



Q1 2018: Singapore Commercial Property Monitor

Three quarters of contributors see the market in an upturn

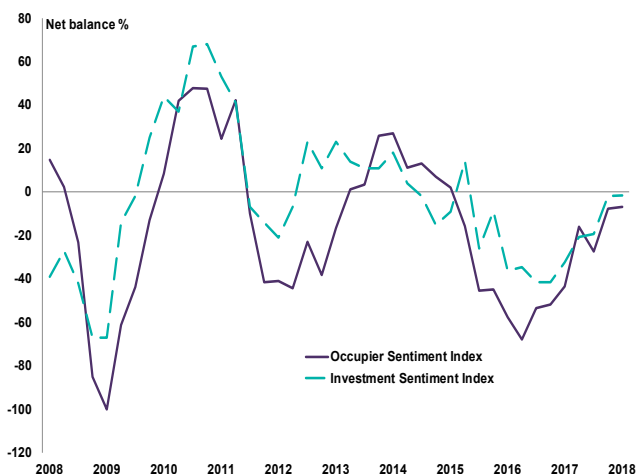
Occupier Market

- The Q1 2018 results indicate that headline occupier demand was flat for the second consecutive quarter. Similar to Q4, a robust increase in tenant demand for office space was offset by a decline in occupier demand for industrial and retail space.
- Headline supply continued to increase, though at a more moderate pace (in net balance terms) than in previous quarters. The supply of industrial properties was unchanged during Q1.
- Landlord incentives were flat in Q1, though respondents did report a modest increase in incentives for retail space. Headline development increased marginally during Q1 - the first increase in five quarters. This was primarily driven by an increase in office starts.
- Headline rents are expected to remain flat over the next year, as an increase in office rates is offset by an expectation for a pullback on rents on retail space. Nevertheless, although still downbeat, expectations in the secondary retail sector were noticeably less negative than in the previous report.
- The Occupier Sentiment Index (an amalgamated measure of occupier market indicators) was little changed at -7 in Q1 (vs -8 in Q4).

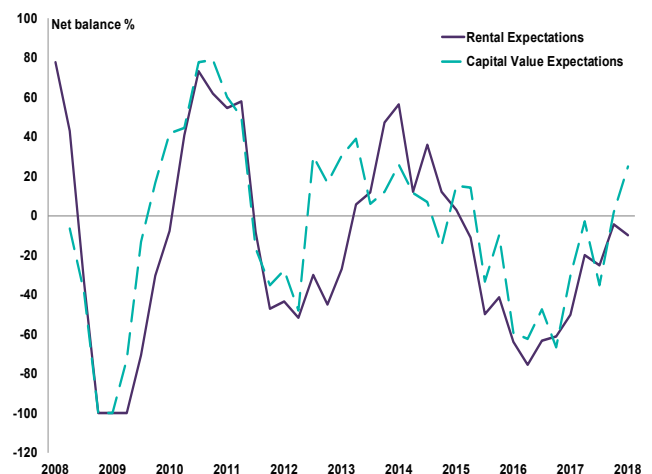
Investment Market

- The Q1 2018 data shows little change in headline investor demand for the third consecutive quarter. Similar to prior quarters, investment demand for office space reportedly increased while that for retail declined. However, respondents reported that demand for industrial space was unchanged - the first non-negative reading (in net balance terms) since 2015.
- Headline foreign demand was reported to have increased for the first time since 2014. This was driven by foreign investment demand for office and retail properties.
- The supply of properties for sale increased at a headline level in Q1, after a flat reading in Q4.
- Capital value expectations for the year ahead were revised higher across most sub-sectors relative to the previous results. Both prime and secondary office values are seen rising firmly (with the latter actually outperforming slightly), while the picture is very similar for retail. Meanwhile, prime industrial values are envisaged seeing little change.
- Against this backdrop, the majority (75%) of respondents see the market in some phase of an up-cycle, up from 50% in Q4. Meanwhile the share of contributors that see the market in a downturn fell to 8% from 25%.
- The Investor Sentiment Index (an amalgamated measure of investment market indicators) was unchanged in Q1 at -2.

Occupier and Investment Sentiment Index



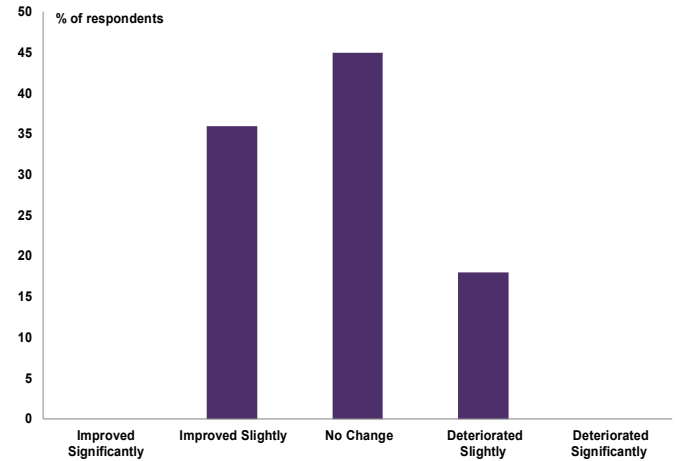
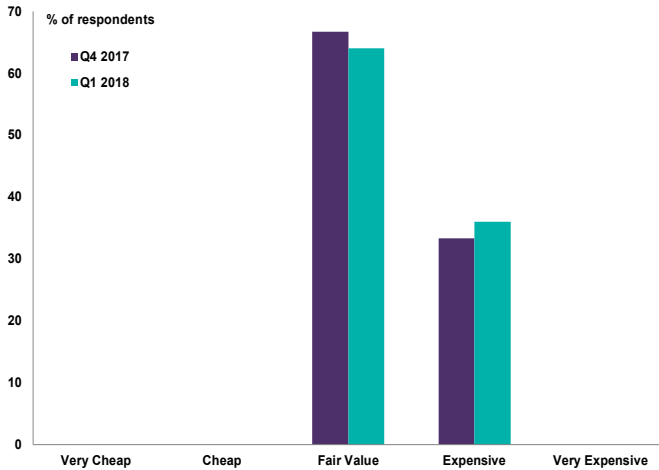
Rental and Capital Value Expectations



Commercial Property Market

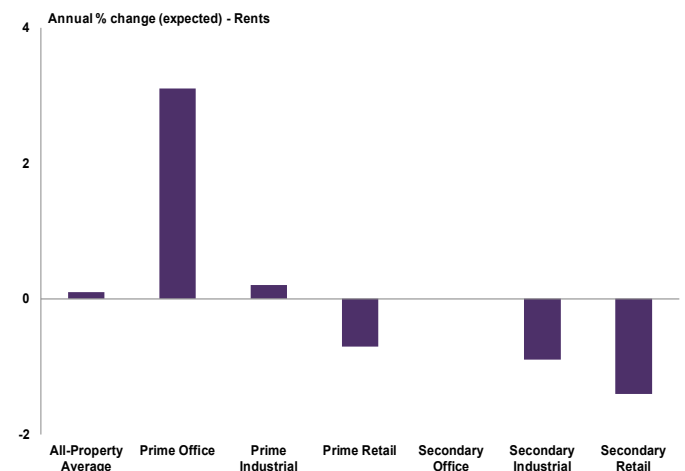
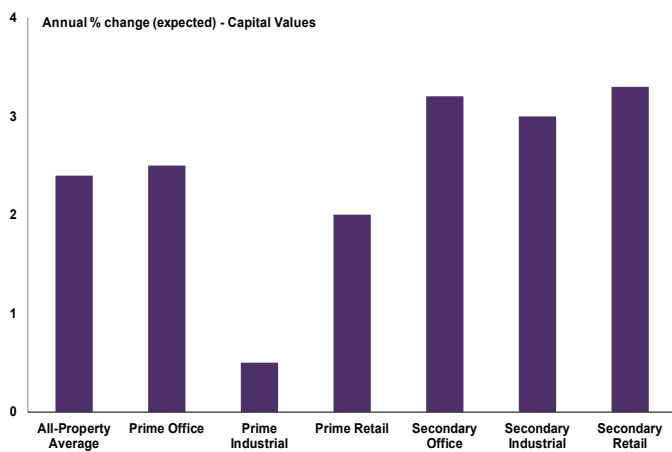
Market Valuations - Views on market valuations were little changed from Q4. 64% of respondents saw the market as fairly valued in Q1 (vs 67% in Q4), while the remaining 36% saw the market as expensive (33% in Q4).

Credit Conditions - Credit conditions remained evenly skewed in Q1, as 36% of respondents reported a slight improvement (25% in Q4). Meanwhile 45% saw no change in conditions, down from 58% who reported this in Q4.



12m Capital Value Expectations - Respondents' forecast capital values to rise 2.4% over the next year. This is the first time since 2015 that capital values are forecast to increase over the next twelve months. Although forecasts for prime office space moderated (2.5% vs 3.5% in Q4), all other segments of the market saw forecasts revised higher.

12m Rental Expectations - Contributors were less bullish on rents than capital values, though the one-year outlook is positive for the first time since 2015, albeit only marginally. Similar to capital values, forecasts have moderated for office rents, though all other segments of the market saw rent projections revised higher from Q4.



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 March 2018 with responses received until 11 April 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 1748 company responses were received, with 385 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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