



Q3 2017: Netherlands Commercial Property Monitor

Sentiment strong across office and industrials but soft for retail

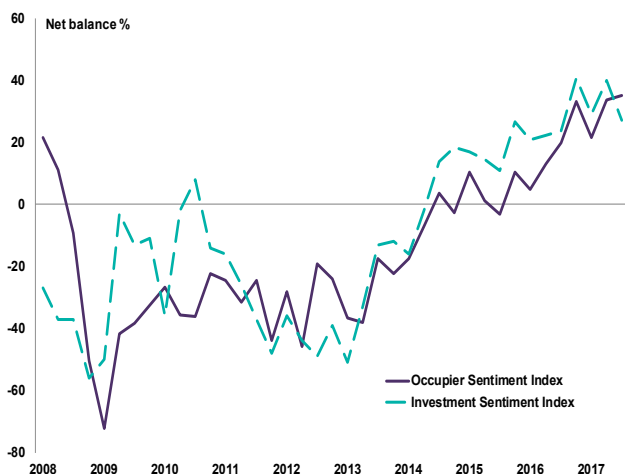
Occupier Market

- The Occupier Sentiment Index (a composite measure capturing momentum) moved from +34 to +35, consistent with steady quarterly improvement in overall occupier market dynamics.
- Occupier demand continued to increase at the headline level. Breaking this down, demand growth pulled back slightly in the retail sector but remained firm in the industrial and office sectors.
- Availability of leasable space fell across the office and industrial sectors but marginally increased in the retail sector. Consistent with the deteriorating supply in the occupier market, the value of incentive packages on offer to tenants fell at the headline level.
- The national rental outlook for the coming year improved substantially in the prime office sub-sector; at the same time, the prime industrial sub-sector is also expected to see solid gains in rental values. Relative to the last quarter, rent expectations for all other sub-markets moderated to a greater or lesser degree with respondents envisaging a further decline in rents in the secondary retail sub-sector.
- Rent expectations for the year ahead are firmer in Amsterdam, once again led by the prime office sector, though similarly to national projections, contributors also expect a decline in secondary retail rents across the city.

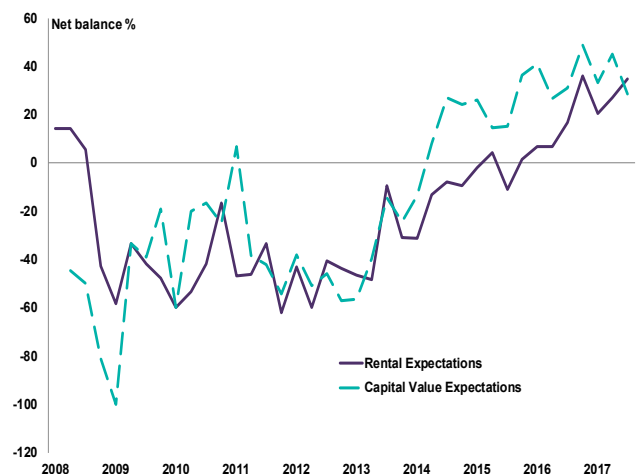
Investment Market

- The Investment Sentiment Index moved to +27 from +40 previously. Nevertheless the indicator continues to point to firm overall momentum behind the investment market.
- Investment enquires increased at the headline level- demand growth remained firm in office and industrial sectors but moderated across the retail sector. Similarly demand from foreign investors continued to rise across all sectors, although demand growth decelerated in the retail area of the market .
- The supply of property for investment purposes marginally declined at the headline level for a second consecutive quarter.
- Capital value expectations for the coming twelve months increased in all prime areas of the market. Projections for the secondary markets remain subdued in comparison, with secondary retail capital values expected to fall in the coming year.
- Twelve month projections are stronger in Amsterdam compared to the national average with robust gains expected in the prime office and industrial sub-sectors.
- The majority of respondents (77%) now believe that market conditions are consistent with the middle stages of an upturn.

Occupier and Investment Sentiment Index



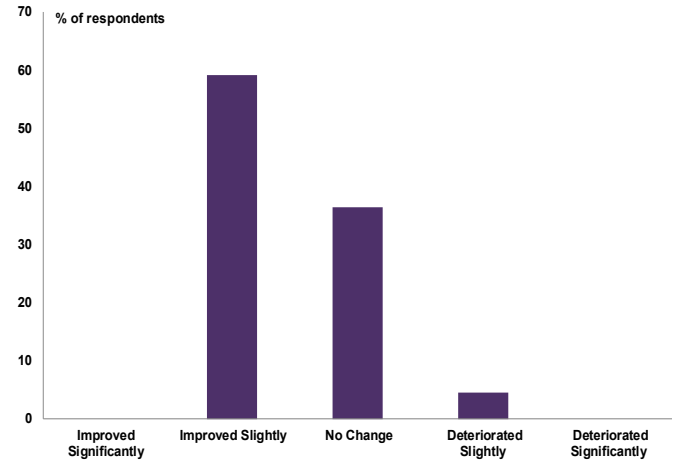
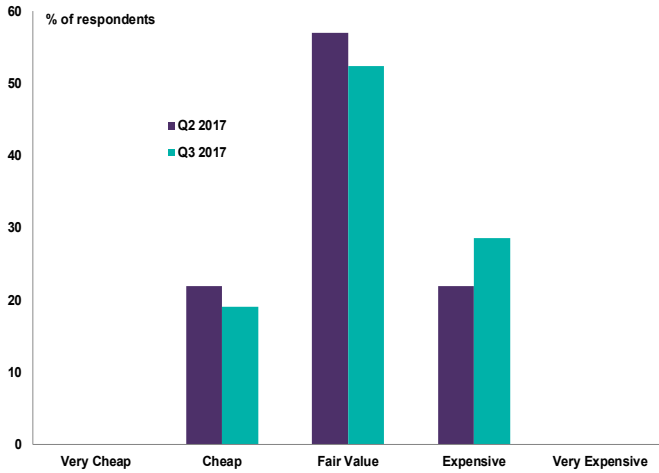
Rental and Capital Value Expectations



Commercial Property Market

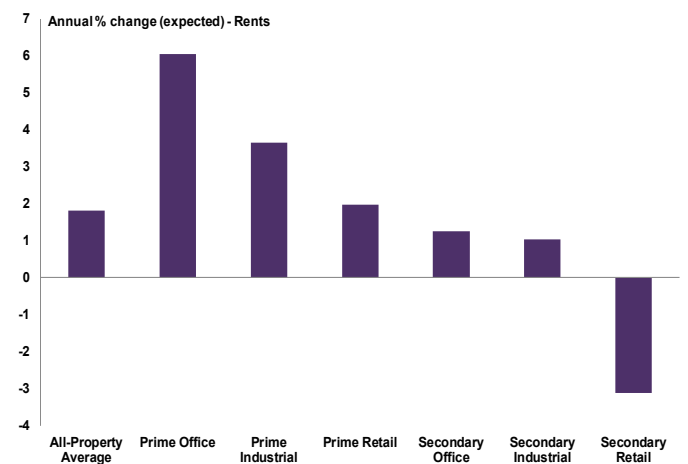
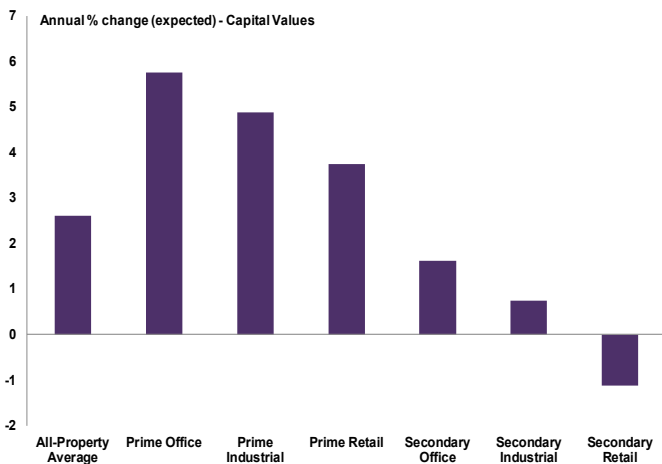
Market Valuations - The majority of respondents (52%) believe that commercial real estate prices are at fair value, however the remaining share is fairly evenly split, with 19% stating prices are cheap and 29% citing the market as expensive.

Credit Conditions - With a more positive economic backdrop, the majority of respondents reported credit conditions have improved slightly over the quarter.



12m Capital Value Expectations - The prime office and industrial markets are still expected to post the strongest capital value gains in the coming year, whilst the outlook for secondary retail sector remains downbeat.

12m Rental Expectations - The rental outlook remains firm for the prime office and industrial sectors but has flattened across all other markets with secondary retail rents expected to decline in the coming year.



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 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 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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