



Q3 2017: Romania Commercial Property Monitor

Occupier demand surges

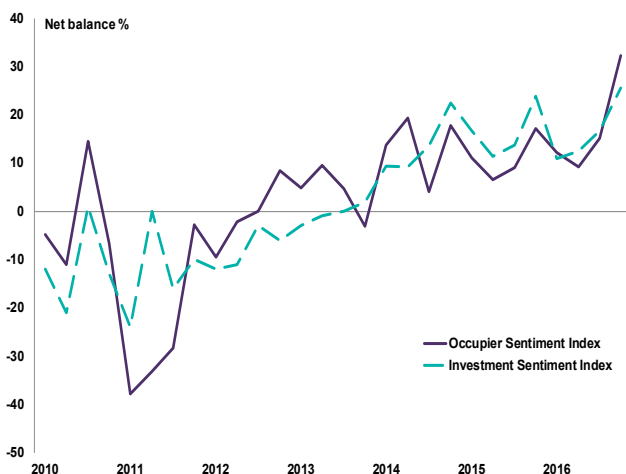
Occupier Market

- The Occupier Sentiment Index (a composite indicator capturing overall momentum) increased to +32 in Q3. This was up from +15 in the previous quarter, and points to a strong pick-up in momentum across the occupier market.
- Occupier demand increased at the sharpest rate since the survey's inception in 2010, with a net balance of 77% of respondents reporting an increase. What's more, a strong pick-up in demand was noted across all three sectors (office, industrial and retail).
- Despite the strong pick-up in demand, availability continued to rise at the headline level though supply in the retail sector flattened in Q3. Alongside this, landlords continued to increase the value of incentive packages on offer to tenants, albeit only modestly.
- Rental expectations for the year ahead climbed across all sub-sectors, relative to Q2. Although growth across prime locations are expected to continue to outpace their secondary counterparts, the latest results show the gap between rental growth projections narrowing somewhat.
- Average three year rental expectations were also revised up across the board, with rents in the prime office sub-sector expected to post the strongest growth.

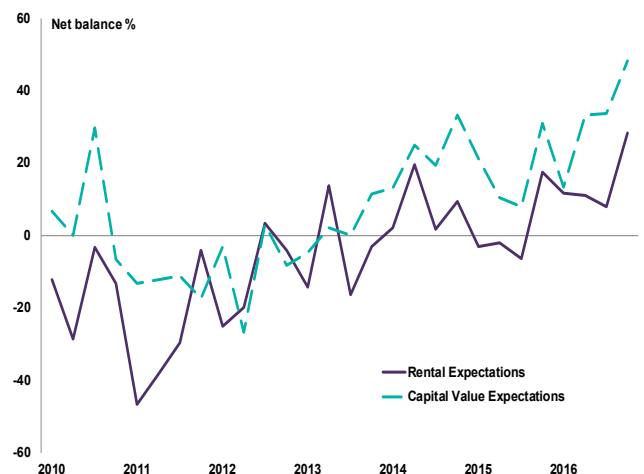
Investment Market

- The Investment Sentiment Index (an amalgamated measure of investment market indicators) increased to +26 from +17 in Q2. As such, this is consistent with a solid quarterly improvement in investment market conditions.
- Investment enquiries continued to rise at a robust pace at the headline level, with demand picking up most firmly in the industrial and office sectors (in net balance terms). Demand growth was solid for retail assets, albeit a little more modest in comparison to the other sectors.
- Likewise, demand from foreign investors also continued to rise right across the board.
- The supply of property for sale continued to trend upwards albeit the net balance of respondents noting an increase in supply moderated slightly during the quarter.
- Capital value expectations for the coming twelve months were revised up across all areas of the market. Values across prime sub-sectors continue to generate stronger capital value projections, however, forecasts for secondary markets are now not far behind.
- The majority of respondents (73%) continue to view the property cycle to be at some stage of an upturn, however, 16% now believe the market is close to peaking (compared to 6% in the previous quarter).

Occupier and Investment Sentiment Index

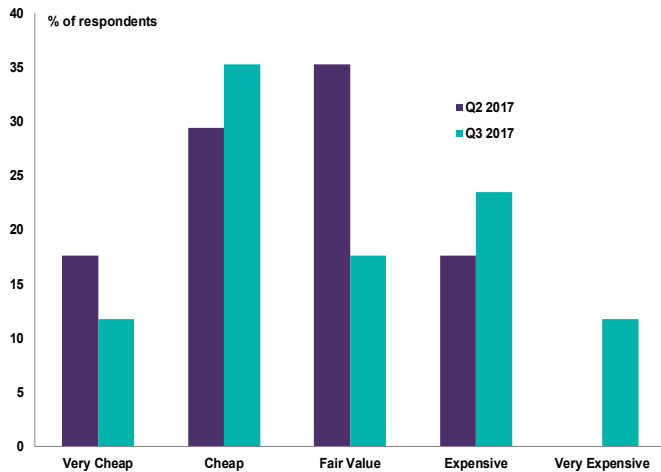


Rental and Capital Value Expectations

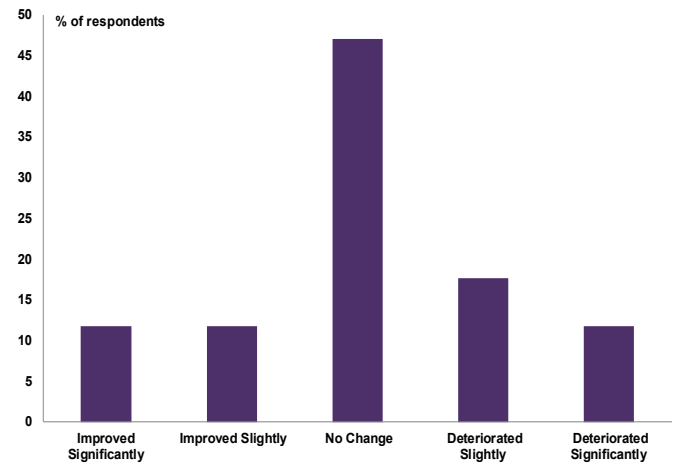


Commercial Property Market

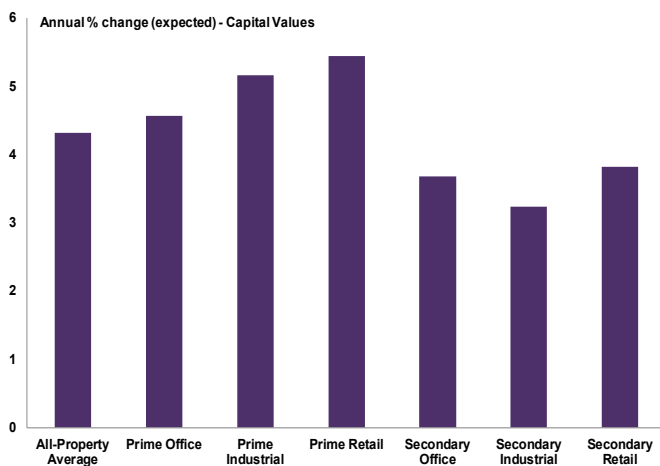
Market Valuations - The proportion of respondents who see the market as expensive increased to 35% from 18% in the previous quarter. Nevertheless, the remaining 65% continue to sense commercial real estate to be either at or below fair value.



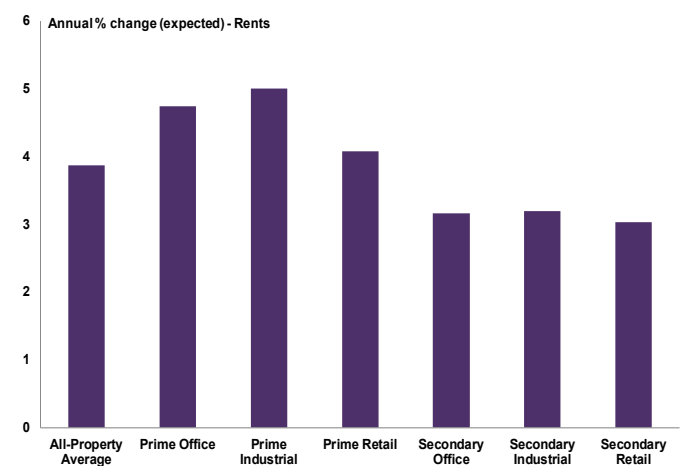
Credit Conditions - On balance, credit conditions reportedly deteriorated very marginally during Q3, following four successive quarterly improvements on this measure.



12m Capital Value Expectations - Capital value projections were adjusted higher in each sub-sector compared to the last quarter, with the spread between prime and secondary expectations narrowing slightly.



12m Rental Expectations - The outlook for rental values also improved in each sub-market relative to Q2. Interestingly, the most noticeable upward revisions to rental growth expectations came across secondary locations.



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 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 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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Economics Team

Janet Guilfoyle

Market Surveys Administrator

+44(0)20 7334 3890

jguilfoyle@rics.org

Simon Rubinsohn

Chief Economist

+44(0)20 7334 3774

srubinsohn@rics.org

Jeffrey Matsu

Senior Economist

+44(0)20 7695 1644

jmatsu@rics.org

Sean Ellison

Senior Economist

+65 68128179

sellison@rics.org

Tarrant Parsons

Economist

+44(0)20 7695 1585

tparsons@rics.org

Kisa Zehra

Economist

+44(0) 7695 1675

kzehra@rics.org



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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

Media enquiries

pressoffice@rics.org

Ireland

38 Merrion Square, Dublin 2,
Ireland

t +353 1 644 5500

f +353 1 661 1797

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

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

Africa

PO Box 3400,
Witkoppen 2068,
South Africa

t +27 11 467 2857

f +27 86 514 0655

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

South America

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

t +55 11 2925 0068

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

info@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

ASEAN

10 Anson Road,
#06-22 International Plaza,
Singapore 079903

t +65 6635 4242

f +65 6635 4244

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

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