



## Q1 2017: Malaysia Commercial Property Monitor

# Real estate sentiment remains cautious

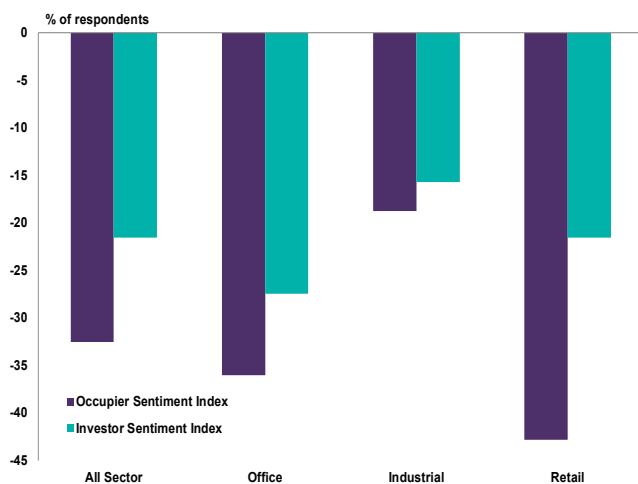
### Occupier Market

- The Q1 2017 results show a further decrease in demand to occupy space with the headline net balance reading slipping to -45% from -39% previously. Each sector monitored in the survey showed a broadly similar trend although the deterioration in industrials was a little less marked than elsewhere.
- The data provides some evidence that supply is beginning to adjust to the generally soft picture. Headline supply was flat in net balance terms in Q1 following a period in which respondents had been reporting more stock becoming available.
- The rate of increase in landlord incentives was relatively unchanged across all sectors in Q4. A rent free period continued to be the most popular type of inducement offered by landlords.
- Rental expectations over the next three and twelve months continue to be downbeat, with more respondents expecting a decrease than an increase at both time horizons. For prime space, the projection is for a very modest decline with a great drop anticipated on secondary property.
- The Occupier Sentiment Index (an amalgamated measure of three occupier market indicators) worsened slightly in the first quarter with the reading slipping to -33 from -29 in Q4.

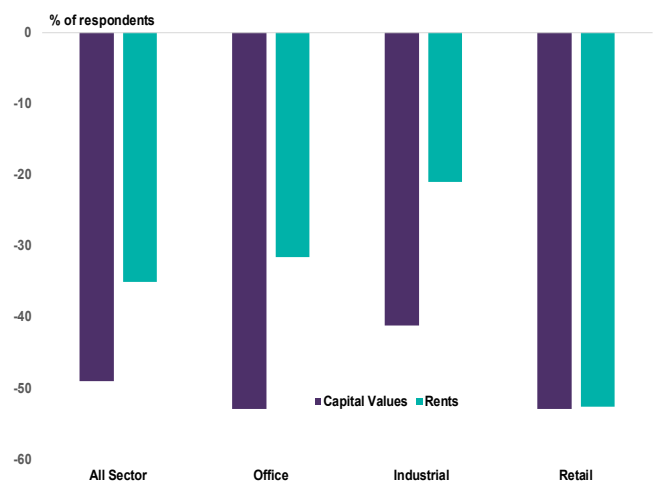
### Investment Market

- The Q1 2017 data shows that the pace of decrease in investor demand in net balance terms moderated across all sectors from Q4. The series monitoring foreign investment enquiries, meanwhile, showed a broadly similar trend.
- Significantly this was accompanied by a flattening in the trend in newly available supply which had rise sharply, according to the data, through 2016.
- Capital value expectations over the next three and twelve months remained downbeat. A net balance of 49% and 35% of respondents said that they expect capital values to decline over the next quarter and year respectively.
- Significantly, despite the weaker tone to the market around one third of respondents still perceive real estate as being dear. The majority of contributors (78%) also view the market at some stage of a downturn, which is up slightly from Q4 (70%). However the percentage of respondents who see the market at its bottom increased to 18% in Q1 from 10% in Q4, rising for the second consecutive quarter.
- The Investor Sentiment Index (an amalgamated measure of three investment market indicators) rose to -22 in Q1 from -53 in Q4. All segments posted an improvement, but remain in negative territory, which is indicative of deteriorating momentum in the investor market.

### Occupier and Investment Sentiment Index

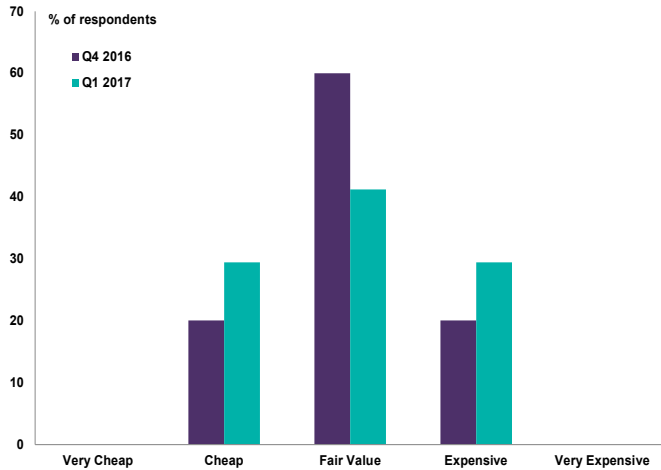


### 3-month Capital Values, Rent Expectations

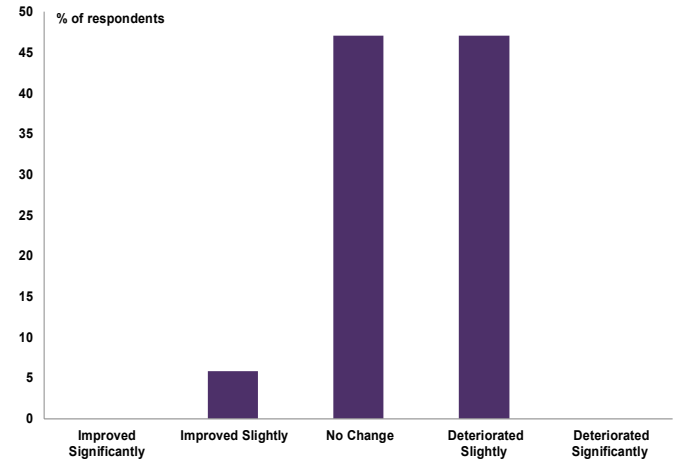


# Commercial Property Market

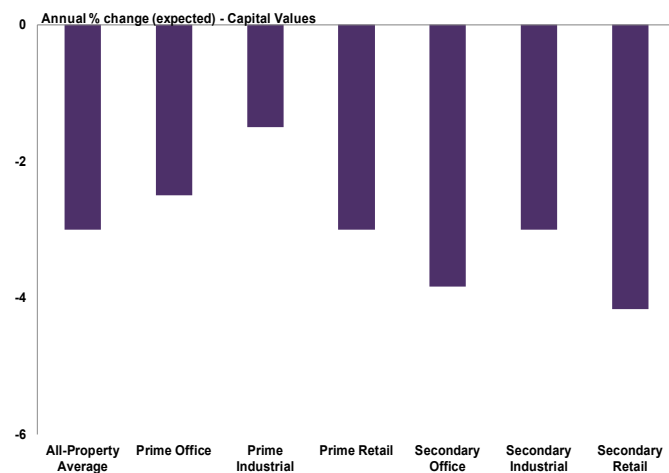
**Market Valuations - Views on valuations remained evenly skewed.** 40% of contributors see the market as fairly valued, while the remaining 30% were split evenly on whether valuations were cheap vs expensive.



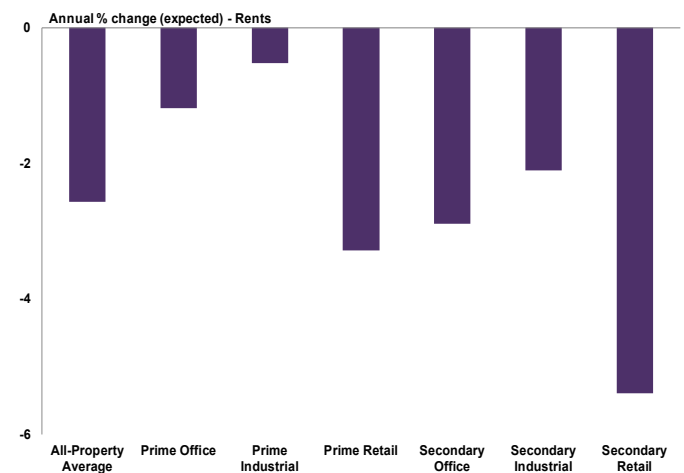
**Credit Conditions - 47% of respondents reported tighter credit conditions in Q1, down from 70% in Q4.** 6% of respondents reported a slight improvement in conditions, while the remaining 47% reported no change.



**12m Capital Value Expectations - Little changed in capital value forecasts over the next twelve months from Q4 to Q1.** Capital values are expected to fall across the board, and the declines are seen to be evenly spread across market segments.



**12m Rental Expectations - Twelve month rent expectations were also little changed in Q1 from Q4.** Headline rents are seen down 2.5% over the next year, slightly more bearish than the 2.1% pullback in Q4.



# 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 7 December 2016 with responses received until 6 January 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 1695 company responses were received, with 496 from the UK. Responses for Ireland were collated in conjunction with the Society of Chartered Surveyors Ireland.

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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