



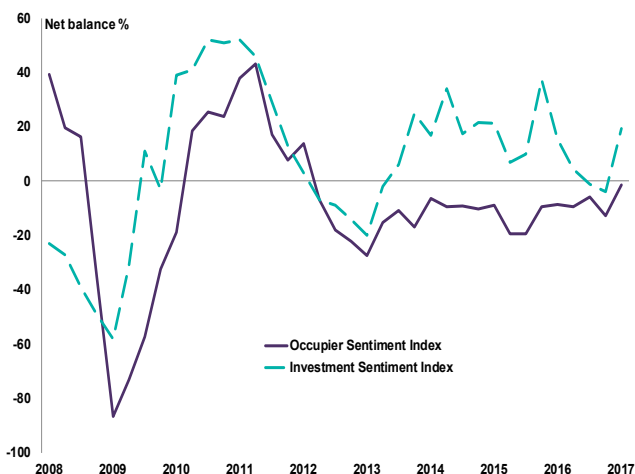
Q1 2017: Poland Commercial Property Monitor

Sentiment stabilises across the occupier market

Occupier Market

- The Q1 2017 results signal an acceleration in occupier demand growth across all areas of the market, with the headline reading indicating the firmest pace of growth since the end of 2015.
- Nevertheless, availability of leasable space continued to rise in each sector, with the office segment again posting the most significant quarterly pick-up (in net balance terms). The value of landlord incentive packages increased once more, albeit at the slowest pace since 2013.
- New commercial construction activity posted another strong quarterly rise, again led by developments in the office sector. Meanwhile, new development starts rose at the fastest pace since 2008 in the industrial sector.
- Over the next twelve months, the prime industrial and retail markets are the only categories expected to see positive rental growth. The outlook is now broadly flat for prime office space, although rents are expected to decline across all sectors in secondary locations.
- The Occupier Sentiment Index (a composite measure capturing overall momentum) moved into broadly neutral territory, at -1. This thereby represent the first occasion since 2012 in which conditions have not reportedly deteriorated. Even so, the measure is consistent with stable occupier market dynamics, rather than an outright improvement as yet.

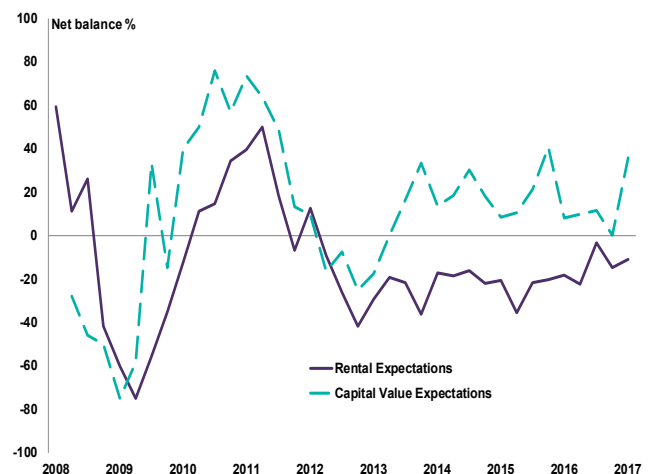
Occupier and Investment Sentiment Index



Investment Market

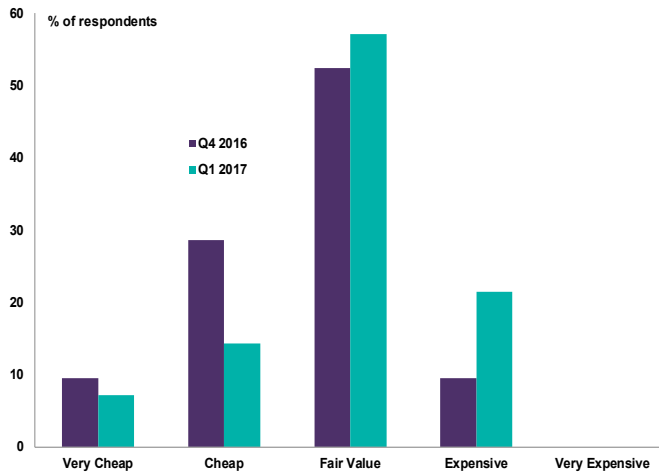
- Following a modest decline reported in the closing quarter of 2016, investment enquiries returned to growth during Q1. Indeed, demand rose at a solid pace across all areas of the market, with growth evenly spread between sectors. What's more, foreign investment enquiries also rose firmly across the board.
- The supply of property for sale on the market increased modestly in the industrial and retail arenas, and a slightly stronger pace in the office sector.
- Twelve month capital value expectations were revised significantly higher (relative to Q4) in all prime sub-sectors, with prime retail and industrial assets projected to post the strongest gains. Conversely, capital values are anticipated to come under downward pressure in all secondary markets over the coming year.
- A combined 57% of respondents sense conditions in their local market are consistent with some stage of an upturn at present. Last quarter, 42% felt the market was in the downturn phase.
- The Investment Sentiment Index climbed to +19 (from -4 in Q4.) Marking the strongest reading since the end of 2015. This suggests momentum is now building again across the investment market, following a period of stagnation through much of last year.

Rental and Capital Value Expectations

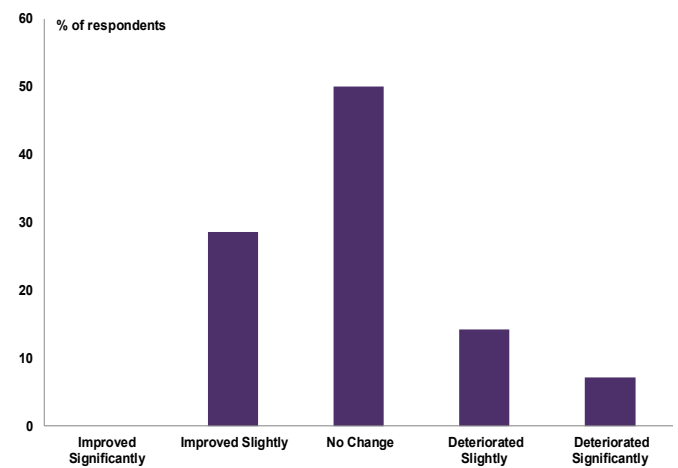


Commercial Property Market

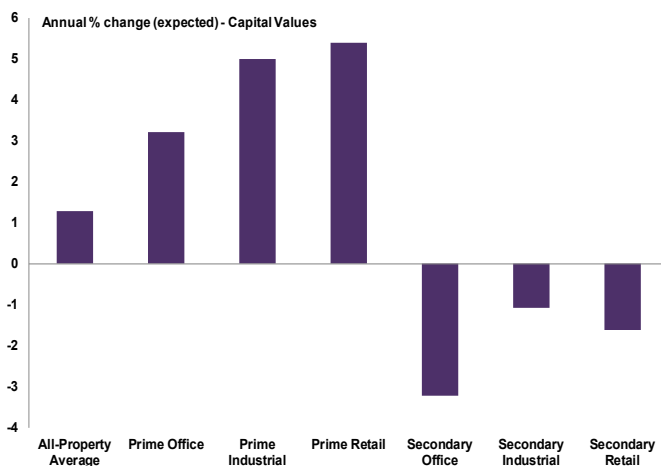
Market Valuations - A strong majority of respondents (79%) view commercial real estate to be either at or below fair value, albeit there was a slight increase in the share of contributors sensing valuations were becoming slightly stretched (from 10% to 21%).



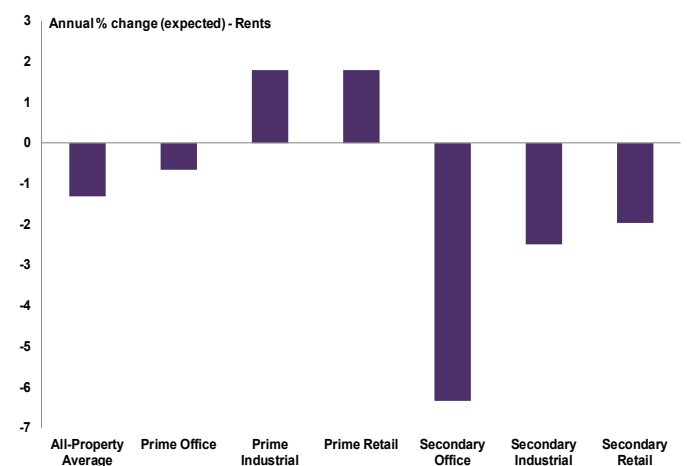
Credit Conditions - On balance, credit conditions reportedly improved very slightly during Q1. This follows two consecutive quarters in which financial conditions deteriorated somewhat.



12m Capital Value Expectations - Strong capital value growth is expected across all prime markets over the year ahead. The outlook is broadly flat across secondary counterparts, although office values are expected to slip further.



12m Rental Expectations - Secondary office rents continue to display firmly negative projections given the sharp rise in availability over recent years. At the other end of the scale, prime industrial and retail rental expectations moved further into positive territory.



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 2017 with responses received until 7 April 2017. 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 1699 company responses were received, with 362 from the UK. Responses for Ireland were collated in conjunction with 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.

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

This document is intended as a means for debate and discussion and should not be relied on as legal or professional advice. Whilst every reasonable effort has been made to ensure the accuracy of the contents, no warranty is made with regard to that content. Data, information or any other material may not be accurate and there may be other more recent material elsewhere. RICS will have no responsibility for any errors or omissions. RICS recommends you seek professional, legal or technical advice where necessary. RICS cannot accept any liability for any loss or damage suffered by any person as a result of the editorial content, or by any person acting or refraining to act as a result of the material included.

Economics Team

Janet Guilfoyle

Market Surveys Administrator

+44(0)20 7334 3890

jguilfoyle@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

Sean Ellison

Senior Economist

+65 68128179

sellison@rics.org

Tarrant Parsons

Economist

+44(0)20 7695 1585

tparsons@rics.org

Kisa Zehra

Economist

+44(0) 7695 1675

kzehra@rics.org



Confidence through professional standards

RICS promotes and enforces the highest professional qualifications and standards in the development and management of land, real estate, construction and infrastructure. Our name promises the consistent delivery of standards – bringing confidence to the markets we serve.

We accredit 118,000 professionals and any individual or firm registered with RICS is subject to our quality assurance. Their expertise covers property, asset valuation and real estate management; the costing and leadership of construction projects; the development of infrastructure; and the management of natural resources, such as mining, farms and woodland. From environmental assessments and building controls to negotiating land rights in an emerging economy; if our members are involved the same professional standards and ethics apply.

We believe that standards underpin effective markets. With up to seventy per cent of the world's wealth bound up in land and real estate, our sector is vital to economic development, helping to support stable, sustainable investment and growth around the globe.

With offices covering the major political and financial centres of the world, our market presence means we are ideally placed to influence policy and embed professional standards. We work at a cross-governmental level, delivering international standards that will support a safe and vibrant marketplace in land, real estate, construction and infrastructure, for the benefit of all.

We are proud of our reputation and we guard it fiercely, so clients who work with an RICS professional can have confidence in the quality and ethics of the services they receive.

United Kingdom RICS HQ
Parliament Square, London
SW1P 3AD United Kingdom
t +44 (0)24 7686 8555
f +44 (0)20 7334 3811
contactrics@rics.org
Media enquiries
pressoffice@rics.org

Ireland
38 Merrion Square, Dublin 2,
Ireland
t +353 1 644 5500
f +353 1 661 1797
ricsireland@rics.org

Europe
(excluding UK and Ireland)
Rue Ducale 67,
1000 Brussels,
Belgium
t +32 2 733 10 19
f +32 2 742 97 48
ricseurope@rics.org

Middle East
Office G14, Block 3,
Knowledge Village,
Dubai, United Arab Emirates
t +971 4 446 2808
f +971 4 427 2498
ricsmenea@rics.org

Africa
PO Box 3400,
Witkoppen 2068,
South Africa
t +27 11 467 2857
f +27 86 514 0655
ricsafrica@rics.org

Americas
One Grand Central Place,
60 East 42nd Street, Suite 2810,
New York 10165 – 2811, USA
t +1 212 847 7400
f +1 212 847 7401
ricsamericas@rics.org

South America
Rua Maranhão, 584 – cj 104,
São Paulo – SP, Brasil
t +55 11 2925 0068
ricsbrasil@rics.org

Oceania
Suite 1, Level 9,
1 Castlereagh Street,
Sydney NSW 2000, Australia
t +61 2 9216 2333
f +61 2 9232 5591
info@rics.org

North Asia
3707 Hopewell Centre,
183 Queen's Road East
Wanchai, Hong Kong
t +852 2537 7117
f +852 2537 2756
ricsasia@rics.org

ASEAN
10 Anson Road,
#06-22 International Plaza,
Singapore 079903
t +65 6635 4242
f +65 6635 4244
ricssingapore@rics.org

Japan
Level 14 Hibiya Central Building,
1-2-9 Nishi Shimbashi Minato-Ku,
Tokyo 105-0003, Japan
t +81 3 5532 8813
f +81 3 5532 8814
ricsjapan@rics.org

South Asia
48 & 49 Centrum Plaza,
Sector Road, Sector 53,
Gurgaon – 122002, India
t +91 124 459 5400
f +91 124 459 5402
ricsindia@rics.org