

# HAMPTONS NORTH FORK

## Market Overview

A Quarterly Survey of The Hamptons & The North Fork Sales

3Q 07



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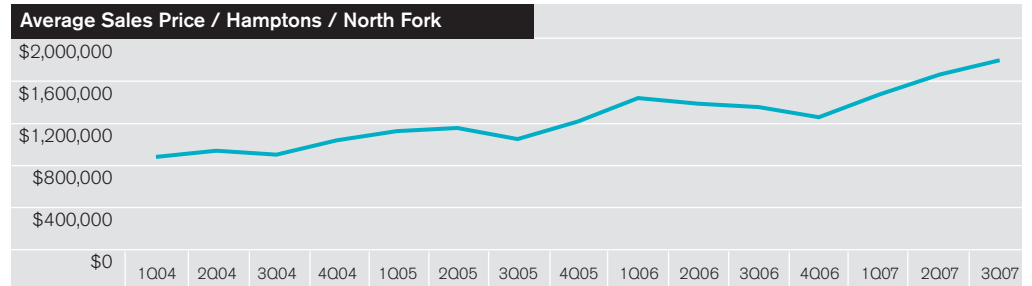
### Prices jump, as number of sales slip

**Prices rose as inventory slipped** The average sales price of a residential property in the East End was \$1,805,104 this quarter, up 32.7% from the prior year quarter average sales price of \$1,360,515 and up 8.2% from the prior quarter average sales price of \$1,668,657. The median sales price was \$882,000, up 23% from the prior year quarter median sales price of \$717,340 but slipped 2% from the \$900,000 median sales price in the prior quarter. The nearly identical growth in these indicators from the prior year quarter suggests that average sales price was not significantly skewed by the upper end of the market. Listing inventory, however, increased 27.8% from the prior quarter total of 3,501 units to 4,475 units in the current quarter. The tracking of inventory levels for this report began in 2007.

**Number of sales fell** In contrast to the rise in price indicators, the number of sales continued to slip. There were 427 sales in the current quarter, down 30.5% from the prior year quarter total of 614 and down 31.6% from the prior quarter total of 624 units. The sharp increase in price levels has likely played a significant role in the diminished number of sales this quarter. This is also consistent with the recent increase in listing inventory.

**Listing discount and days on market increased** The average number of days on market was 148 days this quarter, more than three weeks longer than the prior year quarter average of 122 days

Hamptons / North Fork Market Matrix	Current Qtr	% Chg	Prior Qtr	% Chg	Prior Year Qtr
Average Sales Price	\$1,805,104	8.2%	\$1,668,657	32.7%	\$1,360,515
Median Sales Price	\$882,000	-2%	\$900,000	23%	\$717,340
Number of Sales	427	-31.6%	624	-30.5%	614
Days on Market (from Last List Date)	148	26.5%	117	21.1%	122
Listing Discount (from Last List Price)	6.6%		7.7%		4.3%
Listing Inventory	4,475	27.8%	3,501		N/A



and 31 days longer than the 117 average days on market of the prior quarter. The average listing discount jumped to 6.6% in the current quarter from the 4.3% listing discount seen in the prior year quarter but down from 7.7% in the prior quarter.

**A period of transition** Over the past year the East End has been characterized by modest price appreciation in the North Fork and significant appreciation concentrated in The Hamptons. Both market areas have seen a decline in the number of sales over the past year and a increase in inventory levels since the beginning of the year. Record Wall Street bonus income and the weak dollar has influenced the demand

for property over the past year, resulting in significant price appreciation, most notably at the higher price strata.

**Upper quintile shows greatest strength** Price growth was more significant at the high end of the market. The average sales price of the upper fifth of the market was more pronounced with a 41.1% increase over the same time last year. The average sales price for this segment was \$5,806,556 in the current quarter and was \$4,116,333 in the prior year quarter. In contrast, the second quintile, which had an average sales price of \$591,162, was up 5.1% over the prior year quarter average sales price of \$562,664.

# THE HAMPTONS MARKET

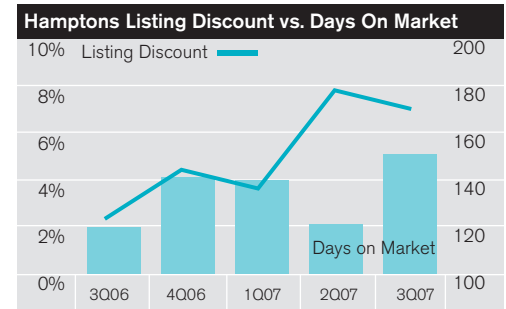
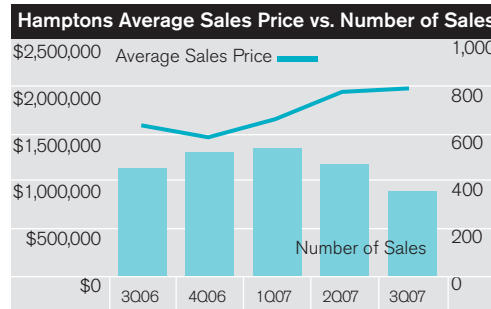
*Prices surge as number of sales decline*

**Prices continue to increase** The average sales price of a property in the Hamptons was \$2,005,685, a 24.4% increase over the prior year average sales price of \$1,612,147 and 1.9% above the prior quarter average sales price of \$1,968,512. The average sales price has increased for three consecutive quarters with increases of 13%, 17.4% and 1.9%. Last year this price indicator rose 2.9% between the second and third quarters so the current transition between quarters of 1.9% is consistent. Median sales price was generally consistent with average sales price patterns. The median sales price for the current quarter was \$1,030,000, up 24.1% from the prior year quarter median sales price of \$830,000 but down 6.4% from the prior quarter median sales price of \$1,100,000. However, the 6.4% decline in median sales price from the prior quarter was consistent with the same period last year, which saw a 3.9% decline.

**Quintile analysis shows price growth concentrated at upper end** Price gains were concentrated in the upper half of the market as evidenced by the quintile breakdown. The average sales price of the upper quintile was \$6,220,222, an increase of 27.8% compared to the average sales price of \$4,865,608 in the prior year quarter. The average sales price remained above \$6,000,000 for the past two quarters, well above the mid-\$4 million average sales prices of the past year. At the other end of the price spectrum, the average sales price of the bottom quintile was \$346,913, down 9% from the \$381,179 in the prior year quarter. The remaining quintiles in ascending order increased 3.3%, 24.4% and 32.2% as compared to the same period last year with average sales prices of \$638,456, \$1,047,010 and \$1,789,139 respectively.

**The “Canal” and “Highway” boundaries show distinct patterns** The proximity of properties west of the Shinnecock Canal and north and south of Route 27 are considered

Hamptons Market Matrix	Current Qtr	% Chg	Prior Qtr	% Chg	Prior Year Qtr
Average Sales Price	\$2,005,685	1.9%	\$1,968,512	24.4%	\$1,612,147
Median Sales Price	\$1,030,000	-6.4%	\$1,100,000	24.1%	\$830,000
Number of Sales	361	-24.3%	477	-21.5%	460
Days on Market (from Last List Date)	151	24.8%	121	25.8%	120
Listing Discount (from Last List Price)	7%		7.8%		2.3%
Listing Inventory	3,742	33.5%	2,802		N/A



reference points for market participants. Properties south of the highway or east of the canal show higher prices. The housing stock and location attributes between these areas are too different to be relied on as a basis of comparison between like properties on either side of the boundaries. This methodology is simply another way to view price trends in the subject market. The average sales price north of the highway in the current quarter was \$1,562,669, up 62.1% from the \$964,303 average sales price in the same period last year. The average sales price of properties south of the highway was \$2,324,235 in the current period, down 1.2% from the \$2,351,288 average sales price in the same period last year. The largest price growth occurred north of the highway, despite a significantly lower average sales price than seen south of the highway. Sharply rising prices combined with a greater mix of speculative development of larger properties north of the highway influenced the price indicator upward. This differential is seen in the ratio between the average sales

Hamptons Quintiles /No. of Sales	Average Sales Price
5/5	\$6,220,222
4/5	\$1,789,139
3/5	\$1,047,010
2/5	\$638,456
1/5	\$346,913

prices of each area. The average sales price of a property south of the highway was 2.4 times the average sales price of a property north of the highway. This ratio contracted to 1.5 in the current quarter. Properties east of the canal had an average sales price of \$2,617,226, up 32.4% from the prior year quarter average sales price of \$1,977,081. Properties west of the canal had an average sales price of \$807,666, which is up 4.8% from the \$770,351 average sales price of the prior year quarter. Price growth was significantly higher east of the canal than is reflected in the ratio of average sales prices for each side. The average sales price east of the canal was 2.6 times the average sales price west of the canal in the prior year quarter. This ratio increased to

Submarkets Matrix	Current Qtr	% Chg	Prior Qtr	% Chg	Prior Year Qtr
North of Highway (Route 27)	\$1,562,669	8.4%	\$1,440,985	62.1%	\$964,303
South of Highway (Route 27)	\$2,324,235	-26%	\$3,140,120	-1.2%	\$2,351,288
East of Shinnecock Canal	\$2,617,226	10.8%	\$2,361,593	32.4%	\$1,977,081
West of Shinnecock Canal	\$807,666	-28.1%	\$1,123,791	4.8%	\$770,351

3.2 indicating the spread between the two areas had expanded significantly over the past year. This is reflective of the greater demand for high end property, which is generally located to the areas east of the canal.

**Number of sales fell as inventory increased**

There were 361 sales in the current quarter, down 21.5% from the 460 sales seen in the prior year quarter and down 24.3% from the prior quarter total of 477 sales. The decline in the number of sales is consistent with the sharp rise in price indicators as declining affordability reduced the number of sales. This is consistent with the increase in inventory levels in the recent quarter. There were 3,742 properties available for sale this quarter, up 33.5% from the prior quarter total of 2,802 properties. Commencement of tracking inventory levels began in the first quarter of 2007 when the number of properties available for sale totaled 3,001.

**Days on market and listing discount expand**

The average days on market for a residential property in the Hamptons was 151 days, an increase of 31 days and 30 days from the prior year quarter and prior quarter respectively. The listing discount for the quarter was 7%, a significant increase from the prior year listing discount of 2.3% and a decrease from the prior quarter listing discount of 7.8%. With the number of sales falling, inventory rising and both the days on market and listing discount expanding, the rapid pace of price appreciation seen in the past year is not likely to continue.

# THE NORTH FORK MARKET

*Prices up as number of sales drop*

**Prices show stabilization** The average sales price of a North Fork property was \$707,983, up 16.3% over the prior year quarter average sales price of \$608,887 and up 1.8% over the prior quarter average sales price of \$695,659. Median sales price showed a similar pattern. The median sales price in the current quarter was \$522,500, up 15.8% from the prior year quarter median sales price of \$451,250 but down 2.3% from the prior quarter median sales price of \$535,000. The unusual dip in average sales price and median sales price in the third quarter of 2006 has exaggerated the gains shown in the current quarter. The quarters before and after the prior year quarter are believed to be a more reasonable basis of comparison to the current quarter. The average sales prices of the second and fourth quarters of 2006 were \$715,435 and \$652,102, respectively.

**Price gains were concentrated at the upper end**

The average sales price of the highest price, or fifth quintile, was up 26.5% compared to the prior year quarter. The percent change in average sales price declines with each consecutive quintile. The fourth, third and second quintiles saw increases in average sales price of 16.7%, 12.8% and 4.8% as compared to the prior year quarter. The first quintile experienced a 2.5% decline in average sales price over the

same period. All quintiles experienced a decline in average sales price as compared to the prior quarter.

**Inventory up as number of sales fell**

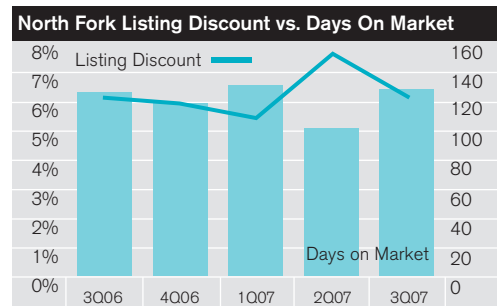
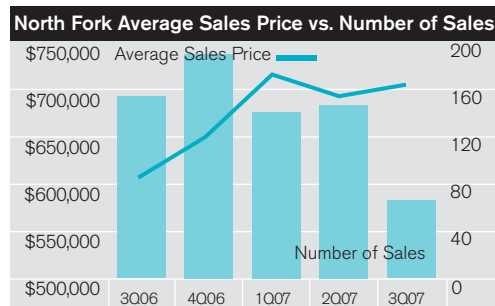
There were 733 properties available for sale at the end of the third quarter, up 4.9% from the prior quarter total of 699 properties. The first quarter of 2007 had 766 properties available for sale, the first quarter that inventory levels were tracked for this report. The number of sales fell sharply this quarter to 66 units, down 57.1% from 154 units in the same period last year and down 55.1% from the prior quarter total of 147 units. The average number of units sold per quarter for the prior five quarters was 162 units, suggesting that the current number of sales is likely an anomaly with the data.

**Days on market and listing discount were stable**

The average days on market was 130 days for the current quarter, up nominally from the 128 days on market in the prior year quarter, but up 27 days from the 103 days on market in the prior quarter. The average listing discount was 6.1% in the current quarter, unchanged from the prior year quarter and down from the 7.6% listing discount in the prior quarter.

North Fork Quintiles / No. of Sales	Average Sales Price
5/5	\$1,653,654
4/5	\$687,231
3/5	\$516,232
2/5	\$426,950
1/5	\$270,600

North Fork Market Matrix	Current Qtr	% Chg	Prior Qtr	% Chg	Prior Year Qtr
Average Sales Price	\$707,983	1.8%	\$695,659	16.3%	\$608,887
Median Sales Price	\$522,500	-2.3%	\$535,000	15.8%	\$451,250
Number of Sales	66	-55.1%	147	-57.1%	154
Days on Market (from Last List Date)	130	26.2%	103	1.6%	128
Listing Discount (from Last List Price)	6.1%		7.6%		6.1%
Listing Inventory	733	4.9%	699		N/A



## LUXURY MARKET

*Prices jump as days on market reduces*

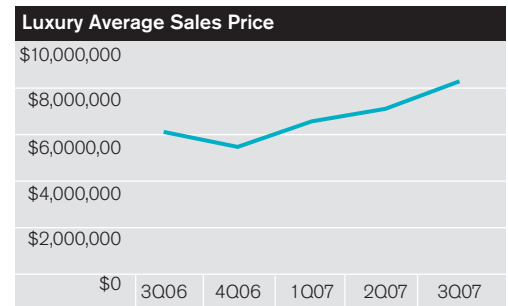
**Prices up sharply** The average sales price of an East End luxury property was \$8,350,233 this quarter, up 36.5% from the prior year quarter average sales price of \$6,115,802 and up 17% from the prior quarter average sales price of \$7,136,914. Median sales price for the current quarter was \$6,550,000, up 28.4% from the \$5,100,000 median sales price in the prior year quarter and up 63.8% from the \$4,000,000 median sales price in the prior quarter. The jump in the percent change for both indicators as compared to the prior year quarter was exaggerated by the shift in mix to a greater number of higher priced sales.

**Mix reflects higher priced sales as listing discount declines** Within the top five locations as measured by average sales price, all average sales prices for each town were higher than all but Southampton in the prior year quarter. In the current quarter, there were 10 sales above the ten million dollar threshold, up from 8 sales in

Luxury Market Matrix	Current Qtr	% Chg	Prior Qtr	% Chg	Prior Year Qtr
Average Sales Price	\$8,350,233	17%	\$7,136,914	36.5%	\$6,115,802
Median Sales Price	\$6,550,000	63.8%	\$4,000,000	28.4%	\$5,100,000
Number of Sales	43	-29.5%	61	-29.5%	61
Days on Market (from Last List Date)	80	1.3%	79	-33.3%	120
Listing Discount (from Last List Price)	7.5%		14.9%		9.8%

Top 5 Locations by Average Sales Price	Current Qtr (No. of Sales)	Prior Qtr (No. of Sales)	Prior Year Qtr (No. of Sales)
Montauk	\$10,618,846 (13)	Montauk \$18,422,500 (2)	Southampton \$9,558,609 (10)
Southampton	\$9,990,000 (1)	Shelter Island \$10,612,033 (15)	East Hampton \$6,600,000 (4)
Sagaponack	\$9,700,000 (1)	Bridgehampton \$8,015,256 (5)	Sagaponack \$5,979,545 (11)
Westhampton Beach	\$8,779,167 (6)	Southampton \$7,837,500 (4)	Bridgehampton \$5,420,313 (8)
Easthampton	\$7,962,500 (2)	East Hampton \$5,987,500 (8)	Water Mill \$5,246,035 (8)

the prior year. The three towns of Southampton, Amagansett and Sagaponack comprised 91.3% of the transactions in the top five locations by average sales price this quarter. The average listing discount in the current quarter was 7.5%, down from 9.8% in the prior year quarter. The average days on market followed a similar decline. The average luxury property had an average days on market of 80 days, down from 120 days in the prior year quarter.



## CONDO MARKET

*Prices slip as number of sales drop*

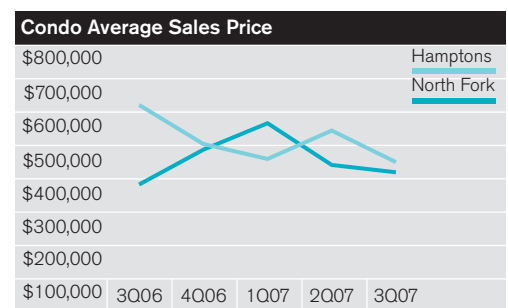
**Prices show decline from prior year quarter** The average sales price of a condo was \$524,963 in the current quarter, down 13.8% from the prior year quarter average sales price of \$608,758 and down 0.9% from the prior quarter average sales price of \$529,820. Median sales price showed a similar decline from \$454,202 in the current quarter, down 15.1% from the prior year quarter median sales price of \$535,000 but up a surprising 19.5% from the prior quarter median sales price of \$380,000. The volatility of these price indicators is due to the sharp drop in the number of sales this quarter.

**Number of sales declined sharply** There were only 16 sales captured in the report this quarter, down 62.8% from the prior year quarter total of 43 sales and down 50% from 32 sales in the prior

Condo Market Matrix	Current Qtr	% Chg	Prior Qtr	% Chg	Prior Year Qtr
Average Sales Price	\$524,963	-0.9%	\$529,820	-13.8%	\$608,758
Median Sales Price	\$454,202	19.5%	\$380,000	-15.1%	\$535,000
Number of Sales	16	-50%	32	-62.8%	43
Days on Market (from Last List Date)	148	38.3%	107	2.8%	144
Listing Discount (from Last List Price)	10.9%		8.3%		6.8%

Average Sales Price (% Share / No. of Sales)	Current Qtr	% Chg	Prior Qtr	% Chg	Prior Year Qtr
The Hamptons	\$456,148 (94%)	-17.5%	\$522,869 (78%)	-27.8%	\$631,452 (91%)
The North Fork	\$425,000 (6%)	-5%	\$447,500 (22%)	9.7%	\$387,498 (8%)

quarter. The low number of sales is inconsistent with the 2 year quarterly average of 36 sales so it is not clear whether this is an emerging trend or simply an anomaly. The ratio of condo sales in the Hamptons was 94% versus the 6% seen in the North Fork. While this ratio is unreliable due to the low number of sales, the ratio is consistent with the prior year quarter ratio of 91% to 9% when there were 43 sales.



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