



REBNY Research

Real Estate Broker Confidence Index

Q2 2021

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By the Numbers

COMMERCIAL AND RESIDENTIAL BROKER CONFIDENCE SURGES: BOTH SECTORS POST RECORD SCORES

Broker confidence rose to record levels during the second quarter of 2021, attaining new peaks in both residential and commercial sectors.

Residential Indexes Surge to Record Highs

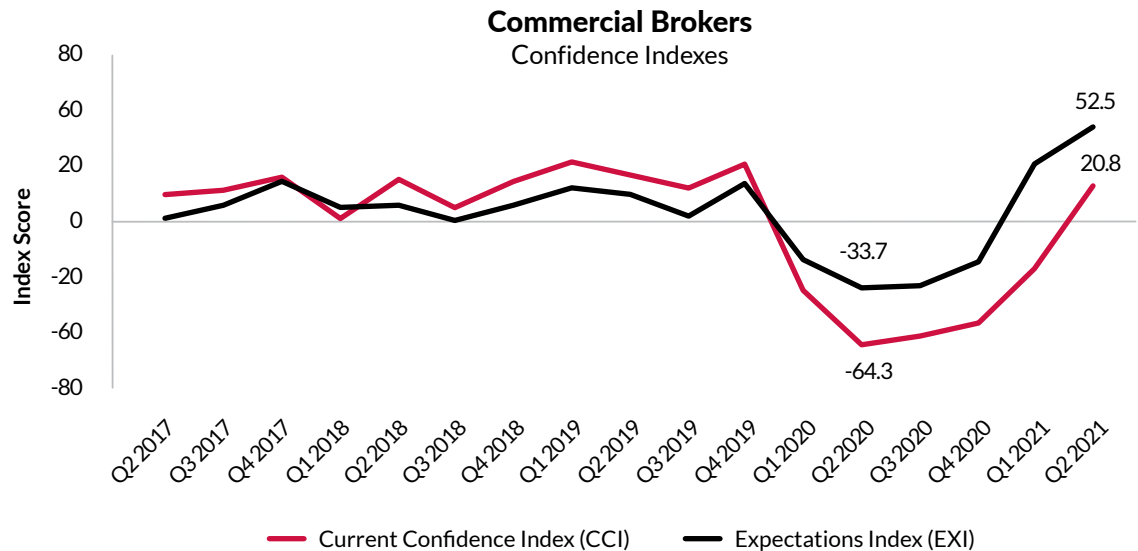
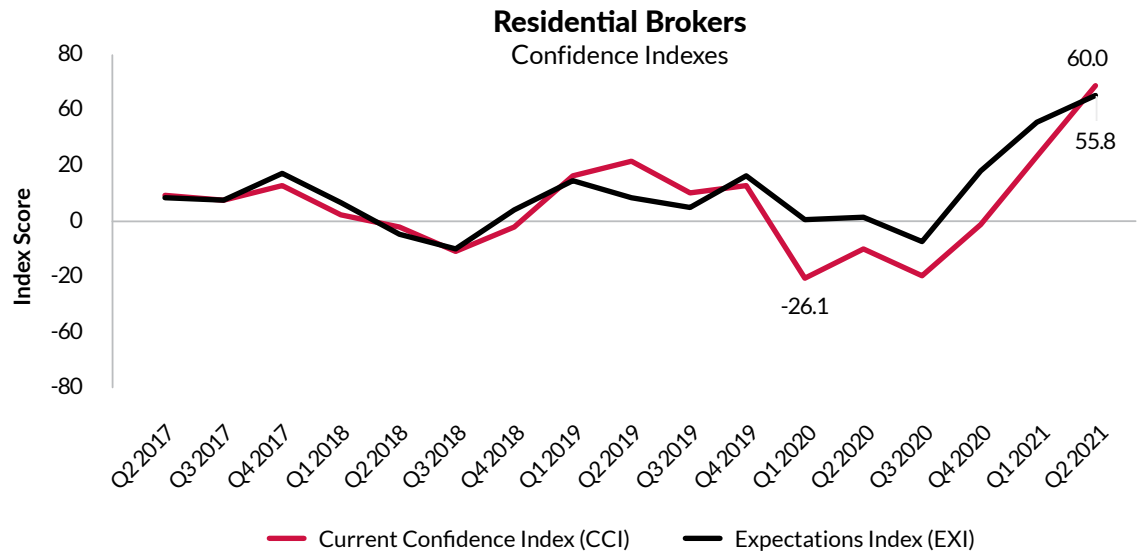
Residential brokers expressed record confidence in both current and future market conditions.

The Current Conditions Index (CCI) rose to 60.0 in the second quarter, up from 28.3 in the first quarter and attaining the highest score in the last five years. The Expectations Index (EXI) for the residential sector jumped to 55.8, up from 44.1 in the previous quarter, also a new peak.¹

Commercial Brokers Voice Confidence in Market Outlook

Commercial brokers were also highly optimistic. The Current Conditions Index (CCI) jumped to 20.8, rising from -23.3 in the first quarter and ending five consecutive quarters in negative territory. The CCI among commercial brokers still fell short of the prior peak of 34.1 in the first quarter of 2019. The Expectations Index (EXI) spiked to a new record, though, surging to 52.5.

¹ REBNY has revised the scale used in the index, changing it from 0 (all negative responses) to 10 (all positive responses), to a scale of -100 (all negative) to 100 (all positive). A score of 0 now represents all brokers entering a neutral response, or an equal number of brokers responding with positive and negative sentiment. See page 10 for full detail regarding methodology.



EXPLAINING THE SURGE

With restrictions lifted, tourists beginning to stroll the streets and a jump in apartment sales and leasing, brokers sense that pre-pandemic New York City is making a comeback. Pent-up sentiment and pent-up demand were both released during the second quarter. Many REBNY members, including property managers, owners, attorneys and brokers, noted a rise in apartment and retail showings and closings. Activity continues to lag in the most office-dependent areas like Midtown Manhattan, but even here, the difference in economic activity from just several months ago was tangible.

Economic & Market Context

Several key economic statistics indicate that this is more than a shift in sentiment. Domestic tourists are back on Fifth Avenue and the Museum Mile. The Times Square Alliance reported that 169,543 visitors walked through Times Square in June – up by 272% from June of 2020. Hotel occupancy, just 30.5% in mid-year 2020, pushed above 60%.

Tourism has improved a great deal, but it will take time to hit the highwater mark of 65 million tourists. The reopening of Broadway as well as the return of international tourists will be key milestones. Recapturing international tourists will be critical for hotels, luxury residences and major tourist attractions, as well as luxury goods retailers such as jewelers, art galleries and clothing/accessories stores.

Residential Sector Rebound Well Underway

Apartment sales in Manhattan doubled from the record lows of Spring 2020. Bargain-hunters pursuing reduced pricing and growing confidence in the recovery pushed sales within range of the 2015 sales boom. Leasing agents and property managers across the city attest to a dramatic jump in apartment showings that began in late spring. In a recent report, Miller Samuel and Douglas Elliman revealed that new lease signings jumped to their highest level since 2008, quadrupling from a year ago. Renters are committed to staying – many are locking in concessions via lengthier two-year leases. This is a switch from a year ago when brokers commented that tenants were breaking lease commitments to move to the suburbs.

Commercial Sector Eyeing Return to Office

The commercial sector has not recovered as rapidly as the residential sector. In core Manhattan office districts such as Grand Central and Midtown East, the vitality of the retail sector depends on a rapid return of daytime commuters. For the time being, availability rates remain elevated in core Manhattan office districts and most retail corridors. Select residential neighborhoods in Brooklyn and Queens have enjoyed brisk retail leasing for quite some time though, providing a glimpse of expected improvements in Manhattan retail and office.

Commercial brokers are keeping a close eye on how quickly companies successfully bring employees back to the office. Major investment banks, law and real estate firms are once again trailblazers in this respect. Further, leasing activity in office buildings has been increasing slightly and the supply of sublet space has stabilized.

EXPECTATIONS INDEX MAY HAVE PEAKED

In the words of one respondent, *“my optimism is short-lived.”*

With the lifting of COVID-19 restrictions and market activity rising, brokers are turning their attention to a broad range of concerns.

Brokers agree on the core issues that are critical to bolstering the emerging rebound, including:

- Local government and incentives that support businesses
- Resolving quality-of-life issues (crime, sanitation, and transit)
- Preventing another COVID-19 outbreak

Opinions on approaches to solving these challenges vary. Still, there is a consensus that retention of residents and businesses, rising tourism and an accelerated return to the office will go a long way towards addressing quality-of-life issues like sanitation and crime. The longer these issues linger unresolved, the more likely it is that confidence indexes will fall. More critically, any surge in COVID-19 variants would depress the outlook.²

² As of August 4th, the [New York City Department of Health](#) dashboard showed a troubling rise in COVID-19 cases (includes both confirmed and probable cases) of 62% during the last 7 days, compared to the last 28 days. This represents an increase from a daily average of 870 cases to 1,409 cases.



Market Commentary & Analysis

In addition to answering survey questions, brokers submit written comments. They identify issues and factors that could impact market performance. As brokers operate in what seems to be the beginning of a post-pandemic world, their field of focus is shifting to a wider range of issues. Many brokers astutely noted the interconnected nature of the challenges – public safety, mass transit, return to office, retail resurgence, local elections, pro-business legislation and corporate retention are all intertwined.

COVID-19 (RESIDENTIAL – 17.6%, COMMERCIAL – 12.7%)

In contrast to a year ago, the COVID-19 crisis did not crowd out all other issues. A year ago, 42.9% of residential brokers and 40.2% of commercial brokers mentioned COVID-19 as their first concern, respectively. In the current survey, more brokers had a positive perspective on COVID-19, mentioning growing **“confidence in the vaccines.”** However, fear of a future outbreak still lingers, with several brokers expressing concern with reopening too quickly **“only to have to close down again in the fall/winter.”**

REAL ESTATE MARKET (RESIDENTIAL – 25.7%, COMMERCIAL – 22.8%)

Residential and commercial brokers both tagged a wide range of real estate market issues as a top concern. This included everything from challenges arranging financing and buyer resistance to broker fees to improved market conditions, tightening inventory and favorable pricing for buyers and tenants. **“Unless tenants are relocating, they are not as anxious to work with tenant brokers. That may change if concessions continue to diminish, and they have to pay a fee to the listing brokers.”**

Commercial brokers highlighted the return to office: **“Expecting re-surge of office working which will provide more activity in general market.”**

ECONOMIC INDICATORS & POLICY (RESIDENTIAL – 25%, COMMERCIAL – 10.1%)

In a sign that the market is approaching normalcy (particularly in the residential sector), concerns about rising taxes, inflation and interest rates were prominent. Residential brokers in New York City were much more likely to mention the strength of equity markets: **“Stock market is strong. People are coming back to the city.”**

While taxes and interest rates are impediments to demand and business expansion, one respondent noted **“expectations of inflation is driving commercial market.”**

QUALITY OF LIFE (RESIDENTIAL – 8.8%, COMMERCIAL – 17.7%)

Commercial brokers focused much more on quality-of-life issues – not surprising given their focus on return to the office and the resurgence of retail. Effectively addressing these issues - including crime/public safety, homelessness, mass transit and sanitation - is critical to gaining traction in return to the office and in retaining residents and businesses. **“Safety concerns are #1 mentioned topic for companies looking to make decisions in and around NYC.”**

LOCAL ELECTIONS / GOVERNMENT (RESIDENTIAL – 10.8%, COMMERCIAL – 25.3%)

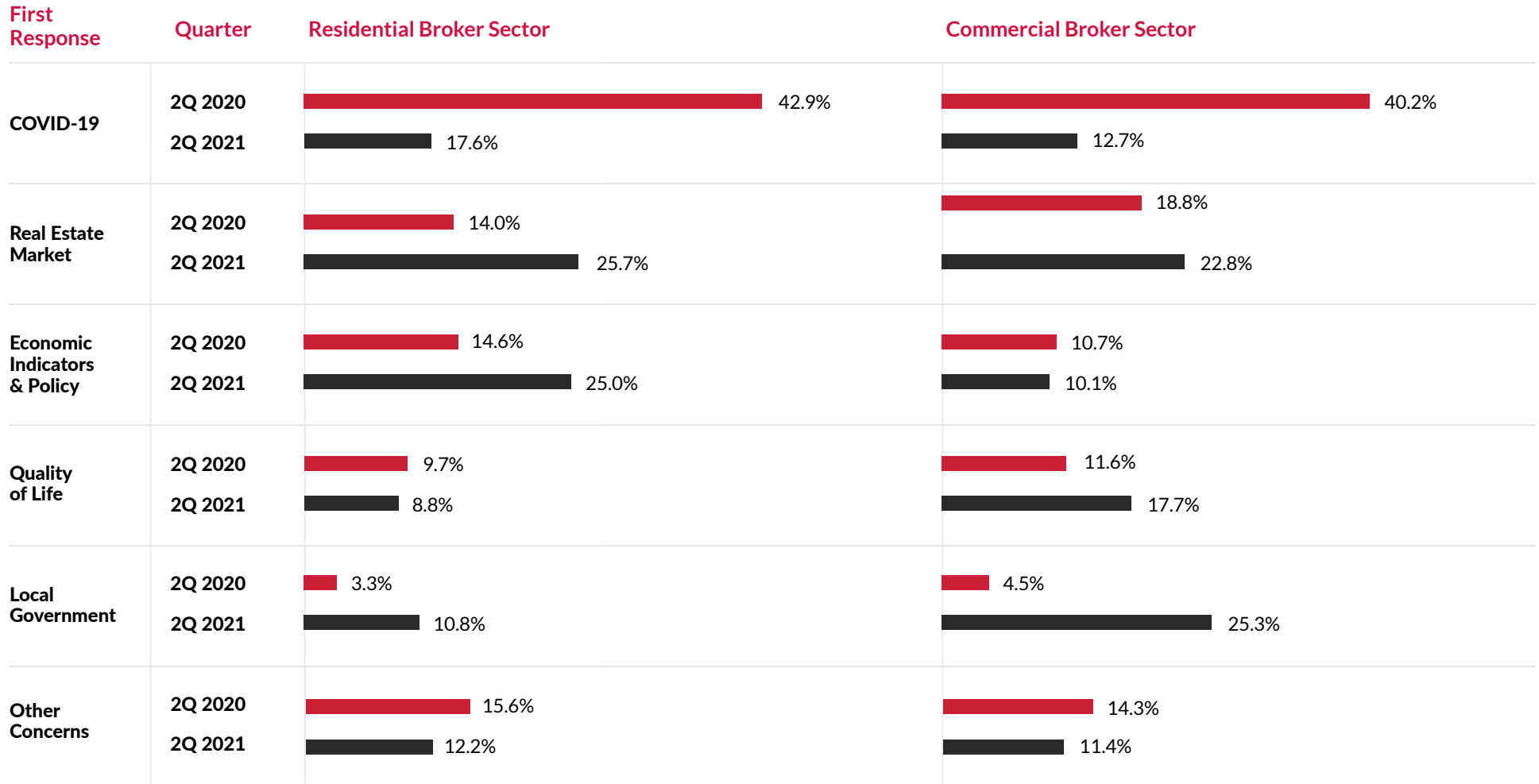
More than one in four commercial brokers underscored the importance of local elections to the city’s comeback. **“Current mayoral election will impact leasing market. Tenants want to know there will be a stable city government in place to fix the problems we are currently facing in the city, crime etc.”** Residential brokers were much less likely to put local elections as their first response.

OTHER CONCERNS (RESIDENTIAL – 12.2%, COMMERCIAL – 11.4%)

Additional concerns expressed by residential and commercial brokers include regulation & taxes, federal government, and policy issues.

Market Commentary & Analysis (Cont.)

Broker Top Responses (2Q 2020 vs 2Q 2021)*



*Based on the first response entered by the broker. Segmented by broker type and major category.

0% 10% 20% 30% 40% 50% % of Total Number of Responses

Market Commentary & Analysis (Cont.)

This sampling of quotes and comments submitted by residential and commercial brokers show the wide range of issues affecting current and future sentiment.



RESIDENTIAL COMMENTS

Stronger optimism among residential brokers came through in their comments. One broker expressed this in this way: ***“The great repopulation of 2021 is well underway. As long as we can stay healthy and keep up this pace, the market will have a strong couple of years ahead.”***

Another noted: ***“I think EVERYONE will be back to the city in September and it’s going to be an absolute panic for people to find housing. I had a great year, but I expect it to explode in the next few months.”***

Other residential brokers noted that while the rebound surprised to the upside; the market remains unpredictable and volatile. ***“January blew open the market in Brooklyn. Sales were quick, especially in property below \$3M, then it slowed in April and May and suddenly ticked up again. Confidence in the U.S. and world is increasing? Honestly, I have no idea what to expect anymore.”***



COMMERCIAL COMMENTS

Commercial brokers also expressed confidence tempered with uncertainty. Their optimism was much more contingent on future events – particularly an accelerated return of workers to the office. ***“Assuming there is no other surge in COVID-19 in NYC, companies must reopen and bring employees back into the office... not only for the CRE industry but also for the lifeblood of the city and the safety of its citizens.”*** Similarly, retail brokers highlighted Broadway reopening and the return of international tourists as key milestones.

Commercial brokers expressed positive viewpoints on the recent improvements, but clearly will expect progress on other issues to maintain their enthusiasm.

“While feeling positive right now, I’m concerned about safety, taxes and the total lack of leadership in NYC government. My positive outlook is short-term for now.”

“Quality of life issues such as crime, homelessness and cleanliness will strongly negatively impact CRE as well as increases in personal and real estate taxes.”

Data Appendix

Table 1: Residential Broker Confidence Indexes

Quarter	Current Confidence Index (CCI)	Expectations Index (EXI)
Q2 2021	60.0	55.8
Q1 2021	28.3	44.1
Q4 2020	-2.1	21.4
Q3 2020	-24.7	-10.2
Q2 2020	-13.0	0.8
Q1 2020	-26.1	-0.1
Q4 2019	15.7	19.8
Q3 2019	11.9	6.0
Q2 2019	26.1	10.1
Q1 2019	20.0	17.3
Q4 2018	-2.9	4.8
Q3 2018	-13.7	-13.3
Q2 2018	-2.8	-6.8
Q1 2018	2.7	7.6
Q4 2017	15.3	21.2
Q3 2017	9.0	8.8
Q2 2017	11.4	9.4

Table 2: Commercial Broker Confidence Indexes

Quarter	Current Confidence Index (CCI)	Expectations Index (EXI)
Q2 2021	20.8	52.5
Q1 2021	-23.3	32.5
Q4 2020	-52.7	-20.7
Q3 2020	-59.9	-33.3
Q2 2020	-64.3	-33.7
Q1 2020	-35.8	-18.7
Q4 2019	32.6	21.4
Q3 2019	19.6	4.2
Q2 2019	26.3	15.5
Q1 2019	34.1	19.9
Q4 2018	23.3	10.0
Q3 2018	9.2	2.2
Q2 2018	24.2	9.7
Q1 2018	3.0	8.5
Q4 2017	25.7	23.5
Q3 2017	18.5	10.8
Q2 2017	15.4	3.1

Methodology

Gathered during the last several weeks of each quarter, the Commercial Brokerage Confidence Index (CBCI) and Residential Brokerage Confidence Index (RBCI) is 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 Index) broken out by residential and commercial real estate sectors.

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?

In prior reports the score was reported on using a scale from 0 (all negative responses) to 10 (all positive responses), and a score of 5 represents all brokers entering a neutral response, or an equal proportion of positive and negative responses. With this release, REBNY changed the 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 indexes being renamed to the Current Conditions Index (CCI) and Expectations Index (EXI).