

## Investment led property recovery spreads further

- **Confidence towards future lettings improves globally on recovery hopes**
- **This is reflected in better rental expectations in general**
- **Investor activity rising across 70% of markets led by Brazil and China**
- **Setback in confidence towards capital values across Japan, US, UAE and Germany**

The latest Global Commercial Property Survey from RICS confirms that an investment led property recovery has spread to a wider number of real estate markets. Investor transactions are now rising across 70% of markets up from 40% in Q3 with Brazil and China topping the table. Confidence towards lettings over the next three months has picked up across most major markets outside of Japan, the UAE and Germany. A more upbeat mood is also evident from the survey regarding the outlook for capital values although in the Japan, UAE, US and Germany the mood deteriorated.

The more positive sentiment towards the occupier market has been particularly evident across the leading emerging economies, notably the BRIC's. This is now filtering across Latin America, Emerging Europe and most of Asia with the notable exceptions of Japan, South Korea and Thailand, where the markets suffered a setback. This better tone has lifted rental expectations which have, in general, become less negative. Significantly, rental expectations have turned strongly positive in China and Brazil whilst rental declines are no longer anticipated in India. Russian property agents continue to expect rental decreases in early 2010 although at a lesser pace than previously was the case. Rents appear to have bottomed in most of Latin America, Hong Kong and some parts of Africa & Middle East and are now likely to move higher.

Meanwhile, agents report that available space continues to rise across more than 90% of the global property markets surveyed. There were some notable exceptions; Agents in Brazil reported mild declines in available space as was the case in Austria, Hong Kong and Singapore. Looking ahead the development pipeline continues to weaken, however, across most markets outside of Emerging Asia and Latin America. This coupled with an upturn in economic activity could add some support to rents in 2010.

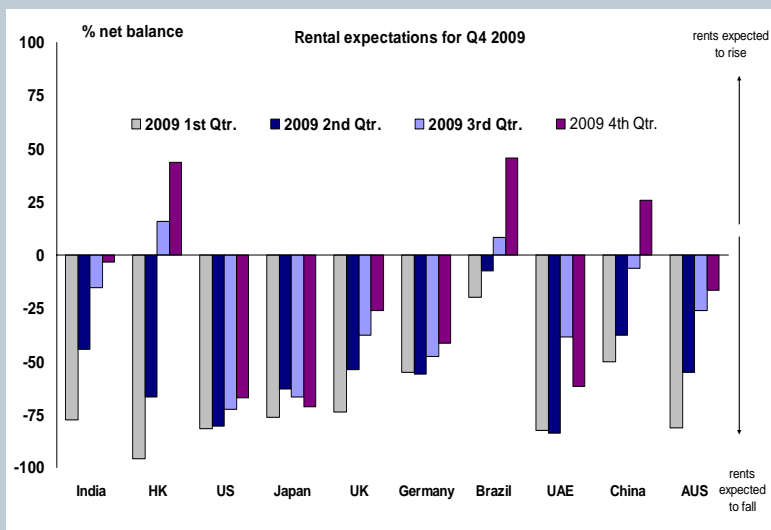
### Global commercial property expected capital values for Q1 2010

	US	Japan	UK	Germany	Brazil	India	UAE	HK	China	AUS
2008 Q4	-82	-85	-92	-69	-33	-83	-85	-95	-36	-90
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	<b>-54</b>	<b>-86</b>	<b>-1</b>	<b>-37</b>	<b>59</b>	<b>11</b>	<b>-56</b>	<b>22</b>	<b>46</b>	<b>11</b>

\*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 =

424



In terms of the outlook for capital values over the next three months, the most positive responses came from Latin America and some Asian countries including China, Hong Kong and Singapore. Positive readings were also recorded for commodity rich countries such as South Africa, Australia and Nigeria.

One particularly interesting result was the notable decline in sentiment in the UAE; expectations towards capital values fell further as investment bidders per property fell at a faster pace in the wake of the furore regarding the possibility of a sovereign debt default in Dubai. Global injections of liquidity appear to have moved investors back up the risk spectrum with many emerging market economies attracting more investor interest.

In Western Europe, investment bidders per property turned positive across most markets with the exception of Italy, Cyprus and Switzerland. Yields fell at a faster pace in the UK and France although are generally stable or rising elsewhere in Western Europe. Whilst investment bidders rose across some parts of Eastern Europe easy money has yet to impact on Bulgaria, Hungary, Romania and Turkey where investor transactions continue to fall.

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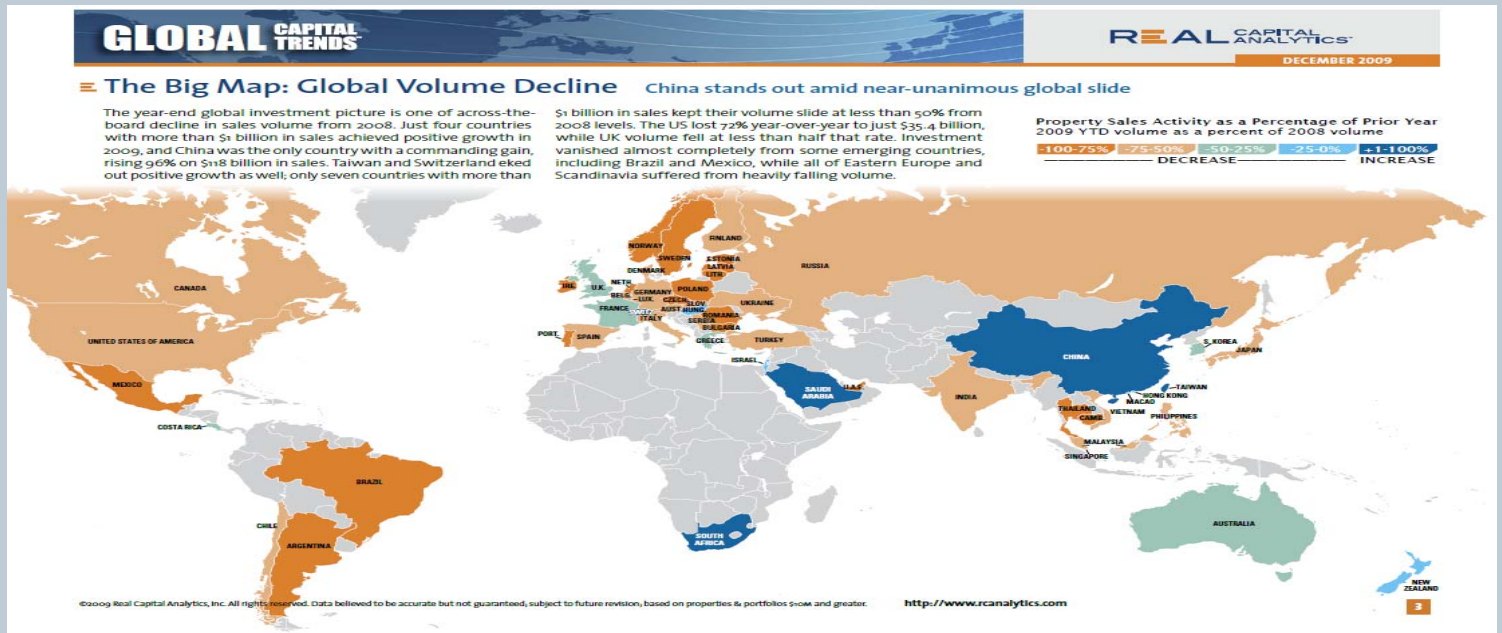
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## Real Capital Analytics : Cross Border investment set for growth in 2010

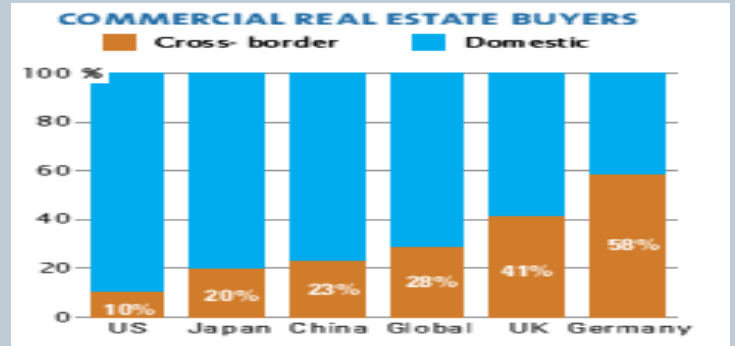


The return of cross-border investors is an encouraging sign for the year ahead. Cross-border investors have already proved a major factor in London's currency-challenged rebound.

However, on a global basis, the year-end 2009 picture across the board was one of overall declines in cross-border sales volume compared to 2008. Just four countries with more than \$1 billion in sales achieved positive growth in 2009, and China was the only country with a commanding year-over-year gain, with volume rising 96% on \$118 billion in sales. Taiwan and Switzerland also eked out positive growth as well, but only seven countries with more than \$1 billion in sales kept their volume slide at less than 50% of their 2008 volume. The US lost 72% year-over-year to just \$35.4 billion in sales over \$10 million, while UK volume fell at less than half that rate.

Investment vanished almost completely from some emerging countries, including Brazil and Mexico, while all of Eastern Europe and Scandinavia suffered from heavily falling volume. RCA's global investment map illustrates these trends. The chart above shows 2009's ratios of domestic to cross-border investment activity both globally and in the world's five major markets.

UK and Germany appear to be by far the most enticing cross-border targets. Lagging behind are China and Japan, perhaps held back by FDI restrictions. The US, with its own in-place disincentives to foreign buyers, was still struggling to find recovering economic traction, and looked decidedly unappetizing to cross-border players.



For the year ahead, the 2009 declining global cross-border trend lines are likely to be reversed in every zone. Even as soon as Q3'10, cross-border investment dynamics may begin to look very different. As Asian markets continue to heat up, the recovering US markets by comparison are likely to look very attractive, especially if the flow of distressed assets to the market increases. Meanwhile, by that time, demand overhangs in London and Paris may cause prices to steepen, redirecting cross-border funds to other European capitals.

*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.*

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**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.**

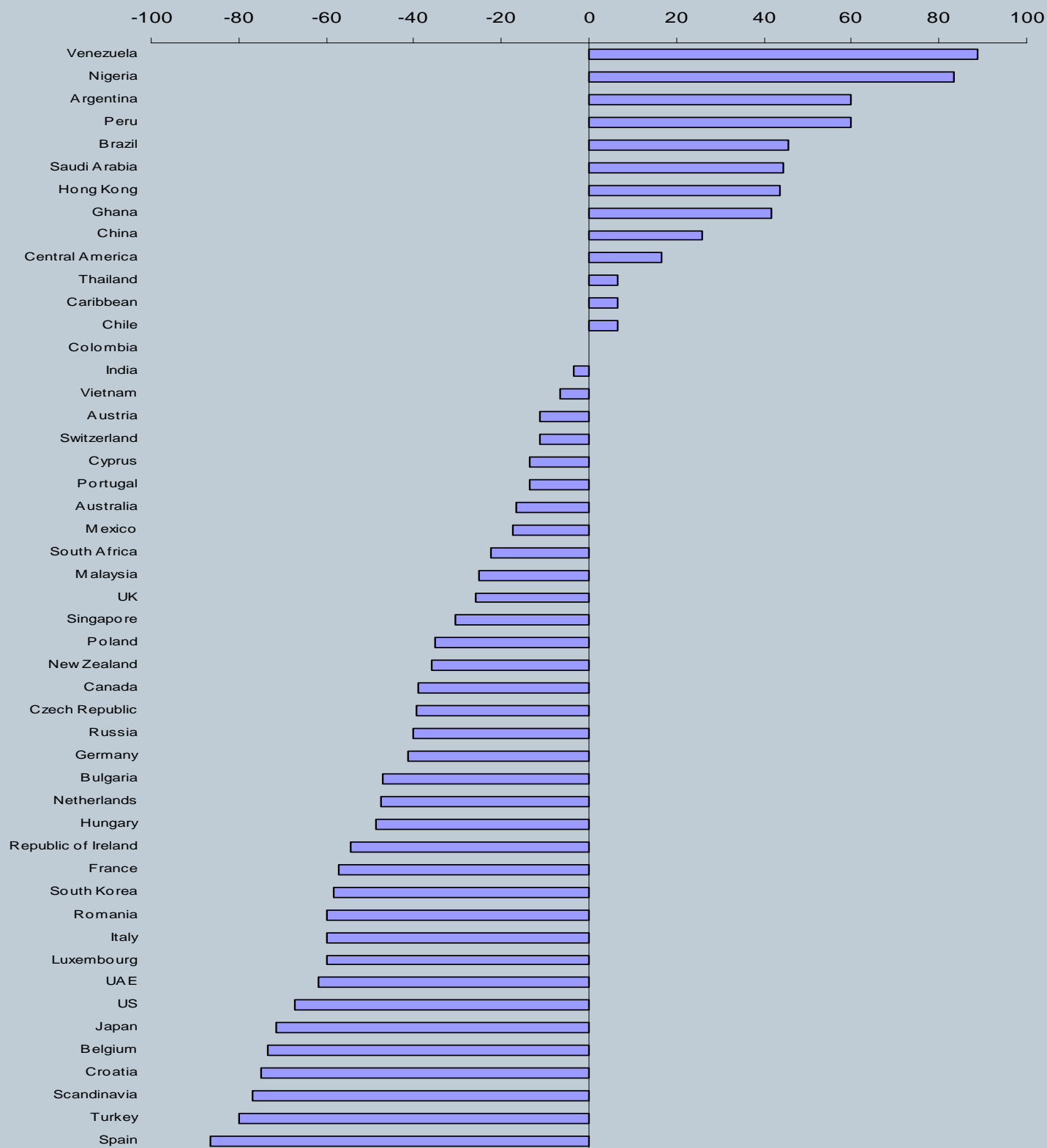
**To participate in this survey four times a year please email [globalproperty@rics.org](mailto:globalproperty@rics.org) to register your email address.**



# RICS Global Commercial Property Survey

## Country statistics - Expectations for Q1 2010

Confidence towards rents in Q1 ranked by net balance scores



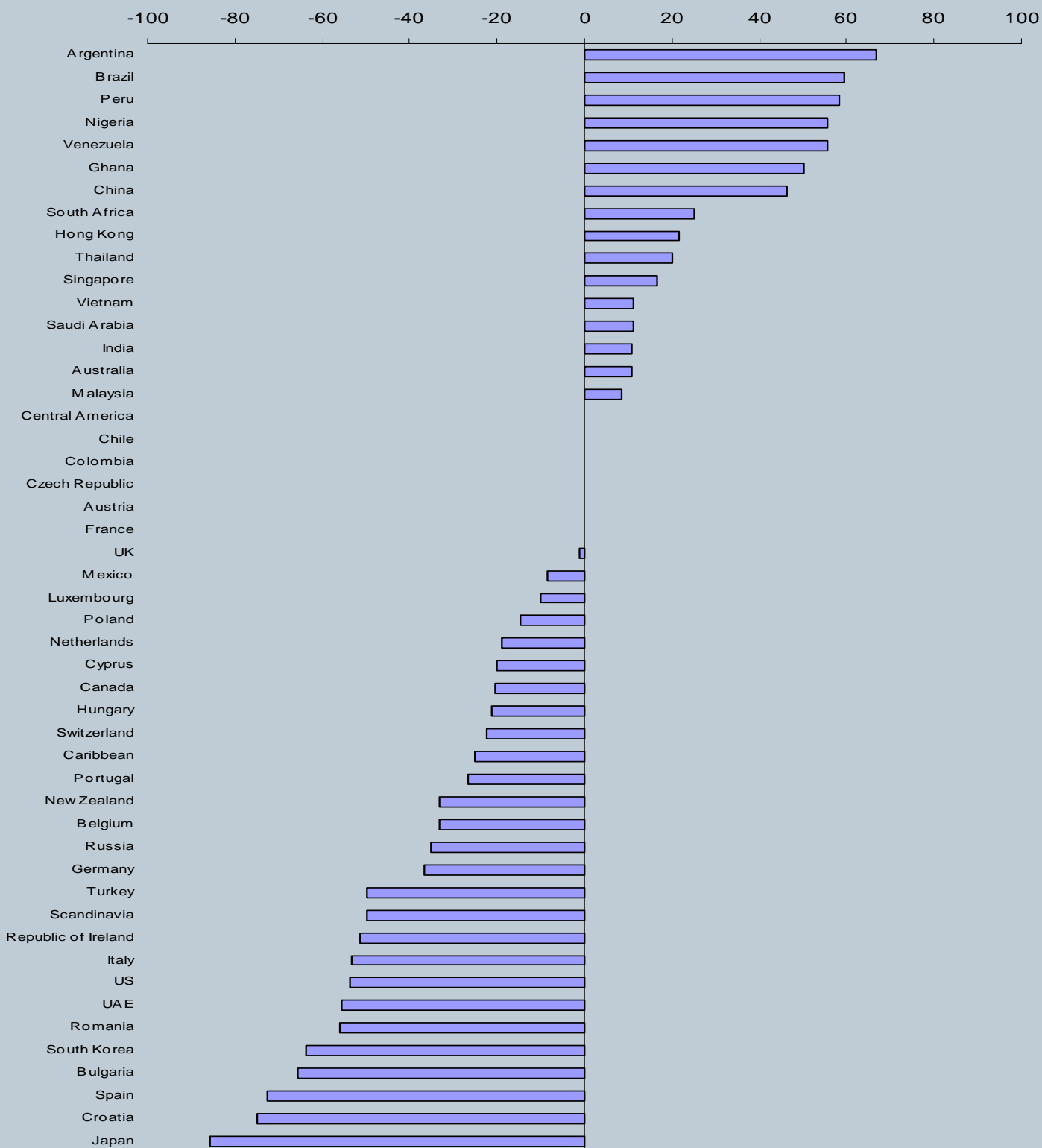
Central America includes — Panama, Costa Rica, Honduras, Nicaragua

Caribbean includes — Trinidad and Tobago, British Virgin Islands, Cayman islands, British West Indies

# RICS Global Commercial Property Survey

## Country statistics - Expectations for Q1 2010

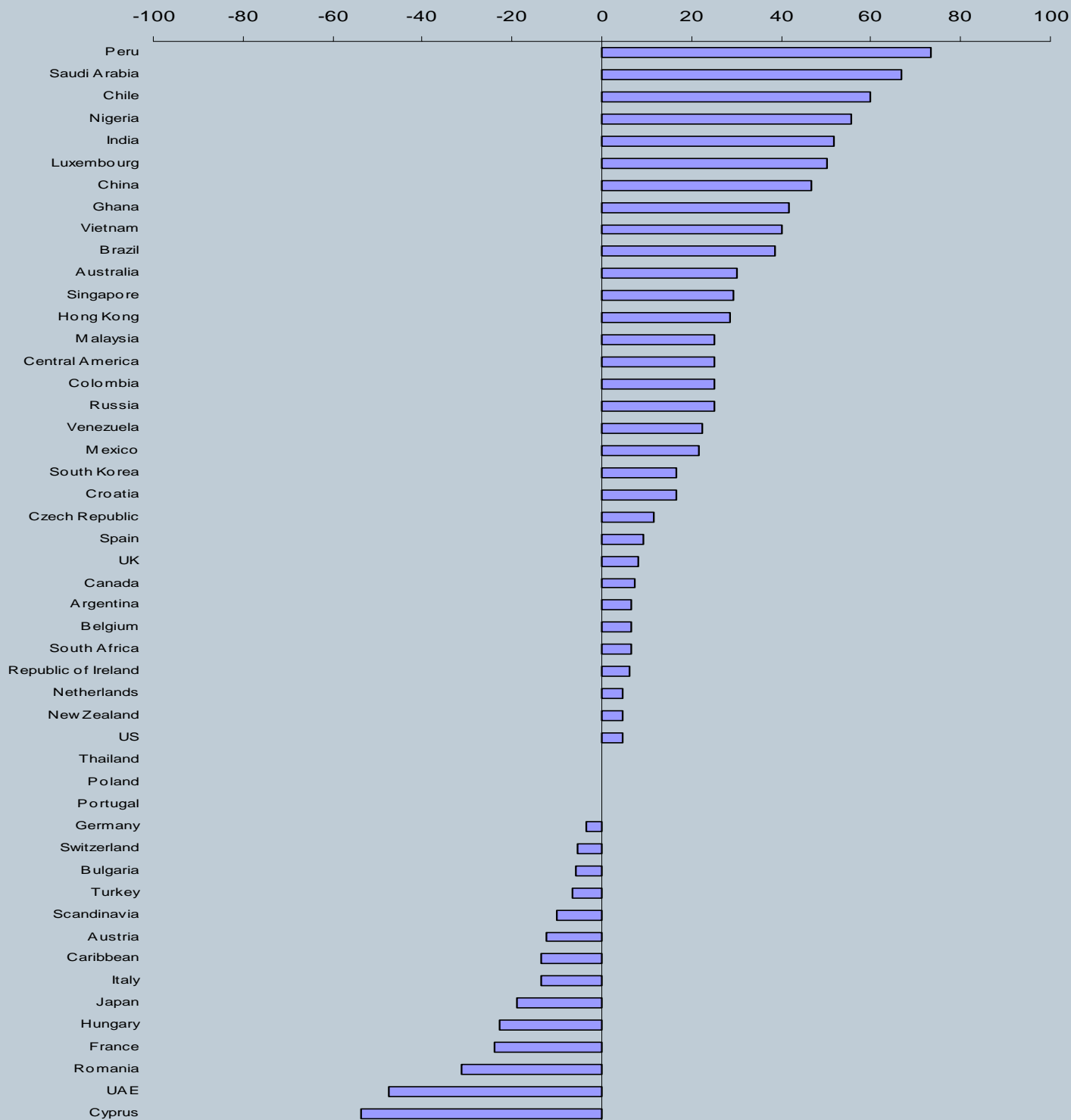
Confidence towards capital values in Q1 ranked by net balance scores



# RICS Global Commercial Property Survey

## Country statistics - Expectations for Q1 2010

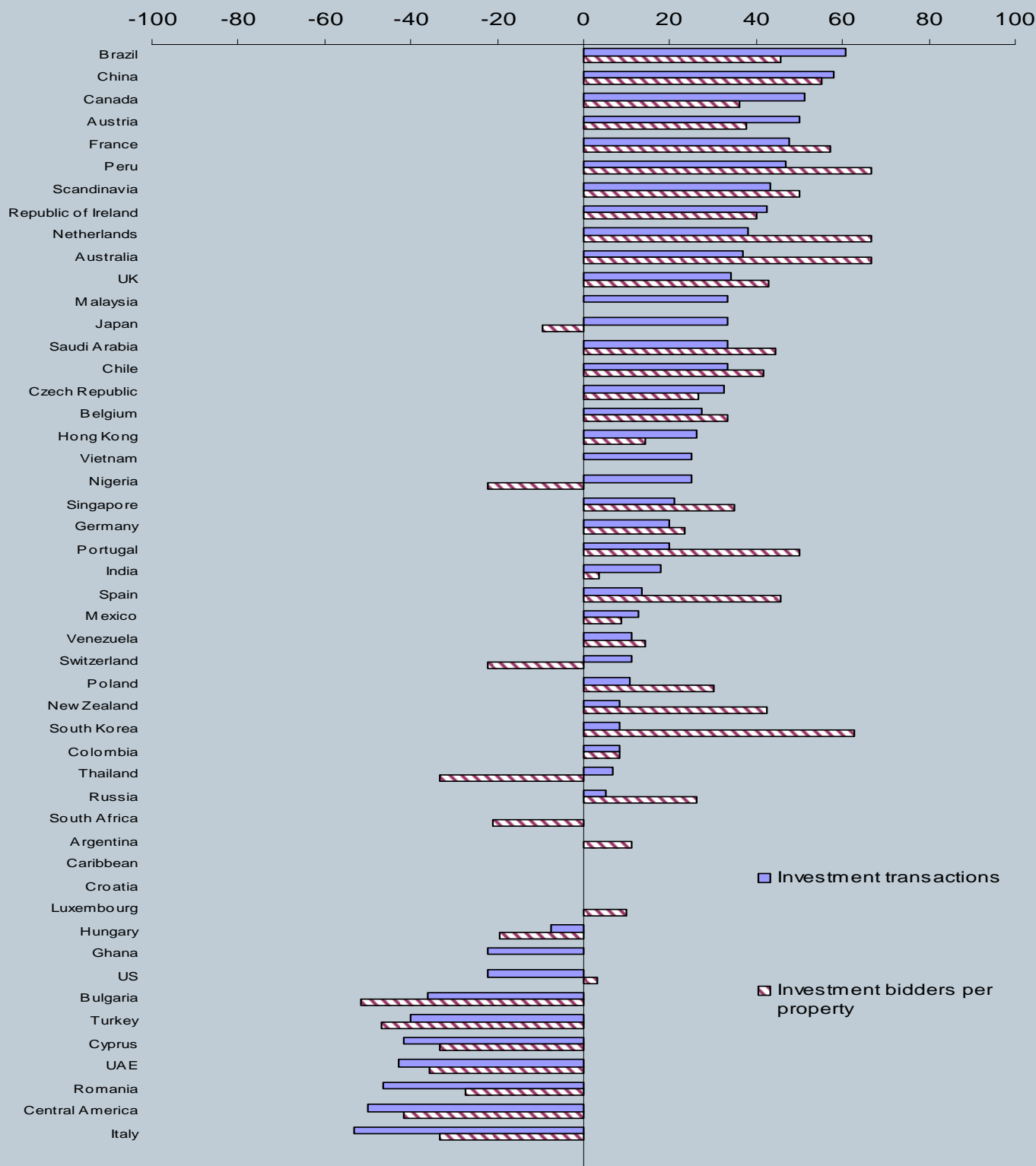
Confidence towards lettings in Q1 ranked by net balance scores



# RICS Global Commercial Property Survey

## Country statistics - Investment transactions in Q4

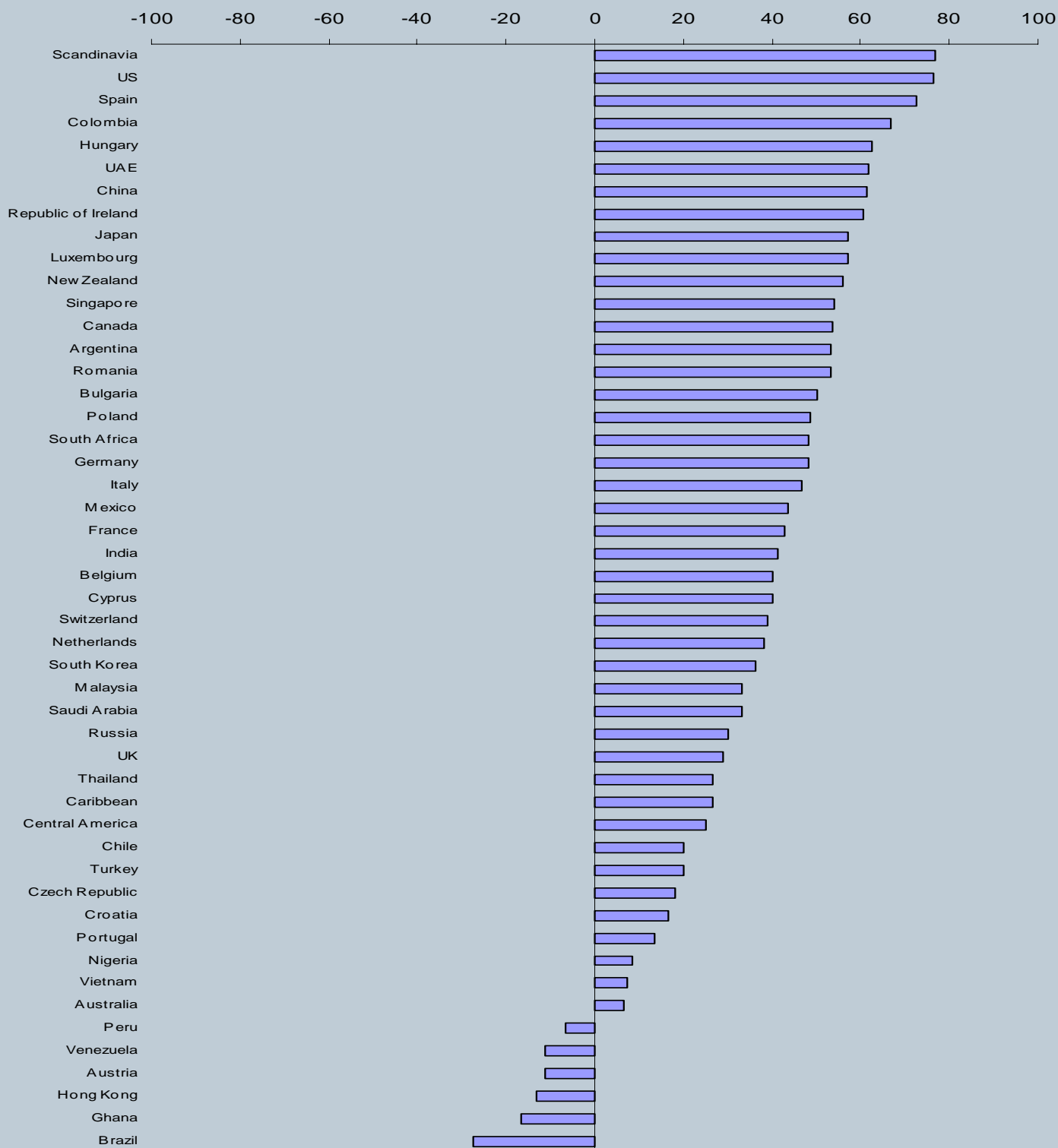
Investment transaction activity in Q4 ranked by net balance scores



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## Country statistics - Reported available space Q4

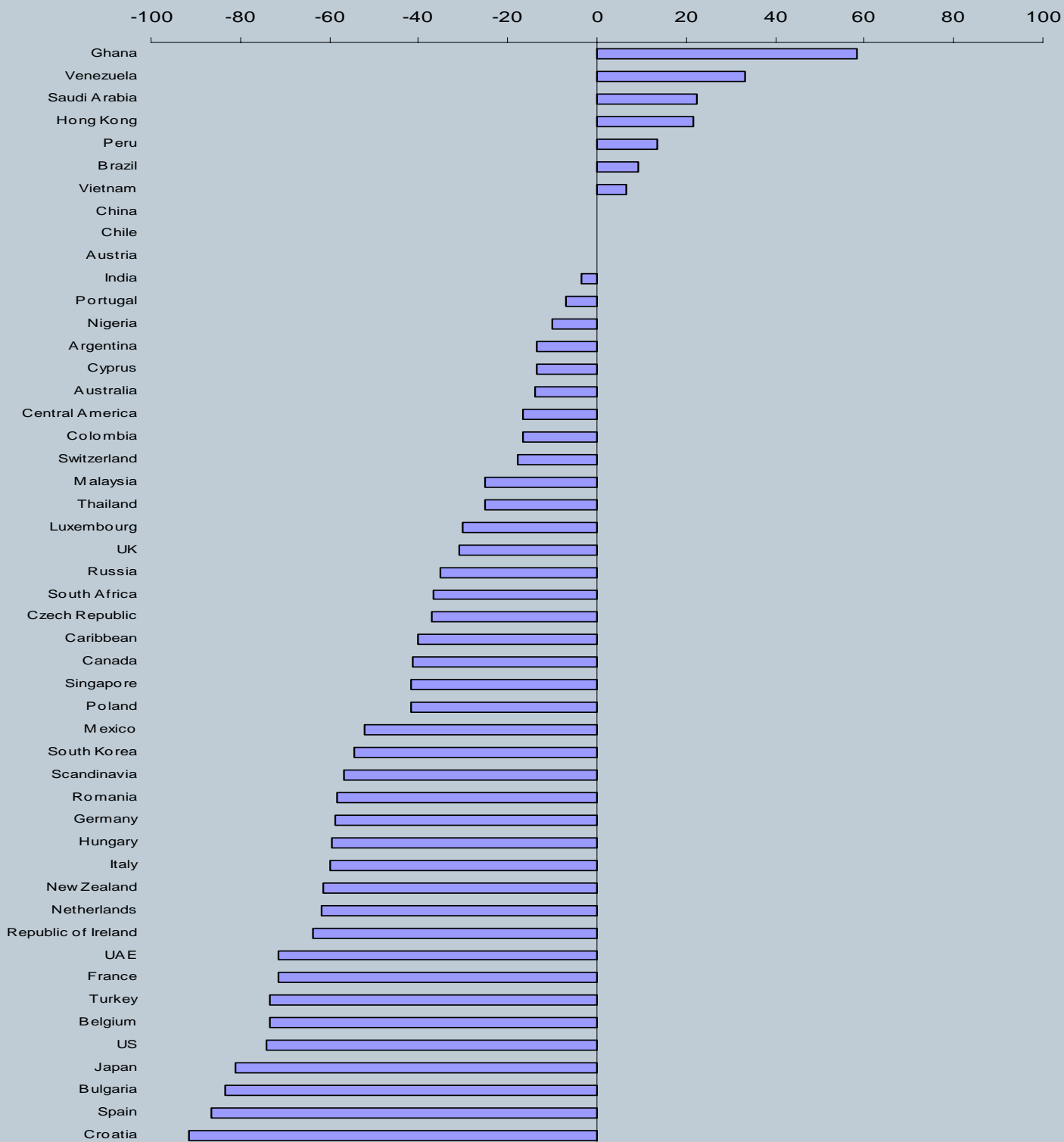
Available space in Q4 ranked by net balance scores



# RICS Global Commercial Property Survey

## Country statistics - Change in rents Q4

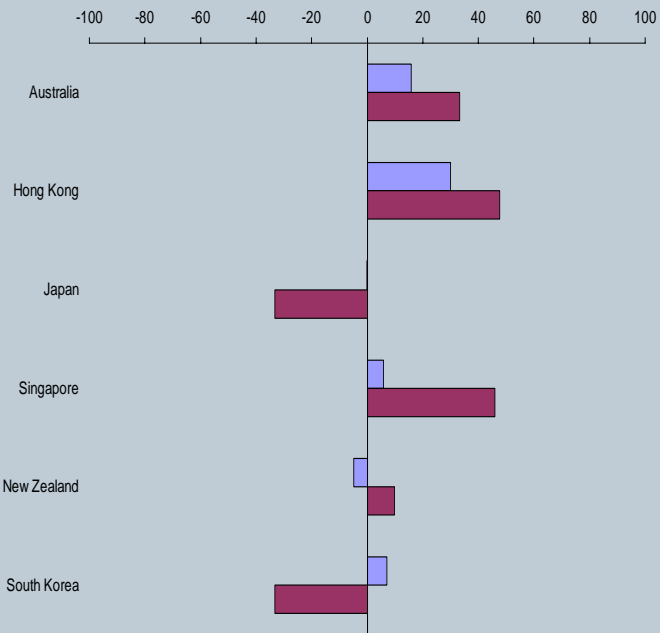
Change in rents in Q4 ranked by net balance scores



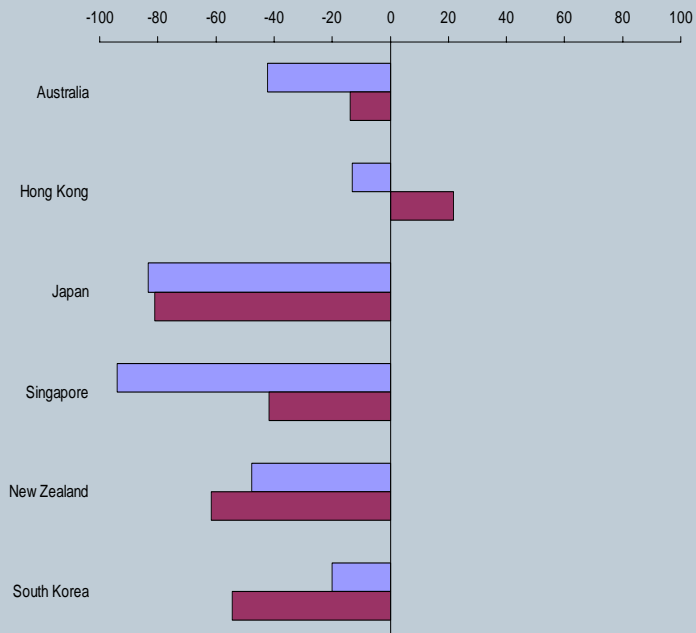
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## Regional statistics - Developed Asia / Australasia

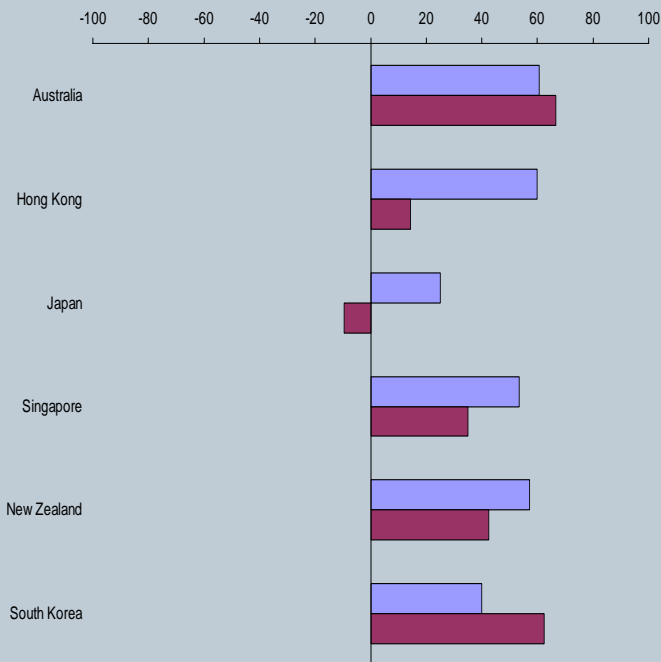
### Tenant Demand



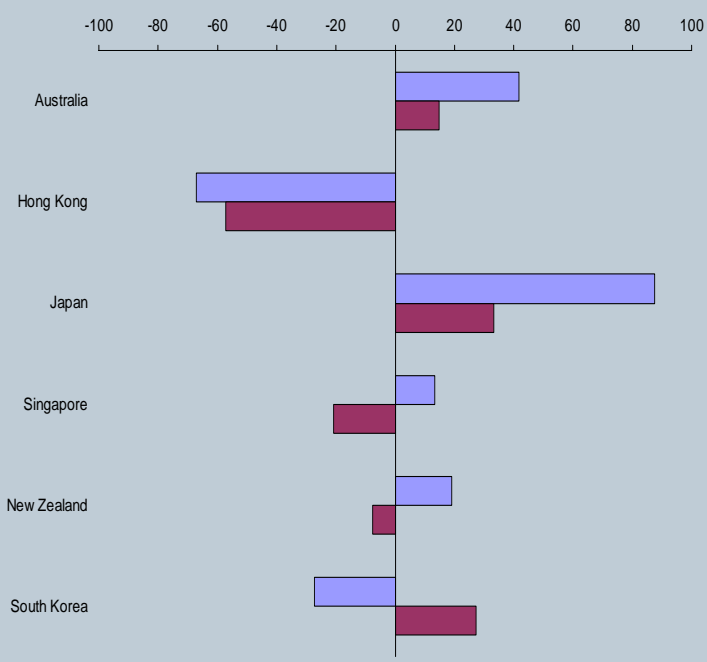
### Change in Rents



### Investment Bidders



### Yields



Key for country charts



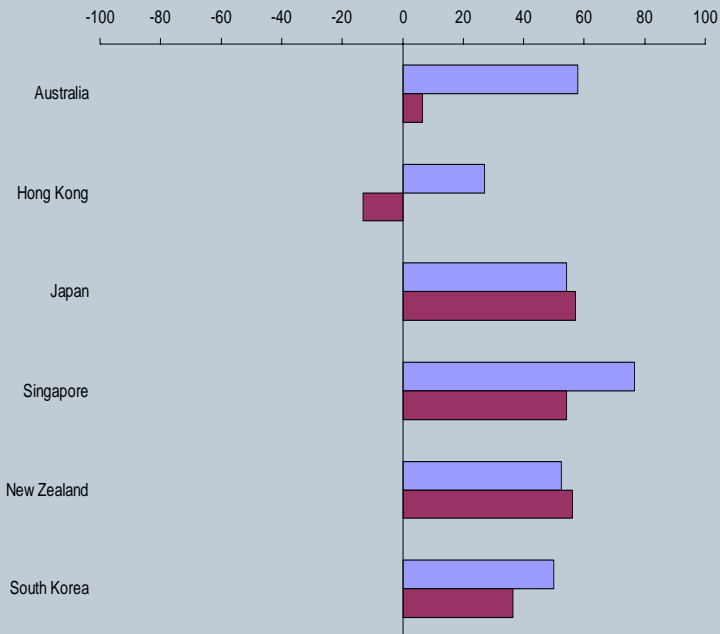
# RICS Global Commercial Property Survey

## Regional statistics - Developed Asia / Australasia

### Pipeline Development



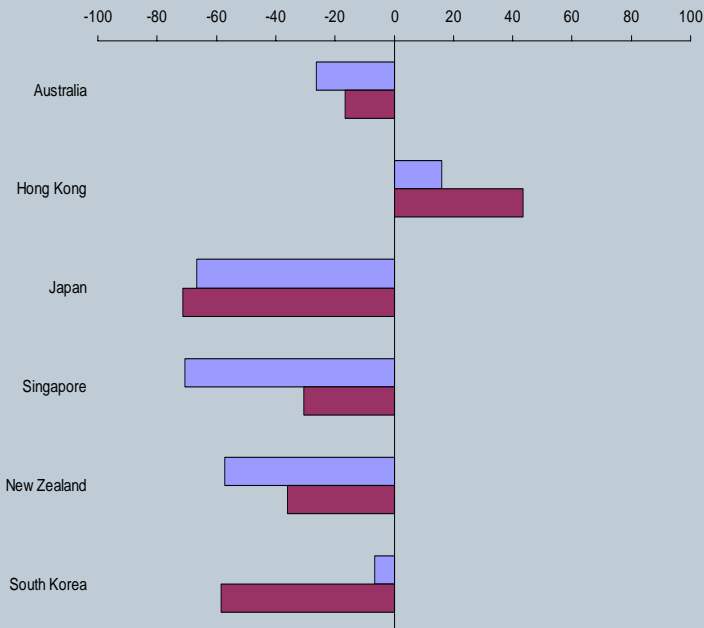
### Available space



### Inducements



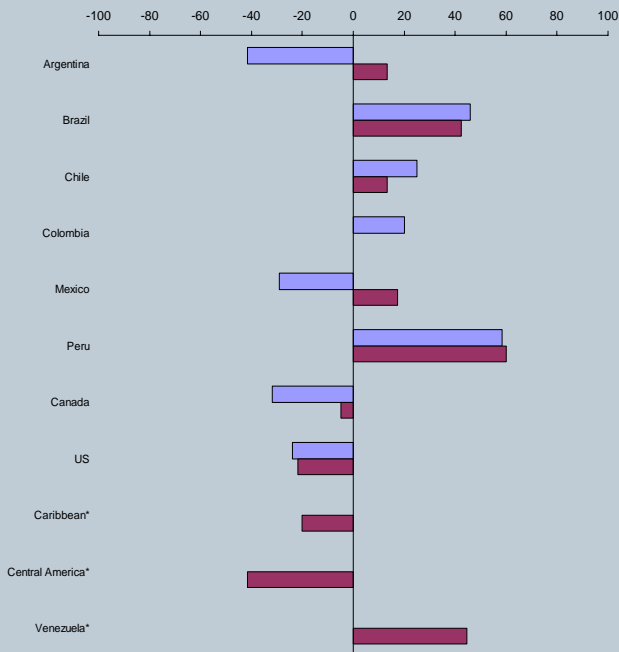
### Rental Expectations



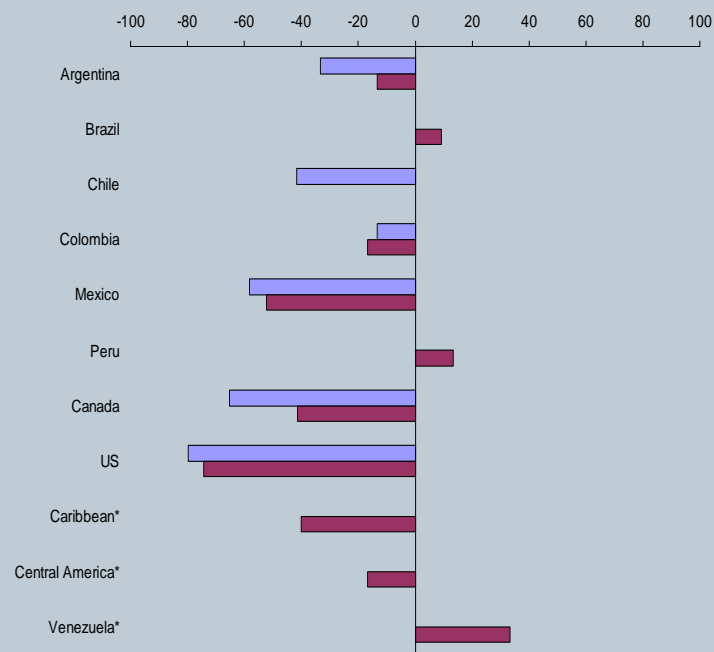
# RICS Global Commercial Property Survey

## Regional statistics - Americas

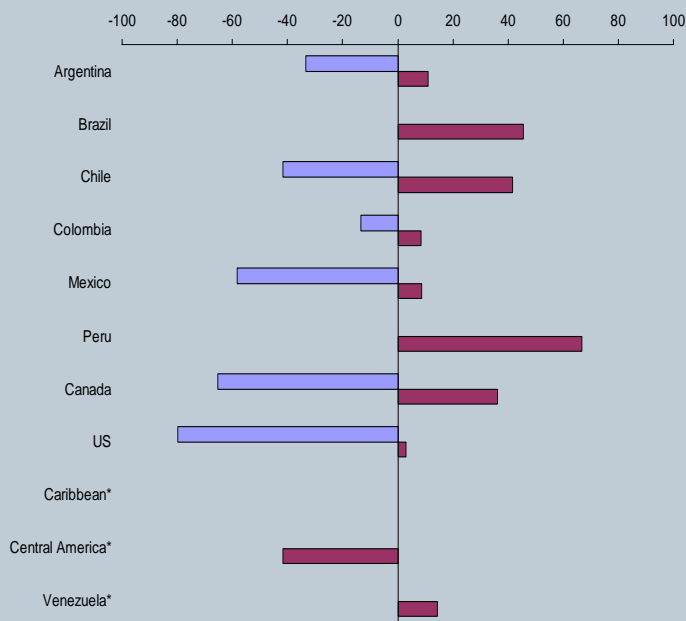
### Tenant Demand



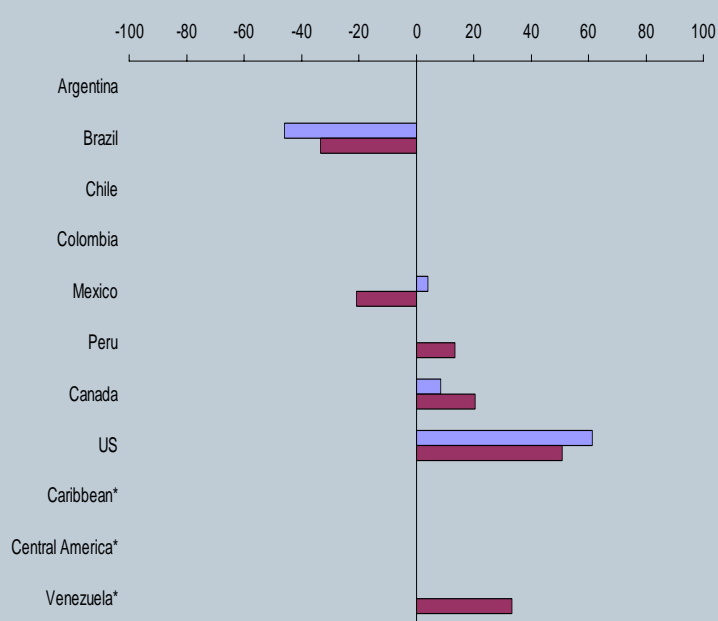
### Change in Rents



### Investment Bidders



### Yields

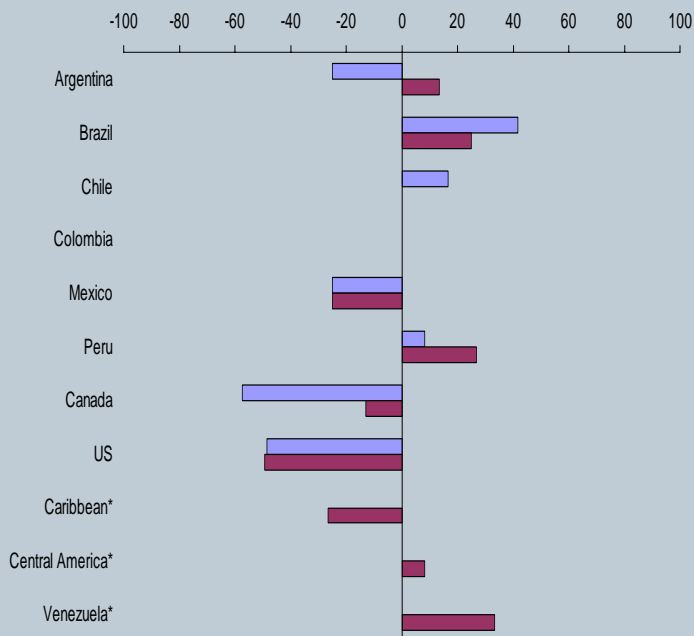


\* denotes those countries where Q3 data is not available

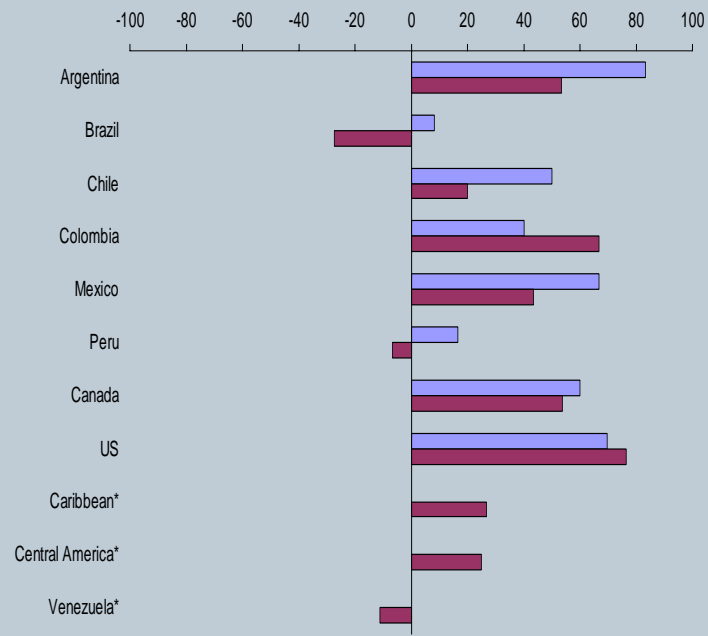
# RICS Global Commercial Property Survey

## Regional statistics - Americas

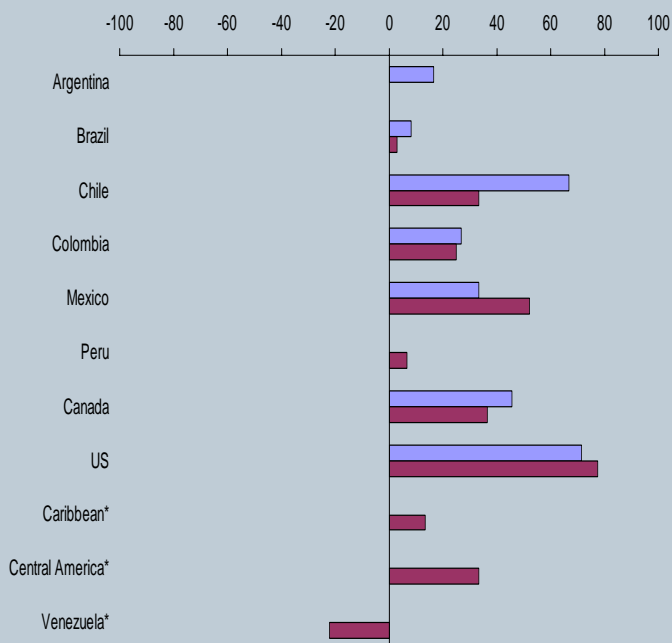
### Pipeline Development



### Available space



### Inducements



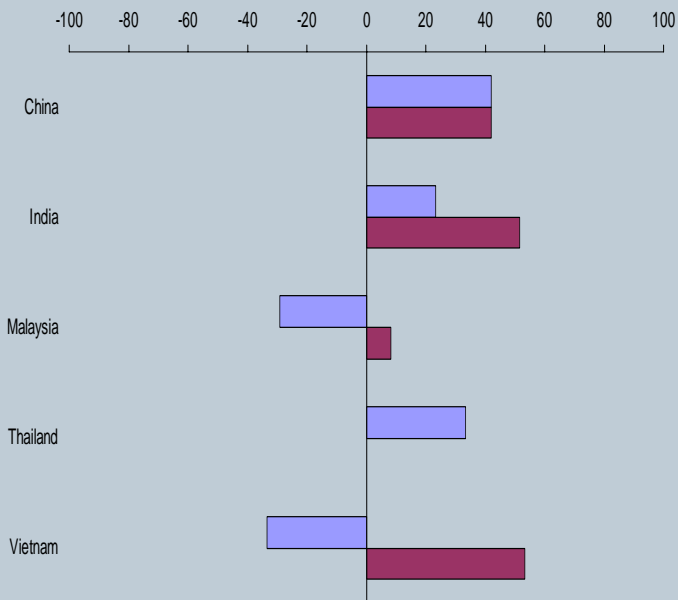
### Rental Expectations



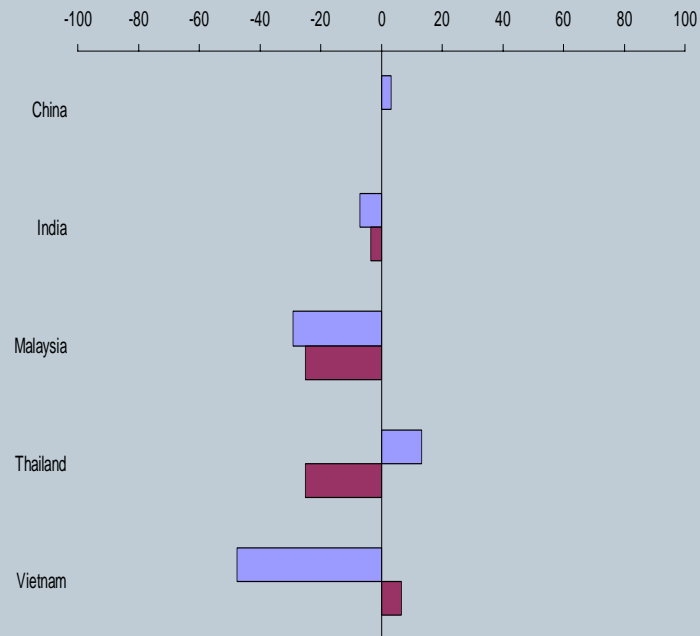
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## Regional statistics - Emerging Asia

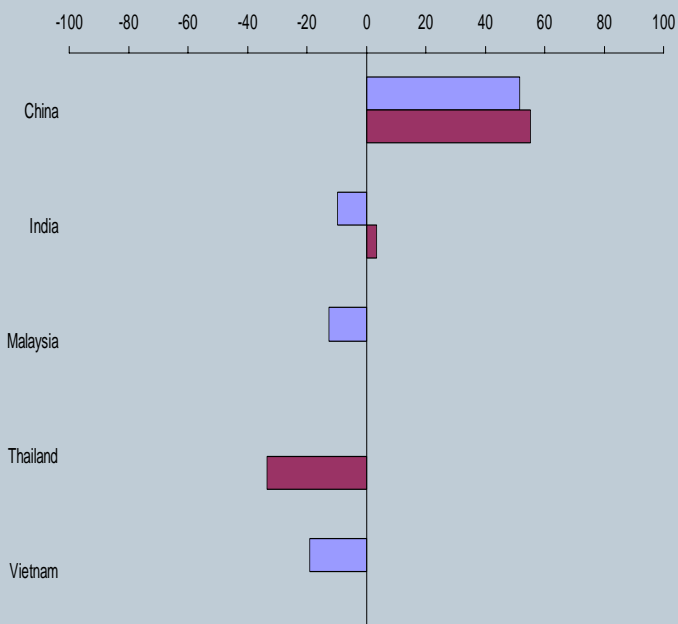
### Tenant Demand



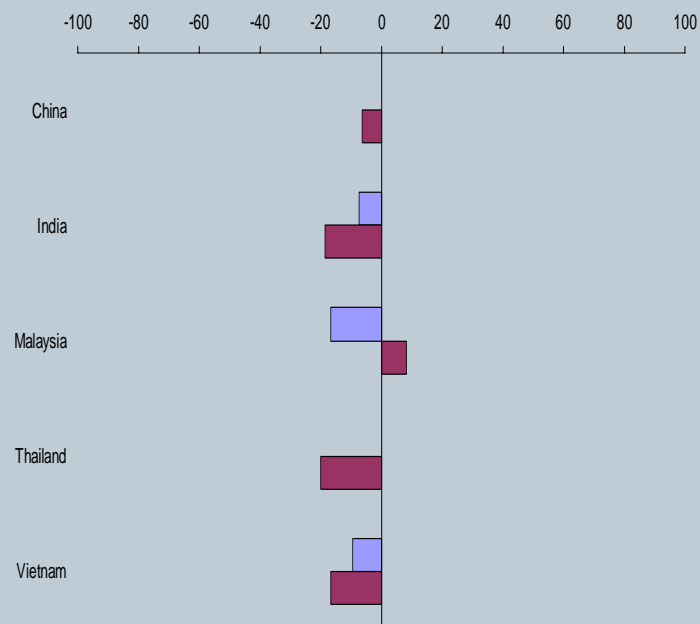
### Change in Rents



### Investment Bidders



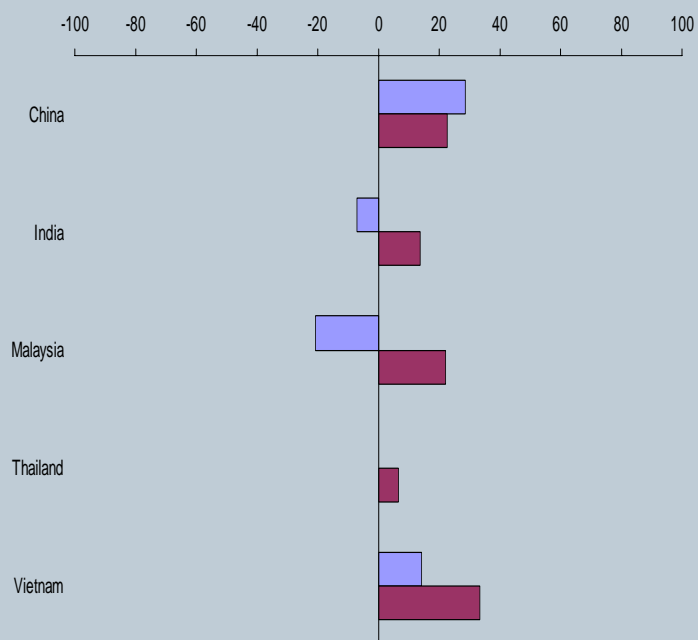
### Yields



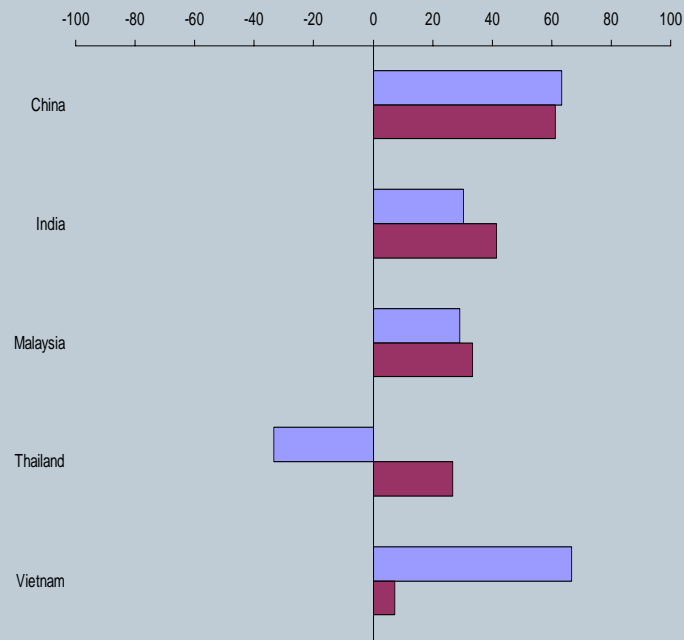
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## Regional statistics - Emerging Asia

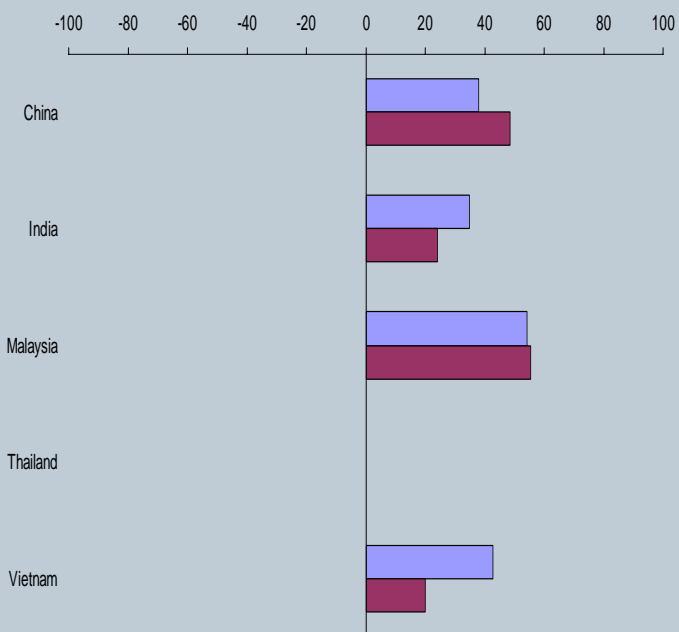
### Pipeline Development



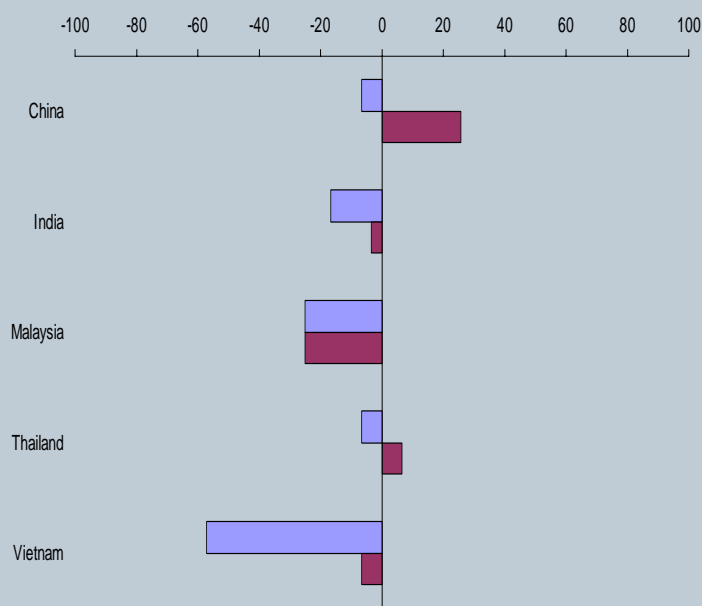
### Available Space



### Inducements



### Rental Expectations



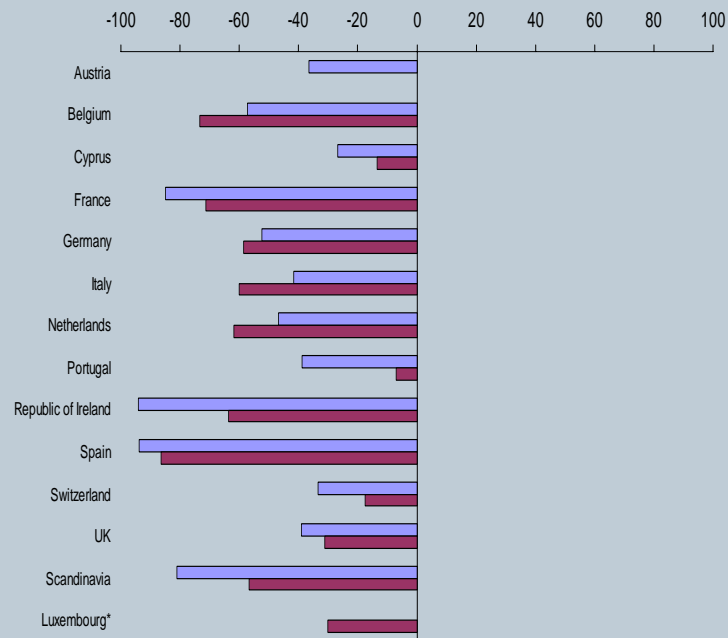
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## Regional statistics - Western Europe

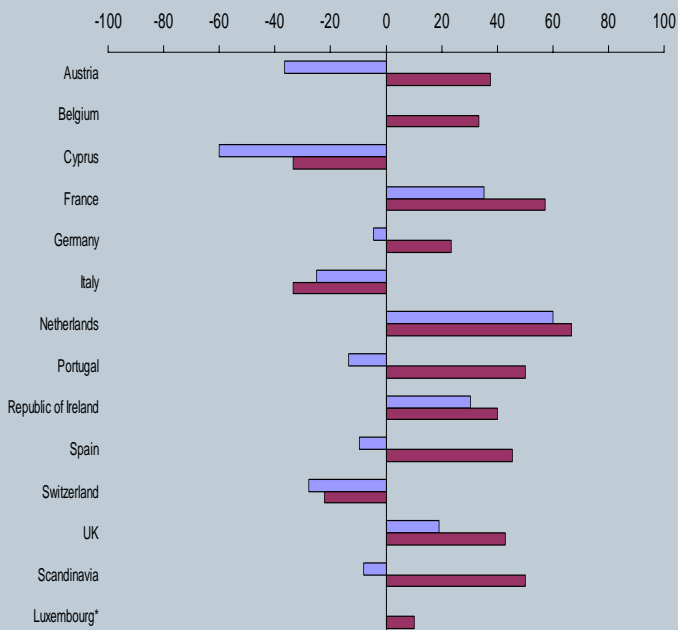
### Tenant Demand



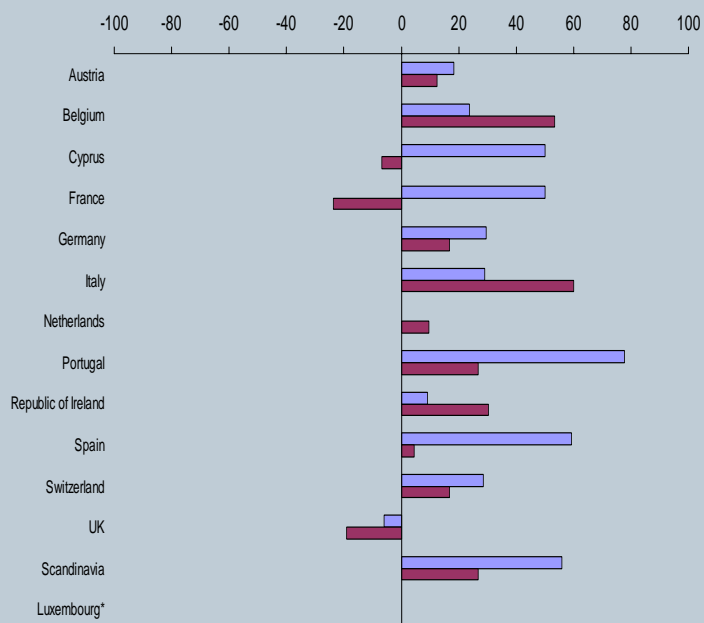
### Change in Rents



### Investment Bidders



### Yields



# RICS Global Commercial Property Survey

## Regional statistics - Western Europe

### Pipeline Development



### Available Space



### Inducements



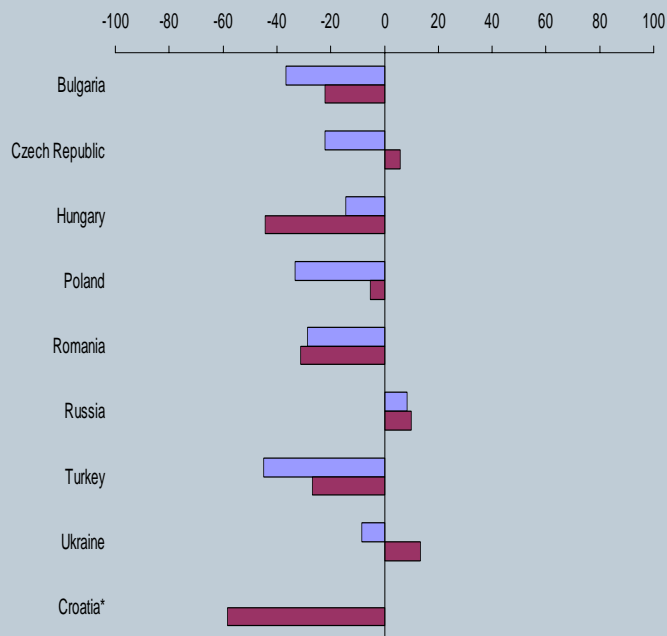
### Rental Expectations



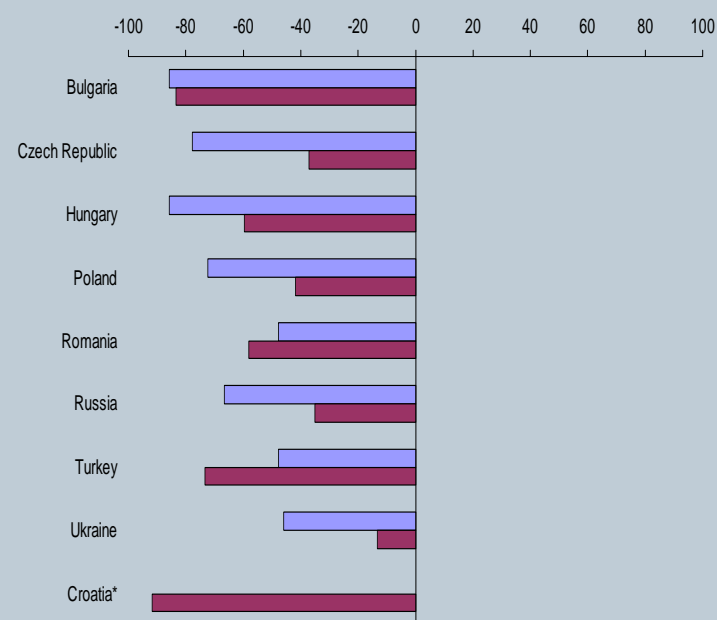
# RICS Global Commercial Property Survey

## Regional statistics - Emerging Europe

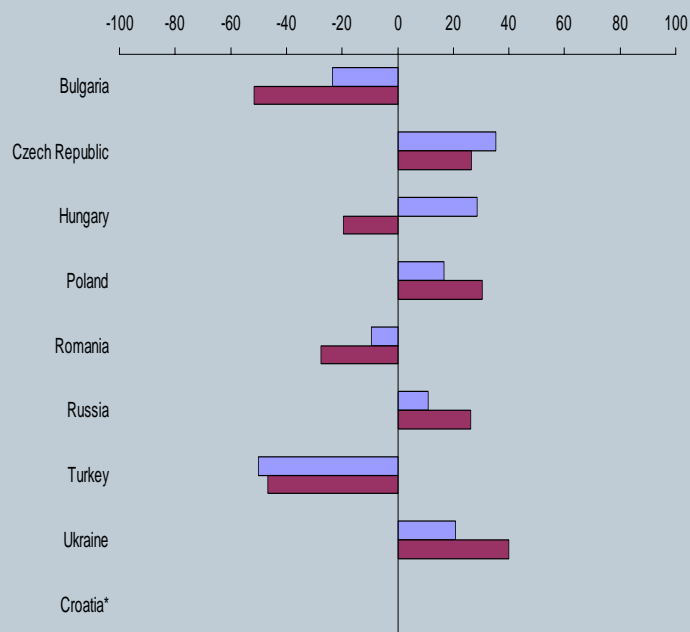
### Tenant Demand



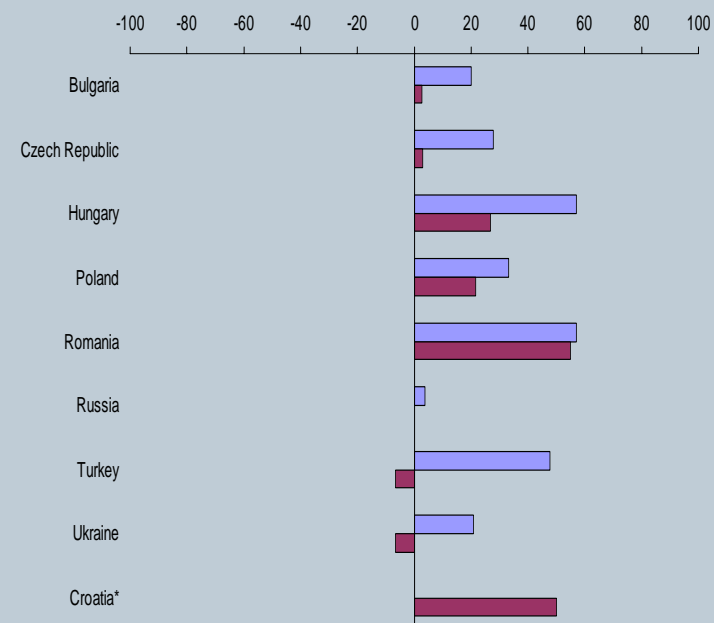
### Change in Rents



### Investment Bidders



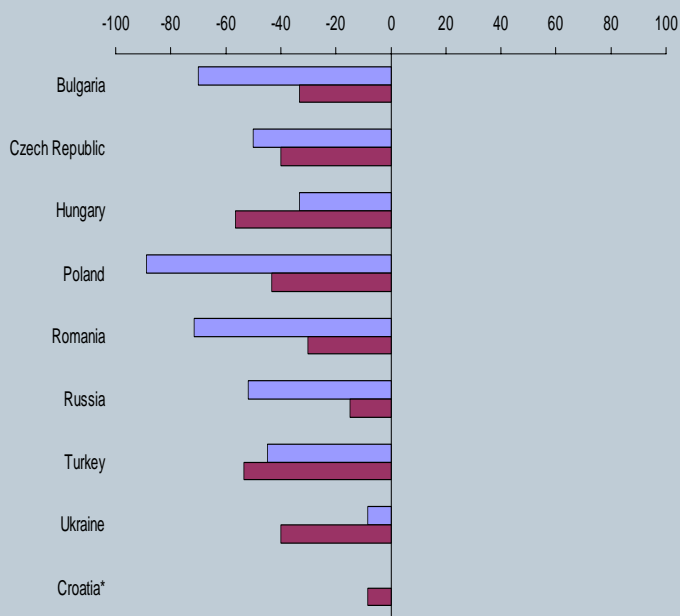
### Yields



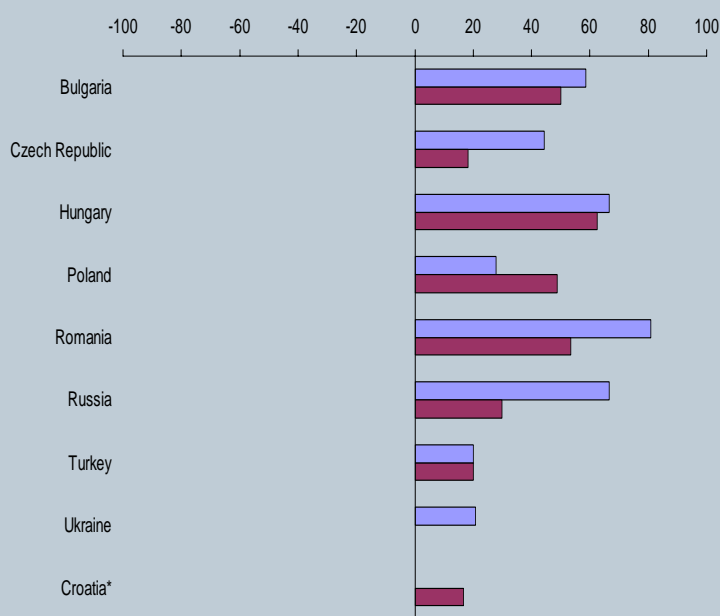
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## Regional statistics - Emerging Europe

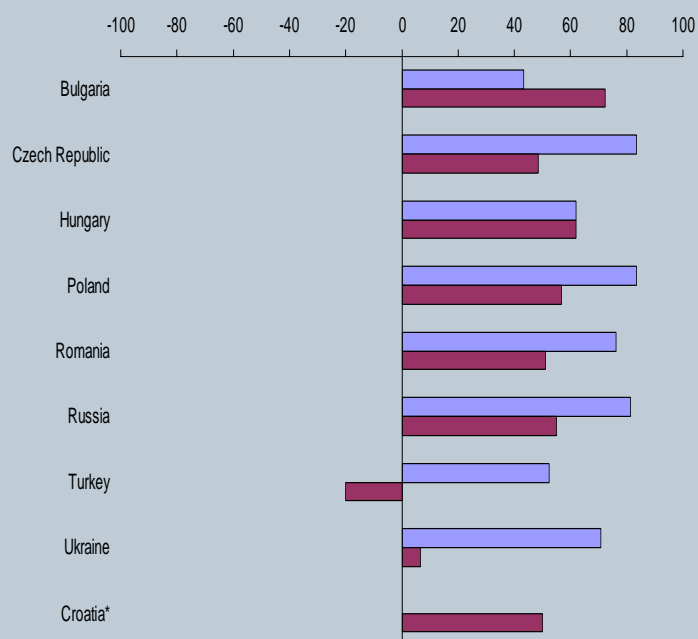
### Pipeline Development



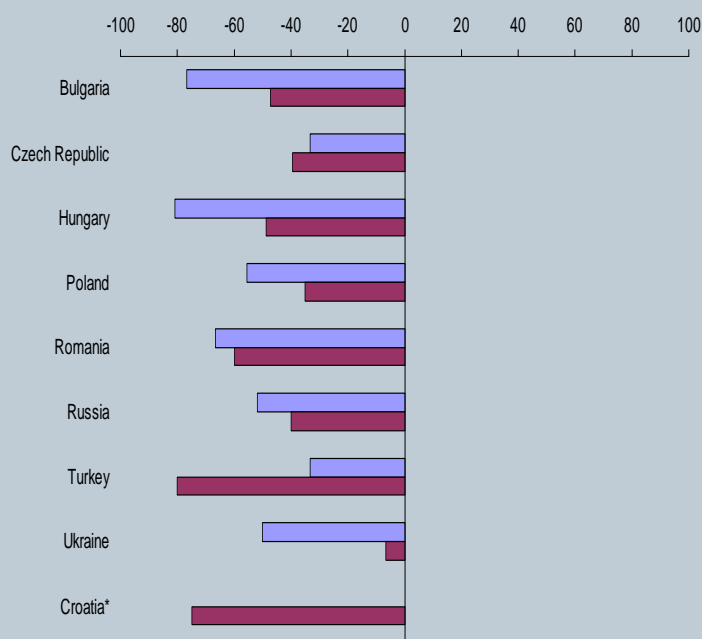
### Available Space



### Inducements



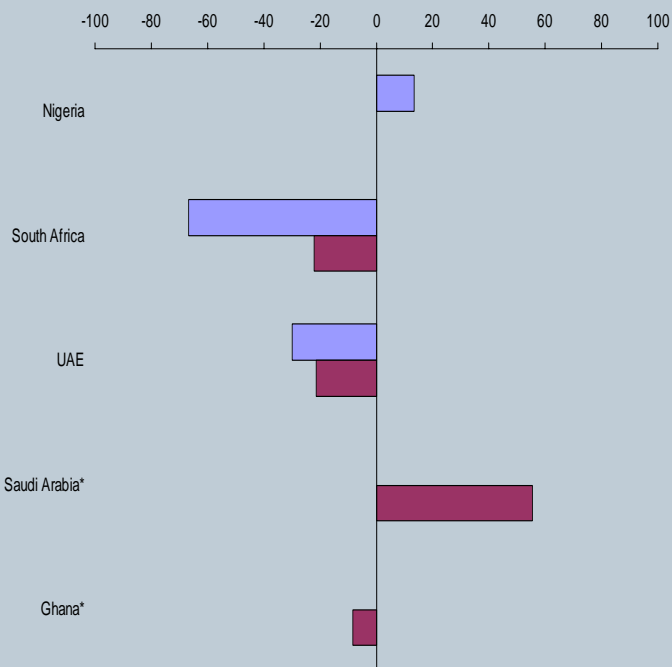
### Rental Expectations



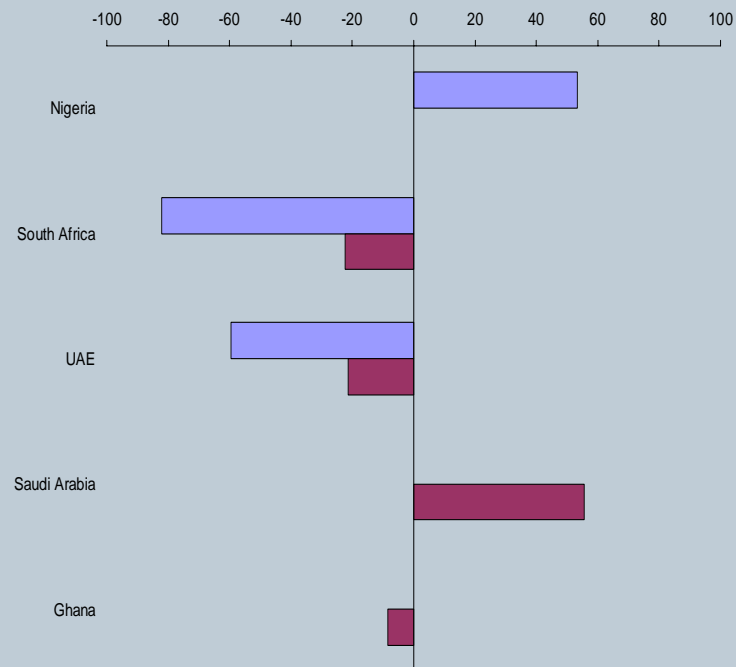
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## Regional statistics - Africa and Middle East

### Tenant Demand



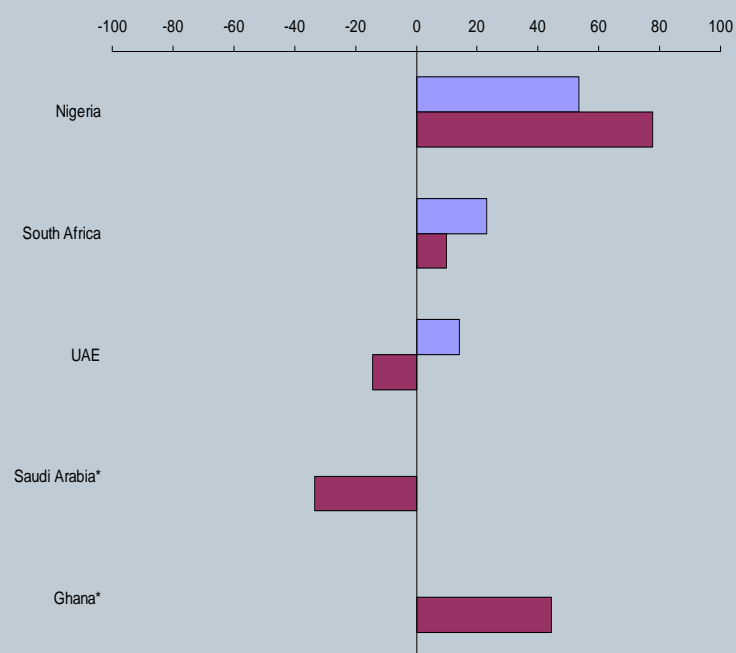
### Change in Rents



### Investment Bidders



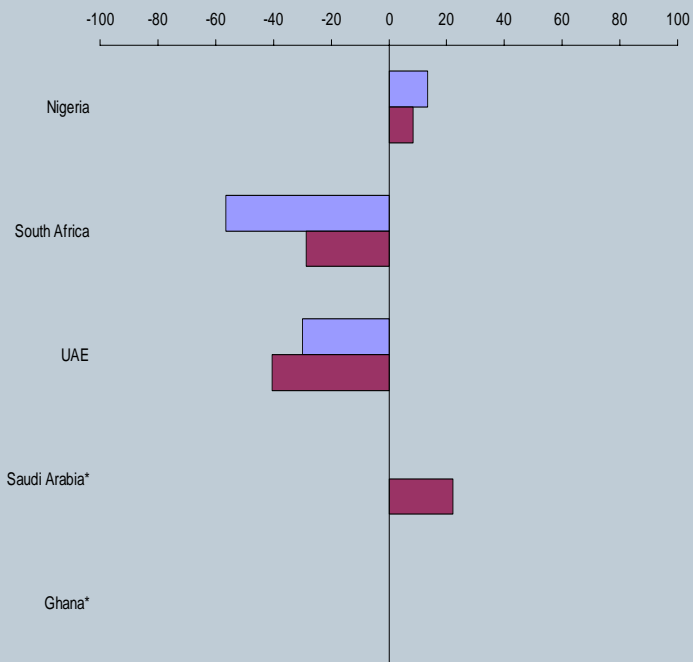
### Yields



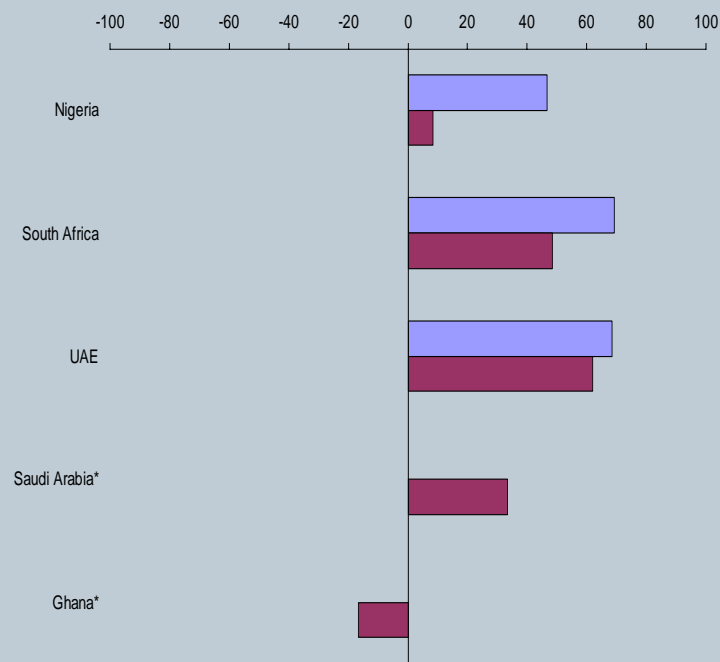
# RICS Global Commercial Property Survey

## Regional statistics - Africa and Middle East

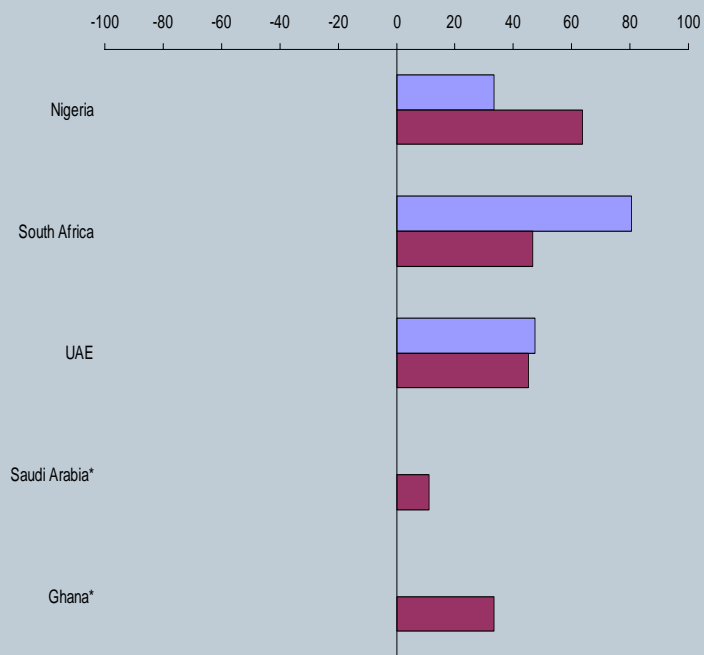
### Pipeline Development



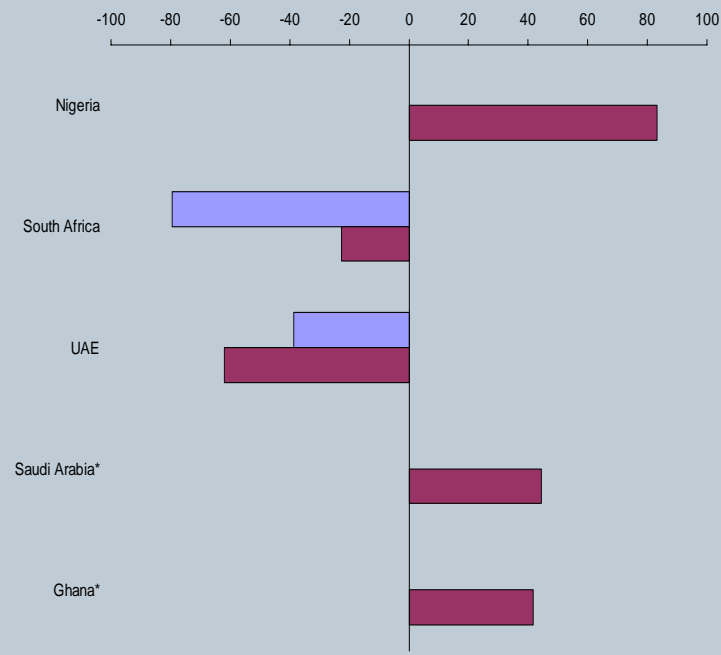
### Available Space



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

424 surveyor offices responded to the questionnaire conducted between 01/12/2009 and 18/1/2010.

### Methodology

Survey questionnaires were sent to real estate organisations in December 2009, with responses received up until the 18th of January 2010. Respondents were asked to compare conditions over the latest three months with the previous three months. A total of 424 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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# RICS Global Commercial 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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For access to city level agents' comments and contributor details please go to the following web address.

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