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TOP STORIES

Forget the Dow.
Why taxi medallions
are a hot investment

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IN THE MARKETS

by Aaron Elstein

The best investment? Maybe ask your cabbie

INVESTING IN STOCKS has been a road to nowhere all decade, with the Standard & Poor's 500 posting a total return of -13% since the start of 2000. Boring old bonds have fared better (Pimco Total Return Fund returned 46%), while commodities have done best of all (crude oil has nearly tripled, for example). But the really big money has been made in New York City taxis. That's right, taxis. The value of a city taxi medallion has jumped 179% this decade, to \$760,000 last month, outperforming just about every asset save for gold, which has risen 245%.

What's driving this startling rally? In part, it's scarcity. The city grants only 13,000 medallions, and the number hasn't changed much since the 1930s. Andrew Murstein, president of lender Medallion Financial, adds that budget-minded companies are cutting back on hiring town cars, and taxi traffic has gotten an additional boost since customers were allowed to charge rides.

Still, medallion prices declined 20% during the last recession. Why not this recession?

The reason may lie in the taxi-rental market. Just as New York Stock Exchange members once rented their seats to other traders, medallion owners frequently lease their licenses to others. This niche is

red-hot these days, because soaring unemployment means more folks are looking to drive cabs for a living. While rental rates are regulated by the **Taxi & Limousine Commission**, a report earlier this year by Councilman David Yassky found that brokers "systematically take advantage of drivers" by overcharging for medallions and vehicles.

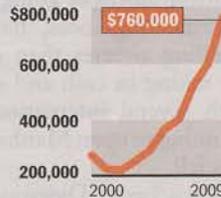
TLC Chairman Matthew Daus vigorously disagrees with that analysis. He believes a 2004 fare increase made business more lucrative for cabbies, resulting in a record number of qualified drivers as fewer leave for other kinds of work. "Strong medallion values," he insists, "are just a natural dividend of a healthy industry."



BLOOMBERG NEWS

TAXI!

Average prices for taxi medallions have gone through the (cab) roof



Note: 2000-2008 numbers are January averages; 2009 number is a September average.

Source: Medallion Financial