



Q1 2016: Poland Commercial Property Monitor

Expectations for capital growth turn negative for the year ahead

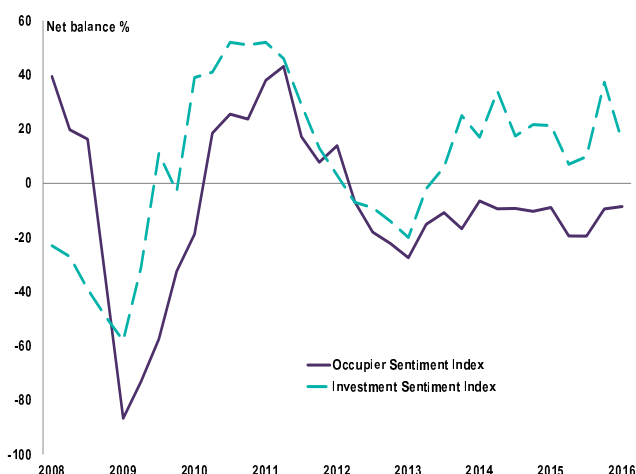
Occupier Market

- Tenant demand rose in all sectors in Q1 with demand for retail space rising more moderately than the other parts of the market.
- The supply of leaseable rose in the office and retail segments while in the industrial sector it remained broadly unchanged relative to Q4 last year.
- With supply rising at a faster pace than demand in the office and retail sectors, rents are expected to decrease over the coming three months. Meanwhile in the industrial sector, rents are envisaged remaining broadly flat.
- This continued increase in supply and the relatively sluggish economic backdrop led landlords to increase the value of incentive packages on offer to tenants.
- At the twelve month horizon, respondents foresee rental values falling by 1.9%, at the headline level, with all parts of the market seeing some decline.
- The RICS Occupier Sentiment Index remained unchanged over the quarter with a reading of -9%.

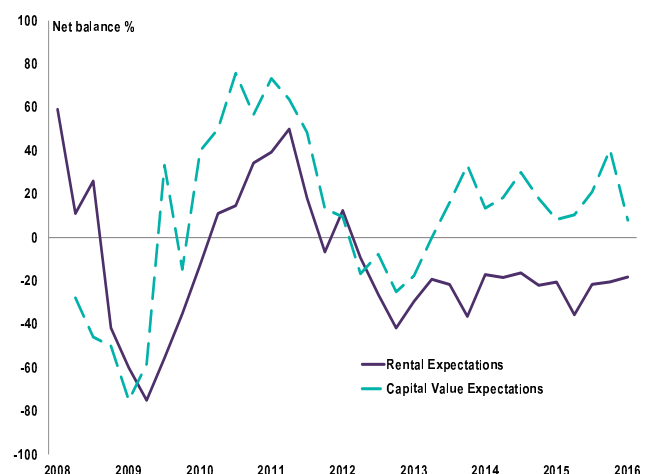
Investment Market

- Investor demand rose strongly across all sectors with demand from foreign buyers also rising firmly.
- The supply of properties for sale increased in the office and industrial components while in the retail sector no change was reported.
- A net balance of 22% of contributors reported credit conditions to have deteriorated over the quarter and expectations for near term capital growth have moderated substantially; 8% more surveyors now expect to see a rise rather than a fall over the coming three months. This compares to 41% in Q4 last year.
- Expectations for capital growth over the coming twelve months have now turned negative with respondents, on average, forecasting prices to fall by 1% over the year to come.
- The less optimistic near term outlook led to a moderation in the RICS Investment Sentiment Index, which fell to 15% in Q1 from 37% previously.

Occupier and Investment Sentiment Index

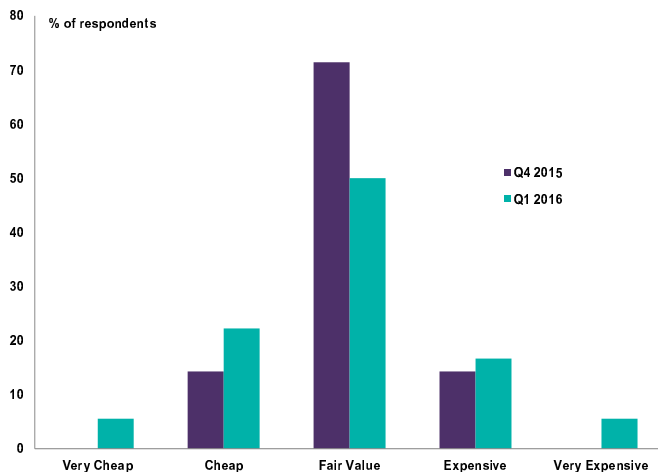


Rental and Capital Value Expectations

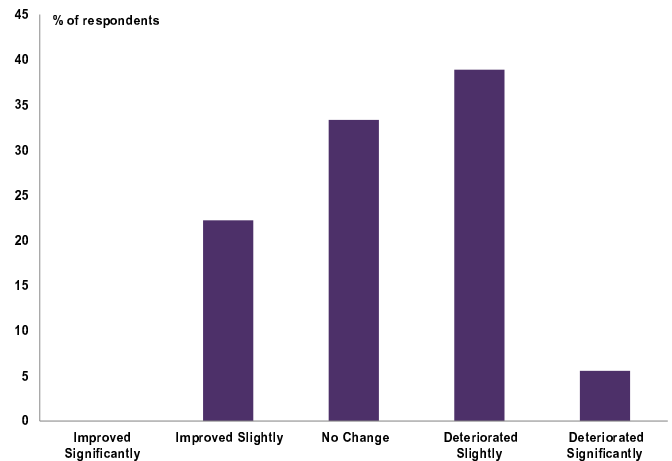


Commercial Property Market

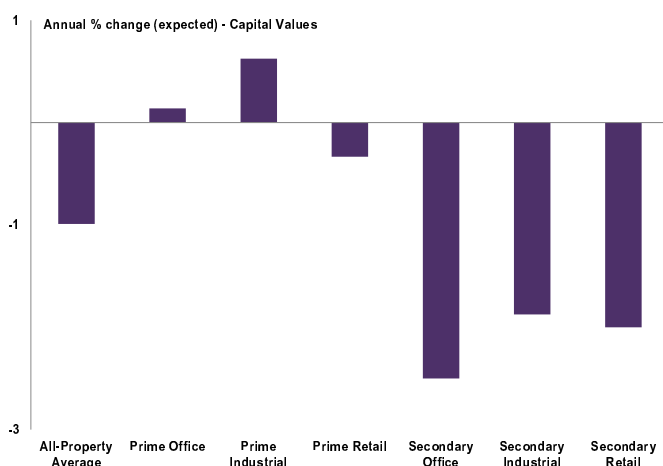
Market Valuations - Half of contributors think that current capital values are broadly fair relative to fundamentals, with the remainder divided as to whether their local markets are under or overvalued.



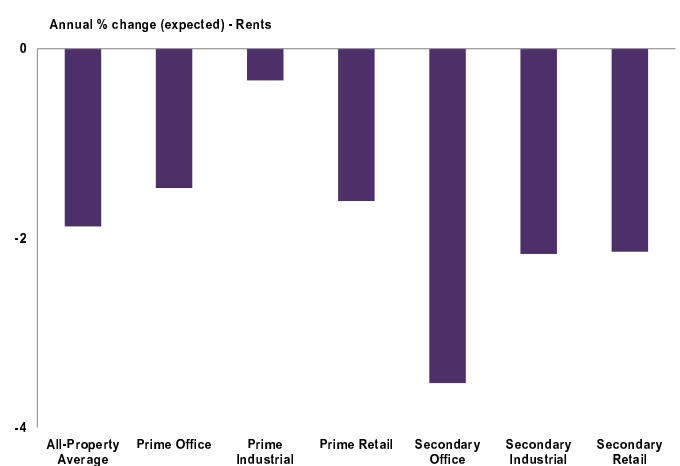
Credit Conditions - 22% more surveyors reported a deterioration in credit conditions rather than an improvement, relative to Q4 last year.



12m Capital Value Expectations - Respondents expect capital values to decline by 1%, at the headline level, with significant falls expected across the secondary sectors.



12m Rental Expectations - Rental values are forecast to decline in all segments of the market over the year to come and by 1.9% at the headline level.



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 15 March 2016 with responses received until 11 April 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 1575 company responses were received, with 303 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

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