



Q2 2017: Portugal Commercial Property Monitor

Strong demand continues unabated

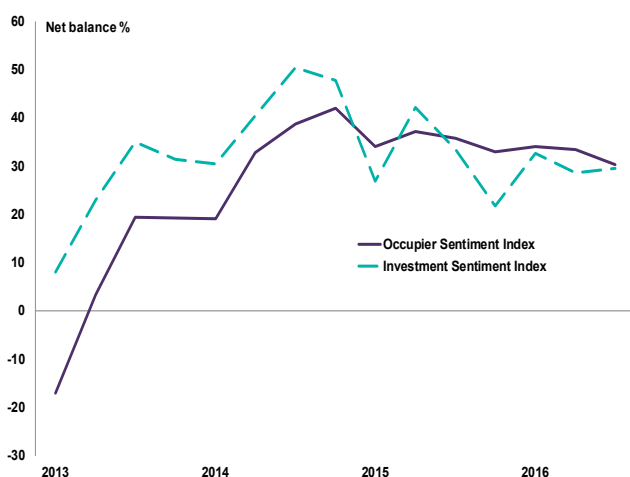
Occupier Market

- The Q2 2017 results portray firm growth in occupier demand with a net balance of 43% of respondents reporting an increase. When broken down, strong growth in the office and retail sectors was accompanied by a comparatively more modest increase in the industrial sector.
- Availability of leasable space continued to decline, albeit the pace of decline moderated in Q2. On the back of this, incentive packages on offer to tenants were reduced at the headline level, however, the sector breakdown shows this decline was largely driven by the office sector.
- Rents are still expected to rise across most areas of the market, led by the strongest gains in the prime retail and office sectors. That said, respondents did trim expectations in the aforementioned two sectors relative to Q1, but they remain solid nonetheless.
- Reflecting firm rental growth prospects, development starts picked up smartly with a net balance of 35% of respondents reporting an increase.
- The Occupier Sentiment Index (a composite indicator capturing overall momentum) returned a reading of +30, consistent with a solid improvement in overall occupier market activity.

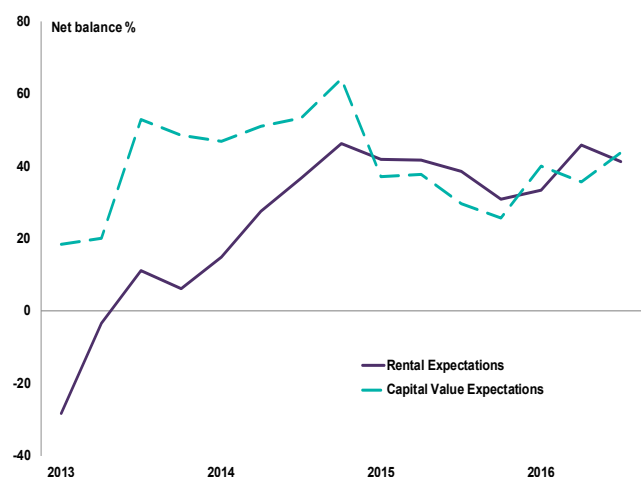
Investment Market

- The latest quarterly results show strong growth in investment enquiries, with a net balance of 51% of respondents reporting an increase (rising from 38% in Q1). Likewise, demand from foreign buyers continued to increase firmly in all areas of the market.
- The supply of property for sale picked up slightly in the latest results, with the indicator registering a (marginally) positive net balance of 6% in Q2, after five consecutive quarterly declines. Even so, this pick-up was mainly due to an increase in supply within the retail segment.
- Capital values are expected to rise in the next twelve months, with projections most elevated in the prime office and retail sectors. Projections for secondary markets are somewhat weaker, with expectations for secondary industrial values remaining flat.
- The largest share of contributors continue to view market conditions to be consistent with the middle stages of an upturn. Interestingly, the proportion of contributors who believe the market is close to peaking has steadily increased for the last three quarters, with a quarter of respondents taking this view in the latest results.
- The Investment Sentiment Index posted a reading of +30, indicative of firm momentum behind the investment market.

Occupier and Investment Sentiment Index



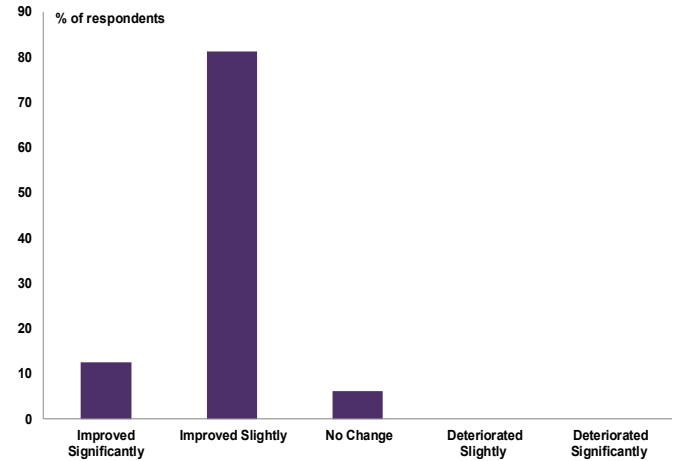
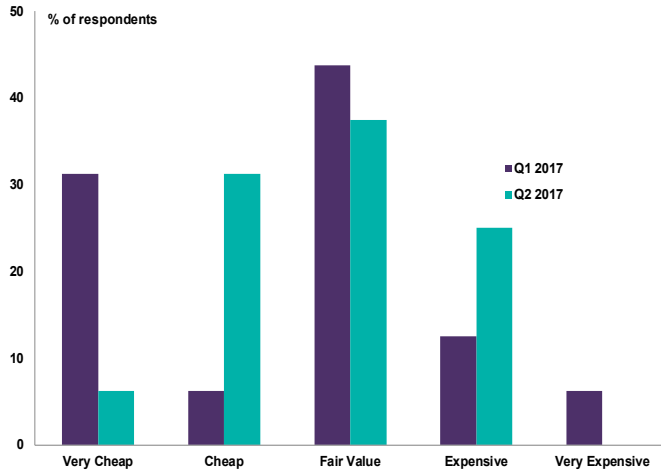
Rental and Capital Value Expectations



Commercial Property Market

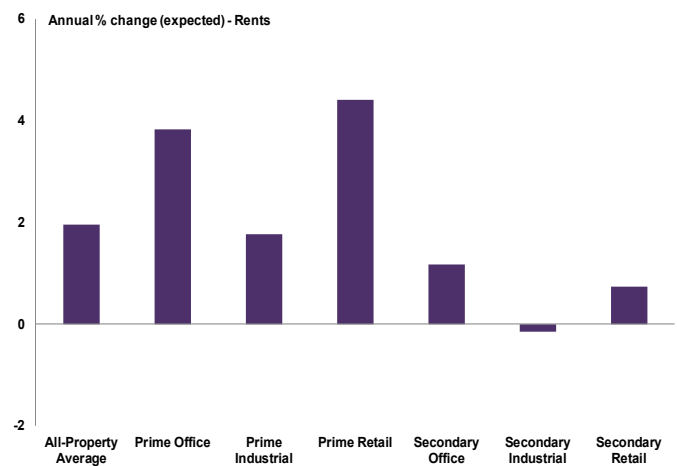
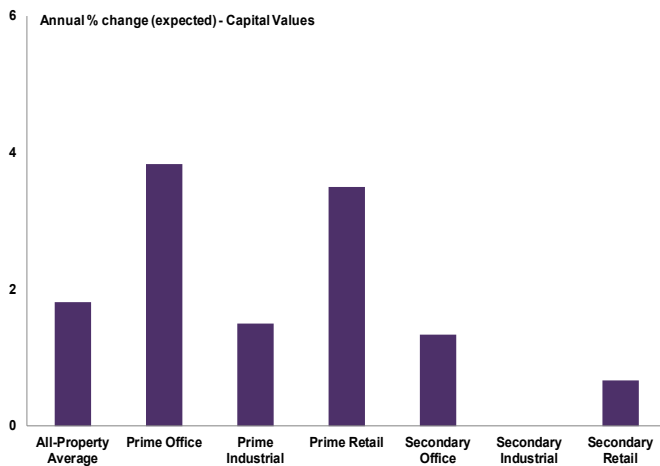
Market Valuations - Around 40% of respondents feel commercial real estate is underpriced to some extent currently. However, there was a rise in the proportion viewing values as 'cheap' (from 6% to 31%) and a drop in the share sensing the market was 'very cheap' (from 31% to 6%).

Credit Conditions - A combined 94% of respondents reported that credit conditions improved to some degree.



12m Capital Value Expectations - The outlook for capital values over the next twelve months is positive across most sub-markets with the prime sectors continuing to exhibit the strongest projections. In contrast to this, expectations for secondary industrial units remains flat.

12m Rental Expectations - Although rental expectations for the prime retail and office space have nudged down a touch from the last quarter, these sectors are still expected to outperform all others 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 14 June 2017 with responses received until 10 July 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 1427 company responses were received, with 316 from the UK. Responses for Ireland were collated in conjunction with the Society of Chartered Surveyors Ireland.

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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