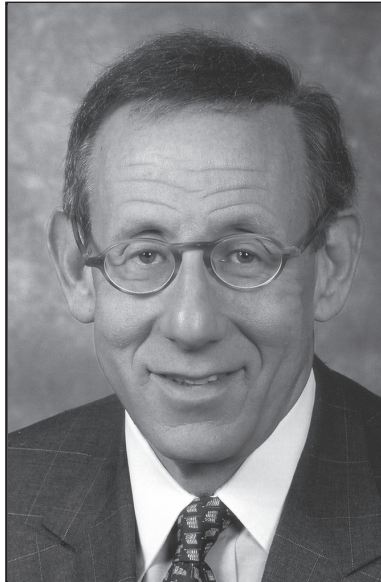


THE ANNUAL REPORT FROM THE CHAIRPERSON AND THE PRESIDENT



Stephen M. Ross
Chairperson



Steven Spinola
President

Introduction

In 2008 The Real Estate Board of New York was engaged in a wide range of activities that benefited our membership, our industry and our city. These activities included advocating positions on legislative proposals at all levels of government— federal, state and city—that benefit our industry; offering educational courses, seminars and luncheons; hosting social events that raise money for charitable causes and organizations; assisting members seeking building permits and other approvals to facilitate new development and continuing to enhance the quality of our member services. We present below the many highlights of this year's activities.

Federal

We had a number of major accomplishments in Washington. We were able to include a provision that increased for two years the amount of private activity bonds available to the states in the Housing and Economic Recovery Act of 2008. New York anticipates an additional \$600 million allocation. These additional funds could be used for a variety of

housing issues, including dealing with foreclosures. However, New York plans to make these additional tax-exempt bonds available for new housing development. With changes in the 421a tax exemption program and new zoning rules to promote mixed income housing, the demand for this source of project financing exceeded supply. This additional funding would not meet the entire projected need at the time of its adoption, but would ease the acute pressure in the housing market. When the credit crunch begins to abate, we expect that this additional financing will be a catalyst for renewed housing development.

The Housing Recovery Act also provided federal financial back-stops to Fannie Mae and Freddie Mac and streamlining of FHA and Low Income Housing Tax Credits. It also contained technical provisions sought by the industry to modernize treatment of REITs.

Another accomplishment in Washington was the inclusion of a provision in the Emergency Economic Stabilization Act of 2008 that provides a 50% bonus depreciation of investments made during 2008 (with a transition rule for 2009 investments under binding contract during 2008). The qualifying investments included leasehold improvements, and furniture and equipment used in a business. For these types of investments, the taxpayer will be allowed an immediate deduction of 50% of the cost of the investment and the balance will then be depreciated over its depreciable life (39 years for leasehold improvements; 3 or 5 years for equipment). This act also extended energy efficiency and brownfields tax incentives.

Another critical piece of legislation for 2008 and beyond was the Terrorism Risk Insurance Program Reauthorization Act of 2007 (TRIPRA). The President signed this bill at the very end of 2007, immediately prior to the expiration of the earlier federal legislation for terrorism risk insurance. This legislation created a valuable benefit in 2008 and was a victory for the industry and for New York, and one that REBNY and the Association for a Better New York (ABNY) worked hard on together. We were particularly grateful to Representatives Barney Frank, Gary Ackerman, Joseph Crowley, Peter King, Carolyn Maloney and Tom Reynolds and to Senators Charles Schumer and Hillary Clinton for shepherding the extension through both houses of Congress.

The legislation extended the federal backstop for terrorism risk insurance coverage for seven years. This was an important change from the past two bills which had to be reauthorized every two years, causing tremendous uncertainty in the marketplace. Additionally, it eliminated the distinction between foreign and domestic terrorism and now covers both.

Although REBNY had lobbied for a "large event reset mechanism" which would have resulted in greater capacity in high-risk urban areas, it was not in the final bill.

Working with the Real Estate Roundtable and ABNY, REBNY strongly fought the idea that came out of the House Ways and Means Committee this year to tax carried interest as ordinary income rather than capital gains. Carried interest is the compensation paid in the form of an equity interest in the project for the managing entity who arranges the financing. While the proposal was aimed at hedge funds and the financial services industry, it would have had serious implications for the real estate industry.

State

In Albany, we had a busy and successful legislative session. The Industrial and Commercial Incentive Program (ICIP) was extended to March 1, 2011, a two and a half year extension. In view of the robust economic activity between 2002 and 2007, the city and many opponents of the program sought significant reductions in the program's benefits. Over the last year we successfully negotiated reasonable revisions to the program. As a result, the final version of the law contained many of the provisions we thought successful, such as continued benefits for retail and office development in the boroughs and benefits for renovation work in Manhattan. Also, the bill does not contain any prevailing and living wage requirements, though the City Council in local legislation will require the solicitation of bids from minority- and women-owned businesses for projects that receive this benefit. Going forward, this benefit program will be called the Industrial and Commercial Abatement Program (ICAP) and will be an abatement of property taxes, not an exemption of taxable assessed value. Also transition legislation for ICIP was enacted that made clear that a project that filed an application and received a permit in accordance with the deadlines of ICIP would receive the benefits of this more generous program for the entire project.

Another critical economic development incentive program that was amended was the Brownfield Cleanup Program (BCP). BCP was enacted four years ago to clean up brownfields throughout the state and promote the development of these sites, especially upstate. From the state's perspective, the basic problem with the BCP was that the uncapped development benefits that linked the amount of this tax credit to the cost of the development were too expensive and were providing an insufficient benefit upstate where the economic development need was greater. The new, amended BCP imposes a \$35 million cap on development credits and a \$45 million cap for manufacturing projects. The state also estimates that the cleanup reimbursement in the new BCP is two times greater than the previous program. It was important for us as a matter of economics and equity that the new amendments grandfather the uncapped development tax credit benefits for brownfield projects accepted under the earlier program. Many of these projects have financed and, in some cases, completed the cleanup based on the anticipation of the uncapped development benefit. We thought these projects were entitled to the benefits available at the time they applied to the program. These benefits were an essential

component of the project's financing. We're pleased that we achieved this goal. The Relocation and Employment Assistance Program (REAP) and the Lower Manhattan REAP were extended to 2013. REAP provides substantial tax credits for moving employees to the boroughs and Northern Manhattan. Lower Manhattan REAP provides similar benefits for companies that move employees from outside New York to Lower Manhattan. Both programs are designed to offset the high operating costs in the city and to make the city more competitive with business locations throughout the metropolitan region. In addition this program is a complement to ICAP/ICIP as a package of incentives to promote economic development activity.

We strongly urged the renewal of the REIT transfer tax reduction law that would continue the 50% reduction in the transfer tax on the conveyance of a property to a REIT. This provision was scheduled to expire in September 2008. Initially enacted in the mid-1990s along with the elimination of the 10% gains tax, the transfer tax reduction has encouraged the creation and growth of REITs in New York. The financing and real estate activity generated by REITs have been a critical component in the robust economic activity in New York over the last decade.

The green roof tax abatement law which we supported and which is a component of PlaNYC—the city's blueprint for green, sustainable growth to 2030—establishes a pilot program that provides a one year tax abatement for the construction of a "green roof" on a tax class one, two or four building. The amount of the abatement is \$4.50 per square foot of green roof limited to the lesser of \$100,000 or the building's tax liability for the year in which the abatement is taken.

A new commission in escrow law adopted this year provides an inexpensive tool for residential brokers to collect a commission. The new law would require the seller of real estate to deposit the broker's commission with the county recording officer if the real estate broker makes such a request. The problem has been that despite enforceable contracts sellers sometimes fail to pay the commission at closing and brokers face costly litigation that can be more than the commission.

Another important accomplishment for brokers concerned the beneficial change in the curriculum for licensing. We led the effort that will add commercial real estate and co-op and condo ownership to the curriculum, making the course more relevant for agents in New York entering the profession.

We supported the renewal of the coop/condo abatement program that lowers taxes for these properties, generally 17.5%. The purpose of this reduction is to achieve equity between single family homes in Class One whose taxes are significantly lower than the Class Two "homes" (co-op and condo units) that taxed at a much higher percentage of their value.

As we noted in last year's annual report we were the major advocate for extending the 421a negotiable certificate program, the current 80/20 program and a longer transition period to the more restrictive benefit program that the city and state legislature enacted. We were successful in preserving the 80/20 program and in attaining meaningful extensions for the certificate program and for the more generous 421a benefits. One extension preserved the more generous program benefits and negotiable certificates for projects that commenced construction by June 30, 2008. As a result of this extension, we saw an unprecedented surge in new housing permits in the last month of eligibility for these benefits.

In addition to working for the adoption of these vital 421a amendments, we were extremely busy in 2008 in making sure that all projects in a position to secure a building permit necessary to vest these benefits did so by the deadline. In particular, we worked closely with the Department of Buildings and our builder members to identify those projects that were attempting to meet the June deadline. Thanks to the extraordinary efforts of the Building Department staff, especially in the Manhattan and Brooklyn offices, over 17,000 dwelling units were approved in June, more than twice the number of new dwelling unit permits issued in the first five months of the year. Based on the number of permits issued in June, we think our efforts legislatively and administratively were extremely beneficial for our members and our industry.

At times we serve our members and our industry by opposing legislation that would increase costs or add questionable administrative burdens. One such bill in Albany would have eliminated the exemption from the unincorporated business tax (UBT) for individuals who arrange project financing in exchange for a share of the equity in the project. (This was a local version of the carried interest concept in Washington that we opposed.) This bill would have driven such activity outside New York. Likewise, we opposed provisions that would mandate prevailing wage on projects that receive assistance from the Industrial Development Authority. We argued that this federal benefit program was intended to spur economic development, not to pay higher salaries.

City

The most pressing local legislative issue was construction safety. In response to a number of construction accidents, legislation was enacted that regulated crane operations. We worked with the administration and other interested organizations in developing a sound workable proposal to address construction safety concerns. The new law also requires a 30-hour training course for anyone involved with erection, jumping or dismantling a crane. Additionally, detailed crane erection and rigging plans must be filed and approved, and crane operation coordination and safety meetings must be held on site, prior to any operation.

During this transition period we played a pivotal liaison role between the city and our members with numerous ongoing development projects around the city. We attempted to keep the city informed about which projects had cranes and would require the on-site inspectors promptly, as the Buildings Department changed to a new safety system. Our intercession guaranteed that the enhanced safety features that the city sought were achieved and that construction activity on these “crane” projects could proceed without unnecessary delay.

Also, in response to accidents, the City Council passed legislation requiring that a concrete safety manager be employed to oversee concrete operations on buildings over ten stories in height or where the concrete pouring involves over 2,000 cubic yards of concrete. This is in addition to the required site safety manager. The Council also passed legislation that requires all construction workers to complete a ten hour OSHA safety course and must have a course completion card.

Another issue that has received significant media attention and that is an element of PlaNYC is bike parking in residential and commercial buildings. We have generally been supportive of a recent zoning proposal that would require bike parking in new residential and commercial buildings. Our basic concerns with the new building proposal are that the required number of spaces seems high for commercial buildings, based on our survey of members who already provide this amenity, and that building owners be explicitly permitted to reasonably regulate the hours of operation of this space.

We have expressed strong opposition to City Council legislation that would mandate such bike access in existing buildings. Again, we have expressed our support for the goal of the bill and have actually encouraged our members to provide this space in their existing buildings, if feasible. At our urging, more than 100 existing office buildings now provide bike parking. Given the various ages of the commercial building inventory, the different codes and marketing requirements in place when they were built, some buildings would have great difficulty complying with this mandate. We’ve continued to seek ways to advance this goal without imposing unreasonable hardships on property owners.

Another important zoning proposal that we supported was on 125th Street. The city’s goal was to increase floor area on this major commercial street to attract new investment and to promote more new commercial development, while taking steps to preserve the cultural character of the area. This zoning was approved. However, to address vocal and well-organized community opposition, the administration made significant modifications that will thwart many of the planning and economic development goals of the plan that we strongly supported.

We also supported the rezoning of Willets Point that the City Council also approved.

This plan would transform this unsightly industrial area to a mixed-use community that would complement the growth in adjacent neighborhoods—Flushing and Corona. This has been a major initiative of the administration that would bolster development in the boroughs and that would reclaim industrial areas for more productive uses. Again, compromises made to secure passage of the proposal will make it more difficult to achieve the laudable planning goals originally presented in the plan.

Another Council-approved planning initiative that we supported was the rezoning of a portion of the Long Island City waterfront for the city's proposed 5,000 units of workforce housing. Throughout the planning process, we have offered advice to the city about cost effective building design and construction as well as a financing structure that would lower project costs.

We have also testified on other planning and economic development projects that we think are important to the city. These include the expansion of the Columbia University campus in West Harlem, the ARC Trans-Hudson Tunnel that would build a second tunnel to Penn Station from New Jersey, and the rezoning of the former Con Edison sites on the East Side to permit a large scale mixed-use project—housing (market-rate and affordable), office and open space, a school and public access to the East River waterfront.

On the zoning amendment for street tree planting, we conveyed our recommendations to simplify the process. Many of our recommendations were included in the final version of the amendment. Also, we supported the widening of the stairwells to ease evacuation in new high rise buildings in the event of an emergency. Through our efforts, the enlargement would not reduce the building's allowable floor area.

We continue to oppose many of the Landmarks Preservation Commission's historic district designations in Manhattan. In two recent actions (NoHo and West Chelsea), these designations derailed a number of major development plans that, in our view, were the catalyst for the designation. We continue to support historic preservation that has unquestionable merit and that balances the planning needs of our city. In particular we testified in favor of three projects that were using development rights or transferring development rights from a landmark to allow for new and exciting development: the addition to the Parke-Bernet Gallery on the Upper East Side that was using its development rights to create an innovative architectural addition; a tall, slender mixed-use tower in midtown using development rights from the adjacent Museum of Modern Art; and another mixed-use project on Fifth Avenue and 43rd Street that is using development rights from the Century Association and Mechanics building. In all three cases, these builders will enhance and renovate the landmark property which was the source of the development rights.

ResidentialNYC.com

In its first year ResidentialNYC.com, our real estate listings web site, had many successes. Through November 2008, ResidentialNYC.com has received more than 22 million hits, exceeded 891,000 page views and attracted more than 250,000 unique visitors to the site. Member firm participation grew more than 30 percent in its first year. The average number of daily listings is about 6,000 for sale and rent in all five boroughs. Consumer searches on the site have resulted in more than 210,000 leads originating from ResidentialNYC.com going directly to our members' web sites.

Several media partnerships were created, which has given the site significant exposure. ResidentialNYC.com sponsors the newly-launched Real Estate Report on the cable news network NY-1 which runs segments several times a week. NY-1 reaches 2.2 million households and ResidentialNYC.com is highlighted at least 50 times a week, including immediately prior to these influential real estate reports.

REBNY offers real estate market insight by answering viewers' questions on NY Residential TV, a weekly real estate show airing Sundays on the CW11 and more than 50,000 viewers are reminded to visit ResidentialNYC.com each week.

In December, The Mann Report featured ResidentialNYC.com's Board of Directors on the cover and in a two-page story. Additionally, ResidentialNYC.com regularly partners with the daily free newspaper Metro for its glossy magazine, "At Home with Metro," which is handed out to hundreds of thousands of commuters. We also partnered with NY Living Magazine for the Top 100 Condos Issue in January and the New York Observer, which continues to send its web site surfers to ResidentialNYC.com.

The site is also getting various upgrades. Soon users will be able to search for open houses on a specific date or use a keyword search like "dog friendly" as well as benefit from enhanced mapping and street-view capabilities. In addition, we recently debuted Market Tips videos featuring some of ResidentialNYC.com's Board of Directors discussing real estate hot topics aimed towards buyers and sellers.

Educational Events, Charitable Activities and Member Services

Throughout the year, REBNY offered creative and well-planned State Qualifying and Continuing Education courses for salespersons and brokers at low cost that permit these licensed professionals to satisfy their continuing education requirements, including courses on-line. In addition, we provided seminars that our members have taken advantage of, as well as, in many cases, free programs to improve skills. This wide range of educational and informational events served our large, diverse membership. These activities included

our popular Members Luncheons, our interesting Crossfire and Top Brokers Seminars, our regular Commercial and Residential Seminars and the monthly luncheon meetings of our numerous committees. In the past year, we have had nearly 12,000 attendees at these exciting events.

As an added benefit, members are now able to view full-length videos of all educational events taking place in the Bernard H. Mendik Education Center on the member side of REBNY's web site. Both residential and commercial seminars are posted for those who may have missed an event, but don't want to miss the educational benefits of participating in the seminars and panel discussions.

Last year, REBNY created a 10-session, 30-hour New York Residential Specialist (NYRS) course. This course is for associate brokers who wish to distinguish themselves in their professional vocation. This course continues to sell out and remains a popular and highly beneficial educational experience.

For the Management Division, the US Green Building Council gave a LEEDS Existing Building (EB) course for managers interested in becoming LEEDS EB accredited professionals. In conjunction with the Fire Department, we held seminars for Emergency Action Plan Directors and Fire Safety Directors.

We have made a number of enhancements to our property data base. Our Manhattan map search function now can be done by neighborhood. The search by community board function is still available on the power search page. One can now select multiple items from the neighborhood and building classification fields to search. Further, a sales search automatically provides, in addition to price, per square foot tax and assessment information. Also, we have added a feature that enables the user to download their search results into an Excel spreadsheet. These new features will permit the user to gather and easily save property information that meets their specific needs.

We have implemented better standards for data available for our Residential Listing Service (RLS). This information must be kept current and made available for co-brokerage within twenty-four hours.

Our Membership Benefit Program now includes 34 vendors which provide discounts to members on such services as cell phones, car rentals, insurance, financial and retirement planning and many other services.

At the recommendation of our membership committee, we issued our first quarterly residential sales survey. In 2009, we will continue to refine our survey to provide interesting and helpful information to our members.

REBNY continued to issue market reports for the residential and retail markets in 2008, which provided an important snapshot for industry professionals. The quarterly residential reports and semi-annual retail reports were especially valuable in the current market.

REBNY members are extraordinarily philanthropic and active on behalf of many causes. In September, a Pro Am Tennis Tournament was held, which raised \$25,000 for the children's programs of the Big Apple Circus and \$6,000 for the Centurion Foundation which supports the NYPD. At their 20th Anniversary gala, the Residential Brokerage Division raised a substantial amount for the Central Park Conservancy as well as for the Member In Need Fund. Additionally, quite a few REBNY members joined the Skyscrapers for Life program by holding blood drives in their buildings, including some apartment buildings as well as office properties. A number of REBNY members support the Intrepid Foundation and this year several buildings, including the Empire State Building, the Woolworth Building, the Bloomberg Building and Citicorp Center lit up their towers in red, white and blue to celebrate the homecoming of the historic aircraft carrier.

Conclusion

Our achievements and successful advocacy were the result of the active and steadfast support of our members. We want to thank you for your support and assure you that REBNY will do everything in its power to improve economic conditions and to bring stability to our industry. That means we will continue our work in Washington with our elected officials to find the right recovery package to foster economic stability and growth. Likewise, we will work with the State and the City to find the right solutions to their mounting deficit and strongly articulate our concerns about the current and future tax levels. The Board of Governors, the Divisions' Board of Directors and Committee Members generously gave their time, energy and talent in support of the Board's many activities. With their support REBNY has been referred to as the most influential real estate advocacy group in New York. The staff shares in this credit and worked tirelessly in this very busy and challenging year. All have our thanks and gratitude. In 2009 we will strive to do more with less as we plan for the difficult times ahead. In the new year, we will continue to be a strong, effective, and respected voice for our members, our industry and for the best interest of the city.

Stephen M. Ross
Chairperson

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President