



## Q4 2015: Poland Commercial Property Monitor

# Capital value expectations strengthen although rental outlook remains negative

### Key macroeconomic trends

Economic growth in Poland has been robust, with GDP set to have increased by around 3.5% in 2015. Domestic demand has been the key driver of the expansion, fuelled by rising employment, strong real wage increases and improving financial conditions - all of which are likely to continue over 2016. Moreover, business confidence remains high and should lead to further strong growth in gross fixed capital formation following increases of roughly 10% and 7% in 2014 and 2015, respectively. One downside, however, may come from imports rising at a slightly faster pace than exports on account of the strength of domestic demand. As such, net trade may weigh on GDP modestly going forward. Nevertheless, the Polish economy continues to follow a consistently solid growth path and this is supporting upbeat sentiment on the investment side of the commercial real estate market. On the occupier side, although strong labour market improvements and firm job creation are driving occupier demand, the rapid growth in availability means rents are expected to remain under pressure for the time being.

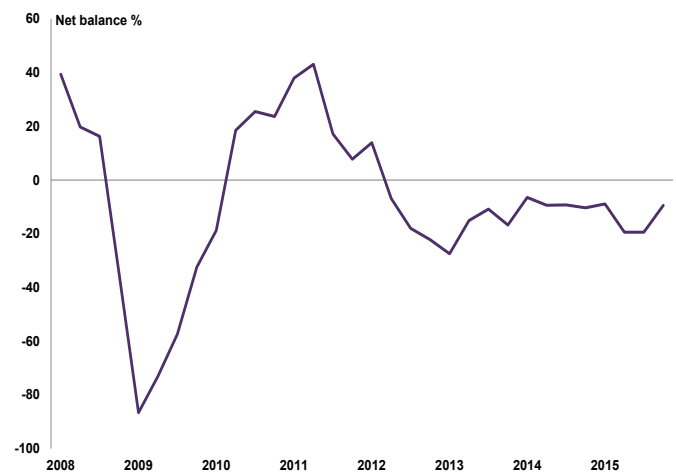
### Occupier Market

- The Occupier Sentiment Index remained in negative territory, although to a lesser extent than previously, coming in at -9.
- Nevertheless, occupier demand growth accelerated notably over the quarter, with each sector seeing a solid increase in tenant demand, led by offices.
- Availability continued to rise sharply with the office sector seeing the greatest uptick. As a result, the value of landlord incentive packages increased in all areas of the market.
- Against this backdrop of supply growth outstripping that of demand, rents are expected to fall across the majority of sectors over the next twelve months, albeit prime retail space may post marginal gains.

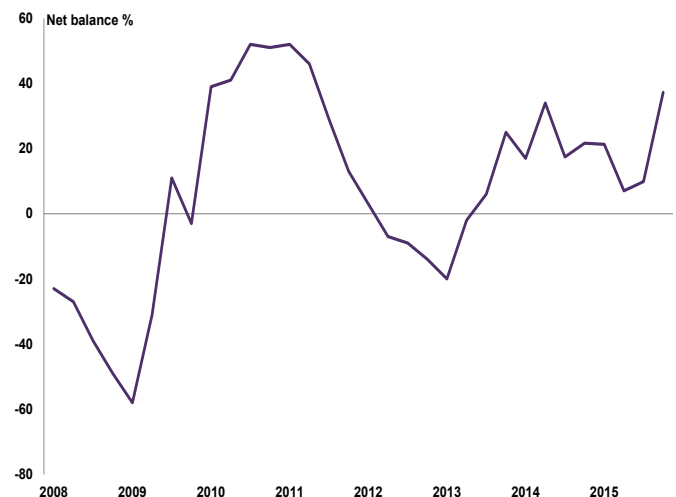
### Investment Market

- The Investment Sentiment Index climbed to +37, the highest reading since 2011 and signalling a sharp rate of improvement in overall investment market dynamics.
- Investment enquiries rose across the board, with demand increasing smartly from both domestic and foreign investors.
- The supply of property for sale fell in the industrial and retail areas of the market but increased marginally in the office sector.
- Twelve month capital value expectations returned to positive territory, with prime locations across all sectors now projected to see price growth.

### Occupier Sentiment Index

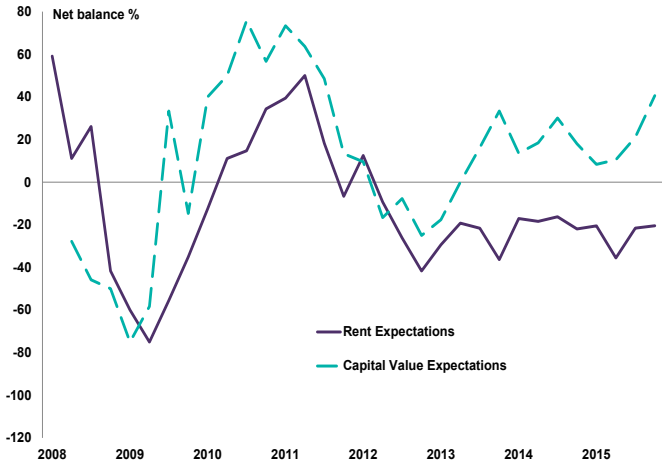


### Investment Sentiment Index

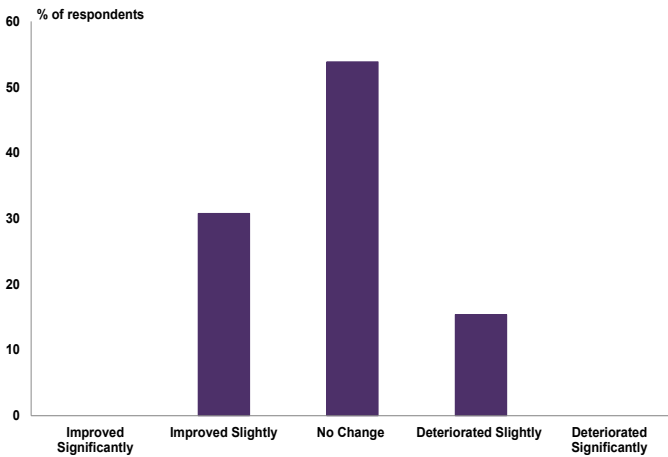


# Commercial Property Market

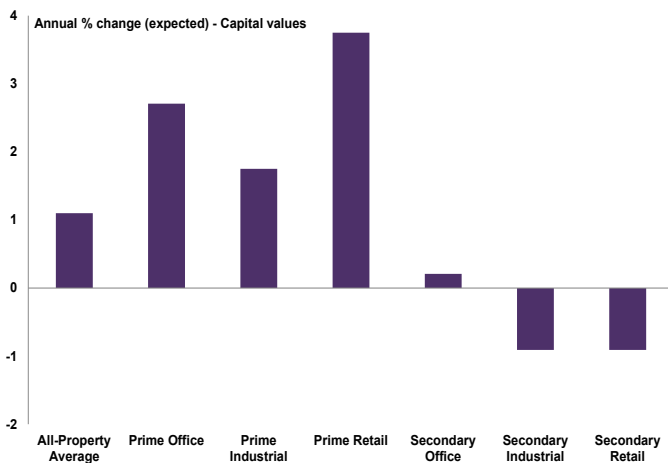
3 Month Rental and Capital Value Expectations - The excess supply of space available for occupancy continues to weigh on near term rent expectations.



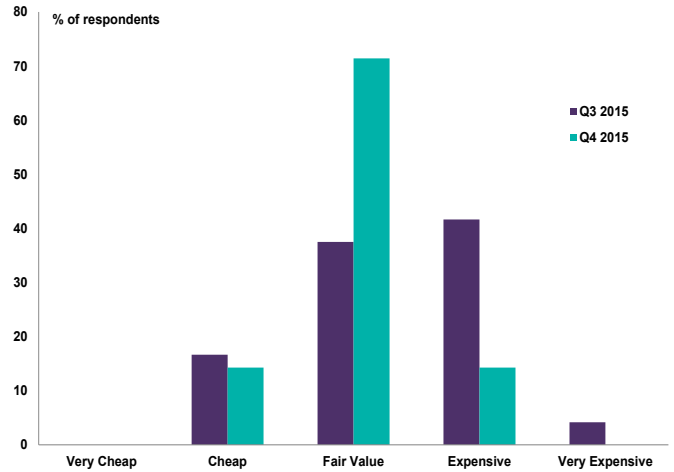
Credit Conditions - On balance, credit conditions reportedly improved slightly over the quarter although some respondents notice more challenging access to finance.



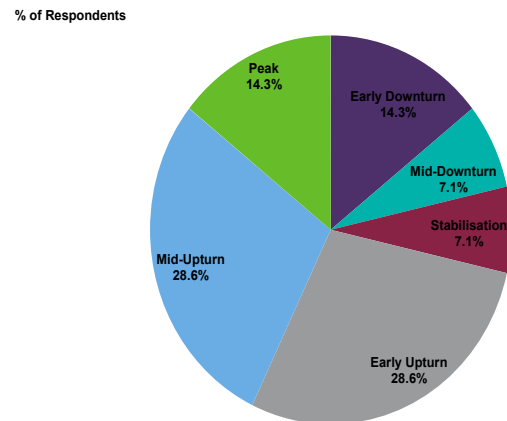
12 Month Capital Value Expectations - All prime areas of the market are projected to post capital value gains over the year ahead, while much weaker expectations were returned for secondary assets.



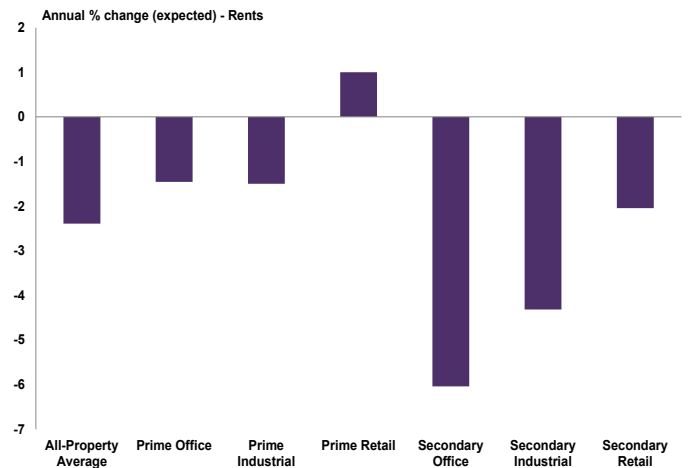
Market Valuations - A significant 86% of respondents sense commercial real estate to be either at or below fair value at present, a notable increase from the 58% who were of this opinion in Q3.



Property Cycle - Around 60% of contributors in total sense their local market is currently in the early to mid upturn stage of the property cycle.



12 Month Rent Expectations - Prime retail rents are projected to see a small increase over the next twelve months while the outlook remains negative across all other sub-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 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 and the rural land market.

## Methodology

Survey questionnaires were sent out on 1 December 2015 with responses received until 7 January 2016. 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 1288 company responses were received, with 291 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](mailto:economics@rics.org)

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