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market analysis

## NEW YORK CITY

### Geographic Description

The City of New York consists of five boroughs: Manhattan, Bronx, Brooklyn, Queens, and Staten Island. It is bounded by Westchester County to the north, the Atlantic Ocean and New Jersey to the south, Nassau County to the east, and the Hudson River and New Jersey to the west. Manhattan, the most urban and renowned borough, is an island situated between the Hudson and East rivers, at the southern tip of New York State. It is the cultural, artistic, commercial and financial center of the United States. New York City, with a population of 8,008,278 (2000 U.S. Census) is the largest city in the United States. Its population has grown by 685,714 (or 9.4%) from the 1990 census level of 7,322,564.

### Employment & Industry

Prior to the attacks of September 11, 2001 the city's economy, which normally outpaces national growth, had been experiencing a slowdown. Indeed, the recession, which began in March 2001, precipitated corporate downsizing and subsequent layoffs well before the attacks. Job growth fell below 1% in 2001, while weaker numbers are expected in the aftermath of September 11. Job losses in the Finance, Insurance & Real Estate [F.I.R.E.] sector totaled nearly 25,000 from September to October 2001. Although many of the lost jobs are expected to return to the local market as the economy begins to recover, some will remain in other cities in the Tri-State area. The F.I.R.E. sector, a primary driver of the local employment market, lost more than 5.5% of its jobs from June to October 2001.

Tourism and corporate travel have been scaled back, sending the hotel occupancy rate to the lowest level in recent memory.

### Construction & Real Estate

Corporate downsizing and the implosion of high-tech industries produced an increase in available sublease space during 2001. According to Cushman & Wakefield, Midtown's average asking rent was \$48/SF and Downtown's was \$45/SF. Midtown's vacancy rate is approaching 10%, while Downtown's rose from 5% to nearly 12%. The Downtown market was hardest hit by the events of 2001. A total of 13.4 million SF of space in six buildings in the WTC area were destroyed. Consequently, the commercial vacancy rate in Downtown has doubled. Several major firms have relocated their offices to New Jersey or other parts of the city. Until an incentive package is released by the state and city governments, Downtown will most likely continue to see tenants flee, resulting in more job losses.

In the meantime, the residential market has been affected with prices slipping over 10% throughout the city, especially in the immediate vicinity of the World Trade Center. Rents on thousands of apartments in Manhattan have been tumbling over several months, as the economy continued to slump and the fallout from the terrorist attacks spread beyond Lower Manhattan. On the other hand, an economic recovery can be spurred by the best interest rate environment in the last 30 years.

### Summary & Outlook

The near future indicates continued contraction with the loss of more jobs in both the blue and white collar sectors as the city and state grapple with budget deficits. Further weakness is anticipated in demand in all market sectors, which effectively puts downward pressure on asking rents. The outlook for the blue-chip Dow Jones Industrial Average and the tech-heavy NASDAQ remains weak, while corporate profits continue to slide. The Fed will continue watching for signs of a worsening economy and may step in to adjust interest rates incrementally as the situation warrants.

The low interest rates may prove to be attractive for a greater number of potential buyers and consequently bolster the economy in recession. As a result the service, retail and industrial sectors are expected to improve with the whole economy.

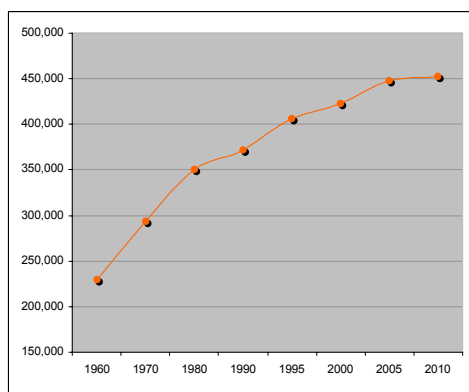
Since the recession began in March 2001, the New York State Department of Labor's Current Employment & Unemployment Statistics reveal that the City of New York experienced a 7% unemployment rate for December 2001, as compared to 5.2% in December 2000. Over the last year, the number of New York City residents employed has decreased by 93,600 (or 2.8%), to a level of 3,262,000 in December 2001. The annual decrease in the number of jobs in New York City was 96,500 (or 2.5%) jobs to a level of 3,717,300 in December 2001.

The destruction of the World Trade Center on September 11, 2001 has altered the landscape of the city and the mindset of its people. From lives lost to businesses displaced, it remains to be seen how effective governmental aid and insurance payments will be in the process of rebuilding and restoring public confidence. Tax cuts, incentive packages, interest rate declines and federal spending may serve to lift this city's and nation's economies.

## RICHMOND COUNTY

### Demographics

Staten Island became part of the City of New York in 1896. It is the third largest of the City's five boroughs in area and the smallest in population. The population growth, however, is greater than that of the other four boroughs. A comparison of the 1980 census of 352,121 in population to the 1990 census of 378,977 reflects a 7.6% percent growth over that decade. According to the 2000 census, the latest estimate of Staten Island's population is 443,728. This is a 17.1% increase in population compared to the 1990 census. The 1990 census indicated that the median household income was \$43,861, with 8,389 households, or 6.43% of the total households, receiving public assistance. The same survey showed that there was an average of 3.45 persons per household.



Population Growth | 1960-2010

In 1964, Staten Island acquired its first physical connection to the four boroughs in the form of the Verrazano Narrows Bridge. The Verrazano Narrows Bridge has one of the largest spans in the world, 4,260 feet, and cost in excess of \$320 million to build.

By creating a physical link to the rest of the city, this Verrazano Narrows Bridge has accelerated economic and demographic growth in Staten Island. The City Planning Commission officials estimate that the population of Staten Island will continue its growth.

### Transportation

The Verrazano Narrows Bridge, operated by the New York Bridge & Tunnel Authority, connects Staten Island at Fort Wadsworth and Brooklyn at Bay Ridge. Prior to its construction, commuters took a twenty-three-minute ferry ride to Manhattan and a twelve-minute ferry ride to Brooklyn. This bridge is a part of a network of highways in and around New York City leading over the bridge through Staten Island on the Staten Island Expressway (I-278), which has feeders to the three toll bridges from Staten Island to New Jersey. The three bridges to New Jersey are:

1. Outerbridge Crossing Bridge from Tottenville, Staten Island to Perth Amboy, NJ
2. Goethals Bridge from Mariner's Harbor, Staten Island to Elizabeth, NJ
3. Bayonne Bridge from Port Richmond, Staten Island to Bayonne, NJ

Public transportation facilities are provided on Staten Island by the NYC Board of Transportation, which operates buses throughout the island, and the Staten Island Railway (a division of the Metropolitan Transit Authority), which operates electric trains from St. George to Tiptonville.

The State is funding a study to explore options for reviving commuter service along the long-defunct North Shore Railroad. This 5.2-mile line would link St. George to Mariner's Harbor. Staten Island aging transportation infrastructure is ill-equipped to facilitate cargo-hauling eighteen-wheelers, as well as increasingly congested highways and toll bridges. This poses problems for the future.

### Public Services

The Police, Fire and Sanitation Departments are all part of the entire New York City Government operations. As a result, they are competently and efficiently operated. The public school system, under the direction of the Board of Education of the City of New York, provides very good educational facilities.

The public utilities are serviced by the Brooklyn Union Gas Company, the Consolidated Edison Company of New York and the New York Telephone Company. The City of New York maintains the water supply and sewer system.

### Employment

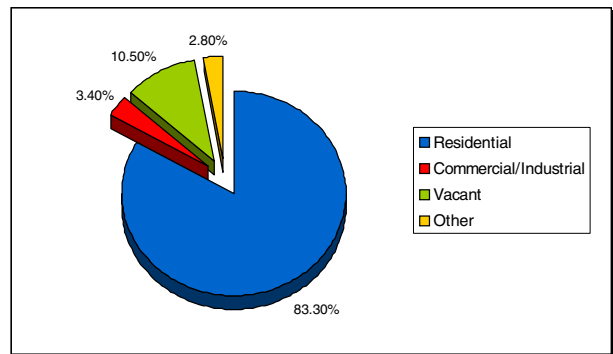
Staten Island has small, diversified service industries and extensive residential and recreational areas. According to the 1990 census, 54,282 of its inhabitants worked in the borough of Manhattan. According to the 1990 census, 75,428 people – less than half of its residents – were employed or were in business in Staten Island, followed by Brooklyn with 25,256 and New Jersey with 11,634. In addition, the unemployment in Staten Island in December 2001 was 5.4%. Over the past ten years, the number of jobs in Staten Island has increased by 15%. Staten Island is considered to be the best-performing borough in terms of job growth.

Construction and retailing are the fastest growing job sectors outside health and social services in Staten Island. Continued growth in Staten Island's population and wage level increase suggest both sectors will continue their expansion. The Port Authority predicts total employment on Staten Island will increase by 27% over the next 30 years – the only double-digit gain among New York's five boroughs.

### Development Characteristics

Staten Island occupies 60 square miles of land. The land use breakdown for Staten Island is shown on the following chart. The predominant land use is residential, which accounts for over 83% of the total land use. Furthermore, 65% of the residential land on Staten Island is represented by one- and two-family dwellings.

Declining interest rates have fueled the housing boom on Staten Island. According to the Staten Island Board of Realtors (SIBOR), the average selling price of a one-family home on Staten Island is \$310,000. New construction has benefited from low interest rates as evidenced by shorter absorption periods. However, the school seat issue and down zoning initiatives have slowed down some proposed developments, especially on the South Shore.



Land Use Distribution | Staten Island, NY

## Area Analysis & Summary

One of the premier developments on Staten Island is the Teleport. It is a 100-acre, 1.1-million-square-foot office park, designed specifically for data communication requirements. It is located on the northwest shore of Staten Island. Teleport offers substantial benefits to tenants through the following:

- i. 23-year ICIP tax exempt land status
- ii. 12-year exemption from the New York City rent tax
- iii. 12-year, \$500/employee annual tax credit
- iv. 8.25% sales tax exemption on interior construction
- v. New York Power Authority electric rates

Teleport Communications Group (TCG) is the largest tenant, occupying 134,000 square feet. In addition, the facility has been able to draw major tenants such as Merrill Lynch, American Express, The Port Authority of NY & NJ, Allstate Insurance and others,

Across the street from the Teleport are three campus-style office complexes built recently on the property acquired from the City of New York. Richard Nicotra, Teleport's developer, has also completed a 150-room hotel and office complex.

On the other hand, the New York City Economic Development Corp. (NYCEDC) has signed an agreement with Stapleton Studios, LLC to develop the waterfront SI Homeport. Development will begin with the conversion of existing buildings into motion picture stage and studio facilities, support office space, and set and prop construction space. The agreement with NYCEDC calls for a review after six months. Upon approval, further development will include a world-class marina and hotel.

Meanwhile, non-residential construction activity has registered moderate growth. Recently, a major Long Island developer, Blumenfeld Realty Development Co., announced its plans to build a shopping center in the Charleston section of Staten Island. The new facility will contain approximately 700,000 square feet of retail space and is expected to include a wholesale club, a large supermarket, a discount store, a movie theater and a large book store. The shopping center will be built on a city-owned tract, which is generally bounded by Arthur Kill Road, Englewood Avenue and the West Shore Expressway. The plan may face strong opposition which is in favor accommodation of a growing need for ball fields, schools, and other essential public utilities.

The St. George downtown area lacks a major market for small businesses, which resulted from the relocation of the College of Staten Island. The college has left behind a four- and a nine-story building with 124,000 square feet of vacant space. The City has reorganized its count offices and other administrative offices in the area and now temporarily occupies the first six floors of the nine-story building. The city is developing a plan to construct a \$40 million courthouse in St. George. There has been no new construction of office space over the last few years. Furthermore, the existing inventory of office buildings would require major renovations to accommodate the fiber optic needs of today's business community. The courthouse is a key element in the civic revitalization of St. George.

In addition, a recently acquired 52-acre site will be used for the St. George Ferry Terminal. The site is strategically located at the core of Staten Island's transportation system and is at the center of the borough's civic and cultural establishment. New development projects include the 2001 completion of a minor league baseball stadium for the Staten Island Yankees, with further plans for open space for cultural and community events.

Staten Island suffers from a lack of major industries in the area. Bridge toll reduction and infrastructure development is needed to support warehousing. The long-shut Procter & Gamble plant has been purchased by the Port Authority in order to expand the neighboring Howland Hook Container Terminal. The expansion could create another 1,900 jobs on the waterfront. Today, the Port Authority asserts that Howland Hook is the busiest container terminal within the port and the target of a planned \$550 million expansion.

The dredging of the Arthur Kill-Port Newark/Elizabeth Waterway to 45 feet is in progress. This was necessary to accommodate modern ships. While further dredging to 50 feet may soon be needed to remain competitive, the cost-effective decision is to pursue current project development

The Staten Island Development Corp. (SIEDC) has initiated the North Shore Economic Development Zone, covering areas from Pouch Terminal to Port Ivory with an additional sub zone in Travis, which provides tax and financial incentives to businesses moving into these specified areas. The SIEDC reports the creation of the zone has resulted in over \$200 million in private investments and the creation of over 500 new jobs.

### Conclusion

With the completion of the Verrazano Narrow Bridge, Staten Island has taken its rightful place beside the other four boroughs of the world’s greatest city. Over the last decade Staten Island enjoyed the strongest economic development of any borough and experienced significant population increase while other boroughs were losing people. Along with the population growth, it is expected that this large, until recently undeveloped area adjacent to Manhattan, will enjoy its integration with any future economic growth of the rest of the City. But with a badly outdated system of roads and an economy reliant on only a few industries, Staten Island must create job opportunities and improve its highway system in order to sustain its current growth.

## NEIGHBORHOOD DESCRIPTION

### Introduction

Many of DNR Construction properties are located in the Midland Beach, New Dorp Beach, South Beach, Dongan Hills, Oakwood Beach and other sections of Staten Island.

Midland Beach is situated in the eastern section of Staten Island. It is bounded by South Beach to the north, Gateway National Park to the south, Raritan Bay to the east and Grant City to the west.

The New Dorp Beach area is bounded by Gateway National Park to the north, Oakwood Beach to the south, Raritan Bay to the east and New Dorp to the west.

South Beach is bounded by Hylan Boulevard to the north, Midland Beach to the south, Fort Wadsworth to the east and Quintard Street to the west.

The Dongan Hills sector is shares its north border with Grasmere, is bounded by Grant City to the south, South Beach to the east and Richmond Road to the west.

Oakland Beach is located south of New Dorp Beach is bounded by the Raritan bay to the east and Hylan Boulevard to the west.



Neighborhood Map | Staten Island, NY

## Development Characteristics

Primarily residential in nature, all above mentioned sectors are located within a close proximity of Hylan Boulevard, which serves as the main commercial thoroughfare in the area. The secondary streets consist primarily of older one- and two-family detached dwellings.

During the 1920's the area was a well-known summer resort, with rides and attractions. Many of the summer bungalows remaining from that period have been winterized and are occupied year-round. The City of New York Parks Department still maintains the boardwalk which runs along the waterfront from Midland Beach to South Beach. The many ball fields and parking lots along Father Capodanno Boulevard cater to a wide variety of summer events such as street fairs, circuses and bazaars. Hylan Boulevard, as well as Midland Avenue is the main commercial thoroughfare in the area. Various retail stores and offices, which cater to the community, are located on these roads.

Commercial rents in the area range from \$10/SF to \$18/SF. The vacancy rate is between 8% and 10%. The average selling price for a home in these sections of Staten Island is \$310,000. Midland Beach Park, which provides a boardwalk, baseball fields and recreational areas, is within walking distance.

Public bus routes run along Father Capodanno Boulevard, Hylan Boulevard and Midland Avenue, providing transportation to New York City, the Staten Island Ferry and other areas throughout Staten Island. The Verrazano Narrow Bridge and access to the Staten Island Expressway is approximately one mile north of this sector. The Grant City station of the MTA/Staten Island Railway, which provides rail service to the St. George Ferry Terminal, is located 1.5 miles west of this area.

During the past decade, these sectors have become middle-income residential neighborhoods. A wide variety of new one- and two-family semidetached dwellings has been recently constructed. Since a large portion of the remaining vacant land is designated as wetland, builders have resorted to demolishing existing bungalows.

In the aftermath of the events of September 11, 2001, a large number of Manhattan residents had begun leaving the borough for neighboring Brooklyn, New Jersey and Staten Island. A consequent spike in rental prices in Brooklyn has prompted many to move further to Staten Island. In addition, low interest rates and 8-year tax abatement on a new home purchase in Staten Island have created a favorable environment for homebuyers. As a result a large number of people moving to Staten Island purchase new houses, thus building equity in their homes instead of paying high rents.

Our opinion is that the outlook for the area is positive. With easily accessible transportation and its close proximity to the Verrazano Narrows Bridge, the area will sustain continued growth.

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The figures and estimates used in this document are based on a real estate development appraisal by Raymond A. Vomero Associates, Inc.  
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