

# THE REAL ESTATE BOARD OF NEW YORK

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REAL ESTATE BROKER CONFIDENCE INDEX | THIRD QUARTER 2015

**REBNY** Stay On Top  
of New York.

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## EXECUTIVE SUMMARY

### REAL ESTATE BROKER CONFIDENCE INDEX

### THIRD QUARTER 2015

The Real Estate Board of New York's Real Estate Broker Confidence Index for the third quarter of 2015 is 8.34, a half-point drop from last quarter's 8.84. Confidence has remained positive. Likewise, confidence in the market six months from now was also positive at 7.87, though dipping more than a half point from 8.52 last quarter.

This slight drop in confidence in the current market and the market six months from now was shared by both our residential and commercial brokers. Concerns about rising interest rates and the lack inventory continue to temper the confidence of the residential brokers in the current market and the market six months from now. Likewise, the concern about the national and international economy has tempered the outlook of the commercial brokers. Nevertheless, the overall level of confidence of the residential brokers and the commercial brokers remains positive.

The Commercial Broker Confidence Index was 8.85, a slight decrease from last quarter's 9.47. Similarly, the Commercial Broker Confidence Index in the market six months from now was 8.17, down almost a point from last quarter's 9.10. Anticipation of an interest rate increase in the future, its possible impact on job growth and uncertainty about the local, national and global economy, were the key concerns cited which impacted their confidence in the market six months from now. Similarly, the financing market for commercial real estate sales six months from now was an issue that the commercial brokers were most concerned.

The Residential Broker Confidence Index decreased slightly to 7.83 from 8.21 last quarter. Again, the issue of concern most cited was the lack of inventory, specifically in rentals in Upper Manhattan and two-to-three bedroom inventory for sale. The lack of inventory has been an ongoing concern for the past year and a half with our residential brokers. On the contrary, brokers point out that the Brooklyn market is experiencing an inventory boom as is Long Island City, which has experienced strong price growth.

Nevertheless, residential broker confidence continues to remain positive despite the different assessment of the market in Manhattan and the other boroughs. Likewise, the uncertainty of interest rates left many residential brokers unsure of the market six months from now; some believe that the increase in rates may trigger more sales, while others think that the rise will reduce sales. Confidence in the market six months from now dipped to 7.58, from 7.93 last quarter. This has been the lowest index for the market six months from now since our reporting began in 2013.

## COMMENTS ABOUT THE MARKET FROM RESIDENTIAL BROKERS

Consumer demands on rental properties are making it harder for owners to rent properties that lack certain amenities. Consumers are asking more of the properties they are seeing and I think the future of a strong rental market will depend on owners delivering value to their asking rents.

I am concerned about not having enough good inventory to rent over the winter and into the spring of 2016 in Upper Manhattan.

I think that the current economic outlook should have a positive effect on future market performance. The general economy will drive the New York City real estate market.

The Brooklyn market is flooded with inventory.

I specialize in sales and rentals in Long Island City New York and we've had over hundred percent growth in the last two years, unsustainable in the long run.

I think the real estate market will remain strong, except the high end might see a slowing due to inventory growth in that market sector.

Increased interest rates may get buyers off the sidelines and commit.

The upward trend in market value has caused lenders to become more cautious due to the fact that comparable sales are not as readily available.

If the stock market continues to advance and interest rates remain as they are I believe the NYC real estate market will continue to perform well.

Buyer perception of impact of rising interest rates may impact sales; however, incremental rate increases will not in reality substantially impact sales.

An expected increase in the interest rate by the Federal Reserve will make lending conditions for mortgages even more difficult than they are currently.

Buyers will remain price sensitive; Wall Street bonuses should be significant and have an effect on demand.

They became more discerning and price-conscious. There was a lot of aspirational pricing on the part of brokers and there are a lot of price reductions and a lot of open houses as a result.

Buyers for quality resale coops and condos seem to have stopped pulling the trigger. I have noticed a large number of price reductions and that still isn't bringing buyers to the table. It seems that buyers are taking a breather to reassess.

## COMMENTS ABOUT THE MARKET FROM COMMERCIAL BROKERS

The City's increasing real estate tax burden and its impact on tenants plans to grow in NYC will dampen the market.

Interest rates increases should not materially impact office leasing.

Continued pressure to find affordable space for social media firms will be an ongoing concern

For the overall leasing market, interest rates, financial markets performance & employment levels will tell the story

Some retail markets have fallen off

Leasing, economic and job growth will affect tenants near and long term space decisions.

Speed of interest rate increases, 421A legislation, the implementation of rent stabilization laws will impact sales.

No confidence in congressional leaders and even less confidence with Wall Street = negative outlook for 2016, despite it being an election year.

## REAL ESTATE BROKER CONFIDENCE INDEX QUARTERLY RESULTS

### REAL ESTATE BROKER CONFIDENCE INDEX

	Confidence Index	Confidence Present Situation	Confidence Future (6 months from now)
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
Second Quarter 2014	8.88	9.10	8.71
First Quarter 2014	9.21	9.28	9.16

### COMMERCIAL BROKER CONFIDENCE INDEX

	Confidence Index	Confidence Present Situation	Confidence Future (6 months from now)
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
Second Quarter 2014	9.45	9.89	9.13
First Quarter 2014	9.62	9.90	9.41

### RESIDENTIAL BROKER CONFIDENCE INDEX

	Confidence Index	Confidence Present Situation	Confidence Future (6 months from now)
Third Quarter 2015	7.83	8.16	7.58
Second Quarter 2015	8.21	8.59	7.93
First Quarter 2015	8.86	8.92	8.82
Fourth Quarter 2014	8.85	8.68	8.97
Third Quarter 2014	8.23	8.18	8.27
Second Quarter 2014	8.30	8.30	8.30
First Quarter 2014	8.80	8.66	8.91

**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

	2Q 2014	3Q 2014	4Q 2014	1Q 2015	2Q 2015	3Q 2015
Question 1	10.00	9.76	9.82	9.41	10.00	9.83
Question 2	9.38	9.02	9.45	8.84	8.92	8.00
Question 3	10.00	10.00	10	9.75	10.00	9.64
Question 4	9.05	8.85	9.51	8.18	8.98	7.14
Question 5	9.68	9.49	9.45	9.78	9.87	9.81
Question 6	8.44	8.78	9.17	9	9.22	8.20
Question 7	9.64	9.75	9.80	9.76	9.30	9.33
Confidence	9.45	9.38	9.60	9.24	9.47	8.85
Present Situation	9.89	9.75	9.76	9.65	9.96	9.76
Future	9.13	9.10	9.48	8.94	9.10	8.17

### RESIDENTIAL INDEX

	2Q 2014	3Q 2014	4Q 2014	1Q 2015	2Q 2015	3Q 2015
Question 1	8.76	8.92	9.13	9.35	9.05	8.48
Question 2	8.85	8.25	9.27	9.14	8.62	7.96
Question 3	7.81	8.24	9.25	8.75	8.62	8.71
Question 4	8.21	8.15	8.80	8.51	7.35	7.60
Question 5	8.32	7.39	7.66	8.76	8.08	7.31
Question 6	8.21	8.19	8.63	8.89	7.33	7.26
Question 7	7.92	8.49	9.19	8.75	8.43	7.50
Confidence	8.30	8.23	8.85	8.86	8.21	7.83
Present Situation	8.30	8.18	8.68	8.92	8.59	8.16
Future	8.30	8.27	8.97	8.82	7.93	7.58

## 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 current or recent issues or actions (economic, market, government) that would 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 (retail, rental, or leasing) and describe current or recent issues or actions (economic, market, government) that would impact future market performance.

Note: The survey asks the broker to select one of three responses (positive, neutral, negative) to each question.