Neighborhood Expertise... Citywide and Beyond

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BUILDING SALES JOURNAL

MASSEY KNAKAL
Realty Services

From the Field:
Is the Current Sample of Comparable Sales Revelant?

Territory Report:
Bushwick, Brooklyn

Recent Building Sales

MESSAGE FROM THE CHAIRMAN

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Dear Friends –

For nearly 18 months now, one of the hottest topics of discussion in commercial real estate has been the status of delinquent loans and distressed properties. These types of loans and properties should present investors with tremendous opportunities, but thus far, this massive pipeline of distress has only been trickling into the market.

There are three main reasons why the available supply of these distressed assets on the open market has been so low. First, banks simply do not want to realize the losses that are so clearly imbedded in their balance sheets. The Fed has encouraged banks to make loans and to simultaneously shore up their capital ratios – two opposing objectives. TARP money was given to banks so it could be deployed into the market, but given all the strings the government attached to the money, not surprisingly, the banks did not lend the money. The banks have simply been trying to shovel it back to the Fed as quickly as possible. The result is that banks have focused on keeping their capital ratios healthy, and the last thing they want to acknowledge are these losses. Additionally, due to low interest rates on bank borrowing, they are printing money at the moment and using these profits to justify write downs on balance sheet assets. As long as these dynamics exist, there is no incentive to take voluntary losses. For this reason, new phrases have become part of our daily vernacular, such as "extend and pretend," "delay and pray," "a rolling loan gathers no loss" and "kicking the can down the street."

The second reason for the lack of distressed asset supply is the various temporary beneficial components of some loans that have been allowing owners to hang on by a fingernail even though the light at the end of the tunnel is a freight train headed directly at them. Interest-only periods and interest reserves have succeeded in keeping some properties afloat, but these benefits are generally not for the duration of a loan. As amortization kicks in or the interest reserve dries up, reality must be faced.

Lastly, because many lenders do not want to publicly expose their problems, they have opted to restructure loans with the existing borrowers. While achieving a quiet solution, this approach often produces sub-optimal results for the lender. This is something not being ignored by equity research analysts or shareholders.

Recently, the flow of distressed assets has been increasing, ever so slightly. Banks are well into foreclosure process and this is starting to result in REO listings coming to market. Additionally, many lenders are realizing that investor demand for distressed notes is extensive. Thus far, the distressed assets that are coming to market in the greatest numbers are stalled development projects and properties owned by investors using OPM. But soon, loans from 2006 and 2007 vintages will be maturing in 2011 and 2012 and will find refinancing a big challenge, adding to the number of sellers, either lenders or owners, who have no choice but to sell.

We expect distressed assets to be prevalent in our marketplace for the forseeable future as our elevated unemployment rate will continue to degrade our fundamentals, presenting pronounced opportunities for investors.

Sincerely,

*Read Mr. Knakal's periodic market analysis, at **www.masseyknakal.com/blog** under the "Chairman Commentary" archive or at my GlobeSt.com blog "Street Wise."*

You can also read Mr. Knakal's weekly article in The Commercial Observer *entitled "Concrete Thoughts" at www.observer.com/commercial.*

MASSEY KNAKAL TRANSACTION DATA

July - September 2009

MANHATTAN OFFICE
Sales: 12 New Listings: 45

BROOKLYN OFFICE
Sales: 15 New Listings: 44

QUEENS OFFICE
Sales: 12 New Listings: 31

NEW JERSEY OFFICE
Sales: 1 New Listings: 5

MASSEY KNAKAL REALTY SERVICES RELEASES 2009 MID-YEAR BUILDING SALES REPORTS

Massey Knakal Realty Services announced the release of their exclusive mid-year Building Sales Reports in July. These unique, industry-leading reports provide a comprehensive review of the entire investment sales marketplace around the New York City: Manhattan, Northern Manhattan and The Bronx, Queens, and Brooklyn.

Through the Massey Knakal's Territory System™, the firm is able to produce detailed comparable sales data on all investment sales, and these reports feature photos and sales data for every property sold.

"With the benefit of our Territory System, each agent continuously tracks all property sales in their region which affords us the ability to provide detailed borough-wide analysis by property type such as sales volume, median price/sq.ft. and turnover rate, and a borough map pinpointing each sale location," said Paul J. Massey, Jr., Chief Executive Office and Founding Partner.

The trend has certainly been toward smaller transactions, for which there is plentiful debt available from community and regional banks. The data has also shown a resurgence of high net worth individuals and old-line families who had been overpowered by operators backed by institutional capital for the past several years. Additionally, there has also been a noticeable impact on the market by high net worth, private individuals from overseas, in numbers not seen since the mid 1980s.

"Based on contract executions, we anticipate the volume of sales increasing in the second half of the year as we finally move past the paralysis in the market witnessed after the failure of Lehman Brothers on September 15, 2008 and the dismantling of Wall Street as we knew it. This paralysis caused 1H09 volume to fall off the table. However, even with a significant increase in volume, we expect prices to continue to drop as fundamentals deteriorate caused by continuing increases in unemployment," concludes Robert A. Knakal, Chairman and Founding Partner.

For copies of these four reports, visit the "News" section of www.masseyknakal.com, or contact us directly at research@masseyknakal.com or 877.657.0777.

REPORT | REAL ESTATE

Real Capital Analytics' Top Property Sales

Biggest commercial transactions in NYC in first-half 2009, ranked by price

Rank	Address/ property type/ submarket	Sale price (in millions)	Sq. ft. or # of units/ price per sq. ft. or unit	Close date	Buyer	Seller	Seller's representative
1	**1334 York Ave.** (Sotheby's headquarters)[1] Office Upper East Side	$370.0	495,000 $751	2/6	Sotheby's / 1334 York LLC	Landesbank Sachsen / RFR Holding	Jones Lang LaSalle
2	**1540 Broadway** (Bertelsmann Building) Office condo Midtown West	$355.0	906,287 $392	3/5	CB Richard Ellis Investors	Macklowe Properties (Deutsche Bank)	Eastdil Secured
3	**234 W. 48th St.** (Best Western President)[2] Hotel Midtown West	$142.0	334 $425,150	2/1	Investcorp Real Estate	Hampshire Hotels & Resorts	Cushman & Wakefield
4	**63 W. 35th St.** (Hilton Garden Inn NY) Hotel Midtown West	$121.1	298 $406,376	3/23	RLJ Development	Brack Capital Real Estate	n/a
5	**330 W. 40th St.** (Fairfield Inn NY) Hotel Midtown West	$99.9	244 $409,495	2/12	Gehr Development	The Lam Group	n/a
6	**488 Seventh Ave.** Apartments Midtown West	$45.3	104 $435,577	2/5	Torkian International Group	Swift Park	n/a
7	**30-34 W. 47th St.** Office Midtown West	$42.5	55,138 $771	5/14	Jenna Realty	Estell Development	n/a
8	**74-17 Grand Ave.** (Shops at Grand Avenue) Retail Flushing, Queens	$33.5	100,000 $335	4/16	AEW Capital Management	Forest City Ratner	n/a
9	**122 E. 58th St.** Office Midtown East	$28.5	23,712 $1,202	3/13	Mordot Sharo Israel	Sam Nussbaum	Massey Knakal Realty Services
10	**58 Washington Square South**[3] Development site Midtown South	$25.0	12,647 $304	5/26	New York University	Archdiocese of New York	CBRE
11	**1080 Leggett Ave.** Industrial Hunts Point, Bronx	$20.0	140,348 $143	5/7	Manhattan Beer Distributors	Paradise Foods	n/a
12	**145 Spring St.** (Custo Barcelona) Retail Midtown South	$18.0	15,421 $1,167	5/14	Custo Barcelona	Nice Spring	Friedman Roth
13	**122 E. 32nd St.** (future Korean Cultural Center)[3] Development site Midtown East	$15.8	6,098 $366	3/3	The Republic of Korea	Alrose Realty Co.	Eastern Consolidated
14	**526 E. 82nd St.** Apartments Upper East Side	$15.5	107 $144,860	4/3	East 82nd Street Realty	Fisher Realty Corp. / Wannda Realty Corp.	Massey Knakal Realty Services
15	**1247 Grand St.** Industrial East Williamsburg, Brooklyn	$14.0	80,060 $175	3/10	Summit Bay Inc. / Wangdoms Enterprises	Trans Management Inc.	n/a
16	**529-535 48th Ave.** Industrial Astoria, Queens	$13.5	54,000 $250	2/1	Tita Stein / American Equity Exchange	531 48th Avenue Corp.	n/a
17	**400-406 W. 57th St.** (The Windermere) Apartments Midtown West	$13.0	39 $333,333	5/20	Windermere Properties	Tin Construction Co.	AAG Management Inc.
18	**169-175 E. 101st St.** Apartments Upper Manhattan	$12.5	120 $104,167	2/26	Latham Properties	Pinnacle Realty / Pradium Group	Massey Knakal Realty Services
19	**604-612 W. 131st St.** Industrial Upper Manhattan	$12.5	22,465 $556	5/12	Columbia University	Duenike	n/a
20	**326-330 E. 100th St.** Apartments Upper Manhattan	$12.2	92 $132,609	3/31	326-330 E 100th LLC	Pradium Group	Massey Knakal Realty Services
21	**48-40 34th St.** Industrial Astoria, Queens	$12.2	75,000 $163	3/16	Fairway 34th Street	Eva LIC Realty Associates	n/a
22	**575 E. 140th St.** Apartments Mott Haven, Bronx	$11.8	127 $92,520	1/7	Zalmen Management	Penson Cos.	n/a
23	**215 W. 88th St.** Retail condo Upper West Side	$11.4	8,955 $1,273	2/12	Madison Capital	City Investment Fund	Cushman & Wakefield
24	**333 Ovington Ave.** Apartments Bay Ridge, Brooklyn	$11.2	119 $94,328	5/14		333 Ovington Avenue Inc.	Massey Knakal Realty Services
25	**134-136 Wooster St.** Retail Midtown South	$10.0	6,017 $1,801	2/19	134-136 Wooster Commercial LLC	134-136 Wooster Street LLC	n/a

In case of ties, deals are listed in order of highest price per square foot or unit. n/a Not available. 1-Exercised purchase option. 2-Leasehold. A 95% interest was traded; price reflects 100% valuation. 3-Price per square foot is for buildable square footage. Real Capital Analytics Inc. is an independent research firm focused exclusively on capital investment markets for commercial real estate. RCA offers comprehensive information on activity in the industry. In addition to collecting transactional information for property sales and financings, it interprets the data, including capitalization rates, market trends, pricing and sales volume. The firm publishes a series of Capital Trends reports and offers an online service that provides real-time, global transactional market information. Visit www.rcanalytics.com.

PLATFORM PERFECTION:

THE TERRITORY SYSTEM™

MASSEY KNAKAL REALTY SERVICES

NYC'S #1 BUILDING SALES FIRM

*As reported in *Crain's New York Business*, July 27 - August 9, 2009.

FROM THE FIELD

FROM THE FIELD: ADVICE FROM A MASSEY KNAKAL SALES AGENT

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Is the Current Sample of Comparable Sales Relevant?

- *Valuating and Executing in a Stalled Market*

So how does one go about valuing a property if benchmark comparable sales do not exist? As months have passed without neighborhood properties trading hands since September 2008, are we even sure a market exists? This is a problem that is now riddling investors, owners, sales brokers and appraisers alike.

Since comparable sales are lagging indicators to begin with, the significant sampling from the third and fourth quarters of 2008 is now all but a relic of better days. Without relevant comparable sales, the next applicable indicator would be recent neighborhood contract signings for similar properties. During the fourth quarter of 2008, inventory remained stagnant as the bid-ask spread between buyers and sellers was too wide for contracts to be executed. Without a sufficient sample of contract signings in certain neighborhoods, some brokers at Massey Knakal turned our attention towards current bidding activity as the most practical way to determine a property's value.

We used this pricing method in November of 2008 in Chelsea for the marketing and sale of 217-19 West 16th Street; a forty unit, primarily rent regulated building. The challenge from a valuation standpoint was that neighborhood comparable sales information was now irrelevant. No rent regulated multifamily properties of that size had traded in Chelsea since the collapse of Lehman Brothers, which for all intents and purposes was first in a string of events that turned the New York City commercial real estate world on its head. Fortunately, at the time we had been selling two other multifamily buildings within three blocks of the property and had over twenty-five active offers. Although contracts had yet to be signed for either building, the market feedback from the two properties proved to be priceless when valuing 217-19 West 16th Street. We applied real time market feedback to our opinion of value, settling on an asking price of $7,250,000 which was appropriate to generate the multiple offers needed to execute a sale. At first sight, the asking price seemed a bit ambitious for a "Post-Lehman" world, yielding just over a 5% return to a potential buyer. However the building's rents had plenty of upside, averaging around 50% of market value.

Within the first ten days of marketing, we had procured fifteen offers and a contract was issued. This was in November of 2008... New York City was approaching the eye of an economic hurricane and, if the media were to be believed, absolutely nothing was supposed to sell. The contract was signed within thirty days and the property ended up selling for just over the asking price, at a return of 5.08% or just under thirteen times the gross annual rent. By having substantial market share in the neighborhood and gauging the response of local buyers to similar properties currently on the market, we were able to run an abbreviated yet efficient sales process. Obtaining multiple offers gave our client the confidence that maximum value had been achieved. This was despite the market's inability to produce relevant comparable sales data to use as a benchmark.

As of the start of the third quarter of this year, 217-19 West 16th Street had been one of only four sales to take place out of approximately 1,300 Chelsea properties, including townhouses, multifamily, mixed-use, commercial and industrial properties and development sites. As the market adjusts to the Post-Lehman world, activity in the short term will remain low and the shortage of market data will persist.

217-19 West 16th Street

Our firm recently assisted in the sale of a Chelsea elevator building after just fourteen days of marketing. The bids produced by the marketing of 217-19 West 16th Street and other neighborhood buildings previously marketed by Massey Knakal certainly contributed to the swiftness of the process.

To conclude, while there are signs that price levels are resetting and that a market does exist, we will only be able to rely on comparable sales information once a substantial sample of Post-Lehman sales has been recorded. Until then, current bidding activity will remain the most accurate indication of value.

The information contained in this article is for general information purposes only. We make no representations or warranties of any kind.

MANHATTAN OFFICE:
MANHATTAN – THE BRONX – WESTCHESTER

RECENT TRANSACTIONS

MASSEY KNAKAL
Realty Services

MASSEY KNAKAL SALES:

901 BROADWAY
SOLD: $24.6 MILLION

Neighborhood: Flatiron
Type: Commercial Building
Lot Size: 27' x 103'
Stories: 5
Square Feet: 14,336
Price Per Square Foot: $1,716
Cap Rate: 5.59%
Sales Note: Built in 1867, this historic cast-iron building was once home to the original Lord & Taylor Dry Goods Store. Sold to a foreign investor in an all-equity transaction at a cap rate of 5.59%

92 WEST HOUSTON STREET
SOLD: $3.4 MILLION

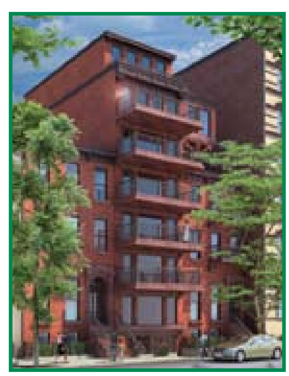
Neighborhood: Greenwich Village
Type: Mixed-Use Building
Lot Size: 19' x 98'
Stories: 4
Square Feet: 3,788
Price Per Square Foot: $897
Sales Note: Delivered vacant in an all-cash transaction to a restaurateur.

339 WEST 44TH STREET
SOLD: $2.025 MILLION

Neighborhood: Midtown West
Type: Mixed-Use Building
Lot Size: 25' x 100'
Stories: 5
Square Feet: 9,375
Price Per Square Foot: $216
Existing Air Rights Square Feet: 1,167
Existing # of Residential Units: 16
Cap Rate: 3.30% (projected)
GRM: 8.41 (projected)
Sales Note: Seller had owned the building for 40 years. The two retail units were delivered vacant. Sold in an all-cash transaction to an investor.

115 WEST 57TH STREET
SOLD: $5,762,500

Neighborhood: Midtown West
Type: Mixed-Use Building
Lot Size: 20' x 86'
Stories: 6
Square Feet: 8,790
Price Per Square Foot: $656
Cap Rate: 6.80% (projected)
Sales Note: Sold in an all-equity transaction to a foreign industrialist.



123 WEST 15TH STREET
SOLD: $3.4 MILLION

Neighborhood: Chelsea
Type: Development Site
Lot Size: 20' x 103'
Buildable Square Feet: 9,000
Price Per Buildable Square Foot: $378
Sales Note: A vacant lot was delivered with approved plans for seven story, with basement, elevatored 4 condominium unit building, which is currently under construction.

791-795 WESTCHESTER AVENUE
SOLD: $1.2 MILLION

Neighborhood: Melrose, The Bronx
Type: Commercial Building + Vacant Lot
Lot Size: 114' x 122'
Stories: 2
Square Feet: 7,679
Price Per Square Foot: $156
Buildable Square Feet: 25,272
Price Per Buildable Square Foot: $47
Sales Note: Delivered vacant in an all-cash transaction.

BROOKLYN OFFICE

BROOKLYN OFFICE:
BROOKLYN – STATEN ISLAND

RECENT TRANSACTIONS

MASSEY KNAKAL
Realty Services

MASSEY KNAKAL SALES:

362-364 OVINGTON AVENUE
SOLD: $9.75 MILLION

Neighborhood: Bay Ridge
Type: Development Site
Lot Size: 200' x 220'
Buildable Square Feet: 92,754
Price Per Square Foot: $105
Sales Note: Once the site of the century-old Bay Ridge United Methodist Church,the property is now an empty lot nearly one acre large. Sold to a school construction authority which plans to build a 680 seat elementary school as well as a new, smaller house of worship for BRUMC (which has temporarily relocated down the street).

401 95TH STREET
SOLD: $3 MILLION

Neighborhood: Bay Ridge
Type: Commercial Building
Lot Size: 161' x 155'
Stories: 2
Square Feet: 13,172
Price Per Square Foot: $227
Sales Note: This building, originally a convent and most recently used as hospital, was delivered vacant to a developer in an all-cash transaction.

7524 THIRD AVENUE
SOLD: $1.1 MILLION

Neighborhood: Bay Ridge
Type: Mixed-Use Building
Lot Size: 19' x 80'
Stories: 3
Square Feet: 4,312
Price Per Square Foot: $255
Cap Rate: 5.45%
Sales Note: Delivered with a long term lease with Dime Savings Bank to a local investor. There were two occupied apartment units above the bank.

1001 AVENUE H
SOLD: $3.168 MILLION

Neighborhood: Midwood
Type: Apartment Building
Lot Size: 100' x 100'
Stories: 4
Square Feet: 32,200
Price Per Square Foot: $98
Existing # of Residential Units: 38
Price Per Unit: $83,368
Cap Rate: 6.40%
GRM: 9.30
Sales Note: Sold in an all-cash transaction to an investor.

3821 18TH AVENUE
SOLD: $2.8 MILLION

Neighborhood: Ditmas Park
Type: Apartment Building
Lot Size: 82' x 108'
Stories: 4
Square Feet: 28,536
Price Per Square Foot: $98
Existing # of Residential Units: 31
Price Per Unit: $90,322
Cap Rate: 6.60%
GRM: 8.70
Sales Note: Sold in an all-cash transaction to an investor.

150 KENILWORTH PLACE
SOLD: $900,000

Neighborhood: Flatbush
Type: Commercial Building
Lot Size: 20' x 105'
Stories: 2
Square Feet: 4,200
Price Per Square Foot: $214
Sales Note: This community facility, which most recently served as a church, sold in an all-cash transaction to a neighborhood developer looking to occupy a part for his own rental office and lease the remaining portion for a retailer that will cater to the college students.

All figures are approximate and should be independently verified.

QUEENS OFFICE:
QUEENS OFFICE

QUEENS – LONG ISLAND

RECENT TRANSACTIONS

MASSEY KNAKAL
Realty Services

MASSEY KNAKAL SALES:

178-182 7TH STREET
SOLD: $1.53 MILLION

Neighborhood: Garden City, Nassau County
Type: Commercial Building
Lot Size: 50' x 110'
Stories: 1
Square Feet: 3,144
Price Per Square Foot: $487
Cap Rate: 4.40%
Sales Note: Sold in all all-cash transaction to a 1031 exchange buyer.

4050 MERRICK ROAD
SOLD: $1.3 MILLION

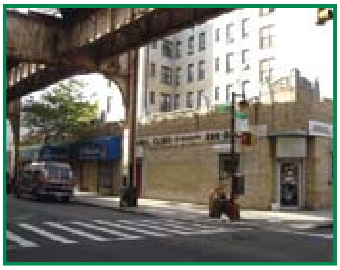
Neighborhood: Seaford, Nassau County
Type: Commercial Building
Lot Size: 100' x 180'
Stories: 1
Square Feet: 3,479
Price Per Square Foot: $374
Sales Note: This former HSBC Bank building was delivered vacant to Oceanside Christopher Credit Union in an all-cash transaction and closed within 30 days.

372, 378 WILLIS AVENUE
SOLD: $1.2 MILLION

Neighborhood: Mineola, Nassau County
Type: Office Building (2)
Lot Size: 100' x 92' and 50' x 93'
Stories: 2
Square Feet: 6,800 (combined)
Price Per Square Foot: $176
Sales Note: The properties shared 14 parking spaces. Sold in an all-cash transaction to an end user - a property and casualty insurance agency.

1815 GATES AVENUE
SOLD: $1.13 MILLION

Neighborhood: Ridgewood
Type: Industrial Building
Lot Size: 112' x 100'
Stories: 1
Square Feet: 11,200
Price Per Square Foot: $101
Sales Note: Sold in an all-cash transaction to an investor.



76-07/23 JAMAICA AVENUE
SOLD: $1.1 MILLION

Neighborhood: Woodhaven
Type: Commercial Building
Lot Size: 130' x 35'
Stories: 1
Square Feet: 4,298
Price Per Square Foot: $256
Cap Rate: 7.00%
Sales Note: The building consists of three retail spaces and is fully occupied with long standing businesses. Sold to a 1031 exchange buyer in an all-cash transaction.

280 PLANDOME ROAD
SOLD: $918,000

Neighborhood: Manhasset, Nassau County
Type: Commercial Building
Lot Size: 20' x 91'
Stories: 2
Square Feet: 2,700
Price Per Square Foot: $340
Cap Rate: 5.40% (Projected)
Sales Note: Included 12 leased municipal parking spots. Sold in an all-cash transaction to an end user who plans to occupy a part of the building.

All figures are approximate and should be independently verified.

TERRITORY REPORT: NEIGHBORHOOD MARKET NEWS

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Bushwick Resilent Due to Multifamily Investment Market

The commercial real estate market in Bushwick, Brooklyn has experienced changes coinciding with the overall changes in our economy. While transaction volume and price per square foot is down across the board, it is at least encouraging that Bushwick was not as drastically impacted as other neighborhoods in the city and the country as a whole.

Specifically, the multifamily investment market in Bushwick has been resilient in 2009. Throughout the first half of 2009, price per square foot for multifamily properties sold in Bushwick did not experience a significant decline relative to previous years. While transaction volume was off, properties maintained their value. Early figures for the second half of 2009 suggest a further decrease in price per square foot. However, data for 2009 is limited because of transaction volume and when looking at the year to date average, the disparity between 2009 and previous years is not as significant. The median price per square foot in 2009 ($117.65), though based on limited transactions, is not far off from 2008 ($121.52) when numbers were at their highest. Though slight, the decline in median price per square foot in 2009 was the first time median price per square in Bushwick dropped from the previous year this decade.

The market has been resilient; rents for apartments in the neighborhood have been steady, with, for example, two-bedroom railroad unit buildings achieving $1,200 to $1,500 per month. This resiliency can be attributed to a number of factors. The changing economy has caused people to look for ways to cut costs across the board. **Bushwick has benefited from this change in the sense that tenants of other "pricier" neighborhoods now see Bushwick as a viable and more affordable alternative to where they currently or previously resided.** The transportation in the neighborhood, with the "L" train at the forefront, has helped to facilitate this influx of tenants from Manhattan and other areas of the city. This has created a win-win situation for both landlords and new tenants. Tenants see the rent in the neighborhood as increasingly affordable compared to their previous residence, and landlords are able to achieve higher rents than previous occupants (depending on the previous registered rent, vacancy increases, MCI's, etc.).

Since Bushwick is predominately rent stabilized, very few buildings in the neighborhood have fully achieved market rents for each and every unit in the building, meaning that there is still significant upside in the income potential for multifamily properties in the neighborhood. It has only been in recent years, with the gradual influx of new tenants to the neighborhood, that landlords have been able to begin realize the full potential of their properties. The upside potential is a primary reason investors are still very active here.

While the majority of the buildings in Bushwick are walk-up apartment buildings, mixed-use properties account for a good portion of the building stock, particularly along the various retail corridors of the neighborhood (Knickerbocker Avenue, Wyckoff Avenue, Myrtle Avenue, and Broadway). Mixed-use properties began to experience a decline in price per square foot towards the end of 2008. Factors contributing to this decline may not be as telling with mixed-use properties as with multifamily properties. Data for the former is limited due to the amount of mixed-use transactions and the disparity between values for retail locations; whereas data for the latter is more uniform in each transaction. Transaction volume for mixed-use properties reached its peak in 2005 with 40 transactions and has been gradually declining since, with 15 transactions projected for 2009. Both average and median price per square foot experienced a decline this year after a steady increase throughout the beginning of the decade.

The decline in price per square foot for mixed-use buildings can be blamed on a number of factors. A tangible factor contributing to the decline is the change in demand and rents for commercial space in the neighborhood. Price per square foot for storefronts along commercial corridors in the neighborhood declined "post-Lehman." The decrease in demand for commercial space, coupled with the decrease in rents for commercial tenants, has affected value of mixed-use properties. Potential buyers as well as lenders could have previously seen positives in a building on Knickerbocker Avenue (or other commercial corridor) with a vacant storefront, possibly realizing a higher rent than the previous tenant or the chance to attract a national, credit tenant. While this scenario still remains a possibility, it is no longer a probability as it once was, and may be seen as a liability in the eyes of potential buyers and lenders. Since income from the commercial unit(s) count for a substantial portion of the income on a mixed-use property, the change in the rental market for commercial space has limited the upside potential of mixed-use properties, thus affecting price. **However, due to the limited number of prime locations in the neighborhood, mixed-use properties, particularly those located on the aforementioned retail corridors, still remain a highly coveted item in the neighborhood.**

It is evident that things are continuing to evolve in Bushwick. It is encouraging to see signs of resiliency in the neighborhood. These signs, coupled with the neighborhood's positive infrastructure, continue to attract investors to this thriving neighborhood.

MASSEY KNAKAL CHARITABLE FOUNDATION

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MASSEY KNAKAL Charitable Foundation

The Massey Knakal Charitable Foundation is dedicated to the support of local educational, family and other community-oriented charitable causes primarily within New York City and the Tri-State area. In addition to providing these charities with direct grants, the Foundation will organize volunteer efforts to benefit them with its time and energy. If you would like to make a tax-deductible donation to the Foundation or if you represent a charity whose objectives fit with the Foundation's stated mission, please contact Jonathan Hageman.

Massey Knakal Charitable Foundation Update

Below is sampling of some of the organizations to which the Massey Knakal Charitable Foundation has recently funded grants:

Daniel's Music Foundation

Daniel's Music Foundation is a non-profit organization offering music classes at no cost to youth and adults with disabilities in New York City. The organization provides 18 classes to a close-knit community of over 80 members with a range of physical and developmental disabilities. In 1997, co-founder Daniel Trush, then 12, suffered multiple strokes after one of his five brain aneurysms burst while playing basketball. Daniel was in a coma for 30 days and he was hospitalized and in rehabilitation for nearly a year. Although he still faces challenges, music played a critical role in Daniel's recovery and remains an important part of his life. In 2005 Daniel and his father Ken founded DMF whose mission is to provide a comfortable educational and social environment in which their members can enjoy, learn and practice the joys of music together. For the majority of members, DMF programs are the only forum in which they may learn and enjoy music in a group setting and perform in front of their peers. These opportunities allow them to reach achievable goals, nourishing their confidence and self-esteem. The MKCF's grant will go to help covering the cost of one class, "Introduction to Rhythm," for the 2009-2010 academic year.

Credit Where Credit is Due

The organization's vision is to empower poor people to become productive participants in the U.S. economic system, helping them convert low wages into assets and long-term wealth, while simultaneously contributing to community revitalization. CWCID was founded in 1995 in response to the growing financial disenfranchisement of Upper Manhattan and launched its first financial literacy programs in 1997, providing low-income people with the knowledge and skills to strengthen their financial status. The signature of their unique model is that they deliver financial education within partner community-based organizations. The effectiveness of this partnership model has positioned us as a leader in providing financial education for low-income people. The foundation's grant will go towards providing funds for CWCID's Getting Ahead program which is a personal finance course featuring a structured curriculum covering budgeting, saving, understanding mainstream financial services, reducing debt, repairing or establishing credit, and establishing long-term financial goals. Course graduates receive a personal financial plan individualized financial counseling, access to affordable and appropriate financial products and long-term follow-up services.

Connecting to Advantages

The organization was founded as an empowerment model of how organizations that serve low-income people can, at low cost and without professional case mangers, refer people to the government benefits for which they are eligible. To do this, they recruit low-income clients, people who access public Assistance, SSI, Medicaid and Food Stamps, to do the referral work, and thus make them community leaders. The peer relationship of these former clients, now volunteers, to consumers, empowers both groups and makes CTA unique in the NYC case management world. CTA's empowerment technique, i.e. training former clients and other community members to be community leaders, is their idea of "Social Justice." They have culled from the professional case management model the effectiveness of referral and advocacy in helping needy people access benefits and added it to a new model in which referrals are done by the peers of those needy. The funds donated will go to helping CTA start new sites – in community colleges, in employment offices, in neighborhood community centers, in courtroom waiting rooms, medical centers, etc.

Young Athletes

Determined to confront and to help provide solutions for concurrent epidemics of drug and alcohol abuse, AIDS, teen pregnancy and violence in the streets, homes and schools that have marred the stability of many young people and their families, Young Athletes, Inc. was founded as a youth development organization that seeks to combine sports and recreational activities with academic enrichment. With 11 years of experience in youth development and advocacy, YAI has designed a comprehensive program using sports and recreation as motivation to attract youth into a safe, challenging and supportive atmosphere in which they are encouraged to achieve academically, explore career options and to benefit from the support of mentor relationships. It is their belief that the absence of such a setting is detrimental to a child's growth and development and predisposes the child to a sense of hopelessness and apathy. YAI's program philosophy is that youth must be exposed to positive influences within a framework of activities and experiences that help both children and parents flourish and reach their full potential. YAI's goal each day is to create a safe environment that will impact children's academic, social and emotional lives. This is especially critical for students who are at a higher risk for school failure due to personal circumstances. The foundation's grant will help them maintain a high level of quality programming during the summer months. Because YAI will be serving 600 more at-risk students in a weekend program, and because costs would grow substantially, the grant at this juncture will provide critical support for their programs. Additional support would cover the operational cost increases associated with establishing the full service YAI Program during the summer months.

MASSEY KNAKAL: SOFTBALL CHAMPIONS

The Real Estate Industry Softball League's 2009 championship title went to Massey Knakal on August 24th. Lead by captain Cameron Mitchell, the team won the final game of the summer with a score of 12-2 at Hecksher Field in Central Park. Below are some photo highlights from the season:

IN THE MEDIA

The media ranked Massey Knakal executives as among the premier leaders in the industry this summer:

Bob Knakal and **Paul Massey** were named to *The New York Observer*'s "Power 100" list of top influencers in the real estate industry.

Real Estate Weekly honored **Shimon Shkury** in its "2009 Top Deal Makers" list.

National publication *Real Estate Forum* listed **Knakal** in the top 10 of its list of the country's "Top Brokers – Sales."

James Nelson, **Knakal** and **Massey** were each named to *Real Estate New York*'s list of "2009 Commercial Broker All-Stars."

PROMOTIONS

Massey Knakal is proud to announce the following recent promotions:

HALL OSTER

First Vice President of Sales

Territory Focus:
Manhattan - The Upper West Side

CHRISTOPHER GRINNELL

First Vice President of Sales

Territory Focus:
Westchester County

CHRISTOPHER PHILLIPS

First Vice President of Sales

Territory Focus:
New Jersey - Bergen County

CONTACT US

To learn more about Massey Knakal Realty Services, contact one of our four office locations:

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Representing Manhattan, The Bronx and Westchester County
212.696.2500 | manhattan@masseyknakal.com

BROOKLYN
Representing Brooklyn and Staten Island
718.238.8999 | brooklyn@masseyknakal.com

QUEENS
Representing Queens and Long Island
718.275.3400 | queens@masseyknakal.com

NEW JERSEY
Representing all of New Jersey
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For more information about this publication, contact **info@masseyknakal.com** or call **877.657.0777**.

MESSAGE FROM THE CEO

MESSAGE FROM THE CEO

PAUL MASSEY JR.
Chief Executive Officer
212.696.2500 x7711
pmassey@masseyknakal.com

Dear Friends –

In preparation for the anticipated growth of Massey Knakal, our Senior Management Team which includes members Managing Director **Ken Krasnow**, Director of Recruiting and Human Resources **Gia LaMarca**, Managing Director **Kyle Mast**, Vice President and Partner **Christy Moyle** and CFO **Michael Wlody** have just led a company-wide effort to review and refresh our company Mission Statement and most cherished Values. This discussion was also informed by seeking input from our Advisory Board and selected clients. The results are fantastic and perfect for a twenty year old (and growing) firm. Senior Management efforts will allow each member of the firm to act and grow while remembering the fundamentals that make us Massey Knakal.

MISSION STATEMENT:

Massey Knakal believes that property owners deserve the highest and most sophisticated level of advocacy and representation. We are committed to building upon our tradition of exclusively representing owners, delivering superior results, and maintaining our industry leadership position. We serve our clients with distinction, provide personal and professional growth for our people, and are a positive force in the communities we touch, while always embracing our values of passion, integrity, excellence and responsibility.

VALUES:

"PIER," by definition, is a "platform, a solid supporting structure; it is supported by pillars/members; it's a path that provides access."

Passion - Massey Knakal maintains a steadfast passion to be the best in the industry. Our people all possess the inner drive to excel at what they do. We are committed to delivering solutions that meet and exceed our clients' objectives. We promote the achievement of this goal by creating a work environment that inspires our people to exhibit the innovation and creativity required to grow and to lead, and by our understanding that hard work, dedication and perseverance are essential elements of success in any market cycle.

Integrity - Since Massey Knakal's founding in 1988, the unwavering adherence to our standards of professional conduct and impeccable integrity has not only led to successful results for us and our clients, it's how we measure that success. The universal commitment to, and respect for, one another guides us in all our daily actions. We communicate honestly and directly, thereby instilling trust in our business practices, earning the loyalty and dedication of our team and the confidence of our clients. We believe the fulfillment of our mission can only be achieved by having the utmost respect for the clients we serve, the people we work alongside, and the communities that embrace us.

Excellence - At Massey Knakal, discipline and will are prized for what they are: the backbone of enterprise and action, of being what you are intentionally instead of accidentally. We highly value the consistency and strength of effort required to succeed in our industry. We have a driving desire to be excellent in all we do. We promote spirited teamwork in all aspects of our business, going beyond individual accomplishments to achieve common goals. The result is success for our clients and empowerment of our people.

Responsibility - Massey Knakal fosters an environment that combines the discipline and hard work that lead to professional success with the devotion to family and personal development that are so vital to a balanced and fulfilling life. We are always accountable to our clients. We treat our people as family. We have a responsibility to give back to the community and support family, educational and other locally-focused charitable causes.

Very truly yours,

Paul