

# THE REAL ESTATE BOARD OF NEW YORK

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BROKER CONFIDENCE INDEX REPORT | FIRST QUARTER 2014

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

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## EXECUTIVE SUMMARY

### REAL ESTATE BROKER CONFIDENCE INDEX

### FIRST QUARTER 2014

The Real Estate Board of New York's Real Estate Broker Confidence Index for the First Quarter of 2014 showed that brokers overall confidence increased compared to last quarter, to 9.21 from 9.0. The brokers are confident about the current market and in the market six months from now. For the first time since we began conducting the survey, confidence scores in every category for both residential and commercial brokers compared to the previous quarter. Both commercial brokers and residential brokers are more confident in the market in the first quarter of 2014 compared to last quarter.

The Confidence Index for Residential brokers increased in the First Quarter to 8.8 compared to 8.5 last quarter.. Despite the increase in confidence, many brokers still expressed concern about the current lack of inventory, especially in Manhattan and Brooklyn. This lack of inventory has been pushing prices up and pricing buyers out of the market according to our residential brokers who responded to the survey. One broker stated, "Low inventory in most of Manhattan continues to push prices higher and leave many buyers on the sideline." On the other hand, brokers also reported that the lack of inventory has been causing bidding wars. As one broker stated, "There is no inventory, making it quite difficult on the buyers- resulting in bidding wars, which is fine for sellers but an overall difficult situation." Despite these challenges, brokers still expect the market to be strong six months from now, with hopes that more inventory will come online in the coming months.

The Commercial Real Estate Market Overall Confidence Index rose to 9.62 from 9.49. Commercial brokers have positive views about the current market and where it will be six months from now. Commercial brokers expressed some concern about the lack of inventory. However, the commercial brokers continue to express concern about the inevitable rise in the interest rate, stating that it has been the biggest factor affecting commercial market this quarter. Nevertheless, they remain extremely confident in the market.

With high expectations for the future from both residential and commercial brokers, both stated that they anticipate a very active spring and summer, as the low inventory creates a strong market and will continue to do so. An increase in both Overall Confidence and Overall Expectations from both types of brokers for the First Quarter of 2014 shows a generally positive outlook on the real estate market now and into the middle of 2014.

## COMMENTS FROM RESPONDENTS

### RESIDENTIAL SURVEY

Last year, we didn't have the supply, and this year there is not as much demand as rental prices have exceeded what people are willing to pay.

We need more middle class new construction developments.

There is limited inventory, but the market is still price sensitive.

Residential sales in Manhattan are very active right now.

I am finding that if a property is well priced, it will move quickly as there is not enough inventory.

There are a lot of buyers but no inventory in Brooklyn.

There are too many bidding wars, causing good apartments to go into contract very quickly.

Foreign buyers will continue to impact the market.

In both the rental and sales markets, the competition is high and aggressive.

Having to fight really hard to get a deal might cause more people to give up on buying and rent instead, which could create an uptick in the rental market.

The difficulty in obtaining financing remains the biggest hurdle facing buyers.

The inventory for Upper Manhattan rentals west of Broadway, especially two bedroom apartments, is quite limited right now.

### COMMERCIAL SURVEY

The important aspects of the retail leasing market are the continued strength of NYC tourism, the new availabilities that are coming to market in secondary corridors due to lease expirations, and continued growth in the aspirational sectors of shoe and apparel retailing are the biggest factors affecting the retail leasing market today.

Space is tight for downtown rentals.

We are still in a "false" economy driven by Federal Reserve easy money.

The growth of NYC's tech sector is helping to revitalize neighborhoods, drawing employees to the city which requires more housing.

Interest rates are the biggest factor by far affecting the market today and into the future."

Seeing what happens with interest rates and the general economy will have the biggest impact on future market performance.

## REAL ESTATE BROKER CONFIDENCE INDEX QUARTERLY RESULTS

### REAL ESTATE MARKET CONFIDENCE INDEX

	Overall Confidence	Confidence Present Situation	Confidence Future (6 months from now)
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
Fourth Quarter 2012	8.12	7.87	8.32
Third Quarter 2012	8.55	8.42	8.64

### COMMERCIAL REAL ESTATE MARKET CONFIDENCE INDEX

	Overall Confidence	Confidence Present Situation	Confidence Future (6 months from now)
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
Fourth Quarter 2012	7.67	7.43	7.85
Third Quarter 2012	8.40	8.22	8.54

### RESIDENTIAL REAL ESTATE MARKET CONFIDENCE INDEX

	Overall Confidence	Confidence Present Situation	Confidence Future (6 months from now)
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
Fourth Quarter 2012	8.57	8.30	8.78
Third Quarter 2012	8.69	8.63	8.74

Explanation of Index:

- The Real Estate Broker Confidence Index includes the response to our eight question survey from all brokers, residential and commercial.
- The Residential Real Estate Broker Confidence Index includes the survey response from only our residential brokers.
- The Commercial Real Estate Broker Confidence Index includes the survey response from only our commercial brokers.
- The Overall Confidence Index includes the brokers' response to all eight questions.
- 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.

## Broker Confidence Survey Questions

### 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.

### 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.

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