



Q4 2017: Romania Commercial Property Monitor

Solid momentum behind the investment market

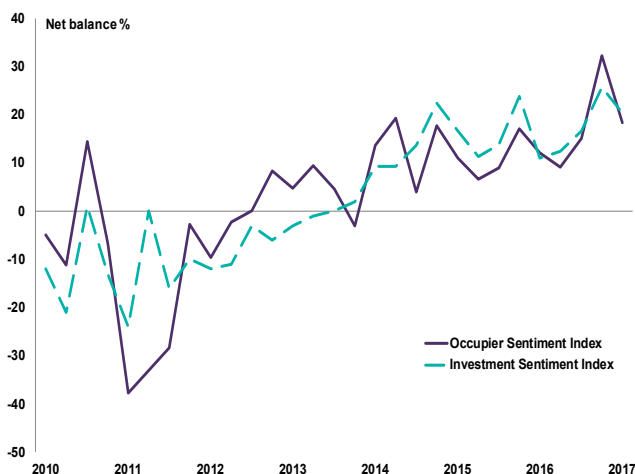
Occupier Market

- The Occupier Sentiment Index (a composite indicator capturing momentum) moved to +18, below the +32 reading recorded previously. Nevertheless the measure signals positive momentum in occupier market dynamics.
- Occupier demand continued to increase at the headline level albeit the pace of growth moderated from Q3 (the previous quarter saw demand growth increasing at a record pace since the survey's inception in 2010). In Q4 demand growth was solid across the office and industrial sectors and was comparatively more modest for retail space.
- Availability continued to rise at a slightly slower pace relative to Q3. Respondents reported only a marginal rise in supply across the retail sector.
- Alongside this, the value of incentive packages offered to tenants were more or less flat. A modest rise in incentive packages across the office and retail sector was offset by no change reported in the industrial area of the market.
- In comparison to Q3, rental expectations for the coming year were revised down across all sub-sectors. That said, respondents are still expecting rental values to increase in all areas of the market led by solid growth in the primary office sub-sector.

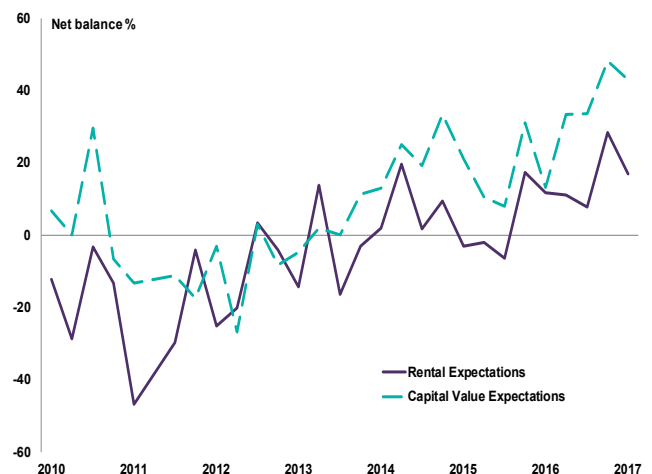
Investment Market

- The Investment Sentiment Index moved to +20 from +26 previously, signalling solid momentum behind the investment market.
- Investment enquiries increased firmly over the quarter with demand growth accelerating across the office sector. At the same time, demand from foreign investors rose smartly in each market segment.
- The supply of property for investment purposes continued to edge upwards with the net balance of respondents reporting an increase in supply remaining broadly unchanged from Q3.
- Contributors downgraded their twelve month capital value forecasts from the previous quarter, driven by respondents scaling back capital value projections across the secondary sub-markets. Alongside this, respondents were less optimistic (in comparison to Q3) regarding capital value growth projections in the primary industrial and retail sub-sectors whilst the outlook for the primary office sub-sector was little changed.
- The majority of respondents (71%) believe that conditions in their local market are consistent with the middle stages of an upturn. This is a noticeable rise from the 56% recorded previously.

Occupier and Investment Sentiment Index



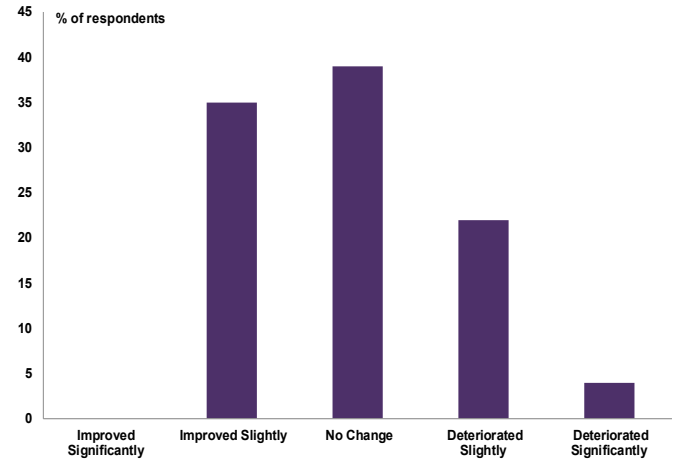
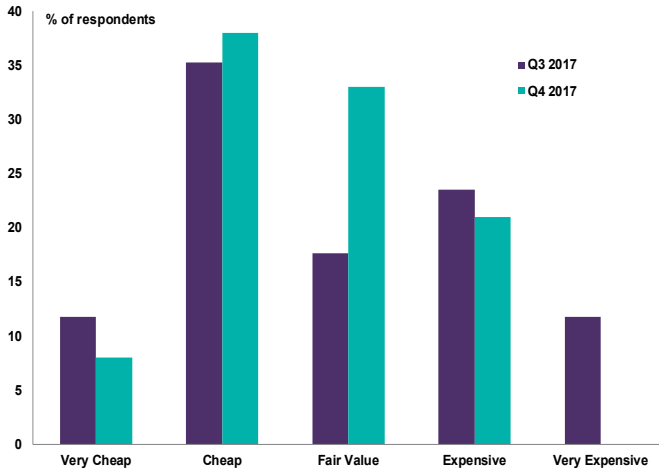
Rental and Capital Value Expectations



Commercial Property Market

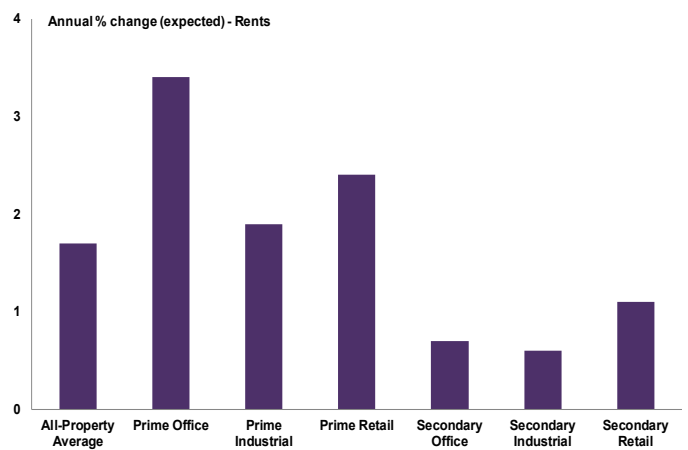
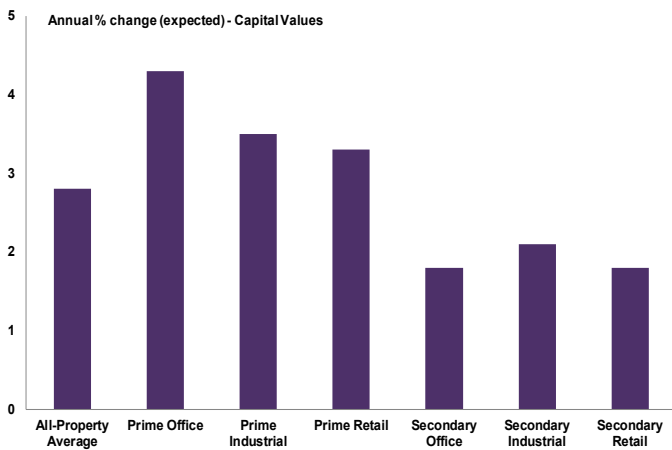
Market Valuations - The majority of contributors (79%) believe that current market prices are either at or below fair value, whilst 21% believe values are stretched at the moment.

Credit Conditions - On balance, credit conditions reportedly improved very modestly in the fourth quarter.



12m Capital Value Expectations - Relative to Q3, capital value expectations were revised down in each area of the market. Nevertheless respondents still envisage capital value growth in the primary office sub-sector to outpace all others in the coming year.

12m Rental Expectations - Average rental growth expectation were trimmed in the latest results as respondents scaled back their rental projections for the primary industrial sub-sectors along with a flatter outlook for secondary sub-markets.



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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