

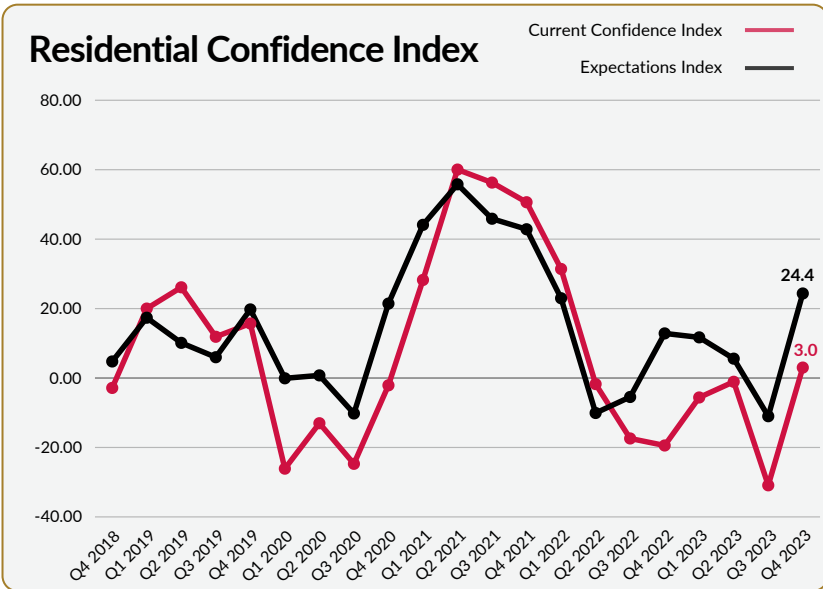
Real Estate Broker Confidence Index

Q4 2023

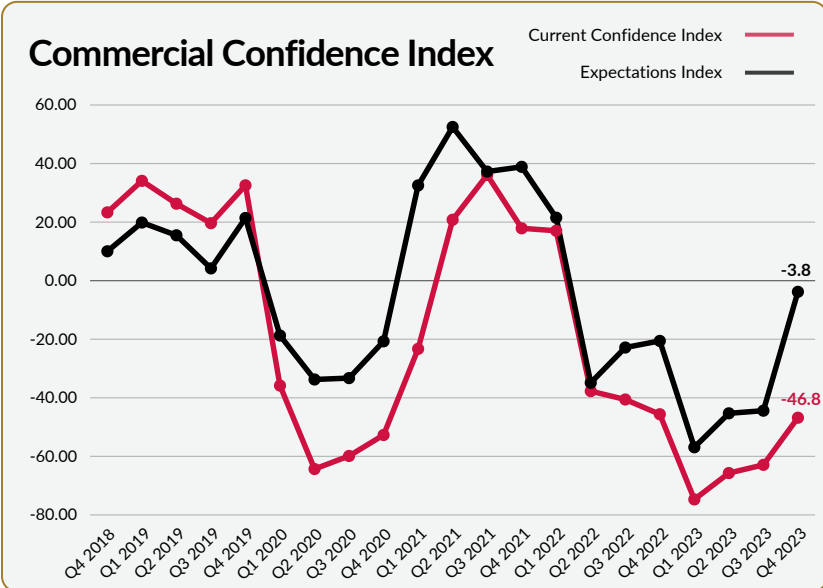


Confidence Indexes

REBNY’s Broker Confidence Index measures brokers’ collective sense of the market, both for current and future conditions. In Q4 2023, both residential and commercial indexes saw improvement, but commercial sentiment remained in negative territory.



Residential broker sentiment separated from commercial sentiment, pushing into positive territory for the first time since mid-year 2023. The residential Current Confidence Index (CCI) rose to 3.0, up from -30.9 in the third quarter of 2023. This score was still well below the most recent positive reading of 31.4 in the first quarter of 2022. Residential brokers were even more optimistic in their outlook for the next six months, the expectations index (EXI) jumped from a record low of -11.0 to 24.4, the highest mark since year-end 2021.



The commercial broker sentiment indexes remained in negative territory for the seventh consecutive quarter but improved from the third quarter. The commercial CCI rose from -62.9 to -46.8. The six-month outlook jumped from -44.0 to -3.8. An almost uniformly negative outlook regarding financing continues to depress commercial broker confidence.

Commercial and residential brokers shared concerns about elevated borrowing costs, crime and safety, and little movement on housing policies. In contrast to prior quarters, more brokers noted concerns about the potential of reduced city services and higher property taxes. Office brokers voiced continued concerns regarding work from home and elevated office vacancy rates. While commercial brokers were clearly more negative in their outlook, a few did see some potential silver linings. One broker noted:

“While current markets face headwinds from geopolitical tensions, rising interest rates, and recession fears, potential glimmers exist in strong corporate earnings, emerging technologies, and government stimulus.”

In another balanced perspective, a commercial broker wrote:

“Positive: Interest rate stabilization and dry powder on the sidelines expected to buy again soon. Negatives: Regulatory environment for multifamily, no 421a for development, lack of demand for office space, and saturated supply.”



Residential brokers were generally more optimistic than their commercial colleagues regarding market outlook. The most positive perspectives continue to hinge on the likelihood of further rate cuts.

“If mortgage rates fall as anticipated, real estate sales should get a positive boost and hopefully increase inventory.”

“It’s all about interest rates, and with signs they are going to start coming down, that seems to be driving more activity in the market.”

Even though the presidential election is still months away, residential brokers are already mentioning it – expressing concerns that the election could curb purchases.

“Election drama in the second half of the year will distract buyers unless rates come down steadily and/or substantially to make buying seem like a great idea. I’ve heard the Fed may put off lowering rates until June, which will possibly delay buyer enthusiasm returning early in the year.”

This scenario potentially creates a tight window for a rebound in sales between rate cuts (assuming they occur) and November’s election.

Methodology

Gathered during the last several weeks of each quarter, the Residential Brokerage Confidence Index (RBCI) and Commercial Brokerage Confidence Index (CBCI) are 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) broken out by residential and commercial real estate sectors. The report uses a 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 indices being renamed to the Current Conditions Index (CCI) and Expectations Index (EXI).

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?
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