



Long Island Economic Trends

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- Long Island, with a population of 2.8 million, accounted for 14.7 percent of New York State's population in 2006.
- The median age in both of Long Island's counties—Nassau and Suffolk—is older than in New York State and in the nation. In 2006, the median age had risen to 40.7 years in Nassau County and 38.3 years in Suffolk County.
- Long Island has a highly skilled workforce; of the population aged 25 and older, 35.3 percent have earned at least a college degree.
- Jobs increased by 0.8 percent during the first ten months of 2007 and wages grew by 4.9 percent in 2006—the fastest rate of wage growth in the decade thus far.
- Long Island's unemployment rate averaged 3.8 percent during the first ten months of 2007, considerably less than the Statewide and national averages.
- Household incomes on Long Island are among the highest in the State and the nation. Among counties nationwide in 2006, Nassau (\$85,994) ranked 10th and Suffolk (\$76,847) ranked 29th.
- Home prices more than doubled between 1999 and 2005, but growth slowed markedly in 2006, and prices have begun to decline in 2007.
- Subprime mortgages accounted for 30.3 percent of all mortgage originations on Long Island in 2006, the highest concentration of any region within New York State.
- Long Island has the lowest crime rate of any large metropolitan area in the nation.

The Long Island economy, which the Long Island Association reports has the 17th largest gross regional product in the nation, continued to grow in 2006 and 2007, generating over \$56 billion in wages in 2006 and averaging 1.3 million jobs in the first ten months of 2007.

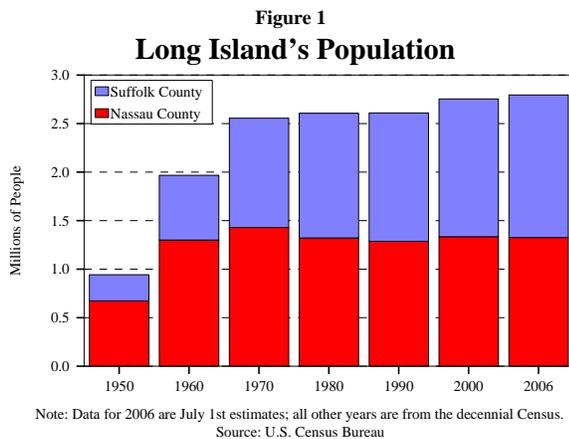
Long Island is comprised of Nassau and Suffolk counties and represents a large share of New York State's economy. The region includes one of the nation's first suburbs, Nassau County, which developed rapidly in the latter half of the 20th century. Suffolk County developed at a slower pace, and thus it has enjoyed more growth in recent years in comparison to Nassau, which already had a mature economy.

Long Island residents enjoy a high quality of life, reflected in high median incomes, low unemployment and crime rates, a strong public school system, and several cultural and natural recreation attractions. The region's successes and its popularity as a suburb of New York City have also contributed to the challenges that Long Island faces today, such as traffic congestion, high property taxes, and the need for more affordable housing—all of which need to be addressed to preserve the quality of life and to encourage future growth. Elected officials have taken steps in recent years to deal with these issues, including a "New Suburbia" initiative in Nassau County and efforts in Suffolk County to revitalize aging downtown business districts.

Recent shocks to the local and national economies (including a slowdown in the housing market, the recent credit crunch, and the difficulties experienced by Wall Street firms) could have serious effects on the Long Island economy. The region is closely linked to the New York City economy and has the second-highest rate of home ownership in the nation. An economic slowdown would affect retail sales and hence sales tax revenues, which make up the largest share of each county's revenues.

Demographics

Long Island's population totaled 2.8 million in 2006 and accounted for 14.7 percent of the total population in New York State. As shown in Figure 1, the pace of population growth has slowed since 1970. While Long Island's population increased by 5.5 percent between 1990 and 2000, most of the growth occurred in Suffolk, and since 2000 the growth rate has slowed.



Nassau County is more densely populated than any other county in the State (excluding New York City). In 2006, Nassau's population density was 4,621 people per square mile, which was more than twice that of the second most densely populated county (Westchester). Nassau County's population density was close to three times the density of Suffolk County (1,611).

In recent years, much of Long Island's population growth has occurred in Suffolk County because of the greater availability of developable land. Suffolk's population first surpassed Nassau's in the 1990 Census, and by 2006 Suffolk's population was 1.47 million while Nassau's was 1.33 million. Between 2000 and 2006, the population of Suffolk County increased by more than 45,000 people, a gain of 3.2 percent.

The median age in both Nassau and Suffolk is greater than in the State and the nation. In 2006, the median age rose to 40.7 years in Nassau and to 38.3 years in Suffolk—while the State's median was 37.4 years and the nation's was 36.4 years. The aging population of the two counties is also evident in the increasing share of people who are aged 65 and older, which grew from 7.2 percent in 2000 to 13.5 percent in 2006. The share of the

population that is younger than age 45 has fallen to 58.8 percent in 2006 from 70.6 percent in 1950.

Long Island's population is well-educated. In 2006, 35.3 percent of the population that was aged 25 and older had earned at least a college degree. This exceeds percentages in the State (31.2 percent) and the nation (27 percent). Since 2000, the college-educated share of the population has risen by 4 percentage points, also exceeding the increases in both the State and nation. In 2006, Nassau had a larger share of college-educated residents (40.3 percent) than Suffolk did (30.7 percent).

While Long Island's population is still primarily White Non-Hispanic (70 percent), the population of other ethnic groups has increased markedly over the past six years, as discussed below.

- The Asian population grew by 36.6 percent between 2000 and 2006, and accounted for 5 percent of Long Island's population in 2006.
- The Hispanic population grew by 22.8 percent between 2000 and 2006, and accounted for 12.6 percent of Long Island's population in 2006. The Hispanic population increased at a slightly faster rate in Suffolk (26.4 percent) than in Nassau (18.7 percent).
- The Black and African-American population increased by 6.3 percent between 2000 and 2006, and accounted for 8.8 percent of the population in 2006.

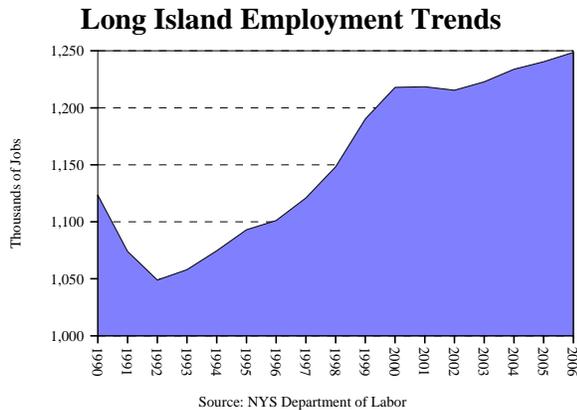
Employment

Long Island employment averaged nearly 1.3 million jobs during the first ten months of 2007, increasing by 0.8 percent when compared to the same period in 2006. The pace of job growth exceeded the rate in most upstate regions, but lagged behind growth in the other downstate areas. Nevertheless, in the years since its economy was hit by the severe downsizing of the defense industry in the early 1990s, Long Island has added jobs in every year except 2002, when the last recession caused a slight job decline (see Figure 2).

Long Island's economy is relatively diverse—four industries account for two thirds of all jobs. The largest employment sector is trade, transportation, and utilities, which makes up nearly 22 percent of the region's jobs. Most jobs in this sector (almost

60 percent) are in retail trade. The education and health services sector and the government sector each account for 16 percent of Long Island's jobs. Professional and business services, which is an export-oriented sector that typically services customers and markets extending outside the region, accounts for more than 13 percent of Long Island's jobs. In general, export-oriented jobs have higher average salaries compared to jobs in locally oriented industries.

Figure 2

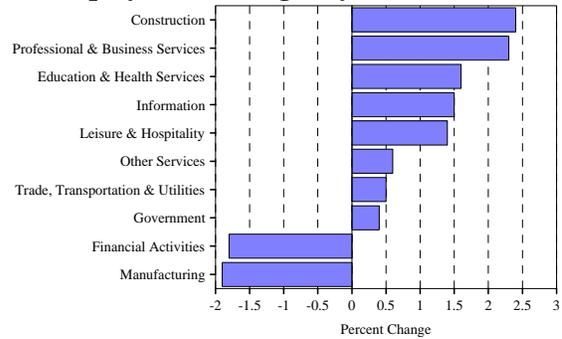


Several of the largest employment sectors were also among the fastest-growing sectors during the first ten months of 2007, when compared to the same period a year earlier (see Figure 3).

- Professional and business services grew by 2.3 percent, with much of the gain coming from job increases in professional, scientific, and technical services.
- Education and health services grew by 1.6 percent, with nearly all of the increase attributable to growth in health care services.
- Leisure and hospitality grew by 1.4 percent, with increases in the areas of arts, entertainment, and recreation; and accommodation and food services.

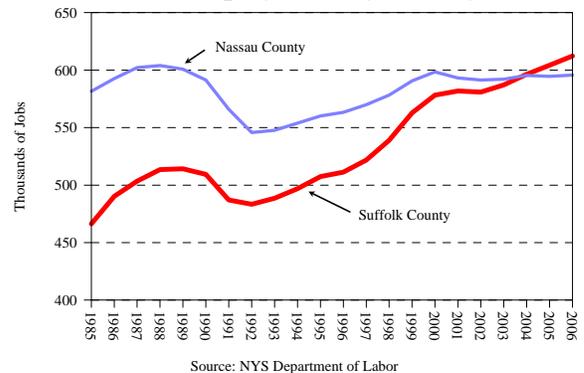
Long Island employment is oriented toward providing local services, and job growth is heavily influenced by the spending of commuters, many of whom hold jobs that are located in New York City and provide higher incomes. (The income flows from each new job on Wall Street, for example, create another job in the suburbs.) The financial industry's current difficulties could, therefore, dampen job growth on Long Island next year.

Figure 3
Employment Changes by Sector in 2007



Like its population growth, Long Island's recent job growth has been more rapid in Suffolk County because of the availability of developable land. As a result, employment in Suffolk had surpassed employment in Nassau by 2004 (see Figure 4). In 2006 (the most recent period for which data are available), employment in Suffolk grew by 1.2 percent to total almost 612,000 jobs.¹ The sectors of leisure and hospitality, construction, and professional and business services were among the fastest-growing employment sectors in Suffolk.

Figure 4
Total Employment by County



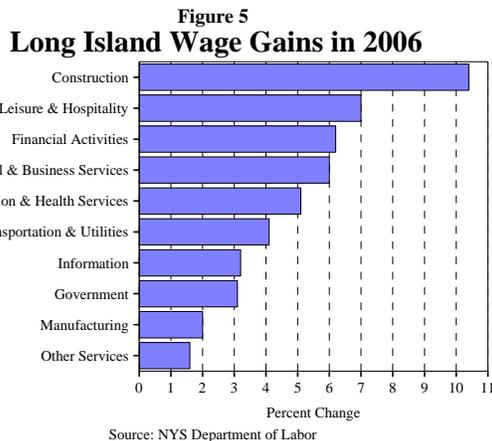
By contrast, Nassau County, which has a more mature economy than Suffolk County, recorded employment growth of only 0.2 percent during 2006, bringing the number of jobs to 595,000. Nassau's fastest-growing employment sectors were construction, information, and professional and business services.

¹ Data for Nassau and Suffolk counties are drawn from different sources, and 2007 data are not yet available.

Wages

Total wages on Long Island surpassed \$56 billion after growing by 4.9 percent in 2006—the fastest growth so far this decade. Since 2000, total wages have grown each year, but growth in the recession years earlier in the decade failed to keep pace with inflation. Nevertheless, between 2000 and 2006, inflation-adjusted wages have risen by 1.2 percent with most of the increase coming in 2006.

Long Island’s wage mix is similar to its job mix since the same industry sectors have the highest concentration of wages—trade, transportation, and utilities (19 percent), government (18 percent), professional and business services (14 percent), and education and health services (14 percent). The financial activities sector is also an important component of the wage mix, accounting for more than 10 percent of Long Island’s total wages because of its high average salary (\$75,388). All industry sectors recorded wage gains in 2006 (see Figure 5).



Wages grew in Suffolk County by 6.5 percent in 2006, reaching \$27.9 billion. Although total wages were still higher in Nassau County (\$28.3 billion), the rate of growth (3.4 percent) was lower. While wages grew in all industries in Suffolk, wages in manufacturing and financial activities declined in Nassau.

Average salaries reached \$46,499 on Long Island in 2006, growing by 4.1 percent from the previous year’s level. Salaries were higher in Nassau (\$47,449) than in Suffolk (\$45,573), although Suffolk’s salaries grew faster than Nassau’s (5.2 percent compared to 3.2 percent).

Household Income

Many Long Island households have members who commute to jobs in New York City, and household income for the area’s residents is among the highest in the nation.

Data from the U.S. Census Bureau show that in 2006 the median household income in Nassau was \$85,994, while in Suffolk it was \$76,847. For both counties, the median household income was significantly higher than in the State overall (\$51,384) and in the nation (\$48,451).

Compared to the other 35 counties in the State for which data were available, Nassau had the highest median income and Suffolk was ranked third, behind Putnam County. Nationwide (data were available for 783 counties), Nassau was ranked 10th, while Suffolk ranked 29th.

Between 2000 and 2002 (during the last recession), household incomes fell in Nassau but rose sharply in Suffolk, reflecting Nassau’s closer link to New York City and its business and financial sectors. After the recession (between 2002 and 2006), household income in Nassau increased by 21.5 percent—much more than in Suffolk (9.1 percent), the State (14.4 percent), or the nation (12.5 percent). When household income growth is adjusted for inflation, Nassau experienced growth of 5.7 percent in the period between 2002 and 2006, while incomes in the three other areas declined slightly.

Unemployment Rate

Long Island’s unemployment rate is relatively low compared to elsewhere in New York State and the nation. During the first ten months of 2007, the Long Island unemployment rate averaged 3.8 percent (lower than the State’s average of 4.5 percent and the nation’s average of 4.6 percent), but it has begun to rise slightly in the past few months.

The unemployment rates for Nassau and Suffolk are very close, averaging 3.7 percent in Nassau and 3.9 percent in Suffolk over the first ten months of 2007. So far this year, Nassau’s unemployment rate was sixth-lowest among the counties in the State, while Suffolk’s was eighth-lowest.

Housing

Housing and home ownership are important aspects of Long Island's economy. In 2004, the area had an ownership rate of 85.7 percent, which was second-highest among the nation's largest metropolitan areas (Monmouth, New Jersey ranked first).²

In 2006, the growth in home values slowed substantially after several years of astounding growth. Data from the State Office of Real Property Services show that in 2006, median home values increased in Suffolk by 3.7 percent and in Nassau by 2.3 percent. Between 2000 and 2005, in comparison, median home values increased at an average annual rate of 15.6 percent in Suffolk, exceeding the growth rates for all other counties in the State, while Nassau's annual growth rate of 12.8 percent was tenth-highest in the State.³

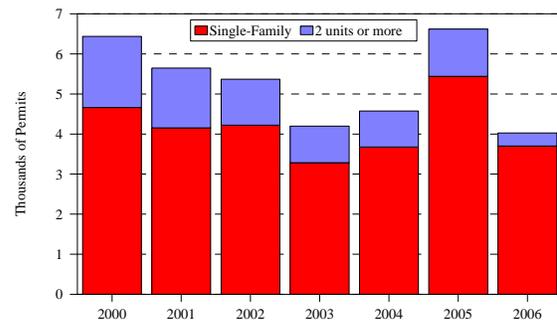
Other market indicators illustrate further weakening in home prices in 2007. The Multiple Listing Service of Long Island reported that in September 2007 the median price for homes that were entered into sales contracts was \$415,000, a decline of 4.9 percent from one year earlier.

The real estate company Prudential Douglas Elliman reports that while the median sales price for Nassau in the third quarter of 2007 (\$490,000) was unchanged from the same period one year earlier, the number of sales had declined by 4.7 percent, and the homes that sold had been on the market longer (105 days compared to 80 days one year earlier). In Suffolk, the median price (\$395,000) was 2.7 percent below the level a year earlier, there were 14.9 percent fewer sales, and the average time on the market had risen to 109 days from 88 days.⁴

The slowdown in home values is also reflected in a decrease in housing building permits, which are largely dedicated to single-family homes. (From 2000 to 2006, nearly 80 percent of the units for which permits were issued were single-family

homes.) In 2006, the total number of building permits issued and the number of permits issued for single-family homes were both lower than in any other year in this decade (see Figure 6). For buildings with two or more units, only 324 permits were issued in 2006—which was fewer than half the number of permits issued in 2003, the second-lowest year of the decade. While the number of permits for single-family homes was slightly higher in 2006 than in 2003 and 2004, it declined by 39.2 percent from 2005.

Figure 6
Building Permits Issued for Housing



Source: U.S. Department of Housing and Urban Development

For residents of Long Island who live in rental apartments, the cost of housing is among the highest in the State. The latest data from the U.S. Department of Housing and Urban Development indicate that the fair market rent for a two-bedroom apartment is \$1,529, which is the highest in the State and sixth-highest in the nation. Rent for a four-bedroom apartment is \$2,211, which is second-highest in the State (after Westchester) and 14th-highest in the nation. In the past year, rents for both types of apartments have increased by more than 12 percent.

The recent problems in the subprime mortgage market, which have affected property owners throughout the country, are also affecting New York State and Long Island. While the total number of mortgages issued for Long Island properties steadily declined over the past three years, the number of subprime mortgages grew during the same period.

Rising prices, along with greater demand, have caused some prospective home buyers to increase their reliance on more expensive subprime mortgages. On Long Island, subprime mortgages increased from 14.5 percent of all mortgages originated in 2004 to 30.3 percent in 2006 (with

² Beginning in 2005, separate data for Long Island are no longer available because the region is now included in the New York Metropolitan Statistical Area.

³ Data from the State Office of Real Property Services were not available for New York City, however.

⁴ Suffolk County data exclude the Hamptons and the North Fork, for which recent data is not yet available.

much of the growth occurring in 2005). In the State during the same period, subprime mortgages increased from 14.1 percent of all mortgages originated to 27.9 percent.

When compared to other metropolitan areas in the State, Long Island had the highest concentration of subprime mortgage originations in 2006 (see Figure 7). Long Island even exceeded the rest of the New York metro area, which had the second-highest concentration, by 1.5 percentage points. In Suffolk, the share of subprime mortgages almost doubled, from 15.6 percent in 2004 to 30.9 percent in 2006. Although there was a greater concentration of subprime originations in Suffolk, the increase was higher in Nassau, growing from 12.9 percent in 2004 to 29.5 percent in 2006. More than 80 percent of the growth in subprime mortgages on Long Island occurred in 2005.

Figure 7
Subprime Mortgage Origination in New York State's Metropolitan Areas in 2006

	Total Originations	Subprime Originations	Subprime as a Percent of Total
New York State	509,923	142,125	27.9%
Long Island	113,509	34,420	30.3%
New York Metro	186,241	53,727	28.8%
Glens Falls	5,331	1,507	28.3%
Poughkeepsie	26,755	7,352	27.5%
Albany	31,699	8,657	27.3%
Elmira	2,533	661	26.1%
Binghamton	6,572	1,714	26.1%
Kingston	6,738	1,701	25.2%
Utica	8,379	2,074	24.8%
Buffalo	27,620	6,706	24.3%
Syracuse	19,565	4,732	24.2%
Rochester	30,264	7,117	23.5%
Ithaca	2,432	286	11.8%

Source: Federal Financial Institutions Examination Council

Among the towns on Long Island, the highest concentrations of subprime mortgage originations in 2006 were in Babylon (38.7 percent) and Islip (38.5 percent), both in Suffolk. (The highest percentage in Nassau—35.4 percent—was in Hempstead.) Shelter Island in Suffolk had the lowest concentration of subprime mortgage originations, 9.9 percent. (The lowest percentage in Nassau was in Oyster Bay, at 18 percent.)

Despite the relatively high percentage of subprime mortgage originations on Long Island, there has been a slowdown in the rate of foreclosures, contrary to trends in the nation and State. In the third quarter of 2007, RealtyTrac reported that Long Island had 2,321 total foreclosures, which

represents an annualized decline of 30 percent compared to the first half of 2007. As a result, Long Island's foreclosure rate has fallen from 57th among the top 100 metropolitan areas to 73rd. On the other hand, the foreclosure rate in the State increased at an annualized rate of 6.3 percent in the third quarter of 2007.

Property Tax Burden

Property on Long Island is very valuable, and owners pay a significant amount of property taxes. In 2005, the total worth of real property (on a full-value basis) in Suffolk and Nassau counties ranked first and second, respectively, among all counties within the State outside of New York City.⁵ The two Long Island counties also had the highest total property tax levy in the State in 2005, with a combined total of \$9.3 billion. Taxes increased at an average annual rate of 7.2 percent between 2000 and 2005—just below the Statewide average. While the Statewide average property tax payment per person was \$2,022 in 2005, the average in Nassau was \$3,772—the second-highest county in the State—while in Suffolk it was \$2,887—the sixth-highest in the State.⁶

Aggregating taxes to a household basis for the major regions of the State shows that each Long Island household paid an average of almost \$10,000 in real property taxes in 2005—the most in the State. Long Island and the Hudson Valley (with the second-highest payment per household) were the only regions in which average household property taxes exceeded \$5,000 annually.

Crime

Long Island had the lowest crime rate of any large metropolitan area in the nation in 2006. In 2000, FBI data showed 22.7 reported crimes per 1,000 people on Long Island. By 2006, the rate had declined to 19.2 reported crimes per 1,000 people. Reported crime rates have also dropped in the State and the nation between 2000 and 2006 (to 24.7 and 38.1, respectively).

⁵ Office of the New York State Comptroller, *Property Taxes in New York State*, April 2006.

⁶ The highest rate in New York State was in sparsely populated Hamilton County. New York City's per capita property tax (\$1,570) was below the Statewide rate, reflecting the City's greater reliance on other taxes not available elsewhere in the State.

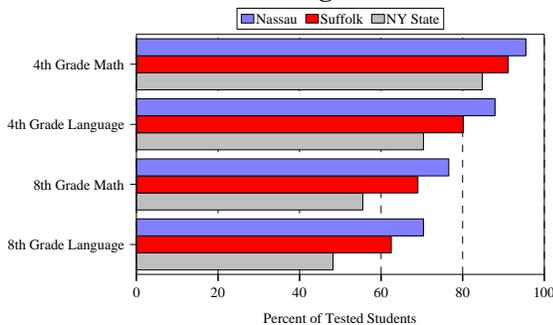
The rate of violent crimes remained unchanged during this period at 2 reported crimes per 1,000 people, which was less than half of the rates in the State and the nation. The rate for crimes against property was 17.1 per 1,000 people in 2006, which was below the State rate and almost half the national rate.

Nassau and Suffolk counties had similarly low rates of violent crime, but Nassau had a much lower rate of property crime. As a result, the overall crime rate in Nassau (15.9) was lower than in Suffolk (22.1).

Education

Long Island is known for the quality of its schools. Students in Nassau and Suffolk counties score significantly above the Statewide average on standardized tests in mathematics and language proficiency (see Figure 8). High school graduates in Nassau and Suffolk counties are also more likely to go to college (95 percent and 91 percent, respectively, versus 81.1 percent Statewide). Four Long Island high schools were included on the recent *U.S. News & World Report* list of top 100 high schools in the nation.

Figure 8
Share of Students Meeting Grade Standards



Note: Share of students who showed proficiency at Level 3 or higher in the 2004-2005 school year.
Source: New York State Education Department

In addition, of the school districts in the State that were rated “higher-performing” during the 2004-2005 school year, nearly 20 percent of the districts and more than 22 percent of the schools were located on Long Island.

Commuting

Given the region’s high population density and its interconnectivity with New York City’s economy,⁷ Long Island’s roadways are heavily

⁷ In 2000, 21.5 percent of Long Island residents commuted to work in New York City, while

congested and its residents spend significant amounts of time commuting to work. The average one-way commuting time in 2006 (31.1 minutes) ranked seventh among 376 metropolitan areas and divisions nationwide, and was nearly one quarter more than the national average (25 minutes). For those commuting into Manhattan, travel times are even longer. In 2000, for example, Nassau residents traveled an average of 69 minutes into Manhattan, while Suffolk residents traveled for 90 minutes.

In an effort to reduce commuting times, the Long Island Rail Road (LIRR) has undertaken its East Side Access project, which will link the LIRR tracks in Queens with a new terminal under Grand Central Station. The \$6.3 billion project, scheduled for completion in 2013, is expected to reduce daily commutes for those who work on Manhattan’s East Side by 15 to 30 minutes, as they will no longer need to take the subway from the West Side.

As more jobs are created on Long Island, demand is increasing for “reverse commuting” services (i.e, travel from New York City to Long Island, and travel between and within Nassau and Suffolk). The LIRR reports that morning reverse commuting ridership increased by 76 percent between 1998 and 2006, to reach 12,917 passengers.

Nassau Economic Development

Nassau is seeking to stimulate economic growth while preserving its high quality of life, reducing traffic congestion, and protecting open space. An important catalyst for this effort has been County Executive Thomas R. Suozzi’s “New Suburbia” initiative, a long-term smart growth strategy introduced in 2003 that includes an ambitious redevelopment plan for the Nassau Hub (located around the Nassau Coliseum), as well as efforts to generate jobs in high-tech industries and in the entertainment and tourism sectors, affordable housing, and the redevelopment of former industrial sites and brownfields.

9.4 percent of the jobs on Long Island were held by commuters from the City.

The proposal would redevelop the Nassau Coliseum and the 77 acres surrounding the facility as part of a \$2 billion plan that includes residential and commercial buildings, a 300-room hotel, a conference center, 500,000 square feet of retail space, and recreational facilities. In addition, the Coliseum will receive \$320 million in renovations. New transportation links, including rapid-transit buses, a light rail system, and an automated guideway transit system, are also being studied to facilitate access to the Nassau Hub from Manhattan as well as Nassau and Suffolk counties.

Nassau County has also announced plans to revitalize several historic downtown communities as part of the "Strategic Vision for Economic Development in Nassau County." The Village of Westbury recently completed a \$3.5 million revitalization project to encourage development within its business district that resulted in increased economic activity and 180 new housing units. The villages of Freeport and Hempstead, the City of Glen Cove, and the communities of Baldwin, Elmont, Great Neck, Inwood, New Cassel, and Roosevelt will also receive funding under the plan.

The New York State Center for Innovation and Excellence in Homeland Security, which will contain research space for 20 companies collaborating to develop new homeland security technologies, is being built in Bethpage. Northrop Grumman will serve as the anchor tenant of the center, which is expected to cost \$190 million and to create 9,800 jobs over ten years.

In 2006, an Empire Zone was created in Nassau that includes sections of Bethpage, Elmont, Glen Cove, Inwood, New Cassel, Roosevelt, Uniondale, West Hempstead, and the villages of Freeport and Hempstead. The Empire Zone program provides tax incentives to stimulate job creation and economic growth in designated areas.

Suffolk Economic Development

Suffolk County, under the leadership of County Executive Steve Levy, has implemented many initiatives to attract new businesses and investment and to rebuild its existing commercial and residential communities. Several towns have implemented redevelopment plans to revitalize

aging downtown business districts. In Central Islip, for example, hundreds of new housing units have been constructed or are underway, and plans exist for a new retail complex.

Riverhead has initiated a \$120 million plan to redevelop 12 acres in its downtown area with a movie theater, 100 residential units, office space, a 30,000-square-foot mixed-use building, and open space. In addition, a \$1 billion resort has been proposed for the 755-acre Enterprise Park at Calverton.

Several major retail projects are underway throughout Suffolk County. Construction has begun on the 850,000-acre Arches at Deer Park, and the Smith Haven Mall in Lake Grove is undergoing a \$75 million renovation. The renovation will include a new "lifestyle center" (i.e., an outdoor shopping center designed to reflect the character of small downtown villages).

Next year, Suffolk will unveil a new program to attract more biotechnology and high technology companies to the region. Stony Brook University, which already houses the Long Island High Technology Incubator, has acquired 246 acres of land to build a research and development campus anchored by the Center for Excellence in Wireless and Information Technology. The 100,000-square-foot, \$50 million building, which is scheduled for completion in August 2008, will include 22 laboratories and is expected to support 1,900 researchers and employees. Stony Brook is also building the STAR Center for Biomolecular Diagnostics and Therapeutics, and plans to build two additional research facilities.

Brookhaven National Laboratory, which currently employs 2,700 people, recently opened a new \$80 million Center for Fundamental Nanomaterials. The U.S. Department of Energy also chose Brookhaven as a potential site for the National Synchrotron Light Source II, which would produce X-rays at a level 10,000 times brighter than the capability of an existing facility at Brookhaven. If this project is approved, construction would begin in 2009 and the facility would open in 2015. The Department of Energy estimates that construction could cost up to \$925 million.

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