



# THE REAL ESTATE BOARD OF NEW YORK

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REAL ESTATE BROKER CONFIDENCE INDEX | FIRST QUARTER 2018



## EXECUTIVE SUMMARY

The Real Estate Board of New York’s (REBNY) **Real Estate Broker Confidence Index** for the first quarter of 2018 was 5.78 out of 10, a decrease of 1.21 since brokers were surveyed about the fourth quarter of 2017. Residential and Commercial Broker confidence was decidedly more upbeat in the fourth quarter of 2017, but market confidence in the first quarter of 2018 was positive overall.

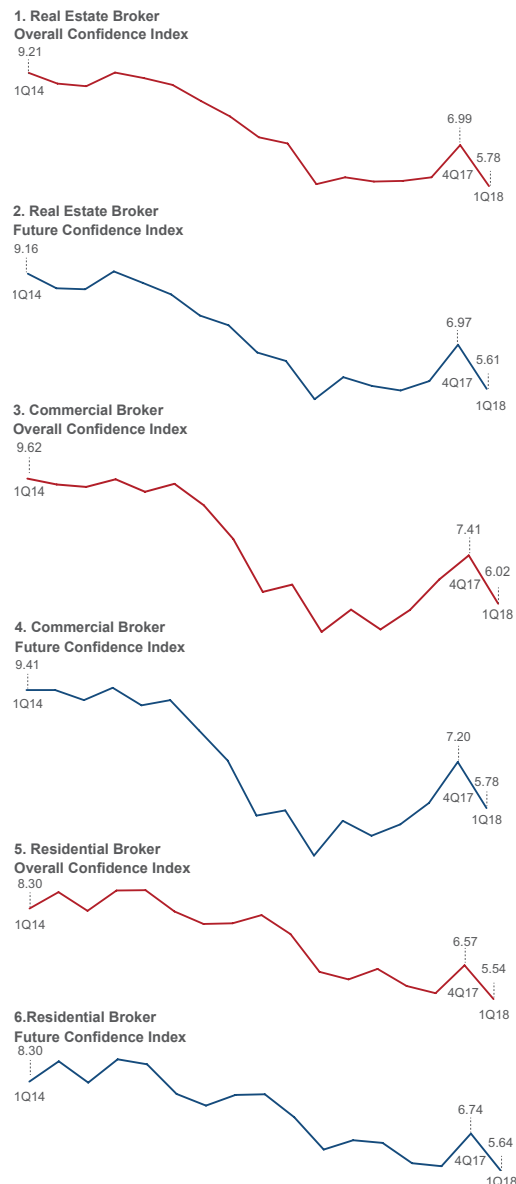
REBNY regularly surveys its residential and commercial brokerage division members to measure their confidence in the New York City real estate market now and six months from now. Survey results are published quarterly with a maximum index of 10.

The **Commercial Broker Confidence Index** in the first quarter of 2018 was 6.02, a decrease of 1.39 since brokers were surveyed on the fourth quarter of 2017. The Commercial Broker Confidence Index has grown by 0.74 year-over-year, up from 5.28 in the first quarter of 2017.

The Commercial Broker Confidence Index is lower than the last quarter, when brokers expressed confidence surrounding expectations of the recently-passed federal tax reform. Assessment of the current leasing market in the first quarter of 2018 showed confidence with responses indexed at 6.49 (Table 4, Question 5), a slight drop of 0.23 since the fourth quarter of 2017. One office leasing broker attributed current confidence to actual effects of tax reform, writing “Tax cuts are already leading to hiring and expansion.” The Commercial Broker Confidence Index decline is attributable to concerns about the leasing and financing market six months from now. Brokers were uncertain about the future when they wrote “Who knows how [WeWork’s business model] will work out”.

The **Residential Broker Confidence Index** was 5.54, a decrease of 1.03 since brokers were surveyed in the last fourth quarter of 2017. The Residential Broker Confidence Index, though still positive, has been trending downward since last year with the exception of a noticeable uptick in the fourth quarter.

The drop in the Residential Broker Confidence Index is attributable to responses to the future rental market question which was indexed at 5.01 (Table 5, Question 6), a decrease of 0.53 since the fourth quarter of 2017. Residential brokers revealed some uneasiness about the sales financing market which was indexed at 7.17 (Table 5, Question 3), a 1.59 drop from the fourth quarter of 2017. The belief that the residential market benefited from tax reform may have boosted confidence in the fourth quarter of 2017. However, the residential broker responses in the first quarter of 2018 suggest that they have returned their focus on actual market conditions.



## COMMENTS ABOUT THE MARKET FROM COMMERCIAL BROKERS

While the commercial rent tax has been reduced, it needs to be eliminated for retailers.

I broker investment sales. There is very little good product on the market now.

There is a slow transactional environment. Prices for all asset types peaked in the Summer of 2015 and are gently correcting due to increased construction and a more competitive leasing market.

Of course interest rates are the major factor in the commercial mortgage financing market.

Rents in Soho are falling and concessions appear to be increasing slightly.

## COMMENTS ABOUT THE MARKET FROM RESIDENTIAL BROKERS

I feel no-fee rentals have taken over a large part of the market.

The no-fee apartments are making it tough, but now that we're heading into season, I think that will correct itself.

My sales listings above \$2 million are sitting. My listings below \$500 thousand are selling quickly.

The market for reasonably priced condos remains strong.

There is a lot of traffic for sales under \$2 million.

Properties under \$2 million are moving.

Though interest rates will rise later this year, the rates are still low relative to years ago.

There are subtle signs of an overall turn to a buyer's market. The signs are more pronounced in the \$2 million and over market and obvious in new development. Tax changes have not had a noticeable effect on demand in the first three months of the year.

In the rental market (range \$5,000 to \$15,000), consumer confidence is low. The general sentiment is that there is too much product and low demand.

I'm waiting for buyers to relax and take next steps regardless of the tax reform or other concerns.

There is no urgency from purchasers in the sales market.

Inventory is the main issue with less demand on the upper east and west side.

Inventory remains low but the demand is high, driving prices up. Bronx is the same where more "all cash" deals have been taking place since last year.

In rentals, concessions seem to be at an all-time high and I'm curious to see how that will affect the summer season. Renters are asking more and more whether there are "any concessions."

The luxury rental market is in favor of the renter.

The combination of rising interest rates and changes in the tax code will have an impact on buyer affordability and it will affect prices.

Sellers are definitely not used to the slower appreciation rates that are happening now.

Although interest rates are increasing, they are still low compared to recent history.

## CONFIDENCE INDEX QUARTERLY RESULTS

**TABLE 1. REAL ESTATE BROKER CONFIDENCE INDEX**

	<b>Overall Confidence</b>	<b>Present Confidence</b>	<b>Future Confidence (6 months from now)</b>
First Quarter 2018	5.78	5.87	5.71
Fourth Quarter 2017	6.99	7.02	6.97
Third Quarter 2017	6.00	6.21	5.85
Second Quarter 2017	5.89	6.32	5.56
First Quarter 2017	5.87	6.09	5.70
Fourth Quarter 2016	6.00	6.04	5.97
Third Quarter 2016	5.79	6.46	5.29
Second Quarter 2016	7.04	7.80	6.47
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
First Quarter 2014	9.21	9.28	9.16

**TABLE 2. COMMERCIAL BROKER CONFIDENCE INDEX**

	<b>Overall Confidence</b>	<b>Present Confidence</b>	<b>Future Confidence (6 months from now)</b>
First Quarter 2018	6.02	6.34	5.78
Fourth Quarter 2017	7.41	7.68	7.20
Third Quarter 2017	6.27	6.71	5.94
Second Quarter 2017	5.94	6.06	5.85
First Quarter 2017	5.28	5.74	4.93
Fourth Quarter 2016	5.85	6.46	5.39
Third Quarter 2016	5.21	6.41	4.32
Second Quarter 2016	6.57	7.71	5.71
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
First Quarter 2014	9.62	9.90	9.41

## CONFIDENCE INDEX QUARTERLY RESULTS (CONT.)

**TABLE 3. RESIDENTIAL BROKER CONFIDENCE INDEX**

	<b>Overall Confidence</b>	<b>Present Confidence</b>	<b>Future Confidence (6 months from now)</b>
<b>First Quarter 2018</b>	5.54	5.41	5.64
<b>Fourth Quarter 2017</b>	6.57	6.36	6.74
<b>Third Quarter 2017</b>	5.72	5.72	5.76
<b>Second Quarter 2017</b>	5.94	6.06	5.85
<b>First Quarter 2017</b>	6.46	6.45	6.46
<b>Fourth Quarter 2016</b>	6.14	5.61	6.54
<b>Third Quarter 2016</b>	6.37	6.51	6.26
<b>Second Quarter 2016</b>	7.52	7.89	7.23
<b>First Quarter 2016</b>	8.10	8.33	7.92
<b>Fourth Quarter 2015</b>	7.85	7.79	7.90
<b>Third Quarter 2015</b>	7.83	8.16	7.58
<b>Second Quarter 2015</b>	8.21	8.59	7.93
<b>First Quarter 2015</b>	8.86	8.92	8.82
<b>Fourth Quarter 2014</b>	8.85	8.68	8.97
<b>Third Quarter 2014</b>	8.23	8.18	8.27
<b>First Quarter 2014</b>	8.30	8.30	8.30

## EXPLANATION OF INDEX

- The **Real Estate Broker Confidence Index** includes responses to our eight question survey from REBNY brokers, residential and commercial.
- The **Residential Broker Confidence Index** includes survey responses from only our residential brokers.
- The **Commercial Broker Confidence Index** includes survey responses from only our commercial brokers.
- The **Present Situation Confidence Index** includes broker responses to questions that ask about current market conditions.
- The **Future Confidence Index** includes broker responses to questions that ask about market conditions six months from now.
- All indices range from 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.

## CONFIDENCE INDEX QUARTERLY RESULTS BY QUESTION

### COMMERCIAL BROKER CONFIDENCE INDEX SURVEY QUESTIONS

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.

**TABLE 4. COMMERCIAL BROKER CONFIDENCE INDEX SURVEY RESULTS**

	Question							Overall Confidence	Present Confidence	Future Confidence
	1	2	3	4	5	6	7			
<b>First Quarter 2018</b>	5.96	6.19	6.58	5.00	6.49	5.38	6.54	6.02	6.34	5.78
<b>Fourth Quarter 2017</b>	8.33	7.76	8.00	7.25	6.72	6.53	7.25	7.41	7.68	7.20
<b>Third Quarter 2017</b>	6.98	6.59	6.76	5.41	6.38	5.53	6.22	6.27	6.71	5.94
<b>Second Quarter 2017</b>	6.92	5.38	7.42	6.29	5.43	3.78	5.68	5.84	6.59	5.28
<b>First Quarter 2017</b>	6.47	5.37	5.33	3.78	5.41	4.79	5.78	5.28	5.74	4.93
<b>Fourth Quarter 2016</b>	8.28	5.94	4.71	3.33	6.40	5.52	6.77	5.85	6.46	5.39
<b>Third Quarter 2016</b>	6.92	4.44	6.40	3.33	5.90	3.95	5.56	5.21	6.41	4.32
<b>Second Quarter 2016</b>	8.24	5.69	8.33	5.64	6.57	5.00	6.52	6.57	7.71	5.71
<b>First Quarter 2016</b>	7.43	5.59	7.58	5.81	7.33	4.32	6.47	6.36	7.45	5.55
<b>Fourth Quarter 2015</b>	9.06	7.20	8.78	7.11	8.33	6.98	7.69	7.88	8.72	7.24
<b>Third Quarter 2015</b>	9.83	8.00	9.64	7.14	9.81	8.20	9.33	8.85	9.76	8.17
<b>Second Quarter 2015</b>	10.00	8.92	10.00	8.98	9.87	9.22	9.30	9.47	9.96	9.10
<b>First Quarter 2015</b>	9.41	8.84	9.75	8.18	9.78	9.00	9.76	9.24	9.65	8.94
<b>Fourth Quarter 2014</b>	9.82	9.45	10.00	9.51	9.45	9.17	9.80	9.60	9.76	9.48
<b>Third Quarter 2014</b>	9.76	9.02	10.00	8.85	9.49	8.78	9.75	9.38	9.75	9.10
<b>Second Quarter 2014</b>	10.00	9.38	10.00	9.05	9.68	8.44	9.64	9.45	9.89	9.13
<b>First Quarter 2014</b>	10.00	9.44	10.00	9.09	9.71	9.39	9.71	9.62	9.90	9.41

## CONFIDENCE INDEX QUARTERLY RESULTS BY QUESTION (CONT.)

### RESIDENTIAL BROKER CONFIDENCE INDEX SURVEY QUESTIONS

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.

**TABLE 5. RESIDENTIAL BROKER CONFIDENCE INDEX SURVEY RESULTS**

	Question							Overall Confidence	Present Confidence	Future Confidence
	1	2	3	4	5	6	7			
First Quarter 2018	5.22	5.84	7.17	5.64	3.83	5.01	6.07	5.54	5.41	5.64
Fourth Quarter 2017	6.54	6.69	8.76	7.86	3.78	5.54	6.86	6.57	6.36	6.74
Third Quarter 2017	5.78	6.07	9.18	8.80	2.24	2.86	5.31	5.74	5.72	5.76
Second Quarter 2017	6.37	6.17	8.74	7.99	3.07	3.31	5.92	5.94	6.06	5.85
First Quarter 2017	7.66	7.64	8.74	7.49	2.94	3.82	6.90	6.46	6.45	6.46
Fourth Quarter 2016	6.28	7.56	7.85	7.24	2.70	4.55	6.81	6.14	5.61	6.54
Third Quarter 2016	6.23	6.20	8.98	7.82	4.32	4.58	6.45	6.37	6.51	6.26
Second Quarter 2016	8.38	7.4	9.02	8.5	6.28	5.8	7.24	7.52	7.89	7.23
First Quarter 2016	8.67	7.72	9.01	8.49	7.32	7.36	8.10	8.10	8.33	7.92
Fourth Quarter 2015	8.74	7.89	8.59	7.73	6.03	7.61	8.38	7.85	7.79	7.9
Third Quarter 2015	8.48	7.96	8.71	7.6	7.31	7.26	7.5	7.83	8.16	7.58
Second Quarter 2015	9.05	8.62	8.62	7.35	8.08	7.33	8.43	8.21	8.59	7.93
First Quarter 2015	9.35	9.14	8.75	8.51	8.76	8.89	8.75	8.86	8.92	8.82
Fourth Quarter 2014	9.13	9.27	9.25	8.8	7.66	8.63	9.19	8.85	8.68	8.97
Third Quarter 2014	8.92	8.25	8.24	8.15	7.39	8.19	8.49	8.23	8.18	8.27
Second Quarter 2014	8.76	8.85	7.81	8.21	8.32	8.21	7.92	8.3	8.3	8.3
First Quarter 2014	9.35	9.43	8.83	8.36	7.79	8.97	8.88	8.8	8.66	8.91