

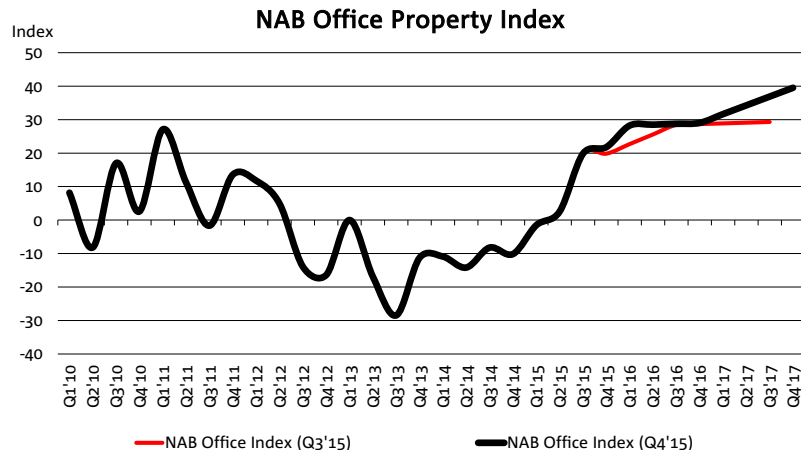
NAB Commercial Property Survey: Office Market Q4 2015

by NAB Group Economics

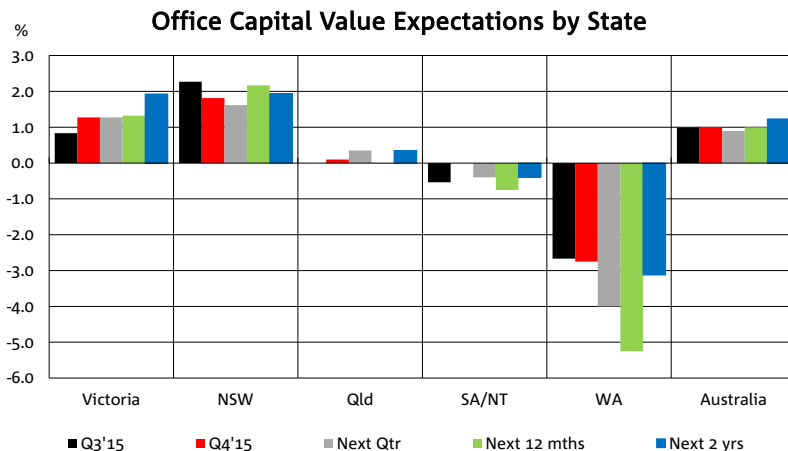
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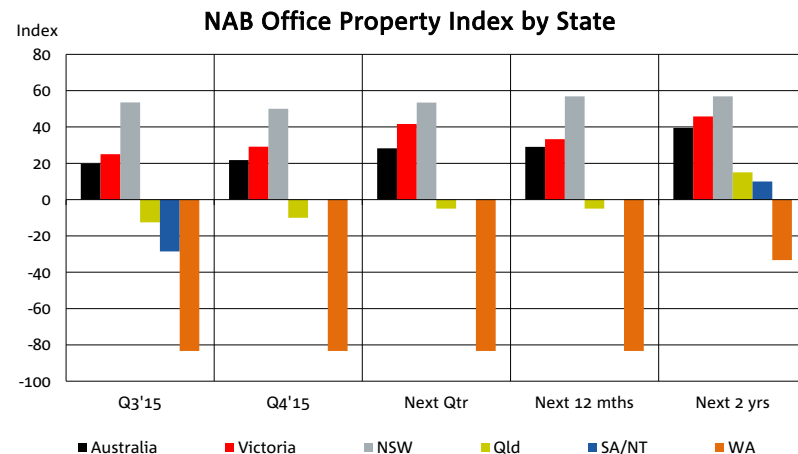
National office market sentiment continued to strengthen in Q4. NAB's Office Property Index rose to +22 in Q4 - its highest level since early-2011 and well above its long-term average (0). Forward looking indicators for the next 1-2 yrs suggest that confidence has also improved.



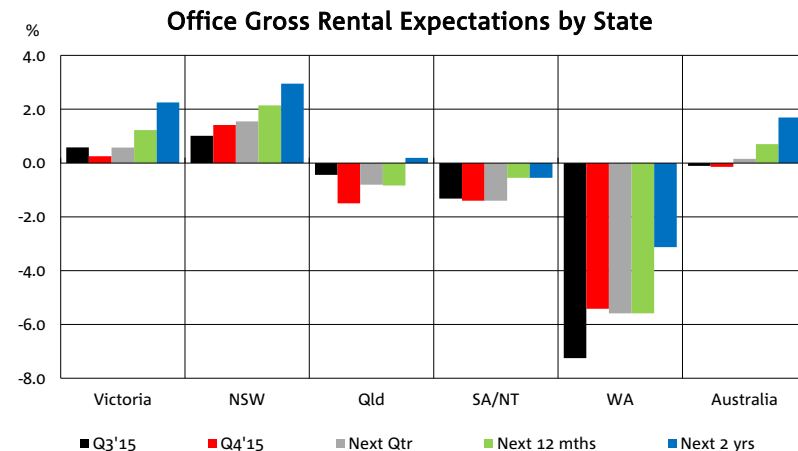
Capital growth in Q4 strongest in NSW (1.8%) & VIC (1.3%). Flat in QLD (0.1%) and falling in WA (-2.8%). NSW & VIC to lead country for capital gains in office markets in next 1-2 yrs, with modest growth tipped in QLD. Values to continue falling heavily in WA and to a lesser extent in SA/NT.



National office market sentiment continues to be underpinned by NSW (strongest by some margin) and VIC. All other states negative, especially WA where it remains at record lows. Looking ahead, confidence strongest in NSW & VIC and languishing in WA. QLD & SA/NT positive in 2 yrs time.



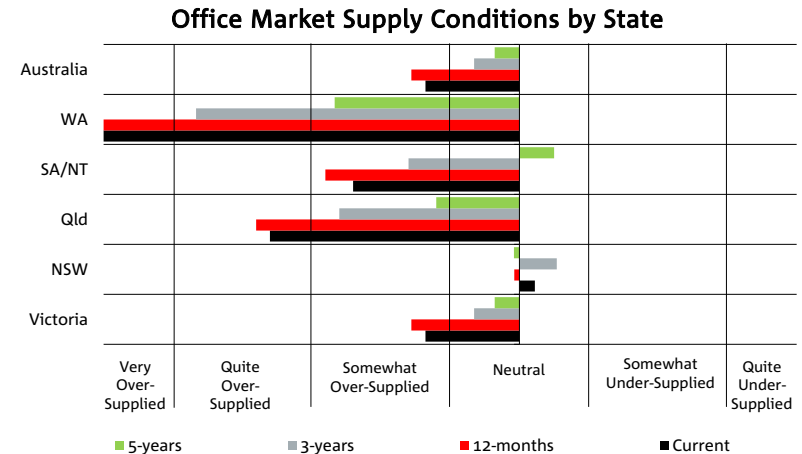
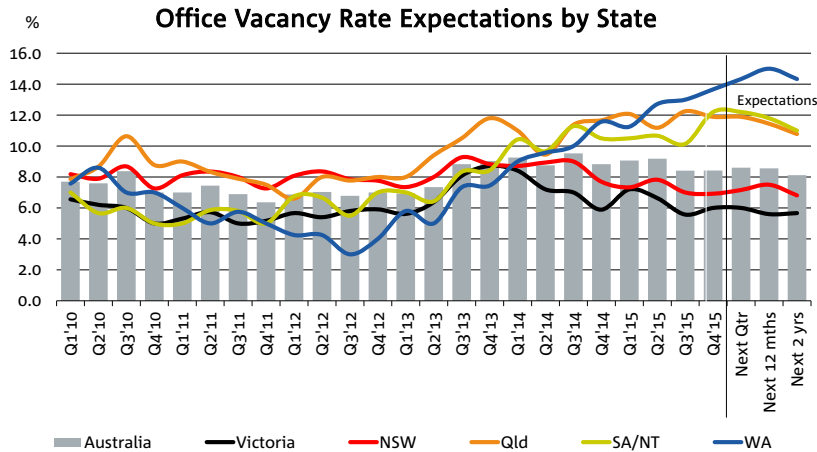
NSW & VIC at the forefront for income returns (only states reporting positive returns in Q4). Rental correction continuing in all other markets – particularly in WA. Best returns expected in NSW & VIC in next 1-2 yrs, with very modest growth resuming in QLD in 2 yrs. WA very weak.



NAB Commercial Property Survey: Office Market

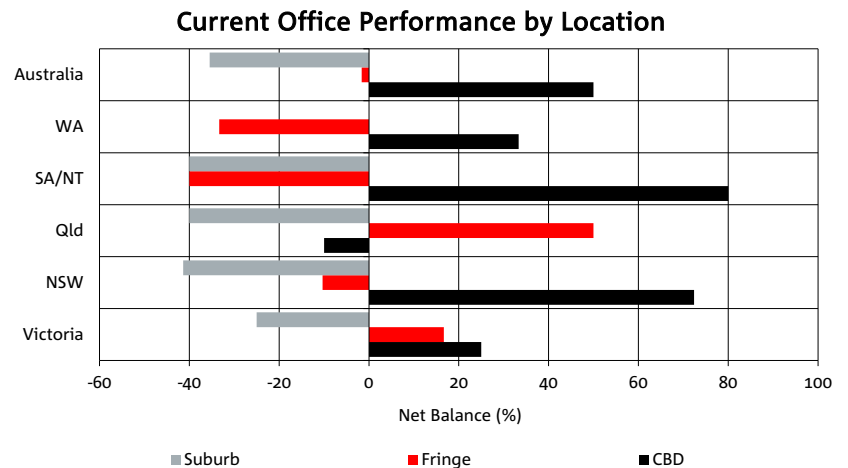
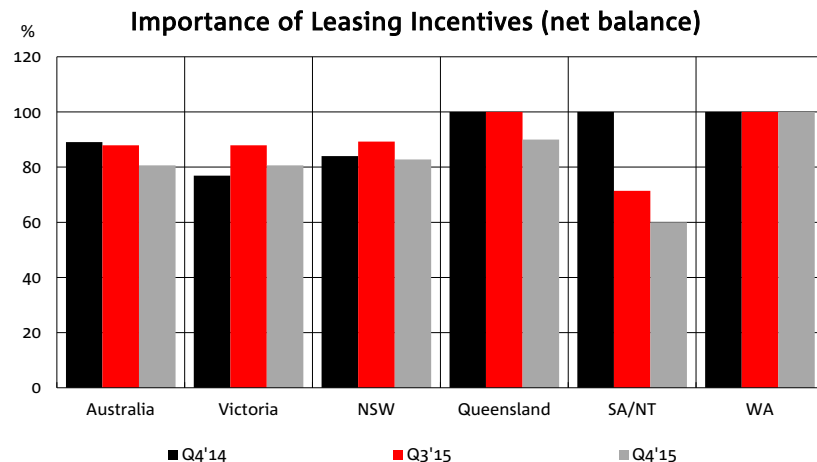
VIC & NSW remain the tightest markets in terms of available space and are expected to remain so over the next 1-2 yrs. Vacancy now holding steady in QLD (at elevated levels), but excess supply and weak tenant demand pushing vacancy rates higher in WA.

Over-supply a feature in office property markets in all states, bar NSW ("neutral"). Over-supply is a major issue in WA, where a large over-hang is expected to persist for next 1-5 yrs. The market in QLD is also "quite over-supplied" and tipped to remain so next year. SA/NT also elevated.



Importance of leasing incentives has reduced in most states, but is still at elevated levels (except SA/NT but from a smaller sample size). Incentives continue to be highest in WA (where over-supply also most prevalent).

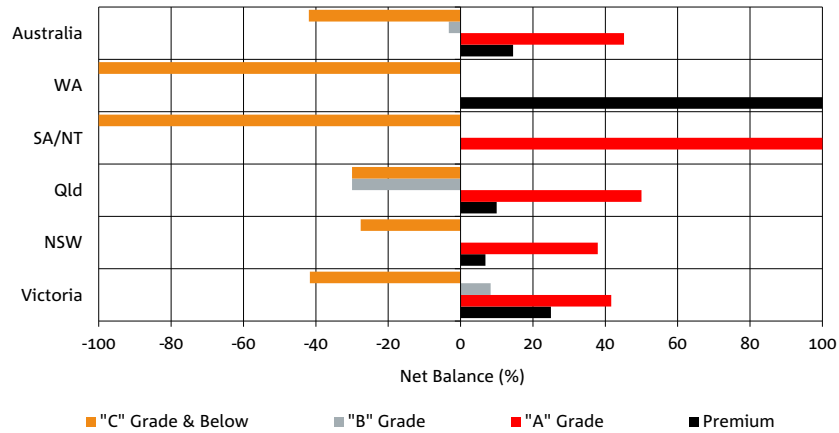
CBD seen as the best performing location for office property in all states in Q4, except QLD (fringe best). Fringe property the worst performer in WA & SA/NT. Suburbs the worst location in QLD, NSW & VIC.



NAB Commercial Property Survey: Office Market

“A” grade stock considered the best performing grade of office property in all states, except WA (premium). “B” grade property under-performing in all states, except VIC. Office property graded “C” and below identified as the worst performer in all states, along with “B” grade property in QLD.

Current Office Performance by Grade



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