GLOBAL PROPERTY SURVEY

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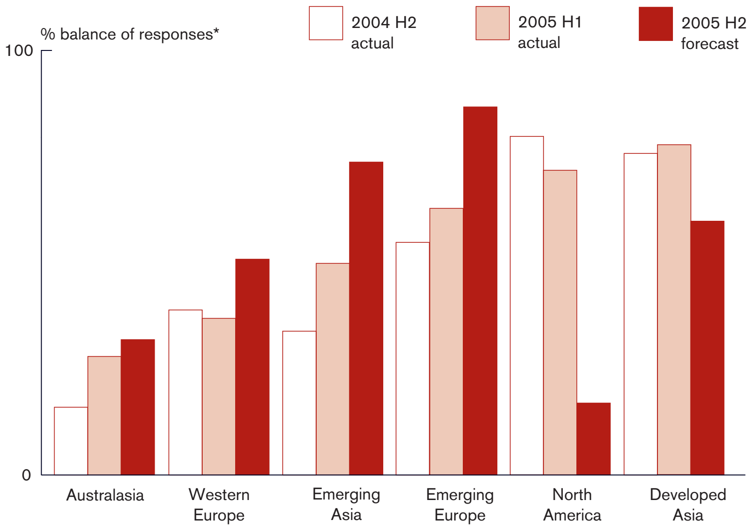
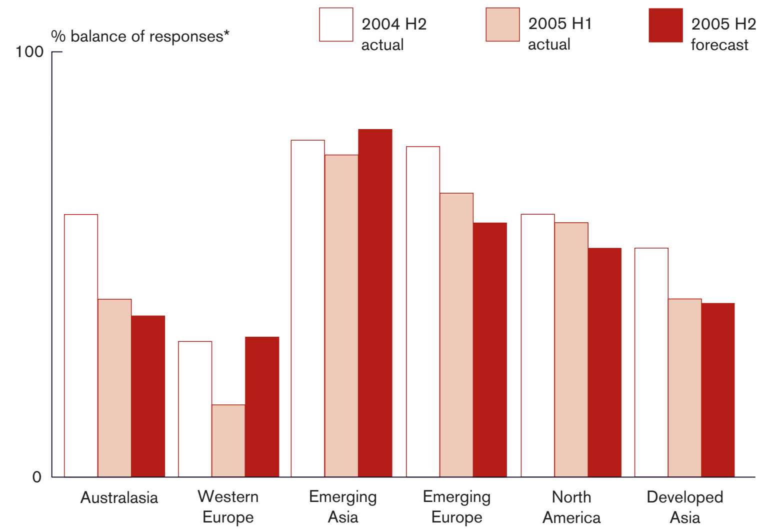
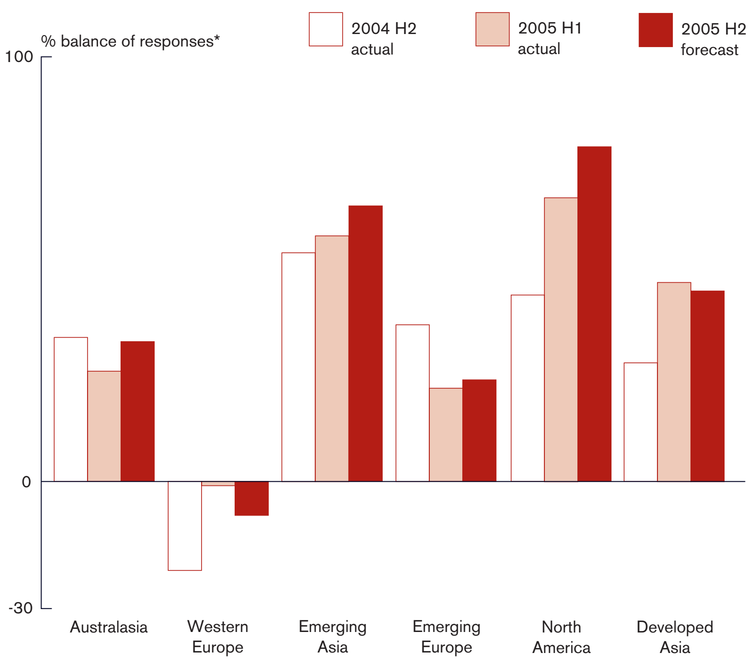
Investment demand for real estate



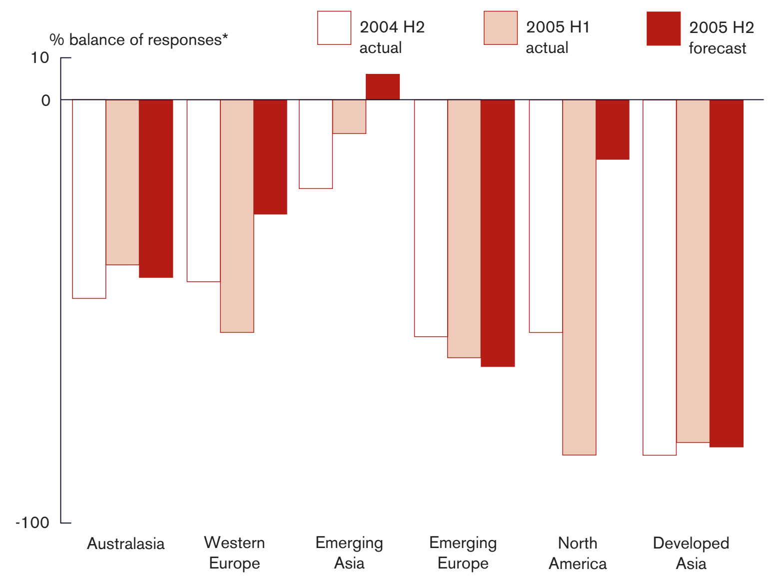
Occupier demand for real estate



Change in real estate rents



Real estate investment yields (capitalization rates)



H1 First six months of year
H2 Second six months of year
* Figures do not show percentage change, only the balance between respondents reporting a rise or fall

Introduction

Welcome to the second RICS global commercial property survey, a six monthly guide to developing trends in the commercial property investment and occupier market. This edition covers market conditions for the first six months of 2005. Information has been collected from over 100 cities, with participants from leading international real estate organisations and local firms.

Global results summary

Corporate business property demand rose at a slower pace in most parts of the world to varying degrees, and remains subdued in Western Europe. Expansion in global economic activity has felt the impact of higher oil prices. Still, investment demand for commercial property has accelerated in most regions. Sustained low interest rates continue to fuel demand, particularly in North America and Developed Asia, but also increasingly in the emerging economies of Europe and Asia.

Occupier market

The first half of 2005 continued to record very strong increases in business occupation of property in the emerging economies of Asia. Solid domestic demand in China and India have insulated these economies from external influences such as higher oil prices and slower growth in world trade. A slowdown in the key markets of Western Europe has dented export-led growth in Emerging economies of Europe. While occupier activity remains robust in these countries, the pace of expansion has eased.

Despite a widening of the trade imbalance and a plunge in household savings, the US economy remains strong. Private consumption and investment continue to grow, supporting an upward trend in job creation. Business occupier demand for property continued to rise firmly, and is outpacing growth in Western Europe, Developed Asia and Australasia.

Across the Atlantic, the euro area economy remains sluggish due to the detrimental impact of an appreciation in the euro in recent years. Business demand for commercial property is showing the lowest rise of all world regions. Property demand in the UK has slowed sharply outside of the office sector, as higher interest rates have resulted in a near standstill in consumer spending and manufacturing output in the past year.

The Japanese economy has shown renewed signs of life after a pause in the latter half of 2004. Occupier activity rose at a slightly slower pace, but rents are clearly picking up. Employment is rising, supported by ongoing adjustments of company balance sheets in response to the banking crisis.

Investment market

As opposed to the mild slowdown in occupier market activity, investment demand for real estate has accelerated. Low long term lending rates have been sustained globally despite a turn in the interest rate cycle (most notably led by the Anglo-Saxon economies), raising appetite for risk in the real estate markets of both developed and emerging markets.

Very strong investment demand prevails in North America. Long-term market interest rates have failed to follow the increases in short-term rates instigated by the Federal Reserve in the past year, continuing to fuel demand for property assets. In Developed Asia, and in particular Japan, investment activity is also rising rapidly. Competition for property assets has intensified amid a still very low interest rate environment and stable economic growth conditions.

Investment demand is rising at a steady pace in Western Europe overall, though this includes a pick-up within the euro area and a mild slowdown in the UK. Demand for real estate assets has seemingly turned around in the previously laggard countries of Germany and Italy despite tepid economic performance. Investor enthusiasm for property in Emerging Europe is unabated due to the perception that many of these economies will catch-up with Western European income levels.

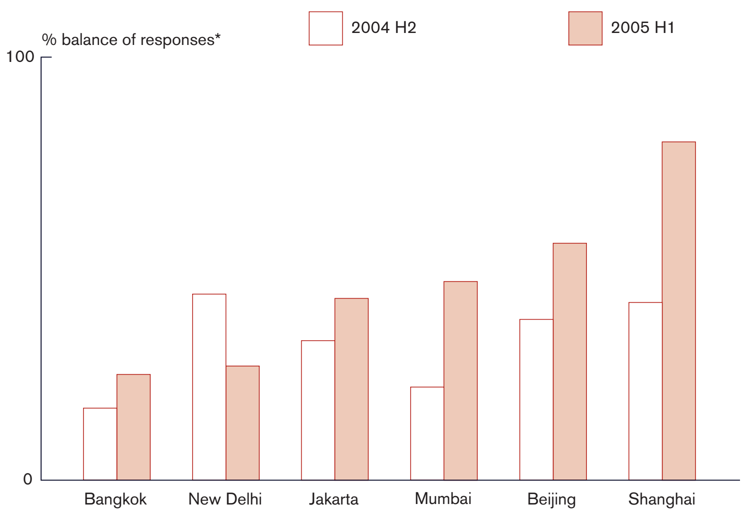
Measures by the Chinese authorities to cool the domestic economy have not prevented a significant strengthening of commercial property investment demand. On the otherhand, in India, investment activity rose at a relatively modest pace but asset values have been re-priced upwards again, sharply.

Forecast

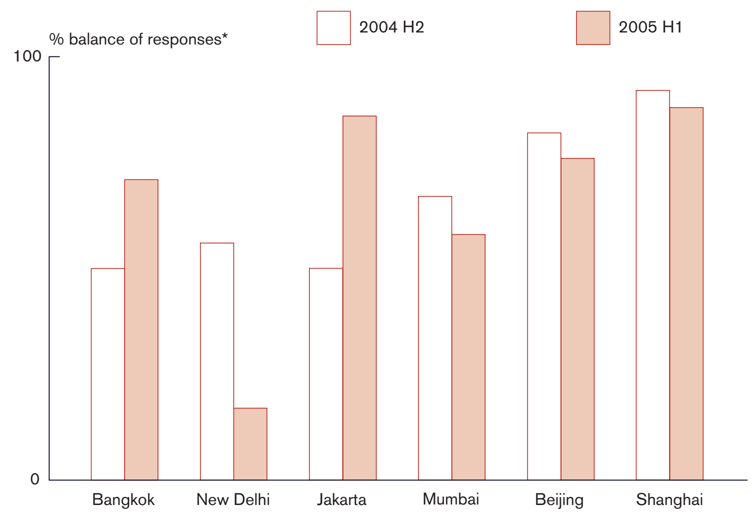
- Occupier market : The outlook for business occupier space requirements in the second half of 2005 are generally similar to the first half, with Emerging Asia expected to see the most rapid growth. Interestingly though, a firm improvement in activity levels is envisaged in Western Europe, most markedly in Germany.

- Investment market: Investment demand is expected to accelerate sharply in most regions from already heated levels. Key exceptions are the USA and Developed Asia where further interest rate rises, or a turn in the monetary cycle, may cool investor real estate demand.

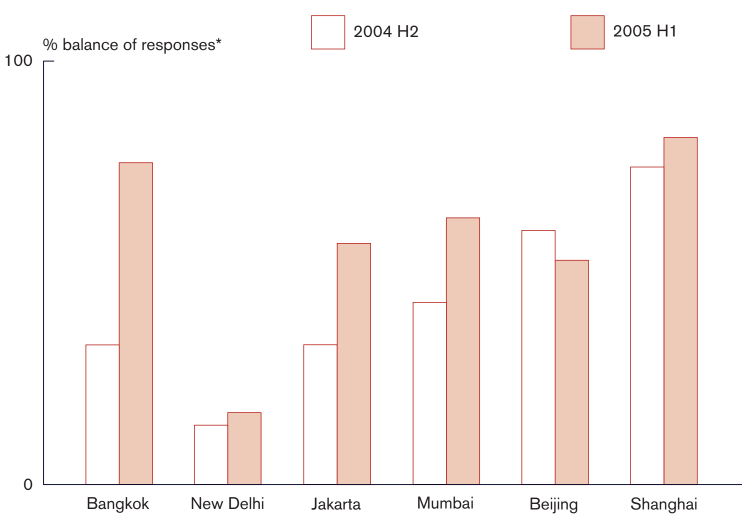
Investment demand for real estate



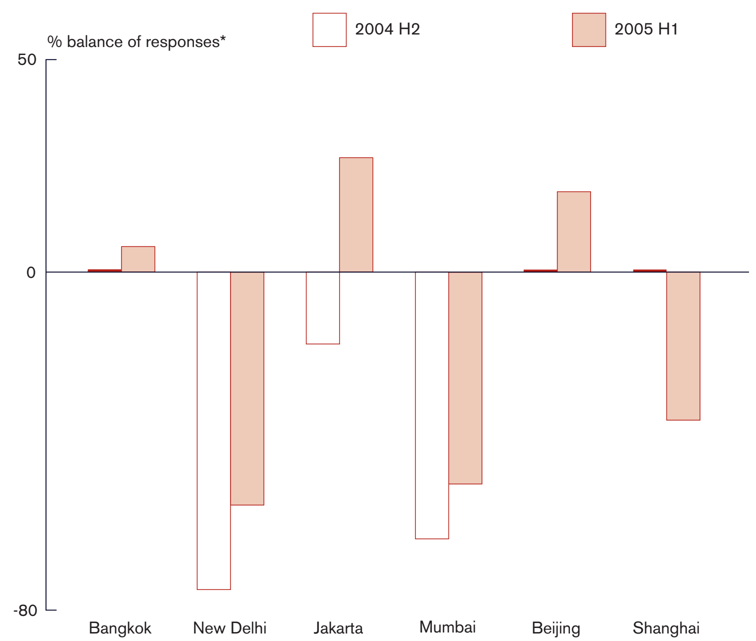
Occupier demand for real estate



Change in real estate rents



Real estate investment yields (capitalization rates)



Emerging Asia

Occupier market

Occupier demand for commercial space remains strong in China though the pace of growth moderated slightly in both retail and industrial sectors following government measures to cool the economy. Demand for office space strengthened in the first half of 2005 with WTO membership opening up services to more foreign competition since 2004. Financial services liberalisation, expected to commence in late 2006, will encourage expansion in the Chinese banking, insurance and financial services sectors and support demand for office space.

Commercial property rents in China continue to rise across the board with the strongest growth reported in the office and retail sectors. Industrial rents are also firming having changed little in the second half of 2004. As well as exports, domestic spending has made a significant contribution to growth of the economy. However, with the Chinese currency peg being loosened and the government tightening credit, some slowdown in the economy is possible. Indeed, there are already signs that domestic demand has been reigned back with growth of imports relatively subdued. Expectations for occupier activity and rents are positive for the next six months though available space has been on the rise.

In India, occupier demand remains firm in the office and retail markets with rents continuing to rise at a moderate rate. At a city level though, New Delhi has lagged behind other centres. Economic growth is robust and domestic demand very hot as indicated by a sharp jump in non-oil imports. Business services and domestic trade are both strong which has driven a marked rise in the demand for offices and retail premises.
Also encouraging is a sharp rise in manufacturing output and exports over the last 6 to 9 months.
As a result, occupier activity and rents in the industrial sector have stabilised after slipping back last year. The overall outlook is for acceleration in occupier demand and rents for the second half of 2005.

In Thailand, Vietnam, Indonesia and the Philippines, occupier activity and rents are rising briskly as strong growth across the region reinforces demand in the key cities of Bangkok, Ho Chi Minh, Jakarta and Manila. However, the continued sharp rise in oil prices is a key economic risk to many of these economies. On the otherhand, if steps by China to revalue its currency continue, then other centres may see some benefit as competitiveness improves.

The Investment Market

Investment demand for commercial property is rising at a faster pace in China. Commercial property has avoided increased regulation, such as that imposed on the residential sector in 2004. Accordingly, investment demand from owner-occupiers firmed in the six months to June, rising most strongly in the office and retail sectors. Yields were largely unchanged across industrial and office property though they fell in the retail market. The opening of the retail market to international competitors (a condition of WTO entry) since June 2004 has bid up capital values for prime retail sites putting some mild downward pressure on yields. Foreign investment activity is also becoming more notable.

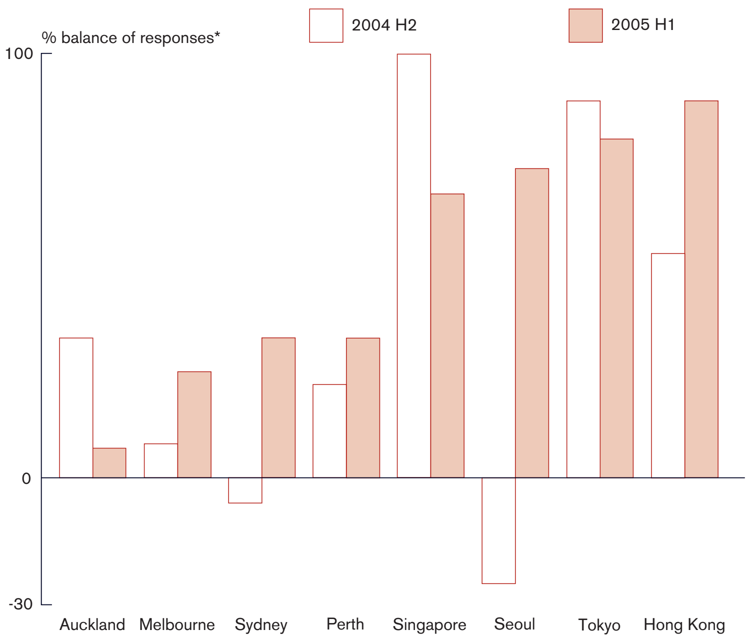
Investment demand in India continues to drive down commercial property yields sharply. However, the pace of decline in yields has moderated compared to the previous six months, particularly in the retail sector. Domestic real estate companies have been active buyers alongside private individuals in the first half of 2005.
Across the other centres in the region, such as Manila, Kuala Lumpur and Bangkok, investor purchases were up slightly on the previous six months, though still at a modest pace.

Domestic real estate companies and owner occupiers are the most acquisitive investors. Investment yields are generally static or rising with the exception of Kuala Lumpur. The outlook for investment demand is viewed as very positive but nonetheless little or no re-pricing of assets is expected.

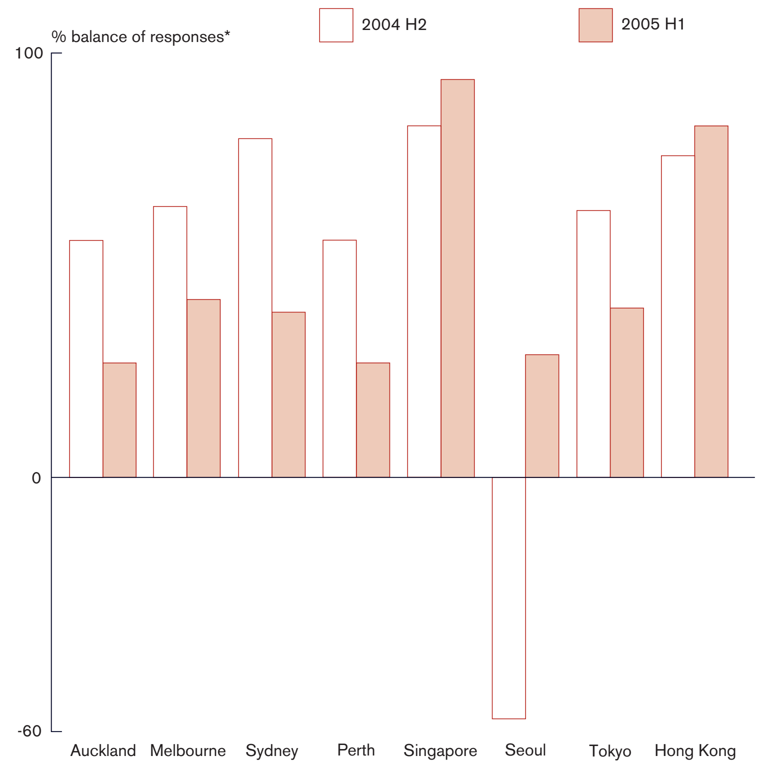
	Occupier demand	Availablity of space	Rents	Investment demand	Yields/ cap rates
Bangalore	∧	∧	∧	∧	>
Bangkok	∧	>	∧	∧	>
Beijing	∧	∧	∧	∧	>
Guangzhou	∧	>	∧	∧	>
Vietnam	∧	>	∧	∧	∧
Jarkata	∧	>	∧	∧	∧
Kuala Lumpar	∧	∧	∧	∧	∨
Manila	∧	>	∧	∧	∧
Mumbai	∧	>	∧	∧	∨
New Delhi	>	∧	>	∧	∨
Shanghai	∧	∧	∧	∧	∨

Key for arrows
∧ up
> unchanged
∨ down

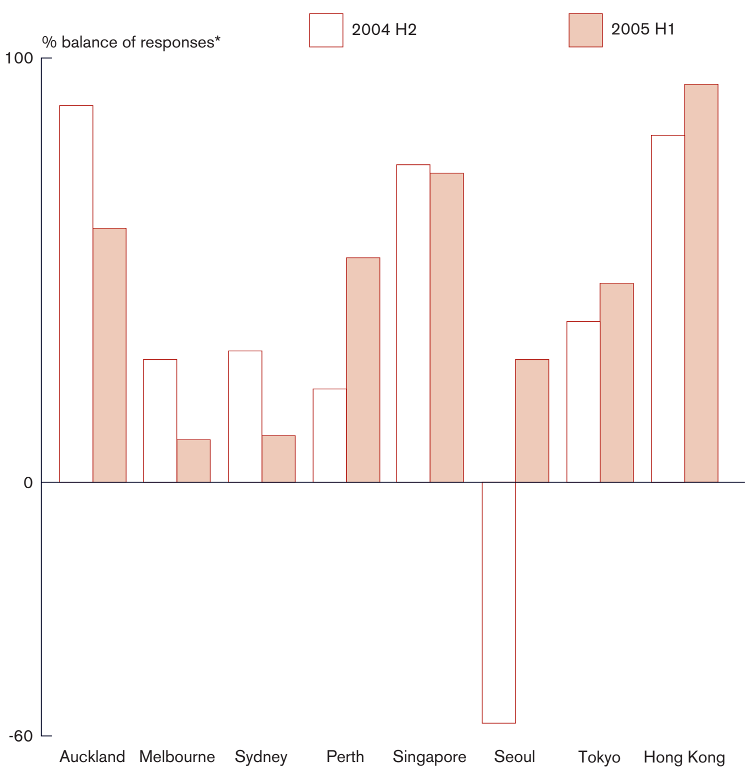
Investment demand for real estate



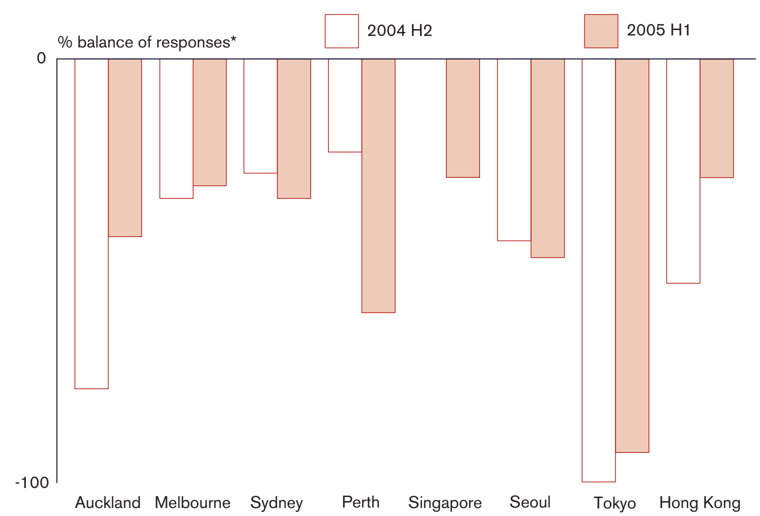
Occupier demand for real estate



Change in real estate rents



Real estate investment yields (capitalization rates)



Developed Asia and Australasia

Occupier market

The Japanese economy has regained some momentum in 2005 after a hic-up in the latter half of 2004. Occupier activity rose at a slightly slower pace than in the previous survey, but rents are clearly picking up. There is optimism that Tokyo will experience a sustained upturn in both demand and rents as the domestic economy strengthens. Employment is rising, supported by ongoing repair of company balance sheets in response to the banking crisis.

Seoul has recorded a moderate turnaround in occupier demand as household debt pressures from the credit-card binge of 2002-2003 have reduced, leading to an improvement in consumer spending. The main engine of growth remains exports to China. Economic growth has disappointed this year but interest rates have remained on hold to prevent renewed house price appreciation. Hong Kong recorded another strong rise in business demand for premises across all sectors. Rapid economic growth is being fuelled by rising exports and a firm domestic economy as unemployment falls. Tourism from China has lifted spending levels and may receive a further boost from the opening of Disneyland in September.

In Singapore, the economy went into reverse in early 2005 following a sharp upturn in 2004, which reflected a high level of sensitivity to the slowdown in global growth. However, growth has rebounded in Q2 and occupier demand for property continues to strengthen as have rents, in the first half of 2005 as a whole. For Taipei, business demand for commercial premises and rental levels have also risen, with the economy experiencing falling levels of unemployment and greater capacity utilisation. Interest rates are creeping higher although expectations remain upbeat towards occupier activity and rents, which are expected to rise.

The Australian economy has slowed, led by the household sector as interest rate rises and a soft housing market have reigned back spending. As a result, business demand for property is rising less firmly. However, employment levels and business investment continue to rise at a healthy pace. Demand for office and industrial property is growing, but demand in the retail sector has levelled out.

In Auckland, business demand for premises also rose at a more modest pace. Economic growth is slowing in New Zealand due to higher interest rates. However, rising government spending is expected to be of significant support to activity going forward.

Investment market

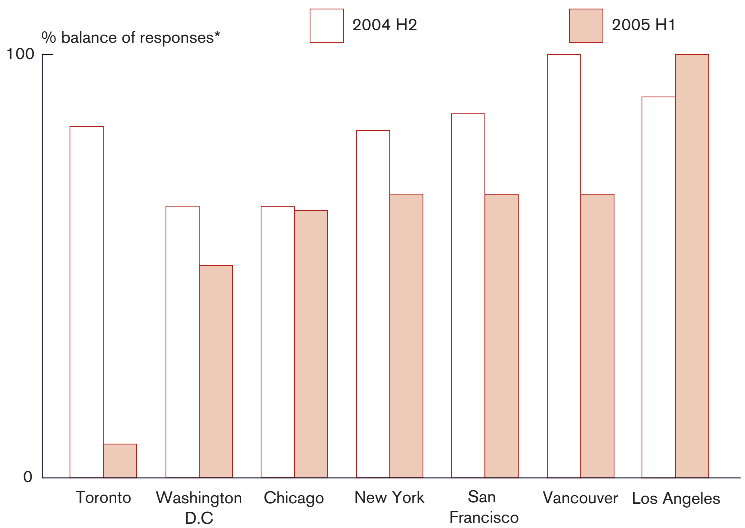
A very buoyant investment market remains in place with investor appetite for real estate assets undiminished despite a continued recovery in stock markets across the region. Investment demand rose firmly in Seoul where activity had slipped back in the latter half of 2004. Investment yields are declining further, particularly in Tokyo and Seoul. Cross-border investment activity has been firm in all countries.

In Tokyo, real estate companies are very active buyers, with interest strong also from financial institutions and private individuals. In Hong Kong private individuals are reported to be the most active buyers and the overall outlook is for stronger investment activity. However, investment yields are only envisaged to fall in Tokyo and Seoul. Rising interest rates are expected to hold yields steady in Hong Kong and Taiwan, over the next six months.

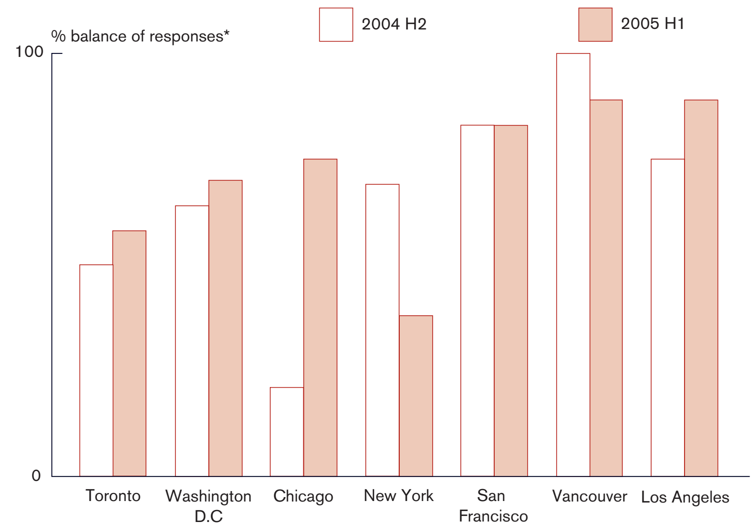
In Australia, investment activity has shown a firm upturn compared to the previous survey. Rising investment interest is apparent across all cities covered in the survey, while yields are declining, indicating strong demand for real estate assets. The keenest buyers are domestic financial institutions and private individuals. Looking ahead, investment demand is expected to strengthen further and yields fall. Investment activity in Auckland showed little change so far this year, though underlying investment demand is strong, as shown by a drop in yields. The investment outlook is viewed as flat, however, reflecting relatively high interest rates.

	Occupier demand	Availablity of space	Rents	Investment demand	Yields/ cap rates
Adelaide	∧	>	∧	∧	∨
Auckland	∧	∨	∧	>	∨
Hong Kong	∧	∨	∧	∧	∨
Melbourne	∧	>	>	∧	∨
Perth	∧	∨	∧	∧	∨
Seoul	∧	>	∧	∧	∨
Sydney	∧	>	>	∧	∨
Singapore	∧	>	∧	∧	∨
Taipei	∧	∧	∧	∧	>
Tokyo	∧	∧	∧	∧	∨

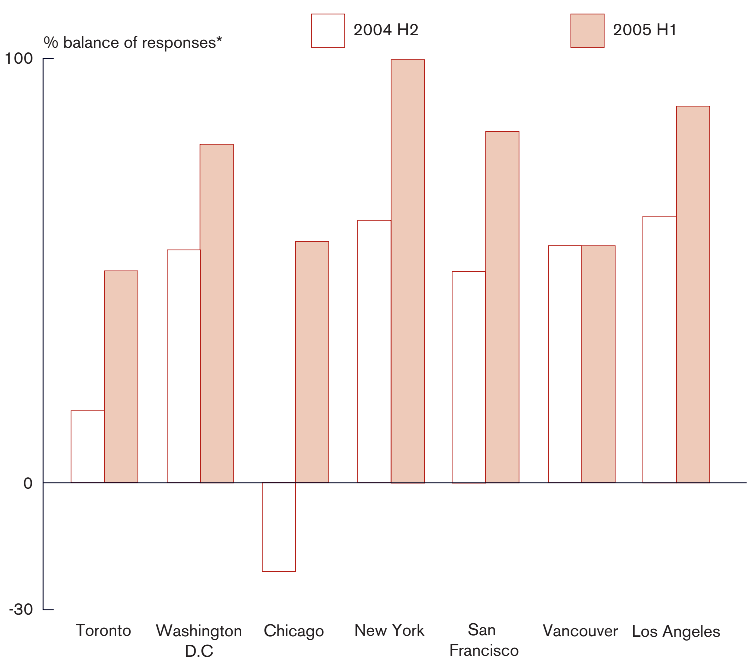
Investment demand for real estate



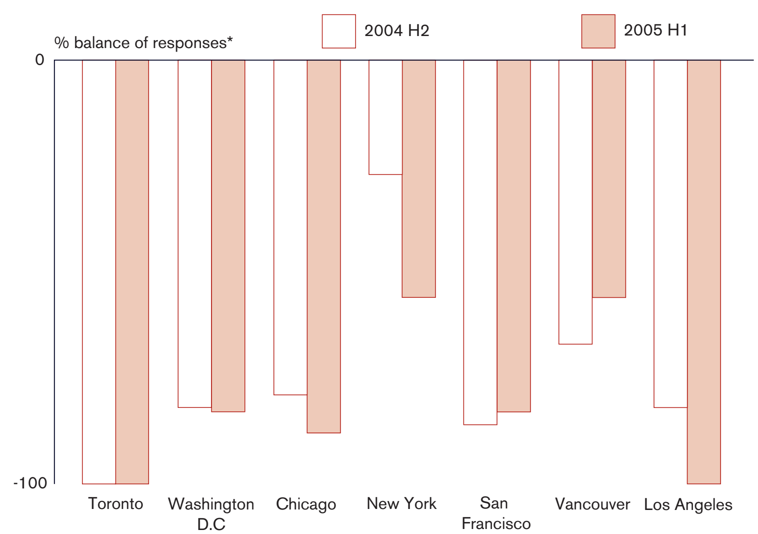
Occupier demand for real estate



Change in real estate rents



Real estate investment yields (capitalization rates)



North America

Occupier market

The US economy remains strong, with private consumption and investment rising and job creation on an upward trend in 2005. There are few signs that higher oil prices have significantly impacted on the economy, though a modest slowdown has occurred from 2004 as some of the post-Iraq war bounce in expenditures has faded. Business occupier demand for property continued to rise firmly in the last six months, mirroring the latter half of 2004. Rents are generally moving higher amid falling availability of space. Property demand is robust across most key centres, notably better in Chicago, though has shifted down a gear in New York.

Domestic demand has been the mainstay of economic growth supported by a housing market boom and historically low interest rates. As such, consumer spending is still rising briskly and retailers have stepped up acquisition of space across all centres. Rising oil prices and measured interest rate hikes have moderated industrial activity in the first half of 2005 although this has failed so far to impact on occupier activity. Occupier demand in the office sector was slightly less robust in the first half of 2005 due to activity tapering off in New York but most other centres are still strong, particularly on the West coast.

Rents are expected to increase at a firmer pace over the next six months as is business demand for property. Confidence is strong across most cities with the exception of New York. However, the latest oil price spike above US$ 60 per barrel may eat into consumer disposable incomes and soften spending. Also, the Federal Reserve is likely to continue hiking interest rates due to emerging labour cost pressures and higher commodity prices, which may dampen domestic spending and business activity.

In Canada, economic growth has slowed in 2005, led in the main by a deceleration in the manufacturing sector. Here, a sharp appreciation of the Canadian dollar has hurt the trade position, as more competitively priced imports have soared. However, domestic demand is strong on rising consumer spending and business investment. In line with the economic slowdown, growth in occupier activity slipped back. Activity is still rising in Toronto and Vancouver and stable in Montreal.

Occupier demand in the retail market grew at a more modest pace, but office demand continued to see robust expansion. Available floor space declined markedly across all sectors in both Vancouver and Toronto, adding support to rents. Montreal though has experienced a rise in vacant space and rents are reported to be static. The outlook is for further steady increases in occupier activity and rents in the second half of 2005.

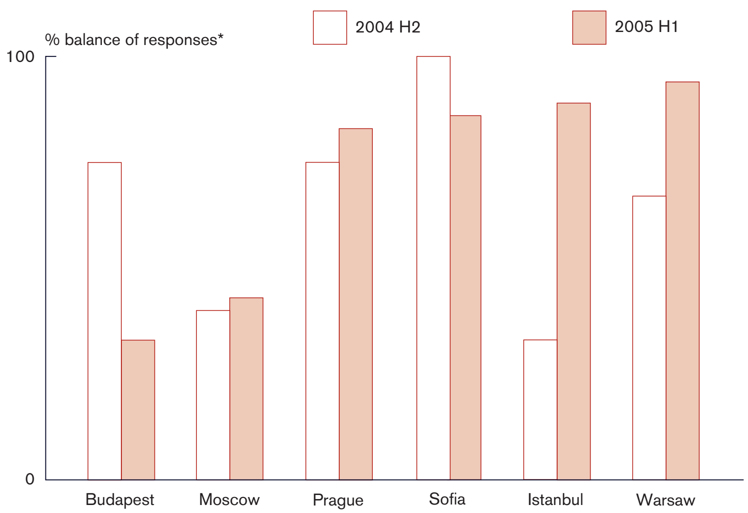
Investment Market

In the US, investment purchases in the first half of the year expanded firmly although not at the frantic pace observed in the latter half of 2004. Rate hikes by the Federal Reserve have failed to significantly restrain the investment market as long-term market rates have dropped in the past year and kept financing costs low. However, growth in investment activity eased in New York, Washington and San Francisco. The main purchasers have been US financial institutions and real estate companies such as REITs, as well as foreign investors. Expectations are that investor demand will now stabilise over the next six months as yields on bonds rise and equity prices continue to pick up.

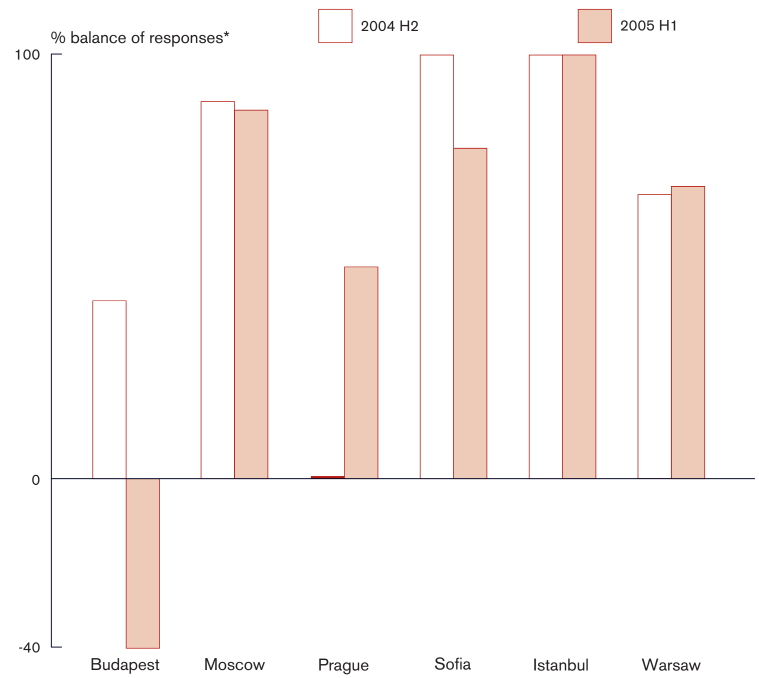
In Canada, investor purchases are beginning to stabilise following a strong rise in investor activity in the latter half of 2004. Yields though are still declining due to reduced availability of stock and still point to firm underlying demand for product. In Toronto investment demand has levelled out. Investor demand remained firm in Vancouver though growth in activity has eased. Financial institutions are dominant buyers in the Canadian real estate market, and the weight of money injected into commercial property is expected to continue pushing yields down over the next six months.

	Occupier demand	Availablity of space	Rents	Investment demand	Yields/ cap rates
Chicago	∧	∧	∧	∧	∨
Houston/Austin	∧	∧	∧	∧	∨
Los Angeles	∧	∨	∧	∧	∨
Miami	∧	∨	∧	∧	∨
Montreal	>	∧	>	∧	∨
New York	∧	∨	∧	∧	∨
San Francisco	∧	∨	∧	∧	∨
Toronto	∧	∨	∧	>	∨
Vancouver	∧	∨	∧	∧	∨
Washington D.C	∧	∨	∧	∧	∨

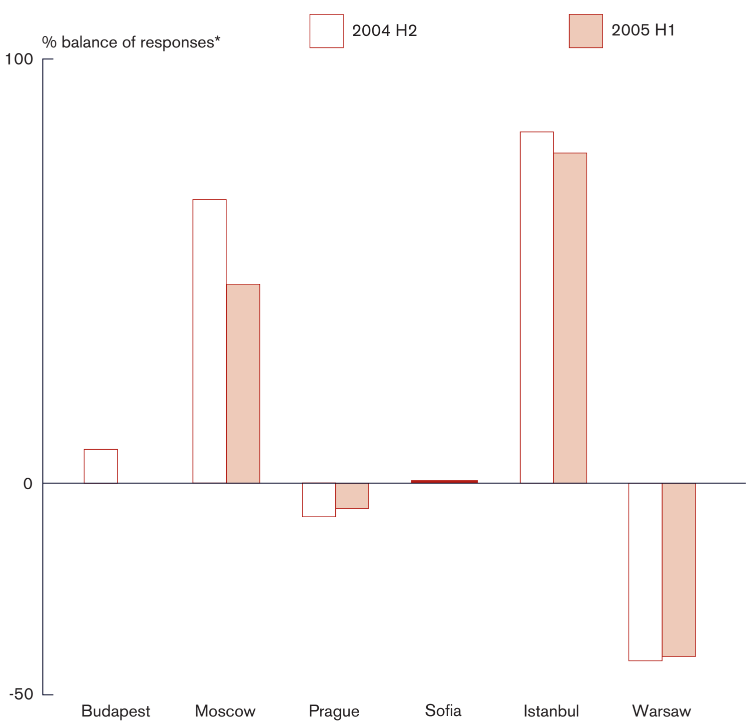
Investment demand for real estate



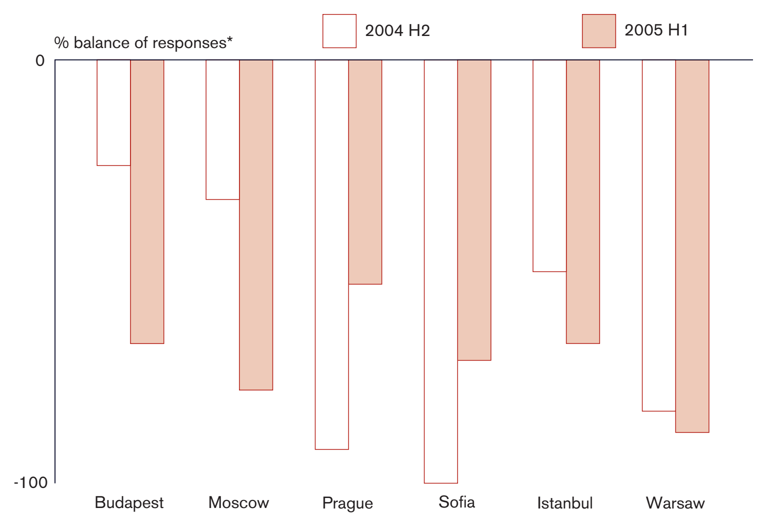
Occupier demand for real estate



Change in real estate rents



Real estate investment yields (capitalization rates)



Emerging Europe

Occupier market

Emerging Europe continues to show robust growth in occupier activity for the first half of 2005 though it is no longer the strongest region in the survey. The slowdown in global growth in the past year has dampened previously buoyant economies of emerging Europe, but activity remains strong. The pace of rise in exports and company investment has shown a moderation from 2004 due to a sluggish Western European market, but this has not been enough to deter greater business requirements for premises. However, the amount of available space on the market has risen following a decline in the previous survey, putting a lid on rent rises.

Occupier activity in Warsaw and Prague continues to expand. In the Czech Republic, the overall growth outlook is strong with exports still booming and the labour market showing renewed strength after a soft patch last year. Inflation in Poland has subsided, reflecting high unemployment, paving the way for sharp interest rate cuts. Though domestic activity has slowed there are signs that retail sales and manufacturing output have been picking-up steam in recent months.

Business demand for property slipped in Budapest as economic growth in Hungary came in below its larger neighbours. Growth is likely to be stimulated next year by reforms which will see VAT and income tax rates lowered, while lower interest rates will also add to economic momentum. For the prospective EU entrant country Bulgaria, foreign investment is booming and unemployment has fallen, supporting a sharp rise in business property demand, but rents have been held back by rising availability of space.

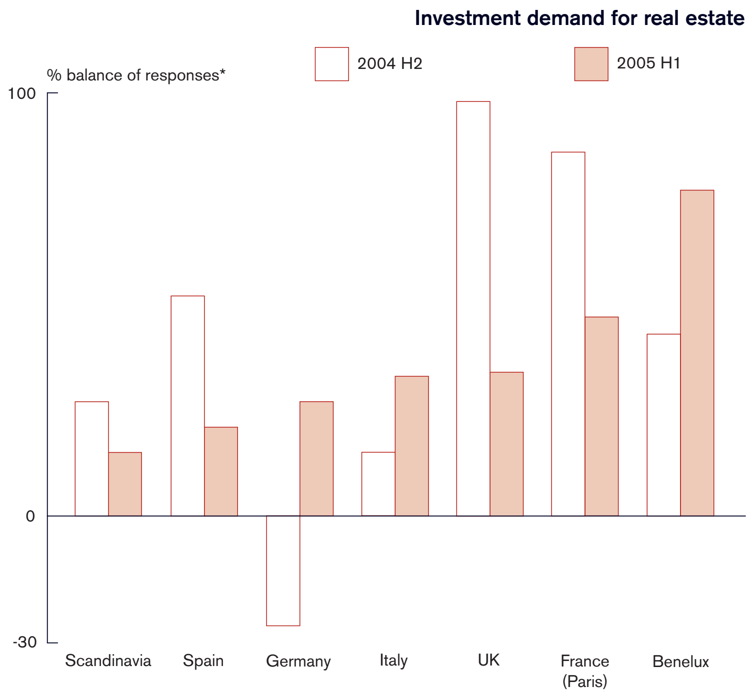
In Turkey, rapid population growth, slowing inflation and declining interest rates are supporting a robust expansion in business demand for commercial property in Istanbul, pushing up rents sharply. Moreover, there are few expectations of a slowdown in occupier activity despite speculation that further EU enlargement will be halted by problems over the constitution. Business property demand is still rising in Moscow as are rents, despite increased uncertainty in the business climate in the past year. The jump in oil prices has vastly improved the trade position but Russian economic growth has slowed.

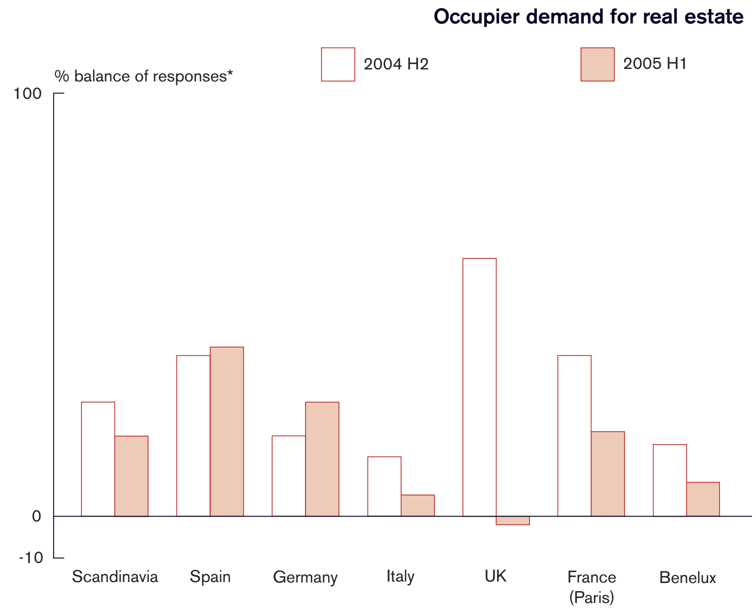
Investment market

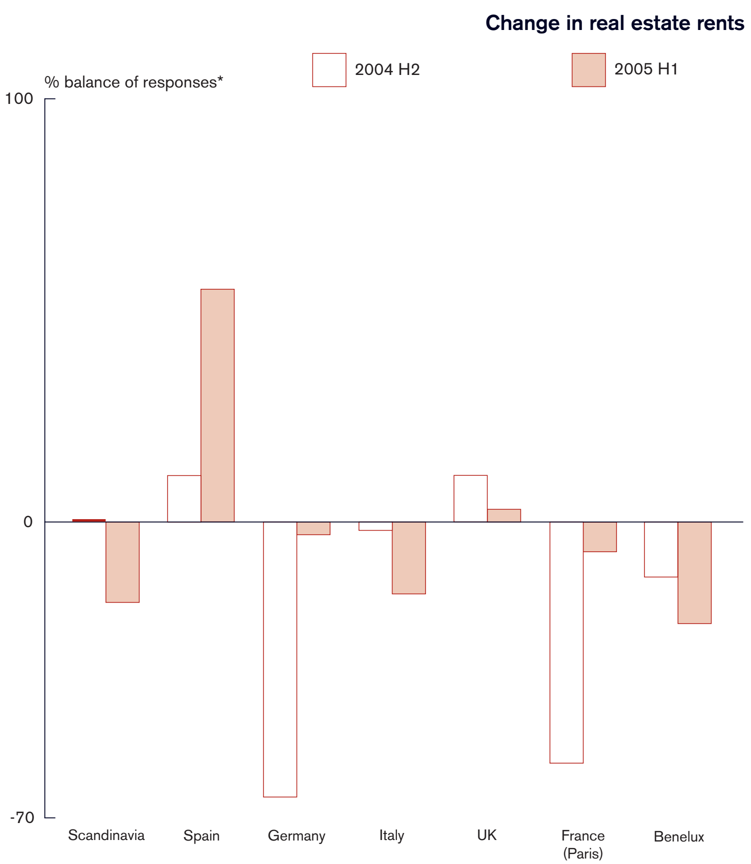
Investor enthusiasm for the region is unabated due to the perception that many of these economies will see a catch up in incomes to Western Europe levels. Investment demand in the new EU states and prospective entrants is generally dominated by foreign investors. Relatively high yields in prime locations are a strong attraction for investors against the safety of rule based government and security of property rights within the EU. Moreover, low finance costs for Western European investors have led to a further significant drop in yields. Purchaser activity is also apparent from domestic financial institutions.

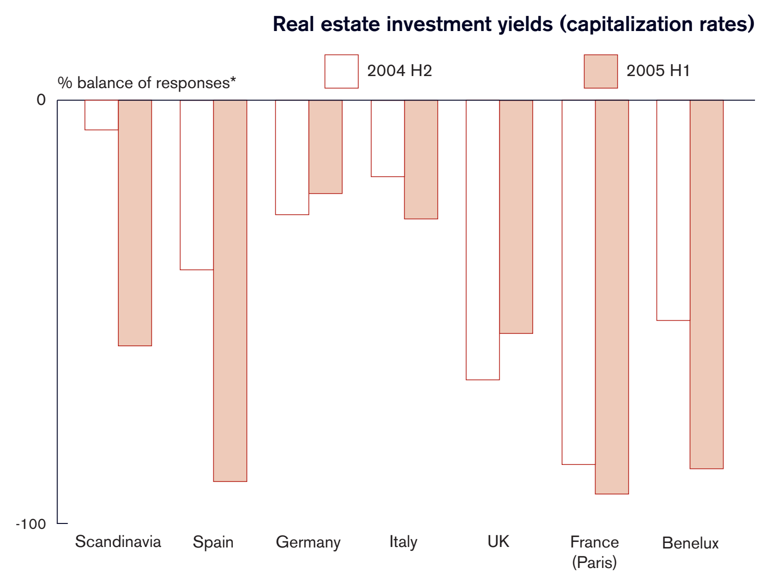
Votes rejecting the EU constitution in May appears to have had a limited impact on investment appetite in non-EU countries. In Turkey, investment demand grew at a much firmer pace than in the latter half of 2004 as its potential for future ‘tiger economy status’ attracts interest. Owner occupiers and domestic private individuals are reported to be the most active investors in the market though foreign interest is also apparent. Investment activity is also rising in Moscow though not as strongly as elsewhere in much of emerging Europe. Nevertheless, the search for higher returns has led to a notable drop in investment yields in Moscow. Purchase activity is mainly evident from owner-occupiers and private individuals.

	Occupier demand	Availablity of space	Rents	Investment demand	Yields/ cap rates
Budapest	∨	∧	>	∧	∨
Istanbul	∧	>	∧	∧	∨
Praque	∧	∧	>	∧	∨
Moscow	∧	∧	∧	∧	∨
Sofia	∧	∧	>	∧	∨
Warsaw	∧	>	>	∧	∨


Investment demand for real estate
2004 H2
2005 H1
% balance of responses*
100
0
-30
Scandinavia
Spain
Germany
Italy
UK
France (Paris)
Benelux


Occupier demand for real estate
2004 H2
2005 H1
% balance of responses*
100
0
-10
Scandinavia
Spain
Germany
Italy
UK
France (Paris)
Benelux


Change in real estate rents
2004 H2
2005 H1
% balance of responses*
100
0
-70
Scandinavia
Spain
Germany
Italy
UK
France (Paris)
Benelux


Real estate investment yields (capitalization rates)
2004 H2
2005 H1
% balance of responses*
0
-100
Scandinavia
Spain
Germany
Italy
UK
France (Paris)
Benelux

Western Europe

Occupier demand

The euro area economy has lost steam over the past year. As a result, business demand for commercial property showed only a moderate rise in the first half of 2005, and is the slowest of all world regions. The economic slowdown is due to a loss of competitiveness following the cumulative impact of the euro's appreciation since the lows of 2002, as well as a softening of the expansion in world trade. Ongoing corporate restructuring has also put a cap on investment spending and employment growth.

However, growth has been maintained in business and financial sectors with job creation still firm into 2005. No surprise that the improving trend in demand for office space has been sustained. Historically low market interest rates and rising profitability should underpin steady increases in occupier demand for premises in the latter half of 2005, but the economy is vulnerable to renewed increases in oil prices.

Occupier demand for commercial property is rising at a limited pace in France (Paris) and rents are stable. Rising house prices and low interest rates have bolstered the domestic economy but weaker export activity has been a drag on output due to euro appreciation. In Italy, which suffered a recession at the turn of the year, property demand conditions are flat. In the absence of a currency depreciation, economic difficulties can only be resolved through labour market reform and the acceptance that real wage rises need to be contained.

German property demand has strengthened slightly and rents are no longer falling. After a period of torpor, the domestic economy is slowly turning around as falls in labour costs give the economy an edge in world markets, while industry has taken advantage of growth in emerging Europe and Asia. Job vacancies are clearly rising pointing to better employment conditions. Business occupier demand in the first half of 2005 rose firmly in Spain as the domestic economy continues to expand quickly on the back of rising construction activity and booming house prices.

Strong demand prevails in Dublin as expectations by some commentators of an economic bust so far prove misplaced. In Athens, business property demand is improving. Demand was flat last year due to occupier expectations that rents would fall due to extra floorspace supplied for the Olympic Games. Occupier activity stagnated in the Benelux region and fell back in Lisbon.

Business appetite for property has come to a standstill in the UK following strong growth last year. A rapid slowdown in UK consumer spending growth and weak industrial activity has hurt business confidence. However, economic conditions have now stabilised as the negative impact of last year's interest rate fade, though growth is still below trend. The demand for office space remains firm but has tapered off or dropped for the retail and industrial sectors.

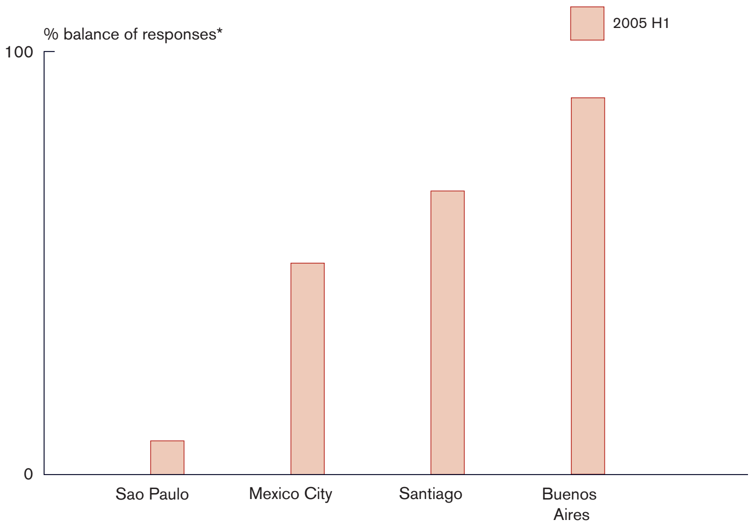
Investment demand

Investment demand for real estate continues to rise firmly. A prolonged period of sustained low interest rates continues to fuel market demand. While growth in investment activity showed a clear strengthening in the euro area, some dynamism has been lost in non-euro countries, namely the UK, though even here investment continues to rise.

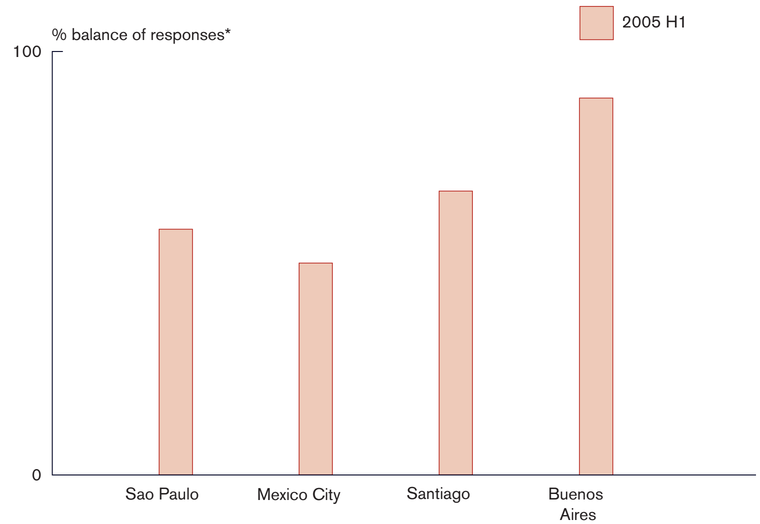
The previously static or declining investment markets of Germany and Italy have improved with yields also slipping back. Investment demand continues to grow strongly in Spain. In France (Paris) demand is also strong though rising at a slower pace than recorded in the latter half of 2004. Investors are still re-pricing assets as signified by yields declining across Western Europe. High levels of foreign investment activity in Germany and France are particularly notable, while financial institutions have been strong buyers in the UK. In Spain, Dublin and Amsterdam, private individuals are active purchasers in the market.

	Occupier demand	Availablity of space	Rents	Investment demand	Yields/ cap rates
Amsterdam	>	>	>	∧	∨
Athens	∧	>	>	>	>
Barcelona	∧	>	∧	∨	∨
Berlin	>	>	>	∧	∨
Brussels	>	∧	∨	∧	∨
Dublin	∧	>	∧	∧	∨
Frankfurt	∧	>	∨	>	>
Lisbon	∨	∧	>	∧	∨
Luxembourg	>	∧	>	∧	∨
Madrid	∧	∨	∧	∧	∨
Milan	>	∧	>	∧	∨
Munich	∧	>	>	∧	>
Paris	∧	>	>	∧	∨
Rome	>	>	>	>	>
Vienna	∧	>	>	∧	∨
Birmingham	∨	∧	>	∧	∨
Cardiff	∧	>	>	∧	>
Edinburgh	>	>	>	∧	∨
Geneva	>	>	>	∧	>
London	>	>	>	>	∨
Stockholm	>	>	>	∧	∨
Zurich	>	∧	>	∧	>

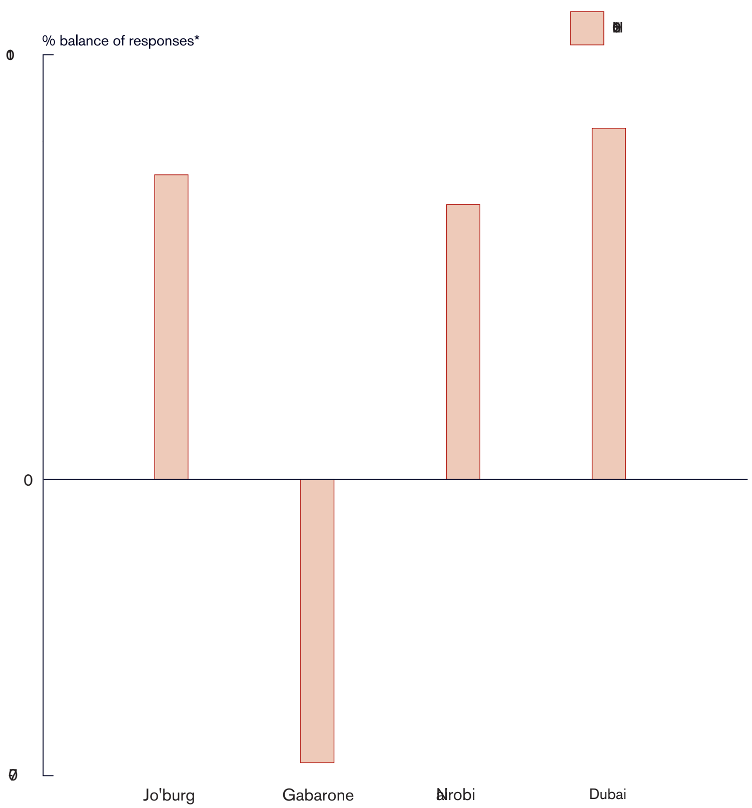
Investment demand for real estate



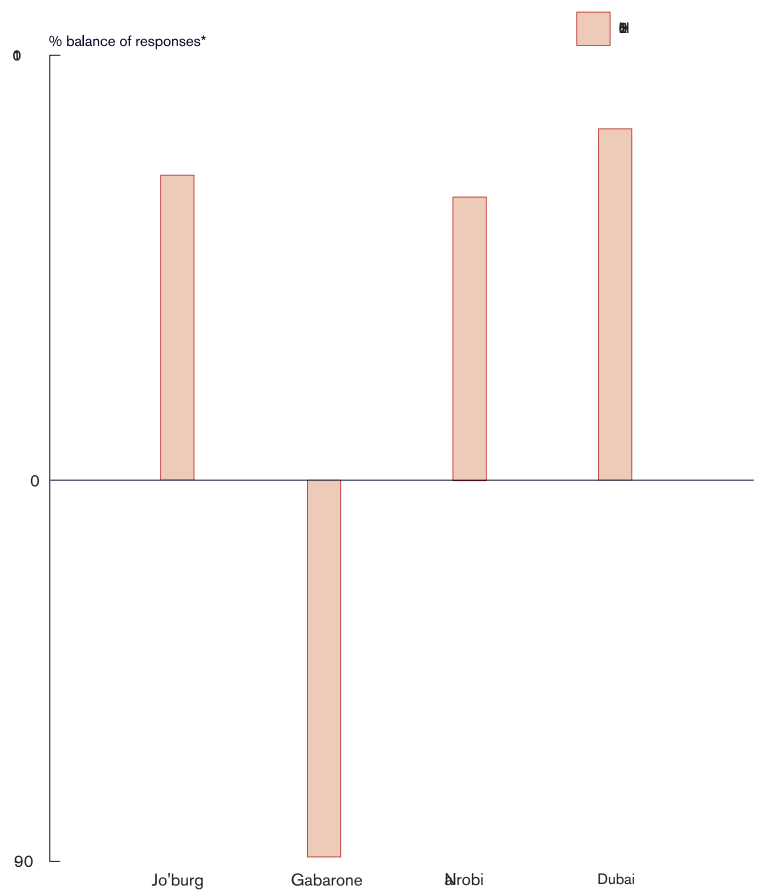
Occupier demand for real estate



Investment demand for real estate



Occupier demand for real estate



Latin America

Occupier market
Occupier demand for commercial property has increased across Latin America in the first half of 2005. Economic activity rose strongly into 2005 supported by prudent macroeconomic policies and structural reforms. High and rising commodity prices, driven by tremendous growth in China has supported the economy as well.

In Sao Paulo, the commercial property market has been relatively stagnant following significant fiscal/monetary tightening, with growth in the first half of 2005 weaker. Business demand for property and rents are up firmly in Mexico City. Occupier activity has withstood a slight cooling in exports and a tightening of monetary policy to curb inflation. Inflation is starting to slow which may allow interest rates to fall.

Argentina continues to recover well from recession. The completion of debt restructuring is likely to lift confidence but growth is expected to slow from the near double digit rates of 2003/2004 due to capacity constraints. The consumer led recovery has boosted property demand across all sectors in Buenos Aires. Rapid growth evident in Chile has been galvanised by strong global copper prices. Business investment has been strong and occupier demand for property and rents are up firmly.

Investment market
Investment demand for commercial property increased moderately in the first half of 2005 with the greatest rise in demand evident in the retail sector. Debt consolidation in Argentina combined with bankruptcy reform measures in Brazil may inject greater investor confidence into the commercial property investment market.

However, political uncertainty, particularly in Brazil, may still contain investment demand.

The introduction of REITs in Argentina and Mexico is likely to stimulate reform in investment practice which will encourage inflows of capital into the sector. Private domestic individuals are generally the most active buyers of property along with real estate companies.

	Occupier demand	Availablity of space	Rents	Investment demand	Yields/ cap rates
Buenos Aires	∧	∨	∧	∧	∧
Mexico City	∧	∧	∧	∧	>
Santiago	∧	∨	∧	∧	∧
Sao Paulo	∧	>	>	>	>

Africa and Middle East

Occupier market
In South Africa, economic growth has eased although domestic demand is firm due to falling interest rates and the positive impact of rising house prices on wealth. Consumer spending is up, supporting retail occupier activity. Office demand has been strong with firm expansion in financial and business services contributing to robust demand in Johannesburg. A strengthening Rand and softer global growth though has reduced output growth and occupier activity in the industrial market.

In the Gulf States, high oil prices, increased oil production and strong export growth have all contributed to robust economic activity. Occupier demand for real estate has increased at a break neck speed reducing availability and pushing up rents rapidly in centres such as Dubai. In UAE, an increase in infrastructure and private sector investment has attracted foreign direct Investment. Economic activity is rising at a steady pace in many East and Southern African states at the beginning of 2005, with growth for the sub-region averaging 5%. Fiscal consolidation has enabled governments to reduce interest rates, which have acted as a stimulus to domestic economies. Occupier demand expanded modestly although available space is rising, offering limited support to rents.
In Gaborone, occupier activity has been negatively affected by a falling US dollar which has reduced revenues from commodity exports, while government spending has been squeezed.
In Kenya, growth has improved in recent years, giving a lift to the occupier market, though it is a modest turnaround following stagnation prior to 2002.

Investment market
Investment demand for real estate assets in Johannesburg rose strongly and yields have dropped again significantly. Along with domestic financial institutions, foreign investors have been active in the market. Expansion in occupier and investor activity across all sectors is expected to continue.

A favourable climate for investment is apparent in Dubai, with a healthy rise in investor demand for real estate assets. Foreign investors have competed with domestic individuals and real estate companies to purchase in Dubai though yields are edging higher. In Southern and East Africa there is moderate purchase interest mainly from domestic private individuals and real estate companies.

	Occupier demand	Availablity of space	Rents	Investment demand	Yields/ cap rates
Dubai	∧	∨	∧	∧	∧
Gabarone	∨	∧	∨	∨	∧
Johannesburg	∧	∨	∧	∧	∨
Nairobi	∧	∧	>	∧	∧

Other information

Survey method

Survey questionnaires were sent to real estate organisations in May 2005, with responses received up until the end of August 2005. Respondents asked to compare conditions over the latest six months with the previous six months. A total of 334 responses were received.

Responses have been amalgamated across the three real estate sub-sectors of offices, retail and industrial property at a city level, to form diffusion indices for the commercial market as a whole. The five world regional groupings have been derived through the weighting of city level diffusion data using city population and country gross domestic product statistics.

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