



Q1 2018: Netherlands Commercial Property Monitor

Occupier Sentiment Index hits a fresh record high

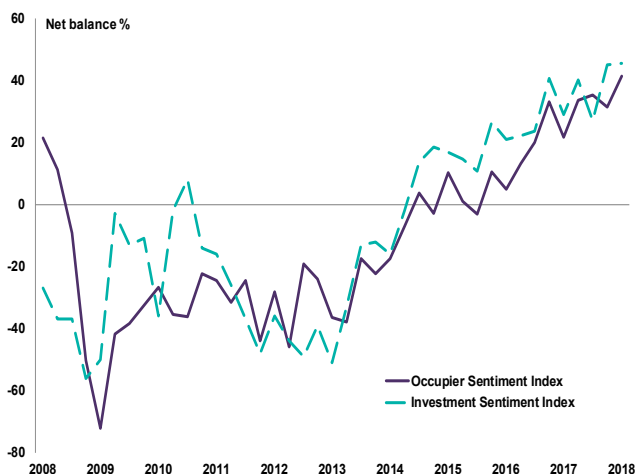
Occupier Market

- The Occupier Sentiment Index improved further to +41 in Q1, following +31 previously. This is in fact the most positive reading since the survey was formed in 2008 and suggests occupier conditions are tightening significantly.
- Tenant demand rose sharply over the quarter, with a headline net balance of +59% of respondents seeing an increase. At the sector level, demand growth for office and industrial space was robust, but only modest across retail.
- Availability continued to decline for a sixth successive quarter in both the office and industrial sectors. By way of contrast, availability of leasable space increased in the retail sector, and this was also the only market segment in which inducements did not decline during Q1.
- Twelve month projections point to prime office and industrial rents posting strong gains, with respondents upgrading forecasts slightly compared to the previous results. Secondary retail rents are expected to fall further over the year ahead, while the outlook remains flat across other secondary markets.
- Expectations in Amsterdam are broadly in line with the national averages, although industrial rental projections are fractionally stronger.

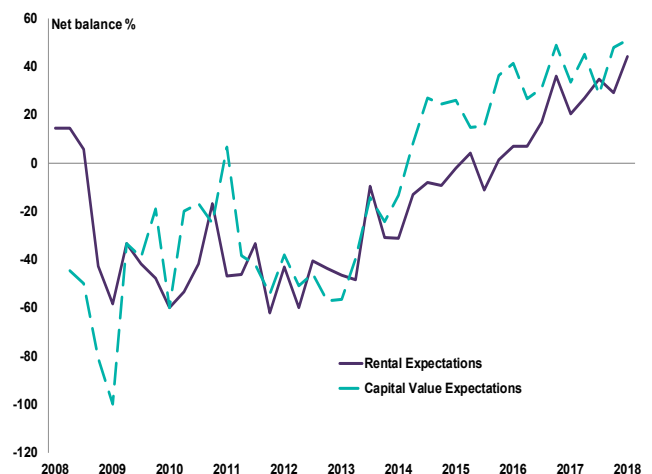
Investment Market

- The Investment Sentiment Index remained at +45, equalling the record high reading posted the previous quarter. Consequently, this measure continues to signal robust momentum behind the investment market at present.
- Investment enquiries, both domestic and foreign, continued to rise across the board, with the strongest growth again seen in the office and industrial sectors.
- The supply of property for sale declined for a fourth consecutive quarter. What's more, the headline net balance of -33% was the most negative since this series was introduced in 2014.
- Capital value expectations for the year ahead strengthened noticeably across all prime markets during Q1, with prime offices looking set to chalk up the most significant gains. Despite this, the outlook for secondary markets remained unaltered, with little change expected for secondary office and industrial values, while secondary retail prices are still expected to fall.
- Amsterdam displays slightly stronger capital value projections than those for the country as a whole. Both prime and secondary office values are expected to rise (albeit prime is still seen outperforming comfortably). Meanwhile, the outlook is flat, rather than negative, for secondary retail in the capital.

Occupier and Investment Sentiment Index



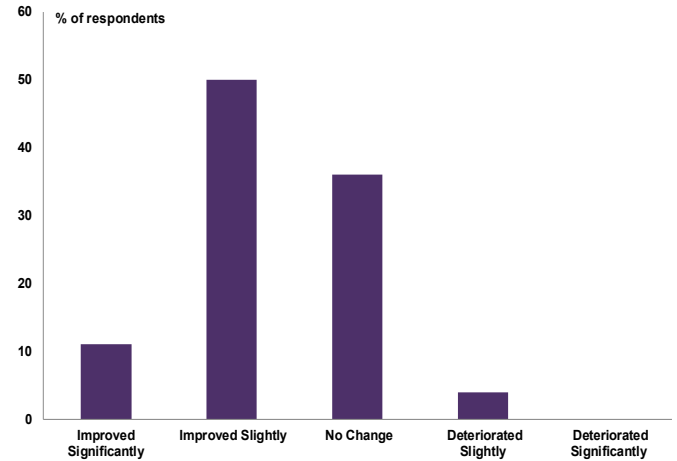
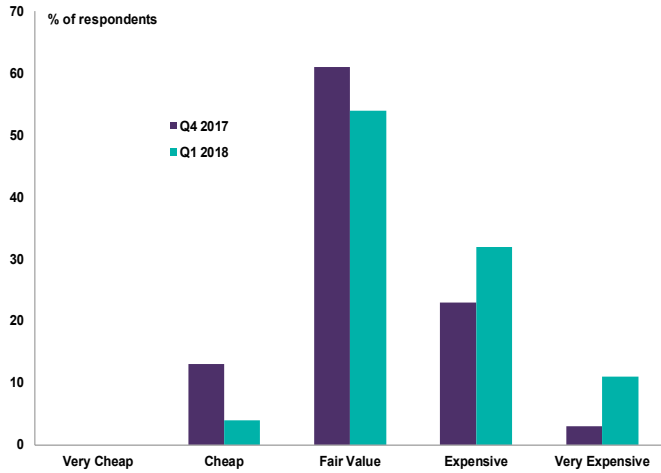
Rental and Capital Value Expectations



Commercial Property Market

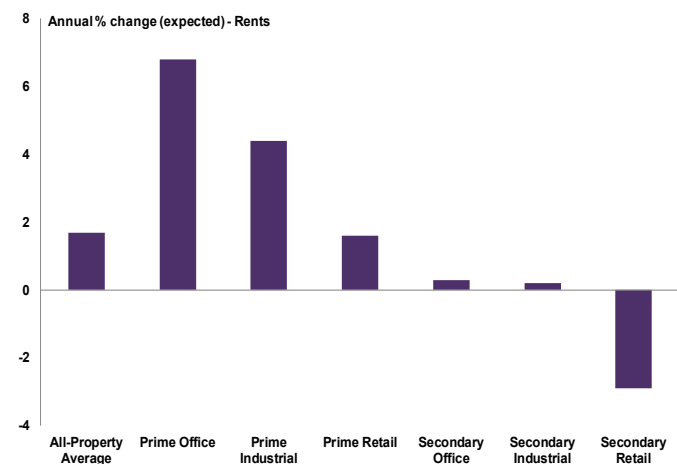
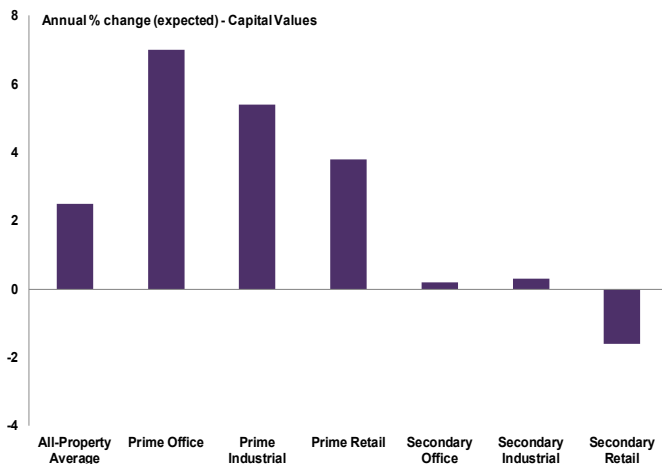
Market Valuations - Although the majority of respondents still feel the commercial real estate markets offers at least fair value for investors, 43% of contributors do now sense prices are somewhat expensive (up from 26% in Q4).

Credit Conditions - Respondents reported a further easing in credit conditions during the first quarter of last year, helped by the continued accommodative stance of ECB monetary policy.



12m Capital Value Expectations - Capital value expectations were revised higher relative to Q4, with significant growth anticipated across all prime markets. However, the outlook remains subdued within secondary locations.

12m Rental Expectations - Prime office rents are seen rising at a faster rate than all other sub-markets over the year head. At the other end of the scale, rents for secondary retail space are expected to decline (albeit projections are a little less negative than previously).



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 14 March 2018 with responses received until 11 April 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 1748 company responses were received, with 385 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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