



Q1 2018: India Commercial Property Monitor

Respondents see further upside for rents, capital values

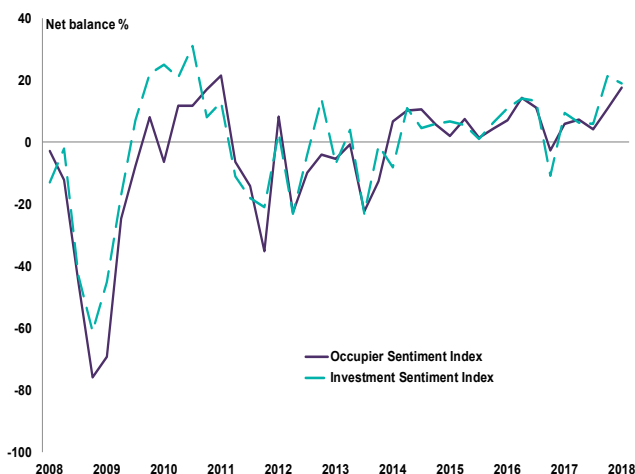
Occupier Market

- The Q1 2018 results indicate that headline occupier demand increased, as a net balance of 37% of respondents reported a rise (vs 25% in Q4). All three segments of the market (office, industrial, retail) saw demand increase, and at an accelerating rate compared to Q4.
- The supply of properties available to let was flat at a headline level in Q1 for a sixth consecutive quarter. That said, respondents did report a modest increase in the supply of office space to rent.
- Landlord incentives increased modestly across all three segments of the markets, while rent-free periods continue to be the most popular type of inducement offered. Development starts increased across the board, with offices seeing the sharpest increase in starts during Q1.
- Headline rents are expected to increase over the next three and twelve months. Respondents are particularly bullish on the outlook for office rents, though industrial and retail rents are also seen posting robust increases over both time horizons.
- The Occupier Sentiment Index (an amalgamated measure of occupier market indicators) increased to +18 in Q1 from +11 in Q4. This is the highest reading since Q1 of 2011.

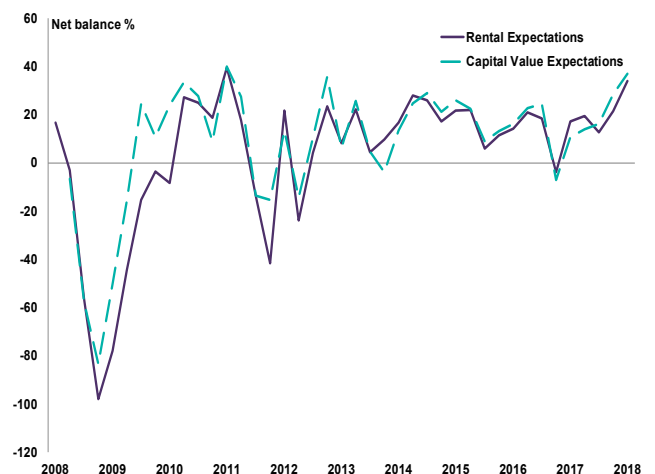
Investment Market

- The Q1 2018 data shows headline investor demand increased at a similar pace to the previous quarter. Like Q4, demand growth was primarily driven by the office segment, while the rise in interest across the industrial and retail segments was more muted.
- Foreign demand also increased at a similar pace to that reported in Q4, once again led by the office sector. Respondents noted a moderate increase in the aggregate supply of assets on the market (the first since 2016). This was driven by an increase in the supply of office properties, while industrial and retail supply was flat.
- Respondents left their twelve month view on capital values more or less unaltered compared to the previous results. As such, prime office prices are seen posting the most significant growth, followed by prime retail assets. Secondary markets are expected to see a slightly more modest rise in comparison, albeit expectations remain firmly positive in each instance.
- The majority of contributors (62%) continue to sense the market is in the early to middle stages of an upturn.
- The Investor Sentiment Index (an amalgamated measure of investment market indicators) moderated slightly to +19 in Q1 from +21 in Q4, but remains near the peak of the cycle.

Occupier and Investment Sentiment Index



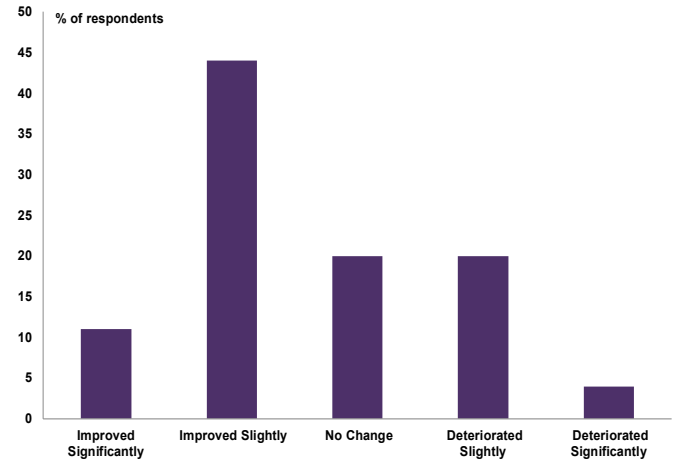
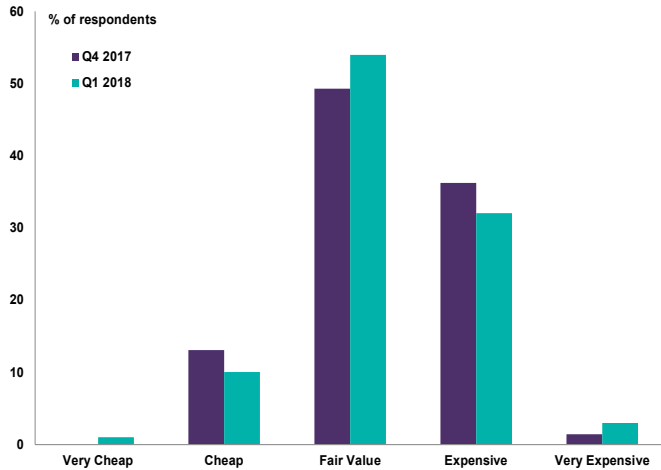
Rental and Capital Value Expectations



Commercial Property Market

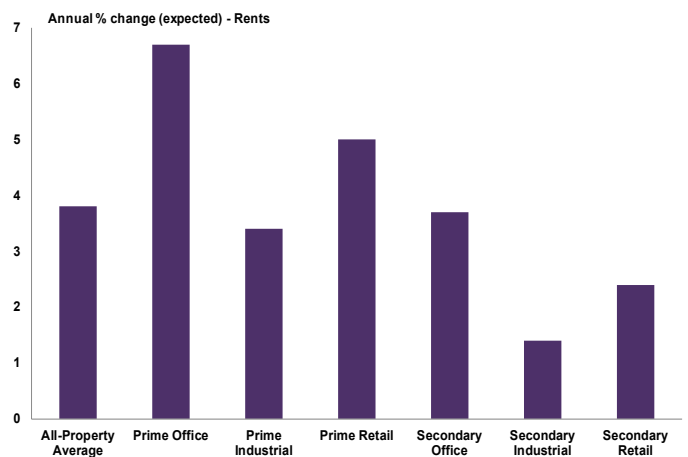
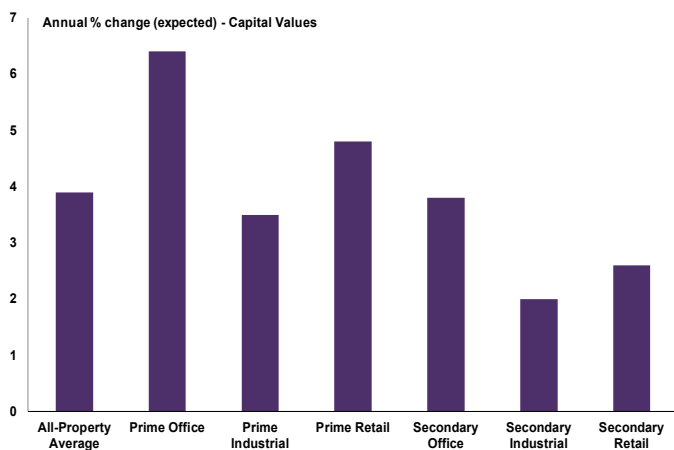
Market Valuations - A majority of respondents, 54%, see the market as fairly valued, up from 49% in Q4. Otherwise, 35% of respondents see prices as above fair value to some degree (37% in Q4) while 11% see the market as below fair value (13% in Q4).

Credit Conditions - A majority of respondents, 55%, reported some easing in credit conditions, following a similar improvement in Q4.



12m Capital Value Expectations - Office values, particularly prime properties, are expected to outperform all other segments of the market. Even so, the outlook appears firm across each categories for the year ahead.

12m Rental Expectations - Headline rent forecasts for the next year were revised modestly higher in Q1. A more bullish outlook for prime and secondary industrial space was responsible for much of the upward revision. Still, prime office rents are seen posting the strongest gains.



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 14 March 2018 with responses received until 11 April 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 1748 company responses were received, with 385 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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