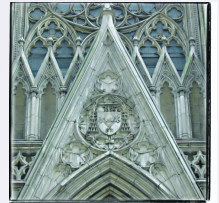


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REAL ESTATE BOARD OF NEW YORK

THE REAL ESTATE BOARD OF NEW YORK

REAL ESTATE BROKER CONFIDENCE INDEX

SECOND QUARTER 2013



**ROB SPEYER,
CHAIRMAN**

**STEVEN SPINOLA,
PRESIDENT**



EXECUTIVE SUMMARY

REAL ESTATE BROKER CONFIDENCE INDEX

SECOND QUARTER 2013

The Real Estate Board of New York's Real Estate Broker Overall Confidence Index for the Second Quarter of 2013 remained virtually unchanged from last quarter, with brokers showing more confidence in the market today than in their expectations of the market six months from now.

Our survey recorded a slight increase in the Overall Present Situation Index to 9.05 compared to 8.87 in the First Quarter of 2013, largely due to the uptick in confidence in the current financing in the commercial sector. Although brokers' confidence in the current market increased, there was a slight decline in outlook six months from now, chiefly caused by the low supply of inventory and rising interest rates in the residential market.

The **Commercial** Real Estate Market Present Situation Index recorded a 9.28 during the Second Quarter of 2013, an increase from 8.85 the previous quarter. When asked about their confidence in the market, many brokers responded positively, with one broker stating, "I am pleasantly surprised at the healthy retail market." Although most people were confident in the current market, there remained some uncertainty about the future market among the commercial brokers. One broker was quoted as saying, "With prices continuing to rise and rising interest rates, I am not sure how long the current surge will last," which reflects the uncertainty surrounding the direction of interest rates and how that will impact the market in the next six months.

While the survey recorded greater confidence in the commercial division, the residential sector saw a drop in confidence in the Second Quarter of 2013 compared to the previous quarter. The **Residential** Real Estate Market Overall Confidence Index slightly decreased to 8.71 this quarter, down from 9.02 in the First Quarter of 2013. This can be attributed a lower stock of inventory, which is creating bidding wars and a fear that buyers may give up and drop out of the market. One broker said, "It is a very difficult market for buyers, with some signs of buyer fatigue – things are not flying off the shelves as they were two months ago, as sellers have raised prices and buyers have dropped out." The low inventory levels have also caused residential brokers to remain doubtful about the future of the market, with one broker stating, "...future market performance will depend on whether or not inventory will increase [and] at the moment, I do not see it increasing anytime soon or in any significant way." The residential rental market has been very strong sustaining the broker's confidence in this sector of the real estate market.

Even though there was a slight drop in confidence in the residential sector it was offset by an increase in confidence in the commercial market. However, uncertainty about interest rates and the lack of residential inventory have made brokers less confident about the market six months from now than they are today.



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REAL ESTATE BROKER CONFIDENCE INDEX QUARTERLY RESULTS

Real Estate Market Confidence Index			
Quarter	Overall Confidence	Confidence Present Situation	Confidence Future (6 mo from now)
Second Quarter 2013	8.89	9.05	8.78
First Quarter 2013	8.90	8.87	8.93
Fourth Quarter 2012	8.12	7.87	8.32
Third Quarter 2012	8.55	8.42	8.64
Second Quarter 2012	7.94	7.71	8.12

Commercial Real Estate Market Confidence Index			
Quarter	Overall Confidence	Confidence Present Situation	Confidence Future (6 mo from now)
Second Quarter 2013	9.08	9.28	8.93
First Quarter 2013	8.79	8.85	8.74
Fourth Quarter 2012	7.67	7.43	7.85
Third Quarter 2012	8.40	8.22	8.54
Second Quarter 2012	7.48	7.15	7.72

Residential Real Estate Market Confidence Index			
Quarter	Overall Confidence	Confidence Present Situation	Confidence Future (6 mo from now)
Second Quarter 2013	8.71	8.83	8.62
First Quarter 2013	9.02	8.89	9.11
Fourth Quarter 2012	8.57	8.30	8.78
Third Quarter 2012	8.69	8.63	8.74
Second Quarter 2012	8.41	8.27	8.51

Explanation of Index:

- The Real Estate Broker Confidence Index includes the response to our eight question survey from all brokers, residential and commercial.
- The Residential Real Estate Broker Confidence Index includes the survey response from only our residential brokers.
- The Commercial Real Estate Broker Confidence Index includes the survey response from only our commercial brokers.
- The Overall Confidence Index includes the brokers' response to all eight questions.
- 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.



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BROKER CONFIDENCE INDEX BY QUESTION AND QUARTER

Commercial Index					
	Second Quarter 2012	Third Quarter 2012	Fourth Quarter 2012	First Quarter 2013	Second Quarter 2013
Question 1	7.39	9.23	7.22	8.53	9.44
Question 2	7.77	8.60	8.00	8.75	9.38
Question 3	6.63	8.54	8.57	9.57	9.19
Question 4	7.33	9.09	8.00	9.23	7.74
Question 5	7.44	6.88	6.50	8.46	9.20
Question 6	8.13	7.80	7.95	8.52	9.26
Question 7	7.66	8.68	7.44	8.46	9.35
Confidence	7.48	8.40	7.67	8.79	9.08
Present Situation	7.15	8.22	7.43	8.85	9.28
Expectation	7.72	8.54	7.85	8.74	8.93

Residential Index					
	Second Quarter 2012	Third Quarter 2012	Fourth Quarter 2012	First Quarter 2013	Second Quarter 2013
Question 1	9.27	9.63	9.40	9.70	9.51
Question 2	9.25	9.48	9.42	9.66	9.56
Question 3	6.23	6.94	6.39	8.07	7.47
Question 4	6.82	7.30	7.12	8.51	6.67
Question 5	9.33	9.33	9.11	8.89	9.50
Question 6	9.13	9.02	9.40	9.24	9.30
Question 7	8.85	9.16	9.17	9.02	8.94
Confidence	8.41	8.69	8.57	9.02	8.71
Present Situation	8.27	8.63	8.30	8.89	8.83
Expectation	8.51	8.74	8.78	9.11	8.62

Broker Confidence 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.