



## Q2 2018: Czech Republic Commercial Property Monitor

# Twelve month expectations remain generally firm although medium term outlook is more subdued

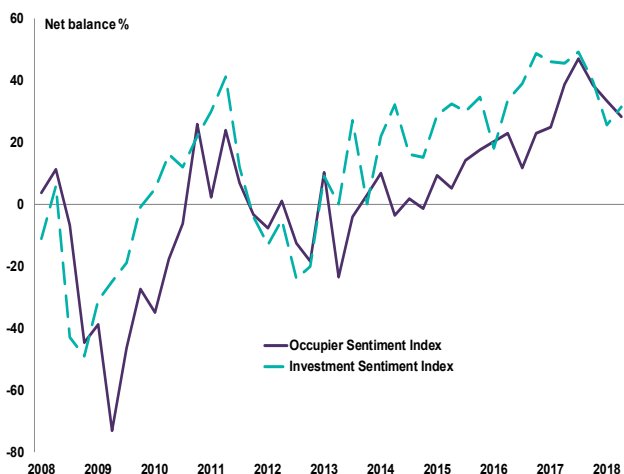
### Occupier Market

- The Occupier Sentiment Index (a composite indicator capturing momentum) moved to +28 from +33 previously signalling positive momentum behind occupier market dynamics.
- Occupier demand continued to rise at the headline level, albeit the pace of demand growth moderated somewhat from the previous quarter. Still, occupier interest continued to rise in all three areas of the market (office, industrial and retail).
- The availability of leasable space declined marginally at an all-sector level, mainly driven by a fall in supply across retail and industrial sectors. On the back of this, landlords reduced the value of incentive packages offered to tenants.
- Contributors trimmed their rent expectations for the year ahead across all sub-markets. Even so, robust gains in rental values are projected across the prime office sub-sector, whilst expectations for the other prime assets were also reasonably firm. In contrast, the outlook for the secondary sub-markets appears to be more or less flat.
- Over the three-year horizon however, contributors project rental values in the secondary markets to decline whilst only modest gains are projected for prime locations.

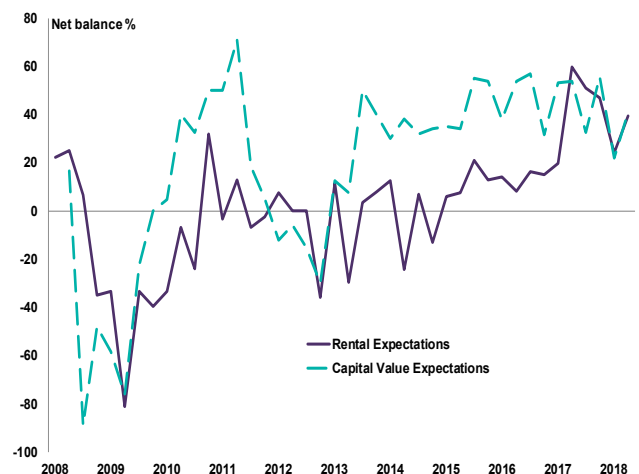
### Investment Market

- The Investment Sentiment Index edged up to +31 from +26 in Q1, consistent with solid momentum behind the investment market.
- Investor demand continued to rise at the headline level. That said, the pace of growth during Q2 was the slowest for nearly five years. This headline picture was weighed down by falling investor interest in the retail sector, while demand continued to rise steadily in the office and industrial portions of the market.
- Alongside this, demand from foreign investors remained unchanged over the quarter.
- The supply of property on the market for sale declined across the board.
- Capital value projections for the coming year were scaled back across all sub-markets relative to Q1 and are now pointing to only modest growth. Whilst capital values are still expected to rise in prime sub-markets, projections for secondary assets signal a broadly flat trend.
- The three-year outlook is more downbeat with expectations particularly subdued for the secondary sub-markets.
- Almost all of the contributors the survey (92%) believe the market has now reached it's peak.

Occupier and Investment Sentiment Index



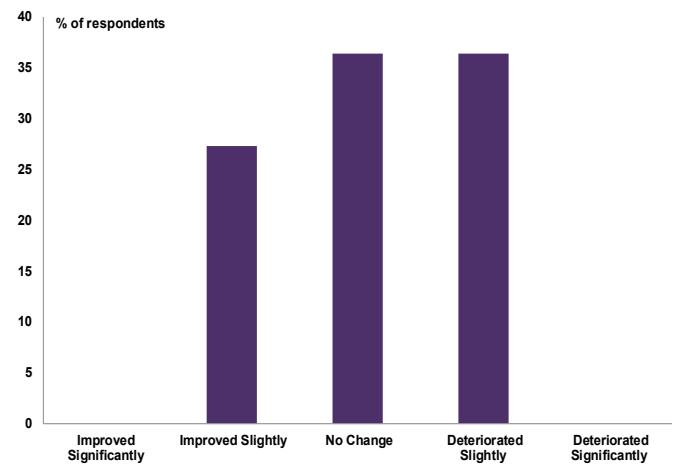
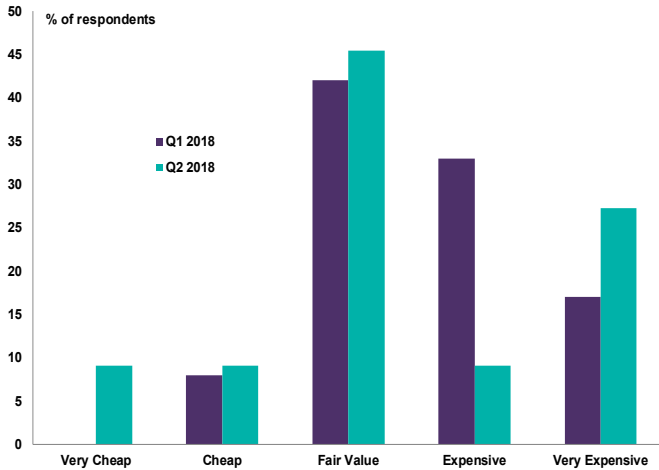
Rental and Capital Value Expectations



# Commercial Property Market

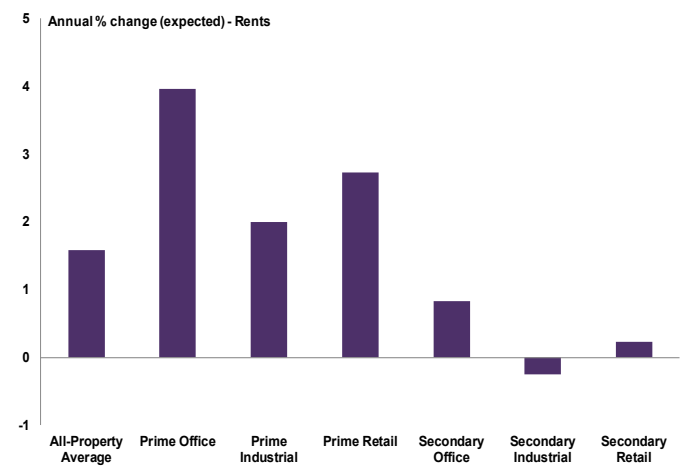
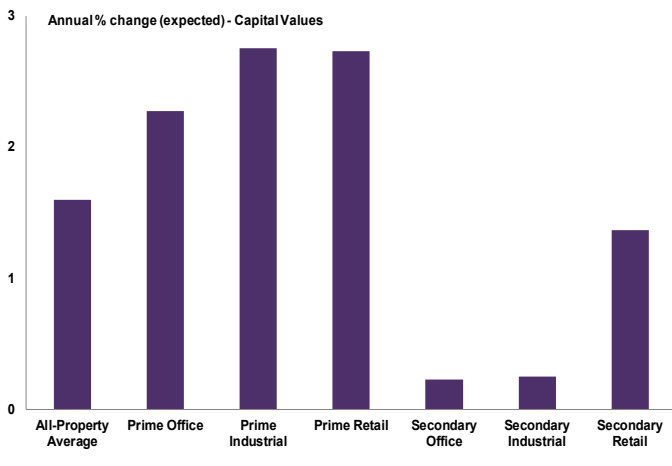
**Market Valuations** - Although the majority of respondents believe commercial property is fairly valued, more than a third sense that values are becoming stretched.

**Credit Conditions** - On balance, respondents have reported a marginal worsening in credit conditions for the third consecutive quarter.



**12m Capital Value Expectations** - Solid capital value gains are projected across prime markets, led by robust growth in prime industrial and retail sub-sectors. The outlook for the secondary markets is modest in comparison.

**12m Rental Expectations** - Average rental growth expectations were trimmed over the quarter. Rental values across prime locations are expected to deliver reasonably strong growth, although secondary categories display a flat outlook.



# 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 13 June 2018 with responses received until 8 July 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 1965 company responses were received, with 371 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](mailto:economics@rics.org)

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## Economics Team

### Tarrant Parsons

Economist

+44(0)20 7695 1585

[tparsons@rics.org](mailto:tparsons@rics.org)

### Simon Rubinsohn

Chief Economist

+44( 0)20 7334 3774

[srubinsohn@rics.org](mailto:srubinsohn@rics.org)

### Jeffrey Matsu

Senior Economist

+44(0)20 7695 1644

[jmatsu@rics.org](mailto:jmatsu@rics.org)

### Sean Ellison

Senior Economist

+65 68128179

[sellison@rics.org](mailto:sellison@rics.org)

### Kisa Zehra

Economist

+44(0)20 7695 1675

[kzehra@rics.org](mailto:kzehra@rics.org)

### Janet Guilfoyle

Market Surveys Administrator

+44( 0)20 7334 3890

[jguilfoyle@rics.org](mailto:jguilfoyle@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](mailto:contactrics@rics.org)

### Media enquiries

[pressoffice@rics.org](mailto:pressoffice@rics.org)

### Ireland

38 Merrion Square, Dublin 2,  
Ireland

**t** +353 1 644 5500

**f** +353 1 661 1797

[ricsireland@rics.org](mailto: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](mailto: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](mailto:ricsmenea@rics.org)

### Africa

PO Box 3400,  
Witkoppen 2068,  
South Africa

**t** +27 11 467 2857

**f** +27 86 514 0655

[ricsafrica@rics.org](mailto: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](mailto:ricsamericas@rics.org)

### South America

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

**t** +55 11 2925 0068

[ricsbrasil@rics.org](mailto: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](mailto: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](mailto:ricsasia@rics.org)

### ASEAN

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

**t** +65 6635 4242

**f** +65 6635 4244

[ricssingapore@rics.org](mailto: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](mailto: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](mailto:ricsindia@rics.org)