Neighborhood Expertise... Citywide and Beyond

VOL 20 · ISSUE 1
SPRING 2009

COMMERCIAL | RESIDENTIAL

BUILDING SALES JOURNAL

MASSEY KNAKAL
Realty Services

**Real Estate 101:
There is Money Out There**

**From the Field:
Maximizing Profits
from an Estate Sale**

**2nd Half 2008
Income Property Report
– our exclusive semi-annual report
prepared with Miller Cicero**

Recent Building Sales

MESSAGE FROM THE CHAIRMAN

ROBERT KNAKAL
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Dear Friends –

To best summarize where the market is today, I would like to excerpt from my recent blog post entitled, "TARP, TALF, FSP, The Stimulus Plan and How They Will Affect the Investment Property Sales Market" in which I examined the significant impact on our NYC investment property sales market in terms of employment, credit availability and interest rates:

…Let's look at how all of this intervention will affect employment. In February, US companies slashed nearly 650,000 jobs… and economists project the unemployment rate to approach 9% at its peak…A recent government estimate [projects] 3.5 million additional jobs lost if we hit this threshold. Regardless of your assumptions, the unemployment rate will continue to rise; the only question is by how much. This will have a negative impact on real estate fundamentals and, therefore, a negative effect on value.

The credit markets have started to loosen, albeit at a very slow rate. The securitization enhancement aspects of the TALF and FSP should provide relief to the commercial mortgage market. The sheer volume of necessary refinancing is not possible without access to public capital and the new programs should make this possible. The TARP, TALF and FSP have had effects on the credit markets, in general. The US Treasury securities market has rallied based upon disappointments with the results of bank bailouts as funds sought comfort in low risk government securities. Notwithstanding [widening two-year swap spreads, increasing negative sentiment, and increased bid-to-cover rations], the programs should have a positive effect on commercial mortgage availability which will have a positive impact on property values.

Interest rates are a major concern. With all of these government programs the need to raise cash is enormous. This means that the government will be flooding the market with Treasuries, greatly increasing the supply. When the supply goes up, the price goes down and as the price goes down, the yields go up. This is not a good thing for real estate, particularly because existing floating rate debt is often tied to treasuries and the cost of new borrowing will increase… Treasury yields have been growing since November of 2008 based upon the fear of excess supply. The yield curve is steepening and there are concerns that Congress has already raised the ceiling on the national debt to $12 trillion. This could bring our government debt to GDP ratio to about 85% in late 2009 / early 2010. The oversupply of treasuries is concerning given the downside risks to growth, further bank losses, yet another stimulus package and additional funds for bank recapitalization. We expect upward pressure on interest rates due to these factors which will have a negative effect on real estate values.

While all of this information can be disquieting, we should keep in mind the following fact: history has shown us that coming out of a deflationary period with low interest rates, we are likely to see above trend inflation and increased interest rates. In that type of environment, investors want to own hard assets and real estate is a great hard asset to own.

Sincerely,

Bob

*Read the entire article, as well as my periodic market analysis, at **www.masseyknakal.com/blog** under the "Chairman Commentary" archive or at my GlobeSt.com blog "Street Wise."*

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MASSEY KNAKAL TRANSACTION DATA

November 2008 - February 2009 ("Post-Lehman" period)

MANHATTAN OFFICE
Sales: 19 New Listings: 86

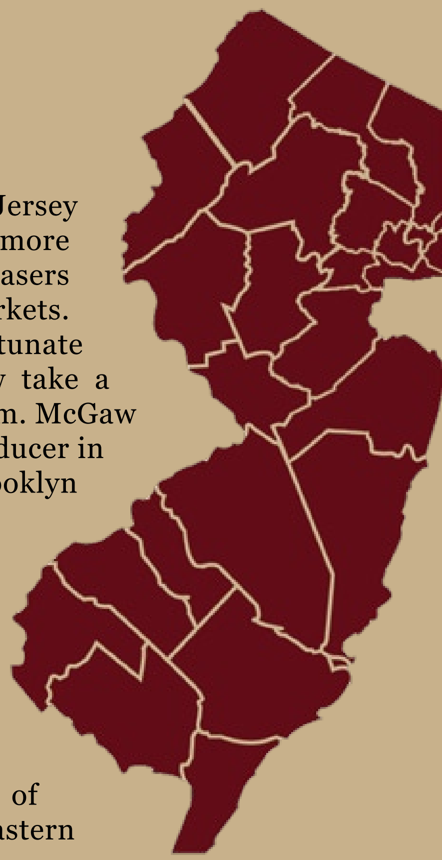
BROOKLYN OFFICE
Sales: 21 New Listings: 54

QUEENS OFFICE
Sales: 9 New Listings: 32

NEW JERSEY OFFICE
Sales: 1 New Listings: 7

NEW JERSEY OFFICE LAUNCH

NEW JERSEY OFFICE LAUNCH



Massey Knakal Realty Services is pleased to announce the formation of a New Jersey division. Led by Managing Director Landon McGaw, the new division marks the brokerage's commitment to the state and furthers its coverage of the New York metropolitan area beyond NYC's five boroughs and Nassau and Westchester counties. The new office is located in Rutherford, NJ.

Under Massey Knakal's exclusive Territory System™, the state is divided into distinct regions, with one sales agent focusing on each. This specialized knowledge of localized real estate trends and property values enables both buyers and sellers to make the kind of informed business decisions that best serve their interest.

"Massey Knakal is expanding into the NJ market with great purpose and excitement. We have identified an opportunity in the NJ market to apply our unique model of only selling commercial investment properties, exclusive representation of sellers and utilizing our Territory System," said Landon McGaw. "These differentiating factors have made us #1 in our existing markets and will ensure our success in New Jersey."

Paul J. Massey Jr., CEO of Massey Knakal, explained that, "The New Jersey market concentration of multi-family and commercial properties is a natural expansion of the firm's area of focus. Furthermore, adding coverage in the core New Jersey markets has been a key element of Massey Knakal's vision to carefully grow our influence." Massey also explained that, "Sellers in New Jersey would benefit from a more direct pipeline to purchasers outside their local markets. We are particularly fortunate to have Landon McGaw take a leadership role in the firm. McGaw was previously a top producer in the firm's thriving Brooklyn office."

McGaw covers the Jersey City and Hoboken sections of Hudson County and is assisted by Associate Gregory Sans. Geoffrey Bailey is the Director of Sales for Newark and Eastern Essex County.

Positions are available for sales agents in other New Jersey territories. Contact Director of Human Resources Gia LaMarca with inquires at glamarca@masseyknakal.com or 212.696.2500.

Own property in New Jersey? Call the New Jersey office at 201.426.2200 for a complimentary property evaluation.

Visit www.masseyknakal.com today to search our exclusive New Jersey listings.

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MASSEY KNAKAL REALTY SERVICES CELEBRATES 20 YEAR ANNIVERSARY

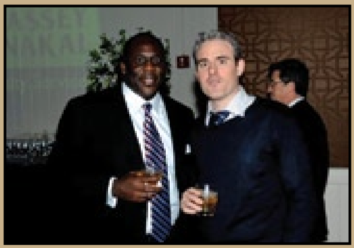
November 2008 marked the 20th Anniversary of Massey Knakal Realty Services. The firm was founded in 1988 by Paul Massey and Bob Knakal, who had met during their tenure as brokers at Coldwell Banker Commercial (now CB Richard Ellis). Today, the firm has grown from this partnership of two into a firm boasting 120+ employees, four offices and thorough coverage of the NY metropolitan area investment property marketplace. The occasion was marked by a company celebration at the Lighthouse, a venue overlooking the Hudson River.

Celebrating 20 Years: Founding Partners Bob Knakal and Paul Massey

REBNY President Steven Spinola. BACKGROUND: Bob Knakal, Paul Massey, CFO Michael Wlody, Partner John Ciraulo

Paul Massey, Landon McGaw and Kenneth Krasnow

Eugene Kim and Tommy Lin



Alfonso Holloman and Meyrick Ferguson

Jonathan Berman, Joseph Sitt, Rene Santiago, Kenneth Krasnow and Edward Gevinski

Gia LaMarca, Partner Thomas A. Donovan, Partner Christy Moyle

Hall Oster and Paul Trupia

FROM THE FIELD:
ADVICE FROM A MASSEY KNAKAL SALES AGENT

THOMAS GAMMINO, JR. ESQ.

Senior Director of Sales - Upper East Side

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Maximizing Profits from an Estate Sale

When it is imperative that real property from an Estate must be sold, it's no surprise that the seller's primary goal is to maximize profits. However, in today's market the reality of these 'need-to-sell' scenarios is that Estates are not getting the most from a sale. Too often, an Estate ends up in a situation where they pay more in taxes than they should AND realize fewer dollars from a sale than they could. How much more? In some cases millions of dollars. Although you can't avoid paying taxes, you can strategically – and legally – minimize the potential tax burden and maximize your proceeds from a sale by understanding what influences an Estate's tax liability and knowing where to go to get this information.

In the instance of an ordinary property sale, profit is determined by the sale price less the property's tax basis. Basis is the value assigned to an asset for the purposes of determining gain (or loss), and is generally the original purchase price paid for the property plus the cost of any capital improvements. In an Estate sale, however, properties receive the unique benefit of a "stepped up" tax basis, which means the property is valued at today's market price, or fair market value.

The typical valuation date for an Estate's appraisal is the date of death. However, few sellers are aware that they have some flexibility here. There are two other alternate valuation options: 1) a valuation date six-months after the date of decedent's death or, 2) if the property is sold within 6 months, it is valued as of the date on which it was sold. It is important to note that once the election is made to opt for the alternative valuation date, it is irrevocable and must apply to all the property in the Estate uniformly.

In a flat market, choosing the valuation date for an Estate's appraisal within the six-month window makes little difference in either Estate taxes paid or sale proceeds realized. But, choosing the correct valuation date in a volatile market – like today's – needs to be a strategic choice, otherwise it could cost the Estate millions of dollars.

With the understanding that the selection of the valuation date is a major strategic decision in the sale of an Estate, how can an executor ensure that he/she has chosen the most advantageous date? The answer is by bringing in a person that has insight into which way the market is moving and intimate knowledge of relevant property sales. A local market expert is the best source of this information. In most cases, the broker is knowledgeable not only of all the comparable sales in the area and the players involved, but more importantly knows the story behind each sale so that he/she can easily distinguish between a true comp and misleading market information. Furthermore, by speaking to a broker, an Estate can tap into the broker's insider knowledge of where the market is headed based on deals that are under contract and, more importantly, those that are currently being negotiated.

The mistake most often made in an Estate sale is that the knowledge of the broker is underutilized. The executors bring them in to effectuate a sale only after a valuation date has been selected and an appraisal has been performed. At this point the Estate will have lost the strategic benefit of broker's expertise, especially if it turns out that the Estate would have been better off by selling the property within 6 months of the date of death. By consulting a broker as soon as possible after the date of death, the Estate increases the probability that they will better understand the direction of the market and will select the appropriate valuation date at NO EXTRA COST to the Estate. During probate, the question to ask is not whether you should consult a broker but why you haven't done so already. As we all know, time is money, and when you ask the right brokers for their time, they will make you money.

The information contained in this article is for general information purposes only. We make no representations or warranties of any kind. You should consult with your legal advisor for more information.

REAL ESTATE 101: NEWS FROM THE INDUSTRY

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GCP Capital Group is a commercial mortgage brokerage firm based in Great Neck, NY. They specialize in financing all types of income-producing real estate, structuring a unique financing package to fit each particular property and controlling the transaction from inception to closing. Mr. Albano works with regional banks to finance more than 50 multi-family, mixed-use and retail office properties per year.

There is Money Out There

In my opinion, one of the keys to any successful real estate-based business is the ability to simultaneously adapt the business with the ever-evolving market while maintaining a strong foothold in the basic principles of the business. For the last decade, as both a Manhattan real estate attorney and commercial mortgage broker, I continued to be mindful of this principle, which has allowed me to navigate the new twists and turns of today's market.

The tri-state regional community banks that have survived while others failed did so by maintaining their core business. As the real estate market and the overall economy began to weaken, many of the other more aggressive lending sources increasingly became riddled with troubled debt and, as a result, many quickly fell out of the market. Being dragged down with them were those mortgage brokers who had abandoned traditional relationships and put all of their financing eggs in this new lending basket of the past decade. Weathering this storm, however, have been the regional community lenders who stayed the course and never significantly strayed from the banking philosophies upon which they were founded. These institutions had continued to concentrate on the more traditional multi-family, mixed-use and office/retail properties and, consequently, have not been saddled with the "riskier" loans that continue to erode our economy.

So what type of loans are these regional community banks offering in today's market?

For ease of discussion purposes, I broke the market down into three broad property categories: multi-family, mixed-use and retail/office. It is important to note two things about this discussion: first, its primary focus is loans ranging from $500,000 to $30,000,0000, as loans of greater size are typically pushed to investment banks; and second, given its unique features and complexity, development is purposely excluded.

1. *Multi-Family*: All lenders are fighting to originate multi-family loans as they are regarded as the soundest investment. As much as I dislike setting forth loan specifics, because terms can vary greatly from bank to bank and from week to week, the "typical" terms of a well-maintained and situated multi-family property loan program are currently: 65-75% loan-to-value (the days of the 80% LTV first mortgage appear to be behind us); initial fixed rate five year term with most lenders offering a five year renewal option (option rates vary); interest rates ranging from 5.50% to 6.25%, with interest rates increasing with higher leverage and smaller loan amounts; a 25 or 30 year amortization schedule with little to no opportunity for an interest-only component; non-recourse; no origination fee (PAR); debt service coverage ratios with a wide range from 1.15 to 1.30; and a sliding scale prepayment penalty of 5% descending to 1% with each successive year (resets if option is exercised).

2. *Mixed-Use:* Loan programs offered for mixed-use properties are substantially similar to those outlined above for multi-family properties, with the main differences being: interest rates range between 6% to 6.5% (lower rates available as loan-to-value becomes more conservative); although 30 year amortization schedules may be available, lenders prefer a 25 year amortization schedule; origination fees are more likely to be charged ranging from .25% to a 1%; debt service coverage ratios fall more in the range of 1.25 to 1.40; and the dreaded personal guarantee is often required, particularly as the percentage of income derived from commercial tenancies increases and/or a lender takes issue with the terms of a commercial tenant's lease (e.g.

lease term soon to mature, rental payments above market, niche or specialty use, early termination clause, etc).

The key to analyzing this type lies with classifying whether a property actually qualifies as mixed-use. In my past experience, if a property derived 40% or less of its gross income from a commercial tenant (meaning any tenancy that is not residential in nature, including, but not limited to, office, retail or other commercial uses) then it would qualify as a mixed-use property. In today's market, lending sources have begun to reduce this threshold to closer to 20%. Those properties that derive more than 20% of its gross income from a commercial tenant are still able to be financed (see below). However, as the percentage of commercial income increases, so too do the difficulties in arranging a loan facility that will meet a borrower's expectations.

2. *Retail/Office:* In my opinion, this is perhaps the most uncertain sector in the lending market today. Many economic experts continue to forecast rough times for retail and office tenants as unemployment rates continue to rise and disposable cash is becoming increasingly scarce. This harsh reality has begun the trend of tenants requesting reduced rents (whether justifiable or not) or early terminations of their lease agreements; these trends have many concerned that the worst has yet to come.

Not all is so ominous for this sector, however. Financing for a number of retail and office properties (particularly medical office) remains available and the loan programs being offered are essentially in-line with those set forth above for the mixed-use property with the exception that: rates will typically range from 6.25 to 6.75%; loan-to-value typically is offered at 65% with some instances permitting up to 70% to 75%; 20 or 25 year amortization schedules are more prevalent; bank fees ranging from .50% to 1% are more often charged than not; debt service coverage ratios will range from 1.30 to 1.50; and personal guarantees are more often required than not.

So are borrowers running to these regional community banks with loan requests in hand?

The short answer is yes, absolutely. However, the more interesting answer includes a discussion of the varying level of success each borrower will encounter. In order to gain access to one of these community banks, a borrower will need at least one of the following: 1) an undeniably superb property for which any lender would offer the most favorable terms; 2) a long established and successful direct banking relationship with one of these banks; or 3) a high net worth (and willingness to offer cash deposits) and solid reputation as a seasoned owner-manager as banks are continually looking to establish new relationships with well-qualified borrowers.

Meeting any of the above criteria is just one piece of the puzzle to successfully obtain a loan. To increase their chances of obtaining the best available loan terms and pave the road to a smooth closing, borrowers should retain the services of a seasoned commercial mortgage broker. The goal of any successful mortgage broker is to spend as much time as possible with bank officers in order to get educated on current loan programs, underwriting criteria and market trends which then enables them to better consult their clients. These relationships take years to form and allow mortgage brokers to give borrowers the assurance that they are being offered the best available terms and that they will be able to navigate towards closing with more ease. There are a limited number of officers at each of these community banks and they have neither the time nor the resources to entertain every loan request that finds its way to their desk. The solution for both lenders and borrowers is to work with a capable commercial mortgage broker because it offers the most efficient way for all parties to meet their goals.

So, for those who claim there is no financing available for traditional real estate transactions, perhaps they simply forgot where to look.

For more information about this article or GCP, please contact Mr. Albano at 917.903.3855 or at matthewa@gcpcapitalgroup.com.

NEW YORK CITY INCOME PROPERTY REPORT

SECOND HALF 2008

MASSEY KNAKAL
Realty Services

Prepared By:

MILLER CICERO, LLC
Real Estate Advisory Services

The number of sales dropped 45% from the second half of 2007 to the second half of 2008. Relative to the prior year the greatest declines were in Manhattan and Northern Manhattan, both down 54%, and the Bronx, down 60%. Year over year there were 37% fewer sales in 2008. This suggests a turnover rate of 1.9%, down from 3.0% in 2007 (of the categories tracked). Prices held steady into the second half on 2008, with a median price of $226 per square foot, a nominal increase from the $222/SF in the first half of the year.

The underlying fundamentals of these properties remain strong (i.e., high apartment rents and low vacancy) and in light of a volatile stock market, fiduciary fraud scandals and an uncertain economy many investors are looking for the security of New York real estate. However, many property owners are reluctant to sell in such a market given the options available for reinvesting the sales proceeds. As such supply remains constrained. The median cap rate in the second half of 2008 was down slightly from the first half of the year, from 5.8% to 5.4% and, similarly, the gross income multiplier inched up to 11.8. With the decline in the number of sales, however, there were substantially fewer data points from which to extract these rates. It should be noted that a number of 4th quarter (post Lehman) sales were closed pursuant to contracts executed prior to September 15, 2008. In several instances the range of rates was quite wide reflecting a diverse range of property trading and a market in transition. Further, there continues to be a "flight to quality" and these value indices are generally reflecting a higher caliber property.

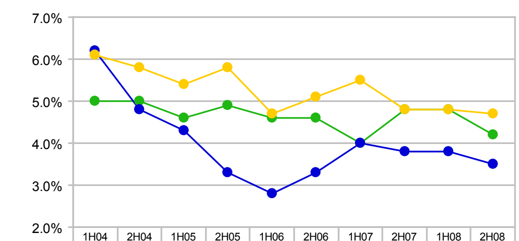
	Manhattan	Northern Manhattan	The Bronx	Brooklyn	Queens
WALK-UP APARTMENT (C)					
Cap Rate	4.2%	6.4%	7.5%	6.6%	6.2%
GIM	15.2	9.8	6.9	10.5	11.8
Price/SF	$606	$188	$132	$185	$200
No. of Sales	57	61	51	253	87
ELEVATOR APARTMENT (D)					
Cap Rate	3.5%	3.1%*	7.0%*	4.9%*	5.3%
GIM	17.4	15.9*	8.5*	9.8*	11.8
Price/SF	$400	$143	$96	$118	$148
No. of Sales	11	4	16	25	10
MIXED-USE (K/S)					
Cap Rate	4.7%*	N/A	N/A	6.0%*	6.7%*
GIM	17.5*	N/A	N/A	16.1*	11.8
Price/SF	$1,070	$266	$237	$265	$300
No. of Sales	36	3	36	181	121

* *limited data*

MANHATTAN

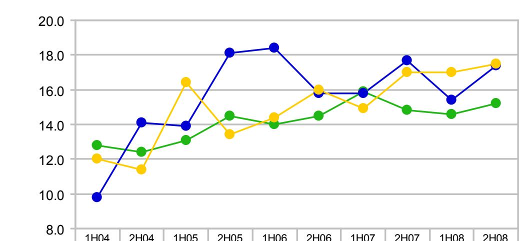
Number of sales down 54% from the second half of '07, with the greatest declines in elevator and mixed-use building sales.

CAP RATE



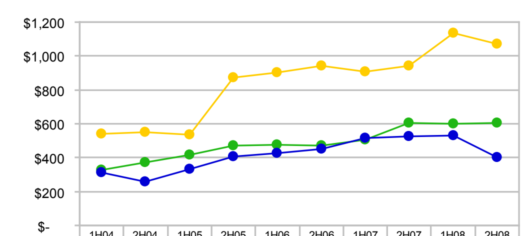
	1H04	2H04	1H05	2H05	1H06	2H06	1H07	2H07	1H08	2H08
Walk-up	5.0%	5.0%	4.6%	4.9%	4.6%	4.6%	4.0%	4.8%	4.8%	4.2%
Elevator	6.2%	4.8%	4.3%	3.3%	2.8%	3.3%	4.0%	3.8%	3.8%	3.5%
Mixed-Use	6.1%	5.8%	5.4%	5.8%	4.7%	5.1%	5.5%	4.8%	4.8%	4.7%

GIM



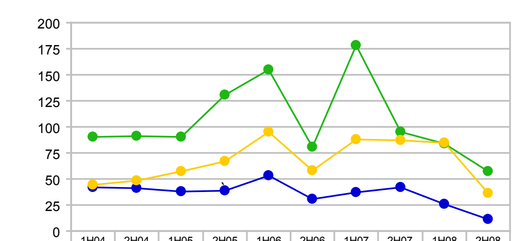
	1H04	2H04	1H05	2H05	1H06	2H06	1H07	2H07	1H08	2H08
Walk-up	12.8	12.4	13.1	14.5	14.0	14.5	15.9	14.8	14.6	15.2
Elevator	9.8	14.1	13.9	18.1	18.4	15.8	15.8	17.7	15.4	17.4
Mixed-Use	12.0	11.4	16.4	13.4	14.4	16.0	14.9	17.0	17.0	17.5

MEDIAN PPSF



	1H04	2H04	1H05	2H05	1H06	2H06	1H07	2H07	1H08	2H08
Walk-up	$329	$374	$418	$469	$476	$469	$508	$605	$599	$606
Elevator	$314	$256	$331	$407	$426	$449	$517	$527	$532	$400
Mixed-Use	$540	$549	$535	$874	$905	$940	$908	$940	$1,135	$1,070

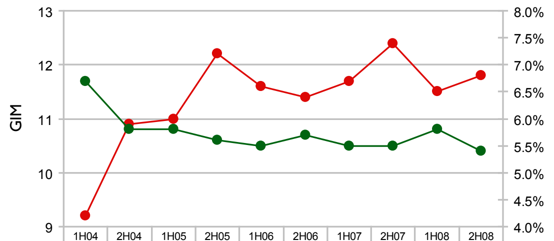
NUMBER OF SALES



	1H04	2H04	1H05	2H05	1H06	2H06	1H07	2H07	1H08	2H08
Walk-up	90	91	90	131	155	81	178	95	84	57
Elevator	42	41	38	39	53	31	37	42	26	11
Mixed-Use	44	48	57	67	95	58	88	87	85	36

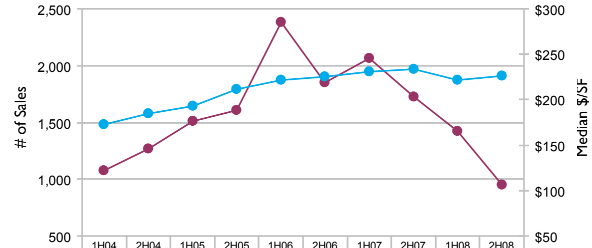
CONSOLIDATED (ALL MARKETS)

RATES



	1H04	2H04	1H05	2H05	1H06	2H06	1H07	2H07	1H08	2H08
GIM	9.2	10.9	11.0	12.2	11.6	11.4	11.7	12.4	11.5	11.8
Cap Rate	6.7%	5.8%	5.8%	5.6%	5.5%	5.7%	5.5%	5.5%	5.8%	5.4%

SALES ACTIVITY

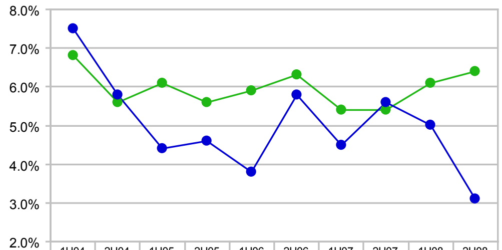


	1H04	2H04	1H05	2H05	1H06	2H06	1H07	2H07	1H08	2H08
# of Sales	1,074	1,267	1,513	1,605	2,382	1,852	2,063	1,725	1,423	952
Median $/SF	$173	$185	$193	$211	$222	$225	$231	$234	$222	$226

NORTHERN MANHATTAN

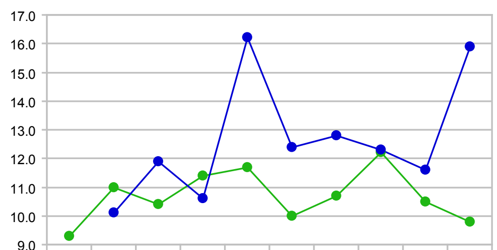
Number of sales down 54%, walk-up prices down 35% from last year.

CAP RATE



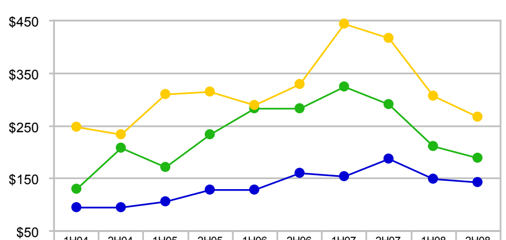
	1H04	2H04	1H05	2H05	1H06	2H06	1H07	2H07	1H08	2H08
Walk-up	6.8%	5.6%	6.1%	5.6%	5.9%	6.3%	5.4%	5.4%	6.1%	6.4%
Elevator	7.5%	5.8%	4.4%	4.6%	3.8%	5.8%	4.5%	5.6%	5.0%	3.1%

GIM



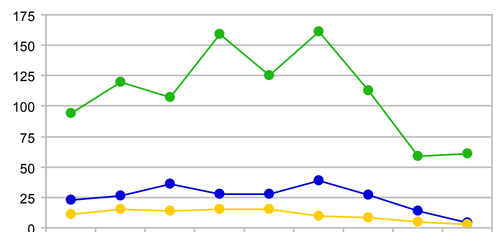
	1H04	2H04	1H05	2H05	1H06	2H06	1H07	2H07	1H08	2H08
Walk-up	9.3	11.0	10.4	11.4	11.7	10.0	10.7	12.2	10.5	9.8
Elevator		10.1	11.9	10.6	16.2	12.4	12.8	12.3	11.6	15.9

MEDIAN PPSF



	1H04	2H04	1H05	2H05	1H06	2H06	1H07	2H07	1H08	2H08
Walk-up	$130	$208	$171	$233	$282	$283	$324	$291	$211	$188
Elevator	$95	$95	$105	$128	$128	$159	$153	$187	$149	$143
Mixed-Use	$248	$234	$310	$315	$289	$329	$444	$417	$306	$266

NUMBER OF SALES

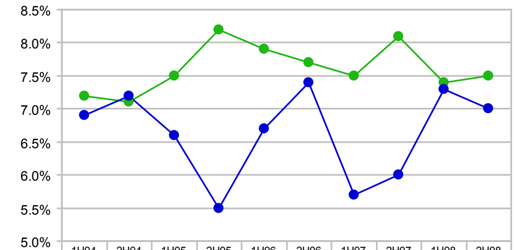


	2H04	1H05	2H05	1H06	2H06	1H07	2H07	1H08	2H08
Walk-up	94	120	107	159	125	161	113	59	61
Elevator	23	26	36	28	28	39	27	14	4
Mixed-Use	11	15	14	15	15	10	8	5	3

THE BRONX

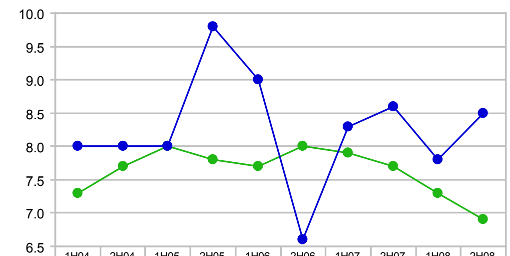
The 60% decline in the number of sales reflects the movement away from riskier investments to secure, stable neighborhoods.

CAP RATE



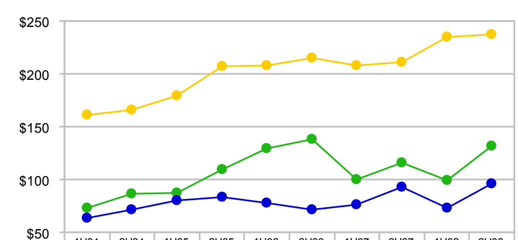
	1H04	2H04	1H05	2H05	1H06	2H06	1H07	2H07	1H08	2H08
Walk-up	7.2%	7.1%	7.5%	8.2%	7.9%	7.7%	7.5%	8.1%	7.4%	7.5%
Elevator	6.9%	7.2%	6.6%	5.5%	6.7%	7.4%	5.7%	6.0%	7.3%	7.0%

GIM



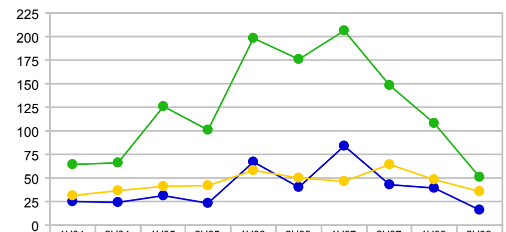
	1H04	2H04	1H05	2H05	1H06	2H06	1H07	2H07	1H08	2H08
Walk-up	7.3	7.7	8.0	7.8	7.7	8.0	7.9	7.7	7.3	6.9
Elevator	8.0	8.0	8.0	9.8	9.0	6.6	8.3	8.6	7.8	8.5

MEDIAN PPSF



	1H04	2H04	1H05	2H05	1H06	2H06	1H07	2H07	1H08	2H08
Walk-up	$73	$87	$87	$109	$129	$138	$100	$116	$99	$132
Elevator	$63	$71	$80	$83	$78	$71	$76	$93	$73	$96
Mixed-Use	$161	$166	$179	$207	$208	$215	$208	$211	$235	$237

NUMBER OF SALES

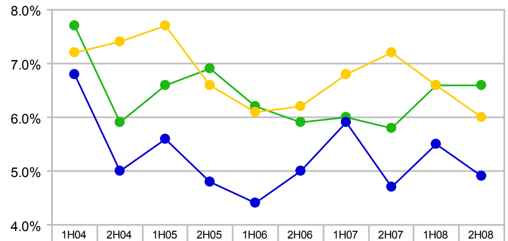


	1H04	2H04	1H05	2H05	1H06	2H06	1H07	2H07	1H08	2H08
Walk-up	64	66	126	101	198	176	206	148	108	51
Elevator	25	24	31	23	67	40	84	43	39	16
Mixed-Use	31	37	41	42	58	50	46	64	48	36

BROOKLYN

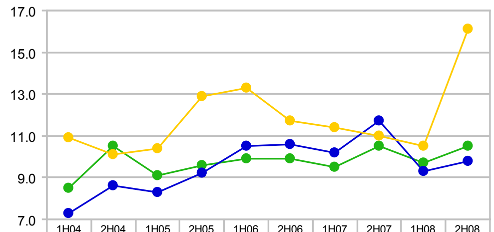
Though number of sales is down 38% from prior year, Brooklyn remains the most active building sales market.

CAP RATE



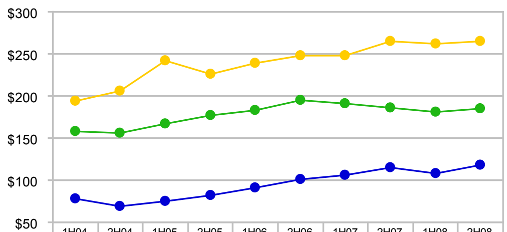
	1H04	2H04	1H05	2H05	1H06	2H06	1H07	2H07	1H08	2H08
Walk-up	7.7%	5.9%	6.6%	6.9%	6.2%	5.9%	6.0%	5.8%	6.6%	6.6%
Elevator	6.8%	5.0%	5.6%	4.8%	4.4%	5.0%	5.9%	4.7%	5.5%	4.9%
Mixed-Use	7.2%	7.4%	7.7%	6.6%	6.1%	6.2%	6.8%	7.2%	6.6%	6.0%

GIM



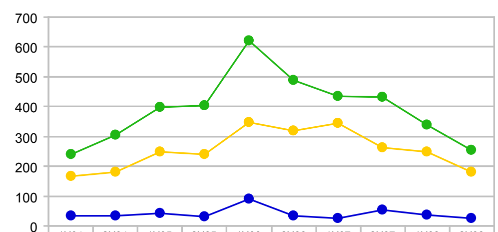
	1H04	2H04	1H05	2H05	1H06	2H06	1H07	2H07	1H08	2H08
Walk-up	8.5	10.5	9.1	9.6	9.9	9.9	9.5	10.5	9.7	10.5
Elevator	7.3	8.6	8.3	9.2	10.5	10.6	10.2	11.7	9.3	9.8
Mixed-Use	10.9	10.1	10.4	12.9	13.3	11.7	11.4	11.0	10.5	16.1

MEDIAN PPSF



	1H04	2H04	1H05	2H05	1H06	2H06	1H07	2H07	1H08	2H08
Walk-up	$158	$156	$167	$177	$183	$195	$191	$186	$181	$185
Elevator	$78	$69	$75	$82	$91	$101	$106	$115	$108	$118
Mixed-Use	$194	$206	$242	$226	$239	$248	$248	$265	$262	$265

NUMBER OF SALES

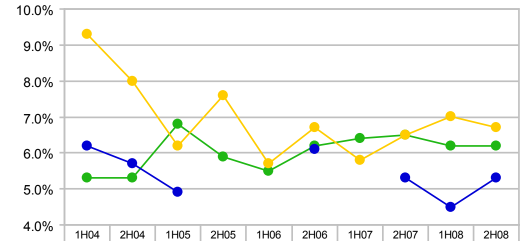


	1H04	2H04	1H05	2H05	1H06	2H06	1H07	2H07	1H08	2H08
Walk-up	239	304	399	403	622	487	436	431	340	253
Elevator	33	34	43	30	90	33	25	53	36	25
Mixed-Use	166	182	249	239	347	320	344	262	248	181

QUEENS

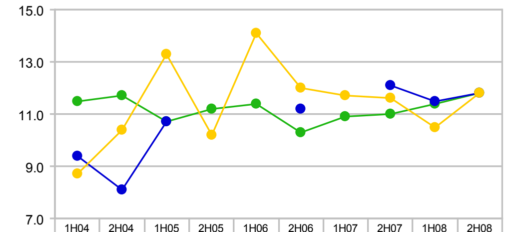
Prices stable, though number of sales is down 38% from second half of '07. Few elevator buildings trading.

CAP RATE



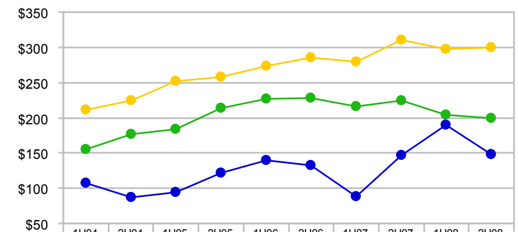
	1H04	2H04	1H05	2H05	1H06	2H06	1H07	2H07	1H08	2H08
Walk-up	5.3%	5.3%	6.8%	5.9%	5.5%	6.2%	6.4%	6.5%	6.2%	6.2%
Elevator	6.2%	5.7%	4.9%			6.1%		5.3%	4.5%	5.3%
Mixed-Use	9.3%	8.0%	6.2%	7.6%	5.7%	6.7%	5.8%	6.5%	7.0%	6.7%

GIM



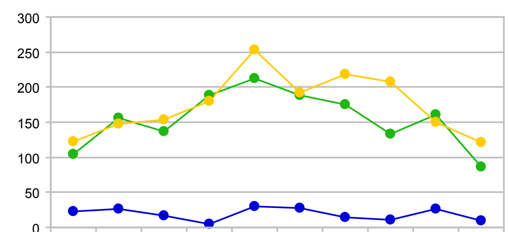
	1H04	2H04	1H05	2H05	1H06	2H06	1H07	2H07	1H08	2H08
Walk-up	11.5	11.7	10.7	11.2	11.4	10.3	10.9	11.0	11.4	11.8
Elevator	9.4	8.1	10.7			11.2		12.1	11.5	11.8
Mixed-Use	8.7	10.4	13.3	10.2	14.1	12.0	11.7	11.6	10.5	11.8

MEDIAN PPSF



	1H04	2H04	1H05	2H05	1H06	2H06	1H07	2H07	1H08	2H08
Walk-up	$156	$177	$184	$214	$227	$228	$216	$225	$204	$200
Elevator	$107	$87	$94	$122	$140	$133	$88	$147	$190	$148
Mixed-Use	$211	$224	$252	$258	$274	$286	$279	$310	$298	$300

NUMBER OF SALES



	1H04	2H04	1H05	2H05	1H06	2H06	1H07	2H07	1H08	2H08
Walk-up	105	156	137	188	212	188	175	133	161	87
Elevator	23	27	17	5	30	28	15	11	26	10
Mixed-Use	123	148	154	180	253	192	219	208	150	121

METHODOLOGY

Cap rates and Gross Income Multipliers are based on sales researched by Miller Cicero, LLC in addition to properties sold by Massey Knakal Realty Services, and represent a reasonable sampling of all sales. Median price per square foot and the number of sales were based on all closed sales in the public record over $500k, as reported by New York City (ACRIS). Walk-up buildings are designated "C" class by the City of New York (excluding C0, three-families), elevator apartment buildings are designated "D" class, and mixed-use buildings consist of both "K" and "S" classes. Northern Manhattan consists of zip codes: 10026, 10027, 10029, 10030, 10031, 10032, 10033, 10034, 10035, 10037, 10039, 10040. This reflects the area north of East 96th Street, Central Park, and West 114th Street.

For additional information contact John Cicero, MAI, CRE, FRICS Managing Principal, Miller Cicero, LLC, 21 West 38th Street, New York, NY 10018, (212) 642-4300, jcicero@millercicero.com. Additional methodology details at www.millercicero.com/mkreports/methodology.

DEFINITIONS

Cap Rate: Net Operating Income (NOI) divided by the sales price.

Gross Income Multiplier (GIM): Sales price divided by potential gross income.

Median Price Per Square Foot (PPSF): Sales prices divided by gross building area above grade, as reported in the public record.

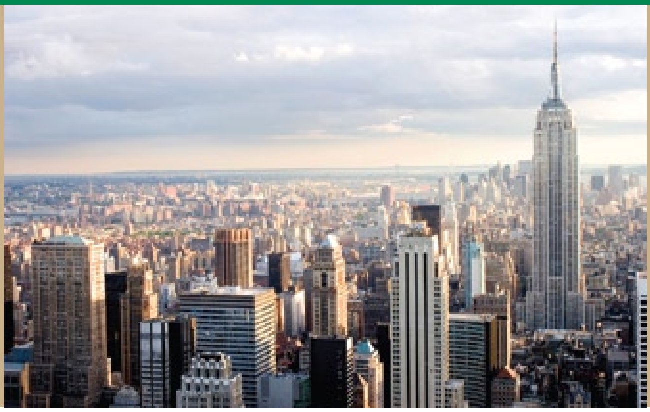
Number of Sales: Sales closed during the period.

Turnover Rate: Number of sales divided by total inventory.

MANHATTAN OFFICE:

MANHATTAN OFFICE:
MANHATTAN – THE BRONX – WESTCHESTER

RECENT TRANSACTIONS

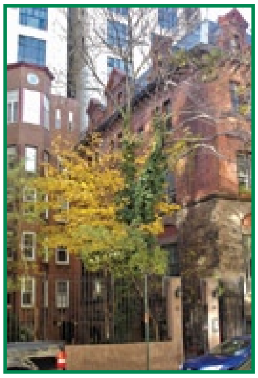


All of the following properties were sold exclusively by Massey Knakal.

MASSEY KNAKAL
Realty Services

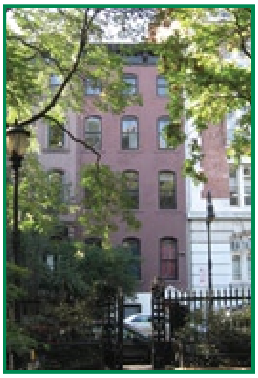
644 EAST 14TH STREET
SOLD: $12.3 MILLION

Neighborhood: Alphabet City
Type: Conversion Site
Lot Size: 115' x 88'
Buildable Square Feet: 68,262 (for a community facility)
Stories: 1
Sales Note: Sold for $180.19/BSF on the community FAR.



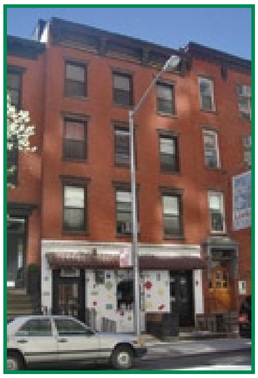
12-14 WEST 68TH STREET
SOLD: $10.625 MILLION

Neighborhood: Upper West Side
Type: Townhouse (2)
Square Feet.: 14,262
Price Per Square Foot: $745
Cap Rate: 4.50%
Sales Note: Two partically interconnected townhouses operating as luxury furnished rentals. Built as a grand country mansion around 1875. #14 is perhaps the oldest private house on the Upper West Side.



306 EAST 15TH STREET
SOLD: $5.175 MILLION

Neighborhood: Gramercy Park
Type: Townhouse
Lot Size: 22' x 128'
Stories: 5
Square Feet.: 7,425
Price Per Square Foot: $697
Sales Note: Sold in all cash transaction in less than 1 week. Delivered vacant. Buyer will develop the property, which has direct views of Stuyvesant Park, into an Orthopedic Learning and Research Center with residential use above.

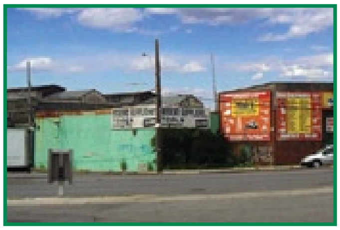


322 WEST 15TH STREET
SOLD: $4.35 MILLION

Neighborhood: Chelsea
Type: Mixed-Use Building
Lot Size: 25' x 85'
Square Feet: 5,750
Price Per Square Feet: $757
Stories: 4
Sales Note: Included carriage house behind main building that housed 2 rent controlled tenants. Building, formally housing El Cid restaurant and 3 free market units, sold to the neighboring school for expansion use.

78 EAST 2ND STREET
SOLD: $3.3 MILLION

Neighborhood: East Village
Type: Townhouse
Lot Size: 42' x 21'
Stories: 5
Square Feet: 4,315
Price Per Square Foot: $765
Sales Note: Sold in all cash transaction to a well-known artist for a single family conversation.



1090 LEGGETT AVENUE
SOLD: $3 MILLION

Neighborhood: Hunt's Point
Type: Industrial Building
Lot Size: 395' x 130'
Stories: 1
Square Feet: 27,790
Price Per Square Foot: $108
Zoning: M3-1
Sales Note: Sold to industrial end user who plans to raze existing structure to build new warehouse.

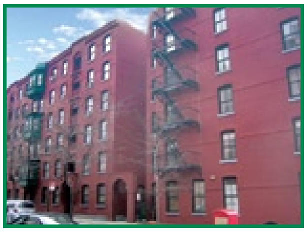
All figures are approximate and should be independently verified.

BROOKLYN OFFICE:
BROOKLYN – STATEN ISLAND

RECENT TRANSACTIONS

MASSEY KNAKAL Realty Services

All of the following properties were sold exclusively by Massey Knakal.



419-435 HICKS STREET (COBBLE HILL TOWERS)
SOLD: $34 MILLION

Neighborhood: Cobble Hill
Type: Apt. Building (9 Building Portfolio)
Square Feet: 140,788 (combined)
Stories: 6
Units: 188 (186 RS)
Cap Rate: 3.50%
Sales Note: Landmarked apartment complex - one of first examples of socially engineered modern working class housing in America. Found joint venture partner to take over operations of the complex.

208-222 CLARKSON AVENUE
SOLD: $4.95 MILLION

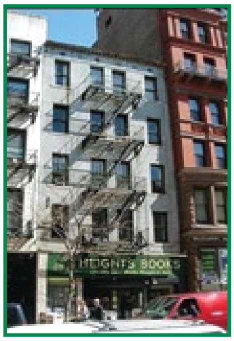
Neighborhood: East Flatbush
Type: Commercial Building
Lot Size: 135' x 200'
Stories: 2
Square Feet: 43,200
Price Per Square Foot: $115
Sales Note: All cash transaction. 75% of building will be used by purchaser. 25% of building currently occupied until 2015.

674-696 LIVONIA AVENUE
SOLD: $3.45 MILLION

Neighborhood: East New York
Type: Development Site
Lot Size: 200' x 100'
Lot Square Feet: 20,000
Price Per Square Foot: $173
Buildable Square Feet: 60,000
Zoning: R6 / C2-3
Sales Note: Corner to corner lot has one garage and a 2-story brick building. Will be developed into affordable housing by a non-profit.

2201 86TH STREET (AKA 8513-23 BAY PARKWAY)
SOLD: $5 MILLION

Neighborhood: Bensonhurst
Type: Commercial
Lot Size: 55' x 100'
Stories: 2
Units: 4
Square Feet: 9,900
Price Per Square Feet: $505
Cap Rate: 3.10%
Sales Note: All cash transaction. 1031 Buyer.



109 MONTAGUE STREET
SOLD: $3.7 MILLION

Neighborhood: Downtown Brooklyn
Type: Mixed-Use Building
Lot Size: 25' x 100'
Stories: 5
Square Feet: 8,125
Price Per Square Foot: $455
Cap Rate: 5.45%
Sales Note: Ground floor store delivered vacant - was formally occupied by famed Heights Books which will move to a new Smith Street location. Property includes 8 units (4 Free Market, 3 RS, 1 RC).

717 CARROLL STREET
SOLD: $1.4 MILLION

Neighborhood: Park Slope
Type: Apartment Building
Lot Size: 27' x 100'
Stories: 4
Square Feet: 7,524
Price Per Square Foot: $186
Gross Rent Multiple: 12.65x
Units: 8 (6 RS, 1 RC, 1 Free Market)
Cap Rate: 5.22%
Sales Note: All cash transaction

All figures are approximate and should be independently verified.

QUEENS OFFICE

QUEENS OFFICE:
QUEENS – LONG ISLAND

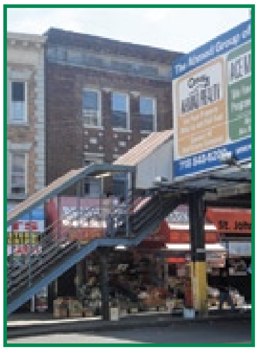
RECENT TRANSACTIONS

All of the following properties were sold exclusively by Massey Knakal.

MASSEY KNAKAL
Realty Services

420 DOUGHTY BOULEVARD
SOLD: $7.15 MILLION

Neighborhood: Nassau County
Type: Commercial Building
Lot Size: 99' x 155'
Stories: 2
Square Feet: 48,700
Price Per Square Foot: $147
Sales Note: Included 42 car parking lot. Delivered vacant to an end user.



118-16-18 LIBERTY AVENUE
SOLD: $1.9 MILLION

Neighborhood: South Richmond Hill
Type: Mixed-Use Building
Lot Size: 25' x 95'
Stories: 3
Square Feet: 5,000
Price Per Square Foot: $380
Cap Rate: 4.80%
Sales Note: Sold to an eventual owner user for retail portion.

2514-2520 MERRICK ROAD
SOLD: $1.25 MILLION

Neighborhood: Nassau County
Type: Commercial Building
Lot Size: 175' x 110'
Stories: 2
Square Feet: 5,524 (Building)
Price Per Square Foot: $226
Cap Rate: 5.80%
Sales Note: Property has 3 stores with 4% annual rent increases, one apartment unit and 22 parking spaces. Prime location, received over 25 offers.

4202-4206 21ST STREET
SOLD: $3.325 MILLION

Neighborhood: Long Island City
Type: Commercial: Gas Station
Lot Size: 80' x 115'
Lot Square Feet: 9,200
Stories: 1
Price Per Square Foot: $350
Buildable Square Feet: 18,400
Zoning: M1-4
Sales Note: Delivered vacant and fully functional. Strategically located at entrance to the Queensboro Bridge.

41-50 43RD AVENUE
SOLD: $1.645 MILLION

Neighborhood: Sunnyside
Type: Apartment Building
Lot Size: 40' x 100'
Stories: 4
Square Feet: 11,532
Price Per Square Foot: $142
Gross Rent Multiple: 11x
Units: 16 (RS)
Cap Rate: 5.20%
Sales Note: All rent stabilized apartment building went into contract within two weeks of marketing. All cash transaction.

All figures are approximate and should be independently verified.

MASSEY KNAKAL CHARITABLE FOUNDATION

JONATHAN HAGEMAN
President - Massey Knakal Charitable Foundation
212.696.2500 x7773
jhageman@masseyknakal.com

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

Friends of Karen

Friends of Karen was established to help families whose children have been diagnosed with a life-threatening illness meet the extraordinary and overwhelming demands of that illness. Through their Family Support Program, Friends of Karen helps families by providing the financial and/or emotional assistance that is necessary to keep them stable throughout the course of their child's medical treatment. The organization assists families with a variety of illness-related and household expenses including, but not limited to, mortgage payments, insurance premiums, electric and telephone bills, medical co-payments, childcare for siblings, and transportation to and from treatment.

St. Vincent's Services

The Foundation approved a grant to support St. Vincent's American Dream Program, which covers all educational expenses for foster youth, including tuition, year-round room and board, and living expenses through graduation – often past the age of 21 when all government aid ceases. The budget for this program is funded entirely by voluntary dollars and has helped over 70 youth since its inception.

Figure Skating in Harlem

Figure Skating's mission is to transform young lives and help Harlem girls grow in confidence, leadership and academic achievement. The organization provides girls ages 6-18 with vital educational and athletic opportunities that build self-esteem and promote physical well-being and academic accomplishment. They use the discipline of skating to teach important life skills such as perseverance, responsibility, teamwork and leadership to girls in underserved communities and to encourage their academic excellence in a safe and positive environment.

Jericho Project

Jericho Project's mission is to house and rehabilitate homeless men and women recovering from substance abuse and return them to their families and the larger community as sober, independent and tax-paying members. Jericho provides 280 units of supportive housing through their five residences in Harlem and the Bronx and one 27-unit scatter site program, also in the Bronx. This year Jericho has begun the development of two new supportive housing residences for homeless and low-income veterans, which will increase the number of its supportive housing units to more than 400.

Cristo Rey

Cristo Rey High School provides a college-preparatory education to young people who believe in education, hard work, family and community, but who have been underserved in elementary and middle school. The majority of their students perform academically at least two years behind grade level upon entering CRNYHS. With the families' financial burdens, CRNYHS allows students to finance most of their own education through its Corporate Work Study Program, a program that allows each student to work five days a month for a company in order to earn up to 70% of the cost of education.

Community Word

The organization is a small but powerful not-for-profit that provides innovative arts-in-education programs for undeserved public school children in NYC. Since their inception, they have served more than 9,000 public school students and more than 3,000 public school teachers, future teachers and teaching artists, through collaborative arts residencies and professional development training. In 2008-09, they are offering 37 residencies in seven elementary, middle and high schools in the Bronx, Brooklyn, Queens and Manhattan.

MASSEY KNAKAL
Charitable Foundation

2008 ANNUAL ACHIEVEMENT AWARD WINNERS

JAMES P. NELSON
Partner
Company-Wide Top Producer - The Gerald W. Bridges Award

ROBERT R. BURTON
2nd Place Company-Wide Top Producer - The John H. Holler Award

KENNETH S. FREEMAN
Top Producer (Brooklyn) - The Stephen B. Siegel Award

THOMAS A. DONOVAN
Partner
- *Top Producer (Queens) - The Harry Maclowe Award*
- *Goodwill Development (Queens) - The Nicholas T. Donovan Award*

SHIMON SHKURY AND TEAM
Partner
The Thomas A. Donovan Award for Client Service

VICTOR SOZIO, MICHAEL A. TORTORICI, IVAN PETROVIC, CHRISTOPHER LEFFERTS, HOLLY DADDARIO
(NOT PICTURED)

BROCK EMMETSBERGER
Goodwill Promotion & Business Development (Company-Wide) - The Louis Brause Award

JONATHAN BERMAN
Goodwill Promotion & Business Development (Brooklyn) - The Michael Fuchs & Aby Rosen Award

CHRISTY MOYLE
Partner
The Robert A. Knakal Award for Outstanding Service and Promotion of the Massey Knakal Mission

RITA ELONA
The James E. Ventura Award for the Unsung Hero Whose Efforts and Accomplishments Have Gone Above and Beyond the Call of Duty

STEPHEN PREUSS
The Richard Marcinko Award for Tenacity, Loyalty and Single-Mindedness of Purpose in Pursuit of Excellence

HALL H. OSTER
The Stephen Spinola Award for the Associate Who Demonstrates Superior Performance & Dedication

MICHAEL WLODY
Chief Financial Officer
The Morton Apfeldorf, Esq. Award for Integrity and Corporate Citizenship

PAUL B. SMADBECK
Massey Knakal's Charitable Foundation Award for Community Service

Note: *Each award is named after a leader in the Real Estate industry who has had a profound impact on, or acted as a mentor/advisor to, the firm.*

YOUNG LEADERS

Massey Knakal Partners **James P. Nelson** and **Shimon Shkury** were named as two of *Real Estate New York's* "40 Under 40." The title honors the best in the industry. Both James and Shimon are great leaders not only at Massey Knakal but also in the community.

John Barrett, Director of Sales for Westchester County, was elected President of The Commercial and Investment Division (CID) of the Westchester County Board of REALTORS®, Inc. He is also a member of The Board of Directors of the Westchester County Board of Realtors. The CID represents the interests of and provides services to people involved in all aspects of the commercial property industry.

MK SPECIAL ASSETS STRATEGY GROUP

Massey Knakal has launched a Special Asset Strategy Group (MKSAS) in order to best resolve the challenges of under-performing and non-performing real estate assets. MKSAS provides clients, investors and financial institutions with the necessary expertise to develop and implement strategies to maximize an asset's potential. For more information, contact MKSAS Associate Dan Hagan at 212.696.2500 x7775 or dhagan@masseyknakal.com.

CONTACT US

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

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

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

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MESSAGE FROM THE CEO

MESSAGE FROM THE CEO

PAUL MASSEY JR.
Chief Executive Officer
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Dear Friends –

Massey Knakal recently held its 2008 Annual Achievement Awards Ceremony where we honored the efforts of our star producers, staff and the management team that turned out a great year. Massey Knakal had a successful year as we represented the sellers of 414 New York metro area buildings.

James P. Nelson and his team **Christine Germaine**, **Billy Simons**, **Brendan Gotch**, **Mitchell Levine** and **Richard D'Andrea** took top honors as Company-Wide Top Producers. James, who works in the Manhattan office, joined the firm in 1998 and was named the youngest Partner in the firm's history in 2004. During his tenure at the firm, he has sold over $1.0 billion worth of property. James has won practically every other award and recognition available at Massey Knakal including, but not limited to, our Top Salesperson Award in 2002 and 2003 as well as our Goodwill Promotion Award and our Tenacity Award. We are particularly proud that James also won the Real Estate Board of New York's coveted Most Promising Commercial Salesperson of the Year Award in 2004. Besides his incredible business talents James is a true Massey Knakal style renaissance man; he and his wife Allison are great parents to two adorable boys Luke and Austin. James is philanthropic and a leader in his hometown of Old Greenwich, CT and in New York City.

Second place Top Producer Company-Wide honors in 2008 went to **Robert R. Burton** (assisted by Associate **Nancy Guo**) of Manhattan. Robert recently celebrated twelve years with the firm primarily focusing on the SoHo marketplace where he – not coincidently – resides. Robert is a perennial winner at Massey Knakal, having won our Goodwill Promotion Award twice in prior years. Robert is also a man of many talents and interests. He has been an accomplished professional actor for forty years. He is a tournament bass fisherman, sky diver, pilot and avid traveler. Although I occasionally tease Robert about his status as one of our "Senior" Agents, his experience and business acumen frequently provide a sounding board for our Senior Management Team that is extremely valuable.

For the fifth straight year (extending a company-wide record) **Kenneth S. Freeman** took Top Production honors in Brooklyn while Partner **Thomas A. Donovan** led production in our Queens office.

See Page 14 for information about all of our Award winners.

Chairman Bob Knakal, our Senior Management Team and I are tremendously proud and honored to be associated with each of this year's Award recipients. This pride makes us look forward to the possibilities that 2009 will bring!

Very truly yours,