



Q4 2017: Bulgaria Commercial Property Monitor

Sentiment remains upbeat across both occupier and investment markets

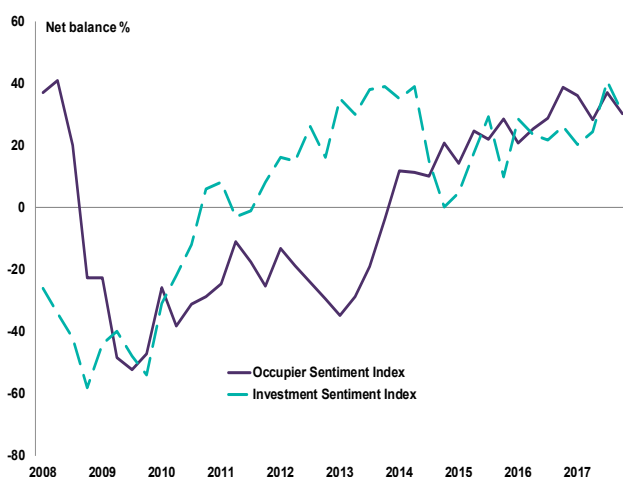
Occupier Market

- The Occupier Sentiment Index (a composite indicator capturing momentum) moved to +30 in Q4, from +37 in Q4 and is consistent with still solid momentum behind occupier market dynamics.
- Occupier demand growth continued to increase in each area of the market (office, industrial and retail). The sector breakdown shows that, relative to the previous quarter, demand growth (in net balance terms) remained firm in the office and retail sectors but eased slightly for industrial space.
- Availability declined across the board with a net balance of -21% of respondents reporting a fall. Meanwhile, the value of incentive packages offered to tenants was unchanged in the retail and industrials sectors but increased marginally across the office sector.
- Reflecting the upbeat market sentiment, all sub-sectors are expected to see an increase in rents in the coming year. The strongest gains are once again anticipated across prime markets, led by the office sector.
- Development starts also continued on an upward trajectory across all areas of the market. What's more, the pace of growth has strengthened consistently over the past year.

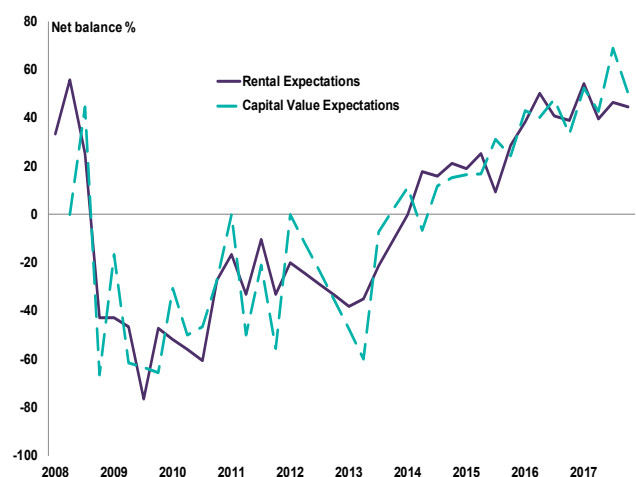
Investment Market

- The Investment Sentiment Index came in at +30, following +41 previously. This measure therefore reflects another solid quarterly improvement in overall conditions, even though momentum eased slightly compared with Q3.
- Investment enquiries increased across all three sectors with the pace of demand growth for industrial assets picking up in the latest results. Interest from foreign investors also rose further, albeit the pace of growth moderated in all areas of the market.
- The supply of property for investment purposes also increased in Q4, with the rise matching that seen in Q3.
- Consistent with the trend in the previous two reports, capital value projections for the year ahead were revised higher. Contributors expect gains across prime sub-sectors to outpace those for secondary counterparts in the coming year. That said, expectations were also revised up across all secondary sub-markets. Over the next three years, respondents envisage the prime office and industrial sub-sectors posting the strongest gains in capital values.
- A strong majority of respondents (90%) in Q4 believe that market conditions are consistent with the early to middle stages of an upturn. Meanwhile the remaining 10% contributors feel that the market is close to peaking.

Occupier and Investment Sentiment Index



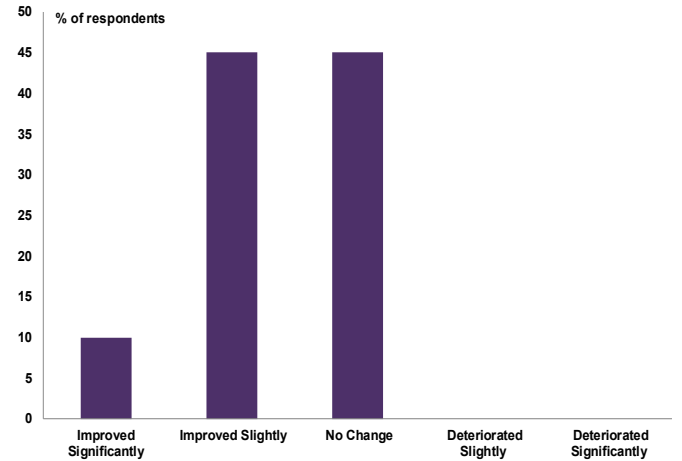
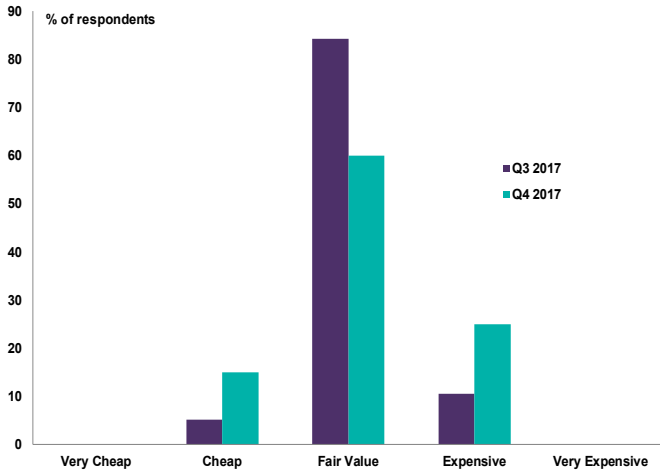
Rental and Capital Value Expectations



Commercial Property Market

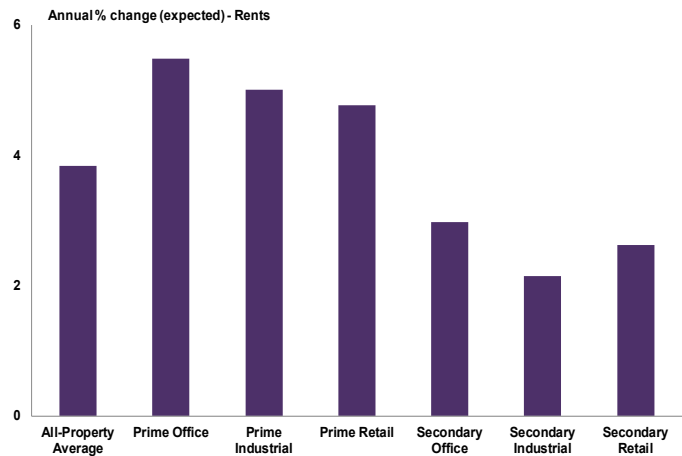
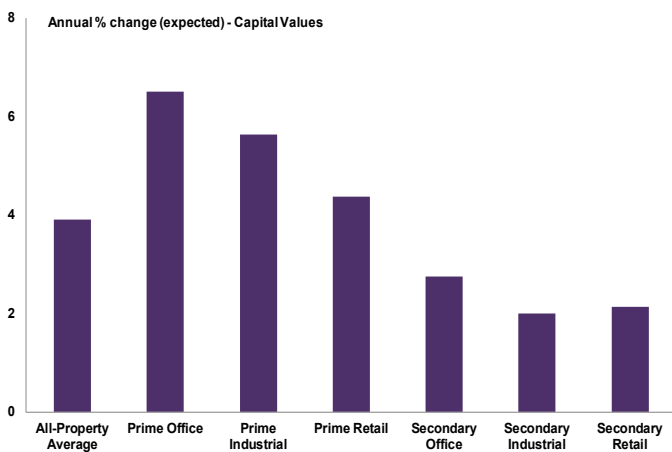
Market Valuations - The proportion of respondents citing that current market valuations are expensive increased from 11% in Q3 to 25% in Q4.

Credit Conditions - Credit conditions reportedly eased once again, on balance, with a combined 55% of respondents seeing some degree of improvement in Q4.



12m Capital Value Expectations - Capital values are projected to rise across all sub-markets. The strongest gains are projected across prime assets, although forecasts for secondary sub-markets were also revised up from Q3.

12m Rental Expectations - Rental growth projections were upgraded in Q4, with strong rental gains expected across the prime sub-markets. At the same time, expectations also strengthened for secondary office and retail rents, relative to Q3.



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 13 December 2017 with responses received until 12 January 2018. 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 1570 company responses were received, with 434 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 for New Zealand were collated in conjunction with Property Council New Zealand.

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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Economics Team

Janet Guilfoyle

Market Surveys Administrator

+44(0)20 7334 3890

jguilfoyle@rics.org

Simon Rubinsohn

Chief Economist

+44(0)20 7334 3774

srubinsohn@rics.org

Jeffrey Matsu

Senior Economist

+44(0)20 7695 1644

jmatsu@rics.org

Sean Ellison

Senior Economist

+65 68128179

sellison@rics.org

Tarrant Parsons

Economist

+44(0)20 7695 1585

tparsons@rics.org

Kisa Zehra

Economist

+44(0) 7695 1675

kzehra@rics.org



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United Kingdom RICS HQ

Parliament Square, London
SW1P 3AD United Kingdom

t +44 (0)24 7686 8555

f +44 (0)20 7334 3811

contactrics@rics.org

Media enquiries

pressoffice@rics.org

Ireland

38 Merrion Square, Dublin 2,
Ireland

t +353 1 644 5500

f +353 1 661 1797

ricsireland@rics.org

Europe

[excluding UK and Ireland]

Rue Ducale 67,
1000 Brussels,
Belgium

t +32 2 733 10 19

f +32 2 742 97 48

ricseurope@rics.org

Middle East

Office G14, Block 3,
Knowledge Village,
Dubai, United Arab Emirates

t +971 4 446 2808

f +971 4 427 2498

ricsmenea@rics.org

Africa

PO Box 3400,
Witkoppen 2068,
South Africa

t +27 11 467 2857

f +27 86 514 0655

ricsafrica@rics.org

Americas

One Grand Central Place,
60 East 42nd Street, Suite 2810,
New York 10165 – 2811, USA

t +1 212 847 7400

f +1 212 847 7401

ricsamericas@rics.org

South America

Rua Maranhão, 584 – cj 104,
São Paulo – SP, Brasil

t +55 11 2925 0068

ricsbrasil@rics.org

Oceania

Suite 1, Level 9,
1 Castlereagh Street,
Sydney NSW 2000. Australia

t +61 2 9216 2333

f +61 2 9232 5591

info@rics.org

North Asia

3707 Hopewell Centre,
183 Queen's Road East
Wanchai, Hong Kong

t +852 2537 7117

f +852 2537 2756

ricsasia@rics.org

ASEAN

10 Anson Road,
#06-22 International Plaza,
Singapore 079903

t +65 6635 4242

f +65 6635 4244

ricssingapore@rics.org

Japan

Level 14 Hibiya Central Building,
1-2-9 Nishi Shimbashi Minato-Ku,
Tokyo 105-0003, Japan

t +81 3 5532 8813

f +81 3 5532 8814

ricsjapan@rics.org

South Asia

48 & 49 Centrum Plaza,
Sector Road, Sector 53,
Gurgaon – 122002, India

t +91 124 459 5400

f +91 124 459 5402

ricsindia@rics.org