


New York

Vol. 32

Fourth Quarter 2001

Analyzes:

CBD Office
Retail
Apartments
Suburban Office
Industrial
Local Economy

Reports:

Property Prices
Property Rents
Sector Forecasts
Demographic Highlights
Job Formation Trends
Economic Base Profile
Educational Achievement
Tax Structure
Quality of Life Factors

A publication of the *National Real Estate Index*

New York

Vol. 32



The National Real Estate Index extends its deepest sympathies and condolences to the victims of the World Trade Center, Pentagon and Pennsylvania tragedies and their families and friends. We would also like to extend our gratitude to the rescue workers, medical personnel and other professionals and citizens who have come to the aid of those affected.

Report Format

This report is organized as follows. Section I provides a snapshot that highlights the key economic, demographic and real estate-related findings of the study. Sections II through IX provide an in-depth look (generally in a tabular format) at the key economic, demographic, public policy, and quality of life factors that can affect the demand for real estate.

In Section II, recent population trends are reported. Section III analyzes the local economic base and current labor force and job formation trends. Various educational costs and parameters are provided in Section IV. Local living costs are explored in Section V. Health care

costs and availability are detailed in Section VI. A series of other important factors, including retail sales trends and international trade, are reported in Section VII. Local and state fiscal policies, including taxes and federal spending, are highlighted in Section VIII. Several key quality-of-life considerations are summarized in Section IX.

In Section X, local market price, rent and capitalization rate trends for the preceding 12 months are reported. Section XI provides a quarterly review, including analysis of the local economy, as well as analyses of the office, light industrial, retail, apartment, and hospitality sectors.

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Publisher/Copyright: NATIONAL REAL ESTATE INDEX publications are published quarterly by National Real Estate Index, LLC (a joint venture of PPR and GRA) 40 Court Street, 3rd Floor, Boston, MA 02108. (800) 992-7257.
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I. New York: Snapshot

A. Economic Summary (See Sections II & III.)

Job Growth (Loss) 12 Months (Ending in December):	(2.2%)
Unemployment Rate (December):	6.5%
Metropolitan Population Growth (Loss), 1990–2000:	9.0%
Total Metropolitan Population, 2000:	9.3 million

B. Fourth Quarter 2001 Property Price and Rent Trends

	CBD Office			Suburban Office			Warehouse			Retail			Apartment		
	AVERAGE			AVERAGE			AVERAGE			AVERAGE			AVERAGE		
	Price sf	Rent sf	Cap Rate	Price sf	Rent sf	Cap Rate	Price sf	Rent sf	Cap Rate	Price sf	Rent sf	Cap Rate	Price sf	Rent sf	Cap Rate
New York -- Downtown															
4th Q. '01	\$278.28	\$45.11	8.5%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
3rd Q. '01	299.99	46.08	8.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
4th Q. '00	290.21	49.00	8.1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
New York -- Midtown															
4th Q. '01	388.03	60.05	8.3	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
3rd Q. '01	406.92	62.85	8.1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
4th Q. '00	413.70	64.75	8.2	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Source: National Real Estate Index's Market Monitor.

I. Nassau-Suffolk: Snapshot

A. Economic Summary (See Sections II & III.)

Job Growth (Loss) 12 Months (Ending in December):	0.4%
Unemployment Rate (December):	3.7%
Metropolitan Population Growth (Loss), 1990–2000:	5.5%
Total Metropolitan Population, 2000:	2.8 million

B. Fourth Quarter 2001 Property Price and Rent Trends

	CBD Office			Suburban Office			Warehouse			Retail			Apartment		
	AVERAGE			AVERAGE			AVERAGE			AVERAGE			AVERAGE		
	Price sf	Rent sf	Cap Rate	Price sf	Rent sf	Cap Rate	Price sf	Rent sf	Cap Rate	Price sf	Rent sf	Cap Rate	Price sf	Rent sf	Cap Rate
4th Q. '01	\$157.89	\$27.67	8.2%	\$144.69	\$25.18	8.4%	\$49.78	\$6.63	8.9%	\$132.39	\$21.39	9.2%	\$122.22	\$19.65	9.0%
3rd Q. '01	154.30	27.70	8.4	143.38	25.31	8.5	50.47	6.66	8.8	132.54	21.44	9.2	122.66	19.72	9.0
4th Q. '00	156.40	27.78	8.3	146.29	25.30	8.3	51.06	6.66	8.7	135.22	21.35	9.0	113.31	18.82	9.3

Source: National Real Estate Index's Market Monitor.

II. New York: Demographics

A. Metro Population

	<u>New York PMSA</u>	<u>Nassau-Suffolk</u>	<u>United States</u>
Population — 2000*:	9,314,200	2,753,900	284,796,900
% Growth—1990–2000*:	9.0%	5.5%	14.5%
% Growth—1980–1990:	3.3%	0.1%	9.8%

*U.S. figures reflect mid-2001 population estimates.

B. County Population Growth

<u>County</u>	<u>2000 Population</u>	<u>% Growth 1990-2000</u>
Nassau	1,334,500	3.7
Suffolk	1,419,400	7.4
Bronx	1,332,700	10.7
Kings	2,465,300	7.2
New York	1,537,200	3.3
Putnam	95,700	14.1
Queens	2,229,400	14.2
Richmond	443,700	17.1
Rockland	286,800	8.0
Westchester	923,500	5.6

C. Area Cities With At Least 50,000 Residents

<u>City</u>	<u>2000 Population</u>	<u>% Growth 1990-2000</u>
Mt. Vernon	68,400	2.0
New Rochelle	72,200	7.1
New York	8,008,300	9.4
Yonkers	196,100	4.2

II. **Demographics (Cont.)**

D. **State Population Growth**

	2001 Population	% Growth 1990-2001	Ranking*	% Growth 1995-2025	Ranking*
New York	19,011,400	5.7	42	5.1	49
United States	284,796,900	14.5	N/A	23.7	N/A

*Ranking of all 50 states, plus the District of Columbia, with the #1 ranking representing the highest state population percentage growth.

Source: U.S. Census Bureau.

E. **Household & Population Composition**

	<u>New York Metro</u>	<u>Nassau-Suffolk</u>	<u>U.S. Metro</u>
Median Household Size:	2.7	3.0	2.7
Median Age:	36.9	38.0	35.4
% of Population Under 5	7.2	7.2	7.5
% of Population 35 - 54	29.4	29.4	28.0
% of Population Over 64	13.4	13.4	12.8

Note: Separate age breakouts are not available for the New York and Nassau-Suffolk PMSAs.

II. Demographics (Cont.)

F. Metropolitan Population Gain (1990-2000)

Population Growth (% Gain/Loss, April 1990-April 2000)			
Las Vegas	83.3%	Tampa-St. Petersburg	15.9%
Austin	47.7	Oakland-East Bay	14.9
Phoenix	45.3	Columbus	14.5
Atlanta	38.9	UNITED STATES	13.2
Raleigh-Durham	38.9	Central New Jersey	13.0
Orlando	34.3	Oklahoma City	13.0
West Palm Beach	31.0	Memphis	12.7
Denver	30.4	San Diego	12.6
Dallas-Ft. Worth	29.3	San Jose	12.4
Ft. Lauderdale	29.3	Kansas City	12.2
Charlotte	29.0	Chicago	11.6
Portland	26.6	New York	9.0
Houston	25.8	Cincinnati	8.9
Riverside-SB	25.7	San Francisco	8.0
Nashville	25.0	Los Angeles	7.4
Salt Lake City	24.4	Baltimore	7.2
Jacksonville	21.4	Newark-No. New Jersey	7.1
Sacramento	21.3	Boston	5.5
Albuquerque	21.0	Nassau-Suffolk	5.5
Seattle	18.8	Milwaukee	5.1
Orange County	18.1	Honolulu	4.8
Minneapolis	16.9	St. Louis	4.5
Washington, DC	16.6	Detroit	4.1
Indianapolis	16.4	Philadelphia	3.6
Miami	16.3	Cleveland	2.2
Greenville-Spartanburg	15.9	Hartford	2.2

Note: The 2000 census has revealed inconsistencies in earlier population data, primarily due to an underestimation of the number of immigrants entering the country. This is believed to be responsible for some unusual swings in the latest statistics.

Source: U.S. Census Bureau.

II. Demographics (Cont.)

G. International Immigration to Metropolitan Areas

Total International Immigration: 1990–1999 (in 000s)

New York/Nassau-Suffolk	1,045.4	Portland	48.0
Los Angeles	902.1	Minneapolis-St. Paul	46.0
Chicago	366.6	Orlando	44.9
Miami	337.2	Tampa-St. Petersburg	42.8
Newark-No. NJ	266.0	Honolulu	42.7
Washington DC	240.1	Las Vegas	36.1
Orange County	233.2	Baltimore	32.7
Houston	209.9	Austin	27.6
Dallas-Ft. Worth	177.0	St. Louis	25.3
San Francisco	165.3	Hartford	24.7
San Diego	164.0	Salt Lake City	20.9
San Jose	159.1	Cleveland	17.2
Boston	141.7	Raleigh-Durham	16.5
Oakland-East Bay	135.0	Kansas City	15.9
Riverside-San Bernardino	119.0	Charlotte	15.0
Philadelphia	91.7	Oklahoma City	14.5
Ft. Lauderdale	90.2	Albuquerque	13.8
Atlanta	82.5	Jacksonville	13.7
Seattle	79.4	Nashville	12.4
Central New Jersey	69.4	Columbus	12.2
Detroit	68.4	Milwaukee	12.1
Phoenix	62.3	Indianapolis	9.9
Sacramento	60.0	Cincinnati	9.4
Denver	51.0	Memphis	7.3
West Palm Beach	48.1	Greenville-Spartanburg	6.1

Immigration Per 1,000 Residents (1990–1999)

Local Market	Per 1,000	Ranking*
New York/Nassau-Suffolk	91.7	5

*Ranking of 50 metropolitan areas analyzed by the INDEX, with the #1 ranking representing the largest per capita immigration rate.

Source: U.S. Census Bureau.

II. Demographics (Cont.)

H. Domestic Migration to Metropolitan Areas

Total Domestic Migration: 1990–1999 (in 000s)

Atlanta	506.8	Albuquerque	22.9
Las Vegas	406.7	Oklahoma City	13.0
Phoenix	395.8	Salt Lake City	12.7
Dallas-Ft. Worth	240.9	Memphis	8.5
Denver	200.4	Central New Jersey	(33.2)
Orlando	177.9	Baltimore	(48.2)
Portland	176.2	Oakland-East Bay	(61.8)
Riverside-San Bernardino	172.1	Milwaukee	(71.5)
Austin	170.6	St. Louis	(72.2)
Tampa-St. Petersburg	163.0	Hartford	(81.4)
Charlotte	158.0	Cleveland	(102.3)
Raleigh-Durham	157.4	Honolulu	(112.7)
Ft. Lauderdale	151.9	Washington DC	(127.6)
West Palm Beach	128.2	San Diego	(135.8)
Nashville	108.9	San Francisco	(151.3)
Seattle	75.6	San Jose	(175.9)
Minneapolis-St. Paul	66.7	Orange County	(196.0)
Houston	61.4	Boston	(211.9)
Jacksonville	60.7	Miami	(236.1)
Greenville-Spartanburg	55.6	Detroit	(251.0)
Sacramento	50.3	Philadelphia	(279.3)
Indianapolis	48.2	Newark-No. NJ	(383.2)
Kansas City	36.3	Chicago	(527.8)
Columbus	34.6	New York/Nassau-Suffolk	(1,531.8)
Cincinnati	24.0	Los Angeles	(1,560.7)

Domestic Migration Per 1,000 Residents (1990–1999)

Local Market	Per 1,000	Ranking*
New York/Nassau–Suffolk	(134.4)	49

*Ranking of 50 metropolitan areas analyzed by the INDEX, with the #1 ranking representing the largest per capita migration rate.

Source: U.S. Census Bureau.

III. New York: Job Trend Formation and Labor Costs

A. Job Formation

Metropolitan Area

Employment Growth (Loss)—% 12-Month (Ending in December):	(2.2%)
Total Number of Net New Jobs, 12 Months (Ending in December):	(95,400)
Leading Sector, <i>Construction</i> —% Employment Growth:	1.4%
Leading Sector, <i>Construction</i> —Number of Net New Jobs:	2,300
% Employment Growth in Other Key Sectors	
Manufacturing:	(5.7%)
Business Services:	(7.2%)
% Unemployed, December 2001:	6.5%
% Unemployed, 12 Months Before:	4.8%

National

Employment Growth (Loss)—% 12-Month (Ending in December):	(0.8%)
% Unemployed, December 2001:	5.4%
% Unemployed, December 2000:	3.7%

B. Economic Base—Employment By Sectors

Sector	% of Total Employment	
	Metro	National
Services	39.4	30.9
Business Services*	8.6	7.1
Retail Trade	12.9	18.2
Government	15.4	16.2
Manufacturing	6.3	12.9
Transportation	5.4	5.3
FIRE	11.5	5.8
Wholesale Trade	5.1	5.3
Construction	3.8	5.1

*Business Services is a subset of the Services category.

This table is updated every 6 months. Last update: 4Q 2001.

III. Nassau-Suffolk: Job Trend Formation and Labor Costs

A. Job Formation

Metropolitan Area

Employment Growth (Loss)—% 12-Month (Ending in December):	0.4%
Total Number of Net New Jobs, 12 Months (Ending in December):	5,400
Leading Sector, <i>Government</i> —% Employment Growth:	2.0%
Leading Sector, <i>Services</i> —Number of Net New Jobs:	5,100
% Employment Growth in Other Key Sectors	
Manufacturing:	(4.0%)
Business Services:	N/A
% Unemployed, December 2001:	3.7%
% Unemployed, 12 Months Before:	2.6%

National

Employment Growth (Loss)—% 12-Month (Ending in December):	(0.8%)
% Unemployed, December 2001:	5.4%
% Unemployed, December 2000:	3.7%

B. Economic Base—Employment By Sectors

Sector	% of Total Employment	
	Metro	National
Services	33.1	30.9
Business Services*	N/A	7.1
Retail Trade	19.0	18.2
Government	15.9	16.2
Manufacturing	8.6	12.9
Transportation	4.7	5.3
FIRE	6.6	5.8
Wholesale Trade	7.0	5.3
Construction	5.1	5.1

*Business Services is a subset of the Services category.

This table is updated every 6 months. Last update: 4Q 2001.

III. Job Trend Formation and Labor Costs (Cont.)

C. Metropolitan Total Employment Gain (1990-2001)

Job Growth (% Gain/Loss, December 1990-December 2001)			
Las Vegas	85.9	Minneapolis-St. Paul	24.8
Austin	72.0	Greenville-Spartanburg	24.4
Orlando	55.3	Memphis	24.3
Phoenix	54.6	San Jose	23.4
Raleigh-Durham	48.1	Central New Jersey	23.1
Salt Lake City	43.8	Orange County	22.4
Tampa-St. Petersburg	43.8	Washington, DC	21.5
Riverside-San Bernardino	43.1	UNITED STATES	20.4
Denver-Boulder	42.5	Miami	19.6
Dallas-Ft. Worth	41.5	Oakland	18.9
West Palm Beach	41.3	Cincinnati	16.6
Atlanta	41.2	Detroit	15.2
Charlotte	39.6	Boston	15.1
Jacksonville	39.3	San Francisco	13.4
Nashville	39.2	Chicago	13.2
Albuquerque	37.4	Milwaukee-Racine	13.0
Fort Lauderdale	35.5	St. Louis	12.2
Portland	30.2	Nassau-Suffolk	11.6
Houston	29.6	Cleveland	11.1
Sacramento	29.6	Baltimore	11.0
Kansas City	27.8	Philadelphia	8.5
San Diego	27.7	Newark-No. New Jersey	8.1
Oklahoma City	26.9	New York	4.9
Columbus	26.2	Los Angeles	0.7
Seattle	26.1	Honolulu	(2.0)
Indianapolis	25.9	Hartford	(3.0)

Source: U.S. Government, Bureau of Labor Statistics.

III. Job Trend Formation and Labor Costs (Cont.)

D. Metropolitan Average Wages—Select Occupations

Position	Average Annual Wage
Accountant	\$52,478
Secretary	\$32,400
Computer Systems Analyst	\$74,872
Computer Programmer	\$57,593
Electrical Engineer	\$71,514
Machinist	N/A

Source: U.S. Dept. of Labor, *National Compensation Survey*: New York-Northern New Jersey-Long Island consolidated metropolitan area, April 2000.

E. Production Wages & Union Membership

	<u>Average Annual Wage*</u>	<u>National Rank</u>	<u>% Workers in Union</u>	<u>National Rank</u>
New York	\$26,936	22	28.2%	1
U.S. Average	\$26,874	--	16.2%	--

*Average annual wage is for production workers only. The #1 ranking represents the highest average wage and the largest percentage of unionized workers.

Source: U.S. Dept. of Labor and U.S. Census Bureau.

III. Job Trend Formation and Labor Costs (Cont.)

F. State Workers' Compensation Costs

Workers' Compensation Costs
—The average cost per \$100 of payroll—
(1999)

	<u>Rate*</u>	<u>Index**</u>	<u>1999 Rating***</u>	<u>1998 Rating</u>
New York	\$4.23	1.209	33	35

*This is the rate for a prototypical manufacturer, based on the manual rate, taxes and assessments, payroll distribution, premium discounts, experience rating, and any other weighted adjustments that were made in order to produce a non-biased countrywide comparison.

**The base rate (or national average) for this Index is \$3.50.

***The rating is based on an analysis of 44 states with #1 representing the lowest average rate.

Source: Actuarial & Technical Solutions, Inc. (516) 471-8655.

G. Minimum Wage/Overtime Status

Current Minimum Wage*	\$5.15
State Overtime Standard**	40-hour week

*The federal minimum wage increased to \$5.15 in September 1997. The federal rate sets the floor under which states cannot go. Some states, however, have lower rates for a minority of workers who are not covered by the Fair Labor Standards Act. Some states also have temporary lower rates and "subminimum wages" for certain groups of workers, e.g., minors and/or beginning employees.

**Federal law stipulates the payment of overtime to all private employees except supervisors, salaried professionals and unionized workers after 40 hours of labor in a given week.

Source: Bureau of National Affairs, *Payroll Administration Guide*.

IV. New York/Nassau-Suffolk: Education

A. Educational Levels

	% of Adults With Less Than 9th Grade Education	% of Adults Who Graduated From High School	% of Adults Who Graduated From 4-Year College/University
New York	10.4	76.4	29.0
Nassau-Suffolk	--	86.9	31.0
U.S. Metro Average	--	83.4	25.2

Source: U.S. Dept. of Commerce, and U.S. Dept. of Education, 1999.

B. Educational Expenditures and Salaries

	<u>Per-Pupil Expenditures</u>	<u>Rank</u>	<u>Teacher Salaries</u>	<u>Rank</u>	<u>Student: Teacher Ratio</u>	<u>Rank</u>
New York	\$9,371	3	\$49,437	3	14.0	40
U.S. Average	\$6,455	--	\$40,580	--	16.1	--

These figures represent statewide (and national) averages. The rankings include all 50 states, plus the District of Columbia. For expenditures and salaries, #1 represents the highest dollar amount; #1 also represents the highest student–teacher ratio.

Source: National Education Association, *Rankings of the States 2000*.

IV. Education (Cont.)

C. College Tuition

	Tuition Only*	National Rank**	Annual Average*	National Rank**
New York	\$3,905	14	\$9,688	8
U.S. Average	\$3,226	--	\$8,018	--

*The tuition and annual average are based on in-state tuition, fees, and room and board for full-time students in public four-year institutions.

**Ranking of all states with the #1 ranking representing the highest tuition and annual average.

Source: U.S. Dept. of Education, based on 1999 data.

D. Graduate Education

Academic Rankings of Local Graduate Programs

University	Biological Sciences	Engineering	General Sciences/Other
Albert Einstein College of Medicine	Physiology (17)	--	--
Columbia	Biochemistry (11) Developmental Biology (19) Genetics (12) Neuroscience (6) Physiology (10)	Electrical (15)	Chemistry (7) Economics (12) Mathematics (10) Physics (12)
NYU	Pharmacology (14) Physiology (14)	--	Computer Science (17) Economics (17) Mathematics (8)
Rockefeller Univ.	Developmental Biology (2) Neuroscience (13)	--	--
SUNY-Stony Brook	Ecology (10)	--	Mathematics (20)

Source: National Academy of Sciences, *Research-Doctorate Programs in the United States*, 1995 (this report is updated every ten years). The NAS reviewed more than 3,600 doctoral programs in 41 fields at 274 universities for the 1993 academic year. Criteria included the academic quality of each school's faculty, the effectiveness of the school's teaching, and the level of its research. For programs that were ranked at 100 or more schools, we have listed the top 20 universities; for programs that were ranked at fewer than 100 schools, we have listed the top 10. The top universities are shown with their respective national ratings for each discipline. We have included 21 of 41 fields. Please note that the NAS did not include graduate business programs in its study.

IV. Education (Cont.)

E. University R&D Expenditures

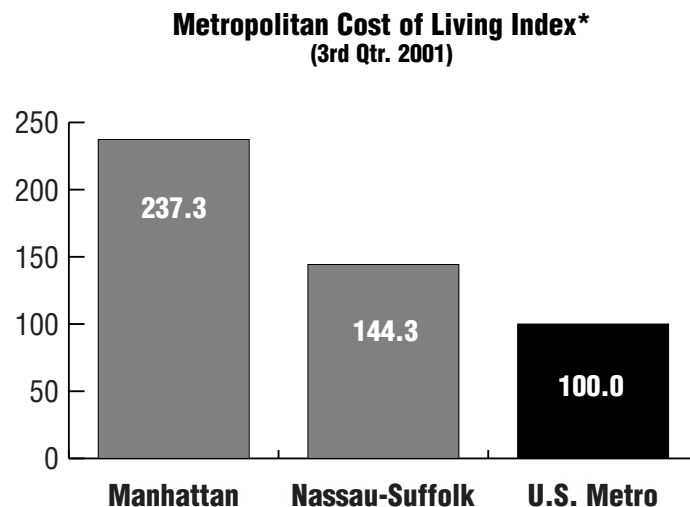
	Federal R&D Expenditures (\$\$ in mil.)	% of Leading School*	Total R&D Expenditures (\$\$ in mil.)	% of Leading School*
Columbia	\$137.1	63.8	\$158.4	59.1
City Univ. of NY	\$2.0	0.9	\$2.6	1.0
Fordham University	\$1.5	0.7	\$2.0	0.7
NY Medical College	\$9.5	4.4	\$12.1	4.5
NYU	\$73.1	34.0	\$97.5	36.4
Polytechnic University	\$5.9	2.7	\$8.9	3.3
Rockefeller University	\$34.9	16.2	\$65.6	24.5
SUNY-Health Sci. Ctr.	\$12.2	5.7	\$21.3	7.9
SUNY-Stony Brook	\$46.8	21.8	\$70.5	26.3
Yeshiva University	\$57.4	26.7	\$72.7	27.1

Source: National Academy of Sciences, *Research-Doctorate Programs in the United States*, 1995 (this report is updated every ten years). These amounts reflect the average annual expenditures from 1986 to 1992 (based on 1988 dollars).

*The percentage column reflects the amount spent by the local institution(s) relative to the amount expended at the top spending institution in each of the two categories.

V. New York/Nassau-Suffolk: Housing & Related Costs

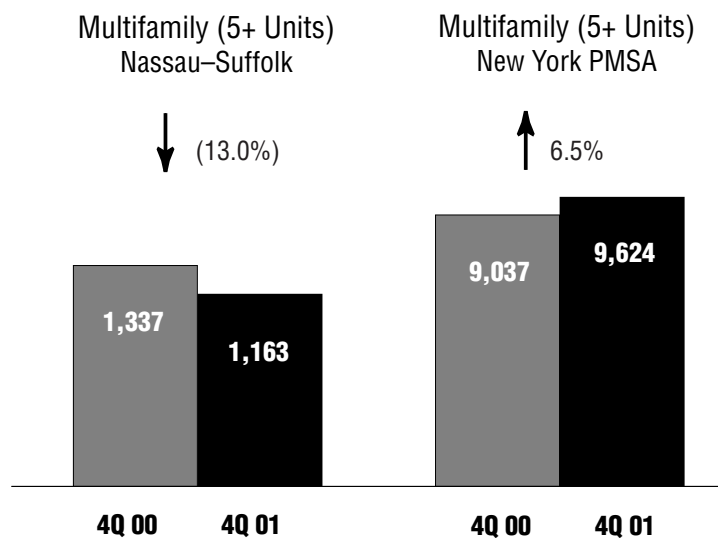
A. Overall Cost of Living



*The ACCRA Cost of Living Index measures relative prices for consumer goods and services in participating areas. Housing is an important component of the Index. The average for all participating areas is 100. Each area's number is read as a percentage of that average.

Source: ACCRA Cost of Living Index, Louisville, KY, (502) 897-2890.

B. Metropolitan Housing Permits



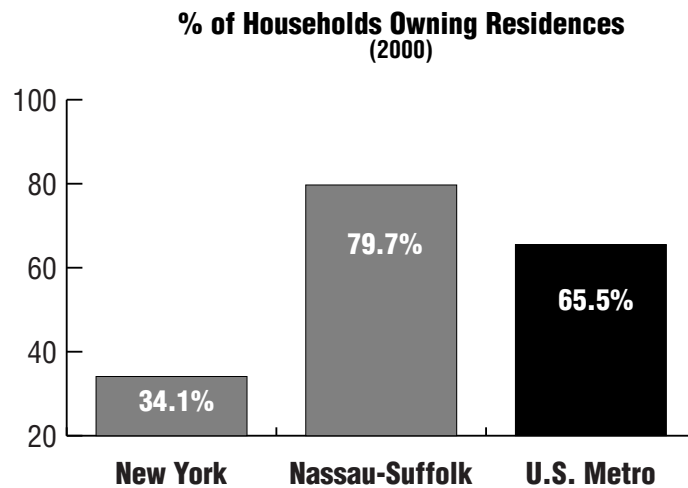
Local Data: Figures represent total permits granted year-to-date in the New York and Nassau-Suffolk PMSAs.

U.S. Data: The percent change in multifamily permits nationwide was (2.4%).

Source: U.S. Census Bureau.

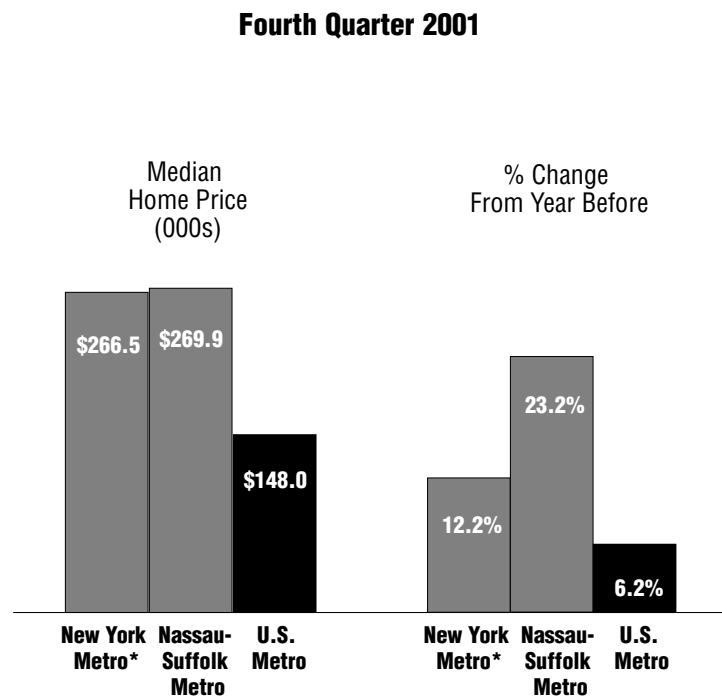
V. **Housing & Related Costs** (Cont.)

C. **Homeownership**



Source: U.S. Census Bureau. Homeownership rates represent metropolitan averages as of year-end 2000.

D. **Single Family Home Costs**



*Represents home prices throughout New York, Northern New Jersey, and Long Island.

Source: National Association of Realtors®.

V. **Housing & Related Costs (Cont.)**

E. **Local Utility Costs**

	<u>Commercial Electric</u> (30,000 kwh per mo.)	<u>Industrial Electric</u> (5,000 kw per mo.)	<u>Residential Electric</u> (1,000 kwh per mo.)
New York City	\$5,357	\$400,884	\$180
U.S. Average	\$2,300	\$135,829	\$84

These numbers reflect rates that were in effect July 2000.

Source: Edison Electric Institute, *Typical Bills and Average Rates Report*, Summer 2000.

F. **Tourism & Entertainment Taxes**

Local Hospitality Taxes

	<u>Hotel</u> <u>Tax</u>	<u>Restaurant</u> <u>Tax</u>	<u>Car Rental</u> <u>Tax</u> *
New York	13.25%	8.25%	8.25%
Average of 50 Surveyed Cities	12.36%	7.29%	8.40%

*This is the basic rate. It does not include applicable surcharges.

Source: Travel Industry Association of America, Washington, DC.

VI. New York/Nassau-Suffolk: Health Care Characteristics & Costs

A. Hospitalization Costs

Hospitalization Costs Per In-Patient Day

	<u>Costs</u>	<u>Index</u>
New York City	\$946.14	87.4
Nassau-Suffolk	\$890.62	82.3
U.S. Metro Average	\$1,082.06	100.0

Source: American Hospital Association, Chicago, IL.

B. Health Insurance

Health Insurance Coverage (1999)

	% of Pop. Covered by HMO	Avg. Monthly Premium*	% of Pop. Uninsured	Rank**
New York	33.5	\$198.00	17.3	35
Nassau-Suffolk	35.9	\$195.00	17.3	34

*Average charge for individual coverage in a traditional HMO plan.

**Ranking of 59 metropolitan areas with the #1 ranking representing the area with the smallest percentage of uninsured residents.

Source: InterStudy Publications, *Competitive Edge, Part III: Regional Market Analysis*, (800) 844-3351.

VI. **Health Care Characteristics & Costs (Cont.)**

C. **State Health Rating**

	<u>2001 Ranking*</u>	<u>2000 Rank</u>	<u>1999 Rank</u>
New York	34	42	43

*The 21 factors considered include teenage birth rate, infant mortality rate, childhood immunization rate, accessibility to health care, and health care expenditures.

Source: The Morgan Quitno Press, (800) 457-0724.

D. **State Livability Index**

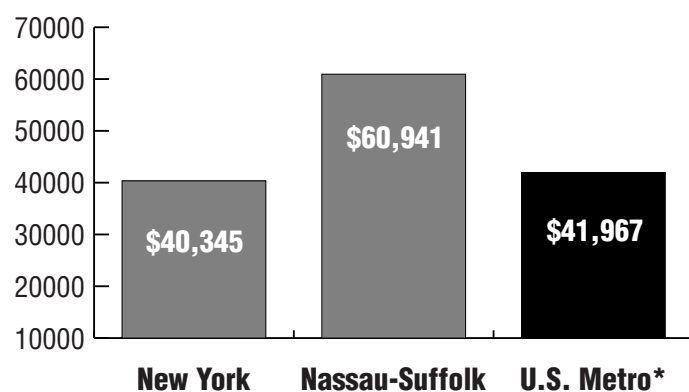
	<u>2001 Index Rating*</u>	<u>2001 Rank</u>	<u>2000 Rank</u>
New York	22.74	35	38

*The livability index rating is based on 43 categories including crime rate, unemployment rate, hazardous waste sites, quality of infrastructure (e.g., roads, bridges, etc.), high school graduation rate, spending on the arts, and tax burden. The highest possible score is 50.

Source: The Morgan Quitno Press, (800) 457-0724.

VII. New York/Nassau-Suffolk: Other Economic Indicators

A. 2000 Metropolitan Median Household Income



Market Rank**

New York	45
Nassau-Suffolk	3

*The U.S. Metro figure represents the median income of 323 metropolitan areas; \$39,129 is the median income nationwide.

**Ranking of 57 metropolitan areas, with the #1 ranking representing the highest median household income.

Source: Sales & Marketing Management: 2001 Survey of Buying Power.

B. Poverty

Total Residents & Children Living Below Official Poverty Level

	<u>% Total Residents</u>	<u>% Children (5-17)</u>
New York Metro		
Bronx County	29.2	40.6
Kings County	25.7	35.1
New York County	20.0	37.7
Putnam County	4.3	6.0
Queens County	17.2	25.0
Richmond County	9.5	14.7
Rockland County	10.3	16.3
Westchester County	9.1	13.9
Nassau-Suffolk Metro		
Nassau County	6.2	8.4
Suffolk County	7.6	10.1
National	12.7	17.5

Source: U.S. Census Bureau, *Income & Poverty Estimates*, 1998 (the most recent data available on a national level).

VII. Other Economic Indicators (Cont.)

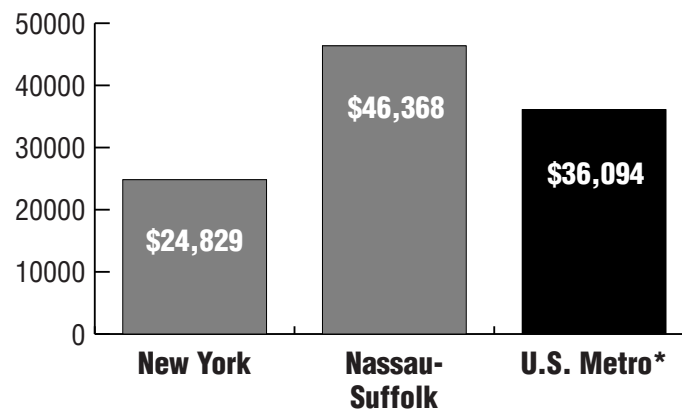
C. Metropolitan Retail Sales Trends

Metropolitan Retail Sales -- % Change (November 2000 - November 2001)

Greater New York	(0.9%)
National	(1.4%)

Source: International Council of Shopping Centers, New York, NY.

D. 2000 Metropolitan Average Retail Sales



Market Rank**

New York	56
Nassau-Suffolk	6

*The U.S. Metro figure represents the average retail sales per household of 323 metropolitan areas; \$34,450 is the average retail sales per household nationwide.

**Ranking of 57 metropolitan areas, with the #1 ranking representing the highest amount of retail sales per household.

Source: Sales & Marketing Management: 2001 Survey of Buying Power.

VII. Other Economic Indicators (Cont.)

E. E-Commerce Retail Sales

Third Quarter 2001
(\$\$ in billions)

	<u>Total Retail Sales</u>	<u>E-Commerce Retail Sales</u>	<u>% of Total</u>
U.S.	\$786.6	\$7.5	0.9
Prior Quarter	\$807.4	\$7.5	0.9
Year Ago	\$772.8	\$6.9	0.9

Source: U.S. Department of Commerce.

F. High-Tech Industry Employment

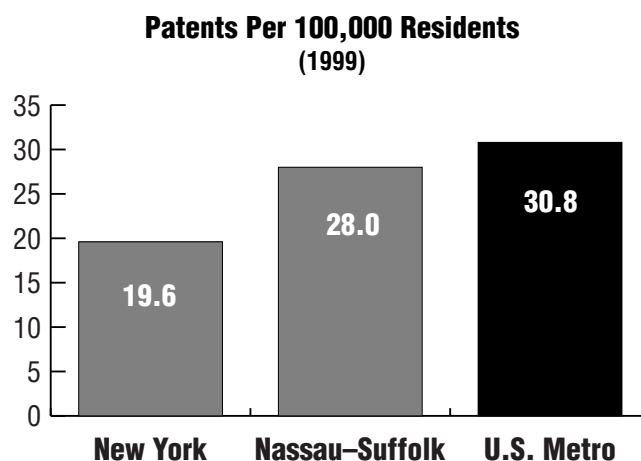
	<u>Share of Total Employment</u>	<u>Rank</u>	<u>Number of Establishments</u>	<u>Rank</u>	<u>Number of Employees</u>	<u>Rank</u>
Nassau–Suffolk	5.4%	47	3,043	18	61,769	20
New York	2.9%	117	4,905	4	115,532	8

Rankings are based on a comparison of 304 metropolitan areas for 1998, with the #1 ranking representing the highest amount in each category.

Source: *The High-Tech Industry: Clusters and Competition*, Dynamic Resource Solutions, Abington, PA.

VII. Other Economic Indicators (Cont.)

G. Metropolitan Area Patents



Market Rank*

New York	40
Nassau-Suffolk	31

*Ranking of 52 metropolitan areas, with the #1 ranking representing the largest number of per capita patents.

Source: Dept. of Commerce, Patent & Trademark Office, April 2000.

H. Major Airport Activity

New York – JFK International

	Total (2000)	% Change from 1999	National Rank*	World Rank*
Passengers (in millions)	32.8	3.5%	14	20
Cargo (in thousands–metric tons)	1,825.9	5.7%	4	7

New York – La Guardia

Passengers (in millions)	25.2	5.9%	19	34
Cargo (in thousands–metric tons)	71.1	(1.3%)	56	129

*Ranking of 672 international airports, with the #1 ranking representing the largest number of passengers and the largest amount of cargo.

Source: Airports Council International, Washington, DC.

VII. Other Economic Indicators (Cont.)

I. International Trade

International Trade Volume

	<u>Import</u>	<u>Export</u>	<u>Total</u>
New York City Customs District			
January-October 2001 (\$\$\$ in billions)	\$118.1	\$64.7	\$182.8
% Change (from year ago)	(2.9%)	(0.7%)	(2.1%)
Total U.S.			
January-October 2001 (\$\$\$ in billions)	\$968.5	\$617.8	\$1,586.3
% Change (from year ago)	(4.3%)	(4.4%)	(4.3%)

Source: Dept. of Commerce, Foreign Trade Division.

J. Area Exports

Metropolitan Area Exports

	<u>1999 Value</u> <u>(\$\$\$ in billions)</u>	<u>Rank*</u>	<u>% Change</u> <u>1998–1999</u>	<u>% Change</u> <u>1993–1999</u>
New York	\$24.5	4	(7.9%)	(13.2%)
Nassau-Suffolk	\$4.7	28	5.6%	67.2%
Total U.S.	\$692.8	N/A	1.8%	49.0%

These figures only measure local sales of finished goods leaving the country and exclude both components and raw materials that are ultimately incorporated into export products.

*Ranking of 53 metropolitan areas, with the #1 ranking representing the highest dollar value.

Source: Dept. of Commerce, International Trade Administration.

VII. Other Economic Indicators (Cont.)

K. Gross State Product

	<u>1989</u>	<u>1999</u>	<u>% Change 1989-1999</u>
New York Ranking*	2	2	--
New York Total (\$\$\$ in billions)	\$589.7	\$728.9	23.6%
U.S. Total (\$\$\$ in billions)	\$6,538.6	\$8,934.1	36.6%

*Ranking of all 50 states (including the District of Columbia), with the #1 ranking representing the highest dollar amount.

Note: While the dollar amounts are no longer inflation-adjusted, they are “chain-weighted” to make them comparable to the specified 1996 base period.

Source: U.S. Dept. of Commerce, *Gross State Product, 1977-1999*.

L. Gross Metropolitan Product

	GMP (\$\$ in billions)		
	<u>2000</u>	<u>Rank</u>	<u>% Change (from 1999)</u>
New York, NY	\$437.8	1	7.4%
Nassau-Suffolk, NY	\$106.8	16	7.0%

*Ranking of 100 metropolitan areas, with the #1 ranking representing the highest dollar amount.

Source: U.S. Conference of Mayors.

VIII. New York/Nassau-Suffolk: Taxes and Expenditures

A. State Tax Rates/Employer Expenses

Tax	Rate
Business Taxes:	
Corporate Income/Franchise	8.5%
Unemployment Insurance	5.4%
Individual Taxes:	
Sales/Use	4.0%
Maximum Local Levy	4.5%
Food Exemption	Yes
Cigarette Tax (per package)	\$1.11*
Personal Income Rates	4.0% to 6.85%
Beginning Income for Maximum Rate**	\$40,000
State Taxes Paid in 1999 Per \$1,000 Personal Income:	
Local: \$64	United States: \$66

*This rate became effective on March 1, 2000.

**For those married filing jointly.

Source(s): Tax Foundation; Federation of Tax Administrators; and INDEX research.

B. Comparative State Income Taxes

A Comparison of the State Income Tax Rate Assessed at the Local Median Income Level

	<u>Median Income</u>	<u>Marginal State Income Tax Rate</u>	<u>Metropolitan Ranking**</u>
New York	\$40,345	4.88%*	40
Nassau-Suffolk	\$60,941	5.55%*	46

*For those with taxable incomes over \$40,000, a tax of \$1,946 plus 6.85% of the amount over \$40,000 is assessed.

**The state income tax ranking is based on a comparison of the 56 metropolitan areas covered by the National Real Estate Index. Markets are rated in ascending order (i.e., number 56 denotes the highest tax rate at the respective median household income in the study).

Note of Explanation: Simple marginal tax rates are not sufficient for comparing tax burdens across jurisdictions. A more useful measure is to compare what a median income household would likely be assessed in each jurisdiction.

Additional Local Income Tax

New York City (residents)	3.02% to 3.78%
---------------------------	----------------

Note: As a result of an April 2000 ruling by the New York State Court of Appeals, the city of New York's earnings tax has been eliminated for people living outside New York state. The tax was eliminated for New York state residents (except those living in New York City) in July 1999.

VIII. Taxes and Expenditures (Cont.)

C. Local Commercial Property Taxes

1999 Commercial Property Tax Rate (Per \$100 Valuation)

<u>City</u>	<u>Basic Rate</u>	<u>Effective Rate</u>	<u>Ranking**</u>
New York City*	\$10.37	\$4.67	86

*Commercial property is taxed at 45% of market value. Additional assessment ratios vary widely between jurisdictions.

**The commercial property tax ranking is based on a comparison of 86 communities analyzed by the National Real Estate Index. Markets are rated in ascending order. (Number 86 denotes the highest tax rate in the study.)

Source: Basic tax rates (and assessment ratios) were provided by Vertex Inc., Berwyn, PA, (800) 355-3500. The "effective" rates factor in the proportion of property value assessed for taxation purposes, and were calculated by the National Real Estate Index staff. Where a range of basic rates applied, the median was utilized.

Except where noted, inventory and intangible property are completely (or largely) exempt from taxation, and tangible personal property is taxed at rates and assessment ratios comparable to those for real property.

Important: Please be aware that because of the wide disparities in tax rates, assessment ratios, and assessment periods from jurisdiction to jurisdiction (even within some metropolitan areas), the rates reported represent approximations only. Actual tax assessments could vary substantially, depending on property class, age and location.

D. Local Residential Property Taxes

2000 Residential Property Tax Rate (Per \$100 Valuation)

<u>Location</u>	<u>Effective Rate</u>	<u>Ranking*</u>
New York City CMP	\$2.05	48
Long Island	\$2.52	55

* The residential property tax ranking is based on a comparison of 56 metropolitan areas analyzed by the National Real Estate Index. Markets are rated in ascending order. (Number 56 denotes the highest tax rate in the study.)

Source: Runzheimer International, Rochester, WI. Runzheimer International, a management consulting firm specializing in transportation, travel and living costs, provided the effective residential property tax rate. In large cities where a range of residential tax rates is applied, we have used Runzheimer's composite tax rate (CMP). For more information on employee relocation, moving costs, and travel expenses, contact Runzheimer at 1-800-558-1702.

Important: Please be aware that because of the wide disparities in tax rates, assessment ratios, and assessment periods from jurisdiction to jurisdiction (even within some metropolitan areas), the rates reported represent approximations only.

VIII. Taxes and Expenditures (Cont.)

E. State Tax Revenue

State Tax Revenue* (\$\$ in millions)

	<u>July-Sept. 2000</u>	<u>July-Sept. 2001</u>	<u>% Change</u>
New York	\$9,927	\$8,988	(9.5%)
U.S.	\$108,565	\$105,226	(3.1%)

*Totals include revenue from a state's personal income, corporate income and sales taxes only. The fiscal year begins on July 1 for all 50 states except Alabama (Oct 1), Michigan (Oct 1), New York (April 1), and Texas (Sept 1).

Source: Nelson A. Rockefeller Institute of Government, *State Revenue Report*.

F. Federal Balance of Payment Per Capita

	<u>Federal Taxes Collected</u>	<u>National Rank</u>	<u>Balance of Payment*</u>	<u>National Rank</u>
New York	\$5,834	14	(\$890)	41

The national average of federal taxes collected is \$5,486. These national rankings are based on all 50 states, plus the District of Columbia, with number 1 representing the highest dollar amounts.

*The difference between federal spending received (see Chart G) and taxes collected is the "balance of payment" between each state and the federal government.

Source: Harvard University and the U.S. Senate, *The Federal Budget and the States, Fiscal Year 1999*.

VIII. Taxes and Expenditures (Cont.)

G. Federal Spending Per Capita – State

	<u>Salaries/ Wages</u>	<u>Procurement Contracts</u>	<u>Defense Spending</u>	<u>Total Federal Spending</u>	<u>National Rank*</u>
New York	\$415	\$364	\$294	\$5,814	21
U.S. Average	\$647	\$783	\$835	\$5,740	--

*This national ranking, which is based on all 50 states, plus the District of Columbia, is for total federal spending. Both salaries/wages and procurement contracts include all such expenditures. Defense spending includes only those procurement contracts and wages (and other expenditures) that relate to defense.

Source: U.S. Census Bureau, *Consolidated Federal Funds Report for Fiscal Year 2000*.

H. Federal Spending Per Capita – Leading Local Counties

	<u>Salaries/ Wages</u>	<u>Procurement Contracts</u>	<u>Defense Spending</u>	<u>Defense Spending % Change from 1999</u>	<u>Total Federal Spending</u>
Nassau County	\$291	\$601	\$525	(8.5)	\$4,969
New York City & County*	424	219	76	(14.6)	5,898
Suffolk County	491	641	298	30.7	4,740
Westchester County	328	243	170	(36.6)	4,768
U.S. Average	\$647	\$783	\$835	(2.6)	\$5,740

Both salaries/wages and procurement contracts include all such expenditures. Defense spending includes only those procurement contracts and wages (and other expenditures) that relate to defense.

*The New York City & County listing includes Bronx, Kings, Queens, and Richmond Counties.

Source: U.S. Census Bureau, *Consolidated Federal Funds Report for Fiscal Year 2000*.

IX. New York/Nassau-Suffolk: Quality of Life

A. Crime Rate

Crime Per 100,000 Inhabitants—2000

	<u>Violent</u>	<u>% Change from 1999</u>	<u>Property</u>	<u>% Change from 1999</u>
New York Metro	872.3	(7.8)	2,666.2	(8.3)
U.S. Metro Average	561.4	(3.8)	3,866.7	(3.7)

Source: U.S. Dept. of Justice, *Crime in the United States*.

B. Child Welfare

	<u>Overall Ranking*</u>	<u>Drop-Out Rate</u>	<u>Juvenile Crime</u>	<u>Teen Birth Rate</u>	<u>Immunization Rate</u>
New York	34	22	8	16	23

*The overall ranking is based on ten categories including child death rate, children in poverty, divorce rate, drop-out rate, infant mortality, teen birth rate, juvenile crime rate, and immunization rate. The highest possible ranking of all states (including Washington, DC) is 1.

Drop-Out Rate: The number one ranking represents the state with the lowest percentage of teenagers (16-19) who are high school drop-outs.

Juvenile Crime: The number one ranking represents the state with the lowest number of arrests of individuals under 18 divided by the population of the state.

Teen Birth Rate: The number one ranking represents the state with the lowest number of births for teenagers (15-19) per 1,000 births. (There are only 49 states ranked in this category.)

Immunization Rate: The number one ranking represents the state with the highest percentage of two-year-olds who have been immunized.

Source: Children's Rights Council, Washington, DC, July 1999.

IX. Quality of Life (Cont.)

C. Climate

Average Temperature (Fahrenheit)

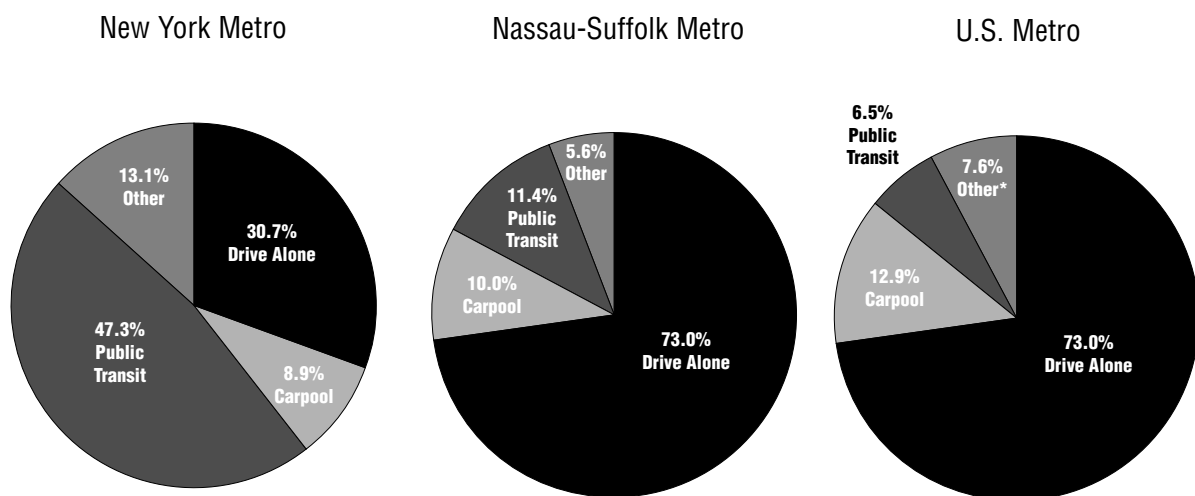
	<u>High</u>	<u>Low</u>
Winter	38	26
Spring	61	44
Summer	85	68
Autumn	66	50

Average Annual Precipitation: 44 inches

Elevation: 87 ft

% of Sunny Days Per Year: 58%

D. Mode of Travel to Work



*Includes those who work at home.

Source: U.S. Census Bureau, *Journey to Work & Migration Statistics*.

IX. **Quality of Life (Cont.)**

E. **Daily Commute Time**

	One-Way Avg. Travel Time (Min.)
New York PMSA:	35.3
Nassau-Suffolk PMSA:	30.0
U.S. Metro Average:	23.2

Source: U.S. Census Bureau, *Journey to Work & Migration Statistics*.

F. **Major Professional Athletic Franchises**

National Football League

New York Jets, New York Giants
(co-tenants of Giants Stadium in New Jersey)

Major League Baseball

New York Yankees, New York Mets

National Basketball Association

New York Knicks

National Hockey League

New York Islanders, New York Rangers

G. Performing Arts**Symphonies**

Bronx Symphony Orchestra
Brooklyn Philharmonic Orchestra
Long Island Philharmonic (Melville)
Manhattan Philharmonic
Manhattan Symphony Orchestra
New York Chamber Symphony
New York City Symphony
New York Philharmonic
New York Pops Orchestra
Queens Symphony Orchestra
Symphony for the United Nations
Symphony of Long Island (Uniondale)

Operas

Center for Contemporary Opera (New York)
Long Island Opera (West Hempstead)
Manhattan Opera Association
Metropolitan Opera Association (New York)
National Grand Opera (Garden City)
New York City Opera
New York Gilbert & Sullivan Players
New York Grand Opera Company
Queens Opera Association (Brooklyn)

Ballets

Alvin Ailey American Dance Theater (New York)
American Ballet Theater (New York)
Ballet Manhattan
Contemporary Ballet Company (Oyster Bay)
Dance Theatre of Harlem
Dance Theatre of Long Island (Port Washington)
Long Island Dance Company (Stony Brook)
Martha Graham Dance Company (New York)
New York City Ballet
New York Theatre Ballet

Source: *Musical America: International Directory of the Performing Arts*, New York, NY. Though many suburban communities have established symphonies and dance troupes, etc., this chart reflects the major, ongoing performing arts groups (in the above three categories) that are located in the central city and selected large communities of this metropolitan area.

X. New York/Nassau-Suffolk: Current Prices, Rents, and Cap Rates¹

A. Class A Property Sectors—National, Regional, Local

	CBD Office AVERAGE			Suburban Office AVERAGE			Warehouse AVERAGE			Retail AVERAGE			Apartment AVERAGE		
	Price sf	Rent sf	Cap Rate	Price sf	Rent sf	Cap Rate	Price sf	Rent sf	Cap Rate	Price sf	Rent sf	Cap Rate	Price sf	Rent sf	Cap Rate
National	\$204.33	\$32.63	8.9%	\$174.02	\$25.47	8.6%	\$43.69	\$5.61	9.1%	\$118.42	\$17.49	9.3%	\$103.58	\$14.54	8.5%
Northeast Region	270.99	43.81	8.8	187.05	28.31	8.6	48.22	6.47	9.2	127.28	19.02	9.3	118.96	19.14	8.9
New York — Downtown															
4th Q. '01	\$278.28	\$45.11	8.5%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
3rd Q. '01	299.99	46.08	8.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
4th Q. '00	290.21	49.00	8.1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
New York — Midtown															
4th Q. '01	388.03	60.05	8.3	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
3rd Q. '01	406.92	62.85	8.1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
4th Q. '00	413.70	64.75	8.2	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Nassau—Suffolk															
4th Q. '01	\$157.89	\$27.67	8.2%	\$144.69	\$25.18	8.4%	\$49.78	\$6.63	8.9%	\$132.39	\$21.39	9.2%	\$122.22	\$19.65	9.0%
3rd Q. '01	154.30	27.70	8.4	143.38	25.31	8.5	50.47	6.66	8.8	132.54	21.44	9.2	122.66	19.72	9.0
4th Q. '00	156.40	27.78	8.3	146.29	25.30	8.3	51.06	6.66	8.7	135.22	21.35	9.0	113.31	18.82	9.3

B. Other Property Classes – Most Recent Period

Property Sector

Price Per SF

Nassau-Suffolk

Class B Apartment

\$77.74

¹ Source(s): NREI Market Monitor. For more information on this or other INDEX-surveyed metropolitan areas, contact the National Real Estate Index, (800) 992-7257.

X. **Current Prices, Rents, and Cap Rates (Cont.)**

C. **Local Market Rankings**

4th Qtr. 2001 – Rankings*

	<u>CBD Office</u>	<u>Suburban Office</u>	<u>Warehouse</u>	<u>Retail</u>	<u>Apartment</u>	<u>Class B Apartment</u>
Manhattan Downtown						
Prices	5	--	--	--	--	--
Rents	5	--	--	--	--	--
Manhattan Midtown						
Prices	1	--	--	--	--	--
Rents	1	--	--	--	--	--
Nassau–Suffolk						
Prices	19	27	14	10	9	10
Rents	18	14	13	7	6	7

*Local market ranking among the 58 metropolitan areas (plus Manhattan Downtown and Midtown for CBD office) analyzed by the National Real Estate Index, with the #1 ranking representing the highest Class A price and/or rent per square foot for the noted time period.

XI. Nassau-Suffolk: Market Analysis

A. Nassau-Suffolk—Market Snapshot

Job Growth Moderates

Long Island (i.e., Nassau and Suffolk Counties) added 5,400 jobs during 2001, representing a 0.4% expansion of the local employment base. This is a significant slide from the 16,300 net jobs added during the 12 months ending in September. The unemployment rate grew from 2.6% in December 2000 to 3.7% one year later.

The service sector saw the greatest growth with the addition of 5,100 jobs. Government was second, producing 3,900 new positions. Other major employment categories that expanded during the year included retail, which added 2,900 to its payroll, transportation, with 300 jobs, and construction, which grew by 100.

Three employment sectors saw losses: manufacturing eliminated 4,500; finance, insurance, and real estate (FIRE) lost 1,600; and wholesale trade saw a decline of 800.

OFFICE

In a reversal from the record low vacancies and strong positive absorption in 2000, Long Island saw vacancy rates consistently climb in 2001, as absorption levels remained negative through each progressive quarter. The overall vacancy rate in the fourth quarter 2001 stood at 14.6%, an increase from 13% in the third quarter, and more than double the 6.7% rate posted at the end of 2000.

Western Nassau County Posts Highest Vacancy:

The third quarter delivery of the vacant one million square foot I. Park building, a former Lockheed Martin site being redeveloped into a high-tech hub in Lake Success, is being credited for the dramatic spike in Long Island's overall vacancy rate as well as in the Western Nassau submarket. This area experienced the highest vacancy rate in the fourth quarter at 23.8%, unchanged from last quarter, but a whopping 18.7 percentage point climb from the 5.1% rate one year earlier. A fairly small submarket at 6.7 million square feet, it is not surprising that the addition of a complex as large as I. Park pushed vacancy into the double digits so quickly. Net absorption, though positive, was miniscule in the fourth quarter.

In Eastern Nassau, Rainbow Networks opened its new technology center complex in Bethpage during the second half of 2001. The company set up shop in buildings formerly owned by Northrop-Grumman. One building consisted of office space; the other is a former warehouse that was converted for office use.

Courthouse Corporate Center Brings More

Space to Mid-Suffolk: Developers completed renovations on the Courthouse Corporate Center (175,000 square feet) at 320 Carleton Avenue in Central Islip delivering the building to the market 70% vacant. Accordingly, the Mid-Suffolk submarket carried the second-highest vacancy rate (18.9%) at the end of 2001. This represents an increase from 12.6% in the third quarter and more than a ten percentage point hike from the fourth quarter 2000. Net absorption dug deeper into the red during the fourth quarter totaling a negative 162,000 square feet, compared to a negative 43,000 square feet last quarter. One year ago, net absorption was positive, but just barely at 5,000 square feet. The 408,000 square foot office complex underway in Hauppauge missed its target date for completion (by the end of 2001) and remains under construction. A 50,000 square foot building continues construction on Commack Road. Owned by Memorial Sloan-Kettering Cancer Centers, it is slated for completion in early 2002.

Projects that came on-line during 2001 in Suffolk County include the 277,000 square foot Reckson Executive Park building on South Service Road in Melville, the 183,000 square foot 100 Motor Parkway phase 1 in Hauppauge, the above-mentioned 175,000 square foot Courthouse Corporate Center on Carleton Avenue, and the 149,000 square foot Melville Corporate Center on Maxess Road.

In 2001 sales activity, Broadway Real Estate purchased the 350,000 square foot office complex at 1979 Marcus Avenue. The building is 99% occupied. Also, Metropolitan Realty Advisors bought the Woodlands in Hauppauge consisting of 127,000 square feet of Class B office space for about \$12 million.

XI. Market Analysis

A. Nassau-Suffolk—Market Snapshot *(continued)*

INDUSTRIAL

The overall vacancy rate for industrial space on Long Island tightened to 4.6% in the fourth quarter, the second consecutive drop of the year. This represents a slight decline from the 4.8% vacancy rate reported in both the third quarter 2001 and at the end of 2000. Overall net absorption totaled a negative 704,000 square feet in 2001, compared to the positive 295,000 square feet in 2000. The Nassau submarket claims Long Island's highest industrial vacancy at 6.9%, while Staten Island (only 300,000 square feet) was fully occupied. CB Richard Ellis tracks industrial properties in Nassau and Suffolk Counties, as well as Kings and Queens Counties and Staten Island.

In sales and leasing activity, ELM Freight Handlers has leased 106,000 square feet of warehouse space at 400 Rabro Drive in the Hauppauge Industrial Park and Martin Five Partners sold the 75,000 square foot 85 Marcus Drive in Melville to Gould Investors for \$6 million. The property is 100% leased. Very little new construction was underway in the fourth quarter. A 95,000 square foot self-storage facility is slated for completion in Farmingville in Spring 2002.

Exports/Imports Decrease: The value of exports handled by the New York City Customs District decreased 0.7% through October to \$64 billion. Imports fell 3% to \$118 billion.

RETAIL

In a report released by Suffolk County's Department of Planning in Fall 2001, the vacancy rate for shopping centers was 12%, while downtown retail space was 8% vacant. The study also shows that vacancy rates in both stand-alone shopping centers and downtown business districts have declined since the last study in 1997. Regardless, the report warns that the county needs to absorb its vacant retail space before embarking on any new shopping centers.

Developers Fight to Build: Several developers are finding it an uphill battle to get stores built on Long Island. For instance, a developer has proposed a one million square foot regional shopping mall in Yaphank, but Suffolk County officials are against

the plan. They contend that the county has enough retail space and point to the 775,000 square foot Tanger Outlets in Riverhead as eliminating the need for the proposed mall. Opened in 1994, the Riverhead complex is an extremely popular shopping destination.

Trouble is also brewing in Riverhead over an attempt by Lowe's to build a warehouse and garden center on County Road 58. A New Jersey developer has filed a lawsuit with the state against the Riverhead Town Board to compel it to approve a site plan for a 173,000 square foot facility. One project under construction in the area is East End Properties' Home Depot, about a mile east of the proposed Lowe's. That project only broke ground after years of legal haggling.

Home Depot is running into stiff resistance over construction of other new locations on the Island, however. The opposition comes from citizens who fear increased traffic around their homes and merchant groups who see the big-box chain as a "killer of local competition". Protests are still brewing over the company's plans to build a reliever store in Plainview to handle overflow from its Farmingdale, Jericho, and Huntington outlets. The site currently contains a 135,000 square foot industrial facility that would be razed for the 130,000 square foot store. Similar opposition is building over another planned store at Rockville Centre. The company contends that demand for its home improvement wares will support more than twice the number of stores (17) the chain has built on Long Island.

APARTMENT

The fourth quarter vacancy rate for apartments on Long Island stood at 5.5%, according to Property & Portfolio Research. This reflects a steady rise from 4.8% at year-end 2000 and 5.2% in 2001's third quarter. Developers are getting the message. The 1,160 multifamily permits issued in 2001 represent a 13% decrease from 2000.

It is no easy task to get apartment projects approved on Long Island, but the most likely developments to succeed are luxury complexes. Rising home prices, improving migration trends, and healthy job growth have all contributed to a rise in demand for these

XI. Market Analysis

A. Nassau-Suffolk—Market Snapshot *(continued)*

high-end residential units. One project that is under-way is Fairfield Properties' 202-unit Fairfield Hills South in Farmingville, scheduled for completion in June 2002.

Large projects that managed to complete in 2001 include AvalonBay's 340-unit Avalon Court North and the first phase of Trammell Crow's 795-unit Alexan Brookhaven project.

HOSPITALITY

Long Island's hotel occupancy rested at 71.5% at the end of 2001. This was down from 73% in the third quarter and from 75.9% at the end of 2000, according to Smith Travel Research. The Long Island Hotel and Lodging Association reported a 40% plunge in occupancy rates at many hotels immediately after the World Trade Center attacks, but by the first week in October, rates had picked up again. However, the association points out "Normally at this time of year, Long Island hotels are about 80% full, mostly with conventioners."

A 161-room Hampton Inn opened in Farmingville's Brookhaven township in February 2002 and a 145-room Inn at Fox Hollow recently opened in Woodbury. A 163-room Red Roof Inn will open this Spring in Westbury.

XI. Market Analysis

B. Nassau-Suffolk—Submarket Inventory/Vacancy

OFFICE*				
SUBMARKET	INVENTORY	VACANCY	ABSORPTION	CONSTRUCTION
<u>NASSAU COUNTY</u>				
Western Nassau	6,691,526	23.8%	7,126	0
Central Nassau	10,803,495	12.3%	(216,780)	0
Eastern Nassau	5,285,797	7.0%	(63,342)	0
Southern Nassau	1,094,230	4.9%	7,842	0
Nassau County	23,875,048	14.0%	(265,154)	0
<u>SUFFOLK COUNTY</u>				
Mid-Suffolk County	5,360,185	18.9%	(162,512)	0
W. Suffolk County	7,561,335	11.2%	13,838	458,000
Suffolk County	12,921,520	14.4%	(147,678)	458,000
MARKET TOTAL	36,796,568	14.6%	(412,832)	458,000
*Reported as of fourth quarter 2001.				
Source: CB Richard Ellis (Garden City).				

INDUSTRIAL*		
SUBMARKET	INVENTORY	VACANCY
Kings	33,672,121	2.7%
Nassau	22,184,394	6.9%
Queens	35,210,964	4.5%
Staten Island	300,000	0.0%
Suffolk	18,036,079	5.7%
MARKET TOTAL	109,403,558	4.6%
*Reported as of fourth quarter 2001.		
Source: CB Richard Ellis (Garden City).		

C. New York—Market Snapshot

Job Growth Plummets in 2001

Job losses associated with the World Trade Center tragedy and further weakening in the nation's economy through the end of 2001 put greater New York at the top of the list for job losses in 2001. The metropolitan area saw 95,400 positions eliminated, representing a 2.2% decline in the local employment base. This is a dramatic turnaround from the 19,800 net jobs created in 2000. The unemployment rate rose from 4.8% in December 2000 to 6.5% one year later.

Five Sectors Hit Hard: The finance, insurance, and real estate (FIRE) sector experienced the greatest job declines, cutting 32,800 from its payroll. The local service sector followed with the elimination of 19,300 positions. Manufacturing saw 16,300 jobs swept away, transportation eliminated 11,400, retail lost 11,100, and wholesale trade cut 7,900.

Only two major employment sectors posted job gains—construction, with the addition of 2,300 positions, and government, which gained 1,100 new jobs.

OFFICE

Year Ends on a Weak Note

As predicted, the Manhattan office market continued to soften through the fourth quarter 2001 as the metropolitan vacancy rate rose to 8.6%. This represents an increase of one percentage point from the third quarter, and four percentage points from year-end 2000. Net absorption improved slightly during the quarter, but remains in the red at a negative 4.2 million square feet, a far cry from the 675,000 square feet of positive absorption posted one year earlier. Midtown recorded the highest negative absorption at 3.7 million square feet, most of which came from Midtown North. A proliferation of new projects put fourth quarter construction at nine million square feet, more than double the volume underway at the close of 2000. Firms displaced by the World Trade Center attacks are making their way back into Manhattan, many citing the need to be near Wall Street and the New York Stock Exchange.

Downtown Occupancy Unchanged from Last

Quarter: Downtown Manhattan's fourth quarter 10.6% vacancy rate remained essentially unchanged from the third quarter (10.4%), according to CB Richard Ellis. However, this represents a significant increase from 2000's fourth quarter when the vacancy was a slim 3.1%. Battery Park, Greenwich Village, and the Financial District contributed greatly to Downtown's rising vacancy rate. All three gained nine percentage points during the year. The smallest increase (4.4 percentage points) occurred in the Insurance District.

In sales activity, Capital Real Estate is in contract with United Nations Development Corporation to buy buildings 1, 2, and 3 at UN Plaza for approximately \$161 million. The title transfer is awaiting sign-offs from the new mayoral administration and the UN. The complex, which does not include the main UN general assembly building, consists of 1.2 million square feet of office space, 85% of which is leased. The transaction covers the garage and office condos under the Millennium Hotel, buildings 1 and 2, with the right to buy the land from the Bishop family in 20 years, and building 3, which UNICEF leases and can buy for \$1 in 25 years. Capital Real Estate is a U.S. affiliate of an Israeli company. In another pending sale, an investment fund controlled by the private banking group of UBS signed a contract in January to buy 370 Lexington Avenue for just over \$60 million. The 240,000 square foot building represents the first major post-September 11th deal of a secondary office product.

The United Federation of Teachers completed its lease for 400,000 square feet at 52 Broadway and is under contract to buy the neighboring 50 Broadway. Morgan Stanley has signed two deals to place some of its World Trade Center employees in new offices. The company sublet 146,000 square feet from PhotoDisc at 75 Varick Street and took over RCN Corporation's lease for 112,000 square feet at 825 Third Avenue. The largest displaced tenant of the World Trade Center, Morgan Stanley, recently sold Rockefeller Plaza West to Lehman Brothers.

Midtown South Softens Most: Midtown South experienced the greatest annual uptake in vacancy, rising more than eight percentage points during 2001 to 11.4%. Double-digit vacancy rates were

XI. Market Analysis

C. New York—Market Snapshot (continued)

reported in every Midtown South submarket led by the Garment District and West Midtown South, both sporting 12.2% rates. East Midtown South had the lowest vacancy rate at 10.3%.

Construction Pipeline Stoked in Midtown North:

Midtown North was 6.1% vacant at the end of 2001, representing a one percentage point increase from the third quarter and a four percentage point hike from one year ago. This submarket remains the sole area for development claiming all of Manhattan's nine million square feet of new construction, more than double the volume posted at the end of 2000. The Park Lexington and Rockefeller Center submarkets recorded Midtown North's lowest vacancies at 3%. Madison Avenue had the highest rate at 9%.

Enron Debacle Hits Times Square: The fallout from Enron's collapse is reaching all the way to Manhattan, where the new Times Square Tower is underway on the south side of 42nd Street between Seventh Avenue and Broadway. The new \$625 million skyscraper faces the real possibility of losing its anchor tenant Arthur Andersen. The accounting firm has pre-leased approximately 600,000 square feet in the 1.2 million square foot project. But investigations into Andersen's role in Enron's accounting transgressions and the shredding of crucial documents are causing many to question the accounting firm's long-term viability. That would spell trouble for Times Square Tower. If Andersen is not able to meet its leasing commitment, that space will be added to 548,000 square feet that still sits on the market un-leased. Times Square Tower is just across the street from another Boston Properties project, 5 Times Square. That 1.1 million square foot building is fully leased to accounting firm Ernst & Young.

Other large projects in development in the fourth quarter include Columbus Circle (2.6 million square feet), of which AOL Time Warner and its three developers will take 925,000 square feet, 300 Madison Avenue (1.2 million square feet), One Rockefeller Plaza West (one million square feet), 383 Madison Avenue (866,000 square feet), which is fully leased by Bear Stearns, 731 Lexington Avenue (850,000 square feet), and 222 East 41st Street (374,000 square feet).

Empire Blue Cross/Blue Shield Picks up Spec Space:

In November, Empire Blue Cross/Blue Shield agreed to take 322,000 square feet for its

operations staff at Forest City Ratner's 700,000 square foot Nine Metro Tech Center, underway in Brooklyn. The company was unable to replace the large 480,000 square foot block of space it lost in the World Trade Center attacks, so it decided to split its headquarters and operations staff. The company signed an earlier lease for 105,000 square feet at 11 West 42nd Street.

Westchester County Loses Texaco: The vacancy rate for Westchester County rose from 11.4% in the third quarter 2001 to 14% at year-end. This represented a four percentage point climb from 10% in 2000's fourth quarter.

The Southwest Westchester submarket had the largest quarterly vacancy increase, rising a whopping 16 percentage points to nearly 25%, while the yearly uptake represents an 18 percentage point hike. The reason for such a large increase was an adjustment, which added a 150,000 square foot vacant building to this submarket. The impact was substantial due to the submarket's small size, just 1.4 million square feet.

The East I-287 Corridor submarket saw its vacancy rate jump five percentage points to 16% between the third and fourth quarters. This can be directly attributed to Texaco vacating 492,000 square feet on Westchester Avenue in Harrison. The company is merging with Chevron and will be headquartered in San Francisco. Absorption slid from a positive 43,000 square feet to a negative 572,000 square feet during this timeframe as a result of the defection.

Manhattan Relocations: Noteworthy year-end leases include MetLife's contract for 55,000 square feet on Hamilton Avenue and Austin Nichol's planned lease for 32,000 square feet on Westchester Road, both in White Plains. The leases are the result of relocations from Manhattan.

INDUSTRIAL

Not a Speculative Building in Sight

The Westchester County industrial market also softened, but the change is less dramatic than in the office sector. Similar to the office sector, CB Richard Ellis made some adjustments to inventory, which added vacant space to the market in the

XI. Market Analysis

C. New York—Market Snapshot (continued)

fourth quarter. The vacancy rate climbed from 7% at year-end 2000 and 7.4% in 2001's third quarter to 8.6% at the end of the fourth quarter. The only construction underway during the quarter was a 105,000 square foot single-tenant building in Bedford Hills and a pre-leased 33,000 square foot building at 125 Clearbrook Road in Elmsford.

Northern Westchester posted the highest vacancy at 21.3% while Southwest Westchester was the tightest submarket with a 5.3% rate. This latter submarket is the largest industrial area in the county.

Exports/Imports Decrease: The value of exports handled by the New York City Customs District decreased 0.7% through October to \$64 billion. Imports fell 3% to \$118 billion.

RETAIL

You Can't Keep a Good City Down: In a city with residents known for being boisterous and brash, the silence in Manhattan following the World Trade Center attacks was disquieting. Prominent retailers such as Bergdorf's, Barneys, and Bloomingdale's lowered their shades out of respect for WTC victims and consumers indulged only their barest shopping needs. The erosion of the customer base was evident—from the loss of thousands of workers in the WTC area to the dearth of both international and local visitors. But this global shopping mecca did not remain silent for long.

As soon as the financial markets switched on their lights, leases were being signed—the Big Apple's glow was returning. Demand for store locations has hardly suffered. Although overall asking rents for retail space are down considerably compared to one year ago, the dip offers a mixed blessing. Rental rates vary throughout the city and are creating some prime opportunities for smaller retailers in the market for 10,000 square feet or less. There is now some elbow room at the negotiating table and lower rental rates are decreasing opening costs and enticing new stores and retail venues into the city. Tenants seeking large chunks of space in prime areas are having a more difficult time, however, as very little space is available. A steady stream of demand comes from every industry—home furnishings, apparel, beauty, and mom & pop shops. This diversity and flexibility is expected to put the retail market back on track in the near term.

Analysts at the National Association of Realtors (NAR) estimated New York City's retail vacancy rate at 6% in December 2001.

Newcomer on the Block: A testimony to New York's tolerance and diversity, relative newcomer H&M has won over city shoppers. The Swedish fashion company surprised jaded retail experts with the resounding success of its first U.S. store in 2000. Its Fifth Avenue location still draws crowds for low-priced versions of the latest fashions. The warm reception prompted executives of the chain to step up expansion in the five boroughs. The company now operates three Manhattan locations, ranging in size from the 20,000 square foot SoHo unit to the 66,000 square foot space at West 34th Street and Broadway. H&M also recently debuted at King's Plaza in Brooklyn.

Drug Chain Jumps at Opportunity: More than a survivor, New York's number one drug chain, Duane Reade, has quickly adapted to the post-September 11th business environment. Instead of retreating to see what the market will do, it is speeding up construction of stores in areas that are more densely populated, such as Times Square. The company's strong belief in the city prompted it to open 30 stores last year, topping its original budget by five units. The chain already has a 60% share of the Manhattan drugstore market and 40% in other boroughs, but local analysts think the \$1 billion company can capture more customers. The New York metropolitan market reportedly has one of the lowest drugstore-to-population ratios in the country.

New York Works for Home Depot: Home Depot jumped legal hurdles in the early 1990s to bring a big-box store to New York and has thrived here ever since. In the past seven years, it has opened six stores in Queens, one in the Bronx, one in Staten Island, and two in Brooklyn. All of the stores are among Home Depot's busiest, with the Brooklyn stores grossing the highest sales in the company. Four more locations are under construction and slated to open this year—Mill Basin and Starrett City, both in Brooklyn, Vanderbilt Avenue on Staten Island, and Castle Hill in the Bronx. In 2003, the company will take on Manhattan for the first time, with a site at 116th Street in East Harlem. By the end of 2004, the company intends to have 20 locations in the metropolitan area.

XI. Market Analysis

C. New York—Market Snapshot (continued)

Outside of Manhattan, the Queens Center mall in Elmhurst is about to get bigger. The city's Economic Development Corporation is going to sell the mall's owner a parcel of adjacent land enabling it to add 422,000 square feet to the 605,000 square foot shopping center. The expansion will include a two-level retail bridge spanning 92nd Street linking the existing mall and the new addition.

Same-store sales in greater New York fell 0.9% in November 2001 compared to one year earlier. This reflects less of a drop than in most other areas and was below the 1.4% fall nationwide.

APARTMENT

New York's apartment market had a vacancy rate of 4.3% at the close of 2001, an increase from 4.1% one year earlier, according to Property & Portfolio Research. This is a miniscule gain and still indicative of relatively tight conditions. Accordingly, multifamily permits increased 6.5% from 2000 to 9,600 in 2001.

The fear of living in high-rise residential towers, which emerged following the terrorist attacks, appears to have been a short-lived phenomenon. The most recent trend has a growing number of residents scooping up apartments left behind by residents who are still struggling with the psychological scars of the disaster.

One Tenant's Nightmare Is Another's Dream: Traditionally, competition for apartments in New York City has been fierce and landlord concessions were mostly a fantasy. But in the wake of the terrorist attacks, demand fell and concessions made a comeback, particularly in buildings close to ground zero. Part of the allure of living in Battery Park City (located at the tip of lower Manhattan along the Hudson River, just minutes from the former World Trade Center) was the eye-catching views offered to tenants on the upper floors of high-rise towers. But now the landscape serves as a painful reminder of September 11th and many tenants have relocated to safer areas, leaving several buildings as much as 30% vacant.

In October, this prompted landlords to offer rent reductions to tenants who chose to stay in the area. By November, savvy renters were on the prowl for

bargains. Concessions are expected to continue as long as air quality and transportation issues remain unresolved.

Apartment projects underway during the fourth quarter include West 23rd Street apartments (431 units) in Chelsea, 50 Murray Street (400 units) in downtown, PennMark (330 units) in Chelsea, 20 River Terrace (262 units) in Battery Park City North, 39th Street and 2nd Avenue (260 units) on the East Side, and The Seville (144 units) on the Upper East Side.

Walls Go up on Westchester Apartments:

Construction has begun in downtown White Plains on a \$137 million apartment complex located on a vacant site that had previously been considered for an office building, movie theater, and hotel. LCOR is constructing 500 rental units in two towers; occupancy is scheduled to begin in the Spring of 2003.

LCOR and J.P. Morgan Fleming Asset Management are partners in the project, which is to be known as Bank Street Commons. The Westchester County Industrial Development Agency is providing tax benefits in exchange for LCOR setting aside 30 apartments at below-market rates to qualified renters.

HOSPITALITY

Hotel occupancy was 73% at the end of 2001, according to Smith Travel Research. It has been on the decline since posting an 83% rate at the close of 2000. Occupancy had already slipped to 76% by the end of June, a result of the sluggish economy, layoffs, and cuts in business travel.

The 509-room W Times Square hotel opened in December in time for New Year's Eve. The 858-room Westin at Times Square is currently under construction with an opening date slated for Fall 2002. Both W and Westin are part of Starwood Hotels & Resorts.

XI. Market Analysis

D. New York—Submarket Inventory/Vacancy

OFFICE—Manhattan*				
SUBMARKET	INVENTORY	VACANCY	ABSORPTION	CONSTRUCTION
<u>DOWNTOWN</u>				
Battery Park	8,911,985	16.3%	(239,432)	0
City Hall	10,009,070	10.2%	75,838	0
Financial District	32,731,890	11.6%	(54,155)	0
Insurance District	19,606,854	7.4%	(121,544)	0
Greenwich Village	12,253,740	11.9%	(183,981)	0
World Trade Center	10,521,456	7.1%	0	0
DOWNTOWN TOTAL	94,034,395	10.6%	(523,274)	0
<u>MIDTOWN NORTH</u>				
Columbus Circle	17,886,198	5.1%	(141,410)	1,902,491
Grand Central / U.N.	40,064,548	8.5%	(544,680)	1,573,646
Madison Ave	12,467,334	9.0%	(191,481)	1,200,000
Park /Lexington	26,758,792	3.0%	(109,183)	850,000
Plaza District	17,333,842	8.3%	(226,006)	0
Rockefeller Center	24,094,055	3.0%	(211,466)	1,035,180
Third Ave	11,345,981	8.6%	(437,518)	0
Times Square /Theater	20,190,045	5.5%	(176,303)	2,352,035
Midtown North	170,140,795	6.1%	(2,038,047)	8,913,172
<u>MIDTOWN SOUTH</u>				
East Midtown South	38,078,308	10.3%	(299,167)	0
Garment District	28,112,544	12.2%	(244,032)	0
Penn Station	12,857,868	12.1%	(561,220)	0
West Midtown South	8,180,570	12.2%	(557,050)	0
Midtown South	87,229,290	11.4%	(1,661,469)	0
MIDTOWN TOTAL	257,370,085	7.9%	(3,699,516)	8,913,172
MARKET TOTAL	351,404,480	8.6%	(4,222,790)	8,913,172
*Reported as of fourth quarter 2001.				
Source: CB Richard Ellis (New York).				

OFFICE—Westchester County*				
SUBMARKET	INVENTORY	VACANCY	ABSORPTION	CONSTRUCTION
White Plains CBD	6,367,334	18.1%	(129,458)	0
East I-287 Corridor	11,323,536	16.0%	(572,366)	0
Southeast Westchester	2,006,472	4.8%	11,250	0
West I-287 Corridor	7,008,825	13.4%	(26,398)	0
Southwest Westchester	1,423,406	24.9%	(121,781)	0
Northern Westchester	5,665,143	7.5%	61,532	20,000
MARKET TOTAL	33,794,716	14.0%	(777,221)	20,000
*Reported as of fourth quarter 2001.				
Source: CB Richard Ellis (Stamford, CT).				

INDUSTRIAL—Westchester County*				
SUBMARKET	INVENTORY	VACANCY	ABSORPTION	CONSTRUCTION
East I-287 Corridor	2,574,865	6.7%	(34,659)	0
North Westchester	4,261,101	21.3%	(49,551)	105,000
Southeast Westchester	6,470,807	7.0%	144,850	0
Southwest Westchester	8,298,885	5.3%	(44,820)	0
West I-287 Corridor	4,748,885	6.3%	(109,531)	33,000
MARKET TOTAL	26,354,543	8.6%	(93,711)	138,000
*Reported as of fourth quarter 2001.				
Source: CB Richard Ellis (Stamford, CT).				

Methodology

Metro Market Facts is based on property transaction and supplemental data compiled by the National Real Estate Index.

Property Prices, Rents, and Cap Rate Data

The National Real Estate Index (INDEX) reports data on large income-producing properties bought and sold nationwide. The primary market makers include pension plans, real estate investment trusts, banks, savings and loans, commercial real estate brokers, appraisers, and investment program sponsors. The properties analyzed in the INDEX include office buildings, warehouse/distribution properties, retail centers, apartments, and hotels.

Mean Prices: The INDEX *Market Monitor* compiles and reports average transaction prices, rents, capitalization rates for Class A properties in local and regional markets throughout the United States, as well as prices for lower quality properties in many markets. All transactional data is calculated at the point of purchase/sale, reflecting values based on arm's length negotiations.

Effective Gross Rents: Except for retail, stated rents reflect all occupancy costs. Because reported rents include rent concessions and operating cost chargebacks, if any, reported rents are therefore **effective gross rents**. Reported *retail* rents include in-lying small shop space only and are *triple net*. *Warehouse rents* reflect lease rates for *warehouse space only*.

Capitalization Rates: Cap rates are determined from reported **actual net operating income**, either from property sales or from representative properties.

Important: Please note that because the rent figures represent quoted rates (after concessions) on space currently available (rather than the total rental income for all buildings surveyed), prices, rents, and cap rates may not always appear “internally” consistent. Reported price and rent trends are moderated by independent market surveys conducted by the INDEX research staff. Where there are too few transactions to constitute a statistically-significant sample or the underlying data for the transactions are incomplete, the performance of prototype properties is used to supplement the transaction data in deriving average values and cap rates.

BUILDING NORMS: In order to maintain quality data and monitor rental rate trends, specific “prototype” or “tracked” properties that conform to the norms discussed below have been identified in each market.

All tracked properties have no leases that are significantly higher or lower than the market rates for similar space. Buildings are of high quality, have current construction materials and techniques, and are aesthetically modern and attractive. The buildings are representative of local conditions, stabilized with modest vacancy, and ten years old or less. *Norms* for specific property types (and local market *prototypes*) reported in the INDEX are as follows:

Office: Ten stories or greater size, steel frame (or other high quality) construction, and a high quality modern exterior finish and glass application. Properties are located in the Central Business District (CBD) or, where noted, a submarket recognized as a primary office location.

Warehouse/Distribution: The INDEX employs space originally designed and used for true warehouse/distribution or storage as the property norm. Buildings are usually of tilt-up concrete construction, with flat roofs and a clear space span of at least 18 feet. No more than 20% of the total space is office build-out. The buildings have a minimum of 50,000 square feet and are located in a quality industrial park or other superior location.

Retail: A “neighborhood” or small community center, rather than an enclosed mall, is the property norm for shopping centers. The typical center is 75,000–225,000 square feet and contains at least one major anchor tenant, usually a high quality national or regional grocery store. Generally, 30%–50% of the space in prototype retail centers is occupied by anchor tenants. All construction is single story and of modern design, with a 3.5:1 parking-lot-to-developed-space ratio. Properties are located in established neighborhoods.

Apartment: Apartments are garden- or campus-style. Construction is standard stud frame with a stucco or other high quality exterior. Some decorative facia is applied, usually of brick, and the peaked roof is built on prefabricated trusses of material other than blacktop buildup. There is quality landscaping with some mature trees and shrubbery. Prototype apartment communities contain 100–300 units and have amenities appropriate for the geographic region. Amenities usually include a pool, tennis courts and/or health/fitness rooms. Tenants have covered parking for at least one car per apartment unit. Class B apartments are defined as properties built or substantively renovated from 1980 through 1989.

Note: As for most statistical data services, previously-reported data is revised as needed to reflect the receipt of new data. Specifically, because a number of property transactions for any given quarter are reported too late to be included in that quarter's issue of the *Market Monitor*, the INDEX revises data released in prior issues if the values previously reported have changed significantly. We believe this approach helps assure the most reliable data over the long-term.

Nonproprietary Data Sources

Sources: In reporting property transaction prices, rents, and cap rates, the National Real Estate Index relies primarily on proprietary data sources, including an extensive property database.

The publishers supplement the proprietary property transaction data with non-proprietary information and background material in the areas of property stock, absorption, and vacancy trends. The National Real Estate Index recognizes the following distinguished firms, publications, and individuals for their contributions in these areas.

CB Richard Ellis (Office, Industrial)

Sales & Marketing Management—2001 Survey of Buying Power (Income and Retail Sales)

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