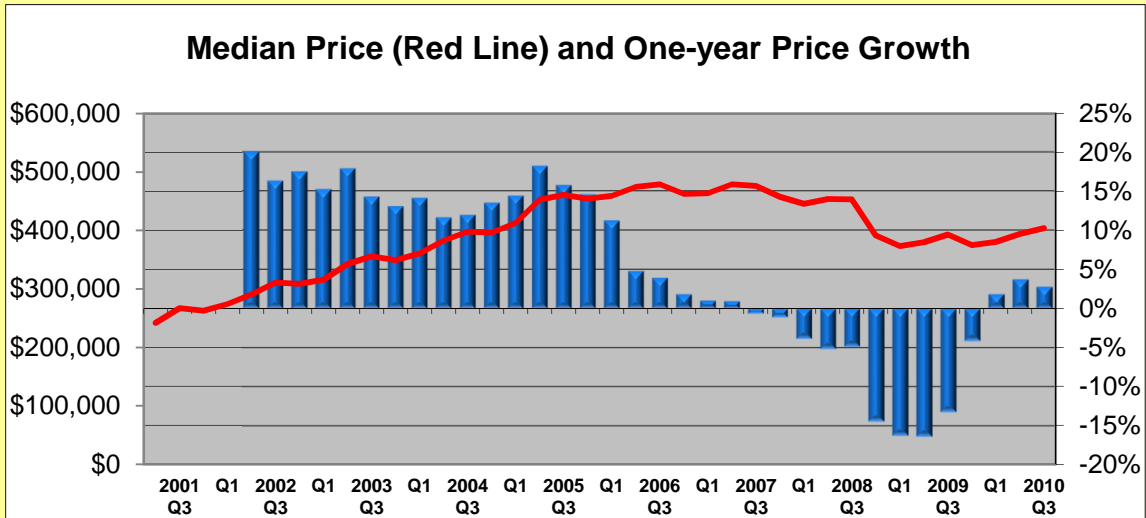


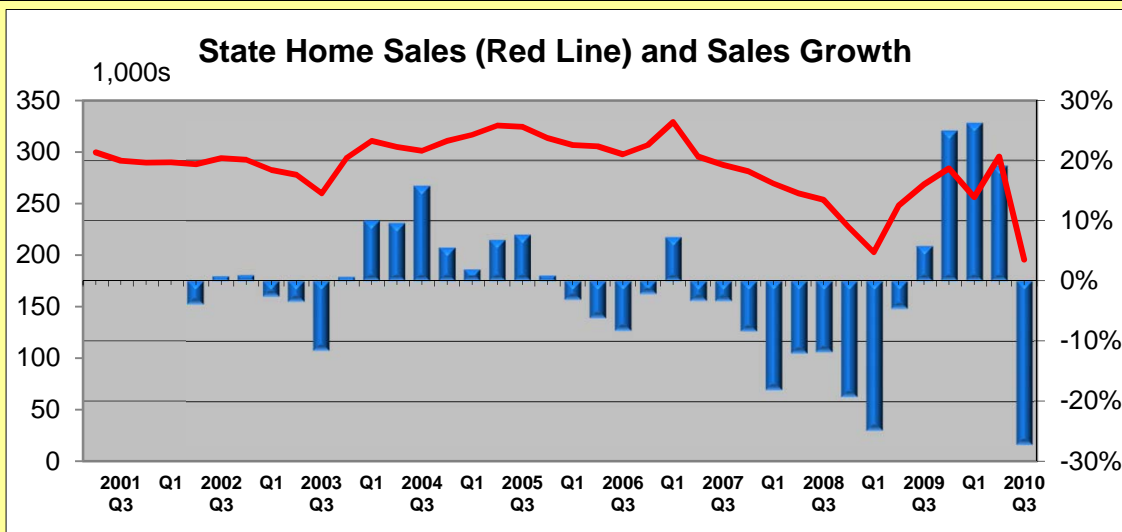
# New York-N. New Jersey-Long Island Area Local Market Report, Third Quarter 2010



## Today's Market...



	New York	U.S.	Local Trend
<b>Price Activity</b>			
Current Median Home Price (2010 Q3)	\$404,100	\$177,100	Prices are up from a year ago, but price growth is slowing
1-year (4-quarter) Appreciation (2010 Q3)	2.8%	-0.6%	
3-year (12-quarter) Appreciation (2010 Q3)	-15.1%	-19.9%	
3-year (12-quarter) Housing Equity Gain*	-\$72,000	-\$44,000	Real estate remains a long-term investment: those who have owned for more than 3 years have seen the equity in their home grow
7-year (28 quarters) Housing Equity Gain*	\$48,500	-\$6,000	
9-year (36 quarters) Housing Equity Gain*	\$136,800	\$21,500	
*Note: Equity gain reflects price appreciation only			
<b>Conforming Loan Limit**</b>	\$729,750	\$729,250	Most buyers in this market have access to government-backed financing
<b>FHA Loan Limit</b>	\$729,750	\$417,000	
<b>Local Median to Conforming Limit Ratio</b>	55%	not comparable	
**Note: the 2009 loan limits for FHA and the GSEs were extended through 2010.			

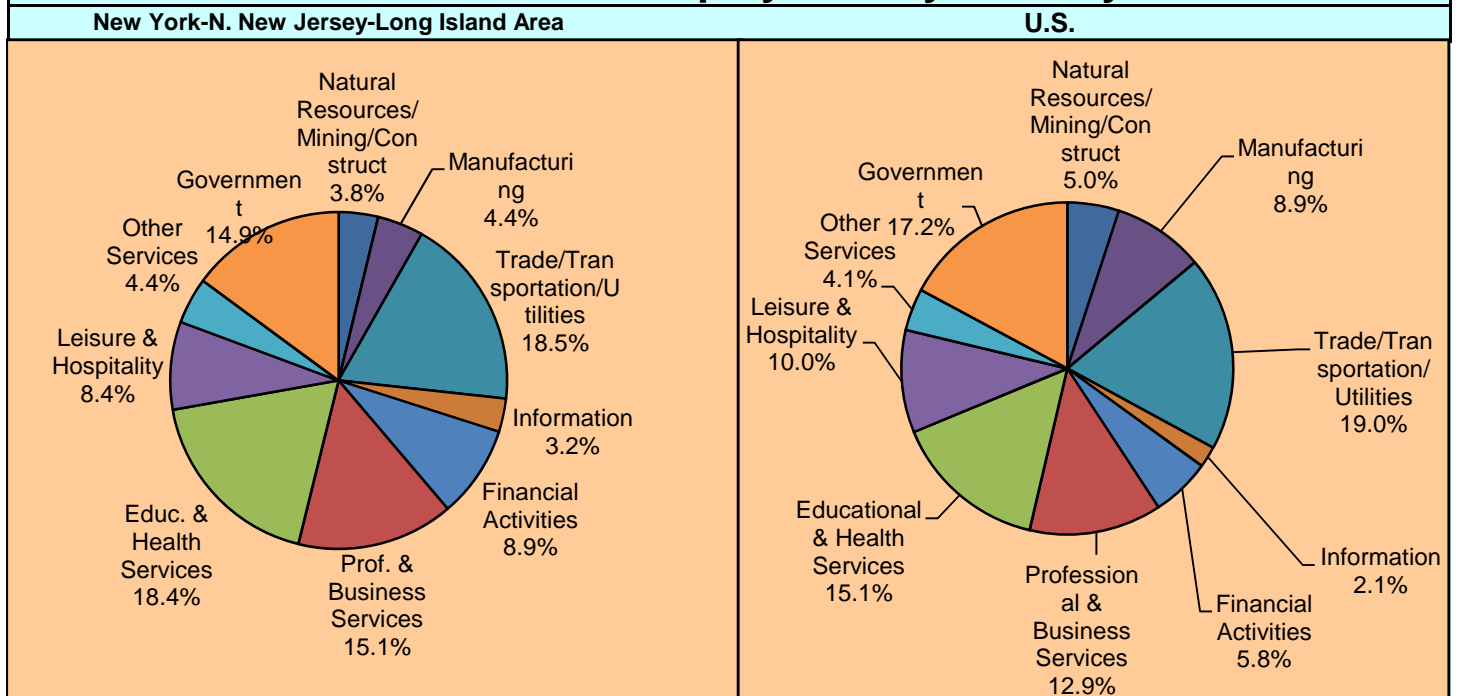


Home Sales	New York	U.S.	
State Existing Home Sales (2010 Q3 vs 2009 Q3)	-27.1%	-21.2%	Sales growth slipped during the third quarter

# Drivers of Local Supply and Demand...

Local Economic Outlook	New York	U.S.	
12-month Job Change (Sep)	-35,300	Not Comparable	Employment continues to decline and will weigh on demand in some areas
12-month Job Change (Aug)	-7,600	Not Comparable	
36-month Job Change (Sep)	-355,800	Not Comparable	Unemployment in New York is better than the national average and improving
Current Unemployment Rate (Sep)	8.5%	9.6%	
Year-ago Unemployment Rate	9.3%	9.8%	Local employment growth is respectable compared to other markets
1-year (12 month) Job Growth Rate	-0.4%	-1.7%	

## Share of Total Employment by Industry



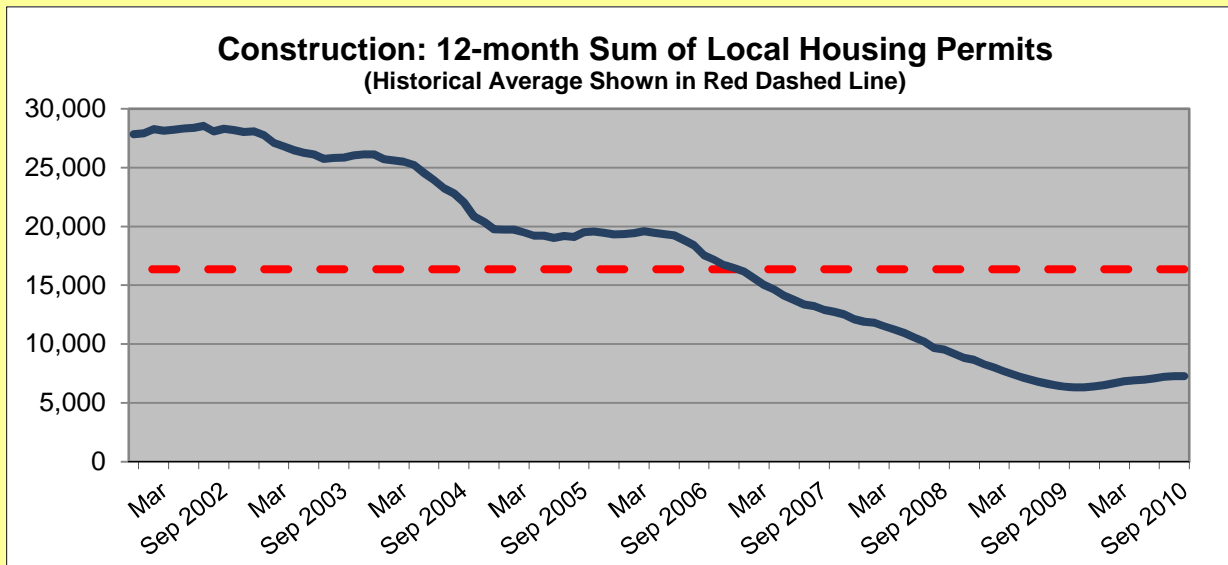
### 12-month Employment Change by Industry in the New York-N. New Jersey-Long Island Area

Goods Producing	NA	Information	-5,700
Natural Resources/Mining/Construction	-8,800	Financial Activities	-1,800
Natural Resources and Mining	NA	Prof. & Business Services	-10,000
Construction	NA	Educ. & Health Services	22,900
Manufacturing	-14,300	Leisure & Hospitality	11,300
Service Providing Excluding Government	NA	Other Services	11,200
Trade/Transportation/Utilities	1,100	Government	-41,200

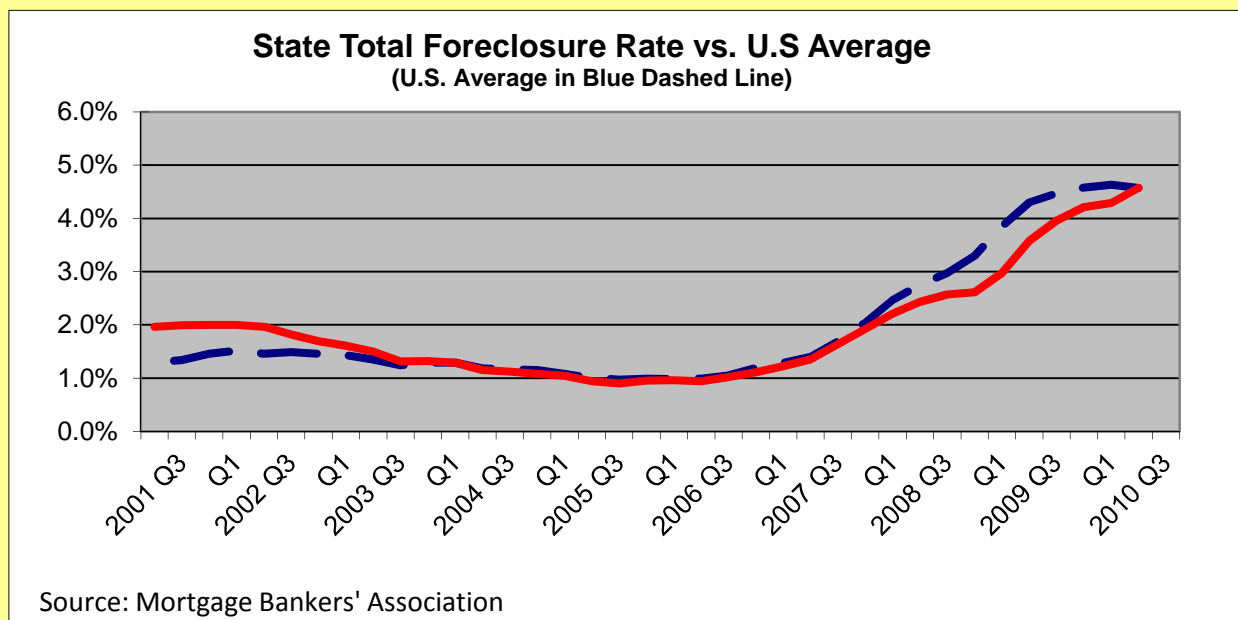
State Economic Activity Index	New York	U.S.	
12-month change (2010 - Sep)	3.0%	1.6%	New York's economy is stronger than the nation's, but slowed from last month's 3.1% change
36-month change (2010 - Sep)	-10.2%	-4.6%	

## New Housing Construction

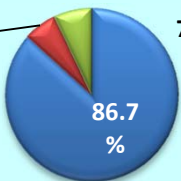
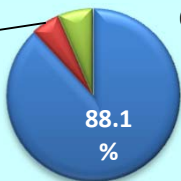
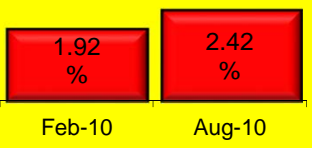
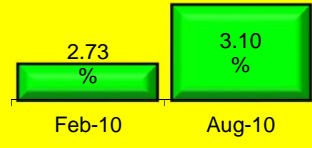
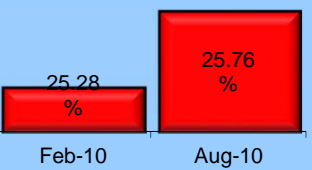
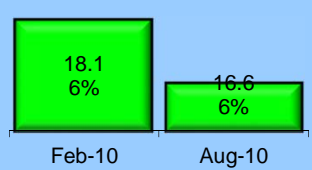
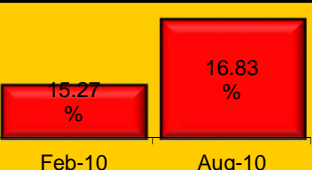
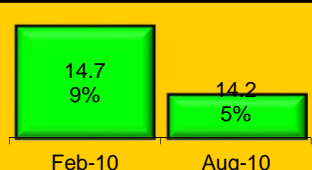
Local Fundamentals	New York	U.S.	
12-month Sum of 1-unit Building Permits through Sep 2010	7,290	not comparable	The current level of construction is 55.5% below the long-term average
8-year average for 12-month Sum of 1-Unit Building Permits	16,368	not comparable	Reduced construction will limit new supply to the market, allowing demand to catch up with the inventory more quickly
Single-Family Housing Permits (Sep 2010) 12-month sum vs. a year ago	14.5%	8.8%	Construction is on the rise relative to last year, suggesting that the local inventory has stabilized



While new construction is the traditional driver of supply in real estate, foreclosures now have a strong impact on inventories, particularly at the local level. Rising inventories, through construction or foreclosure, place downward pressure on the median home prices.



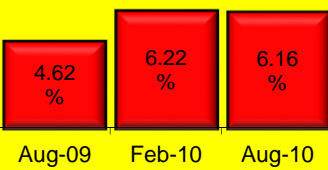
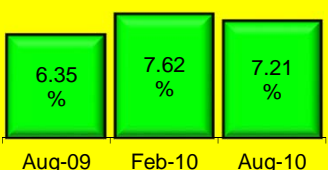
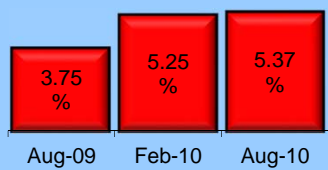
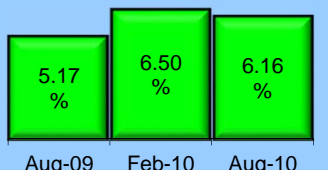
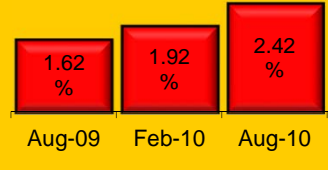
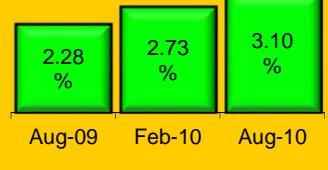
## Foreclosures by Type

Monthly Market Data - August 2010	New York	U.S.	
<b>Market Share:</b> Prime (blue), Alt-A (green), and Subprime (red)			The New York market has a lower share of subprime loans than the average market, but rising prime foreclosures are becoming a problem
<b>PRIME:</b> Foreclosure + REO Rate			<p>There was a substantial increase versus February of this year</p> <p>Compared to the national average, today's local prime rate is low</p>
<b>SUBPRIME:</b> Foreclosure + REO Rate			<p>There was modest increase locally compared to 6 months earlier</p> <p>The current local rate is high given the U.S. average</p>
<b>ALT-A:</b> Foreclosure + REO Rate			<p>The alt-A foreclosure rate jumped compared to February of this year</p> <p>The current rate for New York is high compared with the U.S. average</p>

The "foreclosure + REO rate" is the number of mortgages, by metro area, that are either in the foreclosure process or have completed the foreclosure process and are owned by banks divided by the total number of mortgages for that area.

Source: First American CoreLogic, LoanPerformance data

## Prime Foreclosures and Delinquencies in Process

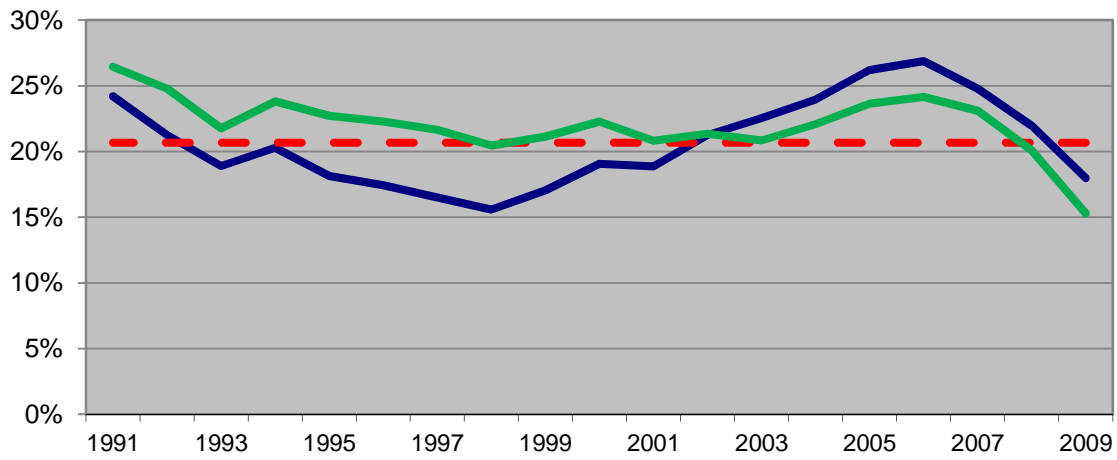
Monthly Market Data - August 2010	New York	U.S.	
<b>Prime: 60-day Delinquent</b>			The local 60-day delinquency rate fell over the 6-month period ending in August suggesting that 90-day delinquencies will decline in the near future
<b>Prime: 90-day Delinquent</b>			New York's 90-day delinquency rate climbed faster than the national average over the most recent 6-month period suggesting a bulge of foreclosures in the future
<b>Prime: Foreclosure + REO Rate</b>			The increase in the 90-day delinquency rate over the most recent 6-month period suggests a near term increase in the foreclosure rate, which should then shrink as the decline in 60-day delinquencies moves its way through the system

Source: First American CoreLogic, LoanPerformance data

# Affordability

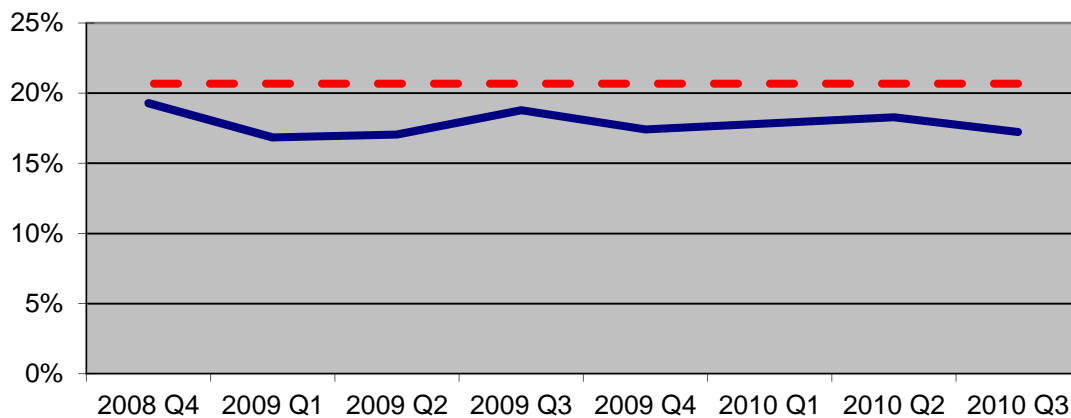


**Long-Term Trend: Ratio of Local Mortgage Servicing Cost to Income**  
(Local Historical Average Shown in Red, U.S. Average in Green)

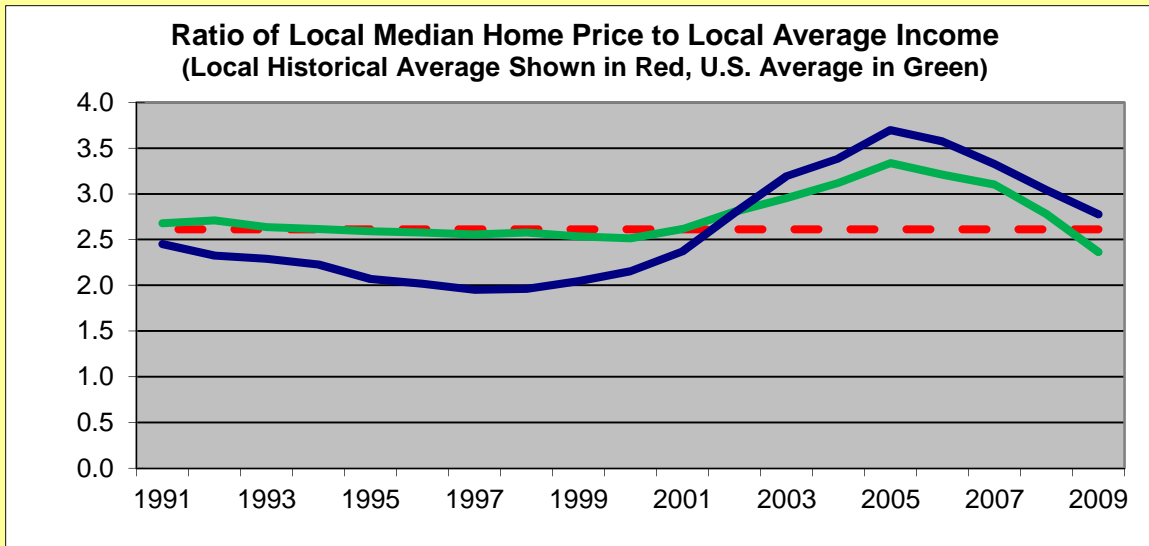


Monthly Mortgage Payment to Income	New York	U.S.	
Ratio for 2008	18.0%	15.3%	Historically strong and an improvement over the second quarter of 2010
Ratio for 2010 Q3	17.2%	14.3%	
Historical Average	20.7%	22.6%	More affordable than most markets

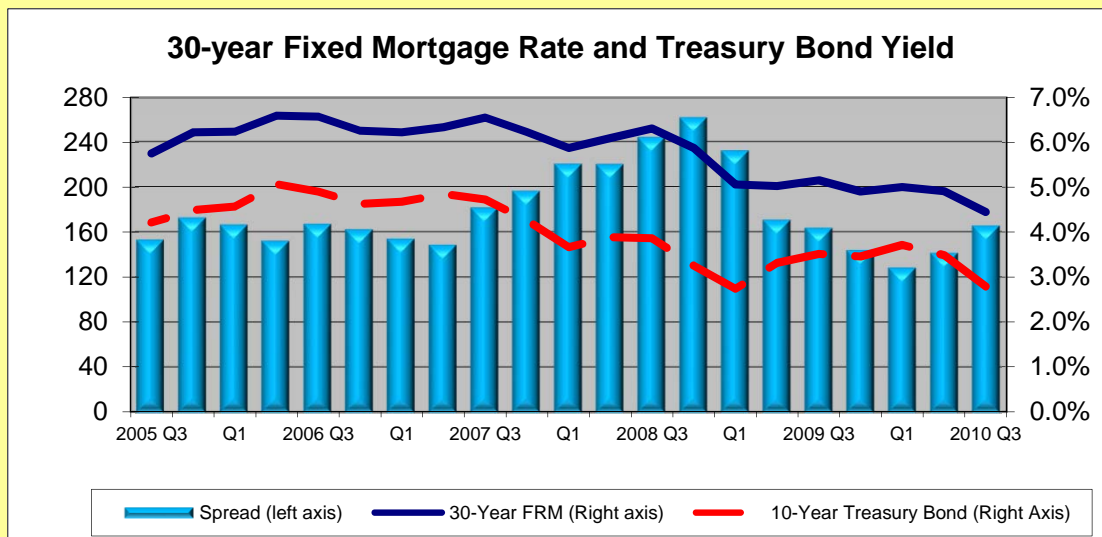
**Recent Trend - Local Mortgage Servicing Cost to Income**  
(Historical Average Shown in Red Dashed Line)



Median Home Price to Income	New York	U.S.	
Ratio for 2009	2.8	2.4	The price-to-income ratio eased, but could be better
Ratio for 2010 Q3	2.9	2.4	
Historical Average	2.6	2.7	Affordable compared to most markets

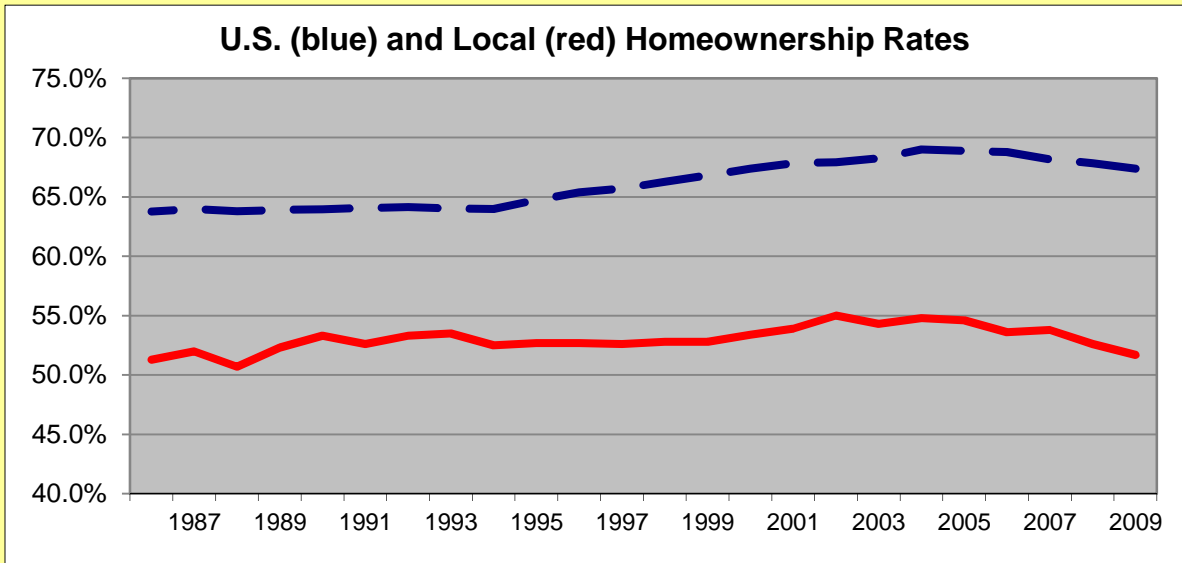


## The Mortgage Market



After rising in the first half of the second quarter, the average 30-year fixed rate mortgage followed the 10-year Treasury bond downward in the third quarter. The sharp drop in home sales in July following the expiration of the Federal tax credit sent stock markets into a quandary. Soft economic indicators in July and August maintained this pattern, but by August, rates were falling for a different reason. Speculation that the Federal reserve would engage in a second round of mortgage and Treasury purchases to stimulate the economy by lowering the cost of borrowing, dubbed QE2 for the second round of such quantitative easing, sent the yield on the 10-year Treasury to record lows and the 30-year fixed rate mortgage followed suit. The average 30-year fixed rate mortgage, as measured by Freddie Mac, registered 4.32% in the first week of September, a record, and stayed under 4.4% the entire month. However, the spread between the 10-year Treasury and 30-year FRM rose 24 basis points in the third quarter to 166. The bulk of the Federal Reserve's quantitative easing was expected to be implemented through purchases of 2-year and 10-year Treasury notes. Consequently, demand for these instruments surged relative to long-term mortgage debt, which caused the spread to widen.

# A Closer Look...At Homeownership



Homeownership Rate	New York	U.S.	
Ratio for 2009	51.7%	67.4%	The homeownership rate in New York fell in recent years and was below the national average in 2009
Ratio for 2010 Q3	50.3%	66.9%	
Historical Average	53.0%	66.5%	

Nationally, nearly 6.5 million homes went into foreclosure from 2005 through 2009. As a result, the homeownership rate fell from a high of 69.0% in 2004 to 67.4% in 2009. The share of homes owned by investors and banks has grown and this trend will weigh on the homeownership rate for years to come. Locally, there were 225,714 foreclosures in New York over this same 5-year period. The result was a decline in the statewide homeownership rate from its recent peak of 55.9% in 2007 to 54.4% in 2009.

## Geographic Coverage for this Report

The New York area referred to in this report covers the geographic area of the New York-N. New Jersey-Long Island metro area as officially defined by the Office of Management and Budget of the U.S. Government. The official coverage area includes the following counties:

Bergen County, Essex County, Hudson County, Hunterdon County, Middlesex County, Monmouth County, Morris County, Ocean County, Passaic County, Somerset County, Sussex County, Union County, Bronx County, Kings County, Nassau County, New York County, Putnam County, Queens County, Richmond County, Rockland County, Suffolk County, Westchester County, and Pike County

More information on the OMB's geographic definitions can be found at [http://www.whitehouse.gov/omb/inforeg\\_statpolicy/](http://www.whitehouse.gov/omb/inforeg_statpolicy/)