

THE REAL ESTATE BOARD OF NEW YORK

REAL ESTATE BROKER CONFIDENCE INDEX | FIRST QUARTER 2015

REBNY Stay On Top
of New York.

EXECUTIVE SUMMARY

REAL ESTATE BROKER CONFIDENCE INDEX

FOURTH QUARTER 2014

The Real Estate Board of New York's Real Estate Broker Confidence Index for the first quarter of 2015 is 9.05, slightly lower than last quarter but still very positive. However, the primary concern among the brokers is the potential impact of rising interest rates which seem likely this year. This has tempered their confidence in the market six months from now.

The Commercial Broker Confidence Index was at a 9.24, down slightly from 9.60 last quarter. Many brokers reported seeing a strong market with high sale prices throughout Manhattan, especially in Chelsea. Financing was the main concern the commercial brokers had this quarter. In response to the questions about financing now, commercial brokers were still extremely positive. However, their confidence, though still strongly positive, showed a noticeable decline when asked about the financing market six months from now. Clearly, the growing expectation that the Federal Reserve Bank will begin raising interest rates before the end of the year is having an impact on their level of confidence. At the same time they expressed concern about the rising sales prices. Moderate rate increases implemented at a reasonable pace could address their concern about rising sales price without destabilizing the market.

The Residential Broker Confidence Index was virtually unchanged this quarter, compared to last quarter at 8.86. They continue to be positive about the robust sales market and the growing popularity of multiple neighborhoods. Likewise, brokers have seen an increase in rentals in Crown Heights, Brooklyn and Riverdale in the Bronx. The principal concern was once again the lack of inventory in the market. This has been the case for the past year and a half, with brokers mentioning especially low inventory of coops and two bedroom apartments. Low inventory drives prices up and is driving some buyers out of the market, according to our brokers. The rising interest rate is also a serious concern this quarter. As with the commercial brokers, the residential brokers express a slight decline in confidence in financing six months from now. The confidence index for the question about financing six months from now is the lowest of all the questions answered. Nevertheless, though financing is a concern, they are still very positive about its availability and show no indications that a rise in interest rates would have any serious adverse impact on the market.

COMMENTS ABOUT THE MARKET FROM RESIDENTIAL BROKERS

New York City is as desirable a location to live as ever.

The variety of housing stock, from coops to new construction condos and the expansion throughout Upper Manhattan, Hudson Yards, TriBeCa and Brooklyn is truly remarkable. Our population numbers keep growing. An exciting time to be a New Yorker!

The lack of inventory continues to be a driving force in terms of keeping prices on the rise.

The market continues to be a seller's market. If interest rates continue to stay low the rental prices will continue to rise.

There is low inventory on 2-bedroom and larger apartments.

We need more 1-bedroom coops to sell.

Listings coming on the market in Carroll Gardens, Park Slope, Sunset Park and Bay Ridge are going into bidding wars.

I see an increase of tenants moving from Manhattan and Brooklyn with a great interest to buy in Riverdale. They rent for one year while they look for properties to buy. It is a trend that started last summer and continues to grow. I think the sales market in Riverdale is going to experience a considerable increase in property value in the next years to come.

Brooklyn is the new Manhattan as we see the prices go up and the areas of interest expand.

The last sale I concluded this quarter was a studio in Jackson Heights, Queens, which I am confident is an alternative worth considering for anyone priced out in Manhattan and Brooklyn.

I believe areas like Park Slope, Fort Greene, Boerum Hill, and Carroll Gardens will continue to rise because of the demand for Brooklyn property globally.

Historically low interest rates, threatening to rise later this year, will drive buyers into the market spring and summer.

Lack of inventory is leading to buyer fatigue; price inflation causing buyers to leave the market.

COMMENTS ABOUT THE MARKET FROM COMMERCIAL BROKERS

Interest rates are the key. When they eventually go above 5%, look out!

The market today is in balance with a variety of new product rollover as some tenants move to new product and renewals.

I see special strength in commercial condos, but there is currently a tight supply of product.

There is general demand and shifting/slight flight to quality.

I'm finding real resistance to the rents from national tenants.

Continued drop in unemployment along with growth in tech/online media companies.

The Financial District continues to offer commercial tenants substantial savings in annual rent dollars while also becoming a more vibrant and desirable location. Commercial space around Chelsea remains the most sought after driven by the influx of tech companies with venture capital backing. The need to attract top talent will drive this trend through 2016.

As a local new business owner, I find that even though average retail rent is high in Manhattan, local small business owners are desperately seeking space and trying to open more new businesses.

Rents are very high and many tenants are making decisions strictly based on affordability, being willing to compromise on almost all other factors.

\

REAL ESTATE BROKER CONFIDENCE INDEX QUARTERLY RESULTS

REAL ESTATE BROKER CONFIDENCE INDEX

	Confidence Index	Confidence Present Situation	Confidence Future (6 months from now)
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
Fourth Quarter 2013	9.00	9.04	8.98
Third Quarter 2013	8.75	9.14	8.46

COMMERCIAL BROKER CONFIDENCE INDEX

	Confidence Index	Confidence Present Situation	Confidence Future (6 months from now)
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
Fourth Quarter 2013	9.49	9.75	9.30
Third Quarter 2013	9.18	9.77	8.73

RESIDENTIAL BROKER CONFIDENCE INDEX

	Confidence Index	Confidence Present Situation	Confidence Future (6 months from now)
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
Fourth Quarter 2013	8.52	8.32	8.66
Third Quarter 2013	8.33	8.51	8.19

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

	4Q 2013	1Q 2014	2Q 2014	3Q 2014	4Q 2014	1Q 2015
Question 1	10.0	10.00	10.00	9.76	9.82	9.41
Question 2	9.77	9.44	9.38	9.02	9.45	8.84
Question 3	9.74	10.00	10.00	10.00	10	9.75
Question 4	9.44	9.09	9.05	8.85	9.51	8.18
Question 5	9.51	9.71	9.68	9.49	9.45	9.78
Question 6	9.15	9.39	8.44	8.78	9.17	9
Question 7	8.84	9.71	9.64	9.75	9.80	9.76
Confidence	9.49	9.62	9.45	9.38	9.60	9.24
Present Situation	9.75	9.90	9.89	9.75	9.76	9.65
Future	9.30	9.41	9.13	9.10	9.48	8.94

RESIDENTIAL INDEX

	4Q 2013	1Q 2014	2Q 2014	3Q 2014	4Q 2014	1Q 2015
Question 1	9.19	9.35	8.76	8.92	9.13	9.35
Question 2	9.04	9.43	8.85	8.25	9.27	9.14
Question 3	7.89	8.83	7.81	8.24	9.25	8.75
Question 4	7.64	8.36	8.21	8.15	8.80	8.51
Question 5	7.89	7.79	8.32	7.39	7.66	8.76
Question 6	8.96	8.97	8.21	8.19	8.63	8.89
Question 7	8.99	8.88	7.92	8.49	9.19	8.75
Confidence	8.52	8.80	8.30	8.23	8.85	8.86
Present Situation	8.32	8.66	8.30	8.18	8.68	8.92
Future	8.66	8.91	8.30	8.27	8.97	8.82

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.