The Otteau Report

An Analysis of Residential Real Estate Trends

Warren County, New Jersey
3rd Quarter 2007

Prepared By:

Otteau Valuation Group
Bringing CLARITY to Real Estate

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SCOPE OF THE STUDY

The Otteau Report has been prepared by our Research Department as part of a continuing effort to bring clarity to real estate market analysis. The information and analyses contained herein are based in whole, or in part, on data supplied by various sources including Boards of Realtors and Multiple Listing Systems, and may therefore not reflect all real estate activity in the market. While believed to be reliable, we cannot guarantee, nor assume responsibility for the accuracy of information which has been supplied to us by others.

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The lightning strike speed of today's information flow has accelerated the pace of change for real estate markets. As a result, trends that previously took years to develop can now unfold in a few short months.

Our mission is to assist our clients in keeping pace with that change by providing insightful analysis and cutting edge pricing skills. To accomplish this we have assembled a team of skilled professionals specializing in the complex and highly diversified real estate markets of New Jersey, New York, Pennsylvania and Delaware. With a broad based exposure in real estate valuation and consultation, our firm engages in a diversified practice encompassing all property types.

Appraisal and consulting services are provided to financial & lending institutions, developers & builders, attorneys, investors, relocation management service companies, governmental agencies, corporations and the public.

Our Consulting Group provides a wide array of services to developers and builders with respect to market analysis, project feasibility, demographic trends, project valuation and municipal project approval proceedings.

Litigation support is provided for matters requiring the valuation and corresponding expert testimony for eminent domain proceedings, contractual disputes, bankruptcy, tax appeals, equitable distribution, estate valuation and stigma related issues.

Jeffrey G. Otteau

President

Mr. Otteau manages all facets of the firm's business and has been actively engaged in real estate consultation and valuation since 1974. He holds the State Certified General Real Estate Appraiser certification, the highest level offered, and is licensed in New Jersey, New York, Pennsylvania & Delaware.

Frequently quoted in the New York Times and Wall Street Journal, and having appeared on CNBC, Mr. Otteau is widely respected for his knowledge and insight into real estate trends. His attention to detail and comprehensive fact finding has made him the go-to person for industry professionals seeking to enhance their competitive position in the marketplace.

Jeffrey has provided testimony as an expert witness at the municipal, county and state levels, authored several texts on property valuation techniques and has lectured throughout the United States and in Canada. He served on the Appraisal Standards Advisory Council, which consulted with the Appraisal Foundation in Washington, D.C. on its agenda of projects and major technical issues. Mr. Otteau served as a past Chairman of the Employee Relocation Council's Appraisal Standards Council and was inducted into their distinguished Hall of Leaders in 1995.

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Appraisal and Consulting Services Performed for the Following Clients:

THE FORTUNE 500

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

FINANCIAL INSTITUTIONS

Amboy National Bank
Bank of New York
Bank of Oklahoma
Bank of St. Louis
Barclay's Bank PLC
Broadway National Bank
Chase Home Mortgage Corporation
JP Morgan Chase
Connecticut National Bank
Countrywide Financial
Citigroup
The Dun and Bradstreet Corporation
Federal Home Loan Mortgage Corp.
Federal National Mortgage Assoc.
First Savings Bank
First Washington State Bank
General Electric Credit Corporation
General Motors Acceptance Corp (GMAC)
GMAC Model Home Finance
Goldman, Sachs
Magyar Bank
Morgan Guaranty Trust Company
New Millennium Bank
North Fork Bank
PNC Bank
Philadelphia National Bank
Pittsburgh National Bank
Resolution Trust Corp. (RTC)
Sovereign Bank
Texas Commerce Bank
Unity Bank
Yardville National Bank
OceanFirst Bank
Washington Mutual
Wachovia
Wells Fargo Bank

DEVELOPERS

American Properties
Bob Meyer Communities
Diversified Properties, LLC
Kushner Companies
Kaplan Companies
K Hovnanian Homes
Lennar
M. Alfieri Company
Matzel Development
Millennium Homes
PRC Group
Pulte Homes
Toll Brothers
Trammell Crow
Tim Schaeffer Communities

MISCELLANEOUS

ADP
Bausch & Lomb
CSX Transportation
Ciba-Geigy Corporation
Cigna Corporation
Frito-Lay
Gulf Oil
Honeywell
Janssen Pharmaceuticals
Kemper Insurance Group
Kraft-General Foods
Marion Merrel Dow
McDonald's Corporation
Nationwide Insurance Co.
Nestle USA
Princeton University
Public Service Electric & Gas
Salvation Army
Siemens Corporation
Sony Corporation of America

GOVERNMENTAL

Branchburg Township
East Brunswick Township
Marlboro Township
Middlesex County Improvement Authority
Monroe Township
Montgomery Township
New Jersey Green Acres
Washington Township

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MARKET STUDY KEY

The following key will be helpful in understanding the market research data contained on the following pages:

New Offerings	Number of home offerings which first became available for-sale within the specified market area in each of the time periods indicated. This statistic includes expired listings which have been re-listed for sale.
Sales	Number of homes which were contracted for-sale within the market area in each of the time periods indicated. Contract-Sales provide a more timely indication of market activity than Closed-Sales due to the time lag between "contract" and "closing", and therefore provide the most reliable and timely indicator as to the number of buyers who are active in a given market area at a particular point in time.
Supply & Demand Ratio	The relationship between "New Offerings" and "Sales" activity expressed as a percentage ratio. Changes in this ratio can often be an early indicator of a shift in market conditions. A rising ratio is indicative of improving market conditions, while a declining ratio suggests weakening market conditions.
Unsold Inventory	Total number of homes being offered for sale within the market area at the end of the indicated period.
Projected Absorption	A projection of how long it will take for the market to absorb the inventory of unsold homes (Unsold Inventory) within each market area.
County Composite	An aggregate compilation of all market activity within the county, which includes all of its municipalities.

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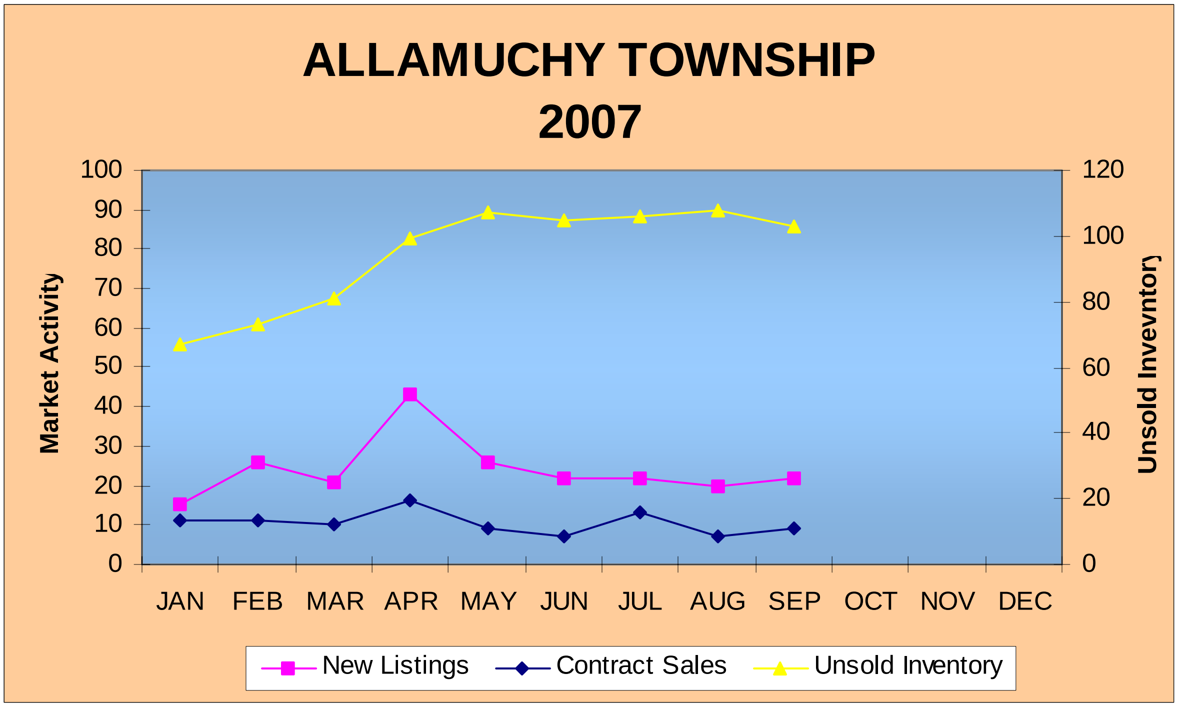

ALLAMUCHY TOWNSHIP *3rd Quarter At-A-Glance*

	2003	2004	2005	2006	2007
Average # Of Offerings/Monthly					21.3
Average # Of Sales/Monthly					9.7
Supply & Demand Ratio					45%
Unsold Inventory					103
Projected Absorption (Months)					11

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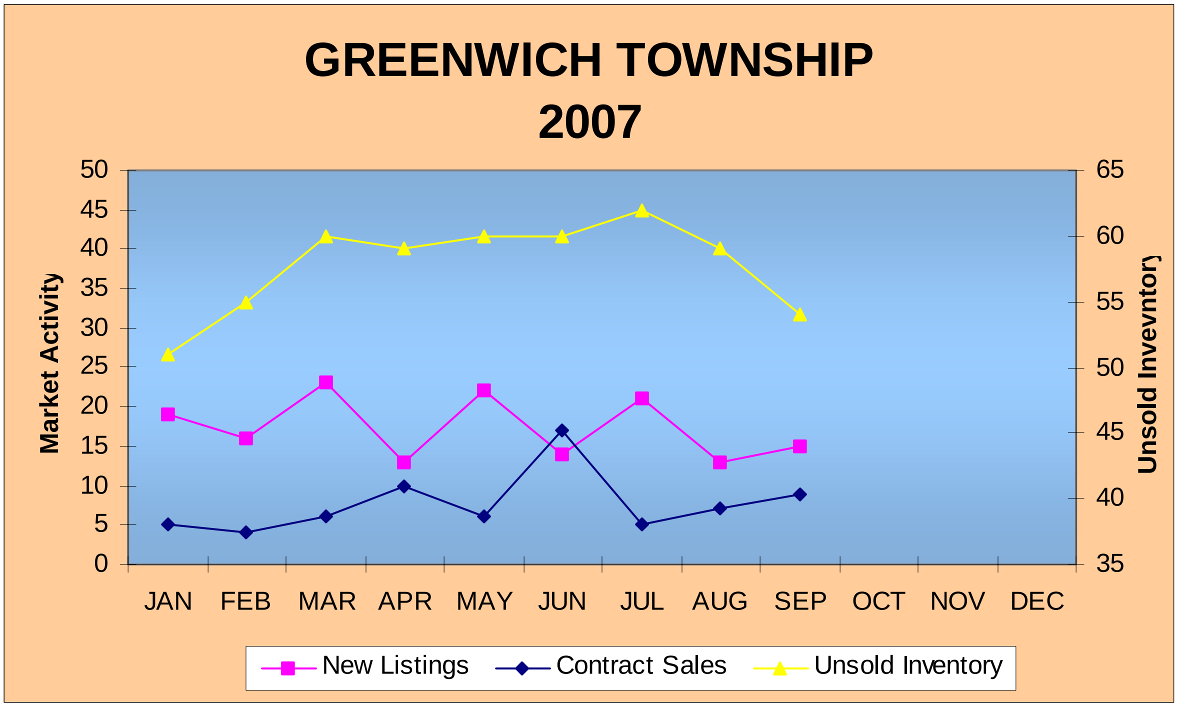

GREENWICH TOWNSHIP *3rd Quarter At-A-Glance*

	2003	2004	2005	2006	2007
Average # Of Offerings/Monthly					16.3
Average # Of Sales/Monthly					7.0
Supply & Demand Ratio					43%
Unsold Inventory					54
Projected Absorption (Months)					8

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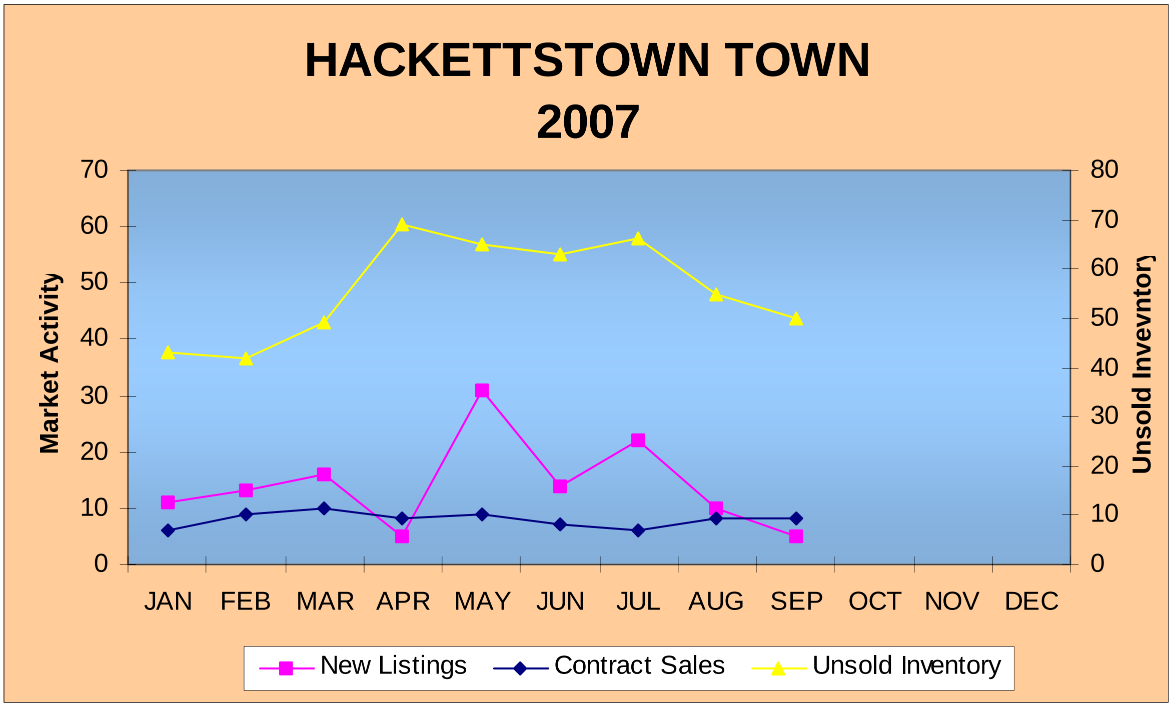

HACKETTSTOWN TOWN *3rd Quarter At-A-Glance*

	2003	2004	2005	2006	2007
Average # Of Offerings/Monthly		11.3	17.0	14.3	12.3
Average # Of Sales/Monthly		7.7	14.0	7.0	7.3
Supply & Demand Ratio		68%	82%	49%	59%
Unsold Inventory		26	35	50	50
Projected Absorption (Months)		3	3	7	7

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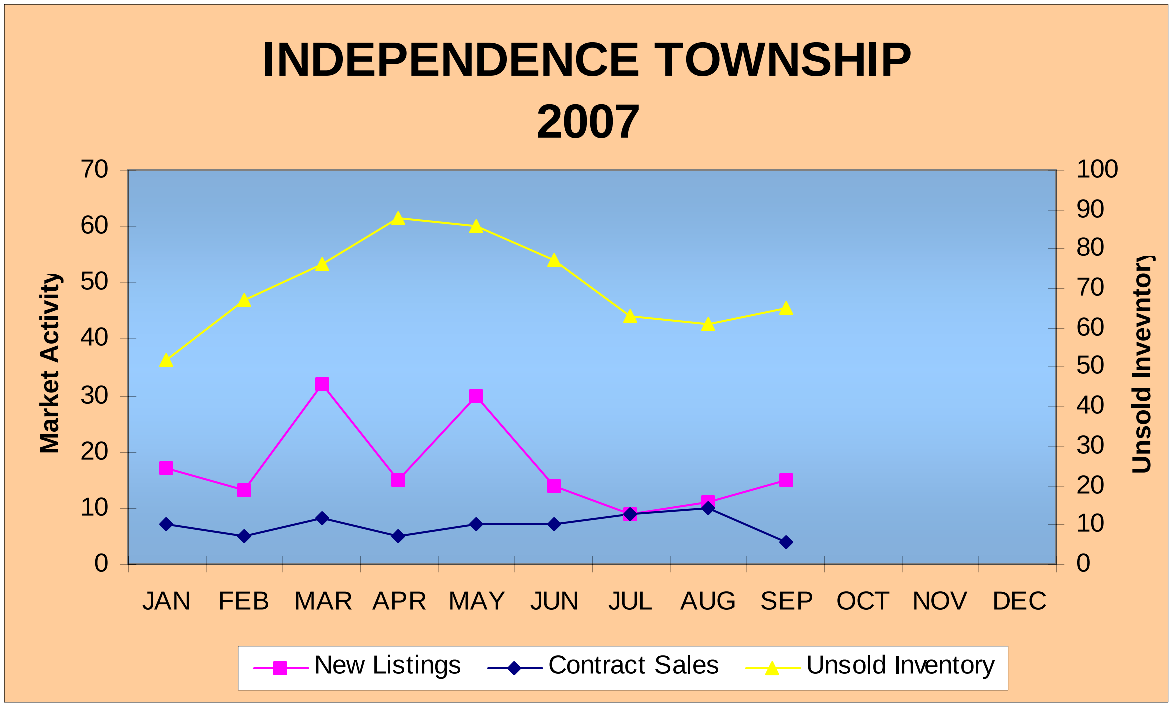

INDEPENDENCE TOWNSHIP *3rd Quarter At-A-Glance*

	2003	2004	2005	2006	2007
Average # Of Offerings/Monthly					11.7
Average # Of Sales/Monthly					7.7
Supply & Demand Ratio					66%
Unsold Inventory					65
Projected Absorption (Months)					8

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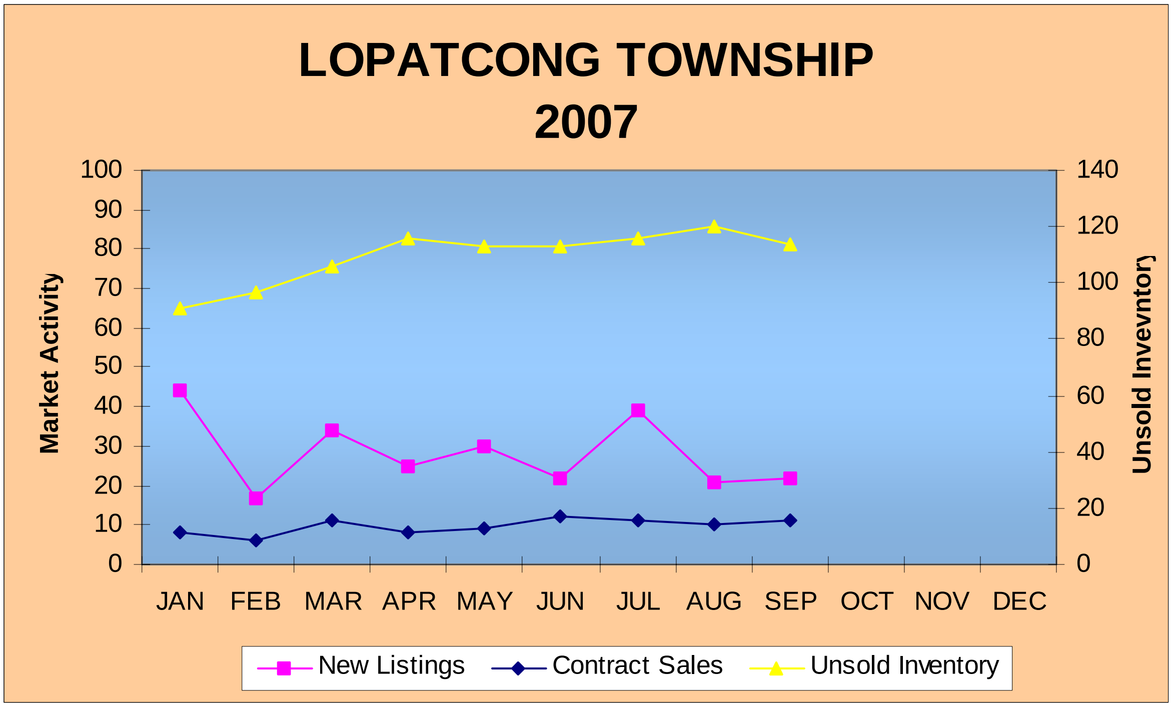

LOPATCONG TOWNSHIP *3rd Quarter At-A-Glance*

	2003	2004	2005	2006	2007
Average # Of Offerings/Monthly					27.3
Average # Of Sales/Monthly					10.7
Supply & Demand Ratio					39%
Unsold Inventory					114
Projected Absorption (Months)					11

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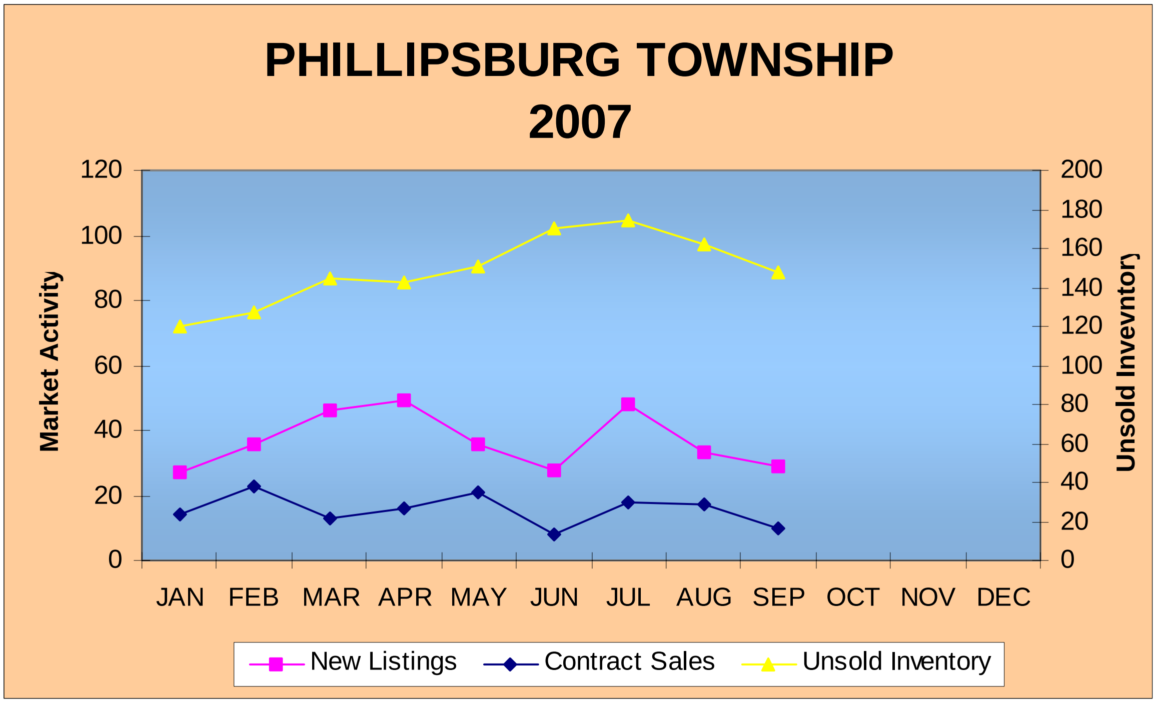

PHILLIPSBURG TOWNSHIP *3rd Quarter At-A-Glance*

	2003	2004	2005	2006	2007
Average # Of Offerings/Monthly					36.7
Average # Of Sales/Monthly					15.0
Supply & Demand Ratio					41%
Unsold Inventory					148
Projected Absorption (Months)					10

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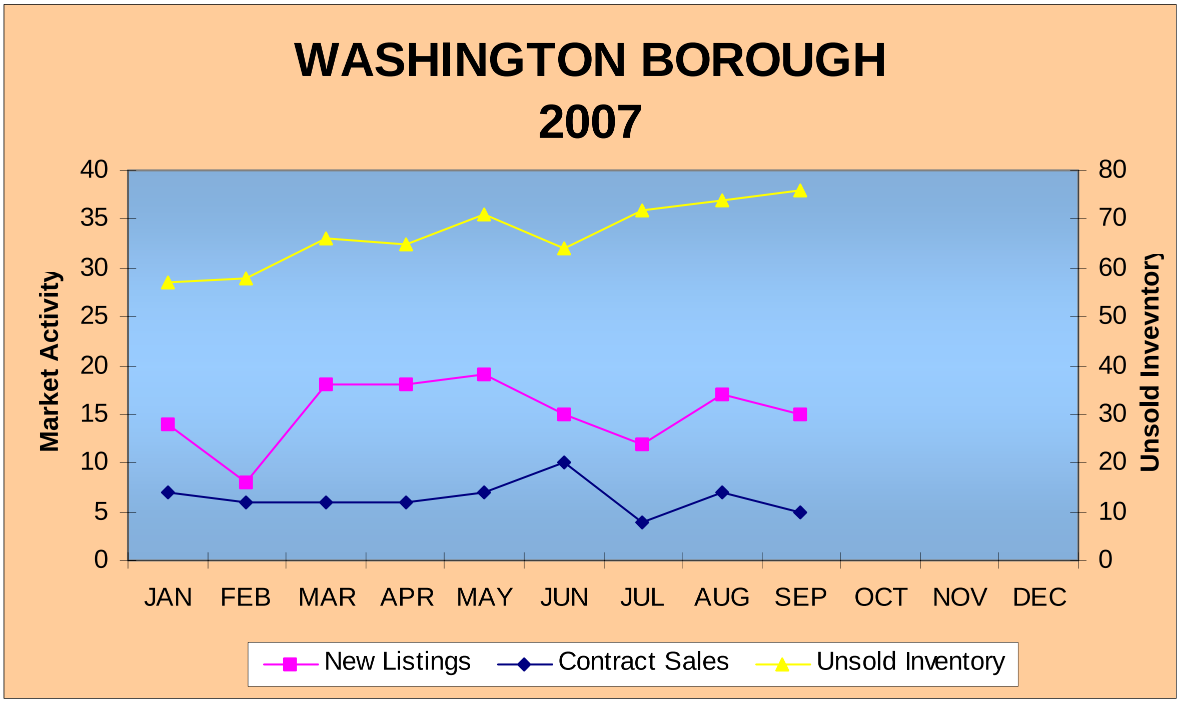

WASHINGTON BOROUGH *3rd Quarter At-A-Glance*

	2003	2004	2005	2006	2007
Average # Of Offerings/Monthly					14.7
Average # Of Sales/Monthly					5.3
Supply & Demand Ratio					36%
Unsold Inventory					76
Projected Absorption (Months)					14

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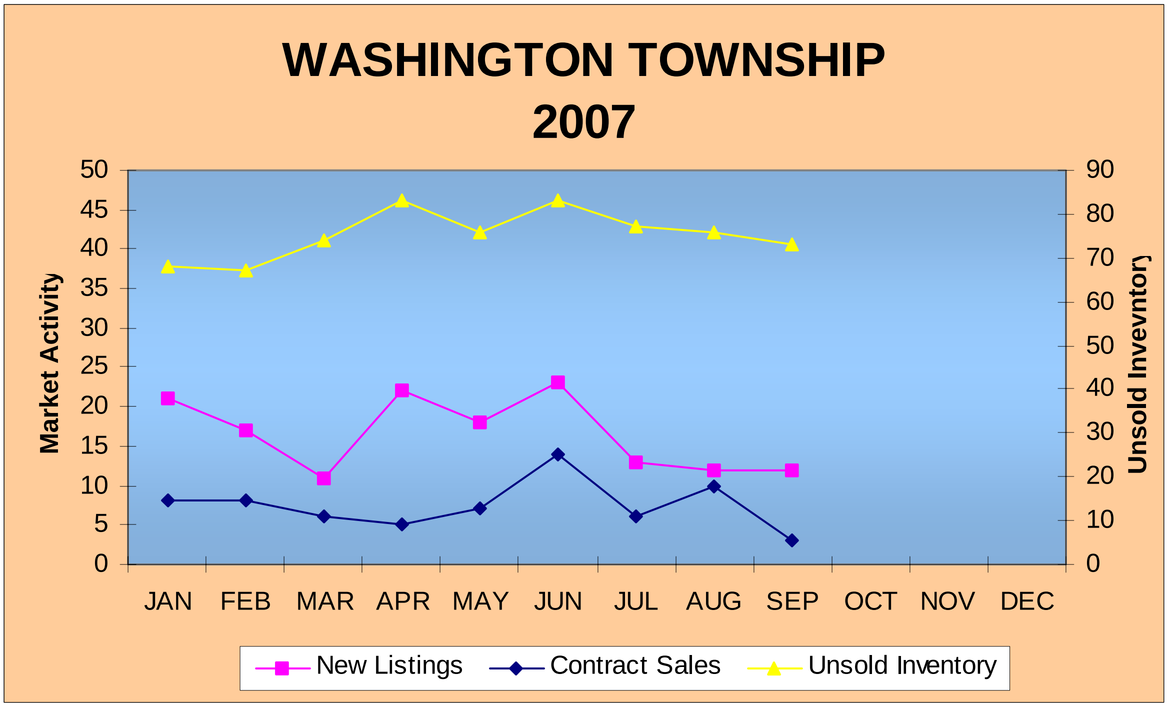

WASHINGTON TOWNSHIP *3rd Quarter At-A-Glance*

	2003	2004	2005	2006	2007
Average # Of Offerings/Monthly					12.3
Average # Of Sales/Monthly					6.3
Supply & Demand Ratio					51%
Unsold Inventory					73
Projected Absorption (Months)					12

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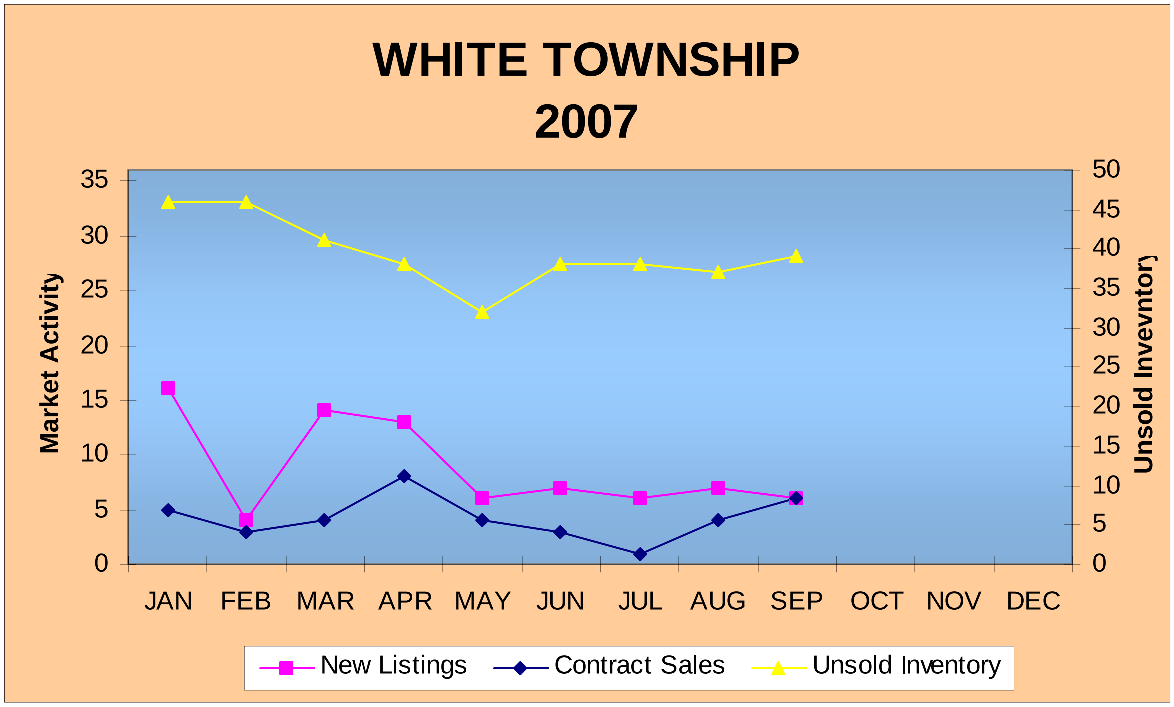

WHITE TOWNSHIP *3rd Quarter At-A-Glance*

	2003	2004	2005	2006	2007
Average # Of Offerings/Monthly					6.3
Average # Of Sales/Monthly					3.7
Supply & Demand Ratio					58%
Unsold Inventory					39
Projected Absorption (Months)					11

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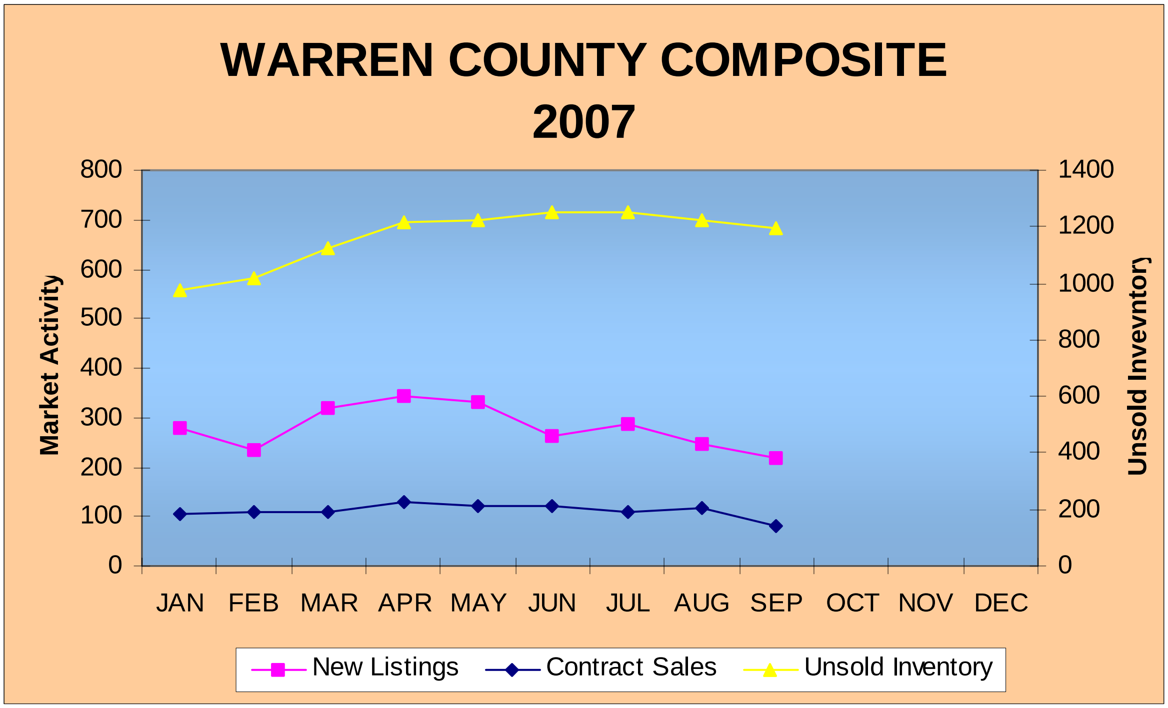

WARREN COUNTY COMPOSITE *3rd Quarter At-A-Glance*

		2003	2004	2005	2006	2007
Average # Of Offerings/Monthly		220.3	226.7	280.0	271.3	250.0
Average # Of Sales/Monthly		151.7	149.0	169.3	117.3	102.7
Supply & Demand Ratio		69%	66%	60%	43%	41%
Unsold Inventory		673	676	813	1168	1195
Projected Absorption (months)	*Total Market*	4	5	5	10	12
	Less than $600k				9	11
	$600k - $1 million				49	117
	$1,000,001 - $2.5 mil.				24	∞
	Greater than $2.5 mil.				∞	∞

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