

Real Estate Broker Confidence Index

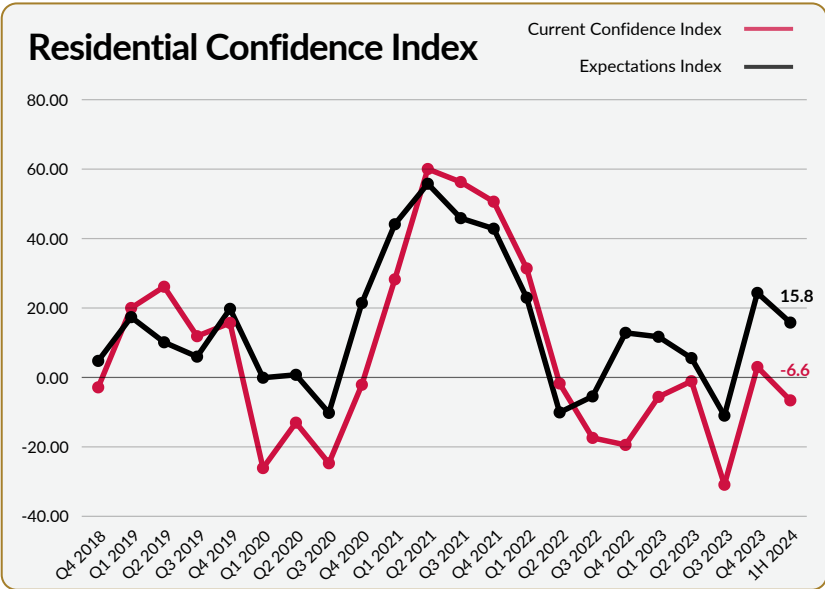
First Half 2024



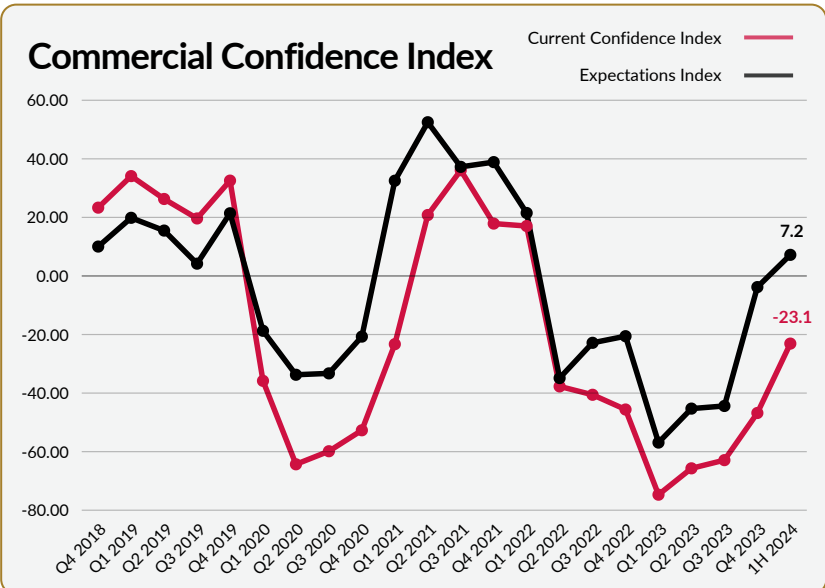
Confidence Indexes

REBNY’s Broker Confidence Index measures brokers’ collective sense of the market, both for current and future conditions. In the first half of 2024, residential and commercial brokers have begun to align in their more positive market outlook.

Until recently, residential brokers were bullish thanks to strong market activity in 2022 and 2023. Commercial brokers have been bearish due to continued shortfalls in office leasing. Both groups have expressed disappointment with current conditions, while commercial brokers now agree that the six-month outlook is better.



The residential Current Confidence Index (CCI) dipped to -6.6 due to negative impressions of market and financing conditions. They remained optimistic about six-month expectations (EXI), with a 15.8 EXI score, just slightly lower than the 24.3 EXI in 2023. Residential brokers are concerned about legislative proposals targeting broker fees, contracts, agent structure, and other policies, along with recent litigation on real estate business practices.



Commercial brokers were more negative. But the six-month outlook jumped from -3.8 to 7.2, the first positive outlook since 2022, largely due to an improved outlook on financing. They think borrowing costs have probably peaked and look forward to imminent rate cuts. The CCI has been negative since Q2 2022 but has trended less negative, improving from -46.8 to -23.1. Several brokers noted that businesses are cautious with the upcoming election, elevated interest rates, and quality of life.

Residential brokers have always been attuned to interest rate movements. An average mortgage rate of 6.7% is not exceptionally high, but it is a big jump compared to sub-4% rates, and has depressed listing inventory. A portion of would-be buyers are renting, exacerbating the shortage of rental units.

“Buyers are on the sidelines renting and sellers are not selling. Inventory is very low. All based on interest rates.”

Concerns about renewed efforts to change broker fees and the NAR settlement have created concerns about the livelihood of brokers across New York City.

“Remains to be seen what impact the NAR, REBNY, and large firm settlements will have on our livelihoods.”

“New buyer agency commission agreements will hurt first time buyers.”

A handful of residential brokers once again mentioned the lack of momentum in housing development as a long-term problem.

“Not enough new buildings coming to market due to the expiration of 421a.”



This broker summarized all conditions and concerns nicely:

“High interest rates and limited inventory are already challenging for first-time buyers, and the added concern of feeling obligated to pay their broker can exacerbate these issues. The introduction of the Buyer's Representation Agreement (BRA) adds another layer of complexity, making it essential to monitor how the market will react. Once interest rates are cut, we may see some relief and increased activity in the market.”

For commercial brokers, the big shift was improved optimism in their six-month outlook which rose due to election optimism, Fed rate cuts, and momentum for City of Yes. Regarding current conditions, though, many painted a picture of uncertainty, which may make office tenants hesitant to commit to leases.

“I expect that companies will have more confidence in making long-term plans following the election.”

“Sustained higher interest rates and tumultuous presidential elections have an ongoing negative impact on market conditions. The proposed city of yes will have a positive impact.”

Not surprisingly, several brokers underscored the need for incentives that reduce obstacles to return to office while also reducing obsolete supply.

“Need to provide incentives for landlords to demolish obsolescent properties.”

Methodology

Gathered during the last several weeks of each quarter, the Residential Brokerage Confidence Index (RBCI) and Commercial Brokerage Confidence Index (CBCI) are based on surveys completed by brokerage members of the Real Estate Board of New York (REBNY).

Brokers are asked about their sentiment regarding current market conditions (CCI) as well as their expectations for the next six months (EXI) broken out by residential and commercial real estate sectors. The report uses a scale to -100 (meaning uniformly negative responses to all questions) to 100 (uniformly positive responses.) A score of 0 now represents all brokers entering a neutral

response, or an equal number of brokers responding with positive and negative sentiment. All historical data in the report has been revised to feature the updated scale, along with the Present Situation and Future Confidence indices being renamed to the Current Conditions Index (CCI) and Expectations Index (EXI).

Brokers are prompted to select either a positive, neutral, or negative response for the set of questions below:

1. What is your assessment of the residential/commercial real estate market?
 2. What is your expectation of the residential/commercial real estate market six months from now?
 3. What is your assessment of the current financing market for residential/commercial real estate sales?
 4. What is your expectation of the financing market for residential/commercial real estate sales six months from now?
 5. What is your assessment of the current residential/commercial real estate rental market?
 6. What is your expectation of the residential/commercial real estate rental market six months from now?
 7. What is your expectation of total residential/commercial commissions six months from now?
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