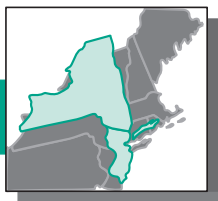


Housing Market Profile

Now York/New Jersey • HUD Region II



Nassau-Suffolk, New York

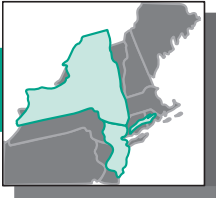
The Nassau-Suffolk Metropolitan Division (hereafter referred to as the Long Island metropolitan area) consists of Nassau and Suffolk Counties, which are located immediately to the east of New York City. As of April 1, 2011, the population of the metropolitan area was estimated at 2.8 million, reflecting an increase of 6,125, or 0.2 percent, since April 1, 2010, and the same rate of growth since 2008. Nearly 1.5 million people reside in Suffolk County, which accounted for more than 90 percent of the population growth on Long Island during the previous decade. Net migration to Suffolk County included an average of 6,300 people annually from Nassau County during the 2000s. The migration to Suffolk County can be attributed to its stronger economy and relatively affordable housing in the western and central portions of the county. The east end of Suffolk County is home to the resort communities known as The Hamptons and North Fork, which support a seasonal increase in the population of more than 200,000 during the summer.

Economic conditions in the Long Island metropolitan area are showing signs of improvement after 3 years of declining nonfarm payrolls. During the 12 months ending March 2011, nonfarm payrolls increased by 5,950 jobs, or 0.5 percent, which is a significant improvement compared with the loss of 32,900 jobs, or 2.6 percent, during the 12 months ending March 2010. During the 12 months ending March 2011, the education and health services sector, the largest employment sector in the area, added 5,350 jobs, an increase of 2.4 percent, because of hiring by healthcare providers such as North Shore-Long Island Jewish Health System and Catholic Health Services of Long Island, which employ 42,000 and 18,700, respectively, and are two of the leading employers in the area. The leisure and hospitality sector increased by 2,925 jobs, or 3.0 percent, because of hiring in the restaurant industry. Government sector payrolls increased by 950 jobs, or 0.5 percent, because of hiring at the federal and local levels. By 2014, nearly 400 jobs are expected to be created at the U.S. Department of Energy's Brookhaven National Laboratory (BNL), which currently employs nearly 3,000 Long Island residents and has an estimated annual economic impact of \$850 million. BNL is managed by another area leading employer, Stony Brook University, which had 24,600 students enrolled as of the fall of 2010, nearly 14,000 employees, and an estimated annual economic impact of \$4.7 billion on the local economy, according to the

university. Growth in the local government will likely slow as more than 200 Nassau County jobs are expected to be eliminated in 2011 because of budget issues. During the 12 months ending March 2011, the goods-producing sectors lost 4,600 jobs, or 3.3 percent, although current losses were not as large as the decline of 14,300 jobs, or 9.4 percent, that occurred during the previous 12-month period. The mining, logging, and construction sector accounted for more than two-thirds of net job losses in the goods-producing sectors during the past 2 years as commercial and residential construction activity slowed. During the 12 months ending February 2011, the Long Island metropolitan area unemployment rate averaged 7.1 percent, down slightly from the 7.2-percent rate recorded during the previous 12 months.

The Long Island metropolitan area home sales market remains soft after 5 years of high inventory levels and declining home sales, although it showed some signs of stabilizing during the past year. According to Prudential Douglas Elliman Real Estate, during 2010, existing home sales (including single-family homes, townhomes, and condominiums) on Long Island—excluding The Hamptons and North Fork—totaled 18,300 homes, which is relatively unchanged compared with the number of homes sold during 2009 and slightly below the average of 19,600 homes sold annually from 2007 through 2009. During 2010, the inventory of unsold homes on the market decreased 4 percent to 18,750, which represents a 12-month supply, a slight improvement compared with the nearly 13-month supply during 2009. In 2010, after 4 years of decline, the average sales price of a home on Long Island increased by 2 percent to \$439,200, which is 16 percent less than the \$524,100 peak sales price reached during the 12 months ending June 2006. During 2010, home sales in the Hamptons and North Fork increased by nearly 36 percent to 2,075 and the average sales price increased by about 13 percent to \$1.5 million, driven by increased bonus compensation on Wall Street. Average sales prices varied greatly throughout Long Island, with a low of \$357,400 in western and central Suffolk County, \$522,000 in Nassau County, and \$1.5 million in The Hamptons and North Fork. According to LPS Applied Analytics, as of February 2011, the percent of total loans in Nassau and Suffolk Counties that were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned) was 8.5 and 11.3 percent, respectively, down from 8.6 and 11.5 percent a year earlier.

Home construction activity in the Long Island area increased during the past year, after 4 years of declining activity caused by the soft sales market. Based on



preliminary data, during the 12 months ending March 2011, the number of single-family homes permitted increased to 1,325 homes, up 9 percent from the 1,200 homes permitted during the same period a year earlier. In comparison, an average of 4,250 homes were permitted annually from 2000 through 2005. During the past 12 months, Suffolk County accounted for 70 percent of the single-family homes permitted, which is slightly below its nearly 80-percent average share during the 2000s. Recent single-family construction activity has been concentrated in the towns of Brookhaven and Southampton in eastern Suffolk County and the town of Hempstead in southwestern Nassau County.

The Long Island rental market is currently tight, although conditions have eased slightly during the past year. According to Reis, Inc., during the fourth quarter of 2010, the average apartment vacancy rate increased to 3.8 percent, up from 3.6 percent in the fourth quarter of 2009. Despite the slight increase in vacancies during the fourth quarter of 2010, average monthly rents increased by nearly 3 percent to about \$1,550 per month compared with rents recorded during the fourth quarter of 2009. Monthly rents averaged \$1,475 for a one-bedroom unit, \$1,875 for a two-bedroom unit, and \$2,725 for a three-bedroom unit in Nassau County and \$1,325 for a one-bedroom unit, \$1,700 for a two-bedroom unit, and \$2,150 for a three-bedroom unit in Suffolk County.

Multifamily construction, as measured by the number of multifamily units permitted, has slowed significantly

since the mid-2000s, primarily because of the soft condominium sales market. Based on preliminary data, during the 12 months ending March 2011, the number of multifamily units permitted increased to 225 units, up from the 120 units permitted during the previous 12 months. The current number of units permitted remains well below the average of 1,225 units permitted annually from 2000 through 2005, when condominiums and townhomes accounted for nearly 55 percent of multifamily construction activity. The largest multifamily development currently under construction is the 720-unit, age-restricted Meadowbrook Pointe, located in the central Nassau County village of Westbury. The phased project, which originally broke ground in late 2005, has sold more than 500 units and is currently building 212 condominiums, townhomes, and villas. Asking prices start around \$460,000 for a 970-square-foot, one-bedroom condominium and increase to about \$1.25 million for a 2,850-square-foot villa. Several transit-oriented developments (TOD) are currently planned or under construction near the Long Island Rail Road, which provides more than 300,000 daily commuters access to most of Long Island and New York City. Avalon at Rockville Center, a 349-unit TOD in southwest Nassau County, is currently under construction. Leasing is expected to commence in May 2011, with asking rents starting at \$2,240 for a one-bedroom unit and \$2,775 for a two-bedroom unit. The same developer is currently planning another TOD project, Avalon Huntington Station, in central Suffolk County, which would include a mix of 303 apartment units and 76 condominium units.