

THE REAL ESTATE BOARD OF NEW YORK

BROKER CONFIDENCE INDEX REPORT | FOURTH QUARTER 2013

REBNY Stay On Top
of New York.

EXECUTIVE SUMMARY

REAL ESTATE BROKER CONFIDENCE INDEX

FOURTH QUARTER 2013

The Real Estate Board of New York's Overall Broker Confidence Index for the Fourth Quarter of 2013 increased from the Third Quarter of 2013, marking the first increase in confidence that we have seen in 2013. Overall expectations for the future also increased, with both residential and commercial brokers indicating that they are optimistic about the real estate and financing market for the first half of 2014, mostly due to the increasing health of the economy.

The Confidence Index within the **Commercial** market showed an increase from the Third Quarter, up from 9.18 to 9.49. With increased employment, brokers reported seeing more office leasing activity, and expect it to last into the coming months. Brokers expressed concerns about high rent and sales prices and lack of space, with one broker stating, "It is a seller's market. Prices are high and there is little to no product to be sold." Nevertheless, brokers are very confident in the availability of financing, now and six months from now, for commercial transactions.

The confidence in the present situation in the **Residential** market showed a modest dip from the Third Quarter, with an widespread concern shown for both the lack of inventory in the sales market and the expectation of rising interest rates. Nearly a quarter of the brokers expressed concern that the lack of inventory in the market has been driving prices up and pricing buyers out of the market. One broker stated, "The challenge is lack of inventory and now higher interest rates, making it even more difficult for financing buyers versus all-cash ones." Others see this trend as a positive, asserting that the high prices resulting from the lack of inventory indicate a strong market, and that although interest rates are rising, they are still historically low. Another broker stated, "Low inventory, interest rates still historically low, and continued competition are keeping the market strong and will continue to do so." The Confidence Index this Quarter showed an increase for the market six months from now, with hopes that more inventory and improved financing will help future market performance. There is still some concern about the financing of residential real estate, despite the strong confidence in the market.

Residential brokers have positive expectations for 2014. Increased prices of real estate in Manhattan have been driving buyers to look more affordable options in the boroughs outside of Manhattan, especially Brooklyn. Brokers expect to see continued growth into these boroughs in the coming year, and see this as a positive for the City and the industry. A second reason behind positive expectations is the increased amount of activity from foreign investors, with one residential broker stating, "The foreign market is playing now a major role in the real estate market and it will continue to be a major force in the Manhattan market."

With an increase in both Overall Broker Confidence and Overall Expectations for the Fourth Quarter of 2013, brokers are confident in the current market and expect to see market conditions continue to get better in 2014. As we begin the New Year, broker confidence is on the rise.

REAL ESTATE BROKER CONFIDENCE INDEX QUARTERLY RESULTS

REAL ESTATE MARKET CONFIDENCE INDEX

	Overall Confidence	Confidence Present Situation	Confidence Future (6 months from now)
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
Fourth Quarter 2012	8.12	7.87	8.32
Third Quarter 2012	8.55	8.42	8.64
Second Quarter 2012	7.94	7.71	8.12

COMMERCIAL REAL ESTATE MARKET CONFIDENCE INDEX

	Overall Confidence	Confidence Present Situation	Confidence Future (6 months from now)
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
Fourth Quarter 2012	7.67	7.43	7.85
Third Quarter 2012	8.40	8.22	8.54
Second Quarter 2012	7.48	7.15	7.72

RESIDENTIAL REAL ESTATE MARKET CONFIDENCE INDEX

	Overall Confidence	Confidence Present Situation	Confidence Future (6 months from now)
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
Fourth Quarter 2012	8.57	8.30	8.78
Third Quarter 2012	8.69	8.63	8.74
Second Quarter 2012	8.41	8.27	8.51

Explanation of Index:

- The Real Estate Broker Confidence Index includes the response to our eight question survey from all brokers, residential and commercial.
- The Residential Real Estate Broker Confidence Index includes the survey response from only our residential brokers.
- The Commercial Real Estate Broker Confidence Index includes the survey response from only our commercial brokers.
- The Overall Confidence Index includes the brokers' response to all eight questions.
- 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.

BROKER CONFIDENCE INDEX BY QUESTION AND QUARTER

COMMERCIAL INDEX

	3Q 2012	4Q 2012	1Q 2013	2Q 2013	3Q 2013	4Q 2013
Question 1	9.23	7.22	8.53	9.44	9.68	10.0
Question 2	8.60	8.00	8.75	9.38	8.86	9.77
Question 3	8.54	8.57	9.57	9.19	10.0	9.74
Question 4	9.09	8.00	9.23	7.74	7.81	9.44
Question 5	6.88	6.50	8.46	9.20	9.64	9.51
Question 6	7.80	7.95	8.52	9.26	8.89	9.15
Question 7	8.68	7.44	8.46	9.35	9.35	8.84
Confidence	8.40	7.67	8.79	9.08	9.18	9.49
Present Situation	8.22	7.43	8.85	9.28	9.77	9.75
Expectation	8.54	7.85	8.74	8.93	8.73	9.30

RESIDENTIAL INDEX

	3Q 2012	4Q 2012	1Q 2013	2Q 2013	3Q 2013	4Q 2013
Question 1	9.63	9.40	9.70	9.51	9.47	9.19
Question 2	9.48	9.42	9.66	9.56	9.26	9.04
Question 3	9.64	6.39	8.07	7.47	7.45	7.89
Question 4	7.30	7.12	8.51	6.67	6.16	7.64
Question 5	9.33	9.11	8.89	9.50	8.62	7.89
Question 6	9.02	9.40	9.24	9.30	8.68	8.96
Question 7	9.16	9.17	9.02	8.94	8.66	8.99
Confidence	8.69	8.57	9.02	8.71	8.33	8.52
Present Situation	8.63	8.30	8.89	8.83	8.51	8.32
Expectation	8.74	8.78	9.11	8.62	8.19	8.66

Broker Confidence Survey Questions

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 (rental or sales) and describe the aspects of the market that you find the most unique and how that will impact future market performance.

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 the aspects of the market that you find the most unique and how that will impact future market performance.

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