

Predictions for 2005

COMMERCIAL



BARRY GOSIN
*Vice Chairman and CEO
Newmark & Co.*

Where is the market now and where is the market headed? Interest rates have risen already, and they might spike a little bit, but will overall be stable for the next year.

Where do you see the biggest hype in real estate? I think that the really top end of the market is overheated on the investment side. As long as interest rates remain low, it will continue.

What's one telling statistic about the current market? The vacancy rate in Midtown has gone down 1.5 percent and Downtown has gone up since the start of the year. But Downtown is a great opportunity. There are more people moving there, and it's getting stronger.



KIM MOGULL
*President
Mogull Realty*

Where is the market now and where is the market headed?

Foreign tourists will continue to gobble up our luxury items as long as the exchange rate offers them the deep discount they've grown accustomed to. This is also one of the key factors driving up the cost of investment real estate and increasing our hotel occupancy rates to pre-Sept. 11 levels.

What is the most overlooked opportunity in real estate right now?

Overlooked retail opportunity exists in both the Downtown market and the northern portion of the bowtie in Times Square. Downtown, the rents are still low and due to all the residential conversions, the consumer base no longer clears out at 5 p.m. In the past, Times Square was solely tourism driven. Today there is fantastic new retail, but it seems to have stopped at 45th Street, while the office and residential growth has not. Northern Times Square has become a financial mecca and there are over 50,000 new office workers in the neighborhood.



FAITH HOPE CONSOLO
*Vice Chairman
Garrick-Aug Worldwide*

Where is the market now and where is the market headed? The retail market is probably the strongest it's been since 1999. The momentum will continue based on a very good Christmas and the demand of national and

international retailers to locate to New York City. This year we saw 10 times as many store openings as we have seen in the last 18 months.

What's one telling statistic about the current market? The average asking rent for retail space across the board in all areas of Manhattan has gone up 20 percent since this time last year, an incredible jump. The vacancy rate, which was at an all-time high last year at 22 percent is now 7 percent.



JED VALENTAS
*Vice President
Two Trees Development*

Where is the market now and where is the market headed? The residential condo market makes no sense to me – it's obscene. We are at a point in the economy where it doesn't make sense to build rental apartments because we

can't justify the economics of building rental properties. I hope it continues, but at some juncture it has to come back to earth a little – maybe in six months or 24 months; I'm not smart enough to say.

What's one thing to be worried about? A less obvious thing is really the long-term livability of New York City. Those improvements are overwhelming in their impact on the broader economy. Everything from making sure the MTA is stable and the subways work and are clean, to education.

What's one thing you'll do differently next year compared to this year?

Our projects are relatively short-term and we try to execute them quickly knowing there's market risk, not believing the hype and bull and trying not to make decisions based on slightly inflated or irrational numbers.



HOWARD NOTTINGHAM
*Managing Director
Studley*

Where is the market now and where is the market headed? It's pretty close to an equilibrium market, the vacancy rate has dropped significantly over the last year and I believe it will drop at an increasing rate in 2005.

What is the next big thing? Probably big banks and investment banks — and we've seen part of it already — jumping into the market in a big way.

Where do you see the biggest hype in real estate? The conversion of office buildings to residential buildings. There are so many residential pieces coming on the market that it is difficult for me to understand how that market can absorb the number of units that are coming on.



ANTHONY WESTREICH
*President and CEO
Monday Properties*

Where is the market now and where is the market headed? The commercial sales market is very hot and will probably stay that way in 2005. In terms of commercial leasing, the market is

at this point neutral but it is showing signs of real growth.

Where do you see the biggest hype in real estate?

There's a lot of money chasing deals, therefore creating what I believe to be inflated sales prices, and those prices are based upon forward looking projections which I am frankly not as bullish as others about.

What's one telling statistic about the current market? The amount of money chasing the deals.

What's one thing you'll do differently next year compared to this year? Focus more time on business issues and less time on legal ones.

HOWARD GRUFFERMAN
*Vice Chairman
Grubb & Ellis New York*

Where is the market now and where is the market headed? In healthy times, there are 30 million square feet of deals a year in our market. For the last three years, it's been in the low 20s. We're ahead of where we were last year, and I think we'll end up in the mid-20s for 2004. But some of it was landlords willing to do early renewals, so how much was borrowed from 2005's market remains to be seen.

What's one thing to be worried about? For Downtown, if you look at the last bad cycle – taking Sept. 11 out of the equation – dot-com companies helped that market before. Landlords were willing to do deals with these tenants that didn't have good credit. There isn't one new idea – a growth industry – that would help the market that has presented itself. On the other hand, there are not a tremendous number of large blocks of space there, and that is creating an urgency to get deals done.

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RESIDENTIAL



SHARON BAUM
Director of exclusive properties division
The Corcoran Group

Where is the market now and where is the market headed? This is the strongest market I have worked in, in 18 years. It is a seller's market but not like the seller's market of the 80's.

Those days are gone. Buyers will not pay more than what they perceive the market to be. There are a lot of over-priced properties.

What is the next big thing? If we can get – because there is so much demand for it and right now you can count them on less than one hand – prewar or converted condos like the Westbury or Mayfair with details and molding, and if we can get them in Park Avenue and Fifth Avenue spots that are well located, with direct park views, that will be a big thing. There are several on the drawing board. A prewar feeling will sell the best.

What's one thing to be worried about? In prewar co-ops, I think that if the boards become more and more rigid in their requirements, it is going to reduce the value of the apartments. So very few people can pass, your buyer pool is greatly reduced and that will ultimately lower the value of the apartment.



JED GARFIELD
Managing Partner
Leslie J. Garfield & Co.

What's one thing to be worried about? Clearly price. At the rate it's going with the number of new properties on the market, there will be a glut of expensive real estate that we haven't seen in 10 years. There

is a lot more high-priced product out there. Very little is available at market prices because owners believe they are going up and they may be right.

Where do you see the biggest hype in this market? The development of Harlem is overrated. Some blocks still look like downtown Beirut in the 1970's.

What is the next big thing? We are opening an office in Park Slope. I think I had been in Brooklyn maybe 10 times in my life before this year, but it's always been nice out there and you can still buy a decent [town]house for \$2 million.

JOANNE KENNEDY
Chief Operating Officer
Coldwell Banker Hunt Kennedy

What is the next big thing? An exodus greater than we've seen in two decades of young couples who have children leaving the city. Many are priced out and stressed out and seek a lifestyle a little more like that in red states. But there will be no shortage of buyers for family apartments as professionals from Europe and South America fill in the gaps in the housing chain.

What's one telling statistic about the current market? We won't know the statistics on the fourth quarter until mid-January, but we've definitely seen a slowdown from the wild, wild first and second quarters. The problem is that after such a frantic race, a normal market feels sluggish, when in fact it's moving along quite nicely. With Wall Street passing out big bonuses this year, I anticipate another wild ride during the first quarter of '05.

PEGGY AGUAYO
Principal Broker
Aguayo & Huebener

What is the next big thing? Our company is involved with many new construction projects. In Carroll Gardens, Prospect Heights, Boerum Hill and on Fourth Avenue in Park Slope there will be creative design for 2005. There has been a phenomenal appreciation of form follows function dealing with light, space, sky, and views – development is sensitive to that need.



ROGER ERICKSON
Senior Managing Director
Sotheby's

What is the next big thing? What many people want and is incredibly challenging to find are really large apartments. We will see new construction offering apartments that are 4,000 square feet and larger.



LOUISE SUNSHINE
Chairman
The Sunshine Group

What is the next big thing? Many more mixed-use developments with a condo/hotel component.

What is the most overlooked opportunity in real estate right now? The conversion of commercial

buildings to residential in Long Island City.

What's one thing to be worried about? When a building sells out at too cheap a price too soon in the selling process and they can't afford to build them – there are many examples of this in Florida. It's not happening in New York, thank goodness.

What's one telling statistic about the current market? We were just able to sell a penthouse at 165 Charles St. for \$4,000 a square foot.



BARBARA CORCORAN
Chairman
The Corcoran Group

What is the next big thing? Everyone now agrees Long Island City is the next big thing. The minute people can forget the word Queens and they start calling it Long Island City, it's going to get the last psycho-

logical thing it needs to become another Park Slope or Brooklyn Heights.

Where do you see the biggest hype in this market? Some new construction. A lot of people are buying very expensive new construction or super-luxury hotel conversions without real knowledge of quality issues. When super luxury new construction is sold off the paper you don't see a view that way. A multimillion dollar apartment on a high floor may be bought for the view, while the whole area is being developed that way so the view is temporary.

Who is the Nostradamus of New York real estate? See how industry leaders including Andrew Heiberger, Pam Liebman and Robert Knakal fared in their predictions for 2004 on page 27.



RICHARD STEINBERG
Managing Director
Warburg Realty

Where is the market now, and where is the market headed? I don't see any decrease in prices. They went up 15 to 20 percent this year and they will go up another 15 percent next year. The townhouse market, which to me is like oceanfront property, has a very limited supply.

Where do you see the biggest hype in this market? The new condo projects that are going up on First and Second avenues. Those prices you would never have expected to see anywhere east of Lexington Avenue. Also, lower Tribeca around City Hall. It's so commercial that families and individuals still don't have the resources of food stores, shopping leisurely on the weekends, and it's very cold and industrial and commercial.

What's one telling statistic about the current market? The inventory has dropped almost 33 percent in the past year for large apartments and townhouses.