

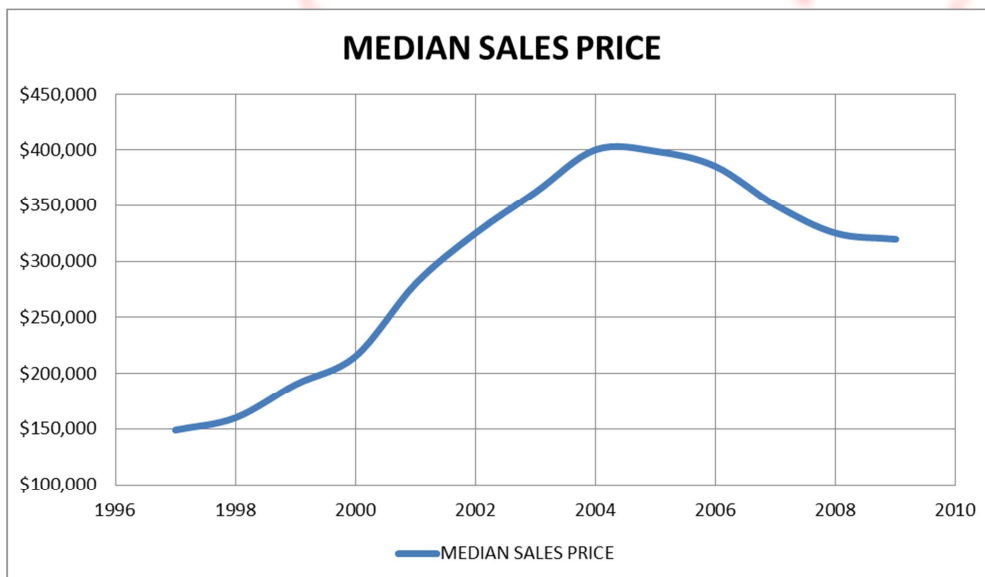
Suffolk County Review – 1998 to 2010

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.

Between 1999 and 2005, the median sales price in Suffolk County grew by 150 percent. In 1999, the median sales price in Suffolk County stood at \$160,000. By the end of 2005, the median sales price had increased to \$400,000. Median home prices appreciated at a rate of more than 15 percent, per year.

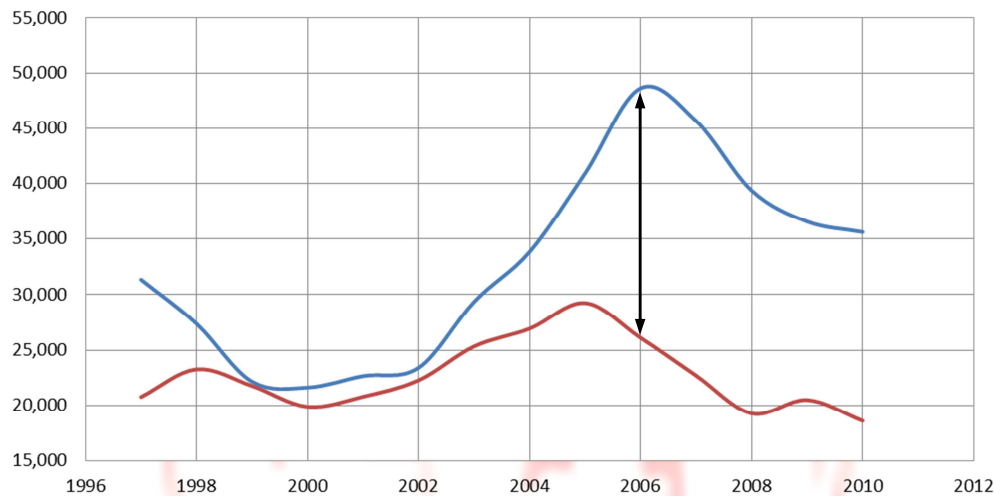
In 2006 the market began to give back its gains. The change was slow in the early years however as the momentum of the housing crisis grew, the rate of declining prices accelerated. Between the years 2006 - 2010, the market gave back 20 percent of its earlier gains and the median sales price dropped to \$319,500. While the loss was significant, the local market was still up 114 percent over the past ten years.

YEAR	MEDIAN SP\$
1998	\$149,000
1999	\$160,000
2000	\$190,000
2001	\$215,300
2002	\$280,000
2003	\$325,000
2004	\$362,000
2005	\$400,000
2006	\$398,600
2007	\$385,000
2008	\$350,000
2009	\$325,000
2010	\$319,500



In looking back at the market, it is clear to see than the pivotal years were 2005 and 2006. In 2005, the number of home sales reached its all- time high of 29,251. The following years, the number of homes sales would decline 36 percent. In response to the tremendous showing in sales activity, the number of homes actively listed for sale grew to its high water mark of 48,617 in 2006. At this point, there was an over-supply of 20,000 listed for sale. 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.

SALES vs. LISTING ACTIVITY

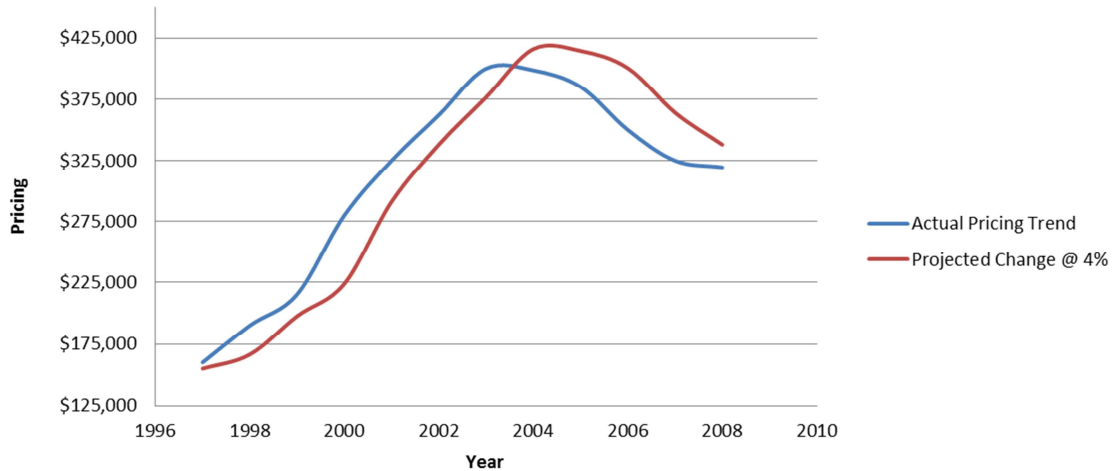


Now that we have established where we were and how far we have come, it is time to examine the market in order to determine if the current pricing level remains over-valued or if the market has moved into a state where it is under-valued.

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 Suffolk 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 **-5.79** percent variance between the current market level and the projected rate. This variance represents the loss in value present in Suffolk County as of December 31, 2010.

Actual vs. Projected Pricing Trend



In comparing the actual appreciation rate to the projected appreciation rate, we can infer that Suffolk County is under-valued. There are a number of reasons that would cause the area to become under-valued, most importantly though is the foreclosure rate. According to RealtTrac, Suffolk County has the highest foreclosure rate in the State of New York. The foreclosure rate has cast a sense of uncertainty throughout the County and while the number of homes listed for sale continues to increase, the number of sales has declined.

As of December 31st, 2010, there were 35,607 homes listed for sale while the number of sales stood at 18,604. Over the last three years (2008, 09, 10), the average annual number of listings was 37,169 while the number of homes sold averaged 19,450. At these levels, pricing will continue to decline; until the number of listings is reduced, there will be further downward pressure on pricing.

