

THE REAL ESTATE BOARD OF NEW YORK

REAL ESTATE BROKER CONFIDENCE INDEX | SECOND QUARTER
2014

REBNY Stay On Top
of New York.

EXECUTIVE SUMMARY

REAL ESTATE BROKER CONFIDENCE INDEX

SECOND QUARTER 2014

The Real Estate Board of New York's Real Estate Broker Confidence Index for the second quarter of 2014 showed that broker's confidence decreased slightly compared to last quarter, from 9.21 to 8.88. This slight dip was the result of their lower confidence in the real estate market in the future, six months from now. Despite this dip, the Real Estate Broker Confidence Index is virtually unchanged compared to the same period last year.

The Residential Broker Confidence Index decreased slightly in the second quarter of 2014 to 8.3 compared to 8.8 last quarter. Though the residential brokers continue to express confidence in the market, the lack of inventory in general and the lack of product for mid-market buyers in particular is tempering their confidence in the present market and the market in the future, six months from now. In addition to concerns about inventory, residential brokers are slightly less confident in financing for sales compared to last quarter. Nevertheless, rising prices and increased sales, as reported in REBNY's New York City Residential Sales Report, Second Quarter 2014, provide sound reasons for the residential broker's confidence in the market.

The Commercial Broker Confidence Index was 9.62 this quarter, down from 9.45 in the last quarter. This modest decline was due primarily by a lessening in confidence in the market in the future, six months from now. Commercial broker's confidence in the present market and the availability of financing has been unwavering in the last two quarters. Also, broker confidence in the retail leasing market appears stronger than the office market. However, there appears to be a hint of concern that the availability of financing for sales may push up sale prices. Nevertheless, the growth in tourism, jobs and the continuing improvement in the local and national economy is bolstering the commercial real estate market.

COMMENTS ABOUT THE MARKET FROM RESIDENTIAL BROKERS

Lack of inventory will keep prices high.

I find good clients who are interested in living uptown, there is not a lot of inventory.

New development coming to market should provide some relief from scarce inventory.

The number of all cash deals will limit the entry level buyer from being able to compete.

Sales are still difficult for first time buyers.

Difficult for first time buyers competing with cash buyers at all price points and apt sizes.

A large majority of my deals large and small are all cash and at ask. These are all Americans and coops.

Prices in certain sectors are reaching highest points ever.

Buyers experiencing "buyer fatigue" and some are leaving the market after losing multiple bidding wars and getting discouraged.

I see buyers/renters waiting longer now before they put in offers.

I'm seeing a lot of buyer push-back on pricing.

Co-ops still the best values for prime resident buyers. Boroughs are catching up with price points, particularly in Brooklyn.

The co-op market is where there are the biggest bangs for your buck, specifically those co-op which need renovating.

Buyers just don't want the hassle of applying for tough co-op boards, no matter how qualified they are.

Mid-market apartments under \$2 million are in short supply and selling quickly if priced right.

The upward momentum in the market really has encouraged more buyers and sellers to participate!

Condo sales under 1million move quickly.

I think luxury sales will remain strong and steady with the influx of foreign buyers and the affordability of the NY market to the international investor.

Starting to slow a bit. Not as many bidding wars- hard to say if this is a seasonal shift with summer or the beginning of a more "normal" market.

Looks like the market is leveling out.

COMMENTS ABOUT THE MARKET FROM COMMERCIAL BROKERS

Retail activity is strong, particularly in the high profile retail corridors.

There is activity on whatever is vacant.

Commercial property sales values have skyrocketed.

Extremely difficult sales market in which to provide appropriate advisory with extraordinarily low cap rate. (Multifamily is actually slowing down, with construction of new product in condos only, except where land parcel have been held for a very long term).

With the exception of Midtown South, the office market is relatively flat. For retail on Madison Avenue in the 60's, rent growth over the past 3 years has been phenomenal.

Investment capital will remain plentiful, pushing sales rates.

Hiring at the financial firms will strengthen the market in the next 10-12 months.

Land prices are getting too high.

Tech Industries NYC growth is going to start to slow down a bit.

Continued good deal velocity that decrease supply in the future.

REAL ESTATE BROKER CONFIDENCE INDEX

QUARTERLY RESULTS

REAL ESTATE BROKER CONFIDENCE INDEX

	Confidence Index	Confidence Present Situation	Confidence Future (6 months from now)
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
Fourth Quarter 2012	8.12	7.87	8.32

COMMERCIAL BROKER CONFIDENCE INDEX

	Confidence Index	Confidence Present Situation	Confidence Future (6 months from now)
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
Fourth Quarter 2012	7.67	7.43	7.85

RESIDENTIAL BROKER CONFIDENCE INDEX

	Confidence Index	Confidence Present Situation	Confidence Future (6 months from now)
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
Fourth Quarter 2012	8.57	8.30	8.78

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

	1Q 2013	2Q 2013	3Q 2013	4Q 2013	1Q 2014	2Q 2014
Question 1	8.53	9.44	9.68	10.0	10.00	10.00
Question 2	8.75	9.38	8.86	9.77	9.44	9.38
Question 3	9.57	9.19	10.0	9.74	10.00	10.00
Question 4	9.23	7.74	7.81	9.44	9.09	9.05
Question 5	8.46	9.20	9.64	9.51	9.71	9.68
Question 6	8.52	9.26	8.89	9.15	9.39	8.44
Question 7	8.46	9.35	9.35	8.84	9.71	9.64
Confidence	8.79	9.08	9.18	9.49	9.62	9.45
Present Situation	8.85	9.28	9.77	9.75	9.90	9.89
Future	8.74	8.93	8.73	9.30	9.41	9.13

RESIDENTIAL INDEX

	1Q 2013	2Q 2013	3Q 2013	4Q 2013	1Q 2014	2Q 2014
Question 1	9.70	9.51	9.47	9.19	9.35	8.76
Question 2	9.66	9.56	9.26	9.04	9.43	8.85
Question 3	8.07	7.47	7.45	7.89	8.83	7.81
Question 4	8.51	6.67	6.16	7.64	8.36	8.21
Question 5	8.89	9.50	8.62	7.89	7.79	8.32
Question 6	9.24	9.30	8.68	8.96	8.97	8.21
Question 7	9.02	8.94	8.66	8.99	8.88	7.92
Confidence	9.02	8.71	8.33	8.52	8.80	8.30
Present Situation	8.89	8.83	8.51	8.32	8.66	8.30
Future	9.11	8.62	8.19	8.66	8.91	8.30

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