



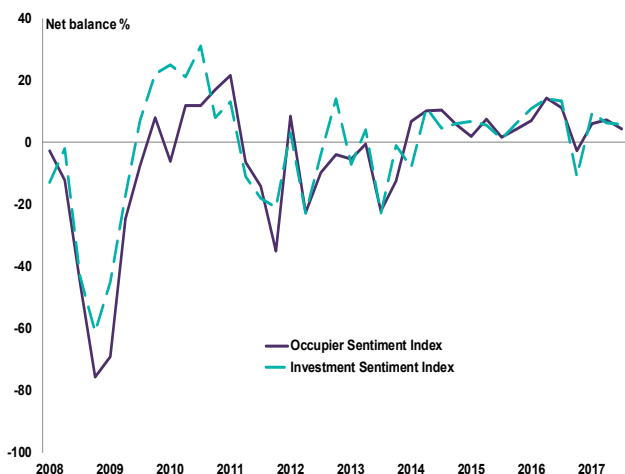
Q3 2017: India Commercial Property Monitor

Demand slips in the industrial sector but remains solid across offices

Occupier Market

- The Occupier Sentiment Index (a composite indicator designed to gauge overall momentum) moved to +4, following +7 previously. This broadly neutral reading is signalling a somewhat flat overall backdrop currently.
- Tenant demand increased at a reasonably solid pace in the office sector, picked up only marginally in the retail sector, while demand for industrial space fell during Q3.
- Availability of leasable space was more or less unchanged for the second successive quarter at the headline level, although a slight rise was reported in the retail segment. Meanwhile, landlords opted to increase the value of incentive packages in the office and retail portions of the market.
- Twelve month rental projections continue to point to solid growth across all prime markets, led by the office sector. For secondary industrial rents, respondents revised expectations lower relative to Q2, with a flatter trend now envisaged.
- In terms of the city breakdown, Bengaluru exhibits stronger all-sector rental growth projections when compared with Mumbai and the National Capital Region (NCR). Beyond the all-sector averages, projections across Bengaluru are stronger in all sub-markets relative to the NCR. However, in Mumbai, expectations across the retail sector exceed those in Bengaluru, both for prime and secondary space.

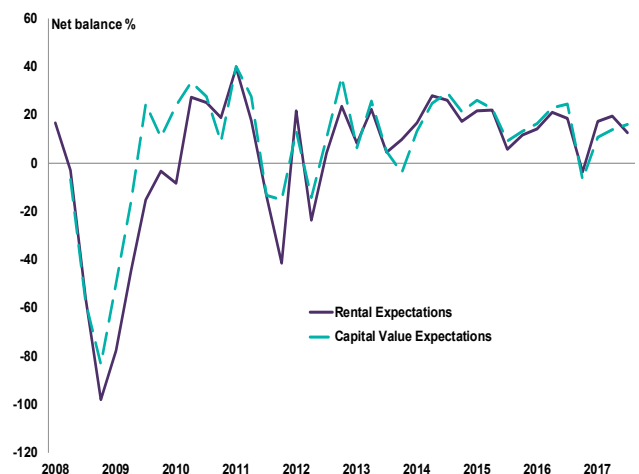
Occupier and Investment Sentiment Index



Investment Market

- The Investment Sentiment Index was unchanged during Q3, again posting a reading of +6. As such, this measure is indicating only marginally positive momentum behind the investment market at present.
- Investment enquiries increased in the office sector, with the pace of growth (in net balance terms) exceeding that of the previous quarter. Meanwhile, demand was flat in the retail portion of the market, and fell for industrial assets. This trend was mirrored in the data on foreign investor interest.
- The supply of property for investment purposes held broadly steady for the third consecutive quarter.
- Capital value expectations for the year ahead are signalling smart gains in each prime sub-sector, while both secondary office and retail values are also seen rising. Secondary industrial projections were also revised slightly weaker (compared to Q2), with only very marginal gains now expected.
- When disaggregated, expectations in Bengaluru are comfortably positive across all sub-sectors, although prime assets are seen outperforming secondary counterparts. The outlook in the NCR and Mumbai is generally positive, albeit to a lesser extent. Furthermore, secondary industrial assets are not expected to see any meaningful change in values in either of these cities over the year ahead, while secondary retail expectations are also flat in the NCR.

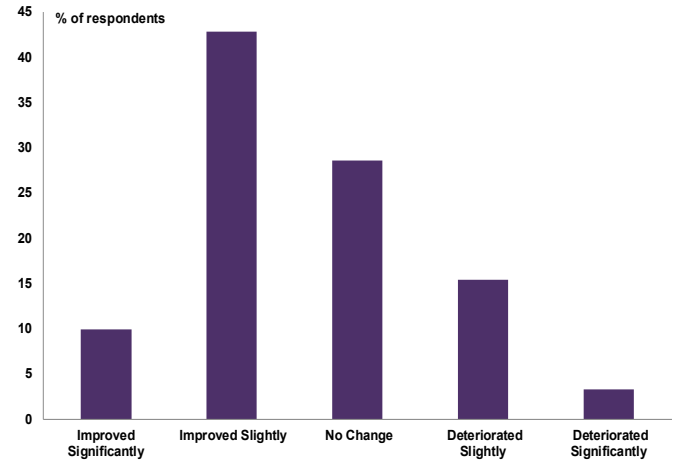
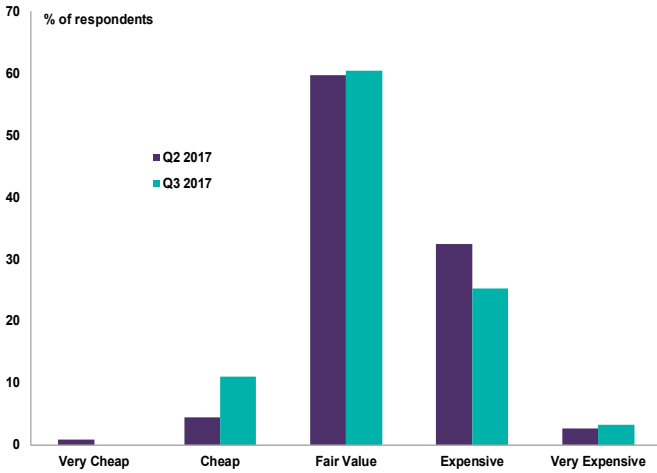
Rental and Capital Value Expectations



Commercial Property Market

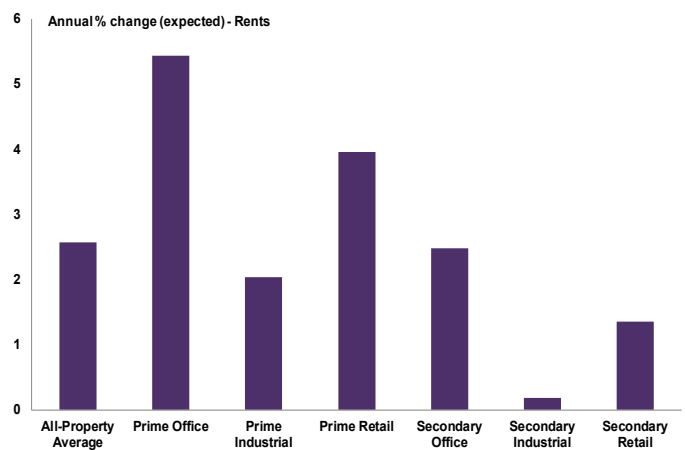
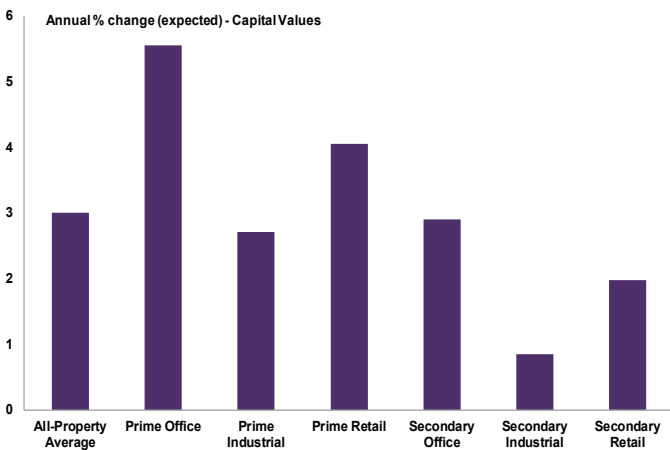
Market Valuations - Around three quarters of respondents are of the opinion the commercial real estate market is either at or below fair value currently. This proportion rose modestly when compared with Q2, when around two thirds of contributors took this view.

Credit Conditions - On balance, credit conditions improved slightly in Q3, likely supported by a further cut in the RBI's key policy rate during August.



12m Capital Value Expectations - Capital value expectations at the all-sector level were trimmed slightly for a second quarter in succession. Even so, solid growth is still envisaged across the majority of sub-sectors over the coming twelve months.

12m Rental Expectations - Likewise, respondents also lowered their expectations for rental growth for a second consecutive quarter, with the largest downgrades coming in the industrial segment. Consequently, the outlook is now flat across secondary locations.



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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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



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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

**GF-17, Ground Floor, Block B,
Vatika Atrium, Sector 53,
Gurgaon – 122002,**

Haryana, India

t +91 124 459 5400

f +91 124 459 5402

ricsindia@rics.org