



THE REAL ESTATE GROUP

NEW YORK

THE YEAR END MARKET REPORT

2007

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AN OVERVIEW

We are proud to present The Real Estate Group's inaugural Year-end Report, the summation of a year's worth of data collected from our monthly Manhattan Rental Market Reports. We hope you find these pages useful in determining the rental trends of Manhattan's major neighborhoods, as well as the overall climate of the Manhattan rental market during the course of 2007.

In gauging the overall performance of the 2007 Manhattan rental market, we find it necessary to analyze our data from more than one perspective. From a tenant's standpoint, and using the Rent Stabilization Board's Guidelines for 2007 as a benchmark (i.e., a 3% increase on a one-year lease), one could argue that the market was favorable, as increases throughout most studied neighborhoods averaged between 2.2-6.5%.

On the other hand, from an owner's point of view, and based on trends in the timeline from 2002 to the present, 2007 was a "good" growth year, but considerably weaker than '06. The one market segment that did show remarkable gains was the non-doorman two-bedroom category, which increased by 12% citywide.

In this time of economic uncertainty, the rental market for 2008 appears to have no clear path. While a good deal of the rental supply disappeared in the last two years thanks to a booming sales market and condo demand, this was already factored into the market when rental prices began to show weakness in the 4th quarter of '07. Growing Manhattan unemployment rates, coupled with the ongoing nationwide credit crunch, could easily push the rental side of the market from positive to negative in the New Year.

Citywide Average Price Changes		
	Non-Doorman Buildings	Doorman Buildings
Studios	+6.4%	+2.2%
One Beds	+2.6%	+4.9%
Two Beds	+12%	+3.3%

*Unless otherwise indicated, average price changes in this report were obtained by calculating the percentage of change between the average asking rents at the start of 2007 (January) and at year-end (December) for each neighborhood, apartment size and service level.

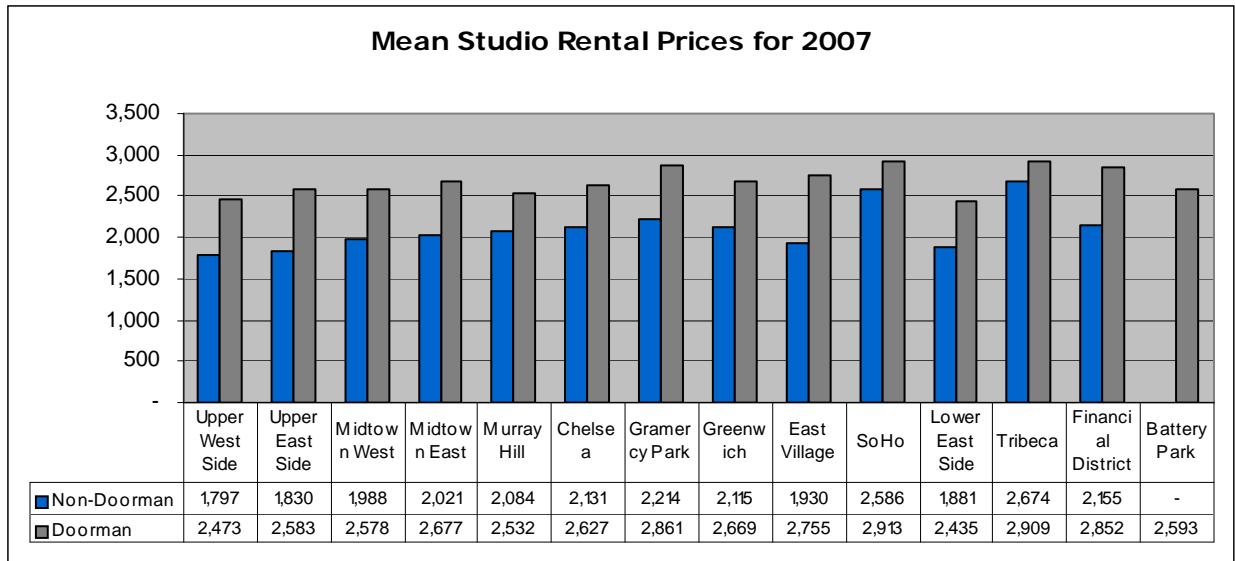
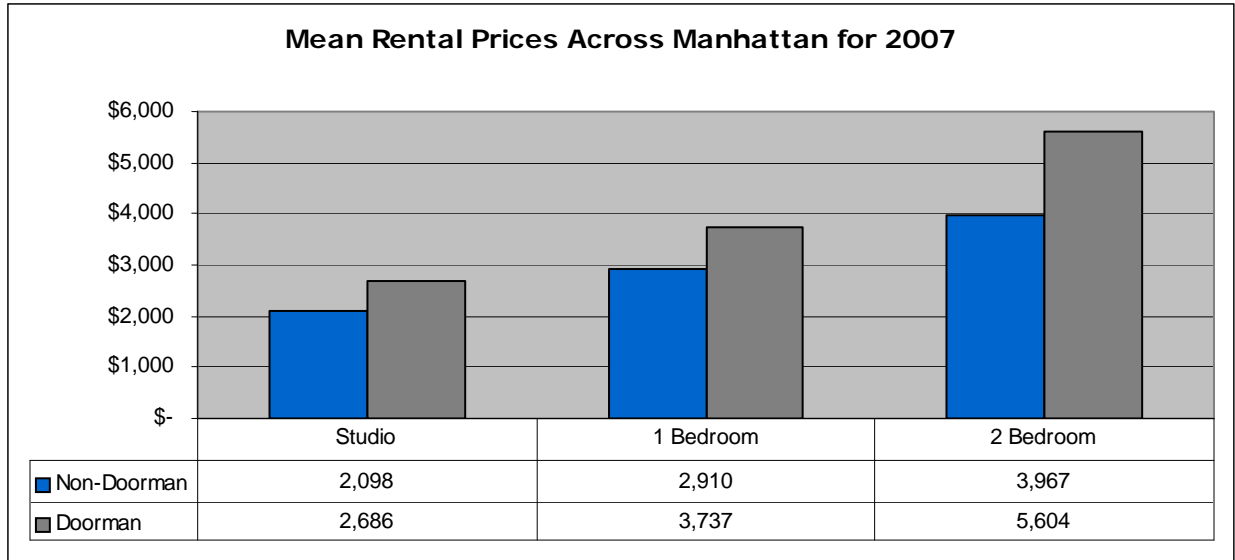


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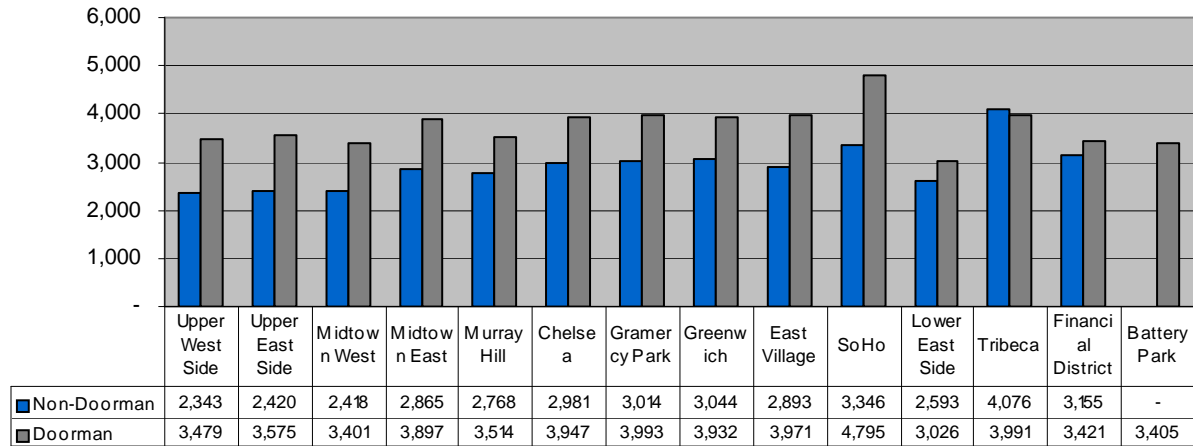
MEAN RENTAL PRICES THROUGHOUT MANHATTAN

The following graphs illustrate the average rental prices for studios, one-bedroom and two-bedroom apartments in doorman and non-doorman buildings throughout Manhattan for the year ending December 31, 2007.

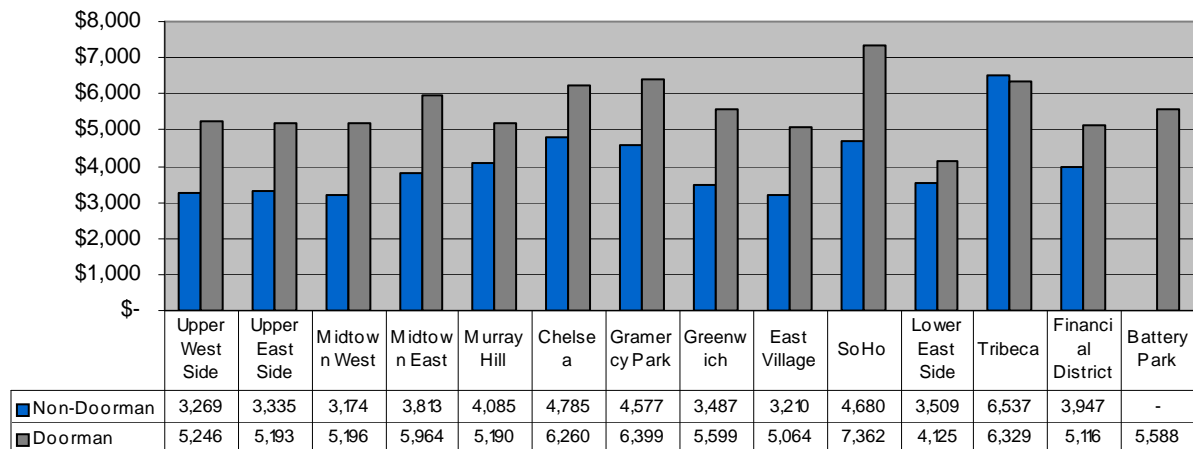


MEAN RENTAL PRICES THROUGHOUT MANHATTAN

Mean 1 Bedroom Rental Prices for 2007



Mean 2 Bedroom Rental Prices for 2007



NOTABLE TRENDS

The following information highlights the most significant changes within Manhattan's major neighborhoods in 2007. For a complete account of all the changes in each neighborhood, please see Neighborhood Price Trends (pages 9-11).

Upper West Side

Doorman Studios UP 10.5%—Since January 2007, average asking rents for doorman studios on the UWS increased by \$259 (up to \$2737 from \$2478).

Midtown West

Non-Doorman 1-Bedrooms DOWN 14.5%—Non-doorman one-bedroom apartments prices in the area decreased by 14.5% since this time last year.

Midtown East

Doorman 1-Bedrooms UP 10.4%—While all other apartment sizes and service levels either decreased or remained stagnant in this neighborhood, one-bedroom doorman apartments climbed steadily throughout most of 2007 and even managed to reach their peak during the cooling year-end rental season.

Murray Hill

Doorman Studios UP 11.5%

Doorman 1-Bedrooms UP 9.6%

Doorman 2-Bedrooms UP 10.3%

Murray Hill's practical proximity to subway lines, nightlife and Midtown has made this area popular with recent grads and young professionals. However, as indicated by the all-around boost in doorman rents, Murray Hill's younger tenants have found themselves in competition with more financially-established New Yorkers looking for conveniently-located service buildings.

Chelsea

Doorman Studios UP 15.4%—After an erratic rental year, by 2007's end, Chelsea service studios commanded prices of an average \$364 more than last January.

Non-Doorman 1-Bedrooms UP 19.2%—Chelsea one-bedroom no-service rents jumped \$522 since their average asking price at the start of 2007.

Non-Doorman 2-Bedrooms DOWN 22%—Two-bedroom non-doorman rents declined sharply in Chelsea. It seems that while demand for smaller apartments in the area ballooned this year, renters looking for more space opted to either purchase or find homes in alternate neighborhoods.



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NOTABLE TRENDS

Gramercy Park

Non-Doorman 1-Bedrooms UP 17.3%—Gramercy Park stands out as the only neighborhood where asking rents increased in every category and size since the beginning of 2007. Non-doorman one-bedroom apartments especially saw steady price gains through the historically cooler fall market, climbing by an impressive 17.3%.

East Village

Doorman 1-Bedrooms UP 20.3%—The 20.3% skyrocketing of East Village rents reflects the continued development and gentrification of Alphabet City, now the neighborhood of choice for expanding numbers of young hipsters and yuppies.

SoHo

Doorman Studios DOWN 10.2%

Non-Doorman 1-Bedrooms DOWN 16.4%

Non-Doorman 2-Bedrooms DOWN 35.6%

Doorman 2-Bedrooms DOWN 16.4%

Asking rents across all categories and apartment sizes in SoHo decreased significantly, marking this neighborhood as the only one in Manhattan whose year-end rental price percentages declined across the board. SoHo non-doorman two-bedroom rents showed the steepest drop-off and overall percentage of change in the city—these prices plummeted by 35.6% (a whopping \$2259) since this time last year. It appears that SoHo's reputation for boasting luxury lofts may have sent renters looking for more traditional apartments to other neighborhoods. Subsequently, mean rental prices for fewer-frills SoHo apartments have been forced downward.

Lower East Side

Doorman Studios UP 32.8%

Doorman 1-Bedrooms UP 15.1%

Due to the continued opening and new development of luxury high-rises on the Lower East Side, the percentage of change for all doorman rents stretched upwards in 2007, particularly in the fall (when most tenants began moving into these new residential buildings). Service studio prices peaked at \$3034, a towering 32.8% lift from their January '07 average (and the most pronounced increase in the city).

Non-Doorman 2-Bedrooms DOWN 17.7%—While new luxury residential buildings boosted LES service rents, all non-doorman average asking prices dipped since this time in early 2007. Two bedroom non-service buildings showed a particularly notable decline of 17.7%, or \$712.



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NOTABLE TRENDS

TriBeCa

Non-Doorman 1-Bedrooms UP 17.3%—With TriBeCa remaining the most expensive Manhattan locale, it comes as little surprise that most rents in this neighborhood increased in comparison to last January. No-service one-bedroom rental prices spiked by a dramatic 17.3%, suggesting that for the New Yorkers who can afford it, living in TriBeCa still beats landing a classic doorman apartment in most neighborhoods, any day.

Financial District

Doorman Studios DOWN 11.7%—Service studio rents decreased by an average of \$338 since January '07, a possible symptom of supply beginning to exceed demand in the ongoing residential development of FiDi.

Doorman 2-Bedrooms UP 17.1%—Though FiDi rents declined at year-end, two-bedroom service prices increased healthily through most of 2007, resulting in a 17.1% jump from last January's \$4515 asking rent to the year end's \$5289. Increases in the two-bedroom service category reflect the Financial District's ability to offer the space, quiet and good value absent in many of Manhattan's neighborhoods. The overall strength of FiDi's rental market throughout the year can also be directly attributed to the aggressive revitalization efforts of downtown organizations and government agencies in the area.

Battery Park City

Doorman Studios UP 15.1%—The demand for Battery Park City studios boomed this year, building up to a \$373 increase.



NEIGHBORHOOD PRICE TRENDS

Upper West Side Average Price Changes		
	Non-Doorman Buildings	Doorman Buildings
Studios	+5.1%	+10.5%
One Beds	+4%	+0.9%
Two Beds	+2.2%	-4.7%

Upper East Side Average Price Changes		
	Non-Doorman Buildings	Doorman Buildings
Studios	+6.2%	-4.8%
One Beds	+3.2%	-1.3%
Two Beds	+6%	+1.4%

Midtown West Average Price Changes		
	Non-Doorman Buildings	Doorman Buildings
Studios	+10.4%	+3.8%
One Beds	-14.5%	-3.6%
Two Beds	-2.8%	+9.9%

Midtown East Average Price Changes		
	Non-Doorman Buildings	Doorman Buildings
Studios	-5.1%	+0.04%
One Beds	-3.6%	+10.4%
Two Beds	-4.1%	-2.2%

Murray Hill Average Price Changes		
	Non-Doorman Buildings	Doorman Buildings
Studios	-1.4%	+11.5%
One Beds	-4%	+9.6%
Two Beds	+5%	+10.3%



NEIGHBORHOOD PRICE TRENDS

Chelsea Average Price Changes		
	Non-Doorman Buildings	Doorman Buildings
Studios	-1.7%	+15.4%
One Beds	+19.2%	+2%
Two Beds	-22%	-2.7%

Gramercy Park Average Price Changes		
	Non-Doorman Buildings	Doorman Buildings
Studios	+4%	+9.5%
One Beds	+17.3%	+2.9%
Two Beds	+2.2%	+8.7%

Greenwich Average Price Changes		
	Non-Doorman Buildings	Doorman Buildings
Studios	+3.7%	+7.6%
One Beds	-8.6%	+9.6%
Two Beds	+3.1%	-8.3%

East Village Average Price Changes		
	Non-Doorman Buildings	Doorman Buildings
Studios	+5.8%	+11%
One Beds	-9.3%	+20.3%
Two Beds	-1.5%	+7.2%

SoHo Average Price Changes		
	Non-Doorman Buildings	Doorman Buildings
Studios	-8.6%	-10.2%*
One Beds	-16.4%	-6.8%
Two Beds	-35.6%	-16.4%

*Reflective of change over 11 months; January data unavailable



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NEIGHBORHOOD PRICE TRENDS

Lower East Side Average Price Changes		
	Non-Doorman Buildings	Doorman Buildings
Studios	-4.3%	+32.8%
One Beds	-10.1%	+15.1%
Two Beds	-17.7%	+10.5%

TriBeCa Average Price Changes		
	Non-Doorman Buildings	Doorman Buildings
Studios	-3.1%*	+3.3%
One Beds	+17.3%	+5.5%
Two Beds	+5.2%	+0.7%

Financial District Average Price Changes		
	Non-Doorman Buildings	Doorman Buildings
Studios	-5.3%	-11.7%
One Beds	-3.3%	-7.4%
Two Beds	+1.5%	+17.1%

Battery Park City Average Price Changes		
	Non-Doorman Buildings	Doorman Buildings
Studios	—	+15.1%
One Beds	—	+4.1%
Two Beds	—	-6.9%

*Reflective of change over 11 months; January data unavailable



THE REPORT EXPLAINED

The Real Estate Group's Year End Report **is the only report** that compares fluctuation in the city's rental prices based on data collected on a monthly basis. It is an essential tool for potential renters seeking transparency in the NYC apartment market and a benchmark for landlords to efficiently and fairly adjust individual property rents in Manhattan.

The Manhattan Rental Market Report, upon which the Year End Report is compiled, is based on data cross-sectioned from over 10,000 currently available listings located below 100th Street and under \$10,000, specifically to obtain a true monthly rental average by omitting ultra-luxury properties. It is based on data aggregated from the TREGNY proprietary database and sampled from a specific mid-month point to record current rental rates offered by landlords each month. It is then combined with information from the REBNY Real Estate Listings Source (RLS), On Line Residential (OLR.com) and R.O.L.E.X. (Real Plus).

Contact us now: 212.475.9000

Note: The data within this report is collected and compiled by The Real Estate Group's marketing department and is overseen by C.O.O. Daniel Baum.

All materials presented here are intended for informational purposes only and have been compiled from sources deemed reliable. Though the information is believed to be correct, it may be subject to errors, omissions, changes or withdrawal without notice. To achieve optimum results, the aforementioned data should be used in combination with the experience of a real estate professional.

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