

# NEW YORK CITY INCOME PROPERTY REPORT SECOND HALF 2008



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.

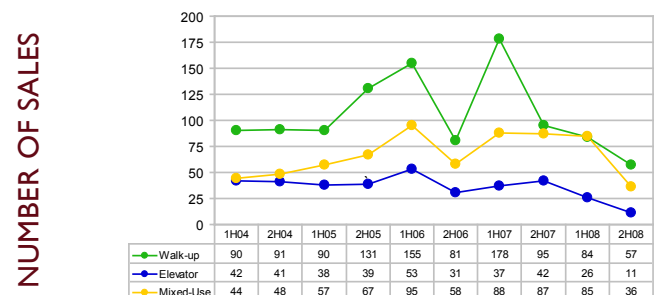
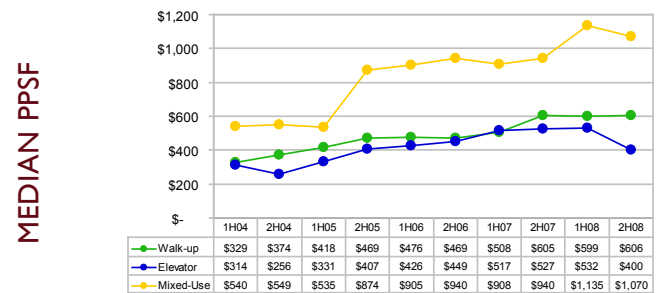
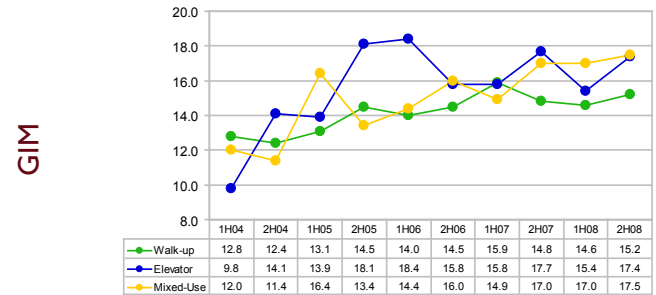
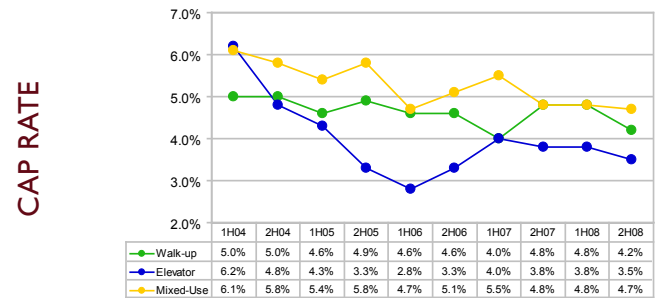
The underlying fundamentals of these properties remain strong (i.e., high apartment rents and low vacancy) and in light of a volatile stock market, fiduciary fraud scandals and an uncertain economy many investors are looking for the security of New York real estate. However, many property owners are 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
<b>WALK-UP APARTMENT (C)</b>					
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
<b>ELEVATOR APARTMENT (D)</b>					
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
<b>MIXED-USE (K/S)</b>					
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

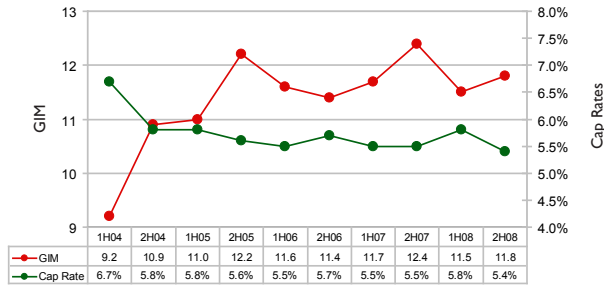
## MANHATTAN

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

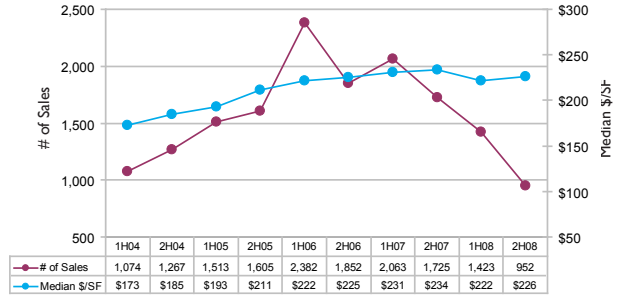


# CONSOLIDATED (ALL MARKETS)

RATES



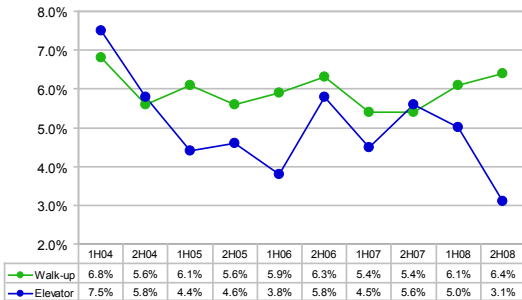
SALES ACTIVITY



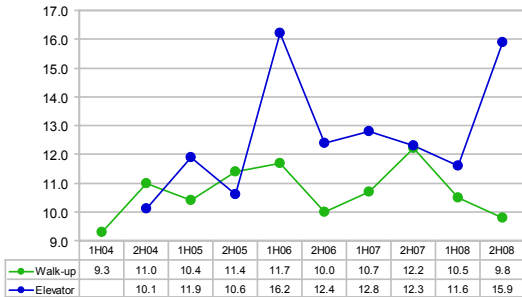
## NORTHERN MANHATTAN

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

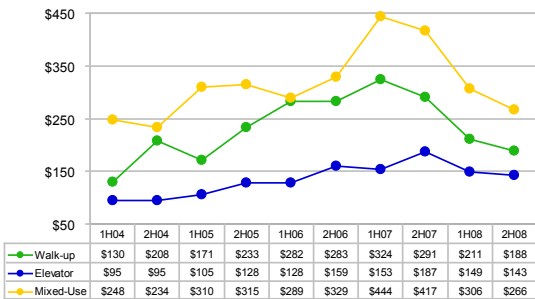
CAP RATE



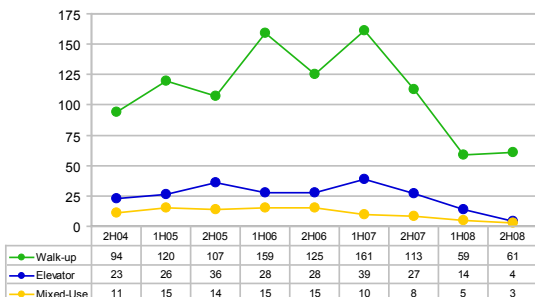
GIM



MEDIAN PPSF



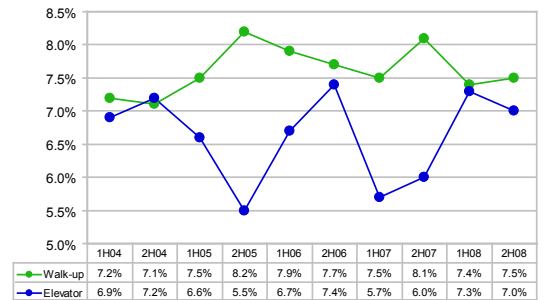
NUMBER OF SALES



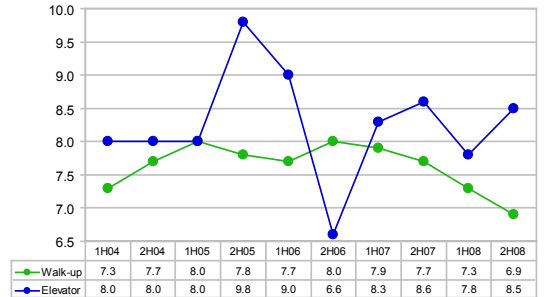
## THE BRONX

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

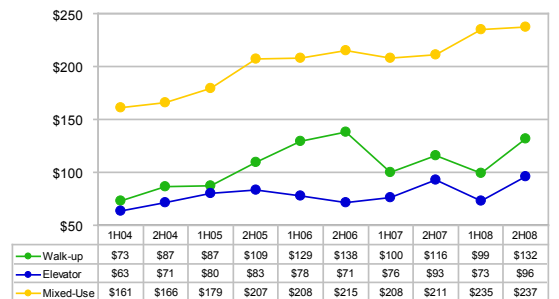
CAP RATE



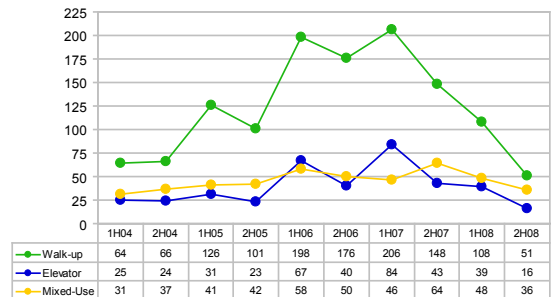
GIM



MEDIAN PPSF



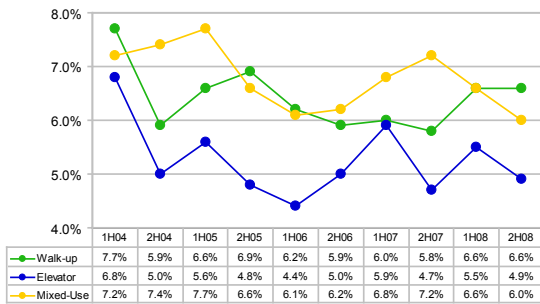
NUMBER OF SALES



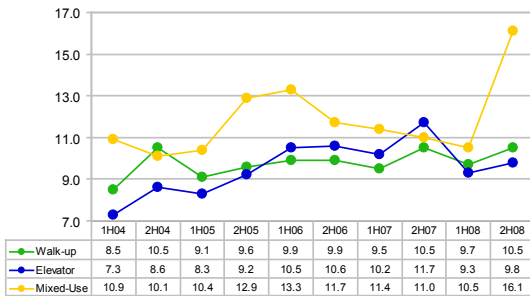
# BROOKLYN

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

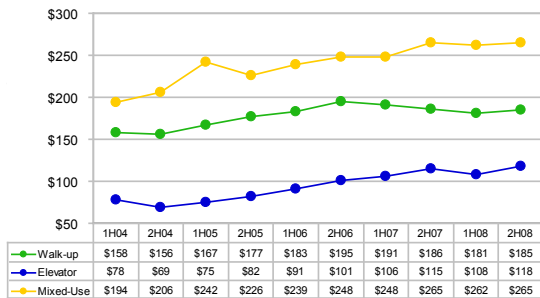
CAP RATE



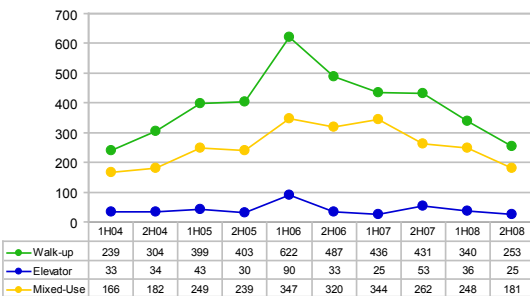
GIM



MEDIAN PPSF



NUMBER OF SALES



## METHODOLOGY

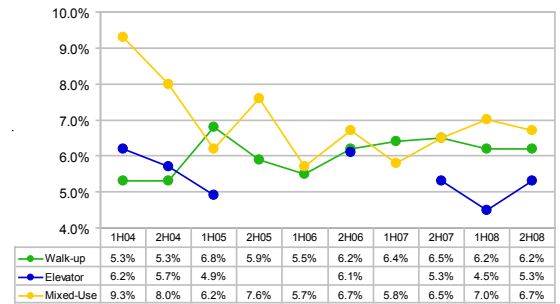
Cap rates and Gross Income Multipliers are based on sales researched by Miller Cicero, LLC in addition to properties sold by Massey Knakal Realty Services, and represent a reasonable sampling of all sales. Median price per square foot and the number of sales were based on all closed sales in the public 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](http://www.millercicero.com/mkreports/methodology).

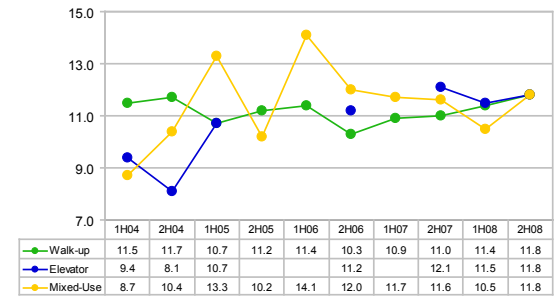
# QUEENS

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

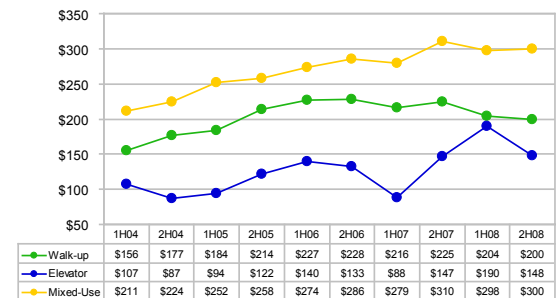
CAP RATE



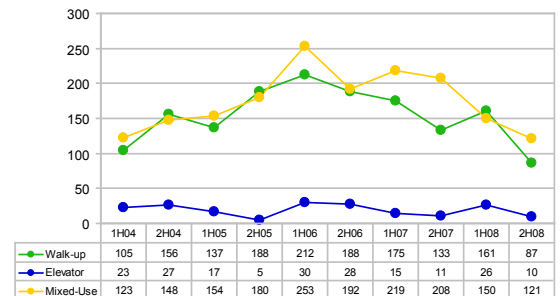
GIM



MEDIAN PPSF



NUMBER OF SALES



## 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.