

## RICS Global Commercial Property Monitor

Q1 2014

### UAE and Japan outperform, while Russia and Brazil falter

- UAE and Japan continue to post the strongest underlying results
- Further deterioration within the Brazilian market, while sentiment sees a sharp reversal in Russia
- Investment sentiment rebounds in a number of hard hit euro area markets

The Q1 2014 RICS Global Commercial Property Monitor shows, on balance, a pick up in commercial real estate sentiment across the globe, even if certain regions struggle against a more challenging macro backdrop. The UAE and Japan are once again amongst the front runners, as momentum continues to build at a healthy rate. Indeed, the Occupier Sentiment Index (OSI) and Investment Sentiment Index (ISI) stand above 40 and 50 respectively, for these two nations. Furthermore, the longer term outlook is suitably bright for both occupier and investment markets, evidenced by the Monitor's twelve month indicators, with healthy rental and capital value gains expected during the course of 2014.

Upbeat results were also returned from contributors from the US, New Zealand and Singapore real estate markets, with both the OSI and ISI readings still comfortably signalling improvement. The robust figures are indicative of growing confidence, which has been fairly consistent throughout the last few Monitors.

Across the euro area, a degree of divergence appears to be emerging as the recovery in commercial property gains traction in some member states, while the progress in others stalls. Sentiment indices remain particularly downbeat throughout France and the Netherlands, despite both of these nations formerly exiting recession during the latter part of 2013. By way of contrast, a significant improvement is now visible in Ireland, Spain and Portugal. In fact, investment transaction expectations are now higher in these three nations than in any other countries included in the survey. Going forward, this is anticipated to translate into a sharp rise in transactions.

Moreover, the brighter outlook is not simply limited to the investment side. With unemployment falling (albeit from very elevated levels), occupier demand is rising. Although for Spain and Portugal rents are expected to remain broadly stable in the near term, respondents' twelve month view suggests that rents will rise as the year progresses. Significantly, in Ireland, both the three and twelve month rental expectations indicators are firmly entrenched in positive territory. Alongside this, the performance of the UK and Germany remains particularly strong, in keeping with recent results and macro data.

In China, headline activity in the occupier market appears to have turned relatively flat, while progress on the investment side is still seeing a modest uptick. The Hong Kong data shows a continuation of the downward trend established during the early part of last year, as occupier demand slips further and investment enquiries decline, resulting in negative OSI and ISI values.

The results for Russia highlight a sharp decline across both the occupier and investment markets, suggesting confidence has been undermined by geopolitical tensions and the ongoing slowdown in economic activity, with the risk of recession now looming. Likewise, the Brazilian figures continue to deteriorate, with the ISI turning negative while the OSI dropped backed further from last quarter's already negative reading. The twelve month indicators suggest little improvement over the year ahead, with rents and capital values expected to decline as moderating growth and higher interest rates take their toll on the real estate market.

\* 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. 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 distressed properties.



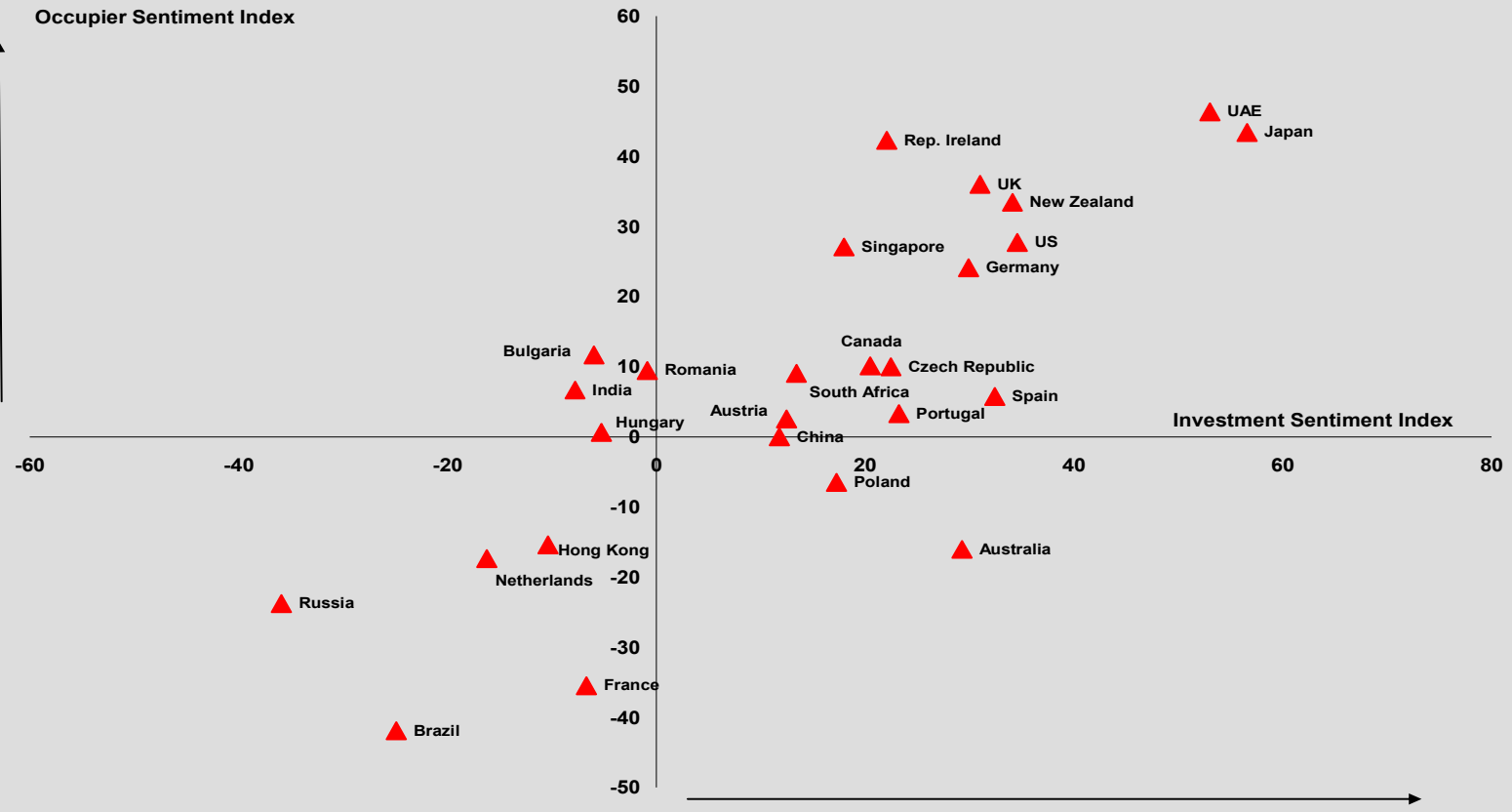
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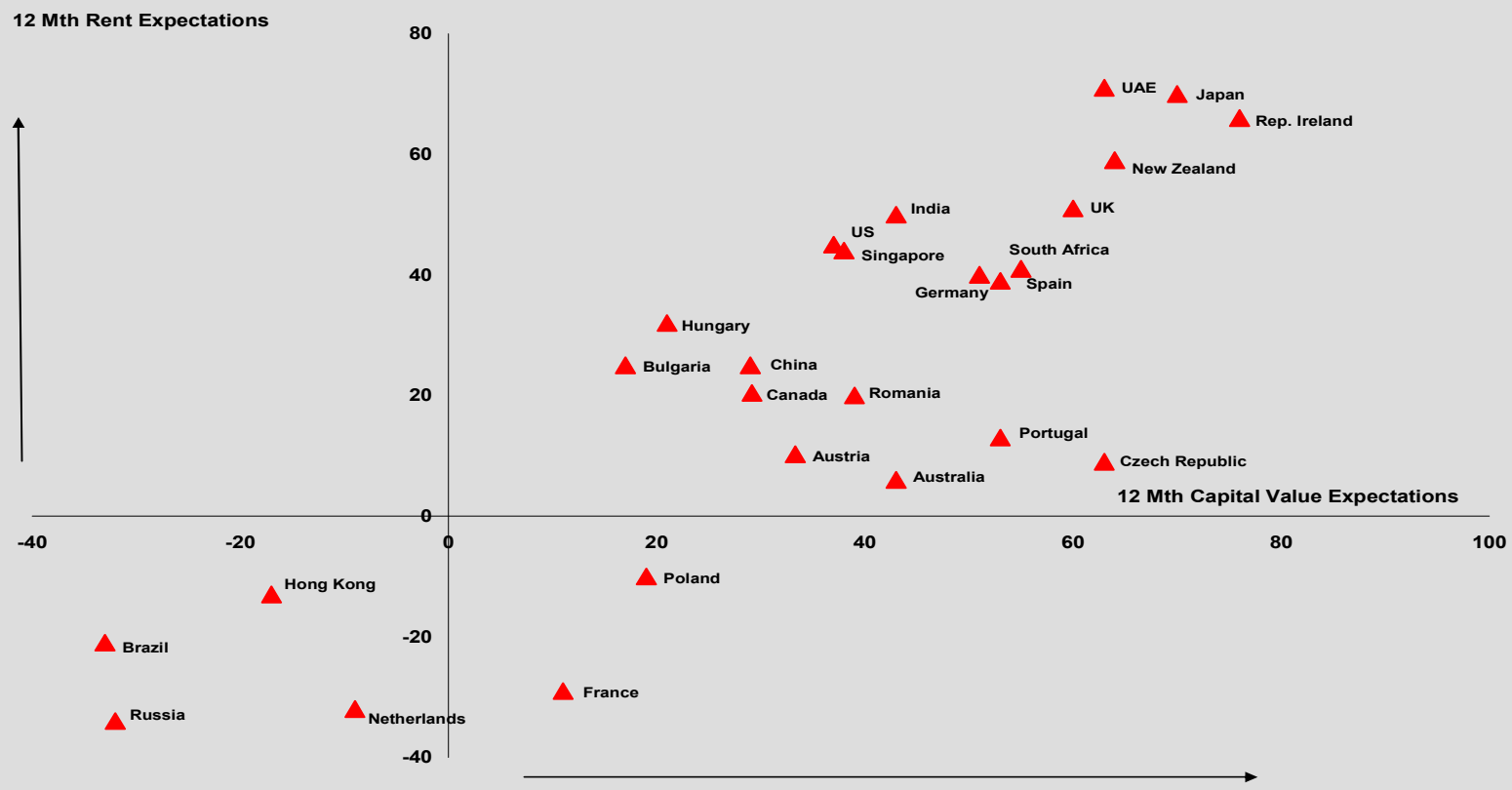
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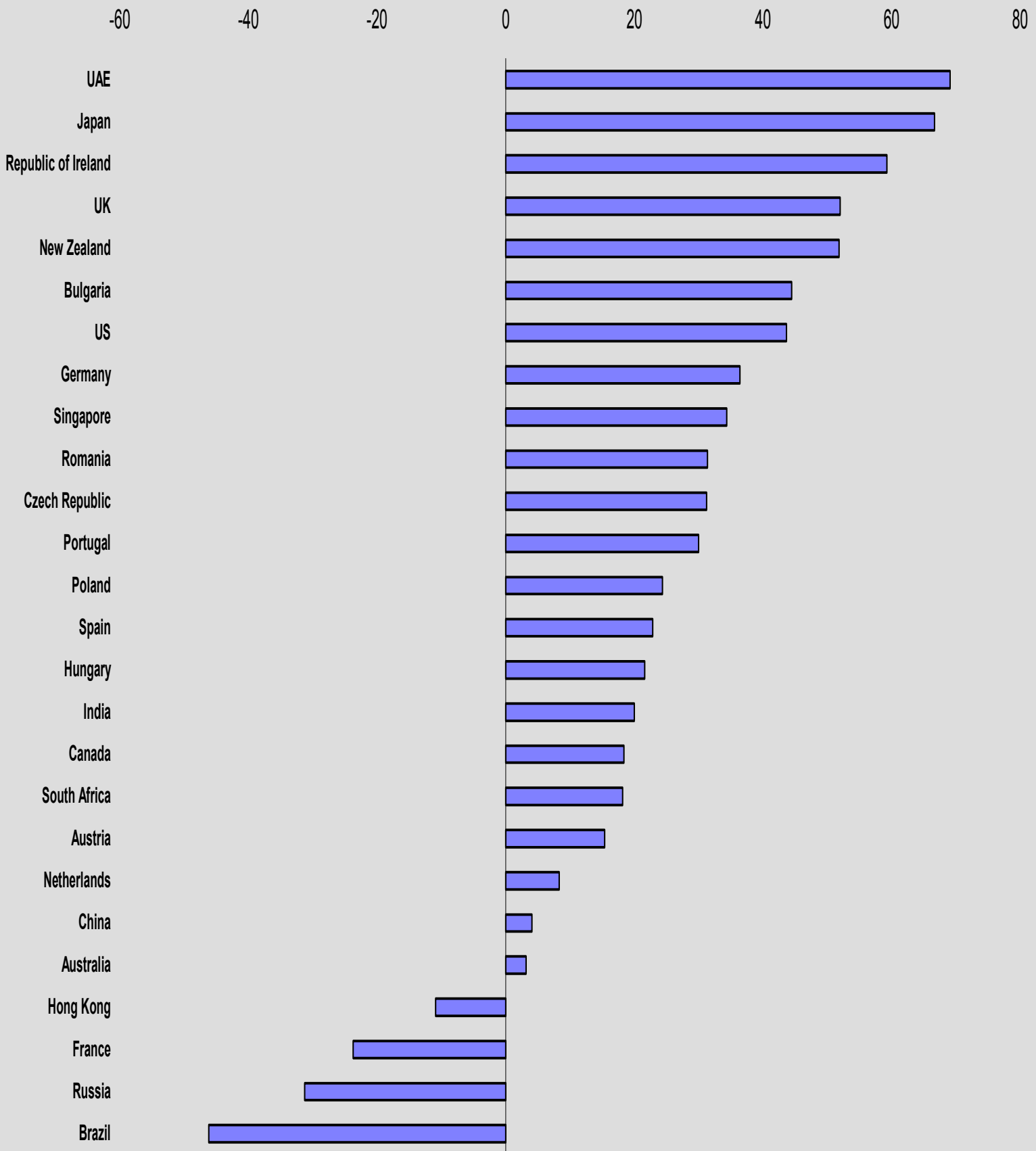
Occupier Sentiment Index and Investment Sentiment Index



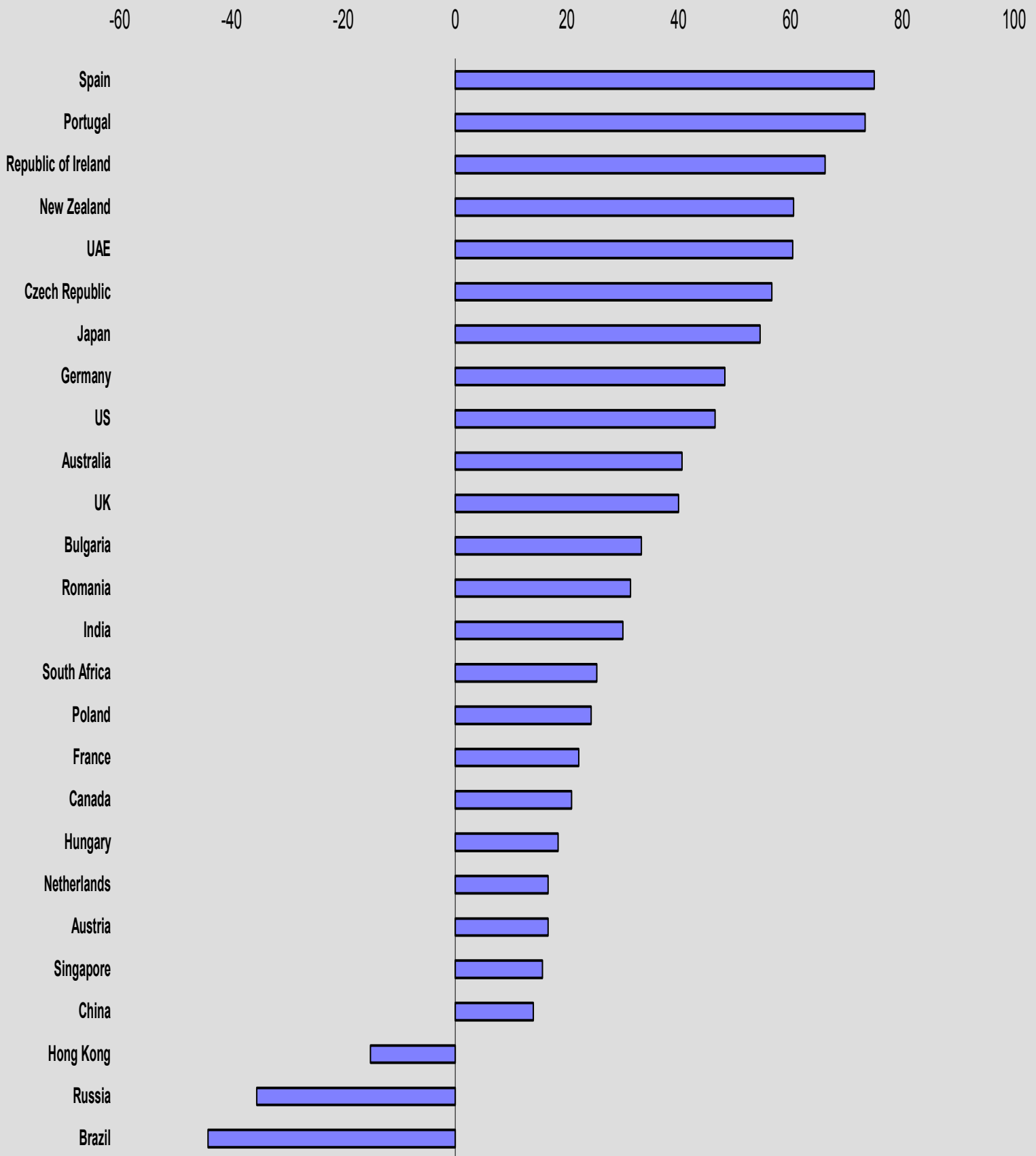
Twelve Month Rent and Capital Value Expectations (net balance %)



Tenant Demand — change with preceding quarter (net balance %)



Investment Transactions — expectations for next quarter (net balance %)



### RICS Global Commercial Property Monitor

The RICS Global Commercial Property Monitor is a quarterly guide to the trends in the commercial property investment and occupier markets.

The Global Commercial Property Monitor is available from the RICS web site [www.rics.org/economics](http://www.rics.org/economics) along with other surveys covering the housing market, residential lettings, commercial property, construction activity, the farmland market and arts and antiques.

### Methodology

Survey questionnaires were sent out on the 6th March with responses received until 4th April. Respondents were asked to compare conditions over the latest three months with the previous three months. A total of 965 company responses were received, with 245 from the UK. Responses for Ireland were collated by 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. A positive net balance reading indicates an overall increase, a negative reading indicates an overall decline.

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### Contact details

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