



THE REAL ESTATE BOARD OF NEW YORK

REAL ESTATE BROKER CONFIDENCE INDEX | THIRD QUARTER 2018



EXECUTIVE SUMMARY

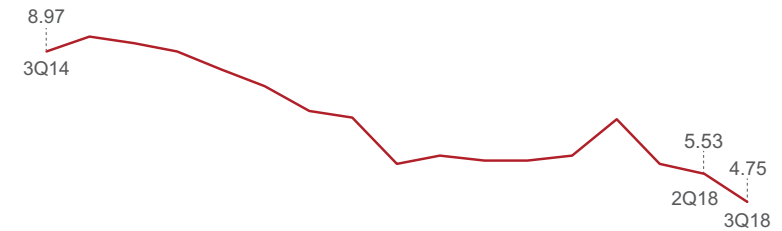
The Real Estate Board of New York's (REBNY) **Real Estate Broker Confidence Index** for third quarter of 2018 was 4.75 out of 10, a decrease of 0.78 since brokers were surveyed about the second quarter of 2018. Residential and Commercial Broker confidence both experienced declines in the third quarter of 2018 when compared to the second quarter.

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.

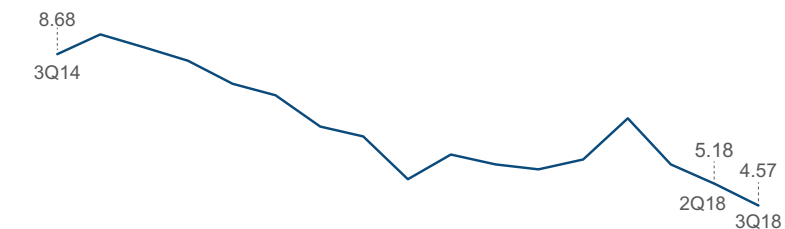
The **Commercial Broker Confidence Index** (which focuses only on the Commercial Brokerage Division responses) in the third quarter of 2018 was 5.53, a decrease of 0.90 since brokers were surveyed about the second quarter of 2018. The Commercial Broker Confidence Index has declined by 0.74 year-over-year, down from 6.27 in the third quarter of 2017.

In the first two quarters of 2018, commercial brokers expressed concerns about the impact of tax reform, interest rates, tariffs, and political instability. These concerns continued in the third quarter of the year. Given such conditions, commercial brokers remain uneasy about the market six months from now with an index of 5.22 recorded for the third quarter of 2018, a 0.67 decline from the second quarter of 2018. Confidence declines for future expectations were fueled by concerns regarding the commercial financing market (Table 4, Question 4), which was indexed at a low of 3.33, a 2.37 decline since last surveyed in the second quarter of 2018.

Real Estate Broker Overall Confidence Index



Real Estate Broker Future Confidence Index



Commercial Broker Overall Confidence Index



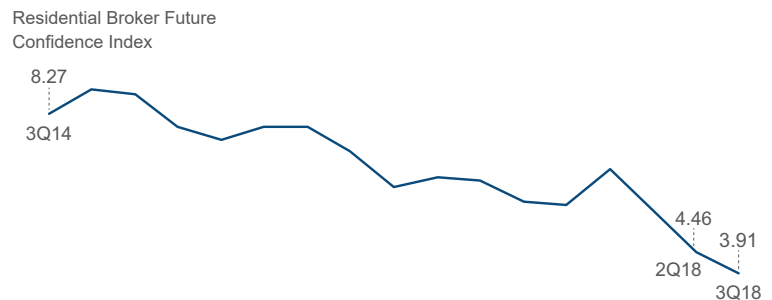
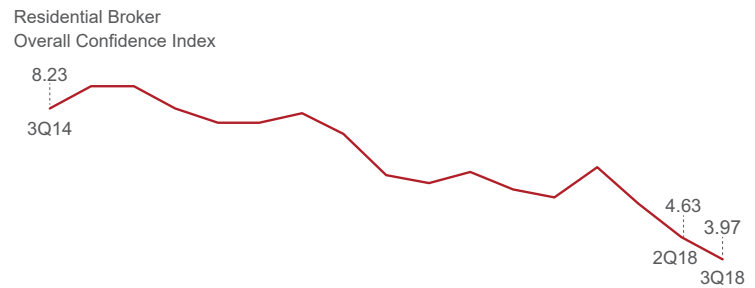
Commercial Broker Future Confidence Index



EXECUTIVE SUMMARY (CONT.)

The **Residential Broker Confidence Index** (which focuses only on the Residential Brokerage Division responses) was at an all-time low of 3.97, a decrease of 0.66 since brokers were surveyed about the second quarter of 2018. Residential Broker Confidence Index took a noticeable turn, decreasing by 1.75 year-over-year since the third quarter of 2017, representative of a continual downwards trend in market confidence for residential brokers. Residential brokers indicate that soft buyer demand combined with seasonal factors and government instability accounts for their reduced confidence in the market, while noting that the market may improve when buyers become more active.

Similarly, residential brokers are far less certain about the present situation and the market six months from now as the residential Future Confidence Index was at a record low of 3.91 for the third quarter of 2018, a decrease of 0.55 since the second quarter of 2018. The drop is attributable to future expectations of the leasing market which was indexed at 3.57, (Table 3, Question 6) a decrease of 0.61, since last surveyed in the second quarter of 2018. A significant portion of residential brokers expressed concerns with the sales market undergoing price corrections from all-time highs, as conditions are becoming more favorably oriented towards buyers compared to sellers. Furthermore, increases in inventory levels outpacing demand, especially on the higher end, lead to a decrease in commissions expectations (Table 3, Question 7) that was indexed at 3.39, a 1.12 drop from the second quarter of 2018.



COMMENTS ABOUT THE MARKET FROM COMMERCIAL BROKERS

Clients are being more thoughtful in their decision making process.

Economic, market and government are all factors that will impact future performance.

Rising interest rates and a slowdown in tech company growth / performance are a concern.

Bumpy road ahead however perhaps back to stability and growth once we get through this.

Big change in interest rates which I don't expect would hurt. Escalating trade issues with China aren't helpful.

Interest rates will have biggest impact on future performance.

The biggest thing holding back the market is taxation. In particular, RE taxes have gone up and up, while at the same time effective rent have declined. This is particularly true with retail properties.

Now the talk of commercial rent control and penalties on store vacancies is credulous. Lower rent and increasing taxes are killing retail. We have high vacancy costs to carry vacant space. Why would we ever want a vacancy?

With rates rising and buyers being a lot more conservative with underwriting turnover of rent stabilized units the sellers have to adjust which hasn't happened yet.

COMMENTS ABOUT THE MARKET FROM RESIDENTIAL BROKERS

The sales market is still in flux and buyers are holding back. The rental market, especially at the lower end seems very active.

Readjusted prices because of tax laws and mortgage rates. NYC real estate is always in demand.

September is traditionally the slowest month of the year. I have no reason to expect the Spring market to be affected by slowdown in the Fall market. I've been selling RE for 30 years there's a pattern. People always panic when it gets slow.

Buyers are nervous about the federal government.

Buyers are looking for bargains and sellers need to adjust. Coop boards need to adjust as well. Cash reserves difficult for first time buyers.

More inventory than demand on the high end. Increasing monthly carrying costs in terms of maintenance fees, common charges and taxes in addition to higher interest rates will also affect values.

Have seen inventory levels rise. Days on market increasing. No sense of urgency on the part of buyers.

Economy is finally pulling back up but the banks are once again tightening their belts on mortgages

Uncertainty in our politics is driving our market.

The market will be impacted by buyers who realize that this is a buyer's market. - now is the time to buy - there are opportunities for buyers in this market that have not existed in years.

CONFIDENCE INDEX QUARTERLY RESULTS

TABLE 1: REAL ESTATE BROKER CONFIDENCE INDEX

	Confidence Index	Present Situation Confidence	Future Confidence (6 months from now)
Third Quarter 2018	4.75	5.00	4.57
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	5.7
Fourth Quarter 2016	6.00	6.04	5.97
Third Quarter 2016	5.79	6.46	5.29
Second Quarter 2016	7.04	7.8	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

TABLE 2: COMMERCIAL BROKER CONFIDENCE INDEX

	Confidence Index	Present Situation Confidence	Future Confidence (6 months from now)
Third Quarter 2018	5.53	5.95	5.22
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	5.84	6.59	5.28
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	9.60	9.76	9.48
Third Quarter 2014	9.38	9.75	9.10

CONFIDENCE INDEX QUARTERLY RESULTS (CONT.)

TABLE 3: RESIDENTIAL BROKER CONFIDENCE INDEX

	Confidence Index	Present Situation Confidence	Future Confidence (6 months from now)
Third Quarter 2018	3.97	4.05	3.91
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	5.72	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.

TABLE 4: COMMERCIAL BROKER CONFIDENCE INDEX SURVEY RESULTS

	Question							Confidence	Present Situation	
	1	2	3	4	5	6	7		Future	
Third Quarter 2018	6.80	6.36	5.22	3.33	5.83	5.42	5.77	5.53	5.95	5.22
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	5.91	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.

TABLE 5: RESIDENTIAL BROKER CONFIDENCE INDEX SURVEY RESULTS

	Question							Confidence	Present Situation	
	1	2	3	4	5	6	7		Future	
Third Quarter 2018	2.07	2.89	6.50	5.32	3.57	4.03	3.39	3.97	4.05	3.91
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	7.40	9.02	8.50	6.28	5.80	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	7.90
Third Quarter 2015	8.48	7.96	8.71	7.60	7.31	7.26	7.50	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	8.80	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