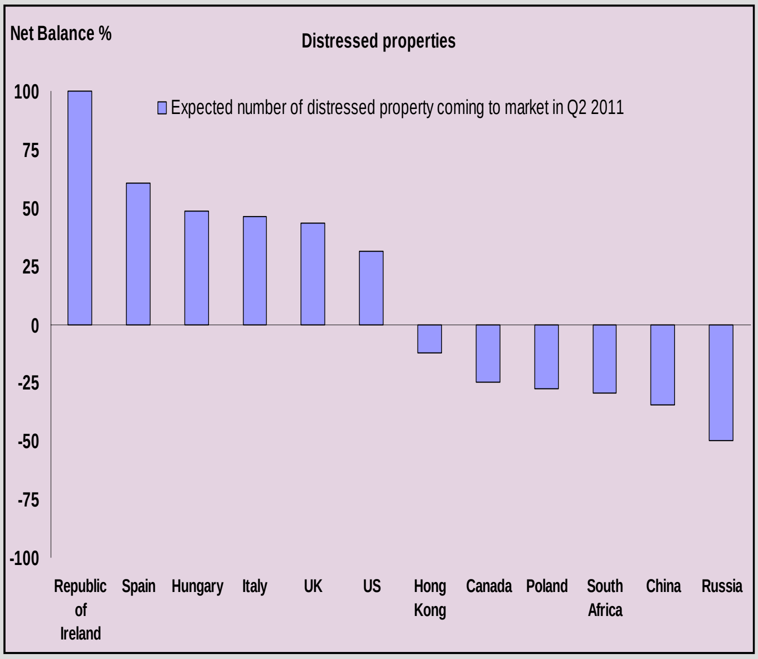
RICS Global Distressed Property Monitor

Q1 2011

Global economic recovery poses new risks

- **Distressed property continues to rise globally but the pace has tempered**
- **Global recession risks have been replaced by global interest rate risks**
- **Expectations for distressed property listings in Q2 rise at a faster pace in Ireland, Spain and Hungary**



The Q1 2011 RICS Global Distressed Property Monitor shows that although the level of distressed property coming to market is continuing to increase, the pace at which it is doing so is tempering. This may in part reflect the fact that the global economy is continuing to strengthen; in few parts of the world is there a real threat of an extended recessionary environment persisting. However, the more positive mood music is presenting new challenges for the commercial real estate market. Central banks are now either thinking about or actually tightening monetary policy to address growing apprehension over inflation. To a degree, these concerns are being compounded in some markets by the continuing European sovereign debt crisis.

Of the 25 countries included in the report, 15 reported growing levels of distress, indicating that a greater proportion of respondents saw an increase in forced selling compared to last quarter. Indeed, some countries reported distressed activity increasing at a faster pace over the quarter, most notably in the Republic of Ireland, South Africa, Spain and the US.

That said, it appears that the pace of rising distress has tempered; the net balance for many countries, while positive, moderated compared to last quarter. Countries where distressed property coming to market fell at the fastest pace were Poland, Russia, Canada and Brazil.

The survey also suggests that lenders are becoming less lenient with borrowers, as more countries reported that the speed at which lenders start foreclosing increased; 13 countries up from 10 in Q4 of last year.

Significantly, more countries are now expecting an increase in distressed listings in Q2 than last quarter; respondents in 16 countries returned positive net balances, indicating greater levels of expected distressed properties. The mood amongst property professionals in Ireland, Spain, Hungary and Italy seems most downbeat, while both the UK and US are also expecting greater levels of foreclosure.

In contrast, there were 8 countries expecting levels of distress to fall in the coming quarter, with the greatest pace of decline expected in Russia, China, South Arica and Poland.

Finally, interest from specialist funds for distressed property eased a little over the quarter. Some countries such as the Czech Republic and Japan showed a renewed interest, while investors in Russia, Poland and Italy are reducing their exposure. While interest continued to grow in the Republic of Ireland and the UAE markets, the pace slowed from Q4. Meanwhile in Germany, Hong Kong and China, the pace accelerated.

**A distressed property is defined as a property that is under a foreclosure order or is advertised for sale by its mortgagee. Distressed property usually fetches a price that is below its market value.*

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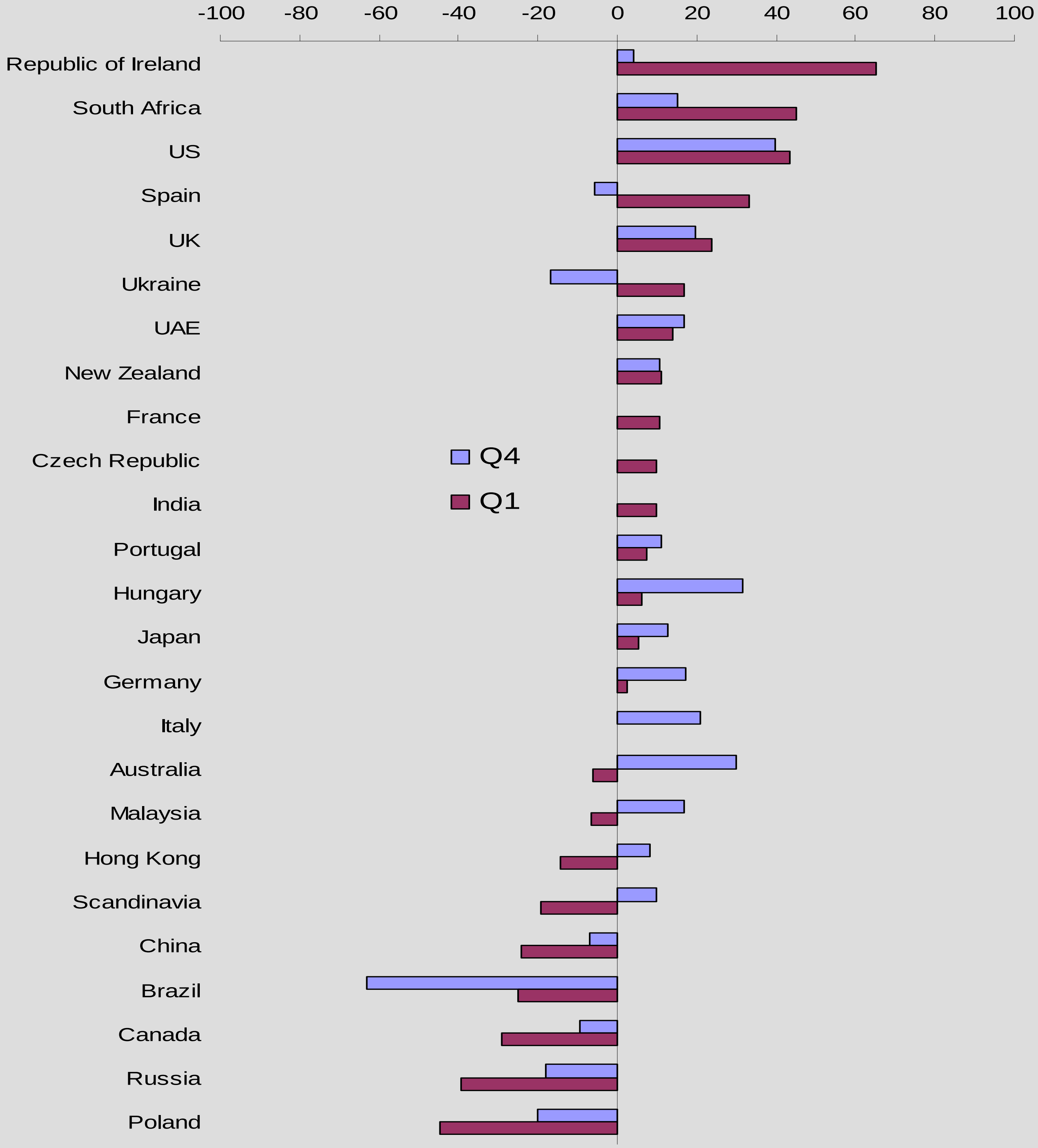
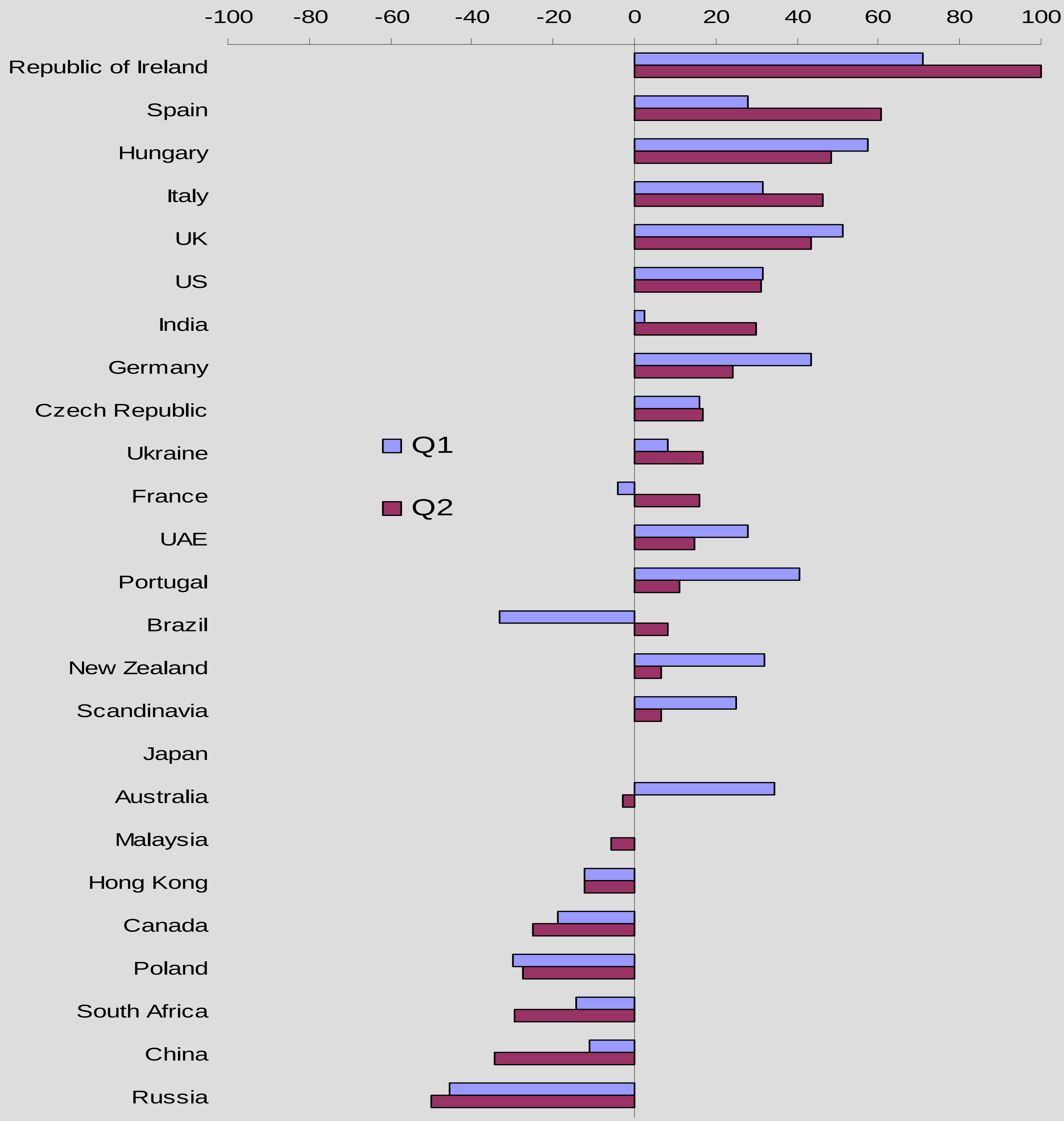
Country statistics - for Q1 2011

Agents reporting a rise in distressed properties in Q1 ranked by net balance



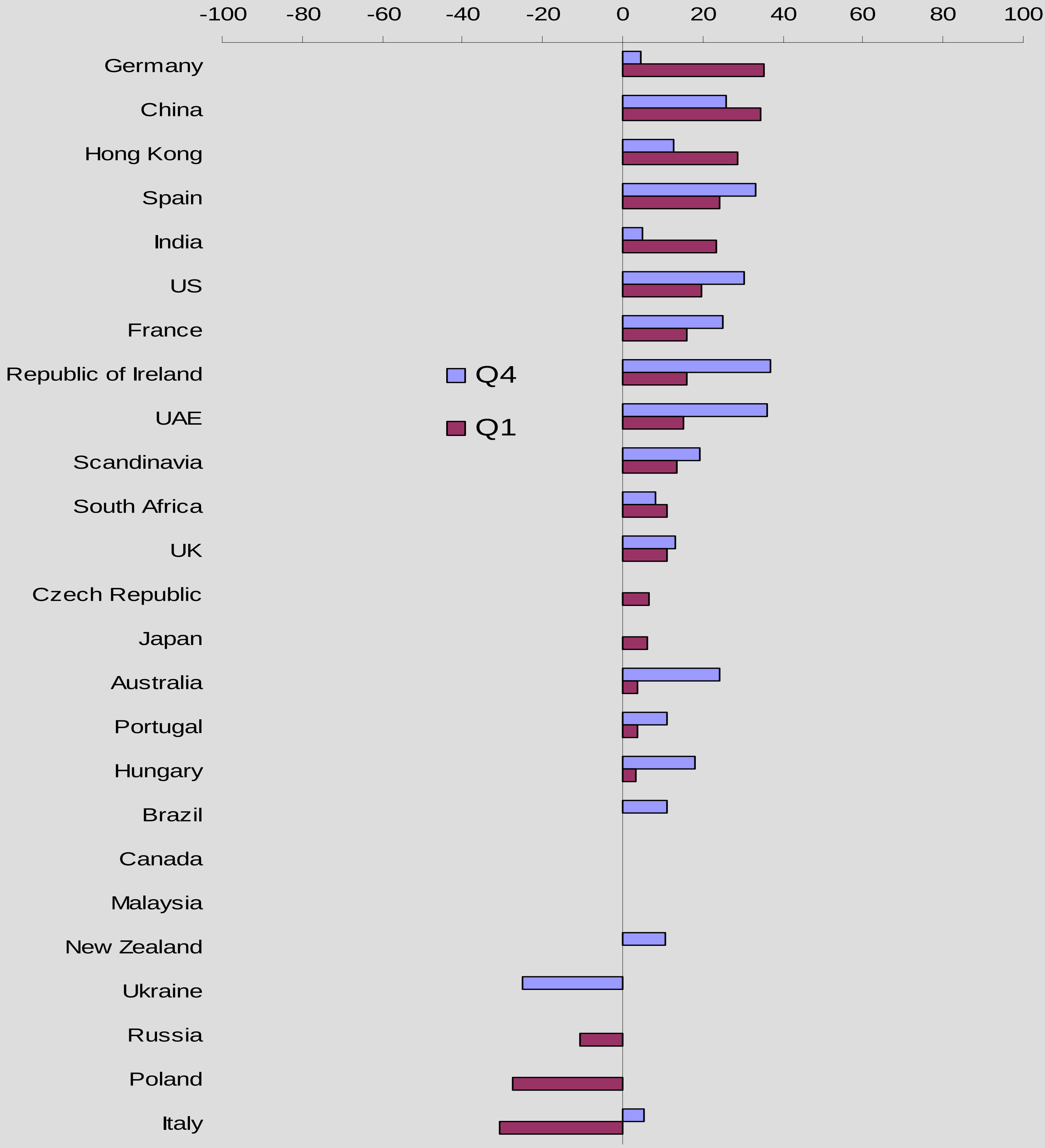
Country statistics - for Q1 2011

Level of distressed properties expected in Q2 ranked by net balance scores (compared to the previous 3 month period)



Country statistics - for Q1 2011

Level of interest from specialist funds in Q1 ranked by net balance scores



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 2011 based on information collected from leading international real estate organisations and local firms.

Methodology

Survey questionnaires were sent to real estate organisations on 3rd March 2011, with responses received up until the 31st of March 2011. Respondents were asked to compare conditions over the latest three months with the previous three months. A total of 411 company responses were received.

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

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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

Subscription information and contributor enquiries

The Global Commercial Property Survey is available from the RICS web site - www.rics.org/economics along with other surveys covering the housing market, residential lettings, commercial property, construction activity, the farmland market and arts and antiques.

For access to city level agents' comments and contributor details please go to the following web address.

www.rics.org/GPScomments2011q1

RICS Global Commercial Property Survey

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