

NAB Commercial Property Survey: CBD Hotels Q2 2016

by NAB Group Economics

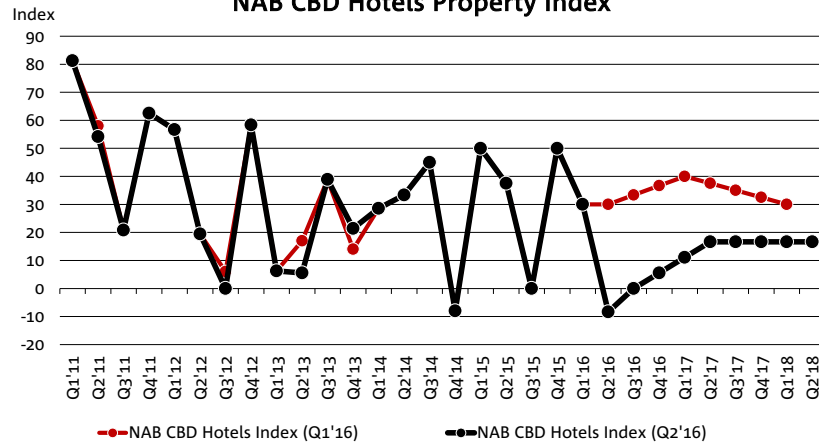


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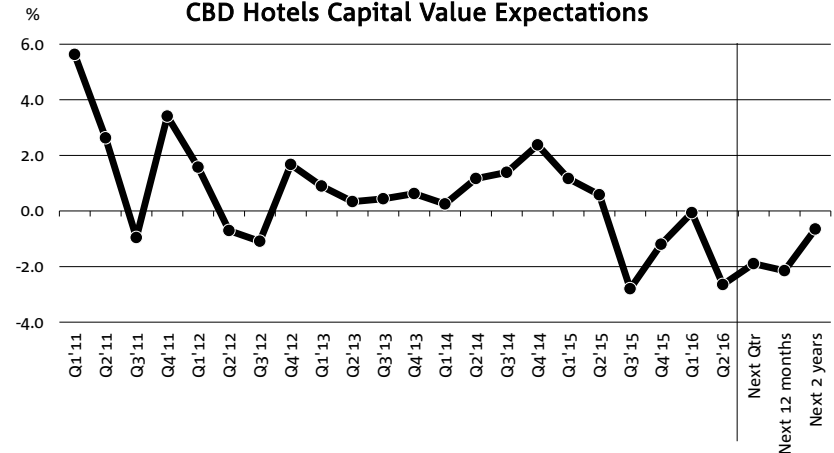
Sentiment in the CBD Hotels sector fell for the second straight quarter (down 38 points to -8). It now sits well below long-term average levels (+32) and is weakest across all sectors. Survey suggests confidence has also waned, and now among weakest across all market segments.

Capital values fell -2.7% in Q2 and forward expectations were scaled back to -2.2% next year and -0.7% in 2 years' time (from 1.4% & 3.4% forecast in Q1). Consequently, CBD Hotels now expected to under-perform all other commercial property sectors for capital growth.

NAB CBD Hotels Property Index



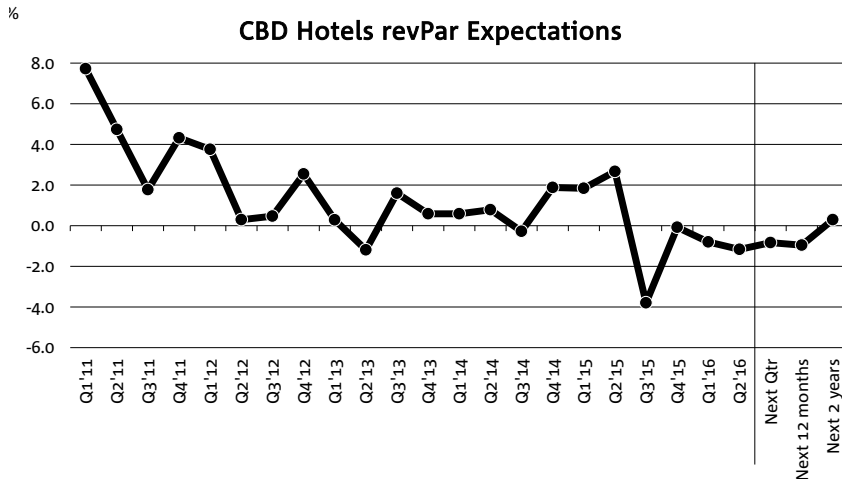
CBD Hotels Capital Value Expectations



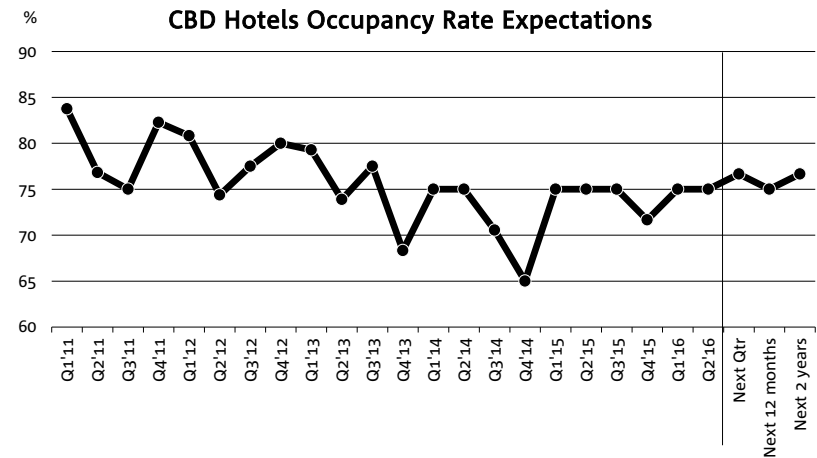
revPar fell a further -1.2% in Q2 (-0.8% in Q1). Property professionals in the CBD Hotels sector on average expect revPar to fall another -1% over the next year, with modest growth of 0.3% resuming in 2 years' time.

Average occupancy rate in the CBD hotel sector unchanged at 75% in Q2. Property professionals expect the occupancy rate to remain unchanged at 75% next year and climb to 77% in 2 years' time.

CBD Hotels revPar Expectations



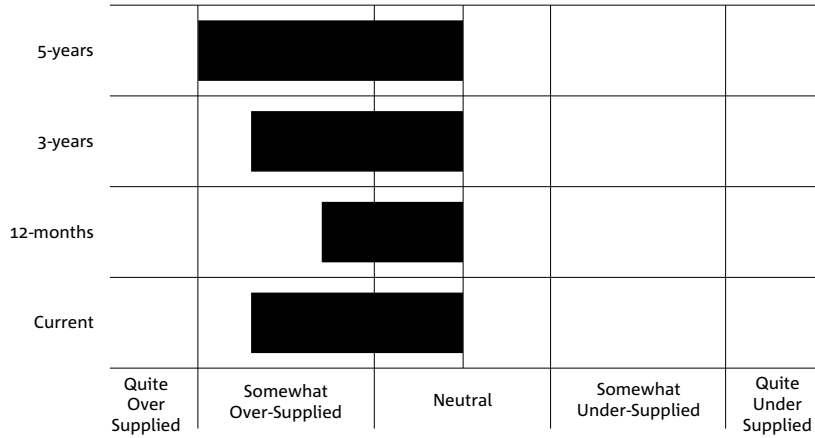
CBD Hotels Occupancy Rate Expectations



NAB Commercial Property Survey: CBD Hotels

Supply conditions in the CBD hotel market are currently assessed as “somewhat over-supplied”. Despite strong demand and high vacancy rates, the market is expected to remain “somewhat” over-supplied in the next 3-5 years’ time as more supply comes on stream.

CBD Hotels Market Supply Conditions



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