



Q3 2020: Ireland Commercial Property Monitor

Retail and office rents hit hard by the pandemic, Industrials more resilient

The Q3 2020 Ireland Commercial Property Monitor results show the market remains very much under pressure amid the challenging economic climate induced by pandemic. As shown in chart 1, there was no real improvement in either the Occupier or Investment Sentiment Indices during Q3.

Occupier demand reportedly fell at the headline level for a third successive quarter, with retail and office sectors seeing another steep decline. That said, the industrial sector is displaying much more resilience, with a net balance of +16% of contributors noting a positive trend in demand over the quarter.

Alongside this, both office and retail vacancies appear to be rising at the sharpest pace (in net balance terms) since 2010. As such, the twelve-month rental outlook remains entrenched in negative territory in both cases. Indeed, prime and secondary office rents are now seen falling by a respective 5% and 7%. Meanwhile, projections

stand at -11% and -13% for prime and secondary retail rents. By way of contrast, prime industrial rents are expected to rise by 2%, although respondents envisage a 1% decline for secondary over the year ahead.

On the investment side of the market, buyer enquiries reportedly fell for office and retail properties, while a more or less flat picture was cited for industrials. That said, overseas investment enquiries fell right across the board.

Across the mainstream sectors, prime industrial is the only area where capital values are not anticipated to decline over the coming twelve months (where marginal gains are expected).

74% of respondents across Ireland report that the commercial real estate market in their area is in a downturn down currently, identical to the proportion taking this view last quarter. Meanwhile, only 5% sense that conditions have reached a floor.

Chart 1: RICS OSI and ISI

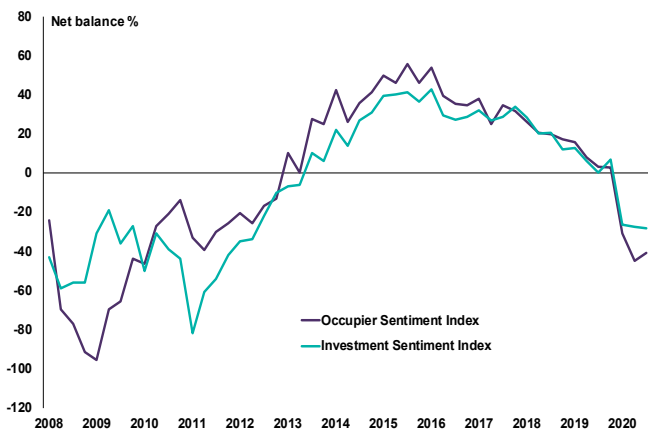


Chart 2: Property cycle

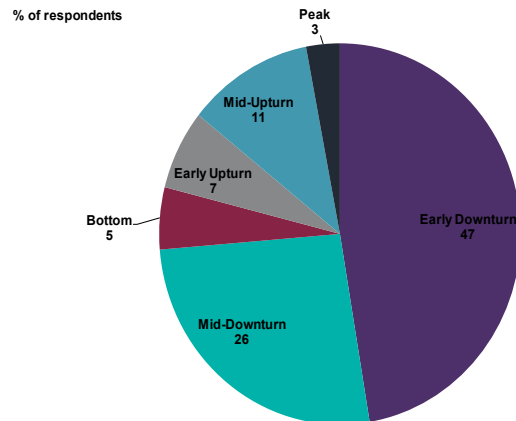


Chart 3: Occupier Market

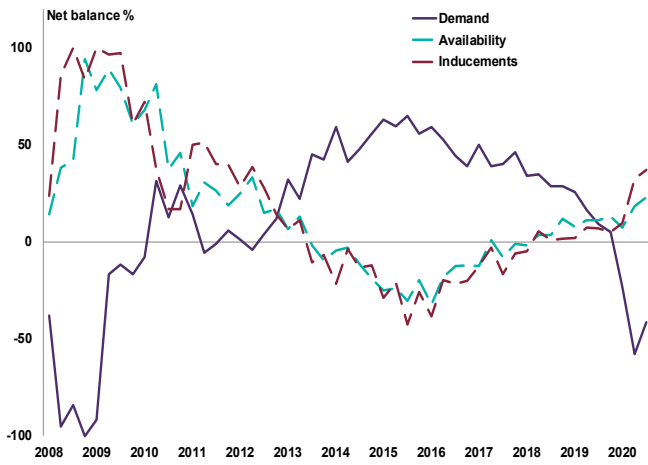


Chart 4: Investment Market

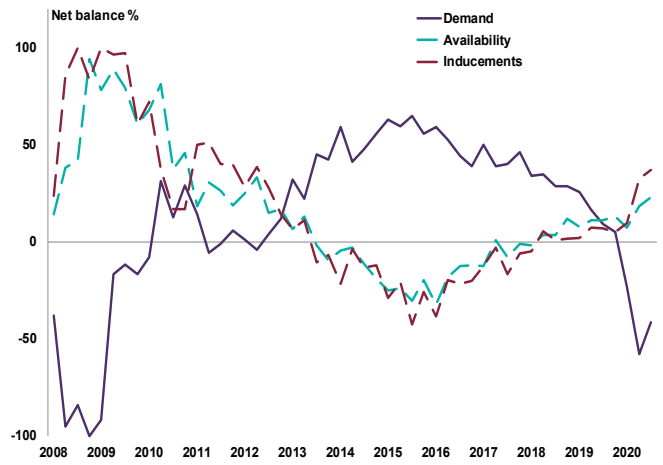


Chart 5: Credit Conditions

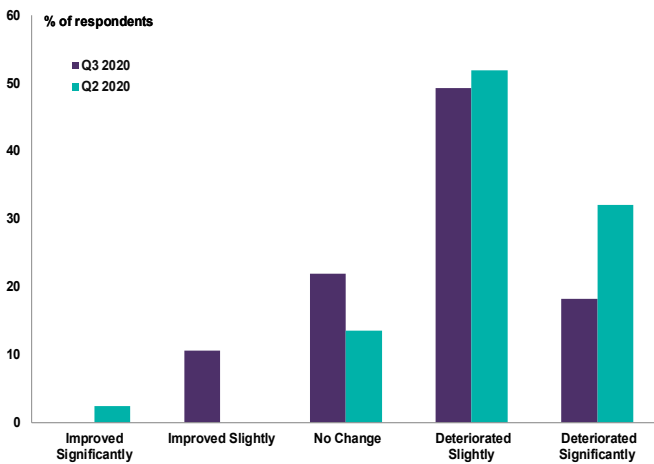


Chart 6: Valuations

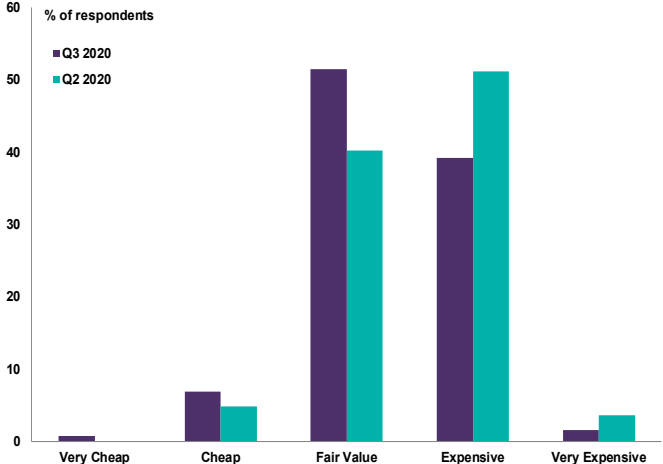


Chart 7: Twelve Month Capital Value Projections

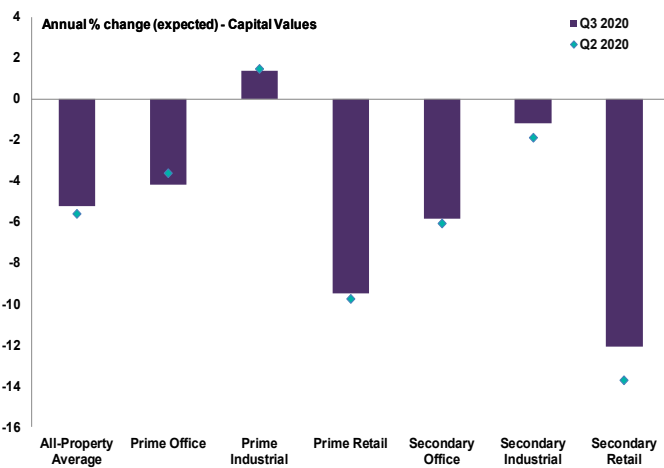
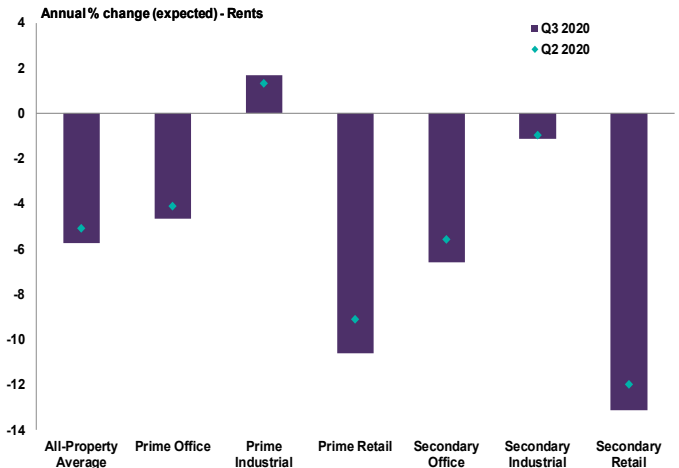


Chart 8: Twelve Month Rental Value Projections



Information

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 rural land market.

Methodology

Survey questionnaires were sent out on 16 September 2020 with responses received until 19 October 2020. 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 1719 company responses were received, with 507 from the UK. Responses for Ireland were collated in conjunction with the Society of Chartered Surveyors Ireland. Responses for Malaysia were collated in conjunction with the Royal Institution of Surveyors Malaysia. Responses in the Americas were collated in conjunction with the Association of Foreign Real Estate Investors.

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 Sentiment 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.

Contact details

This publication has been produced by RICS. For all economic enquiries, including participation in the monitor please contact: economics@rics.org

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