



## Q1 2020: Germany Commercial Property Monitor

# Tight investment market cushions outlook for office, industrial properties

Amid the global spread of Covid-19, participants in the RICS Germany Commercial Property Monitor reported significantly more subdued conditions in Q1 2020 vs previous quarters. Chart 1 shows that the Occupier and Investment Sentiment Indices, composite measures of market momentum, fell to -17 and -4 respectively to start the year. The negative reading is the first in a decade and is indicative of subdued occupier market momentum of a modest slowdown in the investment market.

Although the outlook for German commercial property has been downgraded substantially from previous quarters, the market does appear to be more resilient than several of its developed market peers. An explanation for this may lie in the market's underlying supply and demand fundamentals.

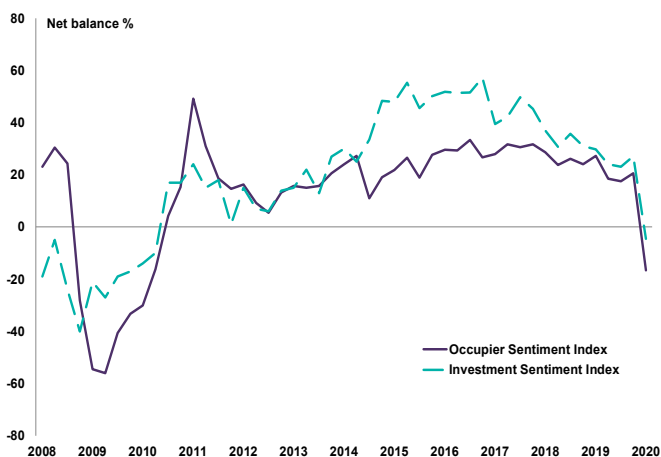
Charts 3 and 4 show that though demand has cooled in both the occupier and investment

market, it has yet to see a significant contraction. The picture is more nuanced when looking at sectors. Demand for retail properties, which has been seen to be contracting for the prior six quarters, fell even more sharply in Q1 (in net balance terms).

Meanwhile, demand for office properties from both occupiers and investors was said to be little changed during Q1, while demand for industrial properties increased modestly. Particularly for the investment market, the lack of supply of properties for sale appears to be acting as a cushion.

The three-month outlook for rental and capital values are similarly segmented. The Covid-19 shock appears to have hastened the decline of retail values, while offices are looking at a much more modest decline and industrial properties appear to be in somewhat of a holding pattern.

### Chart 1: RICS OSI and ISI



### Chart 2: Three Month Rents, Capital Values

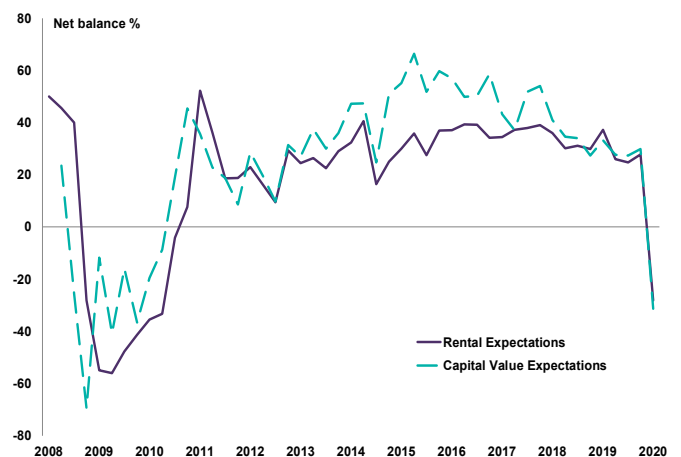


Chart 3: Occupier Market

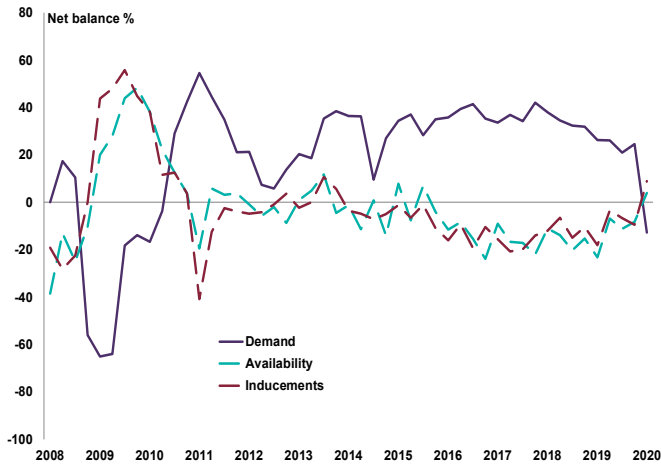


Chart 4: Investment Market

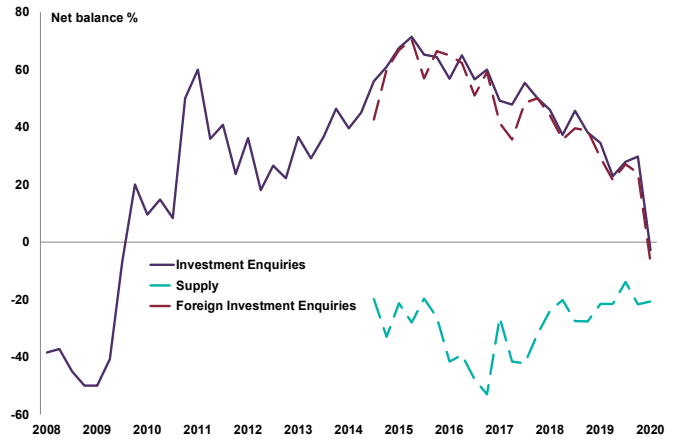


Chart 5: Phase of the Cycle

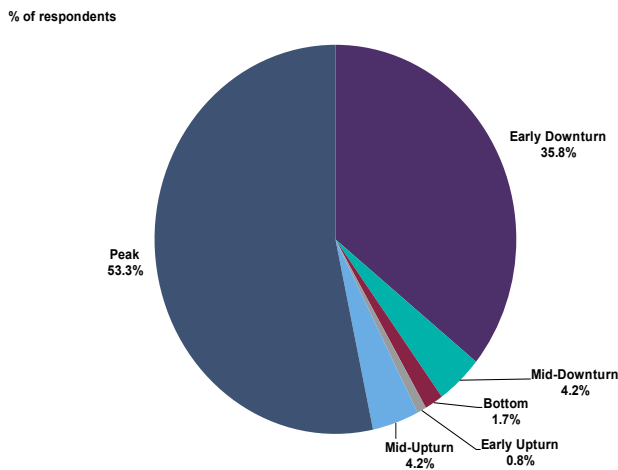


Chart 6: Valuations

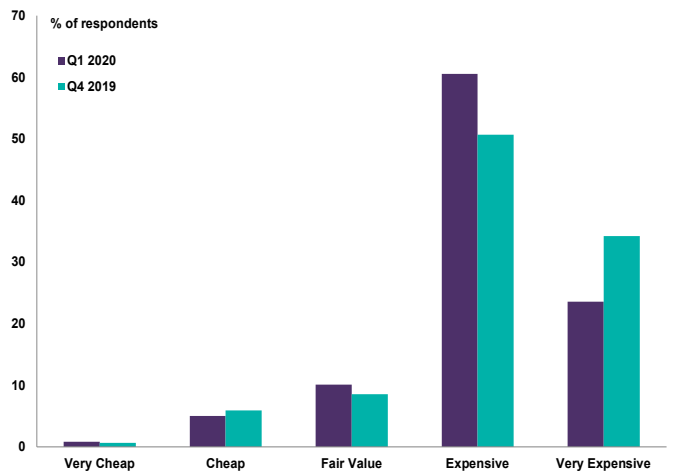


Chart 7: Twelve Month Capital Value Projections

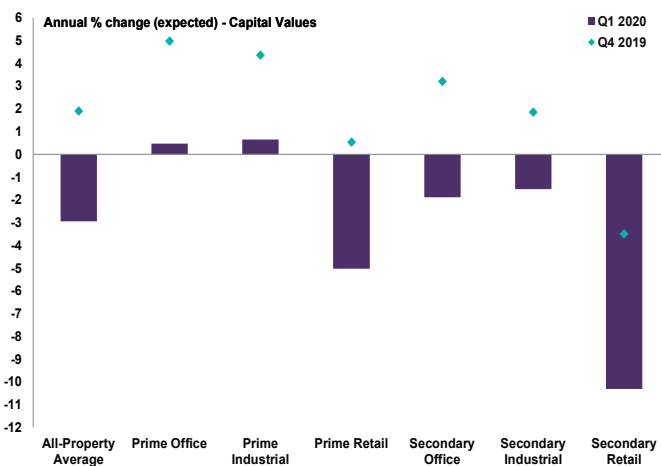
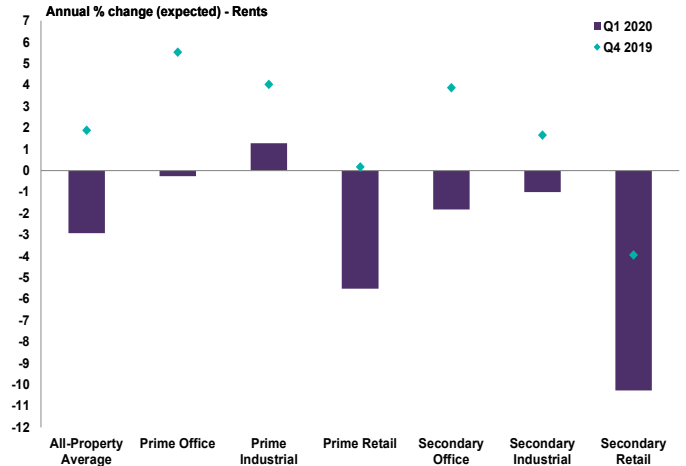


Chart 8: Twelve Month Rental Value Projections



# 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 11 March 2020 with responses received until 13 April 2020. 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 2604 company responses were received, with 592 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](mailto:economics@rics.org)

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