

THE REAL ESTATE BOARD OF NEW YORK

REAL ESTATE BROKER CONFIDENCE INDEX | SECOND QUARTER
2015

REBNY Stay On Top
of New York.

EXECUTIVE SUMMARY

REAL ESTATE BROKER CONFIDENCE INDEX

SECOND QUARTER 2015

The Real Estate Board of New York's Real Estate Broker Confidence Index for the second quarter of 2015 is 8.84, a slight drop from last quarter's 9.05 and virtually unchanged from a year ago. Confidence has remained relatively stable, not fluctuating more than half of a point in the past two years. Likewise, confidence in the market six months from now also dipped slightly to 8.52 this quarter from 8.88 last quarter. This slight drop in confidence in the current market and the market six months from now was the result of the dip in confidence among the residential 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. Nevertheless, the overall level of confidence of the residential brokers and the commercial brokers remains exceptionally positive.

The Commercial Broker Confidence Index was 9.47, a slight increase from last quarter's 9.24. Likewise, the Commercial Broker Confidence Index in the market six months from now was 9.10, up from last quarter's 8.92. Brokers gave credit to employment growth as a key factor for their positive outlook on the market. Anticipation of an interest rate increase in the future and uncertainty about some aspects of the global economy, particularly the Greek and Chinese economies, 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 6 months from now was an issue that the commercial brokers were most concerned.

The Residential Broker Confidence Index decreased slightly to 8.21 from 8.86 last quarter. Again, the issue of concern most cited was the lack of inventory. This has been an ongoing concern for the past year and a half, especially low inventory of two bedroom apartments. Nevertheless, residential broker confidence continues to remain high despite this persistent concern. Likewise, the uncertainty of interest rates left many residential brokers unsure of the market six months from now. Confidence in the market six months from now dipped to 7.93, from 8.82 last quarter. This has been the lowest index for the market six months from now since our reporting began in 2013. Despite the reduction in confidence in the market six months from now, brokers were very positive about robust sales volume and the growing popularity of new neighborhoods and increased demand, especially in Brooklyn and Queens. They anticipate that this popularity will result in a strong pick up in new development and increased inventory in the long run.

COMMENTS ABOUT THE MARKET FROM RESIDENTIAL BROKERS

Rental market, especially in the lower end, has been very active in the last month; expect it to continue throughout the summer.

Queens is trending up. New development is fueling buyer interest.

A new influx of renters from Long Island and Manhattan may keep demand for Brooklyn rentals strong.

Customers are growing even more demanding of amenities as rents go up.

Health of NYC real estate market is heavily dependent on the continued flow of funds from around the globe.

Sales are strong due to lack of inventory, especially the condominium market.

The lack of inventory is supporting high prices of resale properties.

We need to choose pricing that brings in traffic and sells.

Strong upward movement in interest rates would present a problem, but a small uptick will not.

I think the Federal Reserve will move incredibly cautiously so the negative effects will be rather marginal.

A sustained rise in interest rates and/or a slowing in the flow of Chinese capital into the U.S., particularly in New York City, would have a dampening effect on the residential market.

If mortgage rates start to creep up, then sales may slow. Also, there is more development coming on the market, which may bring prices down slightly.

The market will get better when the lending requirements are loosened up.

Another significant factor holding the market back is the standards for buyers to obtain mortgages, which is still very strict.

The global economy can also influence local real estate, particularly since New York attracts buyers and investors both from the US and internationally.

Increased interest rates will impact the economic environment.

Expect decline in total sales due to increase in interest rate.

There is now resistance to price in multiple areas of Manhattan and the hottest areas in Brooklyn will probably start to level out as well.

There is not enough new construction for New Yorkers in the \$1-3 million range to be sustainable.

Current resale price levels are seeing more resistance and may have plateaued, hinting at the limits of demand elasticity.

Inventory is the only problem because it's put so much pressure on buyers.

There is no inventory for the low/mid end apartments ranging from \$500,000 - \$2.5 million.

I am seeing seller's beginning to have unreasonable expectations. If this continues, we are going to see even more inventory just sitting because it is overpriced.

There are many exhausted "veterans" of lost bidding wars out there- still armed with great loan rates, but with all the wind out of their sails.

Flip tax increases will negatively impact listing price and appraised value.

Performance of the stock market seems to directly impact the level of business. I remain concerned in the wake of the weak Euro and the situation in Greece, now possibly in China, what the effect and impact will be on the market and how that may affect residential sales, particularly in Manhattan.

COMMENTS ABOUT THE MARKET FROM COMMERCIAL BROKERS

Business outlook is positive in most sectors, and banks are coming back. Risk factors include city quality of life trend, homelessness and safety.

Job growth continues to be the most significant driver of future market performance. Market is “cooling” a bit, but there is still velocity (and urgency).

Interest rates, the stock market and employment are the demand drivers.

The future of the markets will be strongly influenced, as it always is, by where rates go. For the next six months, I believe that they will not be high enough to significantly slow the market.

Tight market and rising prices are causing tenants to look at downtown market. Many tenants are downsizing.

Geopolitical issues could slow down the world economy short term.

Prices are too high all over the City. I believe we will see a migration from the City to other boroughs.

There has been increasing resistance to rent levels.

As brick and mortar retail is negatively affected by internet sales, the types of active retail uses I am seeing are much more service or food driven.

Office tenants will want to trade up to new state of the art buildings, which will inevitably cause increased vacancy in older vintage properties.

Interest rate hikes will hurt the market.

Presidential campaigning, oil prices and Greek financial crises will impact the market in the future.

General positive economics can't continue with global issues including Greece debt and more recent issues in Puerto Rico.

Recession brought by a downturn in the economies of both Europe and China.

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 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
Fourth Quarter 2013	9.00	9.04	8.98

COMMERCIAL BROKER CONFIDENCE INDEX

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

RESIDENTIAL BROKER CONFIDENCE INDEX

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

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 2014	2Q 2014	3Q 2014	4Q 2014	1Q 2015	2Q 2015
Question 1	10.00	10.00	9.76	9.82	9.41	10.00
Question 2	9.44	9.38	9.02	9.45	8.84	8.92
Question 3	10.00	10.00	10.00	10	9.75	10.00
Question 4	9.09	9.05	8.85	9.51	8.18	8.98
Question 5	9.71	9.68	9.49	9.45	9.78	9.87
Question 6	9.39	8.44	8.78	9.17	9	9.22
Question 7	9.71	9.64	9.75	9.80	9.76	9.30
Confidence	9.62	9.45	9.38	9.60	9.24	9.47
Present Situation	9.90	9.89	9.75	9.76	9.65	9.96
Future	9.41	9.13	9.10	9.48	8.94	9.10

RESIDENTIAL INDEX

	1Q 2014	2Q 2014	3Q 2014	4Q 2014	1Q 2015	2Q 2015
Question 1	9.35	8.76	8.92	9.13	9.35	9.05
Question 2	9.43	8.85	8.25	9.27	9.14	8.62
Question 3	8.83	7.81	8.24	9.25	8.75	8.62
Question 4	8.36	8.21	8.15	8.80	8.51	7.35
Question 5	7.79	8.32	7.39	7.66	8.76	8.08
Question 6	8.97	8.21	8.19	8.63	8.89	7.33
Question 7	8.88	7.92	8.49	9.19	8.75	8.43
Confidence	8.80	8.30	8.23	8.85	8.86	8.21
Present Situation	8.66	8.30	8.18	8.68	8.92	8.59
Future	8.91	8.30	8.27	8.97	8.82	7.93

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.