

THE REAL ESTATE BOARD OF NEW YORK

REAL ESTATE BROKER CONFIDENCE INDEX | THIRD QUARTER 2014

REBNY Stay On Top
of New York.

EXECUTIVE SUMMARY

REAL ESTATE BROKER CONFIDENCE INDEX

THIRD QUARTER 2014

The Real Estate Board of New York's Real Estate Broker Confidence Index for the third quarter of 2014 showed that broker's confidence decreased slightly compared to last quarter from 8.88 to 8.80. Both residential and commercial brokers' confidence marginally decreased, with commercial brokers' confidence slightly higher than residential brokers. This has been the case since the first quarter of 2013. Although confidence levels have not dropped below 8.80 in 2014, confidence in the market has slipped since the beginning of 2014, decreasing in both confidence in the current market and confidence in how well the market will do in the near future.

The Residential Broker Confidence Index decreased from 8.30 to 8.23 this quarter, and is the same as it was one year ago in the third quarter of 2013. Residential brokers have identified the lack of inventory as a major issue in each survey for the past year, and this quarter was no different. Brokers mentioned seeing an abundance of new ultra high end developments going up around Manhattan, but that the real need is for middle-income housing throughout the City. The popularity of new neighborhoods in the outer boroughs was a positive factor in the market for our residential brokers.

The Commercial Broker Confidence Index was 9.38 this quarter, down from 9.45 in the last quarter. Commercial confidence levels have been high since the survey began, never dropping below 9.0 since the first quarter of 2013. Commercial broker comments and concerns about the market were more varied than the residential brokers. For Commercial brokers a growing tech sector is a positive sign for the office market, creating strong demand and diminishing supply. Commercial brokers are confident as a result of the increased leasing activity in Midtown South.

COMMENTS ABOUT THE MARKET FROM RESIDENTIAL BROKERS

The biggest impact on sales is the proposed luxury tax on pied a terres -- this will have a massive effect on the market and will particularly impact luxury developers if the proposals go through.

We need some middle income housing. It's great that all of these high end developments are coming on the market, but let's get middle income housing on that chain.

If inventory levels stay low, I think sales will continue to be extremely competitive at high prices. New construction will be released at a much higher price point than existing inventory, creating a more elite buyer pool but not necessarily impacting the established building inventory levels.

The above-market price, very "shiny" and new and "wow" apartments sell quickly in spite of price.

Expanding edge markets continue to hold promise.

It is difficult to get mortgages for customers, and all cash trumps all best and final offers, making the first time home buyer less competitive in our Manhattan market.

There is continued acceleration in well priced properties but buyers are cautious and sellers must be reasonable with pricing outside of the perennial hot neighborhoods.

COMMENTS ABOUT THE MARKET FROM COMMERCIAL BROKERS

The impact of the technology, advertising, media, and information sector (TAMI) is certainly affecting the market. New construction will also have an impact on secondary and tertiary buildings.

Employment growth in the tech sector is supporting NY job growth.

I believe the most unique aspect of the office leasing market in Manhattan is the transfer of leasing activity from Midtown to Midtown South.

Lease rates in Midtown will begin to look attractive as compared with the other two major sub-markets, Midtown South and Downtown.

The investment activity has been gaining strength since the last half of 2013.

Demand is still strong and the supply side is tightening.

Companies will continue downsizing the amount of space they provide to each employee with more collaborative space.

REAL ESTATE BROKER CONFIDENCE INDEX QUARTERLY RESULTS

REAL ESTATE BROKER CONFIDENCE INDEX

	Confidence Index	Confidence Present Situation	Confidence Future (6 months from now)
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
Third Quarter 2013	8.75	9.14	8.46
Second Quarter 2013	8.89	9.05	8.78
First Quarter 2013	8.90	8.87	8.93

COMMERCIAL BROKER CONFIDENCE INDEX

	Confidence Index	Confidence Present Situation	Confidence Future (6 months from now)
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
Third Quarter 2013	9.18	9.77	8.73
Second Quarter 2013	9.08	9.28	8.93
First Quarter 2013	8.79	8.85	8.74

RESIDENTIAL BROKER CONFIDENCE INDEX

	Confidence Index	Confidence Present Situation	Confidence Future (6 months from now)
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
Third Quarter 2013	8.33	8.51	8.19
Second Quarter 2013	8.71	8.83	8.62
First Quarter 2013	9.02	8.89	9.11

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

	2Q 2013	3Q 2013	4Q 2013	1Q 2014	2Q 2014	3Q 2014
Question 1	9.44	9.68	10.0	10.00	10.00	9.76
Question 2	9.38	8.86	9.77	9.44	9.38	9.02
Question 3	9.19	10.0	9.74	10.00	10.00	10.00
Question 4	7.74	7.81	9.44	9.09	9.05	8.85
Question 5	9.20	9.64	9.51	9.71	9.68	9.49
Question 6	9.26	8.89	9.15	9.39	8.44	8.78
Question 7	9.35	9.35	8.84	9.71	9.64	9.75
Confidence	9.08	9.18	9.49	9.62	9.45	9.38
Present Situation	9.28	9.77	9.75	9.90	9.89	9.75
Future	8.93	8.73	9.30	9.41	9.13	9.10

RESIDENTIAL INDEX

	2Q 2013	3Q 2013	4Q 2013	1Q 2014	2Q 2014	3Q 2014
Question 1	9.51	9.47	9.19	9.35	8.76	8.92
Question 2	9.56	9.26	9.04	9.43	8.85	8.25
Question 3	7.47	7.45	7.89	8.83	7.81	8.24
Question 4	6.67	6.16	7.64	8.36	8.21	8.15
Question 5	9.50	8.62	7.89	7.79	8.32	7.39
Question 6	9.30	8.68	8.96	8.97	8.21	8.19
Question 7	8.94	8.66	8.99	8.88	7.92	8.49
Confidence	8.71	8.33	8.52	8.80	8.30	8.23
Present Situation	8.83	8.51	8.32	8.66	8.30	8.18
Future	8.62	8.19	8.66	8.91	8.30	8.27

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 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.