



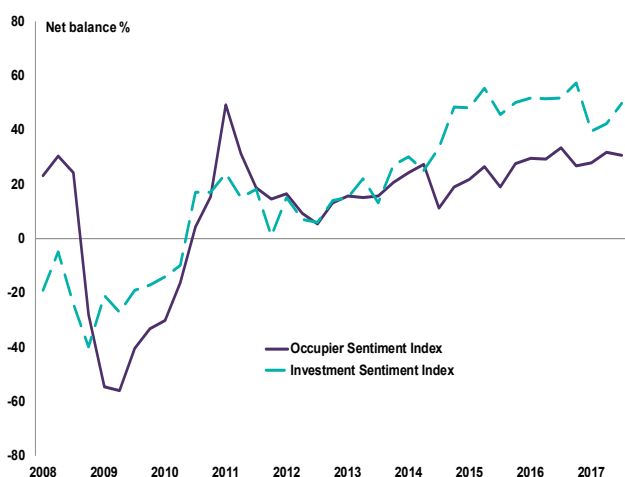
Q3 2017: Germany Commercial Property Monitor

Underlying conditions remain robust

Occupier Market

- The Occupier Sentiment Index (a composite indicator capturing momentum) registered a reading of +31 in Q3, virtually unchanged relative to the previous quarter. Consequently, this measure continues to point to solid occupier market dynamics.
- Tenant demand increased firmly once again, with the pace of growth very similar to that reported over the previous three quarters. Disparity between sectors remains however, as demand for office space rose significantly while retail demand inched up only marginally.
- Availability of leasable space declined in the office and industrial segments, but was unchanged in the retail sector for a second quarter running. Meanwhile, landlords reduced the value of incentive packages during Q3.
- Twelve month rental expectations point to growth in both prime and secondary office sectors outpacing all other areas of the market. Conversely, secondary retail rental projections are marginally negative (albeit to a lesser extent than in Q2).
- In terms of the city breakdown, Berlin continues to display the strongest twelve month rental growth projections, led by the prime office sector. Similarly, expectations in Munich are elevated across virtually all markets. By way of contrast, projections in Frankfurt are more modest in comparison to the national average, in all sectors.

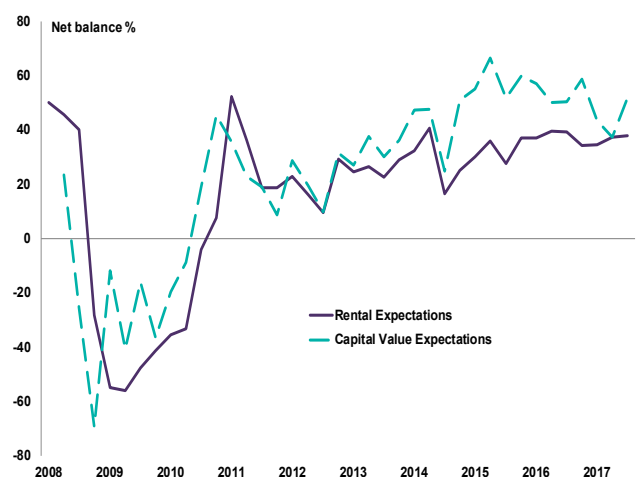
Occupier and Investment Sentiment Index



Investment Market

- The Investment Sentiment Index improved to +50, following +42 previously, again signalling robust momentum behind the investment market.
- Investment enquiries picked up firmly across all areas of the market in Q3, with demand growth for retail assets accelerating in the latest results. Interest from foreign buyers also rose smartly in each sector once again.
- The supply of property for investment purposes declined sharply across the board, with a net balance of -42% of respondents reporting a decline.
- 64% of respondents perceive conditions in the market to be near the peak of the current cycle (up marginally from 60% in Q2), although 32% still feel growth has further to run and the market in the middle stages of an upturn.
- Despite a majority of respondents sensing the market may be nearing its top, all-sector twelve month capital value expectations were revised higher for the first time in four quarters. As a result, values are now expected to rise, to a greater or lesser degree, in each sector.
- Berlin displays stronger all-sector capital value expectations for the coming twelve months relative to the national average. Meanwhile, projections are a little more subdued in Frankfurt (weighed down by secondary industrial and retail assets).

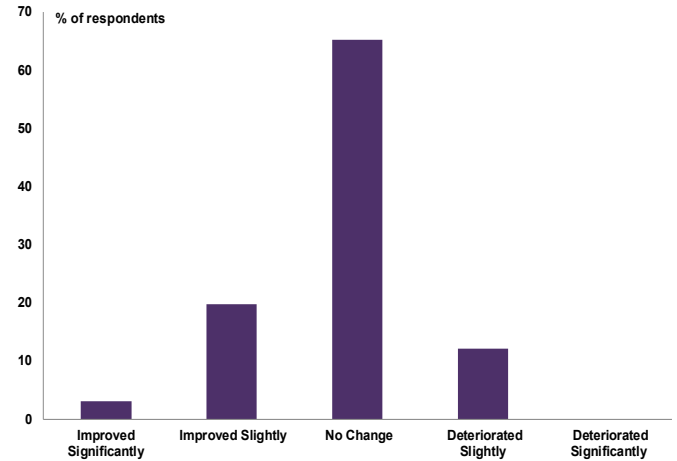
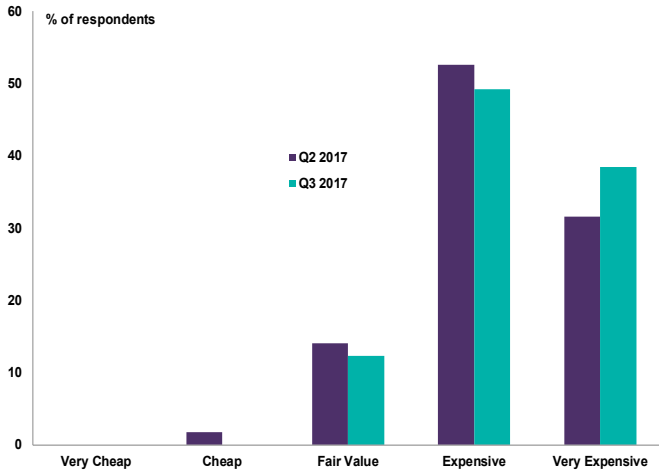
Rental and Capital Value Expectations



Commercial Property Market

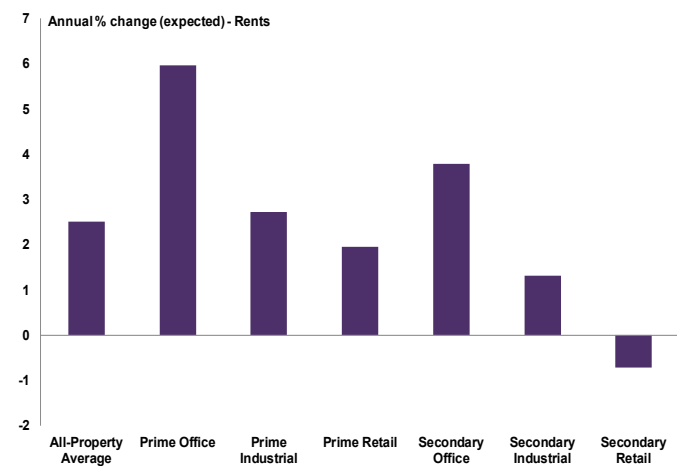
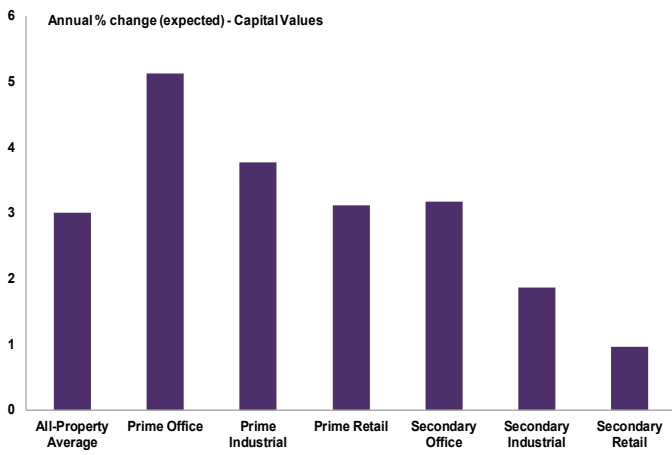
Market Valuations - 88% of respondents now sense valuations are stretched relative to fundamentals (up from 84% in Q2 and 75% in Q1).

Credit Conditions - On balance, credit conditions reportedly eased slightly in the third quarter following a similar improvement in Q2.



12m Capital Value Expectations - Capital values are projected to rise across all sub-markets, although expectations are only marginally positive for secondary retail. Relative to Q2, upward revisions were made in each category.

12m Rental Expectations - Prime and secondary office rental growth is expected to outpace all other areas of the market over the coming twelve months. The outlook for secondary retail is still marginally negative, albeit respondents views were slightly less downbeat than in Q2.



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 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,
#06-22 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