

Distressed property to rise further into Q4 2009

- **Over 80% of the 25 countries surveyed saw further increases in distressed properties in Q3.**
- **Russia, US, Spain and Ireland to see most rapid pick up in distressed properties in Q4 with more modest rises elsewhere.**
- **At the other end of the spectrum Brazil, Hong Kong and India are more optimistic expecting fewer distressed listings.**

The latest Global Distressed Property Monitor from RICS shows that distressed properties* coming to market are continuing to rise across all but 4 of the 25 countries surveyed although there were some improving signs compared to the previous quarter.

The pace of increase has moderated across the majority of markets compared to Q2 2009. This was generally the case outside of Japan and some Western European markets such as Portugal, France and Switzerland.

For Q3, RICS members and other real estate executives continued to report an increasing volume of distressed* commercial listings with the biggest reported compared to three months earlier pick up in the net balance seen in South Africa, US, Portugal and France.

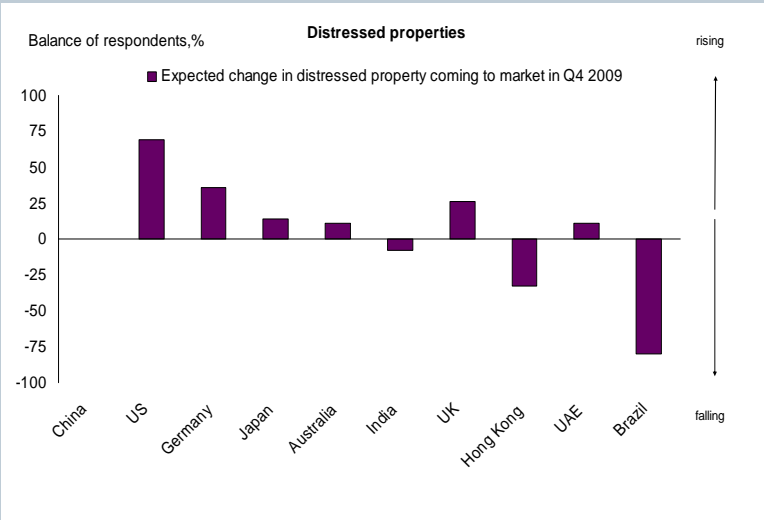
At the bottom end of the scale China, Hong Kong and Brazil reported a decline in the number of distressed properties coming to market compared to three months earlier.

Looking ahead, real estate professionals continue to expect a rise in distressed properties hitting the market into Q4 2009, across 19 of the 25 countries surveyed. Russia, US, Spain and Ireland, are expected to see the biggest rise compared to three months earlier, with New Zealand, Italy, Malaysia and Germany next in line.

At the other end of the spectrum, agents in Brazil, Hong Kong and India are more optimistic and expect that fewer distressed assets will be listed in Q4.

Interestingly, the situation in UAE and South Africa appears to be improving somewhat with a stabilisation expected in properties hitting the market in Q4, having witnessed a sharp pick up in the previous quarter. Similarly, little change in distressed listings is expected in Japan, Australia and Czech Republic.

- *A distressed property is defined as a property that is under a foreclosure order or is advertised for sale by its mortgagee. Distressed property usually fetches a price that is below its market value.*



Levels of interest from specialist funds rose across 18 countries and at a faster pace in Q3 across a handful of countries including China, Russia, Australia, India and the Ukraine.

China topped the list for enquiries into distressed property listings despite a fall in the reported number of properties hitting the market in Q3 under these distressed conditions.

The difference between the level of interest shown in distressed property assets and the expected growth in the number of properties coming to market in Q4 appears most stretched in the US, Russia, Spain and the Republic of Ireland (Page 5). Such divergence could add greater vulnerability to pricing in the coming months.

Interest from funds has been falling in South Africa, Brazil and Switzerland perhaps as investors concentrate more on markets where prices have corrected significantly.

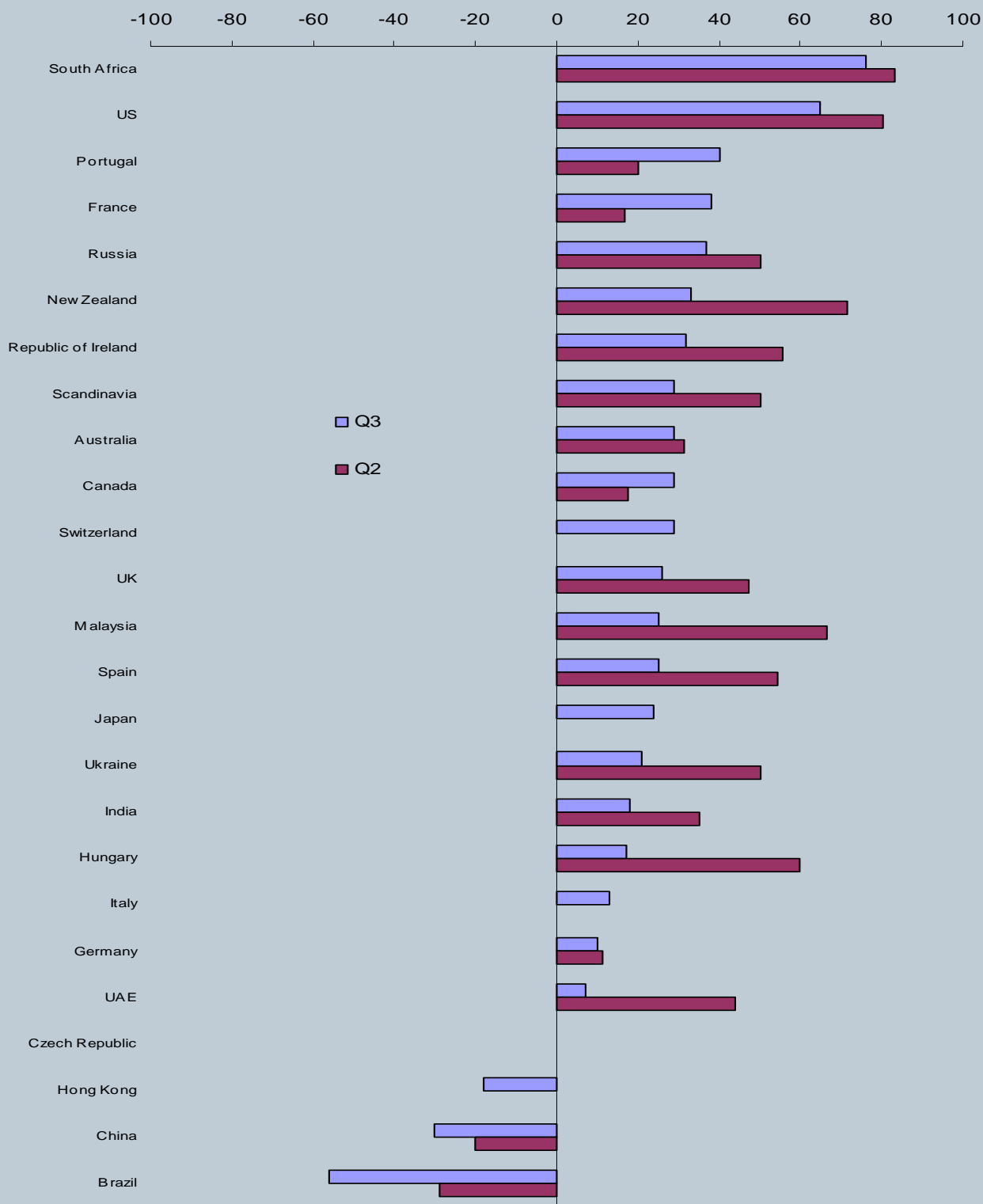
In the UK, interest from specialist funds continues to grow although at a more modest pace compared to Q2.

Encouragingly, respondents suggest that as yet, banks are not being overly hasty on foreclosing on properties in breach of loan agreements with less than 2 in 10 surveyors on average reporting an increase in the speed of foreclosure unchanged from three months ago.

RICS Global Distressed Property Monitor

Country statistics - for Q3 2009

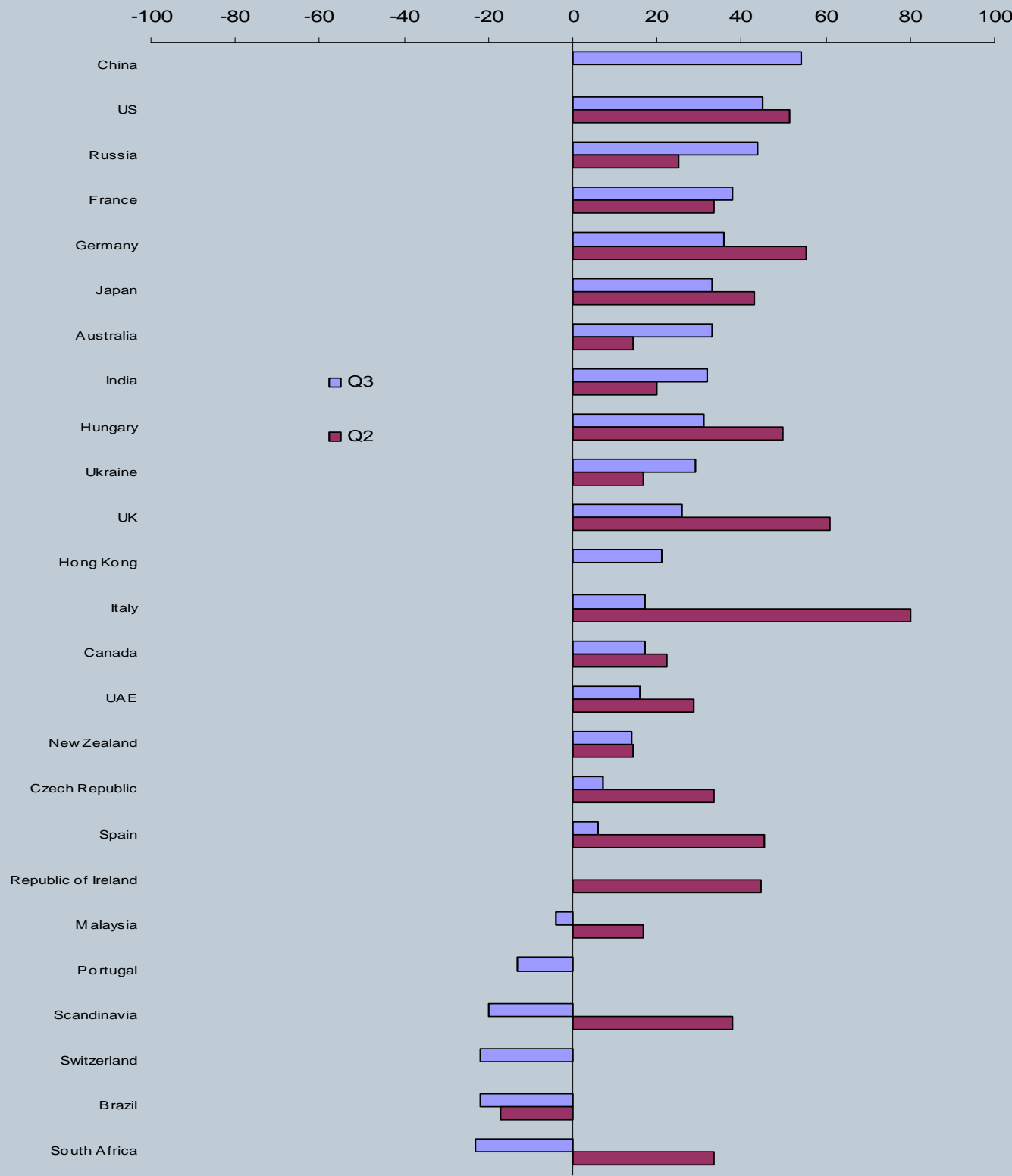
Agents reporting a rise in distressed properties in Q3 ranked by net balance scores



RICS Global Distressed Property Monitor

Country statistics - for Q3 2009

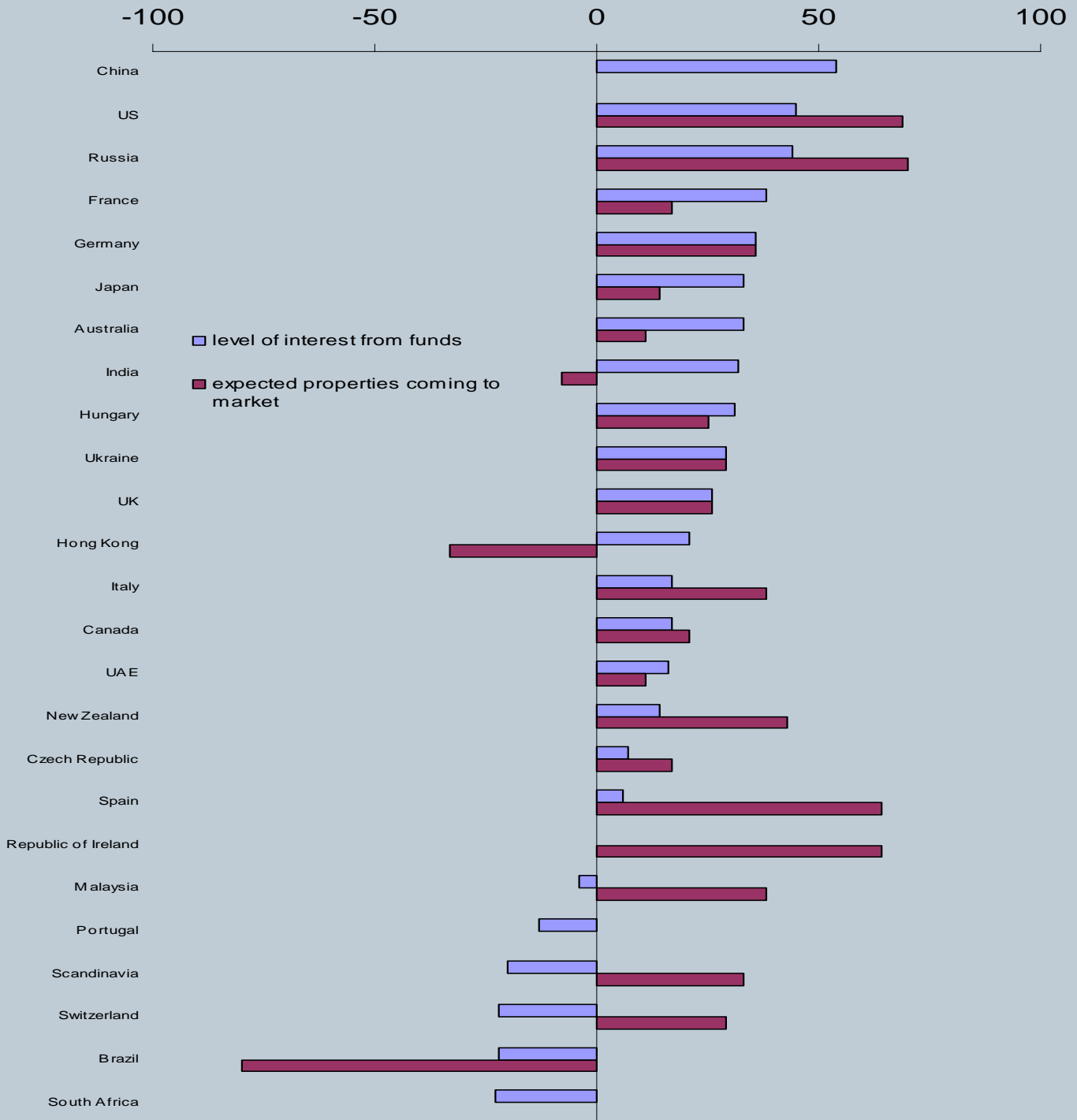
Level of interest from specialist funds in Q3 ranked by net balance scores



RICS Global Distressed Property Monitor

Country statistics - for Q3 2009

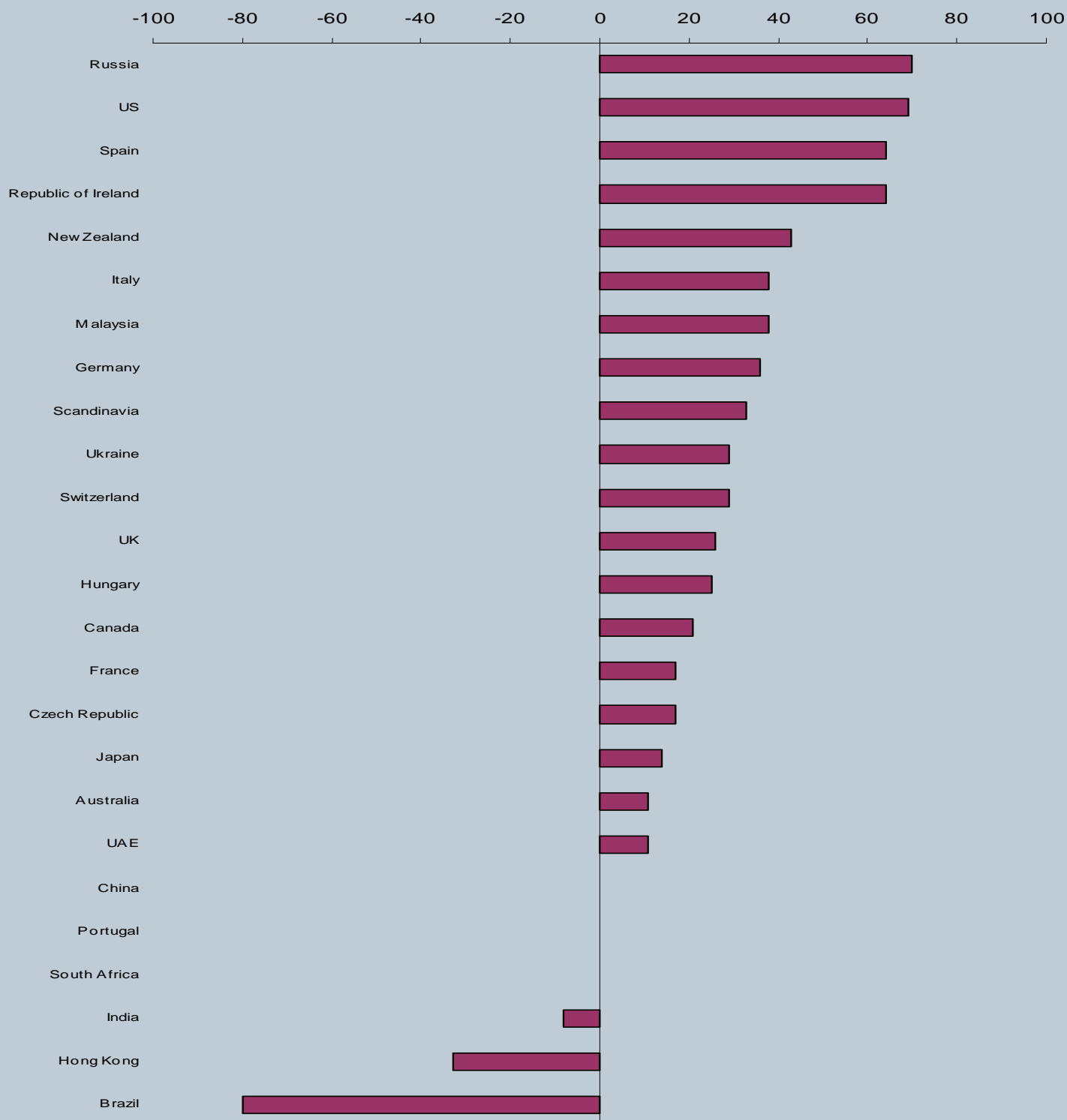
Level of interest from specialist funds v expected rise in distressed properties coming to the market in Q4



RICS Global Distressed Property Monitor

Country statistics - for Q4 2009

Level of distressed properties expected in Q4 ranked by net balance scores
(compared to the previous 3 month period)



RICS Global Distressed Property Monitor

Survey Methodology

RICS Global Commercial Property Survey

RICS' Global Commercial Property Survey is a quarterly guide to the developing trends in the commercial property investment and occupier market. This edition details market conditions for the third quarter of 2009 based on information collected from leading international real estate organisations and local firms.

Methodology

Survey questionnaires were sent to real estate organisations in September 2009, with responses received up until the 9th of October 2009. Respondents were asked to compare conditions over the latest three months with the previous three months. A total of 430 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.

Contact details

For further information please contact RICS Communications Directorate
T +44 (0)20 7334 3774/3891

Taking part in the RICS Global Property Survey

If you wish to participate in the quarterly survey, please email jguilfoyle@rics.org to register your details. Please provide your name, company details and the location(s) you wish to cover within the email or register online at www.rics.org/globalproperty

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RICS Global Commercial Property Survey

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The Quarterly Global Commercial Property Survey is available from the RICS web site - www.rics.org, along with other quarterly surveys covering the housing market, residential lettings, commercial property, construction activity, the farmland market and arts and antiques.

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Oliver Gilmartin
RICS Senior Economist
Communications Directorate
Tel +44 (0)20 7334 3847.

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www.rics.org/GPScomments2009q3

The Royal Institution of
Chartered Surveyors
12 Great George Street
Parliament Square
London SW1P 3AD

T +44 (0)20 7222 7000
F +44 (0)20 7334 3846

economics@rics.org
www.rics.org