	4,493	12,297	30,080
2000-2010 % Annual Rate	0.13%	-0.03%	0.67%
2010-2015 % Annual Rate	-0.07%	-0.39%	-0.02%
2015-2020 % Annual Rate	-0.02%	-0.01%	-0.03%
Households			
2000 Households	1,554	4,015	10,021
2010 Households	1,843	4,774	11,678
2015 Households	1,850	4,791	11,739
2000-2010 % Annual Rate	1.86%	1.89%	1.65%
2010-2015 % Annual Rate	0.08%	0.07%	0.10%
2015-2020 % Annual Rate	0.03%	0.04%	0.08%
Families			
2010 Families	1,235	3,424	8,331
2015 Families	1,236	3,426	8,352
2010-2015 % Annual Rate	0.01%	0.01%	0.05%
2015-2020 % Annual Rate	0.00%	0.02%	0.05%

Source: US Census, ESRI

Consumer Characteristics & Profile: Information concerning the trade areas was obtained on income characteristics and market segments providing insight into consumer preferences and purchase capacity.

With respect to wealth, the three areas report exceptionally high income bases, considered an important factor in determining support for retail. The lowest median is found in the smallest trade area at $83,748, which is still well above the state median income of $67,549. With expanding trade areas, incomes also rise with highest income levels found in the mid-10 minute trade area at $96,385.

As noted in the chart below, income distribution clusters somewhat in the $75,000 to $150,000 income range for the 5 minute range but jumps to $100,000 to $200,000 in the larger two trade areas, the latter indicative of broader consumer demand potential for East Hampton. Moreover, all three trade areas are fairly well represented over the $150,000 level. It is noted that these incomes represent a decided shift upwards from 2006 levels, in excess of inflation, and providing some offset to low growth trends in population and households.

Exhibit 30- Income Characteristics

2015 Households by Income Household Income Base	5 Minutes	10 Minutes	15 Minutes
< $15,000	4.8%	3.8%	4.0%
$15,000 - $24,999	2.4%	2.2%	3.3%
$25,000 - $34,999	3.8%	4.8%	5.1%
$35,000 - $49,999	11.6%	9.1%	9.4%
$50,000 - $74,999	15.4%	15.3%	15.5%
$75,000 - $99,999	22.7%	16.6%	17.5%
$100,000 - $149,999	20.3%	23.4%	20.6%
$150,000 - $199,999	11.7%	18.3%	16.7%
$200,000 +	5.4%	6.4%	7.8%
Median Household Income	**$83,748**	**$96,385**	**$91,439**

Source: ESRI

Consumer Profile: Based on a consumer segmentation analysis of the market area (source: ESRI), "In-Style" residents command the top market segment in the 5 minute range while "Savvy Suburbanites" rank highest in the 10 minute and 15 minute market area. "In-Style" residents are affluent, educated and more urban than suburban. Median age is 41 years with households containing few or no children. Most households are professional couples and computer/electronic savvy. They support the arts, travel, and enjoy reading and listening to music. Physical fitness is also important. The Savvy Suburbanites market are well educated, well read and well capitalized. Families include empty nesters and soon to be empty nesters. Located in older neighborhoods, their suburban lifestyle includes some remodeling and gardening plus the active pursuit of sports and exercise. They like to cook and prefer natural and organic products. Median Income high at $104,000. Other dominant sectors include "Parks & Rec" (Practical suburbanites; median age 40.3; two income couples approaching retirement, more than half college educated; active in home improvement; most hold professional or managerial positions; cost and practicality come first, financially shrewd, budget wisely) and "Green Acres" (Older couples living in older home with acreage; median age 43.3; no children at home, enjoy active outdoor living: golf, hunting, fishing, and hiking; comfortable with technology but not used for entertainment; median income $77,000; self-described conservatives).

Exhibit 31
East Hampton Area Consumer Profile

Market Area – 5 Minute Drive Time

Market Segments		Demographic Summary	2015	2015
In Style	38.7%	Population	4,493	4,488
Parks & Rec	26.7%	Households	1,850	1,852
Green Acres	23.9%	Families	1,236	1,236
Savvy Suburbanites	10.6%	Median Age	45.0	45.3
Top Tier	0.1%	Median Household Income	$83 748	$91,427

Market Area –10 Minute Drive Time

Market Segments		Demographic Summary	2015	2020
Savvy Suburbanites	49.8%	Population	12.297	12,290
In Style	27.4%	Households	4,791	4,801
Green Acres	11.3%	Families	3,426	3,429
Parks & Rec	10.3%	Median Age	44.4	45.7
Soccer Moms	0.6%	Median Household Income	$96385	$107308

Market Area –15 Minute Drive Time

Market Segments		Demographic Summary	2015	2020
Savvy Suburbanites	42.2%	Population	30,080	30,131
In Style	16.9%	Households	11,739	11,784
Parks & Rec	12.0%	Families	8,352	8,373
Comfortable Empty Nesters	11.3%	Median Age	44.6	46.0
Green Acres	10.1%	Median Household Income	$91,439	$95,840

Source: ESRI

Consumer Spending Patterns: In order to understand where demand for goods and services may come from, we have reviewed spending profile data for the three trade areas, based on the Consumer Expenditure Survey as represented in Exhibit 27, with more detailed analysis for the 10 minute drive time range produced in Exhibit 28. This information, which is based on consumer expenditure diaries, is presented by category of purchase and then compared to spending patterns for that item at the national level. In this way, local spending can be compared to national norms to show in what consumer areas the local market spends above or below the national average.

A review of this data indicates that the three East Hampton trade areas are exceptionally healthy in comparison to the nation with relative spending levels above the national level. This is a step up from 2006 Market Study which identified some sectors below U.S. index. National level spending is always at the index standard of 100. Thus areas of potential retail strength based on national index were found high in the following categories: Food Away From Home, Computer Services and Sales, Financial Services and Health Care products, Household Furnishings and Operations (including lawn and garden and day care), Entertainment and Recreation, Insurance and Travel. Even Apparel & Services which was represented as an area of weakness in 2006 report is reflected in 2015 as having relatively high potential retail strength.

It is important to note that despite the positive spending patterns, the market area is modest, with just 4,791 households in the ten minute range. Although Route 66 is well traveled, retail development of any significant size is likely to be constrained by the lack of highway access coupled with low population growth. However, projections for income expansion appear to be positive for the area which can boost retail potential even in slow growth scenarios involving resident base. To the extent East Hampton or the Village could create a critical mass of destination based retail-dining, likely sources of these dollars would include dining and entertainment, specialized retail, and specialty food.

Exhibit 32
East Hampton Region Consumer Spending Patterns

Select Retail Expenditure Category	Spending Potential Index- 5 Min	Spending Potential Index- 10 Min	Spending Potential Index- 15 Min
Apparel & Services	128	141	141
Entertainment & Recreation	132	147	147
TV/Video/Sound Equipment	128	138	139
Food	128	139	140
Food at Home	127	138	138
Food Away from Home	129	142	143
HH Furnishings & Equipment	133	148	148
Financial Services/Investments	121	137	136
Health & Personal Care Goods	130	143	140

Source: ESRI

Data Note: The Spending Potential Index is household based and represents the amount spent for a product or service relative to a national average of 100.

Exhibit 33
RETAIL GOODS & EXPENDITURE
10 Minute Drive Time

Market Segments	Percent	Demographic Summary	2015	2020
Savvy Suburbanites (1D)	49.8%	Population	12,297	12,290
In Style (5B)	27.4%	Households	4,791	4,801
Green Acres (6A)	11.3%	Families	3,426	3,429
Parks and Rec (5C)	10.3%	Median Age	44.4	45.7
Soccer Moms (4A)	0.6%	Median Household Inc	$96,385	$107,308

	Spending Potential Index	Average Spent/HH	Total $ Spent Annually
Apparel and Services	141	$3,267.86	$15,656,327
Computer	145	$377.37	$1,807,985
Entertainment & Recreation	147	$4,850.97	$23,240,998
Food	139	$11,863.44	$56,837,727
Food at Home	138	$7,183.03	$34,413,914
Food Away from Home	142	$4,680.40	$22,423,813
Financial			
Investments	134	$3,704.89	$17,750,121
Vehicle Loans	141	$5,955.60	$28,533,259
Health			
Nonprescription Drugs	137	$176.48	$845,531
Prescription Drugs	141	$703.65	$3,371,184
Eyeglasses and Contact Lenses	151	$135.71	$650,205
Home Expenses			
Mortgage Payment and Basics (11)	166	$15,546.20	$74,481,856
Maintenance and Remodeling Services	168	$2,831.76	$13,566,982
Maintenance and Remodeling Materials	150	$450.37	$2,157,727
Utilities, Fuel, and Public Services	140	$7,073.71	$33,890,123
Household Furnishings &Equipment			
Household Textiles	148	$145.77	$698,378
Furniture	145	$751.05	$3,598,297
Rugs	174	$43.00	$205,994
Major Appliances	149	$401.13	$1,921,799
Housewares	145	$104.89	$502,520
Small Appliances	141	$64.62	$309,598
Luggage	156	$14.32	$68,602
Telephones and Accessories	130	$65.07	$311,739
Household Operations			
Child Care	152	$678.22	$3,249,344
Lawn and Garden (16)	158	$687.12	$3,291,997
Moving/Storage/Freight Express	128	$94.83	$454,323
Housekeeping Supplies (17)	140	$1,010.32	$4,840,444
Insurance			
Owners and Renters Insurance	154	$777.29	$3,724,011
Vehicle Insurance	142	$1,724.71	$8,263,065
Life/Other Insurance	157	$722.49	$3,461,451
Health Insurance	148	$3,915.42	$18,758,770
Personal Care Products (18)	136	$638.18	$3,057,498
School Books and Supplies (19)	138	$248.61	$1,191,113
Smoking Products	117	$543.44	$2,603,607
Transportation			
Vehicle Purchases (Net Outlay) (20)	140	$5,675.13	$27,189,552
Gasoline and Motor Oil	136	$4,755.34	$22,782,848
Vehicle Maintenance and Repairs	144	$1,605.11	$7,690,105

Source: ESRI

Retail Leakage/Surplus (Gap) Analysis: In order to evaluate the retail support in the East Hampton market area and specifically for the Village, we have analyzed data on estimated retail sales versus potential demand in the market area with markets defined within 5 minute, 10 minute and 15 minute driving ranges from the center of town.

Based on this analysis, evidence of unmet demand within a 10 minute and 15 minute drive would suggest an opportunity for expansion of both retail food & dining. Not surprisingly, the case is less so with respect to demand close-in within the town center and village area, particularly as these areas already support much of the town's commercial base. Nevertheless, even in the 5 minute trade area there are indications of retail leakage in food & drink, although in terms of retail there is ample supply.

Within the 10 minute drive time, greatest gaps (>80.0 retail leakage factor) of undersupply or opportunities were found in the categories that include Automotive Dealers, Furniture and Home furnishings, Clothing and Clothing Accessories, Sporting Goods, Book and Music stores, Electronics, Specialty Food and General Merchandise. The larger 15 minute drive time, which takes in part of Marlborough, Colchester and Portland indicates less of an opportunity for Electronics but adds Auto Parts and Lawn and Garden equipment.

Notably, the gap in Food and Service demand rises with each increase in size of market area ranging from a leakage factor of 25.2 for the 5 minute drive time to 52.6 for the 15 minute drive time range[10]. This would indicate opportunity to pull trade from beyond the border of East Hampton for restaurants and food services that are more destination-oriented in its market base. One local example of this is the *Lucky Goat*, a specialty food business that recently opened in East Hampton and draws locally and from surrounding area towns.

A summary of this information is presented on the following page.

[10] A leakage factor of 100 would indicate that no stores or service in the market area are present to serve potential demand. In East Hampton, this is the case with Book, Periodical and Music Stores which shows up as +100 in all three trade areas. A surplus factor of -100 would indicate stores/service establishments are obtaining all sales from outside market area, but more importantly any negative surplus factor suggests sufficient retail exists in the trade area to meet trade area demand.

Exhibit 34

Retail Gap Analysis – Travel Time Analysis (5 Min, 10 Min, 15 Min) - 2015

Industry Summary	Supply (Retail Sales)	Demand (Retail Potential)	Leakage/ Surplus Factor[11] 100= total leakage	Number of Retail & Food-Drink Businesses	Number of Households (2015)	Average Spending/ HH	Median Disposable Income (2015)	Per Capita Income (2015)
5 Min					1,850		$61,504	$40,669
Total Retail Trade and Food & Drink	$81,808,252	$76,340,249	-3.5	47		$41,265		
Total Retail Trade	$77,216,683	$68,655,414	-5.9	39		$37,111		
Total Food & Drink	$4,591,569	$7,684,834	25.2	8		$4,154		
10 Min					4,791		$71,961	$43,139
Total Retail Trade and Food & Drink	$110,724,224	$226,040,252	34.2	108		$47,180		
Total Retail Trade	$100,217,346	$203,027,880	33.9	87		$42,377		
Total Food & Drink	$10,506,878	$23,012,372	37.3	21		$4,803		
15 Min					11,739		$62,121	$43,010
Total Retail Trade and Food & Drink	$233,444,305	$542,026,127	39.8	236		$46,173		
Total Retail Trade	$216,340,569	$486,932,379	38.5	196		$41,480		
Total Food & Drink	$17,103,736	$55,093,748	52.6	40		$4,693		

Source: ESRI Business Information Solutions

[11] **Data Note**: Supply estimates sales to consumers by establishments. Sales to businesses are excluded. Demand represents the expected amount spent by consumers at retail establishments. The Leakage/Surplus Factor is a measure of consumer demand relative to supply, ranging from100 (total leakage) to -100 (total surplus).

East Hampton Retail Sales Trends: East Hampton's sales trends for retail goods and Food and Service are presented in the exhibit below. Data is supplied by the Connecticut Department of Revenue Services and reflect overall increase in retail sales of 23% for the period 2009-2013, in contrast to Portland and Marlborough which have yet to fully recover to sales level achieved in 2009 representing mid-stage of the recession in the state.

It must be noted that interpretation of the data is somewhat difficult because sales of many chain locations may be only reported in the Connecticut headquarters location, which may have been the case for the supermarket on Route 66 where much of the food dollars would originate. However, in categories where there are more independently owned and operated businesses, such as hardware products and eating and drinking places, data is more reflective of actual sales experience in the locality.

A comparison of retail sales for 2009 and 2013 (the latest year available) in East Hampton with the adjoining towns of Marlborough and Portland highlights the relative differences in retail markets among the three. As reported by the state, the well-established retail market in Portland, benefiting from both a larger population base and proximity to Middletown is four times the size of East Hampton and Marlborough in sales. East Hampton, on the other hand is double the size of Marlborough in sales, reflective of a population base that is also double the size. East Hampton also ranks highest in number of establishments with 164 versus 127 in Portland and 78 in Marlborough. All three towns lost retail businesses between 2009 and 2013, but as noted above, by 2013 East Hampton has managed to eclipse overall sales achieved in 2009.

Exhibit 35
Retail Sales Trends
Town of East Hampton & Neighboring Towns

Town	2009		2013	
	# of Establ.	Total Sales	# of Establ.	Total Sales
East Hampton				
Total Retail	165	$23,646,157	147	$29,284,239
Food Services & Drinking	19	$7,607,659	17	$7,250,403
Marlborough				
Total Retail	76	$12,575,525	66	$12,366,570
Food Services & Drinking	10	$3,433,304	12	$3,965,213
Portland				
Total Retail	130	$75,214,123	109	$65,420,344
Food Services & Drinking	20	$4,904,494	18	$9,405,060

Source: CT Dept. of Revenue Services

East Hampton Traffic Volume: Along with per capita spending in the trade area, traffic volumes are an important consideration for retail. Based on Connecticut DOT, traffic counts taken in 2010 for much of Route 66 are generally positive ranging from 11,400 cars a day west of the Route 196 intersection, 12,200 cars daily at the intersection of Main Street to 15,700 (Portland town line).

Within the Village a noticeable drop-off in traffic is observed with the highest counts found at Route 196 and Barton Hill with 7,500 a day. Route 16, which intersects with Route 196 further south of the Village is even less with average daily counts of 6,300 cars a day. As noted in earlier study, these traffic counts provide some measure of visibility and retail opportunity for establishments in the district for independent businesses, but would be insufficient for most chain retailers/food service operators considering location to the Village.

A comparison was also undertaken of traffic counts obtained for 2003 with an updated set collected by CT DOT in 2010. Surprisingly, the comparison shows traffic volumes on Route 66 have dropped by as much 16% in certain locations. Moreover, a similar pattern of declining traffic volumes is noted with other state roads in town, with none holding steady in traffic use, much less an increase. From a retail perspective, the decline is not significant enough to be a negative factor on sales potential, but it does highlight an environment of slow growth that has taken hold of the region and the state precipitated by changes in demographics, a sluggish economic recovery, and increased out-migration.

Exhibit 36
East Hampton Daily Traffic Volumes – Select State Roads

Route	Location	2003 ADT Both Directions	2010 ADT Both Directions
Route 66	East of Rt 196	14,300	12,300
Route 66	West of Rt 196	13,000	11,400
Route 66	SW of Route 16	16,300	15,300
Route 66	East of Route 151	17,000	14,200
Route 66	Portland Town Line	19,100	15,700
Route 196	South of Barton Hill St	7,700	7,500
Route 196	South of Route 66	6,100	4,800
Route 196	South of Route 16	3,000	2,800
Route 196	North of Route 16	3,200	2,900
Route 16	West of Route 196	8,000	6,300
Route 16	East of Route 196	6,800	5,100

Source: CT DOT

East Hampton Commercial/Retail Market: Data collected on recently sold commercial properties in East Hampton indicate potential renewed interest in commercial investment beginning in 2013 that has largely been absent during the recession and subsequent lackluster recovery. No sales were identified for 2010-2011, According to data obtained from Warren Group, eight sales were recorded between 2012 and 09/01/2015 with the bulk of the sales occurring in 2013-2014. Only one sale has occurred in 2015 as of September 1, but it is not uncommon to see a flurry of transactions occur closer to year end.

Sales prices ranged from $186,000 to $610,000 and averaged $415,862. Property types ranged from restaurants to strip centers to mixed use properties. Several notable sales include 82 Main Street, located in the heart of the Village, representing a mixed-use property of five commercial spaces and 17 apartments. Originally listed for $900,000, the property sold for $600,000 in 2012 and has since benefitted from major updating, particularly in the apartments.

Another major commercial sale of note occurred at 38 West High St involving a converted 1923 house to office which was later renovated and expanded to accommodate a specialty meat, seafood and deli business – *The Lucky Goat*. Purchased in 2014 for $350,000, the business has since celebrated its soft opening in April 2015. A less happy outcome, however, emerged from the sale of Governor's Tavern restaurant at 26 East High Street, which has had a long and storied history in East Hampton. Sold to an investor in 2014, the restaurant closed in July 2015 amid a number of legal disputes and water issues between management and owner.

Exhibit 37
Survey of Recently Sold Commercial Properties - East Hampton

Address	Building Age	Gross Building Size (sf)	Lot Size (sf)	Sale Date	Sale Price	Price/sf
East Hampton						
82 Main St	2000	24,000	16,653	2012	$600,000	$25.00
49 Oakum Dock Rd	2010	15,276	216,058	2013	$610,000	$39.93
363 W. High St	N/A	1,986	69,696	2013	$222,500	$112.03
36 E. High St	1945	10,000	22,216	2013	$575,000	$57.50
97 Main St	1890	4,728	4,792	2014	$233,400	$49.37
26 E. High St	2004	2,430	19,602	2014	$550,000	$226.34
38 W. High St	1923	2,716	45,738	2014	$350,000	$128.87
81 Main St	1915	2,808	2,614	2015	$186,000	$66.24
Average					**$415,862**	**$88.16**

Source: Warren Data, LoopNet Note: No transactions, other than distressed property sales, identified for 2010 or 2011.

Edgewater Hill Development: One of the most ambitious development to break ground in East Hampton in decades is the Edgewater Hill project located at 140 E. High Street (Route 66). Once completed, the project will consist of 80,000 square feet of commercial space and 200 dwelling units. Located on 74 acres, first phase of the development has begun with completion of an 18,000 square foot commercial-office-retail building, followed by construction of five two-story garden apartments that will house a total of 40 rental units. Two of the apartment buildings have been completed and are fully occupied with plans to bring the other three buildings on line in summer 2016. Early tenants at Edgewater Hill Commercial include a day care center and real estate brokerage firm, the latter representing the listing broker for the Edgewater Hill property. Asking rents for commercial space start at $19.00/sf NNN.

VIII. Housing Market

Housing Supply–East Hampton & Region: Between 1990 and 2000, housing supply in the region grew by 11.6%, or 3,314 units. East Hampton ranked lowest in the region on a percentage basis with net new housing increasing by only 5%, or 207 units. That trend was sharply reversed in the following decade as East Hampton shot to the top in unit production with a 24.3% increase in homes, reflecting a net addition of 1,073 dwellings. Meanwhile, net growth in the region doubled from 3,314 in the 1990s to 6,932 in 2000s.

That steep trajectory in housing growth area-wide came to an abrupt halt with the Great Recession in 2008, precipitated in large part by a nationwide housing collapse. Over the period 2010 to 2015, East Hampton and the region has seen growth drop from 1.3% annually in the 2000s to a paltry 0.3%. In East Hampton the rate of growth over the last five years has been even thinner at 0.05% annually. At its current rate, East Hampton and area towns are on pace of adding only 1,168 dwellings by 2020, its lowest rate of growth in three decades.

Exhibit 38
Trends in Total Housing Supply – E. Hampton Market Area

Town	Year			% Change	Avg. Annual	Avg. Annual
	2000	2010	2015	2000-2010	Growth 00-10	Growth 10-15
East Hampton	**4,412**	**5,485**	**5,498**	**24.3%**	**2.4%**	**0.05%**
Colchester	5,407	6,182	6,367	14.3%	1.4%	0.6%
E. Haddam	4,015	4,508	4,562	12.3%	1.2%	0.2%
Glastonbury	12,164	13,656	13,799	12.3%	1.2%	0.2%
Haddam	2,822	3,504	3,631	24.2%	2.4%	0.7%
Marlborough	2,057	2,389	2,435	16.1%	1.6%	0.4%
Middletown	19,697	21,223	21,483	7.7%	0.8%	0.2%
Portland	3,528	4,087	4,093	15.8%	1.6%	0.03%
Total/Avg	**54,102**	**61,034**	**61,868**	**12.8%**	**1.3%**	**0.3%**

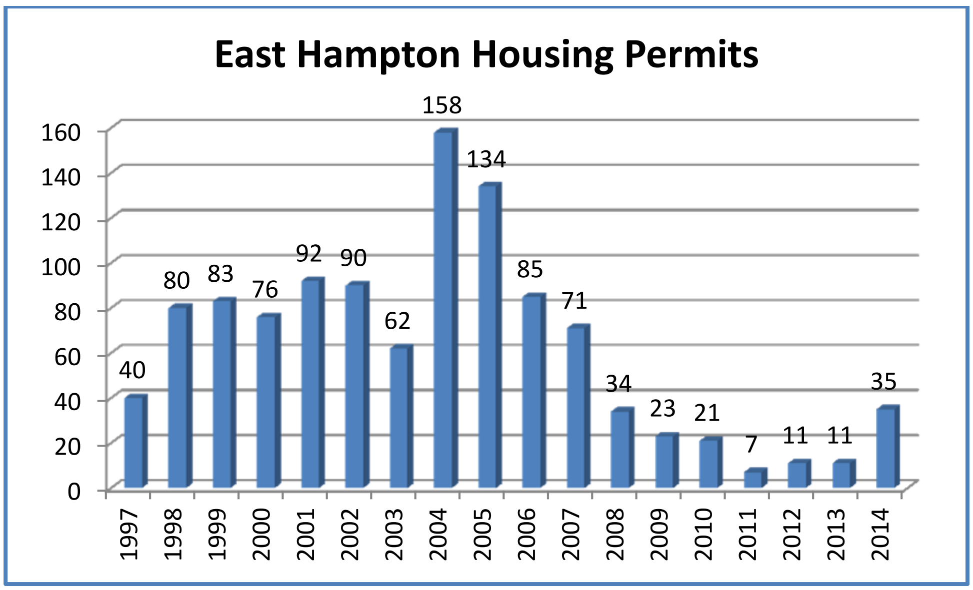
Source: US Census, DECD

Housing Permit Activity – East Hampton Market Area: An analysis of recent trends in housing permit activity within East Hampton and surrounding area provides additional stark evidence of the precipitous decline in housing production since 2008 before hitting bottom in 2011. As shown in the table below, housing permits in the study area post-recession (2010-2014) averaged only 159 permits annually compared to an average of 2,725 permits issued 2000-2005. Permit data trends for East Hampton portray a similar pattern falling from a high of 158 units in 2004 to a low of just 7 permits in 2011. Since 2011, however, a modest rebound in housing activity has been observed for both the town and region, but most analysts expect the pace of growth will continue to be constrained for the foreseeable future.

Exhibit 39 - MARKET AREA NEW PERMIT ACTIVITY

Town	2005	2007	2008	2009	2010	2011	2012	2013	2014
East Hampton	**134**	**71**	**34**	**23**	**21**	**7**	**11**	**11**	**35**
Colchester	95	58	21	23	35	18	25	34	31
E. Haddam	52	35	22	19	31	16	11	17	9
Glastonbury	79	88	40	27	48	38	40	31	25
Haddam	59	46	28	16	19	9	15	9	10
Marlborough	32	12	3	2	5	2	4	8	5
Middletown	256	215	172	85	28	15	20	51	61
Portland	54	13	9	7	7	13	5	9	8
Total	**2,766**	**538**	**329**	**202**	**194**	**118**	**131**	**170**	**184**

Source: DECD



Tenure Trends – East Hampton Market Area: For much of the 2000 decade, most new housing in the East Hampton Market Area was linked to ownership product and virtually all in single family homes. This helped boost ownership rates even further among individual towns, which with the exception Middletown, began the decade at relatively high levels. In 2000, highest rates of ownership housing were found in Marlborough (90.3%), Haddam (85.7%), East Haddam (84.3%) and Glastonbury (81.7%). East Hampton followed with a relatively high 80.9%, although in-town discussions indicate some of the homes are mixed ownership-rental. By 2010, ownership rates had risen even higher in all 8 towns, with one of the largest jumps occurring in East Hampton rising to 85.2%.

This trend in rising ownership, however, began to unravel in latter part of last decade and once again a trend affecting all towns in the study area. Estimates for 2015 show home ownership sliding in East Hampton from 85.2% in 2010 to 83.4%. Overall in the region, the rate declined from 81.1% to 78.9% over the same period. With the exception of Middletown, much of the rise in rental in the study area has been associated with single family homes.

The movement towards rental is a phenomenon that is playing out across America, with signs of the shift showing up as early as 2005. Certainly a major contributor to this trend has been the economic upheaval produced by the Great Recession which displaced millions of homeowners through foreclosure. Falling jobs and rising unemployment also prevented many would-be buyers from purchasing or qualifying for purchase. Moreover the overall severity of the downturn heightened the concerns of many households of the risks of homeownership over the flexibility inherent in rental. The growth in rental also has demographic roots as the leading edge of the Millennial generation comes of age and moves out of the family home-most often into a rental. With the widespread increases in rental-occupied housing that have occurred, the recent period marks the strongest period of growth in renter households nationwide in over the past half century.

Exhibit 40
TENURE STATUS
2000/2010/2015

Town	Owner-Occupied			Renter-Occupied		
	2000	2010	2015	2000	2010	2015
East Hampton	80.9%	85.2%	83.4%	19.1%	14.8%	16.6%
Colchester	77.1%	79.1%	76.7%	22.9%	20.9%	23.3%
E. Haddam	84.3%	85.3%	83.3%	15.7%	14.7%	16.7%
Glastonbury	81.7%	83.6%	81.4%	18.3%	16.4%	18.6%
Haddam	85.7%	87.4%	85.5%	14.3%	12.6%	14.5%
Marlborough	90.3%	91.8%	90.1%	9.7%	8.2%	9.9%
Middletown	51.3%	55.5%	51.1%	48.7%	44.5%	48.9%
Portland	77.7%	80.7%	79.6%	22.3%	19.3%	20.4%
Avg	**78.6%**	**81.1%**	**78.9%**	**21.4%**	**18.9%**	**21.1%**

Source: US Census, ESRI

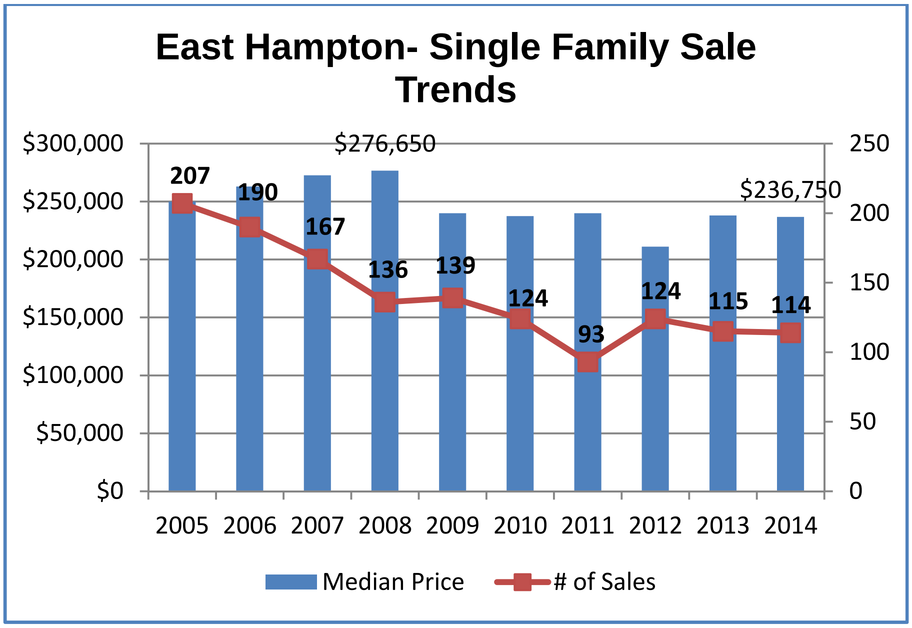
Ownership Housing Market Trends (Pricing): Based on residential data collected by the Warren Group, single family home prices in the East Hampton market area reached their peak between 2007 and 2008 before declining sharply through 2010 and have fluctuated since, a trend seen elsewhere in the state. As of 2014, no town in the market area has even breached the median price for homes sold in 2005 – a level which preceded peak levels. In East Hampton, median price for a single family home purchased in 2014 was $236,750, or -7.2% below the price level of 2005. Steeper falloffs are noted for Colchester and East Haddam which show home price declines from 2005 to 2014 of -13.2% and -14.6% respectively. Meanwhile, state-wide the price change is -9.2% from 2005, and -12.6% from its peak of 2007.

Nor has there been much encouragement on recent year to year appreciation with home values largely stagnant. East Hampton recorded a slight dip in price for single family homes in 2014 over 2013, as did three other towns in the region (see Exhibit XX).

Additionally little improvement is seen in price values since 2010, with four towns at lower levels as of 2014 versus earlier date, while two are largely unchanged, including Town of East Hampton.

Similar instability in prices is noted for condominiums, though in certain area towns the small size of the market leads to statistical aberrations. In East Hampton, which supports a moderately established condo market, condo pricing peaked in 2008 at $183,000 and has since fallen -33% to $122,520 by 2014. Price declines in condos continue to impact the market in East Hampton with a -3.9% drop in median price for 2104 over last year. Three other towns in the market area also recorded recent declines in condo pricing, reflective of continued softness in this subsector of the housing market.

Exhibit 41



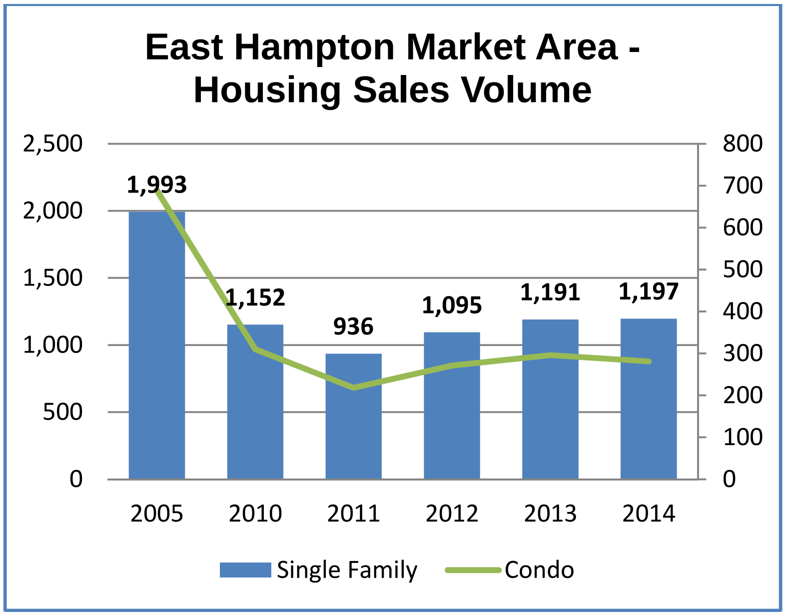
Source: Warren Group

Ownership Housing Market Trends (Sales Volume): While pricing trend continues to be inconsistent for ownership housing in East Hampton and region, sales volume is showing some signs of advancement on an area-wide basis, although at the local level less so. Based on data from Warren Group, total transactions for single family homes in the market area have climbed steadily by 27% from its low of 936 homes in 2011 to 1,191 homes in 2013 before flattening out in 2014 with 1,197 sales. This latest year's sales volume represented a mere 0.5% increase over 2013. It is noted housing sales performance was similarly weak statewide with a -0.9% decline in sales from previous year that followed two years of gains.

Single family sales in East Hampton have been more erratic falling from 139 in 2009 to 93 in 2011, then rising 33% in 2012 to 124, and eventually losing ground again in 2013 and 2014 with sales of 115 and 114, respectively. Three other area towns also reported dips in sales in 2014. On an historical basis, East Hampton has not seen such low levels of housing sales since 1997. The slippage in sales has also curtailed East Hampton's sales volume as a share of overall market area dropping from a 17% share in 2005 to 9.5% in 2014. Some glimmer of improvement, however is seen in sales to date for 2015 for East Hampton which suggest total home sales by year end could reach 130 to 140 sales.

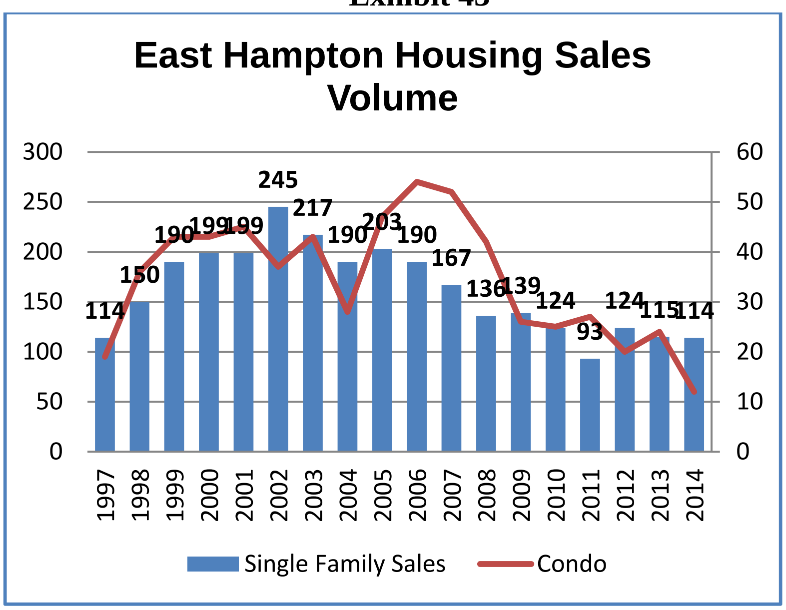
On an aggregate basis the condo market in East Hampton and area towns exhibited similar frustrations with sales growth as single family market, achieving steady annual increases from its low point in 2011 that eventually tailed off in 2014. Condos, however, continue to account for a sizeable share of all housing sales in the market area at 19.0% despite comprising less than 6% of ownership housing (excluding MF homes). In East Hampton, sales of condos have averaged 21 sales annually in contrast to 43 sales a year early part of last decade. More recently, condo sales in East Hampton dipped to an historic low of 12 transactions in 2014, ranking it the lowest for the town as far back as 1987, the earliest year of sales data collection by Warren Group.

Exhibit 42



Source: Warren Group

Exhibit 43



Source: Warren Group

Exhibit 44
East Hampton Market Area Median Price & Sales Volume Trends

Town	2005	2010	2011	2012	2013	2014	Volume % ’05-14	Price % ‘05-15
East Hampton								
Number of sales								
Single Family	203	124	93	124	115	114	-43.8%	
Condo	47	25	27	20	24	12	-74.4%	
Median Price								
Single Family	$255,000	$237,500	$240,000	$211,122	$238,000	$236,750		-7.2%
Condo	$166,000	$159,000	$157,000	$112,750	$127,450	$122,520		-26.2%
Colchester								
Number of sales								
Single Family	206	117	102	111	122	116	-43.7%	
Condo	29	27	13	13	20	19	-34.5%	
Median Price								
Single Family	$269,900	$242,500	$243,750	$221,700	$241,000	$234,500		-13.2%
Condo	$169,900	$278,500	$153,000	$171,900	$147,250	$144,000		-15.2%
East Haddam								
Number of sales								
Single Family	173	98	71	87	106	91	-47.4%	
Condo	3	4	3	0	3	0	N/A	
Median Price								
Single Family	$275,000	$252,500	$240,000	$248,000	$245,551	$235,000		-14.6%
Condo	$50,000	$291,700	$209,000	N/A	$135,199	N/A		N/A
Glastonbury								
Number of sales								
Single Family	540	306	307	353	372	341	-36.9%	
Condo	208	121	99	128	124	121	-41.8%	
Median Price								
Single Family	$370,000	$347,500	$356,000	$335,000	$339,950	$350,000		-5.4%
Condo	$185,000	$188,000	$184,000	$204,500	$180,000	$190,000		0.3%
Haddam								
Number of sales								
Single Family	107	69	51	50	66	79	-26.2%	
Condo	0	0	0	0	0	0	N/A	
Median Price								
Single Family	$289,900	$261,000	$296,000	$266,500	$267,000	$277,000		-4.5%
Condo	N/A	N/A	N/A	N/A	N/A	N/A		N/A
Marlborough								
Number of sales								
Single Family	96	69	51	50	66	70	-27.1%	
Condo	5	0	3	3	3	9	80.0%	
Median Price								
Single Family	$295,000	$242,275	$258,500	$277,500	$259,000	$268,000		-9.2%
Condo	$250,000	N/A	$160,000	$210,000	$174,000	$212,500		-15.0%

East Hampton Market Area Median Price & Sales Volume Trends (Continued)

Town	2005	2010	2011	2012	2013	2014	# Sales % '05-14	Price % '05-14
Middletown								
Number of sales								
Single Family	516	286	183	240	254	295	-42.8%	
Condo	318	123	64	95	100	105	-66.9%	
Median Price								
Single Family	$246,500	$215,500	$222,500	$200,500	$210,700	$215,000		-12.8%
Condo	$145,000	$143,000	$129,750	$115,000	$115,750	$112,000		-22.8%
Portland								
Number of sales								
Single Family	152	83	78	80	90	91	-40.3%	
Condo	79	10	9	12	22	15	-81.1%	
Median Price								
Single Family	$255,500	$235,000	$196,500	$214,450	$239,950	$255,000		--0.2%
Condo	$199,236	$203,950	$199,000	$160,000	$205,000	$175,000		-12.2%

Source: The Warren Group

East Hampton Rental Market Profile: Over the years, demand for East Hampton rental housing shifted from workers linked with the local industrial community to a seasonal resort base associated with Lake Pocotopaug. This situation lasted for decades, until East Hampton began to evolve into a bedroom community in tandem with growth of suburbs and then exurbs as population, both renters and homeowners, moved farther from center cities. East Hampton has benefited from this trend. Properties around the lake went from 80% summer homes to 80% year-round homes since the early 1980s.

Rentals account for 17% of full time year-round occupied housing in East Hampton as of 2015, amounting to 840 units. This is an increase from 15% in 2010 and is symptomatic of nationwide trends among households increasingly turning to rental for housing. Overall vacancy for full time rentals is estimated at 5.4%. The addition of seasonal rentals--which during the off-season are often vacant--can effectively inflate rental vacancy up to 18% in town depending on time of season.

According to the Census, East Hampton offers a mix of rental product type; however, much of it is concentrated in single family accounting for 61% of rental supply. This is consistent with data on MLS rentals sales in past year i showing single family commanding a 66% share of total closings. The balance of the market is approximately 28% in multi-family housing and mixed-use properties of 2 to 4 units, much of it in older building stock. Only a small amount is located in properties exceeding five units or more with the bulk associated with two subsidized senior housing communities totaling 70 units: Chatham Acres and Bellwood Court. It is to be noted that this data predates the apartments that recently came on line at Edgewater Hill, representing part of a larger mixed-use development project on 72 Acres at East High Street and Laurel Ridge.

Rental Housing Survey Summary Analysis: A survey of rental housing was conducted for the East Hampton Trade Area consisting of four towns: East Hampton, Colchester, Glastonbury and Portland as representing markets consistent with East Hampton in housing options and access, distance from the subject property and character of neighborhood. As part of this survey, data was collected on 71 rental properties reporting MLS sales, split between 41 multi-family and 30 condo transactions. A more detailed survey and description is provided of properties actively listing rentals in East Hampton, of which only a few could be identified. As the focus of the market update related to housing rental is on potential for multi-family rental in town, data on single family rents was not included

In East Hampton, rental options, exclusive of single family homes, are somewhat thin with only two market rate apartment complexes identified in town, Chatham Apartments, an older property located on Route 66 with views of the lake, and Edgewater Hill Apartments, a 40-unit complex that recently came on line in 2015 as part of a larger mixed-use development. As would be expected, rents at both projects differ vastly with Edgewater Hill targeting a more affluent household with two bedroom rents ranging from $1375 to $1450 (Net) a month, while Chatham Apartments caters to a more transient household of modest means with rents under $850/month including utilities.

Most apartments in town are found in MF private homes, a number of mixed use properties and condos that range from the very affordable to pricier options typically found in condos built in the 1980s. Meanwhile average rent on the few MLS transactions for two bedroom multi-family and condo units identified in East Hampton calculated to $930/m and $1,233/m, respectively.

Regionally, apartment rents on average track a bit higher among towns surveyed, although the recent addition of Edgewater Hill is likely to establish new thresholds for rents in East Hampton if lease-up is strong. After East Hampton, the more affordable options are found in Colchester where two bedrooms average $948/m for multi-family and $1,250/m for condos. The Glastonbury market, on the other hand, is more reflective of the upper end of the market for the area, largely due to strung upper income demand for condo rentals where one and two bedroom rents typically range from $1,350/m to over $2,000/m.

Below is a summary of the results of both the analysis of MLS rental transactions within East Hampton and surrounding market area and survey of apartments in East Hampton.

Summary of Rental Market Analysis

A summary of the rental analysis of MLS transactions indicates the following market factors:

- Virtually the entire rental product in the Trade Area consists of units in private multi-family homes (2-4 units mostly), condos or single family homes. The later was not included in our survey. Only two conventional market rate apartment complexes were identified in East Hampton.

- Overall in the 4–town trade area, multi-family one bedrooms averaged $864/month for one bedroom and $1,064/ month for two bedrooms.

- Condo rentals in the area averaged $996/m and $1,311/m for one and two bedrooms respectively.

- In East Hampton, rental averages for multi-family calculated to $787/m for a one bedroom and $930/m for two bedrooms. Condominium rentals averaged $975/m for one bedroom (survey of 2) and $1,233/m for two bedrooms.

- The more affordable rental product was found in multi-family units, principally found in East Hampton. Colchester follows where two bedrooms rented for an average of $948/m.

- The recent construction of Edgewater Hill Apartment in East Hampton establishes a new and relatively high threshold for apartment rents in town with one bedrooms renting for $1,115/m and two bedroom flats going for $1,375 to $1,450/m.

- The mixed-use project at Village at 82 Main, located in the district, provides insight on value of renovation with rent values in 2005 listing at $650 to $750/m and after renovation in 2012, achieving rents $825 to $1,050/m

- Glastonbury commands the upper end area market with one and two bedroom multi-family rents averaging $1,010.m and $1,250/m respectively.

- Rent/SF for private multi-family style units in the market area averaged $1.27/sf for one bedroom and $1.06/sf for two bedroom units.

- Rent/SF for one and two BR condominiums were only slightly higher averaging $1.33/sf and $1.08, respectively, indicative of the larger footprint of this product compared to MF offerings.

A summary of the analysis of rental data for both field survey and MLS transactions is provided in the table below. *Details on rental properties included in the survey can be found in the Appendix*.

Exhibit 45
RENTAL SURVEY ANALYSIS SUMMARY
MULTI-FAMILY

		Average Rent Rate	
Town	**# of rental properties**	**One BR**	**Two BR**
East Hampton	11	$787	$930
Colchester	13	---	$948
Glastonbury	10	$1,010	$1,250
Portland	7	$848	$1,131
4-Town Region Summary		$848	$1,064
Unit Count	41	15	26

Source: MLS, Realtors, and Property Managers, Craigslist
Note: Avg Rent Rate is Total Avg .for 1 & 2 BR, not Avg of Town Avgs.

RENTAL SURVEY ANALYSIS SUMMARY – CONDO

		Average Rent Rate	
Town	**# of rental properties**	**One BR**	**Two BR**
East Hampton	8	$975	$1,233
Colchester	9	---	$1,250
Glastonbury	10	$1,067	$1,457
Portland	3	$942	---
4-Town Region Summary		$996	$1,311
Unit Count	30	8	22

Source: MLS, Realtors, and Property Managers,

Exhibit 46
Rental Survey Market Rate Apartment – East Hampton

Property	Prop. Type	Age	1 BR	1 BR size	$/sf	2 BR	1BR size	$/sf	Utilities In Rent	Unit Availability
Chatham Apts 47 East High St East Hampton, CT	Low Rise	(1920s est)	$850	650	$1.30	--			H&HW	Full
The Village @ 82 Main 82 Main St East Hampton, CT	Mixed-Use	1920 2012	$825-$950	600	$1.37	$1,025-$1,050	850	$1.21	Heat	Available
Edgemere* 85 North Main East Hampton, CT	Garden	1985	$950	633	$1.50					Available (Private Beach)
Edgewater Hill 140 East High St East Hampton, CT	Low-rise	2015	$1,150	721	$1.59	$1,375-$1450	900 - 1017	$1.50 $1.43	None	Available (40 units)
10 Summit St 10 Summit St East Hampton, CT	Mill Conversion Mix-Use	1900	$1,100-$1,300 (furnished)	850	$1.29				None	Available (furnished)
Average			**$987**	690	$1.43	**$1,225**	922	$1.38		

Source: Property Managers, Internet, Rental Agents * Condo Rental