



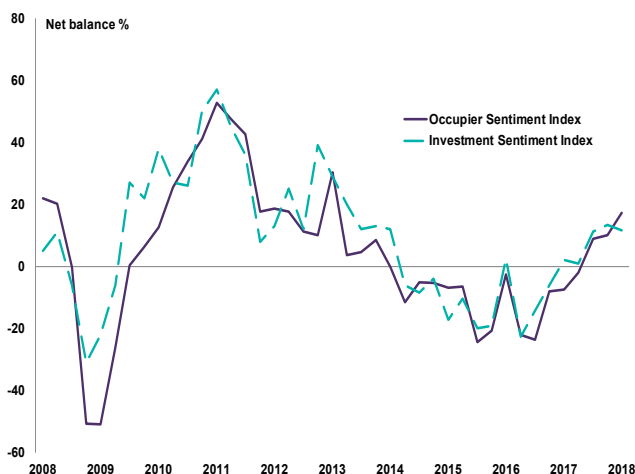
Q1 2018: China Commercial Property Monitor

Near-term momentum solid across all market segments

Occupier Market

- The Q1 2018 results show occupier demand continued to increase at a headline level, driven by the office and retail segments of the market. Meanwhile, demand for industrial space was little changed for the sixth consecutive quarter.
- Headline supply was reported to have increased in Q1, extending an uninterrupted stretch of rising availability dating back to 2011. Contributors reported a sharp increase in the availability of office and retail properties to rent in Q1 (in net balance terms), while the increase in industrial space to let was more modest.
- Landlord incentives were reported to have been little changed for the second consecutive quarter. Development starts also saw virtually no change, with a slight increase in office starts offset by a modest decrease in new industrial construction activity.
- Rents are expected to increase over the next twelve months across all sectors in prime locations, albeit projections are not quite as firm as previously. Meanwhile, the outlook remains generally flat across secondary, although office rents may see modest growth.
- The Occupier Sentiment Index increased to +17 in Q1 from +10 in Q4. As such, this indicator is signalling a slight pick-up in momentum.

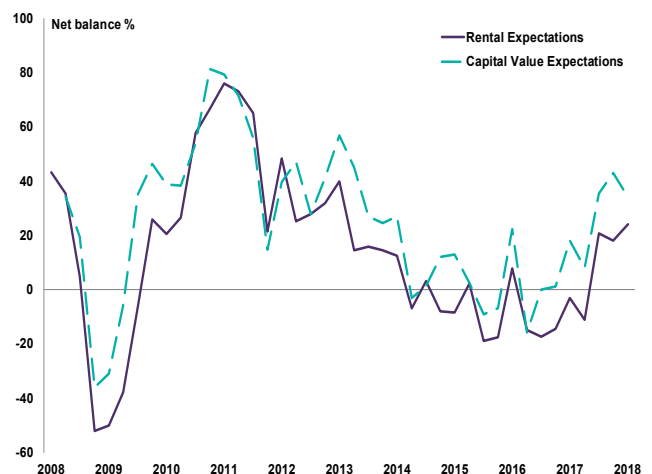
Occupier and Investment Sentiment Index



Investment Market

- The Q1 2018 data shows headline investor demand increased at a modest pace for the third consecutive quarter. Demand for office and retail properties continued rise in robust fashion, while contributors reported a more modest increase in investment enquiries for industrials.
- Respondents reported that headline foreign demand increased in Q1, though at a more modest pace than in Q4, with an easing reported in each sector.
- The supply of property for sale also increased at a similar pace to Q4. Growth in the supply of offices on the market accelerated slightly in Q1, although this was offset by a slight decrease in the availability of industrial properties.
- Respondents expect solid capital value growth in the prime office and retail sub-sectors over the year ahead. However, the industrial sector saw the most noticeable downward revisions to forecasts in the latest results, albeit prime assets should still post a solid increase.
- The share of respondents who see the property cycle in some stage of an upturn increased to 58% in Q1 from 44% in Q4.
- The Investor Sentiment Index (an amalgamated measure of investment market indicators) was relatively unchanged in Q1 at +12 vs +13 in Q4.

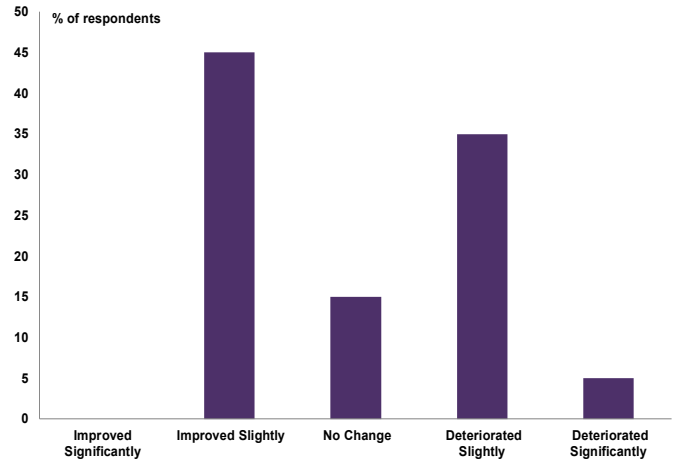
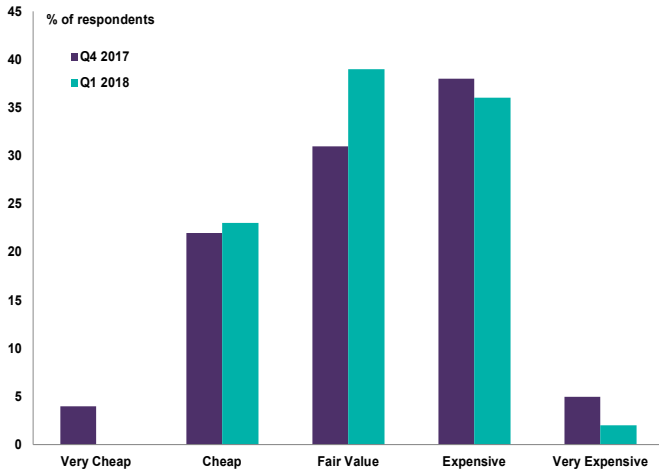
Rental and Capital Value Expectations



Commercial Property Market

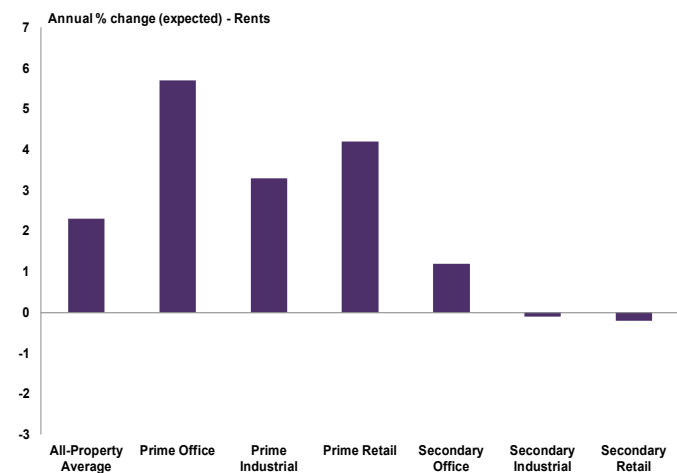
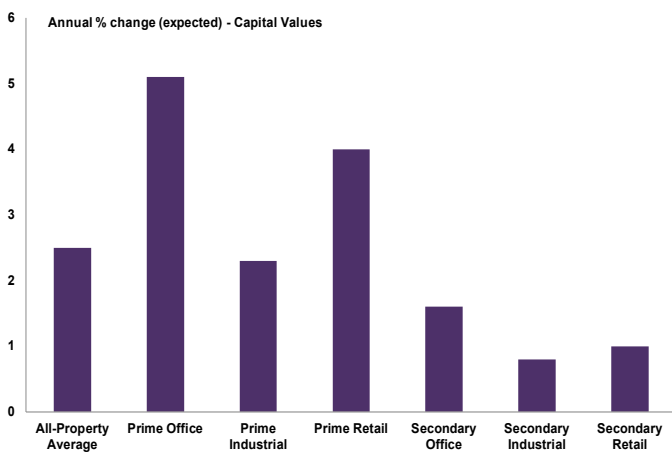
Market Valuations - The share of respondents who view the property market as expensive to some degree moderated slightly to 38% in Q1 from 43% in Q4. Meanwhile, 39% see the market as being fairly valued, up from 31% in Q4.

Credit Conditions - Respondents' perceptions of credit conditions were fairly evenly skewed in Q1. 40% reported some degree of deterioration (vs 39% in Q4), while 45% reported a slight improvement. The remaining 15% reported no change.



12m Capital Value Expectations - One-year headline capital value forecasts were revised down to 2.5% after respondents forecast a 4.2% increase in Q4. Respondents held a more subdued view of all segments of the market in Q1, however capital values are still expected to increase across the board.

12m Rental Expectations - One-year rent forecasts were revised slightly lower in Q1. Respondents now see headline rents increasing 2.3% over the next year, vs the 3% increase forecast in Q4. The outlook for prime rents was notably more subdued in Q1 vs Q4.



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 14 March 2018 with responses received until 11 April 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 1748 company responses were received, with 385 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

Disclaimer

This document is intended as a means for debate and discussion and should not be relied on as legal or professional advice. Whilst every reasonable effort has been made to ensure the accuracy of the contents, no warranty is made with regard to that content. Data, information or any other material may not be accurate and there may be other more recent material elsewhere. RICS will have no responsibility for any errors or omissions. RICS recommends you seek professional, legal or technical advice where necessary. RICS cannot

accept any liability for any loss or damage suffered by any person as a result of the editorial content, or by any person acting or refraining to act as a result of the material included.

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



Confidence through professional standards

RICS promotes and enforces the highest professional qualifications and standards in the development and management of land, real estate, construction and infrastructure. Our name promises the consistent delivery of standards – bringing confidence to the markets we serve.

We accredit 118,000 professionals and any individual or firm registered with RICS is subject to our quality assurance. Their expertise covers property, asset valuation and real estate management; the costing and leadership of construction projects; the development of infrastructure; and the management of natural resources, such as mining, farms and woodland. From environmental assessments and building controls to negotiating land rights in an emerging economy; if our members are involved the same professional standards and ethics apply.

We believe that standards underpin effective markets. With up to seventy per cent of the world's wealth bound up in land and real estate, our sector is vital to economic development, helping to support stable, sustainable investment and growth around the globe.

With offices covering the major political and financial centres of the world, our market presence means we are ideally placed to influence policy and embed professional standards. We work at a cross-governmental level, delivering international standards that will support a safe and vibrant marketplace in land, real estate, construction and infrastructure, for the benefit of all.

We are proud of our reputation and we guard it fiercely, so clients who work with an RICS professional can have confidence in the quality and ethics of the services they receive.

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,
#27-16 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