



## Q2 2017: Singapore Commercial Property Monitor

# Market sentiment shows signs of recovery as agents begin to see upturn

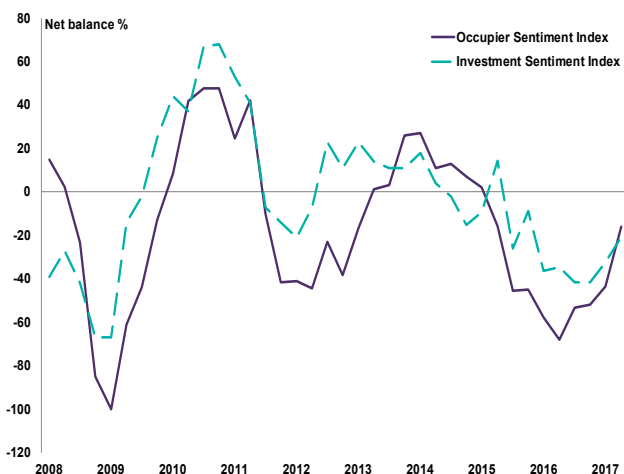
### Occupier Market

- The Q2 2017 results show flat demand in the office sector, while negative momentum in the industrial and retail sectors moderated. As a result, a net balance of 24% of respondents reported a pullback in headline demand in Q2, down from the 48% who reported a pullback in Q1.
- However respondents continued to report that headline supply is increasing at a modest pace. The net balance of those reporting a rise in leaseable office space picked up to 50% in Q2 from 38% in Q1.
- The net balance of those reporting an increase in headline landlord incentives eased to 4% in Q2 from 33% in Q1. Inducements were seen as broadly flat across all market segments.
- Rental expectations were less downbeat over the next quarter with a net balance of 20% more respondents expecting a fall (compared with 50% previously). The outlook for office rents over the next three months is flat, while respondents still expect some downside for the retail and industrial segments.
- The Occupier Sentiment Index (an amalgamated measure of occupier market indicators) moved to -16 in Q2 from -43 in Q1, indicating a moderation of negative momentum in the occupier market.

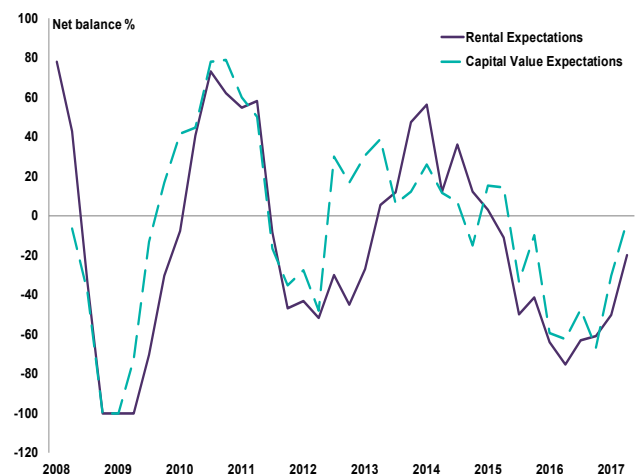
### Investment Market

- The Q2 2017 data shows investor demand continuing to decrease across each market segment (office, industrial, retail), albeit the pace of decline did ease somewhat. Meanwhile, a net balance of 40% of respondents reported a dip in aggregate foreign enquiries. The steepest decline in foreign interest came in the office and retail sectors.
- Contributors reported another modest increase in headline supply. A net balance of 24% reported an increase at the all-property level, up slightly from 10% in Q1.
- Capital values expectations over the next 3 months are flat following seven quarters in negative territory. A net balance of 14% of respondents now expect office capital values to increase over the next quarter, while only a slight decrease is expected in capital values for industrial and retail assets.
- Although fewer respondents see the market at the bottom, 14% in Q2 vs 50% in Q1, 29% now see the market in the early stages of an upturn, vs 0% in Q1. However, 50% still see the market at some stage of a downturn.
- The Investor Sentiment Index went to -21 in Q2 from -32 in Q1, showing negative sentiment to be gradual diminishing in the investment market.

### Occupier and Investment Sentiment Index

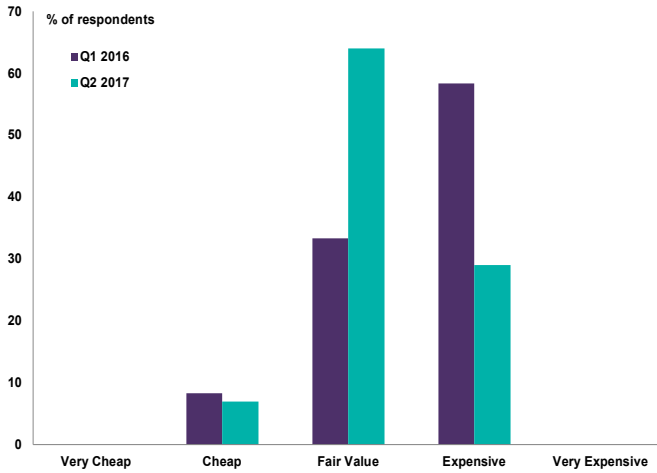


### Rental and Capital Value Expectations

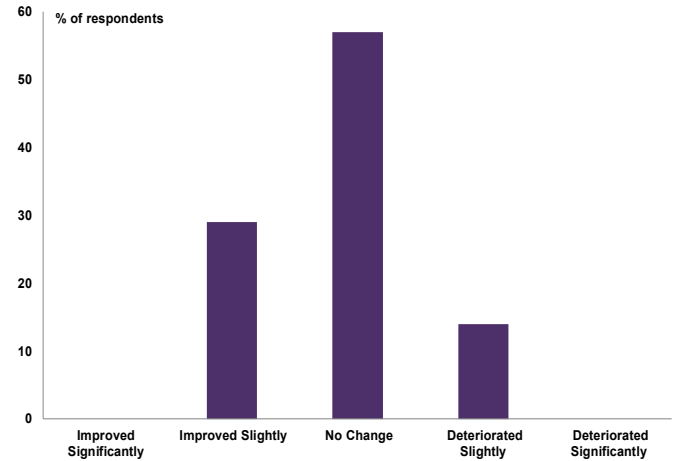


# Commercial Property Market

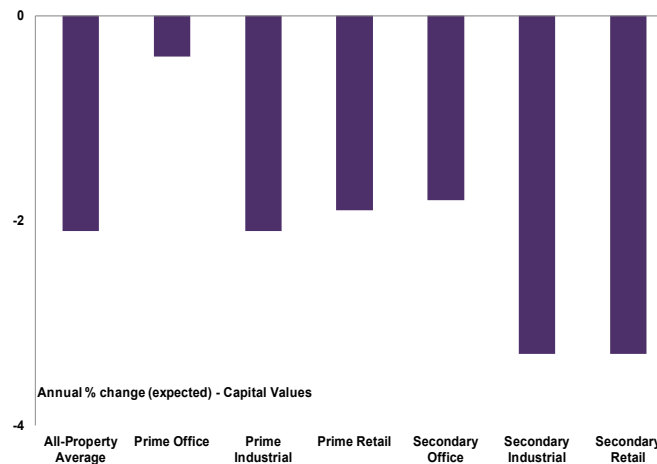
**Market Valuations** - Most respondents (64%) now see the market as fairly valued, up from 33% in Q1. The share of respondents who see commercial property as expensive fell from 58% in Q1 to 29% in Q2.



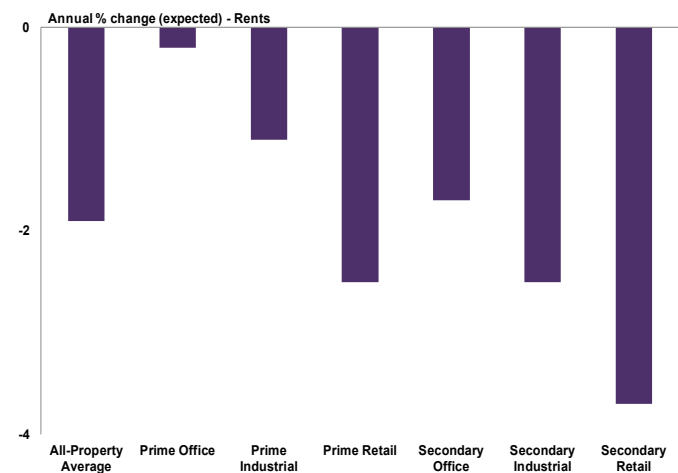
**Credit Conditions** - Views on credit conditions remained fairly mixed, with 57% of contributors reporting no change, while 29% reported some improvement and 14% reported some degree of deterioration.



**12m Capital Value Expectations** - Capital value forecasts for the next year were little changed from Q1. Headline capital values are seen down 2.1% over the next year vs a 2.3% decline forecast in Q1. Expectations for prime retail space were less bearish, but this was offset by slightly more bearish forecasts for secondary space of all types.



**12m Rental Expectations** - Most sectors are expected to post rental declines over the next year, across both primary and secondary space. However respondents now only forecast a 1.9% pullback in headline rents over the next year vs the 2.7% decline that was forecast in Q1. The outlook for prime office is now broadly flat.



# 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 14 June 2017 with responses received until 10 July 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 1427 company responses were received, with 316 from the UK. Responses for Ireland were collated in conjunction with the Society of Chartered Surveyors Ireland.

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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