



## Q4 2017: Czech Republic Commercial Property Monitor

# Capital value expectations for the year ahead revised up

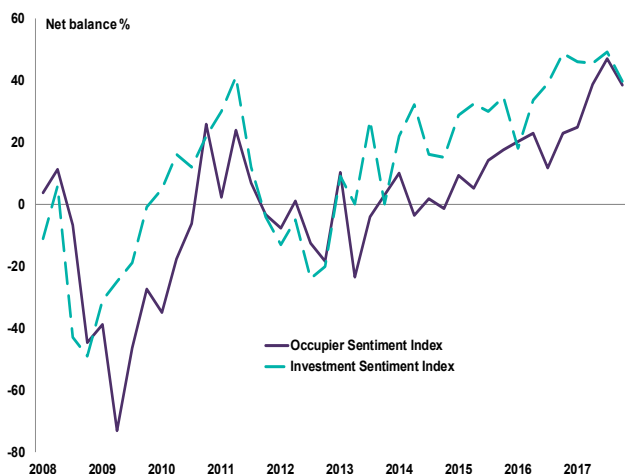
### Occupier Market

- The Occupier Sentiment Index (a composite indicator capturing momentum) moved to +38 from +47 recorded previously. Even so, this measure is still consistent with solid momentum behind the occupier market.
- Occupier demand continued to increase firmly in Q4 across all three sectors (office, industrial and retail). However demand growth decelerated somewhat across the office and industrial areas of the market, relative to Q3.
- Availability of leasable space declined with contributors reporting a fall in supply across the office and retail sectors. Meanwhile the supply of industrial space remained broadly unchanged in Q4.
- Alongside this, the value of incentive packages offered to tenants declined at a similar rate across all three market sectors.
- Rent expectations for the coming year came in below the Q3 projections, driven by respondents significantly revising down their projections for the prime industrial sector. The rental outlook in Q4 for prime office and retail sub-sectors remains solid, whilst expectations for the secondary sub-sectors are more modest in comparison (but remain positive nevertheless).

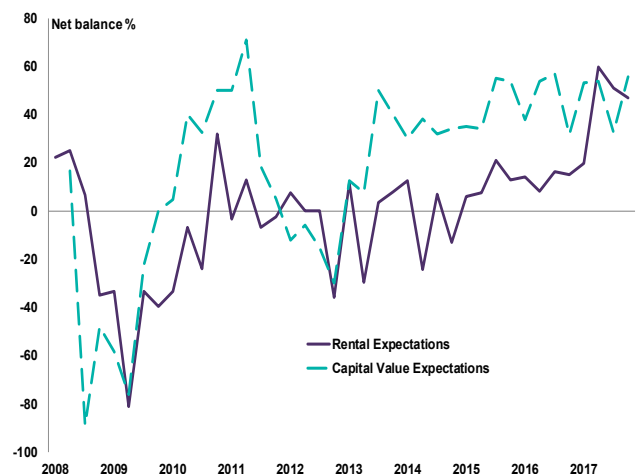
### Investment Market

- The Investment Sentiment Index moved to +40 from +46 in Q3, signalling momentum remains strong across the investment market.
- Investment enquiries continued to rise firmly at the headline level, led by robust demand growth in the office sector. Meanwhile, interest from foreign buyers also increased across the board.
- The supply of property for investment purposes declined over the quarter. However, the pace of decline was more modest (in net balance terms) relative to Q3. Respondents reported a fall in supply across the retail and office sectors, whilst the supply for industrial properties was unchanged.
- Capital value expectations for the year ahead were revised higher across all areas of the market. Prime capital values are still expected to outpace their secondary counterparts in the coming twelve months. That said the latest results did project a slightly more optimistic outlook (in comparison to Q3) for secondary sub-markets.
- A combined 21% of respondents in Q4 sense conditions in their local market are consistent with an upturn. While the majority (68%) believe the market is close to peaking.

Occupier and Investment Sentiment Index



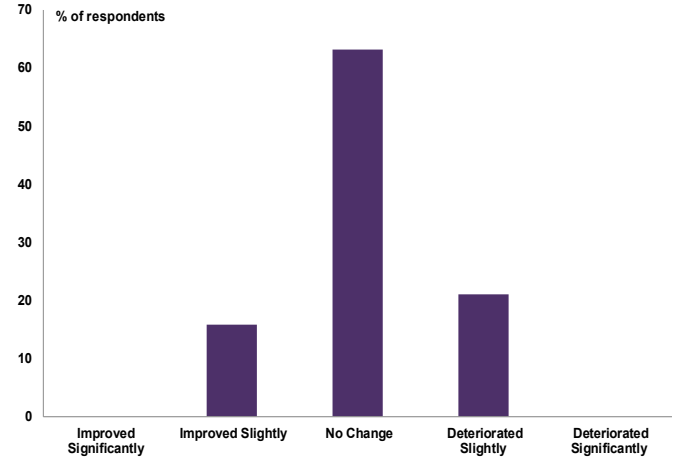
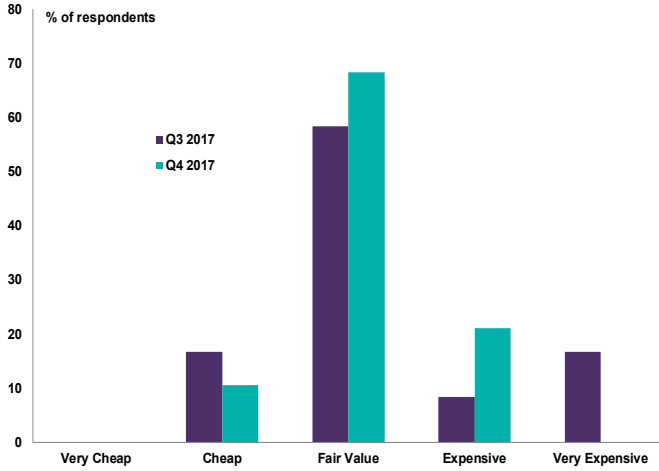
Rental and Capital Value Expectations



# Commercial Property Market

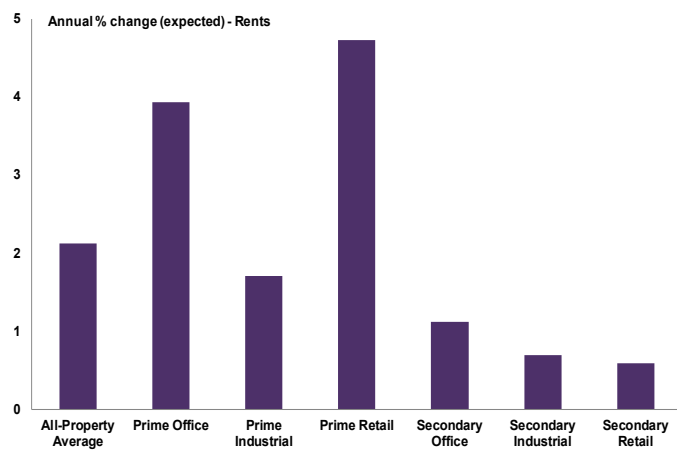
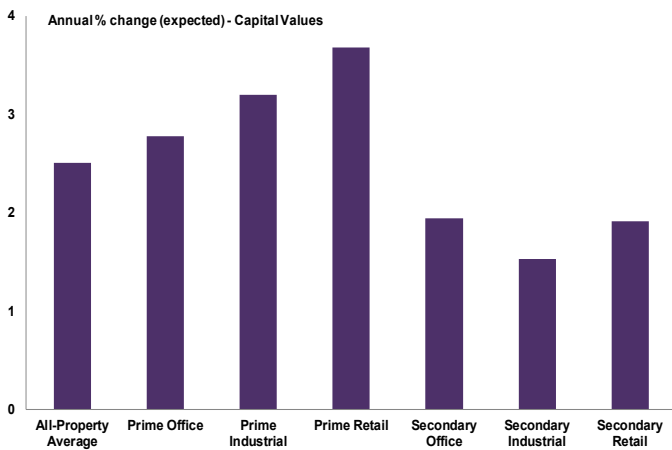
**Market Valuations** - The majority of respondents (79%) believe market prices are either at or below fair value. Although the proportion of respondents stating valuations are stretched has increased to 21%, from 8% previously.

**Credit Conditions** - On balance, credit conditions deteriorated marginally over the quarter.



**12m Capital Value Expectations** - Relative to Q3, capital value expectations were revised higher in each area of the market. Solid capital value gains are projected for the prime assets led by robust growth in the prime retail sub-sector.

**12m Rental Expectations** - Average rental growth expectations were trimmed in the latest results, with rental growth in the prime office and retail sub-sectors projected to outpace all other areas of the market over the coming twelve months.



# 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 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](mailto:economics@rics.org)

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