

THE REAL ESTATE BOARD OF NEW YORK

REAL ESTATE BROKER CONFIDENCE INDEX | FIRST QUARTER 2016

REBNY Stay On Top
of New York.

EXECUTIVE SUMMARY

REAL ESTATE BROKER CONFIDENCE INDEX

FIRST QUARTER 2016

The Real Estate Board of New York's **Real Estate Broker Confidence Index** for the first quarter of 2016 is 7.23, a .64 drop from last quarter. There has been a slow, steady decline in broker confidence in the market since the fourth quarter of 2014 when it was 9.22.

Likewise, the confidence index for the market six months from now was 6.73, dipping .84 points from last quarter. Similarly, this index has continued to decline from the fourth quarter of 2014 when it was 9.23, the highest it has been since we began surveying our brokers.

Nevertheless, despite this trend, the overall level of confidence of the residential and commercial brokers remains positive.

This drop in confidence in the current market and the market six months from now was driven primarily by the commercial broker index. Concern about our country's political future, specifically the presidential elections and global economy, has tempered the outlook of the commercial brokers and continued a downward trend since the second quarter of 2015.

The **Commercial Broker Confidence Index** was 6.36, a decrease from last quarter's 7.88 and the first time this index dipped below 7 since we began in 2013. Similarly, the Commercial Broker Confidence Index for expectations of the market six months from now was 5.55, down 1.69 from last quarter, which was the greatest drop in future confidence since the inception of this survey. Anticipation of interest rate increases in the future, concerns about the influx of new office space and uncertainty about the presidential election were the commercial brokers' key concerns. Rising asking rents were also an issue causing unease for the commercial brokers.

Our **Residential Broker Confidence Index** was slightly higher than last quarter, with the overall confidence increasing to 8.1 from 7.85 last quarter. However, continuing concerns about rising interest rates and the lack of inventory continue to worry the residential brokers in the current market and the market six months from now. Similarly, brokers active in the rental market expressed concerns about the number of new units scheduled to come on the market in Brooklyn in the next two years. This is expected to slow price growth.

Residential broker confidence in the market six months from now moved back up to 7.92, from 7.9 last quarter. The brokers have remained upbeat despite differing assessments of the markets throughout the boroughs. The uncertainty of interest and mortgage rates and the volatility of the stock market left many residential brokers unsure of what the market conditions will be like six months from now. Despite this, many stated that the New York City real estate market remains positive.

COMMENTS ABOUT THE MARKET FROM RESIDENTIAL BROKERS

“My clients are buying because the NYC economy is good, they have good jobs, and interest rates are low. Some slowing in residential price GROWTH will be good for the NYC residential market.”

“There is a plethora of buyers (with financing and cash) looking to buy. There does not seem to be a slowdown in demand.”

“The economy is apparently doing better than the headlines and the feelings as people are more cautious to pull the trigger.”

“Currently rentals on UES, the market is a renters' market, more supply than demand.”

“Rentals and sales markets are slowing down but both landlords and owners have last year expectations.”

“Inventory is still low in the under \$2 million market.”

“Proliferation of new developments could provide a glut in inventory.”

“Mortgage rate increases would have a negative effect on pricing and sales.”

“Another correction in the stock market will slow the Manhattan mkt somewhat, and speed the change from a Seller's mkt to a Buyer's market.”

“Rentals continue to be strong - prices high and inventory stays on market longer.”

“Influx of new developments will stagger pricing on rentals due to more inventory, especially in Brooklyn.”

“Less than 1.5 million, major concern is lack of inventory.”

“New development units coming on a market are forcing the owners to bring their apartments up to new standards, or take a hit on the price.”

“A large number of rental units hitting Brooklyn in the next two years.”

“On the rental side there is much new product coming to market. It will be interesting to see how quickly it is absorbed.”

“Big stock market correction or significant rise in interest rates would have a negative impact.”

“There are fewer cash buyers and banks are tough on valuations and customer issues.”

COMMENTS ABOUT THE MARKET FROM COMMERCIAL BROKERS

“The new developments are going to create a ton of leasing opportunities.”

“Uncertainty with the elections forthcoming. Slowdown in business income based on conversations I've had with business leaders.”

“Plenty of money for cash flowing deal, and deals to be repositioned including larger vacant properties.”

“Future- expect continued job growth to continue in NYC and will result in stronger leasing velocity in Q2-Q4.”

“Uncertainty of Presidential election is a factor in long range decision making. Some groups are delaying.”

“The Fed raising rates would impact the sales market.”

“Uncertainty of presidential election—“

“The economy of the market will have an impact on leasing activity going forward.”

“Too much new space coming available at rents that are too high, too many tenants shrinking.—”

“Added supply is starting to take its toll.”

“A drop in activity only if employment drops. Market shifts from midtown to lower Manhattan & Brooklyn.”

“Retail rents on Madison Ave have declined considerably as vacancies increase.”

“Until 421A or another like program is adopted, residential development will slow to a crawl.”

“Surge in homeless and other quality of life issues could become a problem.”

“The raised minimum wage has caused several of my retailers and restaurateurs to put expansion plans on hold.”

REAL ESTATE BROKER CONFIDENCE INDEX QUARTERLY RESULTS

REAL ESTATE BROKER CONFIDENCE INDEX

	Confidence Index	Confidence Present Situation	Confidence Future (6 months from now)
First Quarter 2016	7.23	7.89	6.73
Fourth Quarter 2015	7.87	8.25	7.57
Third Quarter 2015	8.34	8.96	7.87
Second Quarter 2015	8.84	9.27	8.52
First Quarter 2015	9.05	9.28	8.88
Fourth Quarter 2014	9.22	9.22	9.23
Third Quarter 2014	8.80	8.97	8.68
Second Quarter 2014	8.88	9.10	8.71
First Quarter 2014	9.21	9.28	9.16
Fourth Quarter 2013	9.00	9.04	8.98
Third Quarter 2013	8.75	9.14	8.46
Second Quarter 2013	8.89	9.05	8.78
First Quarter 2013	8.90	8.87	8.93

COMMERCIAL BROKER CONFIDENCE INDEX

	Confidence Index	Confidence Present Situation	Confidence Future (6 months from now)
First Quarter 2016	6.36	7.45	5.55
Fourth Quarter 2015	7.88	8.72	7.24
Third Quarter 2015	8.85	9.76	8.17
Second Quarter 2015	9.47	9.96	9.10
First Quarter 2015	9.24	9.65	8.94
Fourth Quarter 2014	9.60	9.76	9.48
Third Quarter 2014	9.38	9.75	9.10
Second Quarter 2014	9.45	9.89	9.13
First Quarter 2014	9.62	9.90	9.41
Fourth Quarter 2013	9.49	9.75	9.30
Third Quarter 2013	9.18	9.77	8.73
Second Quarter 2013	9.08	9.28	8.93
First Quarter 2013	8.79	8.85	8.74

RESIDENTIAL BROKER CONFIDENCE INDEX

	Confidence Index	Confidence Present Situation	Confidence Future (6 months from now)
First Quarter 2016	8.10	8.33	7.92
Fourth Quarter 2015	7.85	7.79	7.90
Third Quarter 2015	7.83	8.16	7.58
Second Quarter 2015	8.21	8.59	7.93
First Quarter 2015	8.86	8.92	8.82
Fourth Quarter 2014	8.85	8.68	8.97
Third Quarter 2014	8.23	8.18	8.27
Second Quarter 2014	8.30	8.30	8.30
First Quarter 2014	8.80	8.66	8.91
Fourth Quarter 2013	8.52	8.32	8.66
Third Quarter 2013	8.33	8.51	8.19
Second Quarter 2013	8.71	8.83	8.62
First Quarter 2013	9.02	8.89	9.11

Explanation of Index:

- The Real Estate Broker Confidence Index includes the response to our eight question survey from all REBNY brokers, residential and commercial.
- The Residential Broker Confidence Index includes the survey response from only our residential brokers.
- The Commercial Broker Confidence Index includes the survey response from only our commercial brokers.
- The Confidence Present Situation includes the broker response to the questions that ask about market conditions now.
- The Confidence Future includes the broker response to questions that ask about market conditions six months from now.
- Confidence Index has a range of zero to ten.
- An index above five indicates that brokers are confident in the market; more brokers responded positive than negative to the survey questions.
- An index below five indicates that brokers are not confident in the market; more brokers responded negative than positive to the survey questions.
- An index of five indicates that the positive and negative responses were equal.

COMMERCIAL AND RESIDENTIAL BROKER CONFIDENCE INDEX BY QUESTION AND QUARTER

COMMERCIAL INDEX

	Question 1	Question 2	Question 3	Question 4	Question 5	Question 6	Question 7	Confidence	Present Situation	Future
1Q2016	7.43	5.59	7.58	5.81	7.33	4.32	6.47	6.36	7.45	5.55
4Q2015	9.06	7.2	8.78	7.11	8.33	6.98	7.69	7.88	8.72	7.24
3Q 2015	9.83	8	9.64	7.14	9.81	8.2	9.33	8.85	9.76	8.17
2Q2015	10	8.92	10	8.98	9.87	9.22	9.3	9.47	9.96	9.1
1Q2015	9.41	8.84	9.75	8.18	9.78	9	9.76	9.24	9.65	8.94
4Q2014	9.82	9.45	10	9.51	9.45	9.17	9.8	9.6	9.76	9.48
3Q2014	9.76	9.02	10	8.85	9.49	8.78	9.75	9.38	9.75	9.1
2Q2014	10	9.38	10	9.05	9.68	8.44	9.64	9.45	9.89	9.13
1Q2014	10	9.44	10	9.09	9.71	9.39	9.71	9.62	9.9	9.41
4Q2013	10	9.77	9.74	9.44	9.51	9.15	8.84	9.49	9.75	9.3
3Q2013	9.68	8.86	10	7.81	9.64	8.89	9.35	9.18	9.77	8.73
2Q2013	9.44	9.38	9.19	7.74	9.2	9.26	9.35	9.08	9.28	8.93
1Q2013	8.53	8.75	9.57	9.23	8.46	8.52	8.46	8.79	8.85	8.74

RESIDENTIAL INDEX

	Question 1	Question 2	Question 3	Question 4	Question 5	Question 6	Question 7	Confidence	Present Situation	Future
1Q2016	8.67	7.72	9.01	8.49	7.32	7.36	8.10	8.10	8.33	7.92
4Q2015	8.74	7.89	8.59	7.73	6.03	7.61	8.38	7.85	7.79	7.9
3Q 2015	8.48	7.96	8.71	7.6	7.31	7.26	7.5	7.83	8.16	7.58
2Q2015	9.05	8.62	8.62	7.35	8.08	7.33	8.43	8.21	8.59	7.93
1Q2015	9.35	9.14	8.75	8.51	8.76	8.89	8.75	8.86	8.92	8.82
4Q2014	9.13	9.27	9.25	8.8	7.66	8.63	9.19	8.85	8.68	8.97
3Q2014	8.92	8.25	8.24	8.15	7.39	8.19	8.49	8.23	8.18	8.27
2Q2014	8.76	8.85	7.81	8.21	8.32	8.21	7.92	8.3	8.3	8.3
1Q2014	9.35	9.43	8.83	8.36	7.79	8.97	8.88	8.8	8.66	8.91
4Q2013	9.19	9.04	7.89	7.64	7.89	8.96	8.99	8.52	8.32	8.66
3Q2013	9.47	9.26	7.45	6.16	8.62	8.68	8.66	8.33	8.51	8.19
2Q2013	9.51	9.56	7.47	6.67	9.5	9.3	8.94	8.71	8.83	8.62
1Q2013	9.7	9.66	8.07	8.51	8.89	9.24	9.02	9.02	8.89	9.11

Broker Confidence Index Survey Questions

COMMERCIAL

1. What is your assessment of the commercial real estate market?
2. What is your expectation of the commercial real estate market 6 months from now?
3. What is your assessment of the current financing market for commercial real estate sales?
4. What is your expectation of the financing market for commercial real estate sales 6 months from now?
5. What is your assessment of the current commercial real estate leasing market?
6. What is your expectation of the commercial real estate leasing market 6 months from now?
7. What is your expectation of total commissions 6 months from now?
8. Identify your area of expertise (retail, rental, or leasing) and describe current or recent issues or actions (economic, market, government) that would impact future market performance.

RESIDENTIAL

1. What is your assessment of the residential real estate market?
2. What is your expectation of the residential real estate market 6 months from now?
3. What is your assessment of the current financing market for residential real estate sales?
4. What is your expectation of the financing market for residential real estate sales 6 months from now?
5. What is your assessment of the current residential real estate rental market?
6. What is your expectation of the residential real estate rental market 6 months from now?
7. What is your expectation of total commissions 6 months from now?
8. Identify your area of expertise (retail, rental, or leasing) and describe current or recent issues or actions (economic, market, government) that would impact future market performance.

Note: The survey asks the broker to select one of three responses (positive, neutral, negative) to each question.