

ENERGY

PRICE FIGHTERS

Managing energy costs in today's volatile market

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There are few people in the real estate industry (or anywhere for that matter) who are not aware of the impact of the increasing energy prices.

Most Americans focus on rising gasoline prices, but for real estate professions your focus is unquestionably on fuel oil, natural gas and electricity.

These three energy sources are acutely linked, serve to keep your buildings warm, cold, well-lit and powered and have also seen extreme price volatility over the past eight months. Understanding and managing this price volatility is the challenge facing every real estate manager.

Since this January, energy prices have marched steadily upward until about two weeks ago. The steady increase was driven by a number of factors including increased global demand, a "normal" winter, the weakening dollar, a reduction in stored energy, and just possibly heavy speculation in the energy markets.

Global energy demand increases have largely been in China and India where demand and price competition can be so fierce as to warrant tankers changing course in route to chase the highest bidder.

Energy commodities are pegged to the US dollar. As the dollar declines the unit cost rises. In the past year the dollar has lost about 11 % of its value.

The US stores fuels on a large scale in order to insure steady supply.

The "normal" winter temperatures we saw in January through March reduced volumes of stored natural gas reversing a record surplus in November 2007 to a deficit in March 2008.

The table below shows stored natural gas volumes against the five year aver-

age. As the line indicating the actual volumes lowers, stored volumes decrease from the five year average (now at 1% below the five year average).

There has been much debate on Capitol Hill and in the press about the impact of speculators in the energy markets.

The volatility cannot be denied. Natural gas regularly has intra-day price volatility of more than 3%. The heated debate has led to pending legislation that would reduce speculative trades in

the energy markets. Only if the legislation is passed will we know the true impact of speculators in the energy markets.

As mention earlier, the markets have made a sharp reversal in the past two weeks.

Supported by news of softening domestic and global econo-

mies, oil prices have dropped from a record \$147/brl early in July to \$121/brl on 7/29. As oil dropped, natural gas followed bolstered by recent improvements in storage injections and normal summer weather. Fortunately for those of us who assist clients in procuring energy, the drop in oils prices precipitated a drop in natural gas, fuel oil, and electricity.

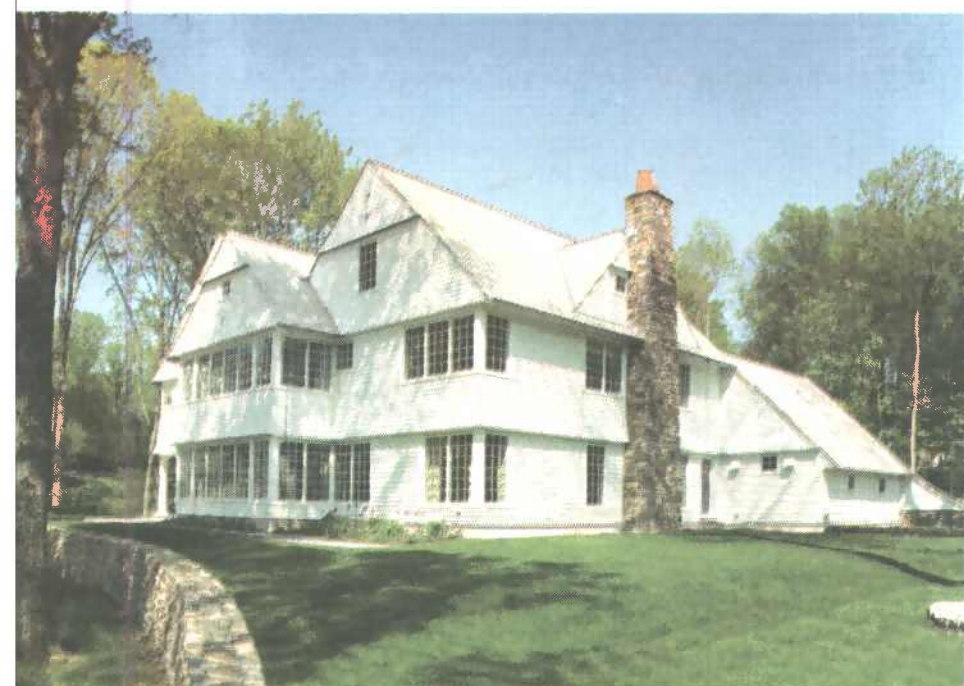
To get a clear picture of the price trend, see the chart showing the price movement of the Sept '08 Natural Gas NYMEX Futures Contract (Page 6) and the table showing oil, natural gas and heating oil futures contract price movement and recent decline.

Prices remain very high when compared to a year ago, but prices have come down significantly in the past few weeks.

The greatest challenge for anyone trying to manage the high volatility in today's energy markets is the decision on what pricing structure to select, an index (floating) price or a fixed price.

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"Specifically, we are facing a market that can and will likely move quickly on news of economic, weather related and even geo-political change."



NRDC brings home first LEED home cert in NE

The residential division of National Realty & Development Corp. has received LEED for Homes certification from the U.S. Green Building Council for the sustainable land use design and green technologies featured at Windermere on the Lake, a new luxury eco-village the company is developing in North Stamford, Connecticut.

Windermere on the Lake's Cumbria model residence is the first luxury home in the Northeast to receive the LEED (Leadership in Energy and Environmental Design) certification.

The LEED for Homes certification demonstrates that the 8,000 s/f Cumbria model home has less environmental impact than a home conventionally built

at one third its size.

Achieving ENERGY STAR Certification, with a HERS (Home Energy Rating Score) Index of 49 the home can boast a 50% energy savings than if it had been built only to code, according to Steven Winter, president of Steven Winter Associates, consultant for Windermere on the Lake certification process.

The first of 24 luxury homes planned for the 74-acre eco-village, the Cumbria features a range of eco-friendly and energy-saving features and meets efficiency guidelines set by the Federal EPA.

The development also boasts ex-
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More firms going green

BY MAGGIE HAWRYLUK

Just about everything is going green these days: food, clothing, cars, condos. And now brokers are getting into the mix, practicing what they preach when they tout the newest LEED certified projects by taking on a few green initiatives of their own.

Halstead Property and Platinum Properties are the two latest brokerage firms to jump on the environmental wagon, announcing ways that they're changing their day-to-day operations for the better. And they're both in it for the long haul.

"This is not an 'on/off' switch — it's impossible to 'green' fully 100% immediately. We are taking baby steps to furthering our initiative," Diane Ramirez, president of Halstead, said. "For example, we hope to have all of our stationery and business cards printed on recycled paper by the end of this year. This initiative is not one that will go away — it will be a constant

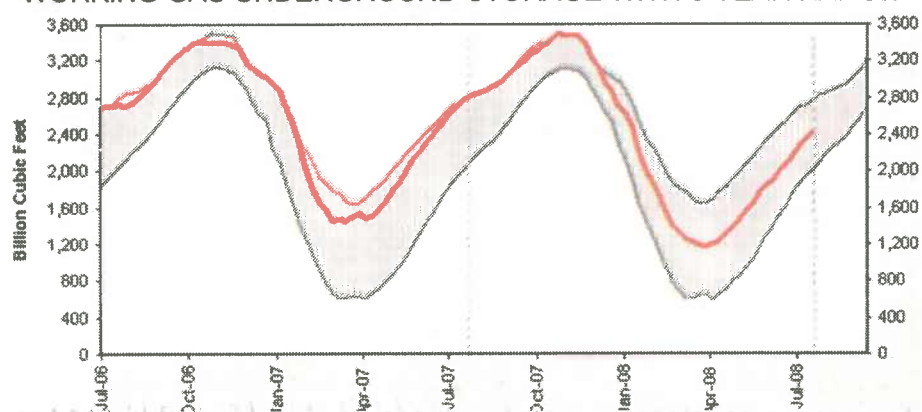
item on our goals for years to come."

The first leg of Halstead's initiative will involve printing all direct mailings on 100% recycled paper, using the most energy efficient process, reducing the print circulation of the bi-annual magazine *The Halstead Portfolio*, opting rather to promote the online version; a recycled, Halstead logo bag and a free closing gift of an Energy Star light bulb with a pamphlet of environmentally conscious tips for homeowners. Halstead has already ordered 2,000 light bulbs and 2,000 tote bags to get the initiative rolling. The plan was announced at Halstead's Semi-Annual event last month to a resounding sound of approval, and began with the help of the firm's Marketing Division.

"Together with our Marketing Division, we identified a number of ways that we could be friendlier to the environment and then implemented

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WORKING GAS UNDERGROUND STORAGE WITH 5-YEAR RANGE



Shaded area indicates range between historical minimum and maximum values for week.