

Message from the Chairman

Miraculously, the building sales market continues at the feverish pace that was established in the second half of 2004. The first quarter of 2005 has been incredible in terms of the amount of capital coming into the market and the prices that are being achieved. Most notably, land prices seem to be skyrocketing as the inflated end user condo market is feeling these increases. Although land prices have gone up over 50% in the last year, profits on condo construction is still significant. Given the sluggish national economy, we believe that large interest rate increases are not on the horizon. Small quarter point increases over a long period of time should have a very slight effect on the market. In 2004, prices appreciated by 19% over 2003 levels with the average price of a building in Manhattan increasing to \$587 per foot. Sales volume increased by 62% as 2.6% of the total stock of buildings south of 96th Street in Manhattan sold in 2004. This was 724 sales. We are expecting a 12% increase in prices in 2005 and expect sales volume to reach 3.1% which will be the highest level since the 3.9% experienced in 1998. This is a 20% increase in volume over 2004 levels. We look forward to continuing prosperity for all involved in the market.

Very truly yours,

Robert A. Knakal