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## Q3 2018: Romania Commercial Property Monitor

# Demand continues to rise firmly

The Q3 2018 Romania Commercial Property Monitor results point to solid demand across the occupier and investment markets. That said, the latest results do shed light on some of the challenges facing the economy this year, one of which is high inflation curbing real income growth. A tighter monetary policy in response, seems to be affecting overall sentiment in the Q3 survey with respondents, on balance, indicating credit conditions have deteriorated over the quarter.

### Occupier Market

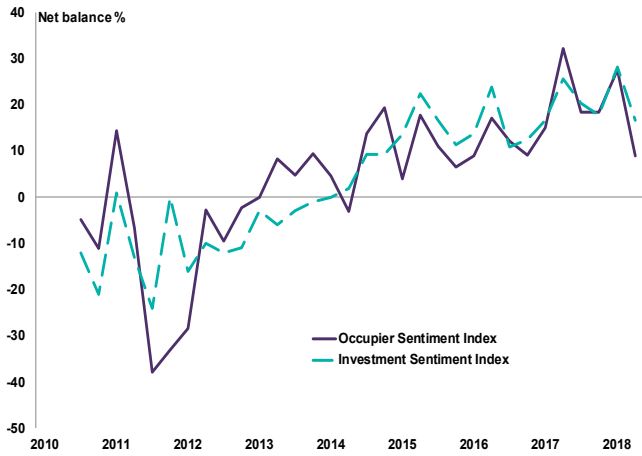
- The Occupier Sentiment Index (a combined measure of occupier market indicators displayed in chart 1 overleaf) eased to +9 in Q3 from +28 in Q2, signifying only a modest improvement in occupier market fundamentals over the quarter.
- Tenant demand continued to rise at the headline level with +33% of respondents noting a rise. Breaking this down, solid demand growth was reported across the office and industrial assets whilst demand rose only marginally in the retail portion of the market.
- Despite increasing tenant interest, the availability of leasable space reportedly increased in the office and industrial portions of the market but remained unchanged in the retail sector.
- Meanwhile, landlords increased the value of incentive packages offered to tenants.
- Contributors downgraded their rental value projections for the coming year with contributors projecting only a modest rise in rental values across prime locations.
- The twelve months outlook for the secondary is relatively more downbeat with rents in the secondary industrial sub-market expected to be little changed in the coming twelve months. Alongside this, respondents envisage a modest decline in secondary office and retail rental values.

### Investment Market

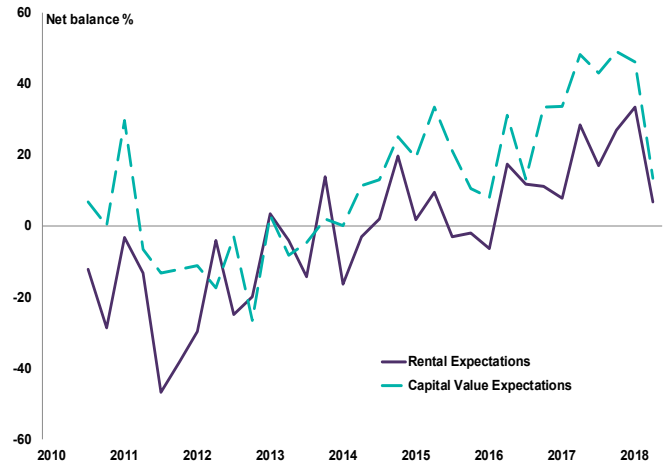
- The Investment Sentiment Index (a composite indicator incorporating a range of investment market variables shown on chart 1) returned a reading of +17 in Q3. Although this is a little lower than +28 in Q2, the indicator is still pointing to positive momentum across the investment market.
- Headline investment enquiries continued to rise in the latest results with solid demand growth reported across all three sectors. Demand from foreign investors also increased firmly in the office and retail sectors.
- Meanwhile, the availability of supply for investment purposes increased marginally in Q3.
- Capital value expectations were broadly similar to projections in the previous quarter (chart 5). Contributors envisage solid uniform gains in capital values for prime assets. Projections secondary markets are modest in comparison.
- The majority of contributors (50%) believe that the market is in the early to middle stages of an upturn in Q3, slightly below the 62% share in Q2.
- Almost all of the respondents to the survey (90%) believe commercial property prices are either at or below fair value (chart 4).
- Chart 3 shows that on balance credit conditions reportedly deteriorated in Q3 with 60% of respondents noting a decline.

# Commercial Property Market

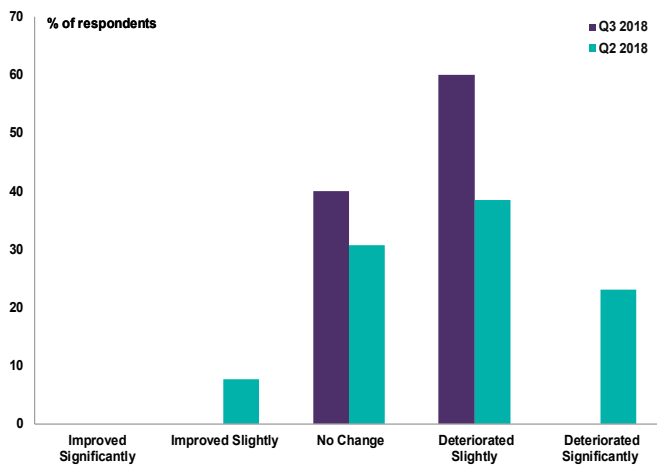
**Chart 1: Occupier, Investment Sentiment Indices**



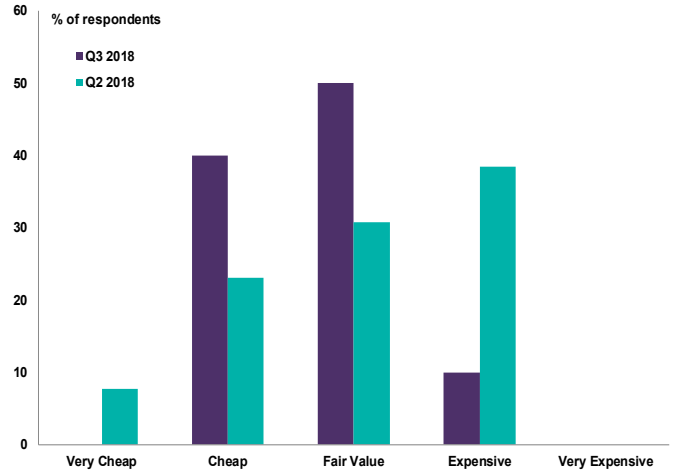
**Chart 2: 3-month Rents, Capital Values**



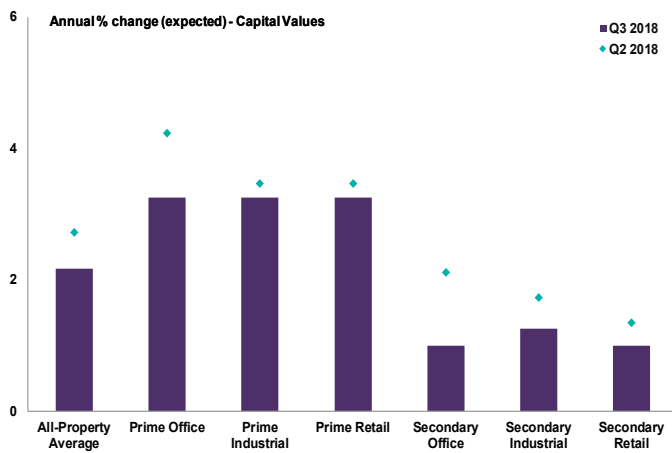
**Chart 3: Credit Conditions**



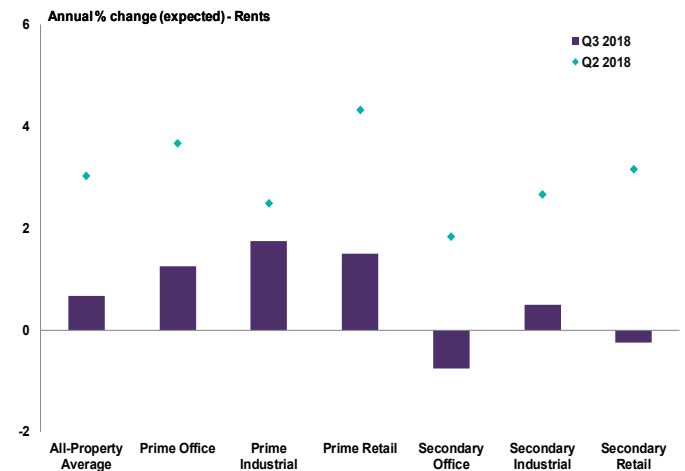
**Chart 4: Valuations**



**Chart 5: 12-month Capital Values Forecast**



**Chart 6: 12-month Rent Forecast**



# 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 September 2018 with responses received until 14 October 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 1791 company responses were received, with 341 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 for Malaysia were collated in conjunction with the Royal Institution of Surveyors Malaysia.

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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