



THE REAL ESTATE BOARD OF NEW YORK

REAL ESTATE BROKER CONFIDENCE INDEX | SECOND QUARTER 2019



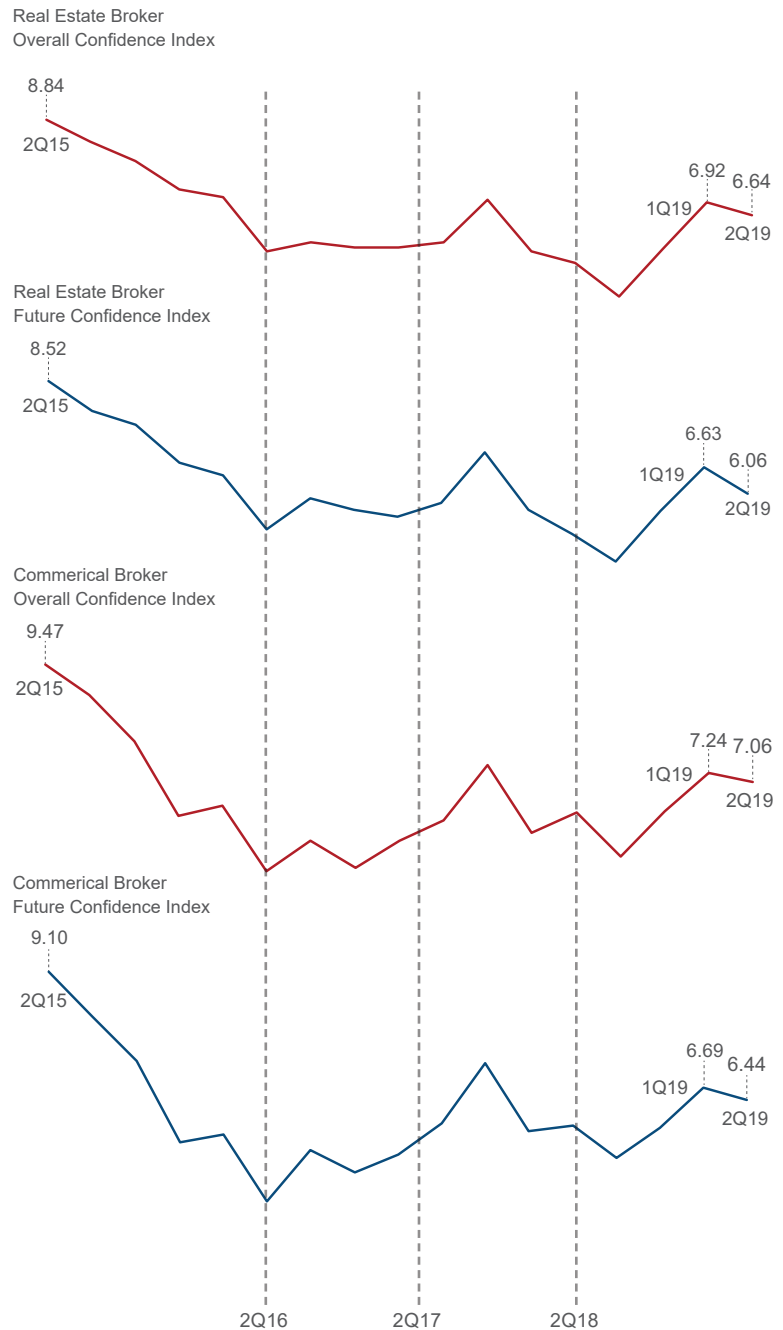
EXECUTIVE SUMMARY

The Real Estate Board of New York's (REBNY) **Real Estate Broker Confidence Index** in the second quarter of 2019 was 6.64 out of 10 - a decrease of 0.28 since brokers were last surveyed about the previous quarter. Both residential and commercial broker confidence indices experienced a slight decrease in the second quarter of 2019 when compared to the previous quarter.

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** (which focuses only on the Commercial Brokerage Division responses) in the second quarter of 2019 was 7.06 - a decrease of 0.18 since brokers were surveyed about the previous quarter. The Commercial Broker Confidence Index increased 0.63 year-over-year. Overall, commercial brokers' responses were very similar to the first quarter of 2019 and showed a consistent increase year-over-year. The primary concerns expressed by commercial brokers this quarter included commercial rent control, new rent regulations, state and local taxes, and the lack of retail activity.

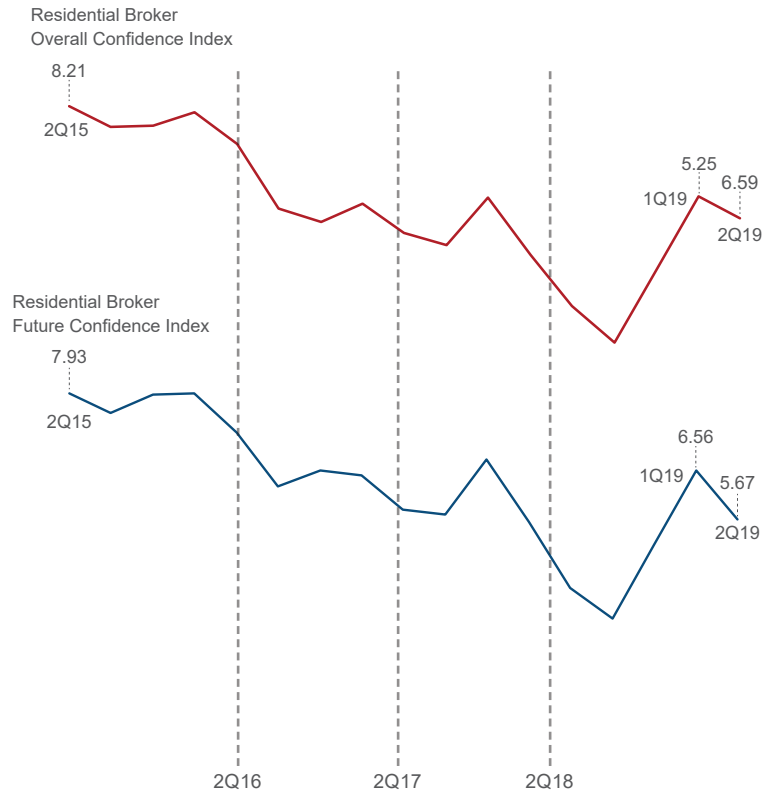
The **Commercial Broker Future Confidence Index** was indexed at 6.44 - a decrease of 0.25 from the previous quarter - indicating a sense of doubt in the near future of the commercial market. Overall, confidence in the current commercial real estate market remained stable to the confidence level of the previous quarter, with the exception of the decline in confidence of the market six months from now.



EXECUTIVE SUMMARY (CONT.)

The **Residential Broker Confidence Index** (which focuses only on the Residential Brokerage Division responses) in the second quarter of 2019 was 6.21 - a decrease of 0.38 since brokers were surveyed about the previous quarter. The Residential Broker Confidence Index increased by 1.58 year-over-year.

The **Residential Broker Future Confidence Index** was indexed at 5.67 - a 0.89 decrease from the previous quarter – indicating a sense of doubt in the near future of the residential market. New rent regulations passed this quarter are the prime reasons for a decline in future confidence. Additionally, residential brokers also expressed concerns about mansion and transfer taxes, the large supply of new development inventory, the lack of perceived affordable housing for sale, and the overall current political climate. Brokers are also seeing a lack of urgency from buyers and an expectation of higher negotiation rates and price cuts, leaving buyers cautious to hurry into deals.



COMMENTS ABOUT THE MARKET FROM COMMERCIAL BROKERS

Corporations require better incentive packages as motivation to lease in NYC.

Poorly thought out regulations by local and state governments pose the largest threat, due to anti-business sentiment and more specifically hostility towards the real estate industry.

New rent regulations will negatively affect multifamily / apartment building sales, which will lead to a lesser amount of new retail shoppers.

SALT deduction implications will take time to affect the market.

Instability of White House in foreign affairs, incoherent trade policy, and political pressure on the Fed provide mixed signals to markets and the economy.

Commercial rent control would not help, but provide a negative impact on the retail market.

COMMENTS ABOUT THE MARKET FROM RESIDENTIAL BROKERS

The ripple effect from the new rent laws is going to strongly affect the rental market over the next 6 months and beyond.

The mansion and transfer taxes will slow an already slow market. Buyers are hesitant to purchase in New York.

Residential real estate prices on new developments are still too high, giving buyers the impression that they can get high negotiation rates and price cuts that developers are not willing to make, which leave condos sitting on the market.

The increase in transfer taxes has hurt all transactions above \$2M, along with an over-saturation of inventory is giving buyers more options. They have no urgency because of the looming trade wars and upcoming election.

The rent laws have turned every multi-family building into a liability. The affordable housing market will actually shrink due to good intentioned yet poorly planned rent laws.

The changes to rent regulations will negatively effect NYC rental development and instead encourage for sale development.

CONFIDENCE INDEX QUARTERLY RESULTS

TABLE 1: REAL ESTATE BROKER CONFIDENCE INDEX

| | Confidence Index | Present Situation Confidence | Future Confidence (6 months from now) |
|---------------------|------------------|------------------------------|---------------------------------------|
| Second Quarter 2019 | 6.64 | 7.41 | 6.06 |
| First Quarter 2019 | 6.92 | 7.31 | 6.63 |
| Fourth Quarter 2018 | 5.86 | 6.09 | 5.68 |
| Third Quarter 2018 | 4.75 | 5.00 | 4.57 |
| Second Quarter 2018 | 5.53 | 6.00 | 5.18 |
| 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 |

TABLE 2: COMMERCIAL BROKER CONFIDENCE INDEX

| | Confidence Index | Present Situation Confidence | Future Confidence (6 months from now) |
|---------------------|------------------|------------------------------|---------------------------------------|
| Second Quarter 2019 | 7.06 | 7.90 | 6.44 |
| First Quarter 2019 | 7.24 | 7.98 | 6.69 |
| Fourth Quarter 2018 | 6.46 | 7.28 | 5.84 |
| Third Quarter 2018 | 5.53 | 5.95 | 5.22 |
| Second Quarter 2018 | 6.43 | 7.14 | 5.89 |
| 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 | 5.84 | 6.59 | 5.28 |
| 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 |

CONFIDENCE INDEX QUARTERLY RESULTS (CONT.)

TABLE 3: RESIDENTIAL BROKER CONFIDENCE INDEX

| | Confidence Index | Present Situation Confidence | Future Confidence (6 months from now) |
|---------------------|------------------|------------------------------|---------------------------------------|
| Second Quarter 2019 | 6.21 | 6.92 | 5.67 |
| First Quarter 2019 | 6.59 | 6.64 | 6.56 |
| Fourth Quarter 2018 | 5.25 | 4.89 | 5.22 |
| Third Quarter 2018 | 3.97 | 4.05 | 3.91 |
| Second Quarter 2018 | 4.63 | 4.86 | 4.46 |
| First Quarter 2018 | 5.43 | 5.41 | 5.64 |
| Fourth Quarter 2017 | 6.57 | 6.36 | 6.74 |
| Third Quarter 2017 | 5.74 | 5.72 | 5.76 |
| Second Quarter 2017 | 5.94 | 6.06 | 5.85 |
| First Quarter 2017 | 6.46 | 6.45 | 6.46 |
| Fourth Quarter 2016 | 6.14 | 5.61 | 6.54 |
| Third Quarter 2016 | 6.37 | 6.51 | 6.26 |
| Second Quarter 2016 | 7.52 | 7.89 | 7.23 |
| First Quarter 2016 | 8.10 | 8.33 | 7.92 |
| Fourth Quarter 2015 | 7.85 | 7.79 | 7.90 |
| Third Quarter 2015 | 7.83 | 8.16 | 7.58 |
| Second Quarter 2015 | 8.21 | 8.59 | 7.93 |

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 | | | | | | | Confidence | Present Situation | |
|----------------------------|----------|------|-------|------|------|------|------|------------|-------------------|------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | | Future | |
| Second Quarter 2019 | 6.96 | 5.35 | 8.94 | 7.56 | 7.80 | 6.52 | 6.33 | 7.06 | 7.90 | 6.44 |
| First Quarter 2019 | 7.56 | 6.74 | 8.89 | 7.73 | 7.50 | 6.36 | 5.93 | 7.24 | 7.98 | 6.69 |
| Fourth Quarter 2018 | 7.50 | 6.06 | 7.41 | 5.00 | 6.94 | 5.79 | 6.50 | 6.14 | 6.55 | 5.84 |
| Third Quarter 2018 | 6.80 | 6.36 | 5.22 | 3.33 | 5.83 | 5.42 | 5.77 | 5.53 | 5.95 | 5.22 |
| Second Quarter 2018 | 7.02 | 6.12 | 7.95 | 5.68 | 6.46 | 5.91 | 5.87 | 6.43 | 7.14 | 5.89 |
| First Quarter 2018 | 5.96 | 6.19 | 6.58 | 5.00 | 6.49 | 5.91 | 6.54 | 6.02 | 6.34 | 5.78 |
| Fourth Quarter 2017 | 8.33 | 7.76 | 8.00 | 7.25 | 6.72 | 6.53 | 7.25 | 7.41 | 7.68 | 7.20 |
| Third Quarter 2017 | 6.98 | 6.59 | 6.76 | 5.41 | 6.38 | 5.53 | 6.22 | 6.27 | 6.71 | 5.94 |
| Second Quarter 2017 | 6.92 | 5.38 | 7.42 | 6.29 | 5.43 | 3.78 | 5.68 | 5.84 | 6.59 | 5.28 |
| First Quarter 2017 | 6.47 | 5.37 | 5.33 | 3.78 | 5.41 | 4.79 | 5.78 | 5.28 | 5.74 | 4.93 |
| Fourth Quarter 2016 | 8.28 | 5.94 | 4.71 | 3.33 | 6.40 | 5.52 | 6.77 | 5.85 | 6.46 | 5.39 |
| Third Quarter 2016 | 6.92 | 4.44 | 6.40 | 3.33 | 5.90 | 3.95 | 5.56 | 5.21 | 6.41 | 4.32 |
| Second Quarter 2016 | 8.24 | 5.69 | 8.33 | 5.64 | 6.57 | 5.00 | 6.52 | 6.57 | 7.71 | 5.71 |
| First Quarter 2016 | 7.43 | 5.59 | 7.58 | 5.81 | 7.33 | 4.32 | 6.47 | 6.36 | 7.45 | 5.55 |
| Fourth Quarter 2015 | 9.06 | 7.20 | 8.78 | 7.11 | 8.33 | 6.98 | 7.69 | 7.88 | 8.72 | 7.24 |
| Third Quarter 2015 | 9.83 | 8.00 | 9.64 | 7.14 | 9.81 | 8.20 | 9.33 | 8.85 | 9.76 | 8.17 |
| Second Quarter 2015 | 10.00 | 8.92 | 10.00 | 8.98 | 9.87 | 9.22 | 9.30 | 9.47 | 9.96 | 9.10 |

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 | | | | | | | Confidence | Present Situation | |
|----------------------------|----------|------|------|------|------|------|------|------------|-------------------|------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | | Future | |
| Second Quarter 2019 | 2.62 | 2.94 | 9.25 | 9.19 | 8.90 | 6.56 | 4.00 | 6.21 | 6.92 | 5.67 |
| First Quarter 2019 | 4.06 | 5.29 | 9.25 | 8.81 | 6.60 | 7.04 | 5.09 | 6.59 | 6.64 | 6.56 |
| Fourth Quarter 2018 | 2.69 | 4.37 | 7.96 | 7.25 | 4.03 | 5.33 | 5.14 | 5.25 | 4.89 | 5.52 |
| Third Quarter 2018 | 2.07 | 2.89 | 6.50 | 5.32 | 3.57 | 4.03 | 3.39 | 3.97 | 4.05 | 3.91 |
| Second Quarter 2018 | 3.34 | 3.61 | 7.08 | 5.47 | 4.18 | 4.26 | 4.51 | 4.63 | 4.86 | 4.46 |
| 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 | 7.40 | 9.02 | 8.50 | 6.28 | 5.80 | 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 | 7.90 |
| Third Quarter 2015 | 8.48 | 7.96 | 8.71 | 7.60 | 7.31 | 7.26 | 7.50 | 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 |