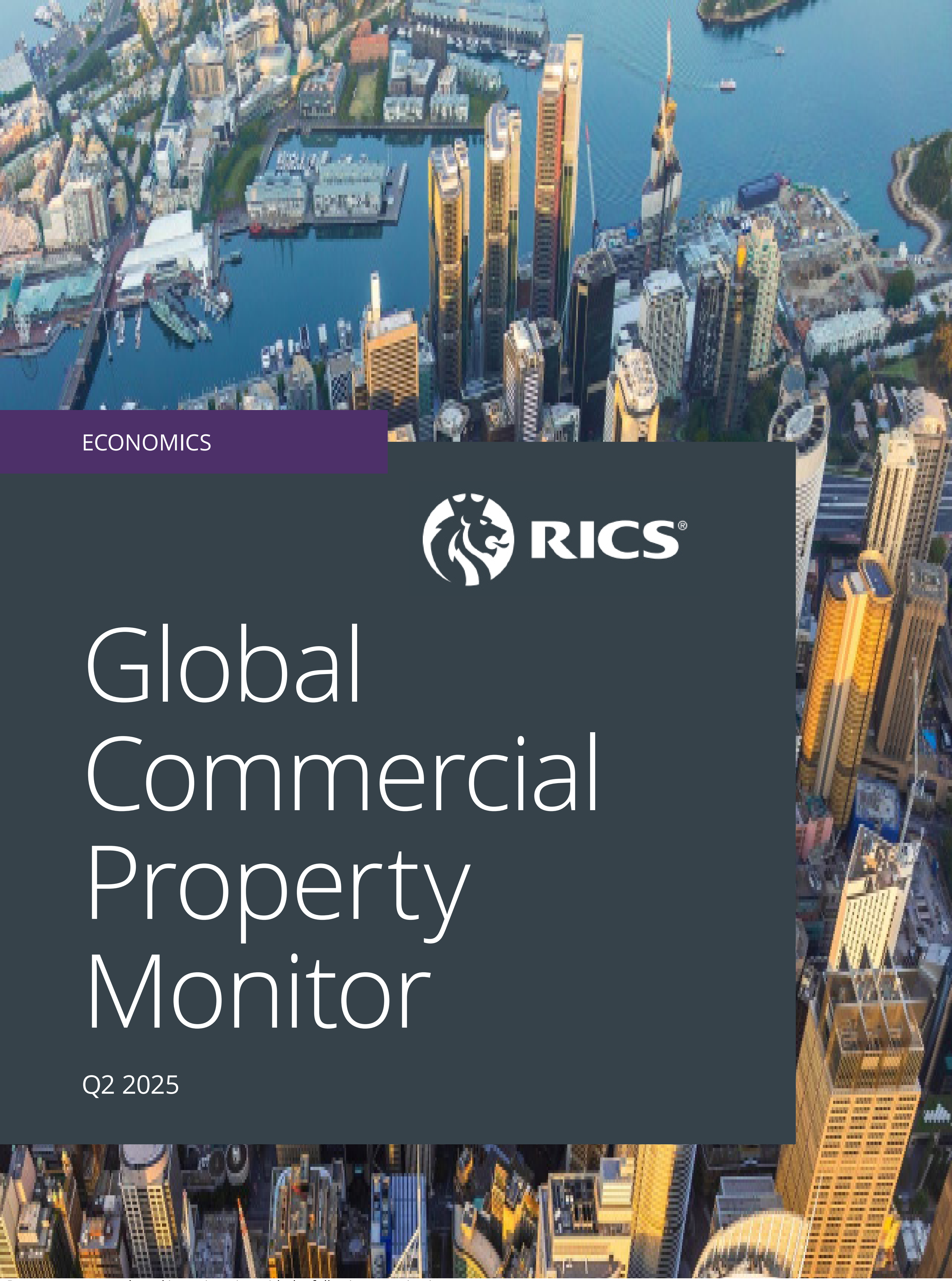


ECONOMICS

Global Commercial Property Monitor

Q2 2025

Responses were gathered in conjunction with the following organisations:

ECONOMICS

Occupier demand resilient in the face of macro uncertainty

- Headline RICS Global Commercial Property Sentiment Index unchanged in Q2
- Occupier demand net balance remains in positive territory
- Foreign investor enquiries metric still subdued
- Data centres to deliver the strongest returns over the next twelve months

Although the second quarter of the year was dominated by discussions around tariffs, with the tone of the conversation vacillating between confrontation and negotiation, headline sentiment indicators from the latest RICS Global Commercial Property Monitor (GCPM) were little changed during Q2. Indeed, the reading for the aggregated Global Commercial Property Sentiment Index (CPSI) was -6 for the second consecutive quarter, albeit this is marginally less negative than readings of -8, -7 and -11 previously (Chart 1).

In terms of the regional picture, the CPSI remains most positive in MEA where it came in at +7 as against +10 in Q1. Once again, it is the UAE where contributors are telling the most upbeat story. Meanwhile, the aggregate result for the Americas shows sentiment just about remaining in positive territory. For Europe, the CPSI was -4 as against -6 in the first three months of this year. Finally, the APAC landscape remains more divergent than other areas. The headline CPSI for Q2 was recorded as -17 versus -21 previously. But within this, the feedback from India remains generally upbeat and contrasts with the still negative tone to the insights from China and Hong Kong.

Occupier demand remains resilient for now

Unease over the outlook for the global economy has intensified in recent months, reflecting fears over the potential impact of a tariff war on business activity. That said, most forecasts regarding the outlook for growth continue to point to a generally lacklustre performance rather than anything more deleterious. This is also the sense coming back from the responses to the GCPM as far as occupier demand is concerned. Taking the global picture as a starting point, the headline reading measured in terms of the change compared with Q1 (in net balance terms) was +5%. This is only very slightly up on Q1 (+4%) as well as Q4 of last year but is, nevertheless, somewhat reassuring in the face of the uncertain macro newsflow. Chart 2 shows the comparable data for Q2 at a regional level. MEA continues to demonstrate the most positive trend with a net balance reading +21%, but it is closely followed by the Americas at +20%. The result for Europe was just +1%, reflecting minimal change as against the first quarter. Meanwhile, the headline reading for APAC came in at -10% which is still indicative of a further drop in tenant demand.

Disaggregating the data a little further still, of the 33 countries included in the latest report, 19 recorded positive readings for this metric. The strongest net balance number came from the UAE at +59% followed by Spain at +54% (it is important to stress that this is a measure of change, not a level). At the same time, the picture in India remains robust with a reading of +45%. It is also worth noting the generally firm tone to the responses received from the United States, where demand was viewed as rising by a net balance of +23% of contributors; this is ninth successive quarter that the tenant demand indicator has been in positive territory, consistent with the relatively strong growth performance of the US economy compared to other advanced economies.

One other feature of the results around occupier demand is the breakdown by (mainstream) sectors. At a global level, the industrial net balance remains the most positive at +10% (as against +6%) previously. Meanwhile, the office reading was +6% and, for retail, it was only marginally negative at -1%. Significantly, when looking at the regional data for the Americas and MEA, the results are solidly positive for all three sectors.

Chart 1 - Commercial Property Sentiment by Region

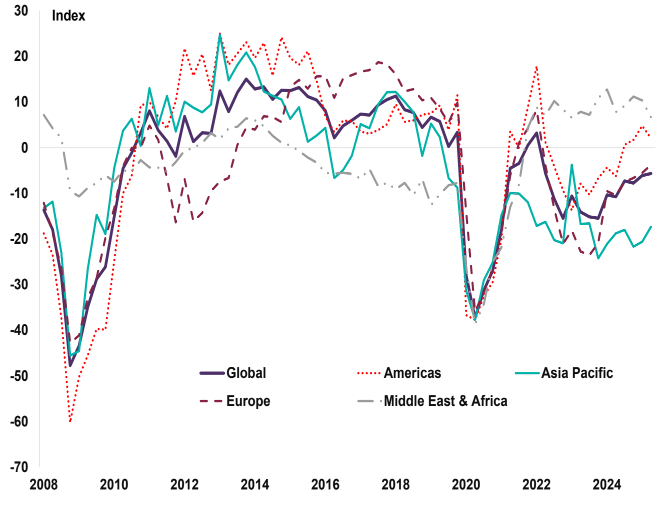
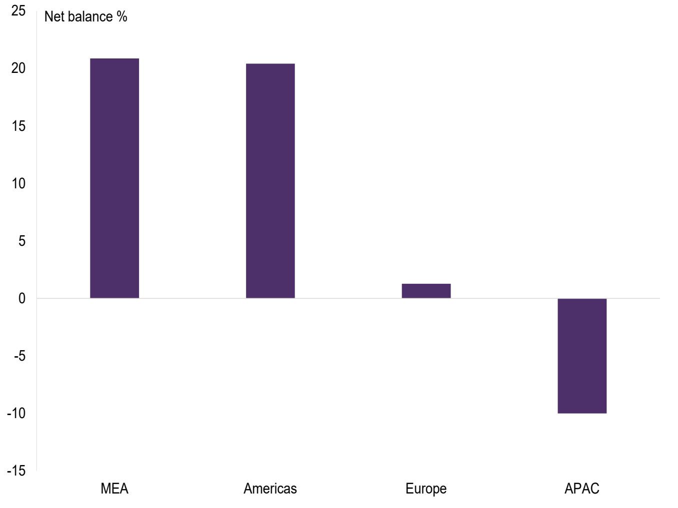


Chart 2 - Occupier Demand by Region



In the case of the former, and particularly noticeable in the US, the improvement in the office net balance is striking having laboured in negative territory in the wake of the Covid pandemic and the fashion for working from home.

The turnaround (which has seen the office occupier demand net balance recording increases in each of the past four quarters) is consistent with greater emphasis by many companies (and indeed Federal agencies) in encouraging employees back into the office. That said, despite the picture presented globally and at a more local level regarding occupier appetite, it is evident that the need to 'sweeten' deals has not dissipated to any material degree. The headline indicator which aims to capture the trend in the level of inducements being offered to attract tenants (globally) came in at +25% which is little different from where it has been over the past few years.

Investor Enquiries still positive but cross-border activity more subdued

A subject we drew attention to in the Q1 report was the improving trend in the investment enquiries metric. The global reading for this indicator edged down slightly in Q2 to a net balance of +7% compared to +10% previously. Even so, this remains the fourth positive number for this series in succession and chimes with hard data showing a modest pick up in commercial real estate transactions over the past twelve months. Similar to the Q1 results, the net balance reading for this metric was positive for three-quarters of the countries included in the survey, albeit in some cases only modestly so.

As with occupier demand, at a global level, the results are consistent with some increase in activity in all three traditional sectors. India followed by the UAE continues to show particularly strong growth, with net balance readings of +51% and +50% respectively. Meanwhile, the downbeat trend in China does appear to be lessening, evidenced by the least negative reading being registered in almost two years during Q2. Within Europe, there are signs of a similar story in France, while the picture in Germany and the UK appears to be essentially flat; Spain remains a strong performer.

The indicator used to capture the trend in cross-border flows is the foreign investment enquiries metric (again measured in net balance terms). At a global level, this series remains negative at -10% which is little different from -7% previously. Chart 3 breaks this down at a regional level and, interestingly, shows that the headline number is being dragged down by a weak result from the Americas. Specifically, the reading for the US slipped from -6% to -29%. By way of contrast, the aggregate Europe number rose to +7% which is the best reading since the early part of 2022. UAE, once again, scored strongly as did Poland and Japan.

Chart 3 - Foreign Investment Enquiries by Region

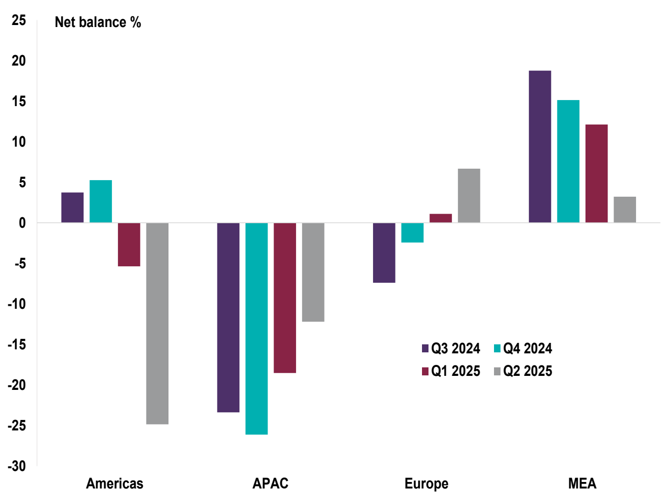
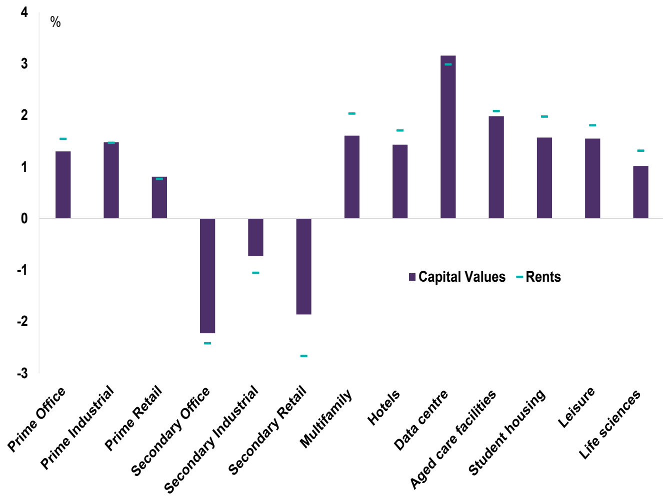


Chart 4 - Twelve-month Global Capital Value and Rent Expectations



Cycle feedback little changed

Each quarter, we ask respondents where in the market cycle they believe real estate to be in their locality. This quarter, there was little shift in the responses received with just shy of two-fifths suggesting their market was in the upturn phase of the cycle. Interestingly, the strongest regional response for this metric came from Europe where 49% of contributors took this view (up from 45% in Q1 and 34% in Q4 2024). Conversely, only 22% of respondents were similarly minded in APAC, although as with other readings for the region, the headline number masks significantly different trends at a country level.

Expectations for alternatives remain most positive

As has been the case for a while now, respondents to the GCPM foresee returns across what may be described as the alternative asset classes outperforming. Chart 4 tracks the projections over the next twelve months for capital values and rents at a global level. Data centres remain the star performer with values (on average) anticipated to increase by a further 3% over the period (rents are seen as recording a similar gain). In terms of the more mainstream sectors, the polarisation between best in class and the rest is still visible in the results.

At a global level, capital values for prime offices (and rents) are expected to see a very limited rise over the one year time horizon. In contrast, respondents generally remain downbeat on secondary offices. The feedback around retail remains not dissimilar. That said, as noted in Q1, the insights provided by respondents from MEA remain rather different with expectations for secondary mainstream assets still in positive territory even if somewhat less so than for prime space. However, the outlook for secondary retail has been downgraded across the region of late.

Property still not viewed as cheap

Alongside more conventional methods of assessing value, the RICS GCPM gathers data on perceptions as to the valuation of real estate at an aggregated level. The most cited response across the globe is that the market sits at "fair value" presently, with 50% of contributors taking this view; this compares with 44% in Q1. For the UK, the figure is 68%. Meanwhile, around one-third of contributors continue to indicate their market is either "expensive" or "very expensive". The largest share of respondents who see their local market as cheap can be found in China. In contrast, contributors from Japan, France and Switzerland rank most highly in expressing some concern about the value of real estate.

Chart 5 - Twelve-month Capital Value and Rental Growth Expectations

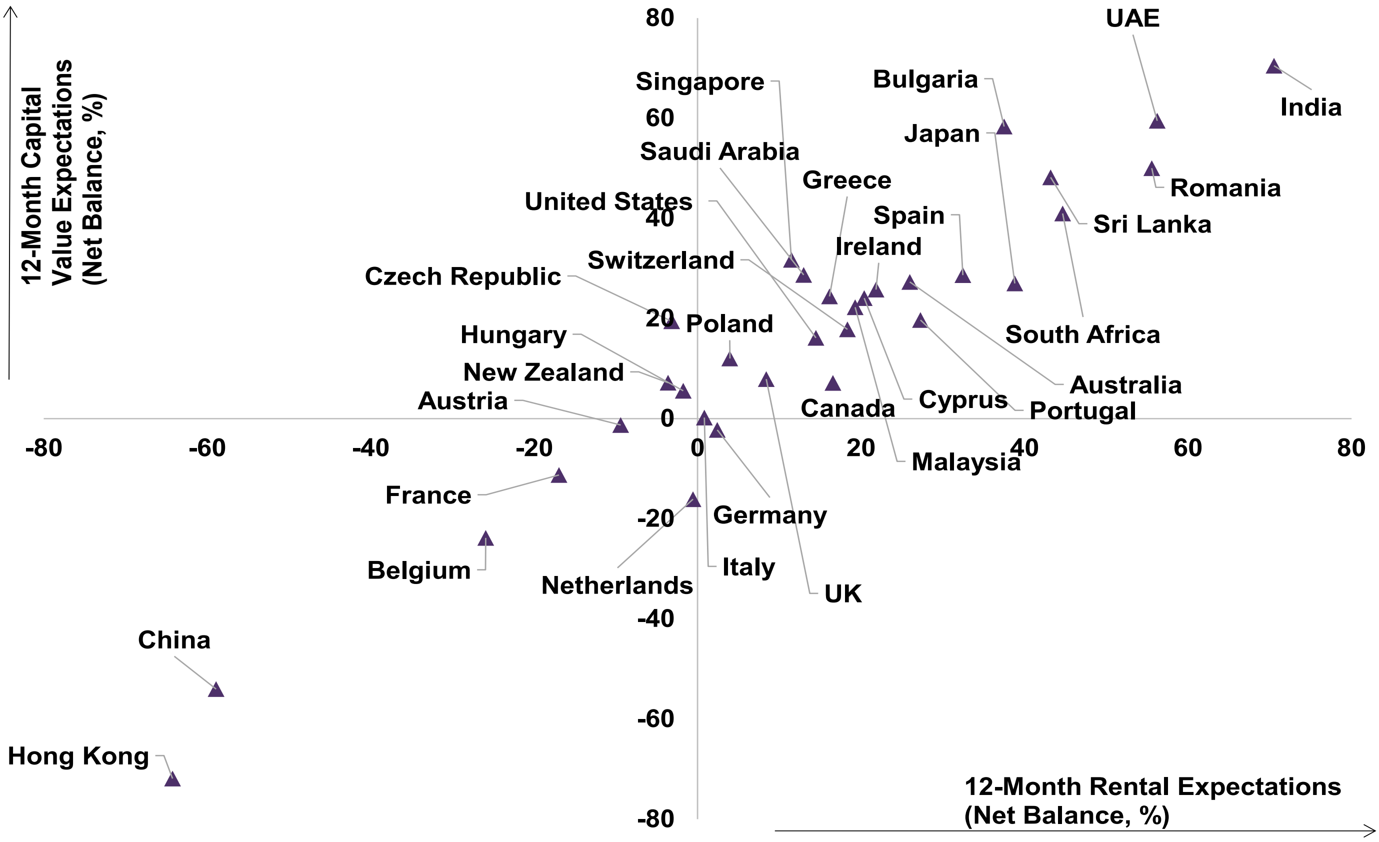
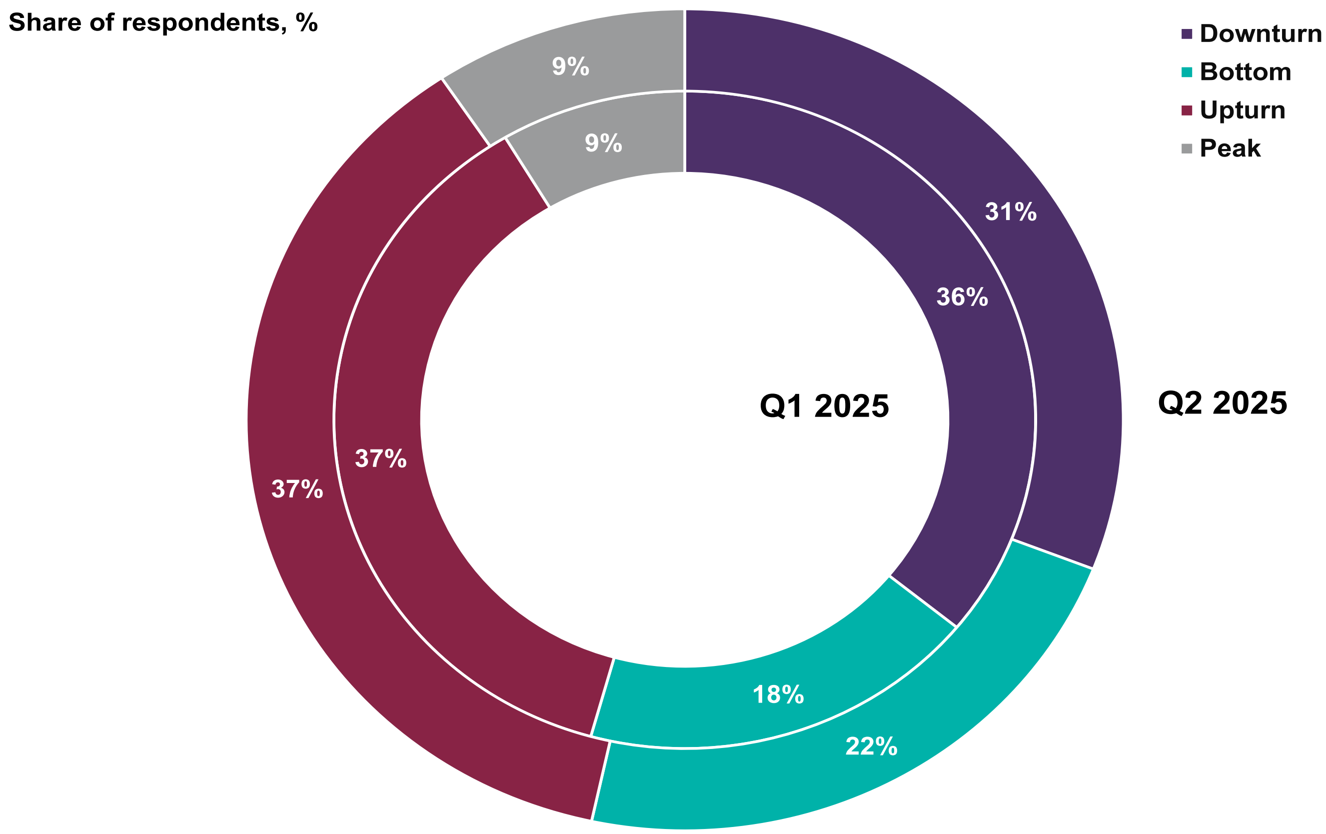


Chart 6 - Global Perceptions Regarding Point in the Cycle



APAC: Market conditions remain challenging although negativity appears to be diminishing to some extent

The Q2 2025 GCPM results for APAC continue to signal a relatively weak market backdrop at the regional level, albeit there are tentative signs that some of the negativity of recent quarters may now be subsiding. Furthermore, the headline view continues to mask significant variation across different parts of the region, with India and Japan showing stronger momentum compared to the aggregate data.

Occupier and Investment Sentiment Indices remain negative, but less so than previously

Depicted in Chart 1, both the OSI and ISI remained in negative territory across APAC as a whole during Q2, although the latest readings of -19 and -16 are slightly less downbeat than figures of -23 and -18 seen last quarter. Nevertheless, the region continues to lag other parts of the world, with the headline occupier and investor sentiment gauges remaining below the global averages of -5 and -6.

Focussing on the investment market, Chart 2 shows the investor enquiries indicator disaggregated at a country level. At the weaker end of the scale, investor demand remains on a downward trajectory across both mainland China and Hong Kong, although the latest reading for the former is the least negative since Q3 2023. Elsewhere across the region, India and Japan continue to exhibit robust demand from investors, while the Q2 reading across Australia moved further into expansionary territory. At the same time, both Sri Lanka and Singapore are now seeing only marginally positive returns for the investment demand metric, with the Q2 readings moderating noticeably in each instance.

Alternatives continue to show a more upbeat outlook compared to traditional market sectors

Looking at the breakdown of the data across mainstream sectors, industrials now appear to be experiencing a turnaround in investor demand at the broad regional level, with a net balance of +9% of respondents reporting an increase during Q2 (up from readings of -1% and -23% in the previous two reports). At the same time, investor demand trends look to be levelling out across the office and retail sectors, marking something of an improvement relative to the more negative readings posted at the end of 2024.

Chart 3 displays 12-month capital value and rental growth projections across all categories covered in the Monitor. Despite the slight improvement in industrial buyer demand, the outlook remains largely flat for prime assets, while secondary industrial values are seen falling further (albeit at a slower pace than previously envisaged). On the same basis, respondents continue to anticipate a flat trend in prime office values and a marginally negative picture for prime retail assets. For their secondary counterparts, projections remain altogether more pessimistic. On a stronger note, alternatives such as data centres and hotels display a modestly positive assessment for capital value growth prospects over the coming twelve months.

Outperforming the regional narrative, respondents based in India continue to foresee growth in capital values across all sectors over the coming year, led by especially firm gains for data centres, multifamily residential and prime offices. For Japan and Australia meanwhile, the outlook for values is mostly positive across prime markets and alternatives, even if secondary assets are not expected to see much in the way of positive price returns over the year ahead.

Chart 1 - Occupier and Investment Sentiment Indices

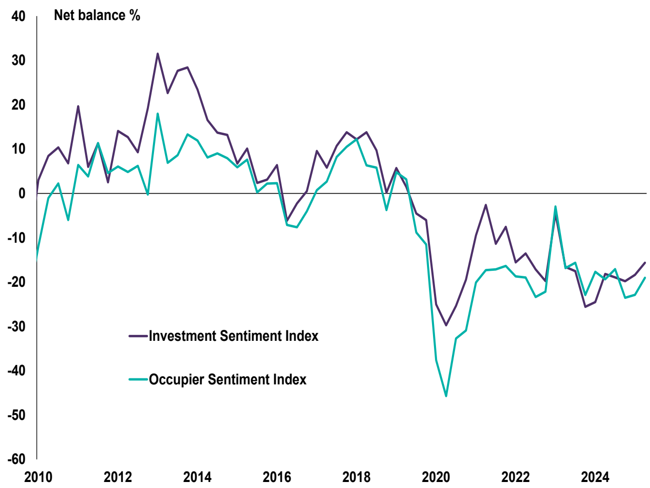
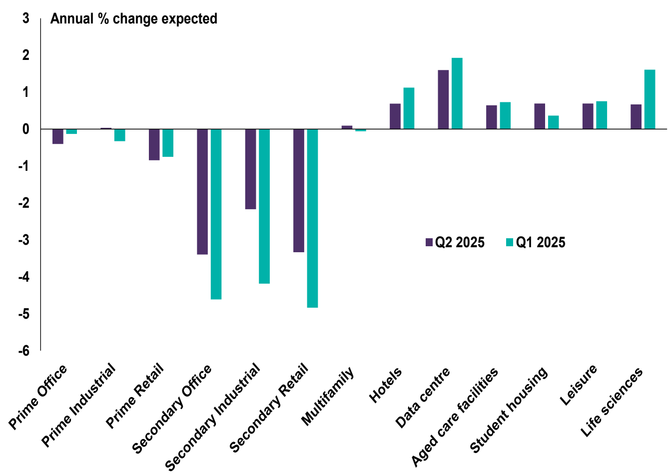


Chart 2 -Investment Enquiries by Country

Chart 3 - 12-month Capital Value Projections by sector



Regional comments from survey participants in APAC

Australia

Land Values have risen sharply over the past 18 months but construction costs have also risen making development margins too low for the risk. Population increases have resulted in a significant shortfall in housing. This is the critical issue. I am starting to get nervous of an imminent collapse. - Brisbane

Uncertainty caused by land tax and other taxes. - Melbourne

Office occupancy levels in Melbourne remain lower than other cities in Australia. Occupier demand for industrial remains robust, but lack of infrastructure inhibiting development pipeline. New foreign investment taxes inhibiting transaction volumes as foreigners drive a lot of the larger investments into Melbourne, particularly for industrial. - Melbourne

Steady. - Perth

Sydney office market still very bifurcated. Core seeing robust increases in rents, other areas rents still soft. - Sydney

China

The mainland Chinese market is in the early stage of an internal economic cycle, and whether it can successfully transition remains to be seen. - Shanghai

The overall market is in decline, investor confidence is weak, corporate profits are thin, consumer spending power is falling, and consumption is downgrading. Overall sentiment is poor, and this situation is expected to continue without improvement in the short term. - Shenzhen

Hong Kong SAR

People are still looking for green shoots but haven't spotted them yet. Investor sentiment is very weak.

Property investors are still very cautious at purchasing commercial properties, despite its relatively higher yield than that of residential properties.

Trade war impacts market investment.

Hong Kong property market is still facing weak demand.

Local market is affected by the global economic downturn, and the difficulties will not be solved shortly.

In Q1 2025, Hong Kong's economy grew strongly, driven by exports, services, and investment, despite a slight drop in private consumption. The effects of US tariffs were not yet visible, but rising global trade tensions pose near-term risks. Continued Mainland China growth and government initiatives will help support the economy.

India

Market is under volatile situation. - Bangalore

Stable and mature. - Bangalore

Low good quality supply in key markets is increasing rentals and capital values. - Chennai

Sustainable building is a very strong need in this region. Lack of awareness about monetary benefits and a general sense of responsibility are the major reason for not many users adopting sustainability in a very true sense. Also, government incentives like property tax benefits and tax deductions on all sustainable products can be a stepping stone. The valuation of an Environmentally Sustainable Design (ESD) building is higher, and it is not reflected in numeric terms. - Gurgaon

India has been witnessing positive investor sentiment on account of strong domestic consumption demand despite global headwinds. Investor focus on India has been increasing significantly and expected to rise in 2026 as well. - Hyderabad

No much improvement in demand but supply is increased. - Kakinada

Mostly no changes. - Pollachi

Supply is more than demand . Supply is further increasing rapidly due to government incentives provided to redevelopment of old properties. - Pune

The real estate market especially retail is slowly improving. - Thiruvananthapuram

Market is steady. - Vadodara

Indonesia

Very soft market conditions overall, a lack of government incentives, and excessive bureaucratic processes for new developments. Worldwide business conditions also dampen the local situations. - Jakarta

Japan

Core investors cautious about acquiring at current cap rates given expected increase in base rate/borrowing cost in near-to-medium term. Weight of foreign capital moving up the risk spectrum and targeting core plus/value add opportunities to find greater value. - Tokyo

Grade A office market has no oversupply in the trend line for the next few years. Demand steady and vacancy low. Landlords modestly but continually raising rent and becoming highly selective on prospective tenants. A level of unpredictability in landlord/ tenant negotiations has arisen that has been uncommon previously. Landlords understand they have a long runway to maintain control of the rental market, similar to how general contractors have viewed the construction market from several years ago. - Tokyo

Malaysia

Geopolitical issues among other factors affecting the market. - Johor

Market still yet to fully consolidate due to many external concerns. - Kuala Lumpur

Property Market still undergoing consolidation stages. - Kuala Lumpur

Observed very slow moving market, particularly with both international and domestic economical and political uncertainties. The area I am working is a small town with little foreign investors. The domestic demand is low. Lack of labour is another issue due to the close proximity to Singapore. Most young local graduates work in Singapore for better currency rate and would only come back to hometown once a month. Most of their spending in hometown would be weekend F&B and groceries. - Kluang, Johor

Supply over demand for high rise apartments. - Kota Kinabalu

Currently in peninsular Malaysia there is considerable focus on the development of data centres, and sites which can offer sufficient power and water are in short supply. - Kuala Lumpur

Market may consolidate due to the Middle East unrest. - Kuala Lumpur

New Zealand

Trough of the market. - Auckland

Prime yields have risen to around the 7.00% mark in the last couple of years. With commercial lending now being available at sub 7.00% (on the back of ongoing Official Cash Rate cuts), commercial property investment in the local market is now starting to be cash flow positive, and this should encourage investors back into the market. - Dunedin

Earthquake compliant property (Over 67% of the National Building Code) is required by government tenants. There is a shortage of earthquake compliant office space. New High stud industrial space is leasing very well with increasing rents. Old low stud space hard to lease. - Levin

The local property market is very slow with many occupiers holding off making big decisions due to uncertainty. Investors are also being quite cautious. - Nelson

Regional comments from survey participants in APAC

Significant uncertainty in a number of sectors is making occupiers very reluctant to make significant real estate decisions. Investors are similarly nervous. There is a requirement for some political and economic stability to allow the market to settle and parties to concentrate on executing business planning. - Nelson

With interest rates coming down and credit borrowing becoming slightly easier, the New Zealand economy is slowly showing signs of an upturn. - Queenstown

Singapore

Generally upward trend. - Singapore

Thailand

Almost no capital transactions for office , retail , industrial . Not a trading market apart from hotels. - Bangkok

The market is slowing overall. Tourism numbers are heavily affected reflecting as much as a decline in visitors by 30% YOY, which primarily impacts retail and hotels. There is also a significant oversupply of office new space, and new build residential. - Bangkok

As usual very little stock for sale except for hotels. - Bangkok

Thailand’s real estate market remains in adjustment mode, with low but stable demand. - Bangkok

Vietnam

The real estate market in South Vietnam remains sluggish, whereas the North is showing much stronger momentum. - Ho Chi Minh City

Europe: Perceptions on the current phase of the property cycle continue to shift in a more positive direction

The Q2 2025 GCPM feedback for Europe shows tentative signs of improvement, even if the overall mood music remains largely cautious. Supporting this notion, 49% of respondents across the region are now of the view that the market is in an upturn phase of the cycle, rising from a share of 45% and 34% in the two previous iterations of the survey.

Investment Sentiment Index remains neutral while the Occupier Index is still a little weaker

Chart 1 tracks the headline OSI and ISI readings at the pan-European level. In the case of the latter, the trend has consistently turned less negative in each of the four quarterly reports, with the Q2 figure of -2 now pointing to a broadly stable backdrop. Likely helping the investment market landscape, a net balance of +32% of contributors saw an improvement in credit conditions over the quarter (the joint strongest reading for this metric since 2015). For the OSI, the latest reading of -6 is marginally less negative than the reading of -8 returned previously, but is still signalling a slightly weaker picture.

Chart 2 shows country level perceptions on the current stage of the property cycle. In the Q2 results, a majority of respondents in Cyprus, Czechia, Spain, Italy, Switzerland and Hungary report that conditions are indicative of an upturn being underway. In most of these nations, the investment enquiries metric sits comfortably in positive territory, pointing to an increase in investor demand at the all-property average level. Across all other European countries tracked, the largest share of contributors either feel the market is still turning down or that it is sitting at the bottom of the cycle. On the more pessimistic end of the scale, contributors in Belgium and France are still seeing a downturn, with occupier and investor demand reportedly falling across the office and retail sectors (although industrials are performing relatively better). For Germany, while views on the property cycle remain divided, some encouragement can be taken from the headline Commercial Property Sentiment Index registering the least negative score across the nation going back to Q1 2022.

Prime office and industrial outlook upgraded slightly

Chart 3 show regional average capital value and rental growth projections for the coming twelve months across all sector covered. Of particular note, respondents upgraded their expectations for capital value gains across the prime office sector, with sentiment turning more bullish than at any other point over the past three years. Likewise, small upward revisions were also made to prime industrial and prime retail capital value expectations. Nevertheless, survey participants remain downbeat on the prospects for both rents and capital values across secondary tiers of the traditional market segments. Conversely, respondents continue to return a positive assessment for both variables across many alternative CRE asset classes over the year to come, with data centres and student housing again standing out as displaying a solid outlook.

These broad patterns are more or less mirrored at a country level across the continent. However, respondents based in Spain foresee stronger growth for virtually all categories compared to the regional averages. In contrast, projections are generally a bit weaker across France, albeit sentiment has turned positive regarding the prime office and industrial sectors during Q2.

Chart 1 - Occupier and Investment Sentiment Indices

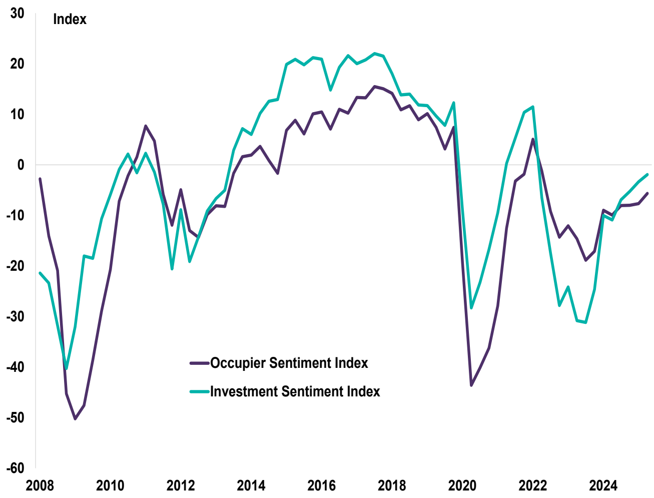


Chart 2 - Perceptions on Current Stage of the Property Cycle

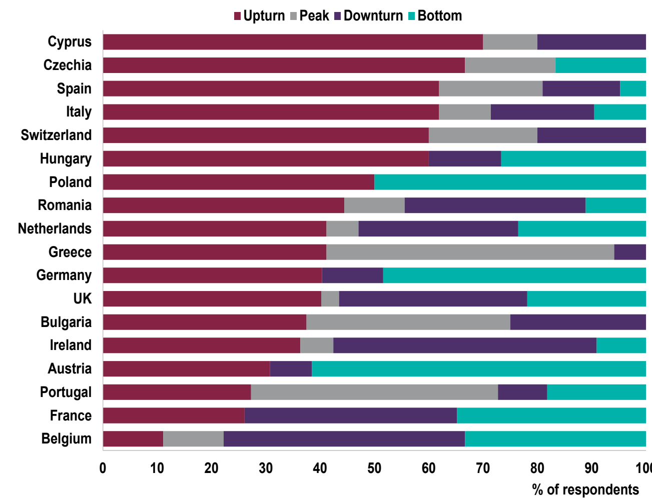
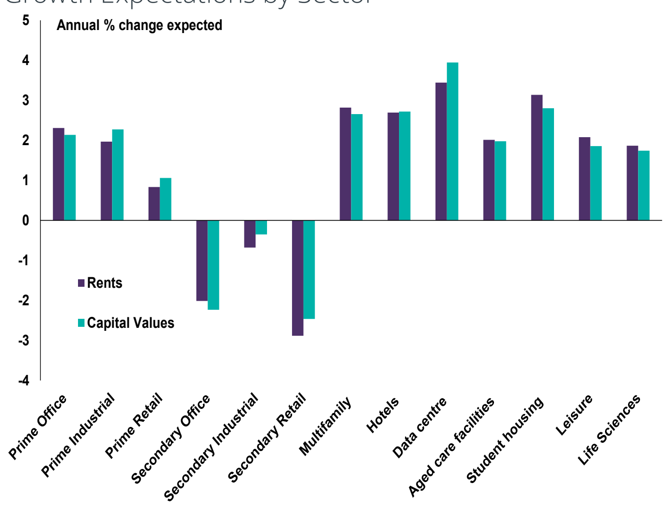


Chart 3 - Twelve-month Capital Value and Rental Growth Expectations by Sector



Regional comments from survey participants in Europe

Belgium

There is global economic uncertainty. This leads to hesitation in the investment world. The RE market is waiting for more certainty in the economic trends. - Antwerpen

The market in Belgium and Europe in general still does not realise and factor in the quantum of office space that is gradually becoming surplus as occupiers rethink their footprint. Return to office rates have now stabilised at ca. 40% (against 60% pre pandemic) we don't expect these to evolve in the next years. We believe office demand especially in non central and vibrant area will drop very significantly over the next 5 years. - Brussels

Bulgaria

Increasing awareness on occupier side but climate related issues still have a way to go to reach board room decisions. - Sofia

The market is rather unpredictable, rather vulnerable, high demand for apartments, political uncertainty leads to lower interest from foreign investors in industrial properties, compared to the interest for private properties mainly shown by locals. - Varna

Cyprus

International demand has slightly reduced due to uncertainties caused by changing laws and regulations. - Nicosia

Czech Republic

There is still a mismatch between what occupiers and investors want in some sectors. In particular, price and location remain far ahead of green aspects within the industrial and retail sectors. For offices there is more alignment, and its clear that a prime office also needs to be a green office, and indeed that is desired by both investors and the occupiers. We see the added value there most clearly. - Prague

France

Stamp duty has changed temporarily for 3 years which will have a short term downward effect on all prices to compensate. Market is stabilising after political uncertainty but war between Israel and Iran may prolong the bottom of the cycle. - Marseille -Toulon

Germany

"Flight to quality" continues to dominate tenant and investor demand. - Berlin

Lack of bank financing is holding back economic growth in general and particularly the property market. - Frankfurt

Greece

Greek market is experiencing a strong housing crisis. There is an apparent investment interest for student accomodation and serviced apartments in the major cities (Athens, Thessaloniki, Patra and Irakleio). The central goverment has pledged for incentive packages concerning cheap housing developments. - Athens

The recovery of the Greek economy has been driving occupier demand and investor interest in the market. Chronic shortage of high quality space has underpinned capital and rental value growth. We expect prices to stabilize in the traditional commercial sectors, with some further growth expected in the expanding hospitality and Multifamily segments. - Athens

Hungary

There is not much happening in Hungary on behalf of international institutional investors. - Budapest

Property cycle is hard to be defined. Earlier in my understanding it was going around from one way to another making a cycle. Now it can step back to the other direction as well. There is no healthy cycle anymore. - Budapest

Mostly unchanged accept for tourism is going up. - Budapest

Ireland

Investors inhibited in acquiring Green investments by lack of suitable occupied stock at market values. - Dublin

Very low levels of stock driving rental increases. - Dublin

Early recovery but geopolitical uncertainty is likely to impact on decision making particularly by occupiers. - Dublin

The European Central Bank (ECB) cutting rates should feed through into some more investor demand, work from home is embedded in Ireland and is now the norm. - Dublin

There is an element of uncertainty in the market in general. - Dublin

Optimistic for the future on land and property sales. - Kilkenny

Office demand is sluggish, there is no industrial supply and values do not yet support building it for rental. - Kilkenny

Italy

Deals are taking longer and longer and there is scarse clarity on the targets by investors that are facing also a bad environment for capital rising. There is a lot of uncertainty about future, driven by the geo-political context. - Milan

Market characterized by a high level of uncertainty, but prime buildings are still recording high level of demand. - Milan

Netherlands

Nothing spectacular happening at the moment. - Amsterdam

Unchanged since last report. - Amsterdam

The general market is at this moment positive. There is a lot of interest for multi family investments. A very high demand from local and foreign investors. - Amsterdam

Poland

Tenants are now price sensitive and withdraw signing leases with high service charges. Tenants increasingly analyse service charge components, landlords contracts with energy suppliers and look for savings. Service Charges have become a major component of rent structuring. - Warsaw

Portugal

Market continues to rise with increased demand, particularly in residential areas. Offices are once again seeing a rise in demand, while the hotel sector continues to be strong. - Lisbon

Romania

The political decisions (increased taxation due to economic deficit) and the war in Ukraine is affecting the market - price of utilities is going to increase dramatically. - Bucharest

Spain

The market trend appears to show a slowdown. Investors have been putting investment activity on hold. - Madrid

There are no significant changes in Murcia's investment market in terms of commercial activity, but the residential sector shows a serious housing shortage and rising rents due to lack of access to home ownership. - Murcia

Middle East and Africa: Rents and capital values still expected to rise, but the market may be nearing its peak

The Q2 2025 GCPM results across the Middle East and Africa remain consistent with an expansion in demand across most sectors at the regional level, even if trends do not appear to be quite a buoyant as in previous quarters. Another feature of the latest feedback is that a rising share of respondents now sense the market may be nearing its peak, although capital value and rental growth expectations remain clearly positive for the next twelve months.

Occupier and Investment Sentiment Indices moderate marginally but remain positive

Capturing overall momentum behind the market, the OSI and ISI readings moderated to +8 and +6 respectively during Q2 (down from +13 and +8 beforehand). In both cases, the latest readings are the least positive returns for a couple of years (Chart 1). Looking into the detail, occupier demand growth appears to have lost a bit of impetus at the regional level, albeit the latest net balance of +21% is still indicative of a modest increase (but is softer than the figure of +32% seen previously). Similarly, the net balance of +19% registered for the investment enquiries metric was the least positive since Q3 2023.

Chart 2 shows the breakdown of respondents' views on the current stage of the property cycle at a country level. In keeping with the gradual easing in momentum encapsulated in the demand measures, a rising share of contributors are now of the view that the market could be moving closer to the 'peak' stage of the cycle. Indeed, around 30% of survey participants in both Saudi Arabia and the UAE see the market as nearing its peak. With respect to the former, although demand metrics remain in expansionary territory at the all-property average level, respondents have noted some weakness emerging when it comes to occupier demand for retail space. As such, this marks the first negative reading for tenant demand in any sector across the nation since 2021. Nevertheless, for the time being at least, demand conditions remain solid across the office and industrial sectors in Saudi Arabia. Elsewhere in the region, South Africa and Nigeria continue to exhibit a clear majority of respondents reporting that conditions are consistent with an upturn, with no sign yet that the market is close to topping out.

Twelve-month rental growth projections trimmed across most categories during Q2

Chart 3 plots sector level rental growth expectations for the coming twelve months across the region in aggregate. Interestingly, the latest results contain further downgrades compared to last quarter across several sectors, with the most noticeable reduction seen for secondary retail. Moreover, the outlook for secondary retail rents was trimmed across most nations tracked within the region (Nigeria being the sole exception). Perhaps most striking, respondents based in Saudi Arabia now anticipate rents for secondary retail space falling over the next twelve months - the first outright negative projection since 2020.

Across all other sub-markets however, rental growth projections remain positive at the region-wide level, despite most seeing small downgrades in the latest results. Data centres continue to stand out as displaying the most upside potential in the eye's of respondents, while other alternatives such as student housing, leisure and life sciences also exhibit robust twelve month rental growth projections.

Chart 1 - Occupier and Investment Sentiment Indices

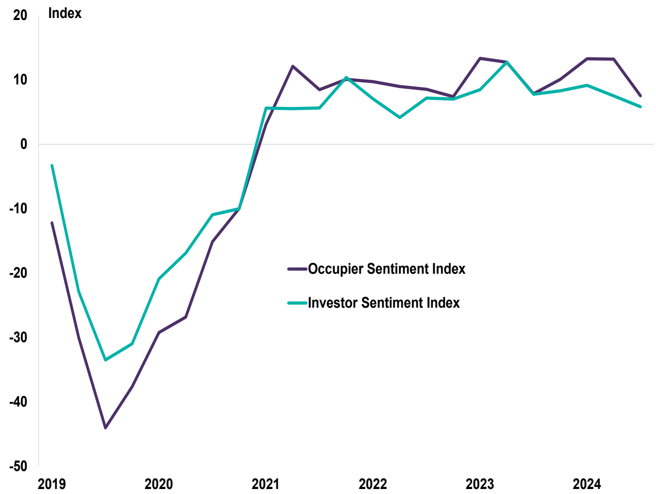


Chart 2 - Perceptions on Current Stage of the Property Cycle

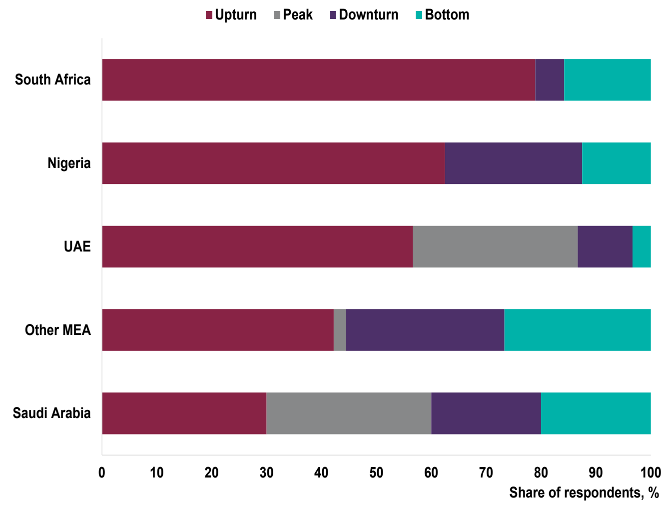
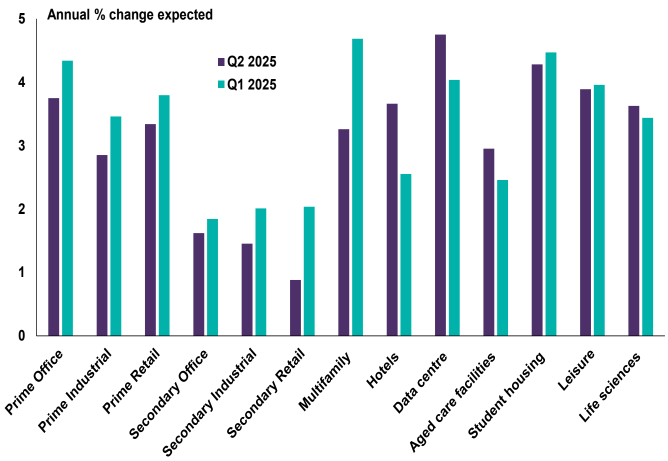


Chart 3 - Twelve-month Capital Value Projections by Sector



Regional comments from survey participants in MEA

Bahrain

Real estate market is saturated and supply is more than demand. - Manama

Kenya

Flight to quality continues with B grade stock struggling to mantain occupanicies. - Nairobi

Political instability in the country has affected the real estate sector's performance. Investors tend to hold back and wait and see. Landlords tend to make every effort to retain quality tenants by offering incentives and holding the current rentals. The industrial and manufacturing sector is dominated by international companies. The Retail Sector is growing with more highway retail malls incorporating fuel stations. - Nairobi

Mauritius

The new government may come up with new measures regarding real estate matters which might affect real estate development, demand and supply. It remain to be seen to what extent the market will react to those measures. - Port Louis

Nigeria

As prime commercial real estate is largely rented out in USD/sqm, tenants are suffering due to the falling rate of the Naira against the Dollar. In addition, this falling Naira rate is causing prices to rise, and as they do, the cost of service charges is rising. Tenants are therefore struggling to pay increasingly high rentals, (in Naira terms), and high service charges. - Lagos

Huge potentials for students hostel accommodation in almost all higher institutions in Nigeria. - Lagos

The Nigerian government still struggles with the supply of efficient power for businesses to sustain their operations. As a result of this, buying of diesel, fuel and gas to operate businesses contribute immensely to high cost of operation. The cost of diesel and fuel also goes up at an unprecedented rate which also creates unstable leisure property investment in the country. - Lagos

Qatar

Benign market conditions. - Doha

Saudi Arabia

PIF Saudi wide funding re-evaluation is affecting all Giga projects. - Tabuk

South Africa

Poor economic recovery statistics in South Africa, as well as global uncertainty caused by the USA administration, are depressing business confidence and property investment. - Cape Town

Market is very bad. - Johannesburg

Property continues to be constrained with a continuing outflow of mid to high end property owners moving out of the region. Lack of meaningful government work remains cause for concern. The ongoing construction mafia issue seems set to continue for some time, as government efforts have been unproductive in stemming this problem, up to this point. Very long payment periods by government and quasi government institutions makes progress for development of new construction companies difficult. - Johannesburg

We find more demand in luxury lodges for leisure activities and these are forced to conform to a net zero effect on the environment. Here investors are very aware of what is required and what they need to deliver. Consultants similarly are able to provide suitable services. Other sectors such as city developments this is simply done to save on operating costs. If it affects return too much they wont do it and leave operating costs to be solved by tenants instead. - Johannesburg

South Africa has immense potential but is being held back by rampant corruption and the lack of good governance at a national and municipal government level. - Port Elizabeth

Political climate negatively impacts economic and construction growth. - Rustenburg

UAE

The Abu Dhabi office market is expected to witness more than 200,000 sqm completing in the next two and a half years. This may trigger flight to quality tenant movements leading to a bifurcation in the market where older spaces experience rental decline. - Abu Dhabi

We are seeing continued increase in demand for office space from new companies setting up in Abu Dhabi, whilst faced with shortage in prime grade A space. - Abu Dhabi

Upswing. - Abu Dhabi

Fairly high volume of new housing in progress but not yet available on market. - Abu Dhabi

The market is going for a downturn. - Dubai

Overall, the outlook remains positive. - Dubai

The Dubai real estate market shows strong growth across office, industrial, and retail sectors, driven by solid demand and limited supply. Interest in sustainable buildings is rising, supported by government policies and ESG awareness. Despite challenges like costs and standards, the market is shifting toward energy efficiency and climate resilience. Overall, Dubai's location and economy support a positive outlook for rents, values, and development in the next 12 months. - Dubai

Dubai market is heated . Expect to find equilibrium in next two years. - Dubai

Real estate markets heading for an early downturn curve as the supply of units has exceeded. New Visa proposals by UAE may have some impact in this year but the Construction industy will go through tough times in 2026 due to regional political uncertaininty and Trump's tarrif policies. Construction material cost may increase in Q3 and will remain high throughout 2026. - Dubai

Zambia

The market is currently characterised by oversupply. - Lusaka

Zimbabwe

We expect demand of properties to increase mainly in the housing market. - Harare

Sustainability issues are still at infancy, so the uptake by owners and users is still very low. The government is slowly taking steps to inform citizens through various platforms and formation of a Green Buildings Association in the country. - Harare

North America: Sentiment remains subdued in Canada, contrasting with a slightly brighter backdrop across the US

The Q2 2025 GCPM results for North America continue to reflect a somewhat cautious mood across Canada, while conditions reported within the US market remain relatively more resilient. As shown in Chart 1, the headline Commercial Property Sentiment Index (CPSI) eased back slightly in both nations. However, in Canada, the index remains in negative territory at -10, whereas the latest reading in the US was broadly flat, at +1 (albeit marginally down from +4 previously).

In line with this, the proportion of respondents reporting a downturn in the commercial real estate (CRE) market remains elevated in Canada, with this share increasing to 50% during Q2. Meanwhile in the US, a comparably smaller share of 28% of respondents feel the market in turning down, outweighed by the proportion sensing conditions are on an upward trajectory (although views are still clearly divided on this topic).

Divergent credit conditions across both nations

As shown in Chart 2, the latest net balance reading for the credit conditions measure highlights a growing divergence between the US and Canada. In the US, the indicator rose modestly from +24% to +30%, signalling an overall loosening in the lending climate. In contrast, the net balance fell from +29% to just +2% this quarter across Canada, pointing to a stagnation in credit conditions.

Despite the continued improvement in credit conditions in the US, investment demand growth appears to be cooling, with the net balance moderating from +30% in Q1 to +11% in Q2. Also of note, the foreign investment enquiries metric dropped sharply into negative territory, declining from a net balance of -6% to -29%. At the same time, investment demand appeared to stabilise in Canada, recorded a net balance of -2% compared to -16% last quarter. A further point of divergence emerges when examining the occupier market: in Canada, the tenant demand measure remains flat at zero (down slightly from +1% last quarter), while in the US, demand remains robust, increasing from +18% to +23%. This strength is largely driven by renewed interest in industrial properties, where the net balance moved from neutral (zero) to a firm +17%.

US market expected to deliver slightly stronger capital value gains in most sectors compared to Canada

Looking ahead over the next twelve months, capital value growth projections a generally stronger in the US compared to Canada. In the office sector, prime assets are anticipated to deliver solid gains in the United States, but display a largely flat outlook within Canada. That said secondary, office values are seen coming under further downward pressure in both countries. Meanwhile, prime industrial values are projected to increase firmly in both nations.

Turning to alternative asset classes, capital value expectations for the coming year are generally positive, with two notable exceptions: life sciences in the US, where expectations remain largely flat, and leisure in Canada, where projections fell from +2.5% to virtually zero. Notably, sentiment toward non-traditional asset classes in Canada has softened somewhat across other categories as well, with multifamily projections being pared back from +2.5% to +1%. On the flipside, feedback continues to point towards robust price growth for data centres, aged care facilities and student housing across both countries.

Chart 1 - Commercial Property Sentiment Index

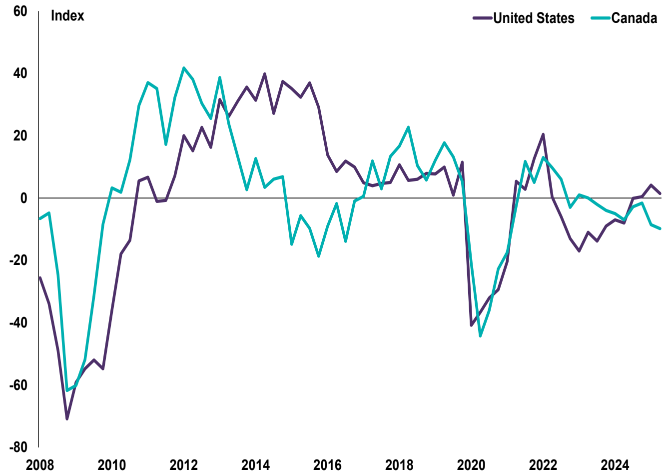


Chart 2 - Credit conditions

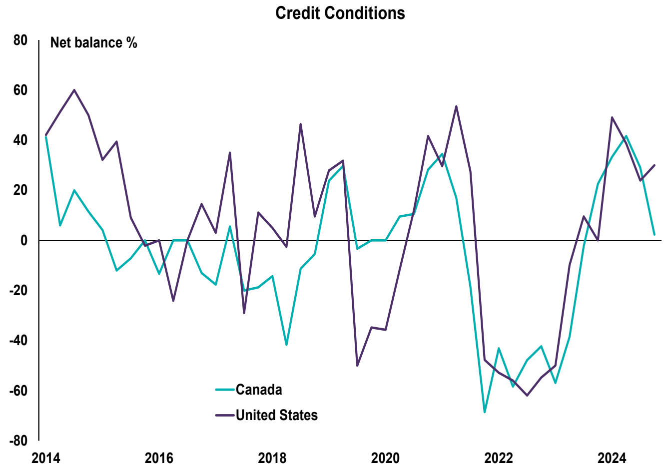
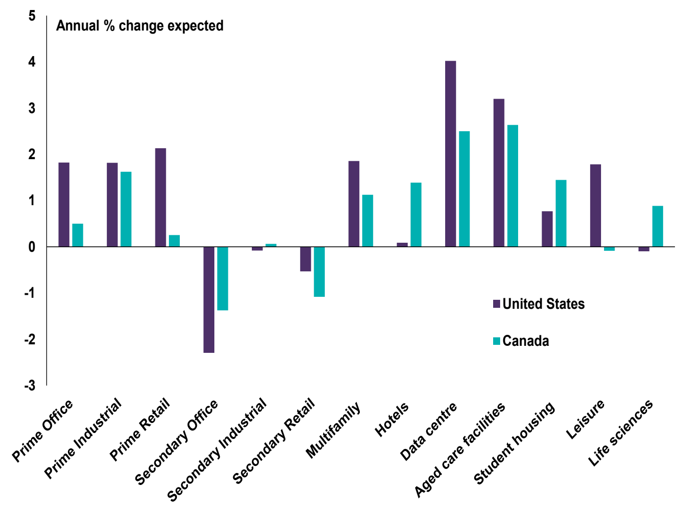


Chart 3 - 12-Month Capital Value Projections by Sector



Regional comments from survey participants in the Americas

Barbados

Barbados is currently experiencing high levels of development, particularly hotels, condominiums & apartment buildings. There has been an increase in international investment as well a continuous surge of new construction from a limited number of local developers. There is weak planning legislation & enforcement which is likely to result in overdevelopment, mass tourism and the peak tailing within the next five+ years. - Hastings

British Virgin Islands (UK)

The office market has been fairly static recently with Government the main office tenant seeking space. The government is also in the process of completing the Central Administration complex and when ministries and departments move back in, substantial office space will become available. - Road Town

Canada

Uncertainty. - Burnaby

Office has positive absorption, Industrial is in a moderation period, Multi family experienced explosive growth in 2024 putting upward pressure on vacancy rates and slightly downward pressure on rents in 2025. - Calgary

Continued bifurcation of AAA and B office market net effective rents for both Toronto downtown and suburban locations. - Toronto

Market is showing some resiliency, supported by Government spending. However, the tariff uncertainty and impact of what has already been implemented is increasing costs and likely to result in an economic downturn. - Toronto

Office continues to struggle, but not badly, and with significant bifurcation between Class A newer and class B older. Class A enjoying much better occupancy. Retail is recovering, better than anticipated. Industrial continues to be fully occupied, in demand and very attractive to investors, domestic and foreign. There is still a large gap between in place rents and current market rents, allowing landlords to increase rents on renewal at 15 to 20% or more. - Toronto

There is a lot of uncertainty given changing tariffs and sharply increasing government debt. - Vaughan

Windsor is a border city to the USA and highly dependent on the economic climate of that country. Since there has been a recent change of direction on controlling climate change in that country, it is acutely impacting our region currently. - Windsor

Jamaica

Strong but tempered with the upcoming election. - Kingston

Jamaica's real estate market is vibrant in the affordable and middle-income sectors, driven by strong demand, accessible financing, and active development. However, activity slows in the upper-class market due to high prices, limited buyer interest, and economic sensitivity. While luxury properties remain attractive, they move slower compared to the fast-paced growth in lower and middle-income housing. - Saint Andrew

There has been a flurry of interest and likewise build outs of new subdivisions in the residential short term markets. This has given rise to the build out of spaces offering commercial activities. - St Ann

Trinidad and Tobago

The market in all property categories have been stagnant. The current situation with regards to oil and gas which are the foundation for economic growth is daunting.The policies of the United States of America with regards to Venezuela exacerbates this situation and has the country in limbo as there is a big fall in foreign exchange which is putting a brake on confidence and investment. - Port-Of-Spain

With the recent change in government, hoping to see vast improvements in the future. - San Fernando

United States of America

Suburban office values continue to declne. Bad news for lenders, many of whom will probably soon be owners. - Chicago

Market is in a ""wait and see" mode, but some prime offices and industrial properties are garnering more interest and tenants and investors seek better quality properties in their flight to quality. - Dallas

Our commercial real estate market is still fairly robust. - Knoxville

There is a general feeling of wait-and-see combined with economic anxiety. The RE industry was expecting favorable policies from the central government given the president's background, but without occupier optimism and demand those policies may have little effect. - Los Angeles

Demand from the tenants remains strong, although closing transactions is taking longer than usual. The 'traffic effect' is certainly causing some companies to slow walk the process until there is more certainty surrounding tariffs. From a Capital Markets perspective prime industrial is still achieving sub-5% CAP rates and we are seeing more capital flowing back into the market after having been passively sitting on the sidelines earlier in the year. - Nashville

Great deal of hesitation in market with relatively high interest rates and cloudy economic outlook producing a dearth of movement. - New York

Market is Steady but slow and with some signs of strengthening but not quite yet. Office sector is showing signs of firming and absorption. - New York

This market is worse than schizophrenic - it is positively neurotic. Each sector - top end landlords, brokers, etc - says what it wishes were true about the market for its own product and disses the rest of the market. It's a treacherous market, one in which typical broker salesmanship blather can be very expensive or fatal. We are seeing large tenants paying $250 to $300+ per sf and justifying it by saying they need to do so to lure employees back to the office. It just ain't sustainable. - New York

Distressed, in hope of a change with the inauguration of the new Mayor. - Oakland

I think things will slowly improve but the so called green shoots will be slow and small. Uncertainty about tariffs, massive federal layoffs , is a bad business environment. Owners call ESG resilience and continuity to get around the government scorn of climate risk and threats of canceling gov contracts instates like Texas and Florida. The EU has greater ESG take 26% compared to 17%. International Travel is down 15% and Canadians down 30% according to Nyu Hotel conference, negative impact. - Sag Harbor

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 11 June 2025 with responses received until 14 July 2025. 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 1403 company responses were received.

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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