

THE REAL ESTATE BOARD OF NEW YORK

REAL ESTATE BROKER CONFIDENCE INDEX | FOURTH QUARTER
2014

REBNY Stay On Top
of New York.

EXECUTIVE SUMMARY

REAL ESTATE BROKER CONFIDENCE INDEX

FOURTH QUARTER 2014

The Real Estate Board of New York's Real Estate Broker Confidence Index for the fourth quarter of 2014 increased to 9.22, the highest level of confidence reported since the survey has been issued. Confidence is up across the board, including confidence from both commercial and residential brokers. Their expectation for the market for the near future (six months from now) is also up. Brokers generally reported that the reason behind their confidence was a steady rise in prices in the residential and commercial market, sales and rental, indicating a strong, active, stable market.

The Commercial Broker Confidence Index was at a 9.6, up from 9.38 last quarter. Brokers commented on rising rental and sales prices and on the popularity of Lower Manhattan for commercial tenants, specifically within the TAMI sector (Technology, Advertising, Media and Information). Concern was raised over the pace of increasing rents- if they rise too fast, brokers fear it may slow down the market.

The Residential Broker Confidence Index increased from 8.23 to 8.85 this quarter. This increase in confidence is attributed to the steady rise in pricing—sales and rental—and the continued level of sustainable activity. However, the survey indicates that residential broker's confidence in the residential rental market is more tempered than the sales market. Residential brokers have again identified the lack of inventory as the major issue for the quarter, as has been the case for the past year. This inventory issue appears to be a concern for sales and rentals. At the same time, brokers do report seeing a lot of new development, but mention the need for more affordable housing as most of the new developments are luxury condos. More rental housing construction would be good for our city.

COMMENTS ABOUT THE MARKET FROM RESIDENTIAL BROKERS

There is not much inventory available. Prices should increase with less apartments.

The unique aspect and continued problem is inventory shortage.

Inventory continues to decline, so prices will go up.

Foreign cash buyers are the market drivers.

The many new developments coming into the market are a plus for foreign buyers.

All of Manhattan and some of Brooklyn are waiting for lower priced new developments to come on the market.

New development will continue to be the story next year.

The surge of condos coming on the market in 2015 will have an adverse effect on prices.

The influx of luxury new development in 2015 is the big factor for the NYC market this year.

I expect prices to go up and then adjust slightly as new product comes onto the market.

COMMENTS ABOUT THE MARKET FROM COMMERCIAL BROKERS

The market remains strong and active.

Retail sales may not justify the rising rents.

Pricing is scary high at this point.

Unique for the moment is lack of product and soaring rental rates.

Large TAMI tenants are moving in.

More tenants will be moving downtown, and that sector will become the new place to be.

I see shrinking supply and rising demand, which creates a stable market with rising prices.

Rents in Manhattan are getting too high, and tenants are putting up resistance.

There does not seem to be any sign that the current market growth will not continue at least for the next 12 months.

I am concerned over the high pricing which at some point may slow things down if interest rates creep up.

Financing is plentiful for quality projects and looks to continue.

Lower Manhattan will continue to be the story.

REAL ESTATE BROKER CONFIDENCE INDEX QUARTERLY RESULTS

REAL ESTATE BROKER CONFIDENCE INDEX

	Confidence Index	Confidence Present Situation	Confidence Future (6 months from now)
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

COMMERCIAL BROKER CONFIDENCE INDEX

	Confidence Index	Confidence Present Situation	Confidence Future (6 months from now)
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	9.13
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

RESIDENTIAL BROKER CONFIDENCE INDEX

	Confidence Index	Confidence Present Situation	Confidence Future (6 months from now)
Fourth Quarter 2014	8.85	8.68	8.97
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

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

	3Q 2013	4Q 2013	1Q 2014	2Q 2014	3Q 2014	4Q 2014
Question 1	9.68	10.0	10.00	10.00	9.76	9.82
Question 2	8.86	9.77	9.44	9.38	9.02	9.45
Question 3	10.0	9.74	10.00	10.00	10.00	10
Question 4	7.81	9.44	9.09	9.05	8.85	9.51
Question 5	9.64	9.51	9.71	9.68	9.49	9.45
Question 6	8.89	9.15	9.39	8.44	8.78	9.17
Question 7	9.35	8.84	9.71	9.64	9.75	9.80
Confidence	9.18	9.49	9.62	9.45	9.38	9.60
Present Situation	9.77	9.75	9.90	9.89	9.75	9.76
Future	8.73	9.30	9.41	9.13	9.10	9.48

RESIDENTIAL INDEX

	3Q 2013	4Q 2013	1Q 2014	2Q 2014	3Q 2014	4Q 2014
Question 1	9.47	9.19	9.35	8.76	8.92	9.13
Question 2	9.26	9.04	9.43	8.85	8.25	9.27
Question 3	7.45	7.89	8.83	7.81	8.24	9.25
Question 4	6.16	7.64	8.36	8.21	8.15	8.80
Question 5	8.62	7.89	7.79	8.32	7.39	7.66
Question 6	8.68	8.96	8.97	8.21	8.19	8.63
Question 7	8.66	8.99	8.88	7.92	8.49	9.19
Confidence	8.33	8.52	8.80	8.30	8.23	8.85
Present Situation	8.51	8.32	8.66	8.30	8.18	8.68
Future	8.19	8.66	8.91	8.30	8.27	8.97

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.