

# HAMPTONS NORTH FORK

## Market Overview

A Quarterly Survey of The Hamptons & North Fork Sales

2Q 08



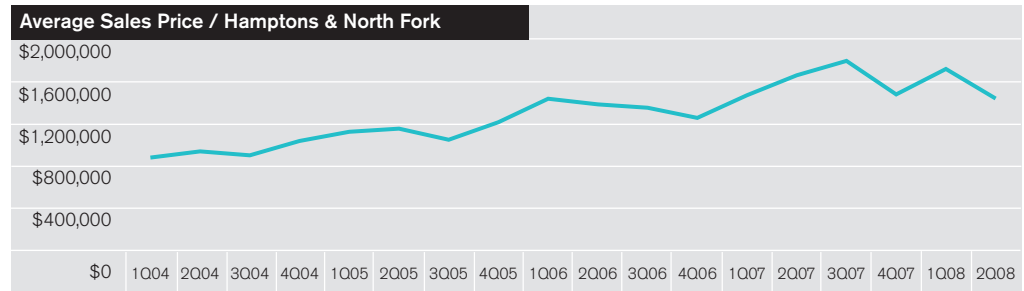
Prepared by Miller Samuel Inc.  
A New York residential real estate appraisal and consulting company

### Prices jump, as number of sales slip

**Prices declined from prior year records** The median sales price declined 9.2% to \$817,500 from \$900,000 in the prior year quarter, which was a record at that time. Average sales price showed a similar pattern, falling 13.2% to \$1,447,923 from \$1,668,657 which was a record at that time as well. Over the past year, median sales price declined each quarter until the current quarter, when it rose 3.5% from the \$790,000 median sales price in the prior quarter, likely attributable to seasonal influences. Average sales price was less consistent over the same period, showing significant volatility on a quarterly basis due to the influence of high end or trophy property sales in each quarter. Sales volume was \$783,326,343, down 24.8% from the prior year quarter total of \$1,041,241,968. Current sales volume is 34.9% below its recent peak in the second quarter of 2006, when it reached \$1,203,120,000.

**Number of sales declined as listing discount expanded** There were 541 sales in the current quarter, down 13.3% from the prior year quarter total of 624 sales. The number of sales in the Hamptons fell 26.2% while the number of sales increased in the North Fork 28.8%. The rise in the number of sales in the North Fork appears to be an aberration of market timing in closing data rather than an indication that sales activity levels

Hamptons & North Fork Market Matrix	Current Qtr	% Chg	Prior Qtr	% Chg	Prior Year Qtr
Average Sales Price	\$1,447,923	-16.2%	\$1,728,610	-13.2%	\$1,668,657
Median Sales Price	\$817,500	3.5%	\$790,000	-9.2%	\$900,000
Number of Sales	541	35.3%	400	-13.3%	624
Days on Market (from Last List Date)	140	-24%	184	19.5%	117
Listing Discount (from Last List Price)	8.9%		9.7%		7.7%
Listing Inventory	1,849	0.1%	1,848	30.7%	1,414



are increasing. The combined number of sales for both regions have declined for 11 consecutive quarters. Sales for the current quarter are 48.6% below the same period four years ago when there were 1,052 sales. The average listing discount – the percentage difference between the last listing price and the sales price has expanded as the number of sales has declined. A lower level of activity correlates with increased negotiability between the parties. The listing discount for the quarter was 8.9%, higher than the 7.7% listing discount of the prior year quarter. The listing discount of the same period two years ago averaged 4.3%, due to the higher level of sales

activity at that time.

**Listing inventory and days on market increased** The number of properties listed for sale expanded 30.7% to 1,849 units this quarter as compared to the 1,414 units available during the same period last year. This metric has been captured for the past two years and while higher than the same period last year, is still within market norms as measured by absorption. In the current market, it would take 10.3 months to sell all available inventory at the current pace of sales. Absorption would have taken 13.9 months in the prior quarter. However, the increase in the days

on market metric has continued to expand along with inventory. More choices to purchasers bring greater competition, longer marketing times and increased negotiability. The average days on market was 140 days, more than three weeks longer than the 117 days on market average in the prior year quarter.

**High end market outperforming overall market** The upper price range of the housing market continues to outperform the overall housing market. In each of the past four quarters, the luxury market, defined as the upper ten percent of all sales, saw a higher year over year quarterly increase in median sales price than the overall market. The luxury market increased 10.3% in median sales price and the overall market declined 9.2% in median sales price compared to the same period last year. The market area south of the highway consistently has the highest overall prices as compared to the areas to the north and on either side of the canal. Of the four regions, only south of the highway saw an increase in median sales price of 1% as compared to the prior year quarter.

**Tighter credit** The impact of a tighter credit environment is being felt within the market in terms of the number of sales. The higher mortgage costs and underwriting standards applied by lending institutions has tempered demand to lower levels that are below the record activity experienced in the prior two years. The expansion of jumbo loan limits will encompass more properties within this market area, but not enough to offset the lower level of demand caused by more restrictive mortgage lending requirements. Concerns about a national recession as well as the potential for additional layoffs and lower bonus compensation in the financial services sector have also served to ease demand off of the higher pace experienced over the past several years.

## THE HAMPTONS MARKET

*Number of sales and price indicators show decline*

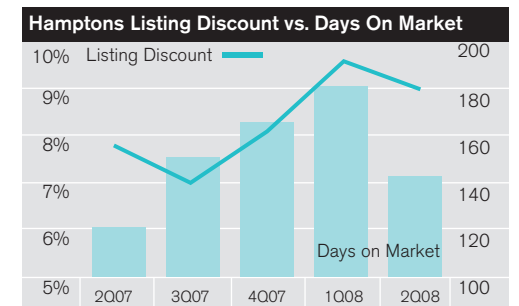
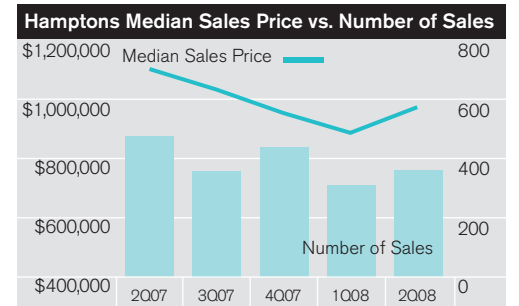
**Price indicators down from last year, up from two years ago** The median sales price of a Hamptons property was at its second highest level in the two years this indicator has been tracked. The median sales price in the current quarter was \$970,000, down 11.8% from the \$1,100,000 high reached in the same period last year. The current median sales price is 14.8% higher than the same period two years ago. Average sales price showed a similar pattern. The average sales price was \$1,730,414 for the quarter, a decline of 12.1% from the prior year quarter average sales price of \$1,968,512 but 10.4% higher than the same period two years ago.

**Number of sales dropped as inventory expanded** Listing inventory in the current quarter was 1,455 units, up 36.7% from the prior year quarter total of 1,065 units. Inventory levels have been trending higher over the past year beginning with the prior year quarter. Over the same period, the number of sales has trended lower. There were 352 sales in the current quarter, a 26.2% decline from the prior year quarter total of 477 units. The current pace of sales is 48.8% below the same period two years ago when there were 687 sales. As a result, the absorption of the units in the market has slowed. In the current quarter, it would take 12.4 months to sell the amount of outstanding inventory at the current pace of sales. Last year during the same

quarter, the absorption rate was 6.7 months or roughly a pace that is twice as fast as the current quarter.

**Days on market and listing discount expanded** The average days on market for the quarter was 143 days, 3 weeks longer than the prior year quarter result of 121 days. Listing discount followed a similar patten, expanding to 9% from the prior year quarter listing discount of 7.8%. The expansion of these indicators are consistent with the growth in the amount of inventory available.

**Quintile analysis showed declines across all price ranges.** The quintile analysis based on number of sales and median sales price showed declines across all five price strata with the lowest declines seen in the highest and lowest



Hamptons Market Matrix	Current Qtr	% Chg	Prior Qtr	% Chg	Prior Year Qtr
Average Sales Price	\$1,730,414	-11%	\$1,945,358	-12.1%	\$1,968,512
Median Sales Price	\$970,000	9.9%	\$882,500	-11.8%	\$1,100,000
Number of Sales	352	12.8%	312	-26.2%	477
Days on Market (from Last List Date)	143	-21%	181	18.2%	121
Listing Discount (from Last List Price)	9%		9.6%		7.8%
Listing Inventory	1,455	0.3%	1,450	36.7%	1,065

Submarkets Matrix/Median Sales Price	Current Qtr	% Chg	Prior Qtr	% Chg	Prior Year Qtr
North of Highway (Route 27)	\$870,000	-5.9%	\$925,000	-18.1%	\$1,062,500
South of Highway (Route 27)	\$1,550,000	76.1%	\$880,000	1%	\$1,535,000
East of Shinnecock Canal	\$1,150,000	2.2%	\$1,125,000	-11.5%	\$1,300,000
West of Shinnecock Canal	\$615,000	13.9%	\$540,000	-19%	\$759,360

quintiles. The median sales price of a property in the fifth quintile had the smallest decline from the prior year quarter at 8% to \$3,497,500. The next lowest decline occurred in the first quintile with an 8.4% decline to a \$435,000 median sales price from the prior year quarter. The second, third and fourth quintiles showed double-digit declines of 13.7%, 25.1% and 24% to a median sales price of \$659,000, \$970,000 and \$1,480,000.

**South of the highway led 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 have become popular ways to view price trends in the subject market. To better remove outliers in the data, these price indicators were converted to median sales price from average sales price as well as their respective historical results. The general market to the south of the highway is characterized by having the highest priced housing and limited availability of open land to the waterfront. The median sales price of properties to the south of the highway was \$1,550,000, up 1% from the prior year quarter. This is the only market segment of these four to show a gain from the same period last year. The area north of the highway has seen some of the highest gains over the prior 18 months until the current quarter. The median sales price was \$870,000, 18.1% 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. The markets to the east and west of the canal saw similar declines. The median sales price of a property to the west of the canal was \$615,000, or 19% below the prior year quarter. Properties to the east of the canal were \$1,150,000, or 11.5% below the same period last year.

Hamptons Quintiles / No. of Sales	Median Sales Price
5/5	\$3,497,500
4/5	\$1,480,000
3/5	\$970,000
2/5	\$659,000
1/5	\$435,000

## THE NORTH FORK MARKET

### Prices and number of sales jump

#### Price indicators jumped as inventory rose

The median sales price of a North Fork property increased 13.1% to \$605,000 from \$535,000 in the prior year quarter, the highest level tracked in the study within its 2-year window. However, this sharp increase was subject to skew as evidenced by the larger increase in average sales price over the same period which was caused by a larger concentration of higher end sales. This price indicator was up 32.5% to \$921,803 this quarter from \$695,659 in the same quarter last year. The increase in median sales price growth was more heavily weighted at the upper end of the market. Listing inventory increased 12.7% this quarter to 394 units, up from 350 units in the same period last year. Inventory levels tend to lead sales price trends, indicating that the sharp increase in both price indicators appears to be an anomaly.

**Number of sales rose** The number of sales in the quarter went up sharply to 189 units from 147 units in the prior year quarter. This market indicator has been erratic as evidenced by the number of sales in each quarter collected at the time of each report. There were 66 sales in third quarter 2007, 175 sales in fourth quarter 2007 and 88 sales in first quarter 2008. The volatility in this indicator is expected in a smaller submarket.

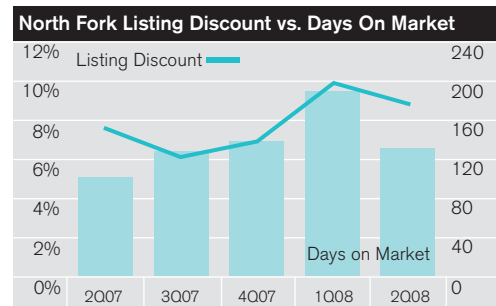
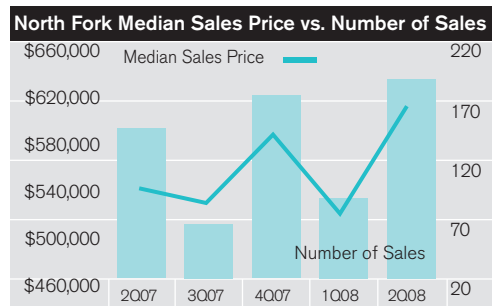
The North Fork typically represents 15% to 35% of all sales in the East End collected for this report. The volatility in the number of sales metric causes a similar pattern in absorption. In the current quarter, the absorption rate was 6.3 months, down from the 7.1 month average of the prior year quarter. Although the current rate of absorption is significantly faster than the 13.6 month average of the prior quarter, interpretation is one of stability rather than a significant improvement in market conditions.

#### Days on market and listing discount expanded

The listing discount was 8.8% this quarter, up from 7.6% during the same period last year. The current listing discount is second only to the 9.9% listing discount of the prior quarter, which had been the highest level seen in the two years this data has been collected. The days on market for the quarter averaged 133 days, a month longer than the 103 days in the prior year quarter. The days on market indicator typically tracks with listing inventory. More inventory results in increased competition from other properties and the longer it takes for a typical buyer to make a purchase decision.

North Fork Quintiles / No. of Sales	Median Sales Price
5/5	\$1,650,000
4/5	\$810,000
3/5	\$605,000
2/5	\$489,500
1/5	\$380,000

North Fork Market Matrix	Current Qtr	% Chg	Prior Qtr	% Chg	Prior Year Qtr
Average Sales Price	\$921,803	-4%	\$960,140	32.5%	\$695,659
Median Sales Price	\$605,000	17.8%	\$513,425	13.1%	\$535,000
Number of Sales	189	114.8%	88	28.6%	147
Days on Market (from Last List Date)	133	-31.1%	193	29.1%	103
Listing Discount (from Last List Price)	8.8%		9.9%		7.6%
Listing Inventory	394	-1%	398	12.7%	350



# LUXURY MARKET

*Prices show gain as inventory climbs*

**Price indicators were mixed but inferred gain** The median sales price of a luxury property increased 10.3% this quarter to \$4,412,500 from \$4,000,000 in the prior year quarter. Average sales price dropped 11.3% over the same period to \$6,331,236 from \$7,136,914. This decline was reflective of a larger concentration of higher priced sales in the same period last year rather than a decline in price levels. Total market volume this quarter was \$341,886,744, or 43.6% of total volume seen in the East End. Luxury volume market share is up slightly from the 41.8% market share of the same period last year.

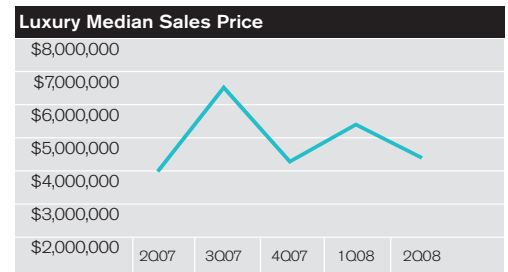
**Inventory jumps as days on market expands.** The number of properties available for sale was 499, up 46.8% from the prior year quarter total of 340 units. In the prior 5 quarters, inventory levels for each quarter averaged 346 units so

Luxury Market Matrix	Current Qtr	% Chg	Prior Qtr	% Chg	Prior Year Qtr
Average Sales Price	\$6,331,236	-28.6%	\$8,869,300	-11.3%	\$7,136,914
Median Sales Price	\$4,412,500	-18.7%	\$5,425,000	10.3%	\$4,000,000
Number of Sales	54	35%	40	-11.5%	61
Days on Market (from Last List Date)	152	35.7%	112	92.4%	79
Listing Discount (from Last List Price)	5.6%		4.8%		14.9%
Listing Inventory	499	41%	354	46.8%	340

Top 5 Locations by Average Sales Price	Current Qtr (No. of Sales)	Prior Qtr (No. of Sales)	Prior Year Qtr (No. of Sales)	
Quogue (1)	\$15,650,000	Southampton (8)	Montauk (2)	\$18,422,500
Shelter Island (2)	\$12,200,000	Sagaponack (3)	Southampton (15)	\$10,612,033
Sagaponack (6)	\$8,275,000	Peconic (2)	Sagaponack (5)	\$8,015,256
Southampton (14)	\$7,951,197	East Hampton (6)	Westhampton Beach (4)	\$7,837,500
Sag Harbor (1)	\$7,500,000	East Quogue (2)	East Hampton (8)	\$5,987,500

the current total has the potential to restrain price growth in the next several quarters. The average luxury property took 152 days to sell, up from 79 days during the same period last year. Listing discount fell sharply to 5.6%, but the prior year quarter indicator of 14.9% appears to be an outlier.

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

*Price indicators rise as number of sales fall*

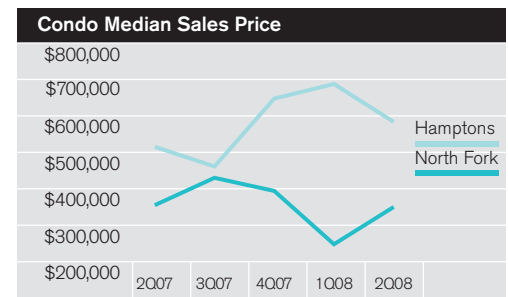
**Overall price indicators rose sharply with Hamptons showing more price growth** Both price indicators jumped, however this is a function of a small data set that is subject to skew. The median sales price of an East End condo was \$532,500 this quarter, up 40.1% from the prior year quarter median sales price of \$380,000. This jump was larger than the 12.8% increase in average sales price to \$597,686 from \$529,820 this quarter. The Hamptons condo market, which comprises 75% of total units, had a median sales price of \$578,330 in the current quarter, up 13.4% from the prior year quarter. The North Fork slipped 1.4% to \$345,000 from the \$350,000 of the same period last year.

Condo Market Matrix	Current Qtr	% Chg	Prior Qtr	% Chg	Prior Year Qtr
Average Sales Price	\$597,686	-20.6%	\$753,220	12.8%	\$529,820
Median Sales Price	\$532,500	-7.4%	\$575,000	40.1%	\$380,000
Number of Sales	24	-29.4%	34	-25%	32
Days on Market (from Last List Date)	167	35.8%	123	56.1%	107
Listing Discount (from Last List Price)	7%		6%		8.3%
Listing Inventory	92	-1.1%	93	22.7%	75

Median Sales Price (% Share / No. of Sales)	Current Qtr	% Chg	Prior Qtr	% Chg	Prior Year Qtr
The Hamptons	\$578,330 (75%)	-15.3%	\$682,495 (82%)	13.4%	\$510,000 (78%)
The North Fork	\$345,000 (25%)	42.1%	\$242,750 (18%)	-1.4%	\$350,000 (22%)

**Number of sales declined as inventory increased** There were 92 units on the market this quarter, up 22.7% from the prior year quarter total of 75 units. The increase is consistent with the expansion of days on market, which grew to an average of 167 days this quarter, 56.1% higher than the 107 days on market of the same period last year. Listing discount slipped to 7% from the prior year quarter result of 8.3%.

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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