Q3 2018: Poland Commercial Property Monitor

Robust demand across the office and industial sectors

A solid demand backdrop in the Q3 2018 Poland Commercial Property Monitor proved to be the driving force behind positive momentum across the occupier and investment markets. Indeed, the resilience of the Polish economy in the face of decelerating European growth has been underpinned by robust consumer spending. This should support activity over the coming quarters. Projections for rental and capital values over the coming year remain positive, with prime office and industrial sectors expected to see the strongest gains.

Occupier Market

- The Occupier Sentiment Index (a combined measure of occupier market indicators displayed in chart 1 overleaf) registered a reading of +17 in Q3. Although this is not far from the +16 reading in Q2, it still represents an improvement in occupier market fundamentals. Significantly, this indicator suggests that market sentiment is now stronger than any other point since 2011.
- Occupier demand continued to rise at a headline level with robust growth reported across the office and industrial sectors. Tenant interest for retail space was modest in comparison, but demand growth, in net balance terms, has picked up in even this area over the last two quarters.
- Alongside this, the availability of leasable space was unchanged in Q3 marking the first time in six years where supply hasn't reportedly risen. Meanwhile, there was a modest rise in the value of incentive packages offered to tenants.
- Rent expectations for the coming year were broadly unchanged from the previous quarter (chart 6). That said, contributors did revise up their projections for prime office rental values. Alongside this, outlook for prime industrial sub-market remains solid. Meanwhile, projections for all other markets are modest in comparison with secondary retail rental values expected to come under further downward pressure in the coming year.
- Chart 4 shows that, on balance, contributors reported a modest improvement in credit conditions in Q3.

Investment Market

- The Investment Sentiment Index (a composite indicator incorporating a range of investment market variables shown on chart 1) came in at +17 in Q3, broadly unchanged from +18 in Q2. This is consistent with a modest improvement in investment market fundamentals over the quarter.
- Headline investment enquiries continued to rise firmly in Q3. The sector breakdown shows that this was mainly driven by a solid rise in demand across the office and industrial sectors whilst investor interest declined in the retail portion of the market. Foreign investment enquiries also increased in office and industrial sectors but slipped marginally for retail space.
- The availability of supply for investment purposes increased modestly over the quarter.
- Contributors left capital value expectations for the coming year unaltered compared to the previous report (chart 5). Solid growth is still projected across the prime assets with the prime industrial sector expected to post the strongest capital value gains over the coming year. Virtually no change in capital values is projected across the secondary office and industrial sub-sectors whilst capital value are expected to decline in the secondary retail sub-market.
- Although the majority of respondents (47%) believe that the market is in the peak phases of the property cycle, 23% still see the market as still in the growth phases.
- Despite this, 85% of the survey's contributors believe that commercial property prices are either at or below fair value (chart 4).

Commercial Property Market

Chart 1: Occupier, Investment Sentiment Indicies

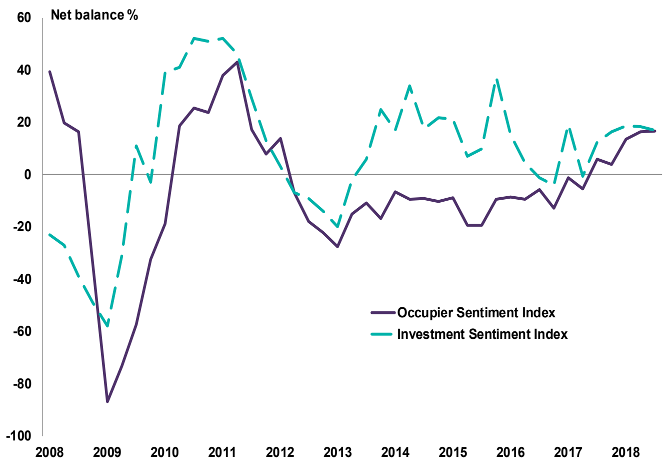


Chart 2: 3-month Rents, Capital Values

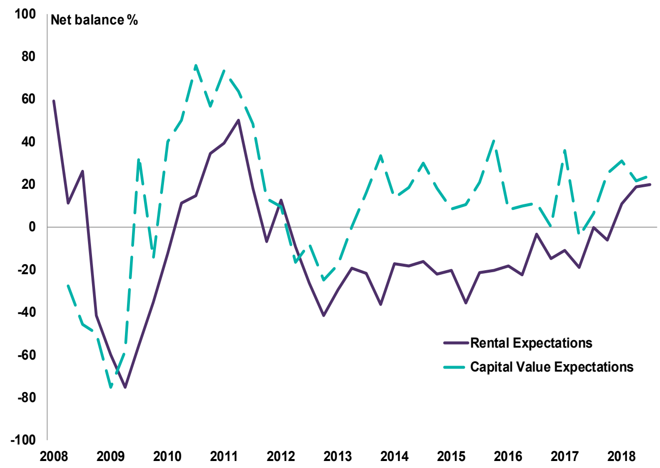


Chart 3: Credit Conditions

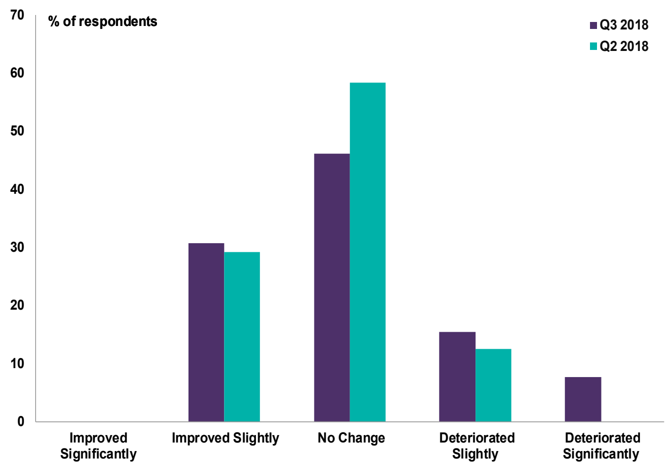


Chart 4: Valuations

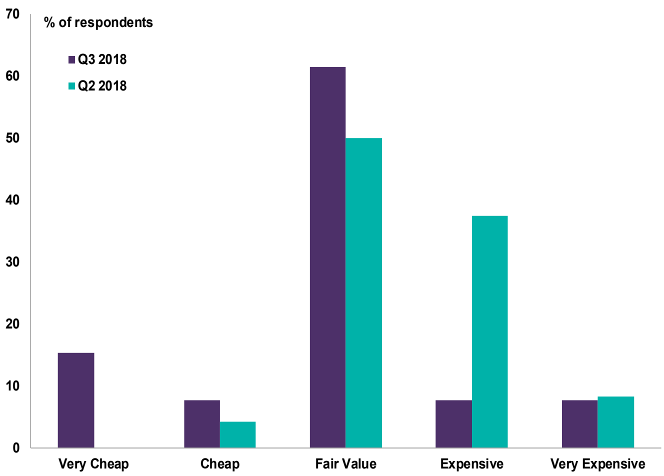


Chart 5: 12-month Capital Values Forecast

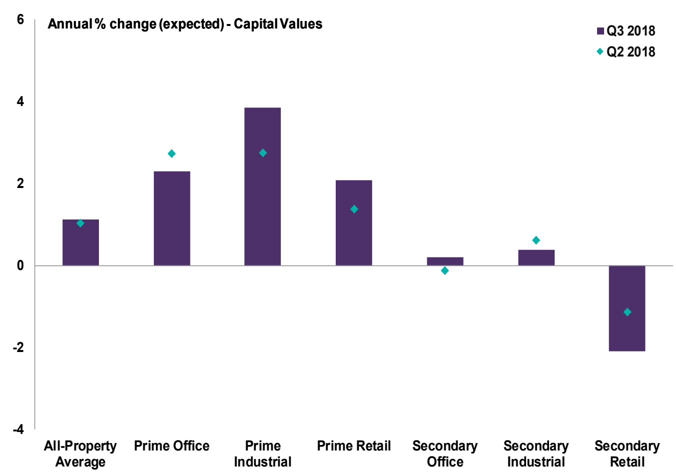
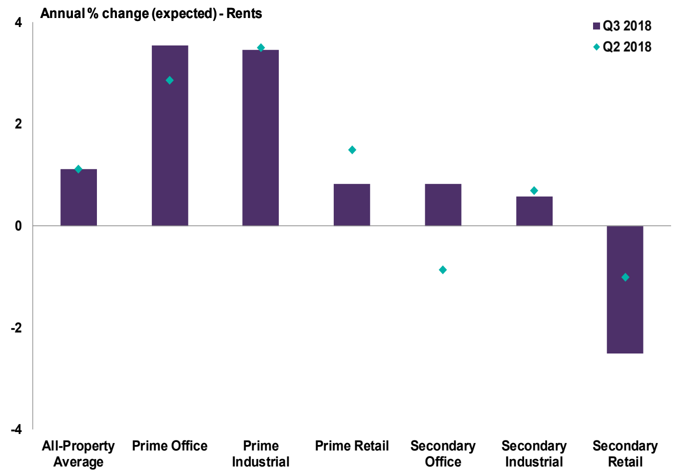


Chart 6: 12-month Rent Forecast



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 September 2018 with responses received until 14 October 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 1791 company responses were received, with 341 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 for Malaysia were collated in conjunction with the Royal Institution of Surveyors Malaysia.

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**

Disclaimer

Economics Team

Tarrant Parsons

Economist

+44(0)20 7695 1585

tparsons@rics.org

Sean Ellison

Senior Economist

+65 68128179

sellison@rics.org

Simon Rubinsohn

Chief Economist

+44(0)20 7334 3774

srubinsohn@rics.org

Jeffrey Matsu

Senior Economist

+44(0)20 7695 1644

jmatsu@rics.org

Kisa Zehra

Economist

+44(0) 7695 1675

kzehra@rics.org

Janet Guilfoyle

Market Surveys Administrator

+44(0)20 7334 3890

jguilfoyle@rics.org

Confidence through professional standards

RICS promotes and enforces the highest professional qualifications and standards in the valuation, development and management of land, real estate, construction and infrastructure. Our name promises the consistent delivery of standards – bringing confidence to markets and effecting positive change in the built and natural environments.

Americas

Latin America
ricsamericalatina@rics.org

North America
ricsamericas@rics.org

Asia Pacific

ASEAN
ricsasean@rics.org

Greater China (Hong Kong)
ricshk@rics.org

Greater China (Shanghai)
ricschina@rics.org

Japan
ricsjapan@rics.org

Oceania
oceania@rics.org

South Asia
ricsindia@rics.org

EMEA

Africa
ricsafrica@rics.org

Europe
ricseurope@rics.org

Ireland
ricsireland@rics.org

Middle East
ricsmiddleeast@rics.org

United Kingdom RICS HQ
contactrics@rics.org