



## Q2 2018: Poland Commercial Property Monitor

# Investor and occupier demand growth remains firm

The Q2 2018 Poland Commercial Property Monitor results show a further, modest tightening across the occupier market. Indeed, demand and supply have moved more closely into balance in recent quarters, following a sustained period in which excess supply appeared to weighing down sentiment. That said, the renewed pick-up in new construction activity in the latest results may act to temper optimism further out. Nevertheless, for now, growth in the economy is anticipated to remain solid, following a robust 1.6% quarterly expansion in Q1. This should continue to provide a solid backdrop for investor and occupier demand going forward.

### Occupier Market

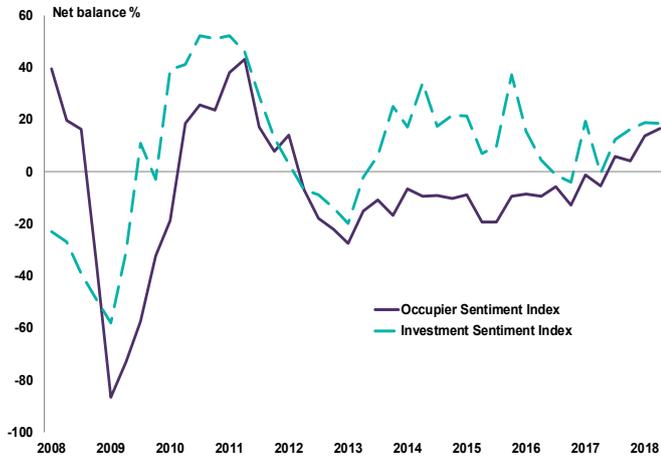
- The Occupier Sentiment Index (a composite measure of occupier market indicators shown on chart 1 overleaf) picked up to +16 in Q2, from +14 previously. Overall occupier market sentiment is now stronger than at any other point since 2011, although the rate of improvement is still only modest.
- In keeping with the trend established over the past three quarters, occupier demand increased sharply in the office and industrial sectors. Meanwhile, tenant enquiries for retail space rose more modestly.
- Availability continued to edge higher, albeit at a more gentle pace relative to Q1, with the strongest increase reported across the industrial sector (in net balance terms).
- Landlords again increased the value of incentive packages, but at the slowest rate since 2012. When broken down, inducement packages were largely unaltered for the industrial sector, but did rise slightly in the office and retail areas of the market.
- Having seemingly cooled over the past year, growth in new development activity accelerated during Q2, with a net balance of +44% of respondents reporting a rise (the strongest reading since Q2 2017).
- Rental growth expectations for the year ahead were revised higher by respondents compared to the Q1 results. Prime industrial rental increases are still seen outpacing all other sub sectors, while contributors raised their projections for prime office rental growth. Secondary office and retail rents are still envisaged coming under downward pressure. Nevertheless, a lot of the negativity seen in sentiment towards these two sectors has diminished relative to the closing stages of last year (chart 6).

### Investment Market

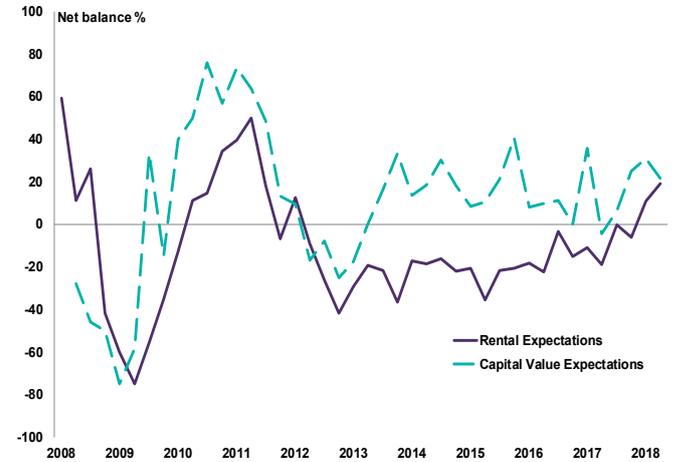
- The Investment Sentiment Index (an amalgamation of investment market indicators also shown on chart 1) came in at +18, virtually unchanged from Q1's +19. As such, this measure is still consistent with a modest rate of improvement in the overall investment market backdrop.
- Investment enquiries reportedly posted the most significant quarterly pick-up (in net balance terms) since the start of 2016. The sector breakdown shows the industrial sector attracting the strongest increase, followed by offices. Demand from foreign buyers also rose across the board, albeit at a slightly more moderate rate.
- The supply of property on the market for sale continued to edge up at the headline level, although the number of retail assets available for investment was unchanged for a second consecutive quarter.
- All-sector capital value expectations for the year ahead were more or less unaltered compared with the previous results, as respondents continue to forecast reasonably solid growth. When broken down, prime industrial and office values are seen posting the strongest gains, while the outlook has turned broadly flat (from negative) for their secondary counterparts. Secondary retail is now the only sub sector displaying negative capital value projections.
- 46% of contributors across Poland now sense the commercial real estate market is above fair value to some extent. This is up from 40% last quarter and is also the highest share taking this view since the series was introduced in 2014.
- Although a majority (52%) of survey participants still believe the market is in the growth phase of the current cycle, 48% sense conditions may be close to peaking (up from 36% in Q1).

# Commercial Property Market

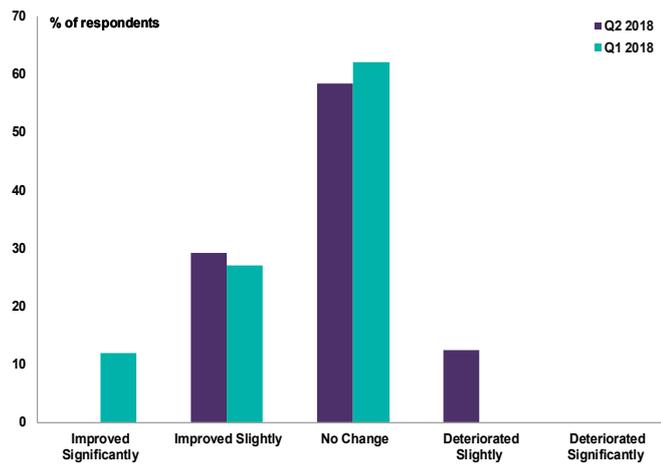
**Chart 1: Occupier, Investment Sentiment Indices**



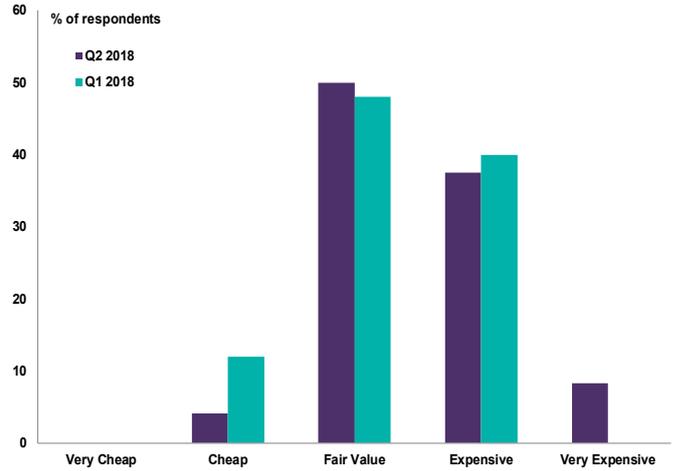
**Chart 2: 3-month Rents, Capital Values**



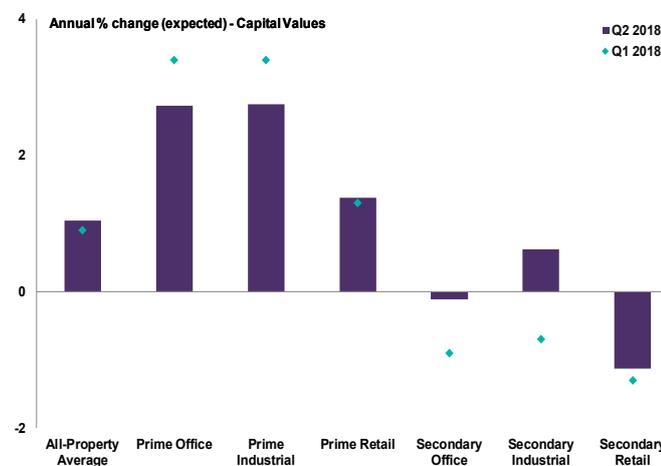
**Chart 3: Credit Conditions**



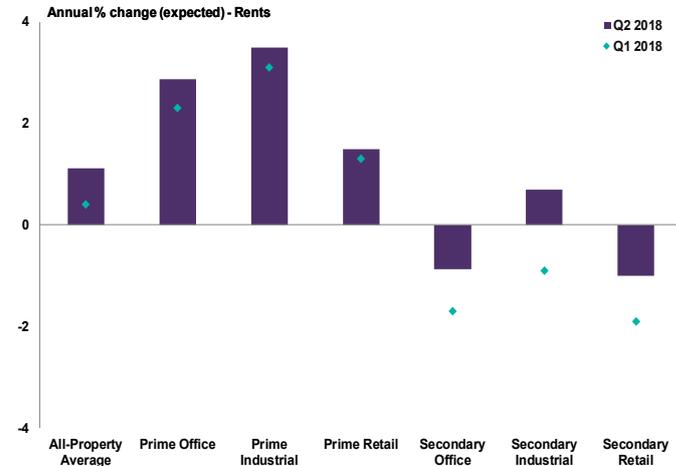
**Chart 4: Valuations**



**Chart 5: 12-month Capital Values Forecast**



**Chart 6: 12-month Rent Forecast**



# 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 June 2018 with responses received until 8 July 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 1965 company responses were received, with 371 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)

## Disclaimer

This document is intended as a means for debate and discussion and should not be relied on as legal or professional advice. Whilst every reasonable effort has been made to ensure the accuracy of the contents, no warranty is made with regard to that content. Data, information or any other material may not be accurate and there may be other more recent material elsewhere. RICS will have no responsibility for any errors or omissions. RICS recommends you seek professional, legal or technical advice where necessary. RICS cannot

accept any liability for any loss or damage suffered by any person as a result of the editorial content, or by any person acting or refraining to act as a result of the material included.

## Economics Team

### Tarrant Parsons

Economist

+44(0)20 7695 1585

[tparsons@rics.org](mailto:tparsons@rics.org)

### Simon Rubinsohn

Chief Economist

+44( 0)20 7334 3774

[srubinsohn@rics.org](mailto:srubinsohn@rics.org)

### Jeffrey Matsu

Senior Economist

+44(0)20 7695 1644

[jmatsu@rics.org](mailto:jmatsu@rics.org)

### Sean Ellison

Senior Economist

+65 68128179

[sellison@rics.org](mailto:sellison@rics.org)

### Kisa Zehra

Economist

+44(0)20 7695 1675

[kzehra@rics.org](mailto:kzehra@rics.org)

### Janet Guilfoyle

Market Surveys Administrator

+44( 0)20 7334 3890

[jguilfoyle@rics.org](mailto:jguilfoyle@rics.org)



## Confidence through professional standards

RICS promotes and enforces the highest professional qualifications and standards in the development and management of land, real estate, construction and infrastructure. Our name promises the consistent delivery of standards – bringing confidence to the markets we serve.

We accredit 118,000 professionals and any individual or firm registered with RICS is subject to our quality assurance. Their expertise covers property, asset valuation and real estate management; the costing and leadership of construction projects; the development of infrastructure; and the management of natural resources, such as mining, farms and woodland. From environmental assessments and building controls to negotiating land rights in an emerging economy; if our members are involved the same professional standards and ethics apply.

We believe that standards underpin effective markets. With up to seventy per cent of the world's wealth bound up in land and real estate, our sector is vital to economic development, helping to support stable, sustainable investment and growth around the globe.

With offices covering the major political and financial centres of the world, our market presence means we are ideally placed to influence policy and embed professional standards. We work at a cross-governmental level, delivering international standards that will support a safe and vibrant marketplace in land, real estate, construction and infrastructure, for the benefit of all.

We are proud of our reputation and we guard it fiercely, so clients who work with an RICS professional can have confidence in the quality and ethics of the services they receive.

### United Kingdom RICS HQ

Parliament Square, London  
SW1P 3AD United Kingdom

**t** +44 (0)24 7686 8555

**f** +44 (0)20 7334 3811

[contactrics@rics.org](mailto:contactrics@rics.org)

#### Media enquiries

[pressoffice@rics.org](mailto:pressoffice@rics.org)

### Ireland

38 Merrion Square, Dublin 2,  
Ireland

**t** +353 1 644 5500

**f** +353 1 661 1797

[ricsireland@rics.org](mailto:ricsireland@rics.org)

### Europe

[excluding UK and Ireland]

Rue Ducale 67,  
1000 Brussels,  
Belgium

**t** +32 2 733 10 19

**f** +32 2 742 97 48

[ricseurope@rics.org](mailto:ricseurope@rics.org)

### Middle East

Office G14, Block 3,  
Knowledge Village,  
Dubai, United Arab Emirates

**t** +971 4 446 2808

**f** +971 4 427 2498

[ricsmenea@rics.org](mailto:ricsmenea@rics.org)

### Africa

PO Box 3400,  
Witkoppen 2068,  
South Africa

**t** +27 11 467 2857

**f** +27 86 514 0655

[ricsafrica@rics.org](mailto:ricsafrica@rics.org)

### Americas

One Grand Central Place,  
60 East 42nd Street, Suite 2810,  
New York 10165 – 2811, USA

**t** +1 212 847 7400

**f** +1 212 847 7401

[ricsamericas@rics.org](mailto:ricsamericas@rics.org)

### South America

Rua Maranhão, 584 – cj 104,  
São Paulo – SP, Brasil

**t** +55 11 2925 0068

[ricsbrasil@rics.org](mailto:ricsbrasil@rics.org)

### Oceania

Suite 1, Level 9,  
1 Castlereagh Street,  
Sydney NSW 2000. Australia

**t** +61 2 9216 2333

**f** +61 2 9232 5591

[oceania@rics.org](mailto:oceania@rics.org)

### North Asia

3707 Hopewell Centre,  
183 Queen's Road East  
Wanchai, Hong Kong

**t** +852 2537 7117

**f** +852 2537 2756

[ricsasia@rics.org](mailto:ricsasia@rics.org)

### ASEAN

10 Anson Road,  
#27-16 International Plaza,  
Singapore 079903

**t** +65 6635 4242

**f** +65 6635 4244

[ricssingapore@rics.org](mailto:ricssingapore@rics.org)

### Japan

Level 14 Hibiya Central Building,  
1-2-9 Nishi Shimbashi Minato-Ku,  
Tokyo 105-0003, Japan

**t** +81 3 5532 8813

**f** +81 3 5532 8814

[ricsjapan@rics.org](mailto:ricsjapan@rics.org)

### South Asia

48 & 49 Centrum Plaza,  
Sector Road, Sector 53,  
Gurgaon – 122002, India

**t** +91 124 459 5400

**f** +91 124 459 5402

[ricsindia@rics.org](mailto:ricsindia@rics.org)