



Q1 2018: Poland Commercial Property Monitor

Positive outlook for prime sub-sectors

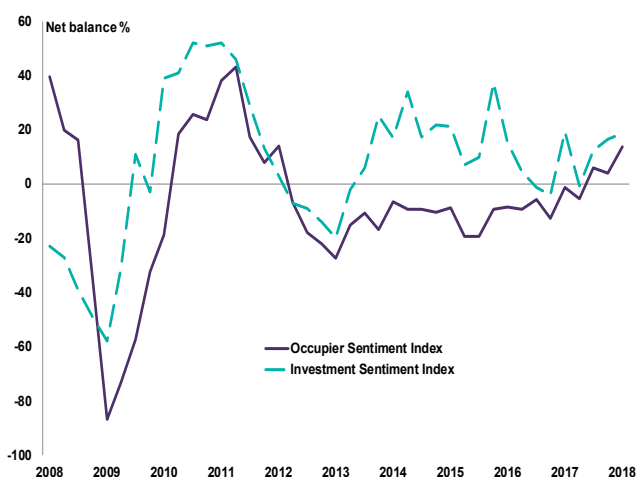
Occupier Market

- The Occupier Sentiment Index (a composite indicator capturing momentum) increased to +14 from +4 recorded previously, signalling an improvement in overall occupier market conditions.
- Occupier demand continued to rise at the headline level (in net balance terms) at the fastest quarterly pace in over five years. Breaking this down, demand growth accelerated in the office and industrial sectors but increased only marginally in retail.
- Still, respondents reported an increase in availability of leasable space in each area of the market. Landlords therefore continued to increase the value of incentive packages offered to tenants.
- Development starts continued to increase at the headline level albeit the pace of growth moderated from the previous report with respondents reporting a decline in activity in the retail sector.
- Rental expectations for the year ahead turned positive at an all sector level for the first time in nearly four years. This was mainly driven by contributors projecting a solid increase in prime office and industrial sub-sector over the next twelve months. The outlook for the secondary sub-markets is relatively more subdued, but less so in comparison to the previous few reports.

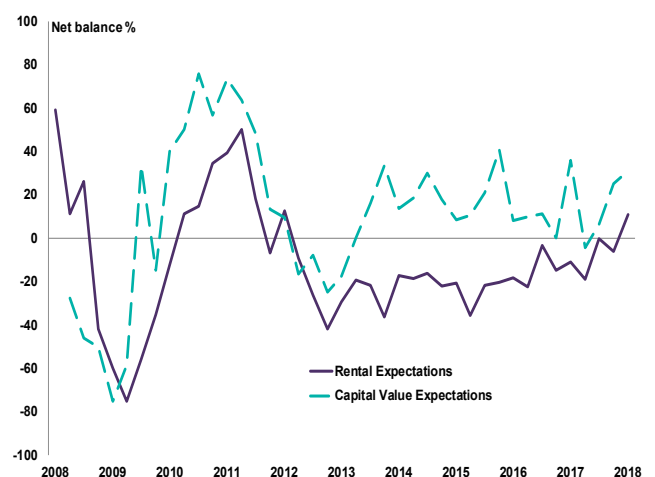
Investment Market

- The Investment Sentiment Index moved to +19 from +16 in Q4. As such, this measure is consistent with momentum slowly building across the investment market.
- Investment enquiries continued to rise at the headline level, with demand growth accelerating in the office and industrial sector. Meanwhile, demand from foreign investors increased at a similar pace to the previous quarter led by solid demand for industrial space.
- Availability of supply for investment purposes increased over the quarter, although supply availability remained unchanged in retail.
- Capital value expectations for the year ahead were revised up at an all sector level from the previous quarter. Capital values across all three prime sub-sector are expected to rise in the coming twelve months, led by solid growth for prime offices and industrials. In contrast, whilst the outlook for the secondary sub-sectors has improved from the previous report, contributors are still expecting a decline in capital values across the secondary markets in the coming year.
- About 44% of respondents believe that market conditions are in the early to middle stages of an upturn, whereas 36% sense the market is close to peaking.

Occupier and Investment Sentiment Index



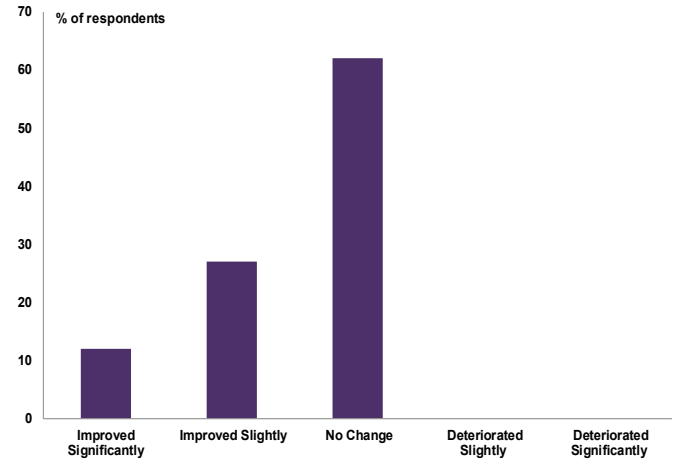
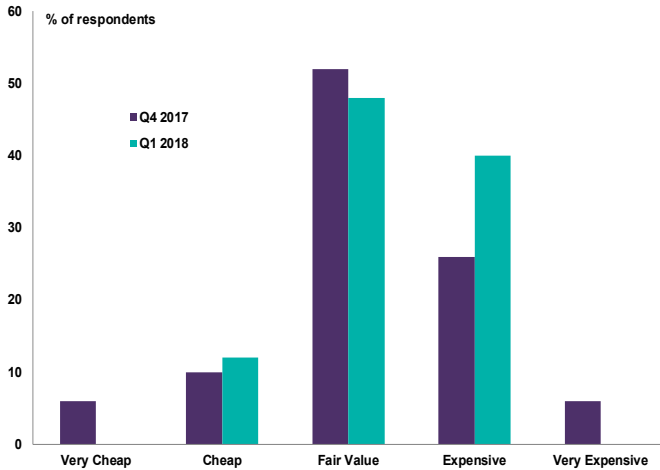
Rental and Capital Value Expectations



Commercial Property Market

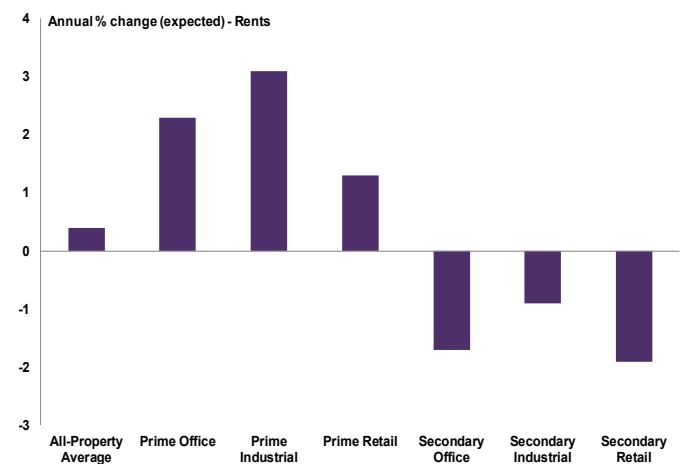
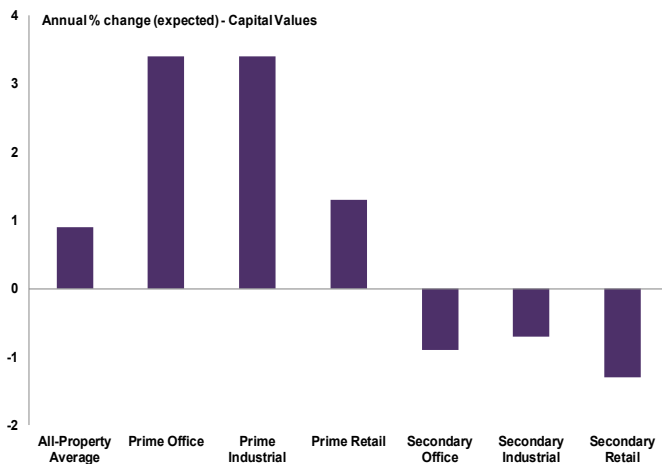
Market Valuations - The majority of respondents (60%) believe that market price are either at or below fair value, although the remaining 40% feel that the market is becoming expensive.

Credit Conditions - On balance, credit conditions eased during Q1 with 38% of respondents noting some degree of improvement.



12m Capital Value Expectations - Relative to Q4, capital value expectations were revised higher led by a solid outlook for the prime office and industrial sub-sectors. On the other hand, respondents still envisage a decline in capital values across the secondary markets in the coming year.

12m Rental Expectations - Average rental growth expectation were upgraded with the all sector property average turning positive. The prime sub-sectors are expected to see positive gains in rental values in the coming year, whilst projections remain subdued for the secondary markets.



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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