



New York

Vol. 36

Fourth 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

A publication of the *National Real Estate Index*

New York

Vol. 36



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.

NATIONAL
REAL ESTATE INDEX

PUBLISHERS

Global Real Analytics

Richard Wollack
Chairman & CEO

Daniel O'Connor
Managing Director—
Investment Forecasting/
Real Estate Research

Property & Portfolio Research

Susan Hudson-Wilson
Founder & CEO

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. www.realestateindex.com

Copyright © 2003 by National Real Estate Index.

EDITORIAL/PRODUCTION

Bridgett Novak
Managing Editor

Janet Laurain
Senior Editor

Tamu Dawson
Senior Production Editor

Important: Metro Market Facts is sold with the understanding that neither the publisher nor the editorial advisor is engaged in rendering legal, tax, accounting, or other professional advice through this publication. No statement, ranking, or “score” in this issue is to be construed as a recommendation to buy or sell securities, or as investment advice to buy or sell properties. Real estate is generally a long-term, illiquid investment and requires careful consideration of financial objectives and independent research before investing.

Reasonable care has been exercised in compiling information and presenting it fairly and accurately. However, the publisher does not warrant its accuracy.

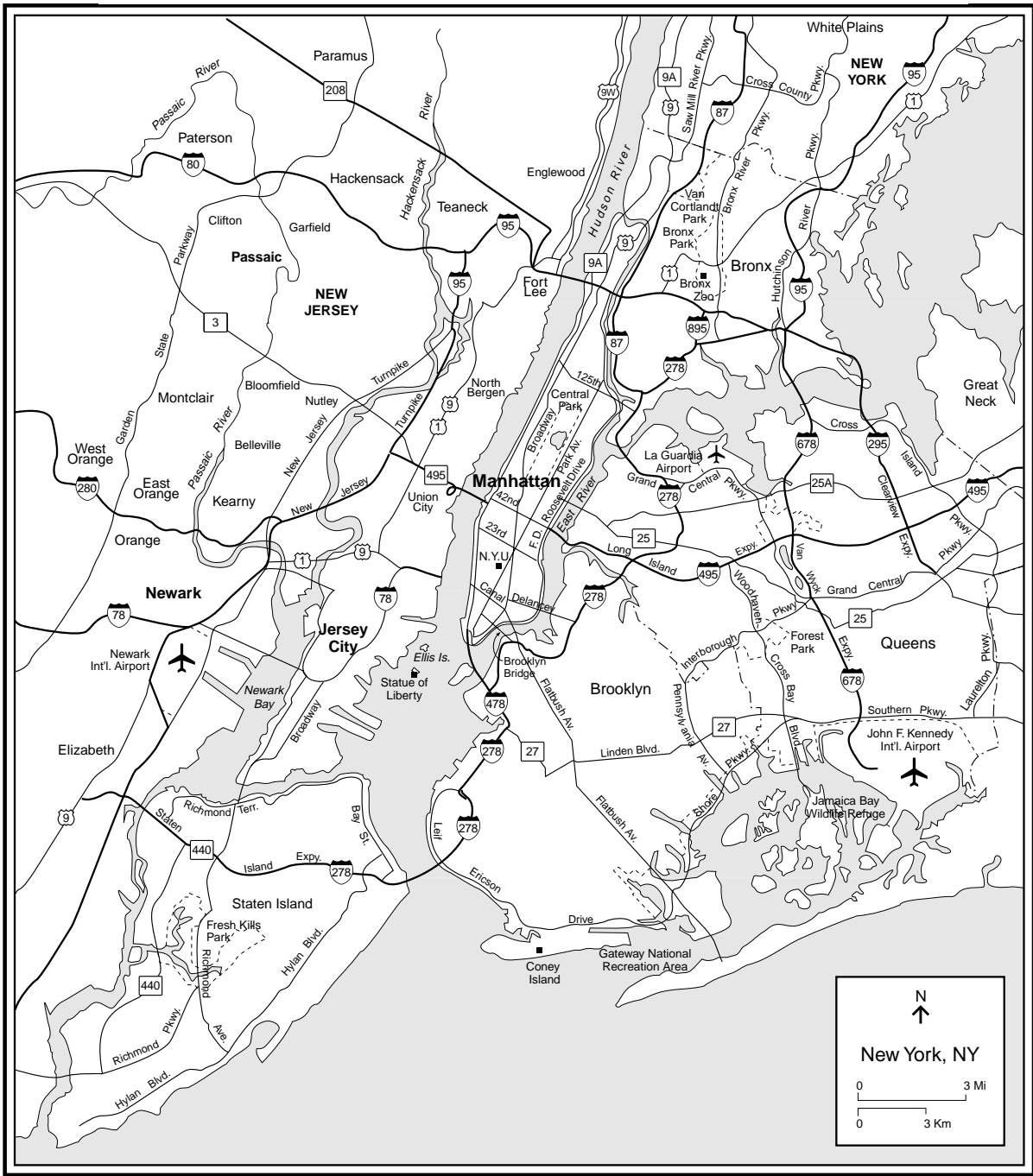
Reproduction, photocopying or incorporation into any information retrieval system for external or internal use is prohibited unless written permission is obtained beforehand from the publisher for each article. The subscription fee entitles the subscriber to one original only.

New York: Metropolitan Map/Market Definition

New York PMSA:

- | | |
|-----------------|--------------------|
| Bronx County | Queens County |
| Kings County | Richmond County |
| New York County | Rockland County |
| Putnam County | Westchester County |

Land Area of New York MSA: 1,147.6 sq. miles
Population Density (2001): 8,133 people per sq. mile



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



Table of Contents

I. Snapshot	8
II. Demographics	
A. Metro Population	10
B. County Population Growth	10
C. Area Cities With At Least 50,000 Residents	10
D. State Population Growth	11
E. Household & Population Composition	11
F. Metropolitan Population Gain	12
G. International Immigration to Metropolitan Areas	13
H. Domestic Migration to Metropolitan Areas	14
III. Job Trend Formation and Labor Costs	
A. Metropolitan Job Formation	15
B. Economic Base - Employment by Sectors	15
C. Metropolitan Total Employment Gain - Since 1990	17
D. Metropolitan Average Wages - Select Occupations	18
E. Production Wages & Union Membership	18
F. State Workers' Compensation Premiums	19
G. Minimum Wage/Overtime Status	19
IV. Education	
A. Educational Levels	20
B. Graduate Education	20
C. Educational Expenditures and Salaries	21
D. University R&D Expenditures	21
V. Housing & Related Costs	
A. Overall Cost of Living	22
B. Metropolitan Housing Permits	22
C. Homeownership	23
D. Single Family Home Costs	23
E. Local Utility Costs	24
F. Health Insurance	24
G. Tourism & Entertainment Taxes	25
VI. Other Economic Indicators	
A. Metropolitan Median Household Income	26
B. Metropolitan Retail Sales Trends	26
C. Metropolitan Average Retail Sales	27
D. E-Commerce Retail Sales	27
E. High-Tech Industry Employment	28
F. Metropolitan Area Patents	28
G. Major Airport Activity	29
H. International Trade	29
I. Area Exports	30
J. Gross State Product	30
K. Gross Metropolitan Product	31
L. Fortune 500 Companies	31

Table of Contents

VII. Taxes and Expenditures

A. State Tax Rates/Employer Expenses	32
B. Local Residential Property Taxes	32
C. Local Commercial Property Taxes	33
D. State Tax Revenue	33
E. Federal Spending Per Capita	34

VIII. Quality of Life

A. State Livability Index	35
B. Crime Rate	35
C. Climate	36
D. Mode of Travel to Work	36
E. Congestion Index	37
F. Major Professional Athletic Franchises	37

IX. Current Prices, Rents, and Cap Rates

A. Class A Property Sectors	38
B. Other Property Classes	38
C. Local Market Rankings	39
D. Price and Rent Growth	40

X. Market Analysis

A. Nassau–Suffolk Market Snapshot	41
B. Submarket Inventory/Vacancy	45
C. New York Market Snapshot	46
D. Submarket Inventory/Vacancy	52

Methodology	53
--------------------	-----------

Sources	54
----------------	-----------

Other Metro Market Reports	54
-----------------------------------	-----------

I. New York: Snapshot

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

Job Growth (Loss) 12 Months (Ending in December 2002):	(2.1%)
Unemployment Rate (December):	7.5%
Metropolitan Population Growth (Loss), 1990–2001:	9.2%
Total Metropolitan Population, 2001:	9.3 million

B. Fourth 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															
4th Q. '02	\$279.52	\$40.69	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
3rd Q. '02	284.18	41.99	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. '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
New York -- Midtown															
4th Q. '02	448.64	55.00	6.8	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. '02	441.23	56.95	7.0	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. '01	421.55	60.05	7.5	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

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 2002):	(0.3%)
Unemployment Rate (December):	3.9%
Metropolitan Population Growth (Loss), 1990–2001:	6.3%
Total Metropolitan Population, 2001:	2.8 million

B. Fourth 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
4th Q. '02	\$156.76	\$26.84	8.1%	\$149.72	\$25.09	8.1%	\$50.25	\$6.61	8.8%	\$139.02	\$21.60	8.8%	\$130.03	\$20.35	8.9%
3rd Q. '02	158.80	27.55	8.1	147.59	24.98	8.2	49.66	6.60	8.9	137.76	21.69	8.9	127.59	20.19	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

Source: National Real Estate Index's [Market Monitor](#).

II. New York: Demographics

A. Metro Population

	New York PMSA	Nassau-Suffolk	United States
Population — 2001*:	9,333,700	2,773,600	288,368,700
% Growth—2000–2001*:	0.1%	0.5%	2.2%
% Growth—1990–2000:	9.1%	5.8%	13.4%
% Growth—1980–1990:	3.3%	0.1%	9.8%

*U.S. figures reflect mid-2002 population estimates.

B. County Population Growth

County	2001 Population	% Growth 1990-2001
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

City	2000 Population	% Growth 1990-2000
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

	2002 Population	Actual % Growth 1990-2002	Ranking*	Projected % Growth 1995-2025	Ranking*
New York	19,157,500	6.5	42	9.3	46
United States	288,368,700	15.9	N/A	35.1	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:	34.9	37.8	35.2
% 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: 1991–2001 (in 000s)

New York/Nassau-Suffolk	1,136.5	West Palm Beach	54.6
Los Angeles	972.2	Minneapolis-St. Paul	53.2
Chicago	414.9	Orlando	50.6
Miami	378.7	Tampa-St. Petersburg	48.6
Newark-No. NJ	291.7	Las Vegas	45.7
Washington DC	270.8	Honolulu	45.7
Orange County	253.2	Baltimore	37.2
Houston	235.8	Austin	33.0
Dallas-Ft. Worth	206.4	St. Louis	28.3
San Francisco	179.4	Hartford	27.7
San Diego	176.6	Salt Lake City	25.8
San Jose	173.0	Raleigh-Durham	20.7
Boston	157.7	Cleveland	20.3
Oakland-East Bay	150.4	Kansas City	19.0
Riverside-San Bernardino	133.6	Charlotte	18.6
Ft. Lauderdale	102.5	Oklahoma City	16.7
Philadelphia	102.4	Albuquerque	15.3
Atlanta	97.7	Jacksonville	15.1
Seattle	89.2	Milwaukee	14.9
Detroit	80.2	Nashville	14.6
Central New Jersey	77.4	Columbus	14.3
Phoenix	76.7	Indianapolis	12.1
Sacramento	67.6	Cincinnati	9.0
Denver	62.3	Memphis	8.7
Portland	55.1	Greenville-Spartanburg	7.6

Source: U.S. Census Bureau.

II. Demographics (Cont.)

H. Domestic Migration to Metropolitan Areas

Total Domestic Migration: 1991–2001 (in 000s)

Atlanta	552.7	Oklahoma City	13.0
Phoenix	455.7	Cincinnati	4.5
Las Vegas	449.5	Memphis	3.3
Dallas-Ft. Worth	289.3	Salt Lake City	0.4
Denver	220.4	Central New Jersey	(36.8)
Riverside-San Bernardino	217.4	Baltimore	(50.7)
Orlando	201.2	Oakland-East Bay	(64.9)
Austin	198.5	St. Louis	(74.0)
Tampa-St. Petersburg	196.8	Hartford	(78.7)
Portland	189.4	Milwaukee	(81.5)
Charlotte	175.8	Washington DC	(99.6)
Raleigh-Durham	174.6	Cleveland	(115.4)
Ft. Lauderdale	165.2	Honolulu	(117.9)
West Palm Beach	144.2	San Diego	(142.0)
Nashville	110.6	San Francisco	(181.6)
Sacramento	86.6	Orange County	(210.1)
Jacksonville	75.9	Boston	(214.4)
Minneapolis-St. Paul	68.8	San Jose	(219.4)
Houston	65.7	Miami	(269.3)
Greenville-Spartanburg	61.3	Detroit	(274.9)
Seattle	58.6	Philadelphia	(289.8)
Indianapolis	52.4	Newark-No. NJ	(414.9)
Kansas City	42.3	Chicago	(587.1)
Columbus	33.9	Los Angeles	(1,616.3)
Albuquerque	24.2	New York/Nassau-Suffolk	(1,658.9)

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):	(2.1%)
Total Number of Net New Jobs, 12 Months (Ending in December):	(87,800)
% Unemployed, December 2002:	7.5%
% Unemployed, 12 Months Before:	6.5%

National

Employment Growth (Loss)—% 12-Month (Ending in December):	(0.2%)
% Unemployed, December 2002:	5.7%
% Unemployed, December 2001:	5.4%

B. Economic Base—Employment By Sectors

Sector	12-Month % Growth		% of Total Employment	
	Metro	National	Metro	National
Services	0.1	1.4	39.8	31.4
Business Services*	(4.1)	0.2	8.0	7.1
Retail Trade	(0.1)	(0.8)	13.0	18.1
Government	(1.9)	1.2	15.3	16.5
Manufacturing	(4.5)	(3.5)	6.2	12.5
Transportation	(3.4)	(2.6)	5.4	5.1
FIRE	(1.9)	1.0	11.7	5.9
Wholesale Trade	0.1	(1.0)	5.0	5.1
Construction	(2.6)	(1.3)	3.7	4.9

*Business Services is a subset of the Services category.

The 12-month percent growth is updated every quarter; the percent of total employment is updated every 6 months (last update: 4Q 2002).

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

A. Job Formation

Metropolitan Area

Employment Growth (Loss)—% 12-Month (Ending in December):	(0.3%)
Total Number of Net New Jobs, 12 Months (Ending in December):	(3,700)
% Unemployed, December 2002:	3.9%
% Unemployed, 12 Months Before:	3.7%

National

Employment Growth (Loss)—% 12-Month (Ending in December):	(0.2%)
% Unemployed, December 2002:	5.7%
% Unemployed, December 2001:	5.4%

B. Economic Base—Employment By Sectors

Sector	12-Month % Growth		% of Total Employment	
	Metro	National	Metro	National
Services	0.9	1.4	33.6	31.4
Business Services*	N/A	0.2	N/A	7.1
Retail Trade	(0.4)	(0.8)	19.1	18.1
Government	1.2	1.2	16.2	16.5
Manufacturing	(5.3)	(3.5)	8.2	12.5
Transportation	(3.1)	(2.6)	4.7	5.1
FIRE	1.7	1.0	6.5	5.9
Wholesale Trade	(2.5)	(1.0)	6.7	5.1
Construction	(0.8)	(1.3)	5.1	4.9

*Business Services is a subset of the Services category.

The 12-month percent growth is updated every quarter; the percent of total employment is updated every 6 months (last update: 4Q 2002).

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

C. Metropolitan Total Employment Gain (1992-2002)

Job Growth			
(% Gain/Loss, December 1992-December 2002)			
Las Vegas	82.8	Minneapolis-St. Paul	20.9
Austin	53.4	Greenville-Spartanburg	20.7
Phoenix	53.2	Miami	20.5
Riverside-San Bernardino	46.0	Oakland	20.4
Orlando	43.6	Memphis	20.3
West Palm Beach	42.3	Washington	19.8
Tampa-St. Petersburg	39.4	UNITED STATES	19.5
Raleigh-Durham	38.9	San Jose	18.9
Dallas-Ft. Worth	35.2	Indianapolis	17.9
Atlanta	33.9	Nassau-Suffolk	17.6
Jacksonville	33.7	Seattle	17.6
Charlotte	32.8	Boston	16.1
Salt Lake City	32.5	Baltimore	15.2
San Diego	32.3	Cincinnati	14.9
Denver	31.6	San Francisco	12.6
Sacramento	31.4	Detroit	12.5
Nashville	30.9	Philadelphia	12.0
Fort Lauderdale	30.6	Chicago	11.8
Houston	28.3	Milwaukee	11.6
Albuquerque	27.7	Newark-No. New Jersey	11.4
Orange County	25.7	New York	10.5
Portland	25.6	St. Louis	10.1
Kansas City	23.9	Cleveland	9.1
Oklahoma City	23.4	Los Angeles	7.5
Central New Jersey	22.8	Hartford	1.8
Columbus	22.2	Honolulu	(2.1)

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	\$63,200
Secretary	\$31,040
Computer Systems Analyst	\$74,560
Computer Programmer	\$73,080
Electrical Engineer	\$73,130
Machinist	\$29,580

Source: Bureau of Labor Statistics, Occupational Employment Statistics, New York PMSA, 2001.

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—
(2002)

	<u>Rate*</u>	<u>Index**</u>	<u>2002</u> <u>Rating***</u>	<u>1999</u> <u>Rating</u>
New York	\$4.06	1.277	38	33

*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 \$3.18.

***The rating is based on an analysis of 45 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. 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.)

C. Educational Expenditures and Salaries

	Per-Pupil Expenditures	Rank	Teacher Salaries	Rank	Student: Teacher Ratio	Rank
New York	\$10,481	2	\$52,040	4	13.8	40
U.S. Average	\$7,161	--	\$43,335	--	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 2001*.

D. University R&D Expenditures

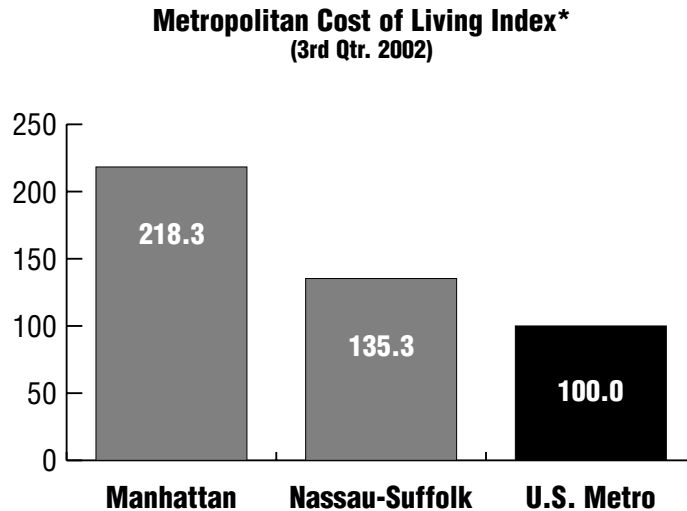
	Federal R&D Expenditures (\$\$ in mil.)	% of Leading School*	Total R&D Expenditures (\$\$ in mil.)	% of Leading School*
Columbia	\$137.1	63.8	\$158.4	59.1
City Univ. of NY	\$2.0	0.9	\$2.6	1.0
Fordham University	\$1.5	0.7	\$2.0	0.7
NY Medical College	\$9.5	4.4	\$12.1	4.5
NYU	\$73.1	34.0	\$97.5	36.4
Polytechnic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

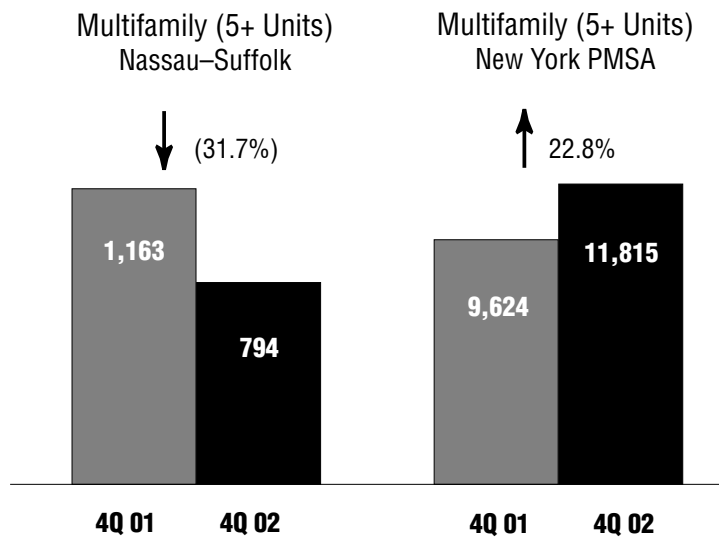
A. Overall Cost of Living



*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



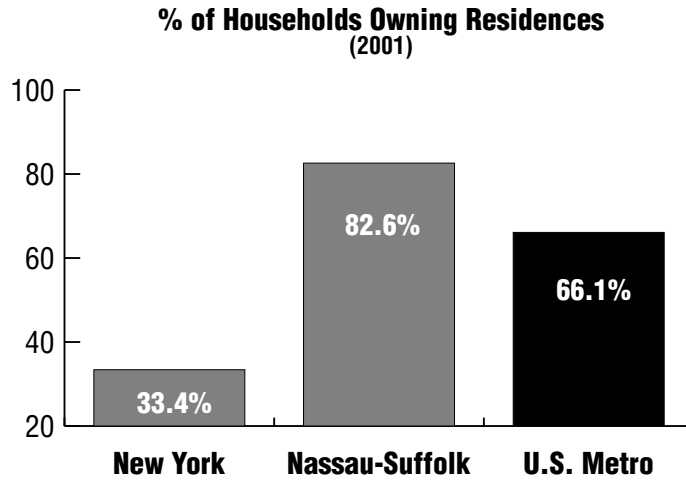
Local Data: Figures represent total permits granted year-to-date in the New York and Nassau-Suffolk PMSAs.

U.S. Data: The percent change in multifamily permits nationwide was (0.4%).

Source: U.S. Census Bureau.

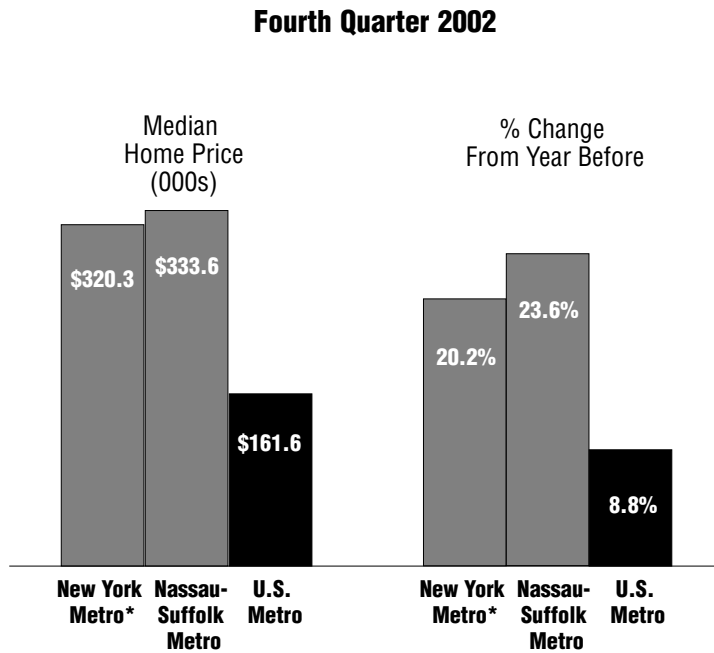
V. Housing & Related Costs (Cont.)

C. Homeownership



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

	Commercial Electric (30,000 kwh per mo.)	Industrial Electric (5,000 kw per mo.)	Residential Electric (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. Health Insurance Coverage & Costs

	% of Pop. Covered by Health Insurance	Rank	Annual Per Capita Health Care Expenditures	Rank
New York	84.5	36	\$4,706	3
U.S.	85.4	--	\$3,759	--

The #1 ranking represents the highest percentage of population covered by health insurance and the highest per capita personal health care expenditures.

Source: Health Insurance: Bureau of Labor Statistics and U.S. Census Bureau (2001). Health Care Expenditures: Centers for Medicare and Medicaid Services (1998).

V. Housing & Related Costs (Cont.)

G. Tourism & Entertainment Taxes**Local Hospitality Taxes**

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

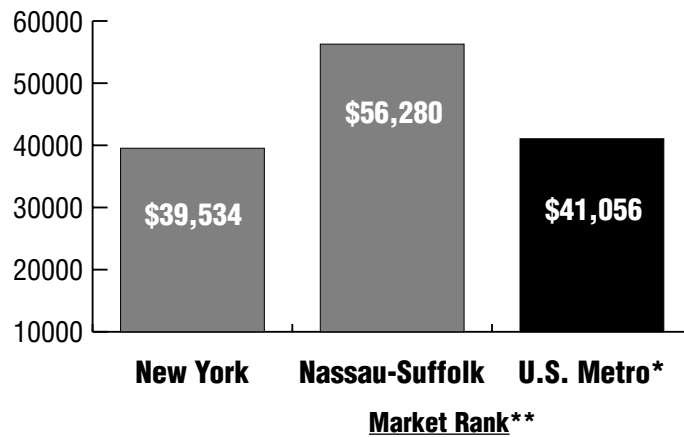
The above data reflects our best efforts. All recent changes at the local/state level may not have been captured.

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

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

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

A. 2001 Metropolitan Median Household Income



New York
Nassau-Suffolk

45
4

*The U.S. Metro figure represents the median income of 323 metropolitan areas; \$38,365 is the median income nationwide.

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

Source: Sales & Marketing Management: 2002 Survey of Buying Power.

B. Metropolitan Retail Sales Trends

Metropolitan Retail Sales -- % Change

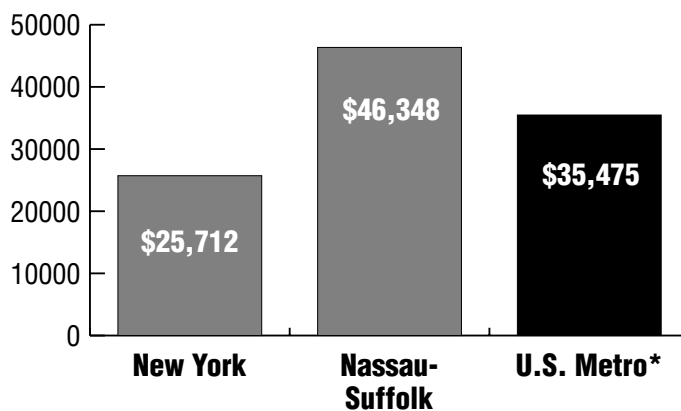
Greater New York	(3.9%)
National	(4.4%)

This data reflects same-store sales at major department stores during the 11 months ending in December 2002 compared to the same period one year ago.

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

VI. Other Economic Indicators (Cont.)

C. 2001 Metropolitan Average Retail Sales



Market Rank**

New York	56
Nassau-Suffolk	5

*The U.S. Metro figure represents the average retail sales per household of 323 metropolitan areas; \$33,662 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: 2002 Survey of Buying Power.

D. E-Commerce Retail Sales

Third Quarter 2002 (\$ in billions)

	<u>Total Retail Sales</u>	<u>E-Commerce Retail Sales</u>	<u>% of Total</u>
U.S.	\$827.5	\$11.1	1.3
Prior Quarter	\$825.2	\$10.3	1.2
Year Ago	\$782.1	\$8.2	1.1

Source: U.S. Department of Commerce.

VI. Other Economic Indicators (Cont.)

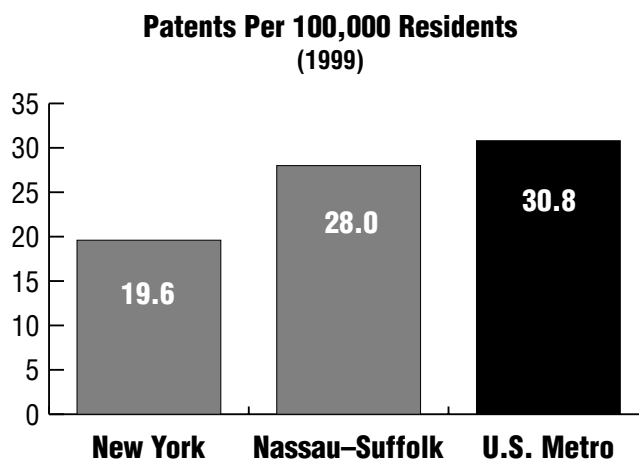
E. High-Tech Industry Employment

	Number of Establishments (2000)	Rank	Number of Employees (2001)	Rank	High-Tech Employment Growth (2000-2001)	Rank
New York	16,729	2	367,887	3	0.7%	27

The #1 ranking represents the highest amount in each category.

Source: *Cyberstates 2002*, American Electronics Association.

F. 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.

VI. Other Economic Indicators (Cont.)

G. Major Airport Activity

	New York – JFK International			
	<u>Total</u> (2001)	<u>% Change</u> from 2000	<u>National</u> <u>Rank*</u>	<u>World</u> <u>Rank*</u>
Passengers (in millions)	29.4	(10.5%)	14	23
Cargo (in thousands–metric tons)	1,500.0	(16.9%)	5	9
	New York – La Guardia			
Passengers (in millions)	21.9	(13.6%)	21	39
Cargo (in thousands–metric tons)	55.0	(23.4%)	61	153

*Ranking of 707 international airports, with the #1 ranking representing the largest number of passengers and the largest amount of cargo.

Source: Airports Council International, Washington, DC.

H. International Trade

International Trade Volume

	<u>Import</u>	<u>Export</u>	<u>Total</u>
New York City Customs District			
January-November 2002 (\$\$\$ in billions)	\$129.0	\$62.6	\$191.6
% Change (from year ago)	0.2%	(10.9%)	(3.7%)
Total U.S.			
January-November 2002 (\$\$\$ in billions)	\$1,063.4	\$637.7	\$1,701.1
% Change (from year ago)	0.3%	(5.7%)	(2.0%)

Source: Dept. of Commerce, Foreign Trade Division.

VI. Other Economic Indicators (Cont.)

I. Area Exports

Metropolitan Area Exports

	1999 Value (\$\$\$ in billions)	Rank*	% Change 1998–1999	% Change 1993–1999
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.

J. Gross State Product

	1990	2000	% Change 1990-2000
New York Ranking*	2	2	--
New York Total (\$\$\$ in billions)	\$593.4	\$774.3	30.5%
U.S. Total (\$\$\$ in billions)	\$6,630.7	\$9,314.3	40.5%

*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: Dept. of Commerce, Bureau of Economic Analysis.

VI. Other Economic Indicators (Cont.)

K. Gross Metropolitan Product

	GMP (\$\$ in billions)		
	<u>2001</u>	<u>Rank</u>	<u>% Change</u> (from 2000)
New York, NY	\$461.0	1	4.3%
Nassau-Suffolk, NY	\$111.9	17	4.7%

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

Source: U.S. Conference of Mayors.

L. Fortune 500 Companies

	<u>1999</u>	<u>2000</u>	<u>2001</u>
<u>New York</u>			
# of Fortune 500 Firms in Metro Area	44	46	45
Ranking*	1	1	1
<u>Nassau-Suffolk</u>			
# of Fortune 500 Firms in Metro Area	4	4	3
Ranking*	29	31	32

*Fortune 500 companies are those with the highest annual revenue in the U.S. The ranking shows how this metropolitan area compares to others across the country, with the #1 ranking indicating the metro with the largest number of Fortune 500 firms.

Source: FORTUNE 500, © 2002, Time Inc. Metro area totals compiled by Property & Portfolio Research, (617) 426-4446, www.ppr-research.com.

VII. 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)	\$1.50*
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

The above data reflects our best efforts. All recent changes at the local/state level may not have been captured.

*This rate became effective in 2002.

**For those married filing jointly.

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

B. Local Residential Property Taxes

2002 Residential Property Tax Rate (Per \$100 Valuation)

<u>Location</u>	<u>Effective Rate</u>	<u>Ranking*</u>
New York City CMP	\$1.80	46
Long Island	\$2.33	57

* The residential property tax ranking is based on a comparison of 58 metropolitan areas analyzed by the National Real Estate Index. Markets are rated in ascending order. (Number 58 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.

VII. 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. State Tax Revenue

State Tax Revenue July-September 2002 (\$\$ in millions)

	<u>Personal Income</u>	<u>Corporate Income</u>	<u>Sales</u>	<u>Total*</u>	<u>% Change from Year Ago</u>
New York	\$5,196	\$585	\$2,262	\$9,471	5.4%
U.S.	\$42,473	\$5,742	\$43,143	\$106,236	2.5%

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).

*Figures reflect total tax revenue reported for the state’s general fund.

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

VII. Taxes and Expenditures (Cont.)

E. Federal Spending Per Capita

	<u>Total Federal Spending</u>	<u>National Rank*</u>	<u>% Change from Year Ago</u>
New York	\$6,132	31	5.5%
Nassau County	\$5,186	--	4.4%
New York City & County**	\$6,116	--	3.7%
Suffolk County	\$5,163	--	8.9%
Westchester County	\$5,011	--	5.1%
U.S. Average	\$6,268	--	9.2%

*Ranking based on all 50 states, plus the District of Columbia, with the #1 ranking representing the highest dollar amount.

**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 2001*.

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

A. State Livability Index

	2002 Index Rating*	2002 Rank	2001 Rank
New York	22.72	37	35

*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 best ranking is 1.

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

B. Crime Rate

Crime Per 100,000 Inhabitants—2001

	<u>Violent</u>	<u>% Change from 2000</u>	<u>Property</u>	<u>% Change from 2000</u>
New York Metro	773.7	(11.3)	2,400.8	(10.0)
U.S. Metro Average	504.4	(0.4)	3,656.1	1.0

Source: Federal Bureau of Investigation, *Crime in the United States*.

VIII. Quality of Life (Cont.)

C. Climate

Average Temperature (Fahrenheit)

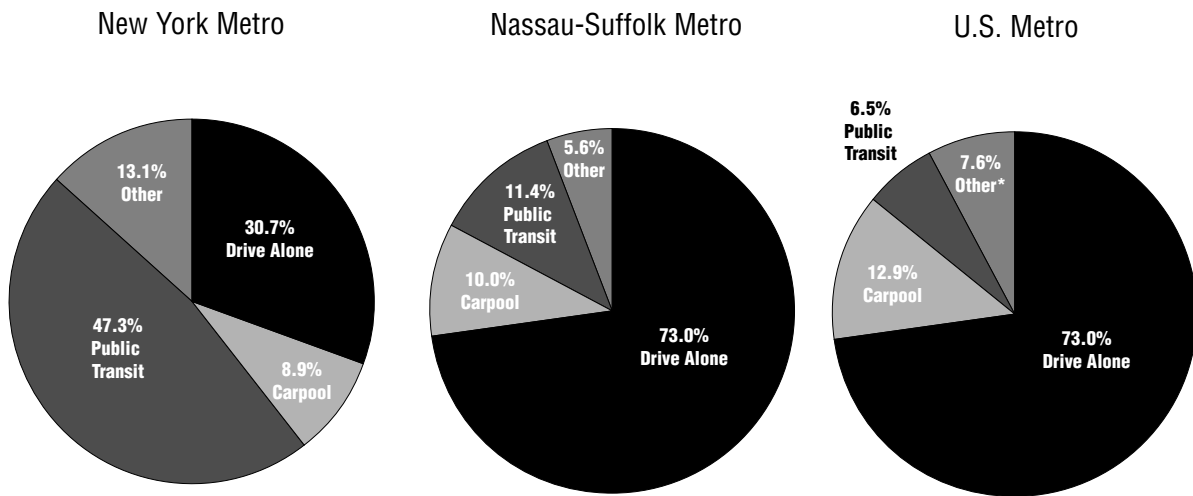
	<u>High</u>	<u>Low</u>
Winter	38	26
Spring	61	44
Summer	85	68
Autumn	66	50

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*.

VIII. Quality of Life (Cont.)

E. Congestion Index

	Congestion Cost Total <i>(\$\$ in millions)</i>	Congestion Cost Per Person	Wasted Fuel Per Person <i>(gallons)</i>	Delay Per Person <i>(hours)</i>
New York-Northeast NJ	\$7,660.0	\$450	39	23
Current Ranking*	2	21	21	21
Previous Year's Ranking	2	20	20	20

*The ranking compares this city to the 74 others in the study, with the #1 rankings representing the highest cost, largest amount of fuel wasted, and longest delay. All data is annual and is for the year 2000. The "congestion cost" includes the value of the extra travel time as well as the wasted fuel costs. Significant ranking changes can occur due to the tight "bunching" of values among some metropolitan areas.

Source: Texas Transportation Institute, Texas A&M University, *2002 Urban Mobility Report*, (979) 845-1713, <http://mobility.tamu.edu>.

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

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

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

	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
National	\$209.55	\$30.04	7.6%	\$179.43	\$23.46	7.4%	\$43.86	\$5.37	8.7%	\$122.97	\$17.47	8.9%	\$105.51	\$14.12	7.9%
Northeast Region	289.57	41.26	7.1	196.48	26.51	7.4	48.13	6.32	9.2	132.26	19.10	8.9	123.25	18.82	8.4
New York -- Downtown															
4th Q. '02	\$279.52	\$40.69	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
3rd Q. '02	284.18	41.99	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. '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
New York -- Midtown															
4th Q. '02	448.64	55.00	6.8	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. '02	441.23	56.95	7.0	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. '01	421.55	60.05	7.5	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Nassau—Suffolk															
4th Q. '02	\$156.76	\$26.84	8.1%	\$149.72	\$25.09	8.1%	\$50.25	\$6.61	8.8%	\$139.02	\$21.60	8.8%	\$130.03	\$20.35	8.9%
3rd Q. '02	158.80	27.55	8.1	147.59	24.98	8.2	49.66	6.60	8.9	137.76	21.69	8.9	127.59	20.19	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

B. Other Property Classes – Most Recent Period

Property Sector	Price Per SF	Property Sector	Price Per SF
Manhattan Downtown		Nassau-Suffolk	
Class B CBD Office	\$212.49	Class B Apartment	\$81.59
Manhattan Midtown		New York	
Class B CBD Office	\$280.72	Class A Suburban Office	\$174.80
Class C CBD Office	\$231.60	Manhattan High-End Retail	\$529.44
Class D CBD Office	\$120.89		

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.

IX. Current Prices, Rents, and Cap Rates (Cont.)

C. Local Market Rankings

4th 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	4	--	--	--	--	--
Manhattan Midtown						
Prices	1	--	--	--	--	--
Rents	1	--	--	--	--	--
Nassau–Suffolk						
Prices	20	26	15	10	9	10
Rents	14	8	11	7	5	8

*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.

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.

IX. Current Prices, Rents, and Cap Rates (Cont.)

D. Price and Rent Growth

% Change from Year Ago

	<u>CBD Office</u>	<u>Suburban Office</u>	<u>Warehouse</u>	<u>Retail</u>	<u>Apartment</u>	<u>Class B Apartment</u>
<u>Manhattan Downtown</u>						
Prices	(2.3%)	n/a	n/a	n/a	n/a	n/a
Rents	(9.8%)	n/a	n/a	n/a	n/a	n/a
<u>Manhattan Midtown</u>						
Prices	6.4%	n/a	n/a	n/a	n/a	n/a
Rents	(8.4%)	n/a	n/a	n/a	n/a	n/a
<u>Nassau-Suffolk</u>						
Prices	(0.7%)	3.5%	1.0%	5.0%	6.4%	5.0%
Rents	(3.0%)	(0.4%)	(0.3%)	1.0%	3.6%	1.7%
<u>National</u>						
Prices	0.2%	0.8%	(0.5%)	3.4%	0.8%	2.4%
Rents	(7.7%)	(7.9%)	(4.3%)	(0.1%)	(3.0%)	(1.2%)

X. Nassau-Suffolk: Market Analysis

A. Nassau-Suffolk—Market Snapshot

Job Growth Crumbles

Greater Long Island eliminated 3,700 jobs in 2002 for a 0.3% decline in the local employment base. This reflects a significant change from the 5,400 positions added in 2001. The unemployment rate fell from 3.7% in December 2001 to 3.9% in December 2002.

Manufacturing Suffers Deepest Cuts: The manufacturing sector saw the largest number of job losses with the elimination of 5,700 positions. The manufacturing sector should enjoy a boost soon, though. Northrop Grumman, in partnership with Boeing, has been contracted by the Pentagon to build a new plane called the Growler. Northrop plans to design the electronic warfare system in its Bethpage facility. The contract is expected to bring hundreds of millions of dollars to Long Island as well as jobs for 400 to 500 engineers and technicians in the next few years.

Among the declining employment categories, wholesale trade was next, shedding 2,100 workers. Transportation shaved 1,900 jobs, retail cut 1,000 employees, and construction shaved 500 positions.

The local service sector fueled the largest employment gain with 3,800 jobs. Government was next, generating 2,300 positions. Finance, insurance, and real estate (FIRE) added 1,400 to its payroll.

The largest employers on Long Island are North Shore-Long Island Jewish Health System, the Diocese of Rockville Centre, KeySpan Energy, J.P. Morgan Chase and Company, and Winthrop South Nassau University Health System.

OFFICE

The Long Island office market saw an increase in its vacancy rate from 10.1% to 12.5% between the third and fourth quarters of 2002. Net absorption dipped into the red by 134,000 square feet in the fourth quarter from a positive 618,000 square feet in the prior quarter. Most of the negative absorption occurred in the Mid-Suffolk submarket, the second-smallest office area in the region. This submarket also reported the highest vacancy rate at 22.2%. East Nassau had the lowest rate (8%).

Lake Success Sees Lion's Share of Development:

Most of the construction in the fourth quarter was in Lake Success (western Nassau County). The largest project is a 500,000 square foot building that is due to wrap up in early 2003 at i.park. The Granite Buildings (260,000 square feet) on Marcus Avenue are scheduled for completion this Summer.

In leasing activity, Verint Systems, a subsidiary of Comverse Technology, signed for 25,000 square feet of space at Melville Corporate Center II, a recently-completed 85,000 square foot office facility at 330 South Service Road in Melville (western Suffolk County). Verint Systems provides analytic services for communications, security and surveillance systems. In Hauppauge, the Woodlands office complex closed on seven new leases totaling 22,000 square feet in February. These commitments bring occupancy to 95% at the 128,000 square foot complex.

FIRE Firms Fuel Activity: A recent growth trend in the mortgage and lending sector sparked additional activity in the Melville-Route 110 corridor during the first couple of months of 2003. Preferred Empire Mortgage Company leased 9,000 square feet at a 70,000 square foot building on Broadhollow Road; AEGIS Lending Corp., the borrowing division of AEGIS Mortgage Corp., took 3,000 square feet at 35 Pinelawn Road; and Radian Guaranty, a mortgage insurance provider, absorbed 1,400 square feet, also on Broadhollow Road.

Credit card-processing giant First Data Corporation is seeking to consolidate its Long Island operations at a planned 250,000 square foot facility in Melville. Reckson is expected to build the new space on 19 acres it owns off the Long Island Expressway North and Walt Whitman Road. First Data has reportedly signed a letter of intent for the space. First Data's operations are now housed in two buildings at 265 Broadhollow and 80 Baylis Roads. In the fourth quarter, Salomon Smith Barney signed for 38,000 square feet at the Reckson Executive Park in Melville. This recently-completed facility at 58 South Service Road (western Suffolk) contains 277,000 square feet.

In other FIRE activity, Suffolk County National Bank opened its new 50,000 square foot headquarters building in the heart of downtown Riverhead.

X. Market Analysis

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

Intended to blend with adjacent structures, such as the Suffolk County courts building, it will serve as an administration center, not as a retail branch office.

Lake Success Captures Leases: Suffolk County has been feeling the impact of the 93% vacancy at Tritec Real Estate's recently-completed 204,000 square foot building at 100 Motor Parkway in Lake Success. But that changed in the fourth quarter with Allstate Insurance's agreement to sell its own facility in Farmingville to the town of Brookhaven and take 41,000 square feet in the new building.

The New York Mercantile Exchange (NYMEX) is one of four tenants that recently soaked up space at i.park, also in Lake Success. The NYMEX signed for 40,000 square feet at the former Sperry and Lockheed-Martin facility, which previously served as the temporary headquarters of the United Nations. The space will serve as back-up to the Exchange's operations in lower Manhattan. The other new leases at i.park include MSW Research (18,000 square feet), biotech firm E-Z-EM Inc. (17,100 square feet), and law firm Abrams, Fensterman, Fensterman & Flowers (15,000 square feet).

Cablevision to Return Space: In Nassau County, Cablevision Systems is planning to return half of the 600,000 square feet it leased two years ago at Jericho Quadrangle. The space was used to consolidate the company's satellite offices in the eastern part of the county, and for future expansion possibilities. But Cablevision's circumstances have changed recently. The company announced plans to lay off 7% of its workforce, not counting cuts related to the closing of 26 unprofitable Wiz stores. On November 1st, it agreed to sell its Jericho-based Bravo network to NBC for approximately \$1.3 billion. Overall, Cablevision owns or leases 1.5 million square feet of space on the Island.

INDUSTRIAL

The industrial market on Long Island softened between the third and fourth quarters of 2002 as vacancy rose from 5.4% to 6.7%, according to CB Richard Ellis. Net absorption dropped from a positive 130,000 square feet to a one million square foot deficit as leasing activity dwindled to a handful of mostly small users. Queens County posted the

largest deficit at 575,000 square feet, followed by Suffolk County, which recorded 463,000 square feet of negative activity. Suffolk County also had the highest vacancy rate (12.1%).

Defense Plant to Become Flex Space: An aging defense plant in Syosset will soon be retooled into a corporate flex building. The 205,000 square foot research facility, once the headquarters of Fairchild Camera and Instruments and now home to the optical systems division of British aerospace contractor BAE Systems, was recently sold to Blumenfeld Development Group for an undisclosed amount. Blumenfeld plans to remodel the interior and exterior of the building and put it on the market. It is located just north of the Long Island Expressway. Blumenfeld, which is now headquartered in leased space at 6800 Jericho turnpike in Syosset, plans to move into 20,000 square feet when construction is completed in Summer 2003. BAE will continue to lease space in the Syosset building for three months while it consolidates its Long Island operations in Greenlawn.

Using a tax abatement package as an incentive, the Brookhaven Industrial Development Authority helped lure Anorad, a subsidiary of Rockwell International, from four separate sites in Hauppauge to one in the Brookhaven Technology Park. The consolidation and expansion at a new 130,000 square foot facility means Brookhaven will gain an estimated 285 jobs.

In other leasing activity, Icon Laboratories is relocating to the former BJ's Wholesale warehouse (115,000 square feet) on 123 Smith Street. It will lease the building from the Marcus Organization, which is reportedly in contract to acquire the facility for \$7.4 million. In addition, the New York Times' city and suburban delivery operations began moving from Farmingdale to i.park in November. Most of the 200 employees at the Farmingdale warehouse, which has been put up for sale, are expected to make the move.

Nassau Tries to Hold Onto Del Laboratories: Nassau County appears to be nearing a deal with Del Laboratories that would keep the company from closing its Farmingdale manufacturing plant and moving 500 jobs to North Carolina. Under the proposal, Del would move its corporate administrative

X. Market Analysis

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

staff from its current location at EAB Plaza in Uniondale to a new headquarters that would be built in Jericho.

The Malachite Group has acquired a ten-acre site at 550 Stewart Avenue from energy company KeySpan for \$6.2 million. The site includes an 180,000 square foot office and industrial facility.

RETAIL

Local sources estimate Long Island's retail vacancy in the 5% to 6% range in the second half of 2002. The retail market here has remained fairly stable due to the lack of construction, which is partly the result of unrelenting community resistance to development. But vacancy is slowly creeping up with store closings and bankruptcies.

Big Box Fits and Starts: Big box developers have managed to do quite well on the Island, though some of their plans have been blocked. Home Depot completed a 120,000 square foot store in Riverhead in early 2002 and considers Long Island one of its strongest markets. The home improvement giant has 18 locations and is pushing to open more stores in the future. Lowe's is hoping to start a project nearby, but failed to get the required number of town votes to move forward on the development. Lowe's opened its second Long Island store in Garden City on October 9th. Big box retailer Target plans to build a 143,000 square foot super store on more than 16 acres in Medford. The retailer has signed a 20-year ground lease with Feldman Properties for the land, which lies between Horseblock Road and the North Service Road of the Long Island Expressway between Exits 64 and 65, just east of a Sam's Club. Target has submitted site plans for approval.

Vacated Space Expected to Fill Quickly: In January, Kmart said that it plans to shut stores in Westbury, Syosset, Stony Brook, Fresh Meadows, and Brooklyn. Local brokers do not expect the sites to stay vacant for long. Target, Kohl's, and Wal-Mart are among the top contenders for the space. All three chains have been aggressively expanding on Long Island, and many of the locations that Kmart abandoned are prime retail spots, including the stores in Fresh Meadows and Westbury. Kaufmann Realty Services bought and filled four

former Office Depot sites that have sat empty for more than a year. In addition, a 45,000 square foot former Office Depot in Syosset was sold to a Queens real estate investor for \$8 million. It was later leased to TJX Cos. for a Marshall's store. Toys 'R' Us took 36,000 square feet of sublease space to expand its current operations at the SunVet mall in Holbrook.

Communities Battle Large Shopping Centers:

Residential growth in Suffolk County has been attracting an increasing number of retailers. However, one of the largest proposed projects, the one million square foot retail complex called the Brookhaven Town Center, targeted for the northwest corner of Exit 68 off the Long Island Expressway in Yapshank, has encountered stiff opposition from county planners. Meanwhile, in Nassau County's Syosset, the Mall at Oyster Bay (750,000 square feet), slated for the site of the former Cerro Wire Factory, remains in limbo. The town's decision to reject Taubman's application for a special use permit, so it could proceed with the development, was recently overturned by the State Supreme Court. It declared all but one of the 15 findings on which the town board based its denial as "arbitrary and capricious". There has been no word on whether or not the town will appeal.

The former Caldor's shopping center at the intersection of Montauk Highway and Patchogue-Yapshank Road in East Patchogue has been sold for \$4.8 million to an investment group that intends to renovate the dying retail outlet. The shopping center was originally developed in the late 1960s and was home to a W.T. Grants department store and a King Kullen.

APARTMENT

New Building Codes Ease Development Costs

Multifamily construction on Long Island remains limited due to geographical constraints and persistent community activism opposing large developments. Consequently, only companies with deep pockets have the ability to push plans through the approval process. But costs for smaller developments were reduced earlier this year with the introduction of new building codes that increase the

X. Market Analysis

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

allowance for wood-frame commercial buildings from two to four stories. Contractors estimate that this could save them \$12 to \$20 per square foot. This incentive has not had a noticeable impact on development, though, as multifamily permits (in buildings with 5+ units) decreased 32% from 2001 to 794 units in 2002.

Senior Complexes See Some Success: A high-end development for age 55-plus residents is under construction in Port Jefferson Station. However, unlike many of the new senior-oriented luxury complexes, these townhouses are for renters, not condo buyers. A total of 291 rental townhouses will be built on a 43-acre parcel on the corner of Route 347 and Old Town Road. The townhouses will be near BJ's, Wal-Mart, and other new stores. Units are expected to start renting in Spring 2003.

Other large projects underway in the metro include the 305-unit Meadows @ The Ponds condominiums on Granny Road in Coram and Avalon at Glen Cove South (256 units) in Glen Cove.

Trammell Crow has placed its Alexan at Brookhaven residential project on the market for approximately \$160 million. A total of 550 units of the 795-unit luxury apartment complex have been completed. The project sits on 117 acres near the intersection of Horseblock Road and Woodside Avenue in Bellport.

HOSPITALITY

The occupancy rate for hotels on Long Island stood at 68.8% in 2002 compared to 72.3% in 2001, according to PKF Consulting. The average daily room rate fell from \$139 to \$133.

Hot on Hotels: Hotel development is strong on Long Island as several projects are underway and a slew are in the pipeline. Hotels under construction in the fourth quarter include a 157-room extended-stay Hilton Garden Inn at the intersection of Ocean Avenue and Veterans Memorial Highway in Ronkonkoma, a 120-room Holiday Inn & Suites in Shirley (Suffolk County), a 109-room Wingate Inn on Crooked Hill Road, and a Hampton Inn & Suites (85 rooms) near the Rockville Centre. All of these projects are slated for completion in 2003.

Atlantis Marine World's proposed development in Riverhead envisions a 120-room luxury waterfront hotel downtown. It will include a conference center and is slated to open in the Summer of 2005. The town of Brookhaven has approved site plans for a 114-room Extended Stay America near the Exit 63 interchange.

X. Market Analysis

B. Nassau-Suffolk—Submarket Inventory/Vacancy

OFFICE*			
SUBMARKET	INVENTORY	VACANCY	ABSORPTION
West Nassau	5,477,586	8.9%	153,831
Central Nassau	10,107,642	11.3%	(115,766)
South Nassau	1,399,131	11.0%	(11,696)
East Nassau	5,908,433	8.0%	(60,217)
Mid Suffolk	4,520,321	22.2%	(388,205)
West Suffolk	7,336,434	14.8%	288,471
MARKET TOTAL	34,749,547	12.5%	(133,582)
*Reported as of fourth quarter 2002.			
Source: CB Richard Ellis (Garden City).			

INDUSTRIAL*			
SUBMARKET	INVENTORY	VACANCY	ABSORPTION
King County	31,869,969	2.4%	82,973
Nassau County	18,318,550	8.6%	(83,895)
Queens County	34,130,518	6.4%	(575,392)
Staten Island	300,000	0.0%	0
Suffolk County	19,971,378	12.1%	(463,183)
MARKET TOTAL	104,590,415	6.7%	(1,039,497)
*Reported as of fourth quarter 2002.			
Source: CB Richard Ellis (Garden City).			

X. New York: Market Analysis

C. New York—Market Snapshot

Job Erosion Continues

New York is still struggling with more job losses than any other metropolitan area in the nation, triggered by the World Trade Center disaster and further weakened by the anemic economy. A total of 87,800 positions (net) were eliminated in 2002. This reflects a slight improvement from the 95,400 jobs lost in 2001, but is a dramatic turnaround from the 19,800 net jobs created in 2000. The unemployment rate climbed from 6.5% in December 2001 to 7.5% in December 2002, tying with San Jose for the highest unemployment rate among major metropolitan areas in the country.

Government Shrinks: Government led the major employment sectors in losses, shaving 12,400 jobs. In November, Mayor Michael Bloomberg unveiled plans to cut 8,000 employees citywide by June 2004. New York City is struggling to shave up to \$1 billion in spending with cutbacks in the New York police, fire, and education departments.

Manufacturing was next, shedding 12,200 positions. Finance, insurance, and real estate (FIRE) cut 9,400 jobs. This sector continues to take a beating from the stock market collapse and corporate scandals. The MONY Group, the insurance and mutual fund firm based in New York, plans to cut about 185 jobs at its life insurance unit. In November, The *Wall Street Journal* cut 31 jobs in its newsroom and eliminated two teams of reporters. A cost-reduction program unveiled by the newspaper's parent, Dow Jones & Company, calls for trimming 230 workers and is the latest in a two-year effort to reduce expenses after a sharp drop in advertising revenue. Another firm to reduce its staff in November was Lehman Brothers, the investment banking company; it laid off 500 employees.

Transportation/public utilities cut 7,900 positions. Verizon Communications cut 3,500 jobs in December, mostly in New York. The layoffs are part of the 8,500 jobs the company reportedly plans to eliminate. In addition, America Online cut about 90 people from its advertising sales force. The layoffs primarily affect employees at the company's Dulles headquarters and in New York. The construction sector eliminated 4,100, while retail shed 700 from its employment rolls.

The local service sector was the strongest job creator, adding 1,400 positions. Wholesale trade grew by 200 jobs.

According to Crain's *New York Business*, the top employers in greater New York include New York Presbyterian Healthcare Network, J.P. Morgan Chase & Company, Citigroup, Verizon Communications, and Continuum Health Partners.

Tax Increases and New Fees: New York City real estate taxes were increased 18.5% in response to the city's budget deficit. The hike took effect in December and is to be phased in over a two-year period as part of a number of new taxes being pursued by the city. Smokers got hit with a tobacco tax increase (for a new total tax of \$1.50 per packet), which means that each pack now costs about \$7. As of March 30th, smoking will also be prohibited in nearly every public indoor space in the city. Bus and subway fares are expected to increase as well.

OFFICE

Manhattan's office market experienced a slight decline in vacancy from 10.5% to 10.3% between the third and fourth quarters of 2002, according to CB Richard Ellis. The current vacancy is an increase from 8.6% at the end of 2001. The availability rate (which includes sublease space) increased from 13.3% to 13.7%. Sublease space totaled more than 12 million square feet at the end of the year. Net absorption grew from a negative four million square feet in the third quarter to a positive 1.2 million square feet at year end. However, absorption for the year totaled a negative 2.4 million square feet. Construction fell slightly to 5.2 million square feet.

Downtown Absorption Turns Positive: The Downtown submarket experienced the highest level of absorption at 894,000 square feet in the fourth quarter. This resulted in a decrease in vacancy from 15% in the third quarter to 14.4%. Nevertheless, Downtown remains the softest office area. Year-to-date net absorption totaled a negative three million square feet, with most of the space vacated in the World Financial Center area (a negative 1.5 million square feet).

X. Market Analysis

C. New York—Market Snapshot *(continued)*

WTC Design is Chosen: The plan chosen for the World Trade Center (WTC) site was designed by Daniel Libeskind's Berlin-based firm The Studio Daniel. The proposal was chosen from a group of seven designs submitted to the international competition in early December. The Libeskind design, "Memory Foundations," consists of a group of five shard-like glass buildings, containing about 8.5 million square feet of office space, with an 1,800-foot spire. The spire, which will feature a "Gardens of the World" exhibit at the top, will be the tallest building in the world, surpassing the Petronas towers in Malaysia by 293 feet. The five buildings will surround a memorial that will sit 30 feet below ground level on the site where the twin towers stood. The buildings will be arranged so that on September 11th of each year, a ray of sunlight will illuminate the site from 8:46 am until 10:28 am, in remembrance of the terrorist attacks. The plan also calls for a bustling, vibrant streetscape around the site, complete with a five-star hotel, a transportation hub, a memorial museum, and some cultural venues. The project is expected to take ten to 12 years to complete. Libeskind's firm is known for the design of the Jewish Museum Berlin, an extension to the Denver Art Museum, and the Jewish Museum in San Francisco.

Midtown North Softens: Midtown North was the only submarket to soften between the third and fourth quarters of 2002. The vacancy rate increased by one-tenth of a percentage point to 8.1%. Net absorption totaled a negative 166,000 square feet, a vast improvement from the third quarter's 1.1 million square foot deficit. This is the only section of Manhattan that still has construction underway. The largest project is 10 Columbus Circle (aka AOL Time Warner Center) at 1.6 million square feet. Two 1.2 million square foot developments—Times Square Tower and 300 Madison Avenue—are also in progress. The latter building will serve as the U.S. headquarters of investment banking firm CIBC. It will include two trading floors, a training facility, and extensive conference space.

More Sublease Space to Hit Market: Deutsche Bank plans to put 500,000 square feet at 31 West 52nd Street on the sublease market. Meanwhile, media giant Bertelsmann is vacating 400,000 square feet at 1540 Broadway. These additions to

the sublease market, which is already swimming with more than ten million square feet of high-quality space, could further drag down rents. And with J.P. Morgan Chase set to lay off 2,200 employees, brokers expect more office space to hit the Midtown market.

Having recently submitted claims to their respective insurers for renovation cost coverage, tenants at the 1.1 million square foot Federal Building, just north of the World Trade Center site, are expected to re-occupy that property in early 2003. The building's three tenants are the New York City Housing Authority (NYCHA), which occupied seven and a half floors, the Legal Aid Society, whose headquarters took 150,000 square feet on three floors, and the U.S. Postal Service, which owns the building and took up six floors. All three are still under lease.

One Liberty Plaza, the 2.2 million square foot tower just west of the World Trade Center site, has gained one lease renewal and signed a new tenant. Zurich North America, which has occupied space in the 53-story building since 1991, signed a ten-year renewal for 208,000 square feet while Arch Insurance has committed to 45,000 square feet on the top floor of the building.

Germans Bullish Buyers: In sales activity, the 47-story 1177 Avenue of the Americas building has been sold to Paramount Group, a German investment partnership, for \$405 million. The deal was first reported in July, at which time the price tag was said to be closer to \$500 million. In October, Germania of America, in a joint venture with its German institutional partners, purchased a majority interest in the 714,000 square foot Chrysler Center East at 666 Third Avenue. The building sold for a reported \$220 million. Three adjacent buildings were bought by Lloyd Goldman's Jacob First in a \$52 million deal. The three buildings—1 West 34th Street, 358 Fifth Avenue, and 362 Fifth Avenue—comprise roughly 222,000 square feet.

Westchester County Waits: Westchester County's office market tightened slightly with vacancy falling from 13.9% in the third quarter to 13.2% in the fourth quarter of 2002. Net absorption increased from 8,000 square feet to 198,000 square feet. However, brokers expect only a limited number of relocation deals until the New York City office market begins to stabilize.

X. Market Analysis

C. New York—Market Snapshot (continued)

Despite the glut of available space in New York City, brokers believe that the city has two things working in its favor that will aid in the expeditious stabilization of occupancy levels and ultimately increase rental rates. The first is the lack of new construction. The second is the ability of New York City's existing owners to recast their financing at interest rates not experienced for decades.

While office relocations from large New York tenants remain tenuous, in February, New York Life Insurance received a preliminary inducement from the Westchester County Industrial Development Agency to purchase the 383,000 square foot Mount Pleasant Executive Center in Sleepy Hollow. If it does decide to move, the insurance company would bring 1,000 employees from company offices in Manhattan. However, the insurer is also considering relocating those employees to a company-owned facility in Parsippany, NJ. The Westchester County incentive package would grant New York Life approximately \$1.7 million in sales tax exemptions.

White Plains celebrated two small victories recently. Fuel & Marine Marketing, a wholly-owned company of Chevron/Texaco, signed for 17,000 square feet of sublease space at 44 South Broadway. A related entity is expected to sign a deal soon for an additional 2,500 square feet of sublease space at the same building. The space was formerly occupied by IBM. The two Chevron/Texaco entities are the last remaining operations of the oil giant to occupy the former Chevron/Texaco headquarters property at 2000 Westchester Avenue in Harrison. Once the firms relocate to White Plains, the only remaining occupant at the 725,000 square foot complex will be Atlas Air, which is housed in 120,000 square feet there. Morgan Stanley, which purchased the Chevron/Texaco complex earlier this year, is scheduled to begin a multi-million dollar renovation of the building to convert it into a data center and branch office.

INDUSTRIAL

The Westchester industrial market's vacancy rate decreased from 10.4% in the third quarter to 9.1% at the end of the fourth quarter 2002, according to CB Richard Ellis. Net absorption rose from a 117,000 square foot deficit to 406,000 square feet

in the black. This quarter's positive absorption is largely the result of 426,000 square feet of vacant space being taken off the market at 333 North Bedford Road in Mount Kisco. This produced a whopping 12 percentage point drop in the vacancy rate in northern Westchester. There are no industrial buildings underway or in the construction pipeline in Westchester County.

Air'Tram Service to Begin in 2003: The \$1.9 billion Air'Tram system that links New York JFK International Airport passengers with airline terminals, car rental agencies, long-term parking, and New York's mass transit system is expected to become operational in 2003. Many of JFK's 40,000 employees are likely to switch from driving to work in favor of Air'Tram. In addition, Jet Blue Airways and the Port Authority recently agreed on a \$47 million lease that will enable Jet Blue to expand its operations and continue its rapid growth at JFK.

Post Office to Become New Penn Station: New York Governor George Pataki and the U.S. Postal Service have agreed for the state to buy New York City's landmark post office building and turn it into a new, glass-covered Pennsylvania Station. The neo-classical building sits across from the existing Penn Station, which would still be used. The \$230 million project could take about five years to complete and would serve 500,000 daily riders of Amtrak, the Long Island Rail Road, New Jersey Transit, and city subways. The building's famous front facade will not be altered. It bears the inscription: "Neither snow nor rain nor heat nor gloom of night stays these couriers from the swift completion of their appointed rounds." Ownership of the landmark building, which occupies two city blocks, is expected to be transferred within a year to the Pennsylvania Station Redevelopment Corporation. The Port Authority of New York and New Jersey has committed \$145 million to buy the building. The rest will come from state bonds, Amtrak, the Metropolitan Transportation Authority, and private sources.

Seaport and Rail Expansions Announced: The seaport terminals in New York handled approximately 3.6 million container units (TEUs) from January through October 2002, according to the Port Authority. This is a 9% increase from the 3.3 million TEUs handled during the same period in 2001. To better handle the increasing volume, the Port Authority recently announced two expansion

X. Market Analysis

C. New York—Market Snapshot (continued)

projects. A major wharf expansion at the Howland Hook marine terminal is in the planning stages. In addition, the Port hired a contractor to build a larger ExpressRail system to improve efficiency and allow shippers to get their goods to market faster.

Despite the increase in waterborne cargo, the value of total exports handled by the New York Customs District (which includes all air, rail, and sea ports in the area) decreased 11% to \$63 billion during the first 11 months of 2002. Imports declined slightly (0.2%) to \$129 billion.

RETAIL

According to a survey conducted in August by the Wall Street Rising organization, a non-profit group assisting and promoting businesses impacted by the attacks of September 11th, the retail vacancy in downtown Manhattan stood at 12% at mid-year 2002.

Experts Express Optimism for Lower Manhattan:

With approximately 250,000 people working in Lower Manhattan and 25,000 residents, real estate experts believe that retail opportunities are ripe, even in the downtown Manhattan area where the attacks occurred. The area around Ground Zero is still the third-largest central business district in the nation, teeming with consumers. Investing in downtown may require a leap of faith, however. Even though the 427,000 square foot World Trade Center retail concourse was completely destroyed, there was no rise in traffic for most of the surrounding retail businesses because Lower Manhattan lost approximately 100,000 jobs after September 11th. A lot of mom-and-pop retailers were seriously impacted by the attacks and could not hold on long enough to recover. Some national retailers that would have gravitated to the World Trade Center mall are taking street-level space in the financial district, though. AnnTaylor, Nine West (which had a shop in the WTC complex), and health club Crunch have all opened new locations and have healthy sales. In addition to the attractive demographics, the area also offers retailers redevelopment incentives including grants and tax breaks. The Lower Manhattan Development Corporation (LMDC), funded by a \$2 billion federal appropriation from the Department of

Housing and Urban Development, plans to distribute \$350 million to retain area businesses and attract new companies.

Designed to offset space lost in its 37,000 square foot 5 World Trade Center location at Church & Vesey Streets, Borders Books has absorbed all retail space available at 100 Broadway for a new 30,000 square foot store. The federal and state incentives put into place after September 11th made the move financially attractive for the company.

Bloomingdale's to Build in SoHo: Federated Department Stores plans to develop a 124,000 square foot Bloomingdale's in SoHo. Construction on the downtown project, which will be Bloomingdale's second Manhattan store, is scheduled to begin in Spring 2003, with an opening planned for the Fall. The new store will be located in the former Canal Jeans building at 504 Broadway between Spring and Broome Streets. An extensive build-out will result in a six-level store designed to retain SoHo's loft character.

In October, upscale women's-apparel chain Searle took its seventh location in the city with a 10,000 square foot lease in a Flatiron District duplex at 156 Fifth Avenue between 20th and 21st Streets. In addition, the former Maurice Villency space on 35th Street and Madison Avenue has recently become the U.S. flagship of Parisian furniture designer Roche Bobois. The 28,000 square foot tri-level store at 200 Madison Avenue is in the 34th Street District, one of the fastest-growing retail areas. It is just steps away from the excitement of Herald Square, the Empire State building, and Fifth Avenue.

Same-Store Sales Decline: Same-store retail sales in greater New York fell 3.9% between 2001 and 2002, according to the International Council of Shopping Centers (ICSC). The largest decrease in the ICSC's Northeast region occurred in greater Boston, which saw sales drop by 6.3%.

APARTMENT

Lower Manhattan Poised for Comeback

The resiliency of Manhattan's multifamily market is demonstrated by its scant 2% vacancy rate just one year after the September 11th attacks, according to

X. Market Analysis

C. New York—Market Snapshot *(continued)*

Citi Habitats, a New York brokerage firm. Lower Manhattan, in particular, is making a comeback. The vacancy rate in the Financial District was 3.5% before September 11th, but skyrocketed to 25% by December 2001. However, by August 2002, vacancy had dropped to 4%.

Much of the area's success in maintaining occupancy is credited to a grant program administered by the LMDC. Under the program, rental units and owner-occupied housing with two-year commitments and within eligible zones are given a grant of 30% of the monthly rent (or mortgage payments, plus maintenance costs and taxes for purchased units), of up to \$12,000 over two years.

The apartment market is seeing steady construction. Rose Associates recently wrapped up on The Metropolis (360 units) near Grand Central terminal and The Madison Belvedere (404 units) near Chelsea. Developers are apparently eager to build more. Multifamily permits increased 23% from 2001 to 11,800 in 2002.

Locals Fight Apartment Towers at South Street Seaport: While Howard Milstein broke ground in October on a 35-story office building in Times Square, a downtown coalition was preparing to fight another Milstein project at the South Street Seaport—this one a residential development.

Downtown groups are trying to restrict construction in the Seaport neighborhood to preserve the area's historic character. Their current goal is to stop the Milsteins, one of New York's best-known real estate families, from building an apartment complex with two towers measuring 14 and 30 stories. The controversy centers on a parking lot at 250 Water Street that has zoning permits for a building of 480,000 square feet. A proposed zoning change would reduce the maximum building size to 289,000 square feet and set a 120-foot height limit—about ten stories for an apartment building. Meanwhile, the Milsteins have been meeting with city officials and hired well-connected lawyers to help press their case.

Urban Renewal Area Kicks Off: Construction is underway on the Hamilton, the first multifamily development in Harlem's Bradhurst Urban Renewal Area. Located on 145th Street between Edgecombe and Bradhurst Avenues, the Hamilton will be a 77-unit co-op building for middle-income residents. The project will include 15,000 square feet of

ground-floor retail space, to be anchored by a Duane Reade pharmacy. The Hamilton is part of the city's Department of Housing Preservation and Development's Cornerstone Program, which arranges financing to construct middle-income and market-rate housing units.

HOSPITALITY

The hotel occupancy rate in New York City stood at 76.3% in 2002 compared to 75.6% in 2001, according to PKF Consulting. The average room rate slipped to \$187 from \$196.

Westin Times Square Opens: Westin New York at Times Square celebrated its grand opening in October. The 863-room hotel has a 99-year ground lease with the city and state. The property, adjacent to Tishman's 200,000 square foot E Walk, will include entertainment and retail facilities including Shula's Steakhouse, Bar 10 cocktail lounge, and Cosi sandwich shop.

Construction of the hotel component of the Coliseum at Columbus Circle (or the AOL Time Warner Center) in Midtown is continuing with the 251-room Mandarin Oriental scheduled to open in late 2003.

Tourism Profile Changes Post 9/11: The nearly \$1 billion drop in visitor spending in 2001 signaled a change in New York City's visitor profile. The city welcomed more leisure visitors in 2001 than in 2000 (spending an average of \$145 per day), but fewer visitors from the higher-spending business travel category (spending an average of \$241 per day). Although domestic business travel declined by only 1.2% in 2001, the higher-spending overnight portion of this category declined by 5% as many business travelers shortened their New York City visits to day trips. There was also an increase in the number of people staying with friends and relatives following September 11th, leading to reduced expenditures on hotels, restaurants, shopping, and attractions. Through August 2002, the trend has been mixed, with some months showing increases over 2001, and some showing declines. The most consistent trend has been the downturn in the percentage of international visitors—from over a third in 1995-96 to less than a fifth in early 2002.

X. **Market Analysis**

C. **New York—Market Snapshot** *(continued)*

According to the Port Authority of New York & New Jersey, domestic air travel at JFK International Airport was up 9% from 2001 to nearly 14 million passengers in 2002; commuter traffic (represented by regional carriers) increased 6% to one million passengers. The number of international passengers decreased 4% to 15 million. At La Guardia International Airport, domestic travel was down 7% to 18 million and international traffic decreased 6% to one million. However, commuter traffic climbed a whopping 41% to three million passengers.

X. Market Analysis

D. New York—Submarket Inventory/Vacancy

OFFICE—Manhattan*				
SUBMARKET	INVENTORY	VACANCY	ABSORPTION	CONSTRUCTION
DOWNTOWN				
Battery Park	7,026,934	19.9%	77,640	0
City Hall	10,053,215	11.8%	(43,071)	0
Financial District	32,787,618	14.1%	461,177	0
Insurance District	19,456,854	8.8%	169,769	0
Greenwich Village	12,790,467	16.8%	153,249	0
World Financial Ctr.	10,521,456	21.7%	75,283	0
Downtown	92,636,544	14.4%	894,047	0
MIDTOWN NORTH				
Columbus Circle	18,584,198	8.9%	(17,030)	1,875,851
Grand Central/UN	40,459,729	9.0%	355,026	1,200,000
Madison Ave	13,632,334	11.5%	(245,525)	0
Park/Lexington	26,859,092	5.4%	(214,213)	900,000
Plaza District	17,434,041	12.9%	(131,458)	0
Rockefeller Center	24,091,645	5.5%	65,846	0
Third Ave	11,457,298	11.3%	(129,098)	0
Times Square	21,389,186	4.6%	170,356	1,226,927
Midtown North	173,907,523	8.1%	(165,916)	5,202,778
MIDTOWN SOUTH				
East Midtown South	38,653,190	10.0%	37,880	0
Garment District	28,254,248	10.2%	382,309	0
Penn Station	12,857,868	9.6%	166,814	0
West Midtown South	8,680,570	12.1%	(95,267)	0
Midtown South	88,445,876	10.2%	491,736	0
MIDTOWN TOTAL	262,353,399	8.8%	325,820	5,202,778
MARKET TOTAL	354,989,943	10.3%	1,219,867	5,202,778
*Reported as of fourth quarter 2002.				
Source: CB Richard Ellis (New York).				

OFFICE—Westchester County*			
SUBMARKET	INVENTORY	VACANCY	ABSORPTION
White Plains	6,367,334	17.2%	186,087
East I-287	11,273,536	13.9%	17,843
Southeast Westchester	2,006,472	5.3%	(5,166)
West I-287	7,041,825	14.4%	(85,061)
Southwest Westchester	1,435,406	23.8%	68,243
Northern Westchester	5,665,143	6.0%	15,993
MARKET TOTAL	33,789,716	13.2%	197,939
*Reported as of fourth quarter 2002.			
Source: CB Richard Ellis (Stamford, CT).			

INDUSTRIAL—Westchester County*			
SUBMARKET	INVENTORY	VACANCY	ABSORPTION
East I-287	2,570,755	11.5%	(139,520)
Northern Westchester	4,388,200	6.1%	528,708
Southeast Westchester	6,502,121	11.0%	21,250
Southwest Westchester	8,746,562	10.9%	(12,626)
West I-287	4,663,792	4.4%	7,820
MARKET TOTAL	26,871,430	9.1%	405,632
*Reported as of fourth quarter 2002.			
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–Nassau-Suffolk, Manhattan, Westchester County; Industrial–Nassau-Suffolk, Westchester County)

Citi Habitats (Apartment)

PKF Consulting (Hospitality)

Wall Street Rising (Retail)

Other Metro Market Facts Reports

Albuquerque	Honolulu	Orlando
Atlanta	Houston	Philadelphia
Austin	Indianapolis	Phoenix
Baltimore	Jacksonville	Portland
Boston	Kansas City	Raleigh-Durham
Central New Jersey	Las Vegas	Riverside-San Bernardino
Charlotte	Los Angeles	Sacramento
Chicago	Memphis	Salt Lake City
Cincinnati	Miami	San Diego
Cleveland	Milwaukee	San Francisco
Columbus	Minneapolis-St. Paul	San Jose
Dallas-Ft. Worth	Nashville	Seattle
Denver	Newark-No. New Jersey	St. Louis
Detroit	New York-Nassau Suffolk	Tampa-St. Petersburg
Fort Lauderdale	Oakland-East Bay	Washington, D.C.
Greenville-Spartanburg	Oklahoma City	West Palm Beach
Hartford	Orange County	

To order, call 800.992.7257 or visit www.realestateindex.com.