

# RICS Global Commercial Property Survey

RICS Economics Q2 2010

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## Emerging economies outperform euro area and UK

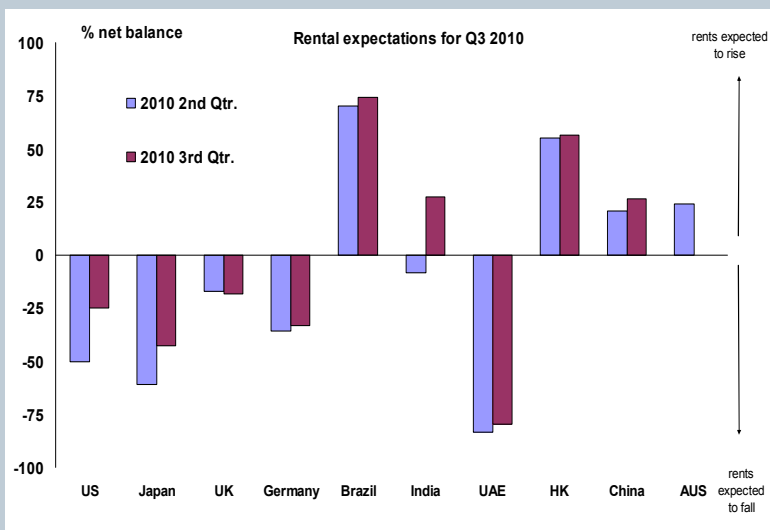
- **Latin America and non-Japan Asia continue to lead other markets**
- **Investment demand increases in close to two thirds of countries surveyed led by Brazil**
- **US, France and Japan show signs of a turnaround as tenant demand picks up for first time since 2007**
- **Real estate sector in UK moderates, while UAE and the euro area experience weaker activity**

The Q2 Global Commercial Property Survey (GCPS) from RICS suggests that real estate performance in emerging markets, such as South America and Asia, is leading that in more developed countries. RICS results show that occupier markets picked up further in Q2, with more countries indicating that lettings demand moved higher compared to the first quarter.

That said, the rise in lettings activity remains insufficient to exert upward pressure on rents in the majority of markets as available space continues to move higher in all but a handful of countries. Indeed, rents continue to fall in 30 of the 46 countries surveyed although mostly at a slower pace. Despite this, in close to two thirds of markets, investment transaction activity increased compared to the first quarter, and at a generally faster pace.

From a regional perspective, Latin America and Asia (ex Japan) are outperforming Western European and US markets. This is consistent with the global economic picture as emerging economies have continued to recover ahead of the more developed economies. On the occupier side, Brazil recorded the most positive net balance with 85 percent more surveyors indicating a rise in demand for space. Meanwhile occupier demand fell back in the UK, Netherlands and Ukraine having recorded a modest rise in activity in Q1. Brazil also came out on top with regard to rental expectations, with a net balance of 74. Hong Kong, India and Peru also registered strong net balance results for rental expectations.

Sentiment amongst surveyors deteriorated the most across the euro area, while it also fell in some Eastern European markets. That said there were some exceptions to the generally weaker trend. Poland saw tenant demand and rental expectations turn positive for the first time since 2008 with surveyors in Russia also expecting growth in lettings activity and rents into Q3. Outside Europe, Thailand was the only country where rental expectations fell at a faster pace.



Available space continues to increase in 8 out of 10 countries surveyed, albeit at a generally slower pace with some notable exceptions including Hungary, Spain, Ireland and Argentina where it is rising at a faster pace. Incentive packages offered by surveyors to secure a tenant continued to rise in three quarters of countries, indicating that the balance of power still resides with tenants. Again, surveyors in Europe are reporting the fastest pick up in incentives.

The outlook for capital values broadly mirrors the rental trends with Brazil, Peru and France leading the country rankings. Capital value expectations moved notably higher in Scandinavia, Austria and the Czech Republic although have been tempered back in around a third of markets. The only markets where capital values are expected to fall at a faster pace in Q3 are in Europe and the UAE. Agents in the US, Japan and New Zealand also expect further price falls although at a more modest pace.

Interestingly, two of the countries where sentiment amongst surveyors appears to be improving are France and Japan. Tenant demand in both countries turned positive in the quarter and although rents continued to decline in both countries, they did so at a notably slower pace than has been seen for some time. On the investment side, the number of transactions in both countries picked up at a greater pace following the increase in the number of bidders per property over the last two quarters. Significantly, real estate investment yields in both countries are now falling; the first such occurrence in Japan since the second half of 2007.

Global commercial property expected capital values for Q3 2010

	US	Japan	UK	Germany	Brazil	India	UAE	HK	China	AUS
2009 Q1	-69	-95	-59	-12	13	-50	-77	-85	-31	-84
2009 Q2	-76	-72	-37	-41	22	-16	-52	24	-6	-57
2009 Q3	-53	-63	-8	-16	81	24	-36	43	35	-42
2009 Q4	-54	-86	-1	-37	59	11	-56	22	46	11
2010 Q1	-38	-39	1	-20	67	24	-61	77	39	22
2010 Q2	-17	-33	-10	-9	52	33	-67	24	38	29

\*Balance = Proportion of surveyors reporting a rise minus those reporting a fall (if 30% reported a rise and 5% reported a fall the unadjusted balance will be 25%)  
Total number of survey contributor offices = 385

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## Real Capital Analytics : Public Spending Cuts and the Property Sector

*According to the calendar, the time to celebrate the much anticipated "late-2010 or early 2011 global real estate recovery" may be almost upon us.*

In reality, mid-year 2010 economic indicators paint a very different picture. Projections for the global economy through 2011, by which time the impact of recent actions will have become much more evident, are being revised to take account of what amounts to an unexpectedly sudden end to bail-out packages in most of the Eurozone's 16-member countries. Many, especially the UK (albeit not in the Eurozone) and Greece, have already implemented a series of severe belt-tightening measures.

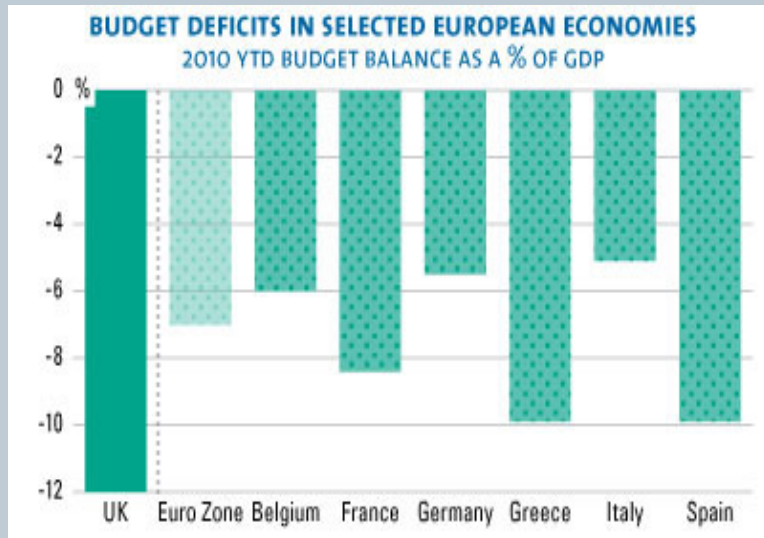
At the root of the problem is the Eurozone's inability to find a palatable solution to its single-currency sovereign debt crisis. For most European countries, the bail-out price tag has become unsustainable.

They have had no choice but to announce severe mid-year policy reversals. Justifying the European view, Wolfgang Schauble, Germany's Minister of Finance, writes in the London Times that moderate and intelligent fiscal austerity is an "economically sensible" way of restoring long-term Eurozone confidence.

This contrasts sharply with the US view that cutting public spending and raising taxes (as demonstrated by the UK's new coalition government's remarkable volte-face from the previous Government's generous stimulus packages) dashes any hope of a short-term recovery. Fiscal austerity, the US believes, significantly diminishes the market for the world's goods and services.

The rift between these respective strategies raises fresh concerns for the global economy. A newly parsimonious Europe means a greater imbalance across the axis of the world's three dominant economic regions. In simple terms, it means a lowered probability of any measurable 2010 growth in the value of the world's assets, an elevation of short-term uncertainty, and a consequent extension of the likely timeframe for a global recovery.

For global real estate, the consequences go even deeper. Because the interplay of global fiscal policy is an essential catalyst to cross-border capital markets, these structured economic imbalances are particularly troubling for real estate investors. Hopes for a recovery in leasing markets and thus in total yields, dim.



A number of Euro Zone nations have already adjusted their medium-term growth targets to reflect the impact of budget cuts. Whether any of these nations will fall back into recession remains unclear. For now, leaders have committed to balancing cuts with support for credit expansion in an effort to ensure the recovery is sustained .

Data subject to future revision; based on properties & portfolios \$10 mil and greater.  
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*This extract has been provided by Steve Williams FRICS of Real Capital Analytics and represents the views of RCA only. Real Capital Analytics is a global research firm based in New York City. The firm's proprietary research is focused exclusively on the investment market for commercial real estate.*

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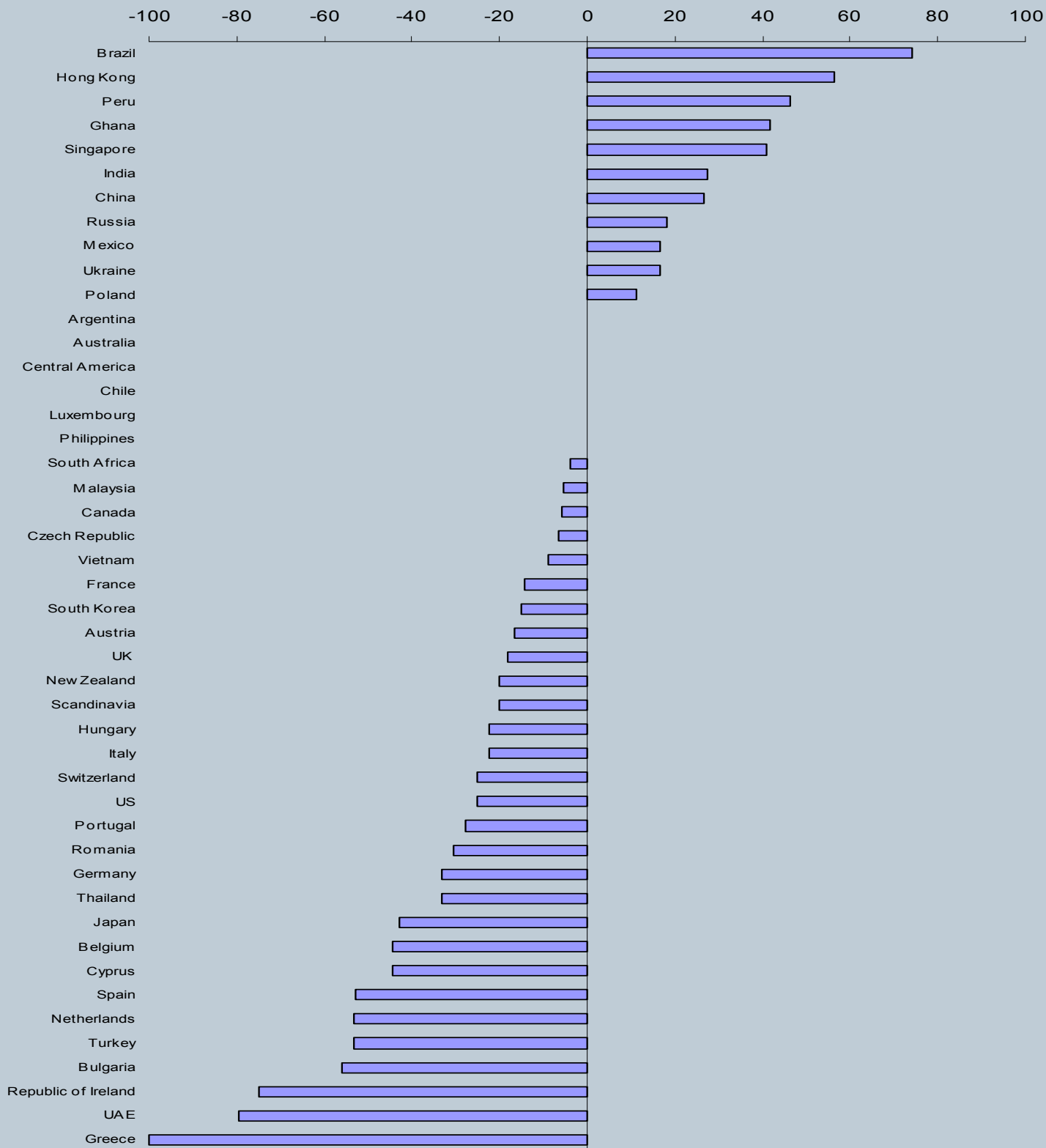
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## Country statistics - Expectations for Q3 2010

Confidence towards rents in Q3 ranked by net balance scores



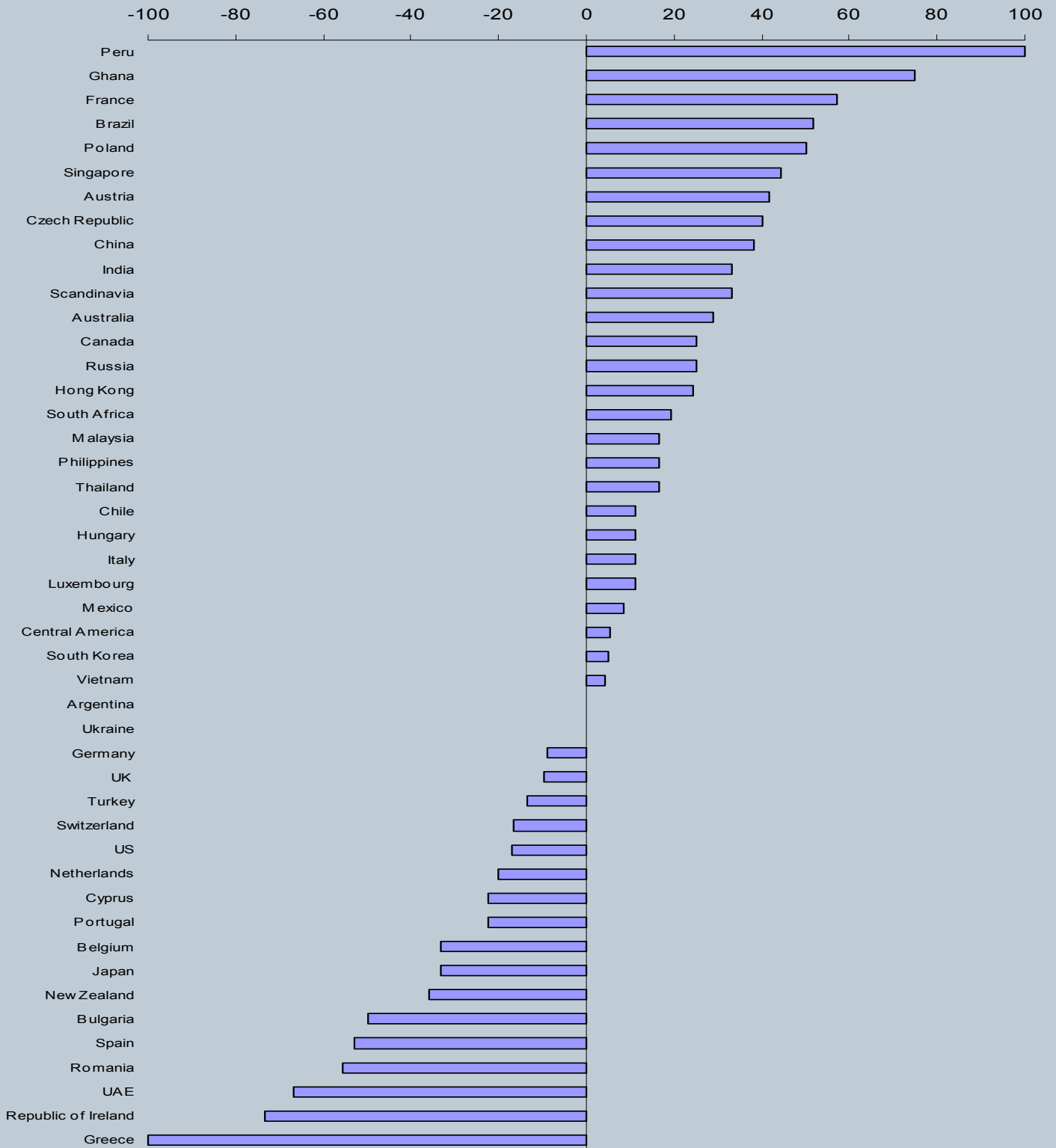
Central America includes — Panama, Costa Rica, Honduras, Nicaragua



# RICS Global Commercial Property Survey

## Country statistics - Expectations for Q3 2010

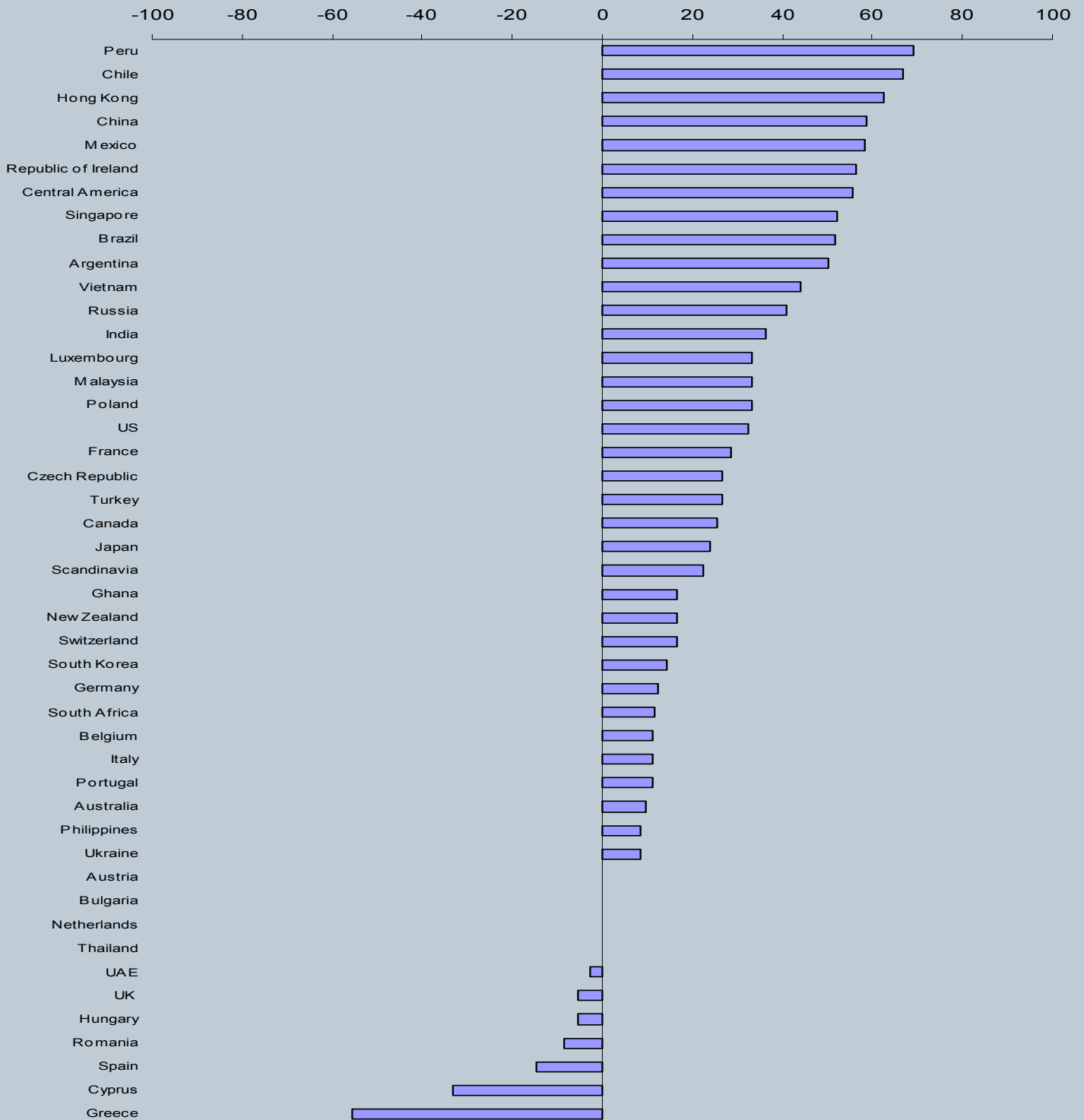
Confidence towards capital values in Q3 ranked by net balance scores



# RICS Global Commercial Property Survey

## Country statistics - Expectations for Q3 2010

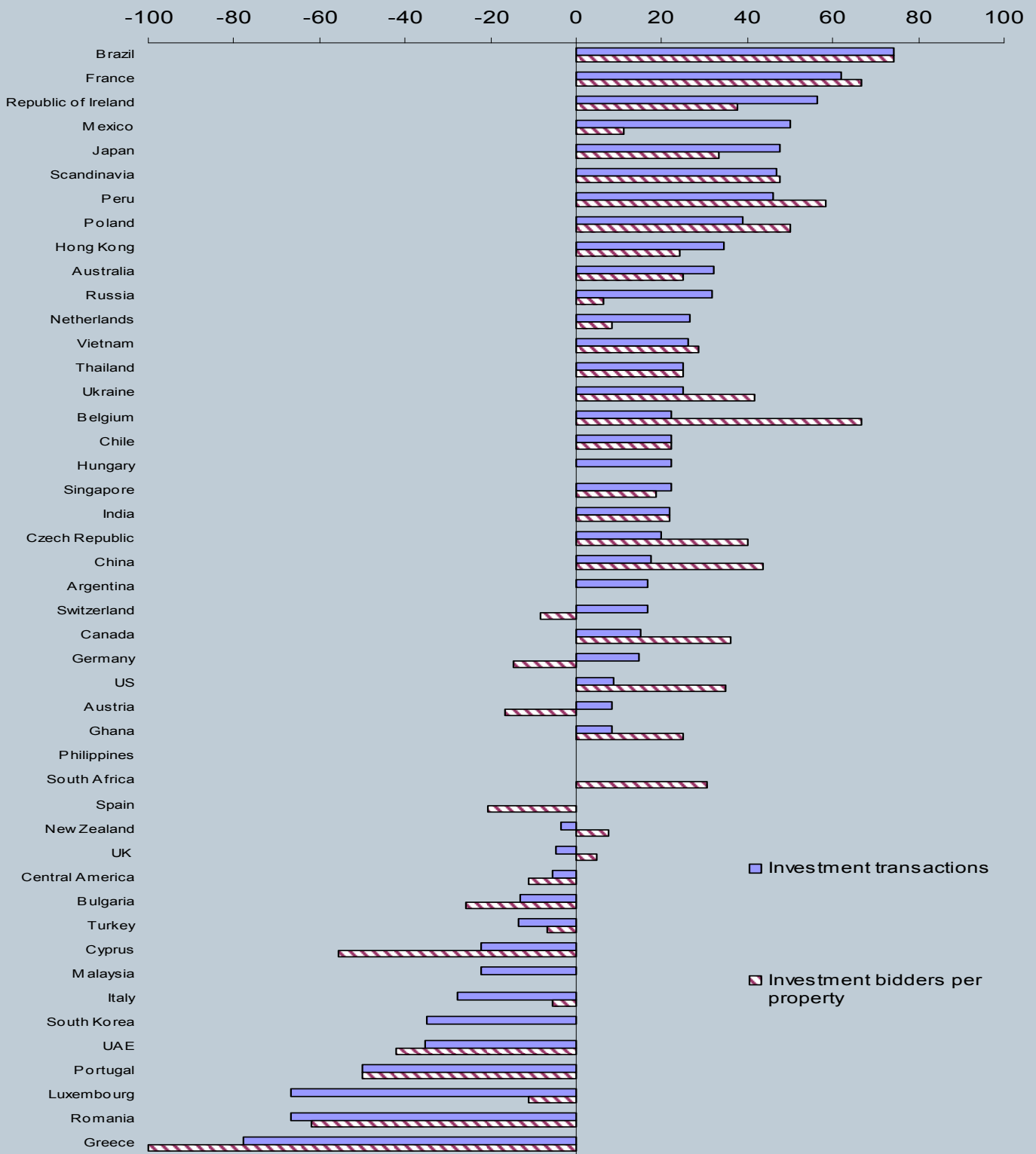
Confidence towards lettings in Q3 ranked by net balance scores



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## Country statistics - Investment transactions in Q2

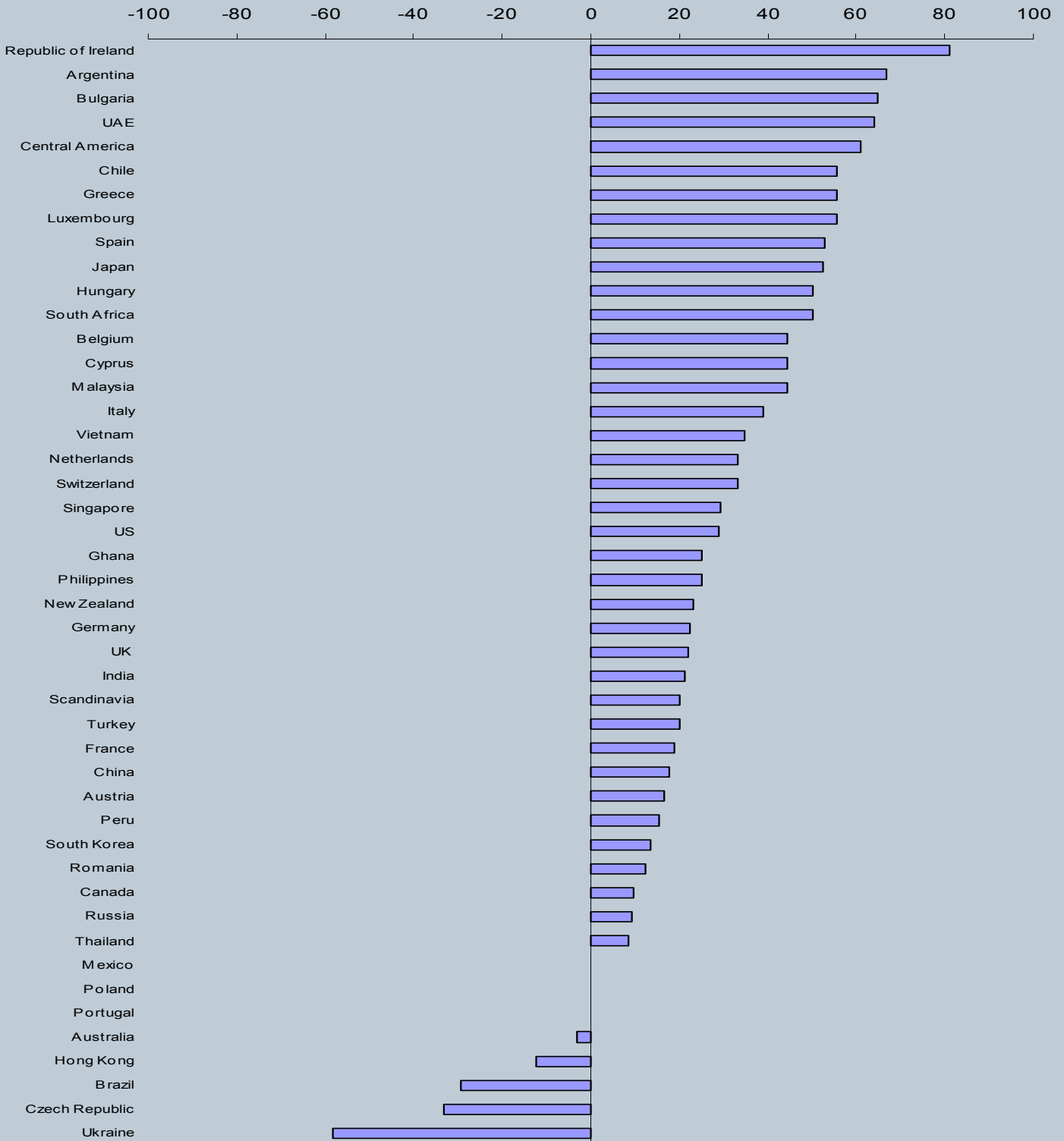
Investment transaction activity in Q2 ranked by net balance scores



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## Country statistics - Reported available space Q2

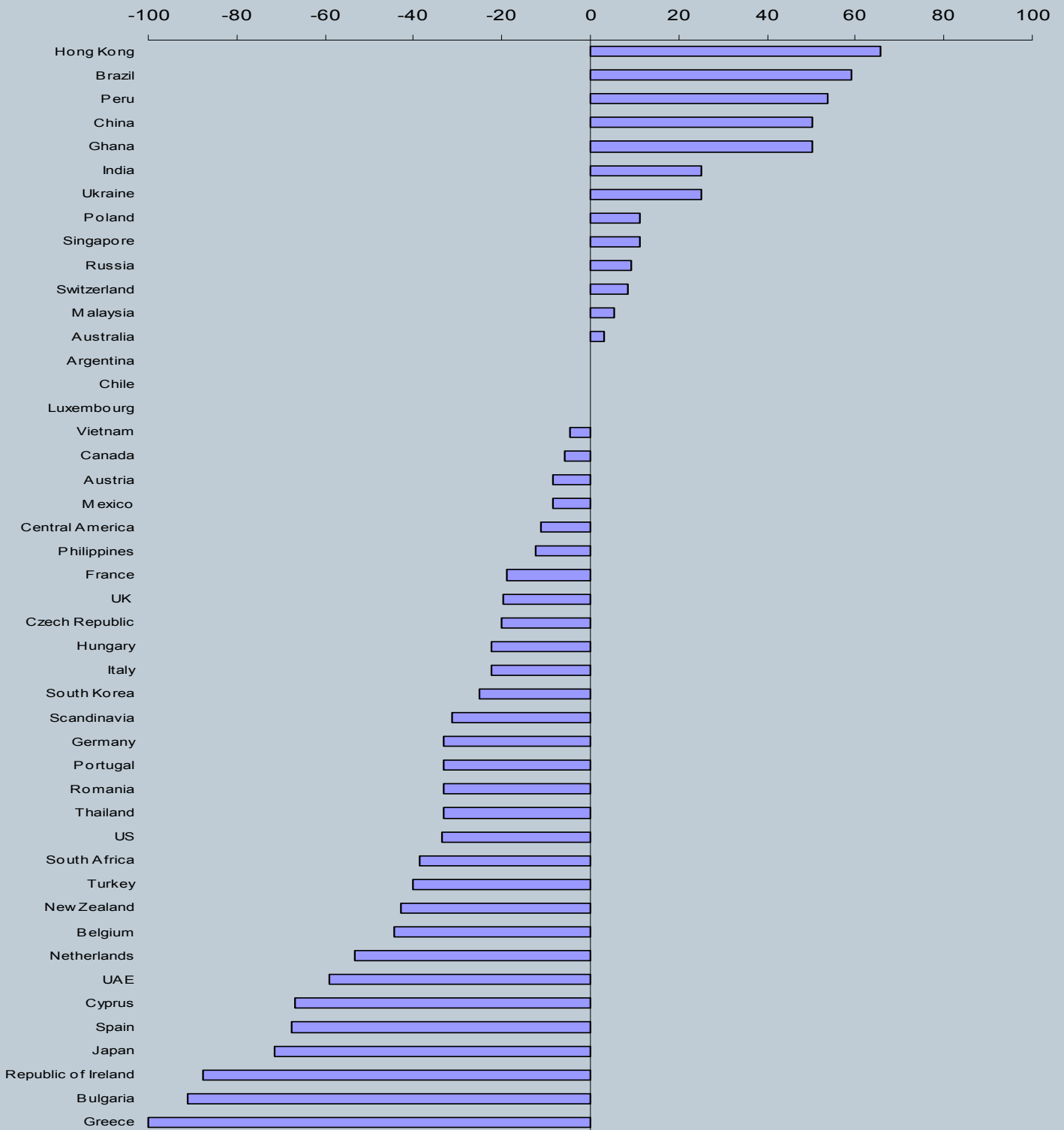
Available space in Q2 ranked by net balance scores



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## Country statistics - Change in rents Q2

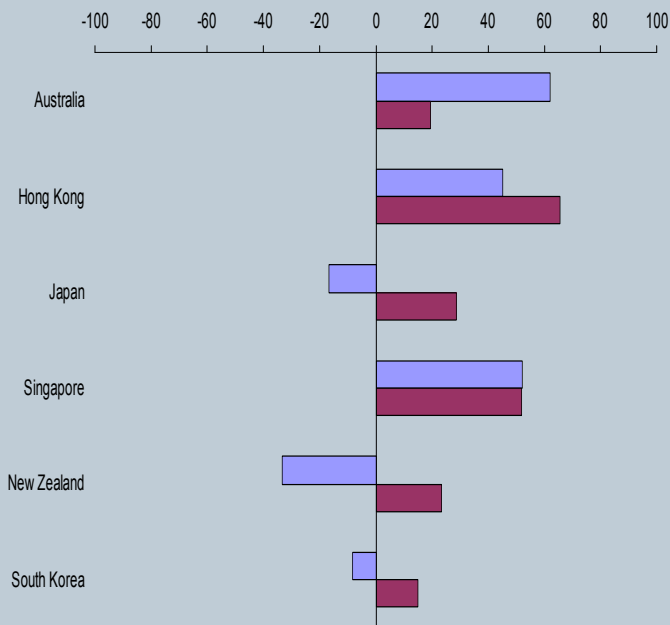
Change in rents in Q2 ranked by net balance scores



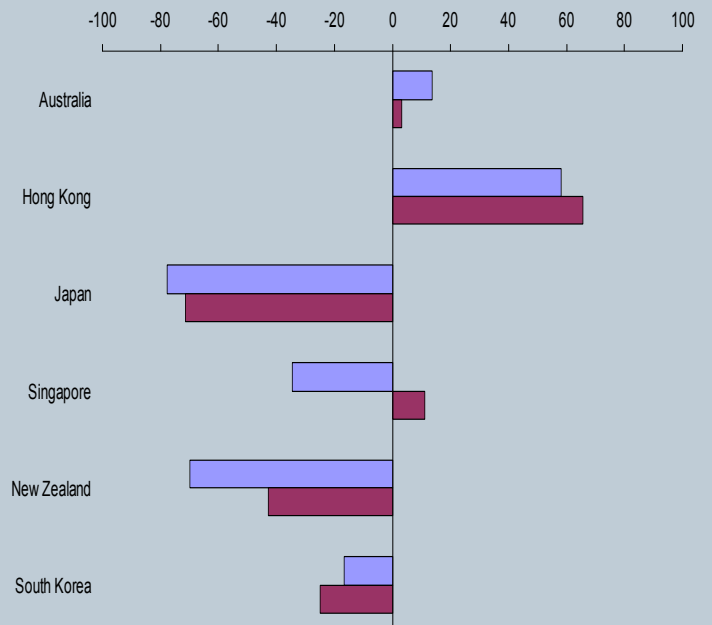
# RICS Global Commercial Property Survey

## Regional statistics - Developed Asia / Australasia

### Tenant Demand



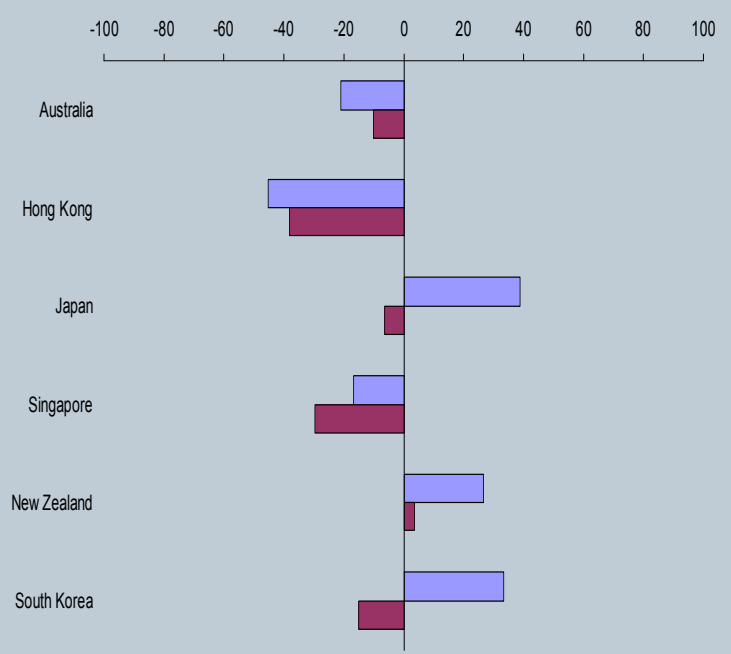
### Change in Rents



### Investment Bidders



### Yields



Key for country charts



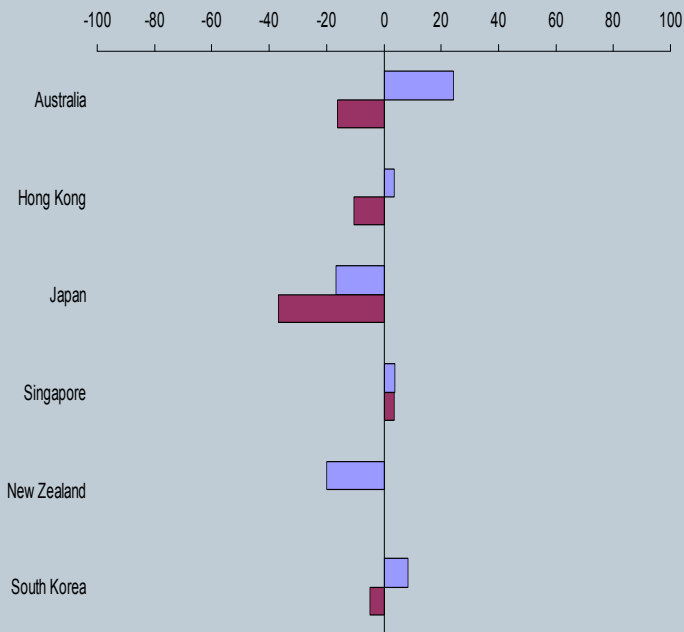
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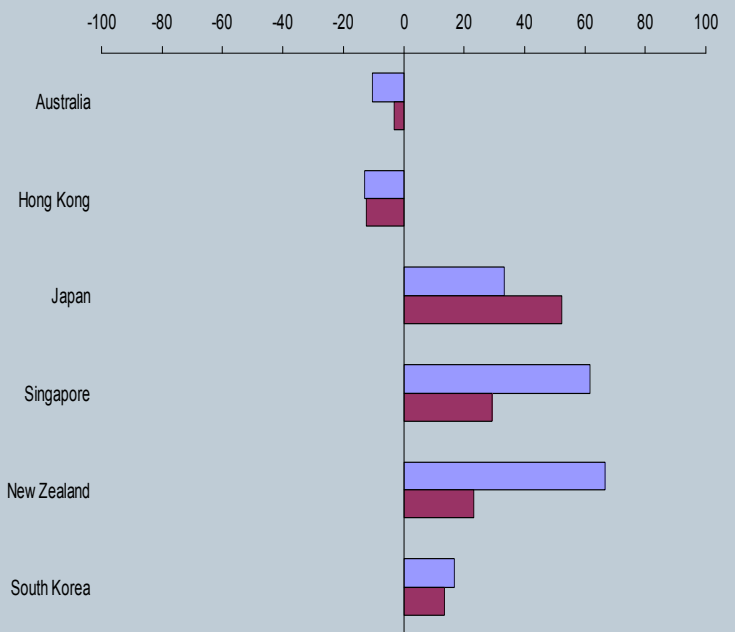
# RICS Global Commercial Property Survey

## Regional statistics - Developed Asia / Australasia

### Pipeline Development



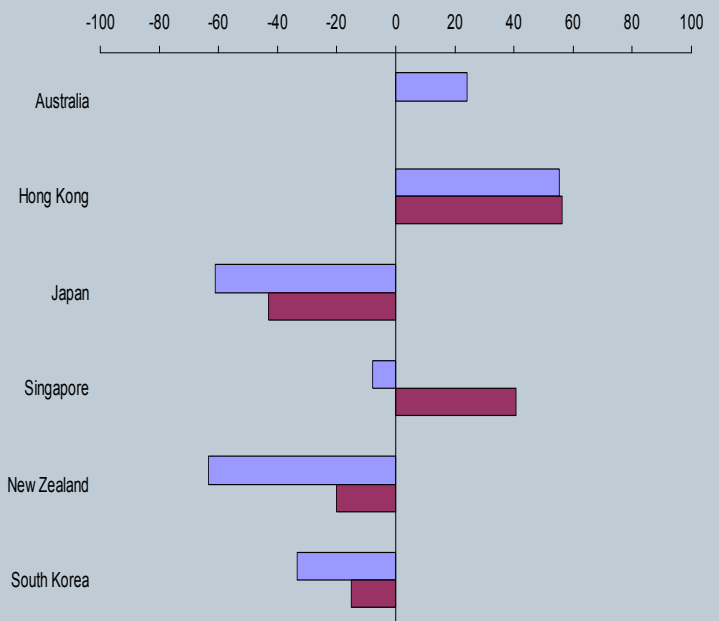
### Available space



### Inducements



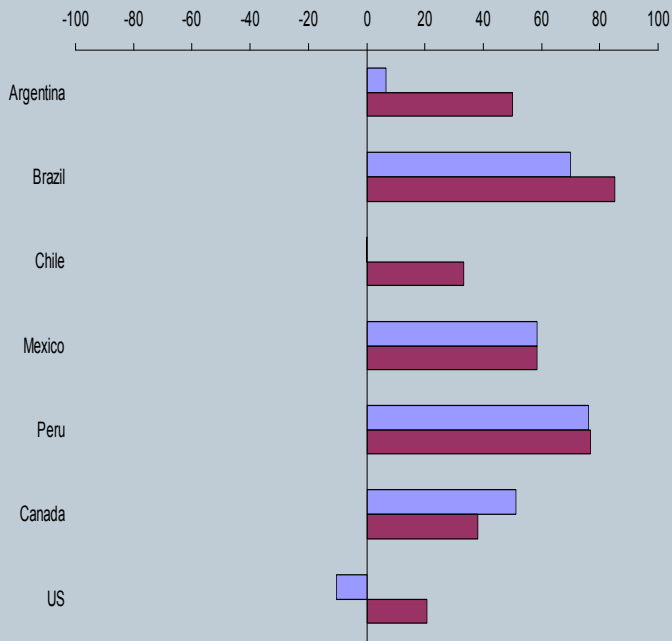
### Rental Expectations



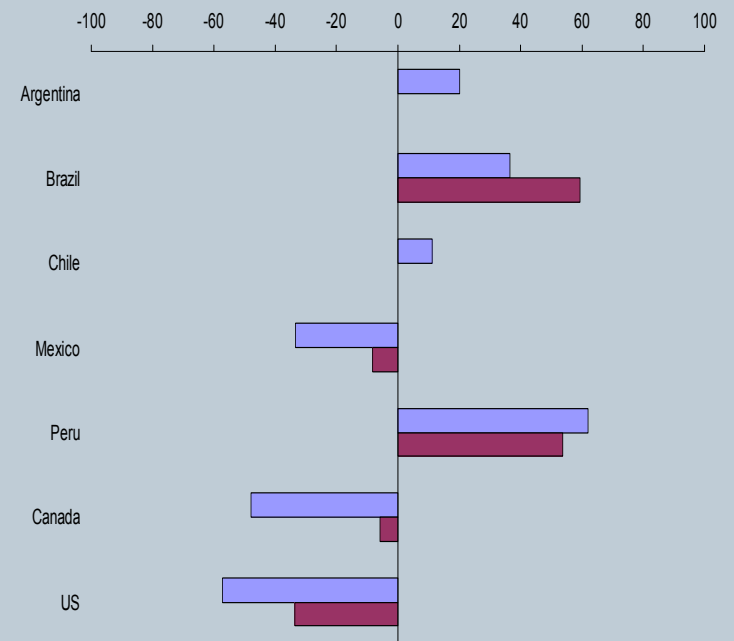
# RICS Global Commercial Property Survey

## Regional statistics - Americas

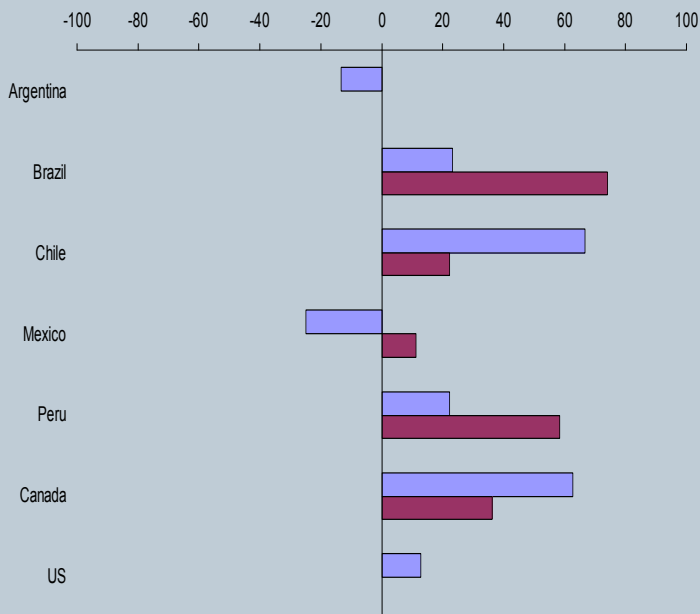
### Tenant Demand



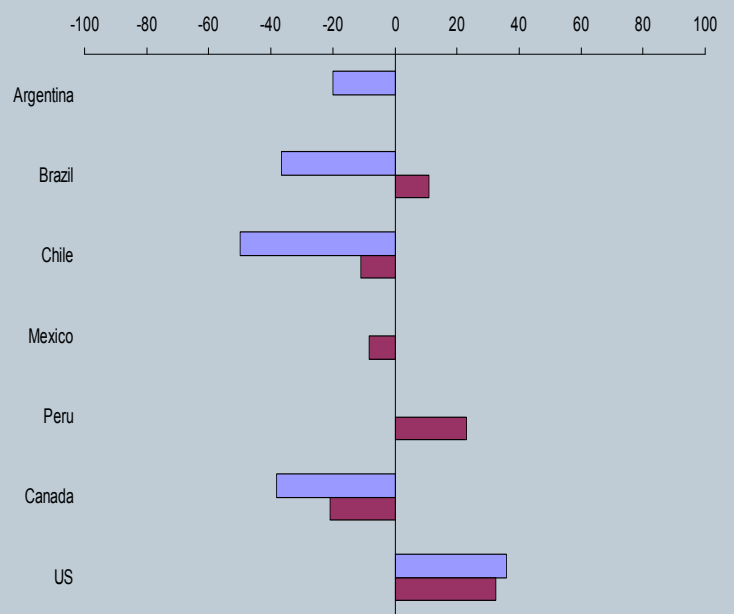
### Change in Rents



### Investment Bidders



### Yields



# RICS Global Commercial Property Survey

## Regional statistics - Americas

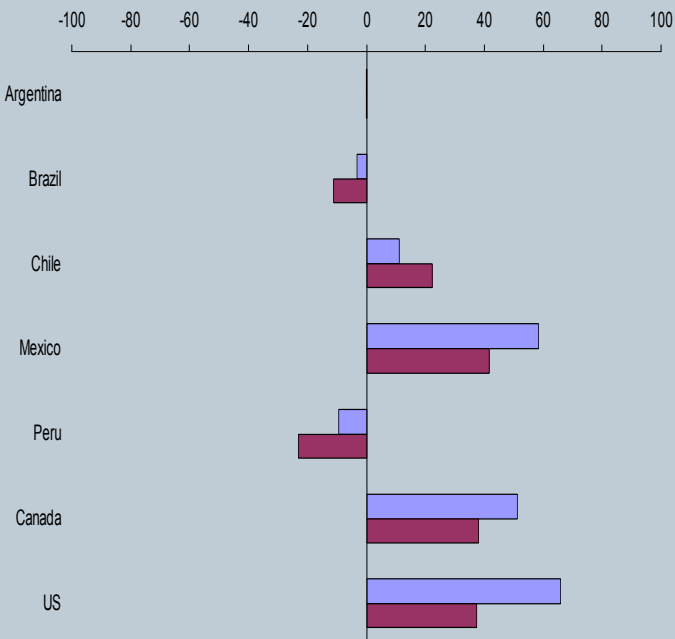
### Pipeline Development



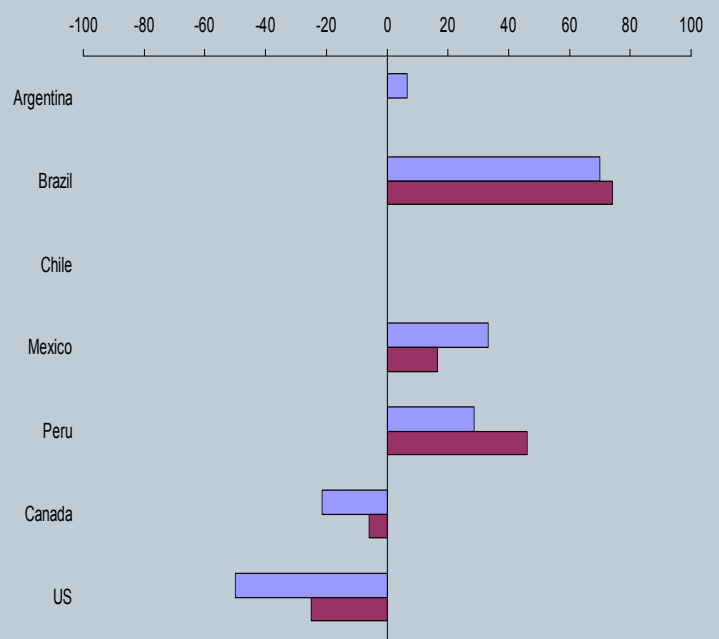
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### Inducements



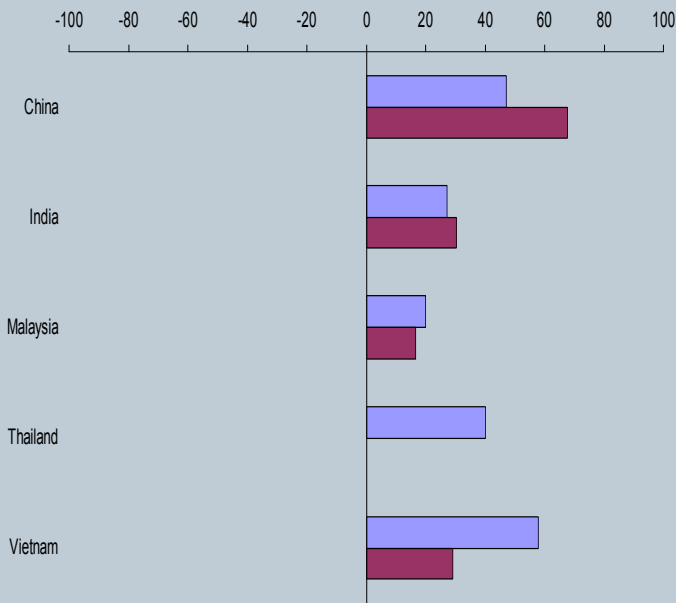
### Rental Expectations



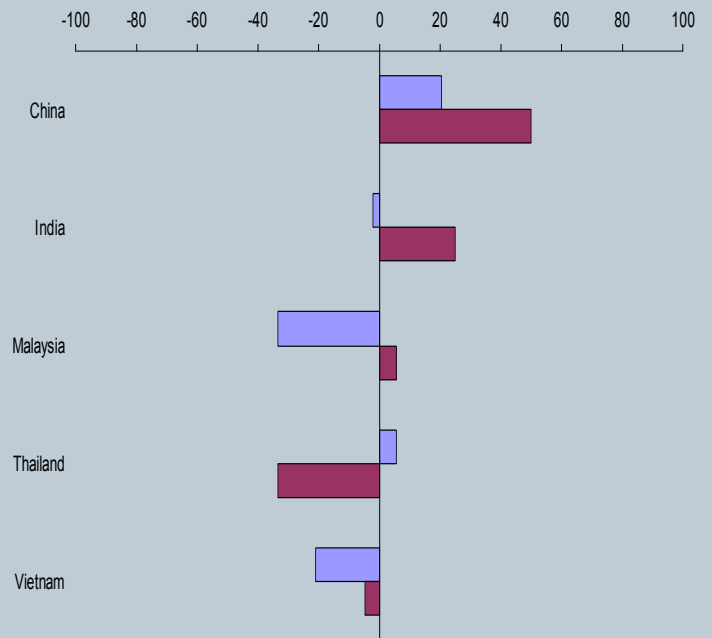
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## Regional statistics - Emerging Asia

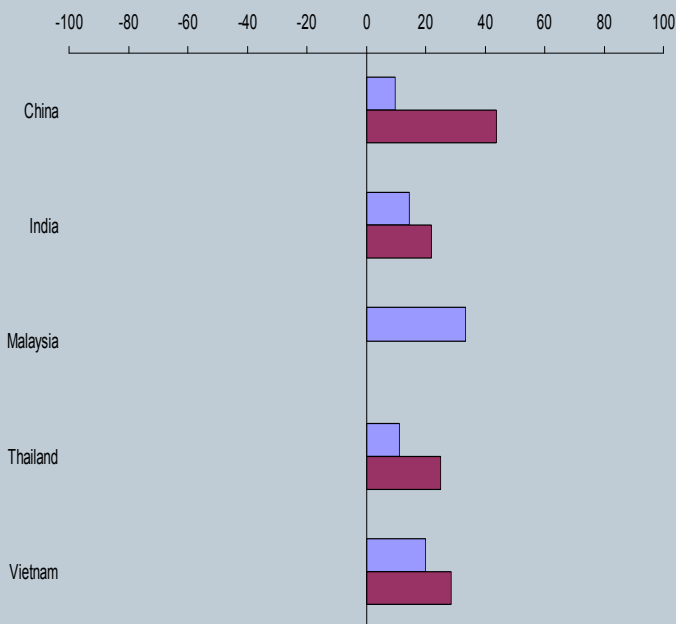
### Tenant Demand



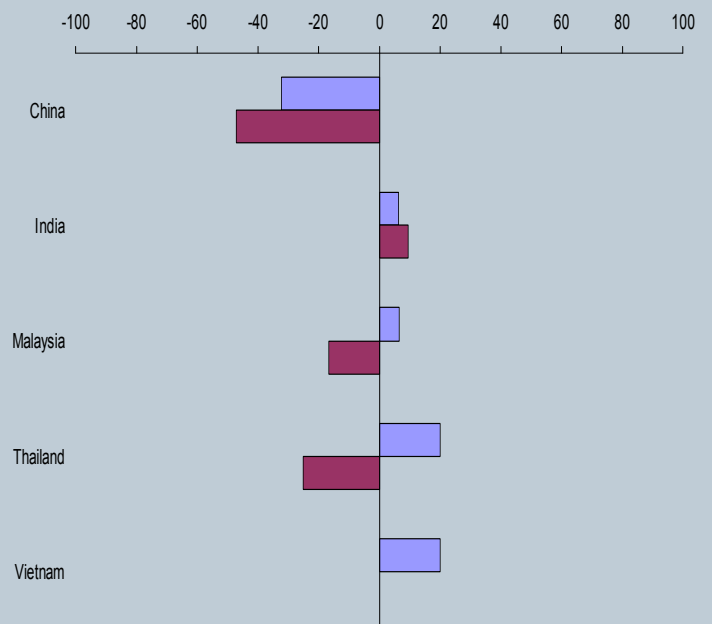
### Change in Rents



### Investment Bidders



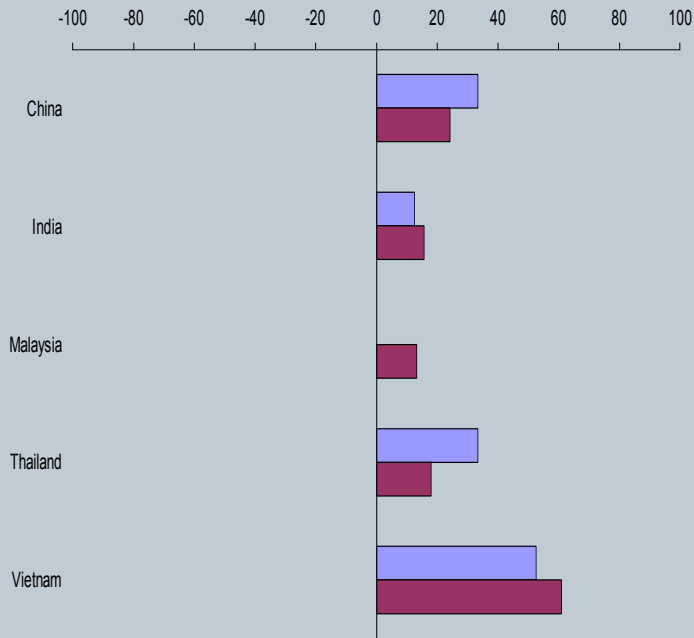
### Yields



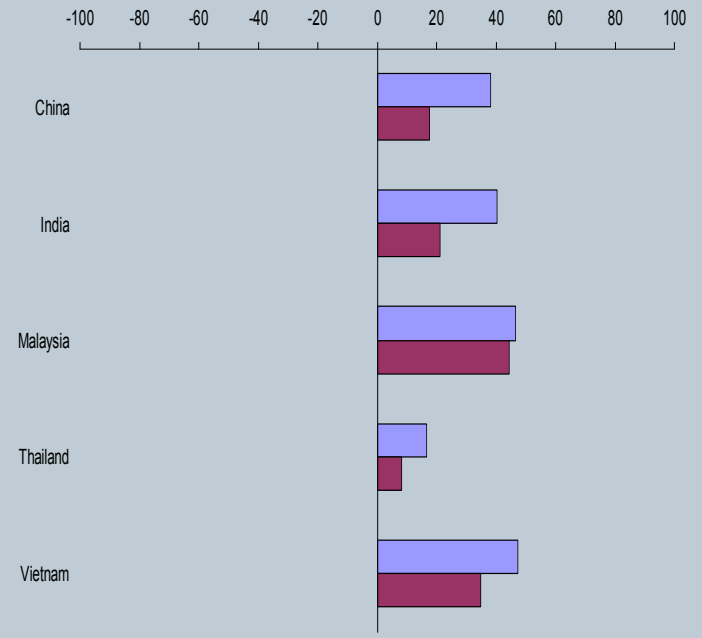
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## Regional statistics - Emerging Asia

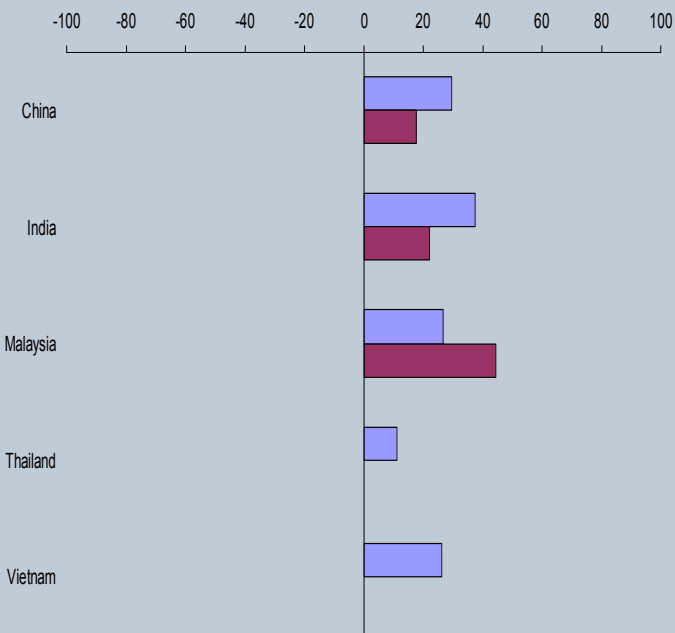
### Pipeline Development



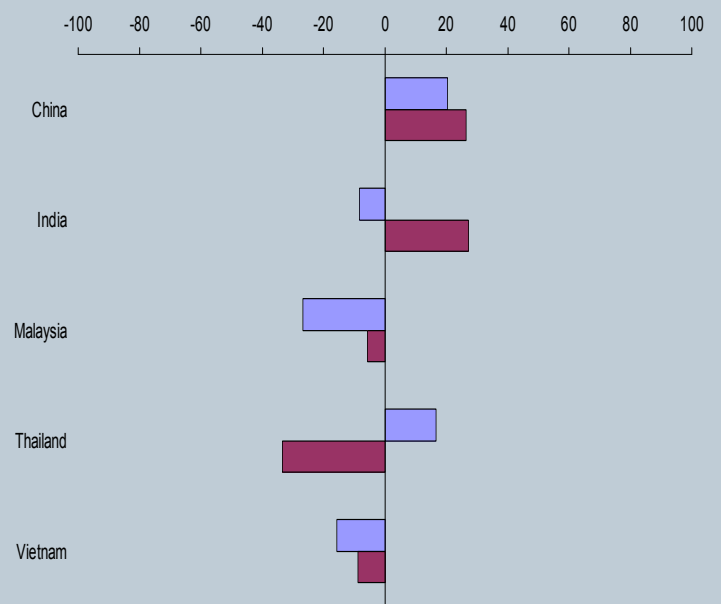
### Available Space



### Inducements



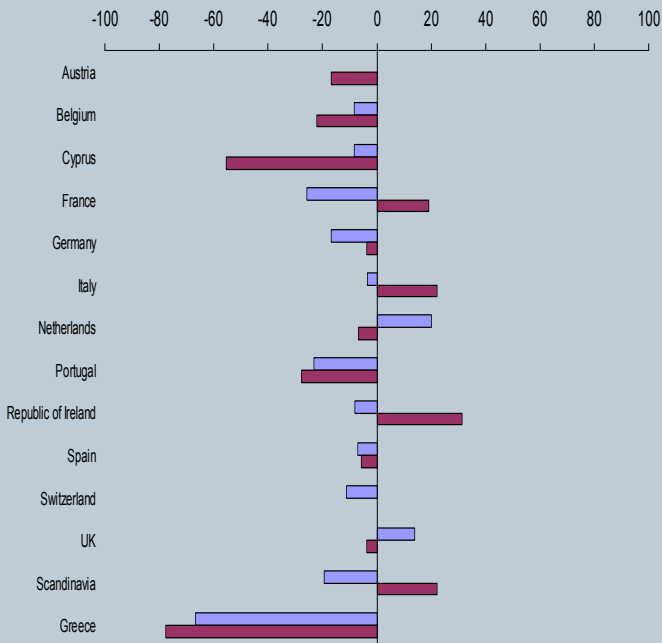
### Rental Expectations



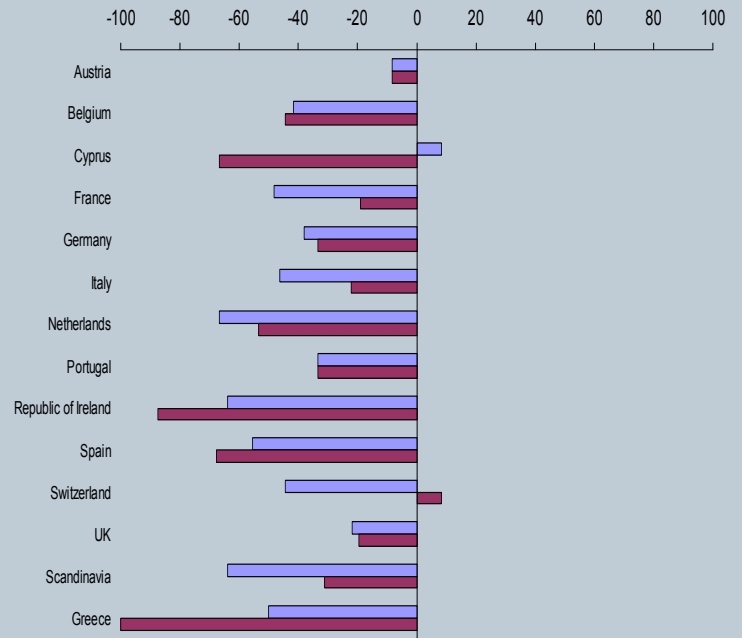
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## Regional statistics - Western Europe

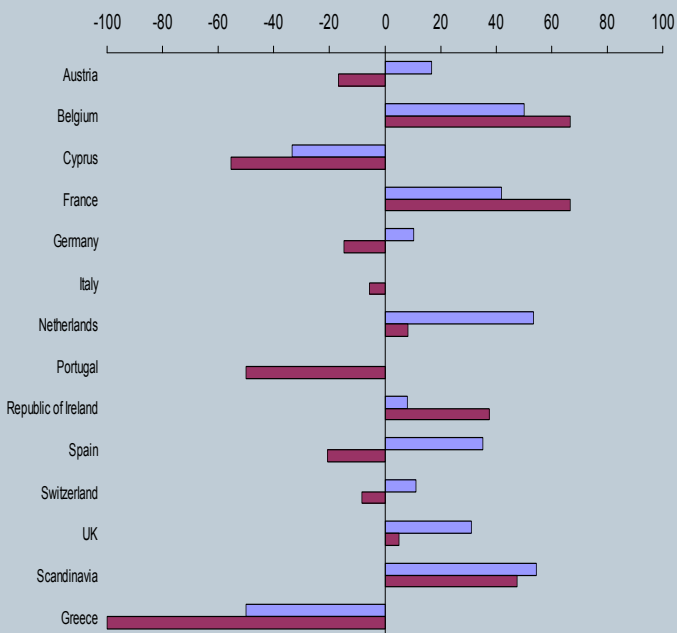
### Tenant Demand



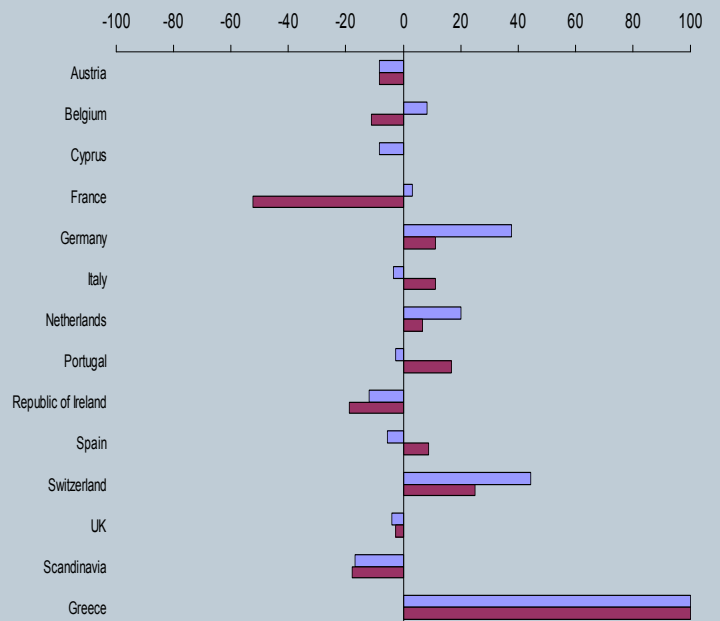
### Change in Rents



### Investment Bidders



### Yields



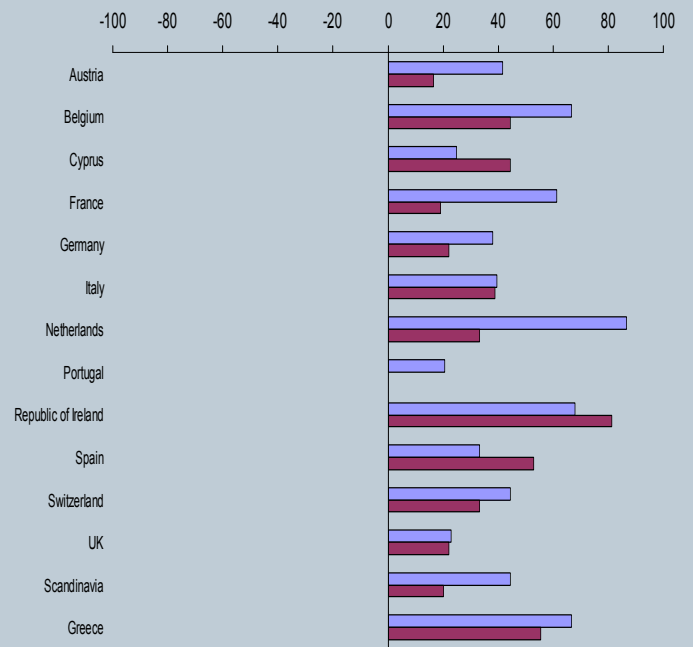
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## Regional statistics - Western Europe

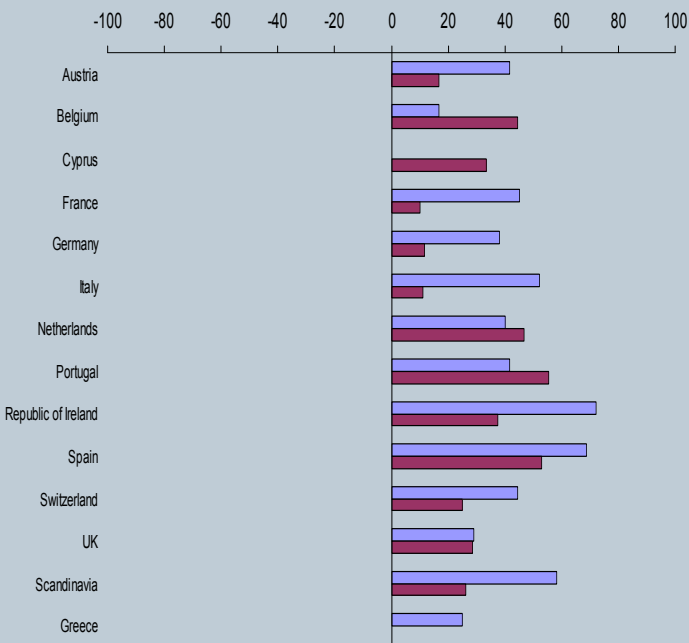
### Pipeline Development



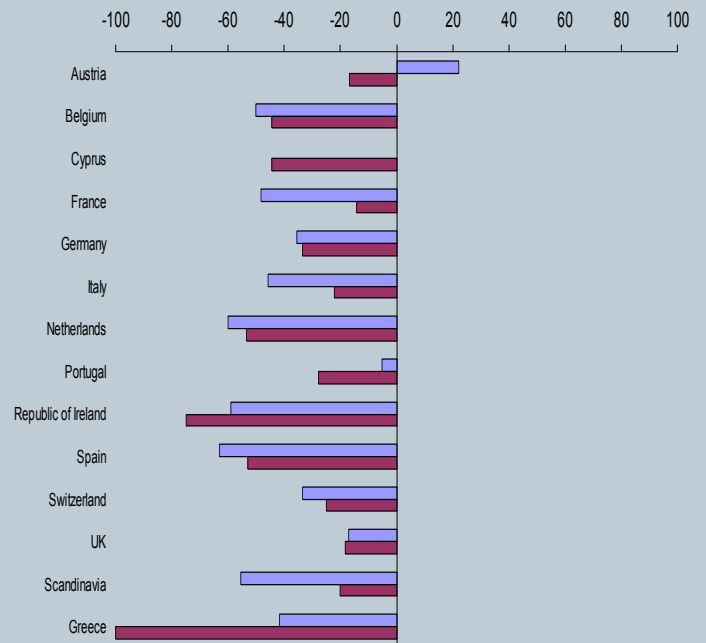
### Available Space



### Inducements



### Rental Expectations



# RICS Global Commercial Property Survey

## Regional statistics - Emerging Europe

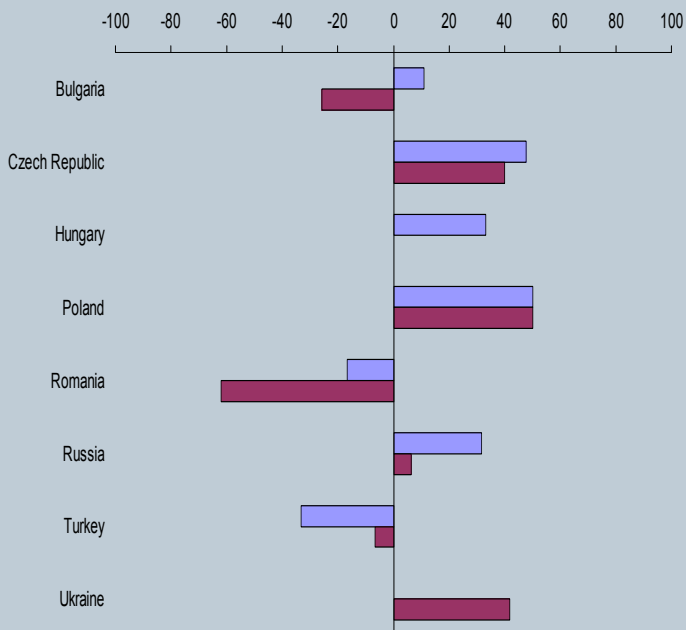
### Tenant Demand



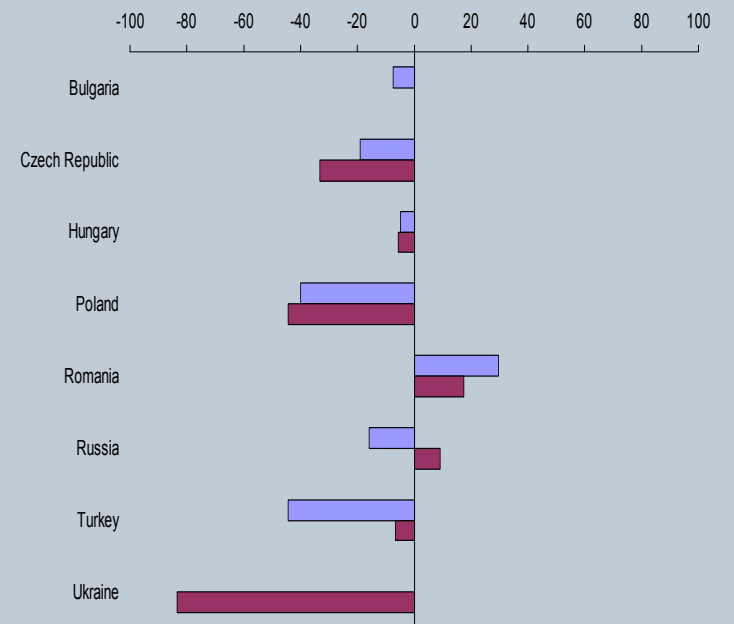
### Change in Rents



### Investment Bidders



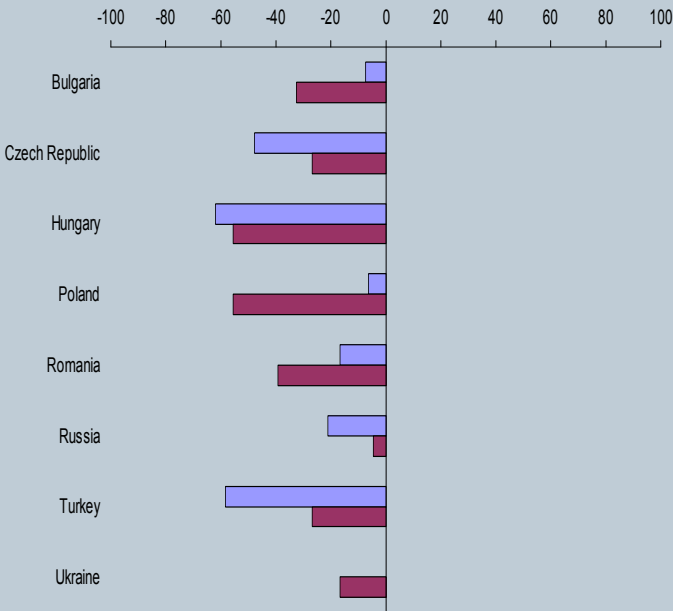
### Yields



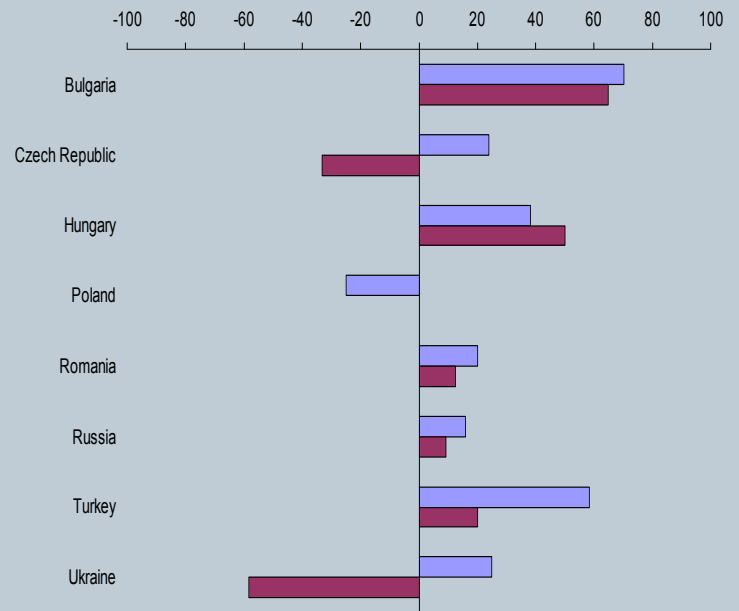
# RICS Global Commercial Property Survey

## Regional statistics - Emerging Europe

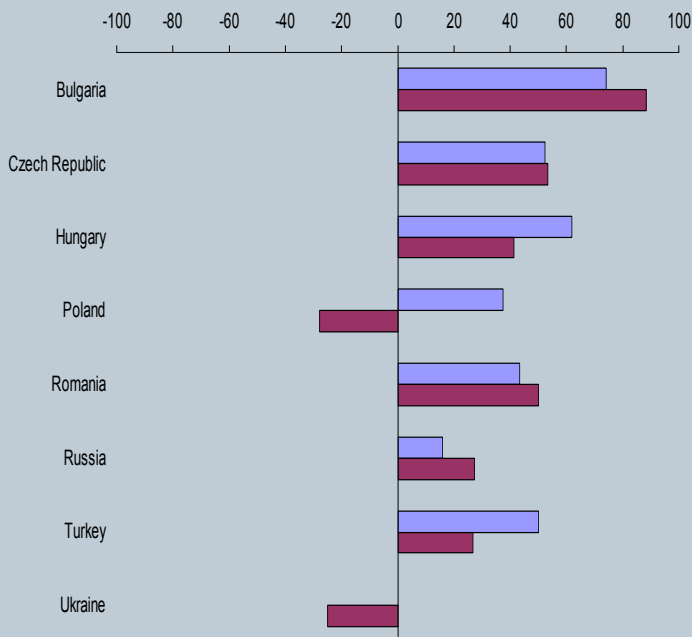
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### Available Space



### Inducements



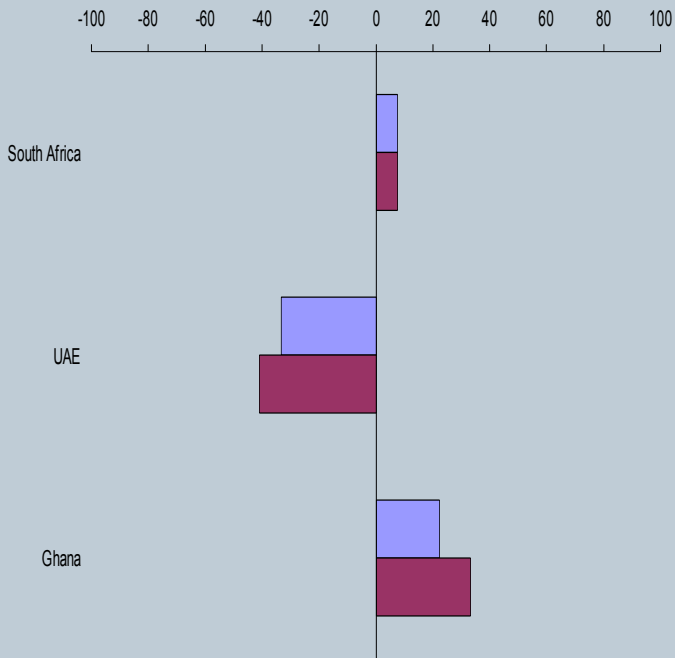
### Rental Expectations



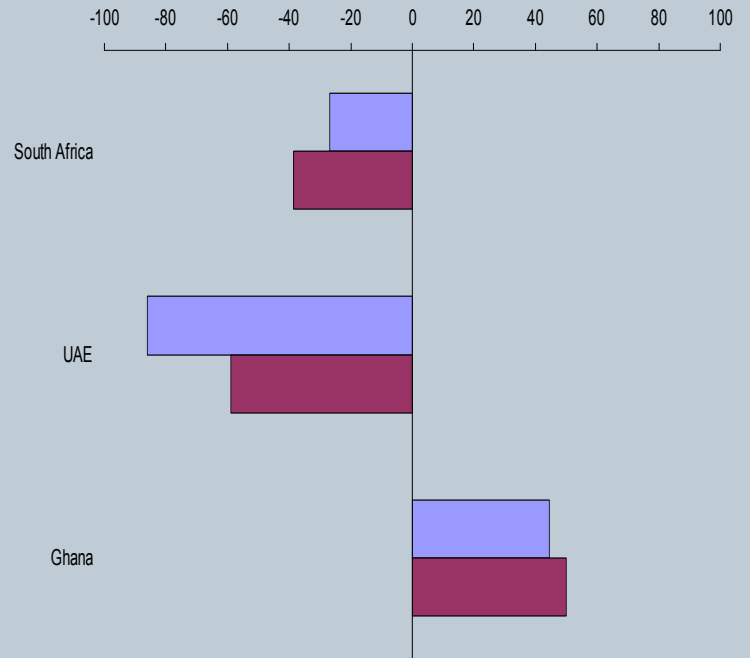
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## Regional statistics - Africa and Middle East

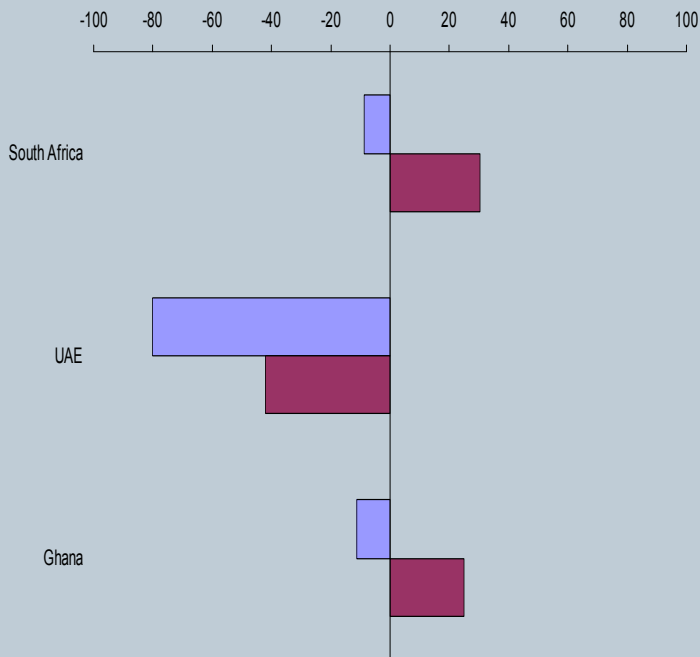
### Tenant Demand



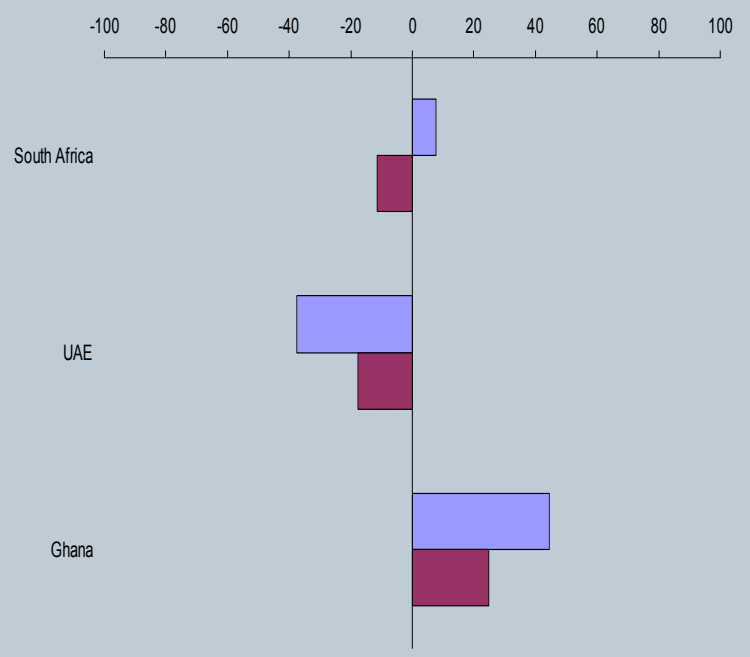
### Change in Rents



### Investment Bidders



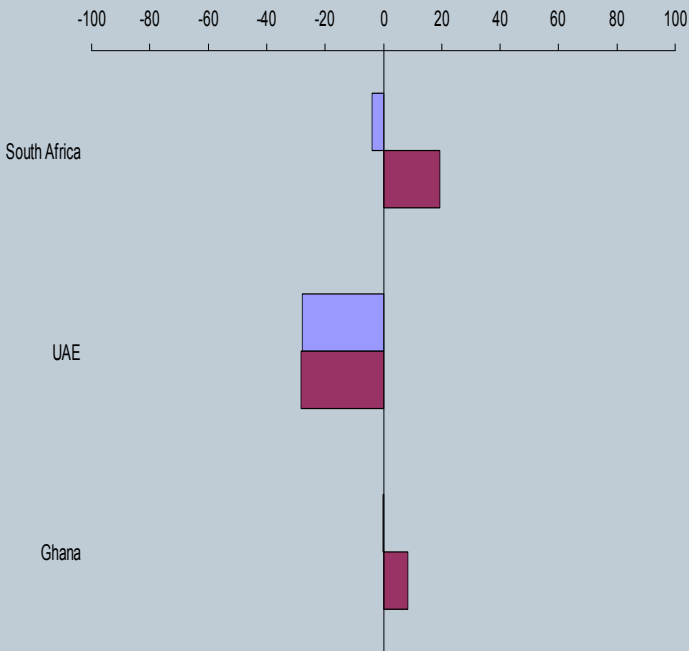
### Yields



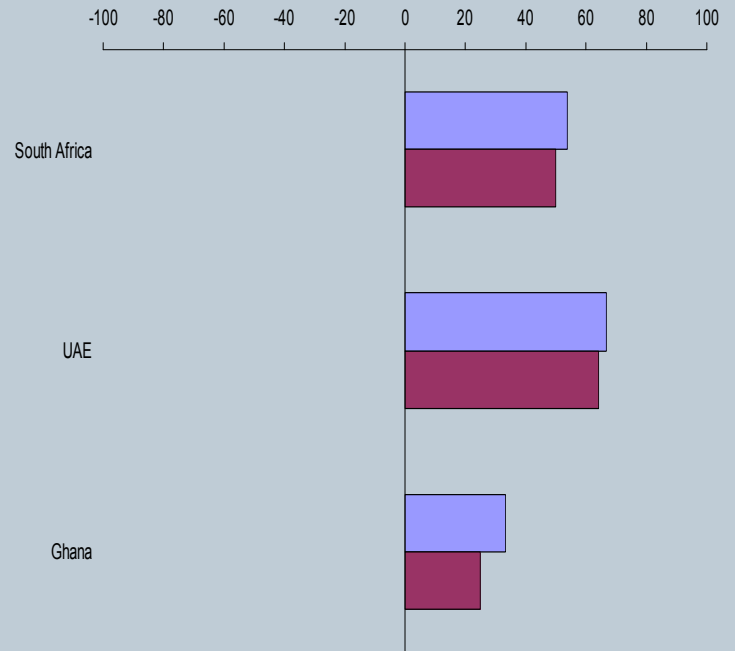
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## Regional statistics - Africa and Middle East

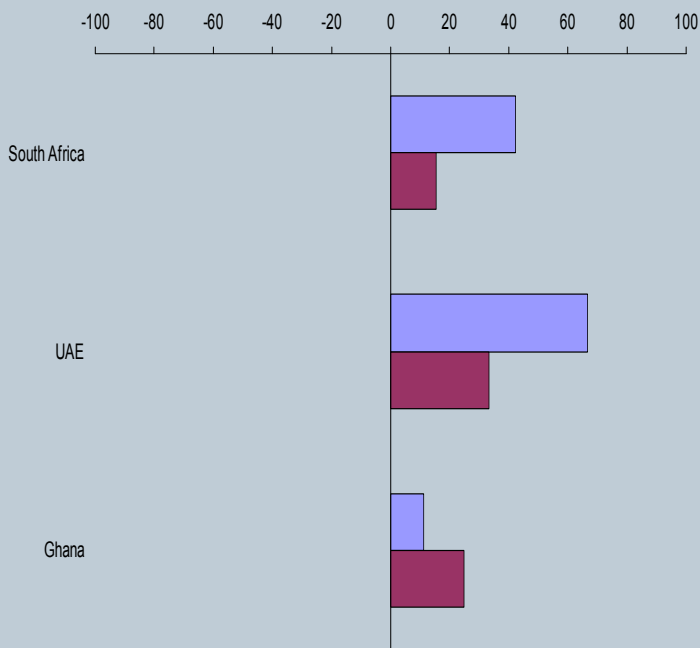
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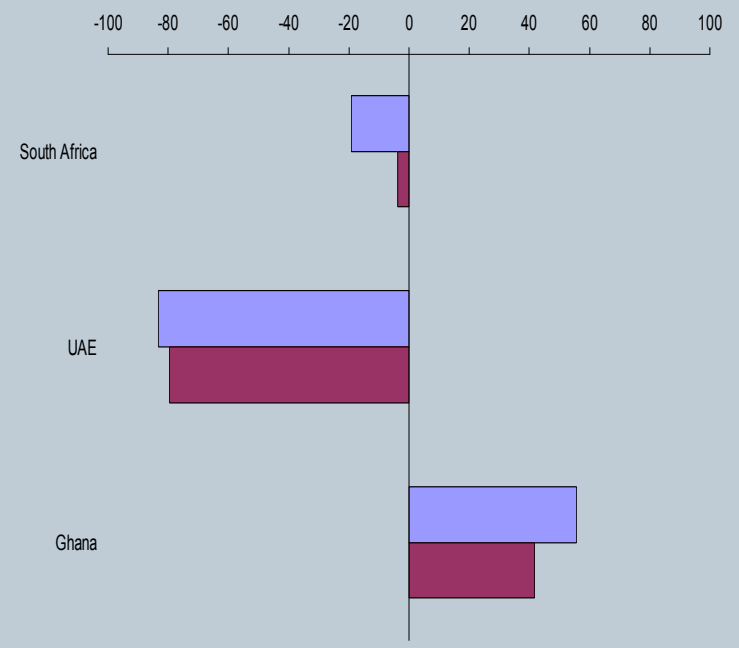
### Available Space



### Inducements



### Rental Expectations



# RICS Global Commercial Property Survey

## 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 first quarter of 2010 based on information collected from leading international real estate organisations and local firms.

385 surveyor offices responded to the questionnaire conducted between 1/6/2010 and 25/6/2010.

### Methodology

Survey questionnaires were sent to real estate organisations in June 2010, with responses received up until the 25<sup>th</sup> of June 2010. Respondents were asked to compare conditions over the latest three months with the previous three months. A total of 385 company responses were received.

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

### Contact details

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### Taking part in the RICS Global Property Survey

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This publication has been produced by RICS Economics. For economic and statistical enquiries regarding this publication, please contact.

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[www.rics.org/GPScomments2010q2](http://www.rics.org/GPScomments2010q2)

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