



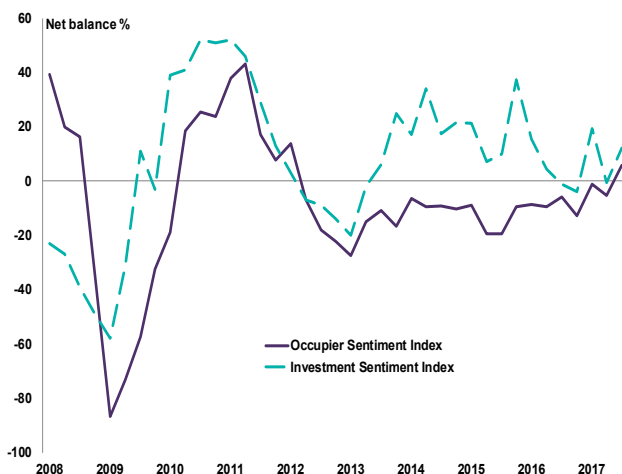
Q3 2017: Poland Commercial Property Monitor

Occupier market appearing to stabilise

Occupier Market

- The Occupier Sentiment Index (a composite measure capturing overall momentum) moved to +6 from -5 in Q2. This was the first positive reading since 2012, but still points to only a marginal improvement in overall occupier market conditions.
- Occupier demand continued to rise in Q3, the sector breakdown shows that this was mainly driven by strong growth in the office and industrial sectors, with demand remaining unchanged across the retail sector.
- The availability of leasable space continued to increase at a similar pace to that seen in the previous quarter. Notably the latest results point to a more balanced market, with the reading for occupier demand broadly equivalent to that of supply for a second consecutive report.
- Alongside this, development starts continued to rise albeit the pace of growth moderated from the last quarter. Activity increased at a solid rate across the office and industrials sectors but declined in the retail sector.
- Even though twelve month all-sector average rent expectations remain slightly negative, the outlook is now marginally positive across prime locations. Within this, respondents appear most upbeat on the prospects for prime retail rents. Although still negative across all secondary sub-sectors, rental projections were not quite as pessimistic as in the previous quarter.

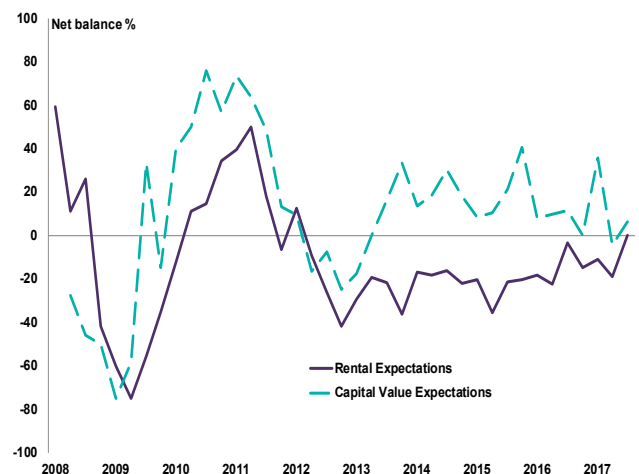
Occupier and Investment Sentiment Index



Investment Market

- The Investment Sentiment Index improved to +12 from a broadly neutral -1 in the previous quarter, consistent with momentum building gently in the investment market.
- Investment enquiries once again increased across all areas of the market in Q3, led by solid growth across the office and industrial sectors. Similarly, foreign investor demand growth accelerated at the headline level, driven by robust demand for offices.
- The supply of property for investment purposes held broadly steady at the headline level. When broken down, a continued rise (albeit at a diminished pace) in the office sector was offset by a fall in the supply of industrial and retail properties on the market.
- Capital value expectations for the year ahead remain modestly positive across all prime sub-sectors. That said, respondents downgraded their projections, relative to Q2, for prime industrial and retail assets. The outlook is now more or less flat for secondary industrial values, while some downward pressure is still expected in the secondary office and retail portions of the market.
- Survey contributors are quite divided on the current phase of the property cycle, although the largest share (29%) sense that conditions are consistent with the middle stages of an upturn.

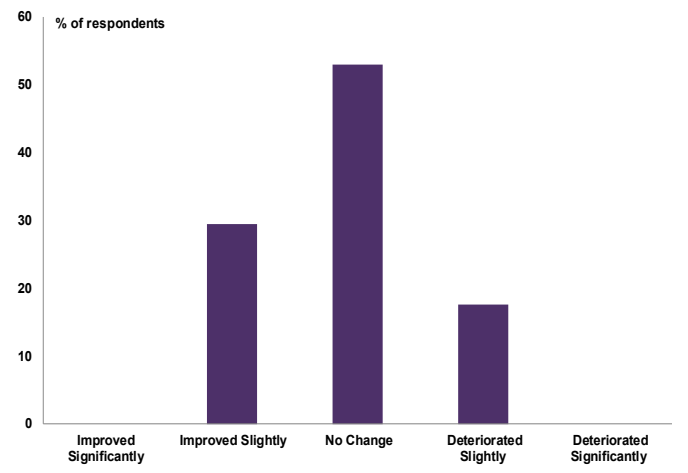
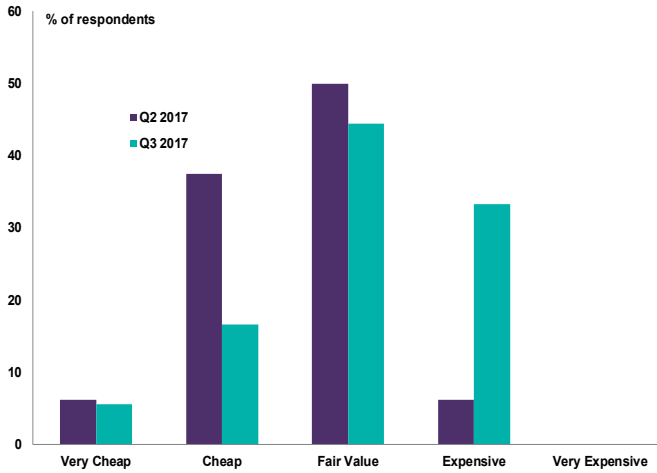
Rental and Capital Value Expectations



Commercial Property Market

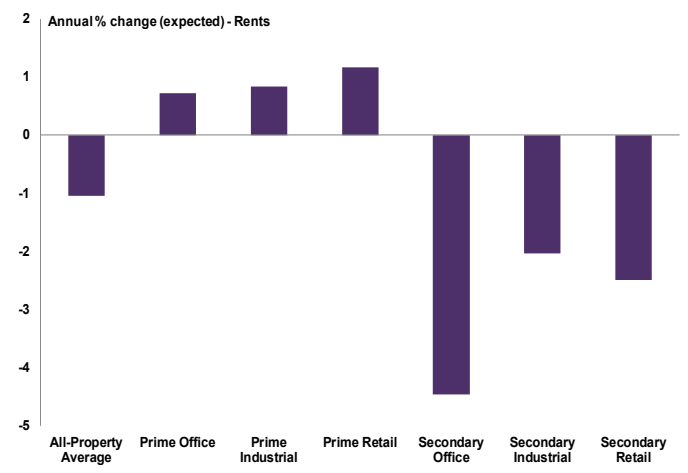
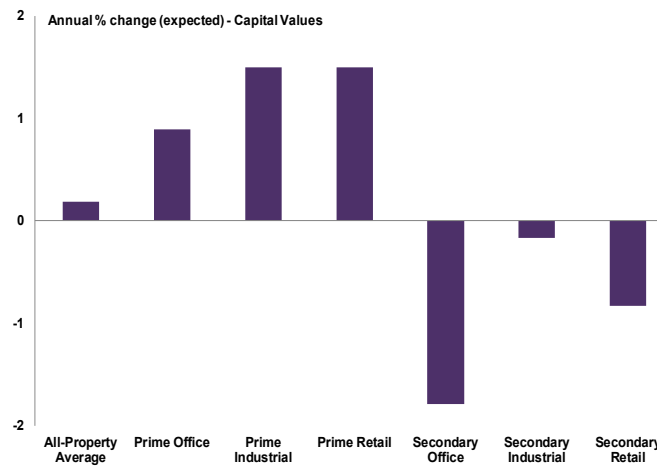
Market Valuations - The percentage of respondents sensing that commercial real estate is expensive has risen to 33% from 6% in the previous quarter. Nevertheless the majority of respondents (67%) continue to believe prices are at or below fair value.

Credit Conditions - On balance, credit conditions reportedly improved slightly during Q3, following a marginal deterioration in the previous quarter.



12m Capital Value Expectations - Prime markets are expected to post modest capital value gains in the coming year, meanwhile capital value projections for secondary office and retail sub-sectors remain in negative territory.

12m Rental Expectations - Rental projections for the coming year are positive across the prime areas of the market, however downbeat sentiment across secondary markets continues to weigh on the all-property average.



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

a. 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 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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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.

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