



## Q3 2017: Italy Commercial Property Monitor

# Investment and Occupier Sentiment Indices hit fresh highs

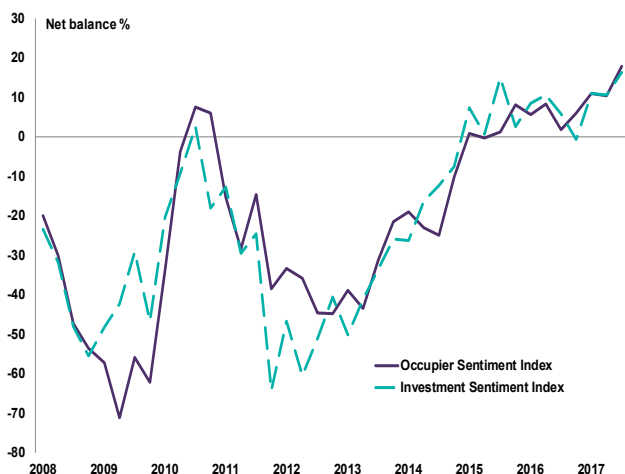
### Occupier Market

- The Occupier Sentiment Index (a combined measure designed to gauge overall momentum) rose to +18 in Q3, from +10 in the previous quarter. This marks the strongest reading since the survey's inception (2008), pointing to an acceleration in occupier market momentum.
- Tenant demand increased in each area of the market, with growth strongest in the office and retail sectors. Meanwhile, demand for industrial space picked up at a comparatively more modest pace.
- Availability continued to edge higher, albeit at the slowest pace since 2011 (in net balance terms). Alongside this, landlords increased the value of incentive packages on offer in both the retail and industrial sectors, but held them steady in the office segment.
- Rental growth projections for the year ahead were left broadly unaltered relative to Q2, with the strongest gains still anticipated for prime office and retail space. By way of contrast, the outlook remains negative for secondary industrial rents.
- In both Milan and Rome, twelve month rental expectations exceed the national average for prime retail and office space. Across all other sub-sectors, projections are broadly in line with the figures for Italy as a whole.

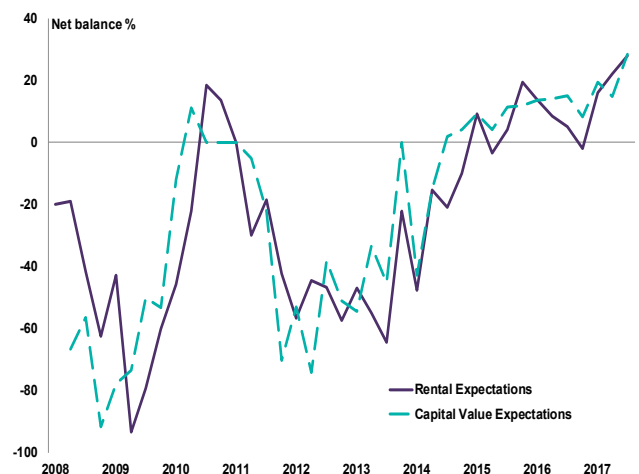
### Investment Market

- The Investment Sentiment Index stood at +16 in Q3, also representing the highest reading since 2008. Nevertheless, although now reasonably positive, the fact this is a record high is also a reflection of the prolonged period of generally subdued activity since the global financial crisis.
- Investment enquiries picked up in each area of the market, with a headline net balance of +33% of respondents noting an increase (+29% in Q2). Likewise, demand from foreign buyers also rose across all sectors.
- The supply of property for sale continued to increase modestly in both the office and retail sectors, but held broadly steady across the industrial portion of the market.
- Twelve month capital value expectations were revised slightly higher across all prime markets relative to Q2. Prime office and retail assets are still set to outperform, although reasonably solid growth is anticipated for prime industrial values. Meanwhile, the outlook for secondary markets is more or less flat across the board.
- Capital value projections for the year ahead in Milan and Rome are broadly aligned with the national figures, although the secondary industrial market displays slightly negative expectations.
- Around 50% of respondents across Italy as a whole feel the market is in the early stages of recovery.

Occupier and Investment Sentiment Index



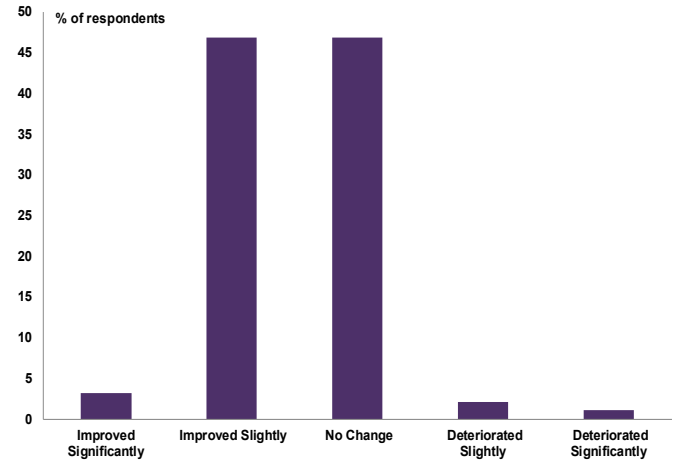
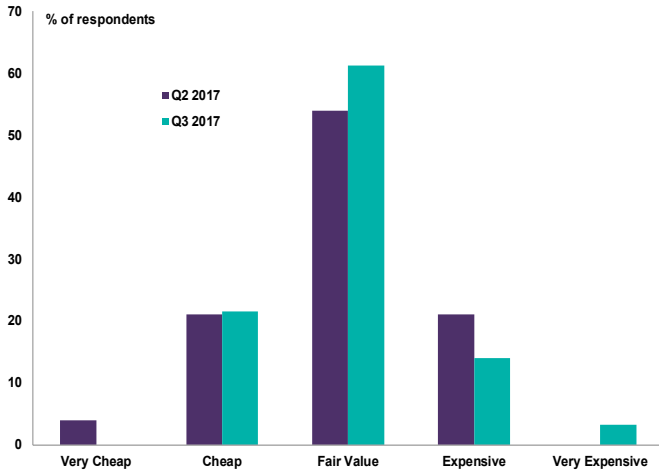
Rental and Capital Value Expectations



# Commercial Property Market

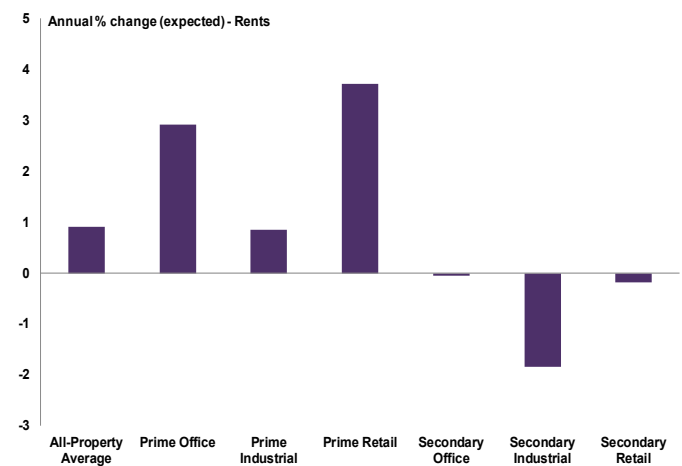
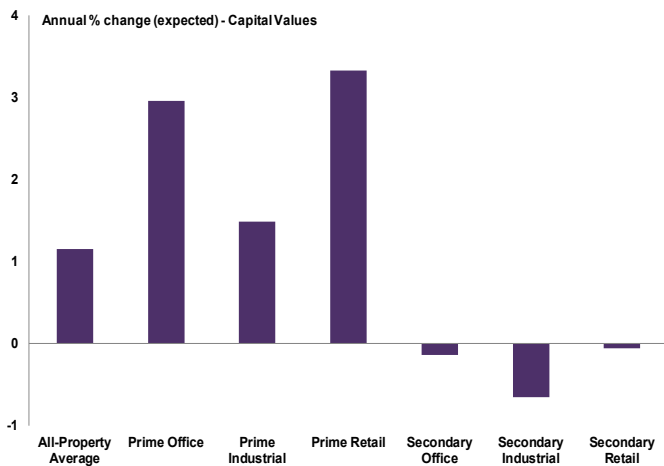
**Market Valuations - A combined 83% of respondents sense commercial property prices to be either at or below fair value at present, this compares with a proportion of 79% taking this view in Q2.**

**Credit Conditions - On balance, credit conditions reportedly improved to some degree during Q3.**



**12m Capital Value Expectations - The outlook for capital values across prime markets is now relatively solid, with these assets looking set to comfortably outperform secondary sub-sectors, where the outlook is broadly flat.**

**12m Rental Expectations - Respondents continue to submit stronger rental growth projections across the prime office and retail sub-sectors, while the outlook remains slightly negative for secondary industrial rents over the year ahead.**



# 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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