

Global rental declines to gather pace

- **Price falls accelerate in most emerging markets**
- **Rental downturn expected to gather pace**
- **Emerging Europe sees weakest occupier activity**
- **Upward yield shift gains speed in Japan and US.**

The latest global commercial property survey from RICS shows that the pace of decline in capital values accelerated during the first quarter driven by steeper falls in prices across most emerging markets.

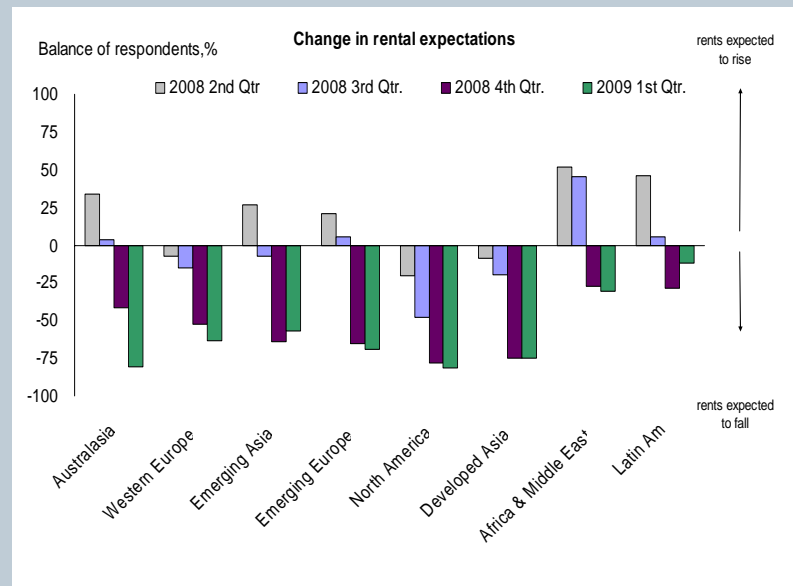
Prices continued to decline across the developed economies although at a lesser pace with only North America seeing sharper falls. Tenant demand fell across all global regions however, the magnitude of the fall in aggregate has moderated.

Rents are falling across more than 90% of the countries surveyed with only Brazil, Saudi Arabia and parts of Africa, yet to report declines. Indeed, available space is rising across every global region dampening rental expectations of real estate professionals.

Confidence towards the rental outlook has been revised down in the latest survey. Sentiment is bleakest across Developed Asia and Emerging Europe. As such, agents are offering greater incentive packages to secure a letting across all regions.

Hong Kong, Singapore, Ukraine, Russia and Hungary are among the countries expected to see the biggest rental declines in the quarter to June. The pricing outlook broadly mirrors the rental trends with only Brazil and parts of Africa expected to avert falling prices.

Across all developed regions both lettings and investment demand fell at a less pronounced pace although the pricing environment was little improved. The pace of price falls accelerated in North America and Emerging Europe although the sharpest reported declines were in Developed Asia for the second consecutive quarter.



The Middle East saw activity declines accelerate further with tenant demand and rental expectations falling at a faster pace. Available space is rising sharply in the UAE with the office sector seeing the biggest pick up in reported availability.

In Western Europe, Germany remains the outperforming market with expectations towards property values less pessimistic than elsewhere. Sentiment towards rents is worst in the Republic of Ireland, Spain, France and the UK. The outlook towards prices for the second quarter is most negative in the Netherlands, France and Ireland. The Japanese and US real estate markets continue to deteriorate with virtually all respondents to the survey reporting falling capital values.

Globally, the upward shift in yields has moderated across most regions although it increased in pace in the US and Japan. Expectations are that yields will be relatively more stable in Australasia, Latin America, Africa and the Middle East in the second quarter.

	Investment demand and	Tenant demand	Rents	Yields
-----Net Balance - Not Seasonally Adjusted-----				
H2 2005	56	58	44	-49
H1 2006	55	57	48	-40
H2 2006	58	55	56	-34
H1 2007	41	39	58	-23
H2 2007	-16	9	46	13
Q1 2008	-39	-14	14	28
Q2 2008	-37	-17	2	32
Q3 2008	-56	-39	-12	43
Q4 2008	-78	-72	-50	60
Q1 2009	-56	-51	-66	63
** Balance = Proportion of surveyors reporting a rise in prices 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 contributors =				361

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Real Capital Analytics guest article: Balance of property trading tips homeward

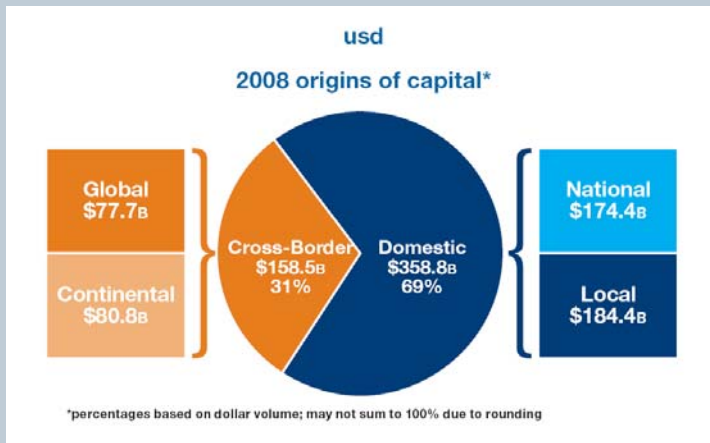
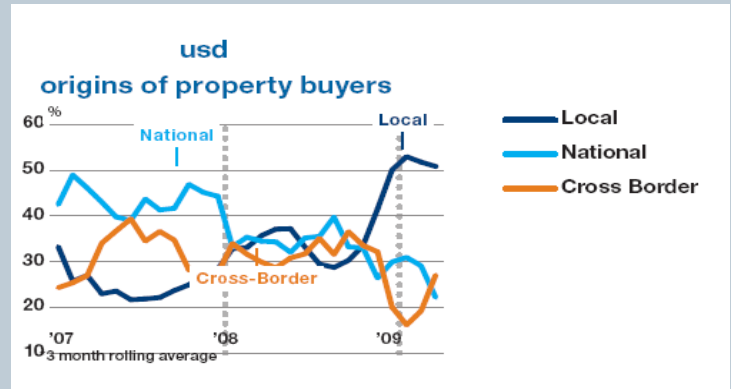
Global capital has withered with extraordinary consistency around the world, vanishing almost entirely from the Americas and Asia Pacific and retaining a slim presence in EMEA. By contrast, investment capital from local sources has become ever more important and now comprises by far the largest single investment source in all three global zones, although still fading in volume.

Cross-border investment, whether global or continental, was buttressed by the decoupling theory of diversification. This held that emerging economies had become strong enough to stand on their own in a downturn among developed nations. But the drastic global reversal of the past two quarters has effectively neutered that argument. Instead, the conquistador investors who had roamed far afield searching for higher returns have begun seeking investments in their own countries. The lure of home? Distress, looming globally, holds potential for low entry prices and high returns.

In 2008, global cross-border investment was \$82b, off \$107b and 57% from 2007. Continental investment stood at \$80b, down 60% from \$201b the previous year.

Net investment from global capital has decreased most significantly in Asia Pacific, falling from \$52.6b in 2007 to \$23.2b last year and dropping off precipitously last spring. Local investors, although cutting back acquisition volume, will continue to grow their profile in AsiaPac: their investment activity grew from 55% in 2008 to 72% for all deals in q1'09.

The capital markets in this still emerging zone, despite huge strides in recent years, remain—for now—less evolved than those in the Americas and EMEA.



Conversely, local investment capital will play a stronger role in the Americas, where US community and regional banks have been less damaged by the global financial crisis.

Investment capital for export will continue shrinking in the US, benefiting local and national property markets. Investors in other major capital exporting nations will also be in a better position to take advantage of investment opportunities at home than net importers of capital. Especially exposed are the BRIC countries as foreign investment capital withdraws. One anomaly: the UK. With real estate values there already battered and the pound weakening, the country may actually be looking attractive, particularly to European investors who can arbitrage the currency and take advantage of still correcting prices.

Through mid-2008, global and continental investors played a more significant role in EMEA than in any other zone, buoyed especially by investment from the US—the leading global exporter of capital. The drought of global investment that set in last fall could hit European property markets particularly hard. Even continental investment in EMEA, which had been fed by single-currency Western Europe and relatively high cap rates in Eastern Europe, will show a greater proportional loss as investors increasingly take a domestic focus.

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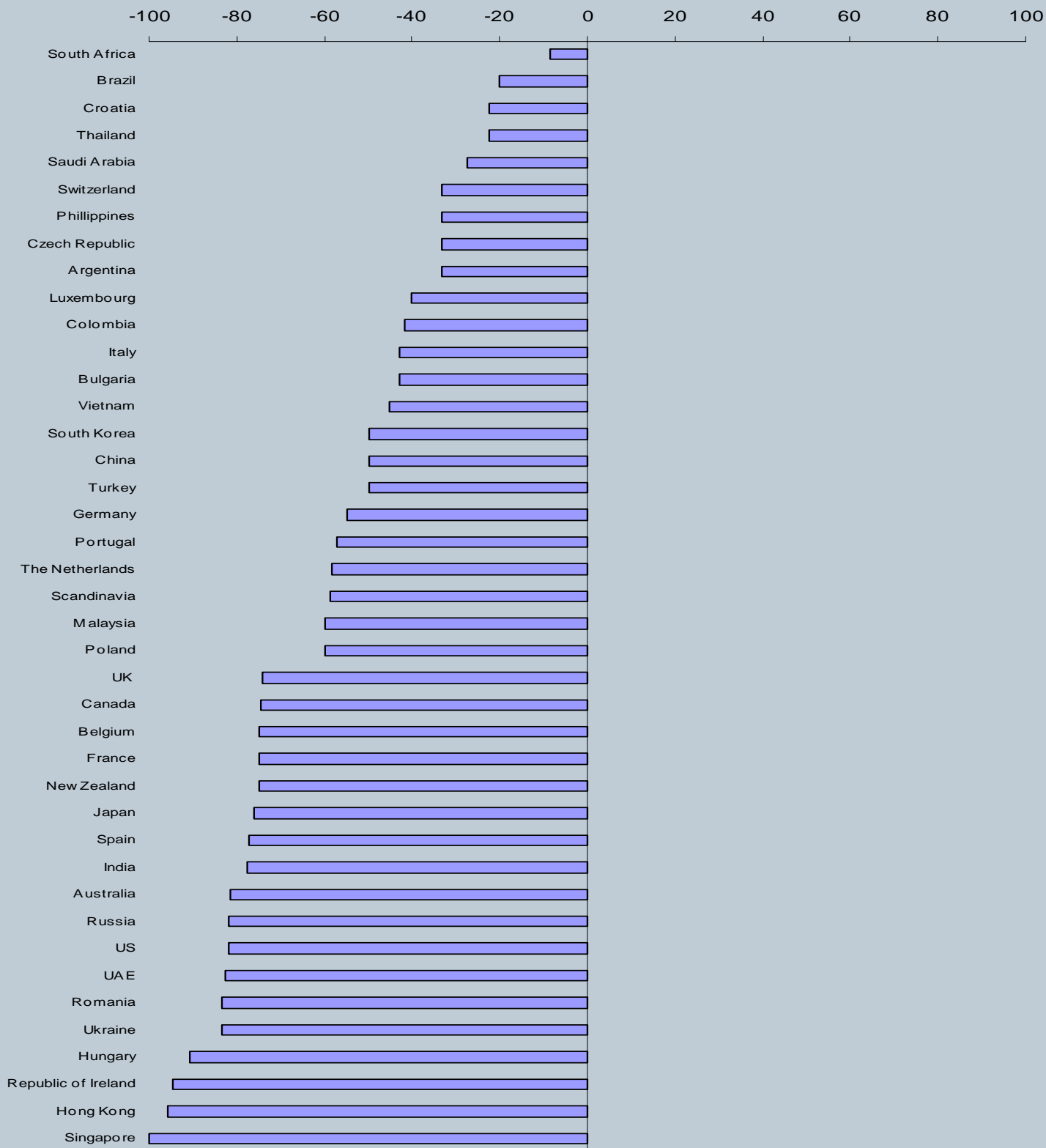
To participate in this survey four times a year please email globalproperty@rics.org to register your email address.



RICS Global Commercial Property Survey

Country statistics - Expectations for Q2 2009

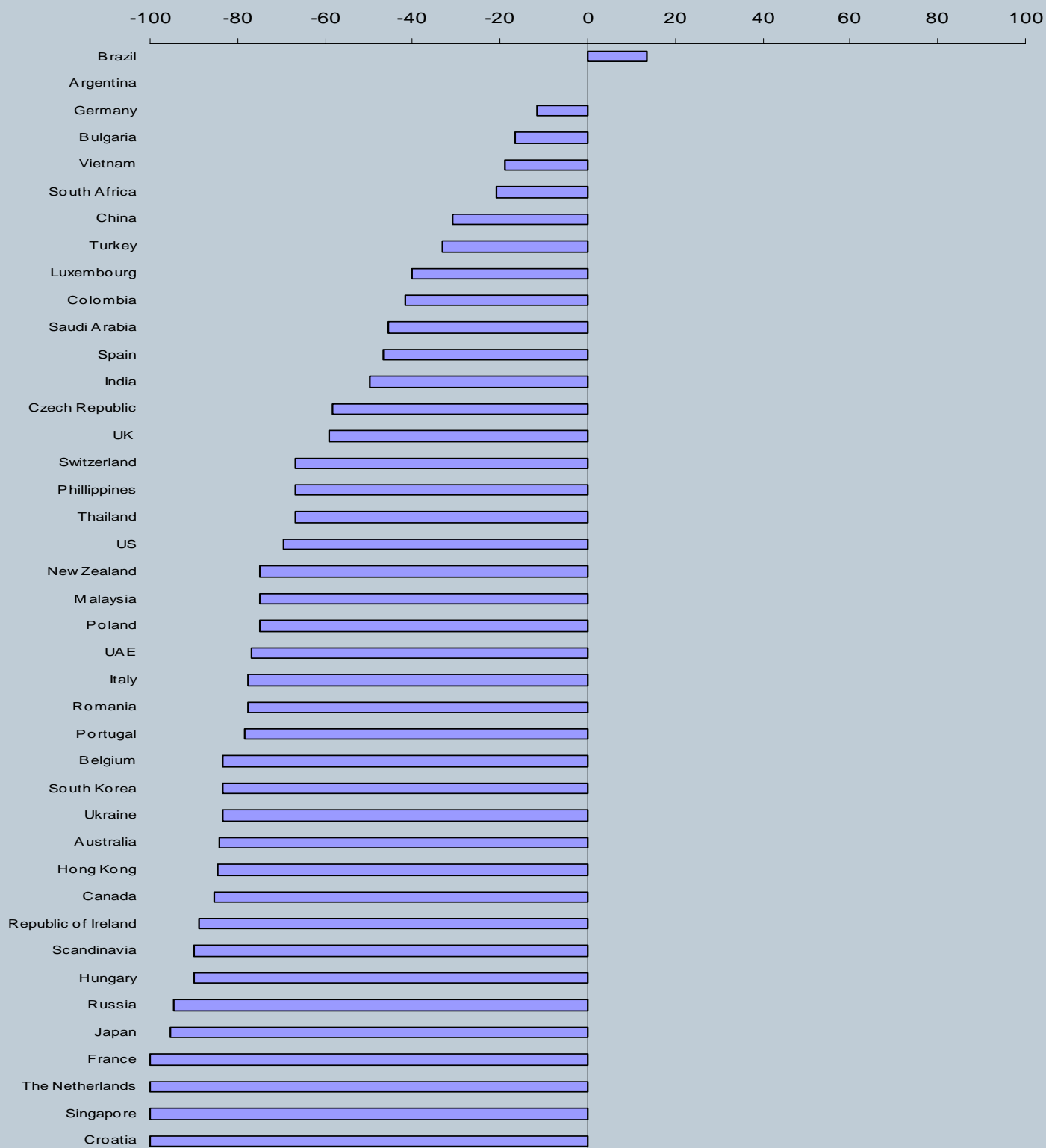
Confidence towards rents in Q2 ranked by net balance scores



RICS Global Commercial Property Survey

Country statistics - Expectations for Q2 2009

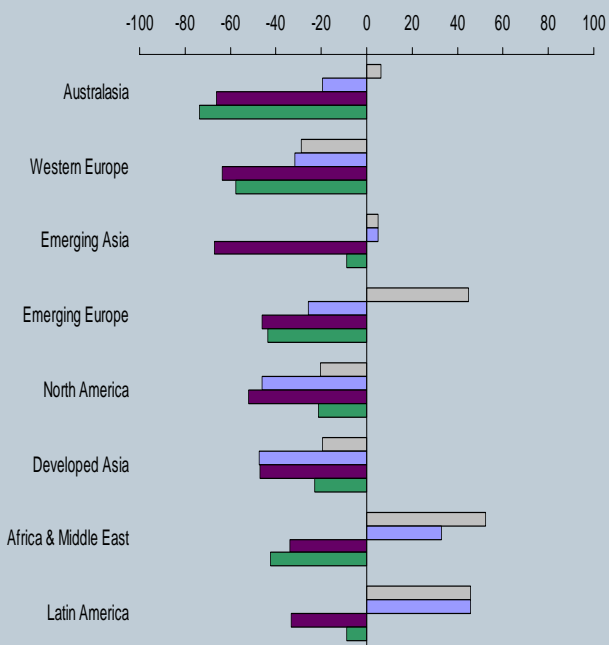
Confidence towards capital values in Q2 ranked by net balance scores



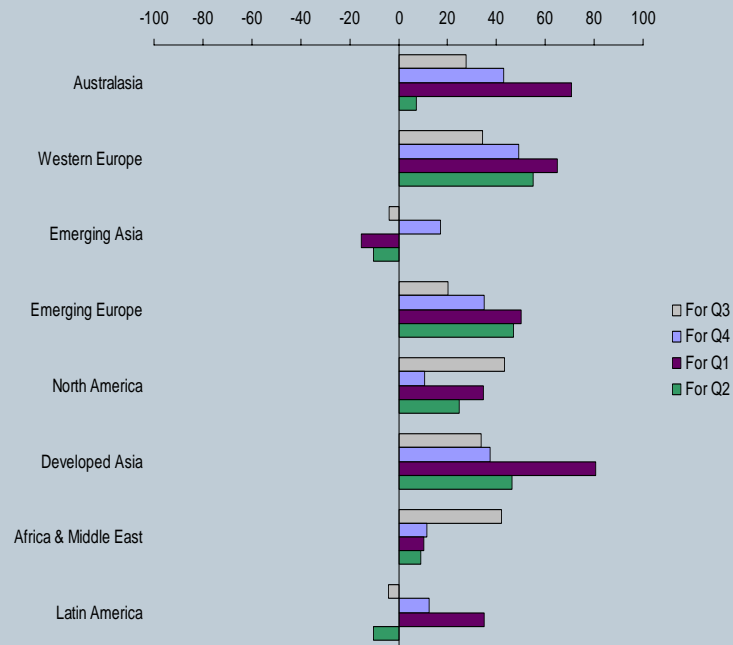
RICS Global Commercial Property Survey

Regional statistics— Expectations for Q2 2009

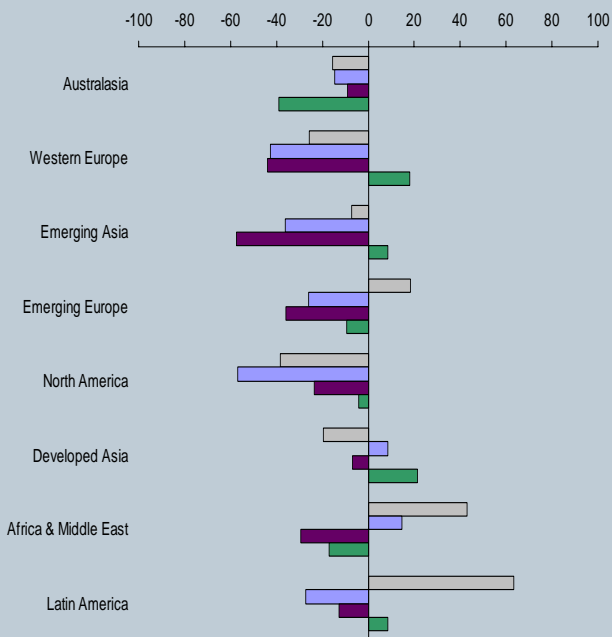
Expected Tenant Demand



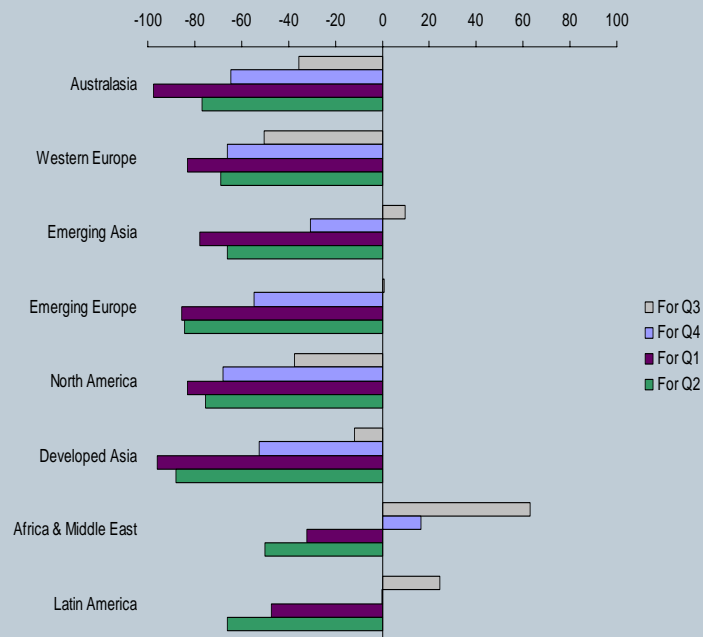
Expected Yields



Expected Investment Demand



Expected Capital Values



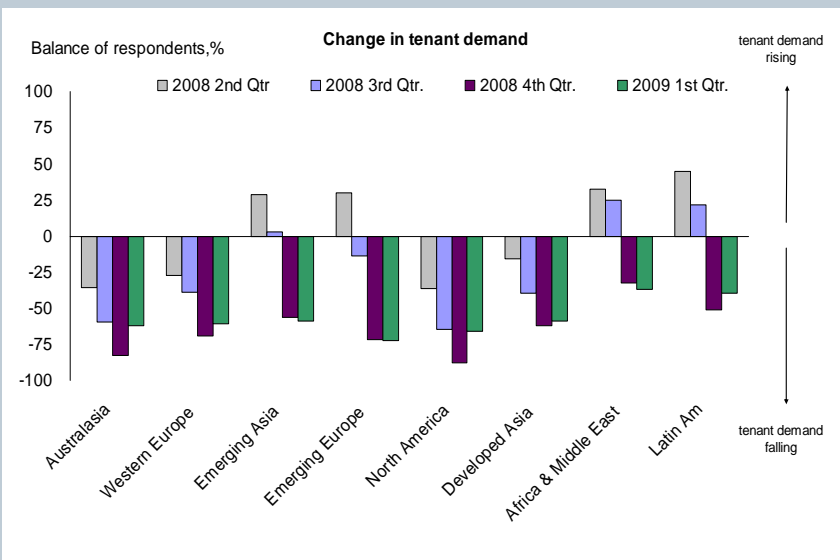
Lettings market activity

Tenant demand

How has tenant demand changed in the last 3 months compared to the previous 3 months in terms of quantity of space leased and sold to occupiers?

World Region	Proportion of surveyors reporting a rise, no change or fall in occupier demand over the last 3 months Balance*
Australasia	-62
Western Europe	-61
Emerging Asia	-59
Emerging Europe	-72
North America	-66
Developed Asia	-59
Africa & Middle East	-37
Latin America	-40

* Balance = Proportion of surveyors reporting a rise in prices minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the unadjusted balance will be 25%) All data is not seasonally adjusted



Available space

How has available space for occupation changed over the last three months compared to the previous three months for the leasing market

World Region	Proportion of surveyors reporting a rise, no change or fall in occupier demand over the last 3 months Balance*
Australasia	73
Western Europe	57
Emerging Asia	56
Emerging Europe	42
North America	77
Developed Asia	73
Africa & Middle East	45
Latin America	21

* Balance = Proportion of surveyors reporting a rise in prices minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the unadjusted balance will be 25%) All data is not seasonally adjusted



Change in rents

How have rents changed in the last 3 months compared to the previous 3 months?

World Region	Proportion of surveyors reporting a rise, no change or fall in occupier demand over the last 3 months Balance*
Australasia	-75
Western Europe	-52
Emerging Asia	-69
Emerging Europe	-74
North America	-76
Developed Asia	-87
Africa & Middle East	-32
Latin America	-18

* Balance = Proportion of surveyors reporting a rise in prices minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the unadjusted balance will be 25%) All data is not seasonally adjusted



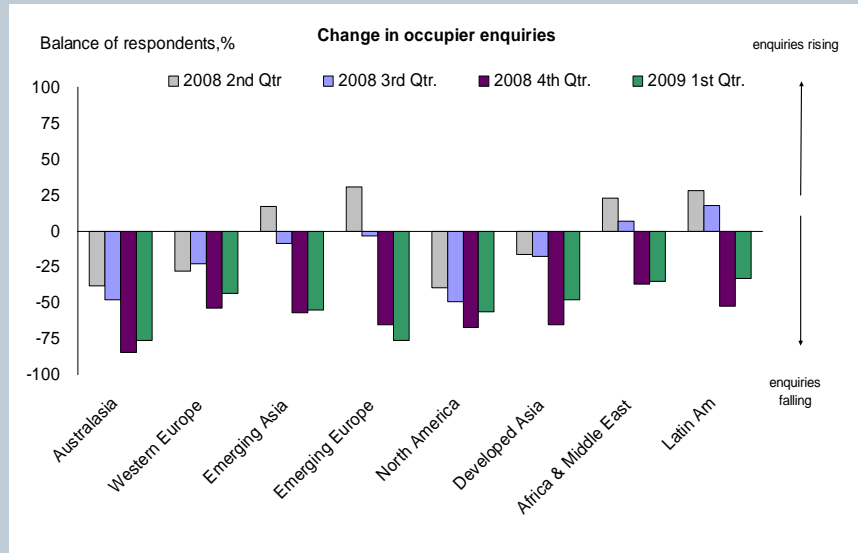
Lettings market activity

Occupier enquiries

How has the level of occupier enquiries changed in the last 3 months?

World Region	Proportion of surveyors reporting a rise, no change or fall in occupier demand over the last 3 months Balance*
Australasia	-76
Western Europe	-43
Emerging Asia	-55
Emerging Europe	-76
North America	-56
Developed Asia	-48
Africa & Middle East	-35
Latin America	-33

* Balance = Proportion of surveyors reporting a rise in prices minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the unadjusted balance will be 25%) All data is not seasonally adjusted

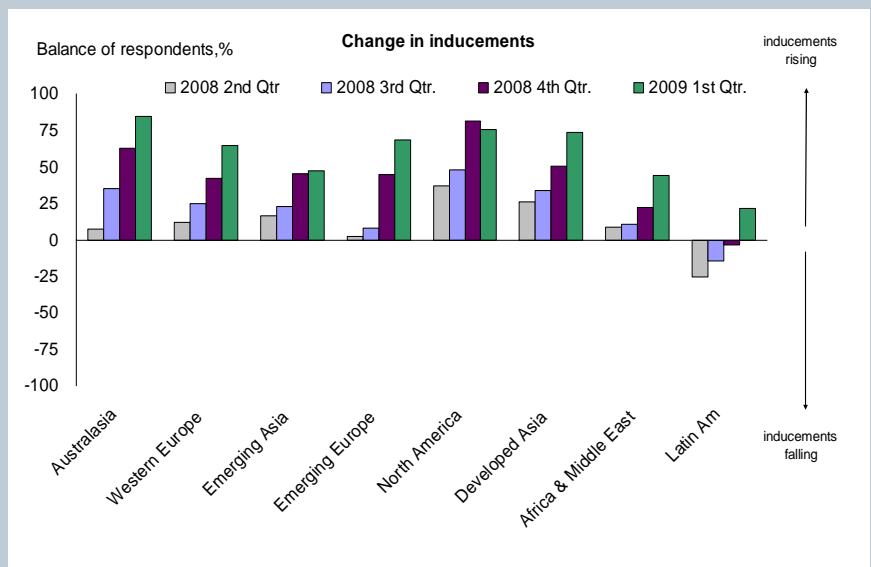


Inducements

How has typical value of any incentive packages to new tenants changed in your area compared to the previous three month period?

World Region	Proportion of surveyors reporting a rise, no change or fall in occupier demand over the last 3 months Balance*
Australasia	85
Western Europe	65
Emerging Asia	47
Emerging Europe	69
North America	75
Developed Asia	74
Africa & Middle East	44
Latin America	21

* Balance = Proportion of surveyors reporting a rise in prices minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the unadjusted balance will be 25%) All data is not seasonally adjusted

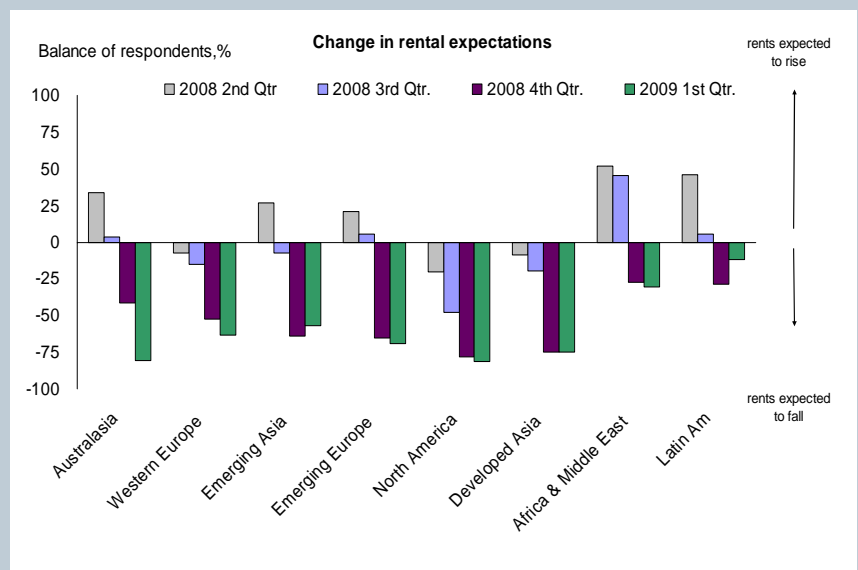


Rental expectations

How do you expect rents to change in the coming three months compared to the previous 3 month period?

World Region	Proportion of surveyors reporting a rise, no change or fall in occupier demand over the last 3 months Balance*
Australasia	-81
Western Europe	-63
Emerging Asia	-57
Emerging Europe	-69
North America	-81
Developed Asia	-75
Africa & Middle East	-31
Latin America	-12

* Balance = Proportion of surveyors reporting a rise in prices minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the unadjusted balance will be 25%) All data is not seasonally adjusted



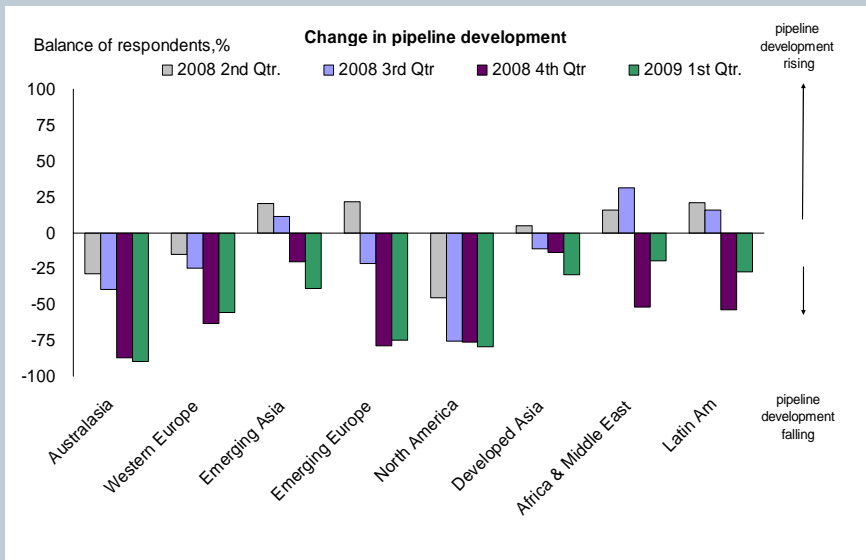
Development market activity

Development pipeline

How do you view the development pipeline compared to 3 months ago?

World Region	Proportion of surveyors reporting a rise, no change or fall in occupier demand over the last 3 months Balance*
Australasia	-90
Western Europe	-56
Emerging Asia	-39
Emerging Europe	-75
North America	-80
Developed Asia	-29
Africa & Middle East	-19
Latin America	-28

* Balance = Proportion of surveyors reporting a rise in prices minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the unadjusted balance will be 25%) All data is not seasonally adjusted

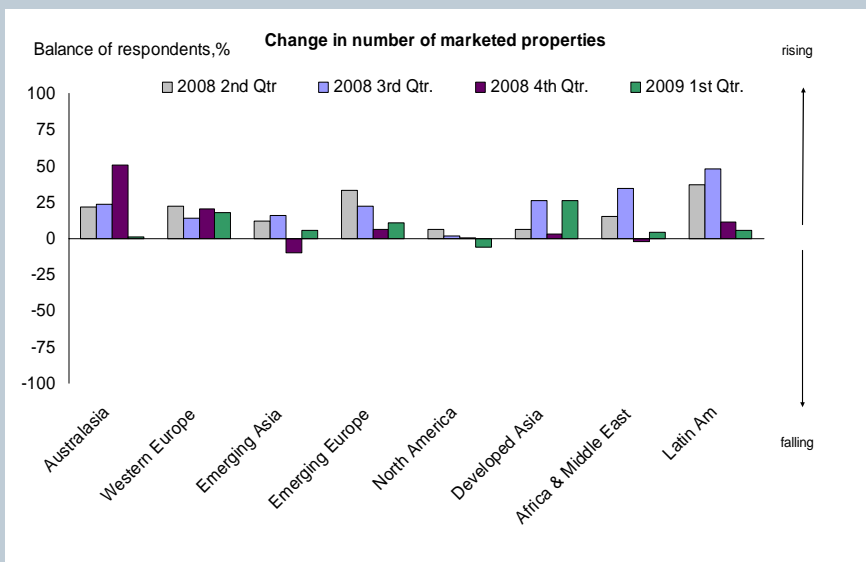


Marketed properties

How has the number of properties marketed by your company changed over the last 3 months compared to the previous 3 month period?

World Region	Proportion of surveyors reporting a rise, no change or fall in occupier demand over the last 3 months Balance*
Australasia	1
Western Europe	18
Emerging Asia	5
Emerging Europe	10
North America	-6
Developed Asia	26
Africa & Middle East	4
Latin America	5

* Balance = Proportion of surveyors reporting a rise in prices minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the unadjusted balance will be 25%) All data is not seasonally adjusted

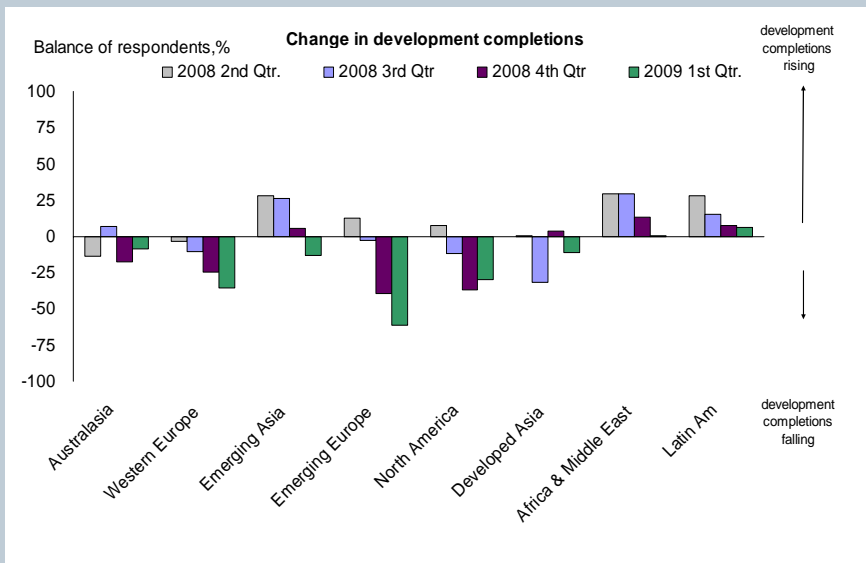


Development completions

How have development completions changed in the last 3 months compared to the previous 3 months?

World Region	Proportion of surveyors reporting a rise, no change or fall in occupier demand over the last 3 months Balance*
Australasia	-9
Western Europe	-36
Emerging Asia	-13
Emerging Europe	-62
North America	-30
Developed Asia	-11
Africa & Middle East	0
Latin America	6

* Balance = Proportion of surveyors reporting a rise in prices minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the unadjusted balance will be 25%) All data is not seasonally adjusted



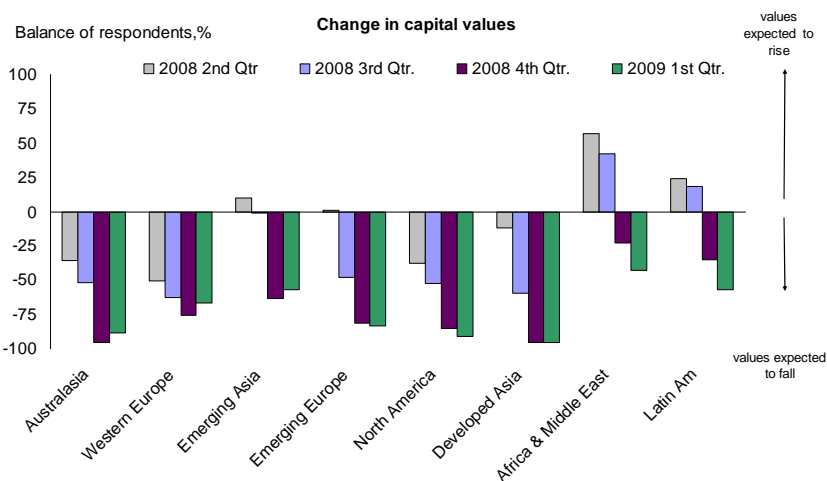
Investment market activity

Capital values

Please indicate how capital values have changed over the last 3 months compared to the previous 3 month period

World Region	Proportion of surveyors reporting a rise, no change or fall in occupier demand over the last 3 months Balance*
Australasia	-88
Western Europe	-67
Emerging Asia	-57
Emerging Europe	-83
North America	-91
Developed Asia	-95
Africa & Middle East	-43
Latin America	-57

* Balance = Proportion of surveyors reporting a rise in prices minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the unadjusted balance will be 25%) All data is not seasonally adjusted

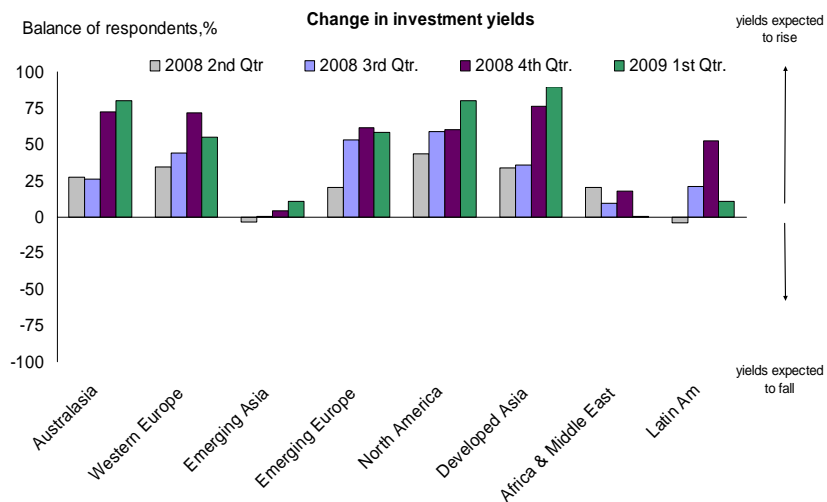


Investment yields

How have investment yields on commercial real estate changed over the past 3 months compared to the previous 3 months?

World Region	Proportion of surveyors reporting a rise, no change or fall in occupier demand over the last 3 months Balance*
Australasia	80
Western Europe	55
Emerging Asia	11
Emerging Europe	58
North America	80
Developed Asia	90
Africa & Middle East	1
Latin America	11

* Balance = Proportion of surveyors reporting a rise in prices minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the unadjusted balance will be 25%) All data is not seasonally adjusted

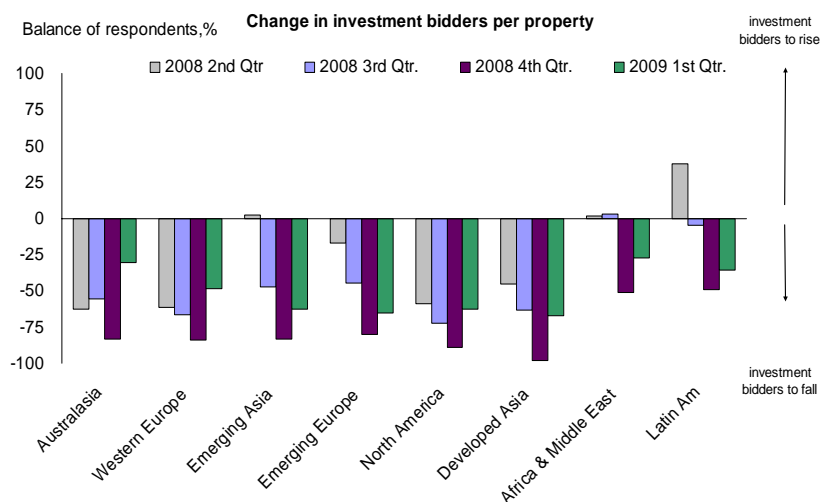


Investment bidders per property

Please indicate if the number of investment bidders per property has changed over the last 3 months compared to the previous 3 month period

World Region	Proportion of surveyors reporting a rise, no change or fall in occupier demand over the last 3 months Balance*
Australasia	-31
Western Europe	-49
Emerging Asia	-63
Emerging Europe	-65
North America	-63
Developed Asia	-67
Africa & Middle East	-28
Latin America	-36

* Balance = Proportion of surveyors reporting a rise in prices minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the unadjusted balance will be 25%) All data is not seasonally adjusted



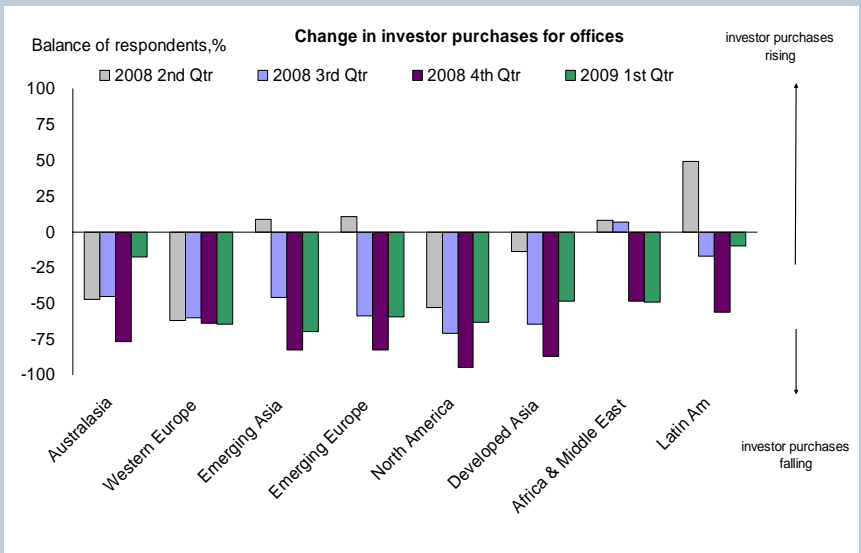
Investment market activity

Investor purchases offices

How have investor purchases of real estate changed over the last 3 months compared to the previous 3 months, in terms of the number of sales?

World Region	Proportion of surveyors reporting a rise, no change or fall in occupier demand over the last 3 months Balance*
Australasia	-18
Western Europe	-65
Emerging Asia	-70
Emerging Europe	-60
North America	-63
Developed Asia	-49
Africa & Middle East	-49
Latin America	-10

* Balance = Proportion of surveyors reporting a rise in prices minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the unadjusted balance will be 25%) All data is not seasonally adjusted



Investor purchases retail

How have investor purchases of real estate changed over the last 3 months compared to the previous 3 months, in terms of the number of sales?

World Region	Proportion of surveyors reporting a rise, no change or fall in occupier demand over the last 3 months Balance*
Australasia	-35
Western Europe	-63
Emerging Asia	-48
Emerging Europe	-68
North America	-65
Developed Asia	-58
Africa & Middle East	-59
Latin America	-20

* Balance = Proportion of surveyors reporting a rise in prices minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the unadjusted balance will be 25%) All data is not seasonally adjusted

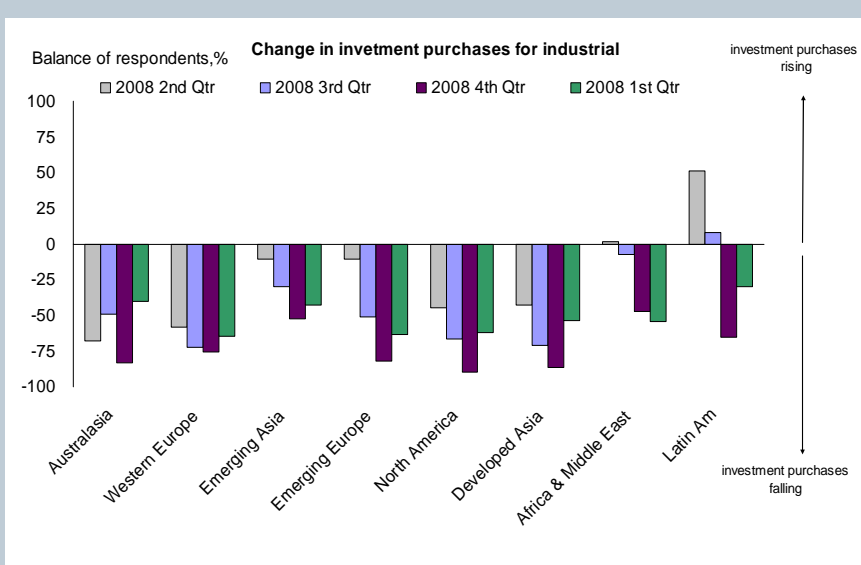


Investor purchases industrial

How have investor purchases of real estate changed over the last 3 months compared to the previous 3 months, in terms of the number of sales?

World Region	Proportion of surveyors reporting a rise, no change or fall in occupier demand over the last 3 months Balance*
Australasia	-40
Western Europe	-65
Emerging Asia	-43
Emerging Europe	-63
North America	-62
Developed Asia	-54
Africa & Middle East	-54
Latin America	-30

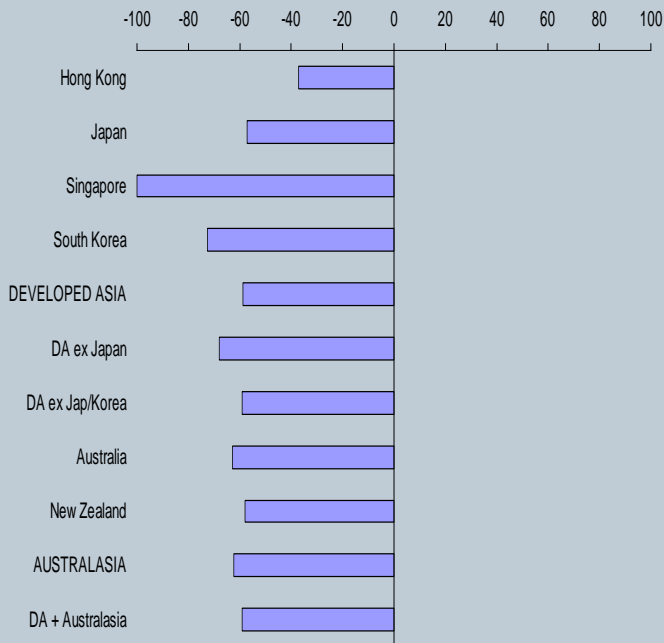
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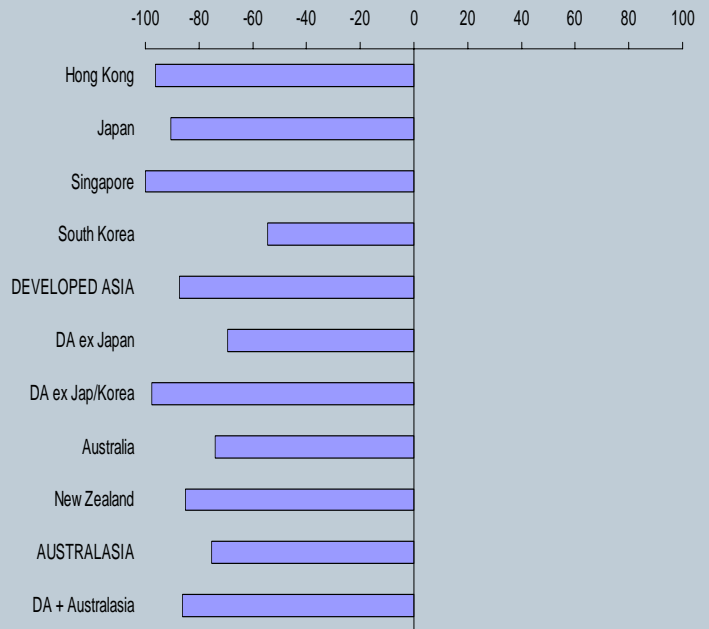
RICS Global Commercial Property Survey

Regional statistics - Developed Asia / Australasia

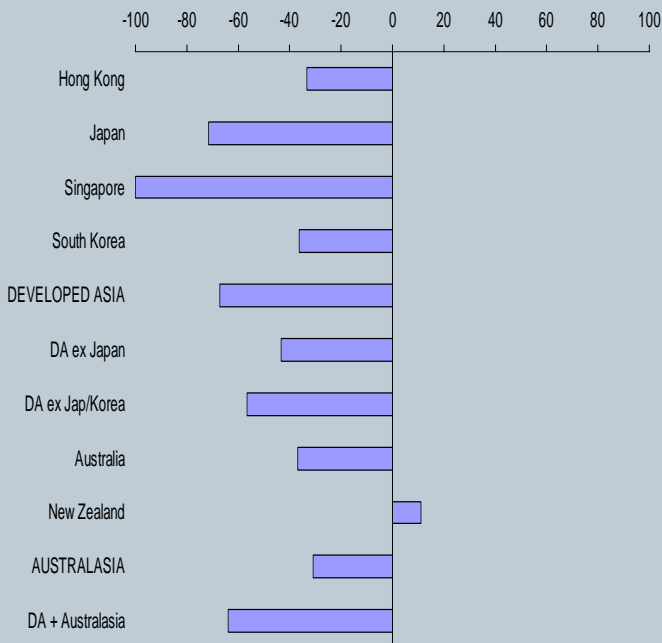
Tenant Demand



Change in Rents



Investment Bidders



Yields



RICS Global Commercial Property Survey

Regional statistics - Developed Asia / Australasia

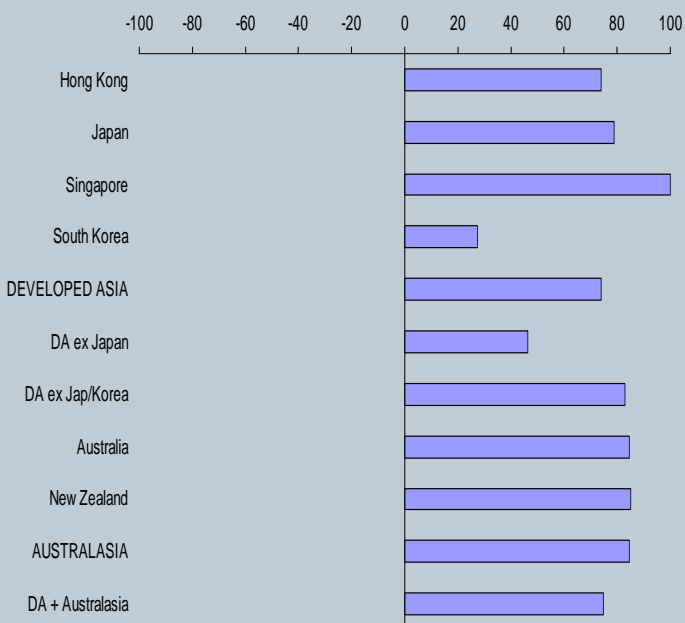
Pipeline Development



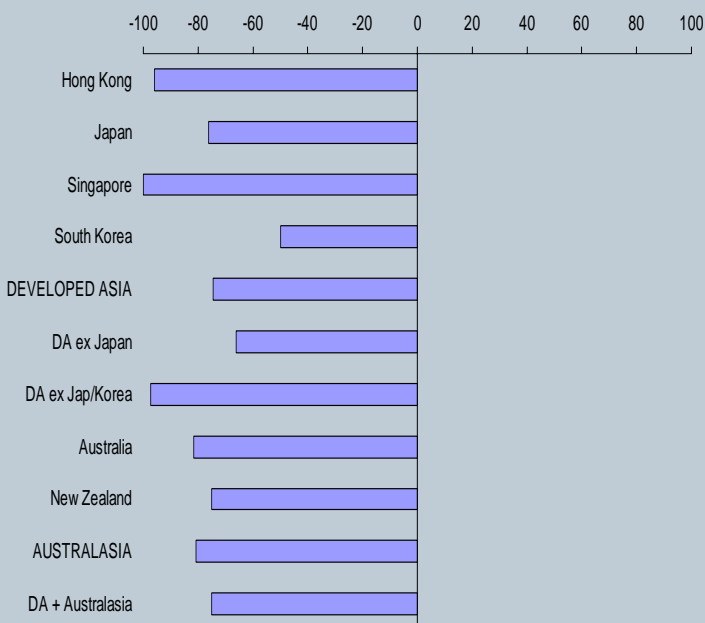
Available space



Inducements



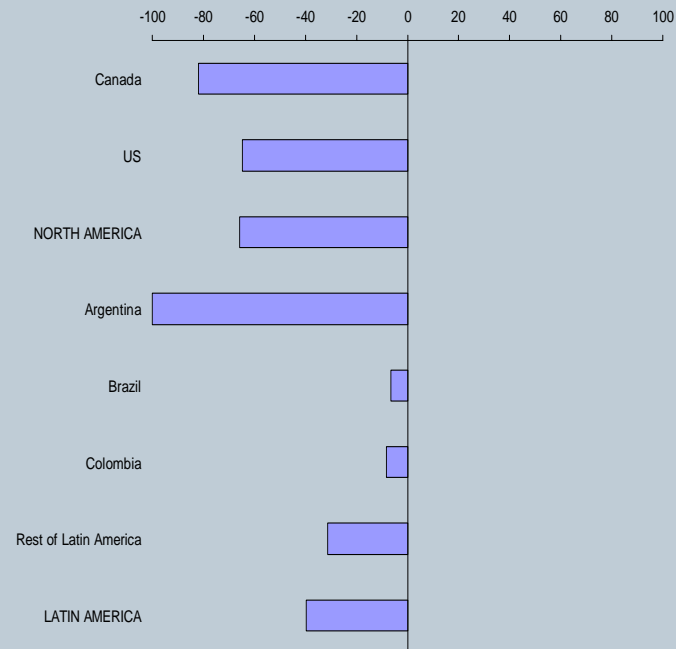
Rental Expectations



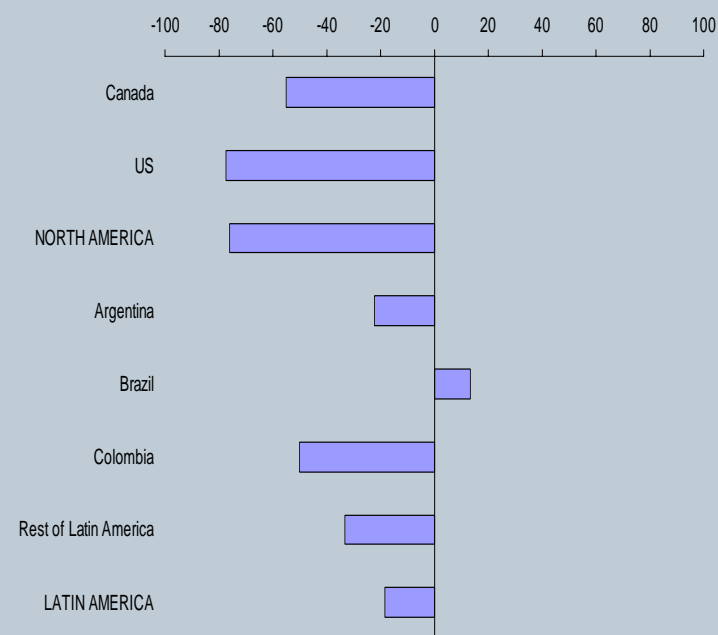
RICS Global Commercial Property Survey

Regional statistics - Americas

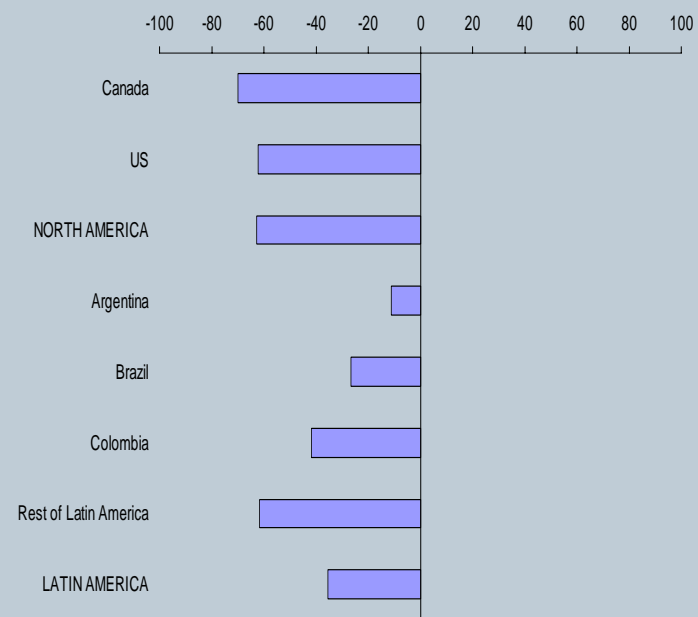
Tenant Demand



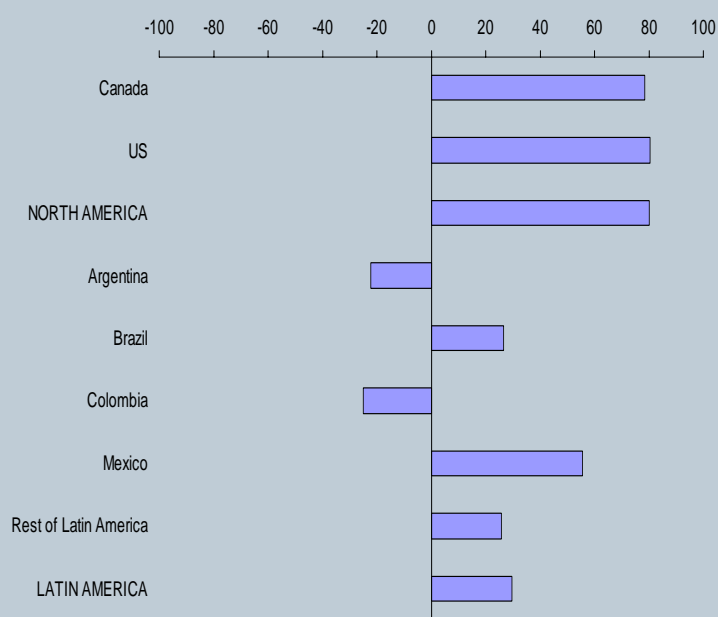
Change in Rents



Investment Bidders



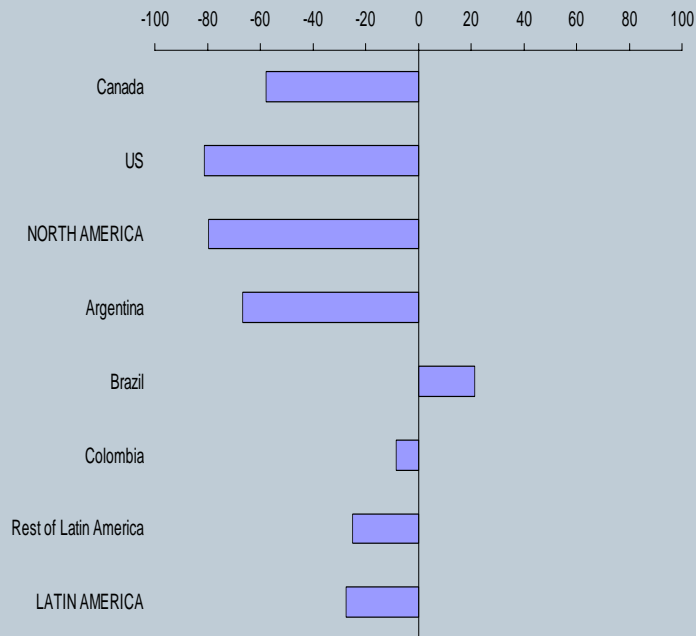
Yields



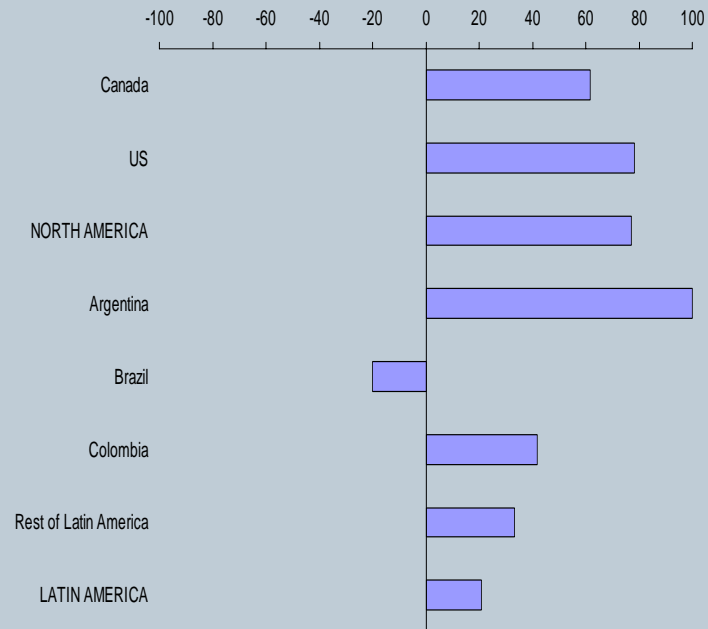
RICS Global Commercial Property Survey

Regional statistics - Americas

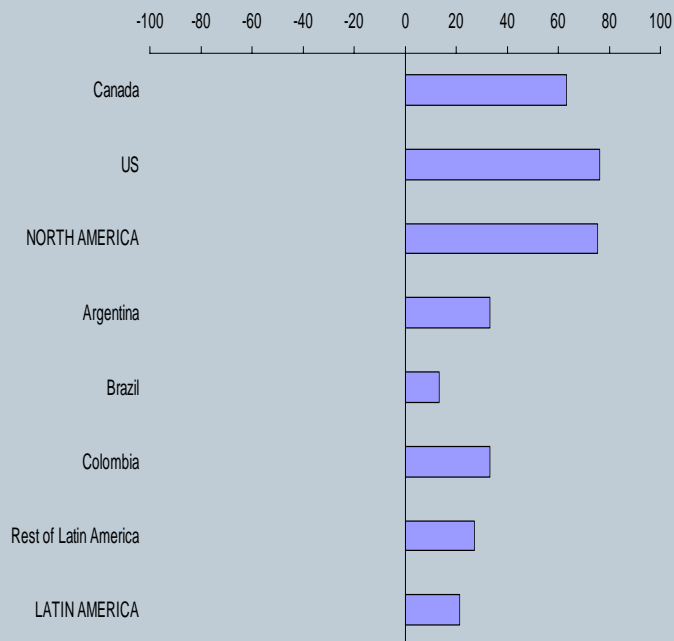
Pipeline Development



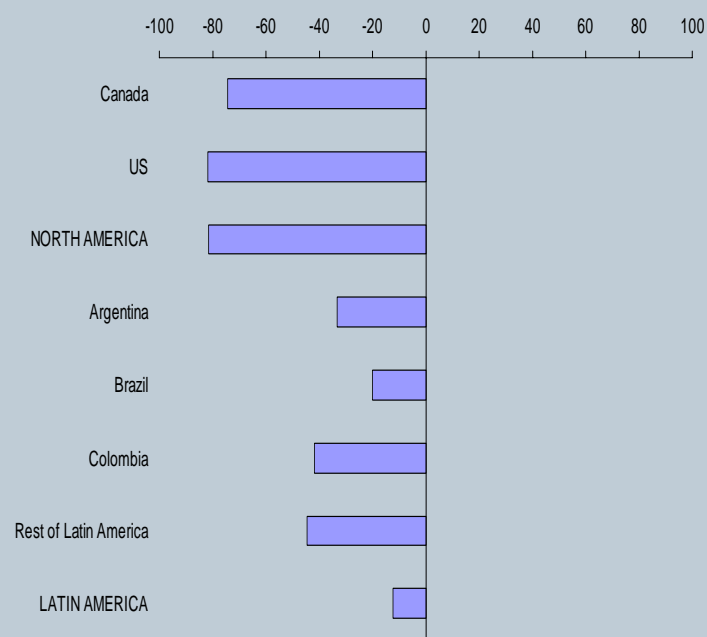
Available space



Inducements



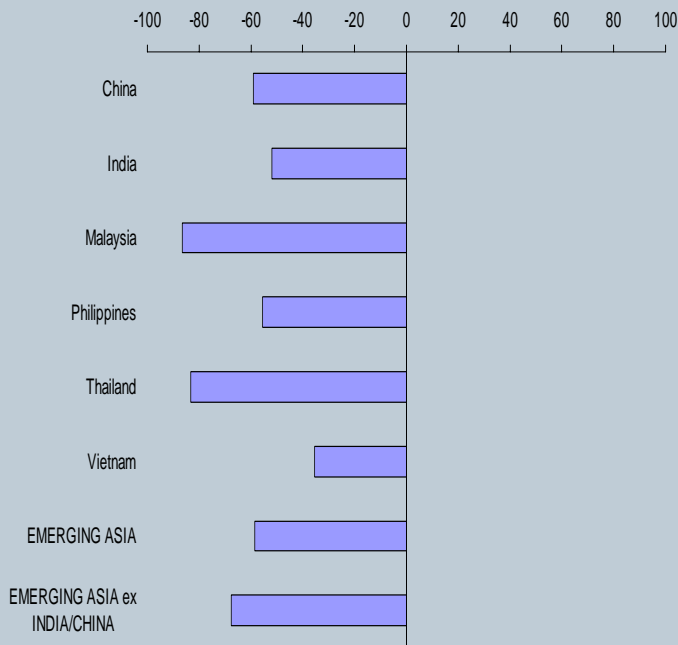
Rental Expectations



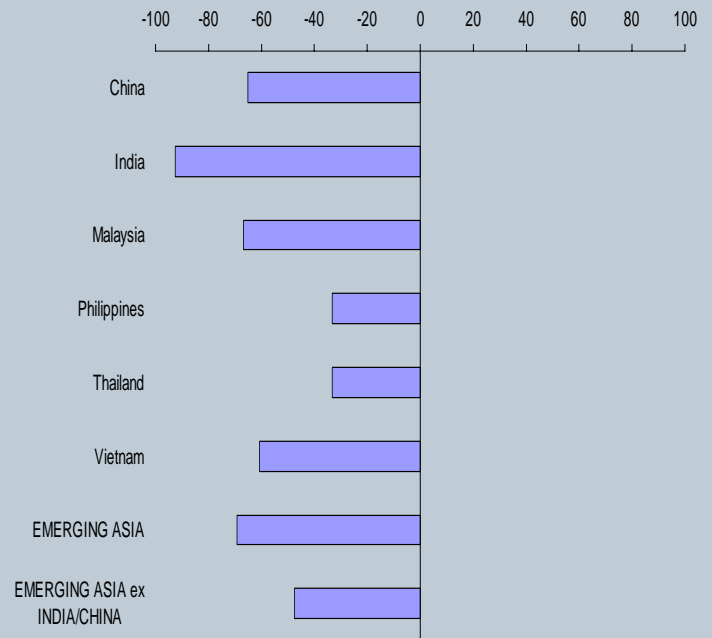
RICS Global Commercial Property Survey

Regional statistics - Emerging Asia

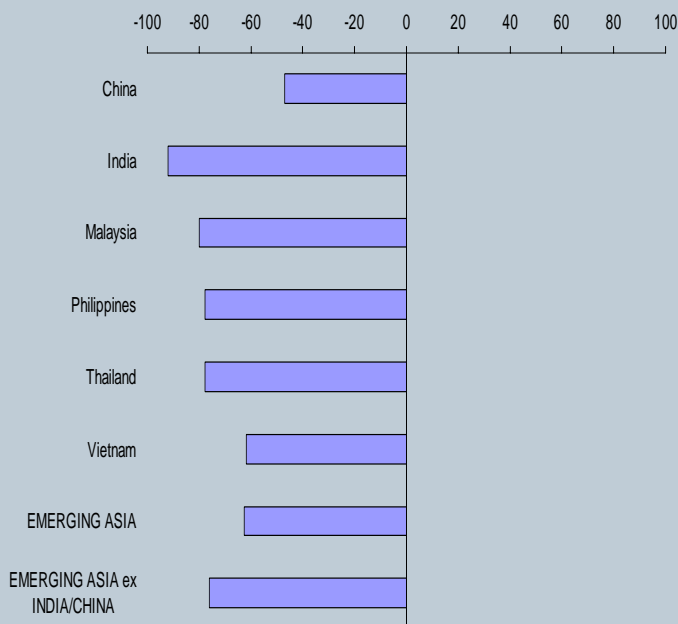
Tenant Demand



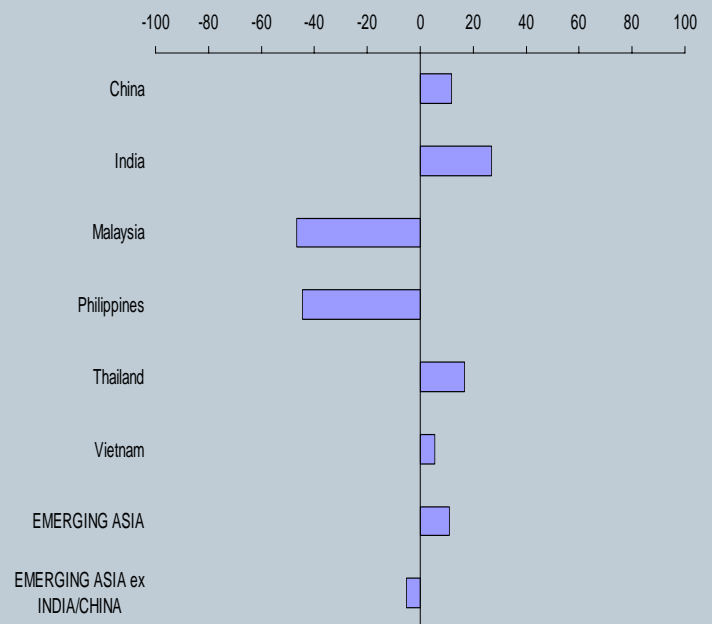
Change in Rents



Investment Bidders



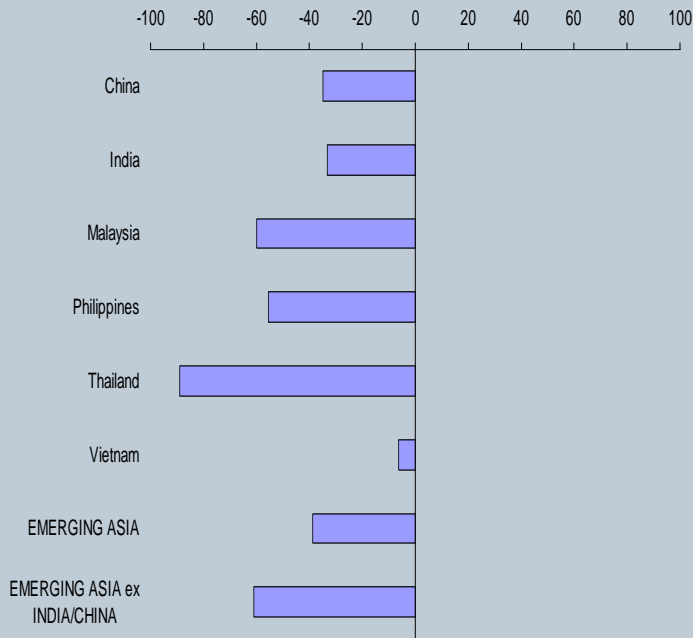
Yields



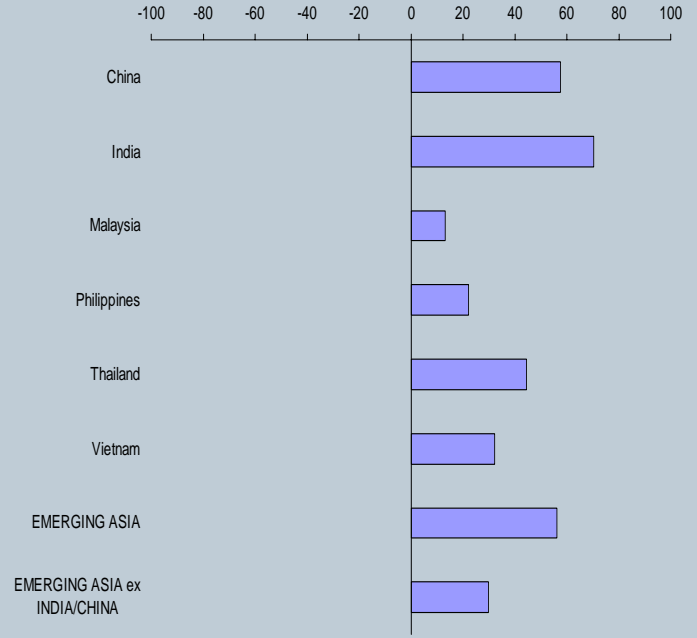
RICS Global Commercial Property Survey

Regional statistics - Emerging Asia

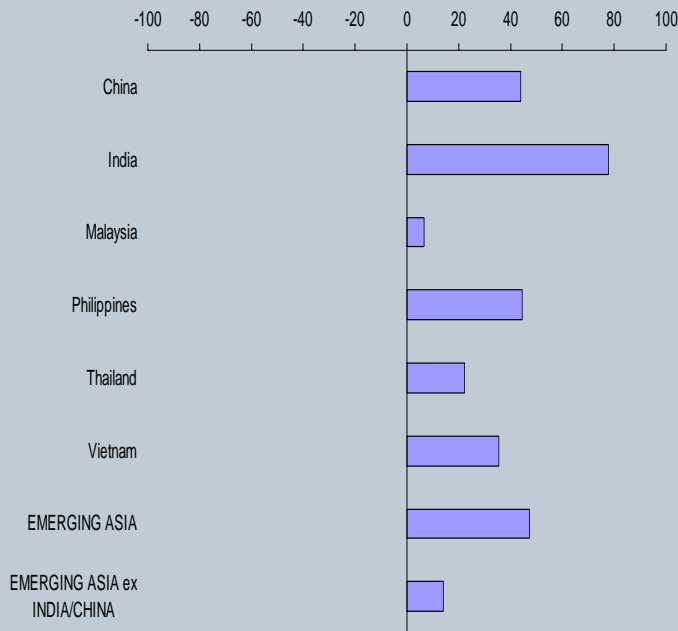
Pipeline Development



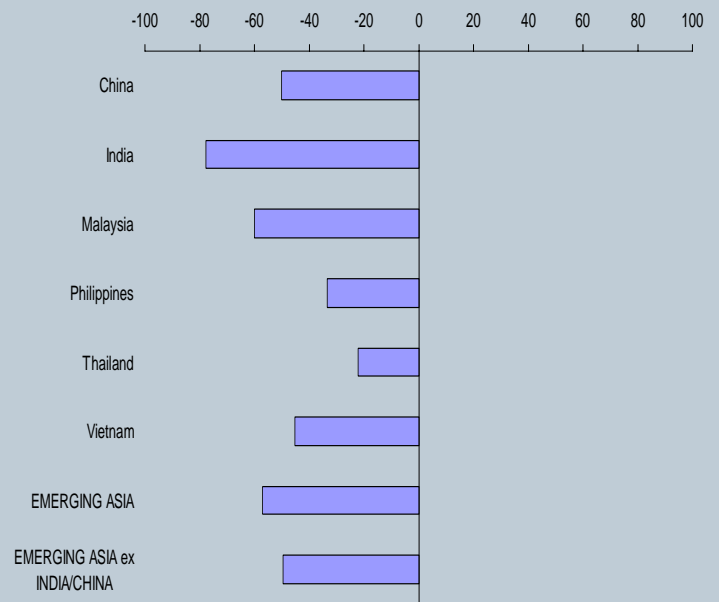
Available Space



Inducements



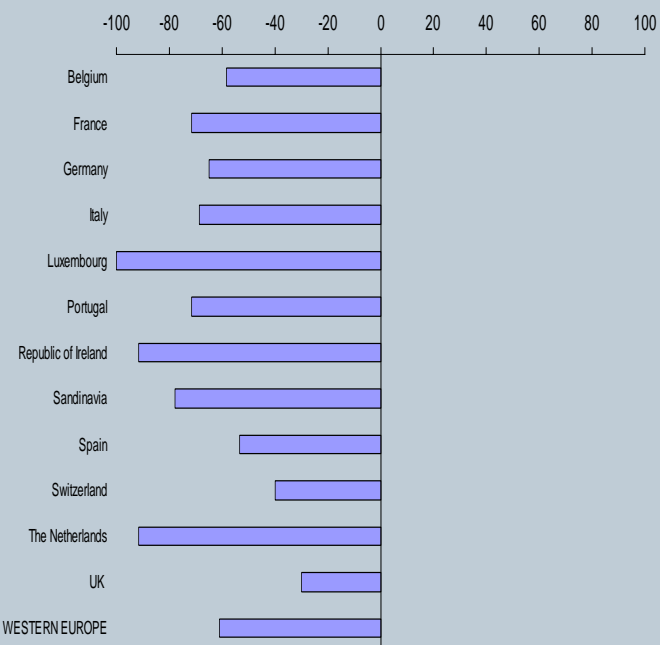
Rental Expectations



RICS Global Commercial Property Survey

Regional statistics - Western Europe

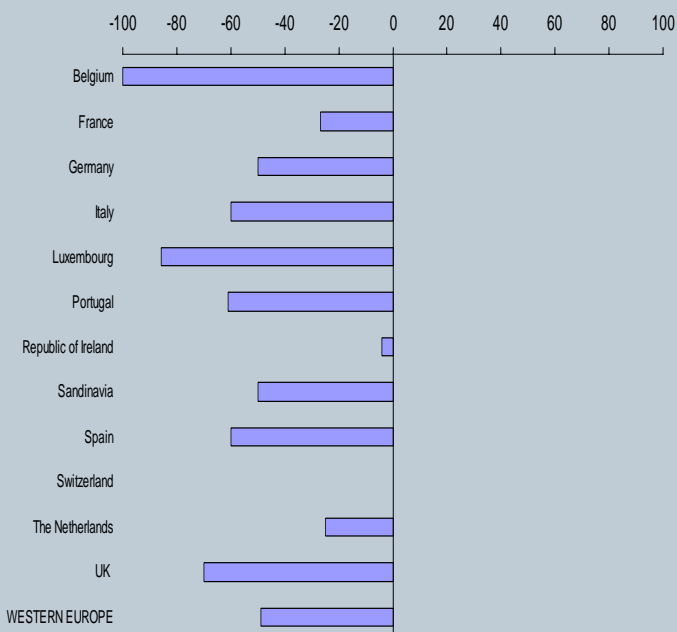
Tenant Demand



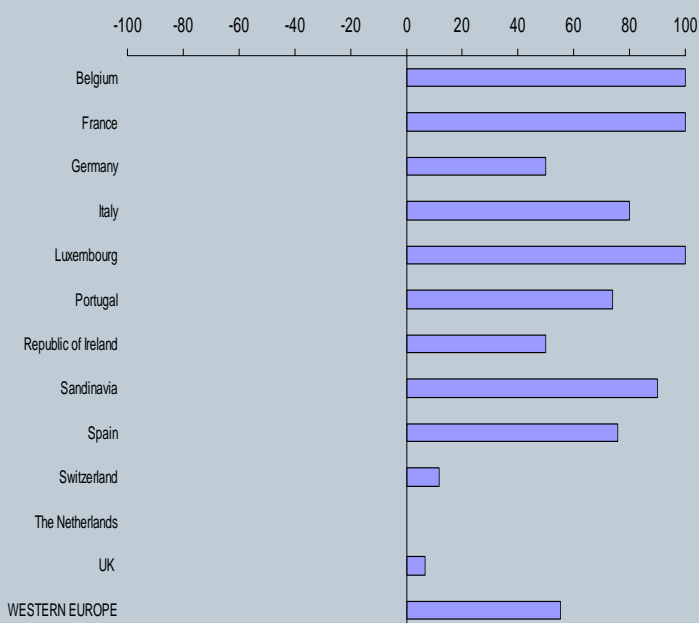
Change in Rents



Investment Bidders



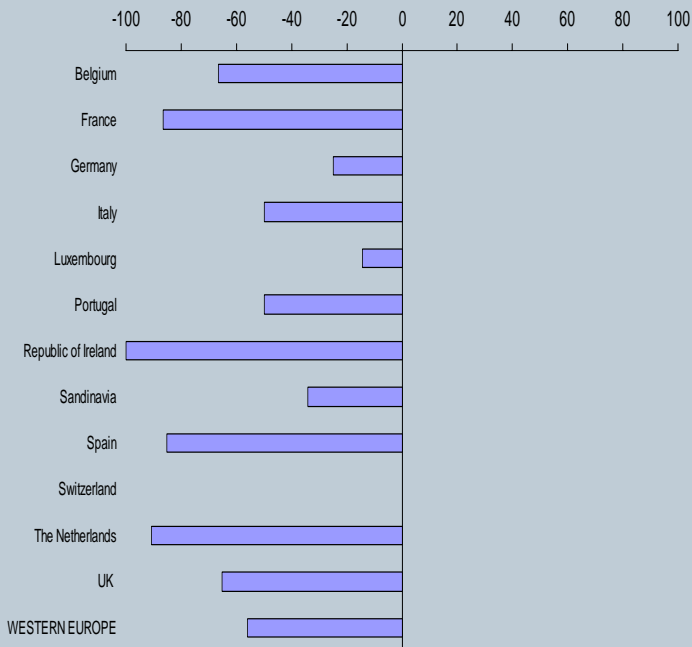
Yields



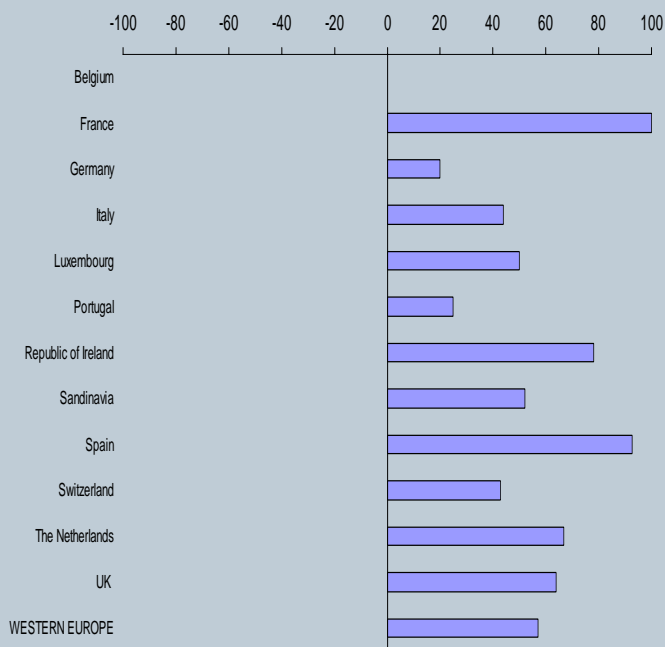
RICS Global Commercial Property Survey

Regional statistics - Western Europe

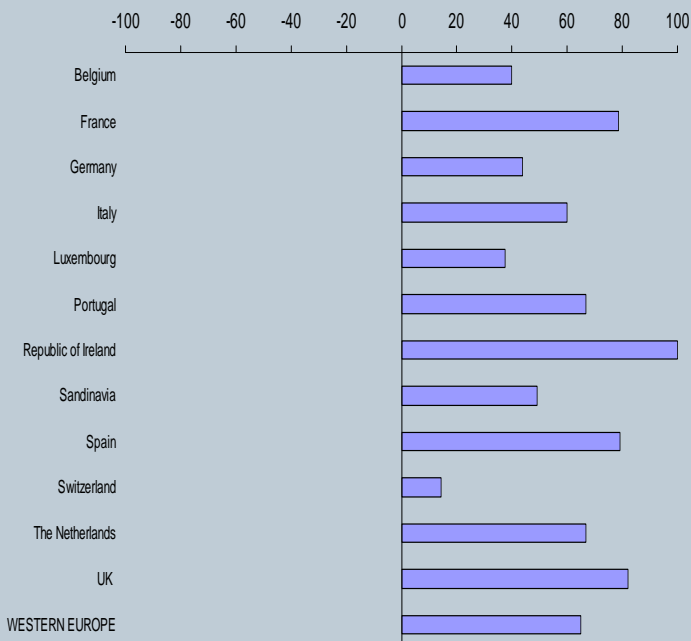
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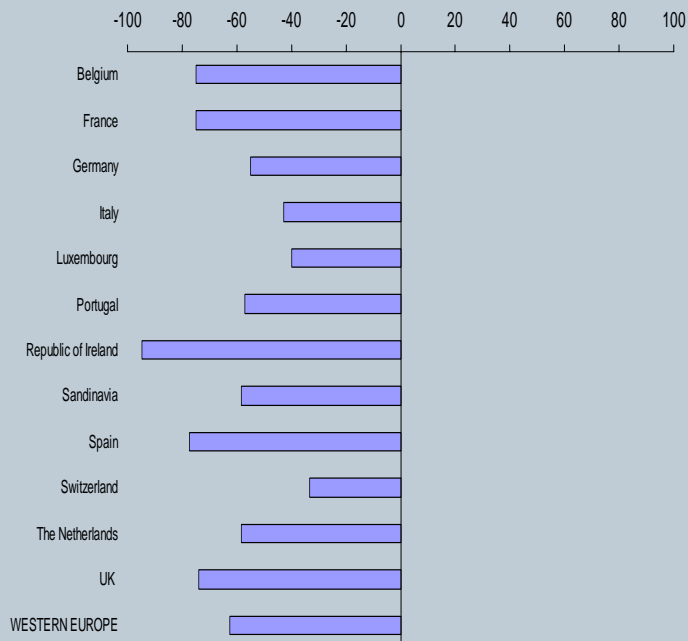
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Inducements



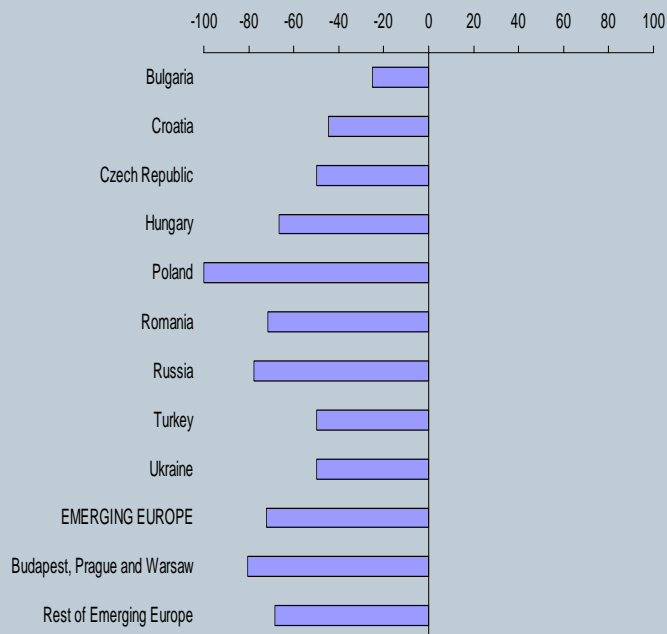
Rental Expectations



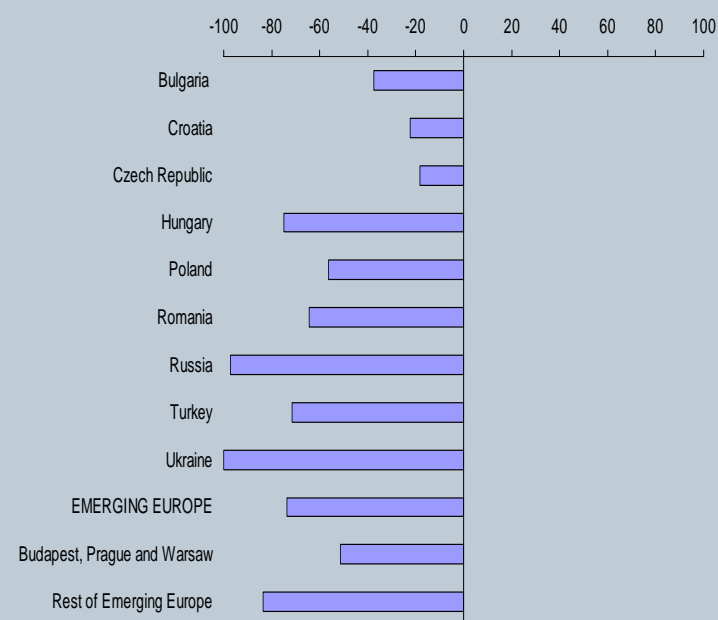
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Regional statistics - Emerging Europe

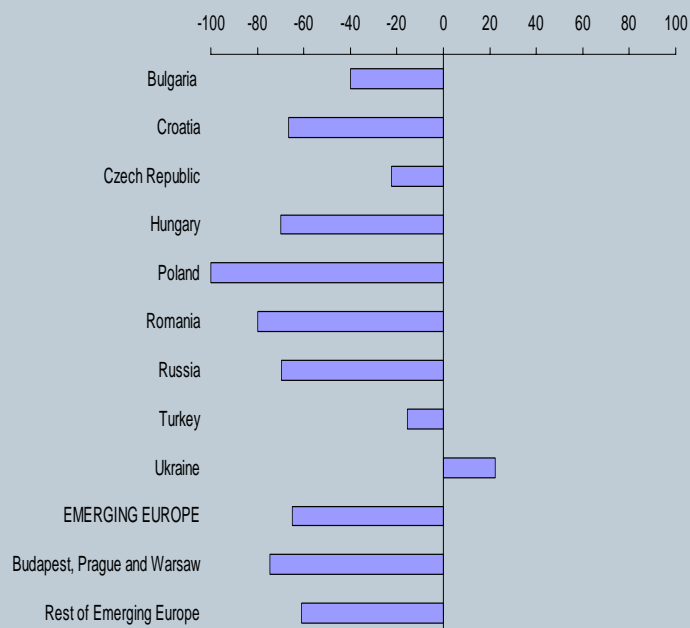
Tenant Demand



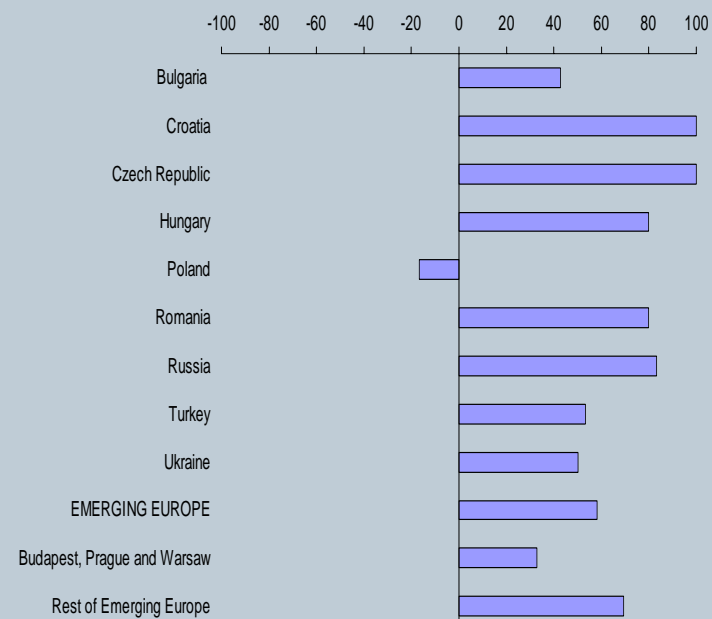
Change in Rents



Investment Bidders



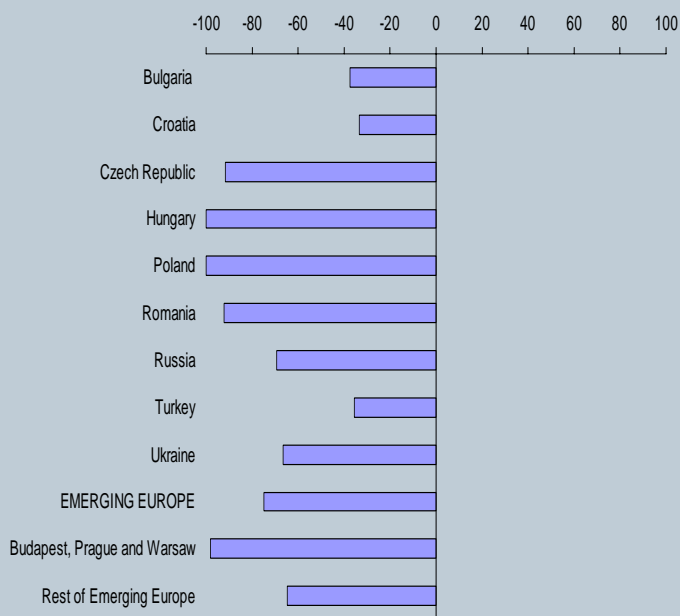
Yields



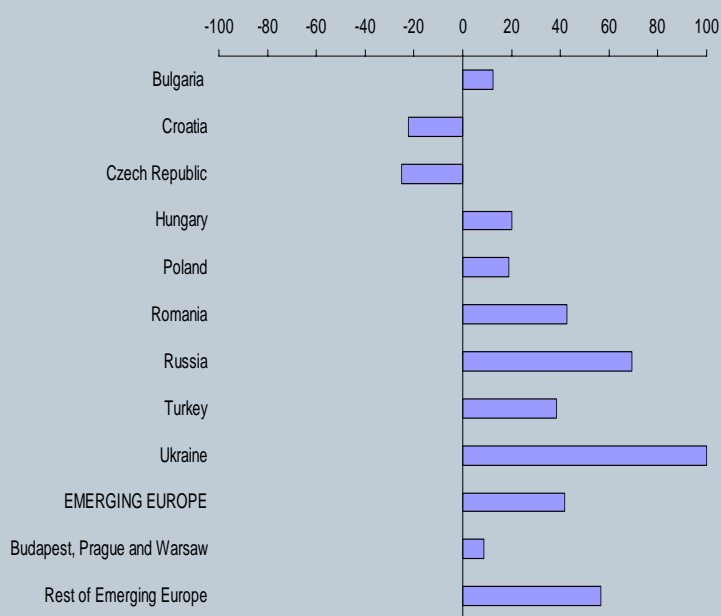
RICS Global Commercial Property Survey

Regional statistics - Emerging Europe

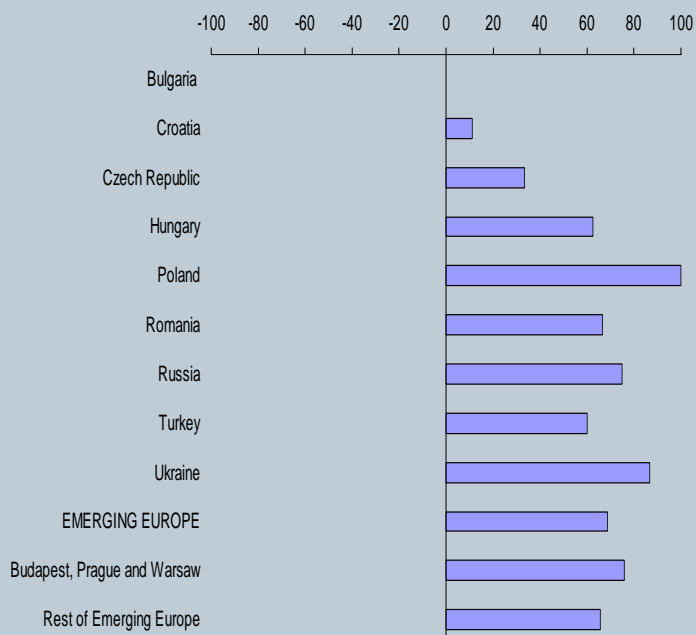
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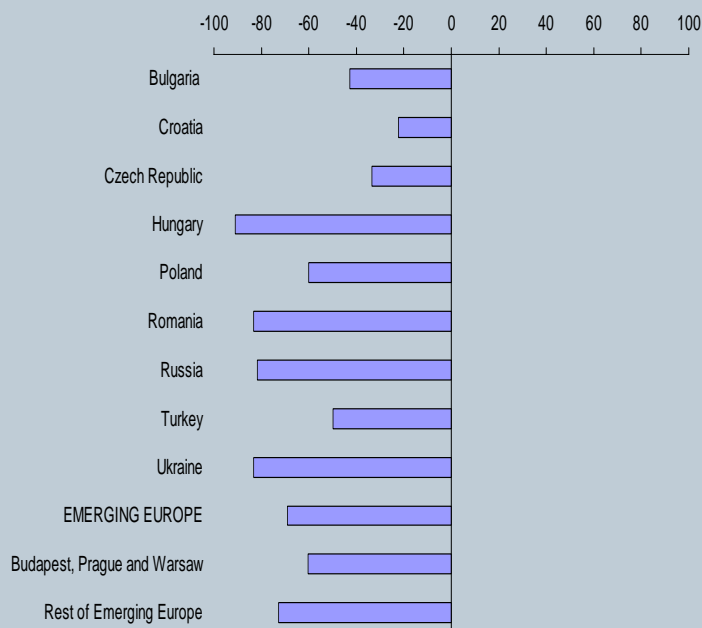
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Inducements



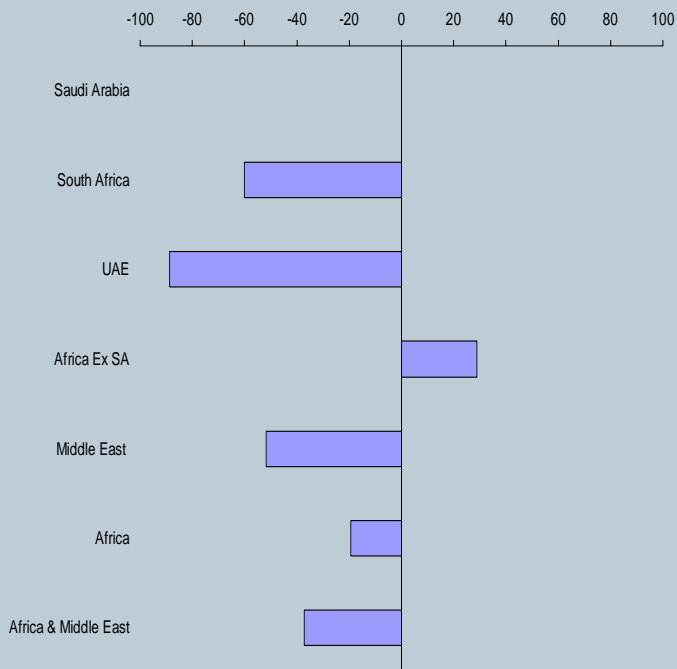
Rental Expectations



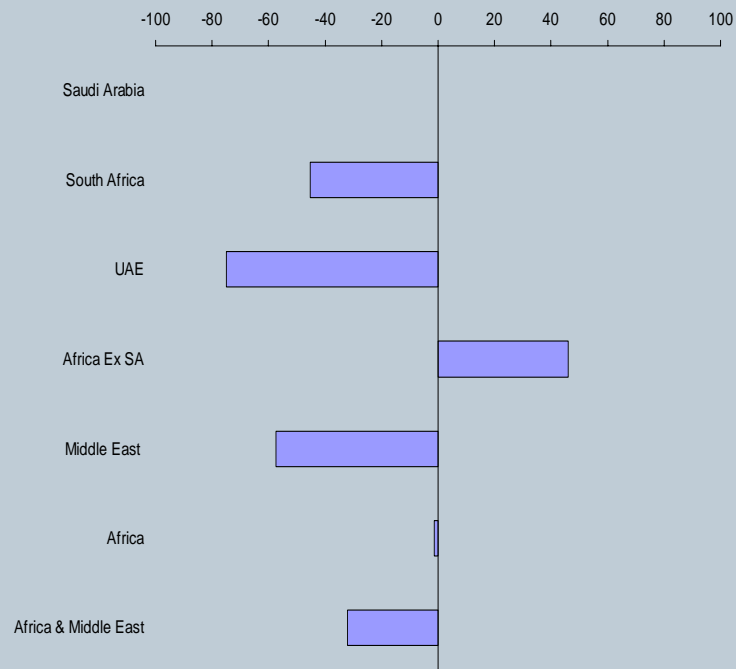
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Regional statistics - Africa and Middle East

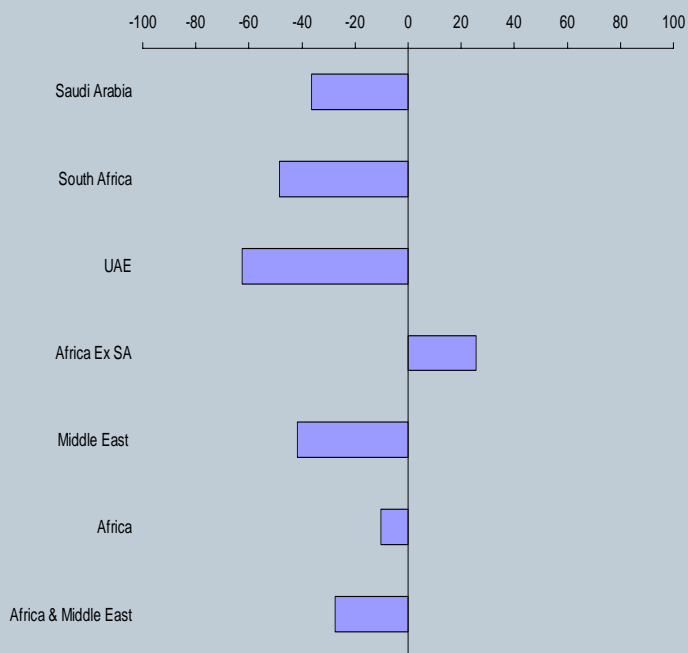
Tenant Demand



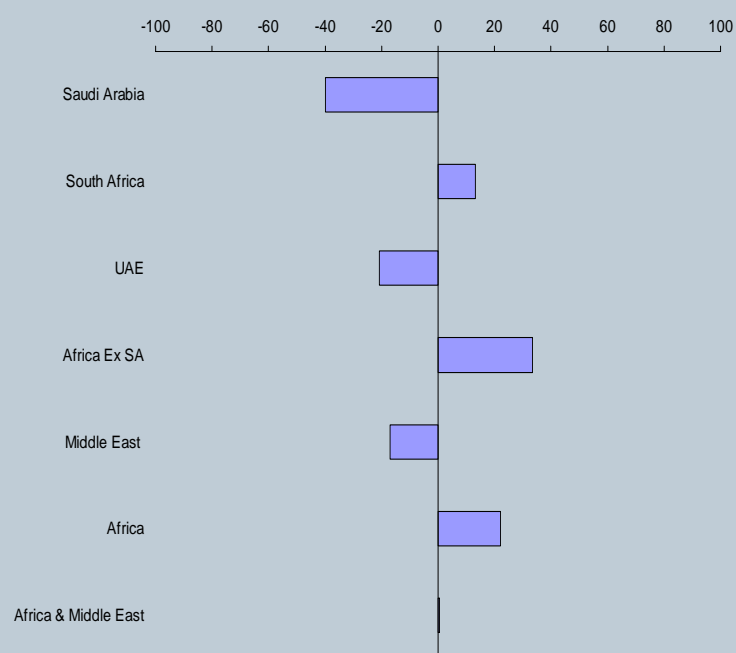
Change in Rents



Investment Bidders



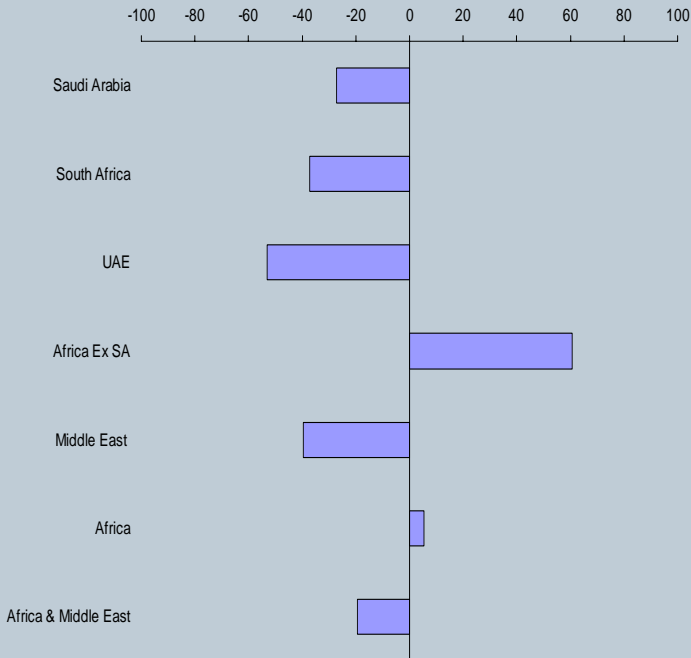
Yields



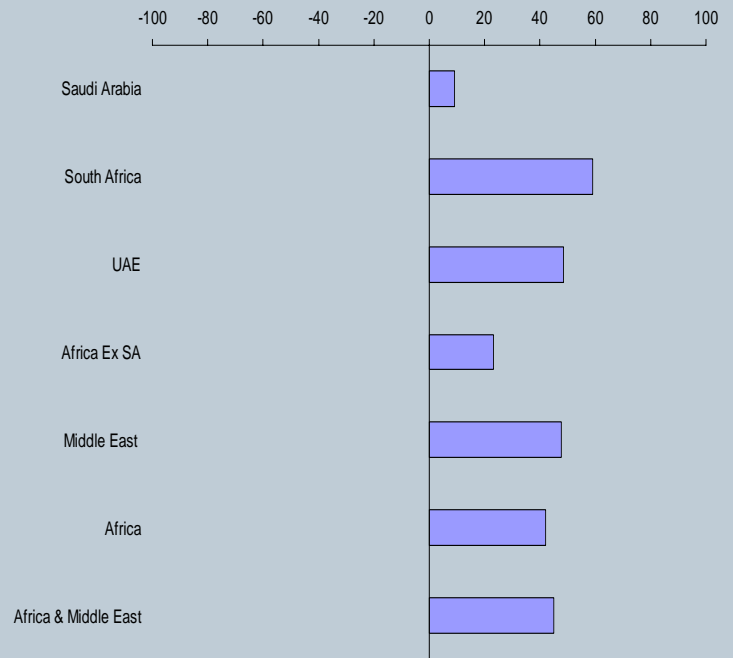
RICS Global Commercial Property Survey

Regional statistics - Africa and Middle East

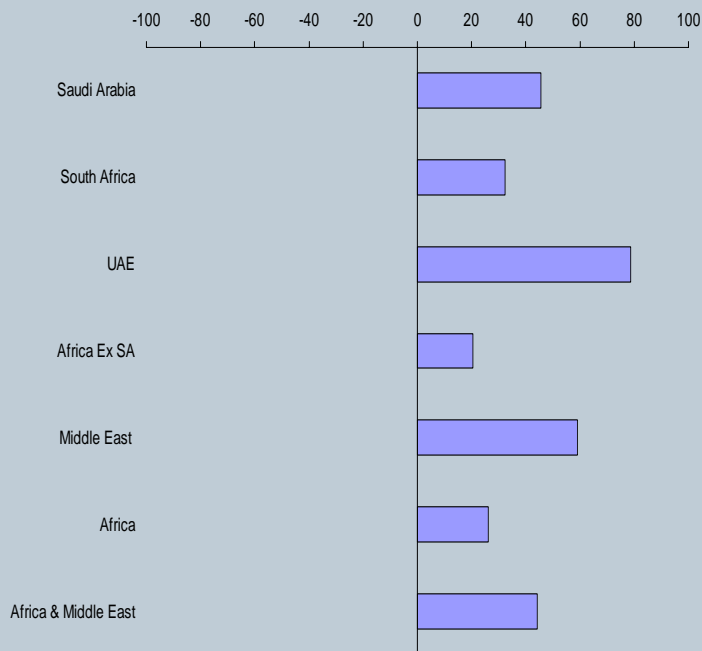
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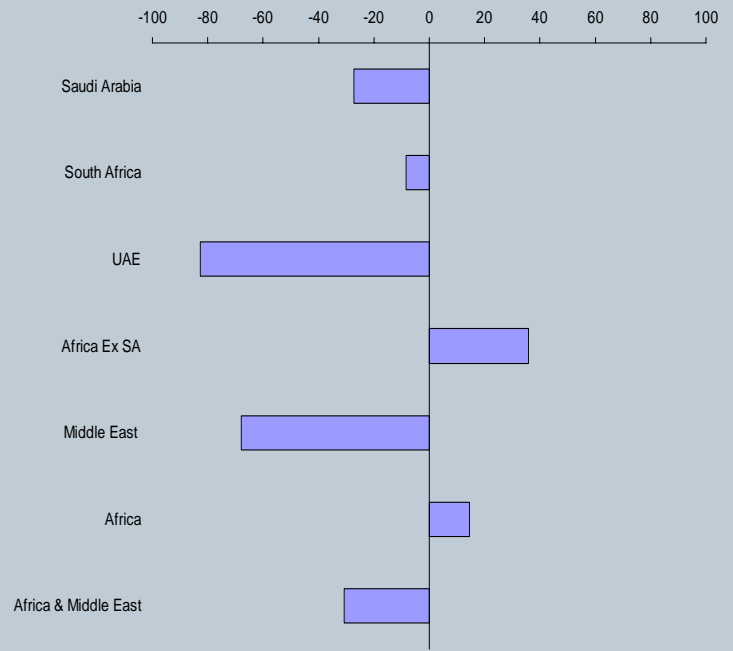
Available Space



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

This survey of the UK Commercial Market was conducted in conjunction with YouGov, a leading online research company. 361 surveyor offices responded to the questionnaire conducted between 19/03/2009 and 07/05/2009. This survey was run in accordance with MRS guidelines. YouGov have been appointed to conduct the majority of RICS surveys from December 2008.

Methodology

Survey questionnaires were sent to real estate organisations in March 2009, with responses received up until the 7th of May 2009. Respondents were asked to compare conditions over the latest Three months with the previous three months. A total of 361 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 eight 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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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

Become a member of RICS

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RICS Global Commercial Property Survey

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/GPScomments2009q1

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