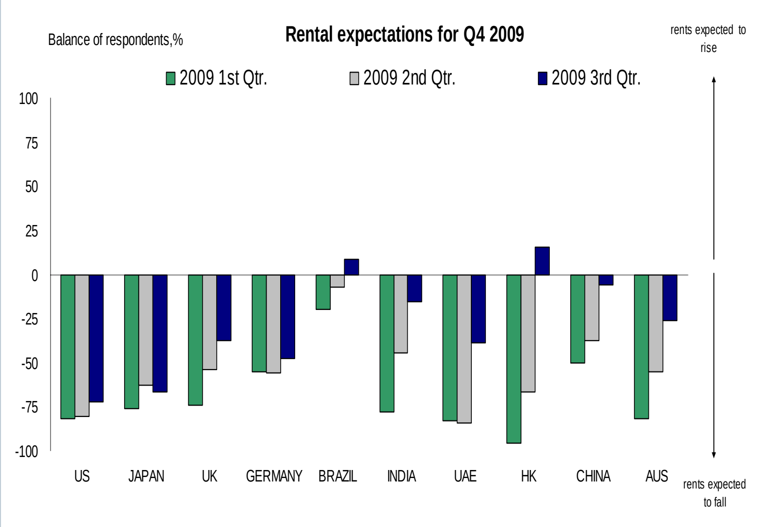
RICS Global Commercial Property Survey

RICS Economics Q3 2009 www.rics.org

Rental freefall easing across global property markets

- **Lettings activity showing signs of improvement**
- **Capital values now rising in some emerging markets**
- **Rental confidence lifts on better economic conditions**
- **Emerging Asia outperforming other world regions**



The latest Global Commercial Property Survey from RICS is noticeably more upbeat than the second quarter report. Confidence in the outlook for lettings over the next three month is either less negative or more positive than previously was the case in every region of the world. Significantly, a broadly similar pattern is also visible in the responses regarding the expectations for capital values.

The more positive mood towards the occupier market has been particularly evident in what may be loosely described as Developed Asia; Japan, Hong Kong and South Korea have all seen big improvements in confidence. Moreover, this better tone has begun to filter through to rental expectations which have, in general, become less negative. Significantly, Hong Kong actually saw the level of inducements required to attract tenants rise at a much slower pace in the third quarter with respondents to the survey also suggesting that rents have bottomed and are now likely to move higher.

Meanwhile, Latin America also recorded positive readings on the outlook for rents led by Peru, Columbia and Brazil. Elsewhere the results were generally still in negative territory albeit less so than at the end of the second quarter. Emerging Asia, including China, Thailand and India had mildly negative figures. Meanwhile, a number of European countries prop up the foot of the table with Ireland, Scandinavia, France and Spain registering the worst net balances for the rental outlook. Interestingly, these countries also saw some of the biggest jumps in available space according to the survey.

Australia, the UK and the UAE all saw the rental expectations series improve in a material fashion over the quarter although still remaining well into negative territory. However, the net balance readings in the US and Japan still stand not far away from the very weak results recorded in the last survey.

In terms of the outlook for capital values over the next three months, the most positive responses in terms of net balances also came from Latin American and Asian countries with Brazil toping the list and Hong Kong not far behind. Positive readings were also recorded for South Korea, China and Columbia.

One particularly interesting result was the sharp increase in investment bidders per property in Australasia and much of Asia. In the UK, respondents now expect prices to remain broadly stable into Q4, a stark contrast to the 50% anticipating declines in Q2. Driving this turnaround has been prime London property which has seen a significant shift in sentiment and investment activity in the most recent quarter.

Many of the countries which are near the bottom of the table in terms of the rental outlook have similarly poor results when it comes to capital value expectations. So Scandinavia, Spain France and Ireland all have very negative readings in terms of the pricing outlook while the net balance of respondents in the US and Japan also suggests that prices have further to fall in the near term.

Global commercial property expected capital values for Q4 2009

	US	Japan	UK	Germany	Brazil	India	UAE	HK	China	AUS
	*Net Balance - Not Seasonally Adjusted ------------									
2008 Q4	-82	-85	-92	-69	-33	-83	-85	-95	-36	-36
2009 Q1	-69	-95	-59	-12	13	-50	-77	-85	-31	-31
2009 Q2	-76	-72	-37	-41	22	-16	-52	24	-6	-6
2009 Q3	**-53**	**-63**	**-8**	**-16**	**81**	**24**	**-36**	**43**	**35**	**35**

*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 = 430

Inside : REAL CAPITAL ANALYTICS report on 9 major markets—transaction activity edging up from trough ....…………….Page 2

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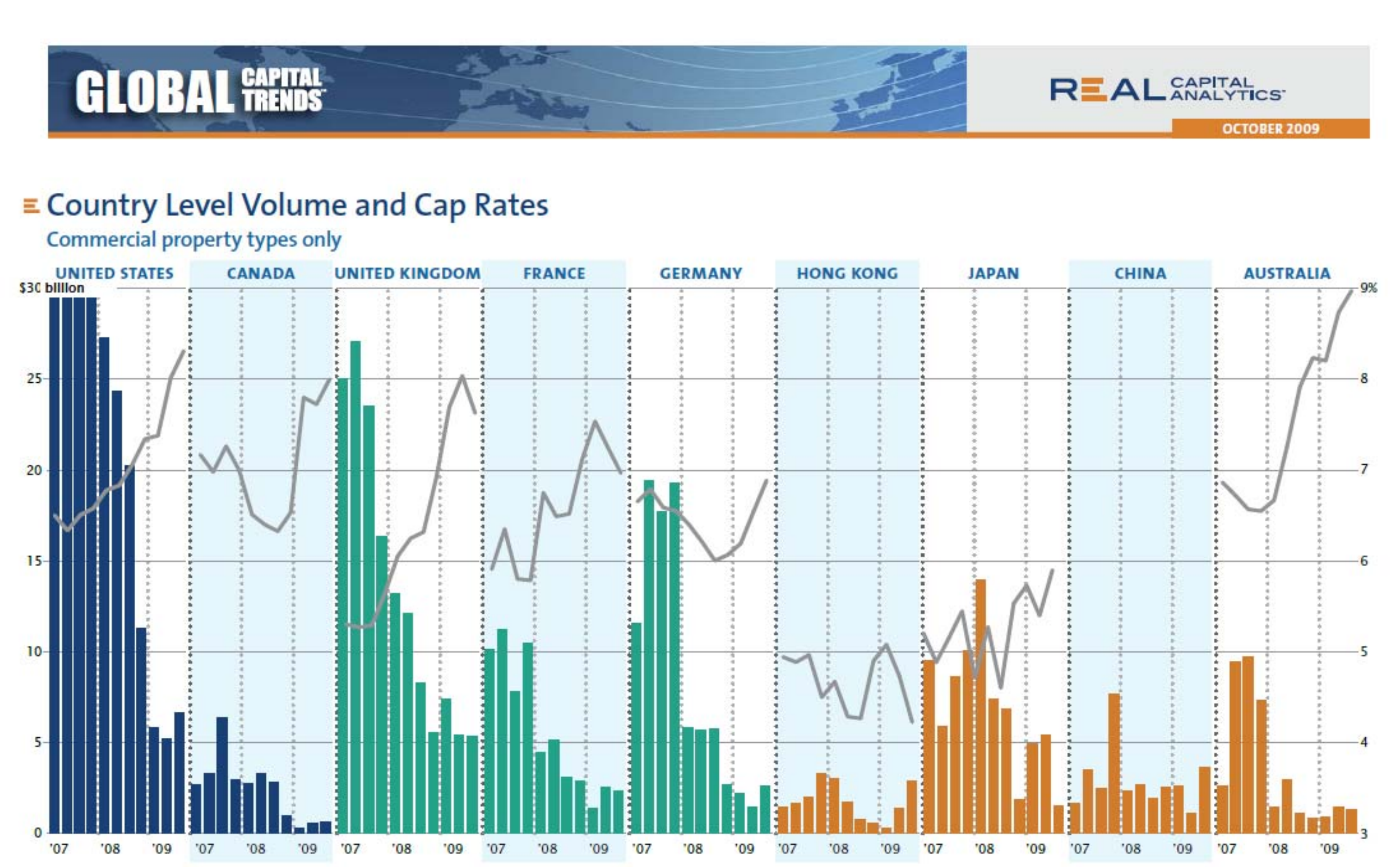
RICS Global Commercial Property Survey

Real Capital Analytics : 9 Major Markets; transaction activity edges up from trough



- The latest RCA data shows that the path taken by combined sales volume for office, retail and industrial properties in major national markets around the globe has been remarkably similar, if staggered, since investment activity was nearing its peaks in early 2007.
- In recent months, volume has held steady or turned slightly positive in a handful of countries, including the US, Germany, Hong Kong and Australia.
- The huge volume of development-rights sales in China has obscured an impressive rise in sales of commercial properties there. In Q3, these exceeded all other countries save the US.
- The cap rate picture is decidedly more mixed. Caps have turned definitively south in the UK, France and Hong Kong and may be flattening in Canada, Australia and Germany, but continue to surge upward in the US. Meanwhile, cap rates in China are extremely difficult to track.

This extract has been provided by 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.

The RICS Global property guide is a quarterly publication which aggregates the views of commercial property professionals including RICS members, researchers, fund managers, agents across the world.

To participate in this survey four times a year please email globalproperty@rics.org to register your email address.

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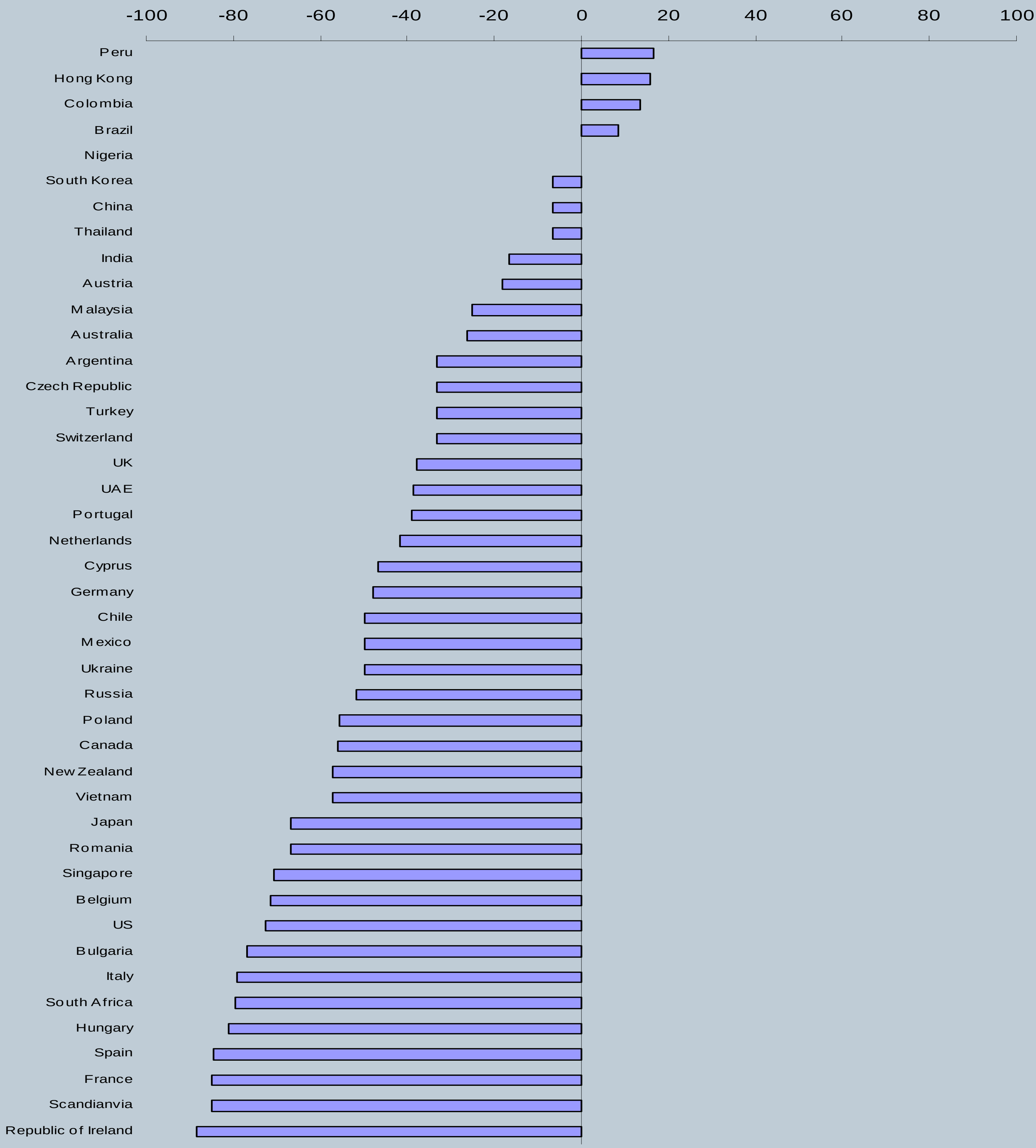
Country statistics - Expectations for Q4 2009

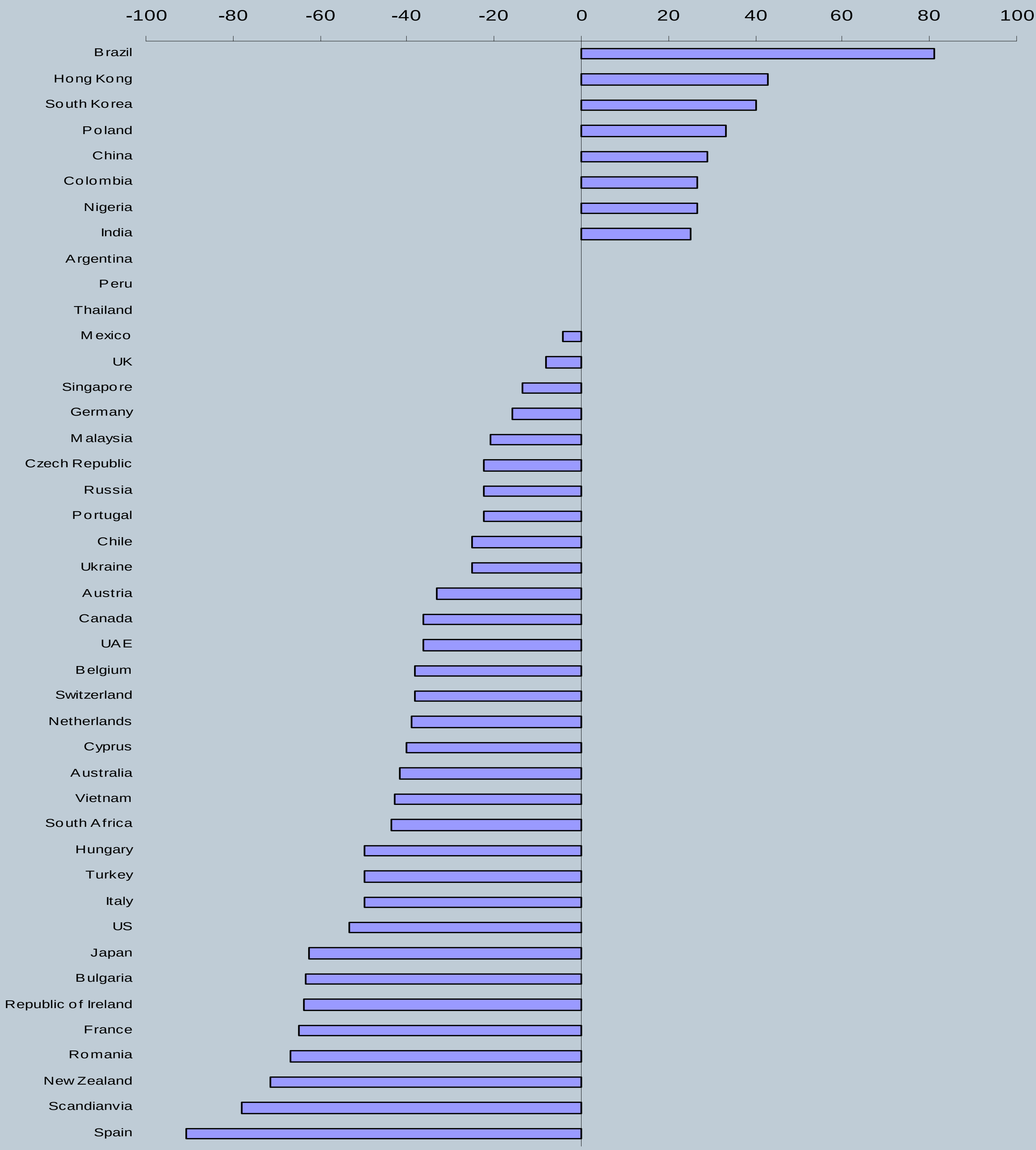
Confidence towards rents in Q4 ranked by net balance scores



RICS Global Commercial Property Survey

Country statistics - Expectations for Q4 2009

Confidence towards capital values in Q4 ranked by net balance scores



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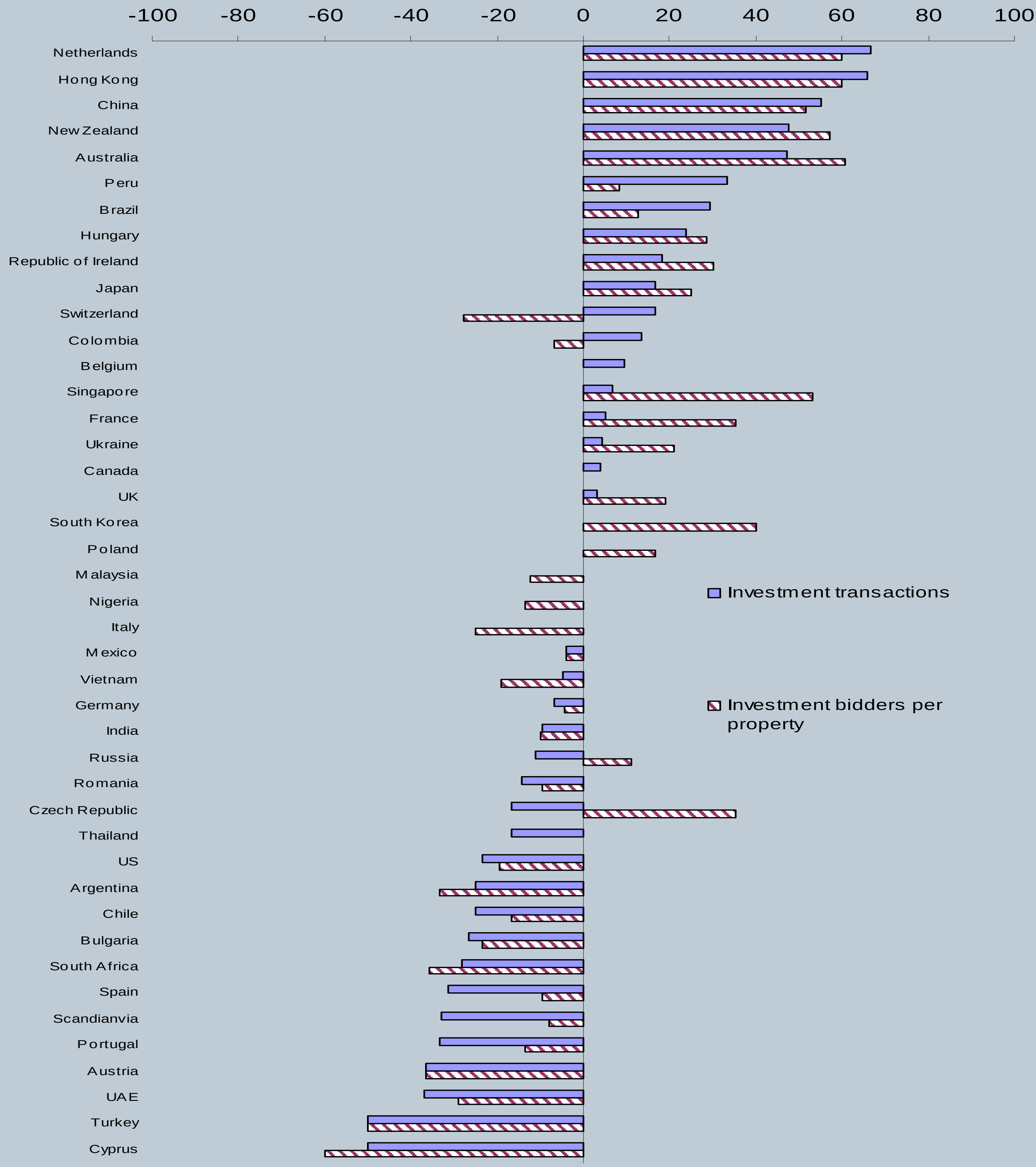
Country statistics - Investment transactions in Q3

Investment transaction activity in Q3 ranked by net balance scores



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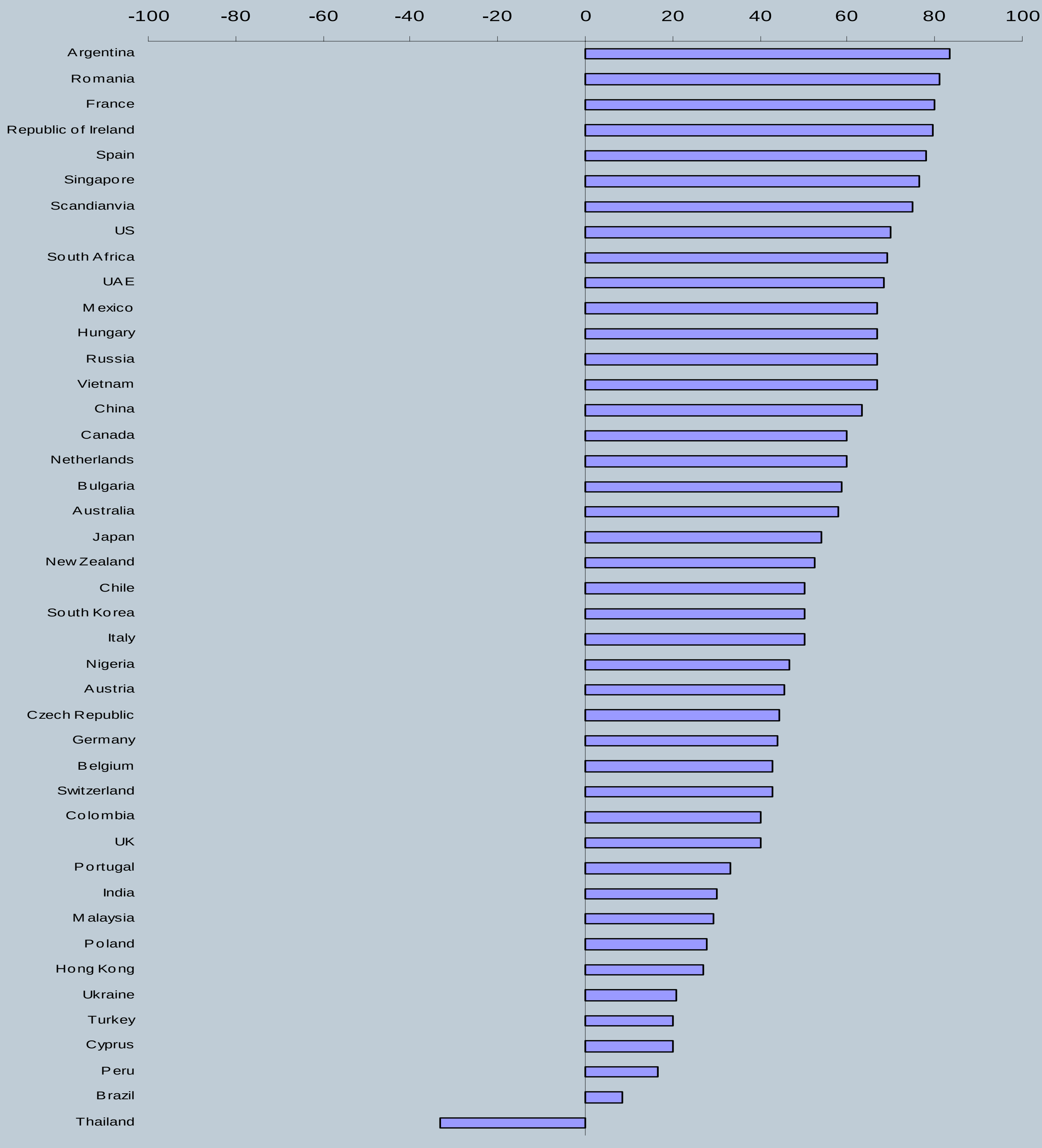
Country statistics - Reported available space Q3

Available space in Q3 ranked by net balance scores



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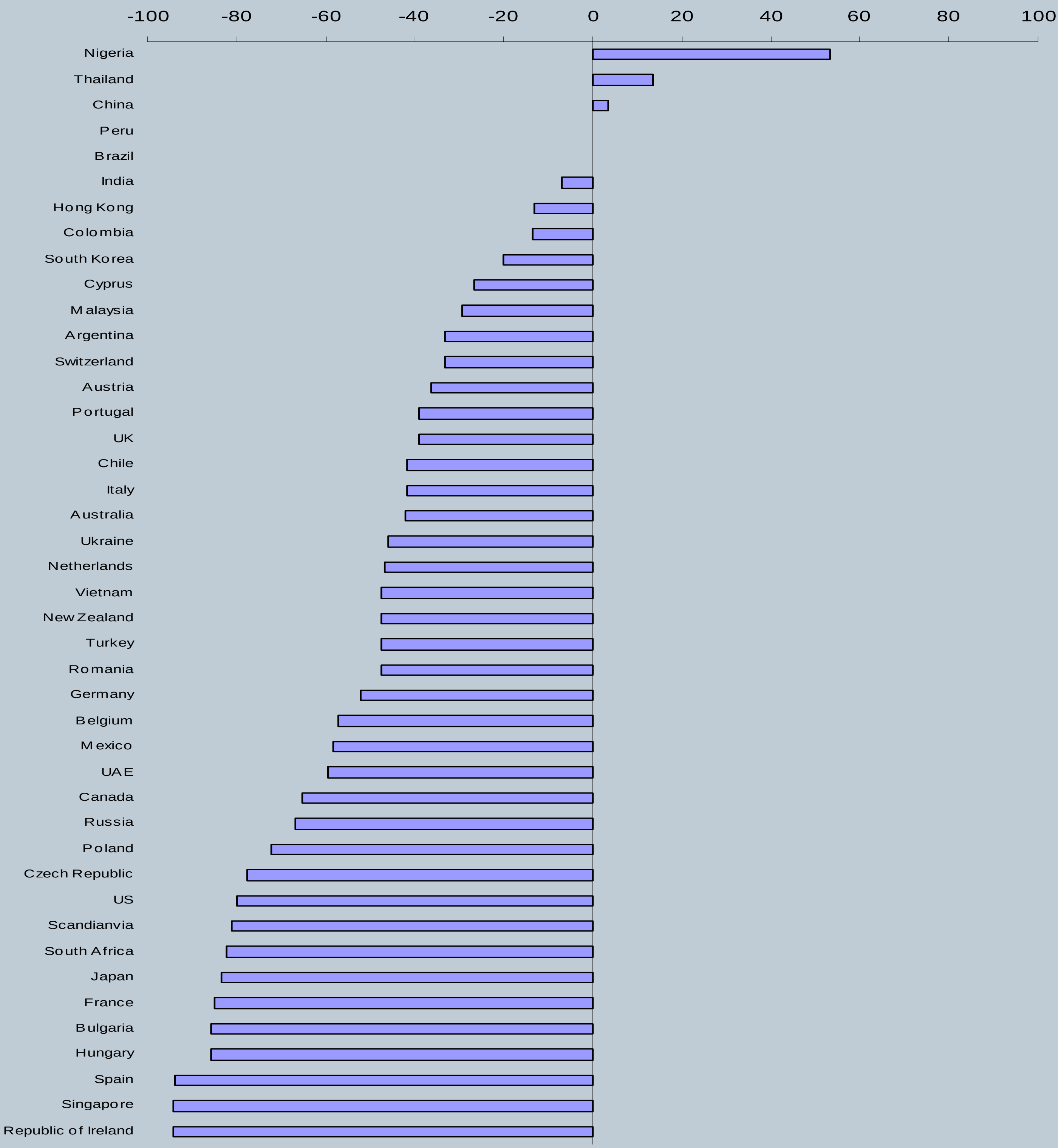
Country statistics - Change in rents Q3

Change in rents in Q3 ranked by net balance scores



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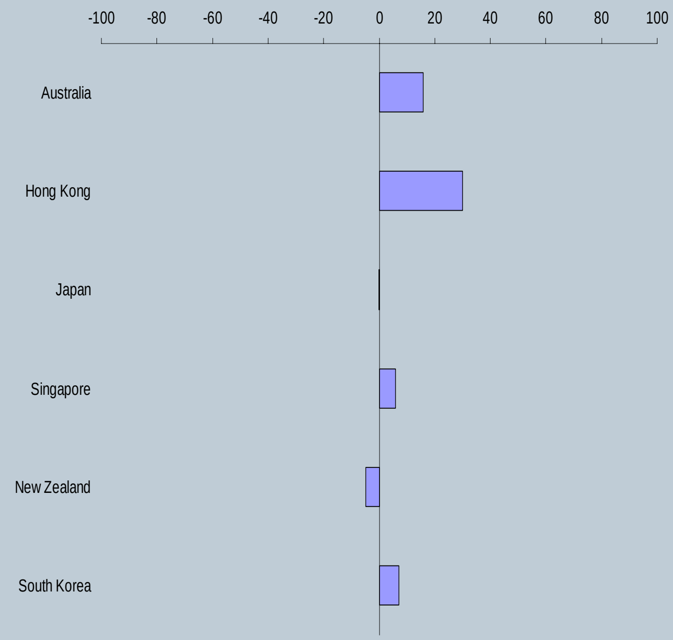
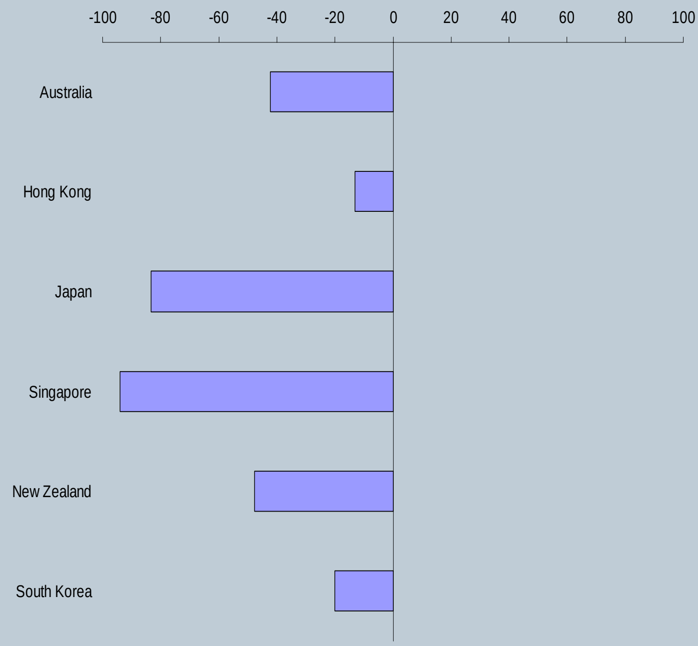
Regional statistics - Developed Asia / Australasia

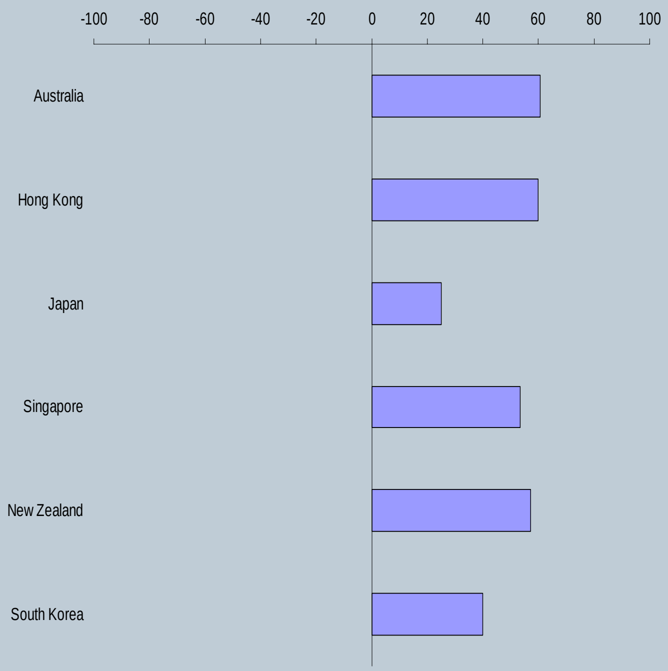
Tenant Demand



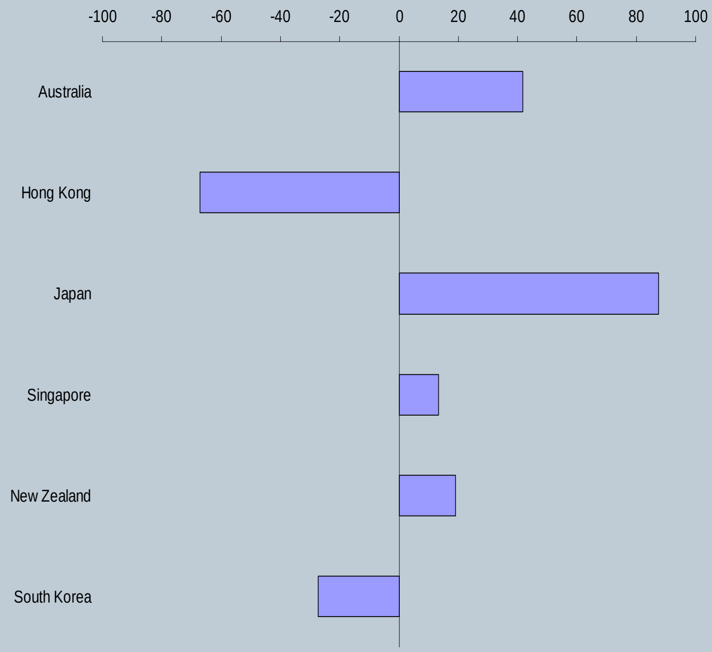
Change in Rents



Investment Bidders



Yields



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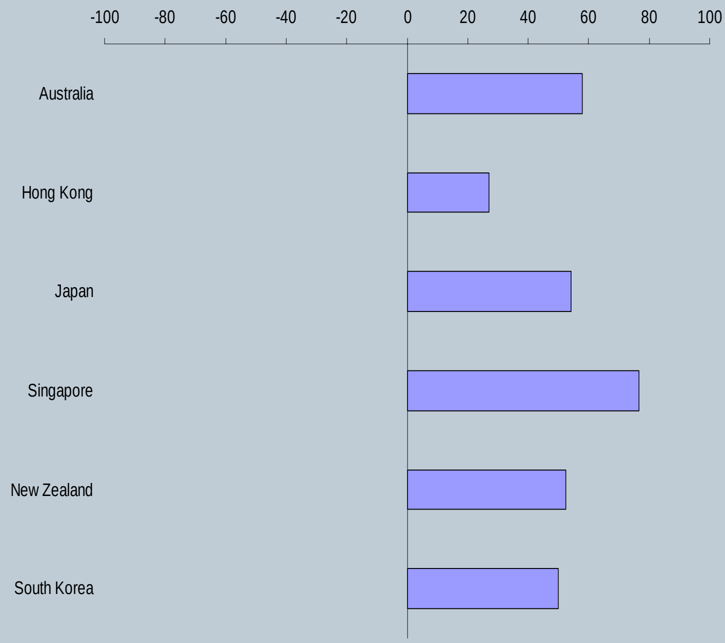
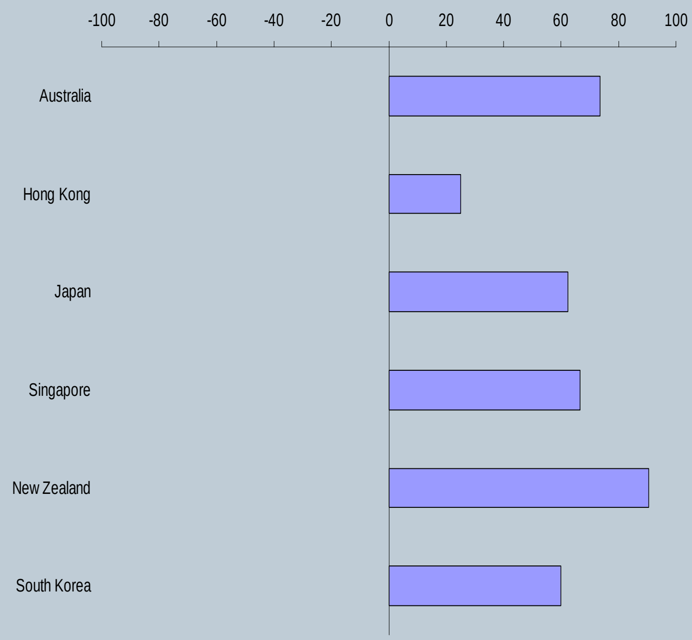
Regional statistics - Developed Asia / Australasia

Pipeline Development

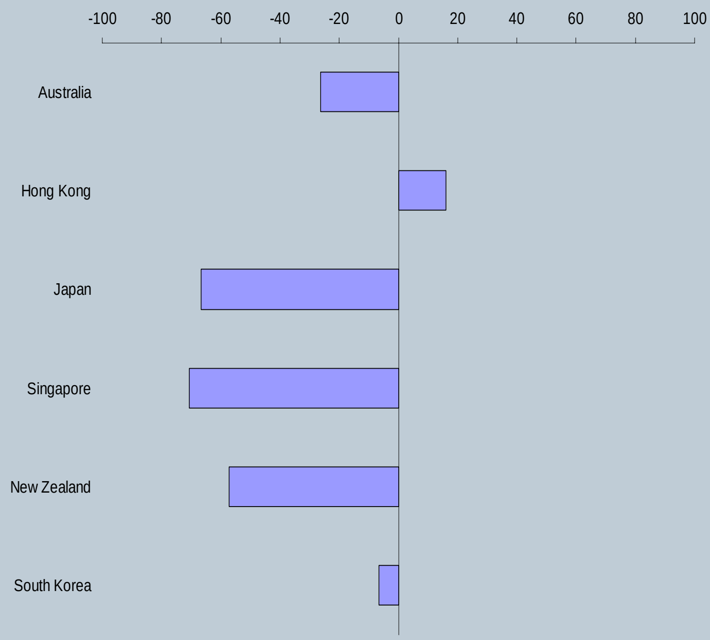
Available space



Inducements



Rental Expectations



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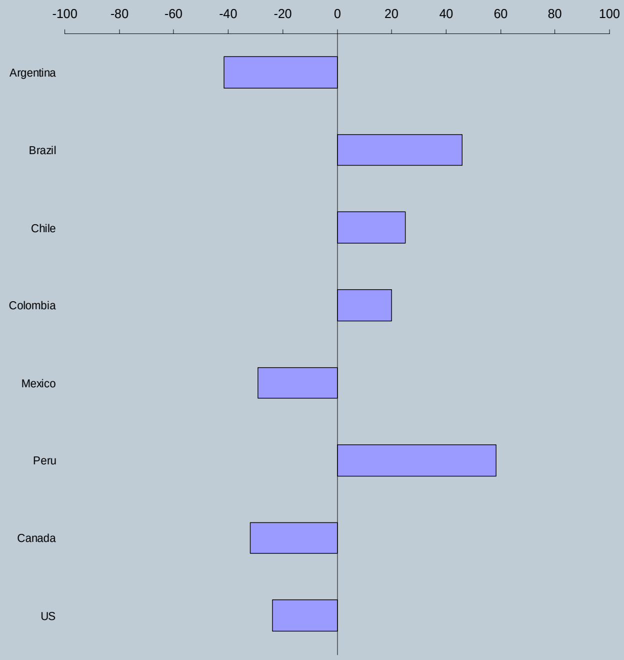
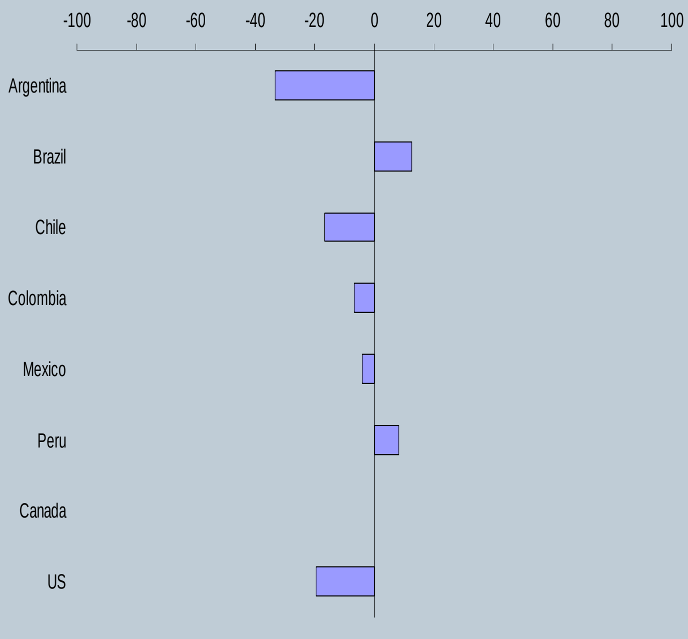
Regional statistics - Americas

Tenant Demand

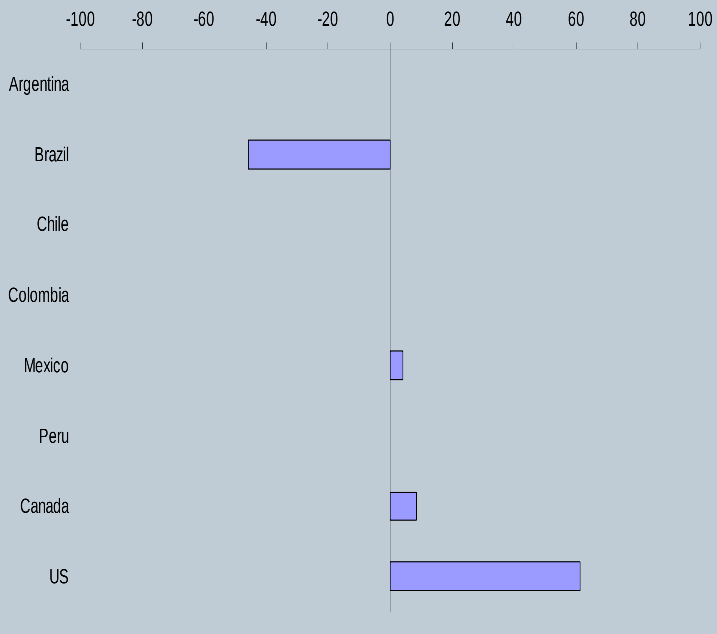


Change in Rents

Investment Bidders



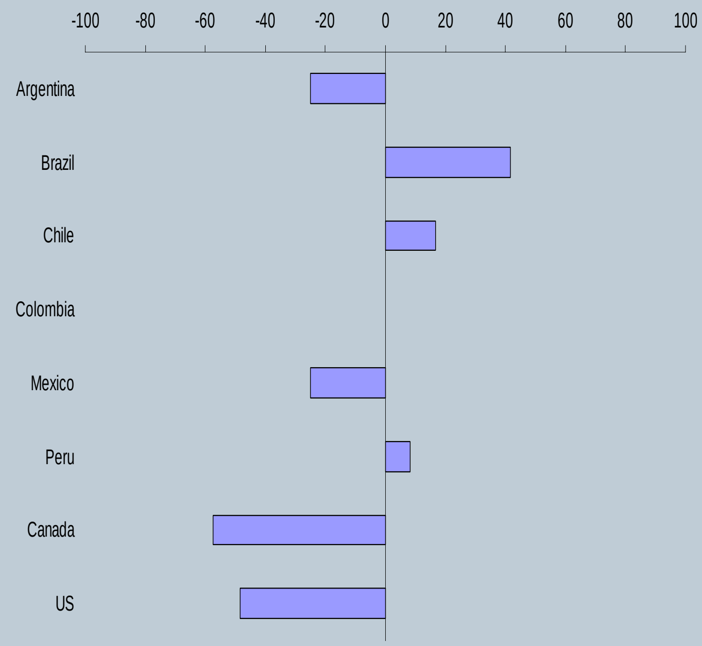
Yields



RICS Global Commercial Property Survey

Regional statistics - Americas

Pipeline Development



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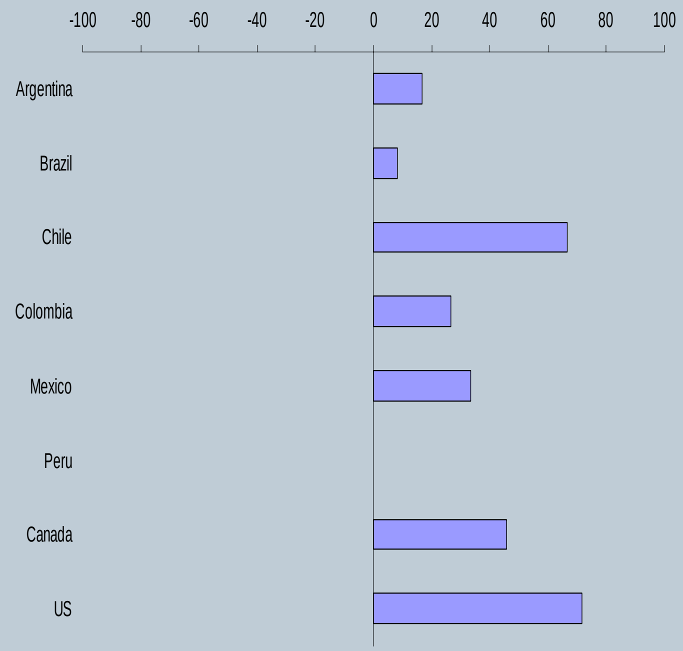
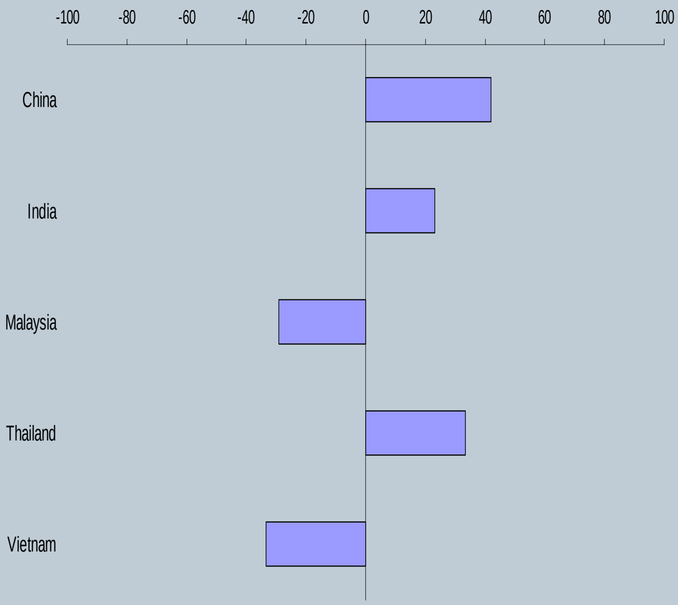


Rental Expectations

RICS Global Commercial Property Survey

Regional statistics - Emerging Asia

Tenant Demand



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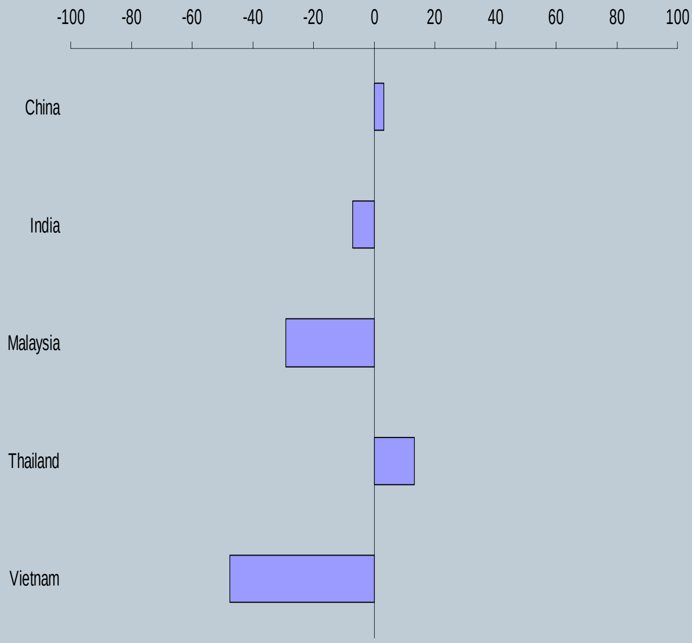
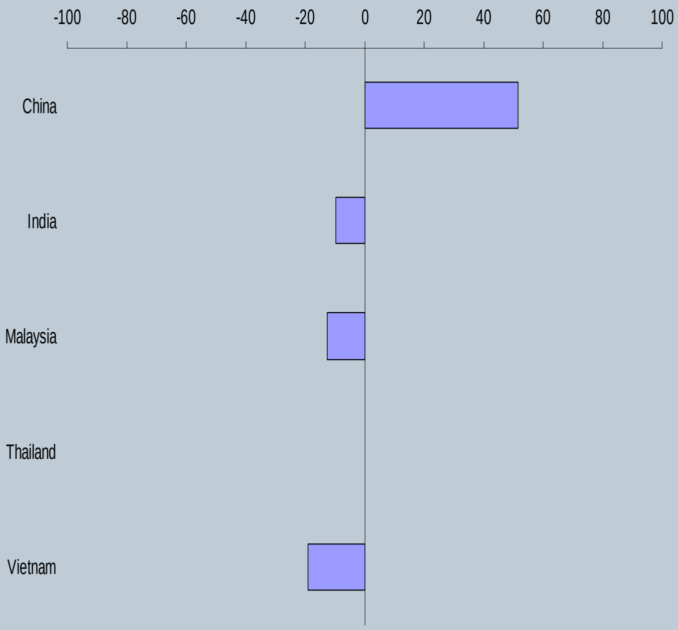


Investment Bidders



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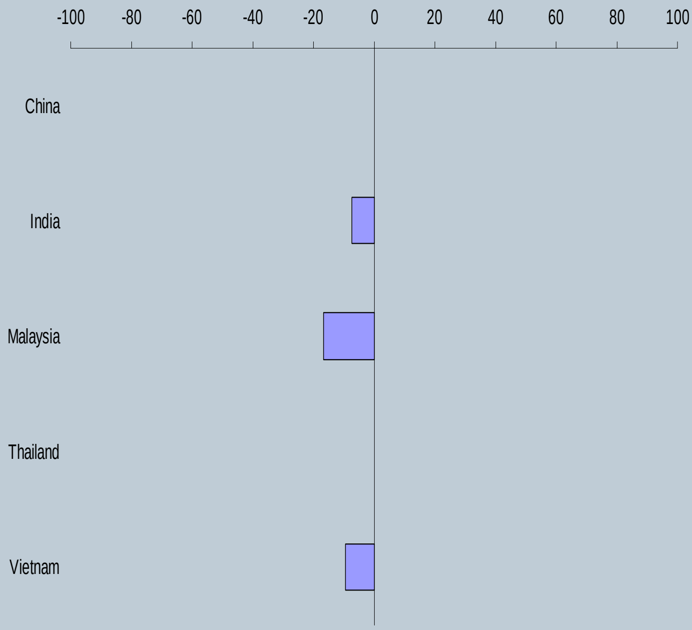

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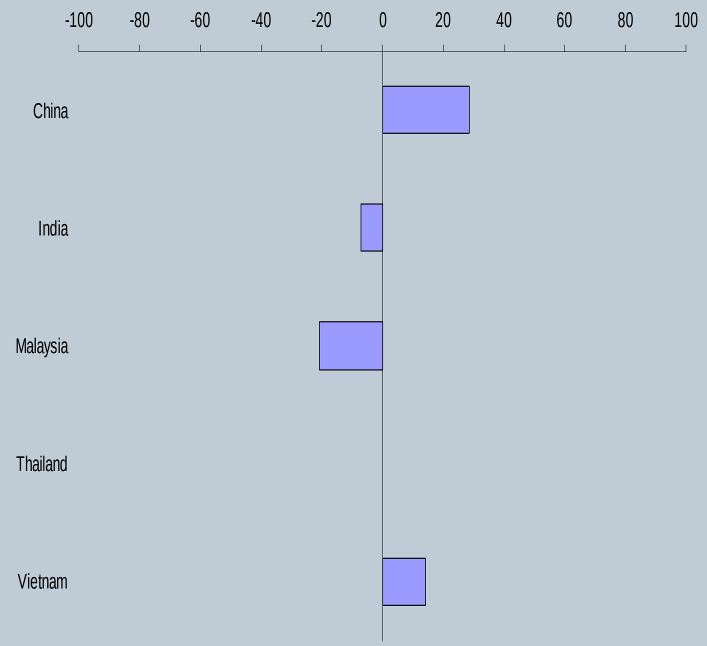
Regional statistics - Emerging Asia

Pipeline Development



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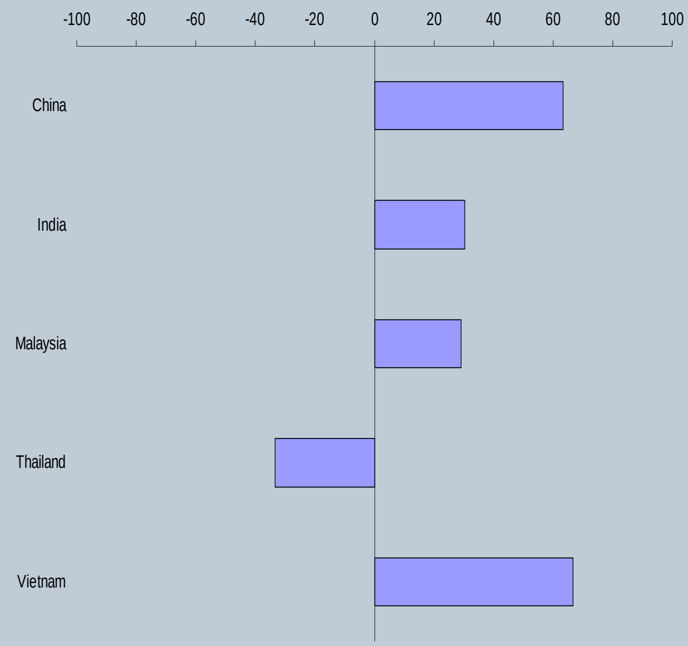

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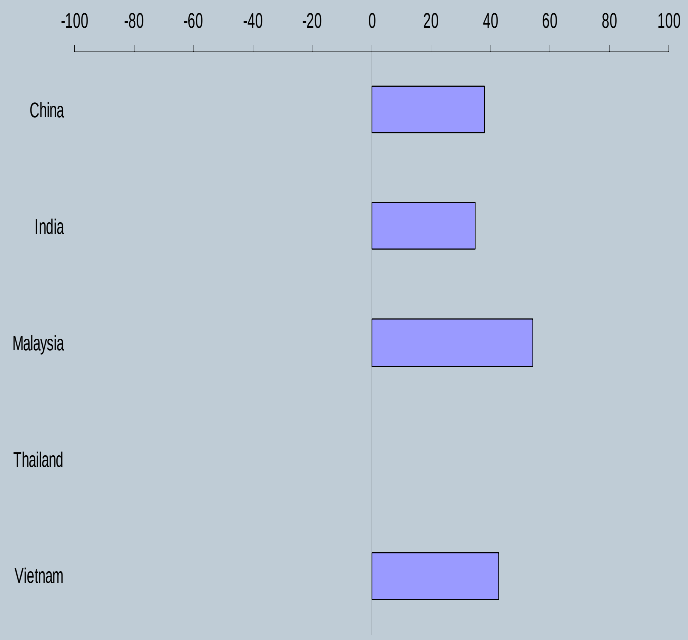

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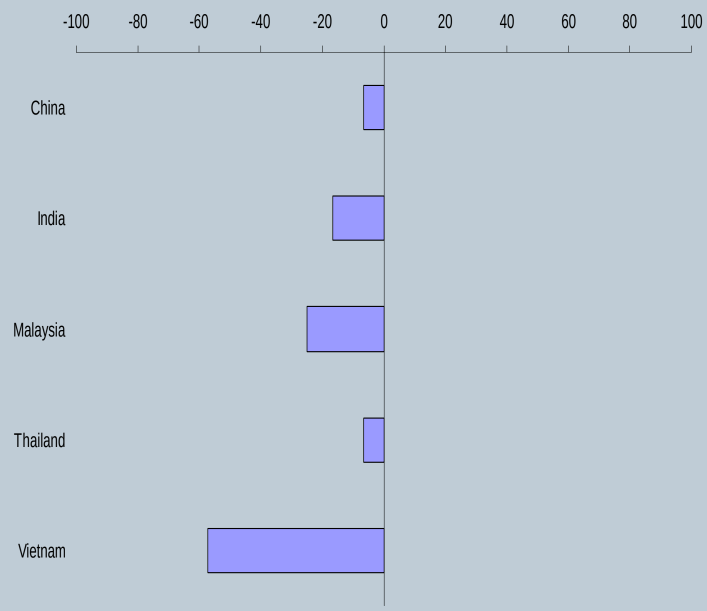


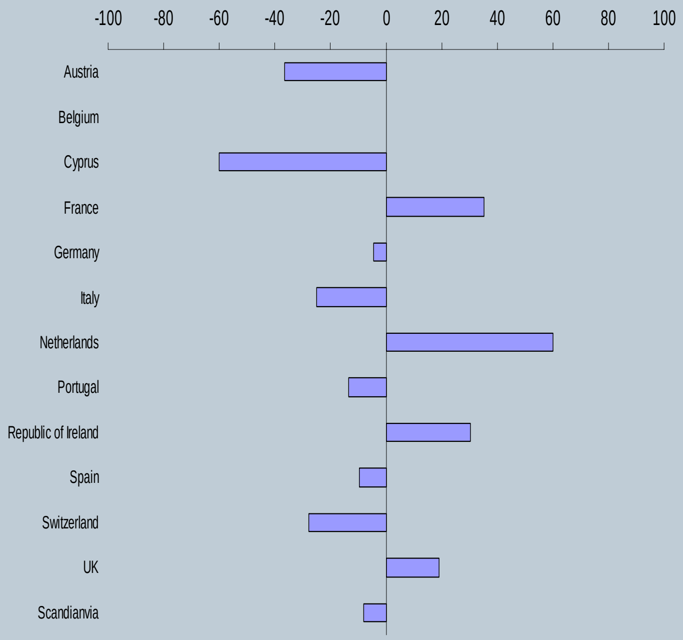
RICS Global Commercial Property Survey

Regional statistics - Western Europe

Tenant Demand

Change in Rents

Investment Bidders



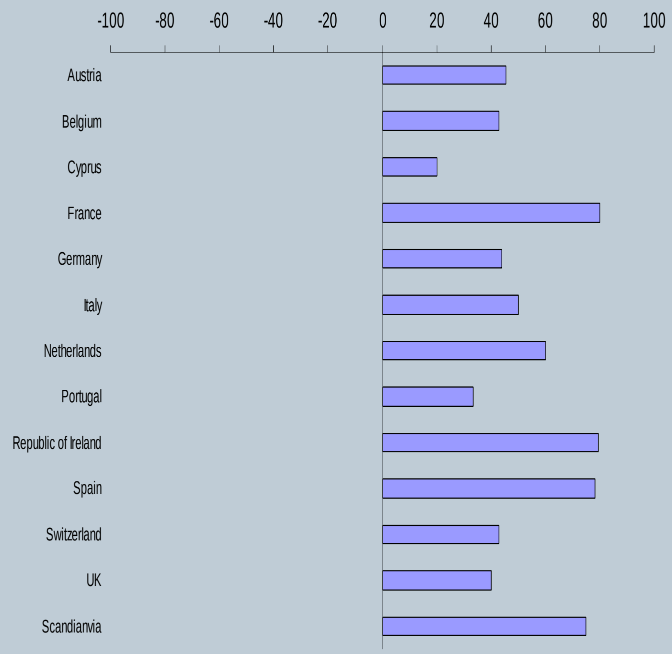
Yields

RICS Global Commercial Property Survey

Regional statistics - Western Europe

Pipeline Development

Available Space



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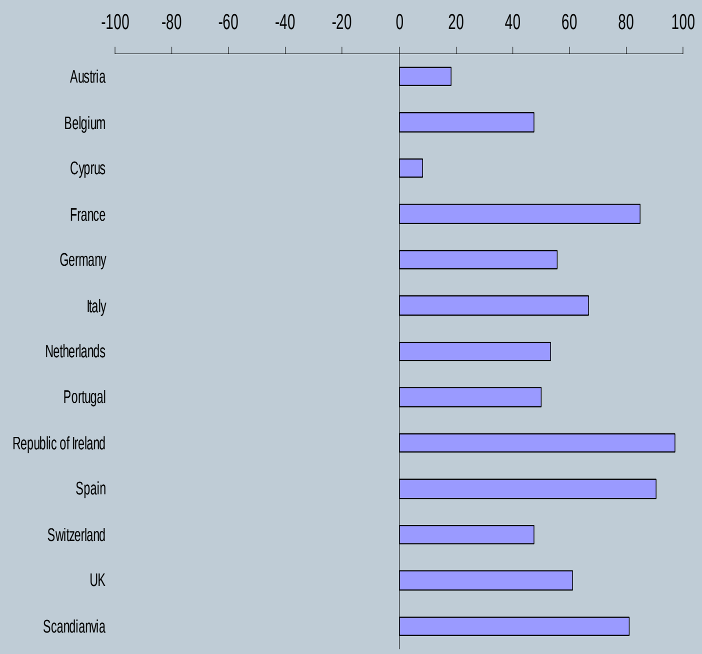
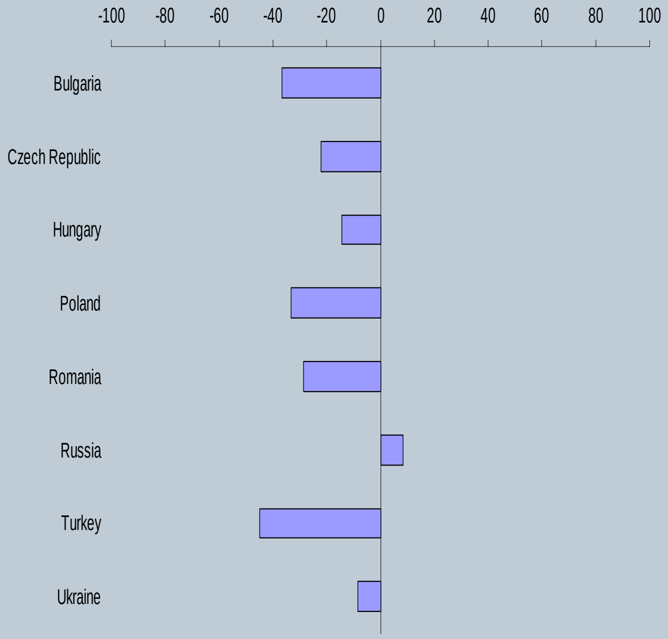


Rental Expectations

RICS Global Commercial Property Survey

Regional statistics - Emerging Europe

Tenant Demand



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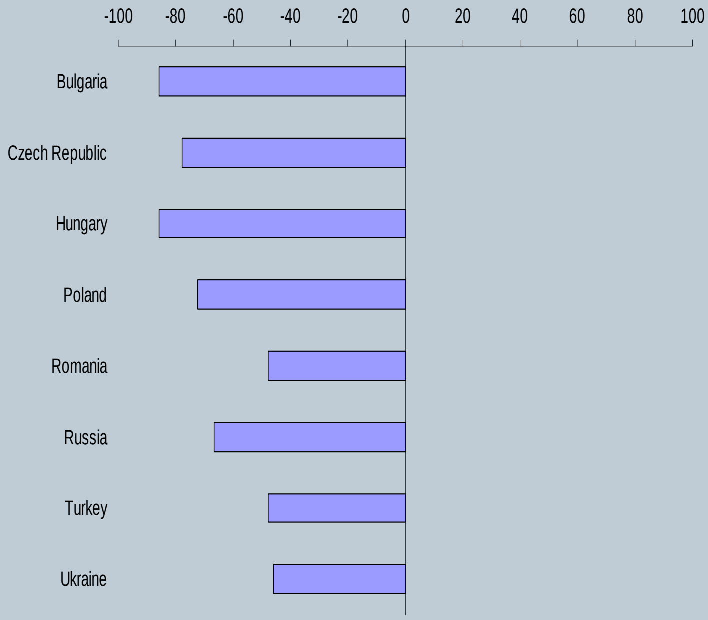

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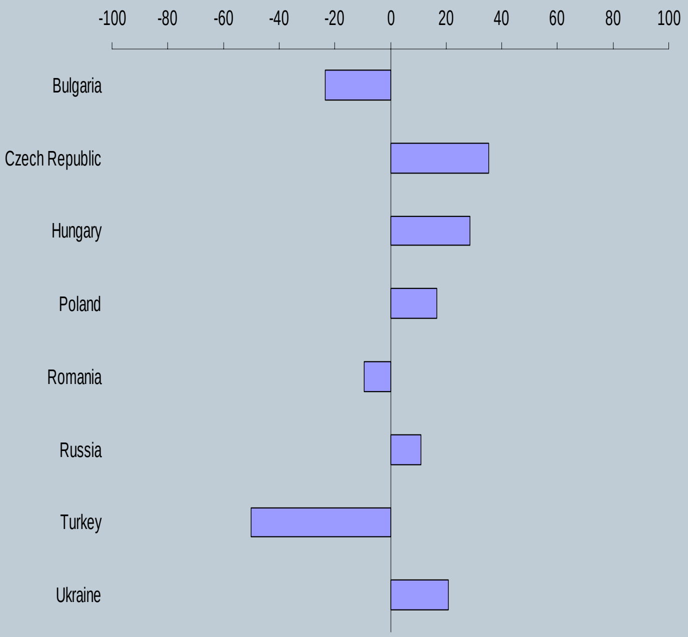

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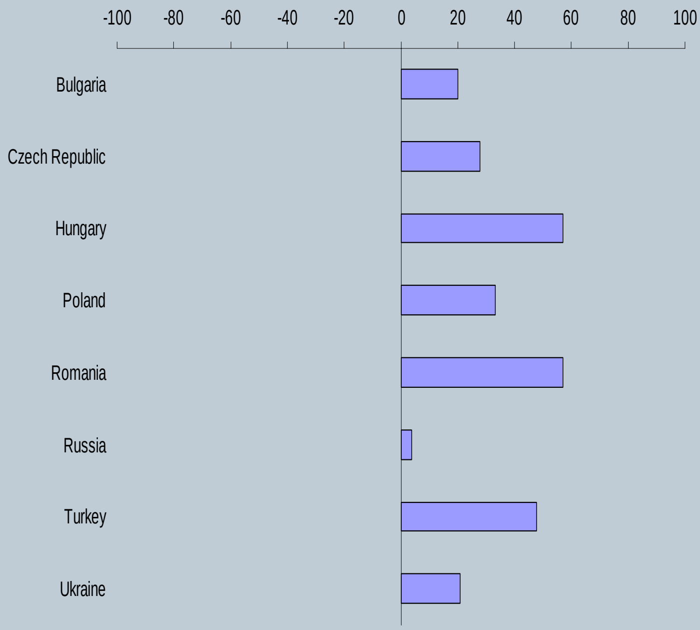
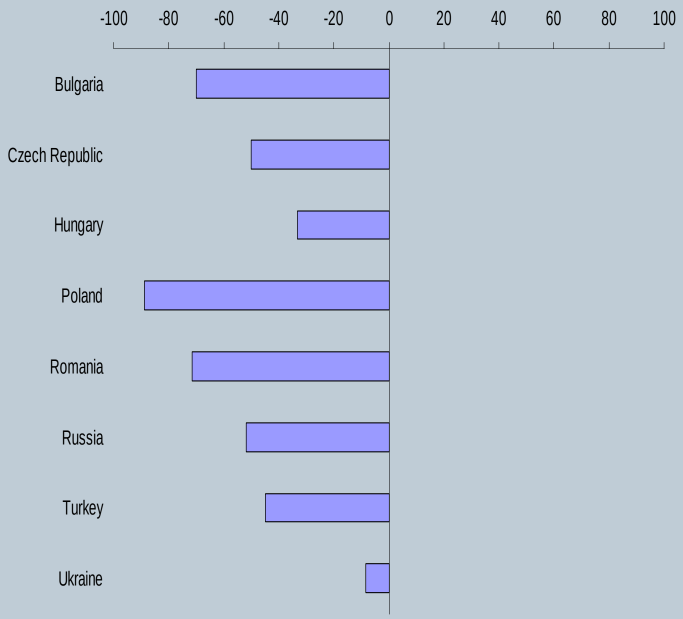


RICS Global Commercial Property Survey

Regional statistics - Emerging Europe

Pipeline Development



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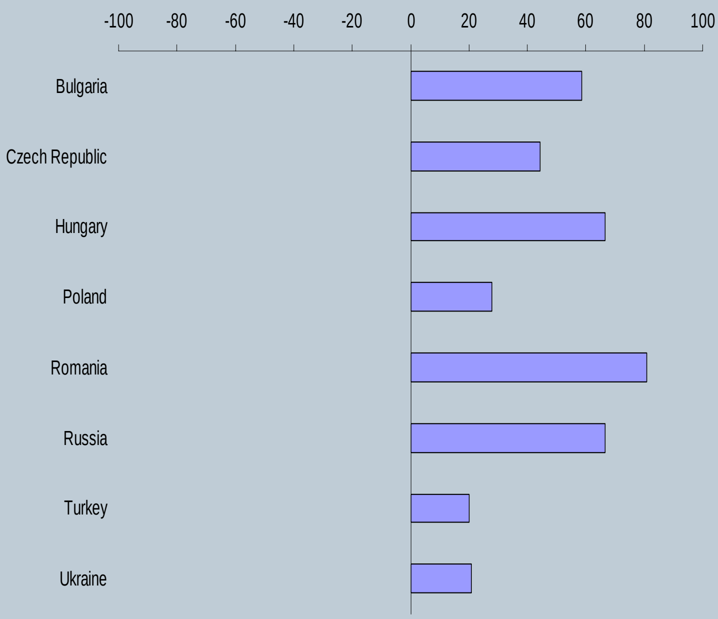

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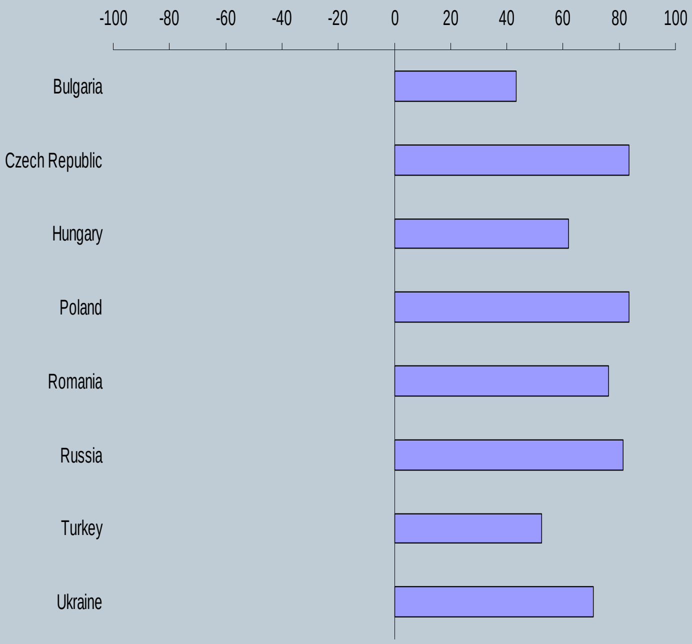
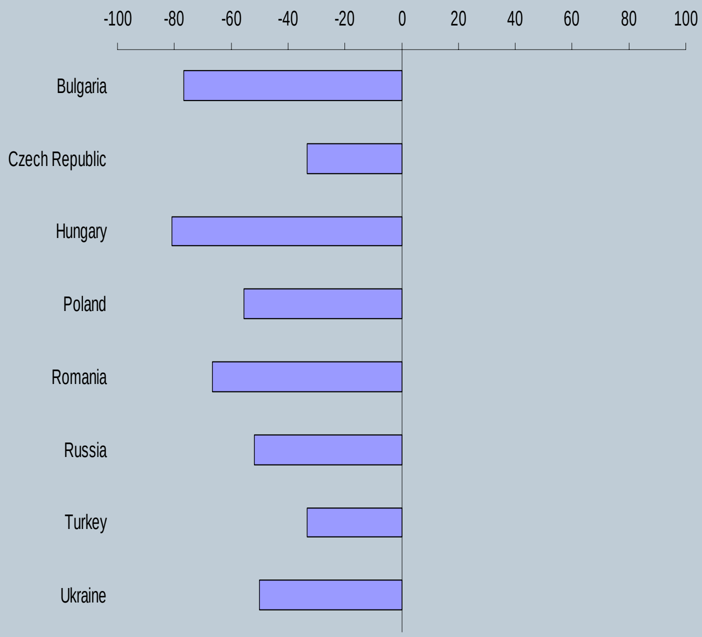


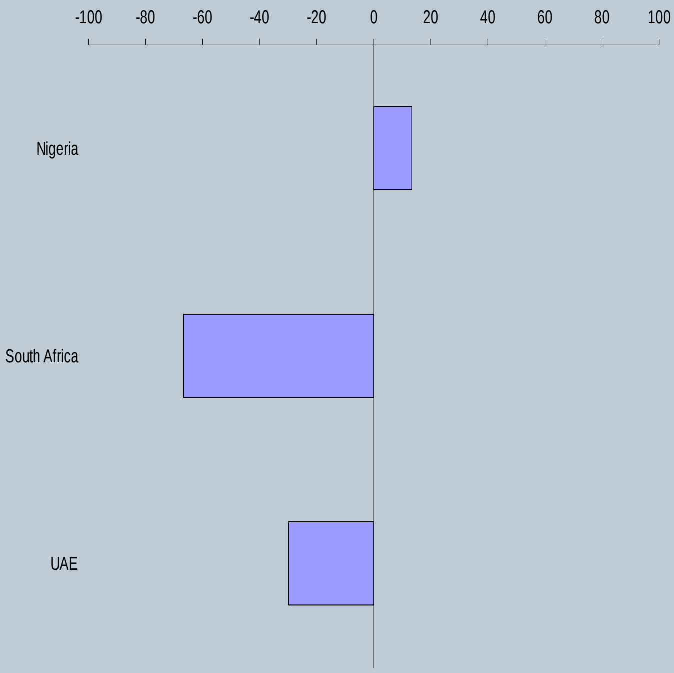
Rental Expectations



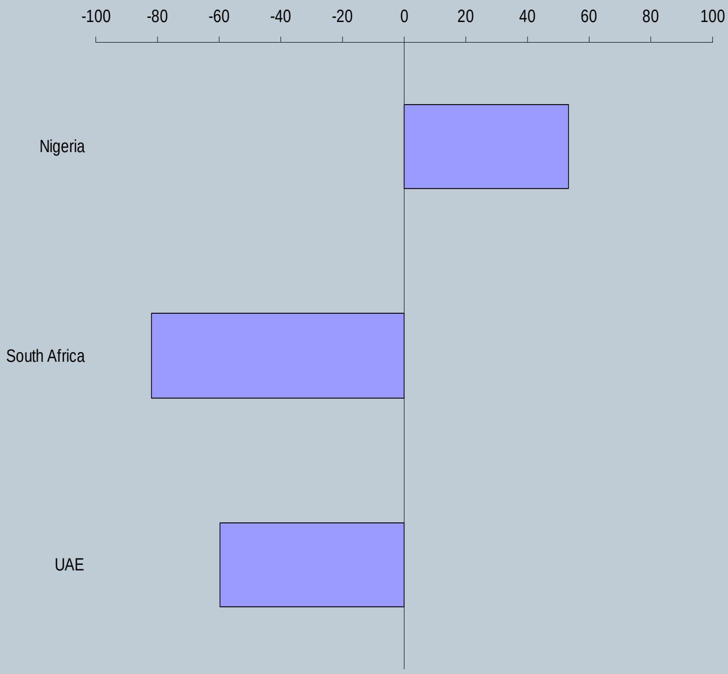
RICS Global Commercial Property Survey

Regional statistics - Africa and Middle East

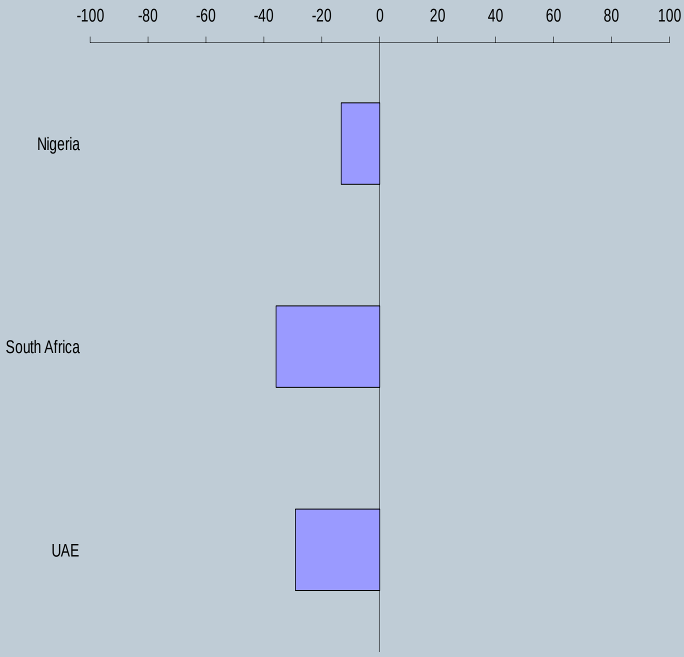
Tenant Demand



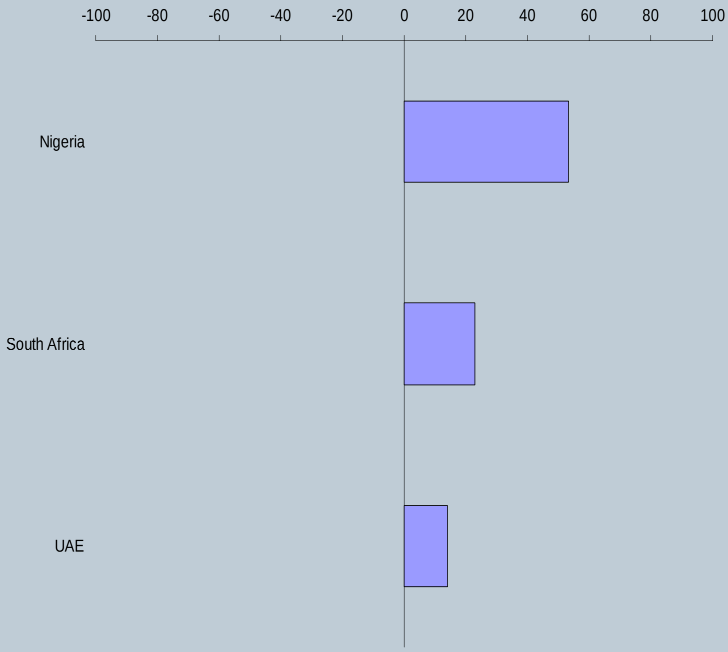
Change in Rents



Investment Bidders



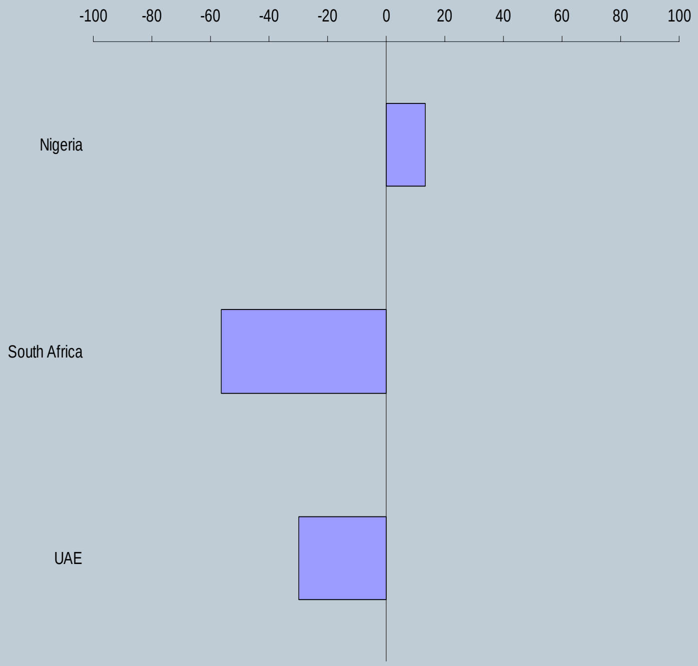
Yields



RICS Global Commercial Property Survey

Regional statistics - Africa and Middle East

Pipeline Development



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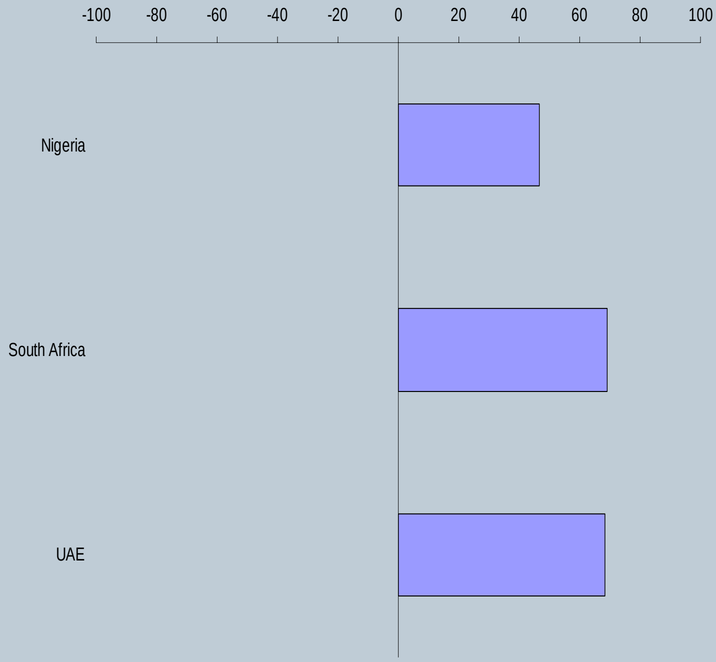

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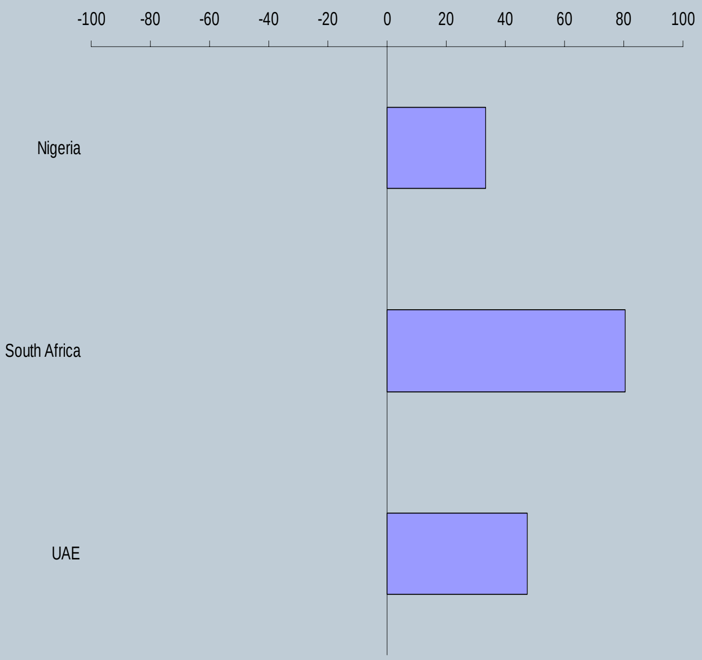
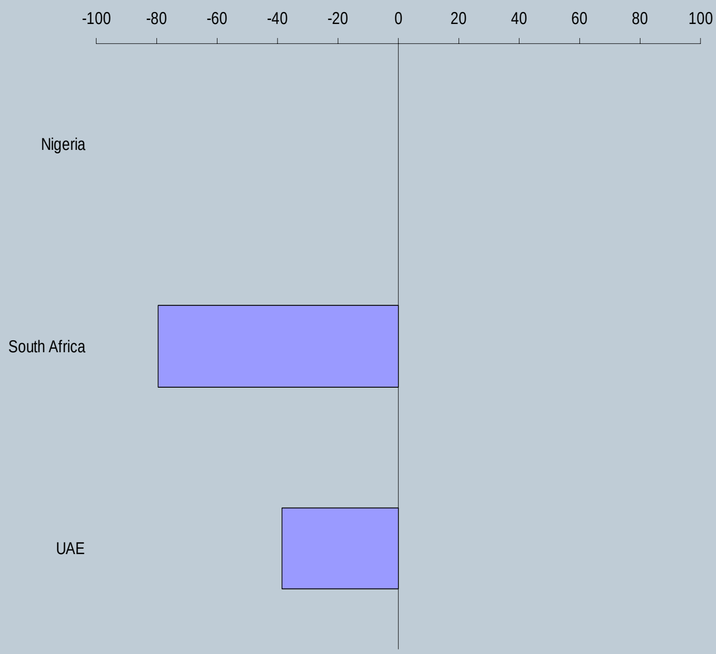


Rental Expectations



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 third quarter of 2009 based on information collected from leading international real estate organisations and local firms.

430 surveyor offices responded to the questionnaire conducted between 01/09/2009 and 09/10/2009.

Methodology
Survey questionnaires were sent to real estate organisations in September 2009, with responses received up until the 09th 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 country level, to form diffusion indices for the commercial market as a whole.

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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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Subscription information and contributor enquiries

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.

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

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For access to city level agents' comments and contributor details please go to the following web address.

www.rics.org/GPScomments2009q3

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