Office Market Turning Points in the Financial Crisis

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Office market turning points in the Crisis – on average

PEAK
- take-up
- rent
- supply

TROUGH
- yield
- vacancy

- yield
- vacancy
- take-up
- rent
- supply
Office market turning points during the Crisis

- An approximately **one-year** lag is calculated between office market yield and new **supply**.
- A **somewhat shorter** distance of **rents** and yields is revealed.
- According to the concluded calculations, **vacancy and take-up respond** after the yield.
- At the beginning of the **crisis**, **take-ups** followed the downward movement of yield somewhat **later than at the recovery**.
- A **larger gap** can be seen **between take-ups and vacancies** during the recovery.
Presentation plan

1. Lead-lag correspondences of office market indicators.
2. Turning point method.
3. Results.
1. LEAD-LAG CORRESPONDENCES OF OFFICE MARKET INDICATORS
Lead-lag on the office market

- Time-lag is consequential of numerous factors.
- Economists look for **general lessons** to learn.
- Results are important for practical forecasting purposes.

- **Rent** is referred as **sticky** because of living and valid contracts.
- New **supply needs time** to be constructed.
2. TURNING POINT METHOD
Turning point identification

Local maximum, minimum and turning points for Brussels office rents
Turning point identification

- Data series of more than **80 cities** from Europe and Asia.
- Local maximum and minimum points were identified.
- Among local maximums and minimums, **turning points** are selected.
- The series were broken down to **upturns and downturns**.

How many days on average do the turning points of indicators follow the turning point in yields during the Great Financial Crisis?
Turning point identification

Local maximum, minimum and turning points for Berlin new supply / stock ratio.
3. RESULTS
### Reaction lags (in days)

<table>
<thead>
<tr>
<th></th>
<th>yield</th>
<th>take-up/stock ratio</th>
<th>vacancy</th>
<th>rent</th>
<th>new supply/stock ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>beginning of the downturn</td>
<td>0</td>
<td>96</td>
<td>105</td>
<td>297</td>
<td>340</td>
</tr>
<tr>
<td>end of the downturn</td>
<td>0</td>
<td>42</td>
<td>145</td>
<td>213</td>
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</tbody>
</table>

- An approximately **one-year lag** is calculated between office market yield and **new supply**.
- A somewhat **shorter distance of rents** and yields is revealed.
- According to the concluded calculations, **vacancy** and **take-up respond earliest**.
Reaction asymmetries

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- At the **beginning of the crisis**, take-ups followed the downward movement of yield somewhat **later** than at the recovery.
- A larger gap can be seen between take-ups and vacancies during the recovery.
- The reaction of Supply is **shorter** to some extent during the upturn.
Correlations of cyclical components with yields supported the turning point method’s results.

First take-ups react, than vacancy, and new supply in the end.
Thank you for your attention!

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