

THE REAL ESTATE BOARD OF NEW YORK

REAL ESTATE BROKER CONFIDENCE INDEX | THIRD QUARTER 2016

REBNY Stay On Top
of New York.

EXECUTIVE SUMMARY

REAL ESTATE BROKER CONFIDENCE INDEX

THIRD QUARTER 2016

The Real Estate Board of New York's (REBNY) **Real Estate Broker Confidence Index** for the third quarter of 2016 was 5.79, a 1.25 drop from the second quarter of 2016. There has been a slow, steady decline in overall broker confidence in the market since the fourth quarter of 2014 when it was 9.22, the highest it had been since we began surveying our brokers in the first quarter of 2013.

Similarly, the overall broker confidence index for the market six months from now was 5.29, dipping 1.18 points from last quarter. This index has also continued to decline from the fourth quarter of 2014 when it was 9.23, the highest it had been since we began surveying our brokers.

The declines in overall broker confidence in the current market and the market six months from now were driven by both the residential and commercial broker index. Though the residential broker index is higher than the commercial index for this quarter, the general downward trend of the commercial index since the third quarter of 2015 has contributed to the overall decline of overall broker confidence.

The **Commercial Broker Confidence Index** was 5.21, a 1.36 decrease from last quarter's 6.57. This was a directional shift in commercial broker confidence following the increase in confidence seen in the previous quarter. Similarly, the Commercial Broker Confidence Index for expectations of the market six months from now was 4.32, down 1.39 from 5.71 last quarter. This is the first time that any aspect of our indices has dipped below 5.00, which signals that more commercial brokers are shifting to a less positive view of the market and remain cautious.

Concerns about our country's political future and bank regulations have continued to influence the outlook of the commercial brokers. Some voiced their apprehensions sensing a slowdown in the retail market due to the industry's transition to web-based services. Others also felt that government regulations and lending were affecting banks' abilities to finance transactions, delaying their closing times. Despite the drop in confidence, some commercial brokers still believe that there will be a bounce in activity after the election.

Our **Residential Broker Confidence Index** was slightly lower than last quarter with confidence decreasing to 6.37, down 1.15 from 7.52 last quarter. Residential brokers' concerns in the current market and the market six months from now included the rental market softening and the uncertainty of the presidential election. Some brokers mentioned that domestic buyers, specifically, are lagging on purchases because of the election. Foreign buyers have also grown more cautious due to the election and international economy.

Residential broker confidence in the market six months from now dropped 0.97 down to 6.26 from 7.23 last quarter. Some brokers remain positive because the \$2 million and below sales market remains strong. However, they believe there is an oversupply in the luxury market. Uncertainty over interest rates and the presidential election has left many residential brokers unsure of what market conditions will be like six months from now.

COMMENTS ABOUT THE MARKET FROM COMMERCIAL BROKERS

There should be a bounce in activity after the election.

All investment properties in NYC and surrounding boroughs are VERY valuable.

Heavy tenant activity regarding looking at spaces...Difficult to get deals closed.

Tenants looking to do more with less space and sign for shorter term leases.

With a low GDP growth, environment will likely impact future employment expansion in the near term.

There are no banks lending for land and development deals.

Both economic and governmental issues are holding the market back. There is too much uncertainty.

Economic and political conditions will impact the market performance in the next six to nine months.

Other topics addressed by brokers include: the retail market, government and bank regulations, global economy, interest rates, and lending.

COMMENTS ABOUT THE MARKET FROM RESIDENTIAL BROKERS

My expertise is rentals. I've been getting more people wanting to buy lately.

If priced fairly, they sell.

One of my markets is Old Mill Basin. This area is becoming the next hot spot for one family homes at affordable prices.

Market are "wait and see" for now after the election. Some are positive about it.

Several clients have put off selling and/or buying homes until after the election, most likely until 2017 to see how the market plays out.

Sales market shows continued interest from buyers.

Buyers are more cautious and interested in value, not hype.

International buyers who had been driving market up have all but disappeared so people's perception is that the market is going in to decline.

I don't worry about the economy, market or government. Every day someone is going to buy or rent a property.

Still lacking adequate inventory for buyers under 1 million and even worse if under 500k
The upcoming election is causing buyers to pause.

Slower sales market...looking at many more properties before signing.

Currently have clients worried about the market with the elections looming. A few in wait and see mode.

Low inventory levels for the less than 3 million price range.

Rental agent in Queens...The rental market is slowing down due to the amount of new development on the market, causing landlords of older properties to expect similar rental rates, which is not achievable.

I am finding it difficult to sell vacant lots due to the Tax Abatement cancellation.

Other topics addressed by brokers include: political economy, evolving market conditions, interest rates, and domestic buyers.

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 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
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 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
Third Quarter 2014	9.38	9.75	9.10
Second Quarter 2014	9.45	9.89	9.41
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 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
Second Quarter 2014	8.80	8.66	8.91
First Quarter 2014	8.30	8.30	8.30
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

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 current or recent issues or actions (economic, market, government) that would 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 (retail, rental, or leasing) and describe current or recent issues or actions (economic, market, government) that would impact future market performance.

Note: The survey asks the broker to select one of three responses (positive, neutral, negative) to each question.