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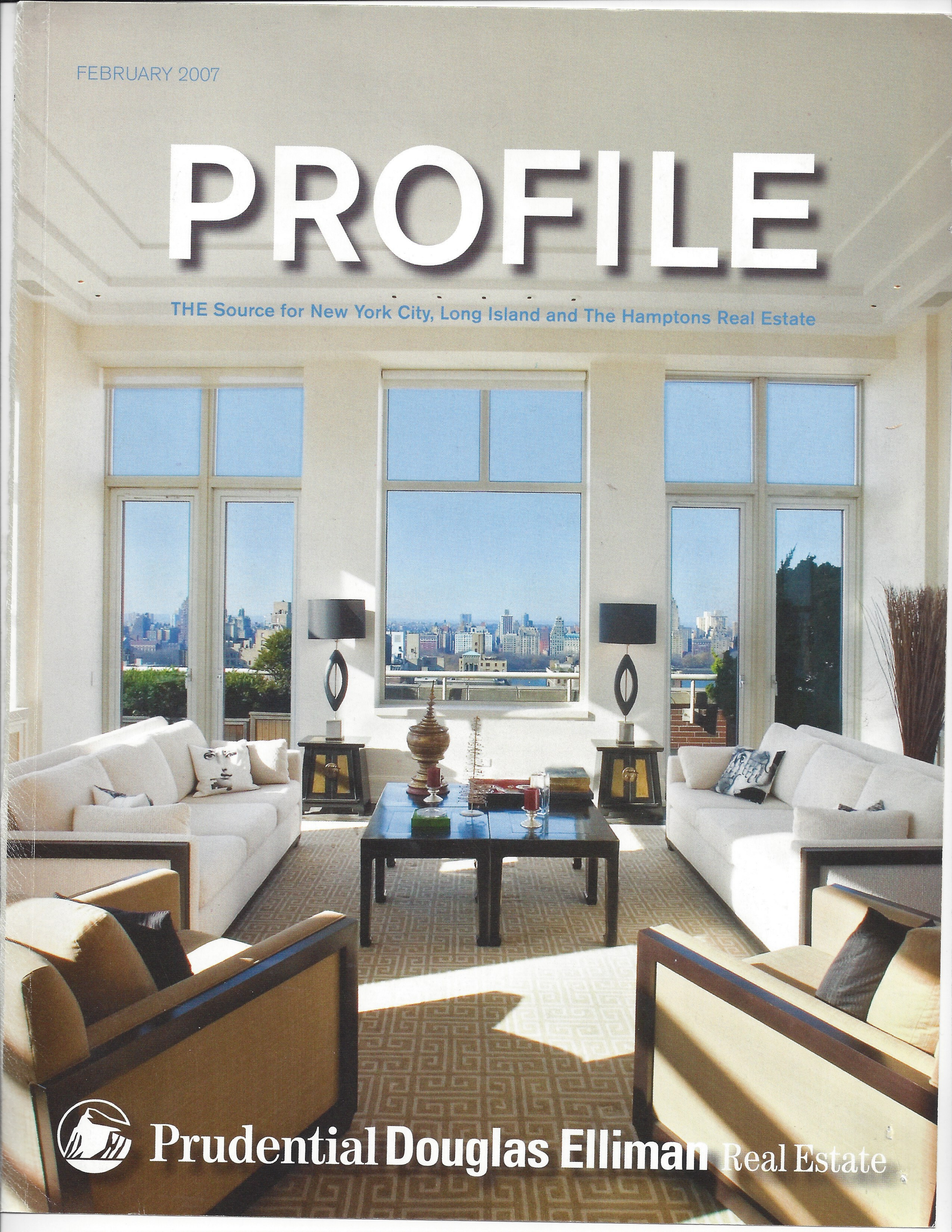
PROFILE

THE Source for New York City, Long Island and The Hamptons Real Estate



Prudential Douglas Elliman Real Estate

Hats off to New York City.

When the rest of the country saw dramatically fewer sales last year, the Manhattan real estate market simply blinked for a few months. Once again, buyers are buying, and sellers are selling. Our recent fourth-quarter market report shows average prices in the city rose a healthy 3.2% in 2006, and the average sales price remains above $1.2 million.

Listings inventory fell 22.2% in the last quarter, and the number of sales was up significantly. Falling mortgage rates, an improved local economic outlook, surging Wall Street bonuses and booming stock market all played a role in the improvements.

In the city, we are buffered from the rest of the nation's real estate slowdown because so many apartments here are owner-occupied rather than held by speculators who bought precisely to flip for a profit. While the Manhattan buying frenzy has slowed from its 2004 peak, homes are staying on the market only slightly longer than in 2005—149 days compared with 137 days a year earlier.

The luxury market also continues to see solid gains, with the average sales price rising 4.5% to $4.1 million in 2006. The number of sales rose considerably with the number of days on the market up just slightly to 151 days.

While gains of 3% to 6% may seem like nothing when we have gotten used to 20% annual appreciation, we need to remember that hardly any investment anywhere sees such appreciation year after year. We have just gotten used to these intoxicating numbers and are disappointed to see more normal returns.

As the effect of Wall Street bonuses filter in throughout the year, the impact will be felt not only in the city but on Long Island and the second home market in the Hamptons. According to the executive search firm Options Group, New York's top five investment banks will dole out a record $36 billion in bonuses. Expectations are for strong bonuses to continue over the next few years. This is good news for the whole region because when the city does well, so do the suburbs.

Long Island fared better than had been expected. While not as robust as the city, prices rose slightly in the middle of last year to an average $524,073. The number of sales jumped, and inventory leveled off.

The Hamptons market continues to be strong, with the average sales price hitting a record $1.7 million. The persistent attractive mortgage rates, record Wall Street bonuses and the consistent appeal of this special area all contribute to continued strong results.

Locally, I expect 2007 to mirror last year. Interest rates should remain low. Sales activity appears to be increasing, and inventory levels are falling. Local unemployment is low; the city is well run, and the weaker dollar makes the area look like a bargain for foreign investors.

Here, at Prudential Douglas Elliman, we are continuing to expand our presence in Brooklyn. In addition to our existing offices in Brooklyn Heights and Cobble Hill, we are the first major real estate company to open an office in the hot Williamsburg area, right on Bedford Avenue. Look for us soon in Park Slope.

Lastly, I would like to personally thank our clients, customers and brokers for helping Prudential Douglas Elliman achieve a record year in 2006.

Dorothy Herman

Prudential Douglas Elliman Real Estate