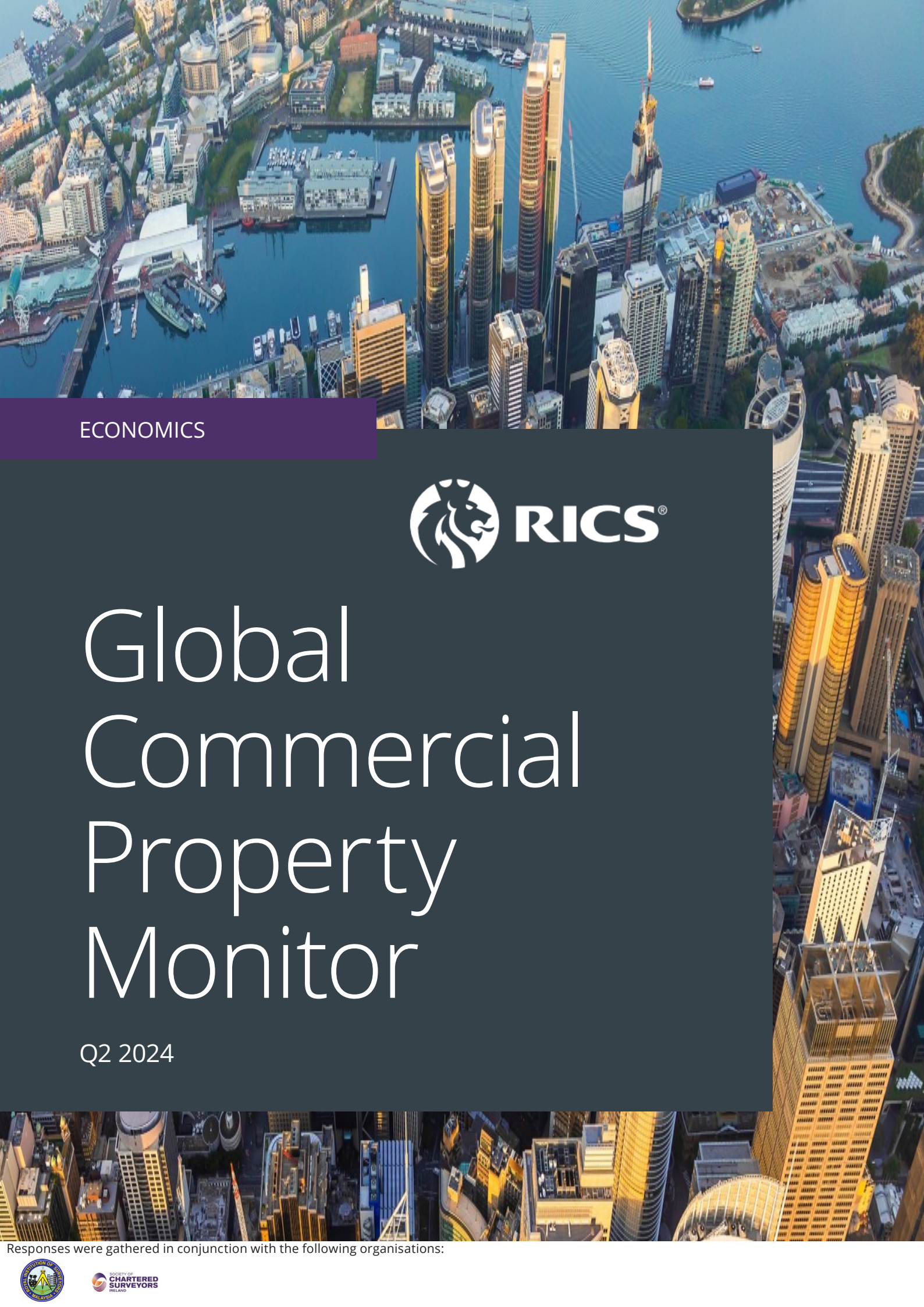




ECONOMICS



Global Commercial Property Monitor

Q2 2024

Responses were gathered in conjunction with the following organisations:



ECONOMICS

Global sentiment towards CRE generally still cautious but MEA and parts of APAC continue to show a more upbeat trend

- The headline RICS Commercial Property Sentiment Index (CPSI) holds steady in the latest survey
- MEA and parts of APAC remain much more upbeat but there is little sign of a turnaround in China/HK at this point
- Outlook for secondary offices and retail remains particularly negative in many markets

The headline RICS Global Commercial Property Sentiment Index (CPSI) for Q2 2024 was broadly unchanged from the first three months of the year at -11. Unsurprisingly, a similar picture is also evident in the underlying components of this series, with both elements remaining close to the Q1 readings; the Occupier Sentiment Index slipped very slightly from -8 to -10 while the Investment Sentiment Index edged up from -13 to -11. Although the gain in the latter was very marginal, it is worth noting (for the record) that it is now at its best level in two years (albeit still stuck in negative territory).

Chart 1 shows the CPSI for the four broad regional blocs covered in the Monitor as well as the global index. As has been the case over recent quarters, feedback from MEA remains the most upbeat. The CPSI for this area in the second quarter stands at +8 which is slightly lower than the result for the earlier part of the year but still represents a solid positive trend. The other three blocs continue to reflect a more cautious mood, although less so when compared with the lows of 2023.

The latest reading for the Americas is slightly down on Q1 at -6 compared with -4, while the insight from respondents covering Europe shows the CPSI to be exactly the same as in the early part of the year (-10). Meanwhile, APAC remains a laggard with a CPSI of -20, but this does continue to reflect a particularly stark divergence in market performance amongst those countries included in the regional aggregate. Predictably, China remains an outlier in terms of the negative sentiment, despite recent government policy initiatives, while

the Indian real estate market is at the top end of performers in the survey.

Credit conditions continue to loosen

The previous GCPM signalled an easing in credit conditions for the first time since the early part of 2022. The latest survey suggests this trend continued through the second quarter and at roughly a similar pace as highlighted in Chart 2. A net balance of +15% indicated that credit conditions have been further relaxed compared to +18% in Q1. This pattern is broadly consistent with the modest moves by some central banks to begin the process of lowering interest rates. Most notably, the European Central Bank reduced its deposit rate by 25bps in June while the Swiss National Bank, the Swedish Riksbank and the Bank of Canada have also started to unwind tight monetary policies. Critically, however, the US Federal Reserve remains on hold for now and market expectations regarding the timetable for likely easing has been scaled back.

This is reflected in the diverging feedback to the survey. In the case of the US specifically, the net balance reporting an easing in credit conditions in the commercial real estate sector in Q2 was zero which contrasts with +10% in Q1. Set against this, the Canada results show a net balance of +23% signalling a more accommodating credit environment compared with -2% in the early part of the year. The picture across Europe is generally one pointing to a modest improvement in credit conditions although it is notable that, on this metric and indeed most others, the results for France are notably more negative.

Chart 1 - Commercial Property Sentiment by Region

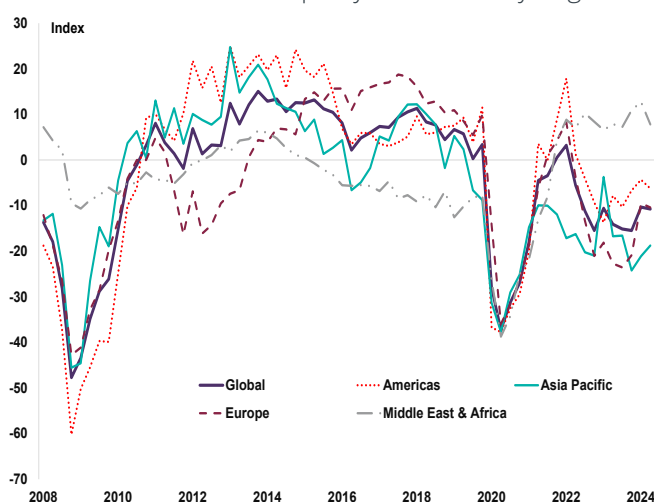
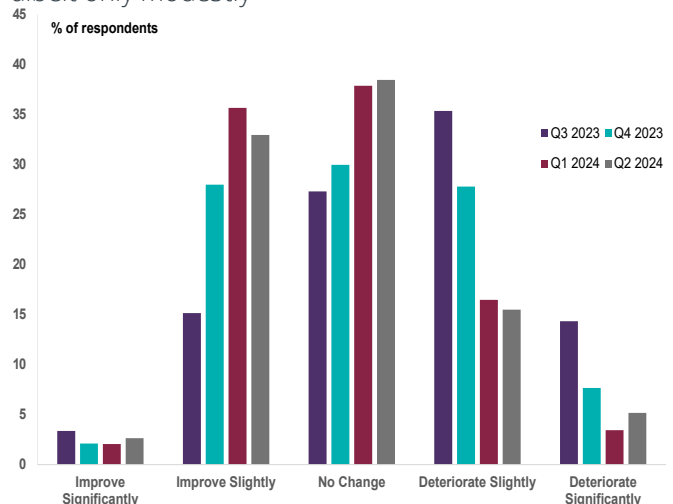


Chart 2 - Global credit conditions continue to improve albeit only modestly



Comments from French respondents point to political uncertainty (with the national elections in full swing during the field work period for the survey) as one factor negatively influencing sentiment.

Real estate still not viewed as cheap

With interest rates only just beginning to come down in a few economies and bond yields still elevated, it is perhaps unsurprising that on some traditional valuation indicators, commercial real estate is not viewed as offering compelling value despite its poor performance over the past few years. Interestingly, this is also captured in the contributions to the latest GCPM. Chart 3 depicts the responses at a global level; while 41% of respondents identified their market as being fair value, a similar proportion viewed the local market as being expensive or very expensive. Less than one in five contributors suggested that commercial real estate could be seen (in any sense) as cheap.

Disaggregating the data, over 50% of respondents from the Americas view their local market as, to some degree, expensive (with the US figure at 56%). By contrast, the aggregated numbers from APAC show just over one-third of respondents are similarly minded. Unsurprisingly, there is once again a material divergence in feedback across this region, with less than one in five respondents in China seeing the market as expensive but around half of those in India taking the same view. For Europe, approaching 40% of contributions perceive the real estate sector to be above fair value, although this drops to nearer 20% in the UK. Finally, the comparable figure for MEA is 45% which reflects the relatively strong performances of a number of markets in this region of late.

New developments reflect contrasting real estate trends

The negative trend (at a global level) in the development starts metric that has been a feature of the GCPM since the onset of the pandemic (and the related structural changes in occupier behaviour) shows little sign of flattening at present. A net balance of +18% of respondents indicate that starts declined in the latest survey which is very much in-line with the results in recent quarters. That said, as with many of the other metrics in the survey, there is a significant variation in the feedback when drilling down to the both regional and country levels. Saudi Arabia and the UAE both have strongly positive net balances of +49% for this indicator, with India just behind at +47%. But inevitably, the majority of results are much more downbeat with New Zealand posting a net balance reading of -60%, France -53% and China -50% at

Chart 3 - Perception of valuation at a global level show CRE to still be expensive on balance

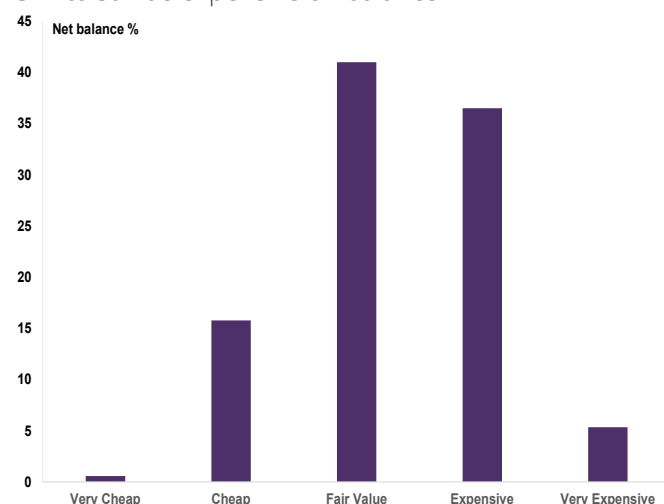
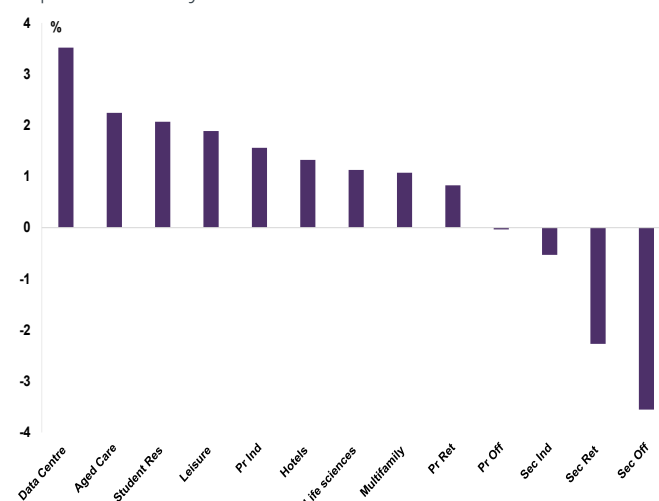


Chart 4 - Global twelve-month capital value expectations by sector



the bottom of the table. Looking at this series from a sector perspective shows (at a global level) more negative numbers for offices and retail (-25% and -21% respectively) and less so for industrial (-9%). However, in those markets seeing positive development trends, the upbeat feedback is evident across sectors.

Alternative assets and prime space to continue outperforming

The headline readings for the twelve month expectations series covering capital values and rents are little changed at a global level in net balance terms (these indicators only incorporate the three mainstream sectors); in the case of the former, the Q2 result was +1% against 0% in Q1, while, for the latter, it is 0% compared with +4% previously. Looking at these metrics by regional bloc, the MEA is predictably the standout with net balances of +47% and +39% for capital value and rental growth expectations respectively, suggesting the strength of key markets in the region will persist through the second half of this year and into 2025 (this is clearly visible in Chart 5). India also continues to score strongly on forward looking indicators, albeit the picture across APAC more broadly remains mixed.

Chart 4 shows global twelve-month capital value projections (in percentage rather than net balance terms) by sector. The results are broadly in-line with those recorded in Q1 and, indeed, are largely similar to the rental projections provided by contributors. As has been the case for a while, where the asset class is split between prime and secondary, there is a clear preference for the former. In addition, there continues to be a widespread perception that alternative assets will deliver stronger returns for investors than mainstream assets. As highlighted in the chart, data centres continue to be seen as likely to record firmer capital returns alongside student housing, aged care facilities, leisure and prime industrial.

Secondary offices as well as retail space remain negatively viewed at a headline level, with further declines in both capital values and rents envisaged in the latest survey. However, as we have stressed previously, the story in this area is not quite so straightforward with significant differences across world regions. Taking aggregate feedback for MEA actually shows comfortably positive projections for capital values and rents for all secondary assets. The insight from India is not dissimilar (and also Sri Lanka), while the results for Singapore and Malaysia indicate a generally flat picture when it comes to these assets. Meanwhile, the most negative capital value expectations for secondary offices come from respondents in Hong Kong, Qatar, the USA and France.

Chart 5 - 12 Month Global Capital Value Expectations

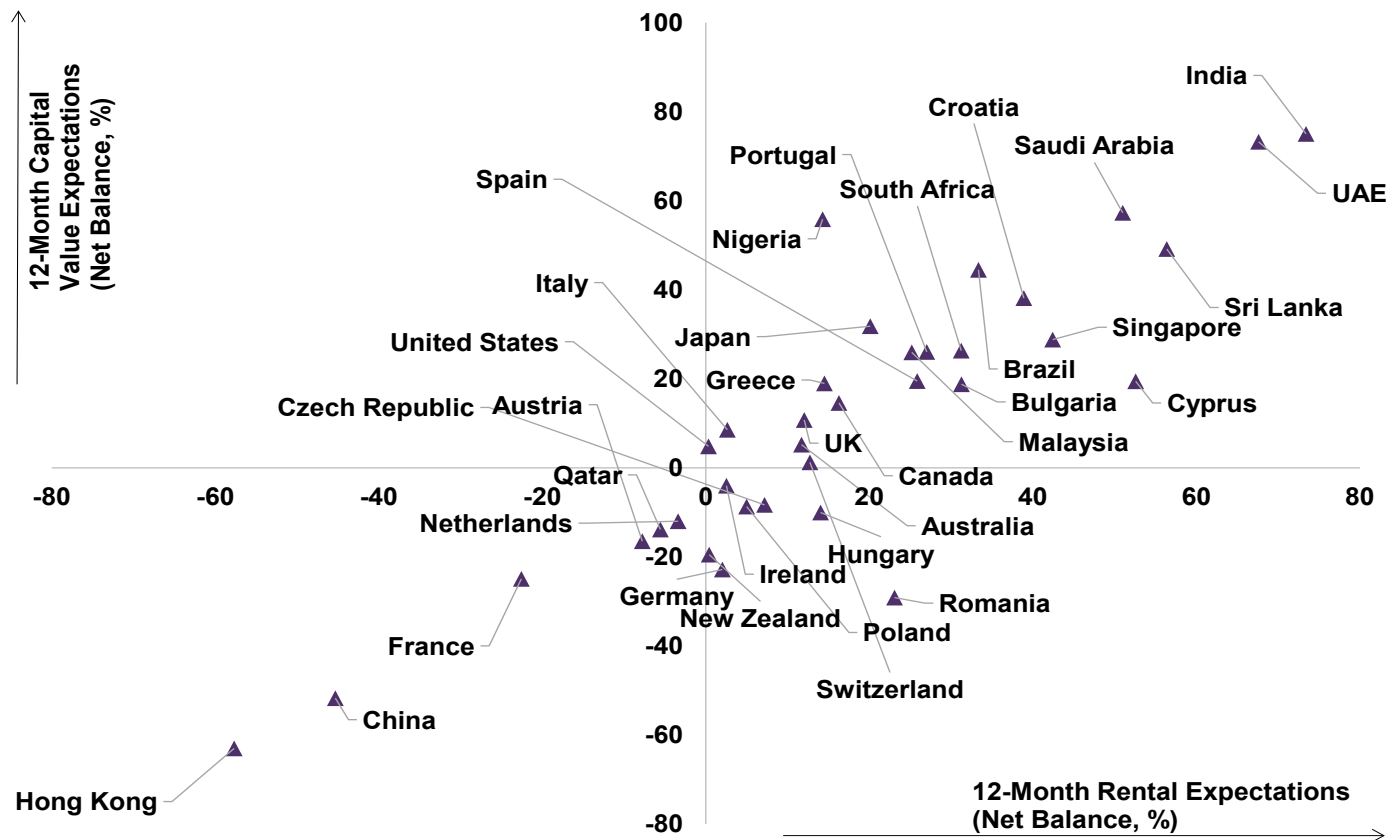
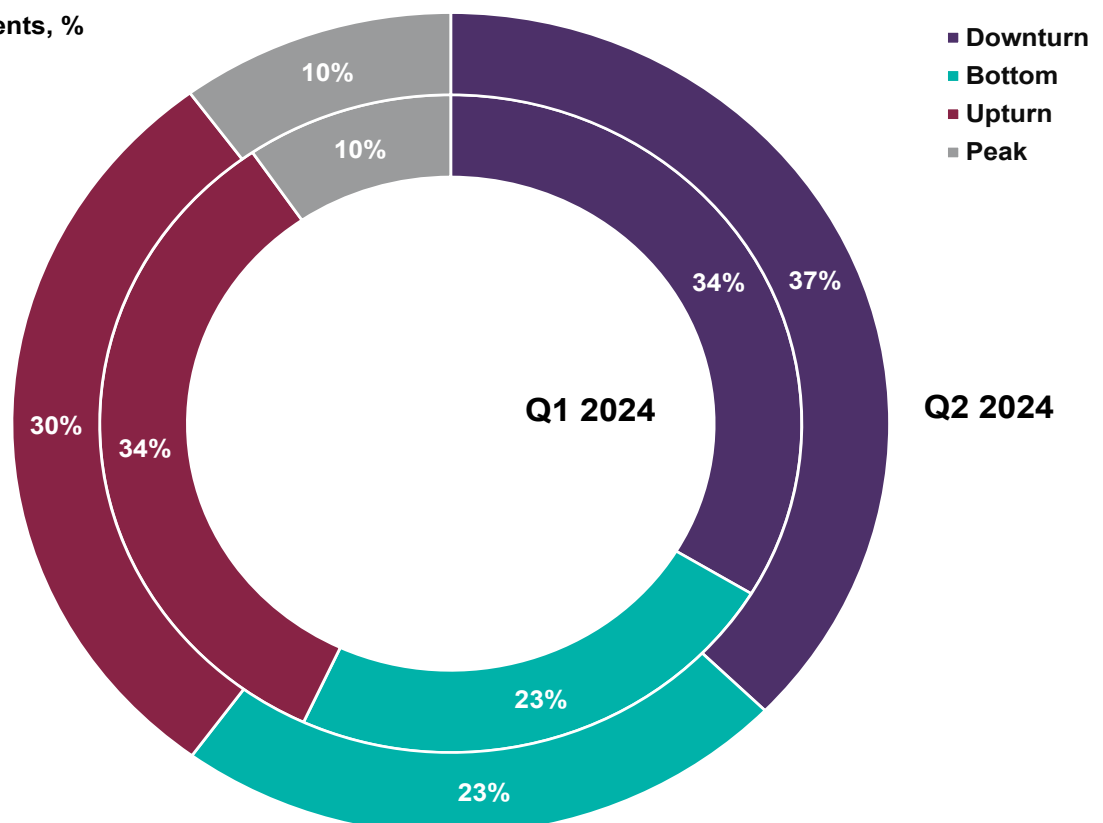


Chart 6 - Global Perceptions Regarding Point in Cycle

Share of respondents, %



APAC: Headline sentiment remains subdued with a mixed picture at the country level

The headline RICS Commercial Property Sentiment Index (CPSI) for APAC held broadly steady at -19, compared to -21 in Q1. However, this aggregate reading masks divergent responses across the region. As depicted in Chart 1, India continues to lead the market with a headline index figure of +29. Alongside this, Japan and Sri Lanka each saw improvements in their CPSI readings scoring +13 and +10, respectively. albeit that in the case of the latter, the tone to the comments from respondents were distinctly cautious. Meanwhile, Malaysia and Singapore both remained in neutral territory. On the flipside, the ANZ market is still somewhat subdued, with Australia recording a CPSI of -8, followed by New Zealand at -32. Elsewhere, China and Hong Kong continue to score negatively with headline CPSI readings of -47 and -45, respectively.

Indian market remains bullish across all sectors

A mixed picture is seen across nations regarding occupier demand at a sector level (Chart 2). Continuing to lead the way, India once again displays strong results for occupier demand growth, recording net balances above +30% across each mainstream sector. An upbeat trend can also be seen in neighbouring Sri Lanka, where signs of recovery are coming through this quarter. Indeed, tenant demand metrics returned positive readings (averaging +21% across all sectors) for the first time since its debt crisis. Elsewhere, feedback in Japan exhibits optimism, registering an occupier demand net balance of +25% on average, which is the highest since 2020. Positive tenant demand is also observed in Malaysia, especially for its industrial sector, with net balances at +64%, outshining those of its office (+19%) and retail (+4%) sectors. In Singapore, office demand remains relatively solid, posting a net balance of +18%. Conversely, the retail sector in Singapore is seeing a modest fall in tenant demand, evidenced by a net balance of -9%. In Australia, the retail segment is outpaced by the other two sectors, resulting in a negative headline net balance of -15%. On the weaker end of the spectrum, New Zealand, China and Hong Kong delivered negative net balances across all categories.

Away from the mainstream sectors, capital value and rental growth projections for hotels and data centres are particularly robust at the regional aggregate level. For instance, the hotel sector is estimated to see a rental growth rate of 2.5%. Drilling deeper, the momentum is more visible in India and Japan, boosted by business and tourism demand. In parallel with this, data centres are expected to see a stronger valuation boost relative to most other sectors, with growth of over 2% projected. When disaggregated, India, Sri Lanka and Malaysia appear to be benefiting the most from the tailwind of structural shifts such as the AI boom, with data centre capital values expected to rise by more than 5% over the next twelve months.

Property cycle perceptions diverge across markets

Respondents' perceptions on the current stage of the cycle differ across markets, in keeping with the mixed demand backdrop being reported. Shown in Chart 3, more than 65% of respondents in Malaysia, India and Sri Lanka express confidence that the market is in an upturn. Elsewhere, suppressed by high interest rates, Australia and New Zealand feature less positive views on the current cycle as around 40% of responses point to a downturn. On the weaker end of the spectrum, China and Hong Kong are facing structural macroeconomic challenges, resulting in a higher percentage (above 65%) of responses indicating the market is in the downturn phase.

Chart 1 - Commercial Property Sentiment Index by Country

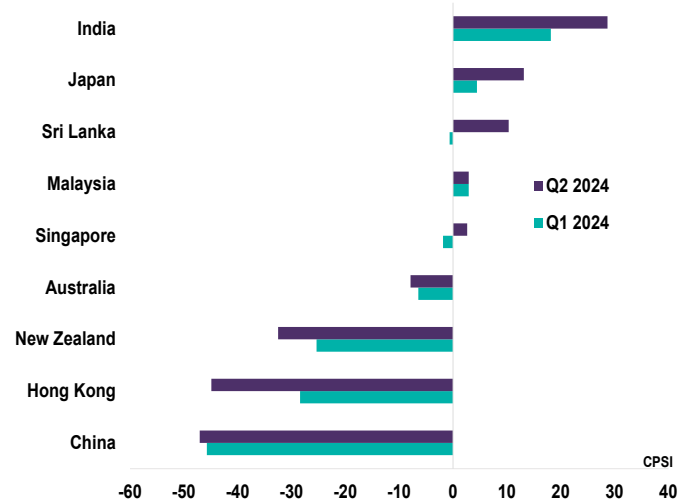


Chart 2 - Occupier Demand by Country

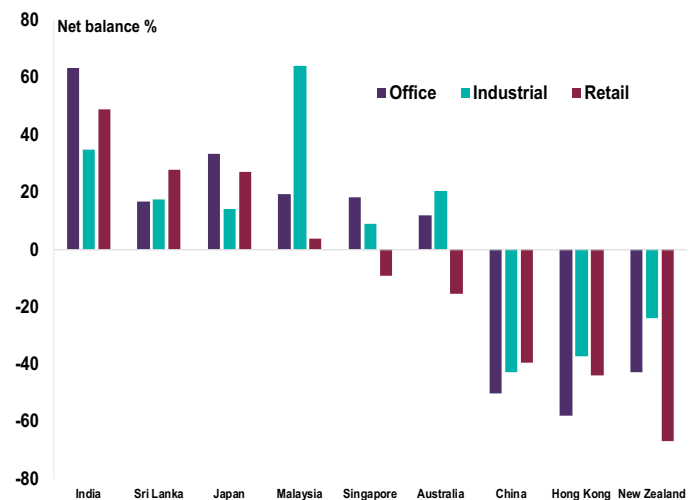
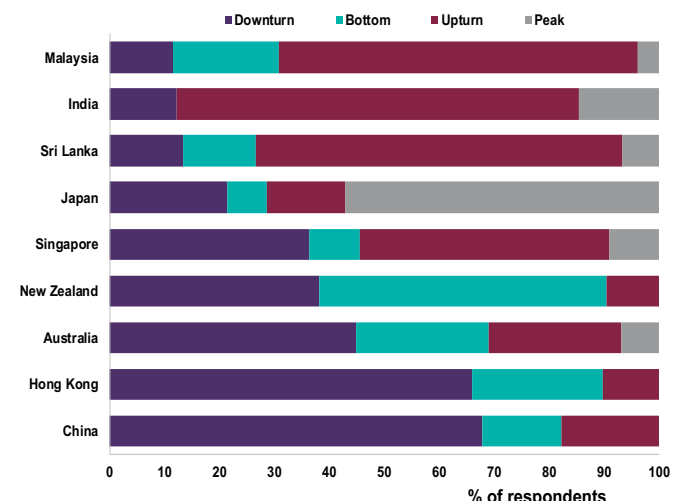


Chart 3 - Property Cycle Perceptions



Regional comments from survey participants in APAC

Australia

Higher interest rates are imminent due to inflation. The collapse will come but not in the short term. The longer it goes on the worse the collapse. The E is ESG is important but S & G only serves to promote tick the box but is a negative for the property market.

Out of control immigration which will gridlock Queensland & Australia. Govt pandering to Unions - uncontrolled construction costs. - Brisbane

Still unsure. - Hawthorn

Adverse effects of land tax. - Melbourne

There is flight to quality in respect of Prime grade office with higher quality Premium accommodations in demand. Higher incentives are driving face rents upwards. Low A grade and B grade investments are likely to fall in value over the short to medium term. - Melbourne

Housing Rentals increased. - Perth

Influx of Migrants is driving up residential market substantially. - Perth

The Queensland property market has been exceptionally hot since 2020, particularly the residential and commercial property markets on the Sunshine Coast. - Sunshine Coast

Very quiet. - Sydney

Brunei

The Global Economic Outlook is expected to be bleak at least for the next 1-2 years before it gets better and is a major challenge to the business development and growth affecting immensely on the building and construction industry. - Bandar Seri Begawan

Cambodia

Soft market and slipping down. - Phnom Penh

China

Market is still sluggish, approaching the bottom. - Beijing

The Western China commercial property market is comparatively weak, as reflected by rent and vacancy rate. Core issue is the lack of confidence. - Chengdu

Market will continue to correct. - Kunming

Hong Kong SAR

The average Hong Kong person is concerned about the possible stagnation of the property market. - Hong Kong

HK current market is under recession situation due to worldwide political issue and retail market is plunging. - Hong Kong

Liquidity remains low across the board and is greatly impacted by poor economic conditions in China. - Hong Kong

High interest rate environment still has impact on sentiment of buyers for commercial properties. - Hong Kong

Downturn and recession. - Hong Kong

Worsening particularly office market. - Hong Kong

The overall market is still in a downturn. there is no signal for "V" shape rebound. - Hong Kong

The market is still in mid downturn, and this may last for the next 12 months. - Hong Kong

The market is falling apart. - Hong Kong

With uncertainty for when the interest rate will be heading down, the investor is not willing to invest in property market. - Hong Kong

Central Area offices are coming back to popularity. - Hong Kong

Downward, Interest Rate too High, bankers not willing to lend. - Hong Kong

Still going down. - Hong Kong

The declining Chinese economy and geopolitical factor will continue to impact Hong Kong negatively for the foreseeable future, unfortunately. This is in large part due to the policy environment - leaving occupiers and investors wary of the city. - Kowloon

India

The Indian infrastructure market is booming like never before and similarly, the investment in the industrial sector is good due to Make in India policy. - Bangalore

The investor sentiment is high. Real estate demand various sectors like health care, educational housing and data centres are visible. - Bangalore

The Indian Market has become very dynamic due to the economic boost and investor demands. Due to regulatory policies and opening up of newer locations beyond the Urban Area it has led to development and growth for the mid segment with financial constraints. This has also got affected due to the Highway and other infrastructure development in the region. - Gurgaon

The market is reaching bubble territory and will have to look into the revision of the costs as it may explode considering the potential. The major concern is that the higher space provisions are available but return to office situation is still predominantly affecting the increase in office take up. However, the other side is the residential where the sizes of the dwelling units are increased, and it is actually asking for major service improvement. - Hyderabad

Conditions are improving. People's demand for residential homes have increased. The same trends are expected in the next 6 months. This is because large, huge infrastructure like wide roads, new metro connectivity etc. - Mumbai

Global markets are at the cusp of structural change and its maturity shall take place over next 5 years. Geo-political and inflation are key change elements, which continue to impact landscape. In India recent political climate requires attention as it can potentially impact the economy over the next 5 years. - Mumbai

Markets in all sectors are opening up, right time to invest. - Mumbai

Demand has gone up. - Mumbai

Market conditions are improving. There is a huge demand from housing sector among general public. - Mumbai

Real estate market has upward trends in India primarily due to increased demand and also due to infrastructural improvements as planned and as happening for example new International Airports, Metros, Smart Cities coming (so more real estate developments in those surrounding areas). Foreign investors are also moving into the country with modern facilities, technological advanced support system and improved ESG which become an attraction for stakeholders and users. - Noida

Customers now want environmental friendly buildings. - Noida

Stakeholders, builders, and brokers unnecessarily increase prices. - Pune

Now the real estate demand for residential buildings and apartments is on a higher demand. - Trivandrum

Indonesia

Data centres appear to be the main growth activity. - Jakarta

Weak demand for investing in apartments, however, landed properties in selected areas near TOD is more favorable with prices below \$500k. - Jakarta

After a successful Presidential election earlier in the year all eyes are now on the forthcoming regional elections to be held later this year. The Governorship of Jakarta is especially in focus. Smooth elections and power transition are essential to propel the market. - Jakarta

Regional comments from survey participants in APAC

Japan

High demand for existing hotels and development sites for data centres. Inflation in construction costs and extended construction periods increasingly a factor for developers and occupiers. - Tokyo

The real estate prices in regional cities are starting to rise. We are hopeful that this will mark the end of the long-standing economic deflation trend. - Tokyo

Malaysia

Influenced by geopolitical issues and climate change. - Kuala Lumpur

Fairly quiet but overseas investor interest has perked up. - Kuala Lumpur

Future looks promising. - Kuala Lumpur

General slowdown but good time to acquire good prime properties. - Kuala Lumpur

Overall, the Malaysian property market's future looks promising, provided that developers and policymakers address key challenges like affordability and oversupply in certain segments. Continuous infrastructure improvements, such as the expansion of public transportation networks, are expected to boost property values and attract more buyers and tenants. The emphasis on sustainable and smart city developments also bodes well for the market, aligning with global trends. - Pulau Pinang

New Zealand

Market is tightening very rapidly with high number of contractors going into liquidation and unemployment climbing on back of recession and large scale government reduction in civil service. - Auckland

Fearful of further recessionary pressures from high interest rates, inflation impacts on consumer and business confidence reducing retail spend and business investment. I suspect the rest of 2024 to experience further redundancies and business failures as companies tighten their belts and companies can no longer hold on. Increasing vacancies and declining/negative rental growth. - Auckland

All markets are relatively quiet due to current economic outlook (high interest rates, rising unemployment, high building costs, inflation above RBNZ mandate range of 1% - 3%). Inflation is reducing slowly but GDP is at or close to recessionary with no improvement likely until the OCR is reduced (predicted Q1/Q2 2025 and interest rates follow. Winter is seasonally a quieter market period in Christchurch for sales activity. - Christchurch

International investment appetite for NZ has weakened. - Christchurch

Singapore

Sense that commercial real estate markets are bottoming and future path will be highly dependent on future interest rate path. - Singapore

Sri Lanka

The real estate market in my area in the position of early recovery stage after a challenging time. - Balangoda

Sri Lanka economy is not conducive for any investment or development. Existing establishments and investments are struggling for survival. - Colombo

Construction industry gone down due to lack of funds. - Colombo

Commercial property investments in Sri Lanka are still slow moving. Government incentives are inadequate. - Colombo

The fiscal & monetary policies concentrate on the containment of inflation which has reduced consumption thereby the aggregate demand with the resultant reduction in production leading to an import economy. This has resulted in lack of investment in spite of the fact that lending rates have been reduced which taken together, negatively affect property market which will be further exacerbated by the proposed introduction of imputed tax on owner occupied residences and IMF imposed tax regime. - Colombo

It is very sad to say that Sri Lankan economy is being flown with no any proper guidance and management of experts with the influence of political unbalanced situation. - Giritulla

Market conditions are stagnating without a direction. - Kadawatha

Demand in property market has improved. - Kandana

Stagnated. - Kelaniya

Thailand

Although the post-COVID market conditions should be good, but they are still pressured by many negative factors, resulting in the overall real estate market not improving much. - Bangkok

Vietnam

The market is early stage of recovery. - Hanoi

Quietened a little during "summer time". - Ho Chi Minh City

Europe: Headline picture remains subdued, although there are pockets of improvement evident in parts of the continent

The Q2 2024 GCPM feedback across Europe remains relatively cautious, with headline market indicators continuing to display soft momentum. That said, when looking at the country level data, there are some areas in which the picture is starting to brighten even if the aggregate results remain subdued. Moreover, away from the traditional sectors, many alternative CRE asset classes are anticipated to deliver positive returns over the year ahead.

Occupier and Investment Sentiment indices fail to register any improvement in Q2

As displayed in Chart 1, both the headline OSI and ISI remain stuck in negative territory, posting readings of -10 and -11 respectively. As such, these measures have now been below zero (and therefore consistent with a contraction in the market) in each of the last nine quarterly reports. Contributing to this downbeat picture, stagnant demand trends continue to be met by rising availability in many parts of Europe.

Chart 2 displays the Commercial Property Sentiment Index (an amalgamation of the OSI and ISI) at the country level across the continent. Sitting at the weaker end of the scale, France displays particularly negative sentiment, with the CPSI reading deteriorating significantly during Q2 amid heightened political uncertainty. At the same time, Germany, Hungary and the Netherlands also display firmly negative CPSI values, albeit the latest returns are at least marginally less downbeat than previously. By way of contrast, Croatia, Greece and Spain all stand out as seeing a lot more positivity coming through compared to the regional average. Indeed, occupier and investor demand is reportedly rising across each of these nations, while a majority of respondents now view these markets to be in an upturn phase of the cycle.

Secondary office and retail sectors remain under significant downward pressure

Demonstrated in Chart 3, twelve-month rental and capital value projections (at the headline European level) continue to vary considerably across different sectors of the market. Given the nature of ongoing structural challenges, both the secondary office and retail sectors are expected to see further declines in rental prices and valuation levels over the year ahead. Conversely, prime offices are expected to perform much better in comparison, with rents seen rising by just over 2%, while capital values are also expected to post a marginal pick-up. In terms of the other sectors, prime industrial assets are envisaged seeing comfortably positive trends in both rents and capital values over the year to come.

Turning attention to some alternative CRE asset classes covered in the survey, data centres exhibit a particularly solid outlook for the next twelve months. Likewise, rents and capital values are anticipated to rise across multifamily residential, student housing, aged care facilities and hotels. At a country level, hotels and student housing now display a particularly upbeat outlook across Spain, with twelve-month projections being upgraded noticeably compared with previous quarterly results. Overall, respondents based in France hold among the most pessimistic views on capital value and rental growth prospects over the year ahead. The only sectors across the nation that are expected to see any meaningful gains are prime industrial, data centres and hotels.

Chart 1 - Occupier and Investment Sentiment Indices

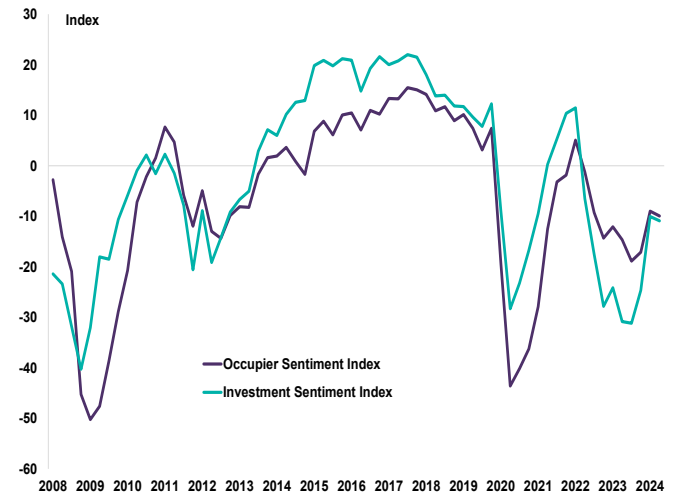


Chart 2 - Commercial Property Sentiment Index by Country

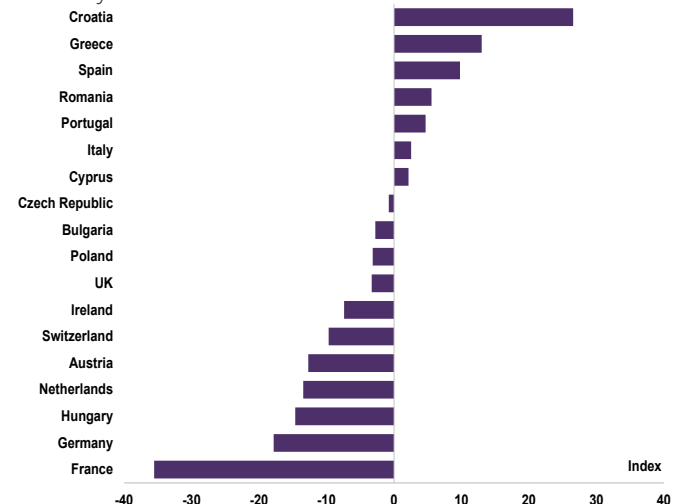
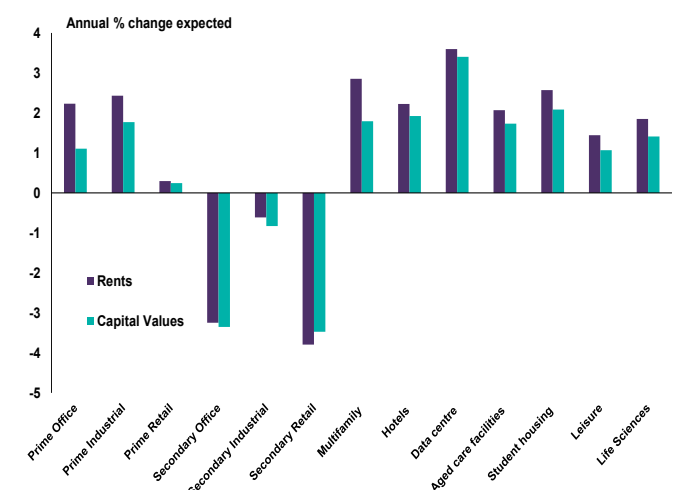


Chart 3 - Twelve-Month Projections by Sector



Regional comments from survey participants in Europe

Austria

Austrian Market still remains impacted by the consequences of bankruptcy of SIGNA Group (the largest private RE Group in Austria and important investor in Germany) causing a reduction of confidence in the market and reluctance to invest and provide loans. - Vienna

Cyprus

We expect a market downturn any moment. If not significant at first, this will speed up within the next 12-18 months depending on global conditions. - Limassol

Czech Republic

We believe that for many sectors we are close to or through the bottom of the yield adjustment. We continue to observe the office market closely, sentiment remains poor, but for core locations we continue to see positive occupational performance. - Prague

Denmark

Occupier market remains strong and we believe the current repricing is sufficient for the market to balance out over the coming 12 months, although buyers and sellers need to come to terms with this before transactions will pick up more pace. - Copenhagen

France

Political situation in France is impacting occupier and investors decisions. - Marseille

Increasingly long decisions for active players. Many artisan or small business projects are on "standby" or even abandoned. - Montpellier

There is definitely an Olympics effect on business life at present; plus recent political hiccups in France will need to be digested. The split between rare and expensive in-town offices and oversupply and great deals to be had suburban offices is as marked as ever. Waiting to see how provincial markets fare. - Paris

The macro economic picture is still towards stabilisation, but transaction volumes remain very thin. Political factors have further slowed the market currently, but we expect to see an increase in stressed situations coming to the market towards the end of 2024 and into 2025. The market remains polarised on the office front between the relatively well performing CBD and suburban markets which are suffering pretty much unanimously. Big deals remain tricky to finance. There is a lot of VA cap. - Paris

The market is oversupplied with secondary quality offices and shops and the situation is probably under reported by the large agents. Investors are unwilling to face the reality that the only future for perhaps 4 million m² is to convert these buildings. This took 6 years for some banks and vendors to understand in 1990s. It is very difficult to comprehend the procrastinating by Asset Managers: AUM will drop anyway. - Paris

Germany

Worst should be behind us. - Berlin

Challenging market, where price expectations between buyers and sellers still show a significant spread. - Hamburg

Hungary

Instable, without visible direction. -Budapest

Growing flexibility in the office market. - Budapest

Ireland

Finance a big problem for commercial property. - Cork

Investment values under some pressure. - Dublin

Coming from a very low base in terms of investment transactions, partly due to lack of transactional market evidence, I anticipate that deal levels will increase over the next 6 months as disposals are required for various reasons and then pricing will become more transparent. - Dublin

US Fed/BoE/ECB interest rate trajectories will have the most impact on real estate values. ESG and stranded assets much more prominent on occupiers/investors radar. Emerging trade protectionism will have a negative impact on global real estate investment. Office occupiers still challenged by 'work from home' flexibility impact on space requirements and office environment. - Dublin

Italy

Milan has suffered from contingent difficulties relating to an ongoing standoff between the planning authority and magistrates leading to paralysis in planning applications, a situation particularly affecting the residential development sector. The situation is unlikely to find a solution before year end with consequent knock-on effect on the development pipeline going forward. -Milan

Looking for positive market movements towards year end. - Milan

Netherlands

There is still a considerable mismatch between supply and demand in the investment markets. Capital values will still correct, especially in non-prime markets. Falling interest rates may get the markets moving a bit more. User markets are still functioning reasonably, mainly due to scarcity and low construction volume. However, tenants are critical of quality, location and ESG factors. - Amsterdam

There could be a drop in RETT in the Netherlands. Most investors are sitting on their hands waiting for news. The occupier market remains stable, as is Dutch jobless rate. - Amsterdam

Portugal

New developments in pipeline are scarce and the target is now build to suit due to financial and construction cost. Lisbon and Oporto are clearly the main attractions. Yields and rents trend stable due to lack of supply in prime areas. - Lisbon

Market maintains high prices due to lack of supply, maintaining strong demand, particularly in residential areas. In commercial terms, there is a slight return from investors due to the decrease in credit rates - Lisbon

Romania

In Bucharest, mayor had blocked several versions for plans of urban zoning (entire city, all sectors) and this trend is continuing at least for the next couple of years since there is no general plan for urban development. This is a particular situation affecting the entire market in the area of Bucharest, and has been occurring since 2020. - Bucharest

Spain

Slowed market but with signs of recovery (more favorable rate environment). - Madrid

Sweden

ESG is continuously taking a bigger part in the general market commentaries. The tipping point when ESG becomes essential would, what I believe, be when transactions / financing is denied due to poor ESG score. The market is still unsure how the impact of ESG will turn out, hence the "brown discount" is becoming more evident for properties with poor ESG score. - Stockholm

Middle East and Africa: Aggregate picture remains solid although momentum appears to be moderating slightly

The Q2 2024 GCPM results for the Middle East and Africa still point to a solid market backdrop at the aggregate level. Demand from buyers and tenants continues to rise across all mainstream sectors, albeit a little bit of momentum does now appear to be fading in some areas after the recent strong run. Nevertheless, MEA as a whole continues to post more upbeat results than any of the other broad world regional groupings.

Occupier and Investment Sentiment indices still positive, but marginally softer than in Q1

Depicted in Chart 1, both the headline OSI and ISI readings remained in positive territory, as has been the case in every quarter since late 2021. Having said that, the latest figures of +8 for both indices are marginally lower than last quarter, perhaps suggesting that momentum has moderated slightly of late. Even so, MEA once again comes through as the only world region to display outright positive readings across the headline sentiment indices this quarter.

Looking into some of the details, the investor demand gauge remains in expansionary territory across all mainstream sectors within Saudi Arabia and the UAE. Elsewhere, buyer enquiries are a bit more patchy, with only the industrial sector seeing an uplift in investor interest across South Africa during Q2. In Nigeria meanwhile, the office and retail sectors saw a small increase in buyer demand over the latest survey period, although the trend was largely flat for industrials. On the same basis, investment demand fell across all sectors when looking at Qatar.

Market now seen as moving closer to the peak in some nations

As shown in Chart 2, there is a wide range of views across the region when it comes to perceptions on the current stage of the property cycle. In Qatar, a clear majority of respondents continue to see the market as in a downturn. At the same time, 60% of respondents based in Nigeria now feel the market is contracting, with this deteriorating view associated with high inflation and rising policy interest rates in recent months. By way of contrast, the largest share of contributors still consider current conditions to be consistent with an upturn in both Saudi Arabia and the UAE. That said, the latest results show a rise in the proportion of respondents now sensing the CRE market may be close to peaking, with 29% taking this view in Saudi Arabia and 31% in the UAE (up from 7% and 25% respectively in Q1). Across South Africa, 55% of survey participants report that their local market is in an upturn phase of the cycle, marking a further improvement compared to a share of 43% in Q1 and 37% in Q4 2023.

Twelve-month expectations remain firmly positive, albeit projections have been trimmed somewhat

Depicted in Chart 3, regional aggregate twelve-month projections for both rental growth and capital values remain comfortably positive across all sub-sectors covered in the Monitor. That said, in most instances, these expectations have been pared back slightly during Q1. Nevertheless, leisure, prime offices, data centres, multifamily residential and hotels all still display robust expectations for growth in rents and capital values over the year to come. Meanwhile, the sectors that stand out as being a little less upbeat in comparison include secondary portions of the office, industrial and retail markets.

Chart 1 - Occupier and Investment Sentiment Indices

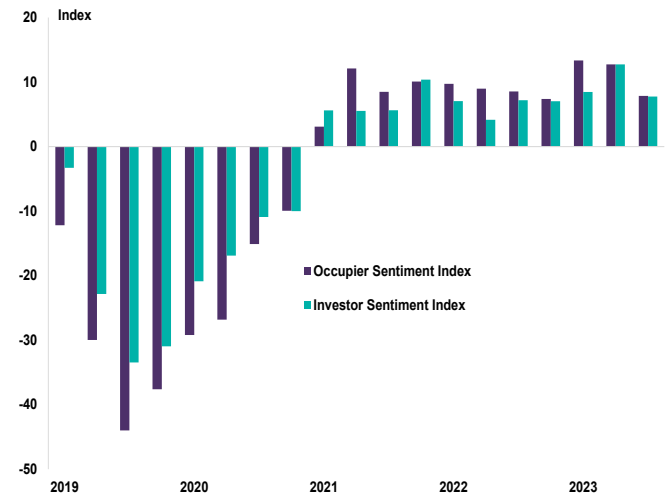


Chart 2 - Stage of the Property Cycle

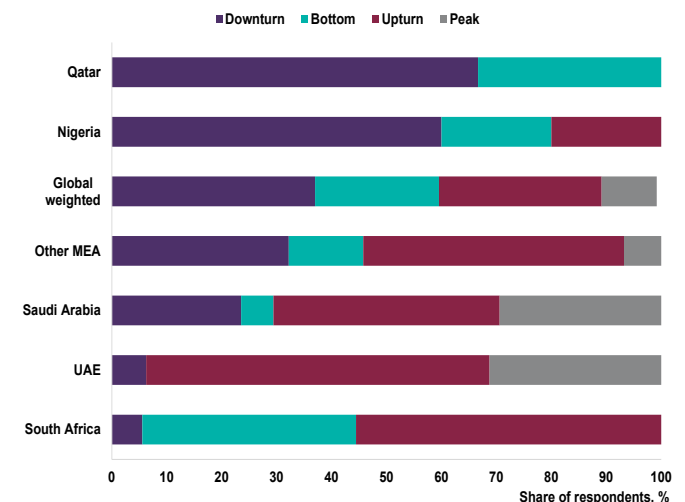
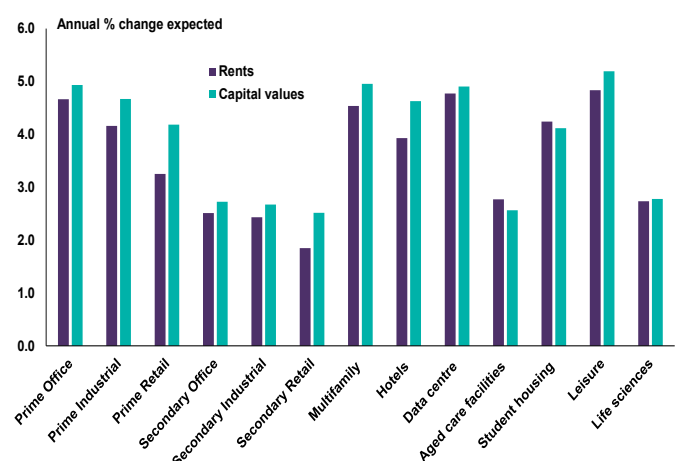


Chart 3 - Twelve-month Projections by Sector



Regional comments from survey participants in MEA

Ghana

The market is steadily growing with a slight optimism due to upcoming elections in the country although investors are very cautious. - Accra

Market constraints are affecting the construction industry immensely in Ghana. - Accra

Kenya

Kenya's property market exhibits an overall upward trend, fueled by increasing demand for affordable housing, particularly among the urban poor and student populations. However, the government's current housing policy lacks long-term vision and may struggle to meet the needs of a growing population. This challenge is compounded by limited developable land and difficulties in securing financing. - Nairobi

New tax laws are likely to impact the real estate market. - Nairobi

Kuwait

The Government is implementing new regulation that makes storage rent and capital values surge. - Kuwait City

Mauritius

Prior to Covid, the commercial market was buoyant and demand as well as the supply of properties was on the increase. But, during the Covid period, demand was drastically reduced. A period of prolonged uncertainty has been witnessed. In the post-Covid period the market has picked up slowly but it is increasing in momentum as time passes. - Pamplemousses

Nigeria

High inflation affecting price of construction materials and equipping thus slowing down activities in the industry. - Lagos

Things in the market become expensive globally. There is high inflation in my country which it has affected prices of building materials in the market. -Lagos

Inflation and exchange rates are pulling up costs and other associated parameters. -Yaba

Qatar

Market has flattened so a modest improvement is likely over the next 24 months. - Doha

Saudi Arabia

The KSA market is still hot. - Riyadh

Property market is in an uptrend. - Riyadh

South Africa

In South African terms, the overall market sentiment is somewhat subdued, given the sustained high interest rate environment we are in. Industrial, particularly hi-tech, is fairing very well. Retail is pottering on as consumers are beginning to experience the hard-core pinch of the poor economic backdrop. Residential stock prices are flat, despite the demand/supply imbalances. Our elections are over and the outcome good, so business confidence is beginning to return, just slowly. - Durban

Conditions are improving slightly, but the road to recovery is still steep. Political instability has not helped improve market conditions.. - Johannesburg

More optimism in the market post general election. - Johannesburg

Post election initial indications are positive on the economic front but there remains an element of wait and see. - Johannesburg

Although the office sector still shows signs of being at the bottom of the cycle, P grade stock availability is reducing with early signs of a move to early recovery. The logistics sector is the property asset class of choice with limited availability of new modern facilities with developers still prepared to develop speculatively on a limited basis. - Johannesburg

The residential market below R1.5 million is active. Above R1.5 million is significantly affected by high interest rates and it remains a buyer's market. Retail is still struggling with high vacancies but has improved by approximately 1% in real terms over a y-o-y basis. Offices are not doing well. High vacancies prevail due to working from home. Rental reversions are towards lower rentals, lower escalation rates and shorter term leases. Industrial is performing the best, especially logistics. - Kempton Park

UAE

Office rents continue to soar on the back of limited quality supply. New developments for office buildings lag considerably driven by the residential sectors continued robust demand and tremendous price increases over the past quarter. - Dubai

Population of Dubai is growing at a pace of 3-5% annually because of which the growth and demand is there in the market. - Dubai

Launches of new developments are primarily targeting the residential market, which is experiencing high demand currently. The commercial sector does not exhibit similar demand levels; however, the shortage of available investor-grade quality stock is expected to result in the absorption of the current vacant inventory. This will likely have a positive impact on rentals and, consequently, capital values in popular areas. Secondary stock continues to experience lower demand, take up and growth.- Dubai

Dubai's commercial property market has demonstrated remarkable resilience and growth across different segments. This positive trajectory is fueled by robust demand and favorable economic indicators. Notably, the office segment has experienced increased occupier activity, while the residential market has seen significant price growth. Additionally, the hospitality, retail, and industrial/logistics sectors have all contributed to the overall upward trend.- Dubai

Zambia

The market is still characterised by low demand and high supply. - Lusaka

In Zambia we are seeing an increase in property sales even though the national economy is declining. - Lusaka

Zambia is in recovery mode, and we anticipate significant changes in the real estate sector over the next 12 months. With a projected GDP growth rate of 4.3% in 2024 and an influx of \$570 million from the IMF to address the impacts of drought, the economic landscape is poised for transformation. The real estate market is expected to see a 15% increase in property transactions and a 10% rise in new construction projects, driven by improved investor confidence and government initiatives. - Lusaka

Zimbabwe

Generally real estate is not performing as it should all things being equal across the region. However a big percentage of the economies seem to be stabilising which is positive and it gives hope that the real estate sector will start to perform again in the near future. - Harare

Changes in currency affecting property sales and property valuations.- Harare

North America: Market remains in a somewhat subdued state

The Q2 2024 GCPM results for North America largely echo the findings of the previous iteration of the survey. Indeed, the market remains in a somewhat subdued state overall, with most metrics showing minimal movements from last quarter. That said, trends remain mixed at the sector level, with prime industrial assets and alternatives generally seen outperforming the wider market. As shown in Chart 1, the headline Commercial Property Sentiment Index (CPSI) for both the US and Canada returned a marginally more negative figure this quarter, coming in at -8 and -7 respectively (compared to -7 and -5 in Q1).

Sentiment on credit conditions diverges somewhat between the two countries

There appears to be a divergence between the US and Canada when looking at recent trends in credit conditions. Indeed, in the US, the net balance for this metric fell to zero from +10% previously, suggesting any recent easing in lending rates had not been sustained. By way of contrast, the credit conditions series in Canada rose markedly from -2% to +23%, signalling a slight relaxation in rates during Q2. A full breakdown of the responses to the credit conditions question is displayed on Chart 2.

Office occupier market in the US shows tentative signs of stabilising after extended struggle

The aggregate net balance reading for occupier demand in the US remained similar to that seen in the previous quarter, coming in at +17% vs +20% previously. As such, this points to a moderate pick-up in tenant demand at the all-sector level. By way of contrast, the occupier demand metric in Canada saw a marginal shift downwards from a net balance of +7% last quarter to -2% in Q2.

Interestingly, office occupier demand stabilised somewhat across the US this time around, with the latest net balance of -5% marking the least negative reading since early 2022. Conversely, tenant demand reportedly fell across the office sector in Canada, where the Q2 net balance dipped to -20% compared to -13% previously. Alongside this, the US saw continued growth in occupier demand across both the industrial and retail sectors, albeit this was a little more moderate than in Q1 (in net balance terms). For Canada, occupier demand was relatively stagnant within the industrial sector but did reportedly increase slightly across retail.

Investment demand yet to see any revival across offices as yet however

With regards to investor trends, buyer demand increased in the industrial and retail portions of the US market in Q2, but continued to decline across offices. Meanwhile, headline investor demand fell in Canada (net balance -8%), driven by continued weakness within the office sector alongside a generally flat picture for industrial and retail.

Twelve-month capital value expectations (depicted in Chart 3) point to further downside across the secondary office market in both the US and Canada. On the same basis, capital value projections are also negative across the US for prime offices, secondary retail and hotels. By way of contrast, US respondents envisage solid capital value gains for data centres, aged care facilities and student housing. Looking at the Canadian market, respondents foresee solid upside potential for capital values within the multifamily sector, as well as student housing, data centres and aged care facilities.

Chart 1: Commercial Property Sentiment Index

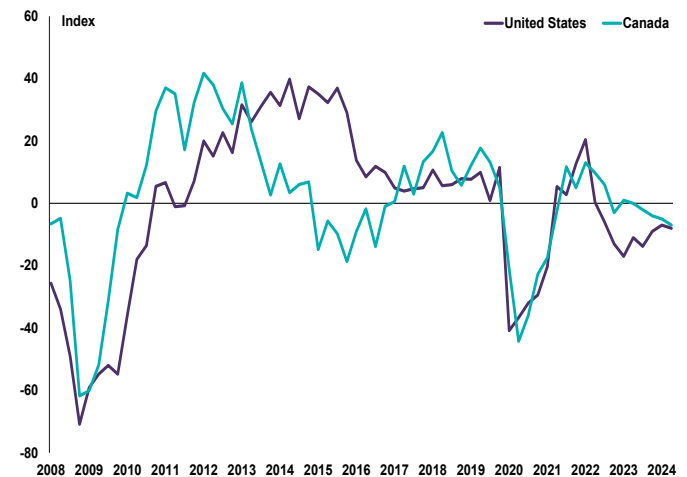


Chart 2: Credit conditions sentiment

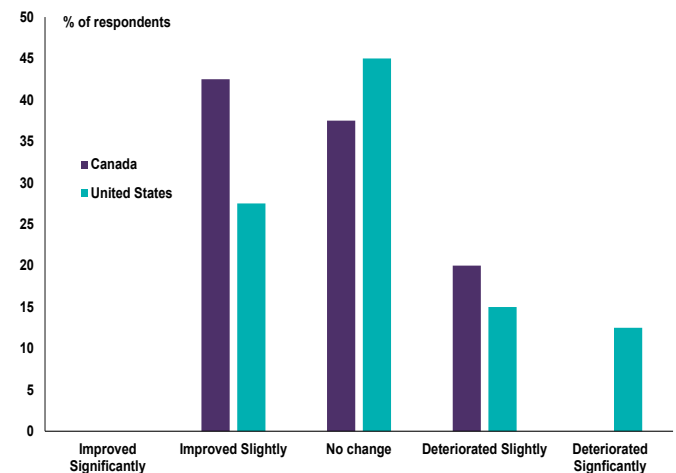
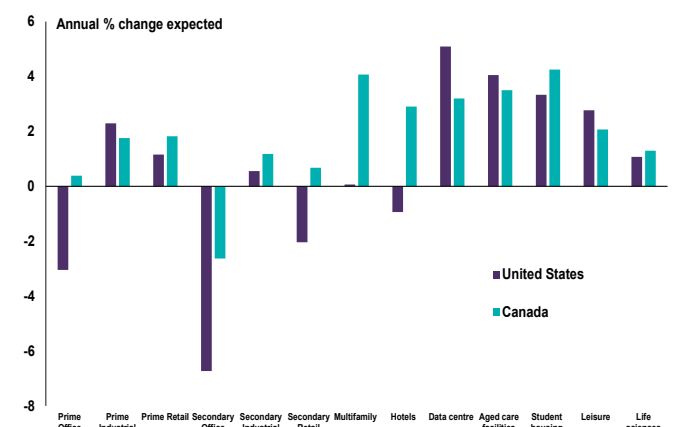


Chart 3: 12 month capital value expectations



Regional comments from survey participants in the Americas

Bahamas

The trends are not consistent. Several properties have been abandoned and new rebuilds are in progress. However, older buildings are not renovated and placed back in the real estate market. Thus, the balancing effect of this trend continues in the market. - Nassau

British Virgin Islands (UK)

The BVI office, retail and industrial market is small and generally restricted to local investors only, with few opportunities for foreign investment. - Road Town

Canada

Interest rates have slightly lowered since last survey - expected to decline further but have been going down MUCH slower than had been expected. - Charlottetown

Unstable interest rate environment, to combat inflationary trends, is impacting investment decisions of both businesses and home owners. Continued high immigration levels is impacting the housing market and the shortages there. - Sudbury

Prime quality office rents holding well. Secondary office slow to respond and adjust expectations. - Toronto

Industrial continues to be in high demand, although cap rates are slightly higher than 12 months ago. Office is generally over built, but Class A+, well located is doing well, while secondary locations and buildings are struggling. Retail is recovering better than expected, but again, well located A+ malls. Secondary malls are struggling. - Toronto/GTA

High interest rates and land values are affecting the viability of new projects. - Vancouver

The market is going from denial to reality. - Vaughan

Chile

The market is down, but stability has been achieved. - Santiago

Market showing signs of recovery in prime office segments. Industrial with falling rates and increasing vacancy, but in very healthy ranges. Historically high financing, but showing slight signs of recovery towards more competitive rates. - Santiago

Mexico

Industrial continues to receive the majority of demand from investors while demand for office and retail assets is almost non-existent at the moment. We see this trend continuing over the next 12 months. - Mexico City

The growth potential that Mexico has in the real estate sector is important due to nearshoring or relocation, however, local and foreign investors are awaiting the policies and guidelines that the new 2024-2030 administration, which begins on October 1, will promote the different sectors of the national economy, and the impact they will have on the country's financial and real estate sector. - México City

Panama

Small market, stagnated by 2023's unrest on copper mining and the transition after May's presidential elections. - Panama

Peru

The market in Lima has not yet emerged from the recession, which is why values are stagnant and the market is not reactivating. Values are stable and it is possible that in this second semester the market for corporate offices and industry will begin to reactivate. Retail is improving as the first market to reactivate and due to its volume. - Lima

Saint Lucia

There is a development trend that is more focused on the AirBNB business model. - Castries

Trinidad and Tobago

Since COVID19 property values and rents decreased and they have not risen and are not expected to rise anytime soon. Working from home and online shopping have also impacted demand for property negatively. - Port of Spain

The overall property market has been dormant and has not recovered since Covid-19. - Port of Spain

Homeowners may experience a sharp reduction in their disposable income, as a result of the reintroduction of the tax on property, the proposed escalation in the price of electricity and higher home insurance premiums. The real estate market showed signs of slowing down and a lowering of the values for upper-level residential properties and rentals of commercial properties. - Via Cunupia

United States of America

The Dallas/Fort Worth region is still performing quite well, as strong corporate and population growth is driving demand. However, inflation has caused many to cut back spending, thereby impacting demand for space, particularly retail. Class A offices are still enjoying a flight to quality, but other offices are suffering from slow leasing and investment demand for all types is slow due to financing costs. Industrial continues to see good demand. - Dallas

The market is more uncertain and unpredictable than at any time in the past 40 years. Geopolitical tensions, domestic politics, and climate-related risks and costs (insurance!) are all weighing on the market. H2/2024 will be flat and nervous as the traditional July 4th through Labor Day hiatus gives way to political uncertainty. - Denver

Thriving but expensive. - Jupiter

As an Emerging Market, the Knoxville Economy/Market has slowed but still quite active. - Knoxville

Take a wait and see. Small office market, industrial supply limited, retail is doing well. Likely some weakness in multifamily with planned deliveries. Multifamily is over focused on the high end. - Miami

Overall, market conditions remain good. Tenant demand remains strong, and Capital Values continue to trend upwards despite the strong economic headwinds created by high interest rates. Our market always has, and will always continue, to be land constrained, which means we don't see over building, so rents and values generally trend upward given the supply challenges. - Nashville

I think things will slowly improved, but there is still a great wall of debt coming due next year, which could negatively impact everything even worse - New York

Some green shoots are evident - especially with the limited supply of trophy/superClass A office space starting to drive demand down the ladder and flight to quality from lower-tier properties applying pressure upward on supply. - New York

Most markets failing considerably, except residential rents. - New York City

The concept of "Market" has changed, and now must be analyzed on a building-by-building basis. Rents, abatements, workletters are just a starting point. The financial strength of the landlord is key, the amount, interest rate and maturity date of the financing is essential to know, expiration dates of other major leases in the building play a major role in the building's future, etc. Landlords used to check tenant financials carefully. Now tenants also vet landlords. - New York City

Bubbles everywhere. Not sure which will pop first. - San Diego

Santa Barbara is generally a high end market. Generally, occupancy levels are better than regional or national norms. The exception is CBD retail which is suffering - partially due to established trends but also due to Covid related "temporary" street closure. - Santa Barbara

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 facilities management market.

Methodology

Survey questionnaires were sent out on 12 June 2024 with responses received until 15 July 2024. 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 1622 company responses were received. Responses for Ireland were collated in conjunction with the Society of Chartered Surveyors Ireland. Responses for Malaysia were collated in conjunction with the Royal Institution of Surveyors Malaysia.

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. The Commercial Property Sentiment Index is an unweighted average of the OSI and ISI. Regional indicators are weighted using estimates of the stock of commercial property provided by LaSalle Investment Management, and are adjusted on an annual basis.

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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Economics Team

Simon Rubinsohn
Chief Economist
srubinsohn@rics.org

Tarrant Parsons
Senior Economist
tparsons@rics.org

Dong Lai Luo
Senior Economist
dluo@rics.org

Adib Munim
Economist
amunim@rics.org

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Americas, Europe, Middle East & Africa
aemea@rics.org

Asia Pacific
apac@rics.org

United Kingdom & Ireland
contactrics@rics.org



rics.org

