

BUILDING SALES JOURNAL

COMMERCIAL RESIDENTIAL



“THE MASSEY KNAKAL PREMIUM”

Massey Knakal Obtains 31.5% More Than The Rest Of The Market!

Earlier this year, at Massey Knakal's 2nd Annual Market Makers Breakfast Symposium, John Cicero of the appraisal firm Miller Cicero announced that his firm had completed a study of the New York City building sales market. The study determined that Massey Knakal achieves, on average, 31.5% higher prices than the rest of the market!

"The results of our study showed something that was long suspected by the marketplace, but had never been quantified," he said. "The data simply speaks for itself." Miller Cicero is an independently owned and operated company that provides commercial real estate appraisal and consulting services to domestic and international clients

"The Massey Knakal Premium" exists because of the three unique characteristics of Massey Knakal:

1) The firm only does property sales, therefore Massey Knakal is never sidetracked with other lines of business.

2) The firm only represents sellers and only on an exclusive basis. This way we keep our objectives completely aligned with the sellers'. Our fiduciary responsibility to the seller is never compromised by endorsing a particular buyer, therefore there is never a conflict of interest.

3) The Massey Knakal territory system (further described on Page 11) enables our agents to be true real estate experts in their neighborhoods. In order to maximize your selling price, you agent needs unparalleled market knowledge. Our agents are better able to convince buyers to pay higher prices.

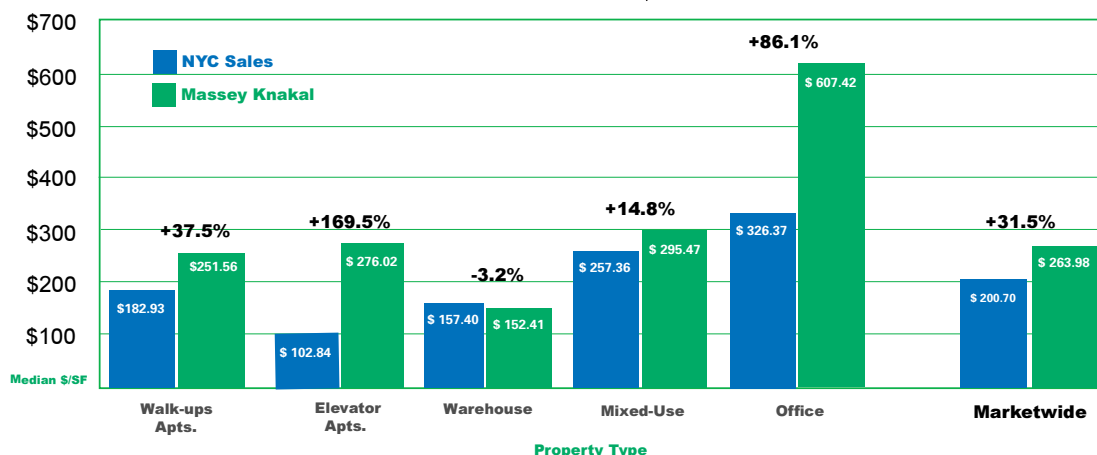
Based upon these unique characteristics, it is not surprising that "The Massey Knakal Premium" exists.

2005 NYC Sales Versus Massey Knakal Sales

Median Price Per Square Foot - Difference By Property Type

Prepared By:

MILLER CICERO, LLC
Real Estate Advisory Services



Excludes: Sales less than \$500K, Staten Island

Source: PropertyShark.com

MASSEY KNAKAL NEWS - NEW YORK CITY

MESSAGE FROM THE CHAIRMAN

Dear Friends,

Rather than reiterate many points made in my recent "Massey Knakal Market Makers Breakfast" speech (most of which are still representative of today's market), I encourage you to turn to Pages 23-27, where a full transcript of the speech can be found.

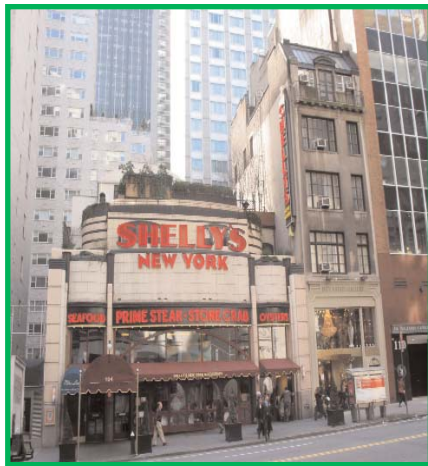
Please accept my best wishes for a happy and healthy summer spent with family and friends.

Sincerely,


Robert A. Knakal

MASSEY KNAKAL SELLS \$63M DEVELOPMENT SITE

Massey Knakal Realty Services has sold two contiguous lots on a premiere retail corridor at **102-108 West 57th Street** in Midtown Manhattan in a **transaction valued at \$63,000,000**. The two lots are ideally located between 6th and 7th Avenues on 57th Street. **102-106 West 57th Street** consists of an **approximately 8,823 square foot**, two-story restaurant building. **108 West 57th Street** consists of an **approximately 8,782 square foot**, six-story commercial building. There are **approximately 112,965 buildable square feet** allowed on the two sites combined, as of right. **The property sold for \$557.66 per buildable square foot** to a Manhattan hospital company. Massey Knakal Realty Services was the sole broker in this transaction.



MASSEY KNAKAL SELLS FUTURE CONDO SITE

An elevated, T-shaped loft-style office building and future site of residential condos at **155 Spring Street** in SoHo was



sold by a co-venture of Massey Knakal Realty Services and Eastern Consolidated Properties in an **all-cash transaction valued at \$31,500,000**. The property is located on the north side of Spring Street between Wooster Street and West Broadway. The six-story property contains **approximately 37,700 square feet** including the basement. It is entirely leased by 14 tenants.

The transaction occurred at a **capitalization rate of 6.43%** and a **gross rent multiple of 11.55**. The property sold for **\$486.99 per square foot**. The property was purchased by a local investor with plans to eventually convert the building to residential condos. Massey Knakal Realty Services represented the seller in this transaction.

VILLAGE APARTMENT BUILDING SOLD

A five-story apartment building in the heart of Manhattan's Greenwich Village at **26 Seventh Avenue South** was sold by Massey Knakal Realty Services in an **all-cash transaction valued at \$3,500,000**. The 26' x 85' irregular property is located at the northwest corner of Seventh Avenue South and Leroy Street, one of the most desirable blocks in the village. The property contains **approximately 8,298 square feet** over 20 residential units, 18 of which are rent stabilized and two rent controlled. Rents average \$1,031 per month. The transaction occurred at a **capitalization rate of 3.94%** and a **gross rent multiple of 14.15**. The property sold for **\$421.79 per square foot** to a Westchester investor. Massey Knakal Realty Services was the sole broker in this transaction.



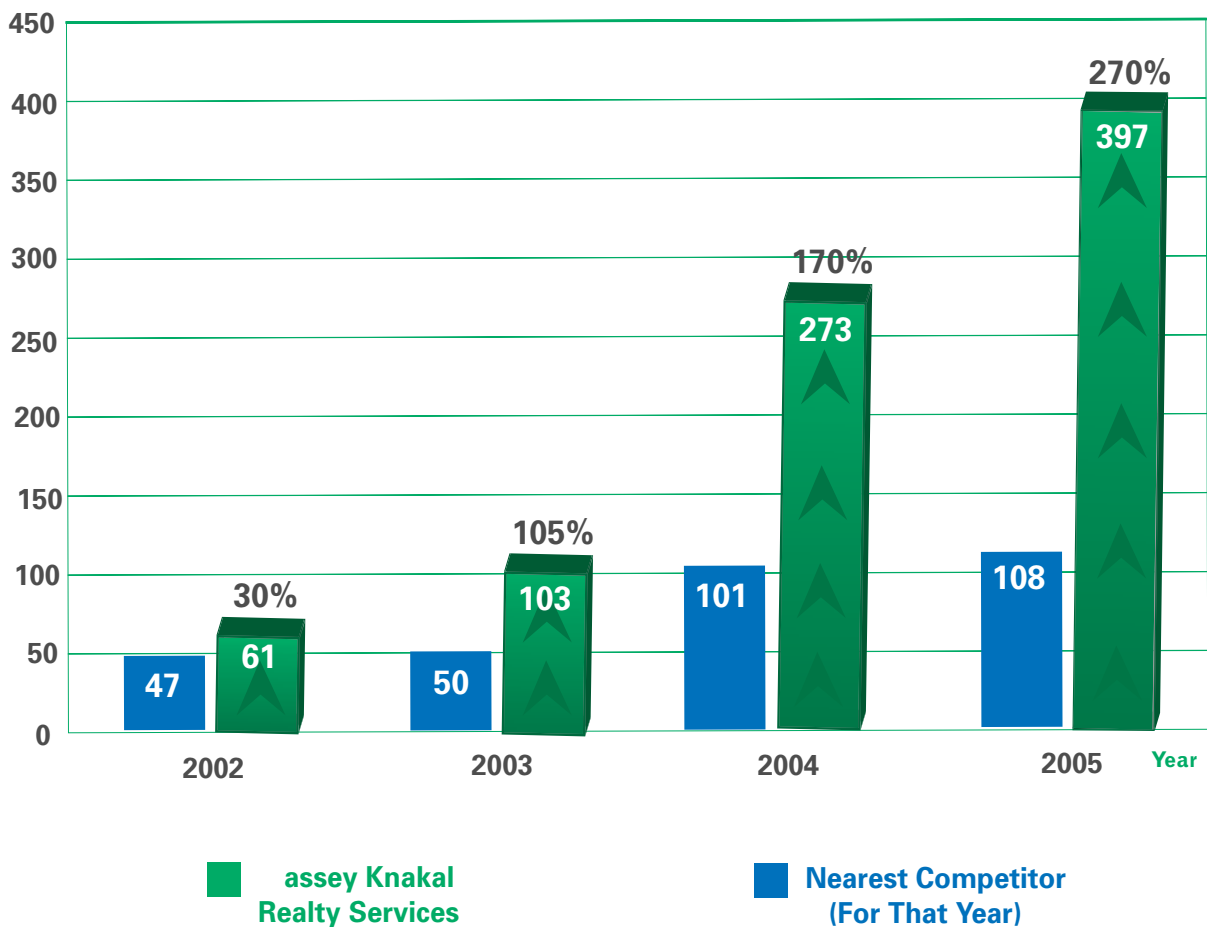


CoStar's Top NYC Building Sales Firms Since 2002

The percentage shown represents the differential between the number of transactions closed by Massey Knakal as compared to our nearest competitor for that year.

(All sales in Manhattan, Brooklyn, Queens and the Bronx)

Number
Of Transactions



MASSEY KNAKAL NEWS - MANHATTAN

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APARTMENT BUILDING SOLD

A five-story, walk-up apartment building with a basement at **308 East 83rd Street** on Manhattan's Upper East Side was sold by Massey Knakal Realty Services in a **transaction valued at \$3,450,000**. The 25' x 66' property is located on the south side of East 83rd Street between First and Second Avenues. It contains **approximately 8,500 square feet** including 17 rental apartments - 14 rent stabilized and three free market. The average rent is \$1,356 and some of the units have been renovated.



The transaction occurred at a capitalization rate of **5.49%** and a gross rent multiple of **12.47**. The property sold for **\$405.88 per square foot**. The 1031 exchange buyer was from Manhattan. Massey Knakal Realty Services was the sole broker in this transaction.

MASSEY KNAKAL SELLS WALK-UP BUILDING

Massey Knakal Realty Services has sold a mixed-use, walk-up building at **1364 York Avenue** on Manhattan's Upper East



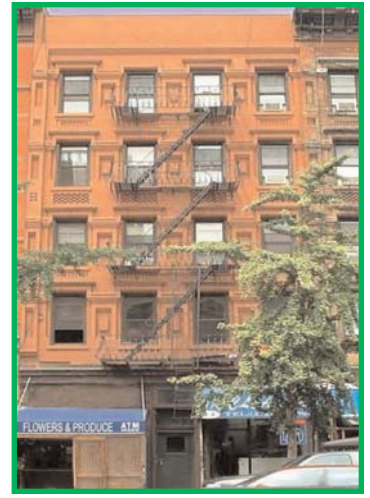
Side in a **transaction valued at \$4,575,000**. The 25' x 78' property is located on the east side of York Avenue between East 72nd and East 73rd Street. It contains two stores and 18 rent regulated residential apartments over **approximately 9,750 square feet**. The building is zoned C1-9 with a floor-to-area ratio of 10.0, allowing for **approximately**

14,750 square feet of available air rights. The transaction occurred at a capitalization rate of **4.50%** and a gross rent multiple of **13.71**. The property sold for **\$469.23 per square foot** to a Manhattan investor. Massey Knakal Realty Services was the sole broker in this transaction.

APARTMENT BUILDING SOLD

A 24-foot-wide apartment building at **71 Second Avenue** in Manhattan's East Village was sold by Massey Knakal Realty

Services in an **all-cash transaction valued at \$4,170,000**. The 24.1' x 67' property is located on the west side of Second Avenue between East 4th and East 5th Streets. The walk-up building contains **approximately 7,600 square feet** including five Class A residential units and two retail stores. Previously sold for \$3,525,000 in December 2005, the majority of the building could be vacated within a year. The transaction occurred at a capitalization



rate of **4.74%** and a gross rent multiple of **18.03**. The property sold for **\$548.68 per square foot** to a Manhattan investor. Massey Knakal Realty Services represented the seller in this transaction.

MASSEY KNAKAL NEWS - MANHATTAN

UWS APARTMENT BUILDING SOLD BY MASSEY KNAKAL

A nine-story, elevatored apartment building at **134 West 93rd Street** on Manhattan's Upper West Side was sold by Massey



Knakal Realty Services in an **all-cash transaction valued at \$17,100,000**. The 87' x 82' property is located on the south side of West 93rd Street between Amsterdam and Columbus Avenues. It contains **approximately 57,750 square feet** including 53 residential units (studios, one- and two-bedrooms) - 25 rent stabilized, 19

free market and nine rent controlled. All units have individual electric and gas units. **The transaction occurred at a capitalization rate of 2.88% and a gross rent multiple of 17.66.** The property sold for **\$296.10 per square foot**. Massey Knakal Realty Services was the sole broker in this transaction.

MASSEY KNAKAL SELLS APARTMENT BUILDING

Massey Knakal Realty Services has sold a walk-up apartment building at **350 West 18th Street** in the Chelsea area of Manhattan in an **all-cash transaction valued at \$5,488,000**. The 25' x 82', six-story property is located on the south side of West 18th Street between Eighth and Ninth Avenues. It contains 18 residential units - 15 free market, two rent stabilized and one rent controlled - over **approximately 10,950 square feet**.



Average rent per unit is \$1,850 monthly. Additionally, the ground floor is currently being combined with the basement to form a duplex with a garden. **The transaction occurred at a capitalization rate of 5.37% and a gross rent multiple of 14.08.** The property sold for **\$501.19 per square foot** to a 1031 investor from Manhattan. Massey Knakal Realty Services was the sole broker in this transaction.

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APARTMENT BUILDINGS SOLD

A seven-story, elevatored building at **135 East 17th Street** and a five-story, walk-up building at **145 East 17th Street** in the Gramercy Park area of Manhattan were sold by Massey

Knakal Realty Services in an **all-cash transaction valued at \$12,800,000**. **135 East 17th Street** is a 62.92' x 63' property containing 44 residential units - two 2-bedrooms and 42 studios. **145 East 17th Street** is a 23' x 100' property with 15 residential units and two retail stores. Both are located on the north side of East



17th between Irving Place and 3rd Avenue. They contain a combined total of **approximately 36,948 square feet and 23,000 buildable square feet**. **The transaction occurred at a capitalization rate of 3.89% and a gross rent multiple of 14.04.** The properties sold for **\$346.43 per square foot**. Massey Knakal Realty Services was the sole broker.

MASSEY KNAKAL NEWS - QUEENS



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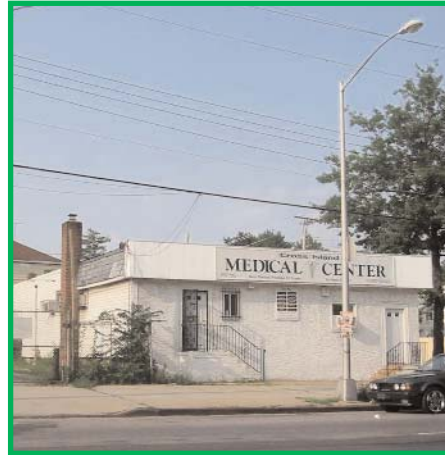
RETAIL PROPERTY SOLD

Massey Knakal Realty Services has sold a one-story retail property at **72-07/19 Austin Street** in the Forest Hills section of Queens in an **all-cash transaction valued at \$8,000,000**. The 100' x 95' irregular property is located on the north side of Austin Street between 72nd Avenue and 72nd Road. The property contains **approximately 9,500 square feet**, subdivided into five commercial/retail stores. The property is located within a C4-2 zoning district, allowing for **approximately 22,800 square feet of available air rights**. The transaction occurred at a capitalization rate of 5.05% and a gross rent multiple of 15.12. The property sold for \$842.11 per square foot to a Long Island investor. Massey Knakal Realty Services was the sole broker in this transaction.



MASSEY KNAKAL SELLS COMMERCIAL PROPERTY

A one-story commercial property at **217-95 Hempstead Avenue** in the Queens Village section of Queens was sold by

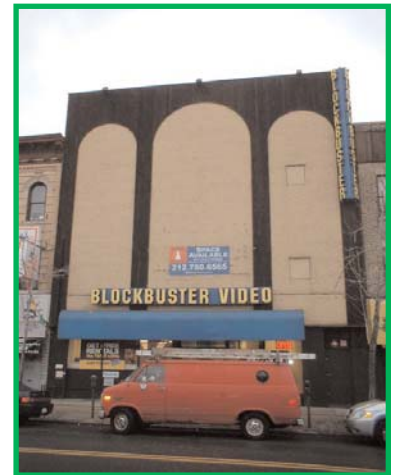


Massey Knakal Realty Services in an **all-cash transaction valued at \$640,000**. The property, located on a 76' x 88' lot on the northwest corner of Hempstead Avenue and 218th Street, contains **approximately 2,170 square feet**. Additionally, the property has

4,500 square feet of air rights and a parking lot that can be developed. The transaction occurred at a capitalization rate of 3.53% and a gross rent multiple of 17.78. The property sold for **\$294.93 per square foot** to a developer. Massey Knakal Realty Services was the sole broker in this transaction.

MASSEY KNAKAL SELLS COMMERCIAL BUILDING

A three-story commercial building with a Blockbuster Video on the ground floor at **60-15 Myrtle Avenue** in the Ridgewood section of Queens was sold by Massey Knakal Realty Services in an **all-cash transaction valued at \$3,000,000**. The 40-foot-wide property is located on the north side of Myrtle Avenue between 60th Lane and 60th Street. It contains **approximately 16,560 square feet above grade** with a full basement, two elevators and double stairwells. The ground floor is currently leased to Blockbuster through February 2011. The second and third floors are vacant lofts. The transaction occurred at a capitalization rate of 5.27% and a gross rent multiple of 18.97. The property sold for **approximately \$181.16 per square foot** and was purchased by a Long Island investor. Massey Knakal Realty Services was the sole broker.



MASSEY KNAKAL NEWS - QUEENS

MASSEY KNAKAL SELLS DEVELOPMENT SITE

A 153-foot-wide development site at **57-15 Grand Avenue** in the Maspeth section of Queens was sold by Massey Knakal Realty Services in an **all-cash transaction valued at \$1,350,000**. The 153' x 143' irregular site is located at the northeast corner of Grand Avenue and 57th Street. The property



has a footprint of approximately **17,190 square feet**, and a maximum of **34,380 industrial square feet**. It is located in an M3-1 zone. The property sold for **\$39.26 per**

buildable square foot to by a Long Island developer. Massey Knakal Realty Services was the sole broker in this transaction.

MASSEY KNAKAL SELLS LOT

Massey Knakal Realty Services has sold a 43' x 427' irregularly shaped lot at **43-21 91st Place** in the Elmhurst section



of Queens in an **all-cash transaction valued at \$5,650,000**. The entrance of the lot is located on the east side of 91st Place between Corona and 43rd Avenues, with another entrance and frontage on Corona Avenue.

The site lies within M1-1 zoning, but also has a small piece of R6B zoning with a C2-3 overlay, allowing for use as a department store/variety/appliance store, etc. **The property is set back about 100 feet from Corona Avenue behind buildings that have frontage on the avenue. It sold for \$97.41 per buildable square foot.** The property was purchased by a Queens developer. Massey Knakal Realty Services was the sole broker in this transaction.

COMMERCIAL BUILDING SOLD

A four-story commercial building currently leased to New York Sports Club at **69-33 Austin Street** in the Forest Hills section of Queens was sold by Massey Knakal Realty Services in an **all-cash transaction valued at \$13,100,000**.

Located at the northwest corner of Austin Street and 70th Avenue, the property contains **approximately 26,900 square feet** including a basement and mezzanine. The entire property is leased to NYSC until October 31, 2011, with two five-year renewal options. **The transaction occurred at a capitalization rate of 4.22% and a gross rent multiple of 21.09. The property sold for \$486.99 per square foot** to a 1031 investor from Westchester. Massey Knakal Realty Services was the sole broker in this transaction.



MASSEY KNAKAL NEWS - N. MANHATTAN/BRONX

HARLEM DEVELOPMENT SITE SOLD

Massey Knakal Realty Services has sold a mixed-use development site with plans to be developed into a hotel at **2306-**



08 Frederick Douglass Blvd. in Harlem in an **all-cash transaction valued at \$4,600,000.** The 51' x 79' irregular property is located at the southeast corner of Frederick Douglass Blvd. and 124th Street. It contains a four-story vacant building directly across from the Magic Johnson Theater, one block from the 125th Street subway station. The

current zoning is commercial with residential equivalent (C4-4D/R8). The new zoning allows for **approximately 22,873 buildable square feet.** The property sold for **\$201.11 per buildable square foot.** The buyer, a Harlem investor, also bought the adjacent supermarket and plans to develop a high-end hotel. **Massey Knakal Realty Services represented the seller in this transaction.**

MASSEY KNAKAL SELLS APARTMENT BUILDING

A six-story elevator apartment building at **2705 Colden Avenue** near the Allerton section of the Bronx was sold by



Massey Knakal Realty Services in an **all-cash transaction valued at \$4,700,000.** The 152' x 88' property contains 44 units and **approximately 40,228 square feet.** Of the 44 units, 40 are residential and the rest are commercial. The apartments were recently renovated and both the roof and the boiler are new. **The transaction occurred at a capitalization rate of 6.65% and a gross rent multiple 9.31.** The building sold for **\$116.83 per square foot** to a Bronx investor. **Massey Knakal Realty Services was the sole broker in this transaction.**

MASSEY KNAKAL SELLS WALK-UP BUILDING

A five-story walk-up building with a basement at **195 Lenox Avenue** in the Mount Morris section of Northern Manhattan



was sold by Massey Knakal Realty Services in a **transaction valued at \$1,595,000.** The 18' x 74' property is located on the west side of Lenox Avenue between 119th and 120th Streets. It contains seven renovated residential apartments, two of which are rent stabilized and the rest free market. The property is located in the Mount Morris District, steps

from Central Park North. It contains **approximately 6,660 square feet.** The transaction occurred at a **capitalization rate of 4.55% and a gross rent multiple of 14.53.** The property sold for **\$239.49 per square foot** to a Manhattan investor. **Massey Knakal Realty Services was the sole broker in this transaction.**

APARTMENT BUILDINGS SOLD

Massey Knakal Realty Services has sold two apartment buildings at **330 West 141st Street** and **606 Saint Nicholas Avenue** in the Hamilton Heights section of Northern Manhattan in an



all-cash transaction valued at \$1,550,000. The buildings are located between West 140th and West 141st Streets on St. Nicholas and Edgecombe Avenue. **330 West 141st Street** is a 10-unit, 5-story walk-up building with eight 2-bedrooms, one 3-bedroom and one 1-bedroom, all of which are rent stabilized. **606 St. Nicholas Avenue** is a 5-unit, 5-story walk-up building consisting of five 2-bedroom units, all of which are also rent stabilized. **Combined, the properties contain 16,110 square feet.** The transaction occurred at a **capitalization rate of 5.80% and a gross rent multiple of 10.12.** The property sold for **\$96.21 per square foot.** **Massey Knakal was the sole broker.**



MASSEY KNAKAL NEWS - N. MANHATTAN/BRONX

HARLEM BROWNSTONE SOLD

A four-story brownstone plus cellar at **217 West 137th Street** in Central Harlem was sold by Massey Knakal Realty



Services in an **all-cash transaction valued at \$1,300,000**. The 18.5-foot-wide property is located on the north side of 137th Street between Adam Clayton Powell and Frederick Douglass Boulevards, one block south of Striver's Row. Owned by the same family for nearly a century, it contains all of its original details plus a cellar. The property has a

legal certificate of occupancy for two families and a private parking space with gated entrance. It contains **approximately 4,110 square feet** and was sold vacant for **\$316.60 per square foot**. Massey Knakal Realty Services was the sole broker in this transaction.

MASSEY KNAKAL SELLS APARTMENT BUILDING

A six-story walk-up apartment building at **1381-1387 Castle Hill Avenue** in the Bronx was sold by Massey Knakal Realty Services in an **all-cash transaction valued at \$5,300,000**.



The 153-foot-wide property is located on the southwest corner of Castle Hill and Starling Avenues, one block from the #6 subway train. It contains **approximately 72,500 square feet** including four medical units and 71 apartments. The property has a net operating income of \$366,887. The trans-

action occurred at a capitalization rate of 6.92% and a gross rent multiple of 7.75. The property sold for **\$73.10 per square foot**. The 1031 investor is from Rockland County, N.Y. Massey Knakal Realty Services was the sole broker in this transaction.

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VACANT BUILDING SOLD

A 25-foot-wide vacant building at **302 West 122nd Street** in the West Harlem section of Northern Manhattan was sold by Massey Knakal Realty Services in an **all-cash transaction valued at \$1,820,000**.

The 25' x 71', four-story property is located between Frederick Douglass Blvd. and Manhattan Avenue, steps from the West 125th Street retail corridor, and Columbia University. The building contains four residential and two commercial units over **approximately 7,100 square feet**, and an additional **15,138** buildable



square feet creates potential for conversion. The property sold for **\$120 per buildable square foot** to a Northern Manhattan developer. Massey Knakal Realty Services was the sole broker in this transaction.

MASSEY KNAKAL NEIGHBORHOOD WATCH

“FOREST HILLS, THE KING OF QUEENS”

Even in its early days, **Forest Hills** was a hot Queens neighborhood that always stood out for its charm and beauty. In 1904, Cord Meyer bought six large farms on a hilly track adjacent to Forest Park, and the name **Forest Hills** was born. In 1909, the year the Queensborough Bridge connected Queens and Manhattan traffic, Margaret Sage bought 142 acres of land from Cord Meyer and commissioned the design of **Forest Hills Gardens**. Renowned architect Grosvenor Atterbury, designer of the American Wing of the Metropolitan Museum of Art, and landscape architect Frederick Law Olmsted, Jr., designed the Gardens - a private community with Tudor-style homes, winding tree lined streets and small green parks in between homes. Cord Meyer built the north side of **Forest Hills**, which is how a community came to life. Post-World War II, a number of prominent New York builders like the LeFraks, the Parkoffs and David Minkin started taking advantage of the central neighborhood location. They built large elevated apartment buildings on both sides of **Queens Boulevard**, the central artery going through most of **Queens**. Other well-known developers like the Muss family and the Minskoffs focused on the retail and office infrastructure to support fast residential growth. With its central location and excellent infrastructure from **Forest Park** and the **Flushing Meadows Park** nearby, to great transportation including multiple highways, the F, R, G and V and E express subway lines as well as the Long Island Rail Road, **Forest Hills** was probably the most sought after place to live in **Queens**. The neighborhood also secured a place on the U.S. pop culture map when Marvel Comics founder Stan Lee made it a home for his most celebrated character, Spiderman. The exit of the U.S. Open tennis tournament in 1978 - often referred to by New Yorkers as **Forest Hills**, just like the British Open is referred to as Wimbledon - did not lower the appeal of the neighborhood. On the contrary, the 1980s and 1990s saw ambitious developers like Heskell Elias, Barry and Robert Rothenberg and Joshua Muss reinvigorate the Austin Street retail strip, which spans almost a mile in the heart of **Forest Hills**. The developers, in turn, brought in chain stores like the GAP, Banana Republic and Barnes & Noble, which made the strip super trendy. In September 1999, as if to confirm the trend setting status in **Forest Hills**, then-First Lady Hillary Rodham Clinton came to the official opening of a Duane Reade store at 107-16 Continental Avenue. Capping off the new century were filmmakers who shot parts of both Spiderman I and II movies in **Forest Hills**. So what is happening now in a well-established, mature neighborhood like **Forest Hills**? In the last decade, the door has opened to many new immigrants. The population of Community District 6, which encompasses **Forest Hills and Rego Park**, grew by 8.4%, or 8,971 people between 1990 and 2000, the last year census data was available. Councilwoman Melinda Katz of District 29 has been extremely supportive of diversity and community building.

After seeing the influx of immigrants after the fall of the Berlin Wall, she was set on helping them build a community in her district. She has been a major force in helping the fast growing Bukharian population establish a Cultural Youth and Education Center for the Russian Jewry, which will open soon at **98-81 Queens Boulevard**. "We need to balance economic growth and community needs," she affirmed. "In some areas on or close to **Queens Boulevard** we can upzone, while in the strictly residential areas, we may bring the zoning down from the current R3-2." Active in the community is also the local **Chamber of Commerce**, which in the last six years organized a street fair called **Festival of the Arts on Austin Street**. The Chamber also promotes the shopping experience through its www.shopforesthills.com website. The ability of the neighborhood to reinvent itself yet again has made developers take notice. With rental prices of retail space **above \$100 per square foot on Austin Street**, developers have started to think creatively. In 2005, the Cord Meyer Development Company built a **21-story condo building, the Windsor, on 108-24 71st Road off of Austin Street** with prices of 2 bedroom apartments exceeding the **\$1,000,000 mark**. The success of the **Windsor** has prompted the company to seek approval for a new condo building in a nearby location it owns. A local developer with strong roots in Forest Hills is also building a 5-story office building nearby at 108-10 72nd Avenue. In 2005, Massey Knakal marketed two large properties with available air rights in **Forest Hills - the Yellowstone Portfolio -at 64-22 108th Street**. The sale closed at **\$22,900,000 and provided 252,000 buildable square feet to its buyer**. Additionally, the **7207/7219 Austin Street retail strip contained a 9,500 lot with over 22,800 square feet of air rights**. With new projects abound, the high costs of development, limited land availability and the competition for the Manhattan construction labor pool makes development of middle housing rental apartments almost impossible. Local developers with long tradition in middle-income housing like Joshua Muss of the Muss Development Company and Eric Bluestone of the Bluestone Organization have chosen to pursue projects in other neighborhoods in the last few years. "Until the luxury condo market cools down, the middle income rental apartment building market will be close to non-existent," Mr. Bluestone said. Yet 2006 is still young and some slowdown in New York condo sales points to another change in the market direction. Whatever the direction, **Forest Hills** is rocking with building activity yet again, and will continue to be the hot neighborhood the Meyers and Sages envisioned over 100 years ago.

Mr. Diankov exclusively covers Forest Hills for Massey Knakal. He can be reached at 718.275.3400, x2116.



MASSEY KNAKAL'S BUSINESS MODEL

The Massey Knakal Territory System - How Does It Work?

There are three unique facets of Massey Knakal's business model:

1. We only sell properties.
2. We only represent sellers and on an exclusive basis.
3. Most uniquely, we divide the region into small, neighborhood-sized "territories," delineated by the red lines on the map below.

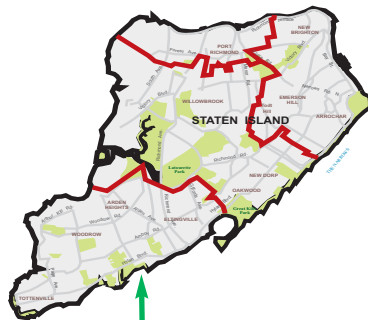
Each Massey Knakal professional is assigned a specific number of blocks. Within these "territories," members of the team are responsible for knowing and tracking all variables of their submarket including who's buying, who's selling, what sale prices have been, what factors are affecting value and how transactions are being structured.

If you would like to speak with one of our brokers about a specific territory, please check the map and contact the appropriate main office.

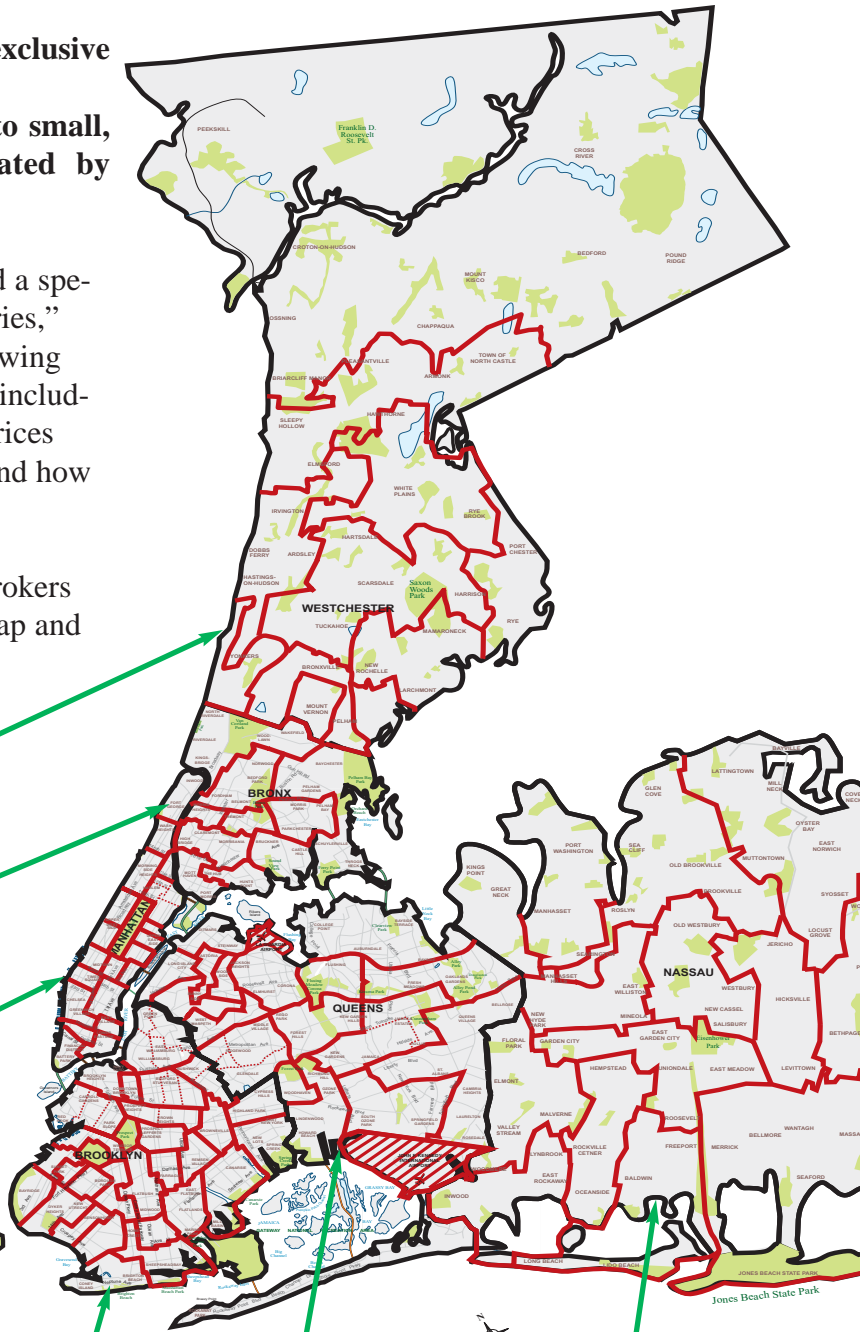
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MASSEY KNAKAL NEWS - BROOKLYN

FORMER GRAVESEND POST OFFICE SOLD



A historically significant mixed-use building with air rights at **310-312 Avenue U** in the Sheepshead Bay section of Brooklyn was sold by Massey Knakal Realty Services in an **all-cash transaction valued at \$1,060,000**. The 38-foot-wide property is

located on the south side of Avenue U between McDonald Avenue and West Street. It contains **approximately 3,116 square feet** including a large two-bedroom apartment over two commercial stores and an **additional 3,000 square feet of air rights**. Once home of the Gravesend Post Office, the property is located 150 feet from the Avenue U stop on the F train. **The transaction occurred at a capitalization rate of 5.11% and a gross rent multiple of 14.72**. The property sold for **\$340.18 per square foot** to a Manhattan investor. Massey Knakal Realty Services was the sole broker in this transaction.

MASSEY KNAKAL SELLS APARTMENT BUILDINGS

Two contiguous walk-up apartment buildings at **241 and 245 Ocean Parkway** in the Kensington section of Brooklyn were sold by Massey Knakal Realty Services in an **all-cash transaction valued at \$4,150,000**. Both **241 and 245 Ocean**



Parkway are 50' x 90' buildings, each with **approximately 18,000 square feet and an additional 14,000 square feet of air rights**. The buildings share a basement and #2 oil burner and contain a combined 36,000 square feet. **The**

transaction occurred at a capitalization rate of 3.64% and a gross rent multiple of 16.52. The property sold for **\$115.28 per square foot** and was purchased by a Brooklyn developer. Massey Knakal Realty Services was the sole broker in this transaction.

MASSEY KNAKAL SELLS CONEY ISLAND LOT

A triangular lot with two existing multifamily shells and a garage at **1520 Hart Place** in the Coney Island section of Brooklyn was sold by Massey Knakal Realty Services in an



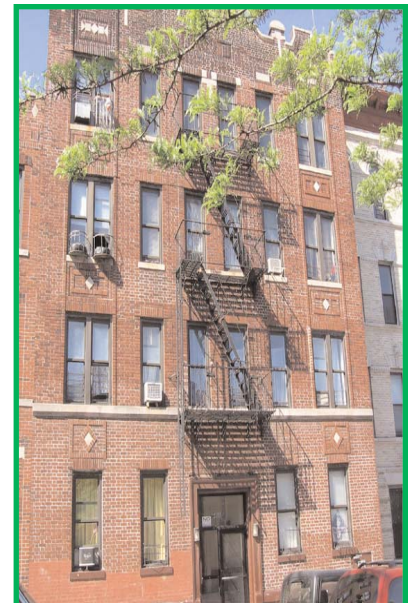
all-cash transaction valued at \$885,000. The 121' x 100' irregular development site is located on the southwest corner of Hart Place and West 15th Street, two blocks from the Belt Parkway. The site con-

tains **approximately 14,500 buildable square feet**. Although located in an M1-2 zone, special zoning in Coney Island could allow for residential development. **The property sold for \$61.03 per buildable square foot**. The buyer was a Brooklyn user. Massey Knakal Realty Services was the sole broker in this transaction.

APARTMENT BUILDING SOLD

A four-story apartment building with 16 rent stabilized units at **460 41st Street** in Brooklyn's Sunset Park neighborhood

was sold by Massey Knakal Realty Services in a **transaction valued at \$1,660,000**. The 35' x 89' property is located four blocks from the N and R subway trains and less than a block from the 5th Avenue retail corridor. It contains **approximately 14,240 square feet**. **The transaction occurred at a capitalization rate of 6.68% and a gross rent multiple of 9.93**. The property sold for **\$116.57 per square foot**. Massey Knakal Realty Services was the sole broker in this transaction.



MASSEY KNAKAL NEWS - BROOKLYN

ALPINE MOVIE THEATER SAVED AND SOLD

A 7-story movie theater that debuted its first film 85 years ago at **6817 Fifth Avenue** in the Bay Ridge section of Brooklyn was sold by Massey Knakal Realty Services in a **transaction valued at \$5,000,000**. The Alpine Theater sits on an irregular shaped lot and measures **approximately 22,400 square feet**. The transaction occurred at a capitalization rate of **3.50%** and a gross rent multiple of **11.57**. The property sold for **\$231.48 per square foot**. Residents and politicians fought to keep the theater since it was the neighborhood's last remaining cinema. The 2,200 seat Alpine opened June 6, 1921, when its first film, "City Of Silent Men," debuted. The price for admission was 15 cents for weekday matinees and 25 cents at night and on weekends. Massey Knakal Realty Services represented the seller in this transaction.



MASSEY KNAKAL SELLS APARTMENT BUILDING

A four-story, 16-family walk-up apartment building at **2205 Foster Avenue** in the Flatbush section of Brooklyn was sold by Massey Knakal Realty Services in an **all-cash transaction valued at \$1,637,500**. The 109' x 69' building is located on Foster Avenue between East 22nd and East 23rd Streets. It contains **approximately 20,800 square feet**. Comprised of 1 one-bedroom, 11 two-bedrooms and 5 three-bedroom apartments, the property was well-maintained and will not need any significant improvements. This transaction occurred at a capitalization rate of **6.23%** and a gross rent multiple of **8.81**. The building sold for **\$78.73 per square foot** to a Brooklyn investor. Massey Knakal represented the seller in this transaction.



MASSEY KNAKAL SELLS MIXED-USE BUILDING

A three-story mixed-use building at **7607 18th Avenue** in the Bay Ridge section of Brooklyn was sold by Massey Knakal Realty Services in an **all-cash transaction valued at \$910,000**. The 19-foot-wide, walk-up property is located between 76th and 77th Streets. It contains **approximately 4,066 square feet** including two residential units (six rooms each) and one vacant commercial unit. The retail space, formerly occupied by a contractor, measures **1,700 square feet** and has a projected income of \$3,000 per month. The third floor apartment was also delivered vacant at the closing. The transaction occurred at a capitalization rate of **5.03%** and a gross rent multiple of **14.00**. The property sold for **\$223.81 per square foot** to a Brooklyn user. Massey Knakal Realty Services was the sole broker in this transaction.



APARTMENT BUILDING SOLD

A four-story, walk-up apartment building at **6711 Fort Hamilton Parkway** in the Bay Ridge section of Brooklyn was sold by Massey Knakal Realty Services in a **transaction valued at \$2,225,000**. The 50' x 87' property is located on Fort Hamilton Parkway between 67th and 68th Streets. The 20-family apartment building contains **approximately 17,400 square feet** including 12 two-bedrooms, four one-bedrooms and four three-bedrooms. Most of the apartments have renovated kitchens and bathrooms. The transaction occurred at a capitalization rate of **4.53%** and a gross rent multiple of **11.37**. The property sold for **approximately \$127.87 per square foot** to a Brooklyn investor. Massey Knakal Realty Services was the sole broker in this transaction.



Massey Knakal Holds 2nd Annual Market Makers Breakfast

"The MK Premium"



Massey Knakal Realty Services held its 2nd Annual Market Makers Breakfast at Grand Central Station. Hundreds of people in the real estate industry attended for a networking and conditions discussion. Guests also had the opportunity to meet with Massey Knakal Realty Services exclusively. The appraisal firm Miller Cicero released its comprehensive "The MK Premium" - which concluded that Massey Knakal sells NYC investment properties.



Partners Marco Lala, James Nelson and Brian Leary.



David Alani reviews the properties he was exclusively retained to sell with a potential purchaser.



Guthrie Garvin and Gunnar Klintberg.



Shirley Rosado, Swain Weiner and Erin Mitchell.



Paul Massey and Michael Stoler.



Longtime Massey Knakal client Ofer Yardeni and Robert Burton.



Kenneth Hillman explains the details of the properties he is marketing.



Alfonso Holloman and Mark Spinelli.



Perry Soskin, Paul Massey and Pat Condren.



Joseph Sitt and Paul Rich represent Staten Island.



Joseph Cappello and Ching-Tien Chen.



John Falco, David Alani, Harrison Douglas, Eugene Kim, Thomas Donovan and Sean Barnes.

Market Makers Breakfast Symposium

...n" Officially Unveiled

st Symposium on May 25, 2006, at the Grand Hyatt New York, Park
try attended the event, which included breakfast and a current market
Knakal's 80+ territory experts, currently marketing more than 750 prop-
ve analysis of New York City's building sales market - "The Massey
ent properties for over 30% higher sales prices than the rest of the mar-



Nikolay Diankov, John Barrett, Ofer Cohen and Shimon Shkury.



Breakfast organizers Yolanda Vega, Kari Neering and Annie Herrick.



Michele Montefiore and Brian DeMars of Dew Graphics, who has been printing the Massey Knakal Building Sales Journal the last 18 years.



Robert Knakal and Colleen McDonald.



John Cicero officially unveils "The Massey Knakal Premium."



Massey Knakal agents market their properties to hundreds of potential buyers.



Robert Shapiro and Jack Lala represent Northern Manhattan.



Cheryl Cove and Donald Dietz III.



Ryan Condren, John Santoro and Carlos Matos.



Representatives of Massey Knakal's Brooklyn office.



Jeffrey Shalom explains his take on the market.



Robert Knakal delivers his speech on market conditions. (See Pages 23-27 for the text of his speech.)

MASSEY KNAKAL NEWS - STATEN ISLAND

MASSEY KNAKAL SELLS COMMERCIAL BUILDING

A 19-foot-wide commercial building at **1088 Bay Street** in Staten Island was sold by Massey Knakal Realty Services in a **transaction valued at \$470,000**. The one-story property is located between Sylveton Terrace and Church Lane. Located in an R3A zone with a C1-2 overlay, the property contains **approximately 1,440 square feet**. There is also an additional 960 square feet of air rights. The high traffic location is directly across new commercial and residential developments. **The transaction occurred at a capitalization rate of 6.13% and a gross rent multiple of 16.32**. The property sold for \$326.39 per square foot to a Staten Island user. Massey Knakal Realty Services was the sole broker in this transaction.



COMMERCIAL BUILDING SOLD

A one-story commercial building at **2455 Hylan Boulevard** in Staten Island - the island's major commercial strip - was sold by Massey Knakal Realty Services in an **all-cash transaction valued at \$2,300,000**. The 80' x 82' building is located on the northwest side of Hylan Boulevard between Jacques and Bache Avenues. It contains **approximately 6,560 square feet**. Built in the 1950s, the property was renovated in 2003. The parking lot accommodates up to 14 cars. **The transaction occurred at a capitalization rate of 8.28% and a gross rent multiple 10.02**. The building sold for \$350.61 per square foot to a Staten Island investor. Massey Knakal Realty Services was the sole broker in this transaction.



MIXED-USE BUILDING SOLD

Massey Knakal Realty Services has sold a three-story mixed-use building at **661-663 Bay Street** in Staten Island in a **transaction valued at \$820,000**. The 49-foot-wide property is located between Thompson and Broad Streets. It contains **8,125 square feet** over four apartments and one retail space. All of the apartments have no leases and are well below market. **The transaction occurred at a capitalization rate of 6.13% and a gross rent multiple of 13.27**. The property sold for \$100.92 per square foot to a Staten Island investor. Massey Knakal Realty Services was the sole broker in this transaction.



Properties For Sale

*For more information contact the firm's
Staten Island Division at 718.238.8999.*



457 Poillon Avenue

Residential Dev. Site
18+ Waterfront Acres
539,000 BSF

Asking: \$40,000,000



145 East Service Road

Triple Net Leased
1-story Fitness Center
51,000 square feet

Asking: \$21,000,000

MASSEY KNAKAL NEWS - NASSAU/WESTCHESTER

MIXED-USE NASSAU BUILDING SOLD

A three-story apartment building with ground level retail stores in the historic town of Sea Cliff, Long Island at **304 Sea Cliff Avenue** was sold by Massey Knakal Realty Services in a **transaction valued at \$1,660,000**. The 39' x 70' building is



located on the southeast side of Sea Cliff Avenue and Central Avenue. The property contains **approximately 8,610 square feet** including eight apartments and two retail

stores. One of the retail stores was delivered vacant. **The transaction occurred at a capitalization rate of 7.74% and a gross rent multiple of 9.56.** The property sold for **approximately \$192.80 per square foot**. Massey Knakal Realty Services was the sole broker in this transaction.

RETAIL PROPERTY SOLD

A one-story property with three retail store fronts at **2134-2138 Grand Avenue** in the Baldwin section of Long Island was sold by Massey Knakal Realty Services in an **all-cash transaction valued at \$660,000**. The 59' x 70' property is



located on the west side of Grand Avenue between Baldwin and Brooklyn Avenues. The building is **approximately 4,130 square feet** with a lot size of **approximately 12,638 square feet**. The lease for the print store is through 2009, the

others are month to month. **The transaction occurred at a capitalization rate of 3.47% and a gross rent multiple of 12.02.** The property sold for **\$159.81 per square foot** to a Long Island user. Massey Knakal Realty Services represented the seller in this transaction.

MASSEY KNAKAL SELLS APARTMENT BUILDING

A four-story apartment building at **66-70 Elliott Avenue** in the Yonkers section of Westchester County, N.Y., was sold by Massey Knakal Realty Services in a **transaction valued at \$800,000**. The 40' x 65', all-brick property



has great cash flow with upside in many undermarket rents. It consists of **approximately 10,796 square feet** over 10 residential units. The property features a new boiler and hot water tank. It has an annual net operating income of \$75,998. **The transaction occurred at a capitalization rate of 9.50% and a gross**

rent multiple of 6.49. The property sold for **\$74.10** to a Long Island investor. Massey Knakal Realty Services was the sole broker in this transaction.

YONKERS APARTMENT BUILDING SOLD

A 36-unit apartment building with indoor and outdoor parking at **250 McLean Avenue** in the Yonkers section of Westchester County, N.Y., was sold by Massey Knakal Realty Services in



an **all-cash transaction valued at \$2,750,000**. The 60' x 85' property consists of **approximately 29,482 square feet**. The two-, three- and four-room apartments have hardwood floors. A T-Mobile store is located on the ground floor. **The transaction occurred at a capitalization rate of 7.61% and a gross rent multiple of 7.12.** The

property sold for **\$86.49 per square foot** to a Bronx investor. Massey Knakal Realty Services was the sole broker in this transaction.

MASSEY KNAKAL NEWS - NEW YORK CITY

FORMER MUSEUM SOLD

Massey Knakal Realty Services has sold an elevated building - the former Trolley Museum of New York, which most recently was used as offices and classrooms - at **95-101 Lexington Avenue** in the Clinton Hill section of Brooklyn in an **all-cash transaction valued at \$3,350,000**. The 52.31' x 95' property is located between Classon and Franklin Avenues. It contains five stories and approximately 52 feet of frontage. The building, which has been empty for years, was owned by a church. The property contains **24,847 square feet** and sold for **\$134.83 per square foot**. The property was purchased by a Manhattan developer with plans to convert the property to high-end condos. **Massey Knakal Realty Services** was the sole broker in this transaction.



MASSEY KNAKAL SELLS COMMERCIAL CONDO

A prime ground floor commercial condominium in the American Felt Building at **114-16 East 13th Street** was sold by Massey Knakal Realty Services in an **all-cash transaction valued at \$1,500,000**. The space consists of **3,041 square feet of professional space** to be occupied by the buyer, who is in the filming business. The space boasts ceilings from 10.5' to 14' ceilings and upgrades including an HVAC system. The transaction occurred at a capitalization rate of **5.35%** and a gross rent multiple of **10.00**. The property sold for **\$493.26 per square foot**. **Massey Knakal Realty Services** was the sole broker in this transaction.



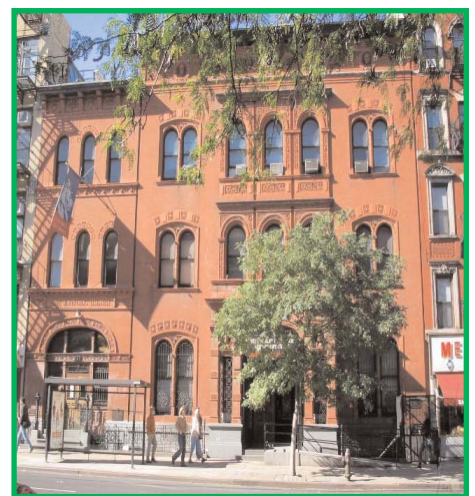
MASSEY KNAKAL SELLS COMMERCIAL CONDO

A commercial condominium with two adjoining lots at **473-75 Broadway** in Manhattan's SoHo neighborhood was sold by Massey Knakal Realty Services in an **all-cash transaction valued at \$15,000,000**. The 52.8' x 200' irregular property contains **approximately 8,500 square feet**. The transaction occurred at a capitalization rate of **5.13%** and a gross rent multiple of **17.05**. The property sold for **\$1,764.71 per square foot** to a local investor who had the future tenant "Scoop" in hand at the time of contract. **Massey Knakal Realty Services** represented the seller in this transaction.



LANDMARKED BUILDING SOLD

A specifically landmarked building in a non-landmarked district at **137 Second Avenue** in Manhattan's East Village was sold by Massey Knakal Realty Services in an **all-cash transaction valued at \$4,800,000**. The 47-feet-wide, three-story building is located on the west side of Second Avenue, approximately 70 feet south of East 9th Street. Cabrini Medical Center occupied the space, which was delivered vacant. The building contains **approximately 12,800 square feet** and sold for **\$375 per square foot**. The property was purchased by a Manhattan investor. **Massey Knakal Realty Services** was the sole broker in this transaction.



MASSEY KNAKAL PORTFOLIO SALES

“Sparrow Portfolio” Sold In Phases For \$52,800,000

A portfolio of 14 apartment buildings in the South Bronx - the **Sparrow Portfolio I** - was sold by Massey Knakal Realty Services in an **all-cash transaction valued at \$48,000,000**. **1230, 1264, 1305, 1310, 1348, 1353, 1356, 1365 and 1368 Sheridan Avenue, 200 Marcy Place, 1197, 1220, 1250 and 2051 Grand Concourse** were part of the portfolio. Combined, the properties contain **approximately 636,048 square feet and 641 apartments**. Many of the buildings were featured burning in the movie "Bonfire of the Vanities." The transaction occurred at a capitalization rate of 8.19% and a gross rent multiple of 7.40. The property sold for \$75.47 per square foot to a Manhattan investor. Massey Knakal Realty Services was the sole broker in this transaction.



Ten buildings in the Bushwick section of Brooklyn, known as part of the **Sparrow Portfolio II**, were sold by Massey Knakal Realty Services in an **all-cash transaction valued at \$4,800,000**. **61-63, 77, 83-85 Wyckoff Avenue and 1330-1342 Willoughby Avenue** contain 68 residential units, all of which have been renovated. Located one block from the L subway train, the properties contain **approximately 49,725 square feet**. The transaction occurred at a capitalization rate of 6.59 % and a gross rent multiple of 8.08. The property sold for \$96.53 per square foot and represented the second phase of the \$52,800,000 Sparrow Portfolio sale. Massey Knakal Realty Services was the sole broker in this transaction.



Massey Knakal Sells “The Next Century Portfolio”

Four buildings in a six-building package in the Prospect Heights and East Flatbush areas of Brooklyn were sold by Massey Knakal Realty Services in an **all-cash transaction valued at \$8,010,000**. The **Next Century Portfolio** consisted of 88 residential units at **272 Lincoln Place, 290 Lincoln Place, 403 Saint Johns Place and 2709 Clarendon Road**. The portfolio consisted of **approximately 64,392 square feet and closed at a capitalization rate of 5.63% and a gross rent multiple of 9.67**. The properties sold for \$124.39 per square foot. The buildings had below market rents ranging from \$727 to \$830 a month. They included studios and one-, two- and three-bedroom apartments. This sale marked the second time Massey Knakal helped the seller sell pieces of their portfolio. Last year, the firm sold the Century Portfolio for the same owner in the Prospect Heights, Crown Heights and East Flatbush neighborhoods in Brooklyn. That portfolio consisted of six walk-up apartments buildings featuring 275 apartments, nine commercial spaces and 270,600 square feet. That portfolio sold for **\$22,750,000**. Massey Knakal was hired to sell The Next Century Portfolio due to the successful completion of the first sale. The Next Century properties were purchased a Brooklyn investor. Massey Knakal Realty Services was the sole broker in this transaction.



MASSEY KNAKAL CHARITABLE FOUNDATION REPORT

Massey Knakal Charitable Foundation Sponsors Participants in March of Dimes "Walk America" Event For Babies

On April 30th, 2006, the March of Dimes organized a fundraising event in White Plains, New York titled, "Walk America." About a dozen Massey Knakal volunteers and members of their families walked in support of the March of Dimes and raised funds for the organization by collecting pledge donations from sponsors of their walk. The Massey Knakal Charitable Foundation (MKCF) donated \$50 towards each of the volunteers' individual fundraising efforts in support of this excellent cause.

The March of Dimes seeks to improve the health of babies by preventing birth defects, premature birth and infant mortality. It carries out this mission through research, community services, education and advocacy to save babies' lives. March of Dimes researchers, volunteers, educators, outreach workers and advocates work together to give all babies a fighting chance against the threats to their health: prematurity, birth defects, low birthweight.



Massey Knakal Volunteers

Included:

John Barrett
Shane Driscoll
Brock Emmetsberger
Meyrick Ferguson
Cheryl Cove
Christy Moyle
Gia LaMarca
Guthrie Garvin
Scott Landgraf
Tommy Lin
Paul Smadbeck



MASSEY KNAKAL CHARITABLE FOUNDATION REPORT

Massey Knakal Charitable Foundation Awards Grants to Area Non-Profits

The Massey Knakal Charitable Foundation recently awarded grants to the following non-profit organizations.

Boys' Club of New York

The grant awarded will support the Boys' Club of New York's "Read Program," which seeks to promote and improve literacy for boys in the 3rd through 5th grades. Offered in 5-week cycles year-round, the "Read Program" strengthens a child's comfort with and passion for reading through an innovative "boys-only" approach to literacy instruction.

With the grant funds, the program will aim to:

- Maintain an average attendance of 85% or higher.
- Retain at least 70% of the participants from previous "Read Program" sessions.
- Improve the literacy skills and comfort levels of at least 75% of the participants.

The Center for Family Representation (CFR)

The grant awarded will support the expansion of the Center for Family Representation's (CFR) Community Advocacy Teams. Working citywide, these teams provide comprehensive social service, legal and administrative support to families in need in order to assure child safety, prevent abuse and divert, if possible, foster care. The goal is to help families in crisis deal with their specific issues before a crisis sets in, so they may continue to live together in a safe, healthy environment.

CFR was founded in 2002 after numerous child welfare experts called for a new model of legal and social work assistance for families with children who were at risk of abuse or neglect. Experts called for an agency that could combine advocacy and social work assistance in the community, early on, before a crisis became a danger. The agency was also called on to continue to help the family safely re-unify should foster care become inevitable. CFR was founded to provide these services and meet these needs.

The Jericho Project

The grant awarded will help fund the Jericho Project's Vocational and Educational Program. The Jericho Project is a 23-year-old supportive housing provider serving 253 homeless men and women with histories of chronic substance abuse in Manhattan and the Bronx. It seeks to halt the seemingly endless cycle of homelessness, substance abuse and poverty by focusing on root causes, not just systems of home-

lessness. By providing its residents with needed skills and support, Jericho aims to enable them to become permanently free from welfare, drug treatment, the shelter system and other government programs. The Vocational and Educational Program is the Jericho's Project's key program.

New York Cares

The grant awarded will fund the purchase of supplies needed for youth education, arts, recreation and sports programs, including admission tickets for hundreds of children and youth to spend a day at learning institutions (museums, science centers and zoos), books for literacy courses, supplies for arts enrichment programs and equipment for sports and fitness activities.

New York Cares works with hundreds of non-profit agencies, shelter, and public schools (called Project Partners) to create thousands of youth-oriented volunteer projects. These projects provide children with much-needed positive interaction with caring adult volunteers, and also offer opportunities for youth to volunteer their time as well. Project Partners operates with limited resources. Therefore, New York Cares provides all of the materials for these activities including arts and crafts, cooking supplies for culinary courses, books, tickets to museums and learning institutions and a wide assortment of sports equipment.



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 Peter Schubert, President of the Foundation, at 718.238.8999.

Massey Knakal Launches Graduate Success Training

Special Guests Help Enhance Massey Knakal University Objectives

Massey Knakal University has launched Graduate Success Training to provide advanced learning opportunities that will enhance the knowledge and skills of our entire firm (salespeople and employees). Throughout the year, Massey Knakal will bring in graduate school professors from leading universities to discuss a variety of subjects. To date, the following have been conducted:

The Psychology of Persuasion

Dr. Robert Cialdini, Arizona State University

Dr. Robert Cialdini conducted a presentation for the entire company (the salesforce as well as all employees) on February 2, 2006. His speech was the first in a quarterly series of advanced training - part of Graduate Success Training within Massey Knakal University. Dr. Cialdini is a Regents' Professor of Psychology at Arizona State University of Tempe and the author of, "Influence - The Psychology of Persuasion". A few Massey Knakal partners heard him speak at a negotiation seminar and felt he had wonderful insights into creating more effective selling practices. With more than 250,000 copies sold worldwide, "Influence" has established itself as the most important book on persuasion ever published. In it, Dr. Cialdini explained why some people are remarkably persuasive and how you can beat them at their own game. Massey Knakal employees learned the six psychological secrets behind our powerful impulse to comply, and how to put those secrets to work.

Bargaining for Advantage Negotiation Workshop **Professor G. Richard Shell, The Wharton School**

Professor G. Richard Shell introduced the basic negotiation concepts that lie behind his award-winning book and associated workshops at the Wharton School of Business on May 4, 2006. The lecture was illustrated in a compelling (and sometimes amusing) way through a series of film clips from popular movies starring Monty Python, Woody Allen, Mel Gibson and other modern artists. The concepts included the four stages of negotiation (preparation, information exchange, bargaining, and commitment) and the six foundations of effective negotiation (bargaining styles, goals, standards, relationships, interests, and leverage). An important part of the workshop was Professor Shell's Bargaining Styles Assessment Tool, which every participant filled out at the workshop. The tools formed the basis for a detailed discussion of individual strengths and weaknesses in negotiation. Professor Shell also discussed the optimal match between different bargaining styles and different bargaining situations. The overall goal was to give participants a vivid "map" of the bargaining process, insights into how this process works in practice and the means to further investigate their own individual strengths as negotiators.

Massey Knakal Offers Cultural/Religious Awareness Training

A team was recently formed to give employees a better understanding of the major cultures and religions Massey Knakal people typically interface with during their business activities. The team is comprised of Sales Director Michael Harari, representing the **Jewish** religion; Administrative Assistant Liz Jager, representing the **Christian** religion. Sales Director Sabrina Wazihullah and Associate Reh Hassan, representing the **Islam** religion; and Sales Director Nalini Chugh, representing the **Hindu** religion. The training addressed the following areas of interest:

- **Sects within each religion/culture.**
- **Major holidays** - the significance behind each and the most important customs.
- **Do not contact days** - when and why.
- **Which days of the week are religious observance days.**
- **Prayers conducted on which days/how many times.**
- **Eating habits** - what can be eaten and when.

Training sessions were held in all three Massey Knakal offices. For more information on all Massey Knakal University activities, contact Training Director Wayne Naylor at 212.696.2500, x7716.



Professor G. Richard Shell, left, addressed Massey Knakal employees, below. Mr. Shell was the second in a series of professors scheduled to address the company as part of Massey Knakal University's Graduate Success Training.



Coming Soon:

Business Ethics, Professor Tom Donaldson, The Wharton School - October 19, 2006

NEW BROOKLYN OFFICE PARTY, JUNE 8, 2006

Massey Knakal held a grand opening party at its new Brooklyn office at **205 Montague Street** in Brooklyn Heights on Thursday, **June 8, 2006**. The office is now the largest of Massey Knakal's three offices, covering **approximately 18,000 square feet**. Both the Brooklyn and Staten Island divisions run out of this office, where there are currently **more than 70 employees**.



Jerry Hu, Sam Li, Eric Altschul and Ivan Petrovic.



Rob White, Bruce Hoernecke and Ron De Souza



Tim King and Brooklyn Borough President Marty Markowitz.



Brian Leary looks on as Michelle Mooney speaks on behalf of the New York City Mayor's Office.



Robert Knakal, David Specter and Paul Massey.



Trudi Vomero, Mindy Liu, Christy Moyle and Ray Vomero.



Sabrina Wazihullah, Jessica Daly, Waleed Cope and Veronica Marin.



Lance Emanuel, Jonathan Hageman and Brock Emmetsberger.



Peter Krekoukis and Brian Leary.



Jason Maier, Swain Weiner and Eric Greenfield.



Bob Hebron, Kathy Cottingham, Maria Watson and Robert Hebron.



Patrick O'Malley, Landon McGaw and Julieta Celebrini.

MASSEY KNAKAL CHAIRMAN'S REPORT

“STATE OF THE MARKET”

(Delivered by Chairman Robert Knakal at Massey Knakal's Market Makers Breakfast Symposium on May 25, 2006, at the Grand Hyatt Hotel.)

You know, it's a little overwhelming to be here as I'm sitting listening to the speeches and looking out at all of you. It's still very fresh in my mind, not too many years ago, Paul and I having one of our normal 7 a.m. breakfasts, saying "You know, if we really work hard and we stick to our plan and we do everything right, we're going to have ten people working for us someday". It's just really amazing to see how things have developed. The firm now employs over 200 people.

Thank you family members

Before we get into the discussion today of the market and where we see things going, I just want to take a minute to say thank you to everyone in our Massey Knakal family. The presentation that John Cicero made showing that, in an independent market study performed by his firm, Miller Cicero, we obtain prices 31.5% higher for our clients than the rest of the market is just simply amazing. It is a testament to two things; one, a fundamentally sound approach to brokerage, and two, and more importantly, the firm's ability to hire and retain great people. For those of you that are at the firm, remember that you represent less than 1 1/2 percent of the people that apply for a position with our firm. You are absolutely among the brightest and the best in the industry. Paul and I are very proud to be associated with you and to be a part of this Company. To each of you, our partners, our senior directors, our sales people, our administrative staff, our associates and our interns, you are the most important asset that this company has, and Paul and I are extraordinarily proud of each and every one of you. Thank you all very much for doing what you do to make Massey Knakal what it is.

Market Perspective

In my speech last year, I started off reading some market dynamics which were very indicative of how the market was last year, and those notes were actually taken directly from a speech that I had given in 1989 at the National Realty Club, so I thought, maybe this year I'll look at a speech I gave in 1990 and it might be similar to conditions today, but the market conditions are very different today. Real estate has changed and it has changed fundamentally. Two of the most important changes are 1) in the demand aspects of the market and the 2) capital structure of the market today. Things that have helped us tremendously include, the corporate scandals of Enron, World Com, Tyco, etc, etc.; the dot com bubble busting and the transparency of real estate profitability. **Real estate now has become a more favored asset class, and the two most obvious characteristics of the market today are the tremendous demand that's being exhibited from many**

that's available on both a debt and equity basis.

So today, what I'd like to do, is go over current market conditions, and that will give you some relative perspective on where we are today versus last year and the year before. We are going to talk about some specific market segments and we'll review some current trends. We're going to make some predictions in terms of how we see the balance of the year finishing and then we'll open it up for some questions and answers. And then, after the presentation, we're going to be opening up the room to my left, where each of our agents is going to have information on properties that we have for sale, market data, etc; so please feel free to join and check out the information we have available.

2004 Conditions

Before we get to today's market, let's take a look back at 2004. As you can see on the slide, **in 2004, we had what we called a "perfect storm" scenario for the sales market.**

- There were fifteen billion dollars worth of properties sold;
- We had low interest rates for most of the year; (hovering around forty year lows)
- The stock of available properties was low;
- New demand segments were evident in the market;
- Lower yield expectations were prevalent amongst the purchasing community.

The disconnect in the market at the time was that the rental conditions were fundamentally unsound in both the commercial and residential markets.

2005 Conditions

If we look at 2005, we got to a more amazing, "more perfect storm":

- \$33B worth of properties sold
- Interest rates were still relatively low, but were increasing
- There was an increase in supply and properties available as Seller's decided to take advantage of the lofty prices that were being achieved.
- New demand segments were still rampant and the, notably, increases in demand were actually exceeding the increases in supply.
- 1031 exchanges still were commonplace
- Lower yield expectations were still prevalent and the lower yield expectations in 2005 were significant because now, as opposed to 2004, investment yields on alternative investments were much higher.

But two new things affected the market: the explosive consumer condominium market and the overwhelming availability of capital. Here, we saw rental fundamentals in both the commercial and residential markets start to get better. Prices rose in 2005 by 23% and sales volume was off the chart at 3.3% of the total stock of buildings. To give you some prospective, that's the highest total volume in the last 18

MASSEY KNAKAL CHAIRMAN'S REPORT

“STATE OF THE MARKET”

years, but for 1998, when the volume was 3.6%, **We believe, looking back on this period of time, we're going to be able to track that the second and third quarters of 2005 were absolutely the top of the bell curve for this cycle. We do believe that the top of that bell curve is going to be very flat and that's where we are today.**

Today's Market

So, let's take a look at 2006, which we're calling "stable and steady." Today interest rates are increasing. On May 10th, the fed raised rates for a quarter point for the sixteenth consecutive session. We're back to a very low supply of available properties, as those of you who are looking to buy are well aware. New demand segments are still prevalent, and today, we are seeing tremendous capital inflows from China, Mexico, Ireland and India; rapidly expanding economies, and the foreign investment is not looking for just institutional quality office buildings. They're looking for smaller properties in Manhattan, properties in the boroughs, properties in Westchester and Nassau. **What we're experiencing today, we believe, is the globalization of the small to mid-sized building sales market.** 1031 exchanges are more common than ever, and, in fact, some transactions are being done contingent upon the seller's ability to effectuate a 1031.

Lower yield expectations exist and are continuing to get crunched down. In order to look at this dynamic, let's take a look at interest rates and how they've moved over the last year. **The federal funds rate was just raised to 5%. A year ago, it was 3%, and the prime rate today is 8. A year ago, it was 6, so our base rates have increased by 2%, but, yet, mortgage rates, over that same period of time, have only increased by 1%, what does that mean? That means, banks are being more competitive, their margins are getting squeezed, and they're competing heavily to put out loan product. Cap rates over the same twelve month period have remained relatively unchanged, what does that mean? That means, that if you assume a 75% loan to value ratio, the yield expectation on behalf of buyers is 60 basis points lower today than it was a year ago.** We are also currently experiencing a slower consumer condo market, which we're going to talk about a little bit more in a second. Overwhelming capital availability still exists.

Today, there are less bidders on each transaction that we're handling. There was a noticeable reduction in volume in the first quarter of 2006, but prices have remained stable. Some segments are moving in opposite directions, which is a very interesting thing, so, let's take a look at that.

As you can see on the slide on market segment price trends, hotel and office properties are actually increasing

in price. Land and conversion properties are seeing prices slip and income producing properties and vacant user buildings are seeing prices remain stable.

The Hotel Market

So, let's take a look at the hotel market. From 1999 to 2006, 8,000 new hotel rooms were added to the stock of rooms in the City. **Recently, thousands of rooms have evaporated,** and partial list of hotels that have either been either partially or completely converted to condominium ownership include, The Mark, The Drake, The Sheridan Russell, the Essex House, the Helmsley Windsor, the Empire, the Plaza, the Stanhope, the Sutton, the Melrose and the Barbizon. Last year, here at this breakfast, we talked about the proliferation of the boutique hotels that were springing up all over the City in locations that were not typically and traditionally hotel locations. **But these boutique hotels were not adding a significant number of rooms to the stock. Currently, the dollar is very weak, which is fueling tourism. In fact, last year there were 41 million tourists that visited New York. This year, it is projected that 43 million tourists will come here. Occupancy levels in hotels are at a 35-year high, and the average room rate in New York City is \$219 up 12% from 2005, and hotel experts are anticipating a 15 to 20% increase in hotel rates this year.** Because of these dynamics, there are currently 2,100 hotel rooms under construction and another 5,100 planned. However, these large scale hotels won't be online for another 18 to 24 months, meaning that the next year and a half to two years for the hotel market, should be fantastic.

The Office Building Market

Let's take a look at office buildings. From 1990 to 2006, there were 25 million square feet of office space constructed in the City. There's another 9 1/2 million in construction now, and another 2 million planned. Absorption has been terrific. **Currently there is an 8.4% overall vacancy in Manhattan and rental rates are expected to increase 10 to 15% in 2006.** Looking at a couple of recent transactions, it is just remarkable to see that the potential increase in commercial rents is already being underwritten into acquisitions. At 522 Fifth Avenue, which a 595,000 square foot office building, sold last year for \$217 million. Stellar Management and Rock Point just sold the property to Broadway Partners for \$420 million or \$705 per square foot. The commercial condominium at 600 Madison Avenue, sold in 2003 for \$160 million or \$630 a square foot to Mexican billionaire, Gabriel Brenner, and recently sold for \$220 million or \$850 a square foot and 6 Times Square a 298,000 square foot office building, purchased a year and a half ago by the Sitt family and Steve Sutton for \$160 million, today it's under contract to a buyer from Dubai for \$300 million or a \$1,000 a square foot. Just incredible!

(Continued on the next page)

MASSEY KNAKAL CHAIRMAN'S REPORT

“STATE OF THE MARKET”

Land and Conversion Properties

Now, let's take a look at two market segments where prices are slipping a little bit. The first of which is land. **Land prices today are completely dependant upon the consumer condominium market.** For the past few years, land prices have been so high that you can't afford to build rental housing, so everything has been condominium. If we look at the condos that have been added to market, in 2005, there were a little over 23,000 added to market, both in terms of conversion properties and new construction. In 2006, that number escalated to 34,000 units, expected to be delivered this year. **If you read articles or listen to residential brokers talk about how the condo market performed in the first quarter of the year, they'll tell you that prices have remained stable. What they are not quickly telling you is that the velocity of sales has slowed considerably. That is generally a pre-cursor to prices dropping.** As developers start to get pressure from their banks to pick up the pace of sales in their projects, prices will drop. Developers are already underwriting this condition into their analysis. **Secondary and tertiary locations for land, are off 5 to 20% from their peak.** These sites typically include mid-block properties, properties with small or awkward floor plates, sites with restricted views, sites with construction challenges or encumbrances. **Sites in the best locations are, however, not losing value.** Prime locations on the Brooklyn waterfront, locations in Queens, such as Forest Hills and Flushing or prime Manhattan locations, such as those on the waterfront, on Parks or in midtown are still holding their value.

In fact, in Midtown, we're dubbing it the "year of the assemblage". So far, in 2006, there have been 23 sales in midtown Manhattan. 15 of them have been component pieces of assemblage sites, and the people doing these assemblages in Midtown are all household names: Macklowe, Extell, Vornado, as well as others, and they're paying \$500 to \$600 a buildable foot for those sites. Two years ago, in a Crain's article, I was quoted as saying that land prices would get to \$500 a foot, and I got a lot of calls from angry brokers and people who had just sold their properties, saying, "Bob, you're out of your mind", and maybe, I was at the time, but the current market is bearing out those predictions. In fact, the photo on the screen is the Drake Hotel, which Harry Macklowe just bought for a reported \$942 a buildable foot, so prime locations are still holding their value. **Let's look at another segment where prices are slipping, and those are Conversion Properties.** Clearly, the height of the market for conversion properties was the third quarter of 2005, when Manhattan House sold. If you take out a value component for the commercial space, the residential space sold for about \$938 a square foot. Shortly thereafter, we sold 40 East 66th Street, and again, taking out the commercial value component, that

property sold for over \$1,000 a square foot. **Prices in this category are off currently 5 to 10%, and this has allowed REITS to come into the market in a more significant way than they had previously.** REITS had not been significant players in the residential sector, however, given the price reduction in these conversion properties, (which are typically properties with 70% or greater free market units), REITS like Equity Residential have come in, in a big way. Buying Hudson Crossing, 71 Broadway, the three buildings at Trump Place from Extell, 60 Washington Street and Archstone Smith has added to their portfolio, considerably, adding the Gershwin, the Aston, the Foundary, the Sonoma, Park Hudson, they're under contract to buy the Marlborough House, and we sold them recently 180 Montague Street for \$101 Million or \$535 a square foot in Downtown Brooklyn.

Income Producing Properties

Now, we'll look at the segments where prices are remaining flat. Income producing properties are seeing broad and steady demand, and this is for all boroughs including Nassau, Westchester and all types of property, retail properties, mixed use, walkups and elevator. **There seems to be insatiable demand for stable income producing properties. Because they're fully occupied generally, they have a lower risk profile. Prices are stable.** And, when I say prices are stable or flat a lot of people take that as a negative, that's not a negative. If you look at where we are at relative pricing, we are still at record price levels, so the market staying where it is, is actually a great thing. If you look at elevator buildings, for example, cap rates are ranging between 2 1/2 and 3% for properties that are going to remain rental properties. These are not being sold for conversion and these cap rates range between 2 1/2 and 3% include 107 St. Marks Place, 780 Greenwich Street, 330 East 63rd Street, 120 West 86th Street, 130 West 93rd and the Platinum Portfolio. Well leased, income producing properties are highly sought after, particularly by the 1031 tax free exchange community.

Vacant User Buildings

Now, let's take a look at vacant user buildings. **Commercial buildings, you would think, should be increasing in value based on what we project as the increase in rental rates for commercial property, but, that hasn't happened yet. Residential townhouses are holding their value as well,** and there have been some remarkable sales of late. 1009 Fifth Avenue, the Duke Seaman's Mansion sold recently for \$40 million and that was the highest prices ever paid for an urban townhouse (over \$2,400 a square foot). 16 East 64th Street, a 20 foot wide building sold for \$20.5 million or \$3,400 a square foot 10 West 10th Street, sold for 11 1/2 million, setting a new record for the Village, at over \$1,700 a foot, and even in Harlem on Strivers Row, 210 West 138th Street, sold for a record of \$571 a foot. In Brooklyn Heights, 45 Willow

MASSEY KNAKAL CHAIRMAN'S REPORT

“STATE OF THE MARKET”

Street, sold for 4.52 million or nearly \$1,800 a square foot. **So, the market is great! Even with reductions in some values in market sectors, prices are still fantastic and at record levels. Increasing segments of the market continue to break records and demand is continuing to exceed supply. Capital remains abundant.**

Where Are The Potholes?

So what could potentially cause a problem in the market? Well, there are a few things. Factor #1 is terrorism, and that's a reality of life, something that we're going to have to deal with and nothing that we can do anything about. **Factor #2, tax law changes.** As you know, there were significant tax law changes in 1986, that really changed the fortunes of a number of people. However, we are fortunate now, GOP lawmakers have cooperated and it looks like the 15% capital gains tax will be with us until 2010, and the alternative minimum tax extension should be granted. **Factor #3 is the implication that because there are less bidders prices will drop.** Well, in an econometric model, you would say, yes, that should be the case, however, there is just simply too much capital presently in the market to allow a significant drop in prices to occur. In fact, we believe that if there was a 10% reduction in price, it would be viewed as such a buying opportunity that, capital would swoop in, booeey up the prices and keep them relatively where they are. **Factor #4, oil prices.** If you've heard Alan Greenspan speak, since he stepped down as chairman of the Fed, the number one thing that he says is looming over our heads are potential oil price problems. To him, oil prices are the Darth Vader of our future, and could create inflationary pressures. It is interesting to keep in mind that one out of every seven barrels of oil that are produced in the world are burned up on highways in the United States.

Interest Rates

So, Factor #5, perhaps the most interesting of the factors that could affect us is, **rising interest rates.** As I mentioned earlier, on May 10th, the Fed increased the Federal funds rate to 5%, the 16th consecutive such increase. At that time, the front end of the yield curve was projecting about a 70% chance that rates would raise again in the fall about another quarter of a point. We don't think that should occur.. Let me explain why. **Although unemployment is running at 4.65%, which is a cyclical low, the economy is not growing on a fast track.** Key parts of the economy are actually in deceleration and that's mainly in consumption. We look at industrial auto production, it was down in the second quarter of 2006. Real spending growth is growing at a sluggish .9%. **In the second quarter of 2006, residential construction was declining at a 2% annual rate, the first time that that's happened since the fourth quarter of 2001,** which happened to be right after 911. Retail sales in April were

lower than expectations and consumer confidence is down. Mortgage equity withdrawal will no longer fuel consumption, and I think this is a very important point to be aware of.

With the rising prices in the housing market, over the past year or so, the amount of mortgage equity withdrawal was significant. The money that was being taken out through mortgage equity withdrawal was spent on consumer goods. So, the savings rates in the country, is very telling. If you look at the Saving Rate the United States experienced, in 1990, it was 7%, in 2002, it was 2%, last year, it was negative 1.6%. To give you some relative perspective, in China, the savings rate is 50%, that's 5-0, not 1-5. Refinancing opportunities for these homeowners, no longer exist, which means they're not going to be able to spend at the same rate, they're going to have to save more, that's going to slow the economy down.

Inflation Predictions

Factor #6, inflation, seems to be in check, notwithstanding the data that came out on May 17th, it does appear that inflation is not rampant and concerns about rapid inflation don't appear to be on the horizon. The quality of this data, in the near term, and the Fed's interpretation of it will be important moving forward. So, for these reasons, we think that the next session of the Fed on June 29th, should not create any upward pressure on rates.

So, before we move on to questions and answers, **we want to make some predictions.** First of which, the balance of 2006, we believe that we are going to see **abundant hotel construction,** we believe we're going to see **a spike in commercial office construction.** **Interest rates, we believe, will stabilize or rise only slightly** in the August session of the Fed or in the fall and **lower yield expectations in the boroughs is going to be very prevalent,** given that investors are going to be priced out of the Manhattan market. **We believe that prices will remain relatively stable, and, if anything, they may drop 3 1/2% on average this year.** **The volume of sales will lower to a more normal rate, something in the 2.5% to 2.7% range.** **And, in the residential development business, we believe there will be a flight to quality.** And, lastly, we believe that city planning will come up with some kind of FAR bonus structure to provide incentives for rental housing development, which the city is in dire need of and hasn't seen in any significant way in many years.

Thank you very much.

Mr. Knakal is the Chairman and Founding Partner of Massey Knakal Realty Services. He can be reached at 212.696.2500, x7777.



MASSEY KNAKAL SALES - NEW YORK CITY

MANHATTAN TOWNHOUSE SOLD

A five-story townhouse at **154 West 76th Street** on Manhattan's Upper West Side was sold by Massey Knakal Realty Services in an **all-cash transaction valued at \$3,100,000**. The 20' x 69' property is located on the north side of West 76th Street between Columbus and Amsterdam Avenues. It consists of eight one-bedroom apartments and two studio apartments over **approximately 6,086 square feet**. Of the residential units, nine are rent stabilized and one is free market. The property features a three-story extension with a south facing garden. **The transaction occurred at a capitalization rate of 3.58% and a gross rent multiple of 18.35. The property sold for \$509.37 per square foot to a Manhattan investor. Massey Knakal Realty Services was the sole broker in this transaction.**



MASSEY KNAKAL SELLS WALK-UP BUILDING

A five-story walk-up building at **206 East 124th Street** in Harlem was sold by Massey Knakal Realty Services in an **all-cash transaction valued at \$2,650,000**. The 28-foot-wide property is located on the south side of 124th Street between Second and Third Avenues. Currently used by a nonprofit organization, the property consists of 15 residential units and spans a gross area of **approximately 10,466 square feet**. **The property was delivered vacant and sold for \$253.20 per square foot to a Manhattan developer, \$900,000 above the asking price. Massey Knakal Realty Services represented the seller in this transaction.**



MASSEY KNAKAL SELLS PORTFOLIO OF BUILDINGS IN DOWNTOWN BROOKLYN FOR \$8,300,000

A group of mixed-use, S-Class properties on **Atlantic Avenue** in downtown Brooklyn were sold by Massey Knakal Realty Services in an **all-cash transaction valued at \$8,300,000**. 525, 527, 529, 531, 533, 535, 539 and 541 Atlantic Avenue are all located between 3rd and 4th Avenues. Combined, the properties contain **approximately 22,500 square feet** with a mix of residential and commercial units. All the buildings, located on a flourishing retail corner, were renovated in the 1970s. **The transaction occurred at a capitalization rate of 4.50% and a gross rent multiple of 16.90. The property sold for \$368.89 per square foot to a Manhattan investor. Massey Knakal Realty Services was the sole broker in this transaction.**



MASSEY KNAKAL SUMMER PICNIC - JUNE 15, 2006

Massey Knakal held its annual summer picnic on **June 15, 2006**, in Larchmont, New York. The day included tennis, horseshoes and plenty of food and music. **Massey Knakal's 200 employees and their families attended the event.**



Robert Shapiro shows off his tennis skills.



The Nelson Family - future Massey Knakal Agent Luke, James and Allison.



Nicholas Forelli and David Canning.



Thomas Gammino, Brian Sarath, Gia LaMarca, Clint Olsen and Evan Raggi.



Joane and Swain Weiner.



Gia LaMarca, Karen Shulman and Christy Moyle.



Jordan Zotts takes a toss during horseshoes.



Joseph Amendola watches over a group of Massey Knakal children, including some of his own.



John Ciraulo with a very excited Robert Shapiro.



The Holmes family - Erja, Rayna, Johana and Kevin.



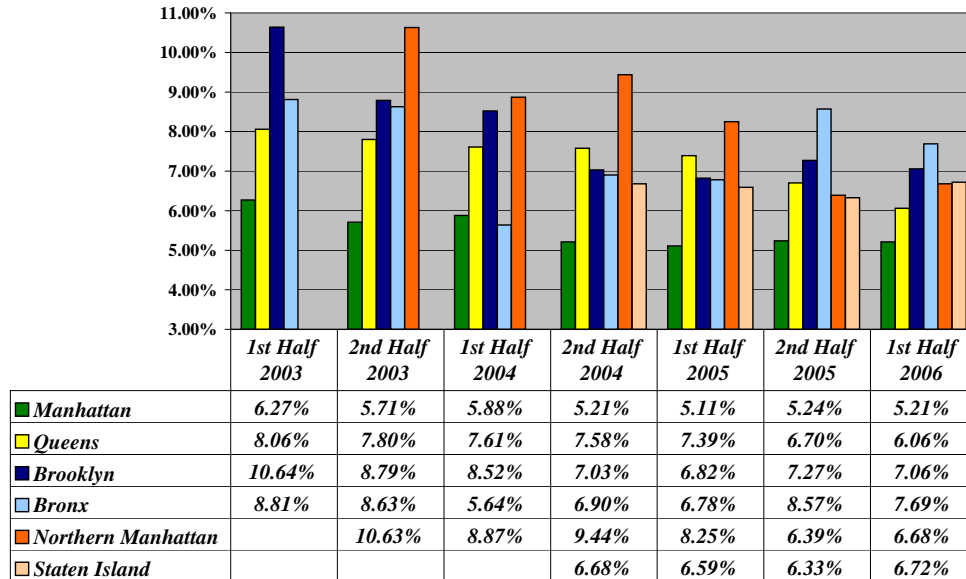
Landon McGaw, James Kingsley and Philip Keane.



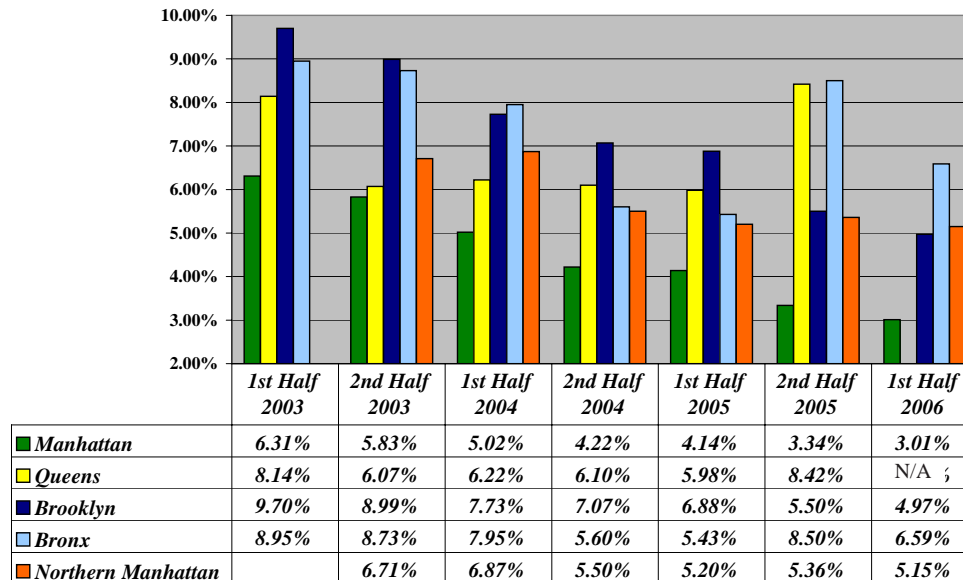
Michael Wlody, Walt Tyler and Rita Elona.

MASSEY KNAKAL MARKET STATISTICS

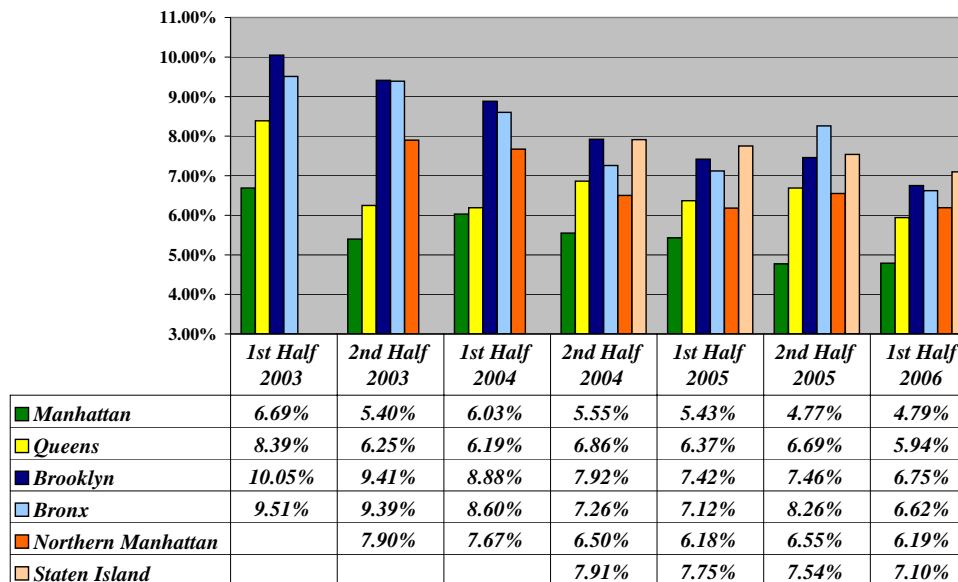
Commercial / Mixed Use Capitalization Rates



Elevated Apartment Capitalization Rates



Walk-Up Apartment Capitalization Rates

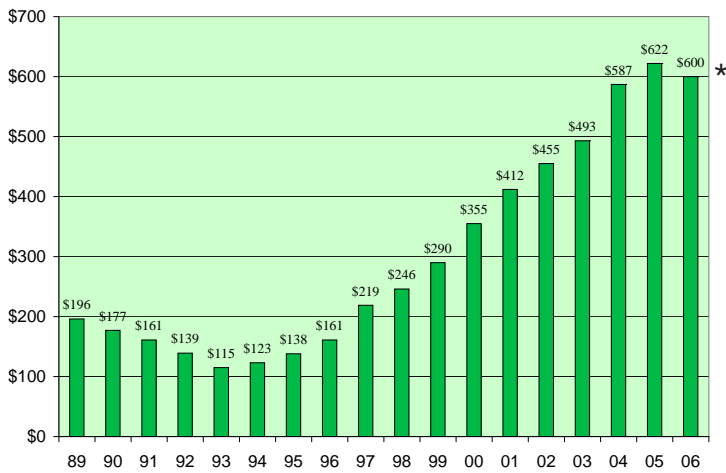


MASSEY KNAKAL MARKET STATISTICS

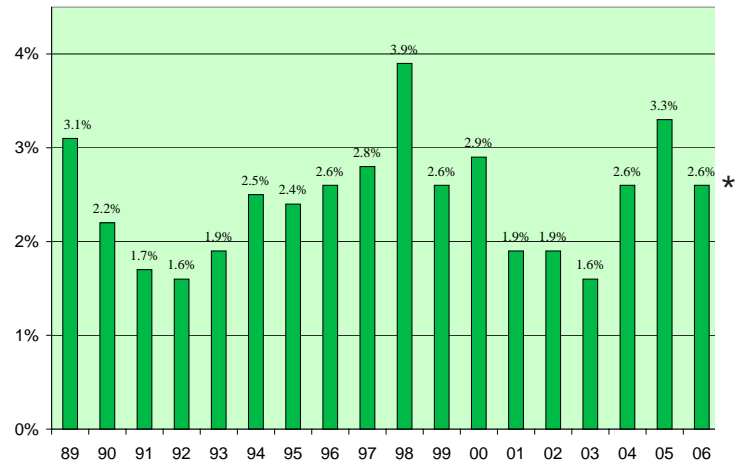
Massey Knakal's Market Statistics

This half-page of market statistics deals with the Manhattan market south of 96th Street. Our statistical sample includes all buildings under 100,000 square feet in this market. The total number of buildings in our survey is 27,301. **The prior page** contains a citywide breakdown of different product types with sale prices broken down by capitalization rate. If you have any questions about any of the data included in this section, please feel free to contact your Massey Knakal broker for a more detailed explanation of current market dynamics.

**Manhattan
Yearly Price Per Square Foot**



**Manhattan
Yearly Volume**



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