

New York

Vol. 43
THIRD QUARTER 2004

ANALYZES:

CBD Office
Suburban Office
Industrial
Retail
Apartments

REPORTS:

Property Prices
Property Rents
Market Forecasts (NEW)
Demographic Highlights
Local Economy
Labor Force Characteristics
Educational Achievement
Tax Structure
Housing & Living Costs
Quality of Life Factors

A publication of the NATIONAL REAL ESTATE INDEX

REPORT FORMAT

Vol. 43

Metro Market Outlook ("MMO") replaces the previous Metro Market Facts publication. While maintaining the basic "facts" components of the previous report, the new MMO has been reorganized to place the pertinent real estate information and commentary up front and adds a new **market forecast component**—hence the new name. MMO is now organized into two primary parts as follows:

Part 1—Real Estate Facts and Forecast presents an overview of key real estate facts including values, rents, cap rates, inventory, vacancy and absorption trends and includes a new section presenting a look-ahead forecast for the market, by property sector.

- Section I:** Local market price, and capitalization rate trends for the preceding 12 months.
- Section II:** Review of rent facts and trends for the local market by property sectors.
- Section III:** Inventory, vacancy, absorption and sales information for various property sectors.
- Section IV:** Market forecasts projecting a ranking of the investment potential for the market, by property sector, as compared to national averages. (This is a new section.)

Part 2—Metro Market Facts provides 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.

- Section V:** Snapshot highlighting the key economic, demographic and real estate-related findings.
- Section VI:** Local economic base and current labor force and job formation trends.
- Section VII:** Provides various educational costs and parameters.
- Section VIII:** Explores local living costs.
- Section IX:** Reports other important factors, including retail sales trends and international trade.
- Section X:** Local and state fiscal policies, including taxes and federal spending.
- Section XI:** Summarizes several key quality-of-life considerations.



Dynamic Reporting available where this symbol appears.

The National Real Estate Index has constructed a web-based interactive Dynamic Reporting tool that allows our premium service customers to customize their reported data in a wide variety of charting and graphing formats. The functionality is available to all full-year and enterprise-level subscribers.

For additional information on how to receive these services and pricing, please contact paul.wildes@nrei.info or call (800) 992-7257.

TABLE OF CONTENTS

Market Definition	5
Metro Market Outlook—Regions/Local Markets	6
Metropolitan Map	7
Market Trends Summary	9

Real Estate Facts & Forecast

I. Value Facts & Trends

A. Current Property Values/Cap Rates	10
B. Value Trends	11
C. Other Property Class Values	11
D. Local Market Property Value Rankings	12
E. Value Growth	12

II. Rent Facts & Trends

A. Current Rent Facts	13
B. Rent Trends	14
C. Local Market Property Rent Rankings	14
D. Rent Growth	15

III. Inventory, Vacancy, Absorption & Sales

A. Office—Manhattan	16
B. Office—Westchester County	16
C. Metropolitan Retail Sales Trends	17
D. Metropolitan Average Retail Sales	17

IV. Market Forecast

A. Market•Score by Sector	18
B. Current Market•Scores	19
C. Market•Score Trends	19
D. Market Outlook Summary	20

Metro Market Facts

V. Demographics

A. Metro Population	21
B. County Population Growth	21
C. State Population Growth	21
D. Area Cities With At Least 50,000 Residents	22
E. Household & Population Composition	22
F. Metropolitan Population Gain	23
G. International Immigration to Metropolitan Areas	24
H. Domestic Migration to Metropolitan Areas	25

VI. Employment and Labor Force Characteristics

A. Metropolitan Job Formation—New York	26
B. Economic Base - Employment by Sectors	26
C. Metropolitan Job Formation—Nassau-Suffolk	27
D. Economic Base - Employment by Sectors	27
E. Metropolitan Total Employment Gain (10-Year)	28
F. Average Annual Wages - Select Occupations	29
G. Production Wages & Union Membership	29
H. State Workers' Compensation Premiums	30
I. State Minimum Wage/Overtime Status	30

TABLE OF CONTENTS

Metro Market Facts (continued)

VII. Education

A. Educational Levels	31
B. Graduate Education	31
C. Educational Expenditures and Salaries	32
D. University R&D Expenditures	32

VIII. Housing & Living Costs

A. Overall Cost of Living	33
B. Metropolitan Housing Permits	33
C. Homeownership	34
D. Single Family Home Costs	34
E. Local Utility Costs	35
F. Health Insurance	35

IX. Other Economic Indicators

A. Metropolitan Median Household Income	36
B. High-Tech Industry Employment	36
C. Metropolitan Area Patents	37
D. Major Airport Activity	37
E. International Trade	38
F. Gross State Product	38
G. Gross Metropolitan Product	39

X. Taxes and Expenditures

A. State Tax Rates/Employer Expenses	40
B. Local Residential Property Taxes	40
C. Local Commercial Property Taxes	41
D. Tourism & Entertainment Taxes	41
E. State Tax Revenue	42
F. Federal Spending Per Capita	42

XI. Quality of Life

A. State Livability Index	43
B. Crime Rate	43
C. Climate	44
D. Mode of Travel to Work	44
E. Congestion Index	45
F. Major Professional Athletic Franchises	45

Methodology	46
--------------------	-----------

Market•Score Methodology/Rating Explanation	47
--	-----------

Additional Data Resources/Web Links	48
--	-----------

Contact Info/Other Metro Market Reports Available	49
--	-----------

NEW YORK: MARKET DEFINITION

New York City is not only the largest U.S. city, it is also one of the largest in the world. The city is made up of five boroughs: Manhattan, Brooklyn, Queens, the Bronx, and Staten Island. The port of New York is found on the New Jersey side of the Hudson River and is one of the leading ports in the world. Along with London and Tokyo, New York makes up the three “world cities” in charge of global finance. It also boasts three major airports: JFK International, LaGuardia and Newark International. The city attracts millions of tourists each year. They come to enjoy the architectural icons of the Chrysler Building, Empire State Building and the Statue of Liberty, as well as numerous museums (Metropolitan Museum of Art, MOMA, the Guggenheim, the Whitney) and an endless variety of entertainment and shopping.



New York PMSA and Nassau-Suffolk PMSA Include:

New York PMSA

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

Nassau-Suffolk PMSA

Nassau County
Suffolk County

METRO MARKET OUTLOOK— REGIONS/LOCAL MARKETS

CALIFORNIA

Los Angeles
Oakland-East Bay
Orange County
Riverside-San Bernardino
Sacramento
San Diego
San Francisco
San Jose
Honolulu, HI

WEST

Denver
Las Vegas
Portland
Salt Lake City
Seattle

SOUTHWEST

Albuquerque
Austin
Dallas-Ft. Worth
Houston
Oklahoma City
Phoenix

MIDWEST

Chicago
Cincinnati
Columbus
Cleveland
Detroit
Indianapolis
Kansas City
Milwaukee
Minneapolis-St. Paul
St. Louis

SOUTHEAST

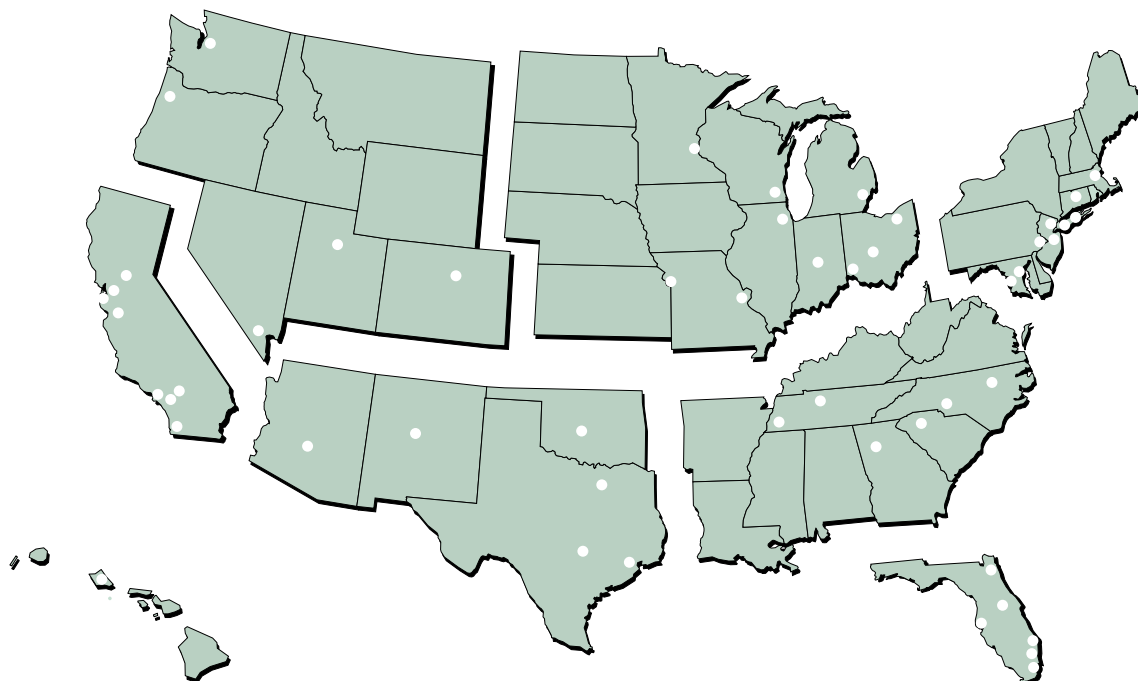
Atlanta
Charlotte
Greenville-Spartanburg
Memphis
Nashville
Raleigh-Durham

NORTHEAST

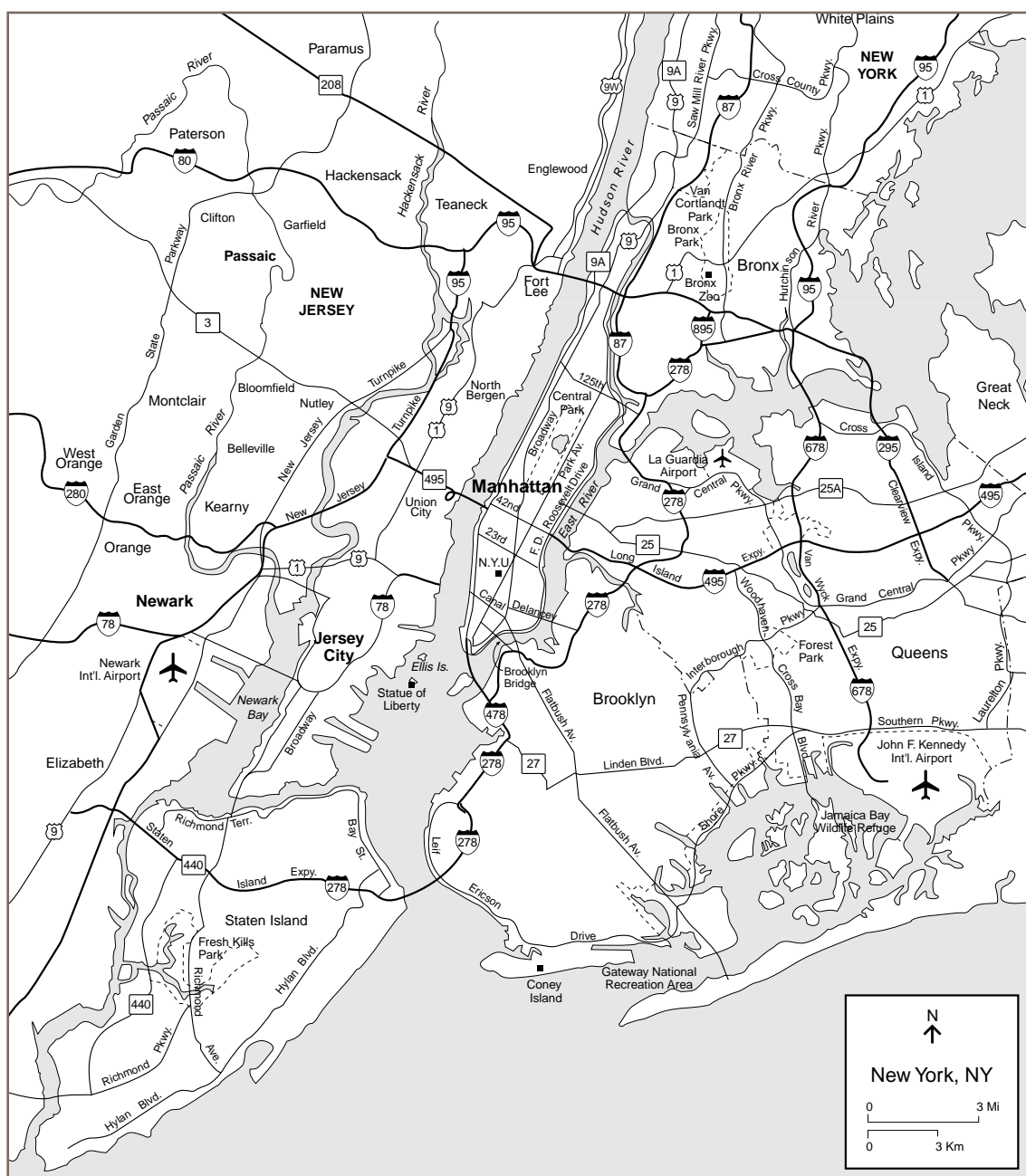
Baltimore
Boston
Central New Jersey
Hartford
New York/Nassau-Suffolk
Northern New Jersey
Philadelphia
Washington

FLORIDA

Ft. Lauderdale
Jacksonville
Miami
Orlando
Tampa-St. Petersburg
West Palm Beach



Land Area of New York PMSA:	1,148 sq. miles
Population (2003):	9,418,600
Population Density (2003):	8,207 people per sq. mile



NASSAU-SUFFOLK: METROPOLITAN MAP

Land Area of Nassau-Suffolk PMSA:	1,198 sq. miles
Population (2003):	2,803,500
Population Density (2003):	2,343 people per sq. mile



NEW YORK: MARKET TRENDS SUMMARY

CBD OFFICE

Manhattan's MIDTOWN office sector has a \$52.53 per square foot effective rent for Class A office, which is 0.8% higher than last quarter and 0.5% higher than last year. This metro has a \$509.30 per square foot average price for CBD office, which is 0.4% higher than last quarter and 2.0% higher than last year. The metro has an 8.1% CBD office vacancy rate, which is 5.2% lower than last year.

Manhattan's DOWNTOWN office sector has a \$37.80 per square foot effective rent for Class A office, which is 0.1% lower than last quarter and 2.4% lower than last year. This metro has a \$340.96 per square foot average price for CBD office, which is 0.5% higher than last quarter and 15.6% higher than last year. The metro has an 11.4% CBD office vacancy rate, which is 5.0% lower than last year.

SUBURBAN OFFICE

Nassau-Suffolk has a \$23.37 per square foot effective rent for Class A suburban office, which is 0.1% lower than last quarter and 0.9% lower than last year. This metro has a \$150.93 per square foot average price for suburban office, which is 1.2% higher than last quarter and 3.4% higher than last year.

WAREHOUSE

Nassau-Suffolk has a \$6.58 per square foot effective rent for warehouse, which is 0.6% higher than last quarter and 0.5% higher than last year. This metro has a \$58.01 per square foot average price for warehouse, which is 2.9% higher than last quarter and 10.6% higher than last year.

RETAIL

Nassau-Suffolk has a \$22.87 per square foot effective rent for Class A unenclosed shopping centers, which is 1.3% higher than last quarter and 4.5% higher than last year. This metro has a \$162.90 per square foot average price for shopping centers, which is 1.9% higher than last quarter and 9.9% higher than last year.

APARTMENT

Nassau-Suffolk has a \$20.72 per square foot effective rent for Class A apartments, which is 0.1% higher than last quarter and 1.2% higher than last year. This metro has a \$144.28 per square foot average price for apartments, which is 1.3% higher than last quarter and 6.1% higher than last year.

Source: NREI *Rent Monitor*; *Value Monitor*; and *Metro Market Outlook*, Section III. Historical data taken from prior quarter and year-ago NREI *Metro Market Facts* reports.

Real Estate Facts & Forecast



I. VALUE FACTS & TRENDS

A. Current Property Values/Cap Rates

	CBD OFFICE		SUBURBAN OFFICE		WAREHOUSE		RETAIL		CLASS A APARTMENT		CLASS B APARTMENT	
	Price S/F	Cap Rate	Price S/F	Cap Rate	Price S/F	Cap Rate	Price S/F	Cap Rate	Price S/F	Cap Rate	Price S/F	Cap Rate
National	\$218.90	7.4%	\$181.86	7.7%	\$48.96	8.2%	\$142.56	8.0%	\$117.60	6.9%	\$80.87	7.7%
Northeast Region	314.07	6.7	204.03	7.6	52.74	8.3	148.79	8.2	140.79	7.2	92.43	8.0
Manhattan Downtown												
3 Q. '04	340.96	6.3	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2 Q. '04	339.31	6.3	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
3 Q. '03	294.89	7.4	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Manhattan Midtown												
3 Q. '04	509.30	6.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2 Q. '04	507.16	6.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
3 Q. '03	499.10	6.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Nassau-Suffolk												
3 Q. '04	161.95	7.8	150.93	7.7	58.01	7.6	162.90	7.7	144.28	8.2	92.96	8.5
2 Q. '04	161.43	7.8	149.12	7.8	56.39	7.8	159.81	7.8	142.50	8.3	92.07	8.5
3 Q. '03	157.09	8.0	146.02	8.0	52.47	8.4	148.26	8.3	135.99	8.6	86.49	9.0

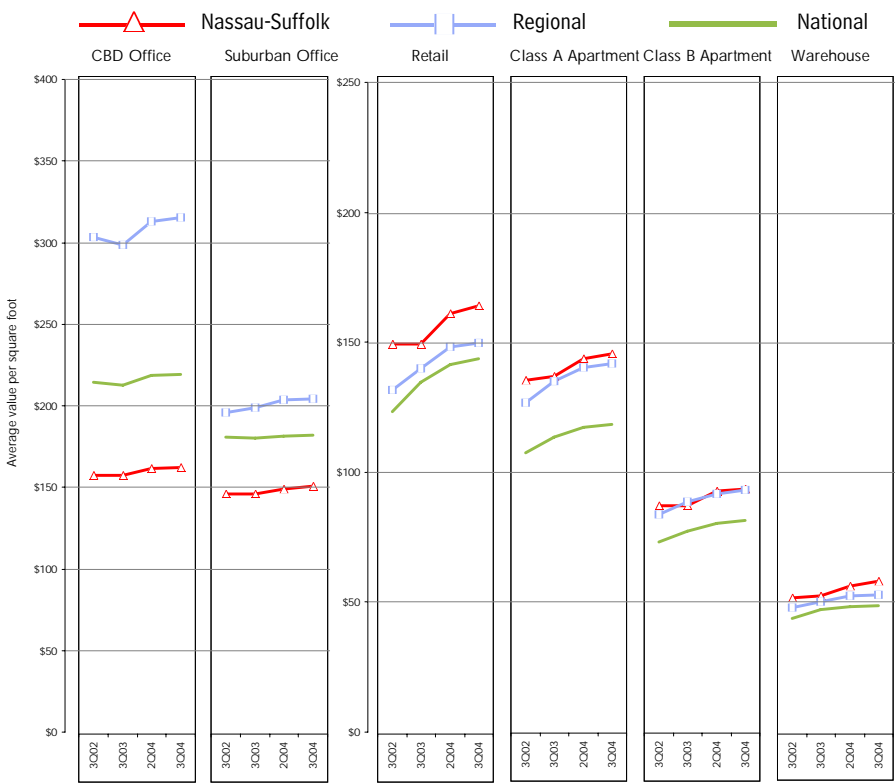


Source: NREI Value Monitor.



I. VALUE FACTS & TRENDS

B. Value Trends—Change in Price Per Square Foot



Source: NREI Value Monitor.

C. Other Property Class Values—Most Recent Period

PROPERTY SECTOR	PRICE PER SF	PROPERTY SECTOR	PRICE PER SF
Manhattan Downtown		Manhattan Midtown	
Class B CBD Office	\$214.73	Class B CBD Office	\$328.69
Class C CBD Office	172.27	Class C CBD Office	219.21

Source: NREI Value Monitor.

I. VALUE FACTS & TRENDS

D. Local Market Property Value Rankings

3rd Qtr. 2004 - Rankings
(#1 is highest rank, #60 is lowest)

	CBD OFFICE	SUBURBAN OFFICE	WAREHOUSE	RETAIL	CLASS A APARTMENT	CLASS B APARTMENT
Manhattan Downtown	3	N/A	N/A	N/A	N/A	N/A
Manhattan Midtown	1	N/A	N/A	N/A	N/A	N/A
Nassau- Suffolk	21	26	10	11	11	10

*The figures above denote the local market ranking for the corresponding property sector among the 60 metropolitan areas (plus Manhattan Downtown and Manhattan Midtown for CBD office) analyzed by the NREI Value Monitor. A ranking of "1" designates the highest value per square foot for Class A space (except for Class B Apartment) for the corresponding property sector among all markets for the noted time period.

Source: NREI Value Monitor.

E. Value Growth—Change in Price Per Square Foot

	CBD OFFICE	SUBURBAN OFFICE	WAREHOUSE	RETAIL	CLASS A APARTMENT	CLASS B APARTMENT
% CHANGE FROM QUARTER AGO						
Long Island	+0.3%	+1.2%	+2.9%	+1.9%	+1.3%	+1.0%
Northeast Region	+0.8%	+0.3%	+0.4%	+1.2%	+1.2%	+1.7%
National Average	+0.5%	+0.4%	+1.1%	+1.4%	+1.2%	+1.3%
% CHANGE FROM YEAR AGO						
Long Island	+3.1%	+3.4%	+10.6%	+9.9%	+6.1%	+7.5%
Northeast Region	+5.6%	+2.8%	+5.1%	+6.9%	+5.2%	+5.2%
National Average	+3.3%	+0.9%	+3.7%	+6.6%	+4.4%	+5.3%
% CHANGE FROM TWO YEARS AGO						
Long Island	+3.1%	+3.4%	+11.9%	+9.9%	+7.3%	+7.5%
Northeast Region	+4.0%	+4.3%	+9.6%	+13.9%	+12.0%	+11.0%
National Average	+2.2%	+0.8%	+11.2%	+16.4%	+10.3%	+11.1%

Source: NREI Value Monitor.

II. RENT FACTS & TRENDS

A. Current Property Rents

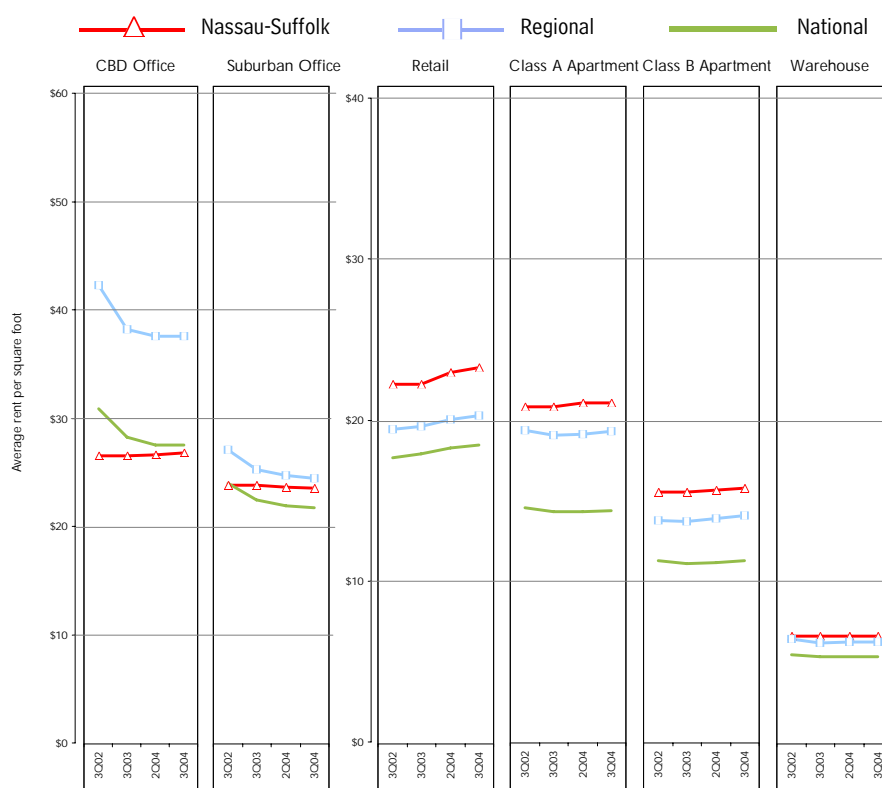
	CBD OFFICE			SUBURBAN OFFICE			WAREHOUSE			RETAIL			CLASS A APARTMENT			CLASS B APARTMENT		
	Asking sf	Effective sf	Free %	Asking sf	Effective sf	Free %	Asking sf	Effective sf	Free %	Asking sf	Effective sf	Free %	Asking sf	Effective sf	Free %	Asking sf	Effective sf	Free %
National	\$28.48	\$27.24	4.6%	\$22.72	\$21.56	5.2%	\$5.51	\$5.32	3.6%	\$18.46	\$18.17	1.6%	\$14.81	\$14.17	4.6%	\$11.51	\$11.09	4.1%
Northeast Region	38.64	37.16	3.9	25.49	24.26	4.9	6.37	6.21	2.7	20.20	19.95	1.3	19.73	18.96	3.8	14.18	13.83	2.4
Manhattan Downtown																		
3 Q. '04	39.01	37.80	3.1	n/a	n/a	n/a	n/a	n/	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2 Q. '04	39.31	37.82	3.8	n/a	n/a	n/a	n/a	n/	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
3 Q. '03	40.91	38.74	5.3	n/a	n/a	n/a	n/a	n/	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Manhattan Midtown																		
3 Q. '04	54.49	52.53	3.6	n/a	n/a	n/a	n/a	n/	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2 Q. '04	54.04	52.09	3.6	n/a	n/a	n/a	n/a	n/	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
3 Q. '03	55.93	52.29	6.5	n/a	n/a	n/a	n/a	n/	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Nassau-Suffolk																		
3 Q. '04	27.16	26.59	2.1	23.97	23.37	2.5	6.67	6.58	1.4	23.15	22.87	1.2	21.34	20.72	2.9	15.79	15.54	1.6
2 Q. '04	27.04	26.42	2.3	24.12	23.40	3.0	6.63	6.54	1.3	22.83	22.58	1.1	21.20	20.71	2.3	15.64	15.39	1.6
3 Q. '03	27.54	26.30	4.5	24.96	23.59	5.5	6.62	6.55	1.0	22.11	21.89	1.0	20.95	20.47	2.3	15.43	15.29	0.9



Source: NREI Rent Monitor.

II. RENT FACTS & TRENDS

B. Rent Trends/Change in Rent Per Square Foot



Source: NREI Rent Monitor.

C. Local Market Property Rent Rankings

3rd Qtr. 2004 - Rankings

(#1 is highest rank, #60 is lowest)

	CBD OFFICE	SUBURBAN OFFICE	WAREHOUSE	RETAIL	CLASS A APARTMENT	CLASS B APARTMENT
Manhattan Downtown	4	N/A	N/A	N/A	N/A	N/A
Manhattan Midtown	1	N/A	N/A	N/A	N/A	N/A
Nassau-Suffolk	12	11	14	6	6	8

*The figures above denote the local market ranking for the corresponding property sector among the 60 metropolitan areas (plus Manhattan Downtown and Manhattan Midtown for CBD office) analyzed by the NREI Rent Monitor. A ranking of "1" designates the highest *effective* rent per square foot for Class A space (except for Class B Apartment) for the corresponding property sector among all markets for the noted time period.

Source: NREI Rent Monitor.

II. RENT FACTS & TRENDS

D. Rent Growth/Change in Rent Per Square Foot

	CBD OFFICE	SUBURBAN OFFICE	WAREHOUSE	RETAIL	CLASS A APARTMENT	CLASS B APARTMENT
% CHANGE FROM <u>QUARTER AGO</u>						
Long Island	+0.6%	-0.1%	+0.6%	+1.3%	+0.0%	+1.0%
Northeast Region	-0.0%	-0.9%	+0.6%	+1.0%	+0.8%	+1.0%
National Average	-0.3%	-0.8%	+0.3%	+1.0%	+0.6%	+0.8%
% CHANGE FROM <u>YEAR AGO</u>						
Long Island	+1.1%	-0.9%	+0.5%	+4.5%	+1.2%	+1.6%
Northeast Region	-1.7%	-3.2%	+0.9%	+3.3%	+1.0%	+2.5%
National Average	-2.5%	-3.1%	+0.4%	+3.1%	+0.5%	+1.4%
% CHANGE FROM <u>TWO YEARS AGO</u>						
Long Island	+1.1%	-0.9%	+0.5%	+4.5%	+1.2%	+1.6%
Northeast Region	-11.2%	-9.6%	-2.4%	+4.3%	-0.3%	+2.3%
National Average	-10.9%	-9.4%	-1.9%	+4.4%	-1.1%	+0.1%

III. INVENTORY/VACANCY/ ABSORPTION & SALES

A. Office—Manhattan

METRO SUBMARKETS	INVENTORY	VACANCY	ABSORPTION
Downtown	81,800,000	11.4%	558,000
Midtown	193,300,000	7.6%	4,090,000
Midtown South	73,300,000	9.3%	251,000
Market Total	348,400,000	8.9%	4,899,000

Reported as of third quarter 2004. Absorption is year-to-date.



Source: CB Richard Ellis (Manhattan).

B. Office—Westchester County

METRO SUBMARKETS	INVENTORY	AVAILABILITY	ABSORPTION
White Plains	6,100,000	14.8%	200,520
East	11,000,000	20.1%	(770,570)
West	4,600,000	12.6%	220,900
North	8,300,000	7.0%	15,970
South	2,700,000	8.5%	32,340
Market Total	32,700,000	13.8%	(300,840)

Reported as of third quarter 2004. Absorption is year-to-date.



Source: CB Richard Ellis (Stamford, CT).

III. INVENTORY/VACANCY/ ABSORPTION & SALES

C. Metropolitan Retail Sales Trends

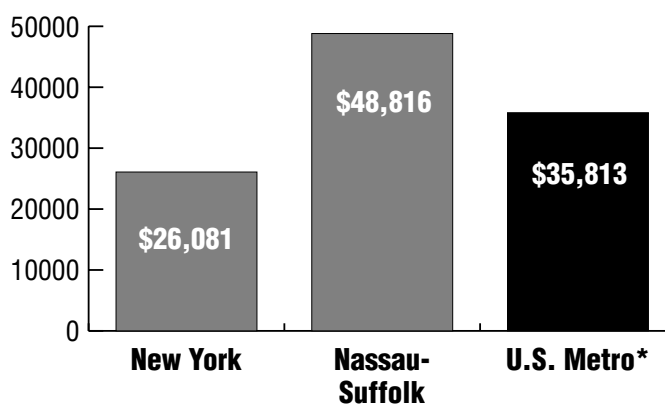
Metropolitan Retail Sales -- % Change from Prior Year
(September 2004)

	MONTH	FYTD
New York-Northern NJ-Long Island	0.1%	1.9%
National	(0.7%)	2.0%

This data reflects same-store sales at major department stores during the current month and fiscal year to date (beginning in February) compared to the same period one year ago.

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

D. Metropolitan Average Retail Sales Per Household



Market Rank**

New York	56
Nassau-Suffolk	4

*The U.S. Metro figure represents the average retail sales per household of 323 metropolitan areas; \$34,036 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: 2003 Survey of Buying Power.

IV. MARKET FORECAST

A. Market•Score by Sector

SECTOR / MARKET	RELATIVE INVESTMENT POTENTIAL *	CURRENT QUARTER	RANK	QUARTER AGO	RANK	YEAR AGO	RANK	TWO YEARS AGO	RANK
CBD OFFICE									
Nassau-Suffolk	GOOD	87	11	89	5	85	9	88	1
Northeast Region	AVERAGE	85		85		82		80	
National Median	AVERAGE	81		80		80		77	
SUBURBAN OFFICE									
Nassau-Suffolk	GOOD	88	7	89	6	85	9	83	6
Northeast Region	AVERAGE	83		80		80		77	
National Median	AVERAGE	80		81		79		77	
INDUSTRIAL									
Nassau-Suffolk	AVERAGE	83	28	84	22	81	34	81	23
Northeast Region	AVERAGE	83		83		81		79	
National Median	AVERAGE	83		82		82		80	
RETAIL									
Nassau-Suffolk	GOOD	90	5	90	7	89	1	86	4
Northeast Region	GOOD	86		87		84		82	
National Median	AVERAGE	83		84		81		80	
APARTMENT									
Nassau-Suffolk	GOOD	89	5	89	5	88	1	90	1
Northeast Region	GOOD	86		86		85		84	
National Median	AVERAGE	82		81		78		77	
HOSPITALITY									
Nassau-Suffolk	GOOD	88	15	88	15	83	21	83	9
Northeast Region	AVERAGE	85		87		79		78	
National Median	AVERAGE	83		83		80		78	

The figures shown in the shaded fields above are Market•Scores corresponding to the noted property sector, market, and time period. Regional and national figures reflect the median score. The rankings are out of 66 metropolitan areas, with the #1 ranking representing the highest score.

Market•Score is a proprietary rating system developed in 1992 by Global Real Analytics to evaluate the relative economic strength of local property markets. Utilizing numerous real estate, economic, and demographic data factors, Market•Score identifies those markets likely to exhibit the strongest real estate performance within each respective property sector in the two succeeding years following each forecast period. See "Investment Potential" at the end of this publication for additional information on Market•Score, and property sector definitions.

*INVESTMENT POTENTIAL

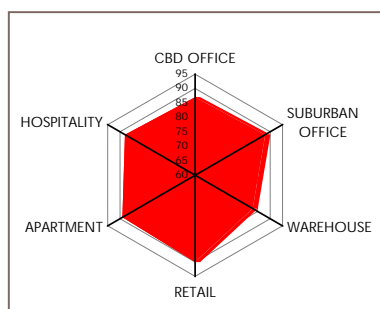
Rating	Score
Excellent	93+
Good	86-92
Average	75-85
Fair	65-74
Speculative	Below 65



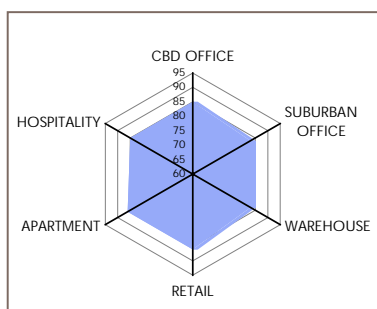
IV. MARKET FORECAST

B. Current Market•Scores

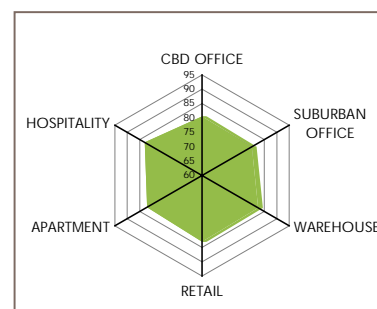
METRO: NASSAU-SUFFOLK



REGION: NORTHEAST



NATIONAL

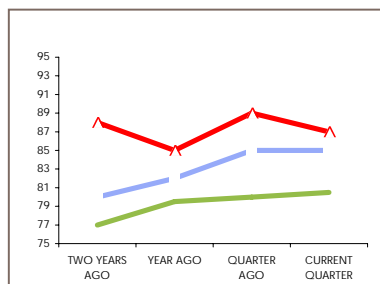


The "radar" graphs shown above indicate the current Market•Score rating for the indicated metro, as well as regional and national medians. Each graph contains six axes, representing the noted property sector, ranging from 60 to 95. Generally, the larger a shaded area is, the better the real estate performance is forecast to be. Simple visual comparison can be made among the indicated metro, regional, and national Market•Scores.

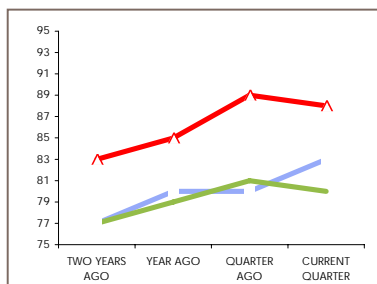
C. Market•Score Trends

— Metro — Regional — National

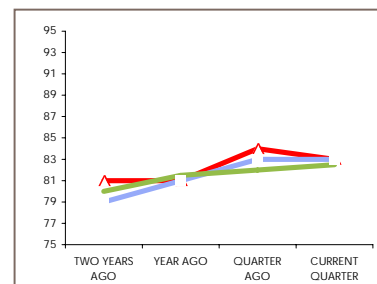
CBD OFFICE



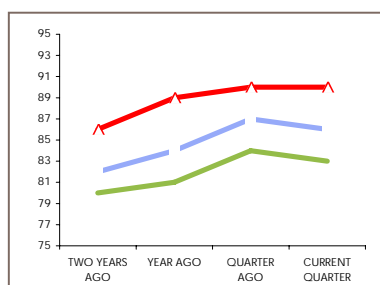
SUBURBAN OFFICE



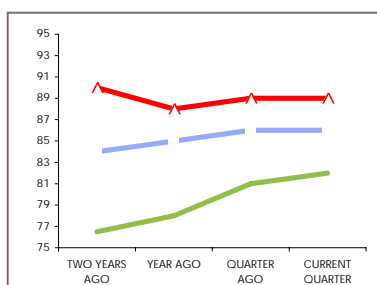
WAREHOUSE



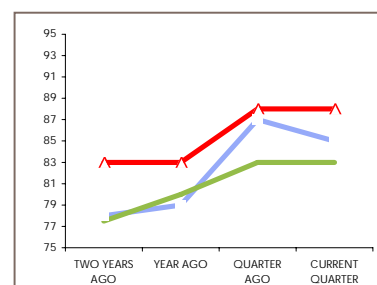
RETAIL



APARTMENT



HOSPITALITY



The six graphs shown above are Market•Scores corresponding to the noted property sector, market, and time period. Market•Score is a proprietary rating system developed in 1992 by Global Real Analytics to evaluate the relative economic strength of local property markets. Utilizing numerous real estate, economic, and demographic data factors, Market•Score identifies those markets likely to exhibit the strongest real estate performance within each respective property sector in the two succeeding years following each forecast period. See "Investment Potential" at the end of this publication for additional information on Market•Score, and property sector definitions.

IV. MARKET FORECAST

D. Market Outlook Summary

CBD OFFICE

Occupancy and rental rate change levels for CBD office in the Nassau Suffolk/Long Island market are relatively strong. However, job growth trends point negatively, and net absorption has trailed off in recent quarters.

SUBURBAN OFFICE

Recent gains in employment have resulted in positive absorption, improved rental rates, and higher occupancy levels for suburban office in Long Island. However, employment growth appears to have stabilized.

WAREHOUSE

Absorption of warehouse space on Long Island continues to be positive, and demand has driven vacancy rates lower, resulting in improving rental rate momentum. Occupancy levels compare favorable to markets across the nation.

RETAIL

Development constraints have capped inventories of retail space, while high household incomes and spending levels have pushed occupancy levels higher. Rental rate momentum remains positive.

APARTMENT

As employment growth continues, demand for rental housing remains high. With home prices still increasing, apartment rent growth and occupancy trends continue rising, ranking among the best in the nation.

Metro Market Facts



V. DEMOGRAPHICS

A. Metro Population

	NEW YORK	NASSAU-SUFFOLK	UNITED STATES
Population — 2003:	9,418,600	2,807,500	290,809,800
% Growth—2000–2003:	1.0%	1.7%	3.1%
% Growth—1990–2000:	9.1%	5.8%	13.4%
% Growth—1980–1990:	3.3%	0.1%	9.8%



Source: U.S. Census Bureau.

B. County Population Growth

COUNTY	2003 POPULATION	% GROWTH 1990–2000	% GROWTH 2000–2003
Nassau	1,339,463	3.8	0.2
Suffolk	1,468,037	7.8	3.1
Bronx	1,363,198	10.8	2.2
Kings	2,472,523	7.2	0.3
New York	1,564,798	3.5	1.6
Putnam	99,550	14.5	3.6
Queens	2,225,486	14.3	[0.2]
Richmond	459,737	17.5	3.2
Rockland	292,989	8.3	1.9
Westchester	940,302	5.8	1.6

Source: U.S. Census Bureau.

V. DEMOGRAPHICS

C. State Population Growth

	2003 POPULATION	ACTUAL % GROWTH 1990-2003	STATE RANKING*	PROJECTED % GROWTH 1995-2025**	STATE RANKING*
New York	19,190,100	6.7	42	9.3	46
United States	290,809,800	16.9	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.

**The projected growth rate was last estimated in 1997. Some states are close to or have already exceeded those projections. New estimates will be released in late 2004.

Source: U.S. Census Bureau.

D. Area Cities With At Least 50,000 Residents

CITY	2003 POPULATION	% GROWTH 1990-2000	% GROWTH 2000-2003
Hempstead	53,162	15.9	(0.1)
Mt. Vernon	68,404	2.1	(0.1)
New Rochelle	72,582	7.3	0.4
New York	8,085,742	9.5	0.9
White Plains	55,900	9.4	4.8
Yonkers	197,388	4.4	0.5

Source: U.S. Census Bureau.

E. Household & Population Composition

	NEW YORK METRO	NASSAU-SUFFOLK	UNITED STATES METRO*
Median Household Size:	2.7	3.0	2.7
Median Age:	35.6	38.3	35.8
% 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

*Average of U.S. metropolitan areas, not entire U.S.

V. DEMOGRAPHICS

F. Metropolitan % Population Gain (1990-2003)

POPULATION GROWTH

[% Gain/Loss, April 1990-July 2003]

Las Vegas	109.2%	Greenville-Spartanburg	19.8%
Austin	62.8	Columbus	18.7
Phoenix	60.5	Central New Jersey	17.6
Atlanta	50.8	San Diego	17.3
Raleigh-Durham	50.8	UNITED STATES	16.9
Orlando	47.2	Oklahoma City	16.8
West Palm Beach	40.9	Oakland-East Bay	16.8
Riverside-San Bernardino	40.7	Kansas City	16.5
Dallas-Ft. Worth	40.0	Memphis	16.0
Charlotte	38.9	Chicago	14.6
Denver	38.2	San Jose	12.1
Ft. Lauderdale	37.9	Los Angeles	11.4
Houston	35.4	Cincinnati	10.9
Portland	34.0	New York	10.2
Sacramento	31.1	Baltimore	9.8
Nashville	30.8	Newark-No. New Jersey	8.2
Jacksonville	30.1	Honolulu	7.9
Salt Lake City	29.2	Nassau-Suffolk	7.6
Albuquerque	27.0	Boston*	6.6
Washington, DC	23.9	Milwaukee	6.2
Orange County	22.7	St. Louis	5.9
Tampa-St. Petersburg	22.4	San Francisco	5.7
Seattle	21.8	Philadelphia	4.9
Minneapolis-St. Paul	21.5	Detroit	4.6
Indianapolis	21.3	Hartford*	3.9
Miami	20.9	Cleveland	1.8

*Updated populations are not yet available for Boston and Hartford. For these markets, changes are based on 2002 data.

Source: U.S. Census Bureau.

V. DEMOGRAPHICS

G. International Immigration to Metropolitan Areas

TOTAL INTERNATIONAL IMMIGRATION: (1993-2003)

	(000s)		(000s)
New York/Nassau-Suffolk	1,162.3	Portland	73.0
Los Angeles	977.3	Orlando	68.4
Chicago	477.8	West Palm Beach	65.7
Miami	405.7	Tampa-St. Petersburg	64.2
Newark-No. NJ	322.8	Las Vegas	64.2
Washington DC	313.8	Austin	51.8
Houston	288.8	Honolulu	45.9
Dallas-Ft. Worth	287.0	Baltimore	44.4
Orange County	264.7	Raleigh-Durham	41.3
Boston*	207.5	Salt Lake City	39.3
San Jose	199.9	Charlotte	34.9
San Francisco	181.0	St. Louis	34.8
San Diego	180.0	Hartford*	31.3
Oakland-East Bay	172.9	Kansas City	27.4
Atlanta	156.3	Cleveland	26.5
Riverside-San Bernardino	143.4	Columbus	25.2
Phoenix	131.2	Nashville	22.9
Ft. Lauderdale	126.7	Milwaukee	22.3
Philadelphia	113.4	Oklahoma City	22.1
Seattle	112.8	Indianapolis	18.9
Detroit	102.4	Jacksonville	17.9
Central New Jersey	97.2	Albuquerque	17.6
Denver	96.5	Cincinnati	16.5
Sacramento	79.3	Memphis	12.9
Minneapolis-St. Paul	73.3	Greenville-Spartanburg	12.3

*Migration/immigration data is not currently available for the Boston PMSA or the Hartford MSA. For these markets, the larger NECMA designations are used.

Source: U.S. Census Bureau.

V. DEMOGRAPHICS

H. Domestic Migration to Metropolitan Areas

TOTAL DOMESTIC MIGRATION: (1993-2003)

	(000s)		(000s)
Atlanta	510.4	Memphis	6.7
Phoenix	501.6	Seattle	6.4
Las Vegas	449.4	Cincinnati	3.4
Riverside-San Bernardino	273.7	Central New Jersey	(32.0)
Dallas-Ft. Worth	267.6	Salt Lake City	(32.2)
Tampa-St. Petersburg	227.2	Baltimore	(41.1)
Orlando	211.1	Hartford*	(50.6)
Charlotte	180.1	St. Louis	(60.8)
Austin	176.8	Washington DC	(66.6)
Raleigh-Durham	165.2	Milwaukee	(85.2)
Denver	155.2	Honolulu	(102.1)
Portland	154.6	Oakland-East Bay	(107.3)
West Palm Beach	148.1	Cleveland	(123.6)
Ft. Lauderdale	146.5	San Diego	(129.0)
Sacramento	119.0	Boston*	(171.5)
Nashville	102.6	Orange County	(199.2)
Jacksonville	91.6	San Francisco	(228.7)
Greenville-Spartanburg	58.6	Philadelphia	(230.9)
Indianapolis	48.9	San Jose	(263.2)
Minneapolis-St. Paul	48.5	Detroit	(279.1)
Kansas City	47.3	Miami	(299.1)
Houston	31.5	Newark-No. NJ	(409.1)
Albuquerque	25.3	Chicago	(604.2)
Columbus	19.2	Los Angeles	(1,424.8)
Oklahoma City	15.4	New York/Nassau-Suffolk	(1,583.7)

*Migration/immigration data is not currently available for the Boston PMSA or the Hartford MSA. For these markets, the larger NECMA designations are used.

Source: U.S. Census Bureau.

VI. EMPLOYMENT AND LABOR FORCE CHARACTERISTICS

A. Job Formation—New York

Metropolitan Area

Employment Growth (Loss)—% 12-Month (Ending in September):	0.9%
Total Number of Net New Jobs, 12 Months (Ending in September):	36,700
% Unemployed, September 2004:	6.4%
% Unemployed, 12 Months Before:	7.7%

National

Employment Growth (Loss)—% 12-Month (Ending in September):	1.4%
% Unemployed, September 2004:	5.1%
% Unemployed, September 2003:	5.8%



Source: Bureau of Labor Statistics.

B. Economic Base—Employment By Sectors

SECTOR	% GROWTH FROM PRIOR YEAR		% OF TOTAL EMPLOYMENT	
	METRO	NATIONAL	METRO	NATIONAL
Services	2.0	1.6	35.0	28.8
Business Services	2.8	3.0	15.2	12.7
Financial Activities	(0.1)	1.3	11.4	6.1
Government	(0.8)	0.6	15.3	16.3
Retail Trade	2.4	0.7	8.3	11.3
Wholesale Trade	(0.1)	1.4	4.2	4.3
Transportation/Public Utilities	0.8	1.7	3.4	3.7
Manufacturing	(4.5)	0.0	3.7	11.0
Construction	(3.3)	2.6	3.6	5.4

Note: The Department of Labor recently revised the industry classification system (from SIC to NAICS). One of the most significant changes was the establishment of "business services" as a separate category (instead of a sub-set of the "services" sector). In addition, the "FIRE" sector is now known as "financial activities".

Source: Bureau of Labor Statistics.

VI. EMPLOYMENT AND LABOR FORCE CHARACTERISTICS

C. Job Formation—Nassau-Suffolk

Metropolitan Area

Employment Growth (Loss)—% 12-Month (Ending in September):	1.0%
Total Number of Net New Jobs, 12 Months (Ending in September):	12,800
% Unemployed, September 2004:	3.9%
% Unemployed, 12 Months Before:	4.3%

National

Employment Growth (Loss)—% 12-Month (Ending in September):	1.4%
% Unemployed, September 2004:	5.1%
% Unemployed, September 2003:	5.8%



Source: Bureau of Labor Statistics.

D. Economic Base—Employment By Sectors

SECTOR	% GROWTH FROM PRIOR YEAR		% OF TOTAL EMPLOYMENT	
	METRO	NATIONAL	METRO	NATIONAL
Services	1.5	1.6	30.3	28.8
Business Services	2.2	3.0	12.6	12.7
Financial Activities	0.8	1.3	6.8	6.1
Government	0.8	0.6	15.9	16.3
Retail Trade	0.8	0.7	13.1	11.3
Wholesale Trade	1.8	1.4	6.0	4.3
Transportation/Public Utilities	(1.7)	1.7	2.9	3.7
Manufacturing	(1.7)	0.0	7.0	11.0
Construction	1.6	2.6	5.5	5.4

Note: The Department of Labor recently revised the industry classification system (from SIC to NAICS). One of the most significant changes was the establishment of "business services" as a separate category (instead of a sub-set of the "services" sector). In addition, the "FIRE" sector is now known as "financial activities".

Source: Bureau of Labor Statistics.

VI. EMPLOYMENT AND LABOR FORCE CHARACTERISTICS

E. Metropolitan % Total Employment Gain (10-Year Change)

JOB GROWTH

(% Gain/Loss, September 1994-September 2004)

Las Vegas	67.5%	Columbus	15.0%
Riverside-San Bernardino	46.9	Minneapolis-St. Paul	15.0
Phoenix	43.9	Nassau-Suffolk	14.4
West Palm Beach	38.9	Portland	14.2
Orlando	37.5	UNITED STATES	14.1
Austin	33.3	Memphis	13.8
San Diego	31.1	Indianapolis	13.1
Sacramento	30.9	Baltimore	12.7
Raleigh-Durham	30.4	Miami	11.4
Fort Lauderdale	29.3	Kansas City	11.1
Tampa-St. Petersburg	29.2	Cincinnati	10.9
Orange County	26.3	Philadelphia	10.5
Atlanta	24.6	Newark-No. New Jersey	9.0
Houston	23.2	New York	7.7
Dallas-Ft. Worth	23.0	Boston	7.5
Jacksonville	22.8	Los Angeles	7.5
Salt Lake City	22.3	St. Louis	7.4
Washington	21.6	Greenville-Spartanburg	7.3
Charlotte	21.2	Honolulu	6.4
Nashville	19.6	Chicago	6.3
Denver	19.0	Milwaukee	5.8
Albuquerque	17.2	San Francisco	5.1
Central New Jersey	16.7	San Jose	4.2
Seattle	16.6	Cleveland	2.9
Oakland	16.4	Detroit	2.8
Oklahoma City	16.0	Hartford	(0.8)

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

VI. EMPLOYMENT AND LABOR FORCE CHARACTERISTICS

F. Average Annual Wages—Select Occupations

POSITION	METRO AVERAGE	% OF NATIONAL AVG.	NATIONAL AVERAGE
<u>New York PMSA</u>			
Accountant	\$70,420	127.0%	\$55,430
Secretary	\$31,930	120.3%	\$26,540
Computer Systems Analyst	\$74,890	113.2%	\$66,180
Computer Programmer	\$74,400	115.3%	\$64,510
Electrical Engineer	\$79,000	109.6%	\$72,090
Machinist	\$30,410	89.7%	\$33,900
<u>Nassau-Suffolk PMSA</u>			
Accountant	\$63,820	115.1%	\$55,430
Secretary	\$29,460	111.0%	\$26,540
Computer Systems Analyst	\$70,700	106.8%	\$66,180
Computer Programmer	\$61,670	95.6%	\$64,510
Electrical Engineer	\$80,020	111.0%	\$72,090
Machinist	\$34,710	102.4%	\$33,900

Source: Bureau of Labor Statistics, Occupational Employment Statistics, 2003.

G. Production Wages & Union Membership

	AVERAGE ANNUAL WAGE*	NATIONAL RANK (OUT OF 51)	% WORKERS IN UNION	NATIONAL RANK (OUT OF 51)
New York	\$28,860	23	24.6%	1
U.S. Average	\$28,710	--	12.9%	--

*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 (2003); U.S. Census Bureau/union membership (2003).

VI. EMPLOYMENT AND LABOR FORCE CHARACTERISTICS

H. State Workers' Compensation Costs

Workers' Compensation Costs
The average cost per \$100 of payroll
(2004)

	RATE*	INDEX**	2004 RATING***	2003 RATING
New York	\$4.74	1.23	37	40

*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 \$3.87.

***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.

I. State Minimum Wage/Overtime Status

Current State 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: U.S. Department of Labor.

VII. EDUCATION

A. Educational Levels

	% OF ADULTS WHO GRADUATED FROM HIGH SCHOOL	% OF ADULTS WHO GRADUATED FROM 4-YEAR COLLEGE/UNIVERSITY
New York PMSA	78.6	30.8
Nassau-Suffolk	91.5	32.3
U.S. Average	84.1	26.7



Source: U.S. Census Bureau, March 2002.

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.

VII. EDUCATION

C. Educational Expenditures and Salaries

	PER-PUPIL EXPENDITURES	RANK (OUT OF 51)	TEACHER SALARIES	RANK (OUT OF 51)	STUDENT: TEACHER RATIO	RANK (OUT OF 51)
New York	\$11,588	2	\$53,017	5	12.6	48
U.S. Average	\$7,875	--	\$45,891	--	15.7	--

These figures represent statewide (and national) averages and are based on actual enrollment. 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, May 2004 Update.

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

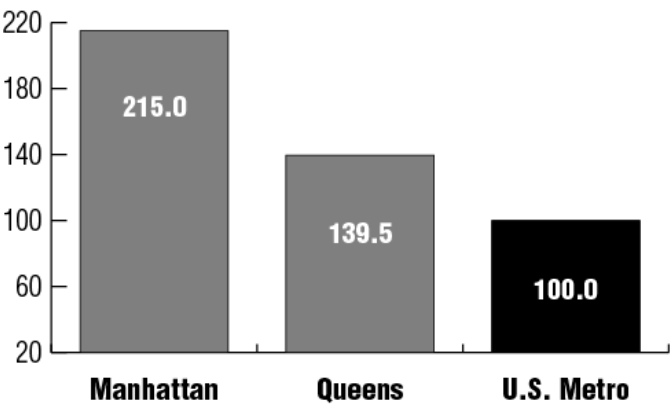
*The percentage column reflects the amount spent by the local institution(s) relative to the amount expended at the top spending institution in each of the two categories.

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).

VIII. HOUSING & LIVING COSTS

A. Overall Cost of Living (Index)

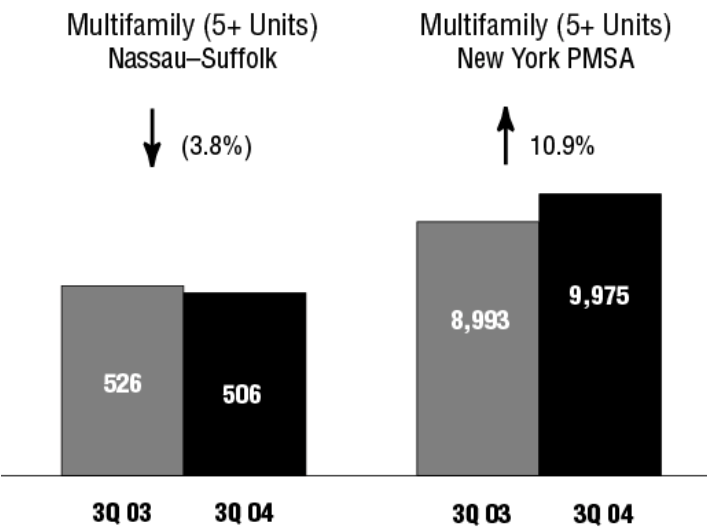
Metropolitan Cost of Living Index*
(2nd Qtr. 2004)



*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 PMSA.

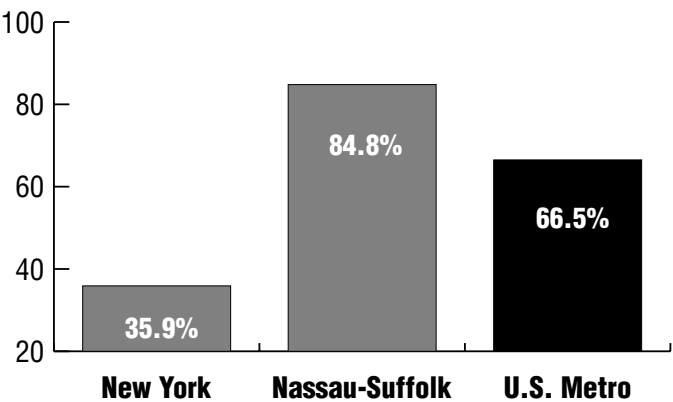
U.S. Data: The percent changes in single-family and multifamily permits nationwide were 11.0% and 5.2%, respectively.

Source: U.S. Census Bureau.

VIII. HOUSING & LIVING COSTS

C. Homeownership

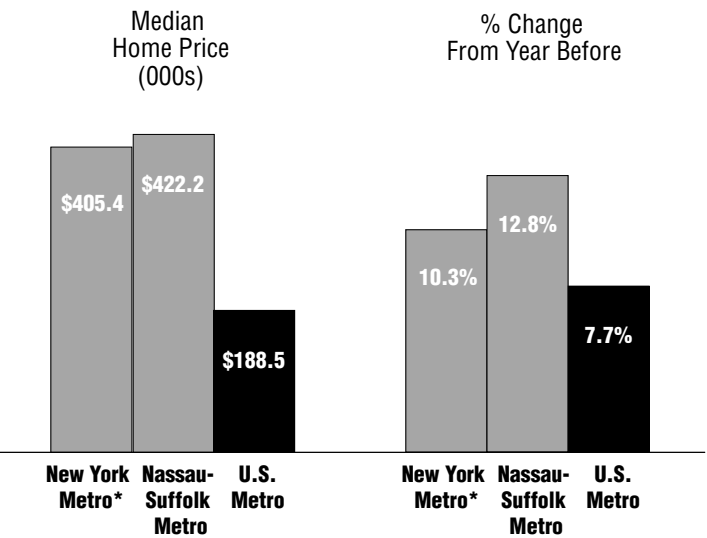
% of Households Owning Residences (2003)



Source: U.S. Census Bureau. Homeownership rates represent metropolitan averages as of year-end 2003.

D. Single Family Home Costs

Third Quarter 2004



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

Source: National Association of Realtors®.

VIII. HOUSING & LIVING COSTS

E. Local Utility Costs

	COMMERCIAL ELECTRIC (10,000 KWH PER MO.)	INDUSTRIAL ELECTRIC (650,000 KWH PER MO.)	RESIDENTIAL TOTAL (1,000 KWH PER MO.)
New York City	\$1,654	\$76,722	\$164
Nassau-Suffolk	\$1,300	\$54,297	\$142
U.S. Average	\$844	\$36,401	\$87

These numbers reflect the bundled rates (i.e., the combined cost of generation, transmission, delivery, and any transfer fees) that were in effect in January 2004. The kwh per mo. figures are based on consumption rather than demand.

Source: Edison Electric Institute, Typical Bills and Average Rates Report, Winter 2004.

F. Health Insurance Coverage & Costs

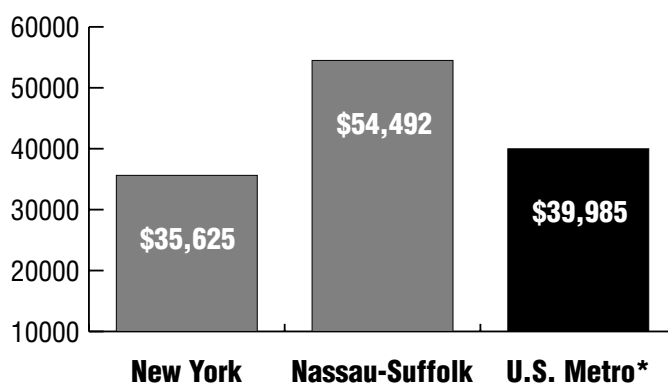
	% OF POP. COVERED BY HEALTH INSURANCE	RANK (OUT OF 51)	ANNUAL PER CAPITA HEALTH CARE EXPENDITURES	RANK (OUT OF 51)
New York State	84.9	35	\$4,706	3
U.S.	84.4	--	\$3,759	--

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 (2003). Health Care Expenditures: Centers for Medicare and Medicaid Services (1998).

IX. OTHER ECONOMIC INDICATORS

A. Metropolitan Median Household Income



Market Rank**

New York	54
Nassau-Suffolk	4

*The U.S. Metro figure represents the median income of 323 metropolitan areas; \$38,035 is the median income nationwide.

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

Source: Sales & Marketing Management: 2003 Survey of Buying Power.

B. High-Tech Industry Employment

	NUMBER OF ESTABLISHMENTS (2001)		NUMBER OF EMPLOYEES (2002)		HIGH-TECH EMPLOYMENT GROWTH (2001-2002)	
		RANK (OUT OF 51)		RANK (OUT OF 51)		RANK (OUT OF 51)
New York State	20,374	3	329,749	3	(7.9%)	33

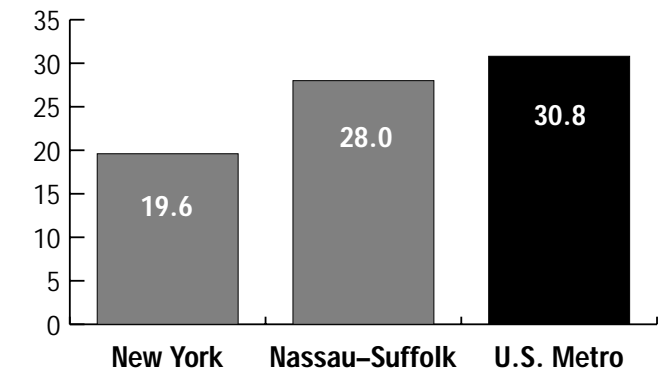
The #1 ranking represents the highest amount in each category.

Source: Cyberstates 2003, American Electronics Association.

IX. OTHER ECONOMIC INDICATORS

C. Metropolitan Area Patents

Patents Per 100,000 Residents (1999)



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.

D. Major Airport Activity

	TOTAL (2003)	% CHANGE FROM 2002	NATIONAL RANK*	WORLD RANK*
JFK INTERNATIONAL				
Passengers (in millions)	31.7	5.0%	11	17
Cargo (in thousands -metric tons)	1,633.0	2.9%	5	9
LA GUARDIA				
Passengers (in millions)	22.5	2.3%	20	37
Cargo (in thousands -metric tons)	28.4	[12.1%]	83	232

*Ranking of 143 national and 813 international airports, with the #1 ranking representing the largest number of passengers and the largest amount of cargo.

Source: Airports Council International, Geneva, Switzerland.

IX. OTHER ECONOMIC INDICATORS

E. International Trade

International Trade Volume

	IMPORT	EXPORT	TOTAL
New York (Part of the New York, NY Customs District)			
January-September 2004 (\$\$\$ in billions)	\$121.5	\$59.0	\$180.5
% Change (from year ago)	10.9%	11.4%	11.1%
Total U.S.			
January-September 2004 (\$\$\$ in billions)	\$1,073.1	\$602.7	\$1,675.8
% Change (from year ago)	15.9%	13.8%	15.1%

Source: Dept. of Commerce, Foreign Trade Division.

F. Gross State Product

	1991	2001	% CHANGE 1991-2001
New York Ranking* (out of 51)	2	2	--
New York Total (\$\$\$ in billions)	\$572.6	\$766.5	33.9%
U.S. Total (\$\$\$ in billions)	\$6,615.7	\$9,335.4	41.1%

*Ranking of all 50 states (plus 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, Bureau of Economic Analysis.

IX. OTHER ECONOMIC INDICATORS

G. Gross Metropolitan Product

GMP
(\$\$ in billions)

	2002	RANK (OUT OF 100)	% CHANGE (FROM 2001)
New York	\$451.8	1	1.3%
Nassau-Suffolk	\$113.5	17	4.4%

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

Source: U.S. Conference of Mayors.

X. TAXES AND EXPENDITURES

A. State Tax Rates/Employer Expenses

TAX	RATE
Business Taxes:	
Corporate Income/Franchise	7.5%
Unemployment Insurance	4.1%
Individual Taxes:	
Sales/Use	4.25%
Food Exemption	Yes
Maximum Local Levy	4.50%
Cigarette Tax (per package)	\$1.50
Personal Income Rates	4.0% to 7.7%
Beginning Income for Maximum Rate*	\$500,000
State Taxes Paid in 2002 Per \$1,000 Personal Income:	
Local	\$62
United States	\$60

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

*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)

LOCATION	EFFECTIVE RATE	RANK* (OUT OF 58)
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.)

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. In large cities where a range of residential tax rates is applied, we have used Runzheimer's composite tax rate (CMP).

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. For more information on employee relocation, moving costs, and travel expenses, contact Runzheimer at 1-800-558-1702.



X. TAXES AND EXPENDITURES

C. Local Commercial Property Taxes

2001 COMMERCIAL PROPERTY TAX RATE
(PER \$100 VALUATION)

CITY	BASIC RATE	EFFECTIVE RATE	RANK** (OUT OF 85)
New York City*	\$9.70	\$4.36	84
White Plains*	\$42.51	\$19.13	85

*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 85 communities analyzed by the National Real Estate Index. Markets are rated in ascending order. (Number 85 denotes the highest tax rate in the study.)

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.

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.

D. Tourism & Entertainment Taxes

	HOTEL TAX	RESTAURANT TAX	CAR RENTAL TAX*
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 include local surcharges.

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

X. TAXES AND EXPENDITURES

E. State Tax Revenue

State Tax Revenue
July-June 2004
(\$\$ in millions)

	PERSONAL INCOME	CORPORATE INCOME	SALES	TOTAL *	% CHANGE FROM YEAR AGO
New York	\$26,148	\$2,431	\$10,128	\$44,212	15.6%
U.S.	\$198,498	\$30,677	\$187,408	\$498,857	7.9%

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.

F. Federal Spending Per Capita

	TOTAL FEDERAL SPENDING	NATIONAL RANK*	% CHANGE FROM YEAR AGO
New York	\$7,186	23	6.7%
Nassau County	\$5,745	--	7.2%
New York City & County**	\$6,962	--	6.4%
Suffolk County	\$5,658	--	7.2%
Westchester County	\$5,482	--	3.1%
U.S. Average	\$6,910	--	2.9%

*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 the Bronx, Kings, Queens, and Richmond Counties.

Source: U.S. Census Bureau, Consolidated Federal Funds Report for Fiscal Year 2003.

XI. QUALITY OF LIFE

A. State Livability Index

	2003 INDEX RATING*	2003 RANK**	2002 RANK**
New York	23.49	33	37

*The livability index rating reflects an average of ratings for 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 scale is 1 to 50, with 50 being the best possible.

**The ranking is based on all 50 states, with the #1 ranking representing the highest livability rating.

Source: The Morgan Quitno Press, [800] 457-0724.

B. Crime Rate

Crime Per 100,000 Inhabitants—2002

	VIOLENT	% CHANGE FROM 2001	PROPERTY	% CHANGE FROM 2001
New York Metro	717.2	(7.3)	2,256.2	(6.0)
U.S. Metro Average	545.6	(2.6)	3,863.5	(1.3)

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

XI. QUALITY OF LIFE

C. Climate

Average Temperature (Fahrenheit)

	High	Low
Winter	38	26
Spring	61	44
Summer	85	68
Autumn	66	50

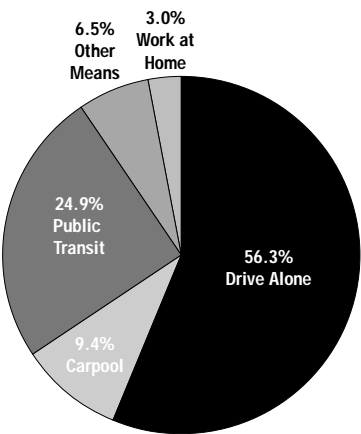
Average Annual Precipitation: 44 inches

Elevation: 87 ft

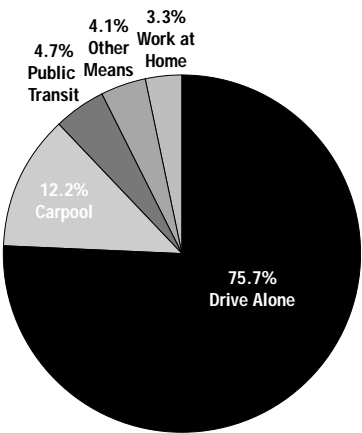
% of Sunny Days Per Year: 58%

D. Mode of Travel to Work

Local Metro*



U.S. Average



*Data is for the New York-Northern New Jersey-Long Island CMSA.

Source: U.S. Census Bureau, American FactFinder: Journey to Work, 2000.

XI. QUALITY OF LIFE

E. Congestion Index

	CONGESTION COST TOTAL (\$\$ IN MILLIONS)	CONGESTION COST PER PERSON	WASTED FUEL PER PERSON (GALLONS)	DELAY PER PERSON (HOURS)
New York-Northeast NJ	\$8,434.0	\$491	41	25
Current Ranking*	2	21	21	20
Previous Year's Ranking	2	21	21	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 2001. 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, 2003 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

METHODOLOGY

The National Real Estate Index (INDEX) maintains proprietary databases and reports benchmark averages for large income-producing properties leased, bought and sold nationwide.

Property Prices, Rents, and Cap Rate Data

The price, rent, and cap rate data that appear in *Metro Market Facts* are from the INDEX's *Value Monitor* and *Rent Monitor* publications.

The INDEX *Value Monitor* compiles and reports average sale prices and capitalization rates for Class A properties in 60 local and seven regional markets throughout the United States. Prices and capitalization ("cap") rates for the Class A CBD (i.e., "downtown") office, suburban office, warehouse/distribution, anchored unenclosed shopping center, and apartment sectors are reported. In addition, Class B apartment values and cap rates are compiled in all markets as well. The INDEX *Rent Monitor* compiles and reports average rents in the same market areas and property sectors as its *Value Monitor* counterpart.

Value Monitor Property Prices: Generally, the average property prices that appear for each of the 60 regularly-reported local markets in the *Value Monitor* (and *Market History Report*) are derived from current or historical property sales transactions in the underlying local markets. Nationwide, the National Real Estate Index typically compiles more than 1,500 transactions of large improved properties each period, many of which are utilized to formulate local market benchmark prices. In any given period, a number of local market property prices are derived solely from property sales. Typically, in such cases, benchmark prices will reflect activity over more than one period (i.e., a "rolling quarter" average).

In those markets and property sectors where there is inadequate current investment activity to justify reporting a pure transaction-based price, the benchmark value is formulated based on historical sales data and current market factors, including the operating performance of "like-kind" properties within the respective market and property sector. We realize, of course, that this necessitates an element of "informed judgment" but disparities in local market size and liquidity over time sometimes dictate a modified, "hybrid" approach.

Value Monitor Cap Rates: Like the prices, the market benchmark capitalization rates are based on current or historical property sales. The cap rate data reported in the *Value Monitor* is intended to reflect recent operating income, rather than forward-looking (i.e., "pro forma") performance. Where the data are available, the cap rates incorporate property-level operating income on consummated sales within the respective marketplaces. However, in many instances, these data either are not available, or the "robustness" of the reported income data is questionable. In those cases, cap rates are derived from the average benchmark property price (which is based on current period or historical transactions) and a representative market-wide operating income proxy for that property type. Because of these data-based qualifications, the cap rates are the most volatile of the data reported by the INDEX and, therefore, are perhaps most useful in determining market directions and trends.

Rent Monitor Gross Rents: Except for retail, stated rents reflect all occupancy costs. Because reported rents exclude rent concessions, 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*.

In essence, the INDEX *Rent Monitor* attempts to formulate a "same store" rent and free rent benchmark for each local market and property type reported. In order to monitor rental rate trends, the INDEX surveys "prototype" or "tracked" properties that conform to certain standards that are discussed in greater depth in each *Rent Monitor* publication. In general, however, these properties are high quality, have current construction materials and techniques, and are aesthetically modern and attractive. The buildings are representative of local market conditions, and have stabilized operations. Most Class A survey properties are 15 years old or less.

Note: As for most statistical data services, previously-reported data is revised as needed to reflect the receipt of new data. We believe this approach helps assure the most reliable data over the long-term. In particular, *all* data reported in the current period should be considered preliminary.

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 sometime modified by independent market surveys conducted by the INDEX research staff. As noted above, 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.

For Additional Price, Rent and Cap Rate Information: The INDEX *Value Monitor* and *Rent Monitor* publications report price, rent and cap rate benchmarks each quarter for 60 leading U.S. markets, as well as property values in many other local markets and property sectors (in the *Value Monitor*). For more information on these publications, please see our website (www.nrei.info) or phone (800) 992-7257.

Other Data

To provide a more comprehensive picture of the current market conditions in each local market, *Metro Market Outlook* reports a wide range of real estate, demographic and economic data. These data are selected from a variety of secondary sources. Please see the citation that accompanies each chart for the source of the data employed.



MARKET•SCORE METHODOLOGY/ RATING EXPLANATION

The National Real Estate Index uses a proprietary model, created by Global Real Analytics, LLC for analyzing the real estate investment potential in 66 metropolitan markets nationwide. Market•Score evaluates the potential performance over a two-year horizon for 24 property sector classes of which Class A Central Business District (CBD) office, suburban office, warehouse, retail (unenclosed grocery-anchored shopping centers only), Class A apartment, and Class B apartment are presented in Metro Market Outlook. The rankings are based on key econometric and real estate-related data, portions of which are derived from our extensive proprietary property database.

Investment Potential Ratings: The investment potential is expressed both on a five-point continuum (i.e., "Rating") and on a numerical scale of 60-100 (i.e., "Score") that reflect our view of the comparative total return potential of properties in the respective sector/market for the succeeding two years. The investment score is based, first and foremost, on the rental prospects, as well as on a number of documentable (but not necessarily quantifiable) variables that impact the prospects for future price appreciation of real estate in local markets. Potential rental changes are formulated using a proprietary model of documentable and quantifiable economic, demographic, and real estate trends. Naturally, the variables employed vary from property sector to sector, but among the variables included are vacancy, construction, rental rate trends, job growth and related absorption, the distribution of employment within local markets, population and household growth, and household income.

Among the "clusters" of factors that supplement the rental prospects in the total return calculus are: (1) obstacles to construction; (2) corporate location preferences; (3) labor costs and quality; (4) the relationship between government and business, as well as corporate taxes; (5) the quality of life; (6) infrastructure and market access; and, finally, (7) current property values.

These factors are assessed weights in the overall model based on their relative importance and the extent to which they characterize the respective market in question. The continuum for investment prospects are shown below. The "rating" and "score" columns correspond as follows:

Investment Potential	
Rating	Score
Excellent	93+
Good	86-92
Average	75-85
Fair	65-74
Speculative	Below 65

General Observations and Model Limitations: As is appropriate for any comprehensive market analysis and rating, a clarification as to what the data purports to measure, as well as the potential pitfalls, is in order. First and foremost, the investment performance ratings reported in Market•Score are comparative. That is, we are attempting only to identify those markets that offer superior total return potential relative to other real estate markets. What absolute level of return will be achieved, or how the performance of any local real estate market will compare to that of financial assets such as stocks and bonds, is not analyzed here.

Second, like other analysts, we cannot forecast major exogenous events that may impact performance. The model's emphasis on analyzing comparative rather than absolute returns, however, should mitigate somewhat the prospective impact of major external macroeconomic or political events, should they occur.

Third, we have purposely chosen to emphasize documentable data, thereby largely eschewing forecasts (especially long-term ones) from third parties. We acknowledge that our emphasis on documentable trends may cause some readers to perceive a conservative bias in our strategic model. Consequently, all markets are ranked and "scored" each quarter.

ADDITIONAL DATA RESOURCES/WEB LINKS

Links to the following resources are presented as an informational service to NREI subscribers. The NREI does not endorse, support, or opine as to the accuracy or usefulness of any of the data or information found at these independent links.

CB Richard Ellis Local Market Reports

<http://www.cbre.com/Research/Market+Reports/Local+Reports+Worldwide/globalresearch.htm>

CB Richard Ellis U.S. National Vacancy Reports

<http://www.cbre.com/Research/Market+Reports/US+Vacancy+Reports/default.htm>

New York Chamber of Commerce

<http://nyc.chamber.com/>

Manhattan Chamber of Commerce

<http://www.manhattancc.org/>

Long Island Chambers of Commerce

<http://www.promoteli.com/nchambers.htm>

Long Island Convention and Visitors Bureau

<http://www.licvb.com/>

New York - City Data

<http://www.city-data.com/city/New-York-New-York.html>

PUBLISHER

GLOBAL REAL ANALYTICS

Richard Wollack
Chairman & CEO

Daniel O'Connor
Managing Director—
Global Forecasting

James Sempere
Chief Operating Officer

Paul Wildes
Director of Marketing

RESEARCH/PRODUCTION

Terry Deming
Director—Data Acquisition &
Market Research

Bianka Noguera
Data Research & Accounting

Loubna Saleh
Data Management & Research

Axenia Velitchev
Research Analyst

Tamu Dawson
Senior Production Editor

Ashley Dickerson
Data Management &
Production

Joshua Tokle
Analyst & Information
Technology

NATIONAL REAL ESTATE INDEX publications are published quarterly by Global Real Analytics, LLC
505 Montgomery Street, 6th Floor, San Francisco, CA 94111
(800) 992-7257, www.nrei.info

Copyright © 2004 by National Real Estate Index.

IMPORTANT: Metro Market Outlook 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 guarantee 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. Group (i.e., “Enterprise”) subscriptions are available, often at discounted rates.

SUBSCRIPTION INFORMATION: An annual subscription to *Metro Market Outlook* includes four quarterly issues.

One Quarter Subscription Rate—Single Market: \$175
One Quarter Subscription Rate—All 50 Markets: \$2,995

Annual Subscription Rate—Single Market: \$395
Annual Subscription Rate—All 50 Markets: \$6,995

For information on The National Real Estate Index family of publications (or if you have questions regarding these policies), please call us at (800) 992-7257 ext. 2, or visit our website at www.nrei.info.

Other Metro Market Outlook Reports Available

Albuquerque
Atlanta
Austin
Baltimore
Boston
Central New Jersey
Charlotte
Chicago
Cincinnati
Cleveland
Columbus
Dallas-Ft. Worth
Denver
Detroit
Fort Lauderdale
Greenville-Spartanburg
Hartford

Honolulu
Houston
Indianapolis
Jacksonville
Kansas City
Las Vegas
Los Angeles
Memphis
Miami
Milwaukee
Minneapolis-St. Paul
Nashville
Newark-No. New Jersey
New York-Nassau Suffolk
Oakland-East Bay
Oklahoma City
Orange County

Orlando
Philadelphia
Phoenix
Portland
Raleigh-Durham
Riverside-San Bernardino
Sacramento
Salt Lake City
San Diego
San Francisco
San Jose
Seattle
St. Louis
Tampa-St. Petersburg
Washington, D.C.
West Palm Beach