



Q3 2017: Hungary Commercial Property Monitor

Capital value projections for the year ahead revised higher

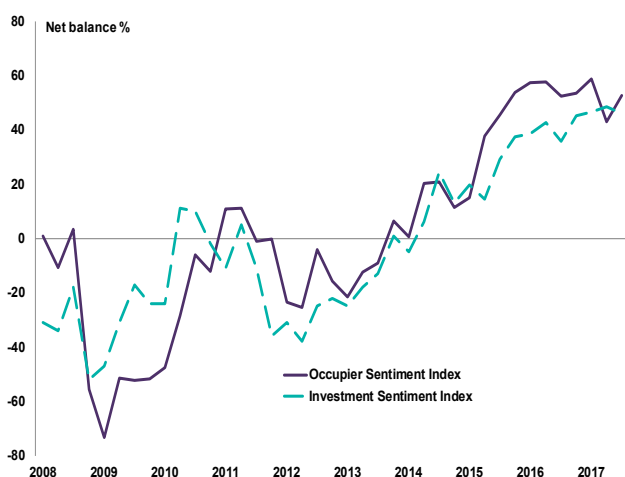
Occupier Market

- The Occupier Sentiment Index (a composite indicator designed to gauge overall momentum) rose to +53 in Q3, from +43 in the previous quarter. As such, this measure is pointing to solid overall quarterly improvements across in the occupier market.
- Occupier demand continued to rise robustly at the headline level, with the pace of increase marginally quicker than that reported in Q2.
- Alongside this, availability continued to decline across the retail and industrial sectors, although respondents noted a marginal rise in supply in the office sector. At the same time, the value of incentive packages offered to tenants declined significantly across the board.
- Rent expectations for the year ahead were little changed from the previous quarter. The strongest rental projections are in the primary retail sub-sector. Expectations for prime industrial and office rents remain solid with respondents expecting rents to increase at a similar rate across both markets. Meanwhile the outlook for secondary sub-sectors is a more modest in comparison but still pointing to positive rental growth nevertheless.
- At the three year horizon, rental projections point to an acceleration in growth across secondary sub-markets beyond this year.

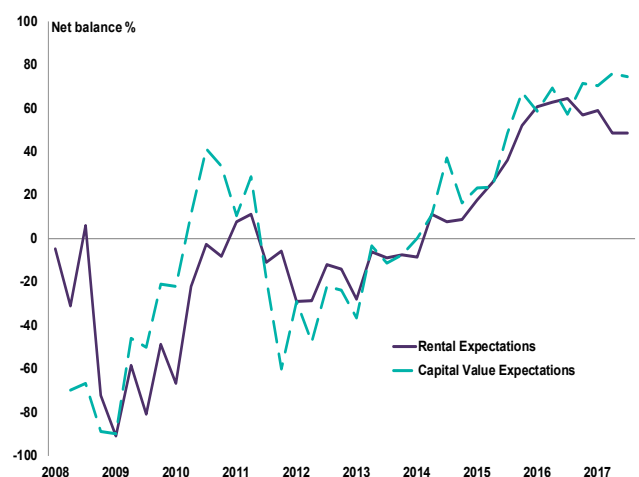
Investment Market

- The Investment Sentiment Index was virtually unchanged at +46 (compared to the record high of +48 in the previous quarter). Therefore, this continues to signal robust momentum behind the investment market.
- Investment enquiries increased firmly across all sectors with demand growth across the office sector leading the way. Foreign investment enquiries also continued to rise albeit the pace of growth did moderate slightly across all areas of the market.
- The supply of property for investment purposes increased marginally at the headline level although respondents did note a slight decline in the supply of retail properties.
- Capital value expectations over the next twelve months were upgraded during the quarter, with robust gains projected across all prime assets. What's more, capital value expectations in secondary sub-markets were also revised up, leading to the gap between primary and secondary expectations narrowing slightly.
- The majority of contributors to the survey (53%) believe conditions in their local market are consistent with the middle stages of an upturn. However, 35% of respondents now believe that the market is close to peaking, an increase from 26% in the previous quarter.

Occupier and Investment Sentiment Index



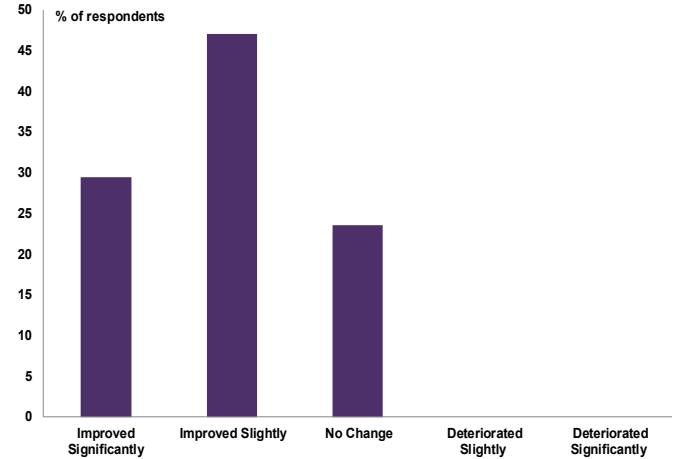
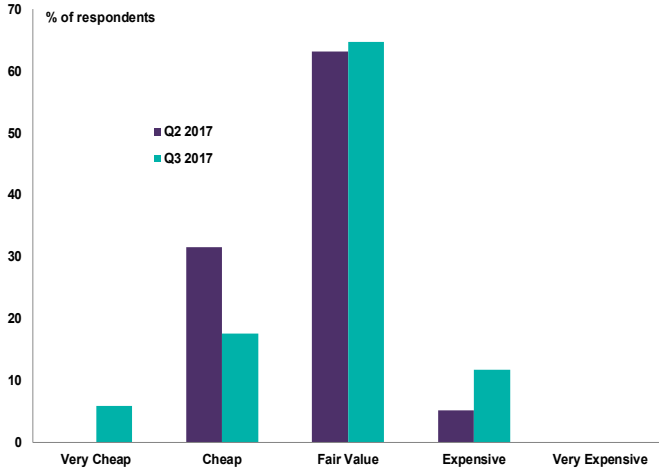
Rental and Capital Value Expectations



Commercial Property Market

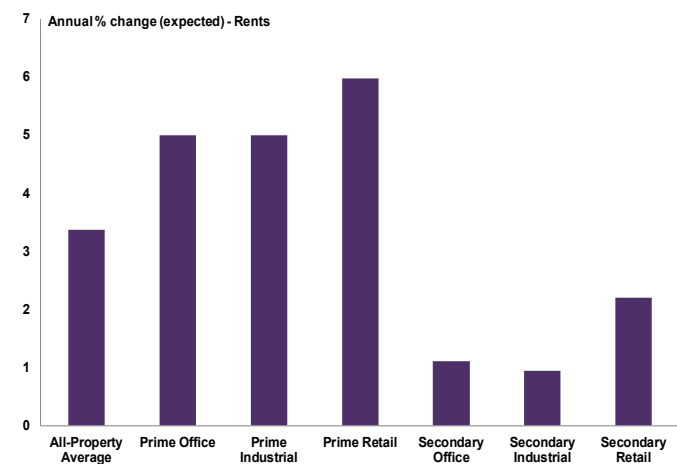
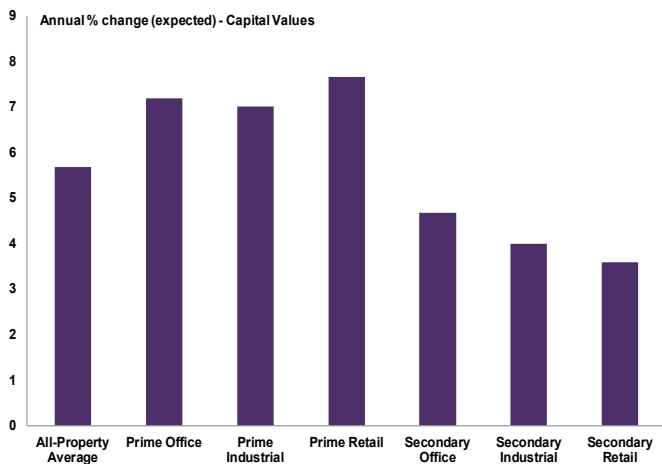
Market Valuations - The proportion of respondents sensing that values are becoming stretched has crept up in the latest results. However the majority of respondents (89%) still believe the prices are at or below fair value.

Credit Conditions - A combined 76% of respondents reported that credit conditions had improved to some extent during Q3.



12m Capital Value Expectations - Capital value projections for the year ahead were revised up across all sub-sectors, with prime assets expected to once again post the strongest gains, albeit projections are solid across all categories.

12m Rental Expectations - Average rental expectations for the year ahead stayed more or less at the same level relative to Q2. That said, though respondents did revise up their projections in the secondary retail sub-sector, expectations were trimmed for secondary office and industrial rents.



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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