



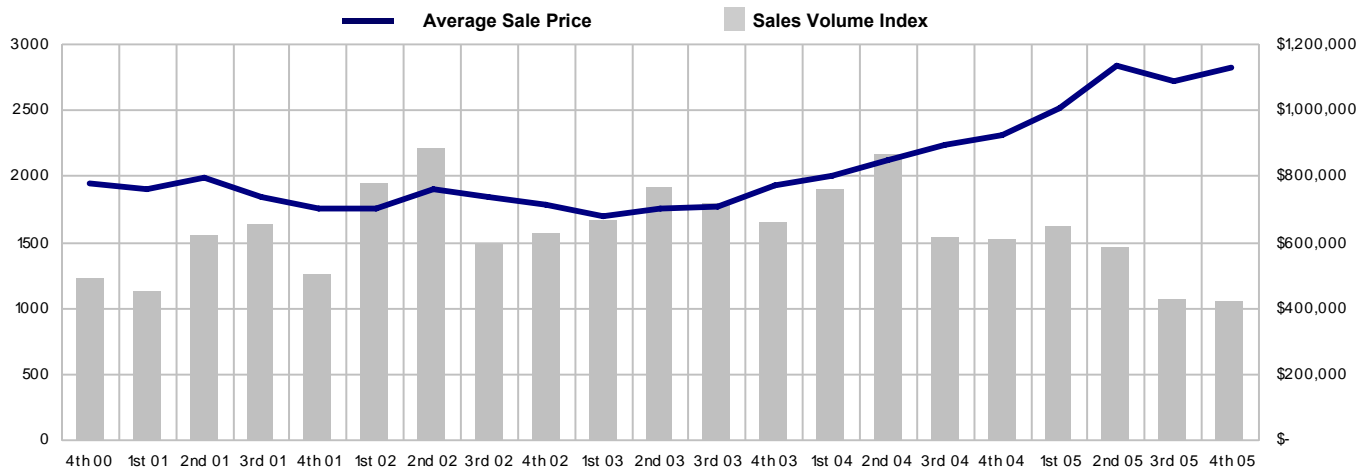
4Q05 Prices Rebounds Off Of Steady Volume

► **4th Quarter Average Price Up 3.6%.** The average apartment sale price reversed direction in 4Q05, posting a 3.6% quarterly increase. The average apartment price rose to \$1,128,500 compared to \$1,089,628 in 3Q05. The rise in average sale price represented a 22% increase over the 4th quarter of 2004.

► **Sales Volume Held Steady.** During the fourth quarter, the MMJ Sales Volume Index went virtually unchanged from third-quarter's levels.

► **Inventories Are On The Rise.** Available inventories listed for sale continue to rise, hitting an estimated 8,675 listings, up 26% from third-quarter's level. This shift is giving buyers more say and time in their decision to purchase. On the other hand, with a large pipeline of new supply coming on the market in 2006, prices could come under pressure. We will be watching this closely.

5 Year Average Sale Price & Volume Index



Market Statistics	Current 4th Q 2005	Previous Quarter 3rd Q 2005	Previous Year 4th Q 2004
Average Sale Price	\$1,128,500	\$1,089,628	\$927,152
% Change		▲ 3.6%	▲ 22%
Average Sale Price Per Square Foot	\$966	\$1,020	\$794
% Change		▼ 5%	▲ 22%
Median Sale Price	\$749,500	\$720,000	\$630,000
% Change		▲ 4%	▲ 19%
Listing Inventory	8,675	6,867	5,514
% Change		▲ 26%	▲ 57%

About MMJ & Market Measure - MMJ is independently owned and operated. As the largest residential real estate appraisal company in the Tri-State area, MMJ is the foremost source for market analysis, forecasts and related data. We compile and analyze sales data covering the widest spectrum of the market. Data contained in this report is drawn from closed sales records and contracted sales of residential cooperatives and condominiums located south of 96th Street in Manhattan. Geographic areas are defined as follows: East & West Side: from 59th to 96th Street; Midtown: from 59th to 23rd Street, Downtown: south of 23rd Street. Average sale prices are corrected for changes in average square footage to more accurately reflect changes in value. For additional information call 212-319-7300 or visit mmja.com

The Ship Continues To Sail

During the fourth-quarter of 2005, the average Manhattan apartment price posted a 3.6% increase to \$1,128,500 from third-quarter's level. This was good news after third-quarter's decline of 3.9% decline—which had been the first price decline in ten quarters.

We believe fourth-quarter's results should alleviate some concerns about an immediate bursting bubble. Year-over-year, the average apartment in Manhattan showed an estimated 22% price gain.

Sales Volume Flat

Interestingly, fourth-quarter's price increase took place despite relatively flat sales volume. We believe one of the better "real-time" indicators of the market's health, is contract signings. In the fourth quarter, contract signings went virtually unchanged (2,033 to 2,030) from third-quarter's levels, indicating that the market is holding its own.

A Shift To Value In 2005 With Rising Inventories

In fact, we believe buyers are taking more time to make housing decisions which they now can do with higher inventory levels. As shown in Figure 2, inventories rose 26% to 8,675 listings in the fourth quarter—representing an estimated 6-month supply.

To borrow an old NY ad expression, it's "The Syms" effect, educated buyers are the best customers. They are looking for value—both quality and price must be right—rising inventory levels allow buyers more time to shop around. We expect this to be a key component for the market in the coming year, that is, apartments priced to high, will likely sit on the market.

Figure 2. Inventories Bottomed In First-Quarter 2005



Source: Corcoran Group.

Category Highlights

The *MMJ Market Measure* analyzes property transactions that take place south of 96th Street in Manhattan. We look at trends by apartment type, price point, and neighborhood.

In looking at the various category performance, we found many trends remain the same, while a few new ones emerged over the past year. Given the strength of the overall market, all categories for the most part showed solid performance.

Lofts Continue To Climb

During the fourth quarter, prices of lofts continued to climb (see *Figure 3*) as did the number of transactions in our universe. We estimate the average price of a loft rose to \$2,007,500, an increase of 16% from 3Q05 and a 39% increase from a year ago. Boosting these results was a individual loft sale for \$24 million in SoHo. (This transaction also pushed up the average sale price for the "Below 14th Street" neighborhood.) Excluding this high-flyer, we estimate that the average loft sale price was even with third-quarter's level. Lofts represented approximately 9% of transactions and 16% of the market value in the fourth quarter.

Family Living Remains Expensive

Three-bedroom apartment prices bounced back 10% in the fourth-quarter, after dropping off in the third quarter. The average price for a three-bedroom place rose to \$2,747,800, up 22% from a year ago.

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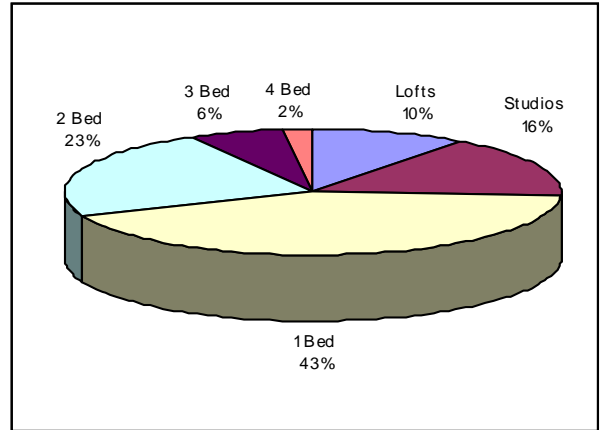
Four-Bedroom Prices Taper Off

After spiking in the first-quarter of 2005, four-bedroom apartments continued to feel downward pricing pressure, with the average price dropping 6% in 4Q05 from 3Q05 to \$4,999,000, although year-over-year prices were up 19%. We note that these two sectors (3- and 4- bedroom apartments) show greater pricing volatility because there are fewer transactions in these categories. Therefore, on a quarterly basis, average prices can be easily skewed by one or two transactions. We estimate that the two categories represent approximately 8% in terms of number of transactions, but 25% of total market value of fourth-quarter's activity.

Small Units Still Dominate The Market

Studio and one-bedroom apartments still dominate the Manhattan landscape. While these two categories lost a bit of market share (3%) this year, we estimate that they represent approximately 59% of total number of market transactions, yet only 31% of the traded market value. Prices have continued to steadily edge up throughout the year as shown in *Figure 4* below.

Figure 3. Apartment Type As % Of Transactions In 4Q05

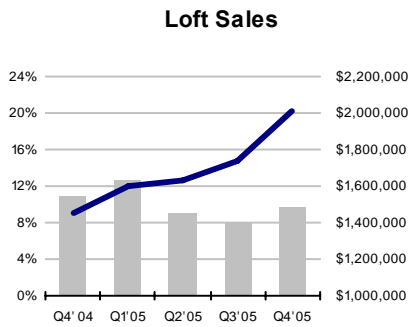


Source: Mitchell, Maxwell & Jackson.

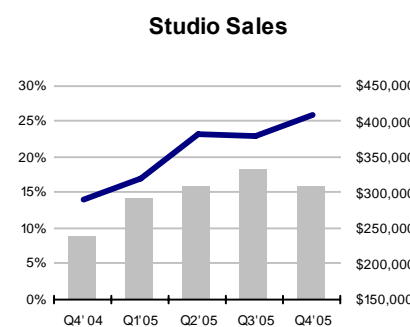
FIGURE 4. Apartment Sector Trends

The following charts show average sale price and sales volume by apartment size. Sales volume is shown as percentage of total transactions during a quarter.

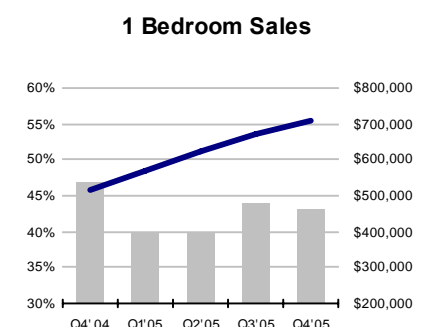
Blue Line = Average Sale Price
Grey Bar = Percentage Of All Sales



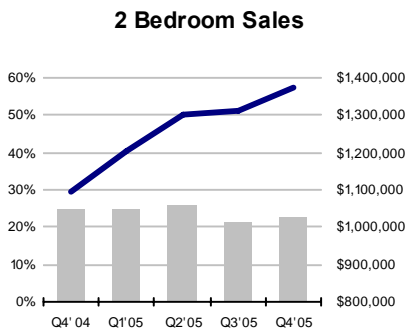
Loft sale prices rose to an average of \$2,007,481 up 16% from the previous quarter and 39% higher than the same quarter last year. Sales Volume increased from 8% to 10%.



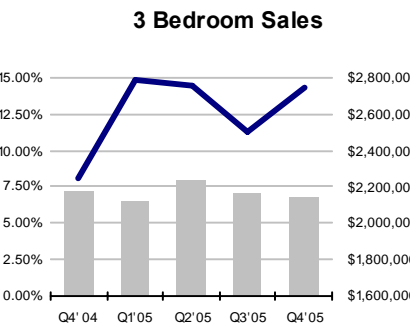
Studio sale prices rose to an average of \$408,567 up 7% over the previous quarter and 40% higher than the same quarter last year. Sales Volume decreased from 18% to 16%.



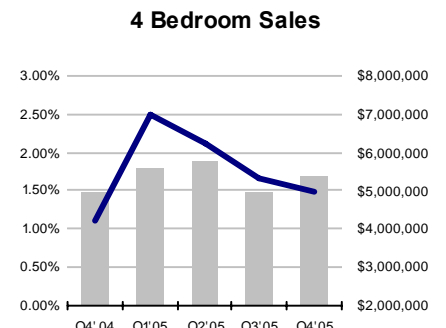
One Bedroom sale prices averaged \$708,926 up 6% from the previous quarter and 38% higher than the same quarter last year. Sales Volume declined from 44% to 43%.



Two Bedroom sale prices rose to an average of \$1,372,744 up 5% from the previous quarter and 25% higher than the same quarter last year. Sales Volume increased from 21% to 23%.



Three Bedroom sale prices rose to an average of \$2,747,752 up 10% from the previous quarter and 22% higher than the same quarter last year. Sales Volume remained unchanged at 7%.



Four+ Bedroom sale prices declined to an average of \$4,998,720 down 6% from the previous quarter and 19% higher than the same quarter last year. Sales Volume increased from 1.5% to 1.7%.

Source: Cooperative Data Corp. and Mitchell, Maxwell & Jackson.

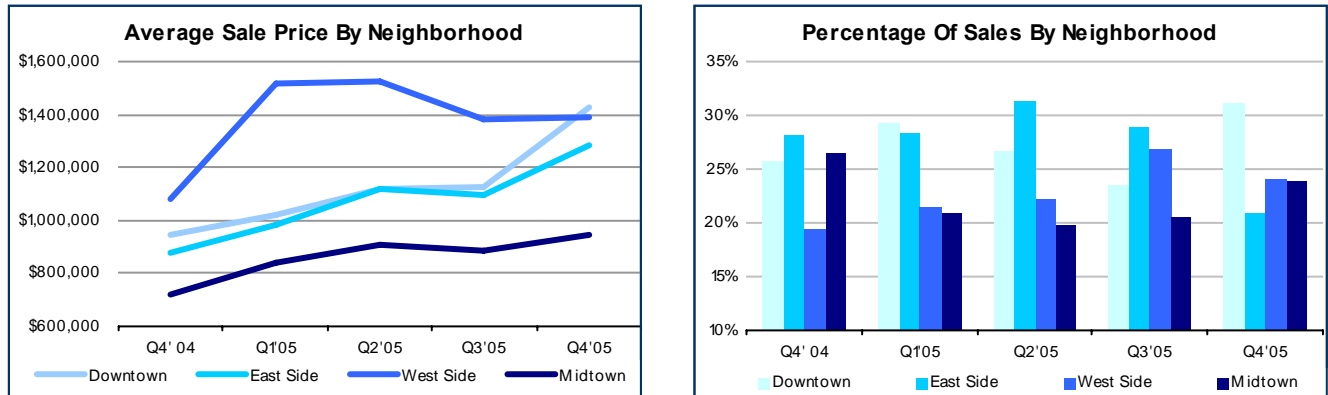
Neighborhood Breakdown

In looking at neighborhood trends, we divided Manhattan into four additional sections:

- ◆ The East Side market represents properties east of Central Park from 59th to 96th Street.
- ◆ The West Side market represents properties west of Central Park from 59th to 96th Street.
- ◆ The Midtown market represents properties from 59th to 23rd Street.
- ◆ The Downtown market represents properties south of 23rd street.

As shown in *Figure 5*, during the fourth quarter, the Downtown market experienced the largest price gain, pushed by the \$24 million loft sale in SoHo. This pushed the average sale price below 14th street up 27% to \$1,428,000 the highest of any neighborhood in the city. For the year, prices in all neighborhoods are up from a year ago, with largest gain from Downtown, followed by the East Side, then Midtown and the West Side.

Figure 5. Average Apartment Sales Trends by Neighborhood



Source: Cooperative Data Corp. and Mitchell, Maxwell & Jackson.

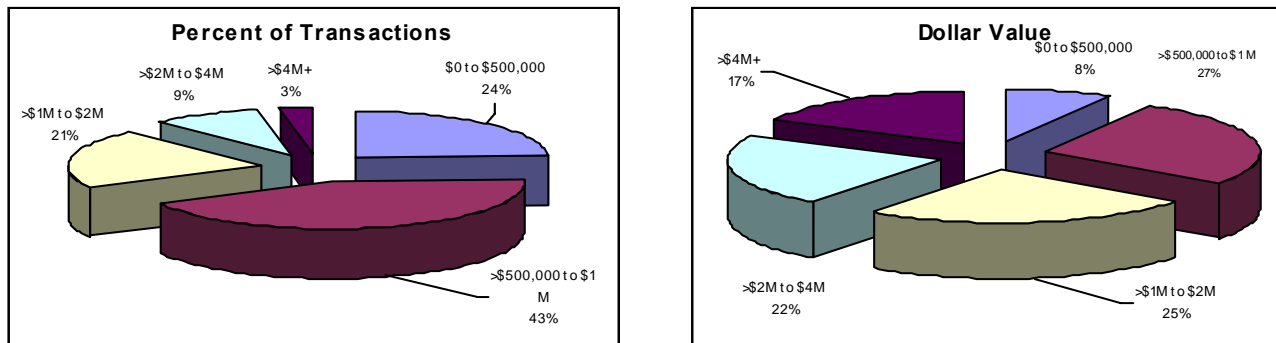
Price-Point Highlights

We also take a look at market transactions by price point. We divide the market into five segments:

- ◆ Properties that trade between \$0 and \$500,000;
- ◆ Over \$500,000 up to \$1 million;
- ◆ Over \$1 million up to \$2 million;
- ◆ Over \$2 million up to \$4 million; and
- ◆ Over \$4 million.

Based on fourth quarter activity (see Figure 5), the \$500,000 to \$1 million price point has the great number of transactions, approximately 43% of the total, yet these transactions represented only 27% in terms of market value. At the other end of the spectrum, the over \$4 million price point (or the high-end, luxury market) represents a small fraction of the transactions but does represent a material portion total traded market value.

Figure 6. Apartments Sales By Price Point In 4Q05



Source: Cooperative Data Corp. and Mitchell, Maxwell, & Jackson.

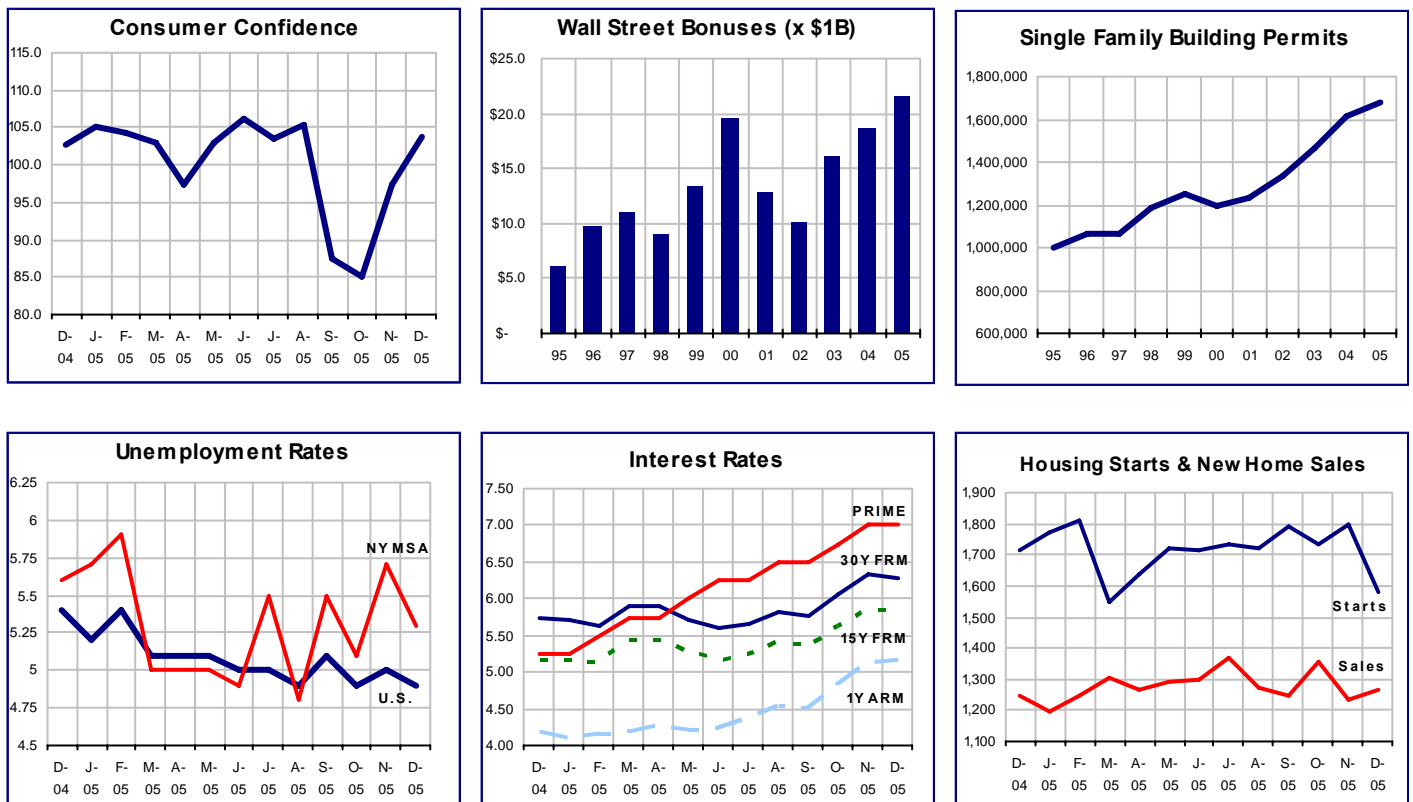
Manhattan Today

At MMJ, we track five basic economic indicators as to the overall health of the market. While some of these factors are national in scope, other such as Wall Street bonuses are more specific to the Manhattan market. However, all together we believe they provide an indication to the overall sentiment and momentum in the marketplace.

- ◆ **Consumer Confidence**—The consumer confidence index continued to rise in December after bottoming in October.
- ◆ **Wall Street Bonuses**—According to the State Comptroller, Wall Street bonuses reached a record level of \$21 billion, up from an estimated \$18.6 million in 2004 and \$16.2 billion in 2003.
- ◆ **Interest Rates**—Short to mid-term interest rates have been climbing over the last year, slowing the refinancing activity as well as purchase activity. Surprisingly, the 30 and 15-year fixed rates showed the least volatility, up 52 and 64 basis points from December 2004 to December 2005.
- ◆ **Home Sales & Permits**—While new and existing home sales have leveled out over the past few quarters, single family permits continue at a relatively heightened level.
- ◆ **Unemployment**—December's national employment rate was 4.9%, at a 5 year low, while New York City's metropolitan area's unemployment rate was 5.3%, down from November's rate of 5.7% (see Figure 7).

As we stated in our third-quarter *Market Measure*, the froth came off the market as supply and demand reached parity throughout most of the city. Prices, however, continued to hold up, buoyed by the strength of the jobs market. In particular, Wall Street bonuses hit record levels this year, which suggests that there are plenty of qualified buyers out there in 2006. On the other hand, with a large pipeline of new supply coming on the market in 2006, prices could come under pressure. We will be watching this closely.

Figure 7. National and New York Metropolitan Area Economic Trends



Source: U.S. Department of Labor, Office of the State Deputy Controller, U.S. Census Bureau, Confidence Board and Mitchell, Maxwell, & Jackson.

MARKET MEASURE

The Market Measure Quarterly Residential Real Estate Report

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