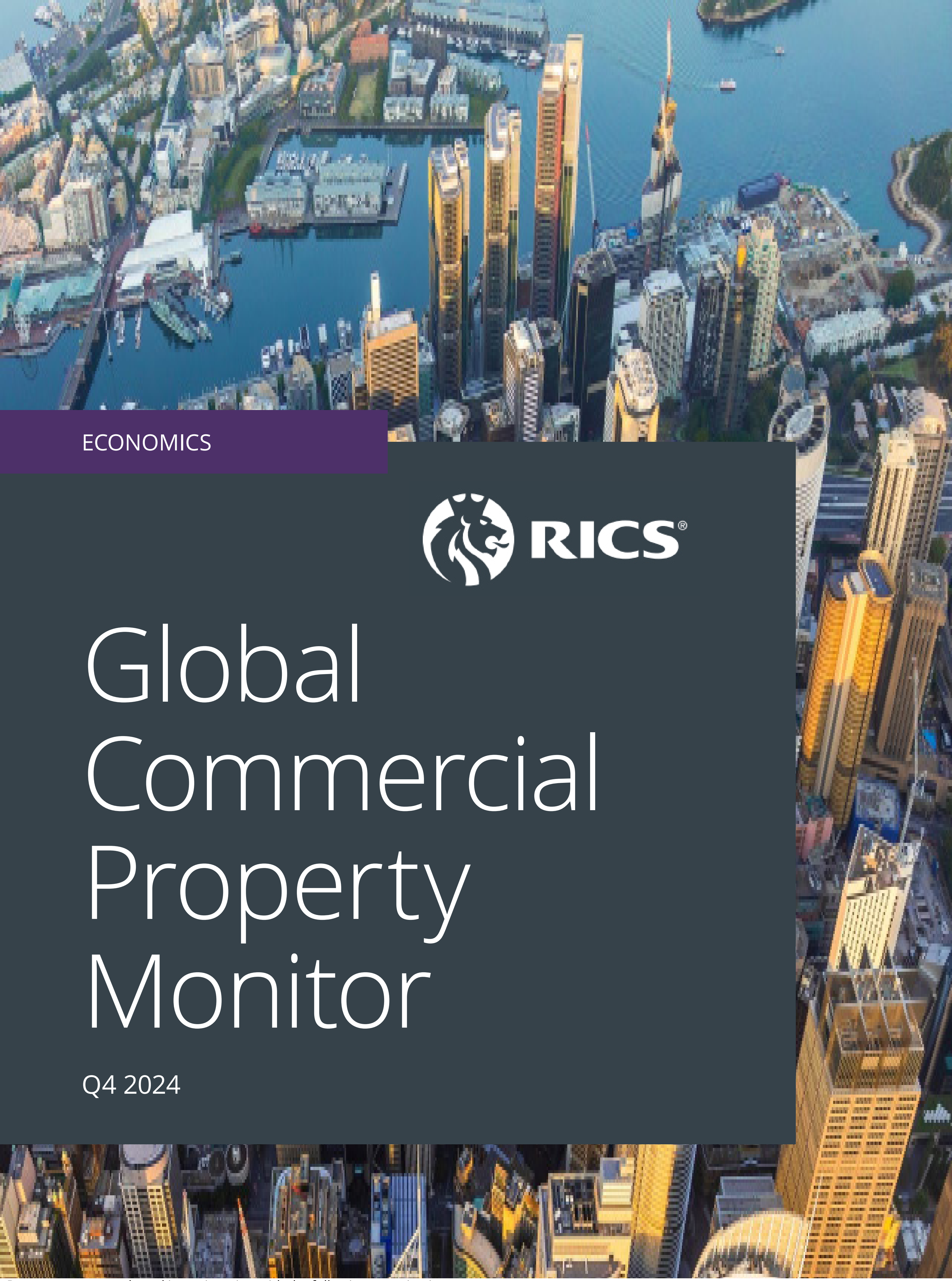


ECONOMICS

Global Commercial Property Monitor

Q4 2024

Responses were gathered in conjunction with the following organisations:

ECONOMICS

Headline sentiment index flat to end the year but the investor enquiries metric did rise slightly in several markets

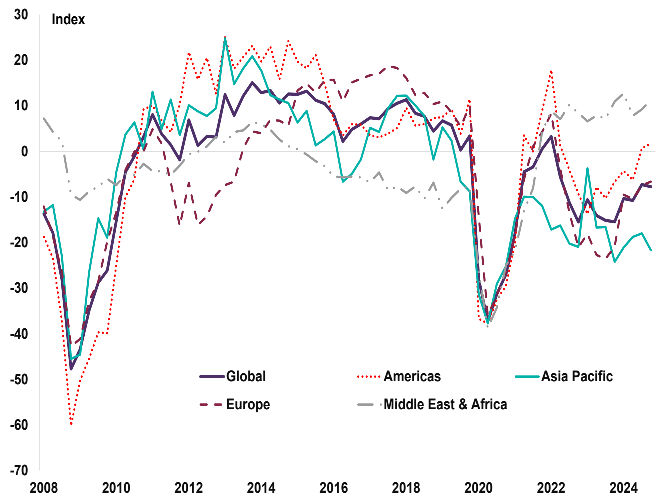
- The headline RICS Global Commercial Property Sentiment Index was little changed in Q4
- Credit conditions continue to improve, albeit more modestly, despite the rise in bond yields
- Investor enquiries metric generally turned more positive
- Data centres likely to deliver strongest returns over the next twelve with prime assets more generally continuing to be favoured

At a headline level, it could be argued that the tentative signs of an improvement in global real estate sentiment in the third quarter of last year appeared to stall as 2024 drew to a close. The reading designed to capture confidence amongst respondents to the RICS Global Commercial Property Monitor (GCPM) came in at -8 compared with -7 previously and -11 in Q2. To be clear, the fieldwork for the Q4 survey actually closed on Thursday 16th January so responses (at least in some markets) are likely to have been influenced by the deleterious trend in major bond markets that continued into the early part of the New Year.

For the record, ten year US Treasury yields, which hit a low of 3.6% in mid September, ended 2024 around 4.5% before briefly touching a high of 4.8%. However, we would caution against overplaying this theme given that the Investment Sentiment Index subcomponent of the aggregated number was actually marginally less negative in Q4 compared with Q3; it was the Occupier Sentiment Index that actually recorded a slight drop from the previous survey.

Predictably, the headline measures of sentiment mask significant variations at both a regional and country level. Looking at the former (which is highlighted in Chart 1), the reading for the Commercial Property Sentiment Index (CPSI) in the Americas came in at +2 compared with +1 previously. For APAC, the equivalent numbers are -22 and -18 but, as has been the case for some time, the divergence in trends at a country level is more marked in this region than elsewhere. In Europe, the CPSI was unchanged at -7. Meanwhile, MEA remains the area where sentiment amongst contributors is most upbeat, with the CPSI coming in at +11 compared to +8 and +9 in the preceding quarters.

Chart 1 - Commercial Property Sentiment by Region

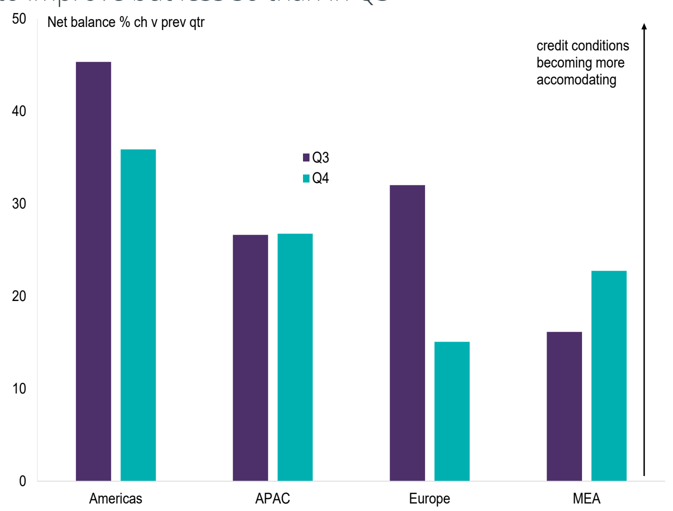


Credit conditions improve but less so than in Q3

Despite the unhelpful moves in bond markets, the credit conditions metric in the GCPM once again points, on balance, to respondents (at a global level) seeing a further loosening in the lending environment as it pertains to real estate. Chart 2 shows the results in net balance terms at a regional level for both Q3 and Q4. In the Americas, the positive reading (more contributors pointing to an easing) of +36% compares with +45% in the previous three month period. Nevertheless, this is the fourth consecutive survey in which the picture appears to be improving and contrasts sharply with an average net balance of -40% (envisaging a tightening in conditions) through 2023. And, interestingly, a broadly similar pattern is visible in the Q4 responses from the United States.

In the case of APAC, the improvement in credit conditions across the region as a whole was the same as in Q3. However, the headline number was once again dragged down by feedback from Hong Kong in particular which is indicative of a further tightening in the financial climate. The picture for Europe was more broadly aligned with that in the Americas albeit with lower net balance results. Of the major markets in the region, most continue to generate results indicative of a further loosening in conditions although it is noteworthy that feedback from France was more cautious (net balance -27%) perhaps reflecting ongoing political challenges. At the same time, there was also a slightly negative trend in the UK (-7%). Meanwhile, MEA stands out as the one bloc where contributors suggest that credit conditions are loosening and at a faster pace.

Chart 2 - Credit conditions in real estate sector continue to improve but less so than in Q3



Perceptions regarding market cycle provide further reassurance

Although the headline sentiment metrics may not have followed through on the Q3 improvement, other results that form part of the survey are, on balance, suggestive of a modest positive shift in the mood music. The aggregated global feedback as to where in the cycle respondents perceive their local market to be is depicted in Chart 6. As in Q3, just under one-third of contributors suggest real estate is still in the downturn phase with a little over one-third contending that it is now in an upturn. Disaggregating the results, however, provides more interesting reading.

Significantly, the share of contributors in the Americas taking the view that the market is in an upturn phase has jumped to just shy of 50% with the proportion suggesting that it is still in a downturn (or at the bottom of the cycle) dropping from 57% to 50%; the results for the US specifically are broadly aligned with this pattern which is particularly interesting in view of the move in bond markets. Alongside this, an increasing share of respondents from the US suggest that there is now greater value to be found in real estate, a quarter argue that it is now cheap (to some extent); this is the highest proportion who have taken this view since this question was introduced in 2015.

A generally positive message also, unsurprisingly, is evident in the numbers from MEA, with 54% of respondents believing the market to be in an upturn phase of the cycle and a further 10% in the peak phase. That said, after a strong run from key markets in this region, 44% perceive their local market to be expensive, with only just over 10% viewing it as cheap. The European story at an aggregate level is little different from Q3 but there is greater pessimism from French respondents and some level of caution from those in the UK.

Finally across APAC, almost half of those completing the questionnaire indicated the market was still in a downturn, with a further one in five sensing that it is at the bottom of the cycle. Inevitably, it is the results from China and Hong Kong that are continuing to weigh on the regional aggregates while the feedback from India remains particularly upbeat; almost two-thirds of respondents perceive this market to still be in an upturn phase although 13% do now see it as being in the peak phase of the cycle. Interestingly, valuation concerns still appear contained in India with roughly half of respondents viewing it as offering fair value.

Investment appetite beginning to re-emerge

Chart 3 - Investment enquiries are on balance showing a more encouraging trend

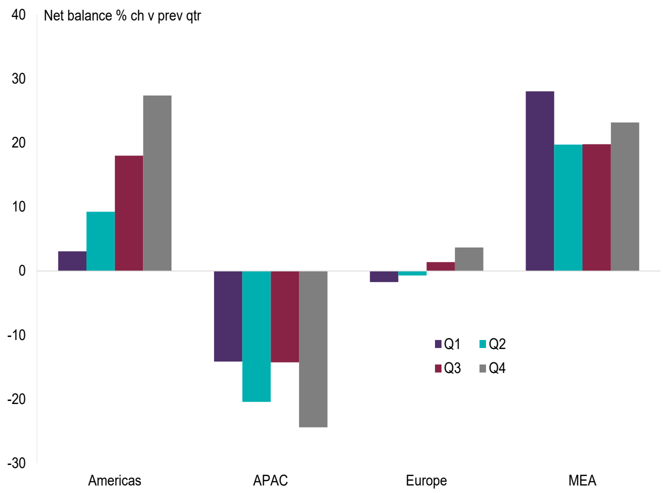
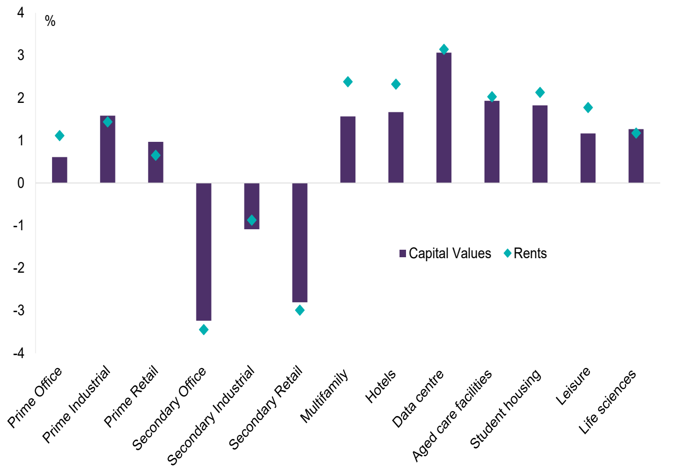


Chart 4 - Twelve month global expectations for capital values and rents



While the feedback on global investment enquiries is, in aggregate, still only modestly positive in net balance terms (+4% against +3% in Q3), there are once again more encouraging signs in the disaggregated results. Taking the Americas as an example, the investment enquiries net balance actually rose to +38% compared to +18% and +9% in the preceding two quarters. Interestingly, this improvement is being led by the hard pressed office sector, where the net balance reading climbed from +2% to +26%; this is only the second positive reading for this indicator since the first half of 2022. Meanwhile for Europe as a whole, the investment enquiries net balance edged up from +1% to +4%. At the same time, the investment enquiries net balance in MEA rose from +20% to +23%. It is only in APAC where the headline reading for this series is still consistent with a further drop in activity but, as referenced in the earlier discussion, this reflects the ongoing challenges in the Chinese and Hong Kong real estate markets. Looking at the picture in a different way, the investor enquiries indicator produced a positive reading in 70% of the countries included in the GCPM.

Expectations remain most upbeat for alternatives

As has been the case for a while now, respondents to the GCPM see returns as likely to be strongest in what may be described as the alternative asset classes. Chart 4 tracks the projections for the next twelve months for capital values and rents at a global level. Significantly, data centres continue to be the star performer with prices on average anticipated to increase by a further 3% over the period (rents are seen as recording a similar gain). When analysed at a regional level, this asset is judged as likely to post the firmest rise in capital values in MEA (at 5%) with Europe and the Americas at 4%. Other alternative assets are viewed as likely to record slightly more modest gains in prices although rents are forecast to increase more sharply, particularly when it comes to multifamily, hotels and leisure.

In terms of the more mainstream sectors, the bifurcation between best in class and the rest remains in evidence. At a global level, capital values for prime offices are now expected to see a very limited rise over the one year time horizon, the first occasion this has been the case since the second quarter of 2022. For MEA, the polarisation is somewhat less visible with prime offices likely to post an increase of 4% and secondary space seen as showing a potential gain of 2%. In all other regions, the projections for secondary offices remain negative. Meanwhile the story for the retail sector appears not dissimilar. For MEA, capital values for prime retail space are viewed as increasing by over 4%, with the projection for secondary retail running at roughly half this level. The contrast is clear with the other regions where sentiment is pointing towards further declines in prices for less desirable retail assets.

Chart 5 - Twelve-month Global Capital Value and Rent Expectations

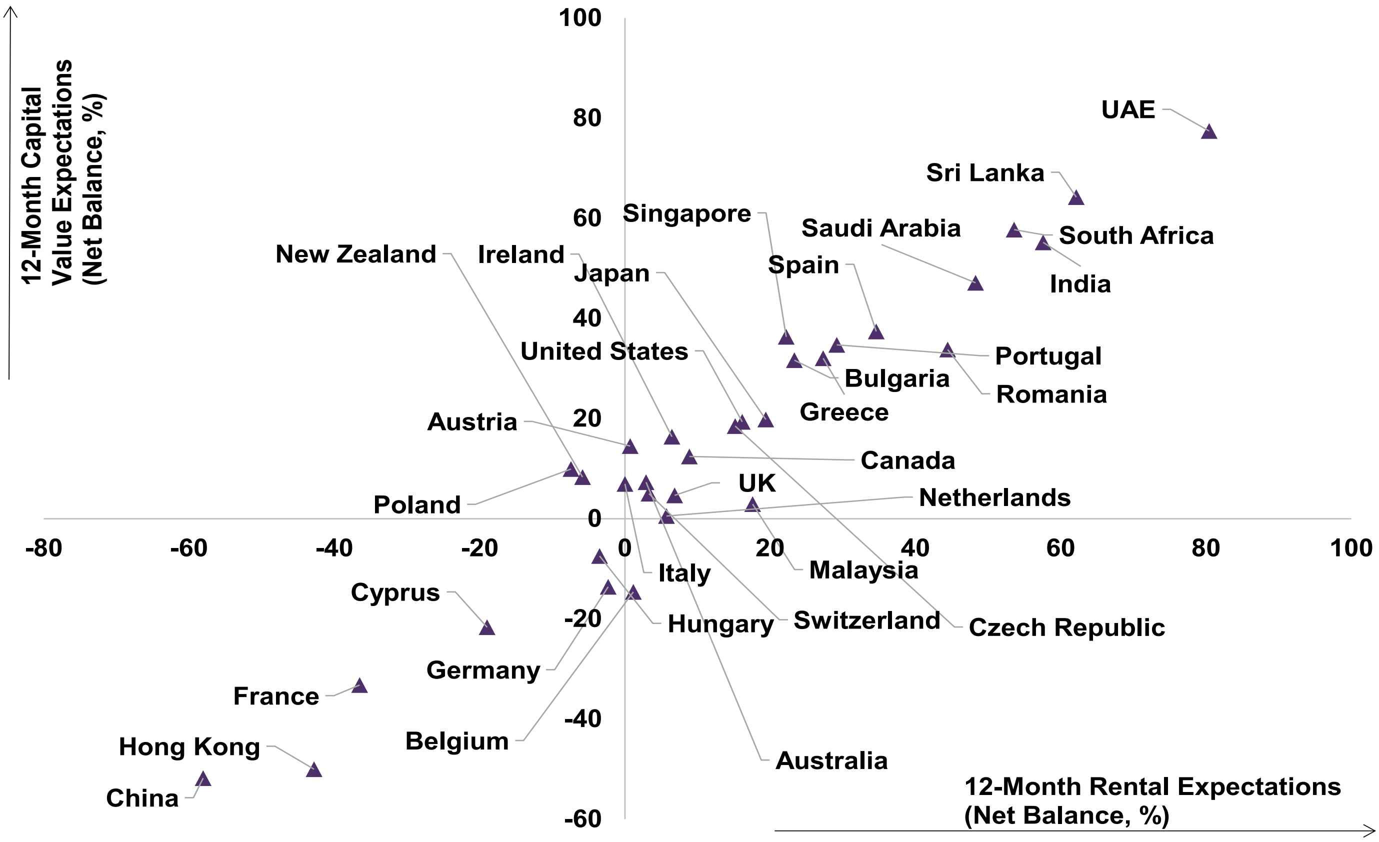
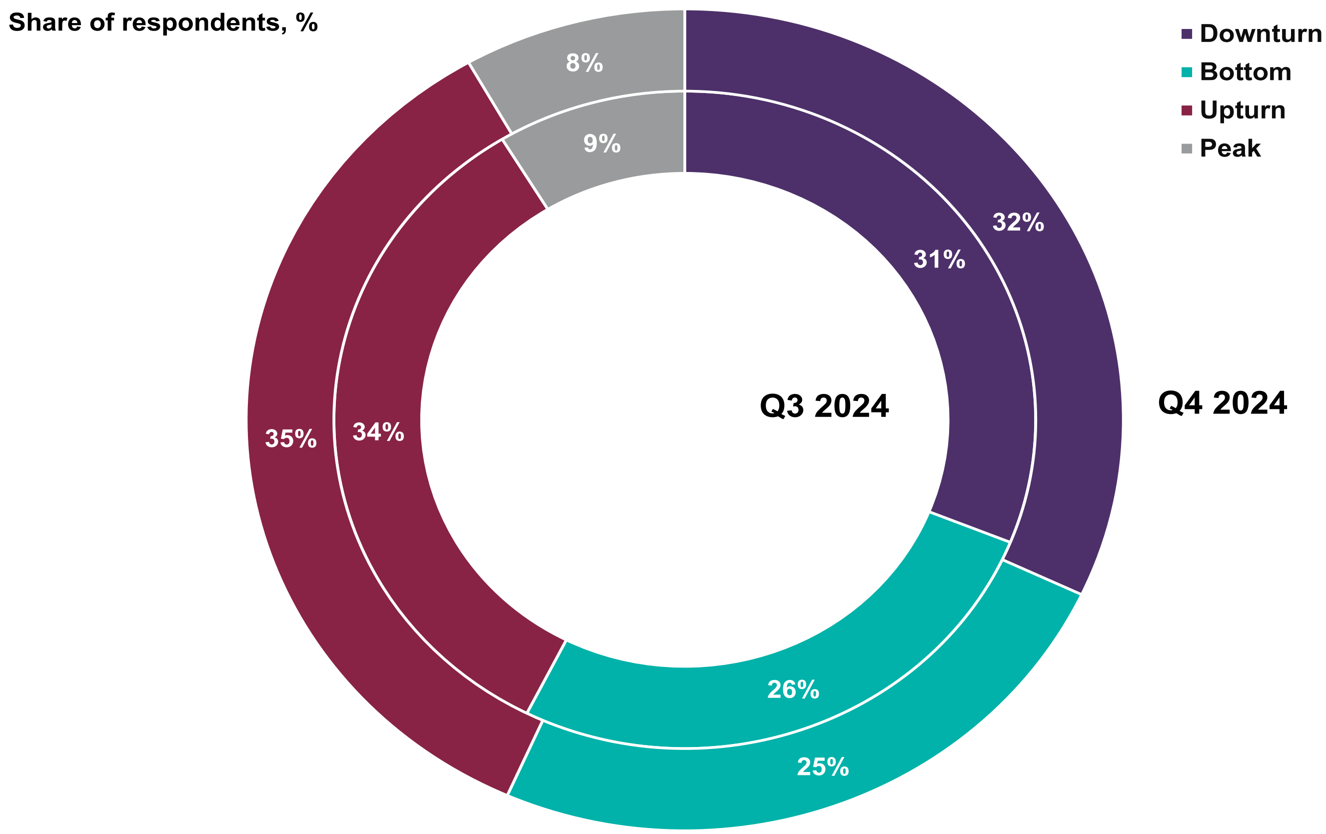


Chart 6 - Global Perceptions Regarding Point in Cycle



APAC: Headline sentiment still subdued but Indian feedback remains firmly positive

The headline RICS Commercial Property Sentiment Index (CPSI) for APAC continues to show a negative trend with a reading of -22 (the aggregated results are weighted according to estimates of the stock of commercial property in each market). Delving a little more deeply into the data, the country level numbers are broadly consistent with the feedback that has been provided by respondents through the first three quarters of the year. Specifically, the results for India continues to show an upbeat mood (+22), albeit a little less so that in Q3. The CPSI for Japan and Sri Lanka also remain in positive territory while the insights from Malaysia are indicative of a stable picture. In contrast, the results for Singapore, Australia, and New Zealand are a little more subdued. However, it is once again China and Hong Kong where responses to the Monitor point to confidence in the real estate sector remaining particulary weak.

Investor demand varies by country

Reflecting the headline numbers discussed above, the results regarding the trend in investment enquiries also paints a mixed picture (Chart 2). Predictably, India continues to show strong investor demand growth, with net balances ranging from +50% in offices to +32% in retail. Positive demand is also evident in Malaysia, notably in the industrial sector where the net balance was little changed at +33%. In comparison, feedback from Japan points to a story of recovery in the service sector, with more encouraging signals seen in the office and retail sectors. In Australia, the retail sector is continuing to struggle to gain any momentum. Elsewhere, investor confidence in Sri Lanka is improving, with metrics indicating a preference for the office and retail sectors. It is noteworthy that the investor enquiries series recorded negative net balances in all three mainstream sectors in Singapore after a run of strong growth. In addition, New Zealand, China, and Hong Kong also show negative net balances across all categories.

Examining at the forward looking data around capital values, it is clear that across much of the region investors have a preference for prime over secondary assets albeit that in some markets, most notably India and Singapore, expectations for the latter are still generally positive.

Mixed perceptions despite improved credit conditions

Credit conditions in major markets continue to improve noticeably, with APAC policy rates trailing the US Fed rate cuts. The general credit condition indicator averaged +27% in net balance terms but Hong Kong was a notable outlier with the results actually pointing to a tightening in conditions. That said, the general improvement has not translated into the overall increase in investment or occupier demand in markets like China and New Zealand where the effects of a more favourable monetary policy have yet to materialise.

Meanwhile, when it comes to the perception about where in the cycle markets currently are, for APAC in aggregate a higher share of respondents are pointing to a downturn or the bottom (48% v 44% previously). This is particularly marked in the ANZ, China and Hong Kong markets where over 70% of respondents take this view. Unsurprisingly contributors from India remain more upbeat as do those in Malaysia, and Singapore. Moreover despite its ongoing strength, more than half of the responses received suggest that the Indian market is still priced as 'fair value'. In contrast over one third see the Hong Kong market as dear.

Chart 1 - Commercial Property Sentiment Index

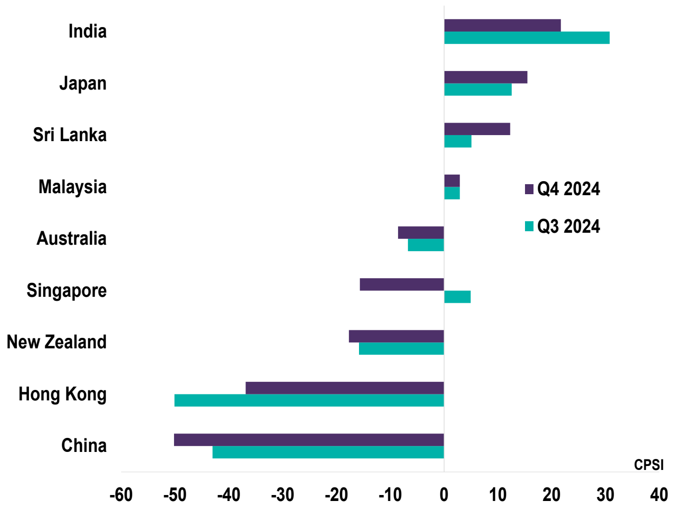


Chart 2 -Investment Enquiries by Country

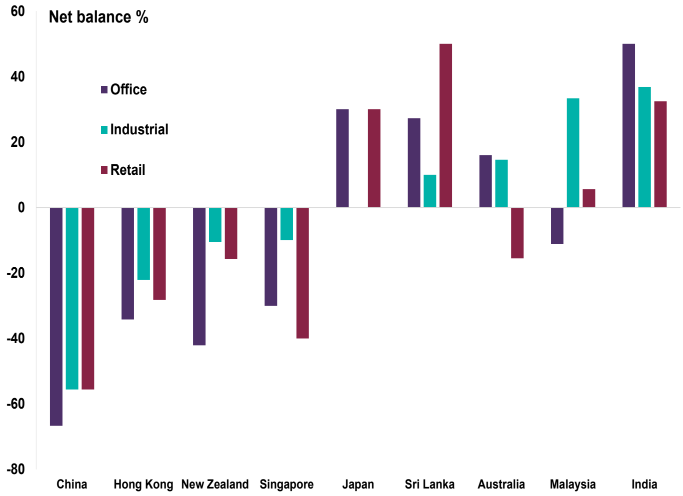
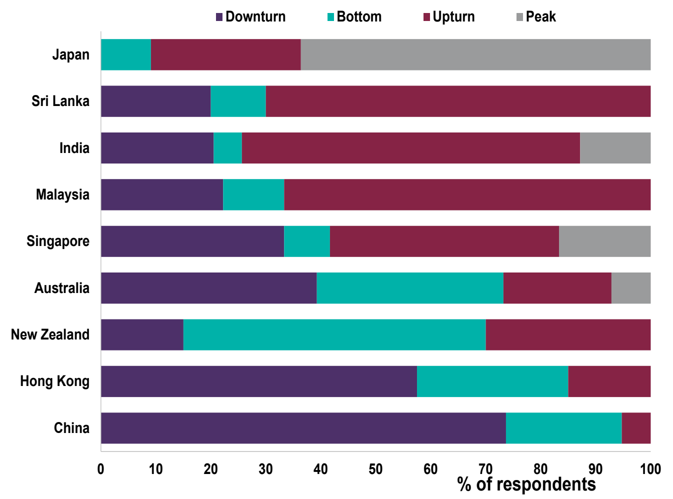


Chart 3 - Property Cycle Perception



Regional comments from survey participants in APAC

Australia

Strong in most sectors except retail. - Gold Coast

Tight conditions across all segments due to unexpected interest rate rises. The cycle is probably close to the bottom, but the upswing will depend on when the RBA reduces interest rates, currently forecast for mid to late next year. Tasmania is a small island state, and the economic cycle is often out of step with the rest of Australia. - Hobart

The forecast movement of the construction and property markets is still uncertain due to the wars. Slight increase of rent in certain sectors is expected, but the demand of commercial offices is very weak. - Kogarah

Comments from a property management perspective: Strong demand for industrial remains whilst office struggles, with some people offering up to 70% incentives to let. - Melbourne

Self-storage remains a robust, resilient and sought-after asset class. - Melbourne

Although economic rents aren't expected to support new projects in the office market any time soon, the need for secondary stock to maintain its relevance in a market trying to secure new tenants will ensure that capital is directed towards refurbishment works. - Melbourne

Recessionary. - Melbourne

It would appear that premium quality office asset yields are stabilizing however some A-grade, and most B-grade assets are likely to see further yield decompression in 2025 especially those assets where tenant risk is perceived to be high and/or are not sited in the preferred CBD locations. - Melbourne

The market is generally stagnant. - Surry Hills

Very quiet final 6 months of 2024 in the Sydney CBD office leasing market, however, some increased activity are noted at the smaller part of the market. - Sydney

Weak however the activities are slowly increasing. - Sydney

The market is wary of the domestic economic situation and expects interest rates to start declining in 2025. - Sydney

Brunei

General market conditions are sluggish, with reduced business activities throughout the construction industry. Compared to last year, there is a lack of demand due to reduced public spending. Although interest rates and inflation have abated, consumer confidence and spending have remained subdued. The economy is expected to worsen throughout 2025 before it improves. - Bandar Seri Begawan

Cambodia

The real estate market is down, affected by the COVID-19 pandemic and global political issues. - Phnom Penh

China

In Beijing, office rents are expected to be under pressure due to weak demand. Given the limited new supply in core areas, quality buildings with good credentials are expected to be well-positioned for a recovery once demand improves. Demand for retail space from fashion, sports, lifestyle brands, and food and beverage operators is expected to remain solid. - Beijing

The market is not good. - Shanghai

The market is sluggish overall, not promising in the short term. - Shanghai

Hong Kong SAR

Inactive market. We need to be cautious.

Slow economic recovery still has impact on confidence of property investors.

The overall Hong Kong economy is still poor and in downturn which impacts the real estate market.

The political dispute between China and the US is having a negative impact on Hong Kong's economy.

Very weak demand (both investment and rental) in commercial property sector.

The speed at which China's economy improves is key to rebooting Hong Kong's property market. Uncertainty remains over China-US relations.

High interest rate and slow economic recovery still have impact on confidence of potential buyers of commercial properties.

The property market in Hong Kong is quite challenging in 2024. The overall prime office market is expected to stabilise in 2025.

It will turn up in about 12 months. - Hong Kong

India

Strong demand for industrial sector. - Bengaluru

India is a vibrant market but prices need to checked and rechecked. - Bengaluru

The redevelopment of TNHB apartments is at its peak. The Chennai metro is operating well in two corridors between Chennai Central and the Airport. Another corridor is in progress from Manali to Siruseri IT Park, which is the longest one. There are also a few lines inside the CBD. - Chennai

Market seems to be expensive but there is still room for appreciation. - Delhi

Good market, potential to grow but very unorganised. - Hyderabad

Bubble at its peak, anytime it could burst and impact will be critical. - Hyderabad

Panicking condition for all sectors as the cost is very high and quality has reduced. No quality contractors are available. - Hyderabad

Stable market conditions with a possibility of a slight downturn in the coming times. - Kolkata

Stable market. Industrial warehouse demand is high. - Kolkata

Real estate market is normal and may go up in 2025. - Mumbai

The real estate market in India is on an upward trend, offering good returns with moderate levels of risk. - Mumbai

Indian markets are in high demand due to the China+1 policy shift, making India a reliable source for global giant companies setting up new factories and other facilities. - Mumbai

Markets conditions are improving and demand for residential property goes up. - Mumbai

Demand for office space has increased, indicating an overall improvement in the economy. Real estate (residential projects) is becoming more transparent. Government policies and regulations are facilitating the implementation of these projects. - Noida

The economy is sluggish, impacting many sectors. - Pune

In general, the capital values of retail properties are on an upward trend, but industrial and office properties are on a downward trend. - Trivandrum

Indonesia

Data centre developments are still playing a significant role. The new president has made several overseas visits, including to the UK, with attracting investment being part of his agenda. - Jakarta

Regional comments from survey participants in APAC

Malaysia

Early improvement in the market with prime properties increasing by 5-15%, while properties in secondary locations remain unchanged, with some decreasing in capital values by 5-15%. The rental market has generally increased by 5-20%, especially in prime locations for residential, retail, and office premises. - Johor Bahru

A booming trend for data centres. - Johor Bahru

The real estate market is largely independent but often influenced by unscrupulous real estate agents who provide misleading projections about property prices and locations. For example, these individuals may speculate that property values will increase by 20-28%, even when the current market price does not support such projections. This artificially inflated pricing makes it difficult for buyers. - Kuala Lumpur

The market is still in the midst of consolidation and has yet to hit bottom. - Kuala Lumpur

It will be a challenging year ahead for most sectors except prime industrial. - Kuala Lumpur

The world market is expecting Trump/America to increase trade tariffs early next year. - Kuala Lumpur

The impending Trump government taking office in 2025 will have a great impact on world markets and economies. - Kuala Lumpur

The market has fully recovered from the pandemic and reached a significant level of maturity. New development starts are subject to more stringent assessments of demand and supply parameters and more in-depth analysis of catchment areas. - Kuala Lumpur

Myanmar

The market is under military law, so market dynamics do not work. - Yangon

Despite the ongoing political crisis, occupancy rates in prime office, retail, and hotel spaces increased in 2024, with rising prices due to inflation. Businesses face challenges such as power cuts, price instability, and supply disruptions. Many large projects have been suspended since 2021, benefiting existing buildings by reducing competition and new supply. - Yangon

Military government maintains uncertainty. - Yangon

New Zealand

The market is generally very tough with little new building work coming through and contractors coming off long-term construction contracts. Limited supply will start driving capital values up. The lowering of interest rates may slowly start recovery in the residential sector, but developers will need a further drop in the cash rate to reconvene. - Auckland

The market appears to be waiting for further, signalled interest rate reductions in Q1 2025 before freehold transactions pick up again. - Christchurch

With consecutive cuts in the Official Cash Rate, and the trading banks following suit, investors are now likely to start shifting back toward real estate assets. - Dunedin

The Levin industrial market has had significant gains over the past 12 months as the full effects of the improved transport links to Wellington weigh in and the supply of industrial land available in Wellington decreases. - Levin

Currently, value is being perceived not by the premises but by what the property offers in regards to space, amenities, or location. Finances are tight in nearly all industries, and this will likely force market values and rents down initially. - Matamata

High interest rates have taken a lot of activity out of the market. With the OCR trending down, there is some pick-up, but no real increase in confidence is expected until the New Year. - Nelson

It is generally still in an economic recession. - Queenstown

Philippines

Oversupply in residential in the capital region has led to a halt on new builds. - Nelson

Singapore

Demand will continue to grow as supply is limited.

Sri Lanka

Overall, the market is not still moving in Sri Lanka due to economic instability and government change. - Colombo

The new government has taken initial steps to encourage foreign investments in Sri Lanka. - Colombo

The Sri Lanka property market is set to boost as the economy is back on the recovery path, albeit at an early stage, after exiting the default state due to the economic crisis experienced in 2022. - Colombo

The country has started to recover from its economic collapse, and the development for the next 12 months will be positive, with the government taking some positive measures like the theme "Clean Sri Lanka". - Colombo

Following the results of the recent elections, a period of stability, accountability, and transparency is expected to increase investor confidence, especially in the tourism sector. - Gampaha

The country's economy is gradually improving, and it will take some more time to attain a satisfactory level. - Colombo

Thailand

Restricted credit for almost all types of development. The only growth sectors are hotels, industrial (land sales and build-to-suit logistics), and data centres. - Bangkok

With the exception of the hotel industry, other sectors in the Thailand market are in their doldrums and do not appear to be improving. - Bangkok

Vietnam

Vietnam's GDP showed positive growth, reaching 7.40% compared to the same period last year. For the first nine months of 2024, GDP grew by 6.82%. The agriculture, forestry, and fisheries sector grew by 2.58%, contributing 4.08% to the overall economy. The industrial and construction sector saw strong growth of 9.11%, contributing 48.88%, while the services sector grew by 7.51%, accounting for 47.04%. The agriculture, forestry, and fisheries sectors faced significant challenges. - Ho Chi Minh City

Europe: Conditions remain stagant at the regional level although parts of Southern Europe are now seeing stronger demand

The Q4 2024 feedback across Europe continues to portray a relatively underwhelming picture for the commercial real estate market at present. Measures of both occupier and investor demand are largely flat at the aggregate level, while the largest share of respondents are of the view that the market remains at the 'bottom' phase of the property cycle. That said, a few nations across Southern Europe are bucking the broader trend and display an altogether more positive assessment of current conditions.

Occupier and Investment Sentiment Indices see little change over the quarter

Chart 1 shows both the latest OSI and ISI readings remain in marginally negative territory at the aggregate level, closely aligned with the results of the previous quarter and indicative of a relatively stagnant overall backdrop. Drilling down into the country level data, France and Germany continue to return weaker figures for both indices compared to the regional averages, with France exhibiting an especially downbeat set of results. By way of contrast, respondents based in Spain and Portugal are seeing a much brighter picture at present, evidenced by positive demand readings being posted across all mainstream sectors on both the occupier and investor sides of the market. Moreover, a clear majority of contributors in both nations are of the opinion that the commercial real estate market has entered an expansionary stage of the cycle.

Valuations considered to be less stretched than before

As illustrated in Chart 2, the share of respondents viewing commercial real estate valuations as 'expensive' has diminished noticeably over the past couple of years. Indeed, 39% of survey participants across Europe as a whole now feel commercial real estate is above fair value, marking a significant easing compared to a share of 60% taking this stance in 2022. That said, while most nations tracked across the continent follow a similar pattern, France has yet to see any meaningful shift in perceptions. In fact, 77% of respondents across the country feel valuations are still stretched relative to fundamentals, which chimes with the continued weakness in investor demand across the nation.

Twelve-month outlook for rents and capital values modestly positive for prime markets

Chart 3 depicts twelve-month projections for rents and capital values (regional averages) across all sectors covered. Prime office and industrial assets are anticipated to see a modest rise in both variables over the year ahead, while the outlook is also marginally positive for prime retail. On the flipside however, their prime counterparts are expected to come under downward pressure, albeit only slightly so in the case of secondary industrials. Away from the traditional sectors, data centres standout as displaying firmly positive projections for the year ahead, with most European nations returning a similarly optimistic view for returns in this sector. At the same time, multifamily rents are expected to see strong growth, with student housing rents also showing comfortably positive projections. Elsewhere, most alternative sectors are expected see at least some uplift in rents and capital values over the year ahead, although leisure appears to be lagging to a certain degree.

Chart 1 - Occupier and Investment Sentiment Indices

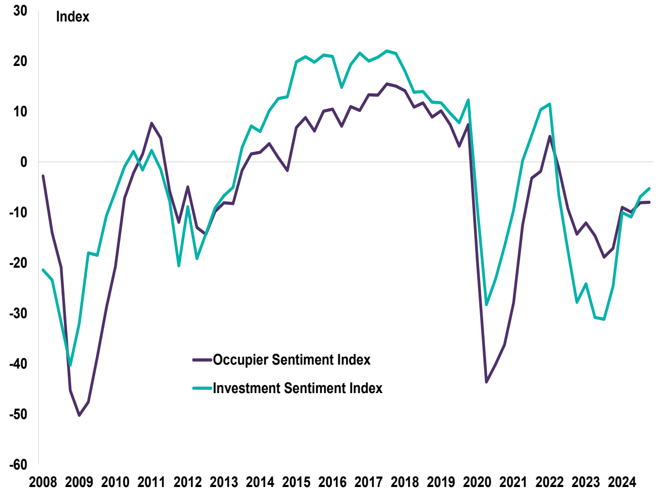


Chart 2 - Share of Regional Respondents Viewing the Market as Expensive

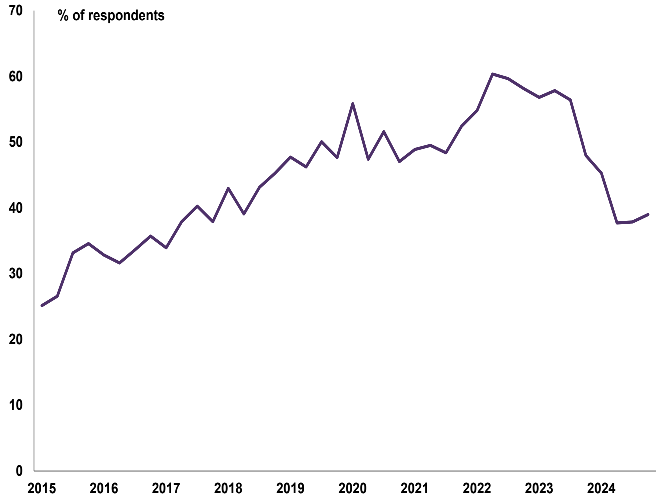
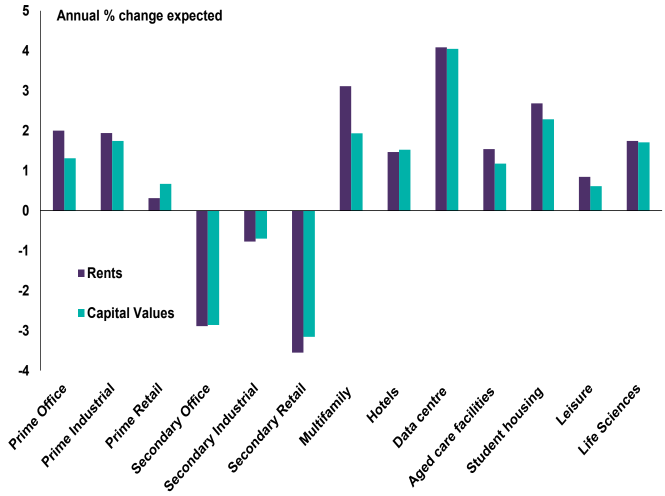


Chart 3 - Twelve-month Capital Value and Rental Growth Expectations by Sector



Regional comments from survey participants in Europe

Austria

Market is currently observing the development of loan conditions and is slowly starting to take into account the effects and costs of ESG Measures on the value of real estate. - Vienna

Belgium

Capital values in the Belgian market will be influenced in the short term by a potential fiscal reform (taxation of surplus values) which might be introduced by the new governement. This will likely put pressure on prices of asset and share deals to safeguard surplus values before the reform.- Brussels

Bulgaria

Although no significant change in prices , liquidity and transaction slowdown can be expected. - Sofia

Cyprus

The market is unstable and depends to a large extent on external factors. e.g. the war in Ukraine, Syria and the surrounding region, immigration, EU policies etc. Especially rents and foreign investments. - Limassol

We are seeing early signs of recession. The market has reached its peak and soon will be down turning. It has been on the overbuying side for a long time now. - Limassol

Czech Republic

Calm before the storm. Catching the German cold! - Prague

France

Decent market sentiment towards year end (2024) somewhat dampened by increase in euribor at the start of the year 2025. Still a lot of money in the market especially for VA chasing few opportunities as owners prefer to wait out the market rather than sell at a loss or in less than ideal conditions. Fair amount of interest in Paris core but generally for small to medium volumes (10-70M€) and accretive from a debt point of view = not much happening with a few exceptions. - Paris

Everything is very slow. - Paris

Germany

Flight to quality from both investors and tenants. - Berlin

bank valuations continue to be very gloomy - Frankfurt

The number of transactions is still significantly below the level of 2-3 years ago, so many deals still fail to materialize because sellers' purchase price expectations are too high and potential buyers' willingness to pay is too low.- Hamburg

No clear direction at the moment. Construction prices still at a too high level. - Munich

Greece

Office, industrial and hospitality markets continue to be vibrant. - Athens

Hungary

Larger scale investors - domestic and international - continue to focus on western European markets, where there is a perception that proportionately better value can be had. Smaller scale investors seem to be reawakening, seeing the right product as well priced. - Budapest

Ireland

Signs of increasing confidence by smaller private funds that the bottom of the cycle is around . - Dublin

The investment market is very shallow, with limited or no demand for certain property types and otherwise, astute investors are taking advantage of opportunities that will generate long term performance for them. - Dublin

Early signs of a slow down with credit getting more difficult to source. - Dublin

Luxembourg

The commercial real estate market in Luxembourg is currently facing challenges with low activity and cautious growth, but there is potential for recovery with improved economic conditions. - Luxembourg

Netherlands

The office market shows mixed sentiment. Although the take-up of office space increased during the quarter, real estate agents indicate in a survey that most office users are cautious about expanding. Hidden vacancies in office buildings are more common and the influence of working from home is demonstrable. The survey also shows that higher-quality offices are advantageous, but the supply of these types of offices is limited. Location and building quality are more important than ever. - Amsterdam

We need interest rates to decline further before we see any improvements. - Amsterdam

Portugal

Waiting for the international political events of Q1 2025. - Lisbon

2024 Saw much improved take-up across all sectors albeit more notably in offices, with absorption in Greater Lisbon more than doubling that of the previous year. By contrast, investment activity was slow during the first 3 quarters of the year, but Q4 saw a flurry of deals, mainly in shopping centres as international players were attracted by strong occupational performance and attractive pricing. Total 2024 transactions are of the order of €2.2b, mainly in retail and hospitality. - Lisbon

Romania

The real estate market in Romania remains dynamic, with growth concentrated in residential, logistics, and office sectors. Demand for modern, energy-efficient properties is rising, driven by urbanization and sustainability trends. While residential prices are stabilizing, interest rates and inflation are influencing affordability. The office sector faces challenges due to remote work, prompting a focus on mixed-use developments. - Bucharest

Overall, the queen in investment is the industrial and logistics segment, which became the largest capital generator, accounting for 45% of the investment volume in 2024. Average deal size is 29 M EUR. The office portfolio increased to 3.4 M sq m with a vacancy around 13% (due to impact of secondary office which are still facing high vacancy). The pipeline of new deliveries is the lowest in the decade due to complete reform on the urbanistic plans and rules of construction permits. - Bucharest

Spain

The market maintains improved investment levels due to improved financing conditions, new very attractive sectors (datacenters, logistics, etc.) and an important boost in the residential market due to demand. - Madrid

Sweden

There exists uncertainty as to the direction of interest rates and inflation. This affects confidence. However, there does exist a determination on the governmental; Bank of Sweden level to do all that is possible to stimulate the dour current growth levels. - Stockholm

Switzerland

Our market is a safe haven market, denominated in Swiss francs, which provides stability. We do not expect major shifts in our market. It is the stability that has proven to weather economic and political headwinds which we expect will appear. - Zurich

Middle East and Africa: Strong conditions still evident across the region with tenant demand growth accelerating

The Q4 2024 GCPM results for the Middle East and Africa once again point to solid momentum across the commercial real estate market, evidenced by measures of demand remaining firmly positive at the aggregate level. Moreover, feedback from respondents continues to depict a strong outlook over the coming twelve months, with projections for both rents and capital values still comfortably in expansionary territory across all sectors.

Occupier and Investment Sentiment Indices continue to signal growth in activity

Plotted in Chart 1, the latest OSI and ISI readings remain consistent with upward momentum on both sides of the market at present, posting respective figures of +13 and +9 in Q4 (similar to those seen over the past twelve months). In particular, occupier demand growth reportedly accelerated over the latest survey period, returning a net balance of +30%, marking the strongest regional aggregate reading on record (Chart 2).

When disaggregated, the data shows a noteworthy improvement in tenant demand across South Africa, with the nation registering a net balance of +38% at the headline level in Q4 (representing the most upbeat return for this series going back to 2012). At the same time, occupier demand across the UAE also gained further impetus as the net balance climbed to +67% from an already strong figure of +57% last time. Moreover, this embodies the most elevated reading for tenant demand within the UAE since 2014. Alongside this, tenant demand remains solid across Saudi Arabia, even if momentum appears a little softer compared with earlier in the year.

All mainstream markets continue to attract strong interest from investors

At the aggregate level, a net balance of +23% of respondents reported an increase in investment enquiries during Q4, with all mainstream sectors (office, industrial and retail) seeing a similar rise in demand. Likewise, the series capturing international buyer demand also continues to exhibit positive readings across all segments. However, there are some significant distinctions to make across the different national markets. Both the UAE and Saudi Arabia continue to attract strong interest from foreign investors (posting respective net balances of +56% and +55%). By way of contrast, even though domestic investor demand across South Africa is now seeing a recovery (particularly with respect to the industrial sector), the trend in international buyer demand is reportedly flat based on the net balance of -5% returned in Q4.

Twelve-month projections still positive across the board, although some alternatives now look set to outperform

Displayed in chart 3, respondents continue to foresee strong growth in rents and capital values over the year ahead across most sectors tracked. Leading the way, multifamily residential, leisure and student housing all display especially strong expectations. In fact, while prime areas of the more traditional market sectors are still anticipated to see a solid uplift in rents and values, many alternative sectors are now seen outperforming in terms of returns moving forward. Meanwhile, forecasts have been trimmed somewhat across secondary assets in recent quarters, with retail in particular now only seen delivering modest rental gains.

Chart 1 - Occupier and Investment Sentiment Indices

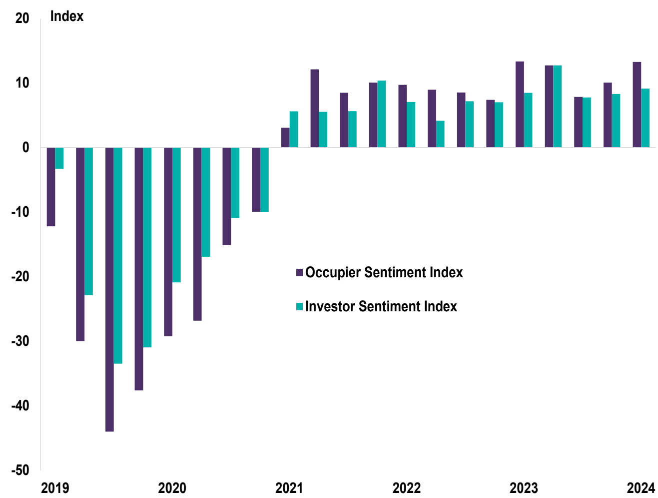


Chart 2 - Occupier market conditions

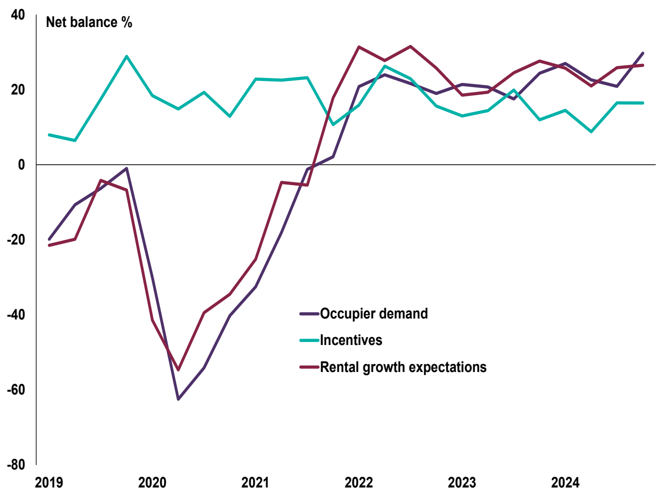
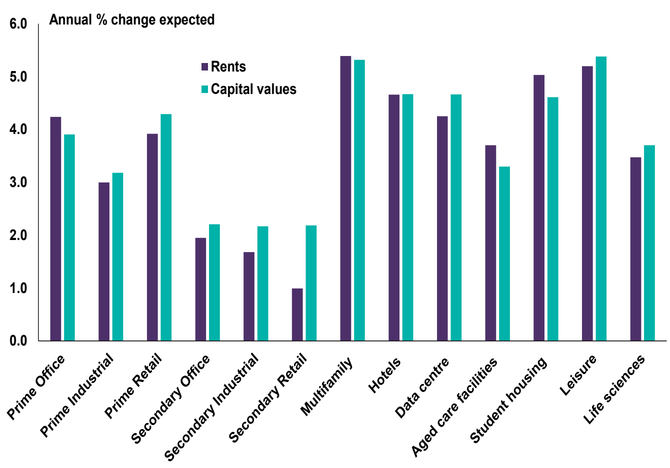


Chart 3 - Twelve-month Projections by Sector



Regional comments from survey participants in MEA

Bahrain

The market is down. - Manama

Ghana

Market in an early recovery stage and will require more FDI injection. - Tema

Kenya

Demand for institutional A grade properties continues to be strong. - Nairobi

Kuwait

Due to new regulations, office rents are up & those for industrials have declined. - Kuwait City

Mauritius

The market in Mauritius is hard to predict and analyse it is majorly dependent on legal framework and new regulations for foreign investment and on the cost of imports that can vary. Having said that, the market has constantly increased (value and rent) over the past 16 years due to the opening of the borders (at least in this region) - La Mivoie / Black River

Has recovered from the pandemic effects and is improving.- Mont-da, Flacq

Nigeria

There is high potential in student housing in Lagos. - Lagos

Bottom phase, low purchasing power.- Lagos

Oman

For the last four years,the Ministry of Housing and Developement Planning, the principal regulator of Real Estate developement, has engaged itself as a main catalyst and steered all sorts of Real Estate Developement as well formalizing regulations and incentives. Therefore, we expect improvements in the general market conditions and a slight boom in the very near future. -Muscat

Qatar

The market is not improving and may well not be improved until the end of this year 2024. There are no new projects in the pipelines in the near future. - Doha

Saudi Arabia

ROI is not so significant and healthy, still improving from recent years. - Jeddah

Still a hot market - Riyadh

Massive growth expected in the next 2- 4 years.- Riyadh

NEOM is a specialist market - very early in the development stage - with investment slow at present. Should increase in the coming months as new management push it forward.- Tabuk, NEOM

South Africa

Due to low demand and rentals not really escalating, we expect that maintenance will not be done properly by landlords, neither will new building projects be in abundance, thus creating a demand for refurbs in the near future. - Bloemfontein

Slight improvements, signs of green shots coming through.- Cape Town

The office sector markets that have shown sticky and growing vacancies have started to turn around such as the Sandton business node. The coastal areas (Durban and Cape Town) office, retail and industrial sectors are showing increasing demand for space and good capital value growth mostly driven by semi migration and demand for imported goods and improving exports. - Johannesburg

The two 25 bps rate cuts and the Government of National Unity have improved market expectations in South Africa, but stubbornly low economic growth continues to hamper a true market recovery. The hope is that Q3 2025 should start to see real improvement manifesting.- Johannesburg

Very early positive movement in rentals and capital values with decreased availability (stock) of all asset classes of real estate. This indicates potential for acceleration in rental growth across all sectors, even for offices, as existing office stock is repurposed to residential and storage units. - Johannesburg

Early signs of recovery although we have already seen some rental growth - our markets are sensitive to political change, which is still an uncertain and fragile component. - Port Elizabeth

The MPC of the Reserve Bank has reduced interest rates slightly. The positive effects should begin to be felt in the economy in the next few months.- Pretoria

Significant changes in the SA property market are a recovery in the office market as most workers are back at the office full time or least 2 or 3 days a week. Also we have entered the downward phase in the interest rate cycle with the Reserve Bank lowering intertest rates for the first time since Covid.- Pretoria

UAE

Booming strategically. - Abu Dhabi

Abu Dhabi continues to experience a shortage of prime office space while additional supply is in the pipeline in Al Maryah Island developments and off-island locations. Retailer demand continues to be primarily focused on a few key major retail destinations/ developments driven by solid consistent footfall, with several of the secondary malls heavily focused on retail asset repositioning strategies led by renovations and repurposing of GFA to introduce new to market concepts and tenants. - Abu Dhabi

Market is more focusing on leisure and data centers.- Abu Dhabi

The Dubai commercial real estate market is expected to remain stable compared to the residential sector, driven by steady demand for office and retail spaces. As a global business hub, Dubai benefits from longer lease terms and predictable revenue streams, making the commercial sector less susceptible to volatility. Continued infrastructure investments further enhance its appeal, ensuring resilience amid market fluctuations. - Dubai

Almost at the peak and may face some changes.- Dubai

Current market valuations have witnessed some funds offloading their commercial real estate investments with decent capital gains.- Dubai

Dubai's commercial real estate market is currently experiencing an upturn. The office sector, in particular, is seeing surging demand in prime areas like DIFC, Downtown, and Business Bay, with occupancy rates hitting 95-97%. The industrial and retail sectors are also benefiting from Dubai's strategic economic initiatives, which have led to over 24k new businesses registering in the first half of 2024. Overall, the market has strong signs of growth and stabilization, making it attractive.- Dubai

Zambia

The market is still sluggish due to delayed completion of country's debt restructuring. - Lusaka

The drought and consequent energy crisis that characterised 2024 has negatively impacted the general economic growth and the sector's performance. - Lusaka

Zimbabwe

The property market has been affected by the downward trend of the economy. The high taxation system has also affected manufacturing industries and industrial utilization remains at less than 40%. Huge demand for retail due to growth of the informal sector giving rise to demand for small manageable retail units. Remodeling of bigger retail units to form smaller units to meet the demand. Offices continue to have a low demand as most corporates and companies continue to occupy manageable spaces.- Bulawayo

The property market in Zimbabwe is now firming up. We expect increased rentals and values in industrial and retail properties due to increased demand in those sectors. The construction of key infrastructure is up as well as the construction of cluster housing. - Harare

North America: Continued tentative signs of improvement across portions of the investment market

The headline results for the Q4 2024 GCPM across North America appear to be largely aligned with the findings of the previous quarter. Indeed, the headline Commercial Property Sentiment Index (CPSI) saw little change from Q3 in both the US and Canada, as displayed in Chart 1, with the former posting a reading of zero and the latter -2. That said, when looking into the details, some of the survey metrics did see an improvement, with parts of the US office sector in particular showing signs of recovery.

Another element of the results which offers some encouragement is the data on the perceptions of the current stage of the property cycle. In the US, the share of participants describing the market as being in a downturn has now fallen for three straight quarters, and currently stands at 24%. Meanwhile, 26% of respondents based in Canada feel the market is still turning down, largely unchanged from last quarter but much lower than the share taking this view twelve months ago.

Credit conditions still improving

Whilst the latest net balance for the credit conditions gauge showed a slight decrease from +49% to +39% across the US in Q4, this positive figure continues to point to an improvement in lending conditions nonetheless. At the same time, the net balance for the credit conditions metric in Canada increased by 9pp to +42% in Q4, consistent with the lending environment turning noticeably more favourable across the commercial real estate market.

Likely supported by this, there has been an uptick in investment demand within both nations, evidenced by the all-property investment demand gauge increasing from -3% to +4% in Canada and from +22% to +33% in the US. Notably, investment enquiries for offices in the US saw a sharp increase compared to last quarter, posting a net balance reading of +33% in Q4 compared to +4% in the previous iteration of the results. In fact, this brings investment demand readings across the US office sector into line with those for industrial (+33% net balance) and retail (+34%) assets. By way of contrast, although investment enquiries for Canadian office assets have turned less downbeat (net balance moved from -24% to -18%), they remain significantly behind industrial (+13%) and retail properties (+16%).

Divergent outlook across prime and secondary markets, with alternative sectors widely expected to outperform

Looking forward, Chart 3 illustrates that twelve-month capital value expectations are still firmly negative across the secondary office market in both the US and Canada, continuing the persistently pessimistic outlook returned since the pandemic. The data also shows that the discord between other traditional prime and secondary markets remains evident, with prime industrial and retail values projected to rise in the coming twelve months while their secondary counterparts exhibit a much weaker assessment in comparison. When considering the alternative asset classes, capital value expectations are positive across all other sectors covered in the GCPM, with the strongest returns, in both the US and Canada, expected across data centres and aged care facilities. Lagging the other alternatives to a certain extent however, expectations are broadly flat for values across life sciences in the year ahead.

Chart 1: Commercial Property Sentiment Index

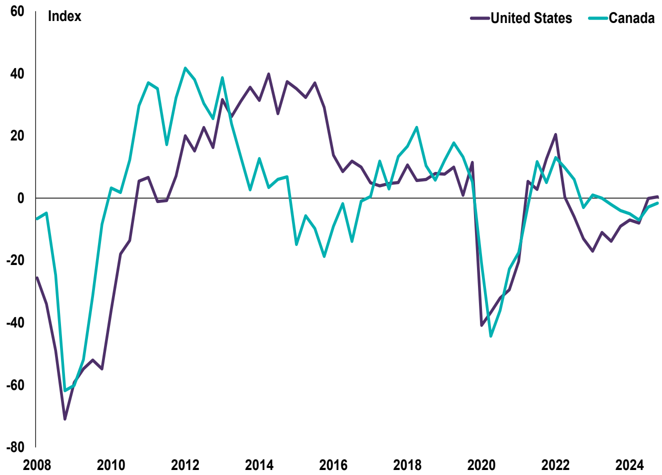


Chart 2: Credit conditions sentiment

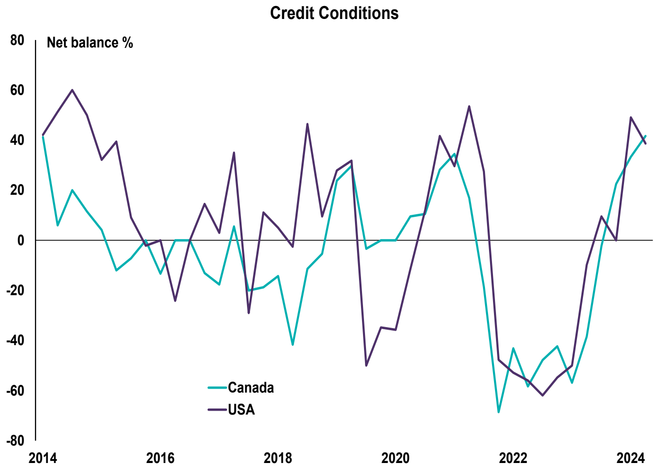
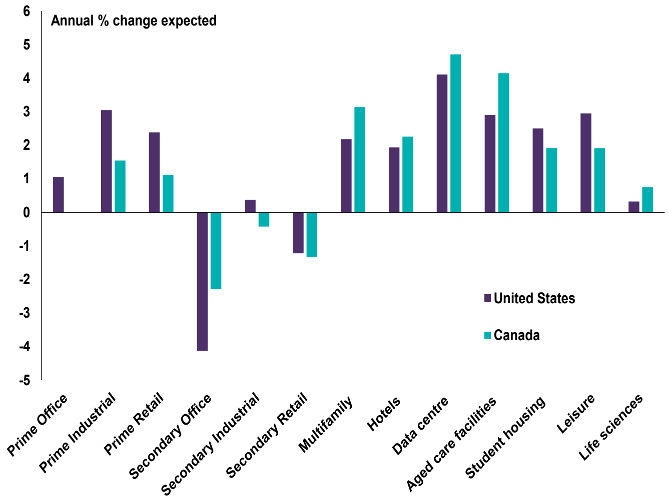


Chart 3: 12 month capital value expectations



Regional comments from survey participants in the Americas

Bermuda (UK)

Growth in office demand has spurred rents and reduced inventory. New projects are coming online but don't expect meaningful supply uptick for 2-3 years. - Hamilton

Market prices are rising due to lack of stock and rapidly increasing building costs/materials. - Hamilton

Brazil

Planned increase of Central Bank's basic interest rate during 2025 is likely to reduce demand for property investments. - São Paulo

Canada

Capital markets appear to be improving with trends in both Canada and the US. Political uncertainty has increased in Canada - and the US election has been decided and markets appear to have accepted the decision with increasing values, however it is still early days there as well with the threats of tariffs and protectionism stunning US friends and allies: Canada and Mexico. - Charlottetown

Slow down expected in next year. - Halifax Ns

Housing will be strong but concerns regarding unemployment levels. - Spruce Grove

Market somewhat on hold pending a federal election. - Spruce Grove

Market appears to be at or close to the bottom of the cycle. Recent cuts to the Bank of Canada rate have created greater optimism in the investment market and overall fundamentals in the commercial real estate market are relatively strong in terms of rents, vacancy and demand. Development activity has dropped significantly providing the opportunity for future recovery in the office and high-rise residential sectors. - Toronto

The Canadian market is at an inflexion point. Investors are looking for value and lenders are re-entering the market. This suggests a gradual strengthening of real estate investment markets through 2025; however, Canada faces recessionary headwinds and federal government uncertainty, as well as the real prospect of tariffs and hostile policy changes from the US, it's largest trading partner, as that country transitions to a 2nd Trump presidency. - Toronto

The property market in Toronto is very hot and is at its peak making it expensive. - Toronto

There is a considerable level of concern about the impact of potential policy changes by the incoming US administration. - Toronto

Industrial continues to be strong. Very high occupancy, increasing rents from inplace rents. Retail, prime centers, are recovering sooner than expected, better than average sales psf, equal to or better than pre-pandemic. Prime office remains stable, but non prime is suffering from low occupancy and lowering rents. - Toronto (Gta)

AAA Office market downtown has increased activity reflected by rents being held. Secondary office has not adjusted fully. Suburban market very slow. - Toronto, Cbd

"The current US sanctions and levy of high import tax policies on supply of essential foods and materials to all (either friendly or unfriendly) countries are the main cause of destruction to the present stability and prosperity of the worldwide general market condition. This policy does not only hurt the world's general market at large but, in reality, it has also seriously affected the American citizens in terms of high purchase cost and lower level of living standard. - Vancouver

Very uncertain market conditions The high density residential condominium market is hurting with too much product and affordability issues. The maxim ' Excessive profits breeds ruinous competition' is unfolding. Trump's tariffs may refuel inflation. - Vughan, Ontario

Canadian market will be highly volatile in reaction to new policies introduced by the new Government in the USA. - Windsor

Cayman Islands (UK)

Several high rise hotels and residential condominiums currently under construction together with another 10 storey office block. - Grand Cayman

Chile

Market starting to recover with prime office markets reducing vacancy and increasing rent prices. Industrial remains solid. Capital markets starting to recover as interest rates decrease. - Santiago

Grenada

The Caribbean always has a 2 to 3 year lag behind the "First World" countries. - St George

Jamaica

Some overseas interest in industrial, development interest remains strong. Land values firm and increasing across residential, office and industrial sectors. - Kingston And All Of Jamaica

Peru

Rental values are only improving in the industrial part due to the improvement in the market as GDP has increased by 3.5%. However, the corporate office market remains stable as there are many unoccupied spaces as a result of the pandemic and companies still maintain mixed work, at home and offices. That is to say, the companies have not returned to occupy the spaces. - Lima

Puerto Rico (U.S.)

The region and the Puerto Rico Commonwealth is on the expectancy of new economic policies toward the US territories, based on the new Trump Administration resuming in 2025. - Carolina

Trinidad and Tobago

Appears to be in stagnation with very little infrastructure developments. - Penal

The market is very sluggish. The oil and gas industry is supposed to show some returns in 2 years time and investors are waiting to see what happens. In the meantime, there is scope for diversification in other areas of the economy such as tourism. A better forecast would be had after the general elections this year. - Port - Of Spain

The T&T economy has a difficult 2-3 years ahead as the energy sector will not pick up until 2027/8. - Port-Of-Spain

United States of America

Strong here with new industrial warehouse under construction. - Charlton

Cuts in interest rates have had very little impact upon

Regional comments from survey participants in the Americas

the real estate markets, as the 10-year Treasury has stayed around 4.5%. The election result has been popular with most businesses, so as long as consumer demand remains fairly solid, growth should remain positive. As Dallas/Fort Worth continues to grow and companies continue to move here, the markets should remain strong. - Dallas

Improving. - Greenville, Sc

After a pause for the uncertainty of the election cycle, evidence of some certainty, positivity and confidence are visible in the CRE landscape across most market sectors. Office, however, (although Class A remains the exception) will see further lower value adjustments in the coming year. - Harrisburg, Pa

There is a general sense that things are moving but it is early days and more prolonged market momentum is required to be reflected in values. - Los Angeles

Generally, the Nashville market remains very bullish across all sectors. The credit conditions are continuing to improve so this is encouraging for new development starts that had been sitting on the sidelines during 2023 and first couple of quarters in 2024. It is yet to been seen how the new Administration's policies will affect the real estate sector, but the overall impression we hear from users, and investors is that they believe it will have a positive impact. - Nashville

Expect the new administration to be pro-growth. - New York

Office in Manhattan has experienced a flight to quality ... at the same time the B,C space may be starting to reach its bottom. - New York

Prime/trophy assets in top-tier US gateway markets will experience a measured benefit during the nascent recovery over the first-half 2025. Capital sources beyond traditional lenders will come into the forefront, with market share expending during 2025. - New York

Flights to quality is apparent as in all major markets. Class A trophy availability has dropped significantly. There is not enough good property for occupiers to meet demand. Class B & C product make up the bulk of the 20% overall vacancy in NYC. - New York City

My area is primary high net worth second home ownership expanding with Disney investment in Cotino project. - Rancho Mirage

Rancho Mirage is a seasonal market and we face seasonal ups and downs in this market. - Rancho Mirage

Slight improvement in things now rates dropped .25% and may drop again soon. Lots of dry powder around, tenant incentives down a bit will probably in the next year or so go closer to landlords market. - Sag Harbor

More unknowns than any time in history. - San Francisco

Political economic and market uncertainty. - San Francisco

Uncertainty continues. - San Francisco

Somewhat of a unique market - Santa Barbara is a small attractive California coastal city with a disproportionate number of high income residents. The area is generally perceived as desirable to potential investors. - Santa Barbara

Global Commercial Property Monitor

RICS' Global Commercial Property Monitor is a quarterly guide to the trends in the commercial property investment and occupier markets. The report is available from the RICS website www.rics.org/economics along with other surveys covering the housing market, residential lettings, commercial property, construction activity and the facilities management market.

Methodology

Survey questionnaires were sent out on 4 December 2024 with responses received until 16 January 2025. Respondents were asked to compare conditions over the latest three months with the previous three months as well as their views as to the outlook. A total of 1860 company responses were received. Responses for Malaysia were collated in conjunction with the Royal Institution of Surveyors Malaysia.

Responses have been amalgamated across the three real estate sub-sectors (offices, retail and industrial) at a country level, to form a net balance reading for the market as a whole.

Net balance = proportion of respondents reporting a rise in a variable (e.g. occupier demand) minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the net balance will be 25%). Net balance data can range from -100 to +100.

A positive net balance reading indicates an overall increase while a negative reading indicates an overall decline. The RICS Occupier Sentiment Index (OSI) is constructed by taking an unweighted average of readings for three series relating to the occupier market measured on a net balance basis; occupier demand, the level of inducements and rent expectations. The RICS Investment Sentiment Index (ISI) is constructed by taking an unweighted average of readings for three series relating to the investment market measured on a net balance basis; investment enquiries, capital value expectations and the supply of properties for sale. The Commercial Property Sentimet Index is an unweighted average of the OSI and ISI. Regional indicators are weighted using estimates of the stock of commercial property provided by LaSalle Investment Management, and are adjusted on an annual basis.

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