

Q1 2019: New Zealand Commercial Property Monitor

Sentiment remains positive amidst a generally favourable macro backdrop

Data from the Q1 2019 New Zealand Commercial Property Monitor suggests that sentiment in the real estate market remains upbeat. Chart 1 shows the Occupier and Investment Sentiment Indices, amalgamated measures of market sentiment, point to a continuation in positive momentum. Additionally, short-term expectations for rents have begun to drift higher, shown in Chart 2, helped by a strong employment picture.

Respondents continue to report the headline indicator capturing occupier demand to be outstripping the measure of available space as shown in Chart 3. However, there are significantly divergent trends across the different segments of the market. Demand is outpacing supply most visibly in the office sector. By way of contrast, respondents in retail are now reporting a contraction, albeit relatively modest, in demand for space. The industrial demand indicator is still in positive territory though less so than previously.

Shifting to the investment market, Chart 4 shows that headline reading for investor demand remained modestly upbeat during Q1. Foreign investor demand, however, was reported to have declined during the first quarter.

An increasing share of respondents now view the market as being expensive, to a great or lesser extent, a point highlighted in Chart 6. However the feedback is quite mixed with a significant proportion also viewing real estate as around fair value.

As is evident in Chart 7, expectations for capital value growth over the next year have moderated slightly across most market segments. The opposite is true for rents, however, as shown in Chart 8. Respondents noted that available space to rent remains particularly tight in Auckland and Wellington.

Chart 1: RICS OSI and ISI

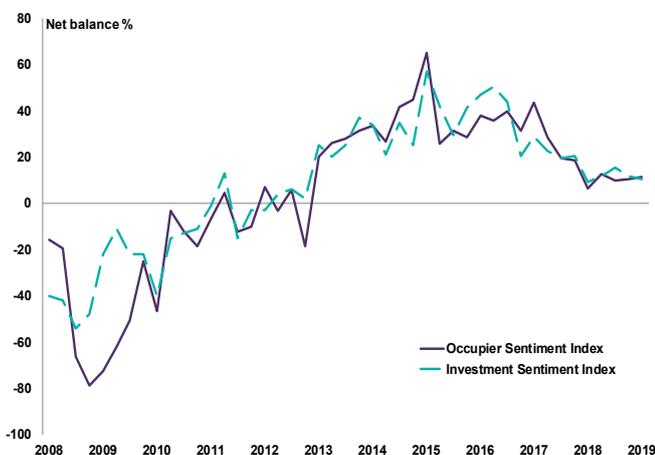
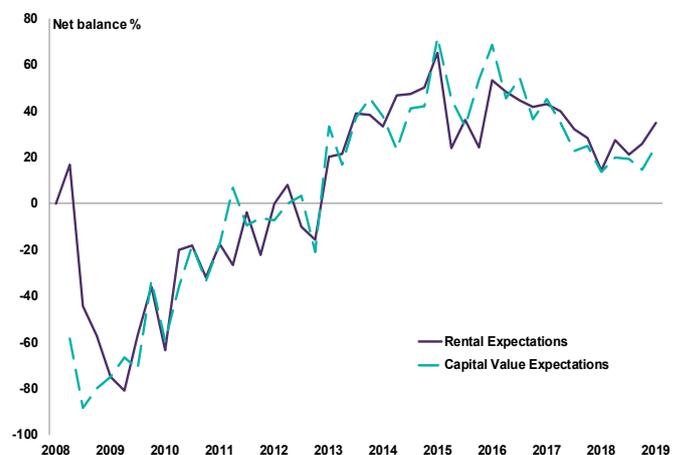


Chart 2: Three Month Rents, Capital Values



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Chart 3: Occupier Market

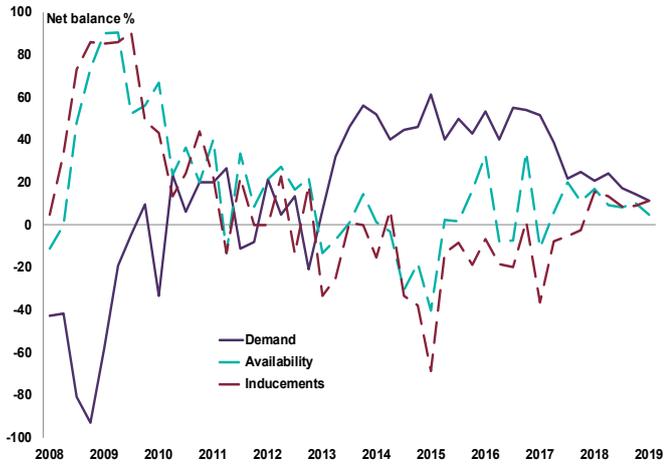


Chart 4: Investment Market

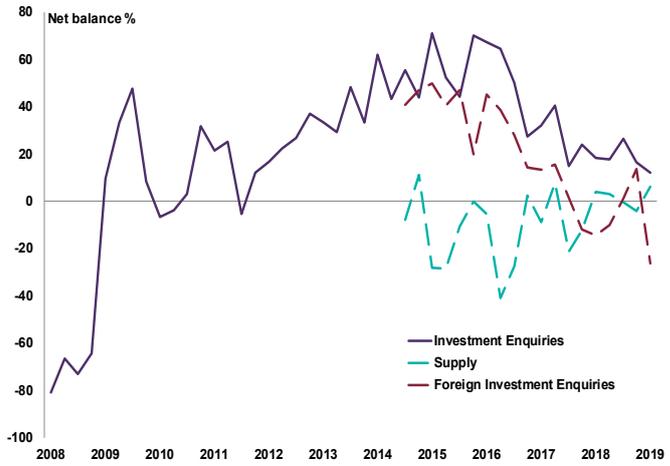


Chart 5: Credit Conditions

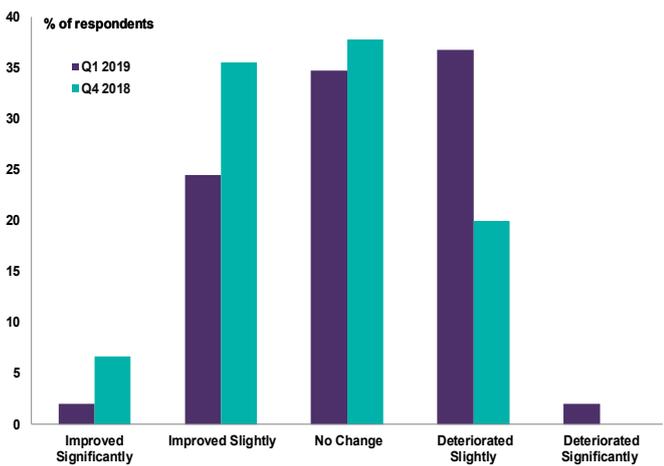


Chart 6: Valuations

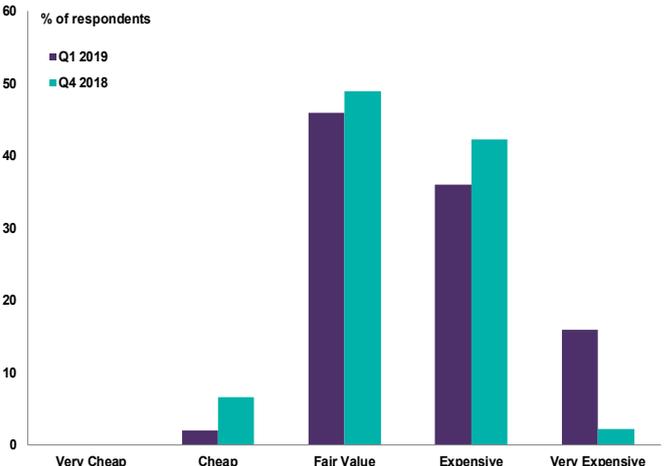


Chart 7: Twelve Month Capital Value Projections

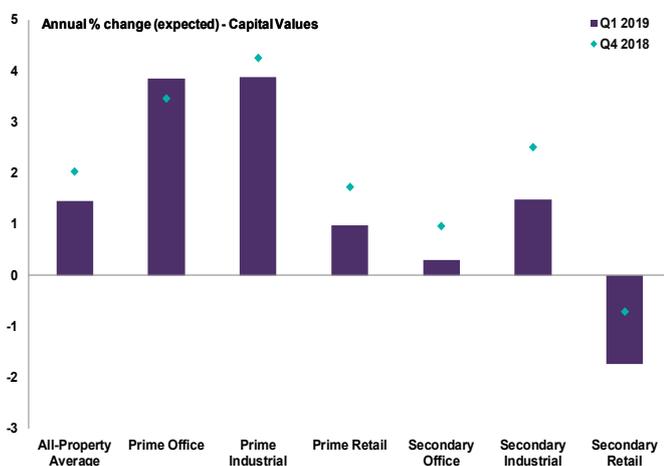
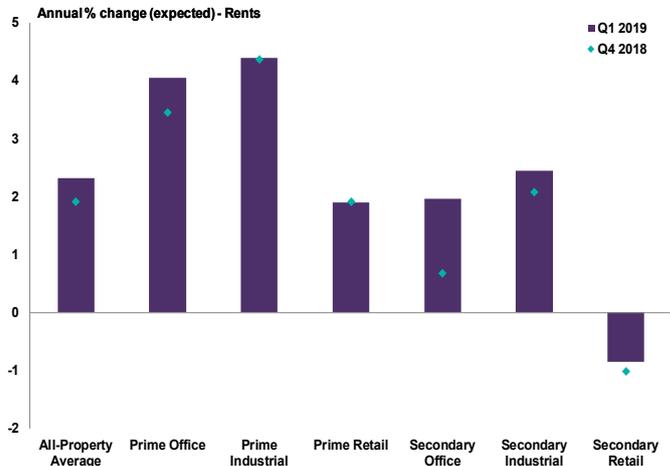


Chart 8: Twelve Month Rental Value Projections



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 13 March 2019 with responses received until 14 April 2019. 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 2901 company responses were received. Responses for Ireland were collated in conjunction with the Society of Chartered Surveyors Ireland. Responses for Spain and Portugal were collated in conjunction with Iberian Property. Responses for New Zealand were collated in conjunction with Property Council New Zealand. 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.

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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