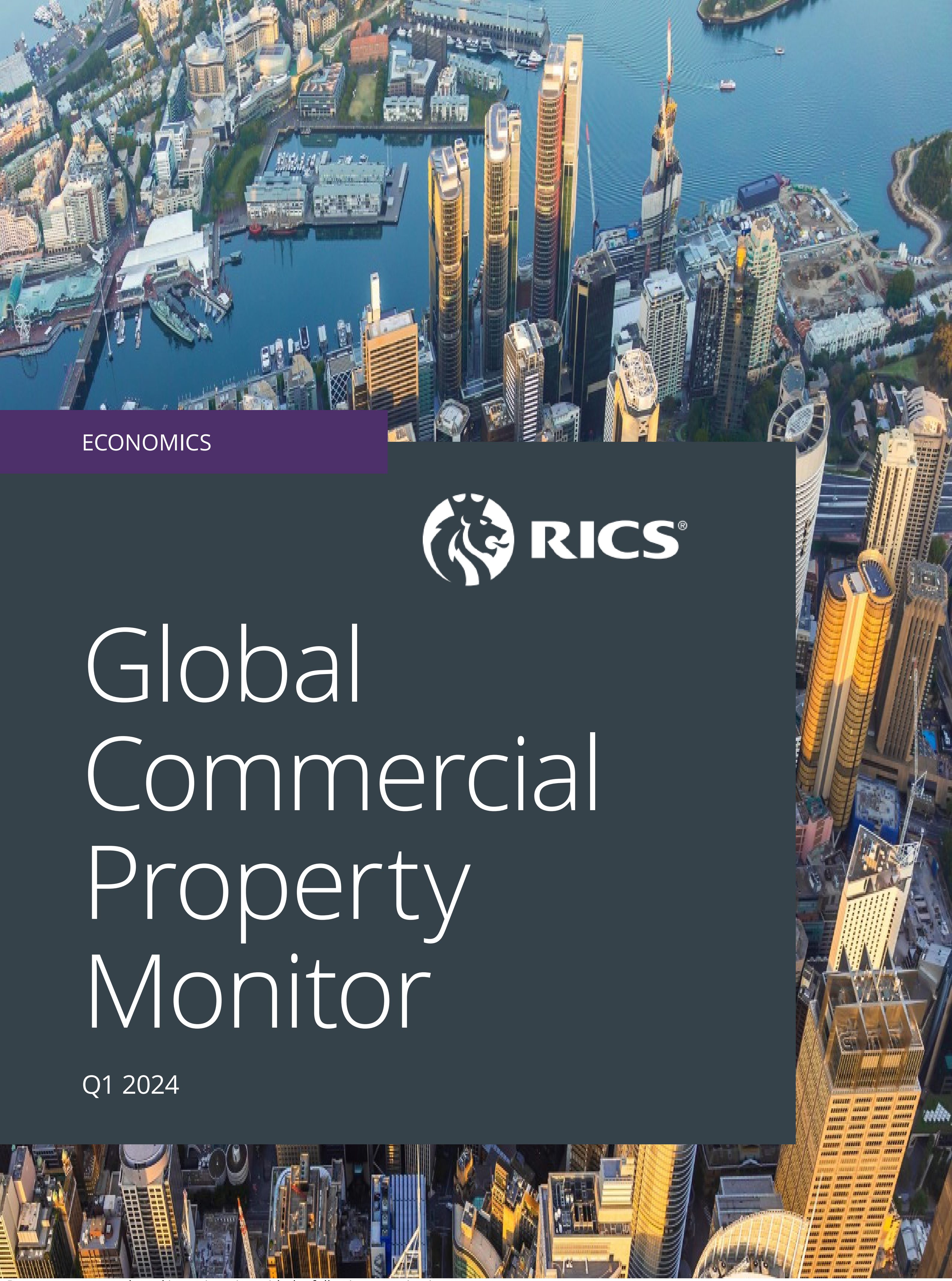


ECONOMICS

Global Commercial Property Monitor

Q1 2024

Responses were gathered in conjunction with the following organisations:

ECONOMICS

Gradual recovery in commercial real estate sentiment visible in responses to Q1 GCPM

- The headline RICS Commercial Property Sentiment Index (CPSI) turns less negative for the second successive quarter
- Improvements in feedback is visible both in the occupier and investment markets
- Over three-quarters of respondents indicate they have seen some increase in the repurposing of office space for other uses

The headline RICS Global Commercial Property Sentiment Index for Q1 2024 stands at -10 which represent the least downbeat reading since Q2 2022. Significantly, the less negative tone across the aggregate results is coming through both on the occupier and investor sides of the market. As far as the former is concerned, the Occupier Sentiment Index (OSI) improved from -13 to -8 while the Investment Sentiment Index (ISI) moved from -18 to -13.

As has repeatedly been the case in recent quarters, there remain pronounced divergences in the results at a regional level although, this time around, it is significant that the CPSI all cases is either a little more positive (or less negative) than previously. This point is demonstrated in Chart 1 which, once again, shows the MEA feedback most upbeat with the headline CPSI now at +13 compared with +11 in Q4 2023. Interestingly, this is the strongest reading for the series since its inception. Europe, meanwhile, reported a noticeable easing in negativity, with the CPSI climbing from -21 at the end of last year to -10 in Q1. For the Americas, the CPSI improved from -7 to -4. In APAC, the headline index edged up from -24 to -21. Inevitably within these aggregated numbers, there are also contrasting patterns at a country level, but this is most stark in APAC where sentiment in India remains relatively strong (+18) while contributors in China are still cautious (-46).

Perceptions around markets evolving

Consistent with the less pessimistic tone to the CPSI metrics are the responses regarding where real estate markets are in the cycle. The global data is as usual presented in Chart 6 but it is noteworthy that the same picture plays out when the numbers are disaggregated. Chart 2 captures the results showing the proportion of respondents viewing their market to be in the upturn (or peak) phase; significantly this has grown in all four regions, to a greater or lesser extent, when compared with the final three months of last year.

A critical influence in supporting this trend is likely to be the continuing shift in the credit environment as reported in the Global Commercial Property Monitor. This latest improvement has come in the face of largely unchanged policy (interest) rates in most economies and market rates (bond yields) retreating somewhat after the Q4 2023 rally. In the case of the Americas, a net balance of +14% reported an improvement in credit conditions over the quarter, which is the best reading since the early part of 2022. In Europe, the net balance for this metric also now stands at +14%, the highest number since the end of 2021. Meanwhile, the share of respondents signalling a positive shift in credit conditions in APAC has climbed from a net balance of +14% to +26%, while, across MEA, a broadly similar trend is evident.

Investment Enquiries begin to stabilise

One theme coming out of the survey over the past couple of years that we have repeatedly drawn attention to is the relative resilience of the occupier market compared to the investment market. As noted in the introduction, the latest set of results

Chart 1 - Commercial Property Sentiment by Region

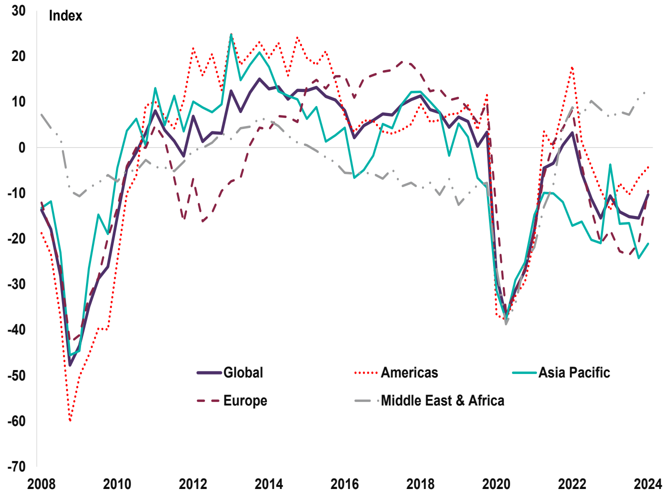
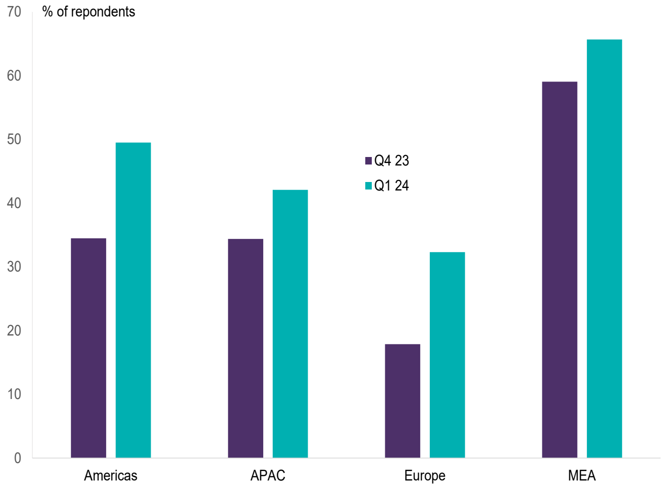


Chart 2 - Share of Respondents Signalling Market in Upswing Phase



does point to the latter beginning to turn a corner. Moreover, focusing specifically on the investment enquiries component of the ISI, this picture becomes even more visible, likely supported by the improvement highlighted in the credit environment.

Globally, the investment enquiries net balance stands at -3% compared to -14% previously, representing the most stable result since early 2022. Predictably, the data is particularly strong for this indicator across MEA and in India. But, it is noteworthy that the US recorded a positive reading (albeit a net balance of just +1%) for the first time in two years, while Australia also recorded its first positive net balance for this series (+7%) since 2022. For Europe, the numbers are generally still negative albeit less so than in Q4; the UK net balance is now -4%, Germany -16%, the Netherlands -18%. That said, the results for Italy, Spain and Switzerland have turned positive.

It is noteworthy that a similar picture can be seen in the series relating to overseas investor enquiries. The headline net balance, while still negative, narrowed from -21% to -8% at a global level. Moreover, the results for the Americas, led by the US, actually returned to positive territory with the net balance climbing from -3% to +5%. MEA continues to see the most positive reading for this indicator with the net balance rising from +10% to +18%.

Although the better tone to the investment numbers can be seen in all three mainstream sectors, offices continue to lag at a global level, with the net balance still standing at -17% (although this compares with -30% in the previous quarter). Retail investment enquiries were broadly flat according to respondents to the survey. For the industrial segment, they edged up from +3% to +11%.

Development starts still subdued in aggregate

In keeping with the other results from the survey, the feedback around development starts is somewhat less negative than it has been at a global level, albeit 15% more contributors are still pointing to a fall rather than a rise in activity. Office and retail starts are continuing to display the weakest trends while the industrial series in now signalling a largely flat picture. The headline number is still being weighed down by Europe, with the picture in the Americas and APAC less negative. For MEA, the net balance reading is consistent with rising levels of development; led by Saudi Arabia (net balance +67%) and the UAE (+39%). The result for Nigeria is also solid at +35%.

Chart 3 - Twelve Months Capital Value Expectations

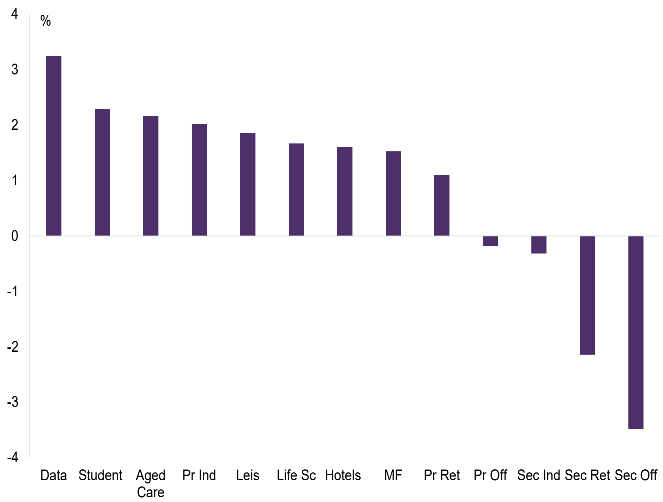
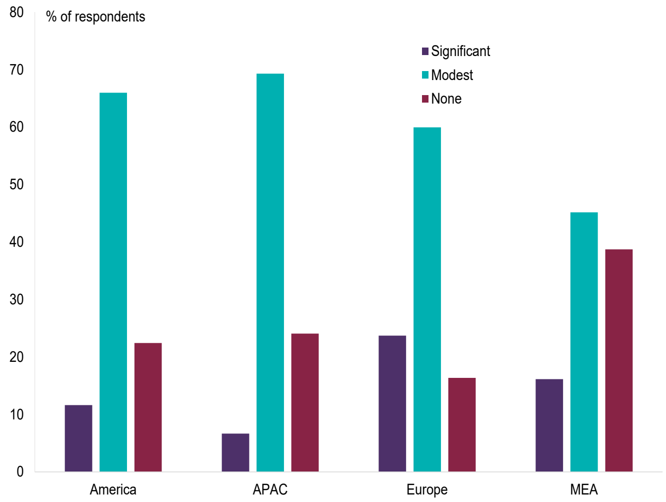


Chart 4 - Share of Respondents Seeing Repurposing of Office Space for Other Uses



Forward looking indicators favour prime and alternatives

Chart 3 shows global capital value projections (in percentage terms) for the next twelve months according to survey participants. The results are broadly in-line with those recorded in Q4 and, indeed, now similar to the rental projections provided by contributors in the current report. Predictably, where the asset class is split between prime and secondary in the questionnaire, there is a clear preference for the former, although, it is worth noting, the gap in expectations hasn't widened any further this quarter. In addition, there continues to be a strong perception that alternative assets will deliver stronger returns for investors than mainstream assets. As highlighted in the chart, data centres continue to be seen as likely to deliver strong return alongside student housing, aged care facilities and prime industrial.

The contrast to this is the ongoing weakness, particularly in secondary offices, but also retail space. That said, this is not a global story; there is a clear divergence between the more mature markets and the rest. For the US, capital values for secondary offices are still seen as remaining under downward pressure, as is the case in much of Europe and parts of Asia. But the story is rather different in India and Singapore, as well as in several markets across MEA. Chart 5 shows 12 month capital value and rent expectations at a country level (in net balance terms). Once again, forward-looking responses are most upbeat in MEA markets such as Saudi Arabia, UAE and Nigeria, as well as India. China and Hong Kong continue to languish in the bottom left quadrant of the scatter chart, which is consistent with further falls in both headline prices and rents.

Repurposing of offices on the rise

In additional questions included in the Q1 GCPM, the issues of repurposing of offices as well as downsizing were raised. Chart 4 shows responses to the first of these two questions at a regional level. It is evident that excess office space post the pandemic and the resulting shift in work practices has triggered an increase in repurposing across the Americas, APAC and Europe. MEA does appear to provide something of a contrast with around 40% of respondent suggesting that there has been no activity in this area; the result is consistent with the relatively upbeat forecasts highlighted above for secondary offices in that region. In terms of office tenants downsizing, to reflect greater use of hybrid working, just over half of contributors pointed to an increasing incidence of this over the past year. However, it is once again notable that the share identifying this trend drops to less than one-third in MEA.

Chart 5 - 12 Month Global Capital Value Expectations

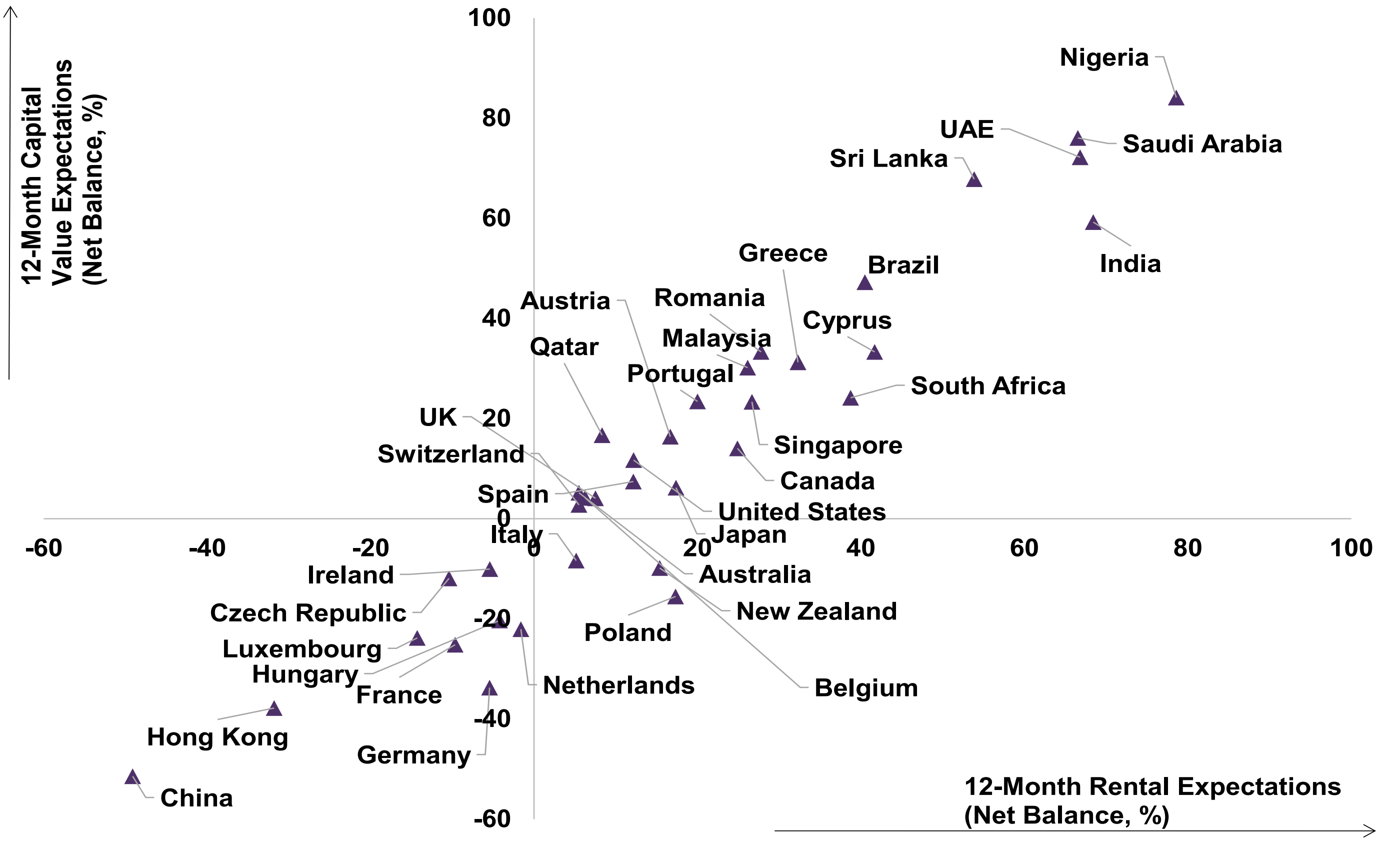
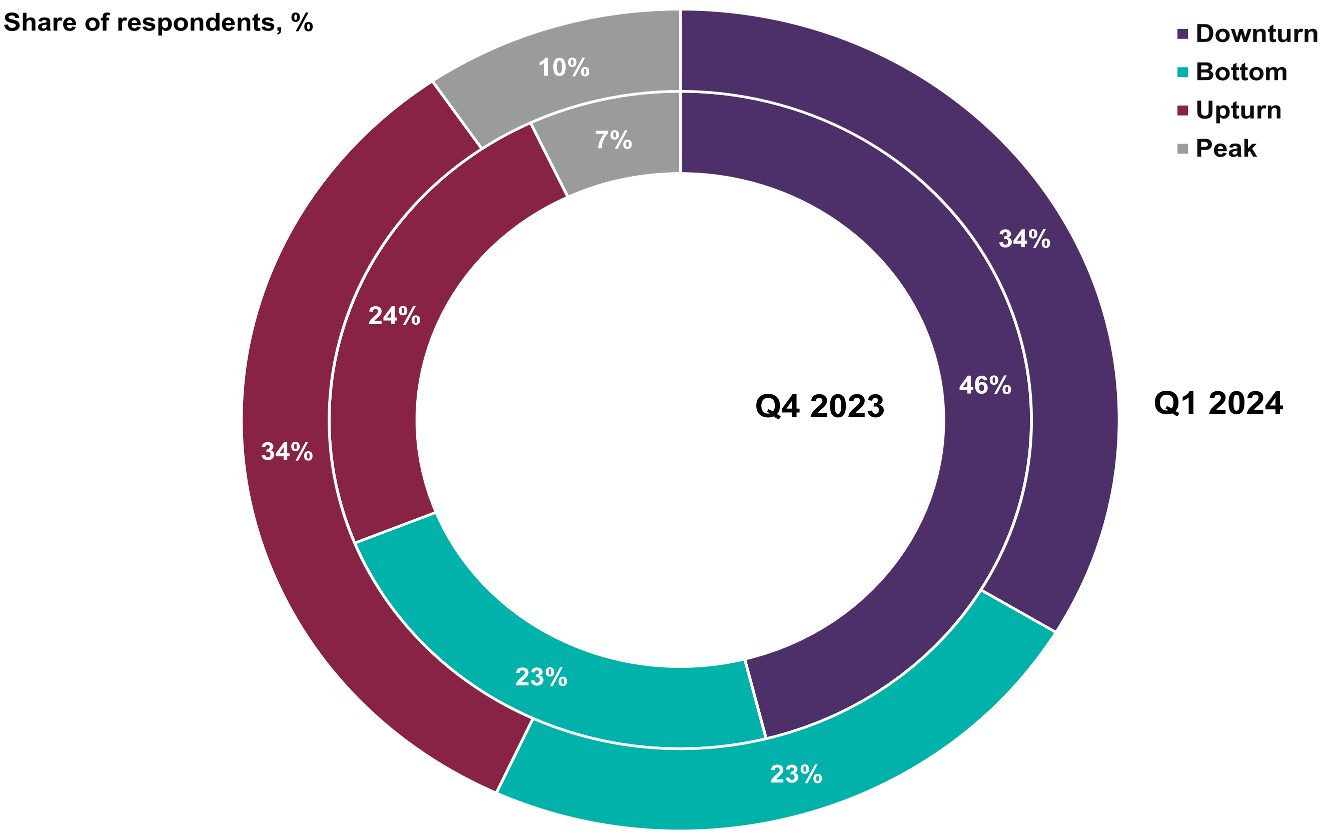


Chart 6 - Global Perceptions Regarding Point in Cycle



APAC: Headline sentiment remains largely subdued despite India's strong momentum

The headline Commercial Property Sentiment Index (CPSI) for APAC posted a reading of -21 in Q1, similar to -17 in the previous quarter. The headline index remains relatively soft across much of the region, with the exception of India, where momentum is still strong. As depicted in Chart 1, India, with a headline index score of +18, continues to lead across the the region. Elsewhere, Japan, Malaysia, Sri Lanka and Singapore posted near zero readings, consistent with a relatively flat backdrop. Meanwhile, depressed by persistently high interest rates, Australia recorded a CPSI figure of -6, followed by New Zealand at -25. With strong macro headwinds, China and Hong Kong saw no significant improvements, with the latest CPSI readings coming in at -46 and -28, respectively.

Indian market remains bullish across all sectors

Chart 2 displays the feedback from respondents regarding occupier demand at a sector level. Leading the way, India is seeing solid occupier demand growth across all sectors, recording net balances above +50% in each instance. Elsewhere, the picture is more mixed. Singapore office tenant demand remains resilient, posting a net balance of +13%, but its retail sector is under pressure (-13% net balance). On the other hand, as its neighbour, Malaysia is faring comparatively better, with all sectors displaying positive readings for tenant demand. In particular, demand for industrial property in Malaysia appears strong at present (net balance at +61%), while the occupier demand metric stands at +10% and +14% for the office and retail sectors. Similarly, in Australia, the demand for industrial space is outshining the other two categories, with a positive net balance at +23% (vs a flat office trend and a decline across retail). Interestingly, demand for retail space in Japan is recovering according to a net balance of +25% of respondents. Sri Lanka also saw a more resilient retail sector (net balance +6%), as opposed falling occupier demand across the office and industrial markets. On the weaker end of the scale, New Zealand joins China and Hong Kong in returning rather downbeat occupier demand trends across each category.

In the additional questions looking more closely at the office sector, over 50% of respondents in the APAC region saw increased instances of downsizing among tenants over the past twelve months. In fact, in most APAC markets covered, two-thirds of respondents indicated this is happening to a greater or lesser extent.. The only real exceptions were India and Japan, where the share was lower at one-quarter.

Away from the mainstream sectors, data centres continue to outperform, with life sciences and aged care facilities also exhibiting strong projections on both the capital and rental side. Meanwhile, tailwinds from tourism have boosted the demand for hotels in Japan, Singapore and Sri Lanka, where +5% growth in valuation are expected over the next twelve months.

Property cycle perceptions varied despite improvement in credit conditions

The headline credit conditions indicator continues to improve across APAC, posting a net balance of +26% in Q1, up from +14% in Q4. Within this, most markets are now seeing lower financial constraints. The only exceptions are Japan and Hong Kong, where negative net balances of -7% and -18% were recorded for this metric. Alongside this, respondents' perceptions on the current stage of the cycle differ across the region. Shown in Chart 3, around 70% of respondents in Malaysia and India deem the market to be in an upturn phase. Conversely, New Zealand, China and Hong Kong have around 80% of respondents viewing the market to be in a downturn phase or at the bottom of the cycle.

Chart 1 - Commercial Property Sentiment Index by Country

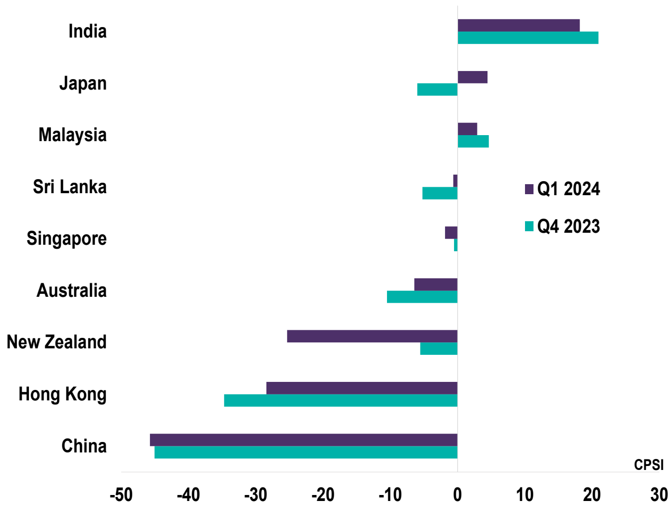
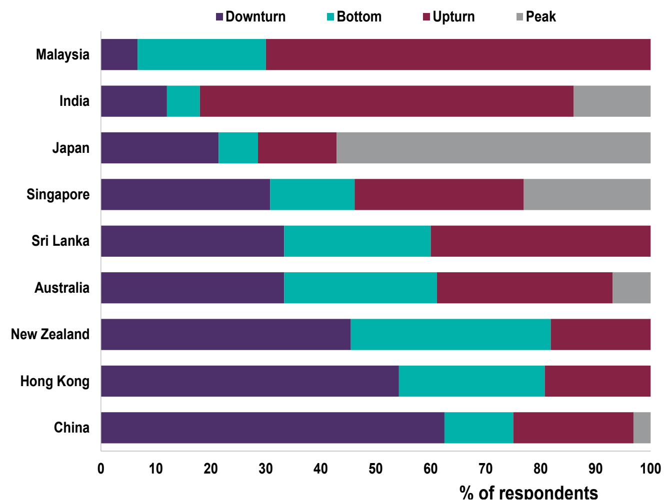


Chart 2 -Occupier Demand by Country

Chart 3 - Property Cycle Perceptions



Regional comments from survey participants in APAC

Australia

Strong residential and industrial market keeps property values rising. - Benowa

Migration, both international and interstate, is helping Queensland avoid a technical recession, leading to a false economy. The residential sector is experiencing a supply shortage, causing median prices to rise for 15 months. This trend is expected to continue. The focus of international migration on quantity over skills is causing construction costs to rise unsustainably. This raises concerns for the future. - Brisbane

Residential values in Tasmania have recovered since the 2021-2023 boom, while other states have progressed. This is likely due to the rapid value increase. Prime industrial values are strong, secondary ones are weaker. Prime office space has a record low vacancy rate, but rents are too low to support new projects. - Hobart

Government interference is the cause of the closure or relocation of thousands of businesses. - Melbourne

Australian office market yields have been decompressing for the last 18 months. More transactions in 2024 are expected to confirm the current base yields for prime grade assets. - Melbourne

Slowburn. - Perth

Cap values will adjust when volumes increase, and the market has a sense of 'true' values. The impact of flexible working on occupier markets will be gradual due to lease expiries. Repurposing office space for residential use is being discussed, but cost issues persist. The time frame for climate risks is unclear. - Sydney

Interest rates uncertainty leading to buyers' indecision. - Sydney

It's time to look at the impact of artificial incentives on capital values. Any incentive above 20% gross is a means of artificially inflating face rents. The impact will be a considerable loss of capital value in the order of up to 50%. This loss of value is being experienced in most international cities except Sydney and Melbourne, why? - Sydney

On the cusp of an economic recession. - Sydney

Mixed messages, amid global uncertainty there appears to be a realisation that businesses need to invest in their accommodation requirements, however the decision making processes are painfully slow. - Sydney

Flat conditions experienced over all sectors of the local market. - Wauchope

Bangladesh

Building materials price hike is major factor for increasing property value in Bangladesh. Based on property value, property rent is not significantly increased. Bank & Financial company's investment facilities is same as before. - Dhaka

Brunei

Global economies are gradually deteriorating due to increasing geopolitical tensions among superpowers. This is disrupting global growth, causing inflation, shortages in labor and materials, escalating costs, and reducing business opportunities, leading to higher unemployment. - Bandar Seri Begawan

Cambodia

Good platform to survey. The real estate market here is down in terms of sale, rent and bank valuation. For Internal Management valuation are still maintained from last year. - Phnom Penh

China

Market in the early recovery while the valuation is enduring correction. - Shanghai

The market is waiting, being pessimistic. - Shanghai

The overall market is sluggish, customers and the wait-and-see atmosphere of recession continue, and it will take time for the market to thaw and pick up. - Nanjing

The overall commercial core areas are more confident than before and are slowly recovering. - Shenzhen

Hong Kong SAR

Slow economic recovery and high interest rate still have impact on sentiment of prospective purchasers and investors. - Hong Kong

Overall market trend in office renting seems to be downsizing. - Hong Kong

The foreign investor has temporary lost interest in investing in Hong Kong since 2022/23. - Hong Kong

Demand in market will tie up with the future global economic conditions. - Hong Kong

Capital value in downtrend. - Hong Kong

Overall HK commercial market would be affected by the level of economic recovery of mainland China. In 2024, it has not seen significant signal of economic rebound of mainland China. - Hong Kong

Slow business. - Hong Kong

Looking forward to seeing rebound in Hong Kong for real estate market if there will be no serious macroscopic changes globally adversely impacting the economy worldwide. - Hong Kong

Local economic and property market synchronize moving horizontally in midway downward. - Kowloon

This is a political market strongly affected by the current conditions of the real property market in Mainland China. - Kowloon

Worsening local economy and slacking property market go indivisibly. - Kowloon

India

Demand increase in all sectors, inflation at 4 to 5%, good GDP growth expected beyond 7%. - Bangalore

We are observing upward trend in consumption and enquiry from corporate occupier, Industrial and retail. - Bangalore

Generally, the market trends are being increased in the ratio of 5 to 10% in the retail sector & about 10 to 15% escalation in the commercial sector. - Bangalore

The market is currently at the peak and bullish level. The uncertainty due to the elections is something one has to keep in mind. Interest rates and bullish trends of stock market will continue. - Bangalore

Dynamic and challenging, to be innovative and be competitive to succeed and achieve business objectives. - Bangalore

Election year, expected demand to pick up post elections. - Chennai

Industrial and Logistics are seeing an upward trend and would show a significant growth in next two years. - Chennai

Market is mostly stable. - Hyderabad

General market trend in our state is almost unchanged since last 5 years. - Kakinada

The upcoming market for new development is on fast track due to government policies and support. The nation is in developing towards developed nation stage in coming 3 to 4 years. - Mumbai

General market conditions improving. Builders offering various amenities to attract customers. Supply is more than demand. - Mumbai

Next 3 months residential will peak, Office & Retail will peak in 2025. Industrial will peak 2028. - Mumbai

India is on growth curve and next 25 years would be India story to watch for. - Mumbai

Regional comments from survey participants in APAC

Commercial leasing demand looks at an upward trend in the region. Coworking spaces tend to remain to be the fillers for temporary demand for SME & MNC clients. Supply shortage for grade A plus categories remains a concern. Retail supply in tier 2&3 locations are emerging. Retailers equally keen to explore these locations due to high spending demand and lack of option. Logictics park will be in demand with unchanged rates due to high supply. - Mumbai

Efforts to get foreign clients and public sector clients like banks. - Noida

Prices haven't actually seen an increase in last 5-10 years. However, malpractices in lending industry inflating property values may be a catalyst in the positive graph in the micro market that I operate in. - Palakkad

Residential demand is as such very high right now in most of the markets. Industrial & Hospitality Markets will increase for sure from Q3 2024 just after Lok Sabha Elections as results are expected on Pan-India level on 4th June. - Pune

Mood of stakeholders is somewhat positive. - Pune

Considering the present inflation in the market, the reliable and unpredictable changes have been observed. - Rajkot

Market is booming. - Gujarat

Indonesia

A smooth transition of political power expected to bring more confidence to the market. - Jakarta

A large share of the property development market appears to be data centres. - Jakarta

Market conditions are in settling mode, after the election, some developments are still wait-and-see, new office space is in oversupply conditions, which needs at least 4 years or more to absorb spare capacities, and there is no new Retail development in the CBD area, mostly happening at suburban malls. - Jakarta

Japan

The gap between real estate values in metropolitan areas centred on Tokyo and real estate values in regional cities is widening. - Tokyo

Malaysia

Government policies play a major role as the catalyst of the economy. - Kuala Lumpur

Global inflation rate is still one of the main factors to impact the economy condition. Having said that, with the current weaker inflation, lowering down the interest rate gradually might help to encourage the recovery of economy. - Kuala Lumpur

Recovery. - Kuala Lumpur

Nervous but with some bright spots, particularly Johor Bharu. - Johor Bahru

Still cautiously optimistic. - Kuala Lumpur

Soft property market, but at early recovery. Financial sectors imposing stringent requirements for loan applications, resulting in failed purchase. The property sales price does not complement the increase in construction costs, making projects less feasible to investors. - Kuala Lumpur

Market now improves slowly. - Kuala Lumpur

Inflation. - Melaka

Impact on the property market is still felt after the pandemic and the process of recovery still takes a longer time here, those which were hard hit have remained closed until now. - Mentakab

The increasing of supply but the demand deteriorates drastically. - Shah Alam

New Zealand

The market has stabilised. Prime sectors are showing signs of recovery but secondary sectors will continue to see value erosion. Office markets are continuing to see a flight to quality as opposed to material space reductions. Interest rates remain the key driver of investment demand and offshore capital has all but dried up right now. - Auckland

The construction industry is currently experiencing a downturn. We are optimistic that our new government will enact changes to improve the situation. Many significant developments have been delayed due to funding constraints and high interest rates. - Auckland

Early recovery cycle set to commence on first interest rate cut, anticipated Q3 of 2024. - Christchurch

We deal with almost all commercial and industrial builds, including retail. The market is more particular about their main contractor, and clients are keen to explore cost saving initiatives - so margin in general is down in this area. For refurbishments (MOJ, MOE, commercial and retail) as well as on new builds. - Morrinsville

Very uncertain times. - Nelson

Generally in recession. - Queenstown

Philippines

Market picking up as pandemic woes reducing with increase in foreign investment, which is sponsored by the Government, with main contributor being infrastructure and manufacturing. - Manila

General improvement on Infrastructure and industrial. Out of town residential developments are also showing signs of increasing. - Manila

Singapore

With the prevailing economic headwinds, the general market sentiment is not rosy. - Singapore

Relatively stable market. - Singapore

Sri Lanka

With grade A office, retail supply levels increases. There has been downward pressure on prime Grade A retail and office space. - Colombo

Fluctuations in fuel prices tend to be in unpredictable situations. - Colombo

In Sri Lanka, due to several reasons property market has been affected very badly and now it is gradually but very slowly picking up. - Colombo

Commercial property investments in Sri Lanka, local & foreign are slowly moving due to lack of good plan, understanding its importance to the overall economy and steps to be taken to encourage investors are important. - Colombo

Market has come to a situation of wait-and-see due to election fever. - Colombo

Market is dull. Demand is less. Supply has become more. Hence bargaining power have increased. So a drop is expected in the general market conditions. - Colombo

Prices increase due to inflation prevailing in the country. - Gampaha

It is generally unpredictable due to the unbalanced political situations of the country. - Giriulla

Starting to recover. - Jaffna

Vietnam

The market is recovering. - Hanoi

Very gentle up-tick. - Ho Chi Minh City

Europe: CRE market viewed as having reached the bottom of the cycle, but current demand conditions remain subdued

The Q1 2024 GCPM results for Europe are a little less downbeat than those returned last quarter, albeit trends remain highly disparate at both a sector and country level. Capturing the overall mood, the largest share of contributors now view the commercial real estate market in Europe to have reached the bottom of the cycle (36% compared to 30% last time), while there has been a reduction in the proportion of respondents sensing conditions are still consistent with a downturn 31% in Q1 vs 52% previously).

Occupier and Investment Sentiment Indices turn a little less negative

Chart 1 shows both the aggregate level OSI and ISI readings turned slightly less downbeat compared to the second half of last year. The OSI now sits at -9 having moved off the recent low of -19 hit back in Q3 2023. For the ISI, the latest reading of -10 is less downcast than the figure of -31 posted just a couple of quarter ago. Nevertheless, these sentiment gauges remain in keeping with subdued market momentum.

At a country level, while most European nations tracked continue to display some degree of negativity across the headline sentiment indices, there are a few exceptions. Indeed, the CPSI (a combined measure encompassing both OSI and ISI measures) is positive in Greece (+20), Cyprus (+9) and Portugal (+5). In each case, respondents report an acceleration in occupier demand through Q1, helping to support overall market sentiment. Conversely, the CPSI remains stuck in negative territory across both France and Germany, albeit the latest readings of -24 and -26 respectively are somewhat less pessimistic than last quarter (-37 and -35). Elsewhere, markets such as the UK, Spain and Italy all exhibit broadly neutral CPSI readings this quarter, marking and improvement on negative returns in Q4.

Outlook for capital values variable at a country level

As depicted in Chart 2, there are now considerable differences when looking at twelve-month capital value expectations at a country level across the continent. On the stronger end of the scale, respondents in Cyprus, Romania, Greece, Portugal and Austria are of the view that capital values will rise, to a greater or lesser degree, at the all-property level over the year to come. Meanwhile, Spain Belgium, the UK and Switzerland display largely stable expectations for capital values on the same basis. In parallel with much of the survey feedback from Germany and France in Q1, respondents remain rather downbeat on the prospects for headline capital value growth over the next twelve months.

Alternatives expected to outperform

Chart 3 show the regional averages for twelve-month rental and capital value projections across all sub-sectors tracked. Of the more traditional sectors, only prime industrials display a positive assessment for both capital value and rental growth. For prime offices, rents are anticipated to rise, although the outlook is relatively flat for capital values. Meanwhile, expectations remain deeply negative for secondary offices and secondary retail. That said, expectations are now broadly sable for prime retail. Away from the traditional sectors however, many alternative asset classes are projected to post solid growth over the year to come, led by particularly robust expectations for data centres, student housing and multifamily residential.

Chart 1 - Occupier and Investment Sentiment Indices

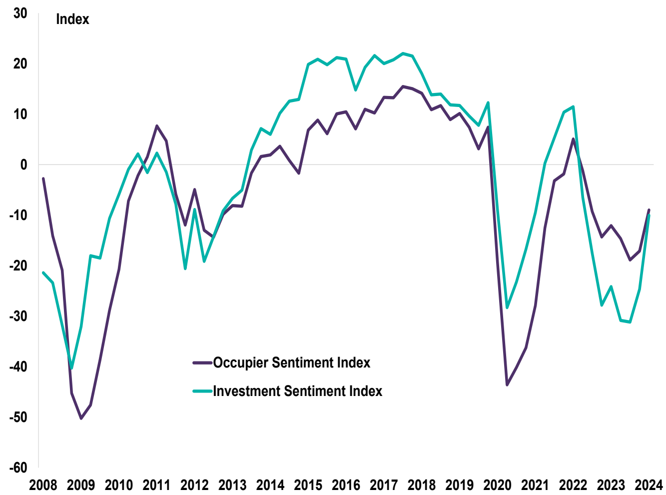


Chart 2 - Twelve-month Capital Value Expectation by country

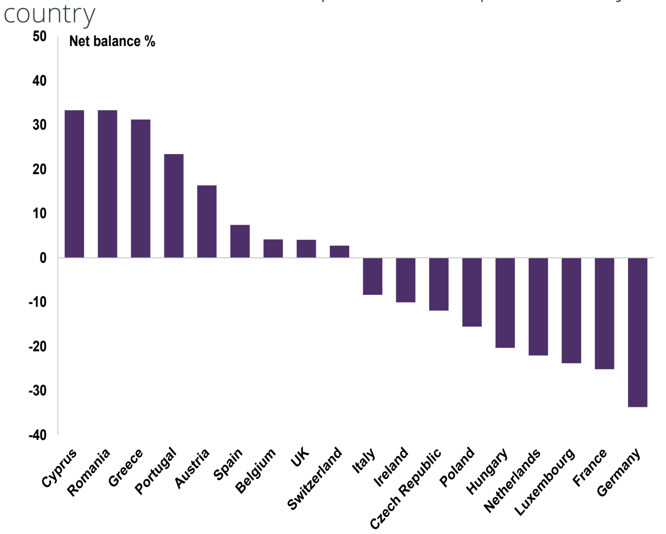
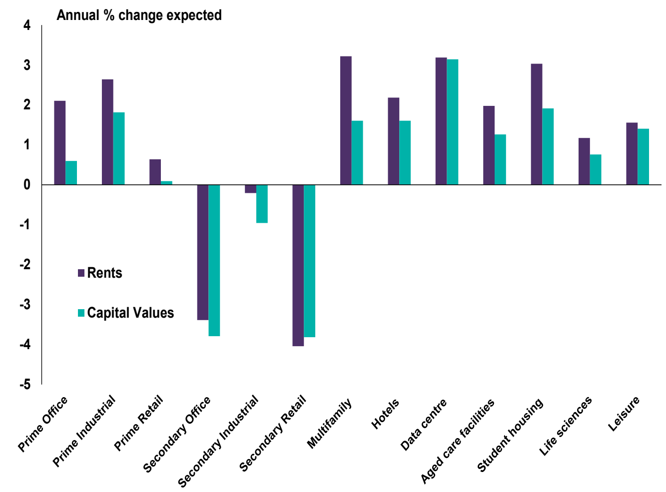


Chart 3 - Twelve-Month Projections by Sector



Regional comments from survey participants in Europe

Austria

The bankruptcy of Signa, one of the dominant RE investors in Austria has negatively impacted on the entire market and led to a slowdown of transactions in most CRE classes. - Vienna

Very difficult due to ECB interest rates, supply chains and general mood among the population. - Wiener Neustadt

Belgium

The thaw seems to be setting in for investment transactions and the lending underpinning them. Pricing is very much in line with valuer opinions. - Brussels

Bulgaria

The gap between supply and demand expectations is increasing and thus reducing liquidity in assets and increasing reluctance for investors. -Sofia

Cyprus

Nicosia property market has seen an increase in residential property sales (land and buildings) and has remained relatively stabilised for other sectors. Demand for Grade-A offices remains high, although not enough stock to cover demand at the moment. Supply of Grade B & C offices is higher than demand. Retail sector is currently experiencing decreased demand, due to the malls. Demand for the latter is often tenant demand, rather than investor demand. - Nicosia

Czech Republic

Financing still a problem but more confidence in the market. - Prague

Despite the current still challenging market environment, and global issues impacting the real estate industry, we see a light at the end of the tunnel in a decrease of inflation and a strong lobby of developers and investors in changing a rigid legislation. - Prague

France

Post-MIPIM the investors have come to a common mind ; some bottom-fishing has begun, many funds can't sell as purchasers are looking for 'bargains'. -Paris

Dull market apart from IT and Life Sciences. Difficult to obtain motivated, informed opinion.- Toulouse

Germany

The investment market is still not really existing, nobody wants to sell, as the MV will not be achieved; on the other side investors are expecting, either lower capital values/ purchase prices in the next 12 months or assume pressure by re-financing issue which can increase forced sales and therefore create a better environment to buy. - Berlin

The problem remains that potential sellers and potential buyers cannot come together because their price expectations are so far apart. This means that there are still significantly fewer purchase cases than around 2 years ago- Hamburg

Greece

Market is evolving and will be attractive within 2024. - Athens

Greece is in a different cycle stage than the rest of Europe. Prices and rents started picking up at end of 2017, after a long period of financial depression. Prices are still lower than the rest of Europe and yields are higher, which attracts investors. Access to credit remains constricted, since banks have only recently started to get rid of their NPL porfolios. High performance in tourism and low new supply from the construction sector has pushed housing prices upwards. - Athens

Hungary

There are still office tenants that are expanding, because of specific reasons of their sector. These expansions are happening although they have been also using hybrid offices. .-Budapest

Office market is weak, less demand but supply is plenty, trend of WFH still continues..- Budapest

Ireland

Undersupply is an ongoing issue. - Dublin

Challenging. There is investor demand, however, investors are very wary of the yield they will pay and the world economic outlook which will see growth slowing, significantly. Lowering interest rates will hopefully ease investor fears. - Dublin

Large gap between buyers and vendors expectations leading to lack of trades in most sectors.- Dublin

Italy

2024 still sees resistance from investors as they await further repricing, despite no lack of capital wanting to invest. Banks still willing to fund construction rather than speculative development risk. -Milan

Quite a stable market, no dramatic changes in the next few months, Living/hospitality and industrial still the most active in rents and capital market. First signals of a recovery in retail, both HS and OOT.. - Milan

The property market, after a decline caused by the increase in management costs (utilities) and interest rates, is showing signs of recovery also caused by a slight reduction in prices. The office and industrial rental market has had a constant trend. However, prices in some cities in the residential sector reached and remained stable at high levels (Milan and Bologna). The market for short-term, tourist and student rentals is very lively. - Rome

Netherlands

It's a different market in many ways due to high rents, inflation, the geo policital circumstances. - Amsterdam

The Hague market has always been more or less a flatliner. It's hard to predict what happens in the next couple of months. But for sure rents will go up and incentives will go down due to the fact that the government has taken up a lot of vacancy and there are no new developments under construction. - The Hague

Poland

Noteworthy alterations were evident prior to the preceding 12-month period. Presently, the rate of change has notably subsided. - Poznan

Portugal

While occupational activity In Lisbon seems to have picked up across sectors (including offices), investors remain largely by-standers whilst vendors' expectations are still unrealistic and better value can be found elsewhere in (northern) Europe. - Lisbon

Romania

In this moment, the main focus is on residential and industrial. Mainly, some investors are getting a larger share of the market by acquiring the stock from other investors (they increase the portfolio with existing buildings, not new ones). In retail, are several M&A which involves the business line, not only the assets.. - Bucharest

Regional comments from survey participants in Europe

Spain

Market situation shows different performance around Europe. Spain still resilient, maintaining the most attractive for foreigner investors. Core plus and opportunistic profiles are the most active in the market. New developments has turned up to build to suit due to financial and construction cost. Madrid, Barcelona and Valencia still being the most important markets in Spain. - Barcelona

In Spain, we are seeing the big occupiers starting to decide finally after 3 years of analysing the impact of hybrid working. Flight to quality is a general trend and property management has become a critical element to the success of an office product. Prime rents will continue to rise as prime product is what every player wants, from education, residential or office use. - Madrid

Non-increasing interest rates, sustained but lower inflation, slowdown is expected, but at least there is enough liquidity to continue to maintain a certain positive movement.- Madrid

Investors are waiting for interest rates to drop.- Madrid

Volatile and in a holding position due to high cost of capital. - Madrid

Sweden

It is hard to estimate the development of the market given little activity. However, several actors believe 2024 to be a better year compared to 2023. - Stockholm

Switzerland

While office rehabilitations into other uses has been much discussed, the feasibility (cost and practicality) is often not there . . . yet. - Zurich

Middle East and Africa: Strong demand conditions expected to drive further growth in rents and capital values

The Q1 2024 GCPM feedback for the Middle East and Africa continues to signal strong momentum behind market activity across the region. Moreover, twelve-month expectations point to further expansion in rents and capital values going forward, with all sectors anticipated to see growth. That said, geopolitical tensions, which appeared to escalate just after the survey collection period, remain a risk to the outlook.

Occupier and Investment Sentiment indices remain firmly positive

Illustrated in Chart 1, the regional aggregates for both the OSI and ISI remain firmly positive, indicative of a solid expansion in market activity over the quarter. In the case of the ISI, the latest reading edged up to +13 from +8 previously, thereby marking a fresh record high for the series. Alongside this, the OSI remained unchanged at +13, which again suggests the overall conditions on the rental side of the market retain strong impetus. When looking at the national level data across the region, the UAE stands out as seeing a further improvement in both OSI and ISI readings during Q1, climbing to +38 and +30 respectively (from +27 and +16). Meanwhile, CRE market sentiment remains upbeat in Saudi Arabia, albeit the latest readings are a little more modest than those reported last quarter. Elsewhere, the headline sentiment indices are firmly positive across Nigeria, but sit in broadly neutral territory for South Africa.

In keeping with this, the headline occupier demand matrix posted a new record high across MEA in aggregate (shown in Chart 2). This has been supported by a particularly noticeable acceleration in industrial tenant demand over recent quarter. Similarly, demand for office space is rinsing according a net balance of +23% of contributors, which is also a the highest reading this gauge's history.

Interestingly, MEA appears to be a global outlier when it comes to trends seen in office downsizing over the past twelve months. Indeed, on a worldwide view, a net balance of +39% of respondents reported that they have seen a increase in the volume of office tenants looking to downsize. In stark contrast to this, the net balance reading for MEA came in at -4%, suggesting, if anything, downsizing had become marginally less frequent. That said, there were some differences at the country level. Whereas both Saudi Arabia and the UAE saw a reduction in office downsizing (in net balance terms), there was a pick-up reported in markets such as Nigeria and South Africa.

Rental and capital value projections remain robust

Chart 3 depicts twelve-month regional aggregate rental and capital value expectations across each sub-sector covered by the survey. While all categories are anticipated to deliver positive growth in both variables to a greater or lesser degree, secondary retail does appear to be lagging compared to the optimism displayed across other sectors. Prime portions of the office, industrial and retail sectors still exhibit upbeat projections for capital value and rental growth over the year ahead. Alongside this, several alternative sectors returned especially strong twelve-month projections, led by data centres, multifamily, hotels and leisure. At a country level, Saudi Arabia, Nigeria and the UAE all display firmly positive projections across all market sectors over the year to come. In South Africa, the outlook is more cautious for secondary office, retail and leisure assets, but capital values are rents are seen rising in all other sub-sectors.

Chart 1 - Occupier and Investment Sentiment Indices

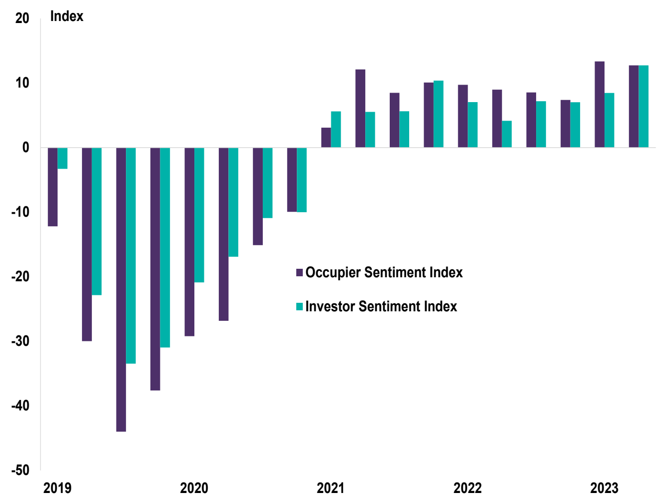


Chart 2 - Occupier Demand by Sector

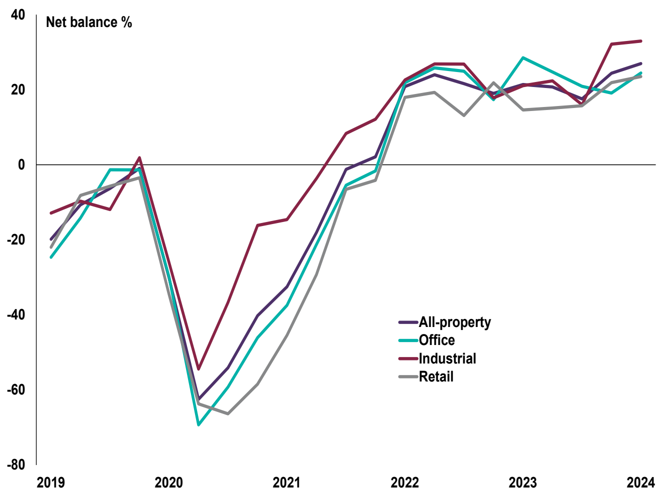
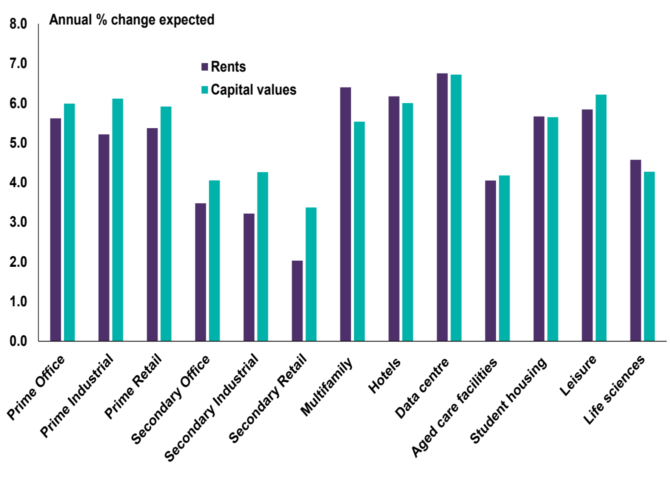


Chart 3 - Twelve-month Projections by Sector



Regional comments from survey participants in MEA

Ghana

The general market condition is almost stagnant due to high inflation and lack of money in the system. - Accra

Israel

We are in a war situation. The market act in a low-moderate mode. - Tel Aviv

Kenya

The Kenyan market is indeed showing signs of cautious optimism as it recovers from the impacts of the COVID-19 pandemic. However, the economy still faces hurdles, including vulnerability to external factors like geopolitical conflicts and volatile commodity prices. These elements underscore the importance for investors and businesses to conduct thorough risk assessments and explore potential opportunities with a strategic approach to navigate the current economic landscape. - Nairobi

Malawi

The Malawi market is heavily affected by the local economic conditions. With the local currency being devaluated against the US dollar almost every quarter for the past two years, the currency is now almost 100% less powerful than it was three years ago. This has led to prohibitive cost of borrowing from commercial entities and resulted into high cost of property development and maintenance. -Blantyre

Mauritius

Values of land for residential development has witnessed substantial increases, due to the opening of the Economy to Expats who can apply for Citizenship by investing $500,000 in a residential unit. - Quatre Bornes

Mozambique

The market is stagnant, expected to remain stagnant during 2024 due to the elections and the downturn of economic activity.- Maputo

Oman

Stabilised market, with some early signs of small degrees of recovery in certain areas and sectors. - Muscat

Qatar

Market is really struggling to recover. - Doha

The construction companies are downsizing their employees and workers since the demand for construction in the country has reduced. - Doha

Saudi Arabia

Construction market is overheating. -Riyadh

The market in Saudi Arabia remains stable and shows signs of recovery after facing challenges due to the COVID-19 pandemic and fluctuations in oil prices. The government's Vision 2030 plan, aimed at diversifying the economy and reducing dependence on oil revenues, has brought about various reforms and investments in non-oil sectors such as tourism, technology, and renewable energy. The Saudi stock market, Tadawul, has been performing well and attracted interest from foreign investors. - Riyadh

South Africa

Capital Values remain in a holding pattern. Electrical supply issues are significant. Listed funds trying to grow AUM, but supply of prime property for sale remains limited and stagnant. - Cape town

Still a significantly subdued market, primarily due to South Africa's GDP being paltry. Retail will strain this year due to lack of spending from consumers; High-Tech industrial will be the star performer (DC's); the office sector will continue to hobble along and is still most at risk; Residential Sector will see limited growth over the next 12 months. - Durban

General Real Estate and REITS have a rental growth of 2% - 5% and a Capital growth of 0% to 4%. Expenses growth is pegged at 4.25% leaving little real growth. There are few productivity drivers to grow rentals. Capital growth will only come from monetary influences e.g. inflation and interest rate decreases, when they happen. This may only be late 2024. - Johannesburg

Upcoming elections appear to have stalled market activity due to uncertainty going forward. - Johannesburg

The SA economy is really struggling to get any traction. The government seems unable to come up with any workable plan of action for the country as a whole and the upcoming general election does not help improve investor and consumer confidence. - Johannesburg

Lower mining activities and lower PGM commodity prices had a negative influence on the property industry in Rustenburg South Africa.- Rustenburg

Uganda

With the annual headline and core inflation rising to 2.8% and 2.4% in January 2024, the Bank of Uganda has maintained the Central Bank Rate (CBR) at 9.5% in February 2024 to cushion the effect of inflation...the expected result is a positive trend in growth in the construction and other sectors in the long run.. - Kampala

UAE

Demand remains high in Abu Dhabi freezone (ADGM) with proposals for new Grade A office space moving forward. Strong demand remains for regional representative offices. Increasing demand in logistics and data centre sectors.- Abu Dhabi

It is very noticeable that all commercial market sectors are strong in terms of both capital and rental growth. Notably the office sector in Dubai has approximately only a 7% vacancy rate and in the DIFC free zone it is 3%. Office rent will continue to rise due to a lack of new supply coming to the market over the next 3 years. Population growth and increased direct foreign investment are some of the many key factors driving this market upwards. - Dubai

Still a lot of demand for most property types and there is insufficient supply. - Dubai

Strong markets across all sectors, demand being frustrated by new supply - especially prime. New starts expected but imbalance will remain for 30 months.- Dubai

Uptrend and boom in real estate market.- Dubai

Zambia

The delayed country's debt restructuring has negatively impacted on general economic growth. - Lusaka

The high cost of borrowing as significantly affected the property market.- Ndola

Zimbabwe

Low activity in the property market. - Harare

North America: Feedback still points to an overall subdued market albeit there are some small signs of improvement

The Q1 2024 GCPM results for North America once again show a market which is in a cautious, mood even if a few metrics hint at a possible improvement later in the year. The headline Commercial Property Sentiment Index (CPSI) shows little change from last quarter, with the figure for the United States rising only marginally from -9 to -7 in Q1. The CPSI for Canada, meanwhile, also showed minimal change as it moved from -4 last quarter to -5 in Q1 (Chart 1).

Credit conditions now showing noteworthy shifts

The latest results from the US point to an improvement in credit conditions of late, with the net balance for this series moving into positive territory at +10% this quarter (compared to -10% last time). Meanwhile, in Canada, although the latest reading remains slightly in the negative zone (net balance -2%), this still represents a significant shift compared to the reading of -38% returned in Q4. Nevertheless, the investment market is still lacking momentum across both nations at present, evidenced by the all-property investment demand gauge registering a net balance of +1% in the US and -7% in Canada. That said, there remains a significant divergence at the sector level, with the investment demand indicator in modestly positive territory for industrials in both cases, while the picture is generally flat for retail. By way of contrast, the office sector continues to see a decline in investment enquiries across both Canada and the US.

Office occupier market remains under duress with downsizing becoming more prevalent

In keeping with the picture on the investment side of the market, the net balance for office occupier demand in the US remains in negative territory, albeit to a slightly lesser degree this time (-10% vs -22% previously). Similarly, in Canada, the office tenant demand metric was unchanged, at -13%, which again indicates a soft backdrop. Moreover, 59% of respondents based in the US report witnessing an increase in the volume of office tenants downsizing over the past year. Likewise, 64% of survey participants in Canada saw more instances of downsizing, further echoing the sentiment of a struggling office market. Alongside this, both Canada and the US continue to exhibit heavily negative annual capital value projections across secondary portions of the office market (shown in Chart 2). Conversely, respondents ain both countries foresee solid growth in prime industrial capital values over the year ahead, with prime retail also anticipated to post modest gains. Meanwhile, multifamily capital values are seen outperforming all other sectors in Canada in the year to come, while the outlook is positive (although more moderately) in the US. Alongside this, many of the alternative CRE asset classes are also expected to deliver positive capital value returns over the next twelve months.

Fewer respondents now sense the market is in a downturn

The belief that interest rates will be lowered later in the year appears to have contributed to a further change in respondents' views on the stage of the property cycle. Indeed, across Canada, the share of contributors sensing the market is in a downturn eased from 50% to 34% in Q1. On the flipside, there was a rise from 13% to 20% of respondents who now view conditions to be consistent with an upturn. Meanwhile, in the US, 31% of contributors still feel the market is turning down, less than the 40% seen last time (Chart 3). Alongside this, 24% of US respondents feel the market has reached a floor, with an equal 24% share sensing that early signs of recovery are emerging.

Chart 1: Commercial Property Sentiment Index

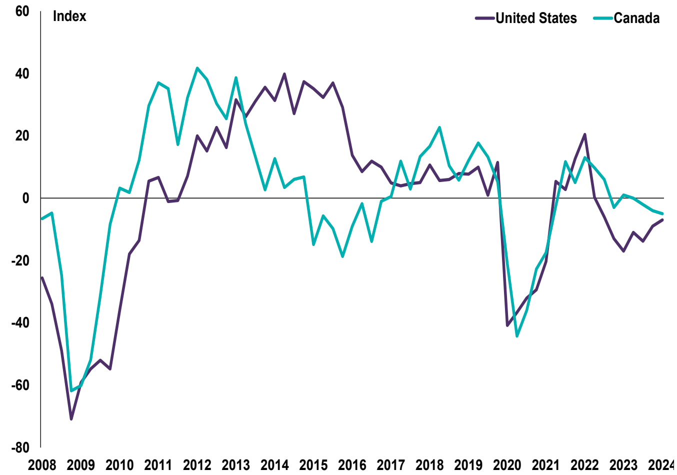


Chart 2: 12 month capital value expectations

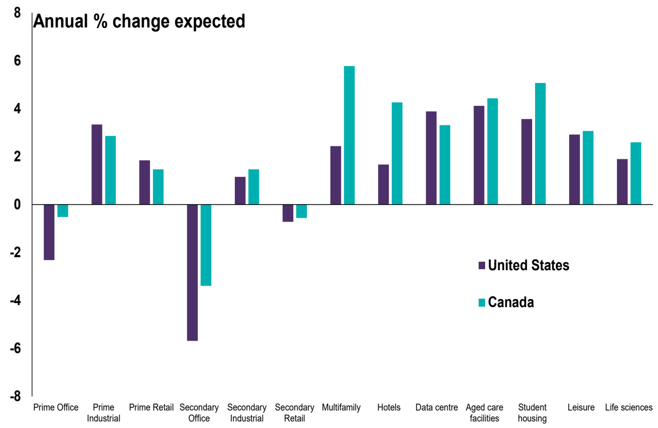
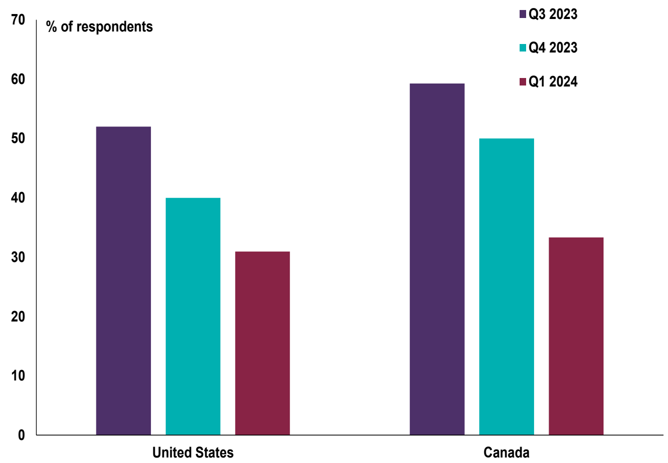


Chart 3: Proportion of respondents reporting a downturn within the commercial property market



RICS

Regional comments from survey participants in the Americas

Canada

Single family residential is currently slow, property supply is dwindling, and values have stabilized, however, until interest rates start going down, the market is probable going to remain as is to try and correct the past couple years of outrageous inflation. - Windsor

Suburban office and Retail outpace depressed CBD market. - Calgary

Very low vacancy rate in the retail sector as more shared office space is forming. - Halifax

Mid downturn point and expectations adjusting where vacancy exists. Dramatically increasing inducements are camouflaging real returns. - Toronto

Retail traffic volumes are better than expected, almost approaching pre-pandemic levels. Occupancy at prime malls remains good. Prime/new office space is attracting tenants. Older/non prime location office is experiencing higher vacancy. Industrial occupancy remains very high-with higher demand than supply, but rents have levelled off at $17.00 to $18.00 per sf. Twelve months ago they were headed for $20.00 psf. - Toronto

Probably the most significant influence in predicting the survey will be cap rates driven by the long term cost of borrowing. - Vancouver

Jamaica

Strong market, level retail. - Kingston

Peru

Supply remains without any growth and demand begins to reactivate according to the economic sector. - Lima

Saint Lucia

Currently, investment in land and land infrastructural development have priority over construction of structures. - Castries

Incidents of crime affecting businesses in the community. The Incidence of gang violence has subsided somewhat. - Vieux Fort

Trinidad and Tobago

Broadly the market is flat and unlikely to change in the near future. With the rise in crime, gated residential communities are in demand. - Port-of-Spain

Economy sill in recovery and as a result general market conditions are now gradually increasing. - San Fernando

United States of America

Boston (4Q23) - Office asking rents stable, but net effective rents diluted by concessions. B/C assets face stronger headwinds than A/Trophy assets. RTO continues to improve. Life-science facing new delivery oversupply/asking-rent decreases. Retail tight given tight supply. MF rent growth tempered, but still positive. Seller-Buyer price gap “sobering up” as elevated interest rates persist with cuts not expected until 2H24. Unemployment below 3% and overall economic fundamentals favorable. - Boston

Office properties future and capital availability remains dynamic. Multifamily appears to have small growth although some markets may be at limits driven by tenant income growth potential. Top end retail some stability and growth but concerns about inflation. Lesser retail struggling particularly in office proximity. Manufactured housing, strong, demand continues as a housing option. Property taxes residential values rising and mixed response by jurisdictions in reducing commerical. - Chicago

DFW markets continue to be fairly strong, due to continued increased demand, driven by the expanding population. Industrial leads the way, despite increased construction and availability, and retail is also strong as there is a lot of money in the economy. Offices are still lagging due to the uncertainty in the sector, but there is a continued flight to quality, with many companies downsizing into better quality spaces. - Dallas/Fort Worth

There has been a very slight loosening of credit. Office values continue to sag with no end in sight. Capital heavy investors continue to search for and secure true value add opportunities. - Harrisburg, PA

There has been a very slight loosening of credit. Office values continue to sag with no end in sight. Capital heavy investors continue to search for and secure true value add opportunities. - Harrisburg, PA

Industrial, multifamily, and retail are in balance. Office construction was modest during last cycle so vacancy is manageable at current demand levels. - Kansas City

Our local economy is still robust. - Knoxville, TN

We are located in SWFL. One of the best markets in Eastern US. There are 3 big concerns. Minimal land, so values continue to increase, and cost to build is high. Cost of owning, which includes maintenance, has increased dramatically plus prop nsurance is extremely high. Thus, CAM expenses for commercial & multi-family very high! Cost of housing is high, and is starting to slide down due to costs of financing, and insurance, and homeowners assocations. Fla is slowing. - Naples

We have seen a quick start to 2024 from both tenants, investors and developers, despite the high interest rate environment. Industrial tenants are leading the charge with over 2million square feet of new leases being signed since the start of the year, but all asset classes are experiencing solid activity. Industrial rents continue to grow at approx 10% per year and record prices are being paid for industrial land, due to its scarcity. Industrial Cap Rates remain under 6% for Class A buildings. - Nashville

There continues to be a bid-ask spread between buyers and sellers, keeping the number of transactions low. The spread is slowly narrowing as risk-free yields stabilize and as buyer and seller expectations reset to a new equilibrium. - Los Angeles

We are in the midst of a perfect storm in New York City, and the “market” is building-by-building and landlord-by-landlord. The city is unsafe, and getting worse. Large tenants are being driven out by left-wing ideologue politicians, and the city and state are now a one-party system, insinuating themselves into all aspects of work and life. No wonder the state is losing more people to other states than any other state except occasionally California. It’s painful to watch and experience. - New York

New York office market picking up especially in trophy buildings like 9W57th Street. Green shoots in apartment rental growth 0-4% , hotel sector the new darling. - New York

High interest rates are stifling activity and affordability. - New York

Tale of two cities. 70% of transaction volume going to 30% of office portfolio with a flight to Quality. Short supply of trophy space is starting to increase rental rates in B+ building well located with Amenities. If not well located and no amenities the property will die. - New York City

In New York, mid town still has few distress / sub-par value sales however overall there are recovery signs due to in-office mandates. - New York

Looking to more price changes as interest rates stay high. - Miami

Oakland is grappling with a significant challenge stemming from a sprawling homeless crisis. This situation is further exacerbated by issues of high crime rates, rampant vandalism, and widespread destruction of retail spaces, painting a picture of a city in distress. The local administration’s liberal policies, coupled with inadequate

Regional comments from survey participants in the Americas

law enforcement strategies, have contributed to a burgeoning sense of lawlessness and disorder. - Oakland

General optimism in CRE as interest rates moderate, the FED is expected to lower the Fed rate, some modest recovery in the retail sector, recognition that the expected recession didn't happen. - San Francisco, CA

We are entering a period of great uncertainty and new territory in respect of the style, type and quality of offices. Tenants will obviously occupy less square footage and will expect offices to be run like a hotel. - San Francisco

A) Santa Barbara is somewhat of an anomaly. While increased financing costs have impacted the market for investment properties, the area remains highly sought after. B) Generally retail occupancy in the area is fairly high; over 95%. The exception is the central business district where occupancy is 80% to 85%. The principle thoroughfare remains closed while the community “”dithers”” as to what the future of the district will be. Alas! - Santa Barbara

Global Commercial Property Monitor

RICS' Global Commercial Property Monitor is a quarterly guide to the trends in the commercial property investment and occupier markets. The report is available from the RICS website www.rics.org/economics along with other surveys covering the housing market, residential lettings, commercial property, construction activity and the facilities management market.

Methodology

Survey questionnaires were sent out on 13 March 2024 with responses received until 12 April 2024. Respondents were asked to compare conditions over the latest three months with the previous three months as well as their views as to the outlook. A total of 1670 company responses were received. Responses for Ireland were collated in conjunction with the Society of Chartered Surveyors Ireland. Responses for Malaysia were collated in conjunction with the Royal Institution of Surveyors Malaysia.

Responses have been amalgamated across the three real estate sub-sectors (offices, retail and industrial) at a country level, to form a net balance reading for the market as a whole.

Net balance = proportion of respondents reporting a rise in a variable (e.g. occupier demand) minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the net balance will be 25%). Net balance data can range from -100 to +100.

A positive net balance reading indicates an overall increase while a negative reading indicates an overall decline. The RICS Occupier Sentiment Index (OSI) is constructed by taking an unweighted average of readings for three series relating to the occupier market measured on a net balance basis; occupier demand, the level of inducements and rent expectations. The RICS Investment Sentiment Index (ISI) is constructed by taking an unweighted average of readings for three series relating to the investment market measured on a net balance basis; investment enquiries, capital value expectations and the supply of properties for sale. The Commercial Property Sentimet Index is an unweighted average of the OSI and ISI. Regional indicators are weighted using estimates of the stock of commercial property provided by LaSalle Investment Management, and are adjusted on an annual basis.

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