



Q4 2017: Ireland Commercial Property Monitor

Supply falls noticeably across the investment market

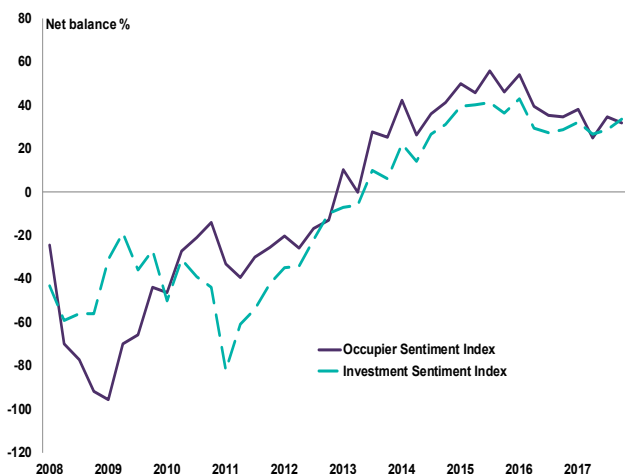
Occupier Market

- The Occupier Sentiment Index registered a figure of +32 in Q4, virtually unchanged relative to the previous quarter, and continuing to signal a solid degree of momentum in the occupier market.
- A net balance of +46% of respondents reported an increase in occupier demand at the all-sector level during Q4. A healthy pace of growth was noted in each sector (office, industrial and retail), although the rise in retail demand was a little more modest in comparison.
- Availability edged up a fraction in the office sector, held steady across the retail market, while the supply of industrial space fell slightly. Alongside this, landlords reduced the value of incentive packages in all but the retail sector over the quarter.
- Respondents left their rental growth projections virtually unaltered when compared to the previous quarter, with prime industrial and office rents still displaying the firmest projections.
- Expectations are slightly stronger across Dublin relative to the national average, with growth of around 4% anticipated at the all-sector level. Projections are only modest in the secondary retail portion of the market, while all prime locations are expected to see significant rental growth.

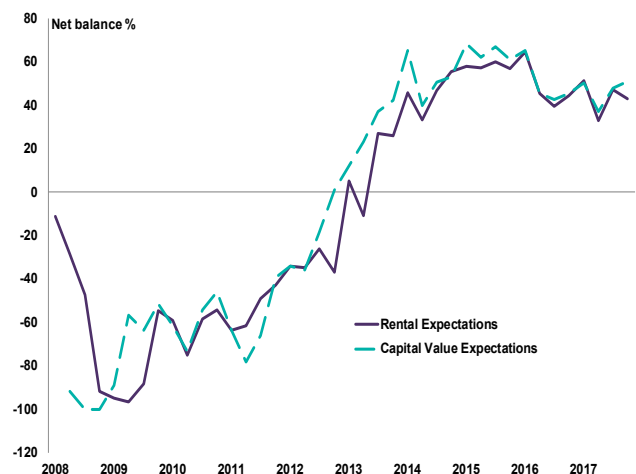
Investment Market

- The Investment Sentiment Index improved to post a reading of +34, from +29 in Q3 (the strongest figure in seven quarters). Consequently, this measure is pointing to a further tightening in overall investment market conditions.
- Investment enquiries increased once more, extending a run of uninterrupted demand growth stretching back to the start of 2012. That said, the headline net balance of +25% is more moderate than most readings over this period.
- The supply of investable property fell at the sharpest pace (in net balance terms) since this series was introduced in 2014, with the decline fairly evenly spread across sectors.
- Capital value expectations remain almost identical to those returned in the previous quarter. Solid growth is expected within all sub-markets, although gains across prime assets are seen outstripping secondary.
- Again, expectations in Dublin exceed the Ireland-wide figures, with capital values across the prime industrial sector projected to chalk up the strongest gains.
- 63% of respondents now sense the market is in the middle stage of an upswing in the current property cycle (up from 54% in the previous quarter). In Dublin, 69% feel the market is in the middle stages of a growth phase while 23% view conditions as close to peaking.

Occupier and Investment Sentiment Index



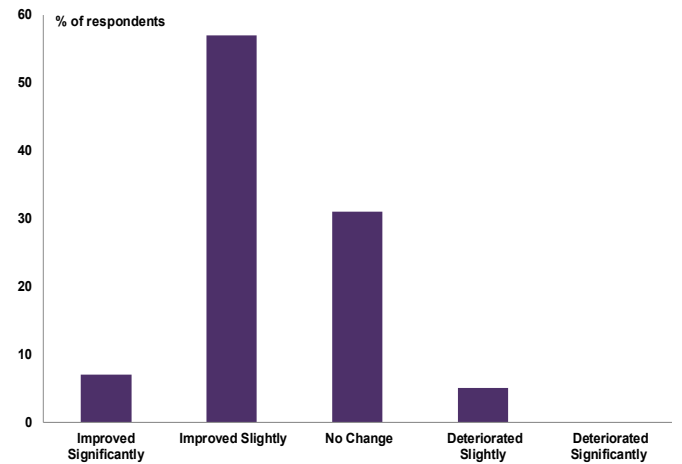
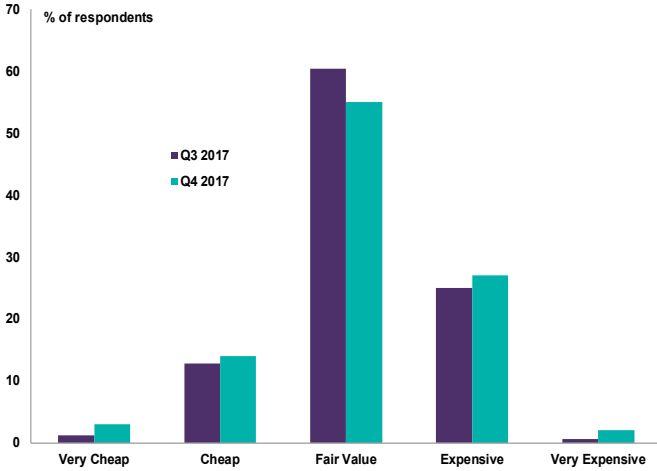
Rental and Capital Value Expectations



Commercial Property Market

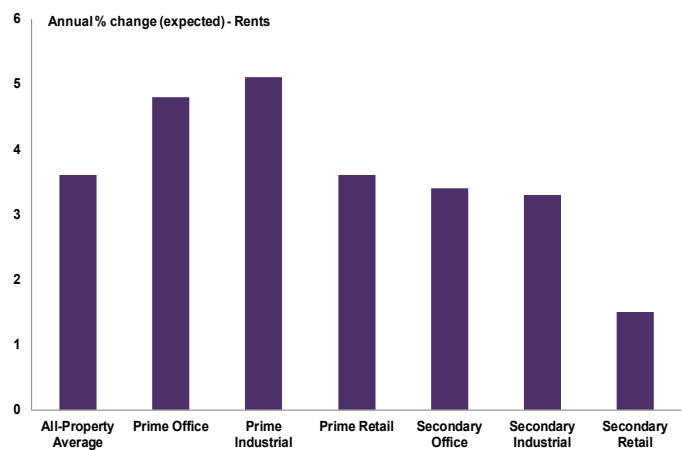
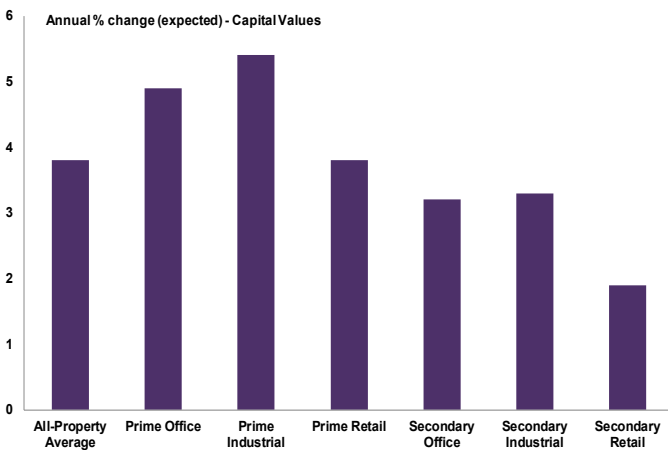
Market Valuations - Although the majority of respondents still feel the commercial market in Ireland offers fair value, 29% sense values are becoming stretched. In Dublin, 40% are of this opinion.

Credit Conditions - Q4 saw credit conditions continuing to improve, with a combined 64% of respondents noting some degree of easing.



12m Capital Value Expectations - Capital value expectations remain comfortably positive across all sub-sectors for the year ahead, led by the strongest projections across the prime industrial sector.

12m Rental Expectations - Although all categories are anticipated to deliver rental growth over the coming year, secondary retail rents may only see a modest uplift.



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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