



Q4 2017: UAE Commercial Property Monitor

Sentiment across the investment market deteriorates further

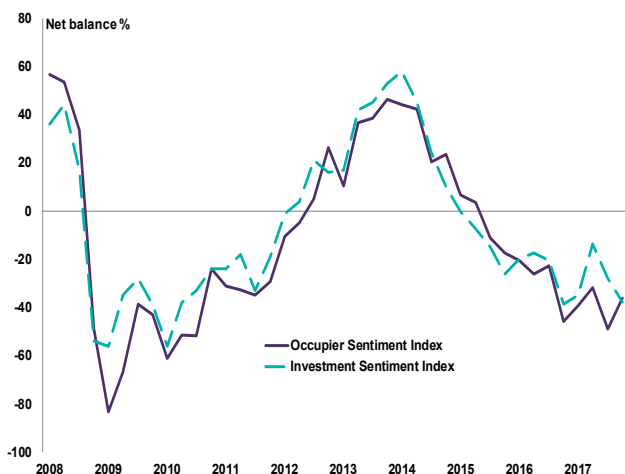
Occupier Market

- The Occupier Sentiment Index (a composite indicator capturing momentum) moved to -36 from -49 previously. This measure continues to suggest a deterioration of overall occupier market conditions albeit to a slightly lesser extent than in Q3.
- Occupier demand fell in Q4 for the ninth consecutive quarter albeit the pace of decline was comparatively below the Q3 figure. Within this, demand fell marginally in the office sector whilst respondents reported a steeper rate of decline across the industrial and retail space.
- Alongside this, availability of leasable space continued to rise over the quarter. At the same time, the value of incentive packages offered to tenants increased, with a particularly strong rise in inducements reported across the office and retail sectors.
- Rental value expectations for the coming year were slightly less downbeat in comparison to the previous quarter with the outlook for the secondary sub-markets slightly less negative. That said, respondents still continue to project a decline in rental values across all sub-markets.
- Average three-year rental projections are comparatively more upbeat with respondents expecting an increase in rental values across the prime areas of the market.

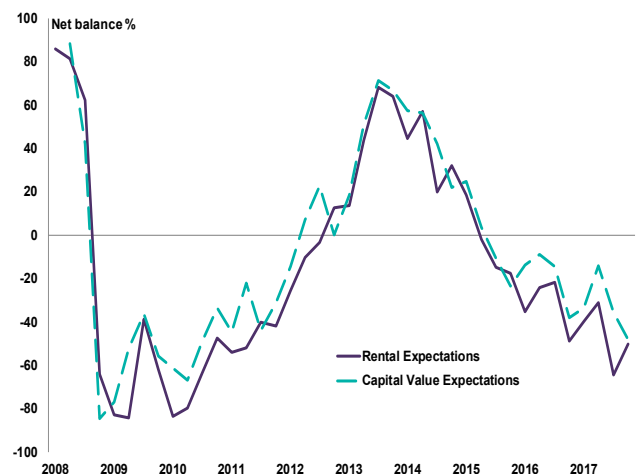
Investment Market

- The Investment Sentiment Index decreased to -38 from -28 in Q3, signalling deteriorating momentum in the investment market.
- Investment enquiries continued to decline at the headline level with a net balance of -33% noting a fall in demand. Indeed a pull-back in investor demand was reported across all three areas of the market. Meanwhile demand from foreign investors also fell over the quarter with the steepest decline reported across the industrial segment.
- Reflecting the deteriorating market conditions, the availability of supply for investment purposes increased in Q4 with the pace of growth accelerating from the previous two quarters.
- Capital value expectations for the year ahead were revised down once more (respondents have downgraded their capital value projections throughout 2017). Contributors expect a material decline in capital values across the secondary sub-markets in the coming year, with the prime sub-sector capital values projected to remain relatively more resilient.
- 53% of respondents in Q4 believe the market is in the downturn phase of the property cycle whilst 35% believe it is approaching the bottom.

Occupier and Investment Sentiment Index

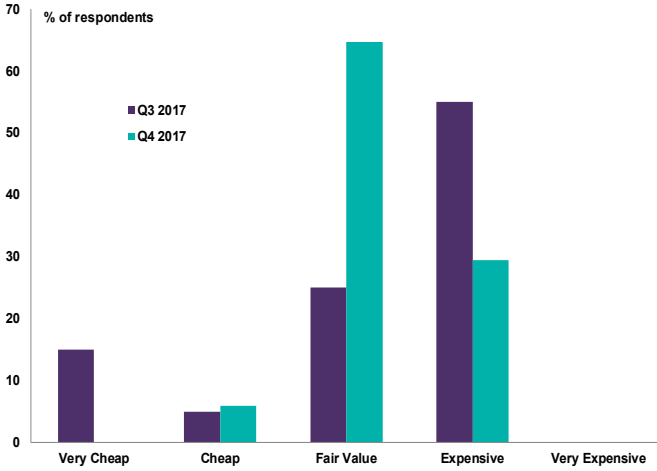


Rental and Capital Value Expectations

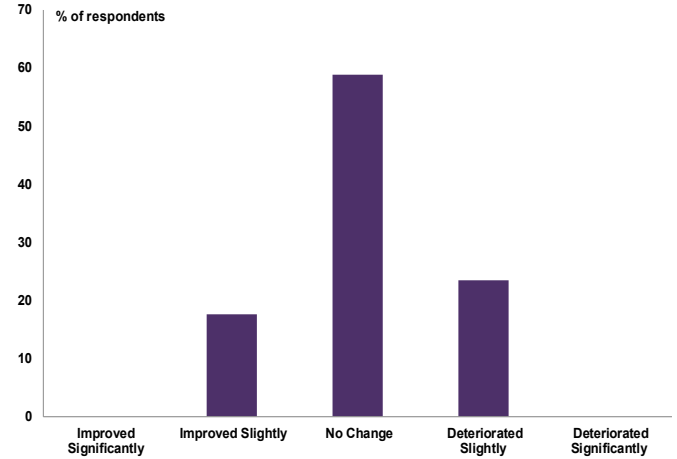


Commercial Property Market

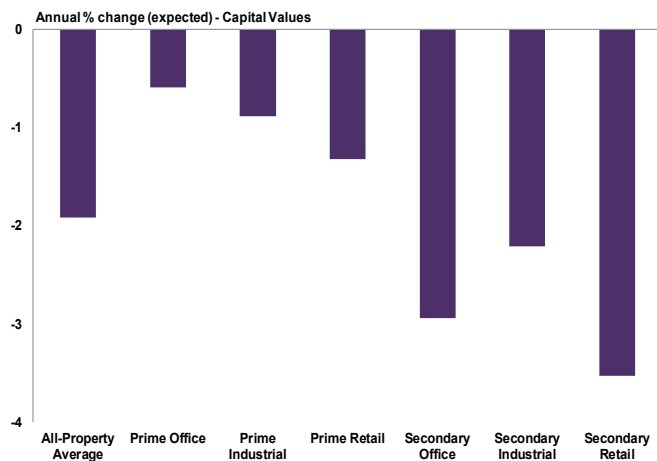
Market Valuations - The majority of respondents (65%) believe that commercial real estate is at fair value, whilst 29% sense that valuations are stretched at the moment.



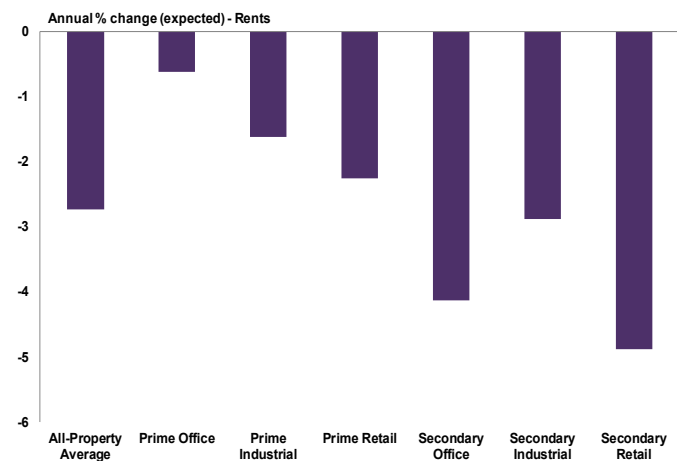
Credit Conditions - On balance, credit conditions continued to worsen for the ninth consecutive quarter (albeit the decline was only marginal in Q4).



12m Capital Value Expectations - Capital value projections were revised down once again in Q4. As such, headline capital values are now expected to decline by 1.9% in the coming twelve months driven by particularly negative projections for the secondary sub-markets.



12m Rental Expectations - Respondents envisage headline rents to decline by 2.7% in the coming year with rents expected to fall across all areas of the market. Sentiment remains markedly cautious in the secondary retail and office sub-sectors.



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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