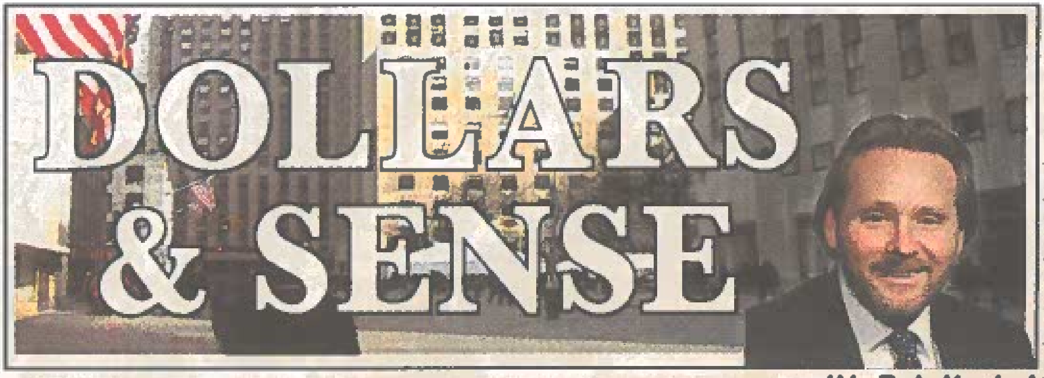

with Bob Knakal

A closer look at housing data

Q) Were you surprised that the National Association of Realtors amended their housing data very substantially over a four year period recently?

A) It was surprising to see the NAR change their statistics, mainly due to the extended period over which they said they had made errors and it brought to light the methodology through which they provide their market analysis.

Remarkably, the National Association of Realtors does not use deed recording information to determine how many houses are sold in the U.S.

It became apparent that they were only using broad extrapolations of data from multiple listing services and making estimates about how many properties are sold by owners directly without using realtors.

Given that recorded deed data is available, it was surprising to discover this.

One of the things I like so much about our building sales market in New York is that the figures are completely transparent.

For instance, we know that last year in New York City there were 2,122 properties sold.

It wasn't 2,123 and it wasn't 2,121. We base all this data on actual deeds recorded and there is a definitive number of transactions that can be observed.

In fact, we have a list of all 2,122 properties that sold with complete information on them, which shows that last year there was $25.6 billion in investment sales transactions.

These numbers are very accurate because everything is based on information recorded with the city.

Because this information is so transparent, it is less important for brokerage input to analyze this data as it is available to everyone.

In the office leasing market in New York, I think it is much more important for a brokers to qualitatively analyze the data as lease signings are not recorded in any public fashion.

I was recently at a meeting of several research analysts from various large brokerage companies and we were discussing the volume of office leasing activity in the city. Based upon estimates of a low of 350 million s/ft, to as much as 500 million of office space in the city, I was curious as to why the analyst were so excited about 5.8 million s/f of space being leased in a particular month.

If we consider that the average commercial lease is probably ten years, you would think there would be 35 to 50 million s/f of office spaced leased in the average year.

Given that the analysts were so impressed by the 5.8 million s/f, it led me to ask the question to the analysts, why the average wasn't at a much higher level?

After a significant pause, they started to explain that they really didn't have access to all information because some transactions are done quietly between the building owner and tenant and others simply don't want the information to get into the marketplace therefore, the list of leases signed is not as transparent as the list of properties sold.

Provided the brokers presenting information on citywide leasing activity use the same methodology month after month, and year after year, trends should be able to be determined through the use of this data but the qualitative input from leasing brokers really brings that information to light.

Given the fact that all household sales deeds are recorded it is surprising that the NAR's data is not more tangible.

It was always puzzling to me why, during the most difficult periods in the housing market in 2008 and 2009, most of the NAR reports were surprisingly bullish and now it is easy to understand based upon the estimates and seasonal adjustments made to their information which is not supported by hard statistical evidence.