



## Q4 2017: Malaysia Commercial Property Monitor

# Sentiment remains subdued amid soft demand for office and retail properties

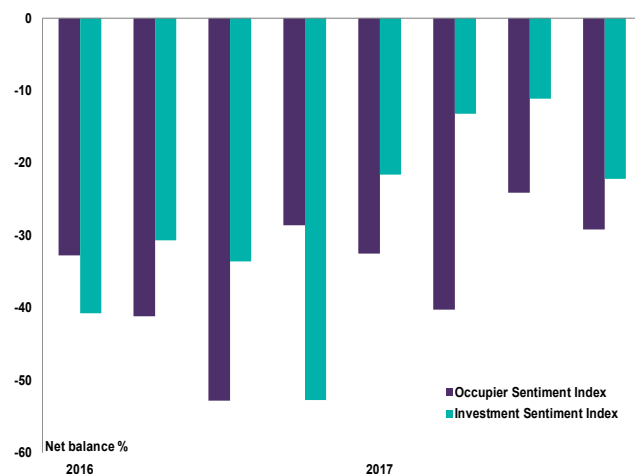
### Occupier Market

- The Q4 2017 results indicate that occupier demand remains subdued at the headline level, with a net balance of 27% of respondents indicating a pull-back in demand (vs 22% in Q3). Demand for office and retail space lagged, while that for industrial space was little changed during the quarter.
- Respondents reported that the aggregate supply of properties increased during Q4, though this was broadly driven by retail availability as the supply of industrial properties to rent was unchanged.
- Meanwhile, contributors indicated that landlord inducements continued to increase across all market segments.
- Against this backdrop, headline rents are expected to fall over the next three and twelve months. Perhaps unsurprisingly, respondents were most bearish for the outlook for retail rents, while those for industrial properties are seen unchanged over both time horizons.
- The Occupier Sentiment Index (an amalgamated measure of occupier market indicators) fell slightly to -29 in Q4 from -24 in Q3.

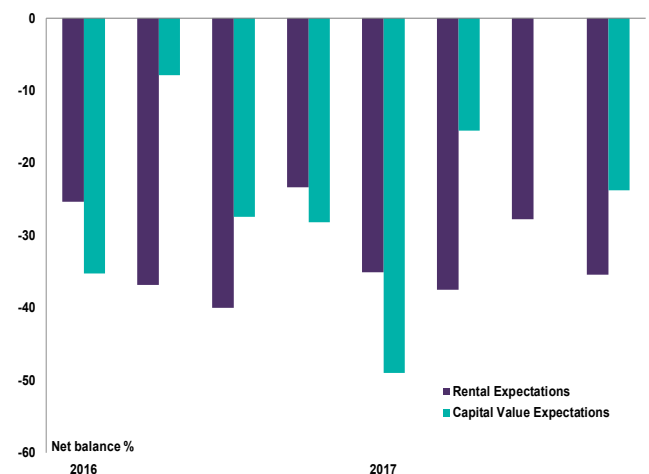
### Investment Market

- Respondents indicated that headline investor demand was little changed in Q4, though they did note that demand for office space did decline modestly. Meanwhile, foreign investment enquiries into office and retail space reportedly fell, while foreign investment demand for industrial properties was relatively flat.
- The supply of properties available for sale increased modestly for a second consecutive quarter. Similar to Q3, the increase was spread relatively evenly across all market segments in Q4.
- Capital values are seen modestly declining over the next three and twelve months. However, as with other metrics, the results are fairly nuanced as industrial valuations are seen flat over both time horizons.
- The share of respondents that see the market in some stage of a downturn remained little change at 71% in Q4 (vs 75% in Q3). Meanwhile, 14% of respondents said the market was in the early stages of an upturn.
- The Investor Sentiment Index (an amalgamated measure of investment market indicators) fell to -22 in Q4 from -11 in Q3.

Occupier and Investment Sentiment Index



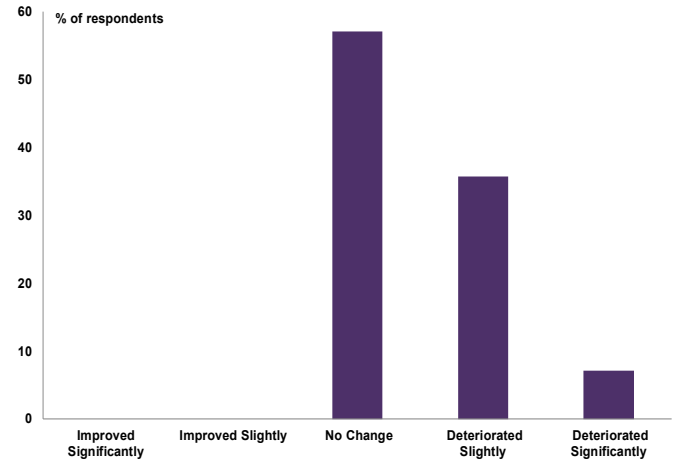
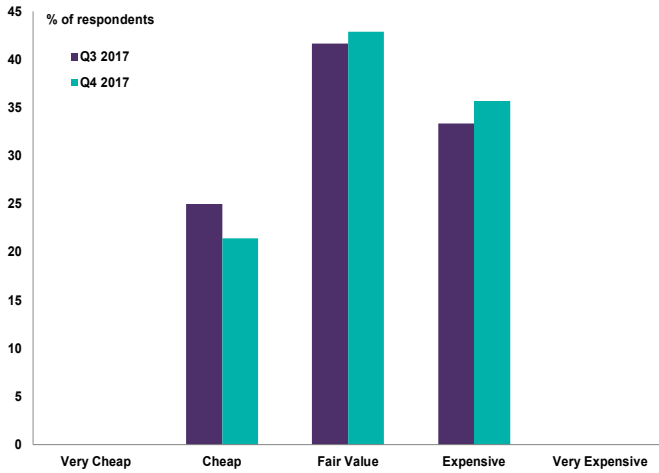
3-month Capital Values, Rent Expectations



# Commercial Property Market

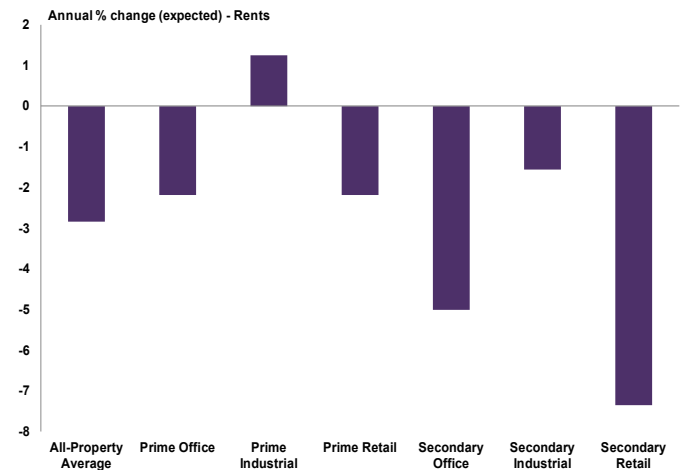
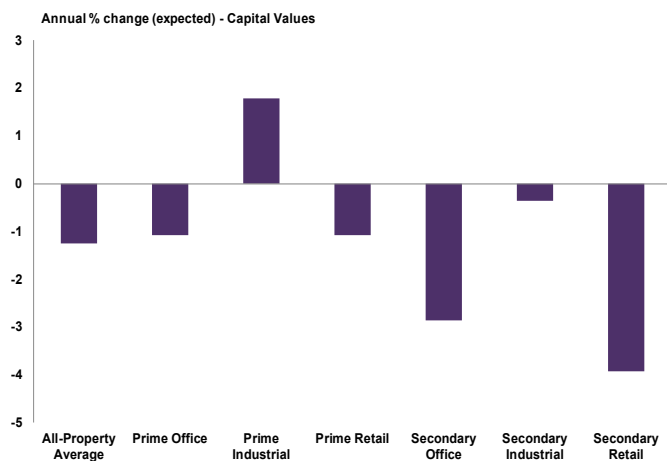
**Market Valuations** - Contributors views on valuations remained fairly evenly skewed in Q4, with 43% seeing the market as fairly valued (vs 42% in Q3). Meanwhile, 21% see valuations as cheap (25% in Q3) and 36% view them as expensive (33% in Q3).

**Credit Conditions** - Although the majority of respondents (57%) said that they saw little change in credit conditions over the quarter, 43% said that they saw some deterioration in credit conditions (vs 41% in Q3).



**12m Capital Value Expectations** - Respondents turned bearish in Q4, with headline capital values now expected to decline 1.3% after they were forecast to rise 1.1% in Q3. Apart from prime industrial properties, all segments of the market saw forecasts revised lower.

**12m Rental Expectations** - Rent expectations were more subdued in Q4, with headline rents seen falling 2.8% over the next year (vs a 1.1% decline forecast in Q3). Office and retail space, particularly at secondary locations, saw rent forecasts revised sharply lower.



# 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 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](mailto:economics@rics.org)

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