

THE REAL ESTATE BOARD OF NEW YORK

REAL ESTATE BROKER CONFIDENCE INDEX | FOURTH QUARTER 2015

REBNY Stay On Top
of New York.

EXECUTIVE SUMMARY

REAL ESTATE BROKER CONFIDENCE INDEX

FOURTH QUARTER 2015

The Real Estate Board of New York's Real Estate Broker Confidence Index for the fourth quarter of 2015 is 7.87, a .47 drop from last quarter's 8.34. Likewise, confidence in the market six months from now was 7.57, dipping .30 points from 7.87 last quarter.

This slight drop in confidence in the current market and the market six months from now was driven by a drop in confidence by our commercial brokers. Concern about the national and international economy has tempered the outlook of the commercial brokers. Our residential brokers reported higher confidence levels than last quarter. However, concerns about rising interest rates and the lack of inventory continue to worry the residential brokers in the current market and the market six months from now. Nevertheless, the overall level of confidence of the residential brokers and the commercial brokers remains positive despite the dip.

The Commercial Broker Confidence Index was 7.88, a decrease from last quarter's 8.85. Similarly, the Commercial Broker Confidence Index for expectations of the market six months from now was 7.24, down .93 from last quarter's 8.17. Anticipation of interest rate increases in the future, their potential impact on job growth and uncertainty about the local, national and global economy were the brokers' key concerns. Financing for commercial real estate sales six months from now was also an issue causing unease for the commercial brokers.

The Residential Broker Confidence Index increased slightly to 7.85 from 7.83 last quarter, though lack of inventory specifically in the \$1-5 million range was cited as a concern. The lack of inventory has been an ongoing concern for nearly two years with our residential brokers. Despite inventory concerns, our brokers remain positive and believe the market will continue to move in a positive direction.

Residential broker confidence in the market six months from now moved back up to 7.9, from 7.58 last quarter. The brokers have remained upbeat despite differing assessments of the Manhattan and borough markets. Brokers stated that the Brooklyn rental market may still weaken the Manhattan market. The uncertainty of interest rates and the volatility of the stock market left many residential brokers unsure of what the market conditions will be like six months from now. Other brokers though stated that the New York City real estate market is a safe haven for foreign investment and believe that the market will remain strong during the next six months.

COMMENTS ABOUT THE MARKET FROM RESIDENTIAL BROKERS

I believe rentals in the NYC area seem to be on a positive path/growth.

I am positive that all areas will continue to improve and grow within the near future.

Rising interest rates and buyer fatigue may impact the market negatively.

Mortgage increases should push buyers on the fence to act although lending challenges limits overall pool of buyers.

People seem to be more willing to live further uptown or in other boroughs to get more space and amenities than they used to be.

I've found that while demand has increased and prices remain high, rents seem to be leveling off a bit. Even though people are looking, they are willing to wait for the right "deal."

Sales, the stock market swings and the election year questions are making for cautious buyers.

I see the sales market staying the same unless the stock market continues to go down.

Rise in interest rates even though they should be small increases will slow down the rate of growth in sale prices.

The stock market dip hurt me in that some buyers didn't feel comfortable pulling the trigger.

The Fed raising interest rates is another factor that may start to limit \$1mm to \$5mm buyers buying power over the next 12-24 months.

I believe a stronger regional and national economy will continue to support sales in 2016, however, I do anticipate a slowdown.

Inventory still low and although the interest rates have gone up -- they are still very low.

Need more product under \$5 million...limited inventory of properties from \$1.25 million and less... Quality inventory under \$4m is an ongoing challenge.

Sellers are getting a wakeup call as their expectations of price have become unreasonable. We will see the market correct to where pricing should be and already see price reductions every day.

COMMENTS ABOUT THE MARKET FROM COMMERCIAL BROKERS

I sense a slow down in space absorption as even as tenants constituent to maintain their employees, the space allocated per employee has been reduced.

Overall economic data and corporate growth looks anemic which will negatively impact tenant's hiring and leasing activity.

A sharp increase in interest rates or a dramatic global event (i.e. political, economic) would likely impact future market performance.

Rising interest rates may impact the smaller business owner when they go shopping for financing for office condo.

Increased supply and tenants needing less space per person has started taking its toll.

Tech contraction is a concern.

It's harder to get deals for budget sensitive tenants.

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 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)
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	9.13
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)
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	8.30	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

	Question 1	Question 2	Question 3	Question 4	Question 5	Question 6	Question 7	Confidence	Present Situation	Future
4Q2015	9.06	7.2	8.78	7.11	8.33	6.98	7.69	7.88	8.72	7.24
3Q 2015	9.83	8	9.64	7.14	9.81	8.2	9.33	8.85	9.76	8.17
2Q2015	10	8.92	10	8.98	9.87	9.22	9.3	9.47	9.96	9.1
1Q2015	9.41	8.84	9.75	8.18	9.78	9	9.76	9.24	9.65	8.94
4Q2014	9.82	9.45	10	9.51	9.45	9.17	9.8	9.6	9.76	9.48
3Q2014	9.76	9.02	10	8.85	9.49	8.78	9.75	9.38	9.75	9.1
2Q2014	10	9.38	10	9.05	9.68	8.44	9.64	9.45	9.89	9.13
1Q2014	10	9.44	10	9.09	9.71	9.39	9.71	9.62	9.9	9.41
4Q2013	10	9.77	9.74	9.44	9.51	9.15	8.84	9.49	9.75	9.3
3Q2013	9.68	8.86	10	7.81	9.64	8.89	9.35	9.18	9.77	8.73
2Q2013	9.44	9.38	9.19	7.74	9.2	9.26	9.35	9.08	9.28	8.93
1Q2013	8.53	8.75	9.57	9.23	8.46	8.52	8.46	8.79	8.85	8.74

RESIDENTIAL INDEX

	Question 1	Question 2	Question 3	Question 4	Question 5	Question 6	Question 7	Confidence	Present Situation	Future
4Q2015	8.74	7.89	8.59	7.73	6.03	7.61	8.38	7.85	7.79	7.9
3Q 2015	8.48	7.96	8.71	7.6	7.31	7.26	7.5	7.83	8.16	7.58
2Q2015	9.05	8.62	8.62	7.35	8.08	7.33	8.43	8.21	8.59	7.93
1Q2015	9.35	9.14	8.75	8.51	8.76	8.89	8.75	8.86	8.92	8.82
4Q2014	9.13	9.27	9.25	8.8	7.66	8.63	9.19	8.85	8.68	8.97
3Q2014	8.92	8.25	8.24	8.15	7.39	8.19	8.49	8.23	8.18	8.27
2Q2014	8.76	8.85	7.81	8.21	8.32	8.21	7.92	8.3	8.3	8.3
1Q2014	9.35	9.43	8.83	8.36	7.79	8.97	8.88	8.8	8.66	8.91
4Q2013	9.19	9.04	7.89	7.64	7.89	8.96	8.99	8.52	8.32	8.66
3Q2013	9.47	9.26	7.45	6.16	8.62	8.68	8.66	8.33	8.51	8.19
2Q2013	9.51	9.56	7.47	6.67	9.5	9.3	8.94	8.71	8.83	8.62
1Q2013	9.7	9.66	8.07	8.51	8.89	9.24	9.02	9.02	8.89	9.11

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.