



THE REAL ESTATE BOARD OF NEW YORK

REAL ESTATE BROKER CONFIDENCE INDEX | SECOND QUARTER 2018



EXECUTIVE SUMMARY

The Real Estate Board of New York's (REBNY) **Real Estate Broker Confidence Index** for the second quarter of 2018 was 5.53 out of 10, a decrease of 0.25 since brokers were surveyed about the first quarter of 2018. Commercial broker confidence increased in the second quarter of 2018 when compared to the first quarter, while residential broker confidence declined.

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.

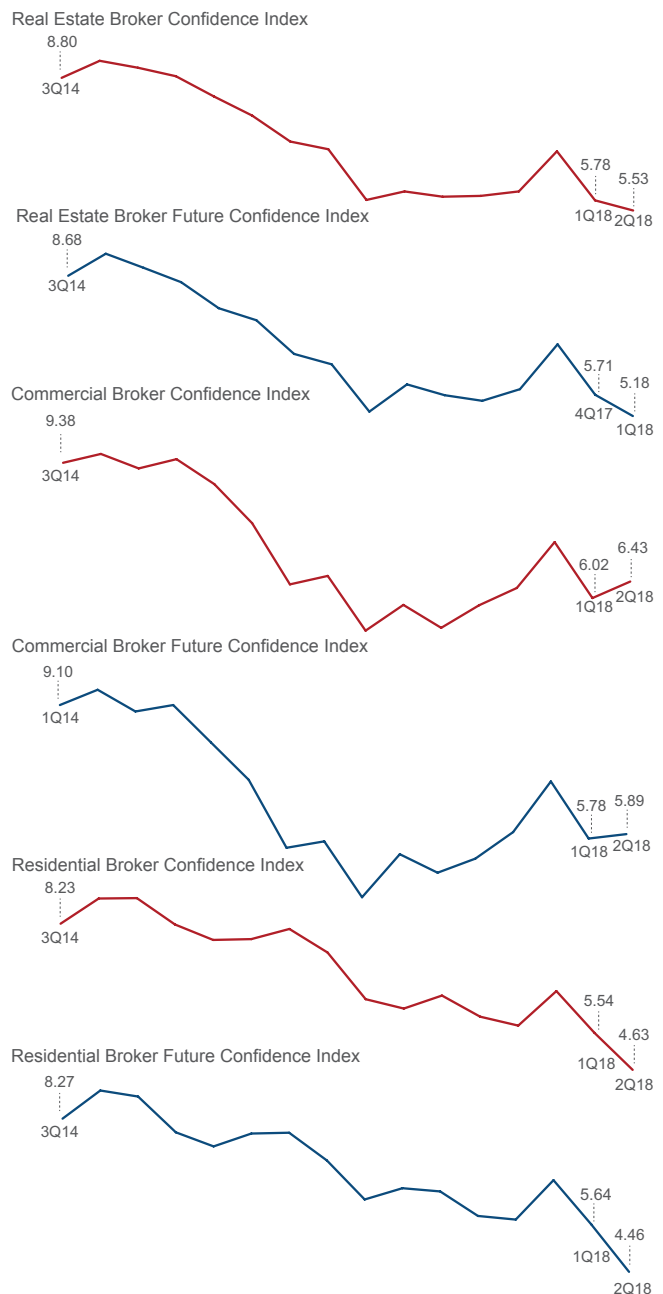
The **Commercial Broker Confidence Index** (which focuses only on responses from members of REBNY's Commercial Brokerage Division) in the second quarter of 2018 was 6.43, an increase of 0.41 since brokers were surveyed about the first quarter of 2018. The Commercial Broker Confidence Index grew by 0.49 year-over-year, up from 5.94 in the second quarter of 2017.

Unlike the first quarter of 2018, when brokers were confident about tax reform, commercial brokers are now concerned about increasing interest rates, tariffs, and political instability. Despite these conditions, and even though they are uneasy about the market six months from now, commercial brokers remain positive overall about the present situation in the current market.

The **Residential Broker Confidence Index** (which focuses only on responses from members of REBNY's Residential Brokerage Division) was 4.63 this quarter, a decrease of 0.91 since brokers were surveyed about the first quarter of 2018 and a considerable decrease of 1.31 since the second quarter of 2017. The second quarter of 2018's Residential Broker Confidence Index is currently below five, which indicates that brokers' confidence related to the market is negative.

Residential brokers are less confident than commercial brokers about the present market and the market six months from now. Many residential brokers expressed concerns about tax reform, rising interest rates, an oversupply in the market, and political instability. These concerns affected their outlook on the future (six months from the date the survey was completed) and the Future

Confidence Index, which was 4.46, a 1.18 decrease since the first quarter of 2018. Residential brokers indicated that buyers are slow to make decisions, while sellers are reluctant to lower their prices. Meanwhile, in the rental market, residential brokers noted that renters are less inclined to pay brokerage fees. These issues led to the record low Residential Broker Confidence Index of 4.63 in the second quarter of 2018.



COMMENTS ABOUT THE MARKET FROM COMMERCIAL BROKERS

Of course, interest rates have the biggest impact.

Higher interest rates.

Increasing interest rates. Unstable political climate.

Think market is stable currently, but overall outlook over the next 12-24 months is slightly negative.

Combination of end of VC cycle, rising interest rates, and lack of political certainty are all negatively impacting market. Moreover, the WeWork's of the world have created a false supply / demand balance. Had those companies not existed, the market never would have seemed as strong.

COMMENTS ABOUT THE MARKET FROM RESIDENTIAL BROKERS

Rising interest rates are impacting sales. Glut of inventory is hurting rentals. Landlords must make upgrades for renters to be interested.

Concerned about a slowing economy and turbulent political environment. Inflation and rising interest rates might also slow sales activity.

Interest rates increasing weaken a buyer's ability to pay more. Sellers in NYC are unrealistically holding on to high prices.

Buyers are not willing to pay what sellers are asking. This is not a new phenomenon, but it has been coming on for several years and is now compounded by rising interest rates and the new tax law capping deductions at \$10K. I am not optimistic in the near term and, unless sellers recognize the new reality, I think 2019 will be a continuation of 2018.

Rising interest rates and changes to the tax law have put the brakes on the real estate market.

Buyers are reacting to the small increases in mortgage interest rates and the uncertainty of the implications of the new tax laws.

There are too many developers building too many units. The ultimate cause is way too much inventory on or coming onto the market. This coupled with less money coming from abroad, (Russia, China, and other countries) is creating huge inventory at the top end which is depressing prices market wide.

Sellers still relating to a high valuation of their properties, increased inventory allowing purchasers time to hopefully negotiate from a position of strength and reduce sale price & possible reduction in commission.

The biggest issue is still pricing but a close second place is condition of the apartment. Buyers are slower to purchase an apartment that needs a good deal of work.

The political and economic atmosphere is slowing things down. Overpricing and lack of quality inventory is slowing things down.

Market is slow: Over supply on the luxury end of the market, and low inventory for homes under \$1M. Prices are too high to motivate buyers.

People are looking for no fees and are not willing to pay a 15% fee.

Almost 15 years in the business and I have never gotten the amount of push back on fees during the summer as I am now. Landlords that are not paying the broker's fee will definitely have to start as the slower months come.

Tax changes and overall uncertainty in the market seem to be suppressing pricing.

The market will continue to limp along if not decline more, as more properties come on, many at unrealistic prices, alongside the disastrous new tax rules which burden all NYC property owners and volatility continues in the financial markets.

CONFIDENCE INDEX QUARTERLY RESULTS

REAL ESTATE BROKER CONFIDENCE INDEX

	Confidence Index	Present Situation Confidence	Future Confidence (6 months from now)
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	5.70
Fourth Quarter 2016	6.00	6.04	5.97
Third Quarter 2016	5.79	6.46	5.29
Second Quarter 2016	7.04	7.80	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
Third Quarter 2014	8.80	8.97	8.68

COMMERCIAL BROKER CONFIDENCE INDEX

	Confidence Index	Present Situation Confidence	Future Confidence (6 months from now)
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	5.94	6.06	5.85
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	9.6	9.76	9.48
Third Quarter 2014	9.38	9.75	9.10

CONFIDENCE INDEX QUARTERLY RESULTS (CONT.)

RESIDENTIAL BROKER CONFIDENCE INDEX

	Confidence Index	Present Situation Confidence	Future Confidence (6 months from now)
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	5.74	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
Third Quarter 2014	8.23	8.18	8.27

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.

COMMERCIAL BROKER CONFIDENCE INDEX SURVEY RESULTS

	Question							Confidence	Present Situation	
	1	2	3	4	5	6	7		Future	
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
Third Quarter 2014	9.76	9.02	10.00	8.85	9.49	8.78	9.75	9.38	9.75	9.10

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.

RESIDENTIAL BROKER CONFIDENCE INDEX SURVEY RESULTS

	Question							Confidence	Present Situation	
	1	2	3	4	5	6	7		Future	
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
Third Quarter 2014	8.92	8.25	8.24	8.15	7.39	8.19	8.49	8.23	8.18	8.27