



## Q1 2015: Poland Commercial Property Monitor

# Demand remains firm although oversupply in office sector expected to pull down rents

### Key macroeconomic trends

Polish GDP increased at a healthy average annual rate of 3.3% during 2014, despite a slightly weaker patch around the autumn. In March, the central bank (NPB) cut interest rates to a record low of 1.5% to curb deflation and to prevent excessive zloty gains against the weakening euro. However, the NPB also called an end to the easing cycle barring any negative surprises to inflation or growth. On the growth front, strong consumer spending will be underpinned by falling energy and food prices alongside the improving labour market. What's more, as Poland is a net importer of energy commodities, the dip in prices will improve terms of trade and this will also boost economic activity. In addition, robust business investment should make a solid contribution to GDP growth over the year. The upbeat macro outlook is in line with strong investor confidence in the commercial property market, as found in the Q1 RICS results. Meanwhile, the slightly negative tone to the occupier market is more a result of rising supply, as opposed to weak demand.

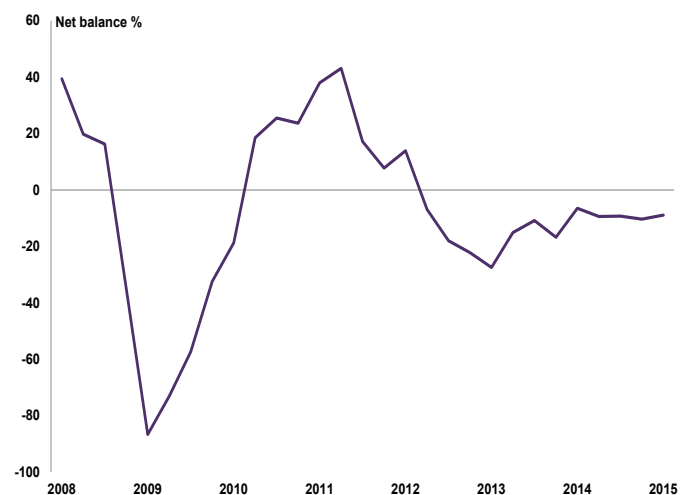
### Occupier market

- The Occupier Sentiment Index remains marginally negative at -9, in keeping with readings posted in each of the last five quarters.
- Nevertheless, occupier demand increased across each area of the market, with the scale of improvement broadly consistent within each sector.
- However, growth in demand failed to keep pace with the increase in availability at the headline level, with space in the office sector once again rising steeply.
- Subsequently, rents are expected to fall materially in the office segment and marginally for retail space in the near term. By way of contrast, rents are projected to edge up in the industrial sector.

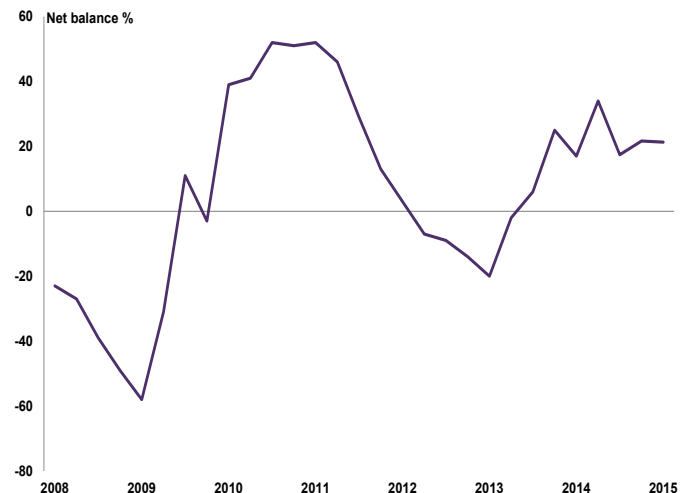
### Investment market

- The Investment Sentiment Index came in at +21 in Q1, marking the seventh quarter in succession in which a positive reading has been posted.
- Investment enquiries increased materially across the board, as did interest from foreign investors.
- The supply of property for sale grew marginally, although remained unchanged in the retail sector.
- Twelve month capital values expectations point to price growth across all prime subsectors, while values in the secondary office sector are projected to see the biggest decline.
- A combined 92% of respondents believe current market valuations are either at or below fair value.

Occupier Sentiment Index

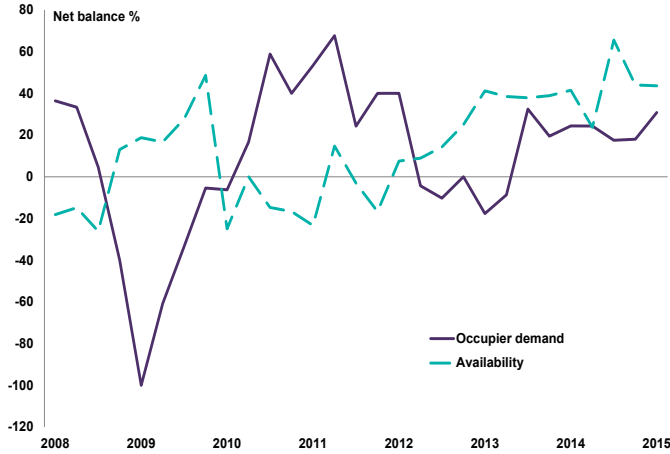


Investment Sentiment Index

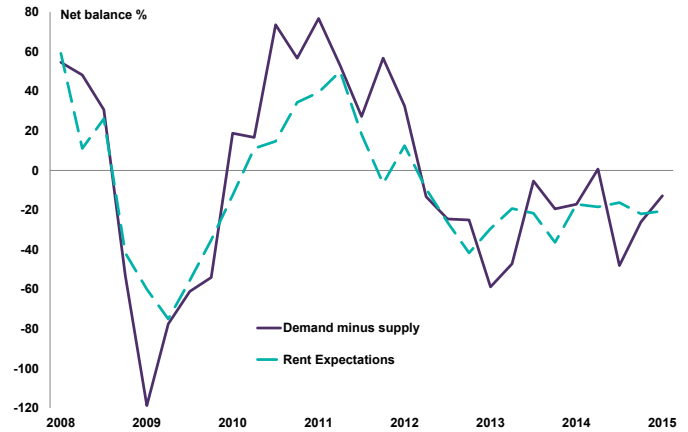


# Commercial Property Market

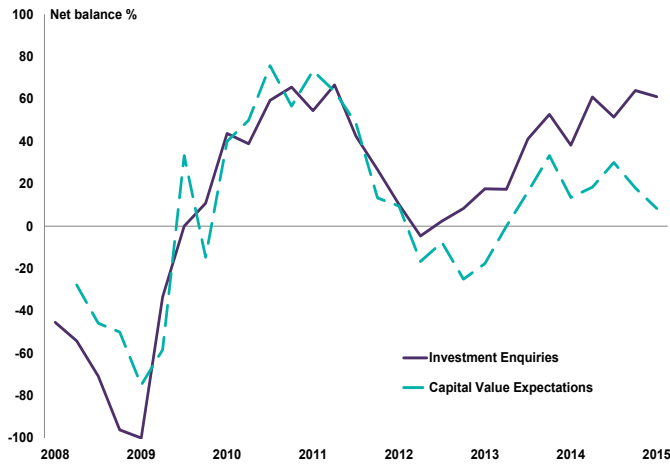
Occupier Demand and Available Space - Although occupier demand is rising, it has failed to match the pace of supply growth in each of the past three quarters.



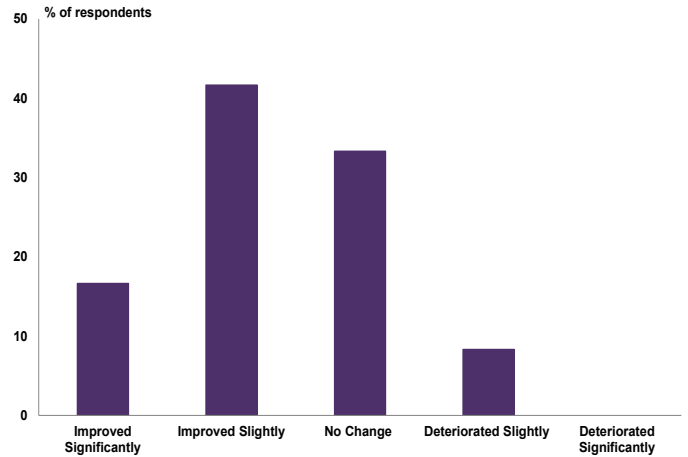
3 Month Rental Expectations - With supply outweighing demand, rents are being suppressed and subsequently expected to decline, albeit marginally, over the next three months.



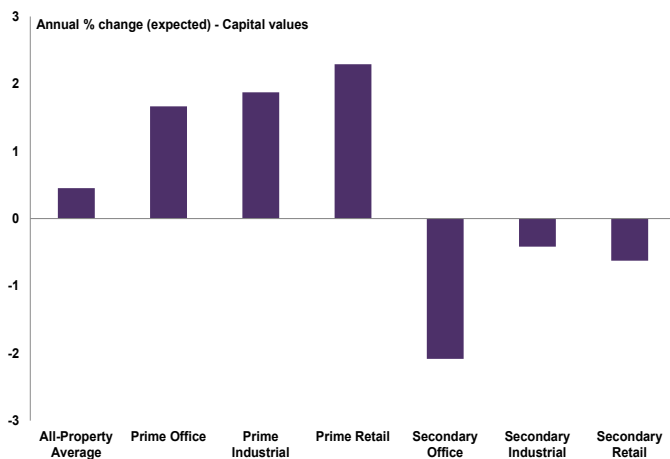
3 Month Capital Value Expectations - Surprisingly, investment enquiries continue to build at a healthy pace, while capital value expectations have moderated, largely driven by the office sector.



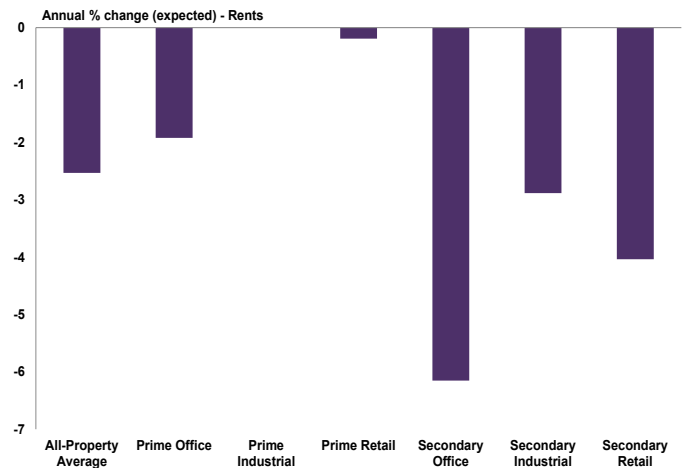
Credit Conditions - 59% of respondents to the survey reported an improvement in credit conditions over the quarter, while 33% stated there had been no change.



12 Month Capital Value Expectations - Prime commercial property markets are expected to post modest price gains while secondary units, offices in particular, are projected to see declines.



12 Month Rent Expectations - While prime industrial and retail rents are anticipated to hold broadly stable over the year ahead, rental values in all other subcategories are expected to decline.



# 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 Global Commercial Property Monitor is available from the RICS website [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 9th March 2015 with responses received until 2nd April 2015. Respondents were asked to compare conditions over the latest three months with the previous three months. A total of 1240 company responses were received, with 253 from the UK. Responses for Ireland were collated in conjunction with 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.

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 distressed properties.

## Contact details

This publication has been produced by RICS. For all economic enquiries, including participation in the monitor please contact: [economics@rics.org](mailto:economics@rics.org)

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