



Q1 2020: Austria Commercial Property Monitor

Pandemic hits rental and capital value expectations

The Q1 2020 Austria Commercial Property Monitor results show the ongoing covid-19 outbreak and the related social distancing measures are having a severely negative impact on market sentiment.

The headline Occupier Sentiment Index slipped to -32 from zero in Q4, representing the weakest reading since the survey was established in 2011. This was driven by a sharp fall in overall occupier demand, with the retail sector seeing the steepest decline (in net balance terms) Meanwhile, demand for office space also declined noticeably.

Forward looking indicators suffered steep downgrades, with rents now expected to fall in virtually all sub-sectors over the coming twelve months. Indeed, secondary retail rents are seen posting declines of around 10.5% while expectations stand at -6% for prime retail rents. At the same time, prime and secondary office rents

are projected to fall 2% and 5%, respectively. While secondary industrial rents are seen falling by around 2% over the year to come, expectations for prime industrial rents are proving more resilient.

The Investment Sentiment also fell into negative territory, coming in at -11 in Q1 (vs +27 in Q4). A headline net balance of -15% of respondents saw a decline in investor demand during Q1, marking an abrupt end to the solid growth reported the end of 2019.

For the coming twelve months, capital value expectations point to downward pressure emerging across virtually all sub-sectors. Prime industrial is the sole exception, where a flat rather than negative trend is anticipated.

47% of respondents now view the commercial real estate market across Austria as having entered a downturn phase (compared to just 9% in Q4).

Chart 1: RICS OSI and ISI

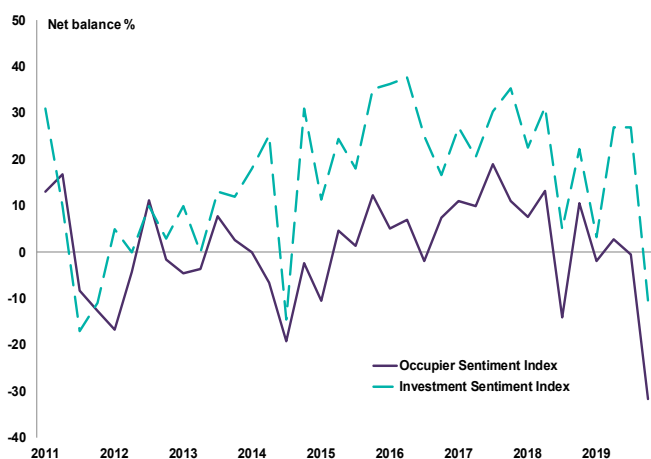


Chart 2: Property cycle

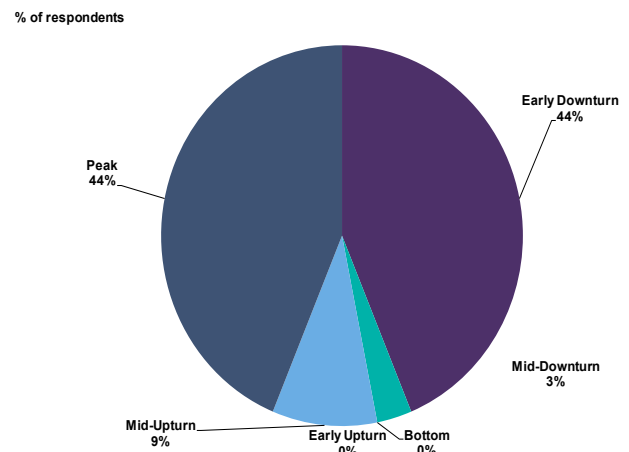


Chart 3: Occupier Market

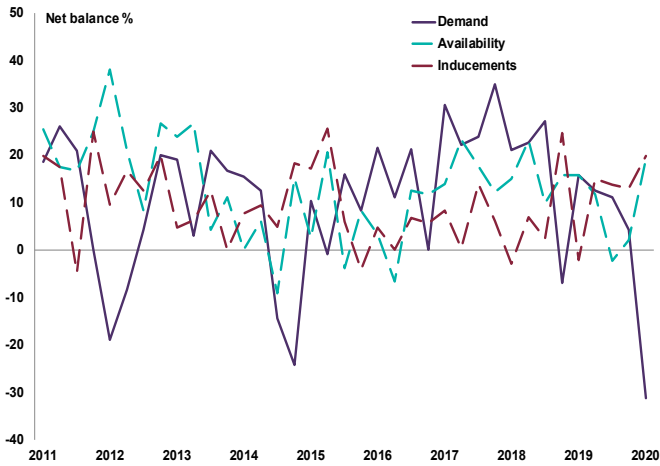


Chart 4: Investment Market

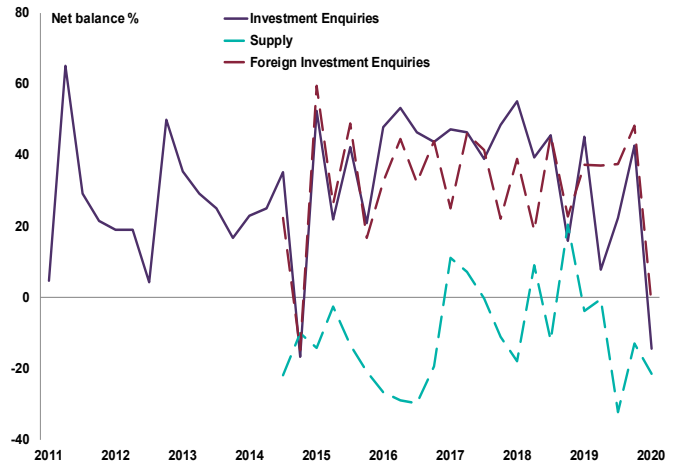


Chart 5: Credit conditions

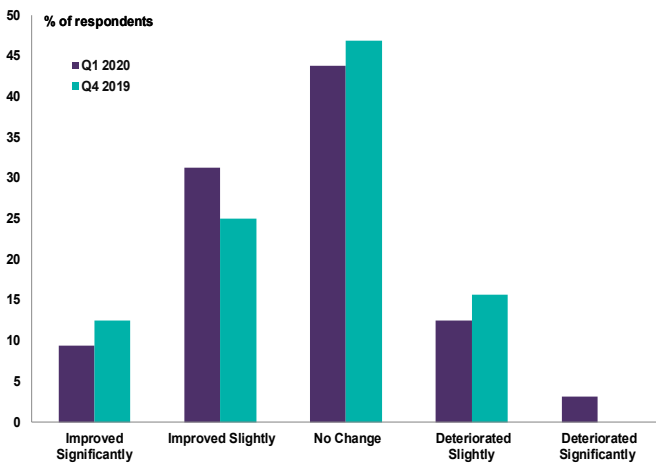


Chart 6: Valuations

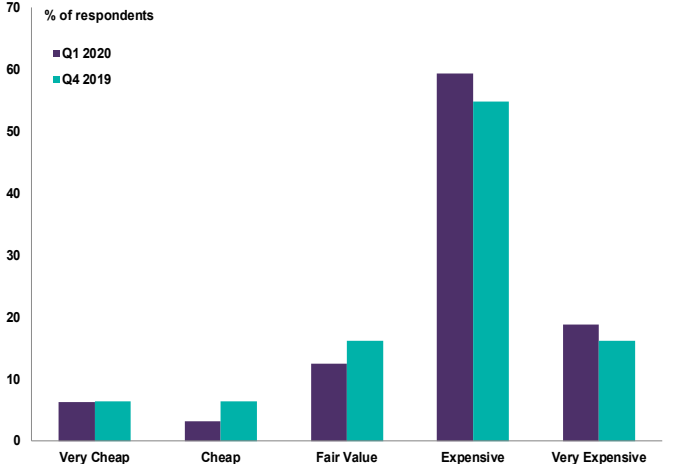


Chart 7: Twelve Month Capital Value Projections

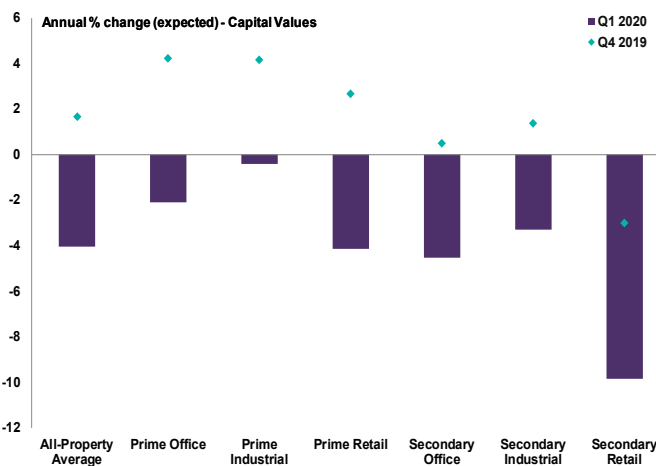
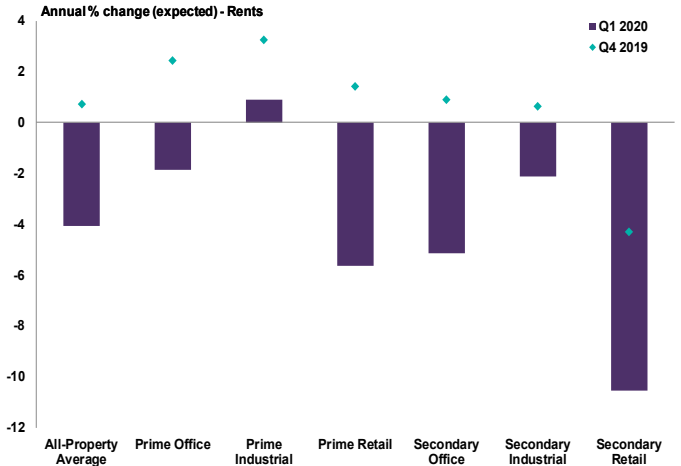


Chart 8: Twelve Month Rental Value Projections



Information

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 rural land market.

Methodology

Survey questionnaires were sent out on 11 March 2020 with responses received until 13 April 2020. 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 2604 company responses were received, with 592 from the UK. Responses for Ireland were collated in conjunction with the Society of Chartered Surveyors Ireland. Responses for Spain and Portugal were collated in conjunction with Iberian Property.

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.

Contact details

This publication has been produced by RICS. For all economic enquiries, including participation in the monitor please contact: economics@rics.org

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