



Q4 2017: Poland Commercial Property Monitor

Tenant demand strengthens but availability still rising

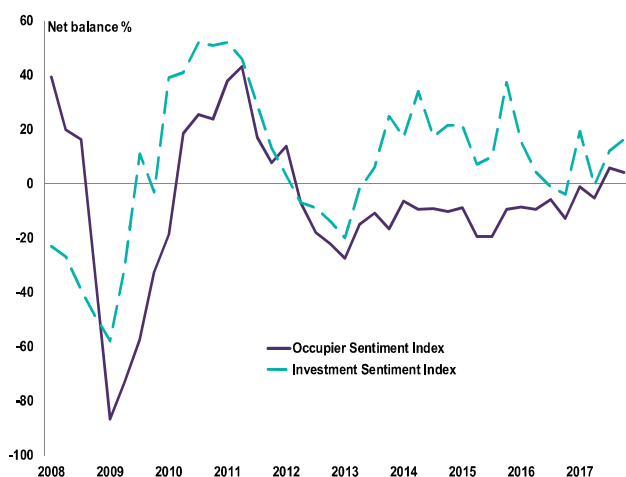
Occupier Market

- The Occupier Sentiment Index was little changed during the final quarter of 2017 with a headline reading of +4 compared to +6 in Q3. This points to a broadly stable occupier market following slightly negative readings in the first half of 2017.
- Significantly, demand from occupiers continues to increase strongly; indeed in net balance terms, it did so at the fastest quarterly pace since 2010, led by the office and industrial sectors.
- Even so, availability continued to rise in each area of the market, prompting landlords to increase the value of inducement packages on offer to prospective tenants across the board.
- Reflecting the demand supply balance, rental growth expectations remain somewhat subdued for the year ahead. Prime office rents are expected to see little change, while rental levels on offices in secondary locations are anticipated to continue to soften. Prime industrial and retail rents are projected to post modest growth.
- Despite the mixed rental outlook and the strong reading for available supply, the development starts indicator continues to point to further building activity.

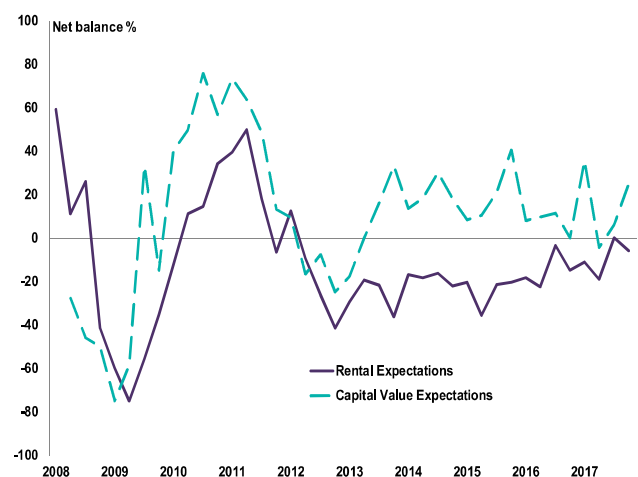
Investment Market

- The Investment Sentiment Index improved to +16 in the final quarter of the year, from +12 in Q3. As such, this measure is signalling a modest firming in investment market conditions.
- Investment enquiries rose for the fourth quarter in succession, with growth fairly evenly spread across sectors. Demand from international investors increased at a slightly quicker pace, as the retail and industrial sectors in particular appeared to attract interest.
- The supply of property for sale edged up in Q4, having held more or less steady in the previous quarter.
- Capital value expectations for the year ahead continue to display a clear divide across prime and secondary markets. For prime office, industrial and retail assets, capital values are anticipated to increase at a solid pace. By way of contrast, values are projected to decline across secondary locations.
- Around 60% of respondents feel the commercial real estate market is in the early to middle stages of a growth phase in the current cycle. Even so, around one third believe conditions are now close to peaking (up from 18% in Q3).

Occupier and Investment Sentiment Index

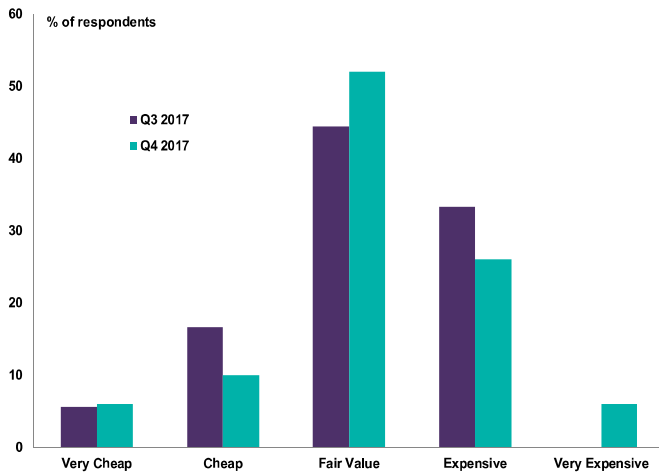


Rental and Capital Value Expectations

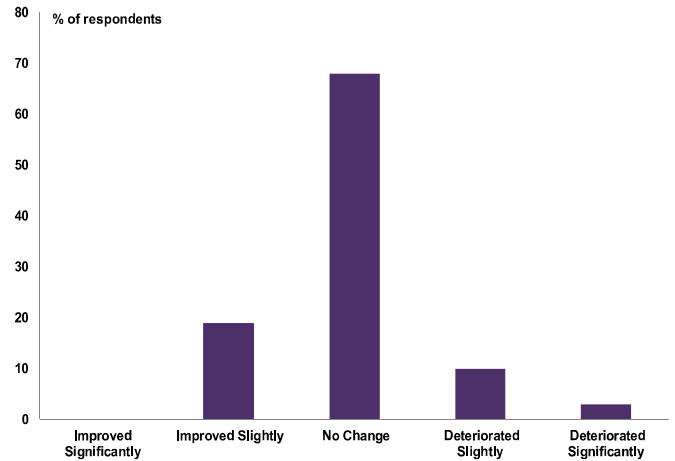


Commercial Property Market

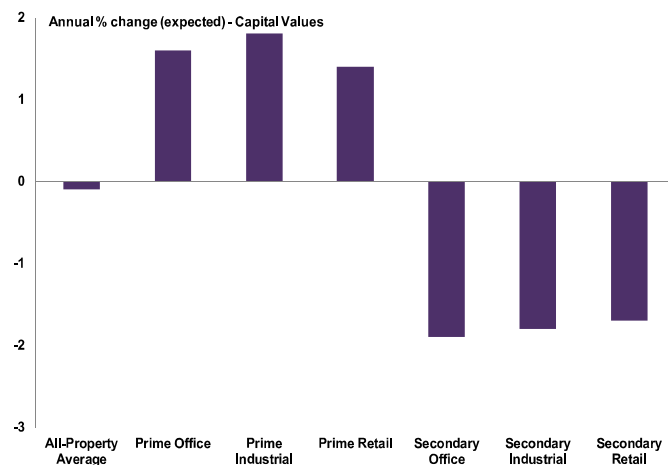
Market Valuations - While the majority of respondents (around two thirds) sense the market offers at least fair value currently, 32% feel it is becoming overpriced to some extent.



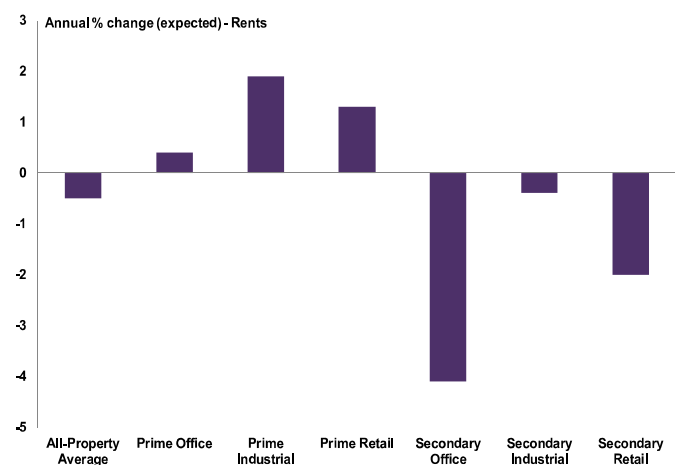
Credit Conditions - On balance, credit conditions reportedly saw little change during Q4, following a slight improvement in the previous quarter.



12m Capital Value Expectations - Respondents anticipate assets across all prime sub-markets posting capital value gains through the coming twelve months, while the outlook is negative for secondary.



12m Rental Expectations - Secondary office rents are projected to decline significantly over the year ahead, and secondary retail also exhibits negative expectations. At the other end of the scale, prime industrial and retail rents may rise modestly.



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 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

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