

HAMPTONS NORTH FORK

Market Overview

A Quarterly Survey of The Hamptons & North Fork Sales

3Q 08



Prepared by Miller Samuel Inc.
A New York residential real estate appraisal and consulting company

Prices and sales off from prior year records

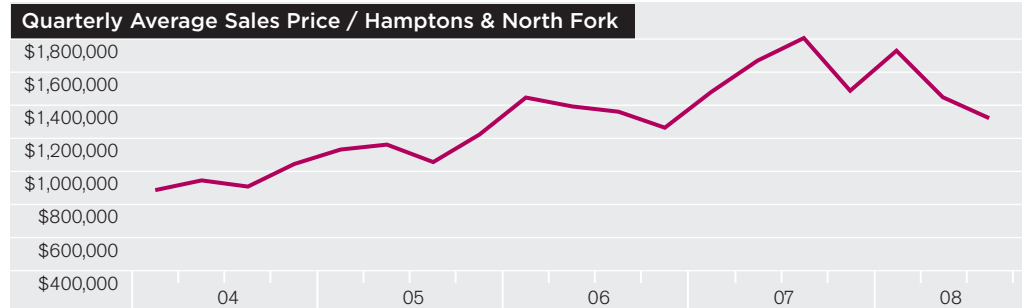
Fewer sales as listing inventory expands

There were 355 sales in the current quarter, down 16.9% from the same period last year with 427 sales. The number of sales is 42.2% below the same period two years ago. Over the past five years, the third quarter has been the weakest period for the number of sales while the second quarter has been the highest quarter. Compared to the prior year quarter, the decline in the number of sales in the Hamptons was 28.8% while the North Fork saw an increase of 48.5%. However, the data set for the North Fork is only 27.6% of the overall number of sales on the East End and more subject to skew.

Prices indicators were down from records set last year

The median sales price of a residential property on the East End of Long Island was \$729,000, down 17.3% from the prior year mark of \$882,000. The prior year amount was the second highest level reached after the second quarter of 2007 which had a median sales price of \$900,000. The median sales price in the current quarter is 1.6% higher than the \$717,340 median sales price set two years ago at this time. The luxury segment is showing a similar trend as compared to the overall market, by posting declines. Median sales prices for each of the quintiles this quarter showed declines from the same period last year with higher declines seen in the upper quintiles

| Hamptons & North Fork Market Matrix | Current Qtr | % Chg | Prior Qtr | % Chg | Prior Year Qtr |
|---|-------------|--------|-------------|--------|----------------|
| Average Sales Price | \$1,321,738 | -8.7% | \$1,447,923 | -26.8% | \$1,805,104 |
| Median Sales Price | \$729,000 | -10.8% | \$817,500 | -17.3% | \$882,000 |
| Number of Sales | 355 | -34.4% | 541 | -16.9% | 427 |
| Days on Market (from Last List Date) | 173 | 24% | 140 | 17.1% | 148 |
| Listing Discount (from Last List Price) | 10.2% | | 8.9% | | 6.6% |
| Listing Inventory | 1,991 | 7.7% | 1,849 | 11.3% | 1,788 |



than those below. However, the current quintiles generally bracket the corresponding quintiles set two years ago. Average sales price followed the same pattern. The average sales price was \$1,321,738 this quarter, down 26.8% from the prior year quarter record of \$1,805,104. Like the median sales price, however, the average sales price was closer to levels of two years ago, down only 2.9% from \$1,360,515 seen at that time.

Listing inventory, days on market expand

There were 1,991 properties available for sale at the end of the quarter, 11.3% more than the 1,788 properties available in the same period last year and 21.3% more than in the same period

two years ago. Inventory has now expanded in four of the past five quarters beginning when the price indicators peaked in the second and third quarters of 2007. Inventory levels grew more slowly in the Hamptons than in the North Fork. There were 9.8% more listings in inventory in the Hamptons this quarter as compared to this time last year while the North Fork increased 30% over the same period. Properties during the period took an average of 25 days longer to sell this quarter at 173 days, compared to 148 days in the prior year quarter. This increase reflects the expansion of inventory as purchasers have more properties to choose from. Listing discount followed the same pattern expanding to 10.2%

in the current quarter, up from 6.6% in the same period last year and has been trending higher over the past year. The expansion of this indicator suggests that sellers have to come down further in their price to meet buyer expectations in order to enable a transaction to occur.

Weakening economy and tighter credit were key factors In the current market environment the number of sales is being restrained by the greater difficulty borrowers are having

in obtaining and qualifying for financing. Mortgages are readily available but the current turmoil in the financial markets has created a constrained lending environment where larger down payments, larger cash reserves and tighter qualifying ratios are being required. The "drive to purchase" remains fairly strong but a constrain on mortgage financing has led to weaker demand. This situation, when coupled with the impending national election, federal bailouts, projected layoffs in the financial services industry and lower

expected compensation have resulted in a wait and see market. Potential buyers have a lot of information to process and as a result, are taking longer to make a purchase decision. Despite this market environment, the pace of the decline in number of sales was less than the boroughs of Manhattan, Brooklyn and Queens over the same period and was more in line with the remainder of Long Island, which began to see weaker market conditions more than two years ago.

THE HAMPTONS MARKET

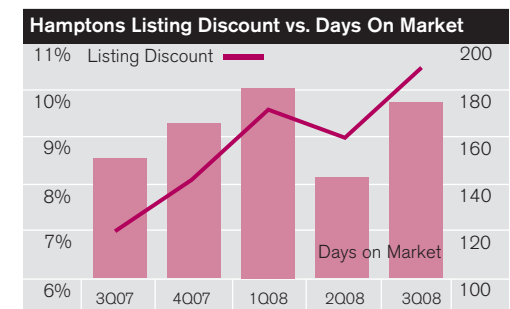
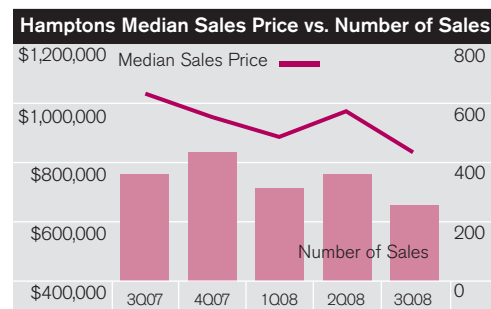
Price indicators off from prior year records

Price indicators declined for the second straight quarter The median sales price of a Hamptons residential property was \$830,000, down 19.4% from the \$1,030,000 median sales price of the same period last year. For perspective, median sales price was unchanged from the same period two years ago as current price levels are being compared to the record levels set in mid-2007. The record for median sales price was set at \$1,100,000 in the second quarter of 2007 and the second highest level for median sales price was set in the prior year quarter. Median sales price by quintile showed declines across all market segments, the smallest decline in the first quintile at 9.1% with a median sales price of \$336,340 and the highest decline in the fourth quintile with a median sales price of \$1,322,500 at 24.4%. The fifth quintile median sales price was unchanged from last quarter at \$3,499,000. Average sales price followed the same pattern. This price indicator was \$1,537,512 this quarter, down 23.3% from the prior year quarter record average sales price of \$2,005,685, which was the only quarter this price indicator exceeded the \$2,000,000 threshold. The current average sales price is 4.6% below the average sales price of \$1,612,147 set during the same period two years ago.

Listing inventory rose as number of sales declined There were 1,561 properties on the market at the end of the current quarter, up 9.8% from 1,422 listings during the same period

| Hamptons Market Matrix | Current Qtr | % Chg | Prior Qtr | % Chg | Prior Year Qtr |
|---|-------------|--------|-------------|--------|----------------|
| Average Sales Price | \$1,537,512 | -11.1% | \$1,730,414 | -23.3% | \$2,005,685 |
| Median Sales Price | \$830,000 | -14.4% | \$970,000 | -19.4% | \$1,030,000 |
| Number of Sales | 257 | -27% | 352 | -28.8% | 361 |
| Days on Market (from Last List Date) | 175 | 22.4% | 143 | 15.9% | 151 |
| Listing Discount (from Last List Price) | 10.5% | | 9% | | 7% |
| Listing Inventory | 1,561 | 7.3% | 1,455 | 9.8% | 1,422 |

| Hamptons Submarket/Median Sales Price | Current Qtr | % Chg | Prior Qtr | % Chg | Prior Year Qtr |
|---------------------------------------|-------------|--------|-------------|--------|----------------|
| North of Highway (Route 27) | \$692,500 | -20.4% | \$870,000 | -38.4% | \$1,125,000 |
| South of Highway (Route 27) | \$1,100,000 | -29% | \$1,550,000 | 17.5% | \$936,250 |
| East of Shinnecock Canal | \$987,000 | -14.2% | \$1,150,000 | -29.2% | \$1,395,000 |
| West of Shinnecock Canal | \$522,500 | -15% | \$615,000 | -8% | \$568,013 |



last year. Inventory has trended higher for three consecutive quarters but has not increased at the same pace that the number of sales has declined. Homeowners who do not have the urgency to sell, appear reluctant to list properties until economic conditions improve, which is keeping the inventory at modest levels. There were 257 sales during the quarter, 28.8% fewer than the 361 sales of the prior year quarter. The level of sales activity is 44.1% below the same period two years ago when there were 460 sales. Hamptons market share of the East End was 72.4% of all unit sales and 84.2% of aggregate sales dollars.

| Quintiles / Median Sales Price by No. of Sales / Hamptons | Current Qtr | % Chg Prior Year Qtr |
|---|-------------|----------------------|
| 5/5 | \$3,499,000 | -23.1% |
| 4/5 | \$1,322,500 | -24.4% |
| 3/5 | \$830,000 | -19.4% |
| 2/5 | \$539,388 | -16.6% |
| 1/5 | \$336,340 | -9.1% |

South of the highway continued to lead all submarkets The proximity of properties to the east and west of the Shinnecock Canal and north and south of Route 27 are considered reference points for market participants. Properties to the

south of the highway were the only properties to see higher prices. The housing stock attributes between these areas are too large to be relied on as a sole basis of comparison between like properties on either side of the boundaries but show general patterns and trends. These market segments have become popular ways to view price trends in the subject market. The general market to the south of the highway is characterized by having the highest priced housing in the general market area and limited availability of open land to the waterfront. This continues to place upward pressure on housing prices this quarter. The median sales price of properties to the south of the highway was \$1,100,000, up 17.5% from the prior year quarter

median sales price of \$936,250. This is the only market segment of these four submarkets to show a gain from the same period last year. The median sales price north of the highway was \$692,500, 38.4% below the same period last year. The sharp decline was likely attributable to the lower level of new development sales which had played a significant role in the recent trend of rising prices in this region and subjected price levels to significant skew. The markets to the east and west of the canal also saw declines. The median sales price of a property to the west of the canal was \$522,500, or 8% below the prior year quarter result of \$568,013. Properties to the east of the canal had a median sales price of \$987,000, or 29.2% below the median sales

price of \$1,395,000 in the same period last year.

Increased negotiability, as days on market expanded The average listing discount was 10.5% in the current quarter, up from 7% in the same period last year. The average quarterly listing discount for the past two years has been 7.1%. As inventory rises, there is an expectation that because purchasers have more property choices, there will be an increase in negotiability, resulting in a larger discount from list price. Days on market followed the same trend expanding 24 days to 175 days from 151 days in the same period last year. The two year quarterly average for days on market, 152 days, also indicates that purchasers are taking longer to make decisions.

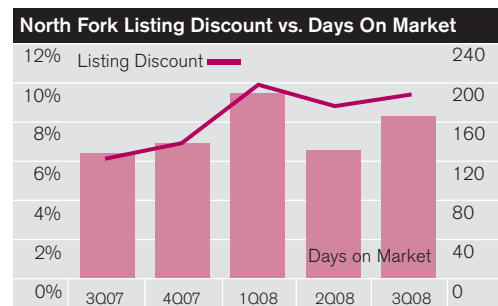
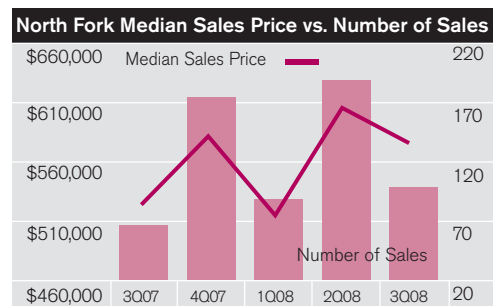
THE NORTH FORK MARKET

Prices and number of sales jumped

Price indicators rose For the fifth consecutive quarter, the median sales price in the North Fork has shown an increase from the prior year quarter. The median sales price was \$575,000 for the quarter, up 10% from the \$522,500 median sales price of the prior year quarter. With the exception of the top quintile as measured by median sales price, all showed increases from the same period last year, indicating the increase in price indicators was not subject to skew. The largest increase was seen in the first quintile which was up 22.5% to \$367,500. The only decline occurred in the fifth quintile with a median sales price of \$1,450,000 down 3.3% from the same period last year. Average sales price for the quarter also increased from the same period in the prior year, making this the fifth consecutive quarter to show an increase. In the current quarter, average sales price was \$755,881, up 6.8% from the \$707,983 average sales price in the same period last year.

Inventory rose despite increase in number of sales The number of properties available for sale in the quarter was 430, up 17.3% from the 367 units for sale during the same period last year. Inventory has continued to trend higher over the past 18 months from its most recent low of 103 units in the second quarter of

| North Fork Market Matrix | Current Qtr | % Chg | Prior Qtr | % Chg | Prior Year Qtr |
|---|-------------|--------|-----------|-------|----------------|
| Average Sales Price | \$755,881 | -18% | \$921,803 | 6.8% | \$707,983 |
| Median Sales Price | \$575,000 | -5% | \$605,000 | 10% | \$522,500 |
| Number of Sales | 98 | -48.1% | 189 | 48.5% | 66 |
| Days on Market (from Last List Date) | 169 | 27.1% | 133 | 30% | 130 |
| Listing Discount (from Last List Price) | 9.4% | | 8.8% | | 6.1% |
| Listing Inventory | 430 | 9.1% | 394 | 17.3% | 367 |



2007. The number of sales, however, has been erratic, alternating quarters with large swings in activity. Over the past six quarters the number of sales was 147 in the second quarter of 2007, followed by 66, 175, 88, 189 and 98 sales in the subsequent quarters. This is assumed to be due to timing of data collection but it creates limited reliability for this specific market indicator. North Fork market share of the East End was 27.6% of all unit sales and 15.8% of aggregate sales dollars.

Listing discount and days on market expanded The average days on market this quarter was 169 days, 39 days longer than the 130 days on market in the same period a

| Quintiles / Median Sales Price by No. of Sales / North Fork | Current Qtr | % Chg Prior Year Qtr |
|---|-------------|----------------------|
| 5/5 | \$1,450,000 | -3.3% |
| 4/5 | \$750,000 | 3.4% |
| 3/5 | \$575,000 | 10% |
| 2/5 | \$437,000 | 4% |
| 1/5 | \$367,500 | 22.5% |

year ago. This corresponds with the increase of listing inventory as potential buyers are taking longer to make purchase decisions. The listing discount was 9.4% this quarter, up from 6.1% during the same period last year.

LUXURY MARKET

Price indicators dropped as inventory rose

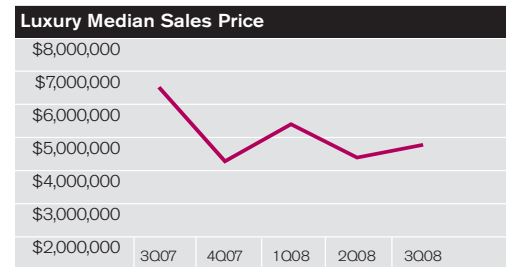
Price indicators showed similar decline as overall market Unlike last quarter, the change in price indicators for the luxury market was more in line with the overall housing market on the East End. The median sales price was \$4,800,000 this quarter, down 26.7% from the same period last year when the median sales price was \$6,550,000. The median sales price in that quarter was the highest on record and about \$2,000,000 higher than three remaining quarters in 2007. The same pattern was evident using average sales price as an indicator. The average sales price was \$5,759,504 this quarter, down 31% from the record set in the prior year quarter of \$8,350,233 due to a record number of "trophy" property sales including one for \$60,000,000.

Inventory continued to expand There were 511 properties on the market this quarter, up 45.6% above the 351 unit total in the same period last

| Luxury Market Matrix | Current Qtr | % Chg | Prior Qtr | % Chg | Prior Year Qtr |
|---|-------------|--------|-------------|--------|----------------|
| Average Sales Price | \$5,759,504 | -9% | \$6,331,236 | -31% | \$8,350,233 |
| Median Sales Price | \$4,800,000 | 8.8% | \$4,412,500 | -26.7% | \$6,550,000 |
| Number of Sales | 35 | -35.2% | 54 | -18.6% | 43 |
| Days on Market (from Last List Date) | 117 | -23% | 152 | 46.3% | 80 |
| Listing Discount (from Last List Price) | 13.8% | | 5.6% | | 7.5% |
| Listing Inventory | 511 | 2.4% | 499 | 45.6% | 351 |

| Top 5 Locations by Average Sales Price | Current Qtr (No. of Sales) | Prior Qtr (No. of Sales) | Prior Year Qtr (No. of Sales) | | |
|--|----------------------------|--------------------------|-------------------------------|------------------|--------------|
| Sagaponac (2) | \$13,000,000 | Quogue (1) | \$15,650,000 | Southampton (13) | \$10,618,846 |
| Wainscott (2) | \$9,955,000 | Shelter Island (2) | \$12,200,000 | Sag Harbor (1) | \$9,990,000 |
| Southampton (4) | \$6,385,000 | Sagaponack (6) | \$8,275,000 | Wainscott (1) | \$9,700,000 |
| Amagansett (5) | \$6,376,230 | Southampton (14) | \$7,951,197 | Amagansett (6) | \$8,779,167 |
| Bridgehampton (6) | \$5,293,583 | Sag Harbor (1) | \$7,500,000 | Sagaponack (2) | \$7,962,500 |

year. Listing inventory has been trending higher for the past four quarters with the largest increase occurring in the two most recent quarters. However, the monthly absorption rate, which is the number of months it would take to sell all current inventory at the current pace of sales, is lower than the overall market. The luxury market has an absorption rate of 13.1 months while the entire market has an absorption rate of 16.8 months.



Note: This sub-category is the analysis of the top ten percent of all sales. The data is also contained within the other markets presented.

CONDO MARKET

Low number of sales persisted as prices rose

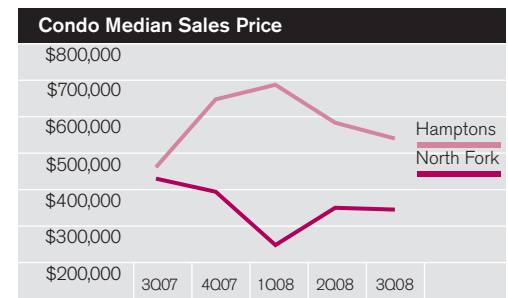
Price indicators posted gains The median sales price of a condo was \$478,000, up 5.2% from the \$454,202 median sales price in same period last year. When separated by region, the median sales price of a Hamptons condo was \$535,000, up 1.9% from the prior year quarter while the median sales price of a North Fork condo dropped 20% from the same period last year. This is in sharp contrast to the rest of the residential housing market that saw its price indicators decline in the Hamptons and rise in the North Fork.

Listing inventory declined as number of sales increased Condo sales in the East End of Long Island continued to remain low. In the current quarter, the number of sales were roughly half those of levels seen two years ago. There were

| Condo Market Matrix | Current Qtr | % Chg | Prior Qtr | % Chg | Prior Year Qtr |
|---|-------------|--------|-----------|--------|----------------|
| Average Sales Price | \$594,868 | -0.5% | \$597,686 | 13.3% | \$524,963 |
| Median Sales Price | \$478,000 | -10.2% | \$532,500 | 5.2% | \$454,202 |
| Number of Sales | 23 | -4.2% | 24 | 43.8% | 16 |
| Days on Market (from Last List Date) | 117 | -29.9% | 167 | -20.9% | 148 |
| Listing Discount (from Last List Price) | 8.1% | | 7% | | 10.9% |
| Listing Inventory | 64 | -30.4% | 92 | -20% | 80 |

| Median Sales Price (% Share / No. of Sales) | Current Qtr | % Chg | Prior Qtr | % Chg | Prior Year Qtr |
|---|-----------------|-------|-----------------|-------|-----------------|
| The Hamptons | \$535,000 (87%) | -7.5% | \$578,330 (75%) | 1.9% | \$525,000 (94%) |
| The North Fork | \$340,000 (13%) | -1.4% | \$345,000 (25%) | -20% | \$425,000 (6%) |

23 sales for the quarter, a gain of 8 sales over the prior year quarter and similar to the 24 sales in the prior quarter. Listing inventory fell 20% to 64 units from the 80 units on the market during this period last year. The combination of these two indicators has resulted in a sharp improvement in the monthly absorption rate to 8.3 months from 15 months in the prior year quarter.



Note: This sub-category is the analysis of available condo sales. The data is also contained within the other markets presented.

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