



Q4 2017: Hungary Commercial Property Monitor

Market activity remains robust

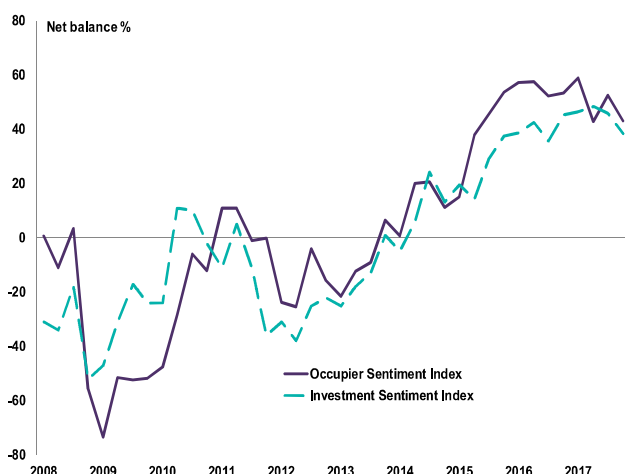
Occupier Market

- The Occupier Sentiment Index registered a reading of +43 in Q4, slightly below the +53 figure recorded previously. Nevertheless, this figure is still consistent with solid growth in the occupier market.
- Occupier demand continued to increase across all three sectors with the pace of growth broadly unchanged from the previous report.
- Respondents reported a decline in availability across the retail sector whereas supply of industrial and office space was virtually flat. Alongside this, the value of incentive packages offered to tenants declined, with the pace of decline pretty similar in all areas of the market.
- Development starts also continued to increase at the headline level with an acceleration in the activity reported in the office and industrial sectors.
- Despite the generally solid market dynamics, rental projections for the year ahead were revised down from the previous report. This was mainly due to a slightly less upbeat outlook for the prime sectors of the market. Even so, respondents still anticipate rental values to post material increases in all areas of the market.

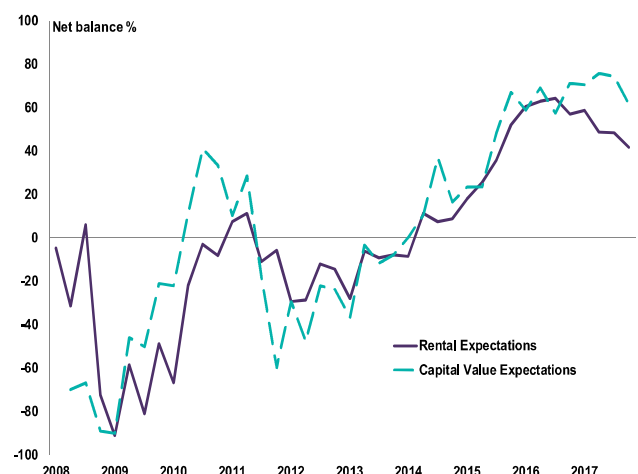
Investment Market

- The Investment Sentiment Index slipped from +46 in Q3 to +38 but the reading is still consistent with a strong level of activity in the investment market.
- Investment enquiries increased firmly at an all-sector level albeit the pace of growth moderated from the previous quarter. In contrast to this, demand growth from foreign investors reportedly accelerated with the office and industrial sectors attracting significant interest.
- Meanwhile, the supply of property for investment purposes was flat across the retail and industrial space and only marginally increased in the office sector.
- Twelve month capital value expectations were revised down across all areas of the market from Q3. Respondents however are still expecting capital values to rise in all sub-sectors in the year ahead, with prime space comfortably outpacing secondary locations.
- A strong majority of contributors to the survey (74%) still believe conditions in the market are consistent with the early to middle stages of an upturn. However after the recent strong performance, around one fifth perceive the market to be close to peaking.

Occupier and Investment Sentiment Index

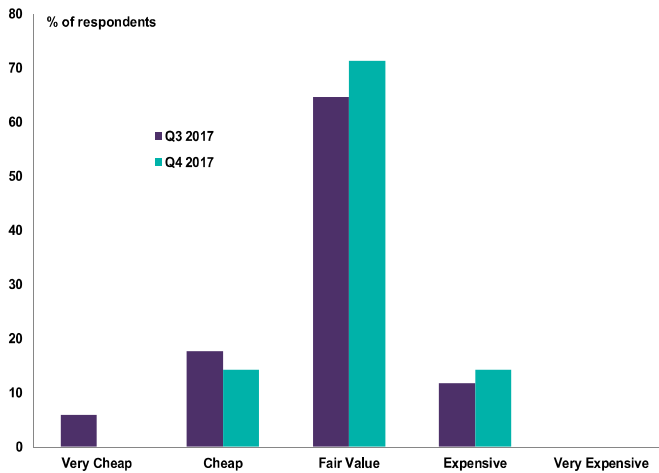


Rental and Capital Value Expectations

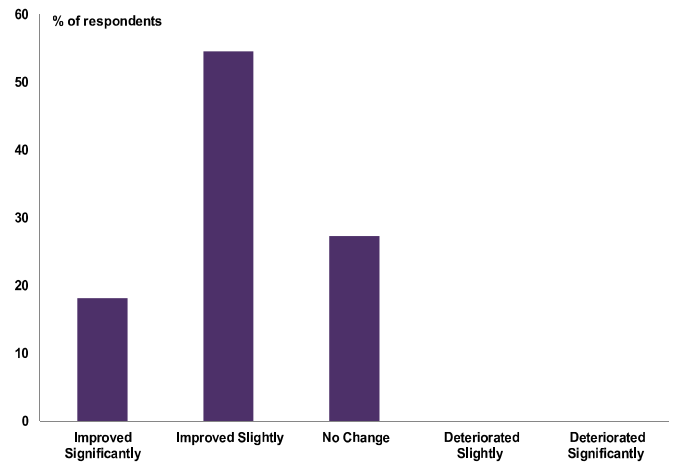


Commercial Property Market

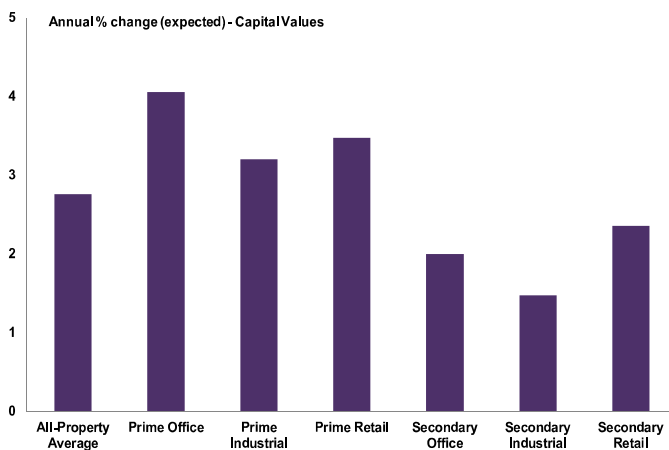
Market Valuations - The majority of respondents (85%) believe market prices are either at or below fair value. Although the proportion of respondents stating valuations are stretched has crept up in the previous two reports.



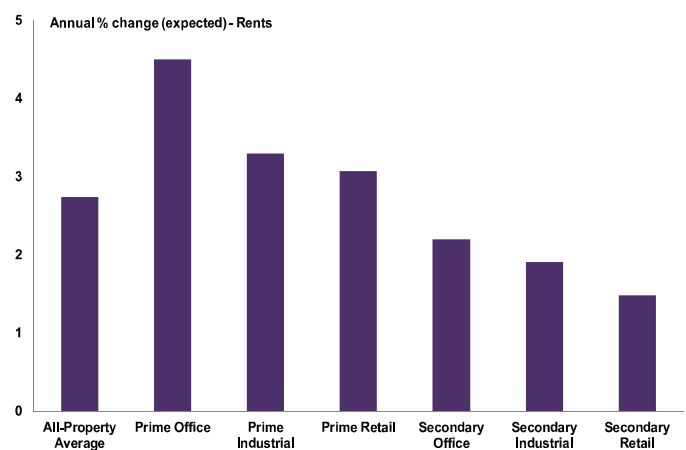
Credit Conditions - On balance, credit conditions reportedly eased slightly in the fourth quarter following a similar improvement in Q3.



12m Capital Value Expectations - Relative to Q3, capital value expectations were revised down across all market areas. Nevertheless respondents still envisage all sub-markets to see post positive capital value gains in the coming year.



12m Rental Expectations - Average rental growth expectation were trimmed in the latest results. In the coming twelve months, rental growth in the prime office sector is projected to outpace all other areas of the market.



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 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

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