

# THE REAL ESTATE BOARD OF NEW YORK

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REAL ESTATE BROKER CONFIDENCE INDEX | SECOND QUARTER 2016

**REBNY** Stay On Top  
of New York.

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## EXECUTIVE SUMMARY

### REAL ESTATE BROKER CONFIDENCE INDEX

### FIRST QUARTER 2016

The Real Estate Board of New York's **Real Estate Broker Confidence Index** for the second quarter of 2016 was 7.04, a .19 drop from the first 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.

Similarly, the overall broker confidence index for the market six months from now was 6.47, dipping .26 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.

Nevertheless, despite this trend, residential and commercial brokers remain cautiously optimistic and positive overall.

The drop in overall broker confidence in the current market and the market six months from now was driven primarily by the 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 second quarter in 2015 has contributed to the overall decline of broker confidence.

The **Commercial Broker Confidence Index** was 6.57, an increase from last quarter's 6.36. This marks the first increase in commercial broker confidence since the second quarter in 2015. Similarly, the Commercial Broker Confidence Index for expectations of the market six months from now was 5.71, up 0.16 from last quarter.

Concerns about our country's political future and instability in China and Europe, have continued to influence the outlook of the commercial brokers. Some brokers voiced their concerns sensing a slowdown in the retail market due to the industry's transition to mixed-use and online shopping. Others also felt that government regulations were affecting banks' abilities to finance transactions. Despite the slowdown in retail leasing activity, there was still a fair amount of tech office leasing activity this quarter.

Our **Residential Broker Confidence Index** was slightly lower than last quarter with confidence decreasing to 7.52, down 0.58 from last quarter. Rising interest rates and the lack of sales inventory continue to be ongoing concerns among residential brokers in the current market and the market six months from now. Some brokers mentioned that domestic buyers are delaying on purchases because they anticipate the prices will drop. Foreign buyers have also grown more cautious due to Brexit and other global economic turmoil.

Residential broker confidence in the market six months from now dropped back down to 7.23 from 7.92 last quarter. Some brokers remain positive because the current lack of sales inventory creates more competition. Uncertainty over interest rates and the Presidential election left many residential brokers unsure of what market conditions will be like six months from now.

## COMMENTS ABOUT THE MARKET FROM COMMERCIAL BROKERS

Government regulations continue to negatively affect banks and their ability to provide financing.

There is a lack of construction financing.

The economy is stalled and the growth in GDP is minuscule.

Global turbulence could make tenants pause.

Instability in Europe and China will positively impact investment in US real estate.

Many retailers are struggling and downsizing, the shift of retail real estate from traditional shopping centers to more urban and mixed use will keep the brokers busy.

Definitely slowdown in activity...there still seems to be a fair amount of tech activity, but other sectors seem quieter.

NYC retail is moving toward a correction with regard to pricing.

Focus on Chelsea, Park South and Flatiron-We have seen strong interest in most of the properties in this area.

## COMMENTS ABOUT THE MARKET FROM RESIDENTIAL BROKERS

Low interest rates and growth trajectory for the downtown Brooklyn area seems positive.

I am expecting the market in Manhattan and parts of Brooklyn to continue to be very active

I have noticed a softening of prices and extended incentives offered by landlords.

As long as something is well-priced, it trades.

I think the presidential election will impact real estate sales in NYC. For now it's wait and see...

Domestic financial markets disagree about future outlooks adding uncertainty. With such an uncertain outlook, prices will not increase, and will start to decrease as the volume of sales decreases.

The market as a whole has already begun to reset and most buyers are holding off purchasing because they know prices are going down.

There is a glut of rental inventory.

Sales are currently very competitive due to lack of inventory.

Very low inventory of under \$1 million properties...

Prices seem to be adjusting to a norm.

I don't think any of the above issues will divert a buyer who wants to live in NYC. Some people don't let outside issues stop them from living their life.

Many buildings are coming up with assessments which are turning off many buyers.

## REAL ESTATE BROKER CONFIDENCE INDEX QUARTERLY RESULTS

### REAL ESTATE BROKER CONFIDENCE INDEX

	Confidence Index	Confidence Present Situation	Confidence Future (6 months from now)
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
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)
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	9.13
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)
<b>Second Quarter 2016</b>	7.52	7.89	7.23
<b>First Quarter 2016</b>	8.10	8.33	7.92
<b>Fourth Quarter 2015</b>	7.85	7.79	7.90
<b>Third Quarter 2015</b>	7.83	8.16	7.58
<b>Second Quarter 2015</b>	8.21	8.59	7.93
<b>First Quarter 2015</b>	8.86	8.92	8.82
<b>Fourth Quarter 2014</b>	8.85	8.68	8.97
<b>Third Quarter 2014</b>	8.23	8.18	8.27
<b>Second Quarter 2014</b>	8.30	8.30	8.30
<b>First Quarter 2014</b>	8.80	8.66	8.91
<b>Fourth Quarter 2013</b>	8.52	8.32	8.66
<b>Third Quarter 2013</b>	8.33	8.51	8.19
<b>Second Quarter 2013</b>	8.71	8.83	8.62
<b>First Quarter 2013</b>	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
2Q2016	8.24	5.69	8.33	5.64	6.57	5	6.52	6.57	7.71	5.71
1Q2016	7.43	5.59	7.58	5.81	7.33	4.32	6.47	6.36	7.45	5.55
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
2Q2016	8.38	7.4	9.02	8.5	6.28	5.8	7.24	7.52	7.89	7.23
1Q2016	8.67	7.72	9.01	8.49	7.32	7.36	8.10	8.10	8.33	7.92
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.