

HAMPTONS NORTH FORK

Market Overview

A Quarterly Survey of The Hamptons & North Fork Sales

4Q 08



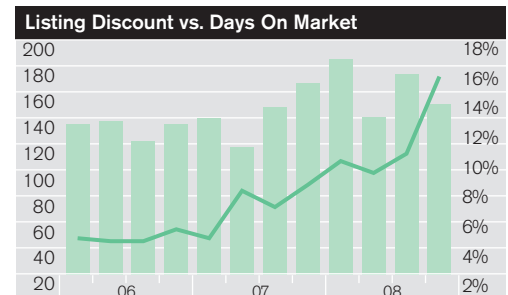
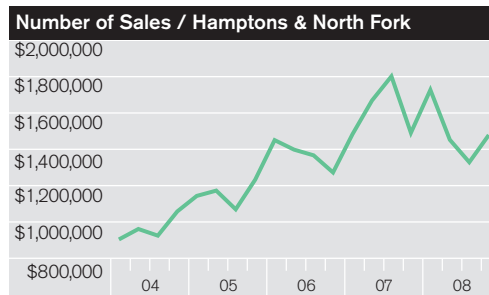
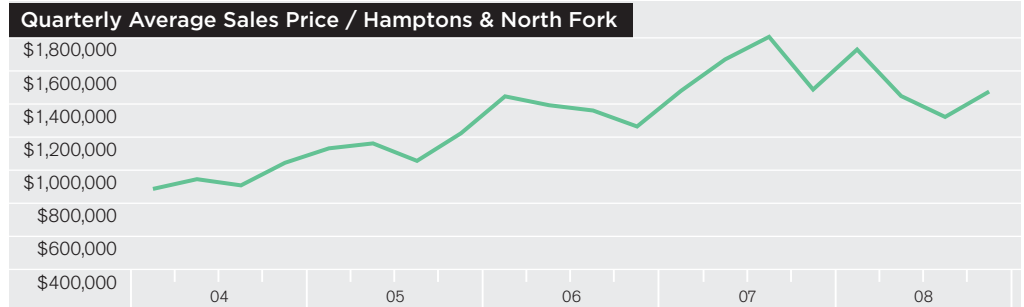
Prepared by Miller Samuel Inc.
A New York residential real estate appraisal and consulting company

Listing inventory rose as number of sales declined

Price indicators below last year levels The median sales price of an East End residential property was \$690,000 this quarter, down 13.8% from the \$800,000 median sales price of the prior year quarter and 5.3% below the prior quarter result of \$729,000. Average sales price posted only a modest 0.8% decline to \$1,474,771 from \$1,487,161 over the same period. The difference in trend between the two indicators was caused by a number of higher priced sales in the current market combined with the lower overall transaction count. A year over year decline in the quarterly median sales price has occurred for three consecutive quarters. The notable exception to this trend has been the luxury market, which posted an increase in both price indicators and has showed year over year gains in quarterly median sales price in three of the past four quarters. Luxury properties have outperformed the overall market during most of the prior two years. See Luxury market section for details.

Number of sales off sharply, consistent with New York regional trend There were 363 sales for the quarter, down 40.8% from 613 sales in the prior year quarter and up a modest 2.3% from the prior quarter total of 355 units. Sales levels are roughly two thirds below the levels seen in 2004, which saw an average of 896 units per quarter and was the recent peak year of sales

Hamptons & North Fork Market Matrix	Current Qtr	% Chg	Prior Qtr	% Chg	Prior Year Qtr
Average Sales Price	\$1,474,771	11.6%	\$1,321,738	-0.8%	\$1,487,161
Median Sales Price	\$690,000	-5.3%	\$729,000	-13.8%	\$800,000
Number of Sales	363	2.3%	355	-40.8%	613
Days on Market (from Last List Date)	150	-13.4%	173	-9.7%	166
Listing Discount (from Last List Price)	15.4%		10.2%		8.1%
Listing Inventory	2,079	4.4%	1,991	19%	1,747



activity on the East End. Like the New York City region, the number of sales has shown a decline across all major market areas on the East End. The by product of the lower level of sales activity has been an increase in the number of properties

in inventory. There were 2,079 properties listed for sale this quarter, 19% higher than 1,747 units in the prior year quarter and 4.4% higher than the 1,991 properties listed for sale in the prior quarter. Current levels are 20.5% higher than the

average of the preceding ten quarters of 1,726 units. As a result, the current absorption rate is 17.2 months, roughly double the 8.5 month absorption rate of the same period last year.

Days on market improved as listing discount expanded An anomaly within the market indicators this quarter was the decline in the number of days it takes to sell an East End property. The days on market averaged 150 this quarter, 16 days faster than the 166 days

on market during the same period last year. "Casual sellers" are not listing their properties in significant numbers, which has helped temper the pace of rising inventory. In addition, the negotiability between buyers and sellers expanded significantly this quarter. The average listing discount was 15.4% from the list price at time of contract to the contract price, up from 8.1% during the same period last year. This indicator suggests that for most properties that go to contract, the seller has come down

significantly to reach current market levels. This is further evidenced by the 35% listing discount from the original list price. Sellers continue to be behind the market and are inclined to price property based on the high water mark set in their local market in the past few years, rather than in line with current conditions.

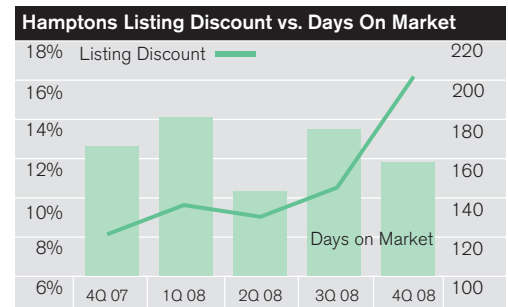
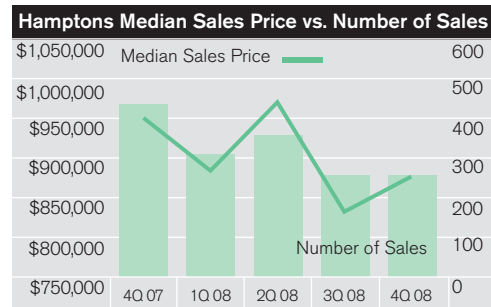
THE HAMPTONS MARKET

Price indicators mixed, number of sales declined

South of the highway continued to lead all markets 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, with properties to the south of the highway or east of the canal seeing higher prices. The housing stock and location 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 are 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 market area, partially due to its limited availability of open land to the waterfront. As in the prior quarter, this continues to place upward pressure on housing prices. The median sales price of properties to the south of the highway was \$1,162,500, up 22.4% from the prior year quarter median sales price of \$950,000. This is the only market segment of these four submarkets to show a gain from the same period last year. The area north of the highway has seen some of the highest gains in recent years. The median sales price was \$750,000, 3.2% below the same period last year. The markets to the east and west of the canal also saw declines, although the areas east of the canal only showed a nominal decline, due to its overlap with the market area south of the highway. The

Hamptons Market Matrix	Current Qtr	% Chg	Prior Qtr	% Chg	Prior Year Qtr
Average Sales Price	\$1,810,722	17.8%	\$1,537,512	1.9%	\$1,777,796
Median Sales Price	\$875,000	5.4%	\$830,000	-7.9%	\$950,000
Number of Sales	257	0%	257	-41.3%	438
Days on Market (from Last List Date)	158	-9.7%	175	-19%	195
Listing Discount (from Last List Price)	16.2%		10.5%		9.3%
Listing Inventory	1,541	-1.3%	1,561	11.2%	1,386

Hamptons Submarket/Median Sales Price	Current Qtr	% Chg	Prior Qtr	% Chg	Prior Year Qtr
North of Highway (Route 27)	\$750,000	8.3%	\$692,500	-3.2%	\$775,000
South of Highway (Route 27)	\$1,162,500	5.7%	\$1,100,000	22.4%	\$950,000
East of Shinnecock Canal	\$1,217,500	23.4%	\$987,000	-0.6%	\$1,225,000
West of Shinnecock Canal	\$525,000	0.5%	\$522,500	-9.2%	\$577,954



median sales price of a property to the west of the canal was \$525,000, or 9.2% below the prior year quarter result of \$577,954. Properties to the east of the canal had a median sales price of \$1,217,500, or 0.6% below the median sales price of \$1,225,000 in the prior year quarter.

Drop in number of sales, listing inventory declined There were 257 sales in the current quarter, down 41.3% from the 438 total in the same period last year, but unchanged from the prior quarter. This pace of change was generally consistent across all quarters in 2008 as the

Quintiles / Median Sales Price by No. of Sales / Hamptons	Current Qtr	% Chg Prior Year Qtr
5/5	\$3,650,000	9.4%
4/5	\$1,690,000	5.6%
3/5	\$875,000	-7.4%
2/5	\$577,500	-9.4%
1/5	\$305,000	-23.8%

difficulty in obtaining financing for purchases continues, despite mortgage rates at historic lows. As the number of sales have settled at a lower pace over the past year, listing inventory has increased. There were 1,541 units listed for

sale at the end of the quarter, up 11.2% from 1,386 units in the same period last year and down a nominal 1.3% from 1,561 units in the prior quarter.

Price indicators were mixed The median sales price of a residential property in the Hamptons was \$875,000, down 7.9% from \$950,000 in the same period last year. This is the third consecutive quarter that experienced a year over year price decline in the quarterly median sales price as compared to the prior year quarter. However, average sales price posted a 1.9% increase to \$1,810,722 from \$1,777,796 in the same period last year. This was caused by a skew in sales towards the higher end of the market, also observed in the luxury market. Based on quintile analysis, which is a breakdown of the

market by median sales price in five equal parts by number of sales, the two highest quintiles showed an increase over the same period last year. The median sales price of the fifth or highest quintile was \$3,650,000, up 9.4% over the prior year quarter. The median sales price of the fourth quintile was \$1,690,000, up 5.6% over the prior year quarter. The first quintile showed a decline of 23.8%, but the mix of sales in the prior year quarter included relatively light activity of entry-level sales. This skewed the results higher last year overstating the decline to the current quarter.

Listing discount increased, yet days on market declined It took an average of 158 days to market a property, 37 days faster than the 195 days on market in the same period last year.

The level set last year appears to be an anomaly causing this market indicator to show a decline, inferring faster marketing times in the current market despite the increase in listing inventory and a decline in the number of sales. Listing discount jumped this quarter, rising to 16.2% as compared to the 9.3% listing discount in the same period last year. The spread between the listing price in place at the time of contract and the contract price is expanding, indicating that sellers have to be willing to go further to meet market levels as measured by properties that actually sell.

THE NORTH FORK MARKET

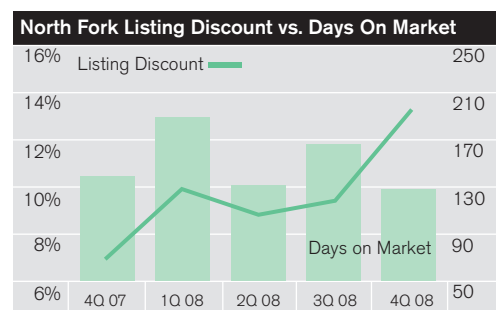
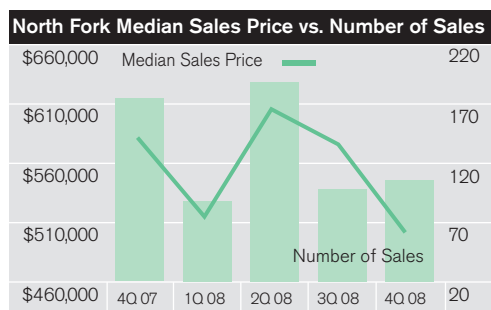
Prices and number of sales declined

Price indicators showed decline The median sales price of a residential property on the North Fork was \$500,000, down 13.9% from the \$580,800 median sales price of the same period last year, but much of the decline was accounted for in the prior quarter. The current median sales price was 13% below the prior quarter median sales price of \$575,000. Average sales price declined 13.1% to \$660,249 from the prior year quarter average sales price of \$759,743 and was 12.7% below the prior quarter average sales price of \$755,881.

Fewer sales as inventory levels declined

There were 538 residential properties listed for sale at the end of the quarter, up 49.2% from 361 units in the prior year quarter and rising 25.1% from the prior quarter total of 430 units. Inventory has been erratic in 2008, seeing significant fluctuation quarter to quarter. The number of sales declined 39.4% to 106 units from 175 units during the same period last year, but increased 8.2% from 98 units in the prior quarter. The monthly absorption rate of the North Fork market was 15.2 months, more than twice the 6.2 month absorption rate of the prior year quarter and higher than the 13.2

North Fork Market Matrix	Current Qtr	% Chg	Prior Qtr	% Chg	Prior Year Qtr
Average Sales Price	\$660,249	-12.7%	\$755,881	-13.1%	\$759,743
Median Sales Price	\$500,000	-13%	\$575,000	-13.9%	\$580,800
Number of Sales	106	8.2%	98	-39.4%	175
Days on Market (from Last List Date)	130	-23.1%	169	-7.8%	141
Listing Discount (from Last List Price)	13.3%		9.4%		6.9%
Listing Inventory	538	25.1%	430	49.2%	361



month absorption rate of the prior quarter. The North Fork accounted for 29.2% of all unit sales in the East End but only 13.1% of total volume, reflecting the significant disparity between the North Fork and the higher price levels found in The Hamptons to the south.

Listing discount, days on market expanded

The average listing discount was 13.3% this quarter, nearly double the 6.9% listing discount of the prior year quarter. The expansion reflects the wider spread between buyers and sellers and correlates with the rise of inventory levels. However, the average days on market was 130

Quintiles / Median Sales Price by No. of Sales / North Fork	Current Qtr	% Chg Prior Year Qtr
5/5	\$999,999	-27.5%
4/5	\$690,000	-13.6%
3/5	\$500,000	-15.6%
2/5	\$385,000	-12.5%
1/5	\$307,000	-11.7%

days, 11 days faster than the 141 days on market in the same period last year. Given the rise in listing inventory and the sharp decline in activity, this decline appears to be an anomaly rather than an early sign of a new trend.

LUXURY MARKET

Price indicators rose as listing discount stabilized

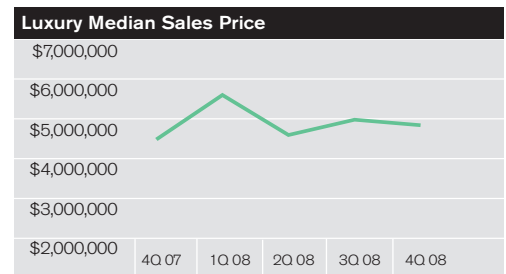
Price indicators and inventory rose Both price indicators for luxury property in the East End, which has a lower end threshold this quarter of \$3,000,000, were above levels seen during the same period last year. The median sales price was \$4,660,000 this quarter, 8.4% higher than the \$4,300,000 of the same period last year. Average sales price followed the same pattern, rising 7% to \$6,857,781 this quarter, up 7% from the \$6,412,101 average sales price of the same period last year. The minimum threshold was higher last year at this time at \$3,100,000. This illustrates the higher concentration of sales at the upper end up the range, causing this market segment to realize increases of both price indicators.

Inventory rose Listing inventory for properties priced above the \$3,000,000 threshold increased 10.3% to 385 units, as compared to the 349 units

Luxury Market Matrix	Current Qtr	% Chg	Prior Qtr	% Chg	Prior Year Qtr
Average Sales Price	\$6,857,781	19.1%	\$5,759,504	7%	\$6,412,101
Median Sales Price	\$4,660,000	-2.9%	\$4,800,000	8.4%	\$4,300,000
Number of Sales	36	2.9%	35	-41%	61
Days on Market (from Last List Date)	153	30.8%	117	-23.1%	199
Listing Discount (from Last List Price)	9%		13.8%		8.8%
Listing Inventory	385	-6.3%	411	10.3%	349

Top 5 Locations by Average Sales Price	Current Qtr (No. of Sales)	Prior Qtr (No. of Sales)	Prior Year Qtr (No. of Sales)
Montauk (1)	\$18,000,000	Sagaponac (2)	\$13,743,750
Southampton (8)	\$8,723,688	Wainscott (2)	\$8,538,333
East Hampton (7)	\$7,282,262	Southampton (4)	\$7,088,818
Sagaponac (4)	\$7,009,375	Amagansett (5)	\$6,562,500
Water Mill (1)	\$6,100,000	Bridgehampton (6)	\$5,293,583

listed for sale at this time last year. Although listing inventory is rising in this segment, it was outpaced by the rise in the overall market. The luxury market share of total inventory slipped to 18.5%, from 20% in the same period last year. The average listing discount was up slightly to 9% this quarter, from 8.8% in the same period last year.



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

Sales activity limited, listing discount rose

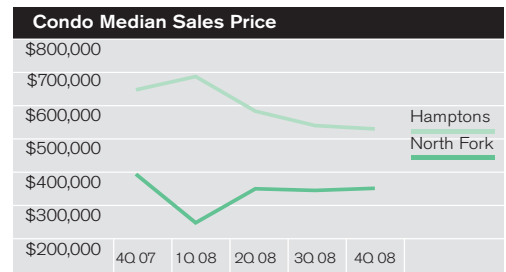
Price indicators declined The median sales price of an East End condo was \$368,970 this quarter, 36% below the \$576,477 median sales price of the prior year quarter. However, that period was characterized by an elevated number of higher end sales. Average sales price followed the same pattern with a 35.7% decline to \$479,836 from \$746,389 in the prior year quarter. Median sales price for a condo in the Hamptons was \$525,000, down 18.3% from the same period last year. Median sales price for a North Fork condo was \$346,380, down 11% from the prior year quarter.

Listing discount jumped, number of sales evenly divided between regions The spread between the average listing price and average sales price expanded significantly this quarter to 16.3%, from 4.7% in the same period last

Condo Market Matrix	Current Qtr	% Chg	Prior Qtr	% Chg	Prior Year Qtr
Average Sales Price	\$479,836	-19.3%	\$594,868	-35.7%	\$746,389
Median Sales Price	\$368,970	-22.8%	\$478,000	-36%	\$576,477
Number of Sales	32	39.1%	23	-15.8%	38
Days on Market (from Last List Date)	150	28.2%	117	-11.2%	169
Listing Discount (from Last List Price)	16.3%		8.1%		4.7%
Listing Inventory	61	-4.7%	64	-40.2%	102

Median Sales Price (% Share / No. of Sales)	Current Qtr	% Chg	Prior Qtr	% Chg	Prior Year Qtr
The Hamptons	\$525,000 (47%)	-1.9%	\$535,000 (87%)	-18.3%	\$642,500 (68%)
The North Fork	\$346,380 (53%)	1.9%	\$340,000 (13%)	-11%	\$389,000 (32%)

year, reflective of weaker market conditions. The number of sales remained at low levels, falling 15.8% to 32 units, from 38 units in the same period last year. Market share between the north and south forks were near parity with 53% and 47% of units sold this quarter, respectively. Condo unit sales comprised 8.8% of all residential sales activity on the East End.



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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