



New York

Vol. 33

First Quarter 2002

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

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New York

Vol. 33



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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Nassau-Suffolk: Metropolitan Map/Market Definition

Nassau-Suffolk PMSA:

Nassau County
Suffolk County

Land Area of Nassau-Suffolk PMSA:

1,198 sq. miles

Population Density (2001):

2,315 people per sq. mile



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I. New York: Snapshot

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

Job Growth (Loss) 12 Months (Ending in March 2002):	(3.2%)
Unemployment Rate (March):	7.1%
Metropolitan Population Growth (Loss), 1990–2001:	9.2%
Total Metropolitan Population, 2001:	9.3 million

B. First Quarter 2002 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															
1st Q. '02	\$278.15	\$44.76	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
4th Q. '01	286.13	45.11	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
1st Q. '01	307.06	49.13	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
New York -- Midtown															
1st Q. '02	382.55	59.38	8.4	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. '01	389.39	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
1st Q. '01	390.28	64.92	8.7	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 March 2002):	0.5%
Unemployment Rate (March):	4.2%
Metropolitan Population Growth (Loss), 1990–2001:	6.3%
Total Metropolitan Population, 2001:	2.8 million

B. First Quarter 2002 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
1st Q. '02	\$158.32	\$27.82	8.2%	\$144.69	\$25.18	8.4%	\$49.29	\$6.65	9.0%	\$134.61	\$21.64	9.1%	\$123.84	\$19.91	9.0%
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
1st Q. '01	154.79	27.88	8.4	144.53	25.30	8.4	51.18	6.69	8.7	135.22	21.35	9.0	116.17	19.09	9.2

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 — 2001:	9,333,700	2,773,600	284,796,900
% Growth—2000–2001:	0.1%	0.5%	0.9%
% Growth—1990–2000:	9.1%	5.8%	13.4%
% Growth—1980–1990:	3.3%	0.1%	9.8%

B. County Population Growth

<u>County</u>	<u>2001 Population</u>	<u>% Growth 1990-2001</u>
Nassau	1,334,600	3.6
Suffolk	1,439,000	8.9
Bronx	1,337,900	11.1
Kings	2,465,300	7.2
New York	1,541,200	3.6
Putnam	97,200	15.8
Queens	2,224,500	14.0
Richmond	450,200	18.8
Rockland	288,600	8.7
Westchester	928,900	6.2

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 (1990-2001)

Population Growth (% Gain/Loss, April 1990-July 2001)

Las Vegas	94.7%	Greenville-Spartanburg	17.8%
Austin	55.2%	Columbus	15.9%
Phoenix	51.2%	Oakland-East Bay	15.5%
Atlanta	44.0%	San Diego	14.6%
Raleigh-Durham	43.4%	UNITED STATES	14.5%
Orlando	39.4%	Central New Jersey	14.3%
West Palm Beach	34.9%	Kansas City	13.9%
Dallas-Ft. Worth	33.8%	Oklahoma City	13.9%
Denver	33.0%	Memphis	13.7%
Charlotte	33.0%	Chicago	12.6%
Ft. Lauderdale	32.9%	San Jose	11.4%
Riverside-SB	31.4%	Cincinnati	9.7%
Portland	29.7%	New York	9.2%
Houston	29.2%	Los Angeles	8.7%
Nashville	27.1%	Baltimore	8.0%
Salt Lake City	25.8%	San Francisco	7.3%
Jacksonville	24.8%	Newark-No. New Jersey	7.0%
Sacramento	24.4%	Nassau-Suffolk	6.3%
Albuquerque	22.8%	Boston*	5.5%
Seattle	20.0%	Honolulu	5.4%
Orange County	19.9%	Milwaukee	5.3%
Washington, DC	19.7%	St. Louis	5.0%
Minneapolis	18.8%	Detroit	4.3%
Tampa-St. Petersburg	18.5%	Philadelphia	4.0%
Indianapolis	18.3%	Hartford*	2.2%
Miami	18.2%	Cleveland	2.0%

*Updated populations are not yet available for Boston and Hartford. For these markets, changes are based on 2000 data.

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 March):	(3.2%)
Total Number of Net New Jobs, 12 Months (Ending in March):	(135,500)
Leading Sector, <i>Government</i> —% Employment Growth:	0.0%
Leading Sector, <i>Government</i> —Number of Net New Jobs:	(300)
% Employment Growth in Other Key Sectors	
Manufacturing:	(6.8%)
Business Services:	(9.7%)
% Unemployed, March 2002:	7.1%
% Unemployed, 12 Months Before:	5.2%

National

Employment Growth (Loss)—% 12-Month (Ending in March):	(1.0%)
% Unemployed, March 2002:	6.1%
% Unemployed, March 2001:	4.6%

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 March):	0.5%
Total Number of Net New Jobs, 12 Months (Ending in March):	6,500
Leading Sector, <i>Government</i> —% Employment Growth:	2.6%
Leading Sector, <i>Services</i> —Number of Net New Jobs:	6,300
% Employment Growth in Other Key Sectors	
Manufacturing:	(4.7%)
Business Services:	N/A
% Unemployed, March 2002:	4.2%
% Unemployed, 12 Months Before:	2.7%

National

Employment Growth (Loss)—% 12-Month (Ending in March):	(1.0%)
% Unemployed, March 2002:	6.1%
% Unemployed, March 2001:	4.6%

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

	Average Annual Wage*	National Rank	% Workers in Union	National Rank
New York	\$26,740	20	26.7%	1
U.S. Average	\$26,450	--	13.5%	--

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

Source(s): U.S. Dept. of Labor/wage figures (2000); U.S. Census Bureau/union membership (2001).

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</u> <u>Rating***</u>	<u>1998</u> <u>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 Who Graduated From High School	% of Adults Who Graduated From 4-Year College/University
New York	77.7	32.9
U.S. Average	84.1	25.6

Source: U.S. Census Bureau, 2000.

B. Educational Expenditures and Salaries

	Per-Pupil Expenditures	Rank	Teacher Salaries	Rank	Student: Teacher Ratio	Rank
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

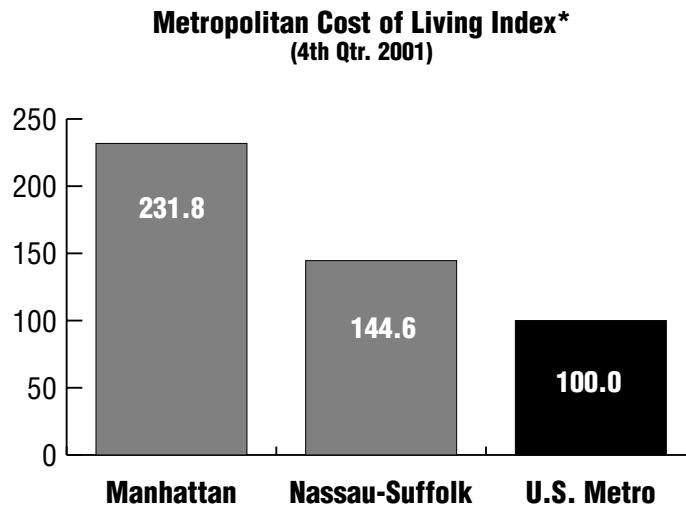
	Federal R&D Expenditures (\$\$ in mil.)	% of Leading School*	Total R&D Expenditures (\$\$ in mil.)	% of Leading School*
Columbia	\$137.1	63.8	\$158.4	59.1
City Univ. of NY	\$2.0	0.9	\$2.6	1.0
Fordham University	\$1.5	0.7	\$2.0	0.7
NY Medical College	\$9.5	4.4	\$12.1	4.5
NYU	\$73.1	34.0	\$97.5	36.4
Polytechnic 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

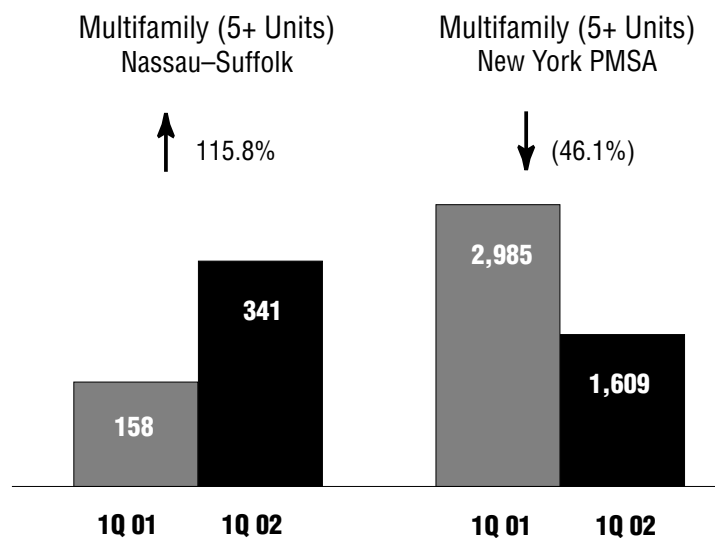
A. Overall Cost of Living



*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



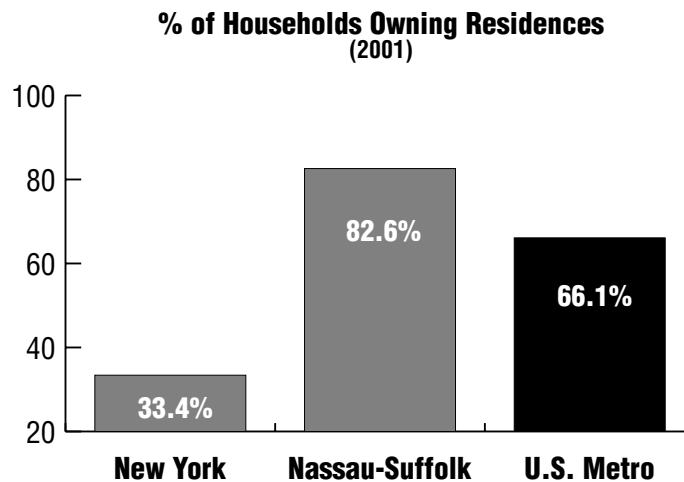
Local Data: Figures represent total permits granted year-to-date in the New York and Nassau-Suffolk PMSAs.

U.S. Data: The percent change in multifamily permits nationwide was (11.8%).

Source: U.S. Census Bureau.

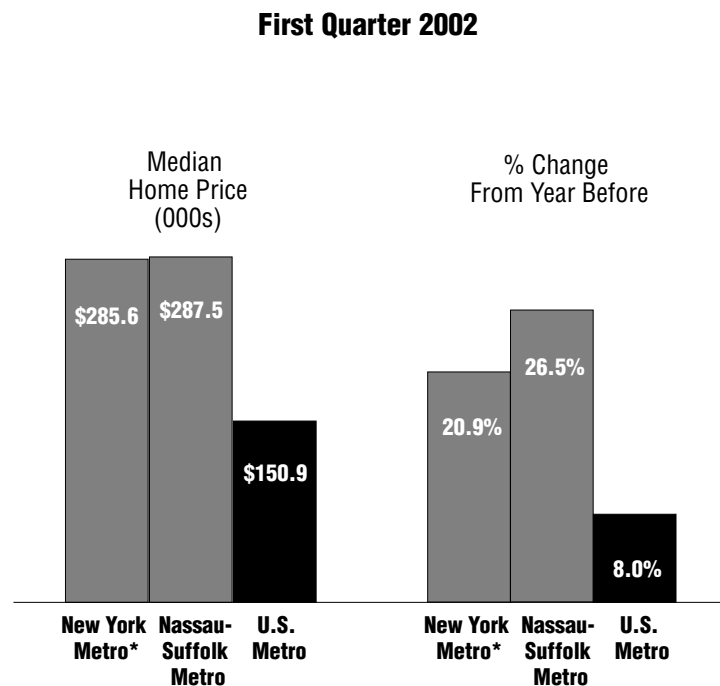
V. Housing & Related Costs (Cont.)

C. Homeownership



Source: U.S. Census Bureau. Homeownership rates represent metropolitan averages as of year-end 2001.

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**

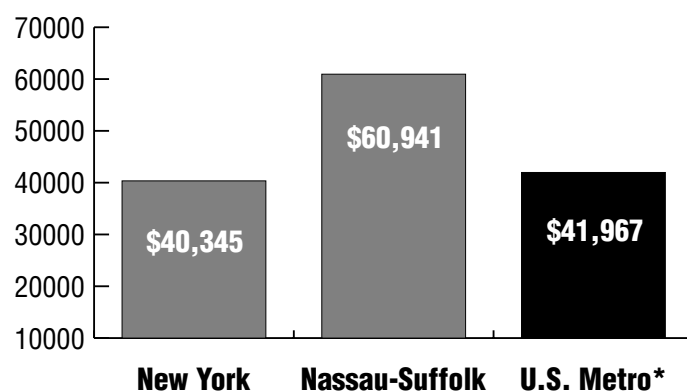
	<u>2001 Index Rating*</u>	<u>2001 Rank</u>	<u>2000 Rank</u>
New York	22.74	35	38

*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.)

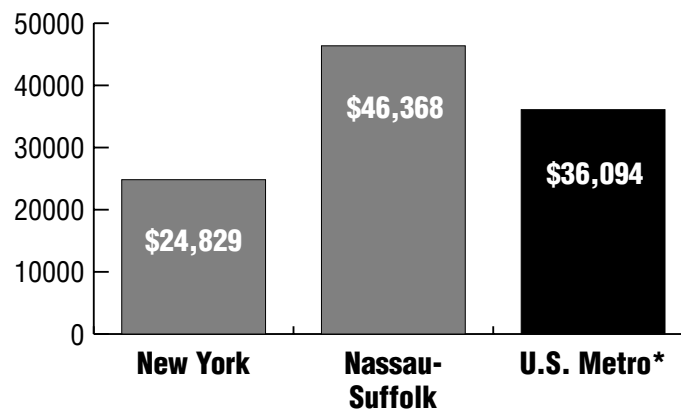
C. Metropolitan Retail Sales Trends

Metropolitan Retail Sales -- % Change (March 2001 - March 2002)

Greater New York	0.5%
National	(2.6%)

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

Fourth Quarter 2001 (\$\$ in billions)

	<u>Total Retail Sales</u>	<u>E-Commerce Retail Sales</u>	<u>% of Total</u>
U.S.	\$860.8	\$10.0	1.2
Prior Quarter	\$786.4	\$7.5	1.0
Year Ago	\$817.7	\$8.9	1.1

Source: U.S. Department of Commerce.

F. High-Tech Industry Employment

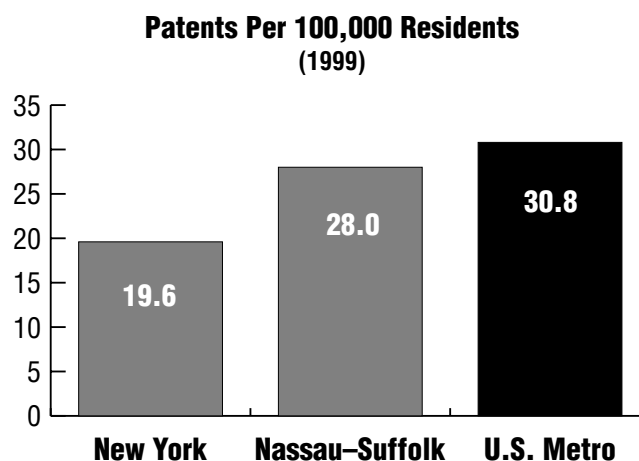
	<u>Share of Total Employment</u>	<u>Rank</u>	<u>Number of Establishments</u>	<u>Rank</u>	<u>Number of Employees</u>	<u>Rank</u>
Nassau–Suffolk	5.4%	47	3,043	18	61,769	20
New York	2.9%	117	4,905	4	115,532	8

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

	<u>Total (2000)</u>	<u>% Change from 1999</u>	<u>National Rank*</u>	<u>World Rank*</u>
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-December 2001 (\$\$\$ in billions)	\$137.8	\$76.2	\$214.0
% Change (from year ago)	(5.7%)	(4.1%)	(5.1%)
Total U.S.			
January-December 2001 (\$\$\$ in billions)	\$1,142.0	\$731.0	\$1,873.0
% Change (from year ago)	(6.2%)	(6.3%)	(6.2%)

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-Dec. 2000</u>	<u>July-Dec. 2001</u>	<u>% Change</u>
New York	\$19,732	\$18,865	(4.4%)
U.S.	\$218,879	\$212,438	(2.9%)

*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)

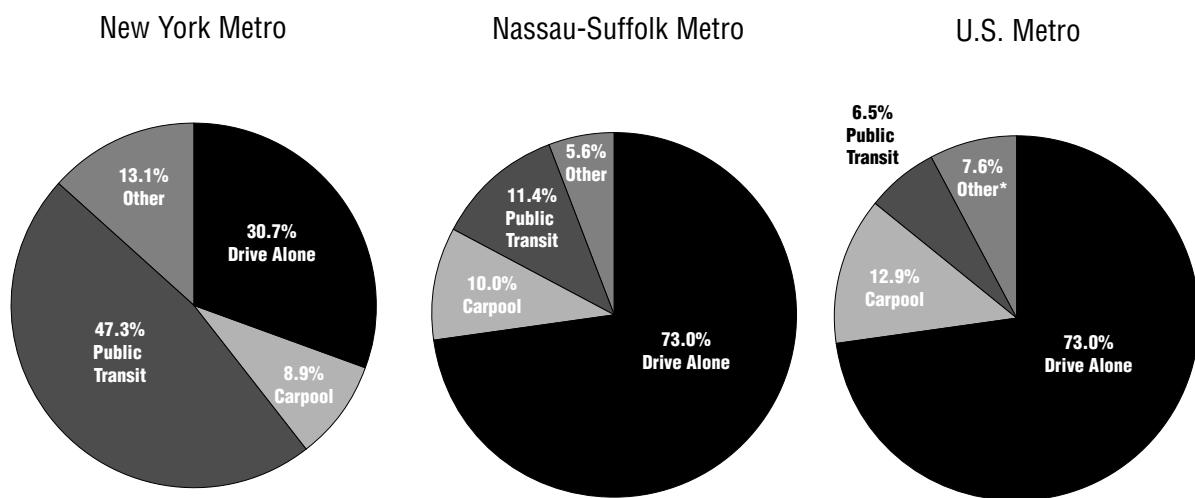
	<u>High</u>	<u>Low</u>
Winter	38	26
Spring	61	44
Summer	85	68
Autumn	66	50

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	\$202.00	\$32.34	9.0%	\$172.09	\$25.16	8.7%	\$43.53	\$5.57	9.1%	\$119.05	\$17.58	9.0%	\$103.61	\$14.47	8.5%
Northeast Region	271.71	43.54	8.8	185.29	28.12	8.7	47.82	6.44	9.3	127.77	19.10	7.7	118.98	19.14	8.9
New York — Downtown															
1st Q. '02	\$278.15	\$44.76	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
4th Q. '01	286.13	45.11	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
1st Q. '01	307.06	49.13	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
New York -- Midtown															
1st Q. '02	382.55	59.38	8.4	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. '01	389.39	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
1st Q. '01	390.28	64.92	8.7	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															
1st Q. '02	\$158.32	\$27.82	8.2%	\$144.69	\$25.18	8.4%	\$49.29	\$6.65	9.0%	\$134.61	\$21.64	9.1%	\$123.84	\$19.91	9.0%
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
1st Q. '01	154.79	27.88	8.4	144.53	25.30	8.4	51.18	6.69	8.7	135.22	21.35	9.0	116.17	19.09	9.2

B. Other Property Classes – Most Recent Period

Property Sector

Price Per SF

Nassau-Suffolk

Class B Apartment \$78.01

New York

Class A Urban Apartment \$258.59

Class D Urban Apartment \$45.31

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**

1st Qtr. 2002 – 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	26	15	10	9	10
Rents	16	12	12	6	5	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

Employment Base Broadens

Continuing to rebuff the recession, Long Island posted employment gains of 6,500 during the 12 months ending in March 2002, while much of the rest of the nation's job base shrank. Although this represents only a modest 0.5% expansion of the local workforce, it reflects an increase from the 5,400 jobs added in 2001. The unemployment rate rose from 2.7% in March 2001 to 4.2% in March 2002.

Service Sector Posts Greatest Job Gain: The local service sector saw the greatest increase in employment, adding 6,300 positions. This was achieved despite the loss of an estimated 5,000 New York City commuter jobs following the September 11th attacks. The government sector gained 5,100 new positions, but this employment category is about to be hit with a reduction. In fiscal hot water due to mismanagement in previous decades, Nassau County faces a budget deficit of \$428 million by 2005. Consequently, the current budget proposal includes spending cuts, the elimination of 1,200 county jobs, and a 19.4% hike in property taxes (on top of a 9% increase adopted at the end of last year). The retail sector saw the next highest uptake in employment, fueling 2,500 new jobs. Transportation and construction created 800 and 600 positions, respectively.

Three major employment categories experienced job losses. The manufacturing sector eliminated 5,200 positions, wholesale trade lost 2,300 jobs, and finance, insurance, and real estate (FIRE) cut 1,300 from its payroll.

OFFICE

Slight Softening No Surprise

The Long Island office market softened slightly in the first quarter 2002, just as local real estate experts had anticipated. The strong fourth quarter 2001 performance was the result of businesses scrambling to settle transactions before the new year. Consequently, the first three months of this year were quiet in comparison. Minimal speculative development is helping to stabilize market fluctuations.

The metropolitan vacancy rate for Long Island inched up one-tenth of a percentage point from year-end 2001 to 14.7% in the first quarter. Year-over-year, however, the vacancy rate doubled from 7.6%. Net absorption moved into the black at 103,000 square feet compared to a negative 413,000 square feet last quarter and a 327,000 square foot deficit one year ago.

Nassau County tightened in the first quarter as the vacancy decreased from 14.7% at the end of 2001 to 14.1%. Annually, the vacancy rate more than doubled from 6.1%. Conversely, Suffolk County weakened as the vacancy rate grew 1.4 percentage points from the fourth quarter to 15.8% in 2002's first quarter. This also marked a substantial increase from the 10.1% rate posted one year ago.

I. Park Begins to Lease up in Nassau County:

The improvement in Nassau County's performance is credited to leasing activity at the I. Park building in Western Nassau. Similarly, heightened tenant interest at such sites as Reckson's Executive Park in Melville has local experts predicting positive net absorption in the coming quarters.

100 Motor Parkway Completed: Added to the market in the first quarter, 100 Motor Parkway, a 204,000 square foot office facility built by Tritec Real Estate, was the largest project to come on-line recently. This building is the first phase of a two-tower complex that will measure approximately 408,000 square feet when completed. Overall though, construction activity on Long Island was minimal in the first quarter. In the Eastern Nassau town of Jericho, renovation of a 38,000 square foot office building is nearing completion at 333 North Broadway.

In planned projects, A&J Realty of Suffolk is moving ahead with plans to develop a 70,000 square foot office building. This developer has applied to the Town of Islip for a zoning change on five acres near Grundy Avenue. If approved, it would be the first speculative office project developed along Vet's Highway Corridor since the Airport Corporate Plaza was completed in 2000.

AutoOne Largest Lease So Far this Year:

Insurance company AutoOne has agreed to lease nearly 100,000 square feet of space at Pitcairn Parr's 201 Old County Road development. This is the largest office lease so far this year. The added

XI. Market Analysis

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

space will create room for 300 new jobs and bring the 209,000 square foot former Long Island Savings Bank building to near 100% occupancy. Similarly, New York Blood Center expanded its administrative office by leasing 55,000 square feet at 1200 Prospect Avenue in Nassau County's Westbury. The center previously occupied 30,000 square feet at 525 Broadhollow Road in Melville.

Two engineering firms have signed leases totaling 10,000 square feet at the Airport Corporate Plaza office complex in Bohemia. Dunne Engineering, which currently has offices in Westhampton and Patchogue, is leasing 4,000 square feet at 640 Johnson Avenue raising that building to full occupancy. The other firm, Cashin Spinelli Heller & Ferretti, doubled its space at 4170 Veteran's Memorial Highway to 6,000 square feet, raising that complex's occupancy to 95%.

Target Establishes Northeast Headquarters: Big box retailer Target chose Long Island over Westchester and Connecticut for its Northeast regional headquarters (just over 3,000 square feet). The company began moving into its office space at 445 Broadhollow Road in Melville in mid-April. Target currently has three stores on Long Island in Bay Shore, Commack, and Setauket.

In recent sales activity, the 40,000 square foot Port Jefferson Professional Park on Nesconset Highway in Port Jefferson Station was sold to Pelican Realty for \$3.5 million.

INDUSTRIAL

Long Island's industrial market remained tight in the first quarter with a vacancy rate of 5.2% compared to 5.3% one year ago. The market softened slightly from the fourth quarter, however. Vacancy held in spite of 693,000 square feet of negative absorption during the first three months of 2002, a reversal from the 667,000 square feet of positive absorption recorded in 2001's first quarter. Strong demand in 2001 served to anchor Long Island's industrial market.

Few New Projects Underway: Restraint in new construction has also helped the Long Island industrial market maintain its equilibrium. One of the few projects under construction in the first

quarter was a 293,000 square foot building in Edgewood's Heartland Business Park. ADP Investor Communications Services will lease half of the new facility. Also, a 135,000 square foot expansion and renovation of Bookspan's headquarters is slated for completion this Spring. Located at 501 Franklin Avenue, the building will be connected to the company's current headquarters at 401 Franklin Avenue. Approximately 30,000 square feet at the new facility will be dedicated to the BmS data center, which is expected to provide 100 high-tech jobs to the area when completed. Bookspan's headquarters will measure roughly 65,000 square feet and promises to add another 350 jobs to the company's payroll. The fate of the remaining 30,000 to 40,000 square feet has yet to be determined, but it may be leased out.

Leasing Minimal in Tight Market: Fala Direct Marketing has leased 86,000 square feet at 99 Marcus Drive for warehouse and distribution purposes. The company currently leases about 370,000 square feet in the Melville area of Nassau. No large blocks of space are available in this already tight industrial district.

RETAIL

Hempstead Shopping Area Expands: The successful first phase of a major \$65 million redevelopment of the 232,000 square foot Hub at Hempstead has officials hoping that the village's downtown area is on the way to regaining some of its past glory. Plans were recently unveiled for phase II, which will expand the Hub by 25,000 square feet. The fully occupied center has been credited with injecting approximately \$11.7 million annually in new taxes and generating nearly 800 full- and part-time jobs.

Home Depot Plans to Move Forward in Riverhead: The developer of the proposed Riverhead Center retail project has decided to file for building permits for a 120,000 square foot Home Depot at Route 58 and Long Island Expressway, despite lawsuits challenging the site plan and special permit approvals for the center itself. Starting construction on the Home Depot portion of the center is risky, since a reversal of the approvals could stop work in its

XI. Market Analysis

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

tracks. Nevertheless, Home Depot is ready to provide funding for the construction. Meanwhile, the rest of the project remains uncertain as numerous tenants have dropped out over the years and the development has been fraught by setbacks.

Wal-Mart to Anchor Islandia Shopping Center:

Big box retailer Wal-Mart will anchor the Islandia Shopping Center with a 129,000 square foot store slated to open in November. The company currently has five stores on Long Island and plans additional new stores in South Setauket and Massapequa.

One of the largest retail projects planned for Long Island is the controversial one million square foot Brookhaven Town Center at Exit 68 off the Long Island Expressway in Yaphank. Local planners insist that existing retail in the area is adequate to accommodate demand and there is no need for the additional space. Other large projects in the planning pipeline include a one million square foot power center in Brookhaven, a 750,000 square foot Mall at Oyster Bay, and a 650,000 square foot Manorville power center on County Road 51. Additionally, IKEA has proposed a 500,000 square foot retail complex on a 37-acre site formerly occupied by Alexander's department store. The property is located at the intersection of Routes 4 and 17.

In January, the 300,000 square foot Bay Harbour mall in Lawrence was purchased for \$30 million by Ashkenazy Acquisition Corporation. Ashkenazy also owns a strip center opposite the mall.

APARTMENT

Vacancy in Long Island's apartment market rose from 4.9% in 2001's first quarter to 5.4% at the end of 2001. Property & Portfolio Research estimates that the first quarter 2002 rate will average 5.8%.

Notoriously lacking in rental housing, Long Island had only one project under construction during the first three months of this year. The 202-unit apartment complex Fairfield Hills South is slated for completion in June. In the planning pipeline, a 256-unit development called Avalon at Glen Cove is scheduled to get underway this Summer. A sister project, the 111-unit Avalon at Glen Cove North, is set to follow the first.

HOSPITALITY

Occupancy in the Long Island hotel market is projected to decrease to around 70.7% in the first quarter 2002, according to Smith Travel Research. This reflects a steady drop from 75.6% in 2001's first quarter and 71.5% in the fourth quarter. Still, this is a very healthy rate comparatively, based on the occupancy hoteliers say they need to be profitable. The relatively low inventory on Long Island undoubtedly contributes to the high occupancy. The forecast for the remainder of 2002 is not promising, however, considering that six new hotels are expected to open for a total of 772 new rooms.

One new project to get underway after an eight-month delay was the 109-room Wingate Inn on Crooked Hill Road, across from the Pilgrim State psychiatric facility. Able Management Group also plans to build a 120-room Holiday Inn & Suites extended-stay facility (90 suites and 30 rooms) within the Brookhaven Technology Park in North Shirley. This development is slated to break ground in May.

XI. Market Analysis

B. Nassau-Suffolk—Submarket Inventory/Vacancy

OFFICE*				
SUBMARKET	INVENTORY	VACANCY	ABSORPTION	CONSTRUCTION
<u>NASSAU COUNTY</u>				
Western Nassau	6,787,526	22.7%	53,614	0
Central Nassau	10,878,495	12.6%	58,687	0
Eastern Nassau	5,468,797	7.6%	48,482	38,000
Southern Nassau	1,094,230	8.6%	(39,590)	0
Nassau County	24,229,048	14.1%	121,193	38,000
<u>SUFFOLK COUNTY</u>				
Mid-Suffolk	5,540,185	20.1%	32,121	0
Western Suffolk	7,838,335	12.8%	(50,386)	0
Suffolk County	13,378,520	15.8%	(18,265)	0
MARKET TOTAL	37,607,568	14.7%	102,928	38,000
*Reported as of first quarter 2002.				
Source: CB Richard Ellis (Garden City).				

INDUSTRIAL*		
SUBMARKET	INVENTORY	VACANCY
Kings	33,672,121	2.4%
Nassau	22,203,072	8.0%
Queens	35,466,843	5.3%
Staten Island	300,000	0.0%
Suffolk	17,911,797	6.8%
MARKET TOTAL	109,553,833	5.2%
*Reported as of first quarter 2002.		
Source: CB Richard Ellis (Garden City).		

XI. New York: Market Analysis

C. New York—Market Snapshot

Nation's Largest Job Loss

Metropolitan New York's employment base continued to decline during the 12 months ending in March 2002 with the loss of a whopping 135,500 jobs. This reflects a 3.2% reduction in the local workforce, an increase from the 95,400 positions eliminated during the previous 12-month period, and was the largest job loss in the nation. The unemployment rate shot up from 5.2% to 7.1%.

Service and Finance Sectors Ravaged: The service and financial industries suffered the greatest blows. The local service sector saw the loss of 44,500 jobs, followed by the finance, insurance, and real estate sector (FIRE), where 34,500 positions were swept away. The securities industry is busy retrenching—a difficult task considering that a giant like Merrill-Lynch laid off roughly 9,000 of its workforce since October, on top of the 6,000 positions it eliminated earlier in 2001. Manufacturing has also been dealt a setback as garment factories closed shop and declining advertising revenues cut a path through the printing industry.

The five other major employment sectors also endured losses. Transportation was down by 16,700 jobs, retail shed 10,900 positions, wholesale trade cut 6,200 slots, construction was down 2,800 jobs, and government lost 300 workers.

OFFICE

New York's Nascent Renewal

Despite Manhattan's paralysis post September 11th, the numbness is beginning to disappear and many aspects of business are coming back to life. The first quarter signaled a turning point in terms of lenders reconnecting with commercial brokers to discuss plans to finance downtown office and residential buildings. Granted, lenders are reentering the market gingerly—projecting more modest rents and revenues, higher vacancies, and granting smaller loans than in previous years—but at least they're talking.

The earliest estimate for a true turnaround in Manhattan's office market is sometime in 2003. This is when incentives for businesses to move or

remain downtown are expected to start producing real results, although many of these programs are already having some influence. A full recovery is expected to take five to ten years, hinging mostly on the redevelopment of the World Trade Center site and an improved transit system.

Absorption Breakthrough: Net absorption in the borough of Manhattan was positive in the first quarter 2002, for the first time in a year. Midtown North experienced the highest absorption at more than 2.1 million square feet, a result of a significant amount of new office space delivered. Four new buildings were completed during the first three months of 2002 in this submarket, adding more than 3.4 million square feet to the inventory. The majority of this space was pre-leased. The largest delivery was 383 Madison Avenue totaling about 1.2 million square feet, leased by Bear Stearns. The second-largest completion was 5 Times Square at 1.1 million square feet, fully leased by Ernst & Young. Also, 393 Madison Avenue, 222 East 41st Street, and 1745 Broadway were all completed in the first quarter.

Five buildings totaling 5.2 million square feet remain under construction in Midtown North, the largest being 10 Columbus Circle (aka AOL Time Warner Center) at 1.6 million square feet. Times Square Tower on 42nd Street is another large building underway. Arthur Andersen is the wild card in this project. The accounting giant committed to taking 600,000 square feet in the 1.2 million square foot tower, but following the Enron scandal and the firm's subsequent loss of clients, it is unclear whether it will be able to honor its lease.

Additionally, 300 Madison Avenue (also 1.2 million square feet) is slated for completion at the end of this year, 745 7th Avenue (one million square feet) is due to be delivered this Spring, and the Random House building (650,000 square feet) at 55th and Broadway is slated for completion in June.

Midtown South Tightens Slightly: Midtown South actually tightened slightly in the first quarter as the vacancy rate decreased from 11.4% at the end of 2001 to 10.9%, although rates remained in the double digits in every district. Absorption totaled 260,000 square feet with no new projects in development.

Administration Declares "Liberty Zone": The deep freeze gripping Downtown Manhattan held through the first quarter with the on-going exodus

XI. Market Analysis

C. New York—Market Snapshot (continued)

of companies, forcing absorption down to a negative 1.3 million square feet. Consequently, Downtown Manhattan posted the highest quarterly increase in vacancy from 10.6% at year-end 2001 to 12% at the end of March. Approximately 60,000 jobs were lost in the downtown area, or about 15% of its pre-September 11th employment base. More positions are on the verge of disappearing if the retailers and service businesses that depended on WTC customers are forced to close before pedestrian traffic returns. However, big tax breaks signed into law by President Bush in March could break the ice by giving companies reason to remain downtown. The new legislation creates a "liberty zone" for businesses south of Canal Street, offering financial benefits that go far beyond the loan and grant programs created in the first months after the terrorist attacks. For instance, a company with more than 200 employees could save nearly \$1 million in taxes over a two-year period. Smaller businesses that could not take advantage of other programs can also benefit from the Liberty Zone tax package. For example, a company with 200 or fewer employees is entitled to a \$2,400 tax credit per employee in 2002 and 2003.

Furthermore, businesses of all sizes can write off up to \$59,000 annually for the cost of new equipment against profits until 2006, an increase of \$35,000 over the traditional allowance and retroactive to September 11th. A 30% bonus depreciation for the cost of office equipment and other property can also be written off in the year it was purchased, and that can be combined with the \$59,000. This latest federal spending package totals approximately \$21.4 billion.

In addition, a state provision allows lessors and lessees to depreciate the improvements to their office space over five years rather than the traditional 39 years. Businesses with at least ten employees, but not more than 200, that renew their leases downtown will get two payments of \$2,500 per employee. Displaced businesses of this size are entitled to two payments of \$1,750 per employee if they stay in the city.

Also, the Lower Manhattan Development Corporation (LMDC) has issued a preliminary blueprint for rebuilding downtown coined "Freedom Park". Plans call for a neighborhood of

residences, parks, museums, a retail destination, and a biotech center. A "museum of freedom and remembrance" or a building that would house a separate WTC museum and other smaller museums is also being considered. To diversify downtown's economy, the agency proposes making lower Manhattan a biotech center that would be "coordinated with the city's many medical research centers, medical schools and hospitals."

Much of the LMDC's plan focuses on transportation—restoring train service, rebuilding the street grid, and lowering West Street in order to eliminate a barrier between the financial district and Battery Park City. The agency hopes to create a transit hub to link PATH, subway, and future regional rail service. The hub would be located as close as possible to the center of lower Manhattan, ideally within 0.5 miles walking distance of all of downtown. It would also create a terminal for buses, trucks and delivery cars so that idling vehicles will not clog streets.

After a public comment period, the assistance plan will come back to the board for a final vote in late April before it is sent to the U.S. Department of Housing and Urban Development for approval.

Thin Migration Trail Carves Through the Rubble: Although many of the prominent downtown firms have yet to return, American Express plans to reoccupy 3 World Financial Center, having put its Stamford space on the market for sublease. Additionally, Merrill Lynch will reoccupy 2 and 4 World Financial Center plus space that was reopened at 222 Broadway. Several companies have returned to 1 Liberty Plaza and the Securities & Exchange Commission leased new space at 233 Broadway.

In March, the first new major tenant committed to space downtown. The engineering firm DMJM & HARRIS.Arup is taking 71,000 square feet at 20 Exchange Place. Agency.com, an Internet advertising firm, is subleasing the space and will continue to be headquartered at the same address. The engineering firm focuses on transportation and infrastructure projects, which is why it insists on being downtown in the heart of the rebuilding and development efforts.

In sales and leasing activity, the United Federation of Teachers is buying 50 Broadway and leasing the adjoining 52 Broadway. It will move its headquarters

XI. Market Analysis

C. New York—Market Snapshot (continued)

from Park Avenue South after the deals close. The buildings total 740,000 square feet and are just a few blocks from Ground Zero. Although the final prices are still being negotiated, the value of the purchase and first year lease is expected to be in the \$65 to \$75 million range.

Returned Space Ups Vacancy in Westchester:

Office vacancy for Westchester County rose more than two percentage points to 13.2% between the first quarters of 2001 and 2002. The quarterly rate tightened slightly. Corporate givebacks last year are credited for the softening. The two smallest submarkets saw vacancy rates at both ends of the spectrum. The smallest, Southwest Westchester, registered the highest vacancy at 27.9%. Conversely, Southeast Westchester, the second-smallest submarket, posted the lowest rate at 5.3%.

White Plains was hit hard near the end of 2001 as large blocks of space were returned to the market. The vacancy rate rose from 14.3% one year ago and 18.1% last quarter to 20.9% at the end of the first quarter. This represents the second-highest vacancy rate in the county. Some of the notable givebacks that contributed to the rise include 150,000 square feet of IBM space, Metromedia Fiber Network's 50,000 square feet at 360 Hamilton Avenue, and Blue Sky Productions' 40,000 square feet at 44 South Broadway.

Morgan Stanley Makes Play for Texaco

Building: In Harrison, the former Texaco headquarters building has been put on the market. Morgan Stanley is currently negotiating an incentive package to eliminate the sales tax from its pending \$42 million purchase of the 725,000 square foot complex. Westchester County's Industrial Development Agency has given preliminary approval to \$8.4 million in sales tax exemptions for the company to move to the 2000 Westchester Avenue building. The financial services firm expects to employ approximately 2,000 employees in Harrison over the next ten years—primarily new hires as opposed to relocated staff. Morgan Stanley maintains that the majority of its 14,000-plus Manhattan and Brooklyn workforce will remain in New York City.

INDUSTRIAL

The Westchester industrial submarket saw 398,000 square feet of negative absorption in the first quarter 2002 representing the third consecutive quarter of a downward trend. The deficit was due largely to 435,000 square feet becoming vacant at 555 Tuckahoe Road in Yonkers and 108,000 square feet vacated at 650 South Columbus Avenue in Mount Vernon.

Consequently, the region's vacancy rate increased 2.6 percentage points to 10.5% between the first quarters of 2001 and 2002. The quarterly hike was 1.9 percentage points. Northern Westchester experienced the highest vacancy rate at 22.4%, although this reflects just a one percentage point increase from the fourth quarter. The lowest vacancy rate was in the East I-287 Corridor at 5%, a 1.7 percentage point decrease from the fourth quarter. The only construction underway in the first quarter was a single-tenant 105,000 square foot building in Bedford Hills.

Port Volume Shows Healthy Growth: The Ports of New York and New Jersey (which are jointly operated) posted an increase of 8.7% in containerized cargo from 2000 to 3.3 million twenty-foot equivalent units (TEUs) in 2001. The volume of general cargo rose 5.6% to 19 million metric tons, despite the economic downturn. The New York-New Jersey ports outperformed all other North Atlantic ports combined, which reported an overall cargo tonnage decline of 1.3%. The New York-New Jersey ports saw growth in virtually every sector—containerized cargo, bulk, breakbulk, and rail activity. ExpressRail, the Port Authority's on-dock rail terminal, set another record in 2001, handling more than 200,000 containers for the year. New automobile imports and exports were down 2.9%, but the export of iron and steel rose dramatically.

RETAIL

Retailers in Manhattan remained on shaky ground going into the new year as they grappled with the drop in tourism as well as the economy. In lower Manhattan, the September 11th atrocity destroyed not only the 500,000 square foot Westfield

XI. Market Analysis

C. New York—Market Snapshot (continued)

Shoppingtown World Trade Center, but some street-level retail in the financial district. Two New York retail fixtures—Century 21 department stores and J&R Music World—were also badly damaged by the attacks. Although the World Trade Center was not considered a retail destination by local brokers, finding new locations for some of these stores is proving to be a slow-going process. Most of the affected retailers are letting other outlets in the city cover for the lost space as they sit on the sidelines trying to figure out what to do.

Retail Plays Prominent Role in LMDC's

Rebuilding Plan: As mentioned above, the Lower Manhattan Development Corporation is hatching a plan to draw visitors to the WTC area. Under consideration is a Galleria of premier retail offerings to attract pedestrian traffic, as well as the development of underground and street-level retail spaces. Cultural offerings are also in the making such as a museum, a new Opera house, and a downtown Guggenheim museum. The agency is also mulling over the expansion of existing institutions such as the South Street Seaport Museum and The Museum of Jewish Heritage.

One of the largest retail projects currently underway in Manhattan is the 364,000 square feet of retail space which is part of the AOL Time Warner Center. The space is 40% pre-leased. New York's outer boroughs are attracting large developments such as the 640,000 square foot Gateway Center in Brooklyn and the 450,000 square foot expansion planned at the Queens Center Mall.

Bloomingdale's Sets Sights on SoHo: Bloomingdale's is seeking city and state tax relief and other incentives to open a store in a historic building in SoHo. This would be the first branch in Manhattan for the retailer, whose flagship store is on the Upper East Side. If this plan goes through, it would be the only major department store to have a presence below 14th Street.

Federated Department Stores, the parent company of Bloomingdale's, recently signed a letter of intent to lease an 1860 cast-iron and stone building on Broadway between Spring and Broome Streets that currently houses the Canal Jean Company. Canal Jean is searching for a new downtown location after 40 years.

British luxury retailer Asprey has signed a 28,000 square foot lease, which will more than triple its space at New York's Trump Tower. The American flagship store at Fifth Avenue and 56th Street will be renovated for the re-launching of the new Asprey brand in October 2003. Also, home decorating product provider Janovic/Plaza has signed a ten year lease for 17,000 square feet in Manhattan. The company will open its tenth Manhattan store at 136 Church Street, four blocks north of the World Trade Center site.

New Retail/Residential Complex Slated for

White Plains: Construction is expected to get underway soon on a major entertainment, retail, and residential complex called City Center at White Plains. The White Plains city council just approved the project for a 7.5-acre site formerly occupied by a 328,000 square foot Macy's store. The location is bounded by Mamaroneck Avenue, Main Street, and Martine Avenue. Developer Cappelli Enterprises hopes to duplicate the success of its New Roc City project in New Rochelle. The retail portion of the \$300 million City Center project calls for a total of 395,000 square feet of general retail space, an 80,000 square foot, 15-screen National Amusements multiplex theater, and 55,000 square feet of restaurants.

Same-Store Retail Sales Down Slightly: Same-store retail sales in greater New York slipped 0.7% year-to-date, according to the International Council of Shopping Centers.

APARTMENT

Average apartment vacancies in Manhattan are expected to rise in 2002, but will remain under 4.5%, according to Marcus & Millichap. Losses in the financial industry are projected to have a short-term effect on the luxury rental market. In the interim, metropolitan New York permits for multi-family buildings dropped 46% from 2001's first quarter to 1,600 in the first three months of this year.

Battery Park City Catches a Second Wind:

The World Trade Center disaster caused downtown Manhattan to lose 10% to 20% of the surrounding area's residential population. Battery Park City, for instance, saw its occupancy drop to 30%. But rent cuts and grants are luring some people—mostly singles and childless couples—

XI. Market Analysis

C. New York—Market Snapshot (continued)

back to the neighborhood, replacing families worried about the safety and environmental conditions at the clean-up site. Condominiums in Battery Park City are also starting to move, sweetened by 10% discounts.

Housing Part of LMDC Plan: Ironically, the September 11th attacks may have paved the way for more multifamily units in downtown Manhattan, despite the current exodus of some residents. In fact, housing is a core component of the LMDC's rebuilding plan. The agency is considering proposals to beef up housing in the WTC area and may also designate potential development sites in the financial district for housing rather than commercial space. The blueprint integrates the former WTC site with the rest of the downtown street grid in an effort to re-establish a more human scale. To add more open space, the agency envisions a continuous park that would tie together existing public spaces on the waterfront from the Brooklyn Bridge to Battery Park City.

Manhattan apartment projects currently under construction include 20 River Terrace (262 units) in Battery Park City North, Post Toscana (199 units) on the Upper East Side, and Post Luminaria (138 units) on First Avenue and 23rd Street.

Residential Units Slated for White Plains: There is also a residential component to the planned City Center at White Plains project. It calls for 580 luxury rentals in a pair of 34-story towers. Twenty loft-style units are targeted for a separate building. The complex will include a \$37 million parking garage with 2,400 spaces. Other proposed elements include a plaza that will showcase landscaped gardens, fountains, outdoor dining, and a Winter ice-skating rink. A 10,000 square foot community performing center may be included.

HOSPITALITY

The occupancy rate for hotels in New York stood at 68.6% in February 2002, according to Smith Travel Research. This represents a decrease from the 73.6% rate posted for February 2001. The average room rate in February 2002 was approximately \$170 compared to \$190 one year prior. More than five months following the terrorist attacks, the New York hospitality industry remains in somewhat of a holding pattern, waiting for the tourist trade and business travel to revive.

Effects of September 11th Reverberate: Corporate cutbacks and the fear factor in travel have caused JFK International Airport to slide from first to second place as the leading gateway into the U.S., according to OAG Worldwide, a travel data company. Miami International Airport now holds the coveted lead. La Guardia Airport, handling mostly business passengers, is also feeling the pinch of declines in corporate travel. The steep economic downturn around the airports was aggravated by accelerated job cuts at American Airlines. The airline closed TWA facilities at JFK and La Guardia and eliminated 1,000 jobs. Signs of recovery are peeking through, however. For instance, JetBlue, a fast-growing independent airline which flies planes out of JFK, is rapidly adding passengers and planes. Each month brings more traffic and this trend is expected to continue, barring another catastrophic event. Unfortunately, the international tourist trade is expected to remain depressed for some time as outside of the U.S., concerns still linger about the safety of traveling to New York and the high cost of staying in the city as a result of the strong dollar.

Nevertheless, one hotel just five blocks from Ground Zero, the 298-room Battery Park Ritz-Carlton, is doing a brisk business. Originally scheduled to debut on October 9th, the hotel delayed opening its doors until January 29th. The 110-room DoubleTree Club JFK also opened in January. The Westin expects to open its new 860-room Times Square hotel in November.

Other hotels pushing out of the ground this year include the 250-room Mandarin Oriental at Columbus Circle (part of the AOL Time Warner project) and the 65-room City Club on 44th Street. Hotels planning to break ground in the next 12 months include the 182-room Broadway at Grand Street & Broadway and the 158-room Ganesvoort at 13th Street & 8th Avenue.

The Marriott Financial Center (504 rooms), located just a block from the World Trade Center, reopened in January. The event is being heralded as a symbolic return to normalcy. The 463-room Embassy Suites at 102 North Avenue is slated to reopen in May and the Millennium Hilton is planning to reopen later this year.

XI. Market Analysis

D. New York—Submarket Inventory/Vacancy

OFFICE—Manhattan*				
SUBMARKET	INVENTORY	VACANCY	ABSORPTION	CONSTRUCTION
<u>DOWNTOWN</u>				
Battery Park	8,927,020	17.6%	(120,823)	0
City Hall	10,053,215	11.0%	(84,664)	0
Financial District	32,744,890	12.8%	(387,356)	0
Insurance District	19,456,854	7.8%	(65,534)	0
Greenwich Village	12,293,141	11.3%	65,932	0
World Trade Center	10,521,456	14.2%	(741,570)	0
DOWNTOWN TOTAL	93,996,576	12.0%	(1,334,015)	0
<u>MIDTOWN NORTH</u>				
Columbus Circle	18,584,198	6.2%	444,926	1,902,491
Grand Central/UN	40,438,194	9.6%	(115,958)	0
Madison Ave	13,667,334	6.9%	1,377,018	1,200,000
Park/Lexington	28,826,166	4.4%	(311,141)	850,000
Plaza District	17,429,730	8.4%	(25,874)	0
Rockefeller Center	24,094,055	3.4%	(106,871)	0
Third Ave	11,389,995	10.7%	(241,253)	0
Times Square	21,389,186	5.1%	1,106,467	1,252,035
Midtown North	173,768,333	6.8%	2,127,314	5,204,526
<u>MIDTOWN SOUTH</u>				
East Midtown South	38,645,690	10.3%	(45,247)	0
Garment District	28,164,868	11.2%	259,647	0
Penn Station	12,857,868	12.0%	(59,112)	0
West Midtown South	8,180,570	10.9%	104,257	0
Midtown South	87,848,996	10.9%	259,545	0
MIDTOWN TOTAL	261,667,854	8.2%	2,386,859	5,204,526
MARKET TOTAL	355,664,430	9.2%	1,052,844	5,204,526
*Reported as of first quarter 2002.				
Source: CB Richard Ellis (New York).				

OFFICE—Westchester County*				
SUBMARKET	INVENTORY	VACANCY	ABSORPTION	CONSTRUCTION
White Plains CBD	6,367,334	20.9%	(178)	0
<u>WESTCHESTER COUNTY</u>				
East I-287	11,323,536	12.7%	371,310	0
Southeast Westchester	2,006,472	5.3%	(9,533)	0
West I-287	7,008,825	12.5%	61,528	0
Southwest Westchester	1,423,406	27.9%	(42,320)	0
Westchester County	5,665,143	5.5%	62,582	0
MARKET TOTAL	33,794,716	13.2%	265,507	33,000
*Reported as of first quarter 2002.				
Source: CB Richard Ellis (Stamford, CT).				

INDUSTRIAL—Westchester County*				
SUBMARKET	INVENTORY	VACANCY	ABSORPTION	CONSTRUCTION
East I-287 Corridor	2,574,865	5.0%	43,037	0
Northern Westchester	4,261,101	22.4%	20,497	105,000
Southeast Westchester	6,317,807	9.1%	(125,700)	0
Southwest Westchester	8,225,822	9.8%	(367,614)	0
West I-287 Corridor	4,729,662	5.7%	31,600	0
MARKET TOTAL	26,109,257	10.5%	(398,180)	105,000
*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 ten to twenty years ago.

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)

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