



Q3 2017: Ireland Commercial Property Monitor

Outlook for rental and capital value growth strengthens

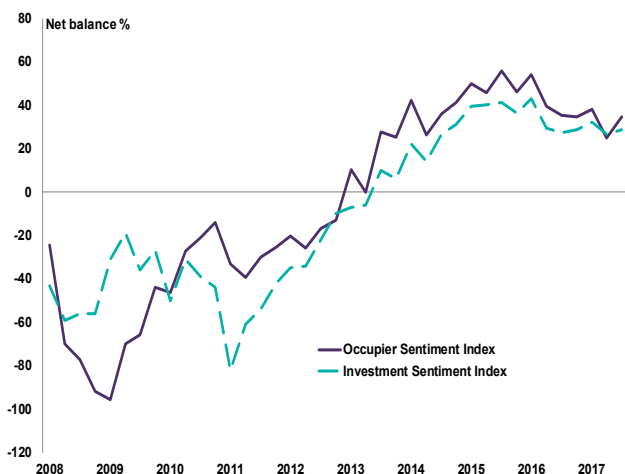
Occupier Market

- The Occupier Sentiment Index (a composite measure capturing overall momentum) improved to +35, following +25 previously. This is broadly in line with the average reading over the past 4 quarters and continues to signal solid momentum.
- Tenant demand grew firmly in both the office and industrial sectors during Q3, while demand for retail space increased more modestly by comparison.
- Following a broadly flat outturn last quarter, availability edged down at the headline level, although there was a small rise reported within the office sector. Alongside this, landlords reduced the value of incentive packages in each area of the market.
- Over the next twelve months, respondents envisage strong rental growth across all prime markets, with industrial sector rents anticipated to post the sharpest gains. The outlook is also solid across secondary locations, as respondents revised their expectations higher across each sub-sector relative to Q2.
- In Dublin, both prime and secondary industrial rents, along with secondary office rents, are expected to post stronger gains than the national average. Aside from these sub-sectors, rental growth projections across the capital are broadly aligned with the Ireland-wide figures.

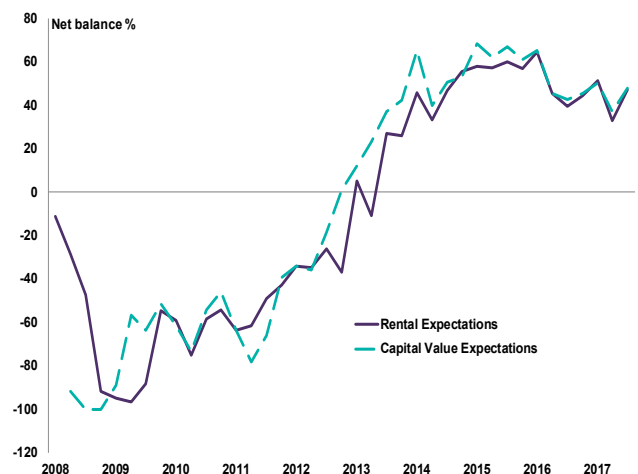
Investment Market

- The Investment Sentiment Index registered a value of +29 in Q3, more or less unchanged from +27 previously (and very similar to all readings posted since Q2 2016). As such, this points to investment market conditions continuing to improve at a smart quarterly pace.
- Investment enquiries reportedly picked up within each sector, with a headline net balance of +29% of respondents citing an increase. Demand from foreign buyers edged up, although growth in the retail sector was only marginal.
- The supply of property for investment purposes crept lower in Q3, with all sectors seeing a modest decline.
- Twelve month capital value expectations are now comfortably positive in each market sub-sector, with prime industrial and office assets anticipated to see the strongest growth.
- In Dublin, it is mainly the industrial sector which is expected to outperform the national average in terms of capital value growth over the year ahead.
- Nationally, 54% of respondents sense conditions are consistent with the middle stages of an upturn, while 16% feel the market may be close to peaking (6% in Q2). In Dublin, although a majority view the market as in the mid-upturn phase, 28% now feel the peak may be near (14% previously).

Occupier and Investment Sentiment Index

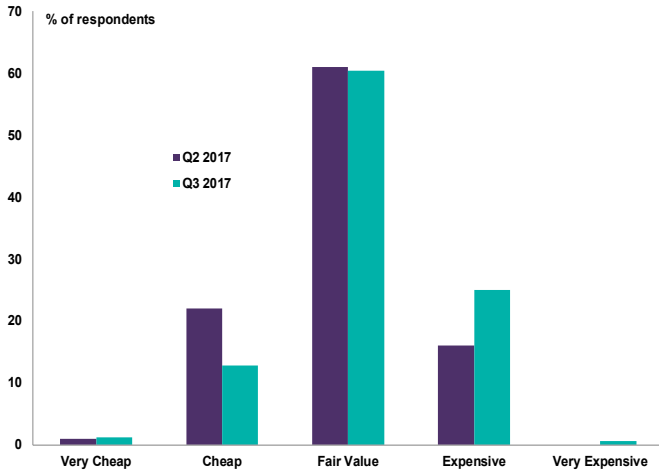


Rental and Capital Value Expectations

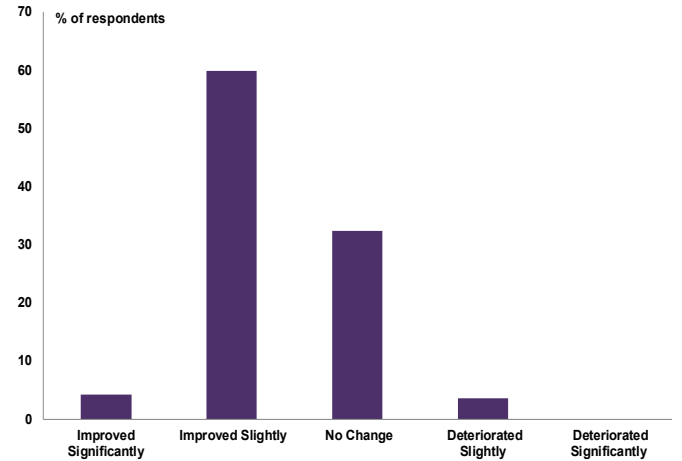


Commercial Property Market

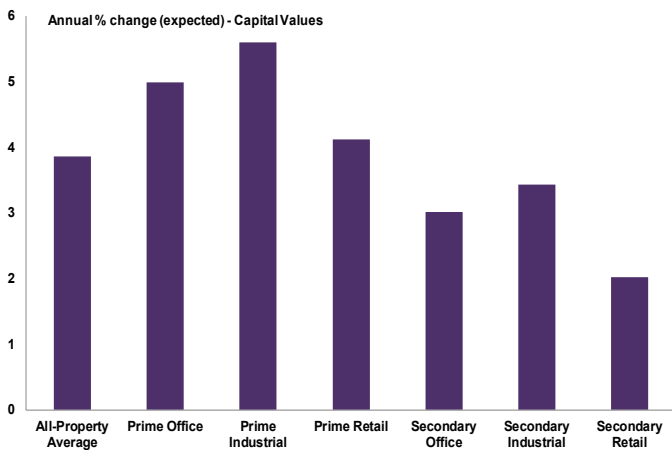
Market Valuations - 74% of respondents still view commercial real estate to be at or below fair value, although the proportion sensing the market is expensive increased to 26% (from 16%) in the latest results.



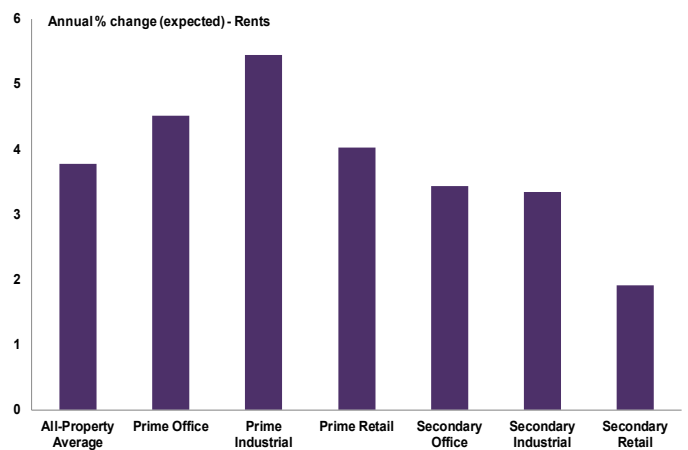
Credit Conditions - The majority of contributors reported a slight improvement in credit conditions during Q3, extending a run of continuous improvements going back to 2014 (when this series was introduced).



12m Capital Value Expectations - Capital value expectations remain solid across all sub-markets for the coming year. Prime industrial expectations received the most noticeable upgrade relative to Q2.



12m Rental Expectations - Similarly, rents are anticipated to rise firmly in each market segment over the year ahead, albeit projections are a little more modest for secondary retail space.



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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