



Q3 2017: Czech Republic Commercial Property Monitor

Occupier sentiment hits record high

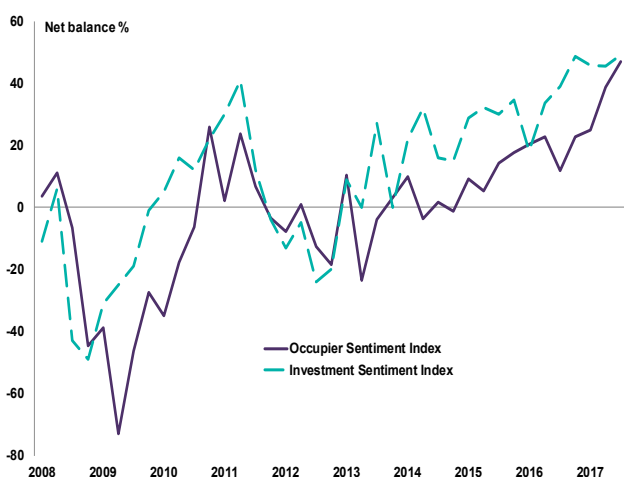
Occupier Market

- The Occupier Sentiment Index (a combined measure capturing overall momentum) increased to +47 from +39 in Q2. This is now the strongest reading since the survey's inception in 2008, and signals robust momentum behind the occupier market.
- Occupier demand increased sharply at the headline level. Furthermore, an acceleration in demand growth was reported across all three sectors (office, industrial and retail).
- Alongside this, availability was flat at the all-sector level. Respondents noted a marginal decline in leasable space across the office and retail sectors but a slight increase in within the industrial sector.
- During Q3, landlords opted to reduce the value of incentive packages on offer to tenant across all sectors, with offices seeing the most marked decline.
- Twelve month rental expectations were revised considerably higher (relative to Q2), with respondents pencilling in an annual growth rate of 3% on average. That said, this headline (unweighted) figure is being supported by robust projections across all prime sub-sectors, while the outlook for rents in secondary locations is much more subdued.

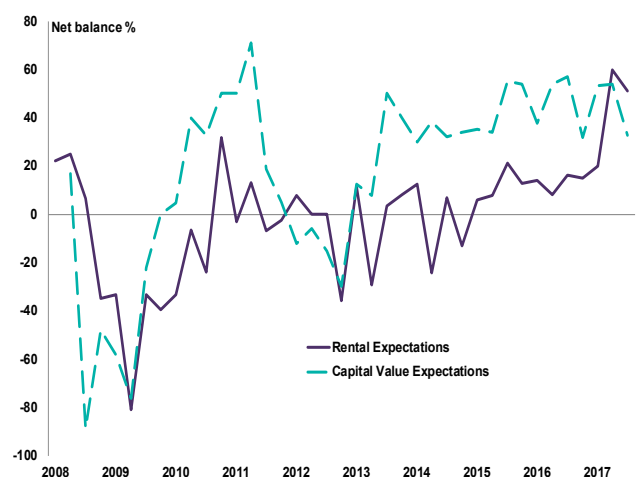
Investment Market

- The Investment Sentiment Index improved to +49 from +45 in Q2 consistent with a significant quarterly improvement in overall investment market fundamentals.
- Investment enquiries continued to increase at the headline level. Breaking this down, enquiries grew most firmly across the office and retail sectors, with demand growth easing a touch for industrials (but remaining healthy nonetheless). Alongside this, respondents reported an increase in foreign investment enquiries across all sectors once more.
- The supply of property for investment purposes fell substantially at the headline level, with the pace of decline steeper (in net balance terms) than at any other point since this series was introduced in 2014. A fall was reported across all three sectors, with the sharpest drop noted in the industrial and retail areas of the market.
- Headline capital value expectations for the year ahead were little changed from the previous quarter. However, when broken down, an improved outlook for the prime industrial and retail sub-markets was offset by respondents scaling back capital value projections in the secondary office and retail sub-sectors.
- During Q3, 85% of respondents sense the market is close to peaking, a noticeable rise from 50% previously.

Occupier and Investment Sentiment Index



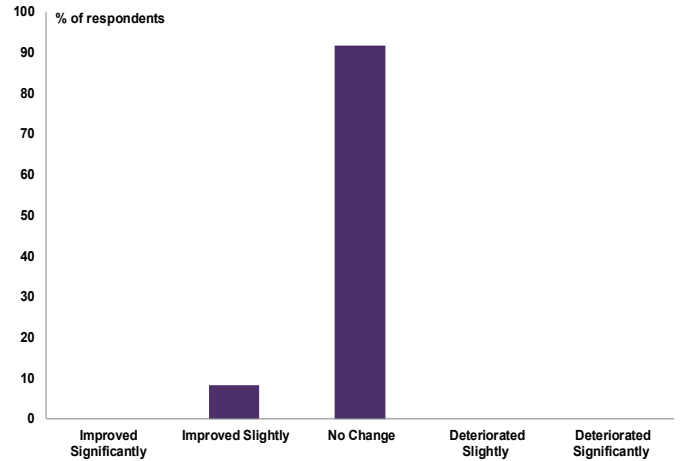
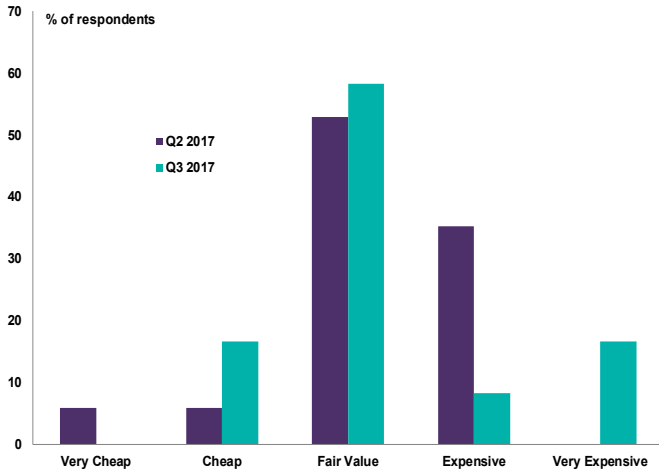
Rental and Capital Value Expectations



Commercial Property Market

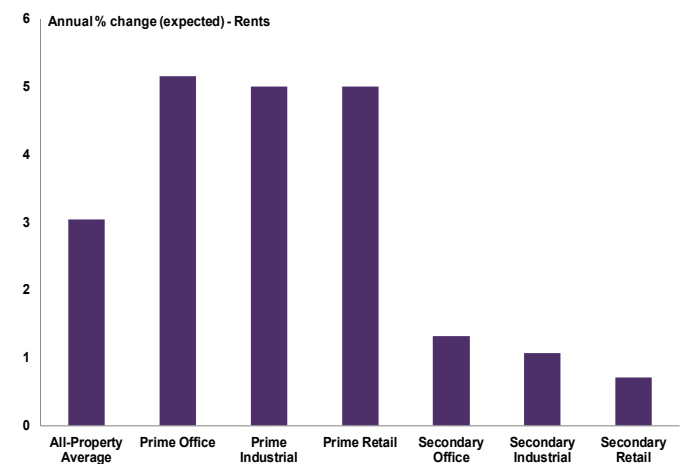
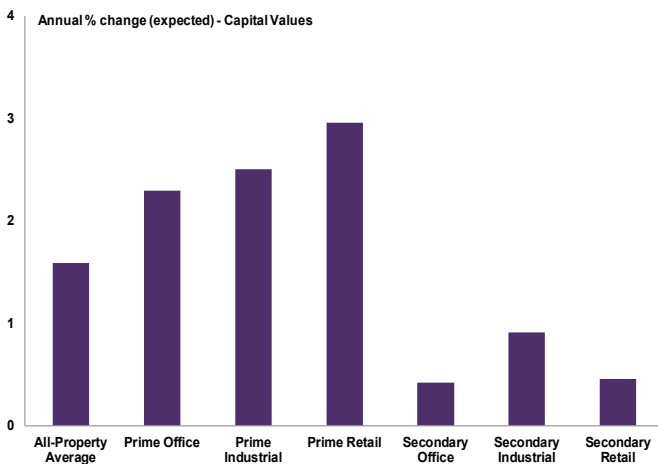
Market Valuations - The majority of respondents (75%) continue to feel commercial property is either at or below fair value.

Credit Conditions - A strong majority of contributors reported no change in credit conditions during Q3, although a small minority reported some improvement.



12m Capital Value Expectations - Prime assets are expected to see solid capital value gains in the coming year. Relative to Q2, respondents did scale back their capital value expectations across the secondary office and retail sub-sectors.

12m Rental Expectations - Rental projections across all sub-markets were revised higher significantly during the quarter, with rents for space in prime locations once again leading the way.



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 September 2017 with responses received until 6 October 2017. 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 1609 company responses were received, with 347 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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