



## Q3 2016: Austria Commercial Property Monitor

# Investor sentiment continues to rise while occupier market is more sluggish

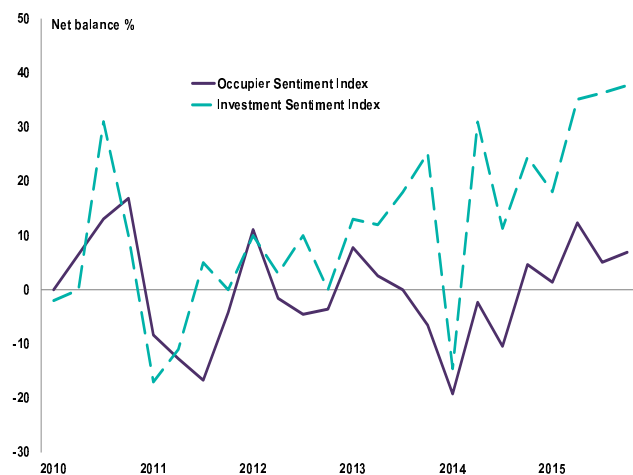
### Occupier Market

- Tenant demand rose modestly in Q3, for the fifth consecutive quarter, driven by a strong increase in demand for office space.
- Meanwhile, the supply of leasable space increased slightly with a net balance of 13% of contributors reporting a rise.
- Respondents reported the first rise in new development starts in three quarters due to an increase in building activity in the office component.
- Rents in the office sector are expected increase modestly over the coming three months, while in the retail and industrial segments they are forecast to remain broadly stable.
- At the twelve month horizon, the picture is similar, with rents in the office sector expected to rise by close to 2%, and no significant change forecast for the other sectors.
- The continued tightening in the office segment drove a modest overall improvement in conditions in the occupier market with the Occupier Sentiment Index recording a value of +7 in Q3, up from +5 the previous quarter.

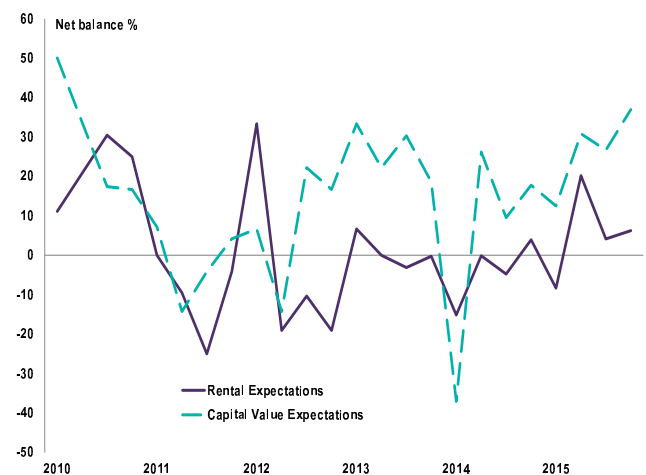
### Investment Market

- Investor demand continued to rise firmly across all sectors with a net balance of 46% of respondents reporting a rise at the headline level.
- Demand from foreign investors also increased, with particular interest being shown in the office segment.
- Meanwhile, the supply of property available for sale declined again in Q3, and expectations for near term capital value growth rose, with a net balance of 37% of contributors forecasting a rise over the coming three months.
- The largest proportion of respondents (47%) take the view that the market is currently in the mid-upturn stage of the current cycle, and so, capital values have further to rise.
- On average, contributors expect capital values to increase by nearly 3% over the coming twelve months with the prime office and retail sectors forecast to outperform.
- The continued tightening in conditions in the investment market kept the Investment Sentiment Index firmly in positive territory in Q3, at 38%.

### Occupier and Investment Sentiment Index



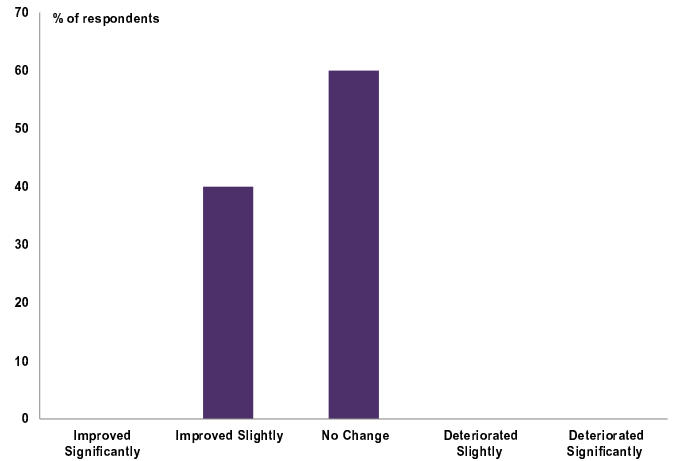
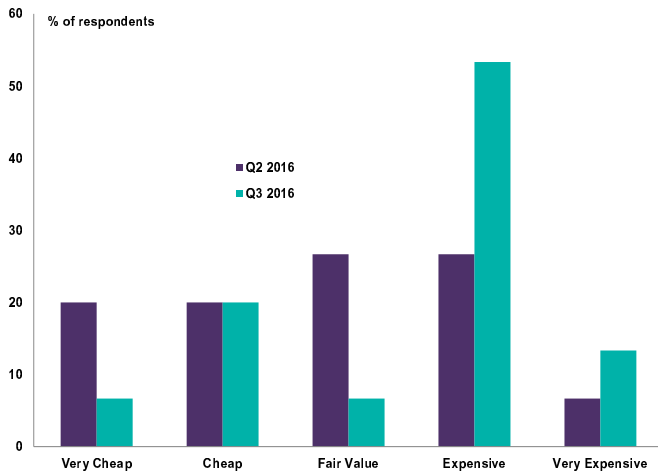
### Rental and Capital Value Expectations



# Commercial Property Market

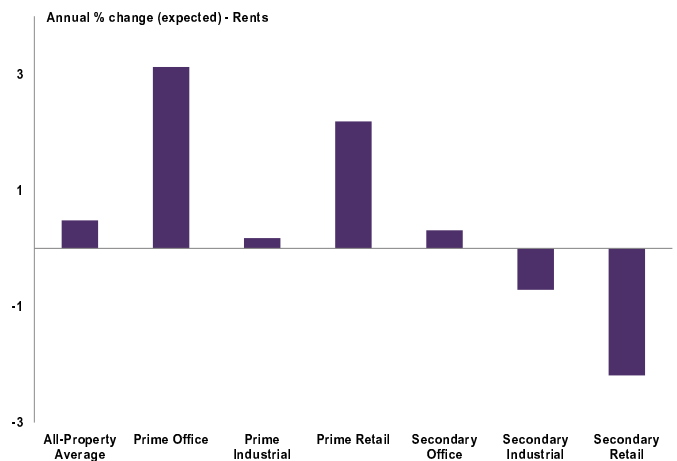
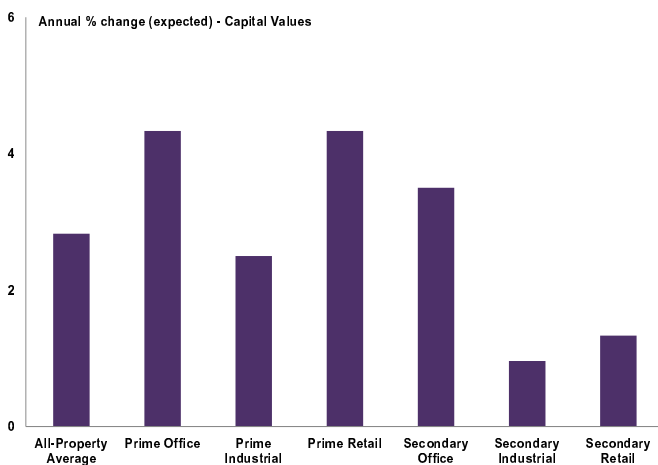
**Market Valuations** - A higher proportion (66%) of respondents think that market prices are now expensive relative to fundamentals, and this may reflect a slowdown in economic growth recently.

**Credit Conditions** - On balance, respondents thought that credit conditions had improved slightly in Q3 relative to the previous quarter.



**12m Capital Value Expectations** - Respondents foresee capital values rising by 2.8% over the coming year with all sectors expected to see growth.

**12m Rental Expectations** - Respondents expectations for rental growth over the year to come remain subdued (0.5% expected) with only the prime office and retail markets forecast to see any significant gains.



# 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](http://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 16 September 2016 with responses received until 10 October 2016. 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 1565 company responses were received, with 379 from the UK. Responses for Ireland were collated in conjunction with the Society of Chartered Surveyors Ireland.

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](mailto:economics@rics.org)

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