



# THE REAL ESTATE BOARD OF NEW YORK

REAL ESTATE BROKER CONFIDENCE INDEX | THIRD QUARTER 2017



## EXECUTIVE SUMMARY

The **Real Estate Board of New York's (REBNY) Real Estate Broker Confidence Index** for the third quarter of 2017 was 6.00 out of 10, a 0.11 increase since the second quarter of 2017. Improved confidence in residential financing and commercial leasing drove this increase in overall market confidence.

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.

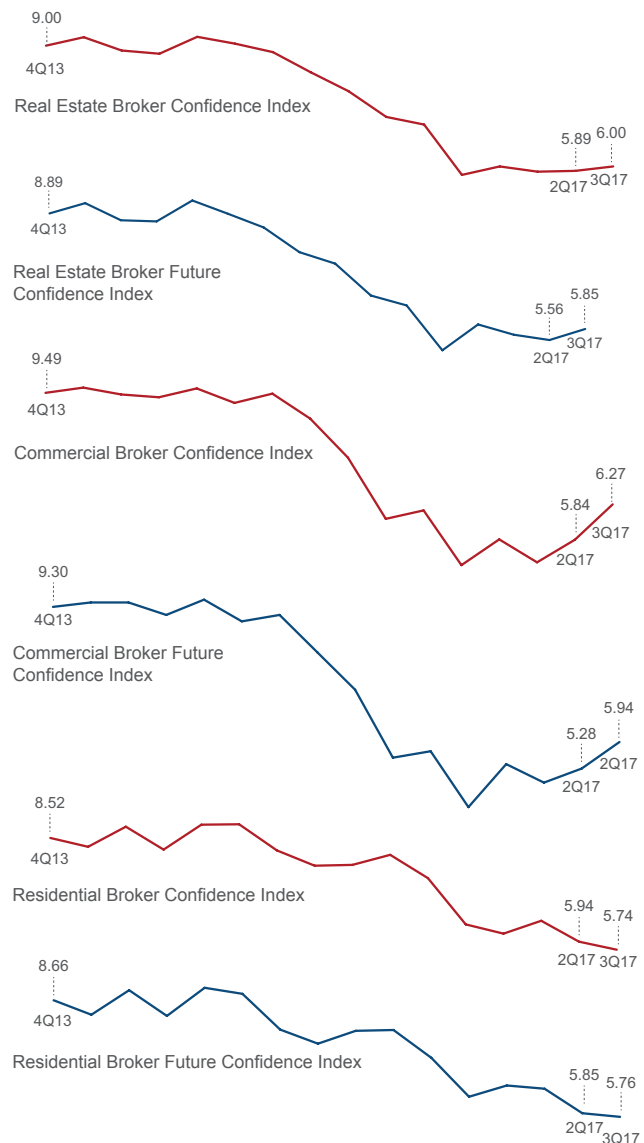
The **Commercial Broker Confidence Index** in the third quarter of 2017 was 6.27 out of 10, an increase of 0.43 since the second quarter of 2017. The responses from each of the seven multiple-choice questions were indexed above 5.0, showing overall positive confidence in the Commercial Real Estate Market.

Commercial brokers responded more positively to questions about the current and future leasing markets than in the second quarter of 2017. Similarly, responses to the question asking for brokers' assessment of the current leasing market were indexed at 6.38, an increase of 0.95 since the second quarter of 2017, while responses to the question asking for their expectation of the leasing market six months from now were indexed at 5.53, a large improvement of 1.94 from the index of 3.78 in the second quarter of 2017.

In contrast, commercial brokers were less optimistic about the current and future financing markets. Responses to the question asking for brokers' assessment of the current financing market were indexed at 6.76, a decrease of 0.66 since the second quarter of 2017, while responses to the question asking for their expectation of the financing market six months from now were indexed at 5.41, a decrease of 0.88 since the second quarter of 2017.

Our **Residential Broker Confidence Index** was 5.74 out of 10, a decrease of 0.20 since the second quarter of 2017. Dwindling confidence in the current and future rental markets accounted for this decrease. Responses to questions asking for brokers' assessment and expectations of the rental market were indexed at 2.24 and 2.86, respectively.

But residential brokers' responses to questions about the current and future financing market for residential sales were more positive than in the second quarter of 2017. Responses to the question asking for brokers' assessment of the current financing market were indexed at 9.18, 0.44 greater than in the second quarter of 2017. Broker confidence in financing has rebounded from a low of 7.85 in the fourth quarter of 2016, a period which coincided with the first interest rate hike by the Federal Reserve in many years. The current confidence index suggests that a rising interest rate has not cooled residential broker confidence in financing.





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## COMMENTS ABOUT THE MARKET FROM COMMERCIAL BROKERS

'I believe the underlying market is solid, but the way we do business is changing which creates confusion and opportunity.'

'Tenant demand is uneven. The growing impact of densification in the workplace keeps vacancy above equilibrium despite employment growth.'

'Retail rents remain too high and demand is soft (if existent at all).'

'Buyers right now are looking for rental properties and development deals for rental properties. Their view is that the condo market is flat, and opportunity exists in rentals. Deals have to make sense and are taking longer to get done.'

'Retail vacancy is driving down market and retail owner confidence.'

'Retail rental rates need to come down to attract tenants.'

## COMMENTS ABOUT THE MARKET FROM RESIDENTIAL BROKERS

'Prices are just too high.'

'Sellers still think they can get more than apartments are worth.'

'Currently there is a huge disconnect between what sellers want and what buyers are willing to pay. Both sides are not willing to compromise. Sales are only occurring when a property is aggressively priced and buyers feel an urgency to move forward. Inventory is slowly creeping up and we will be entering a buyers' market soon.'

'There was absolutely no urgency in the market at all and at every price point.'

'The sales market is healthy, but slow-moving proper pricing is essential.'

'Realistic pricing by sellers is important. Many still think they will have bidding wars even when they list at top market prices. The amount of inventory will influence the market. Bonuses (or lack of) in January will also influence the market. The market is still strong and I believe it will stay strong.'

'Sales under \$1.5M will continue to be strong.'

'New York has many market segments and is therefore relatively resistant to single, outside events.'

'Eliminating the mortgage interest tax deductibility would very negatively impact sales.'

## CONFIDENCE INDEX QUARTERLY RESULTS

### REAL ESTATE BROKER CONFIDENCE INDEX

	Confidence Index	Present Situation Confidence	Future Confidence (6 months from now)
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	5.70
Fourth Quarter 2016	6.00	6.04	5.97
Third Quarter 2016	5.79	6.46	5.29
Second Quarter 2016	7.04	7.80	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	8.89

### COMMERCIAL BROKER CONFIDENCE INDEX

	Confidence Index	Present Situation Confidence	Future Confidence (6 months from now)
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
Second Quarter 2014	9.45	9.89	9.41
First Quarter 2014	9.62	9.90	9.41
Fourth Quarter 2013	9.49	9.75	9.30

## CONFIDENCE INDEX QUARTERLY RESULTS (CONT.)

### RESIDENTIAL BROKER CONFIDENCE INDEX

	Confidence Index	Present Situation Confidence	Future Confidence (6 months from now)
Third Quarter 2017	5.74	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
Second Quarter 2014	8.80	8.66	8.91
First Quarter 2014	8.30	8.30	8.30
Fourth Quarter 2013	8.52	8.32	8.66

## 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.

### COMMERCIAL BROKER CONFIDENCE INDEX SURVEY RESULTS

	Question							Confidence	Present Situation	
	1	2	3	4	5	6	7		Future	
<b>Third Quarter 2017</b>	6.98	6.59	6.76	5.41	6.38	5.53	6.22	6.27	6.71	5.94
<b>Second Quarter 2017</b>	6.92	5.38	7.42	6.29	5.43	3.78	5.68	5.84	6.59	5.28
<b>First Quarter 2017</b>	6.47	5.37	5.33	3.78	5.41	4.79	5.78	5.28	5.74	4.93
<b>Fourth Quarter 2016</b>	8.28	5.94	4.71	3.33	6.40	5.52	6.77	5.85	6.46	5.39
<b>Third Quarter 2016</b>	6.92	4.44	6.40	3.33	5.90	3.95	5.56	5.21	6.41	4.32
<b>Second Quarter 2016</b>	8.24	5.69	8.33	5.64	6.57	5.00	6.52	6.57	7.71	5.71
<b>First Quarter 2016</b>	7.43	5.59	7.58	5.81	7.33	4.32	6.47	6.36	7.45	5.55
<b>Fourth Quarter 2015</b>	9.06	7.20	8.78	7.11	8.33	6.98	7.69	7.88	8.72	7.24
<b>Third Quarter 2015</b>	9.83	8.00	9.64	7.14	9.81	8.20	9.33	8.85	9.76	8.17
<b>Second Quarter 2015</b>	10.00	8.92	10.00	8.98	9.87	9.22	9.30	9.47	9.96	9.10
<b>First Quarter 2015</b>	9.41	8.84	9.75	8.18	9.78	9.00	9.76	9.24	9.65	8.94
<b>Fourth Quarter 2014</b>	9.82	9.45	10.00	9.51	9.45	9.17	9.80	9.60	9.76	9.48
<b>Third Quarter 2014</b>	9.76	9.02	10.00	8.85	9.49	8.78	9.75	9.38	9.75	9.10
<b>Second Quarter 2014</b>	10.00	9.38	10.00	9.05	9.68	8.44	9.64	9.45	9.89	9.13
<b>First Quarter 2014</b>	10.00	9.44	10.00	9.09	9.71	9.39	9.71	9.62	9.90	9.41
<b>Fourth Quarter 2013</b>	10.00	9.77	9.74	9.44	9.51	9.15	8.84	9.49	9.75	9.30

## 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.

### RESIDENTIAL BROKER CONFIDENCE INDEX SURVEY RESULTS

	Question							Confidence	Present Situation	
	1	2	3	4	5	6	7		Future	
<b>Third Quarter 2017</b>	5.78	6.07	9.18	8.8	2.24	2.86	5.31	5.74	5.72	5.76
<b>Second Quarter 2017</b>	6.37	6.17	8.74	7.99	3.07	3.31	5.92	5.94	6.06	5.85
<b>First Quarter 2017</b>	7.66	7.64	8.74	7.49	2.94	3.82	6.90	6.46	6.45	6.46
<b>Fourth Quarter 2016</b>	6.28	7.56	7.85	7.24	2.70	4.55	6.81	6.14	5.61	6.54
<b>Third Quarter 2016</b>	6.23	6.20	8.98	7.82	4.32	4.58	6.45	6.37	6.51	6.26
<b>Second Quarter 2016</b>	8.38	7.40	9.02	8.50	6.28	5.80	7.24	7.52	7.89	7.23
<b>First Quarter 2016</b>	8.67	7.72	9.01	8.49	7.32	7.36	8.10	8.10	8.33	7.92
<b>Fourth Quarter 2015</b>	8.74	7.89	8.59	7.73	6.03	7.61	8.38	7.85	7.79	7.90
<b>Third Quarter 2015</b>	8.48	7.96	8.71	7.60	7.31	7.26	7.50	7.83	8.16	7.58
<b>Second Quarter 2015</b>	9.05	8.62	8.62	7.35	8.08	7.33	8.43	8.21	8.59	7.93
<b>First Quarter 2015</b>	9.35	9.14	8.75	8.51	8.76	8.89	8.75	8.86	8.92	8.82
<b>Fourth Quarter 2014</b>	9.13	9.27	9.25	8.80	7.66	8.63	9.19	8.85	8.68	8.97
<b>Third Quarter 2014</b>	8.92	8.25	8.24	8.15	7.39	8.19	8.49	8.23	8.18	8.27
<b>Second Quarter 2014</b>	8.76	8.85	7.81	8.21	8.32	8.21	7.92	8.30	8.30	8.30
<b>First Quarter 2014</b>	9.35	9.43	8.83	8.36	7.79	8.97	8.88	8.80	8.66	8.91
<b>Fourth Quarter 2013</b>	9.19	9.04	7.89	7.64	7.89	8.96	8.99	8.52	8.32	8.66