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Q1 2019: Spain Commercial Property Monitor

Rising supply tempers capital value and rental projections slightly

The Q1 2019 Spain Commercial Property Monitor points to momentum easing slightly to start the year, although the overall backdrop remains solid. The Occupier and Investment Sentiment Indices now stand at +26 and +15 respectively which, despite being securely positive, represent the most modest returns in over four years.

On the occupier side, although tenant demand continues to increase across all sectors (office, industrial and retail), respondents also note the first pick-up in availability since 2014 in the Q1 results. Consequently, twelve month rental expectations are slightly down on the previous results, with each category receiving a downgrade (chart 8). Even so, all prime areas of the market are still seen posting strong rental growth in the region of 4%. By way of contrast, secondary retail rents are now expected to fall by around 1% (vs respondents' previous forecast for no change).

Meanwhile, in net balance terms, investor demand continues to rise at a pace similar to that seen over the past year (on average) across both the office and industrial sectors. However, across the retail portion of the market, growth in enquiries from both domestic and international buyers has slowed significantly over the past twelve months.

Alongside this, the supply of property available on the sales market is now rising, with the Q1 headline net balance of +24% the most elevated since Q3 2014. Consequently, contributors are now pencilling in slightly less capital value growth for the year ahead than was the case in Q4. Nevertheless, solid gains are still anticipated across all prime sub-markets (chart 7). Again, the secondary retail sector exhibits a negative outlook and this is seen intensifying at the three year horizon.

Chart 1: RICS OSI and ISI

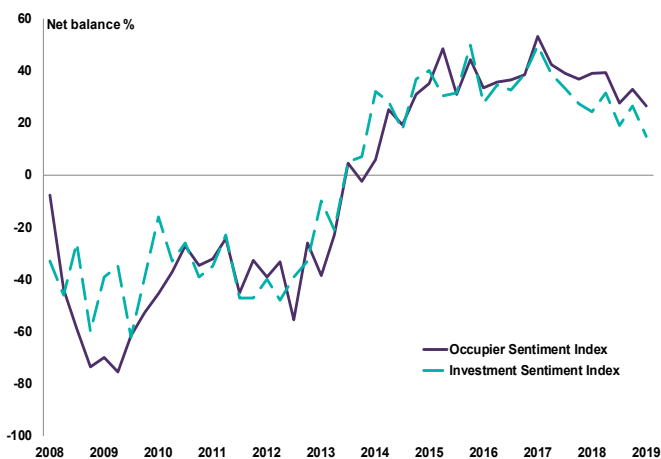


Chart 2: Three Month Rents, Capital Values

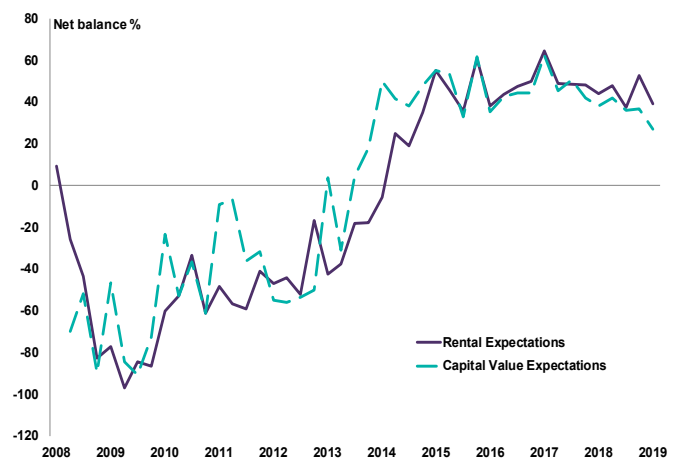


Chart 3: Occupier Market

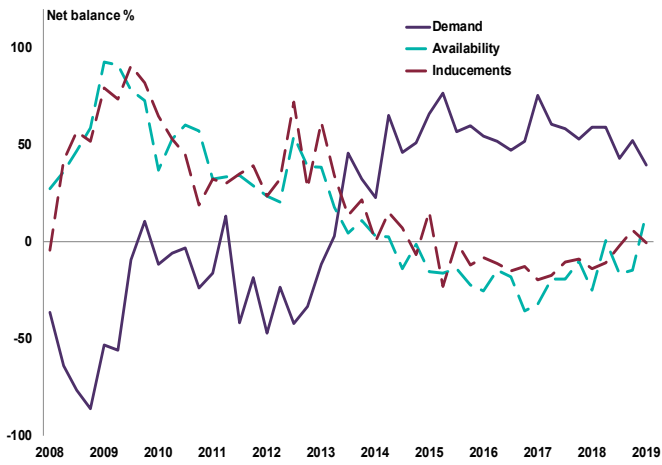


Chart 4: Investment Market

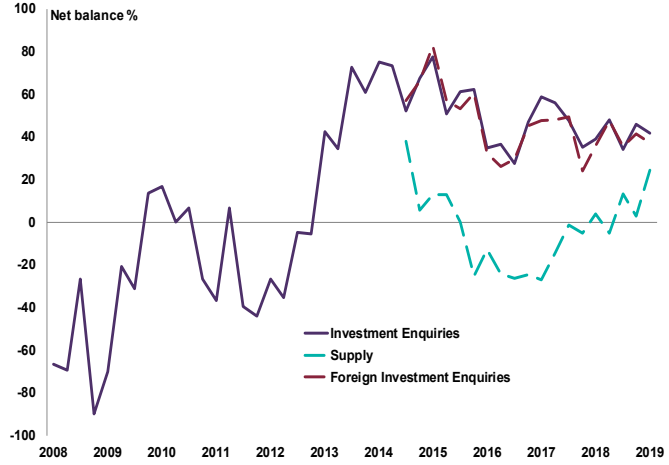


Chart 5: Credit Conditions

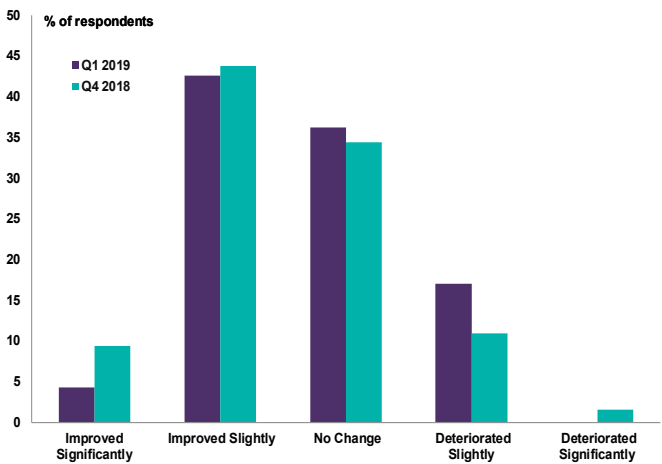


Chart 6: Valuations

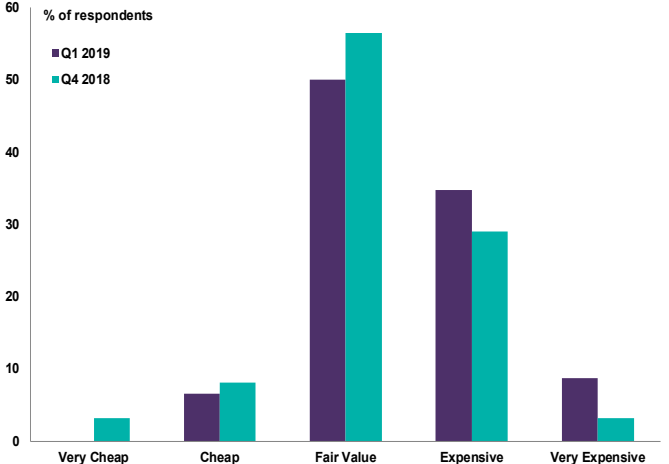


Chart 7: Twelve Month Capital Value Projections

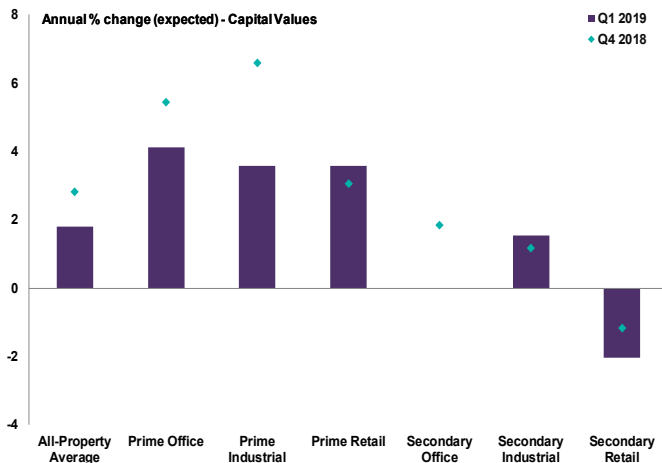
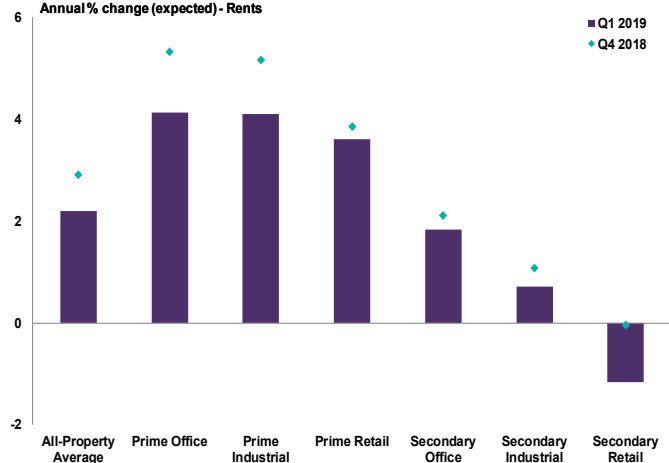


Chart 8: Twelve Month Rental Value Projections



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 March 2019 with responses received until 14 April 2019. 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 2901 company responses were received. 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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