

## Weaker economic picture takes its toll on real estate sentiment

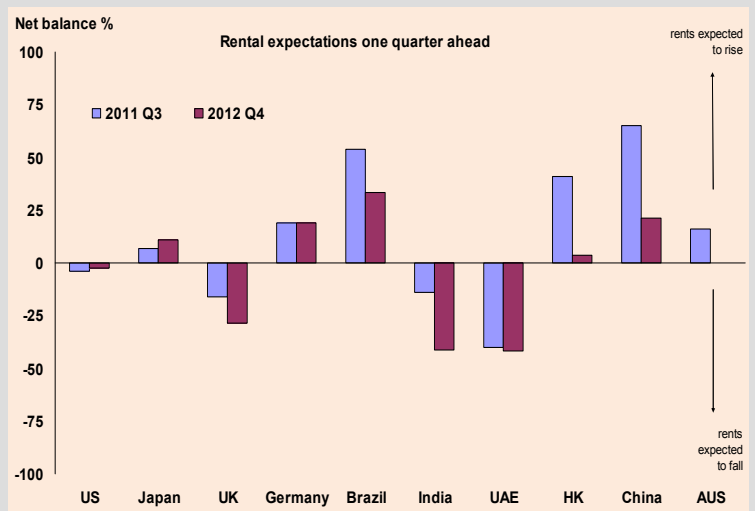
- **Negative macro news hits confidence in an increasing number of property markets**
- **However Canada, Brazil, Russia and China amongst others continue to buck the trend and record positive net balance readings**
- **Sentiment is most negative in Europe's periphery but Germany is still able to stand out from the crowd.**

The latest RICS Global Commercial Property Survey suggests that the weaker global economic climate in the final three months of last year has adversely affected confidence in the commercial real estate sector. This has been reflected in a downgrading of expectations in an increasing number of countries around the world.

The results show that the occupier side of the market is witnessing the biggest shift in sentiment which is broadly consistent with the more challenging macro environment. Even so, rent expectations still remain positive (more respondents expect rents to rise rather than fall) in eight of the countries surveyed. The strongest net balance reading was for Canada followed by Brazil, Russia and China. Germany was the one European country to buck the more generally downbeat picture with most of its neighbours predictably posting heavily negative numbers.

Joining the large number of European markets where the expectation is for rents to decline are a number of other countries including Singapore, India and the UAE. In the case of the former two, the net balance has been negative for the past two quarters suggesting that after strong rises in rents through 2010 and the first half of 2011, sentiment is pointing to a modest reverse in the trend.

The story in the UAE is clearly a little different but interestingly occupier demand appears to have been little different in the fourth compared with the third quarter and the rise in availability was less dramatic suggesting that the occupier market could be closer to stabilising.



In terms of the forward looking indicators for the investment market, Canada again fares particularly well in terms of both capital values and likely transaction activity. Brazil, Russia and China also all recorded net balances consistent with further increases in capital values while the US topped the tree for expected investment demand. Interestingly, Ireland followed not far behind with a net balance of +18 following a negative reading of -14 in the third quarter. This is consistent with other reports that the country has had increasing success in attracting inward investment.

Once again, the most negative view on the prospect for capital values is being expressed across much of Europe with Greece, Portugal and Italy recording the weakest results. Unsurprisingly, the same three countries also have the most negative net balances for new development starts.

On the other hand, new construction activity in the commercial sphere is expected to continue increasing in Brazil, Thailand, Japan and Canada amongst other countries. In China, the net balance reading for development starts is broadly consistent with a stable picture in the early part of 2012 despite a lot of the negative news flow surrounding developers in the residential space. Meanwhile in India the results point to a slight easing in development but that follows five consecutive quarterly increases.

**Global commercial property expected capital values for Q4 2011**

	US	Japan	UK	Germany	Brazil	India	UAE	HK	China	AUS
2010 Q1	-38	-39	1	-20	67	24	-61	77	39	22
2010 Q2	-17	-33	-10	-9	52	33	-67	24	38	29
2010 Q3	-6	-30	-11	19	87	28	-49	78	54	43
2010 Q4	15	-44	-18	45	53	9	-33	72	81	23
2011 Q1	12	-12	-11	36	23	40	-45	81	79	36
2011 Q2	4	-27	-3	23	33	27	-22	76	71	13
2011 Q3	5	12	-13	19	50	-13	-44	23	56	-15
2011 Q4	-2	7	-28	9	29	-15	-31	-3	15	-2



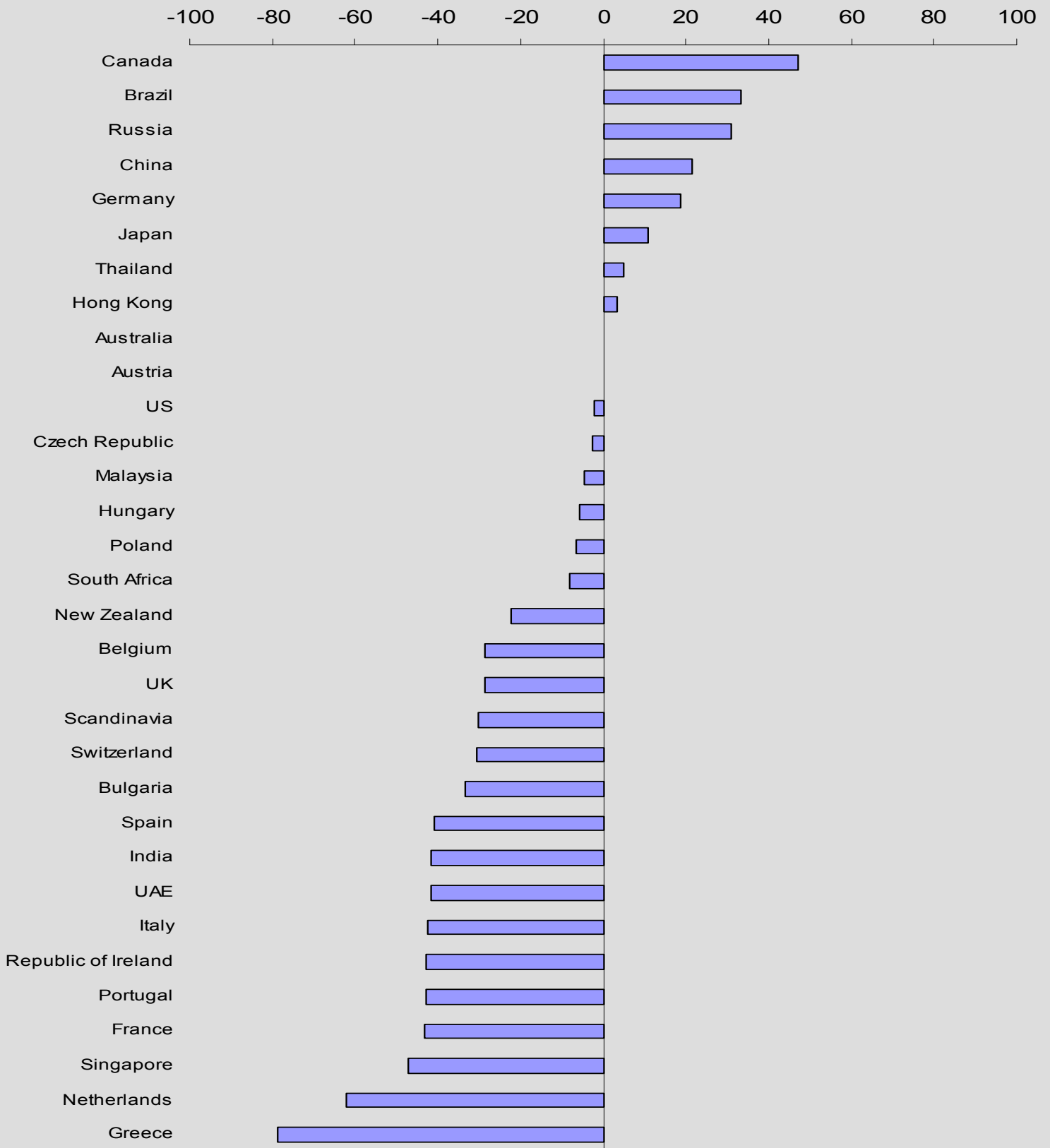
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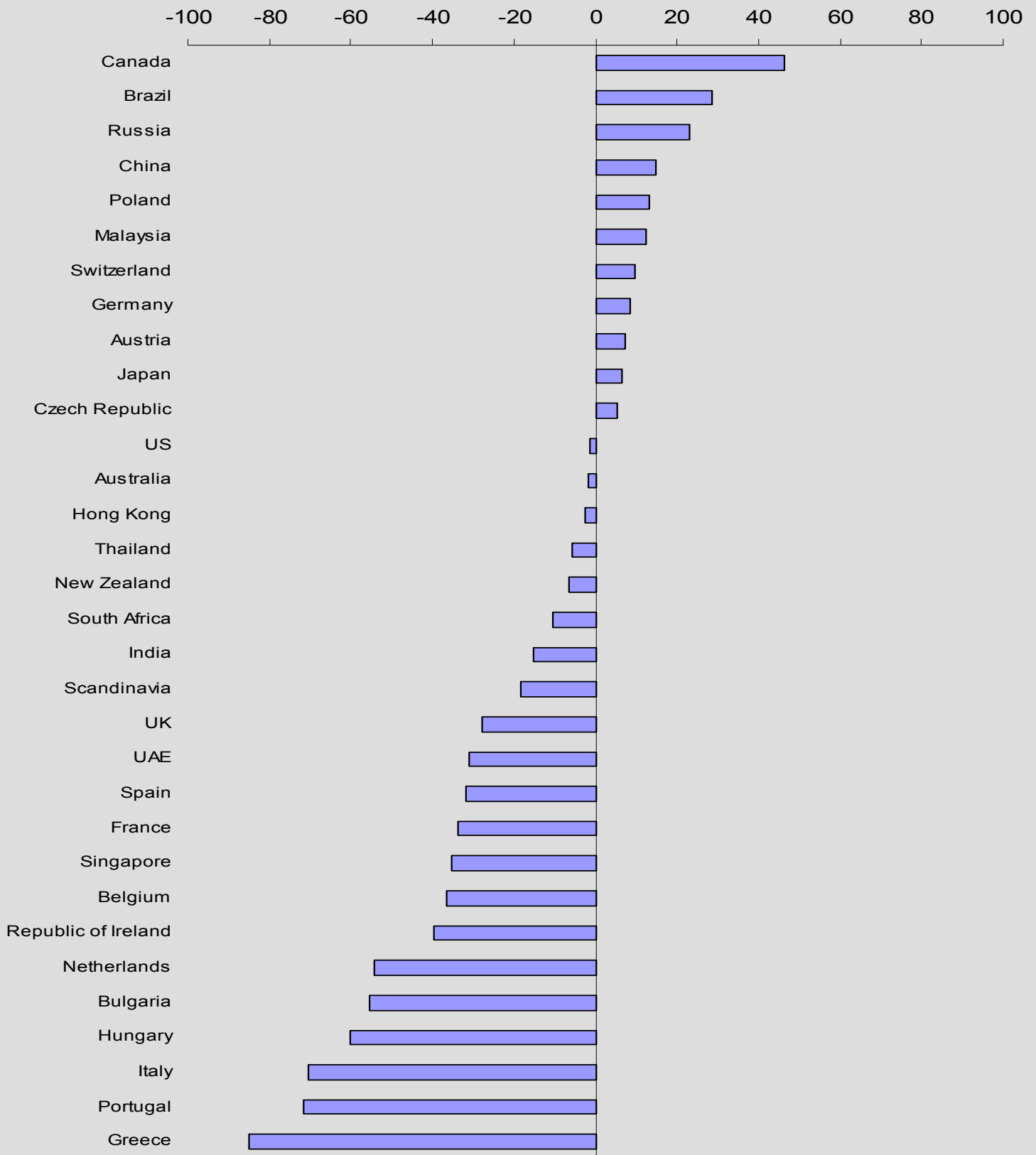
Country statistics - Expectations for next quarter

Rental expectations for Q1 ranked by net balance scores



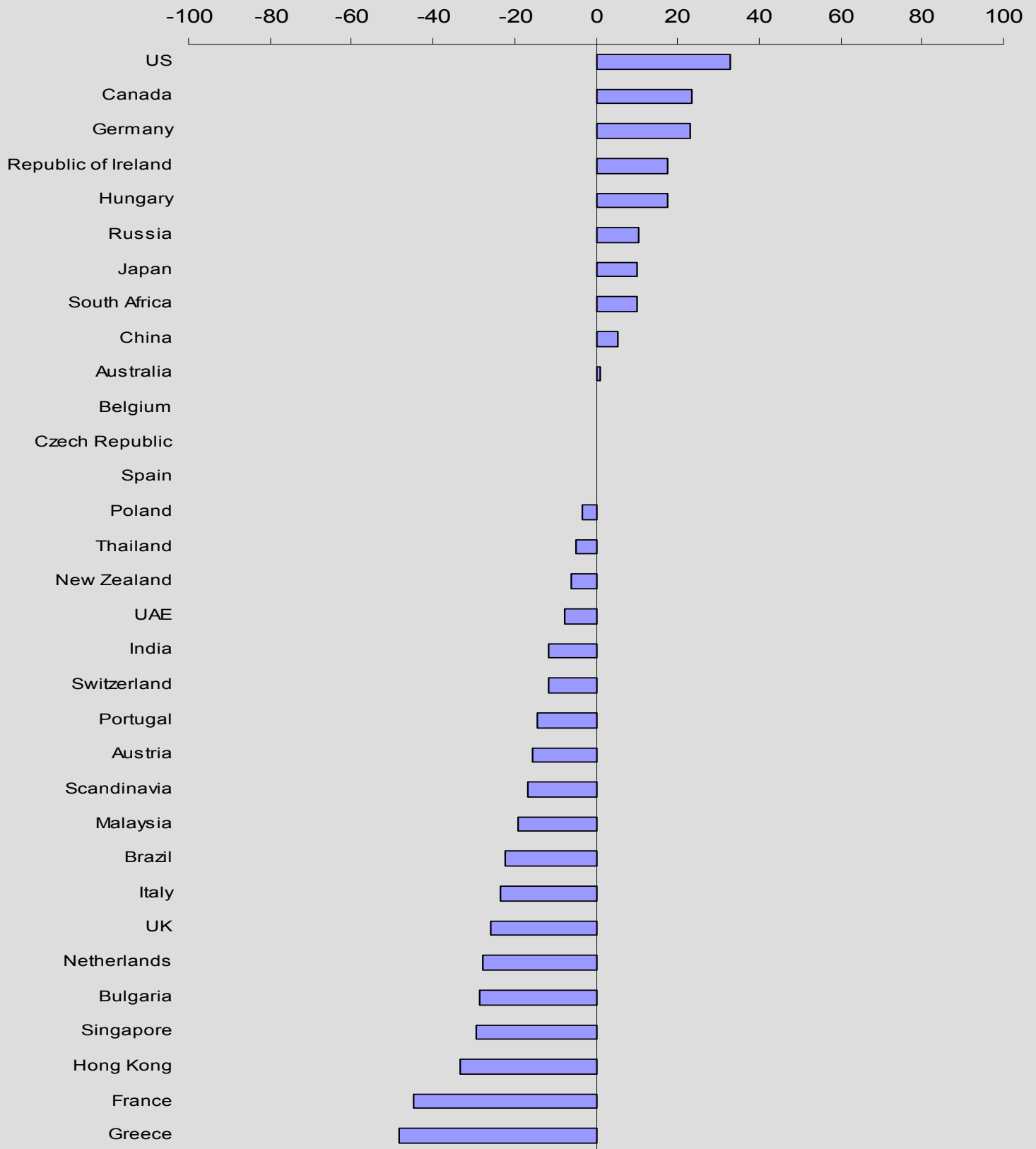
Country statistics - Expectations for next quarter

Capital value expectations for Q1 ranked by net balance scores



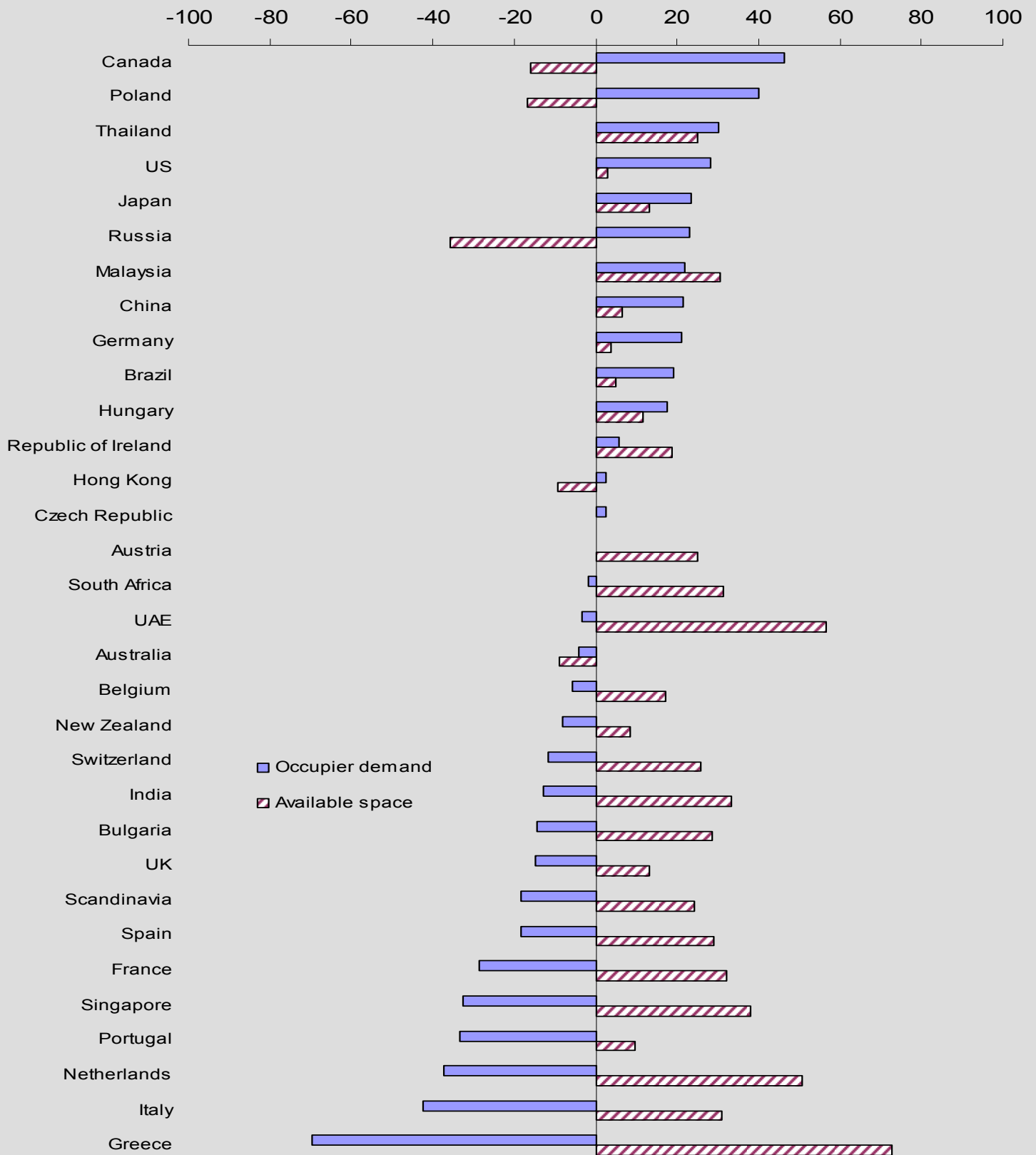
Country statistics - Expectations for next quarter

Expectations of investment demand for Q1 ranked by net balance



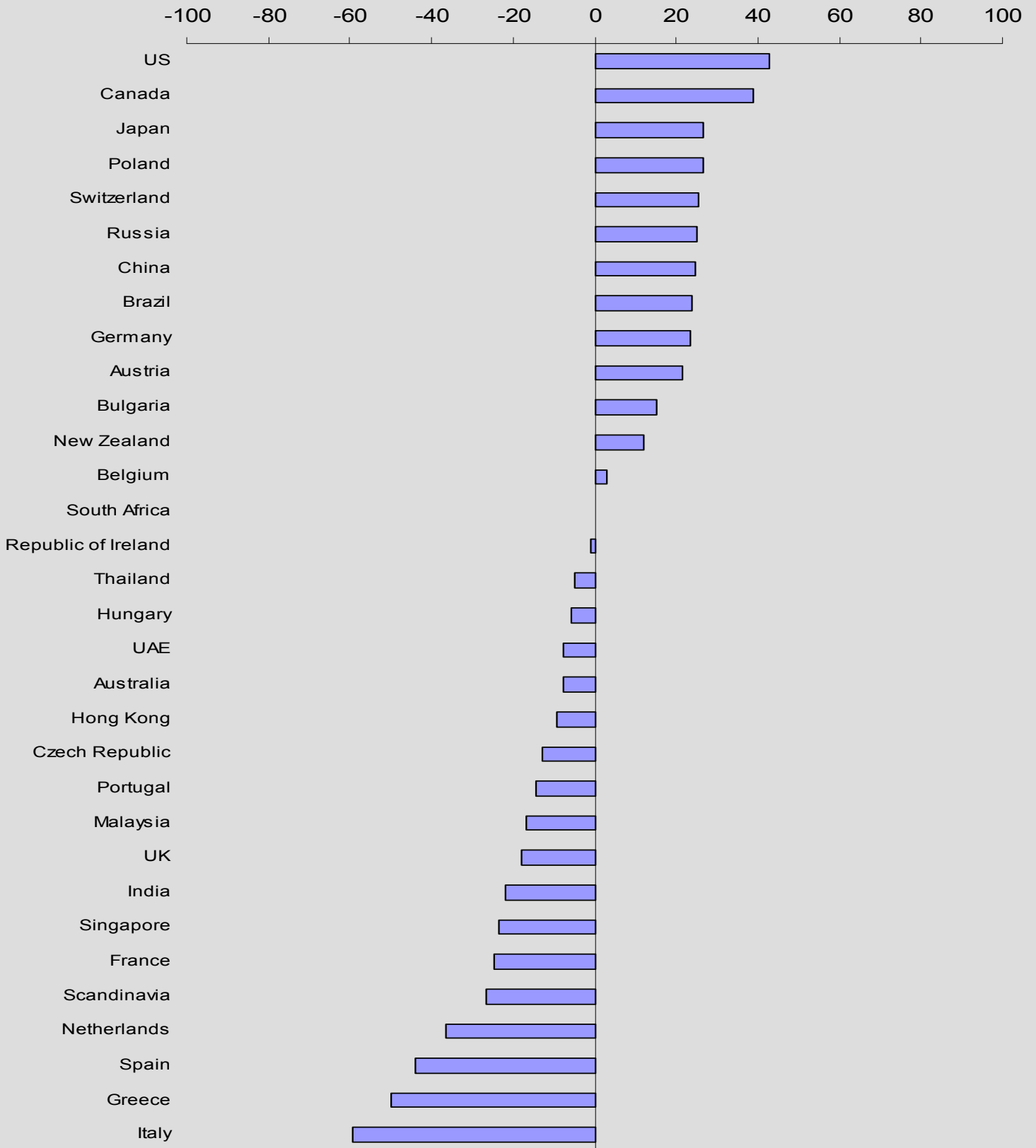
Country statistics - Supply and Demand reported Q4

Occupier demand and Available space in Q4 ranked by net balance scores



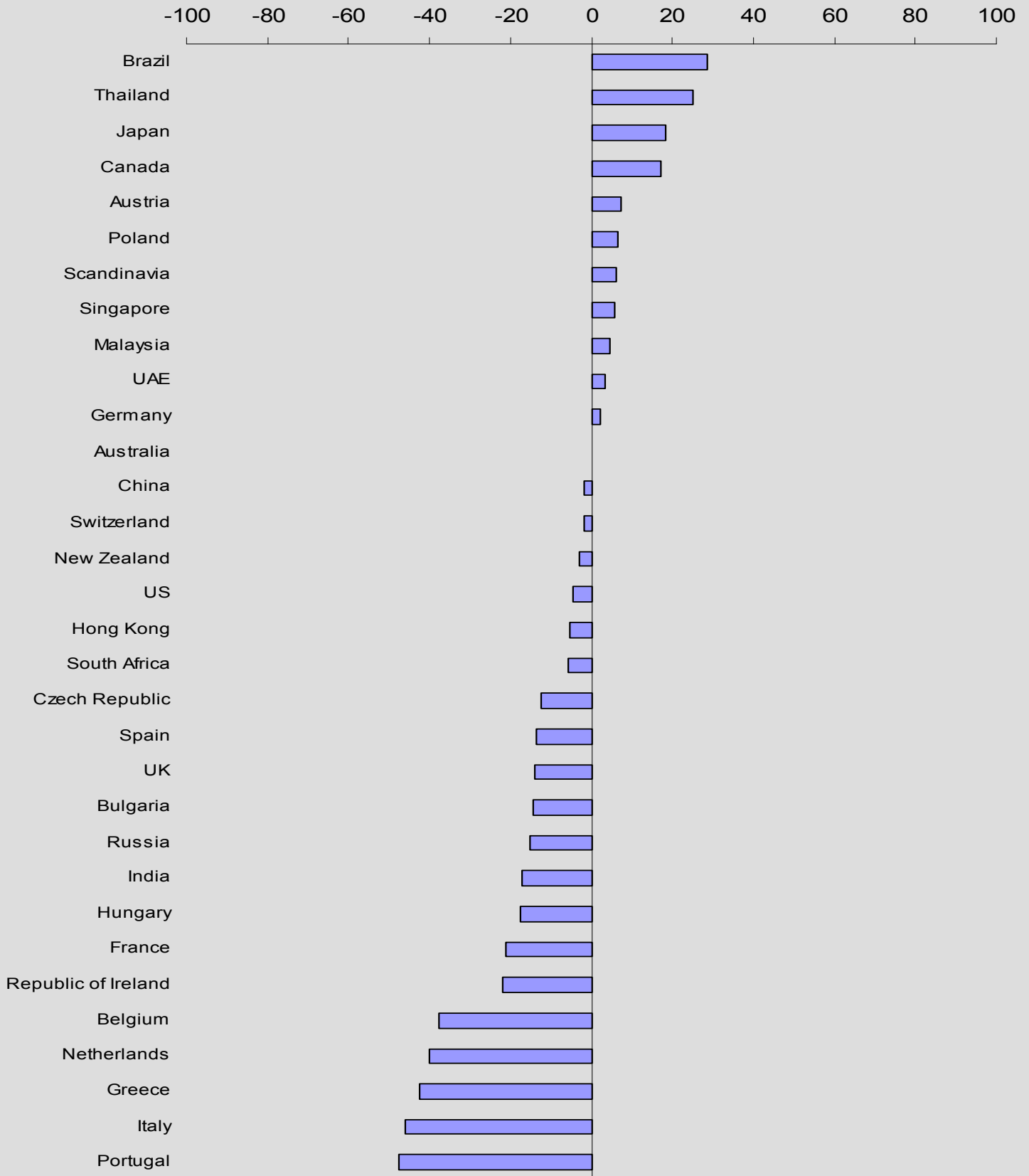
Country statistics - Investment enquiries in Q4

Investment enquiries in Q4 ranked by net balance scores



Country statistics - Development starts in Q4

Development starts in Q4 ranked by net balance scores



## Survey details

### RICS Global Commercial Property Survey

RICS' Global Commercial Property Survey is a quarterly guide to the developing trends in the commercial property investment and occupier market.

This edition details market conditions for the final three months of 2011, based on information collected from leading international real estate organisations and local firms.

### Methodology

Survey questionnaires were sent to out on 1<sup>st</sup> December 2011, with responses received up until the 23<sup>rd</sup> of December. Respondents were asked to compare conditions over the latest three months with the previous three months. A total of 979 company responses were received, with 189 from the UK.

Responses have been amalgamated across the three real estate sub-sectors of offices, retail and industrial property at a country level, to form a net balance reading for the commercial market as a whole.

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## Subscription information and contributor enquiries

The Global Commercial Property Survey is available from the RICS web site - [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.

For access to city level agents' comments and contributor details please view the rics economics website.

### RICS Global Commercial Property Survey

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