

Nassau County Review – 1998 to 2010

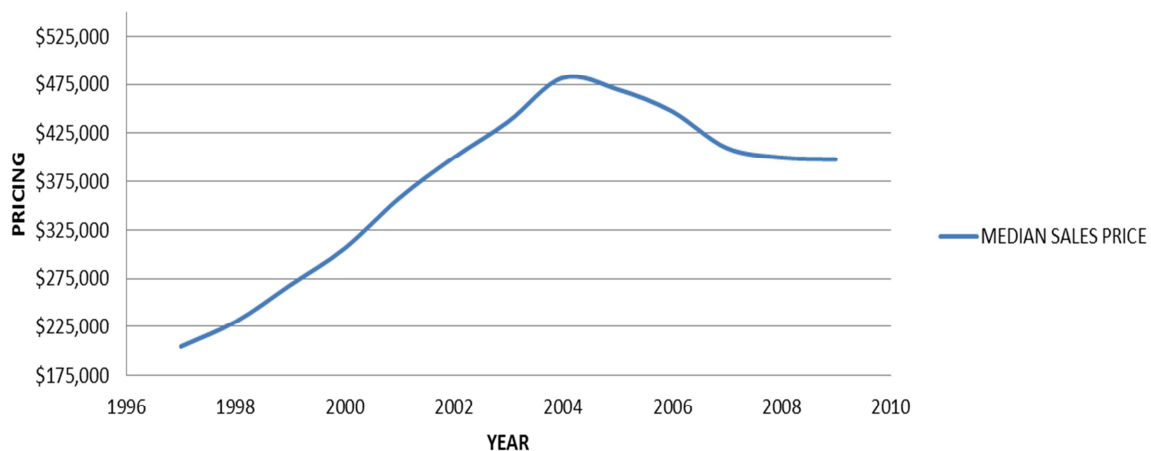
The purpose of this study is to determine the state of the local real estate market, examining how far we have come, where we are today and detect if the market is over-valued or under-valued.

On December 31st, 1998, the median sales price in Nassau County stood at \$204,500. Over the next seven years, the median sales price would increase to \$482,000. This represents an increase of 136 percent. During this time, the market was most productive during the years 1999 through 2005 when we saw an average annual increase in the amount of 13 percent/year.

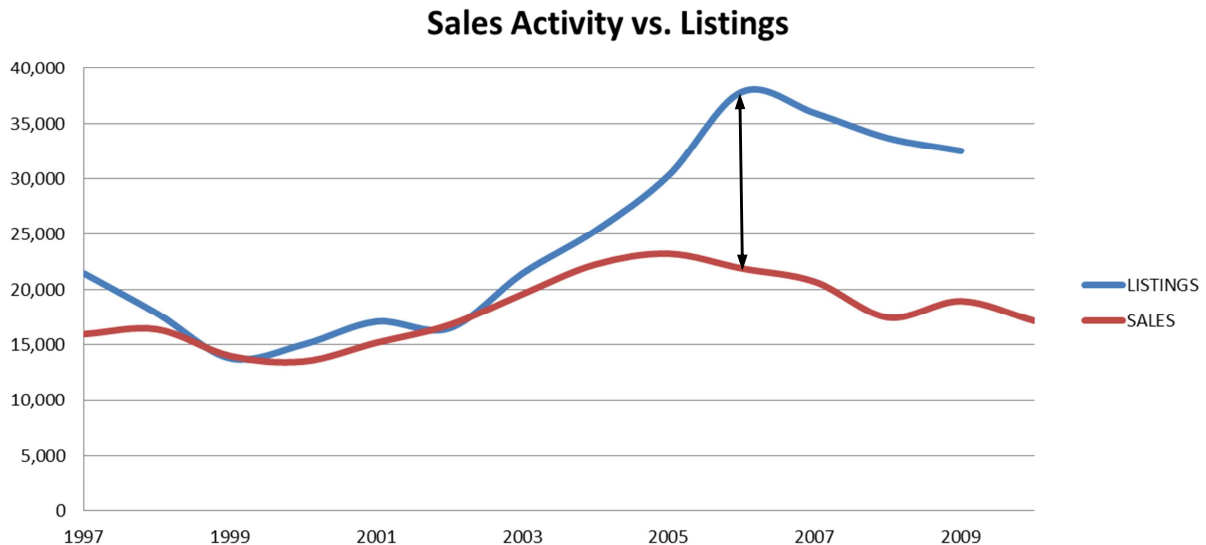
In 2006 the direction of the market changed from a positive to a negative. This was the result of a shift in the balance of power from sellers to buyers. Between the years 2006 - 2009, the market gave back 18 percent of its earlier gains and the median sales price dropped to \$400,000. The market continued this downward trend in 2010 although the rate of decline has slowed to a more modest pace. At the end of 2010, the median sales price was \$398,000, up 95 percent as compared to 1998 but still down more than 18 percent as compared to 2005.

YEAR	MEDIAN SP\$
1998	\$204,500
1999	\$230,000
2000	\$268,000
2001	\$306,000
2002	\$357,800
2003	\$400,000
2004	\$437,000
2005	\$482,000
2006	\$470,000
2007	\$447,500
2008	\$410,000
2009	\$400,000
2010	\$398,000

Median Sales Price



In looking back at the market, it is clear to see than the pivotal year was 2006 when the number of homes being offered for sale accelerated while the number of homes being purchased began to decline. This caused a shift in the market place from a sellers-market to a buyers-market. Predictably, with many more homes available and fewer potential buyers, prices started to decline.

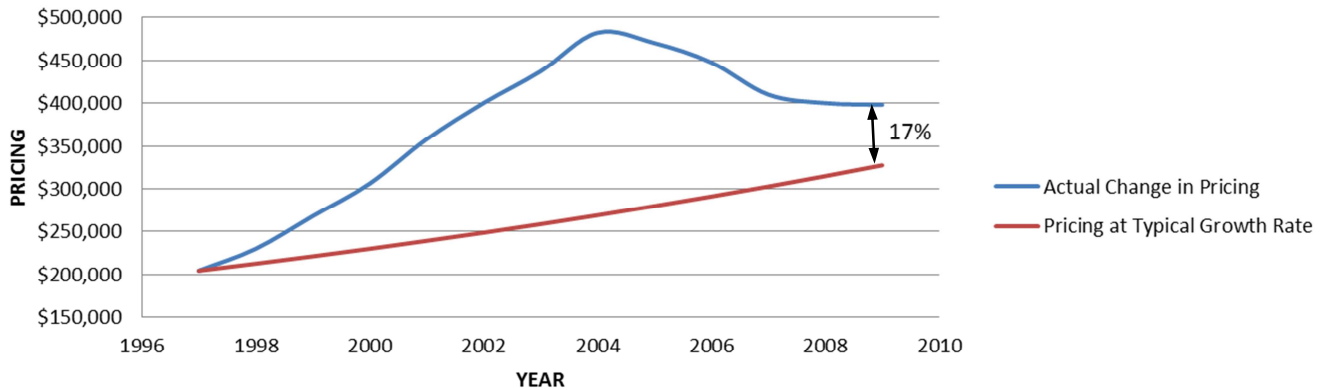


Now that we have established where we were and how far we have come, it is time to examine the market in order to determine if the current pricing level remains over-valued or if there is still losses to be incurred.

According to the Case/Shiller Index, the average rate of appreciation throughout the United States was 3.4 percent from 1987 – 2009. According to the FHFA Home Price Index, the average rate of appreciation during this same time from was 4.95 percent. In Nassau County, it has been our experience that the average home will appreciate at a rate of four (4) percent, slightly above the national average. Using this rate of appreciation as a guide, we have compared the actual changes in the market to the projected rate.

As you will see on the following chart, there is a 17 percent variance between the current market level and the projected rate. This 17 percent represents the Value at Risk (VaR) present in Nassau County as of December 31, 2010.

Actual Pricing vs. Projected



In comparing the actual appreciation rate to the projected appreciation rate, we can infer that Nassau County is over-valued. In order to support this statement, we can look further at the ratio between number of homes listed for sale and the number of homes being purchased.

As of December 31st, 2010, there were 31,034 homes listed for sale while the number of sales stood at 17,143. Over the last three years (2008, 09, 10), the average annual number of listings was 32,396 while the number of homes sold averaged 17,844. At these levels, pricing will continue to decline; until the number of listings is reduced, there will be further downward pressure on pricing.

