



## Q2 2018: Romania Commercial Property Monitor

# Solid outlook for prime assets

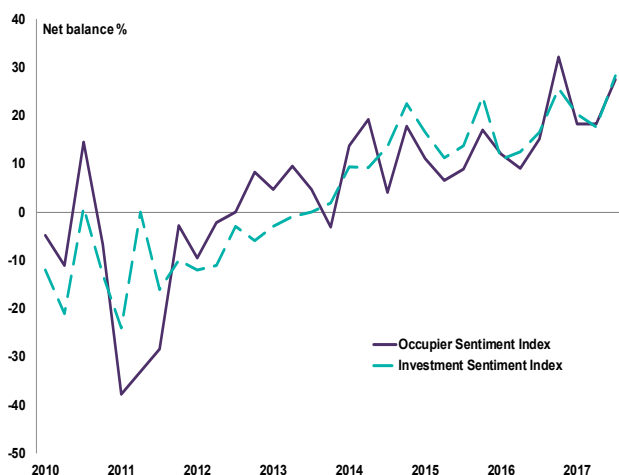
### Occupier Market

- The Occupier Sentiment Index (a composite indicator capturing momentum) improved to +28 from +18 previously. This stronger reading is signalling some added impetus behind the occupier market compared with earlier in the year.
- Occupier demand continued to rise at the headline level with the pace of growth accelerating slightly over the quarter. Indeed, a solid rise in demand was reported across all three areas of the market.
- The availability to leasable space increased modestly at the all-sector level, albeit the retail sector did see a small decline.
- The value of incentive packages offered to tenants decreased in the modestly in the industrial sector, and also decline fractionally for offices. Landlords increased inducements slightly in the retail sector however.
- Rental value projections for the year ahead remained elevated at an all-sector level, with rental values for prime space expected to outpace that for secondary. Similarly to Q1, contributors once again expect the prime office and retail sub-markets to see the strongest rental growth in the coming twelve months.

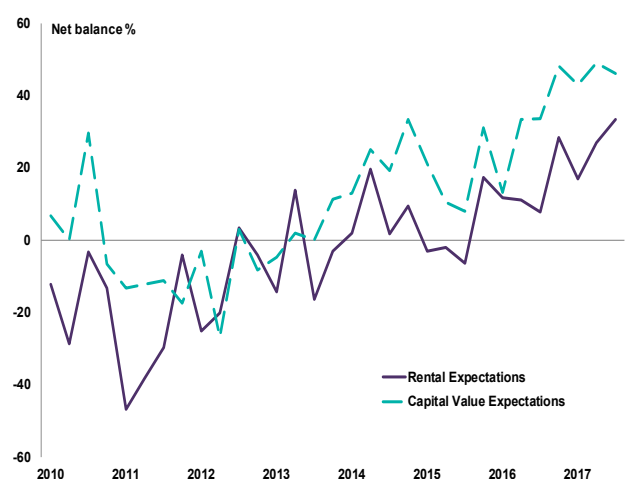
### Investment Market

- The Investment Sentiment Index improved to +28, compared to +18 in Q1, pointing to an improvement in investment market fundamentals.
- Investment enquiries continued to rise over the quarter with, the pace of growth accelerating in each area of the market. Indeed, investor interest picked up significantly in the retail sector whilst demand growth also remained solid for offices and industrials. Alongside this, demand from foreign investors grew further in Q2.
- The supply of property for investment purposes increased only marginally in the latest results, following a sequence of more substantial growth over the past year.
- Capital value expectations for the coming twelve months were broadly similar to projections in the previous quarter. Contributors envisage growth in capital values for prime assets to outpace that for secondary. The outlook appears strongest for values in the prime office sub-market.
- The majority of respondents (61%) continue to believe conditions in their local market are consistent with the early to middle stages of an upturn.

Occupier and Investment Sentiment Index



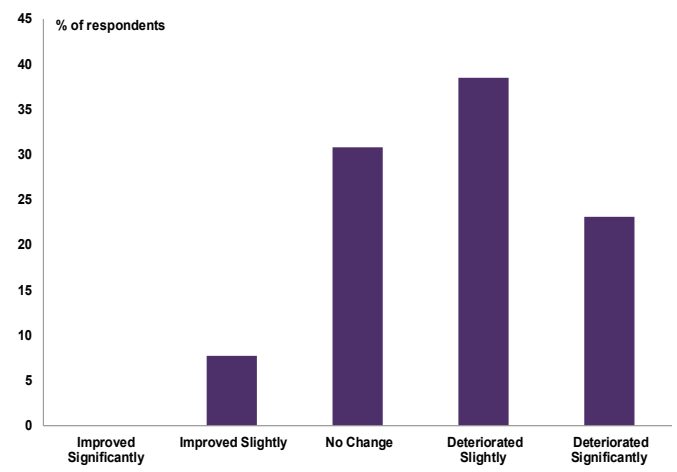
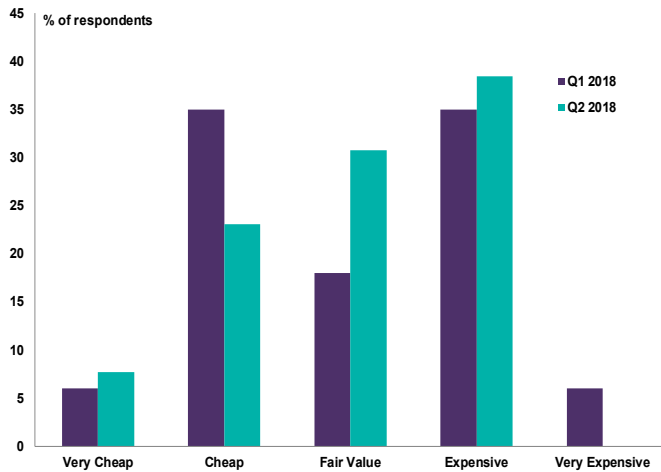
Rental and Capital Value Expectations



# Commercial Property Market

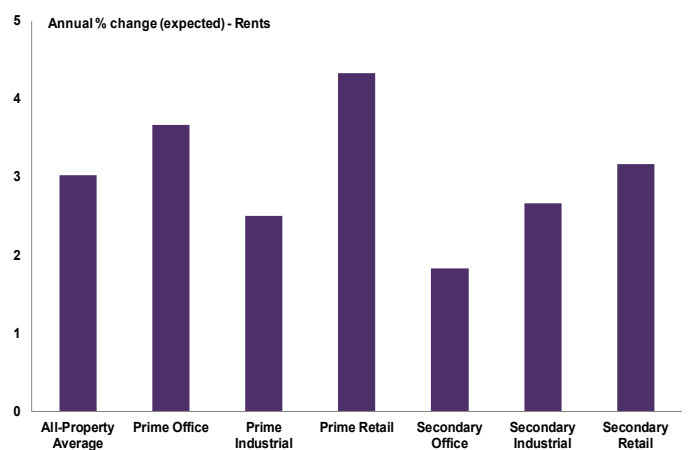
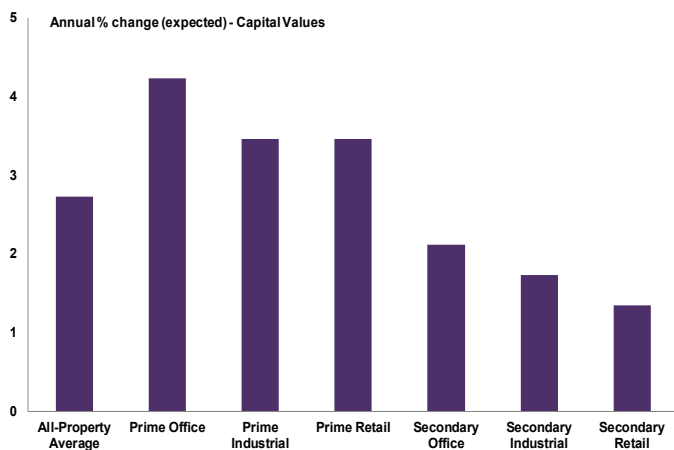
**Market Valuations** - The majority of respondents (61%) believe market prices are either at or below fair value. That said, the proportion of respondents stating valuations are becoming stretched edged up for the second consecutive quarter.

**Credit Conditions** - On balance, respondents reported a decline in overall credit conditions, with 54% noting some degree of deterioration.



**12m Capital Value Expectations** - Average capital value projections point to a solid outlook for prime assets in the year ahead, led by the prime office sub-sector. Projections for secondary sub-markets are modest in comparison.

**12m Rental Expectations** - Average rental growth expectations remain comfortably positive for all sub-markets, with prime retail and office sub-sectors anticipated to post the strongest gains.



# 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)

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