

Real Estate Broker Confidence Index

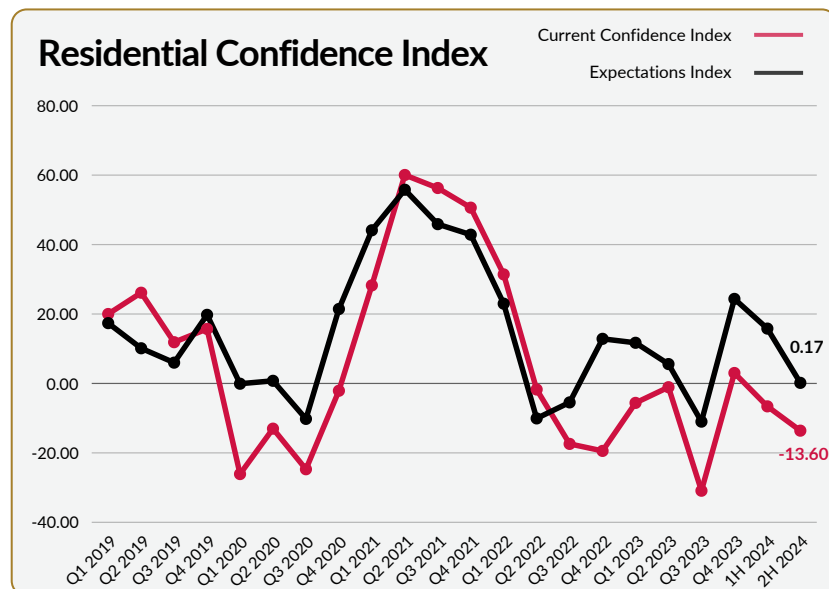
Second Half 2024



Confidence Indexes

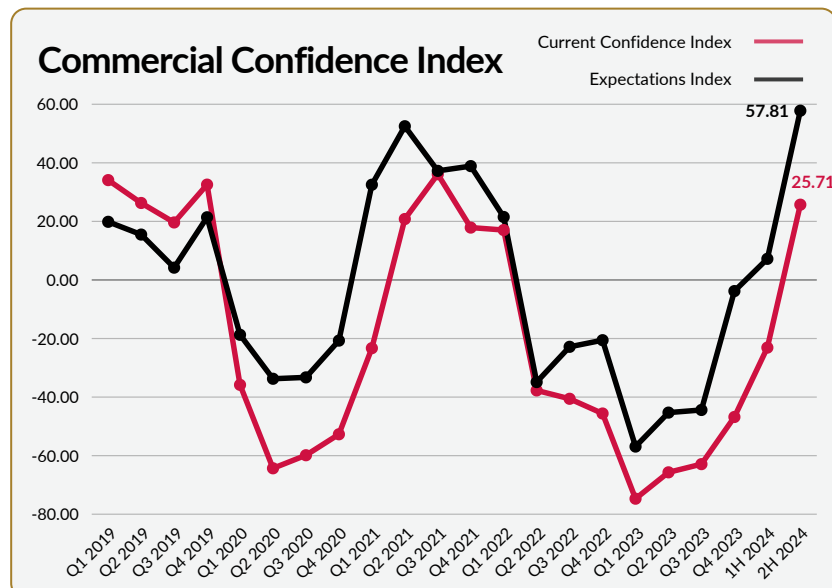
REBNY's Broker Confidence Index measures brokers' collective sense of the market for current and future conditions. In the second half of 2024, commercial broker sentiment exceeded residential broker sentiment for the first time in several years.

In the last report, broker sentiment converged as commercial brokers expressed more optimism, bringing them in line with residential brokers. In the second half of 2024, commercial brokers expressed their most positive outlook in several years while residential brokers were more pessimistic. The Commercial Current Confidence Index (CCI), which had been negative since Q2 2022, pushed into positive territory,



jumping from -23.1 to 25.7 – the strongest since Q3 2021. The six-month outlook jumped from 7.2 to 57.8, the second straight positive reading and the highest in several years.

Commercial brokers feel that the poor conditions of the last several years are in the rear-view mirror. Retail leasing is strong, return to office ended 2024 with one of its highest rates yet, and the approval of City of Yes all add to the optimism. Finally, based on their responses, the election brought more certainty.



In contrast, the uncertainty that emerged for residential brokers in the first half of the year intensified in the second half. The FARE Act and weaker than expected rate cuts weighed on sentiment. In turn, the Residential CCI dipped to -13.6, down from -6.6 in the first half of the year. Residential brokers were split on six-month expectations (EXI), with a 0.2 score, the lowest mark since Q3 2023.

Residential brokers are disappointed in persistently elevated mortgage rates. As of early January 2025, the average 30-year fixed mortgage was 7.0% up from 6.3% in September 2024 and even with 7.1% in June. This keeps some would-be sellers and buyers on the sidelines, boosts rents, and exacerbates the shortage of rental units.

“Lower interest rates would positively affect the market as young buyers jump back in.”

One broker suggested that at some point rental rate growth will push renters into the sales market:

“Interest rates are a continued issue, along with lack of inventory. There is no urgency from buyers, however with rental values rising, it is likely reaching a tipping point in favor of purchasing.”

This suggests that if a more consistent mortgage rate decline occurred in 2025, there would be significant tailwinds to sales activity. Residential brokers are also hopeful that the election results and City of Yes reforms will signal a more “business-friendly” environment locally and nationally.

“Positives: declining interest rates; strong jobs market; trend of more volume of sales this fall; election is behind us; new administration/less regulation should spur economic growth; greater wall street bonuses this year. Negatives: inventory still low; interest rates may stay higher than first thought next year due to possible higher inflation”

That said, some brokers are divided on the likely outcome:



“Post Election Unknown. High Interest Rates. Poor Inventory.”

“Government decisions and actions will have the biggest impact in 2025. Positive and negative.”

Fears about the FARE Act and NAR settlement continue to fuel concerns about the livelihood of brokers across New York City. Some brokers highlight the confusion that it is creating among their clients.

“All this buyers brokers commission issue is creating confusion and will lead to a lot of misrepresentation and court cases against sellers’ agents.”

“Commission divorce promises to reduce broker commissions. In the immediate, it has created a lack of clarity for the consumer.”

They also noted the negative impact of condo and coop fees, as well as regulations and fines:

“Ever increasing carrying costs of coop and condo units due to new regulatory requirements.”

“The increasing heavy financial burden local laws place on small and midsize buildings in our emerging markets”

Finally, some brokers are still not sure how congestion pricing will impact real estate:

“Curious how congestion pricing will affect the region.”

In contrast, commercial brokers had a more consistently positive outlook regarding 2025. Most expressed a sense of greater clarity following the election and were encouraged by City of Yes.

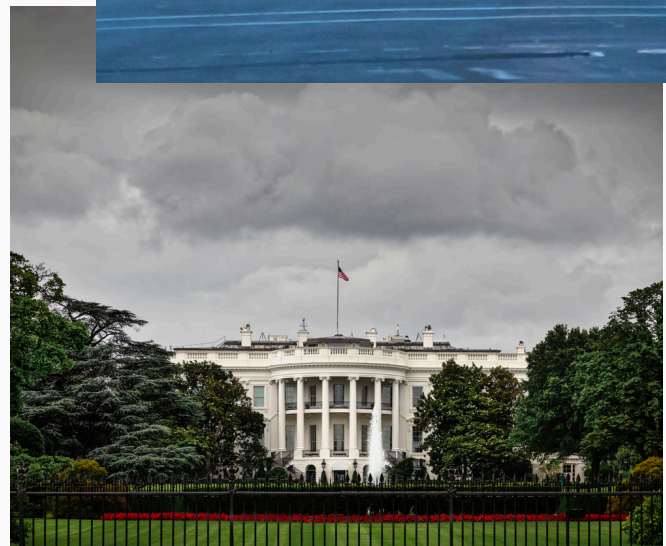
“Election done with business-friendly president and congress; City of Yes approved; positive environment as we enter 2025.”

“Positives: Trump Presidency. One party control congress. 485-x and 467-m. City of Yes. \$5b towards housing. Inflation near 2%. Rates will eventually come down.”

Not everyone is so optimistic. Some offered a mixed perspective, while others recognized that conditions vary widely from one area to the next:

“Negative: Congestion pricing, Scaffolding, Permit process timeline. Positive: The expansion of upper Fifth Ave public sidewalks.”

“The office leasing market is highly concentrated right now - namely core midtown and HY’s. For the market to further recover the demand needs to expand geographically.”



Methodology

Gathered during the last several weeks of each half of the year, the Residential Brokerage Confidence Index (RBCI) and Commercial Brokerage Confidence Index (CBCI) are based on surveys completed by brokerage members of the Real Estate Board of New York (REBNY).

Brokers are asked about their sentiment regarding current market conditions (CCI) as well as their expectations for the next six months (EXI) broken out by residential and commercial real estate sectors. The report uses a scale to -100 (meaning uniformly negative responses to all questions) to 100 (uniformly positive responses.) A score of 0 now represents all brokers entering a neutral

response, or an equal number of brokers responding with positive and negative sentiment. All historical data in the report has been revised to feature the updated scale, along with the Present Situation and Future Confidence indices being renamed to the Current Conditions Index (CCI) and Expectations Index (EXI).

Brokers are prompted to select either a positive, neutral, or negative response for the set of questions below:

1. What is your assessment of the residential/commercial real estate market?
2. What is your expectation of the residential/commercial real estate market six months from now?
3. What is your assessment of the current financing market for residential/commercial real estate sales?
4. What is your expectation of the financing market for residential/commercial real estate sales six months from now?
5. What is your assessment of the current residential/commercial real estate rental market?
6. What is your expectation of the residential/commercial real estate rental market six months from now?
7. What is your expectation of total residential/commercial commissions six months from now?