



## Q3 2017: Indonesia Commercial Property Monitor

# Downbeat sentiment surrounding office space continues to drag market momentum

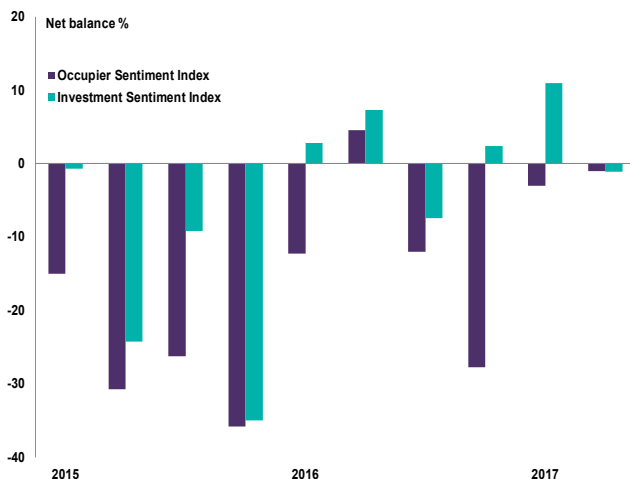
### Occupier Market

- The Q3 2017 results point to headline occupier demand expanding for the third consecutive quarter. Demand was driven by the office and industrial segments, while occupier demand for retail space was reported flat.
- The supply of property available to rent was similarly nuanced. A net balance of 64% of respondents reported an increase in the supply of office space to let, while there was no change in the reported letting availability of industrial and retail space. A similar dynamic was seen in landlord inducements.
- New development starts were flat in Q3, for the second consecutive quarter. Respondents reported little change in development starts across all market segments.
- Respondents expect headline rents to decrease over the next three-and-twelve months. However this is largely driven by bearish sentiment surrounding the office segment. A majority of respondents in net balance terms expect industrial and retail rents to increase over the next quarter and year.
- The Occupier Sentiment Index (OSI) was little changed at -1 in Q3 (vs -3 in Q2). This indicates neutral momentum in the occupier market.

### Investment Market

- Headline investor demand continued to increase in Q3 2017, albeit at a more moderate pace as indicated by the net balance of 17% of respondents reporting an increase compared to 34% in Q2. The increase in demand was largely confined to the industrial segment.
- Similarly, respondents reported little change in foreign demand for office properties. Foreign demand for industrial and retail space was reported to have increased in Q3.
- Contributors reported that the supply of office and retail space available for sale increased in Q3, while there was no change in the supply of industrial properties for sale.
- Against this backdrop respondents see headline capital values flat over the next three and twelve months. Capital values are expected to decline firmly in the office segment over both time periods.
- The majority of respondents (80%) see the market in some phase of a downturn, up from 25% in Q2, while 10% see the market at its bottom.
- The Investor Sentiment Index fell to -1 in Q3 from +11 in Q2, indicating a moderation of positive momentum in the investor market.

### Occupier and Investment Sentiment Index



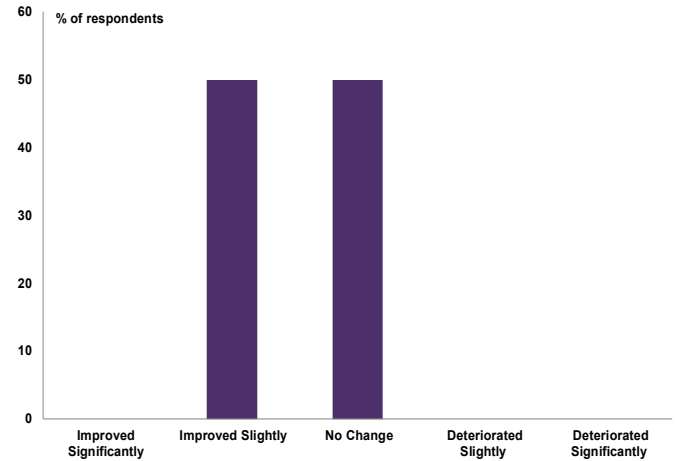
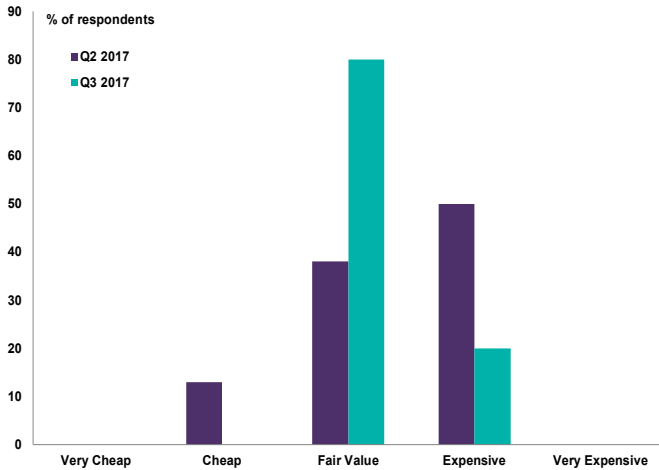
### 3-Month Capital, Rental Value expectations



# Commercial Property Market

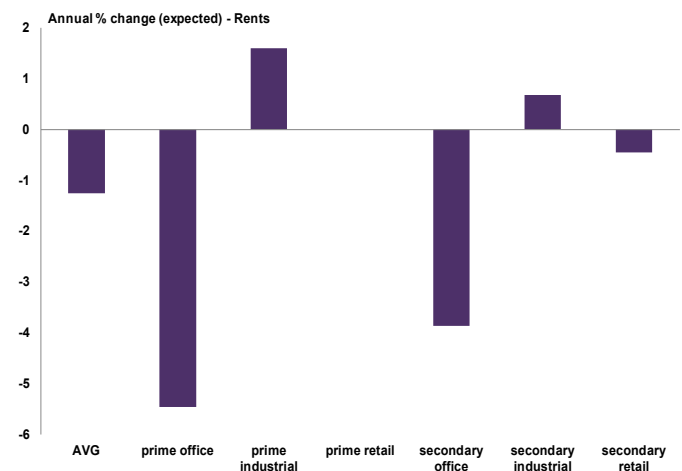
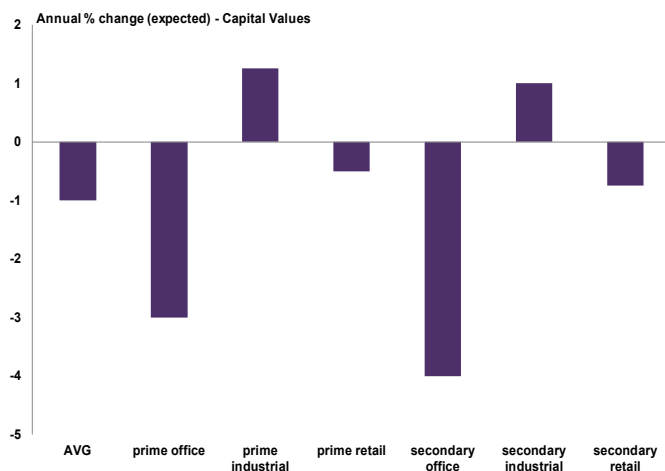
**Market Valuations** - The majority (80%) of contributors see the market as fairly valued, up from 38% in Q2. The remaining 20% see the market as expensive, down from 50% in Q2.

**Credit Conditions** - Respondents were evenly split on credit conditions, with 50% reporting no change (vs 25% in Q2) and 50% reporting a slight improvement (vs 63% in Q2).



**12m Capital Value Expectations** - Headline capital values are seen falling 1% over the next year, after respondents forecast a 0.5% increase in Q2. Respondents revised down forecasts for all market segments. Forecasts for office space were particularly bearish, as respondents see values falling by 3.5% over the next year.

**12m Rental Expectations** - Respondents expect headline rents to fall 1.3% over the next year, slightly less than the 1.6% pullback forecast in Q2. Much of the weakness can be attributed to bearish sentiment surrounding the office segment, where rents are expected to decline 4.7% over the next twelve months.



# 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](http://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](mailto:economics@rics.org)

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