CONNECTING REAL ESTATE IN THE NORTHEAST
NORTHEAST REAL ESTATE BUSINESS™
VOLUME 2, ISSUE 8 MARCH 2006

NEW YORK CITY MARKET HIGHLIGHT

New York City Industrial Market

Decades of declining industrial demand coupled with an incoming tide of the 20 to 30 year olds, which are the feedstock for household formation, have forced a political shift in land-use legislation.

Great swaths of industrially zoned property from Brooklyn to the Bronx either have been redesignated residential or will be within the next 24 months. This has resulted in heightened expectations for windfall profits by those lucky enough to find themselves owning rezoned property; resulting in a virtual shutdown of industrial sales and long-term leases in those districts. An excellent example would be the sale of 47-05 Fifth Street, Long Island City, Queens, one of the smaller development sites formally situated in a heavy-manufacturing use district. Suitable for any industrial use, this property would have normally come on the market for roughly $1 million, or $100.00 per square foot; affording the owner-occupant a carry cost rental equivalent of $12.00 psf per annum. Due to its rezoning, it came on the market at $3 million, to be sold at $2.7 million.

Developers such as Rockrose, Minskoff, Silverman, Cappelli, Forest City Ratner, Lincoln Properties, Muss, and Related, are all in the fray and scrambling for market share for what will become the new residential communities of Queens and Brooklyn.

Properties that have been priced on a square footage basis are now priced on a FAR — floor area ratio — basis, wherein the developable area is computed on a ratio of its developed sellout price. Over the past 3 years, that FAR per square foot price has risen from $10 to more than $200 per square foot, as the perception of developers has firmed regarding achievable sellout prices for new condo product.

In every market there is always risk, except when one looks back retrospectively. The $20 FAR number was very risky when a market for new condos did not exist. The $200 per square foot appears now to have little risk when there is a proven market at $600 to $700 per square foot for finished product. However, the 2-year time lag to bring the product to market and the rising cost of construction can erode a builder's profit margin to zero. Therefore, since the beginning of 2006, the market has witnessed a leveling off in pricing increases but not activity. Well located and well priced zoned parcels of land or existing industrial buildings are continuing to be snapped up as soon as they hit the market. An excellent example of these phenomena would be the Adirondack Chair Building of 100,000 square feet, situated at Broadway and Vernon Boulevard, in Long Island City/Astoria. A charming turn-of-the century loft building with accessory land, the value of the existing structure when added to a reasonably projected condo sellout price of around $600 per square foot, netted its corporate owners more than $20 million.

Another example would be the 90,000-square-foot loft building situated at Queens Plaza North and 24th Street in Long Island City. Occupied by a knitting plant for more than 30 years, the ownership found itself included in the lucky zoning club with an award of 320,000 buildable square feet. Its unique location, as well as a loophole allowing for an unrestricted building height, created a bidding frenzy among local and national developers, resulting in an ultimate sale price of $23 million.

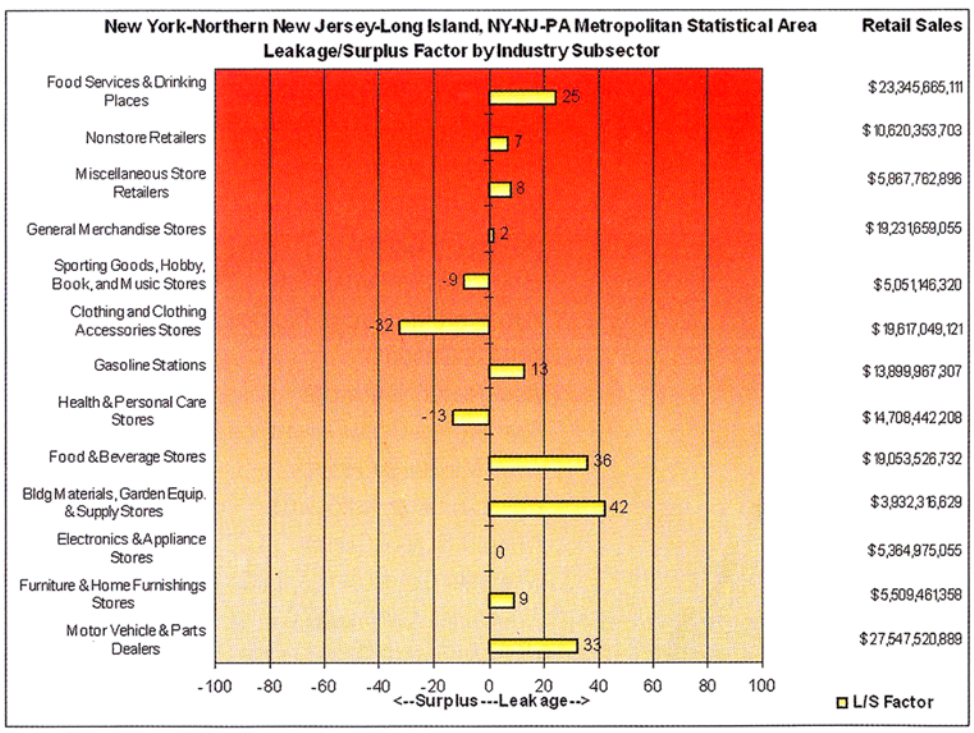
As predicted, this reduction of industrial property inventory has resulted in a commensurate increase in industrial property pricing, so much so that in certain peripheral areas, the highest and best use still remains industrial rather than residential conversion. This may prove to be a very propitious market response for the over-development of the boroughs to residential cannot ultimately be a healthy land use for a city that still requires a diverse economic base.

— John Maltz, SIOR, is president of New York City-based Greiner-Maltz and Decio Baio, ICSC, is a senior director at the firm.

NEW YORK CITY METROPOLITAN AREA

ESRI's data used to profile the area featured in the *Northeast Real Estate Business* market highlight includes the most current demographic data, Retail MarketPlace data for specific core based statistical areas (CBSAs), and consumer spending data from the survey conducted by Mediamark Research Inc.

For more information about data, software, technology, and Web Services products from ESRI, the world leader in the geographic information system (GIS) software industry, visit www.esri.com.



Taking a closer look at the New York City Metropolitan area.

Demographic Snapshot for the
Greater New York-Northern New Jersey-Long Island, NY-NJ-PA Metropolitan Statistical Area

ESRI 2005 Demographics

Total Population	Total Households	Median Age	Median Household Income	Median Home Value	Total Annual Retail Sales	Leakage/ Surplus Factor
18.8 Million	6.8 Million	36.8 years	$59,417	$378,638	$173+ Billion	Leakage

Top 10 ZIP Code Markets in the Greater New York Metro Area for Owning Laptops

ZIP Code	Postal Name	Dominant County	State Abbreviation	2005 Total Population	2005 Total Households	Household Owns Laptop/ Notebook/ Tablet PC : MPI Index
10280	NEW YORK	New York County	NY	7,082	3,925	227
10014	NEW YORK	New York County	NY	33,273	20,783	224
10023	NEW YORK	New York County	NY	62,657	37,561	220
10022	NEW YORK	New York County	NY	32,896	21,155	220
10024	NEW YORK	New York County	NY	58,600	32,114	218
10021	NEW YORK	New York County	NY	107,055	64,472	215
10007	NEW YORK	New York County	NY	5,844	2,459	214
10028	NEW YORK	New York County	NY	51,386	29,735	210
10011	NEW YORK	New York County	NY	45,866	27,989	206
10546	MILLWOOD	Westchester County	NY	1,036	374	204

ESRI's Market Potential Database

ESRI's Market Potential database is designed to help companies find areas with the highest growth potential for product and service offerings. These charts show ZIP Codes with the highest market potential in the Greater New York Metropolitan Statistical Area. A Market Potential Index of 100 is the overall demand for the U.S. A value above 100 represents high demand; a value below 100 represents low demand. An index of 120 implies that demand in the trade area is likely to be 20 percent higher than in the U.S.; an index of 85, 15 percent lower.

ESRI's Retail MarketPlace Database

ESRI's Retail MarketPlace database is a complete and accurate database used to measure the retail activity for any area. The database provides a direct comparison between retail sales and consumer spending by industry, and measures the gap between supply and demand. A Leakage/Surplus factor summarizes the relationship between supply and demand by industry.

Sources:
Demographic data: ESRI
Market Potential data: ESRI and Mediamark Research, Inc.
Retail MarketPlace data: ESRI

For more information about ESRI's data products, call 1-800-447-9778 or visit www.esri.com/data.