



THE REAL ESTATE BOARD OF NEW YORK

REAL ESTATE BROKER CONFIDENCE INDEX | FOURTH QUARTER 2018



EXECUTIVE SUMMARY

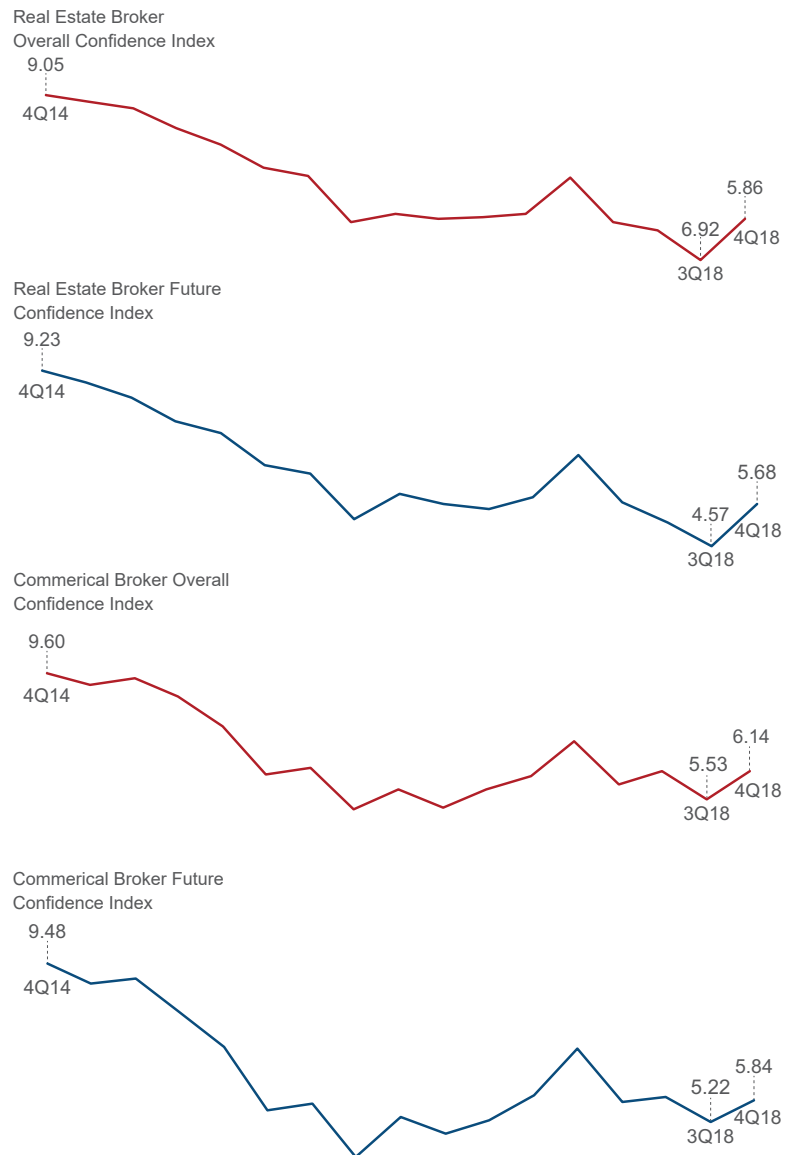
The Real Estate Board of New York's (REBNY) **Real Estate Broker Confidence Index** for fourth quarter of 2018 was 5.86 out of 10, an increase of 1.11 since brokers were surveyed about the third quarter of 2018.

Confidence among both residential and commercial brokers increased in the fourth quarter of 2018 when compared to the third 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 fourth quarter of 2018 was 6.46, an increase of 0.93 since brokers were surveyed about the third quarter of 2018. The Commercial Broker Confidence Index has declined by 0.95 year-over-year, down from 7.41 in the fourth quarter of 2017. Commercial broker responses regarding the current assessment of the market (Table 4, Question 1) was indexed at 7.50, an improvement of 0.7 since last surveyed in the third quarter of 2018. By the same token, assessments of the current leasing market (Table 4, Question 5) and current financing market (Table 4, Question 3) in the fourth quarter of 2018 showed respective increases of 1.11 and 2.19 from the third quarter of 2018. Index improvements were attributable to an understanding of the present price correction occurring within the New York City real estate market as the effects of federal tax reform continue to set in. In addition, some commercial brokers demonstrated confidence following the announcement of Amazon's plans for its HQ2 in Long Island City and expansion of similar tech firms in NYC, along with the reversal of the L-train shutdown. On the other hand, brokers expressed concerns regarding interest rates, tariffs, stock market volatility, and political instability.

Given these concerns and unease over potential changes in rent regulations up for debate Albany, commercial brokers' expectations of the market six months from now (Table 4, Question 2) indexed at 6.06, a 0.30 decline from the third quarter. In spite of such concerns, the Commercial Broker Future Confidence

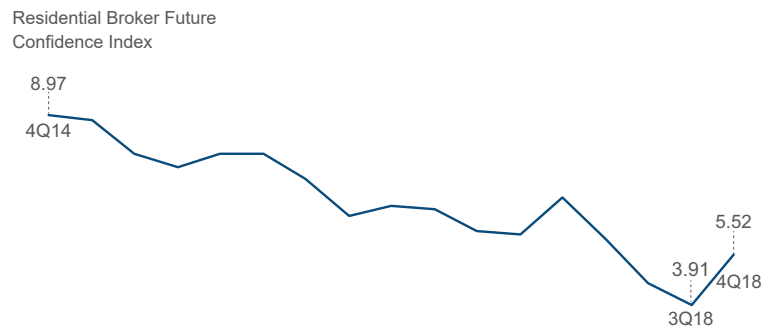
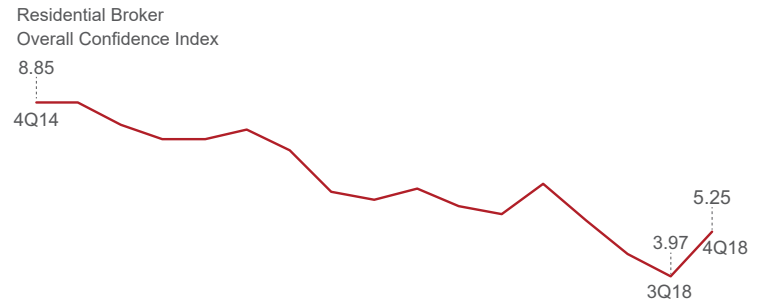
Index was 5.84 in the fourth quarter of 2018, a 0.62 bump from the third quarter of 2018, which was largely driven by positive expectations regarding the future commercial financing markets, and commissions six months from now.



EXECUTIVE SUMMARY (CONT.)

The **Residential Broker Confidence Index** (which focuses only on the Residential Brokerage Division responses) in the fourth quarter of 2018 was 5.25, an increase of 1.28 since brokers were surveyed about the third quarter of 2018. Residential Broker Confidence Index decreased by 1.32 year-over-year, down from 6.57 when compared to the fourth quarter of 2017. Increased confidence assessments of the current residential real estate market conditions, the financing market and leasing market accounted for the increase.

Residential brokers voiced their concerns regarding the significant unrest and uncertainty within the political arena, stock market turbulence, and buyer hesitations attribute to a slowdown within the market. Several residential broker respondents predicted that the future market would remain soft, as conditions may orientate more towards price sensitive buyers. Despite such views, however, residential brokers expressed somewhat renewed expectations with the Residential Broker Future Confidence Index rising to 5.52 in the fourth quarter of 2018, a 1.61 increase from the third quarter of 2018. Residential brokers exhibited a positive outlook for the overall real estate market (Table 5, Question 2) and rental market (Table 5, Question 6) with respective increases of 1.48 and 1.30 from the third quarter of 2018.



COMMENTS ABOUT THE MARKET FROM COMMERCIAL BROKERS

The biggest thing holding back the market is taxation. In particular, RE taxes have gone up and up, while at the same time effective rent have declined. This is particularly true with retail properties.

Interest rates will have biggest impact on future performance.

L-trains new is very positive, as it news from Amazon about its move to Long Island City. Potential rent control legislation on retail would have a terrible negative impact on new leases, and would decrease turnover, to the detriment of landlords.

I have deals pending with international clients who are awaiting the final outcome of the trade negotiations. So we are in a holding pattern.

Rising interest rates, government instability, trade wars.

The biggest issue currently is potential rent regulation in Albany. Many buyers are sitting on the sidelines waiting to see how that plays out.

Escalating trade issues with China aren't helpful.

Now the talk of commercial rent control and penalties on store vacancies is credulous. Lower rent and increasing taxes are killing retail. We have high vacancy costs to carry vacant space.

COMMENTS ABOUT THE MARKET FROM RESIDENTIAL BROKERS

The real estate market is in a slight correction and mortgage rates are still historically low, so investing in residential real estate has historically been a good investment and will continue to be.

I feel the market is uncertain. If the stock market goes up, we could be in good shape. If it goes down, I expect prices to decline further.

While winter generally shows less activity in the market, the uncertainty of economic conditions, rising interest rates, and a very volatile stock market have had a negative impact on the real estate market.

Government impact is negative.

Higher interest rates would hurt the resale market badly.

There is still a lot of uncertainty in the stock market and political arena and uncertainty is bad for real estate.

Over building of new rental units, is having a negative effect on rental prices. Coop sales are lagging because buyers prefer condos.

CONFIDENCE INDEX QUARTERLY RESULTS

TABLE 1: REAL ESTATE BROKER CONFIDENCE INDEX

	Confidence Index	Present Situation Confidence	Future Confidence (6 months from now)
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	5.7
Fourth Quarter 2016	6.00	6.04	5.97
Third Quarter 2016	5.79	6.46	5.29
Second Quarter 2016	7.04	7.8	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
First Quarter 2015	9.05	9.28	8.88
Fourth Quarter 2014	9.22	9.22	9.23

TABLE 2: COMMERCIAL BROKER CONFIDENCE INDEX

	Confidence Index	Present Situation Confidence	Future Confidence (6 months from now)
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
First Quarter 2015	9.24	9.65	8.94
Fourth Quarter 2014	9.60	9.76	9.48

CONFIDENCE INDEX QUARTERLY RESULTS (CONT.)

TABLE 3: RESIDENTIAL BROKER CONFIDENCE INDEX

	Confidence Index	Present Situation Confidence	Future Confidence (6 months from now)
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	5.54	5.41	5.64
Fourth Quarter 2017	6.57	6.36	6.74
Third Quarter 2017	5.72	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
First Quarter 2015	8.86	8.92	8.82
Fourth Quarter 2014	8.85	8.68	8.97

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	
	1	2	3	4	5	6	7		Situation	Future
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	5.38	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
First Quarter 2015	9.41	8.84	9.75	8.18	9.78	9.00	9.76	9.24	9.65	8.94
Fourth Quarter 2014	9.82	9.45	10.00	9.51	9.45	9.17	9.80	9.60	9.76	9.48

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	
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	7.4	9.02	8.5	6.28	5.8	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	7.9
Third Quarter 2015	8.48	7.96	8.71	7.6	7.31	7.26	7.5	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
First Quarter 2015	9.35	9.14	8.75	8.51	8.76	8.89	8.75	8.86	8.92	8.82
Fourth Quarter 2014	9.13	9.27	9.25	8.8	7.66	8.63	9.19	8.85	8.68	8.97