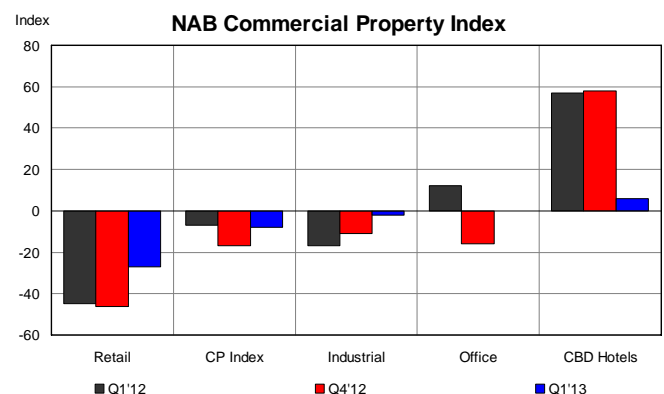
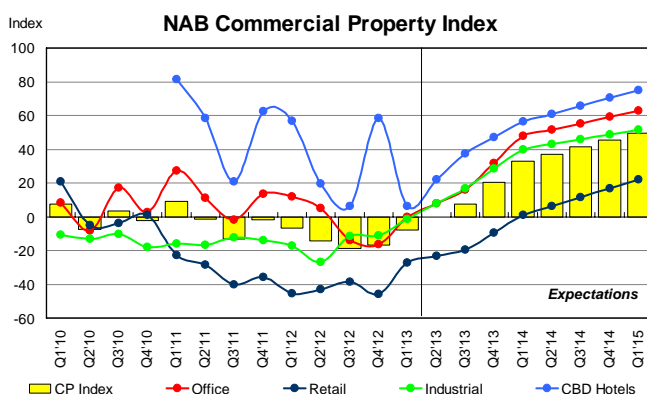


Quarterly Australian Commercial Property Survey: Q1 2013

The NAB Commercial Property Index rose in Q1'13 (but still remained negative), driven by an uplift in sentiment in the office, retail and industrial property markets. Sentiment improved in all states, bar Queensland. WA was the most optimistic state, but the biggest movement was seen in Victoria which is now expected to surpass WA in the next 1-2 years as the most optimistic state. More property developers reported plans to start new projects or developments in the near-term as fewer property professionals identified debt/equity funding as a problem. Consumer confidence continues to be noted as the main challenge facing property firms in the next year but concerns about stock availability and the upcoming federal election are also growing.

- The NAB Commercial Property Index rose to -8 points in Q1'13 (-17 points in Q4'12). Sentiment improved most in the retail market (but still negative overall), but remains highest for CBD Hotels. With a higher net balance more optimistic about capital and rental prospects in the next 1-2 years, the NAB Commercial Property Index is set to rise to +33 points by Q1'14 and +50 points in Q1'15 (higher than forecast in Q4'12 but still below expectations reported last year).
- Sentiment improved in all states in Q1'13, except Queensland. Sentiment was strongest in WA but Victoria was the biggest mover and Queensland the most downbeat state. Expectations in Victoria improved significantly, underpinned by much stronger sentiment in office and industrial markets. The outlook in the next 1-2 years is weakest in Queensland, with a softer resources market likely having a negative impact on sentiment in that state, especially in the state office market.
- Average capital values for retail property fell -1% in Q1'13. Capital values for industrial property also declined -0.4%. Office values were flat, while CBD Hotels grew 0.9%. Office property enjoys the strongest outlook for capital growth, with values forecast to rise by 2.1% by Q1'14 and 3.9% by Q1'15. Modest growth in retail capital values to resume in the next 2 years.
- Gross rents fell in all markets in Q1'13 but at a slower rate. Rents fell most for retail (-1.6%), with the best returns reported for industrial (-0.4%). Expectations have strengthened, with industrial rents to grow 0.9% in the next year and 1.9% in the next 2 years. Office rents are tipped to rise 0.4% and 1.5%, while retail rents are predicted to fall -1% and -0.1% in this period. With income returns improving, a lower net balance in office and industrial markets said leasing incentives were important in Q1'13 compared with Q4'12, but they were still higher than year earlier levels.
- Supply conditions were broadly neutral in all markets in Q1'13, except retail where the market was "somewhat" over-supplied. All markets are expected to be "neutral" in the next 3-5 years. National vacancy rates were also broadly unchanged in all markets in Q1'13, but a steady improvement in operating conditions should push vacancy lower in next 1-2 years.
- Slightly more property developers are planning to commence new projects/developments in the near-term. Although the majority of property developers are still seeking to develop residential projects, more office and industrial property is also earmarked for development. Most developers entering the market are looking to cash in on land-banked stock, but more are also chasing new acquisitions, as fewer developers saw debt/equity funding as a problem in Q1'13. Consumer confidence remains the main challenge facing property businesses in the next 12 months. Finance/funding was identified as the next biggest challenge, but concerns about stock availability and the upcoming federal election have also risen.



NAB Commercial Property Index: Q1 2013

	Q3'10	Q4'10	Q1'11	Q2'11	Q3'11	Q4'11	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13	Q3'13	Q1'14	Q1'15
Office	17	3	27	11	-2	14	12	5	-14	-16	0	16	48	63
Retail	-4	1	-23	-28	-40	-36	-45	-43	-39	-46	-27	-19	1	22
Industrial	-10	-18	-16	-17	-12	-14	-17	-27	-11	-11	-2	17	40	52
CBD Hotels			81	58	21	63	57	19	6	58	6	38	56	75
CP Index	4	-2	9	-2	-13	-2	-7	-14	-19	-17	-8	8	33	50

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Commercial Property Overview

The NAB Commercial Property Index rose to -8 points in Q1'13 (-17 points in Q4'12). An increase in the net balance anticipating higher capital values and rents for office, retail and industrial property underpinned the improvement in the overall index, as sentiment in the CBD hotel sector was scaled back (but still positive).

Sentiment improved most in the retail property market but was still negative overall. The NAB Retail Property Index rose to -27 points in Q1'13 (-46 points in Q4'12), amid some positive signs in the retail sector as interest rate cuts to date continue to work their way through consumer spending.

Despite softer business conditions reported in the most recent NAB surveys, ongoing corporate cost cutting and labour market uncertainty, sentiment also improved among office market participants. Consequently, the NAB Office Index rose to 0 points (-16 points in Q4'12).

The NAB Industrial Property Index rose to -2 points in Q1'13 (-11 points in Q4'12) which was consistent with the improvement seen in the NAB Manufacturing Activity Index in Q1'13 up to neutral levels. This improvement was driven largely by less negative levels for business confidence. Business confidence in the manufacturing sector remained negative in Q1'13, but less negative than in the past few quarters.

The CBD Hotel sector has out-performed the overall commercial property market for some time, but sentiment was scaled back in Q1'13. The CBD Hotel Index slipped to +6 points in Q1'13 (+58 points in Q4'12), with a smaller net balance anticipating capital or room rate growth. Although buoyant demand and limited supply growth underpinned continued growth in the CBD hotel market during the quarter, growth was softer than in recent quarters.

Signs have emerged that the economy is responding to low interest rates - retail spending and asset prices rose in early-2013, despite labour market conditions still a little subdued (but NAB business survey continues to highlight the difficulty in business conditions).

This optimism appears to have also spilled over into commercial property markets, with a higher net balance of survey respondents expecting capital and income growth in the next 1-2 years.

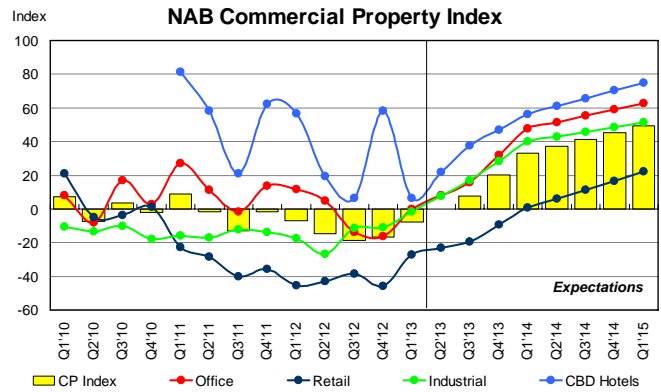
Consequently, the NAB Commercial Property Index is stronger than forecast in the last survey, with the index now expected to rise to +33 points by Q1'14 and +50 points in Q1'15. However, sentiment is still well below levels reported last year.

Sentiment improved in all states in Q1'13, except Queensland where the state index fell slightly. Sentiment remains strongest in WA, with the state index rising to +19 points (-3 points in Q4'12). The biggest movement was seen in Victoria where the state index rose to +4 points (-30 points in Q4'12). Queensland was the most downbeat state (-27 points).

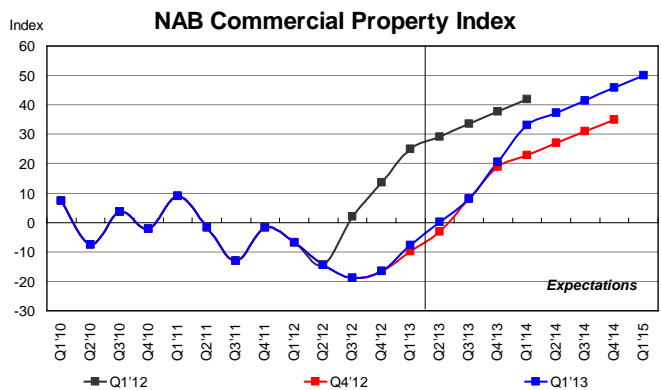
Expectations improved sharply in Victoria, where respondents are now the most optimistic in the country. Consequently, the state index is expected to rise to +44 points by Q1'14 and +66 points by Q1'15.

Sentiment is weakest in Queensland in the next 1-2 years, with the softer resources market likely having a negative impact on expectations in that state, especially in the state office market.

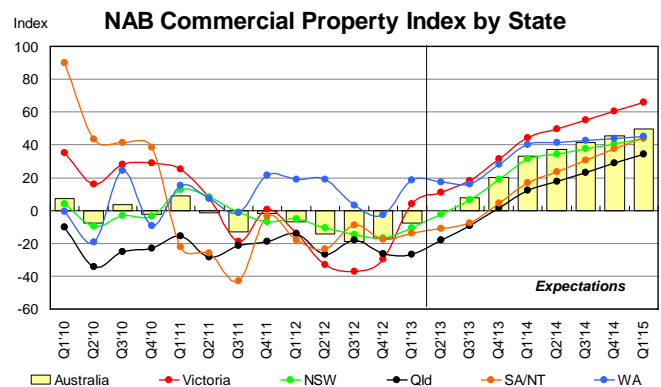
Improvement in NAB Commercial Property Index driven by an uplift in sentiment in the office, retail and industrial markets.



Forward expectations somewhat stronger.



Sentiment improves in all states except Queensland (unchanged)

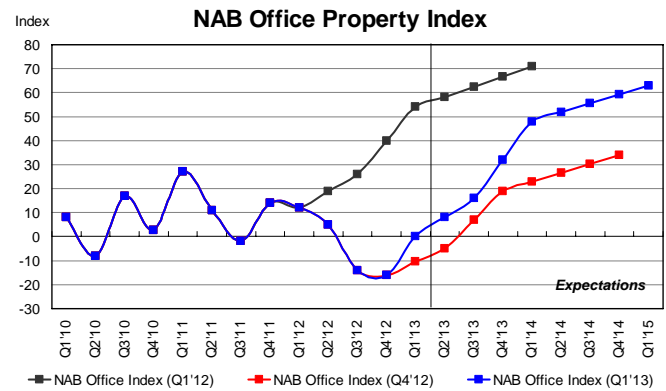


More survey respondents reported capital and income growth in the office market in Q1'13. As a result, the NAB Office Property Index rose to 0 points in Q1'13, after slipping to a low of -16 points in Q4'12.

With more survey respondents predicting capital values and income growth in the next 1-2 years, the NAB Office Property Index is also tipped to rise to +48 points by Q1'14 and +63 points by Q1'15. However, while expectations are higher than those reported in the last quarter, they are still some way below year earlier levels.

Overall, these results appear to be consistent with the latest readings from the NAB Quarterly Business Survey, which show that business conditions in the finance/ business sectors (key drivers of office demand) improved significantly in Q1'13 - likely reflecting the run up in equity prices since mid-November.

Office property index recovers in Q1'13 and forward expectations strengthen, but sentiment still below year-earlier levels.

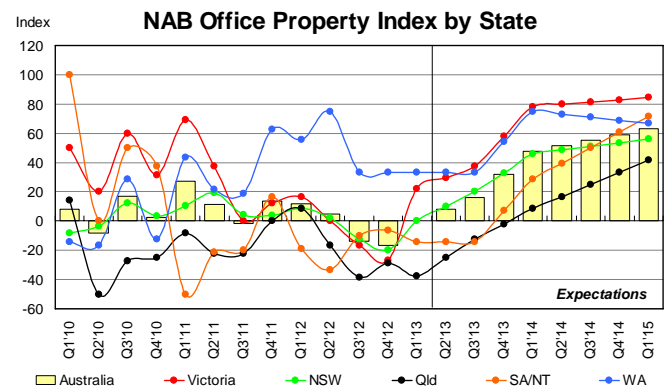


WA was the most resilient state for office property with the state office index unchanged at +33 points in Q1'13. However, the uplift in sentiment in the national office property market was driven by Victoria and NSW. In Victoria, the state office index rose to +22 points (-27 points in Q4'12), while in NSW the index was flat (-20 points in Q4'12). Elsewhere, sentiment was negative in SA/NT (-14 points) and Queensland (-38 points) and more so than in Q4'12.

Victoria has replaced NSW as the most optimistic state for office property with the state office index expected to rise to +84 points by Q1'15. The uplift in sentiment in Victoria was likely influenced by recent ABS data which showed growth in state white collar employment running ahead of the national average in early-2013.

Expectations were weakest in Queensland, where soft tenant demand (both government and private) has caused vacancy rates to remain elevated.

Victoria shows biggest improvement, but sentiment still strongest in WA. Victoria to surpass WA in the next 1-2 years as the most optimistic state. Qld the weakest.

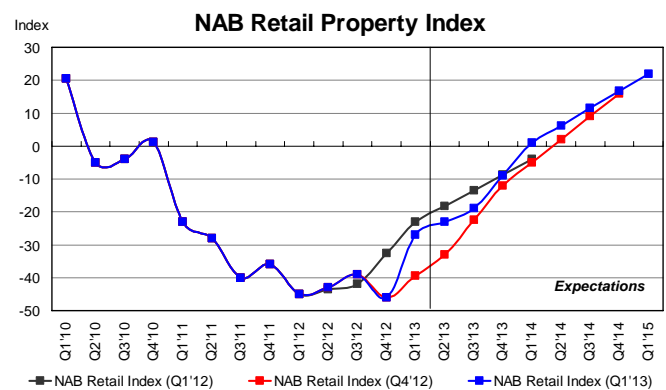


The NAB Retail Property Index recovered to -27 points in Q1'13, after falling to a low of -46 points in Q4'12. The index now stands at its highest level since Q1'11, but we are not yet convinced that this marks a turning point in the cycle.

A sharp increase in retail trade in January and February, which was partly unwound in March, suggests consumption growth accelerated in the March quarter. While 'green shoots' appear to be emerging in the consumer dependent sectors, the NAB business survey shows that conditions in retail are still challenging, albeit less subdued than at the end of last year. This suggests that sentiment in retail property markets may continue to flounder in the near-term.

Indeed, with few signs of an imminent turnaround on the horizon, the Retail Property Index is forecast to rise to just +1 point in Q1'14 and to +22 points by Q1'15 - well below the overall Commercial Property Index average.

NAB retail property index recovers in Q1'13, but still negative. Market sentiment to remain negative over the next year, with a modest recovery starting in H2'14.

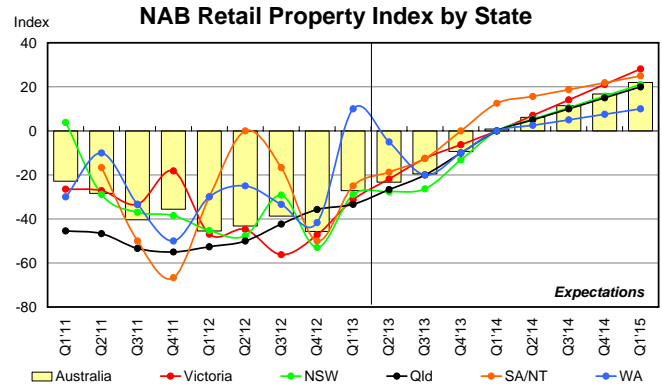


WA was the only state to record a positive index reading for retail property in Q1'13 (+10 points). Sentiment remained negative in all other states, but at lower levels than in the previous survey. Queensland (-33 points) and Victoria (-31 points) were the least optimistic states for retail property.

Expectations for capital values and rents are expected to improve in all states in the next year, led by SA/NT (+13 points) but from a small sample size. All other states are forecast to post flat index readings in Q1'14.

Victorian survey respondents are the most optimistic over the long-term, with the state retail property index expected to rise to +28 points by Q1'15. SA/NT (+25 points) and NSW (+21 points) are the next most optimistic states. WA is the weakest state (+10 points), while Queensland (+20 points) is also slightly below the national average.

Sentiment in the retail property market was negative in all states bar SA/NT in Q1'13. Victoria is the most optimistic state for retail property in the next 2 years.

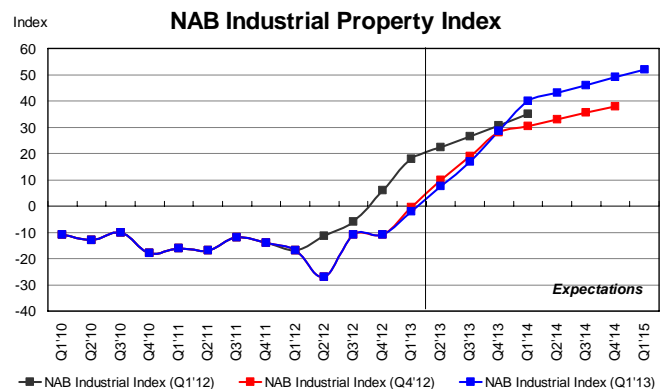


The NAB Industrial Property Index climbed to -2 points in Q1'13 (-11 points in Q4'12) to record its highest reading since the survey began in Q1'10. More buoyant sentiment in this sector has occurred amid reports of rising occupier demand and buoyant investment activity, especially for prime grade industrial assets.

Manufacturing (traditionally a key driver of industrial property demand) continues to diminish as a component of the industrial market as it buckles under the pressure of cyclical and structural headwinds. Instead, warehousing for storage and distribution is now the primary driver of the industrial property market.

More survey respondents anticipate capital and rental growth in the next 1-2 years as warehousing requirements continue to grow. As a result, the industrial property index is forecast to rise to +40 points by Q1'14 and +52 points by Q1'15 - a stronger outcome than anticipated in our last survey.

Industrial property index climbs to an all time high in Q1'13. Expectations have also strengthened, especially 2 years out.

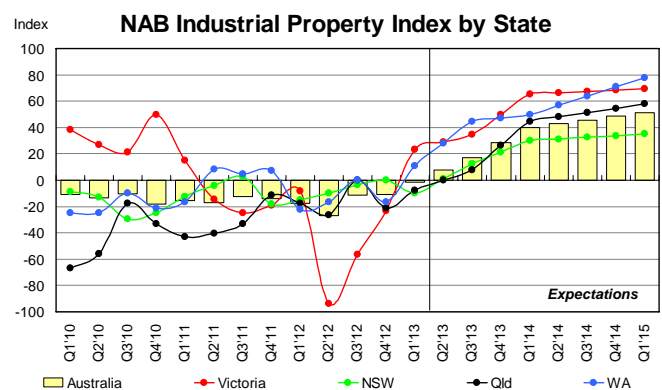


Market sentiment continues to improve rapidly in Victoria, which is now the most optimistic state for industrial property. The state index rose to +23 points in Q1'13 (-23 points in Q4'12) amid reported signs of renewed demand in particular areas. NSW (-10 points) was the most pessimistic state for industrial property. We exclude SA/NT because of sample size.

More survey respondents anticipate capital and rental growth in the next 1-2 years, led by Victoria (+65 points) and WA (+50 points).

By Q1'15, WA (+78 points) is expected to overtake Victoria (+69 points) as the most optimistic state for industrial property as resource projects, infrastructure and construction markets continue to drive demand for industrial space that supplies these projects. NSW (+35 points) lags the national average and is the least optimistic state for capital and income growth over the next 2 years.

Victoria was the most optimistic state for industrial property in Q1'13, but surpassed by WA in 2 years. NSW is the least optimistic state over the next 2 years.



NAB's CBD Hotel Index slipped to +6 points in Q1'13, (+58 points in Q4'12) as fewer survey respondents reported capital growth. However, overall sentiment in this sector was still the strongest in the commercial property space. Survey participants in the CBD Hotel sector were also the most optimistic in the commercial property space.

The out-performance of CBD hotel property continues to be driven by relatively high occupancy rates and solid demand for CBD hotel rooms.

Although expectations in the next 1-2 years were scaled back relative to the Q4'12 survey, overall sentiment in the CBD hotel sector is still strongly positive, reflecting steady demand for both hotels rooms and room rate growth. The survey results indicate that the CBD Hotel Index will rise to +75 points by Q1'15 and that the CBD hotel sector will continue to out-perform the commercial property market average.

There is still considerable variance of opinion among property professionals as to where each market currently sits in the cycle, although the majority believe that a recovery is already underway in both the office and industrial property markets.

In the office market, 35% said that the market was already recovering (21% in Q4'12), while around 30% said the market will not recover until H2'13.

In the industrial market, 32% of survey respondents said that the market is already recovering, up from 18% in Q4'12. Around 33% of survey respondents see the market recovering in H2'12, while 21% see a recovery starting after this date.

In retail, only 12% said the market was already recovering, unchanged from Q4'12. Around 25% believe that the recovery will commence in H2'13, while 39% expect it to commence after that date.

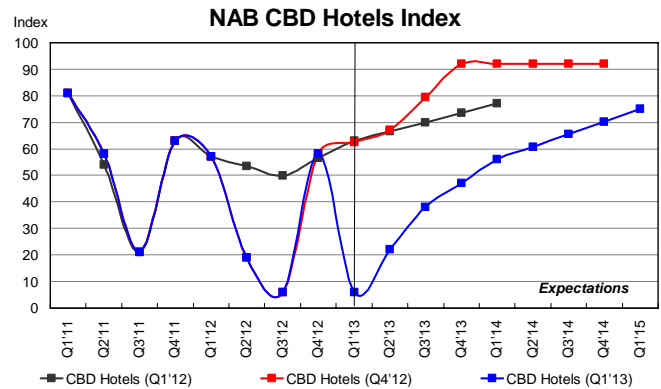
Average capital values for retail property fell -1% in Q1'13 (-1.4% in Q4'12). Capital values for industrial property also declined -0.4% (-1.2% in Q4'12). In contrast, office capital values were flat (-0.6% in Q4'12), while CBD Hotels values grew 0.9% (1.7% in Q4'12).

Office property enjoys the strongest outlook for capital growth, with values forecast to rise by 2.1% by Q1'14 and 3.9% by Q1'15, with expectations also much stronger than in the last survey.

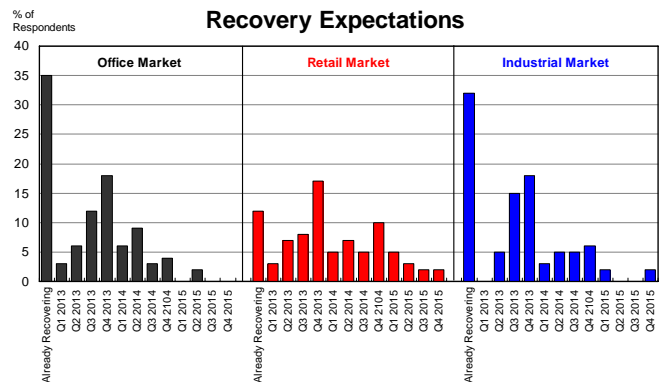
Over the next year, property professionals also see capital values growing for both CBD hotels (1.6%) and industrial (1.1%) property, with capital values for retail property falling -0.2%.

By Q1'15, capital values should be growing in all segments, according to our survey respondents. Capital values are forecast to grow 3% for CBD hotels, 2.3% for industrial and 0.8% for retail property.

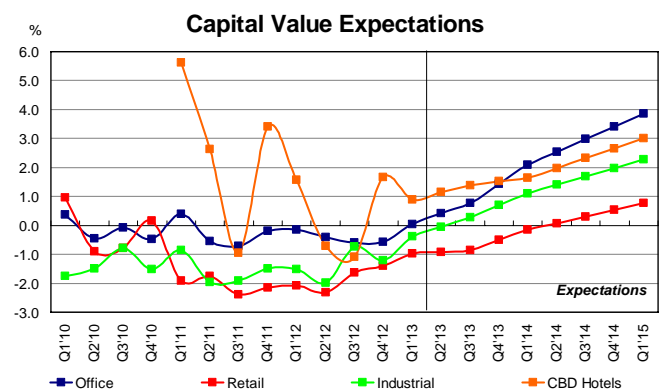
CBD hotel index slips back in Q1'13 but participants in CBD hotel sector are still the most optimistic in the commercial property market and remain so going forward.



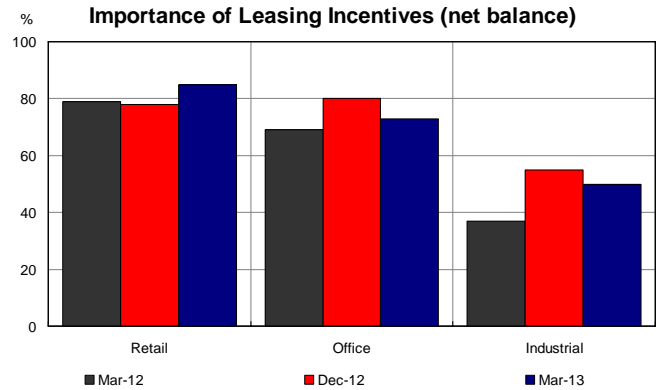
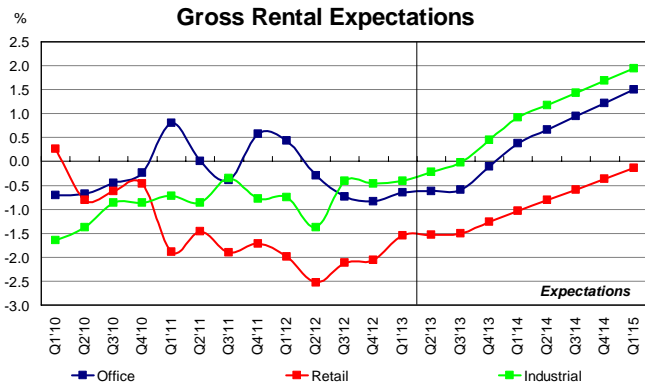
Still wide variance in opinion as to where each market is in the current cycle, but the majority believe a recovery is already underway in office and industrial markets.



Average capital values for retail & industrial declined in Q1'13. Expectations strongest for office & CBD hotels. Modest growth in retail values to resume in the next 2 years.



Gross rents fell in all markets in Q1'13, but the outlook is stronger. Importance of leasing incentives reduce in office & industrial markets in Q1'13, but more important in retail.



Gross rental returns continued falling in all property markets in Q1'13, but at a slower rate. Rents fell most for retail property (-1.6%), with returns down in all states except WA. In the office market, average rents fell -0.7% (-0.8% in Q4'12), with WA and Victoria the only markets reporting rental growth (albeit modest). In the industrial market, average national rents fell -0.4% in Q1'13, with rents falling in all states except WA.

Forward expectations for office rents strengthened in Q1'13, with average rents now expected to grow by 0.4% (flat previously) in the next year. WA (3.4%) and Victoria (1.9%) lead the way, while rental expectations were scaled back heavily in Queensland to -1.8% (-0.2% in Q4'12).

In the retail market, survey respondents were less pessimistic, with average national gross rents predicted to fall by -1% in the next year (-1.5% predicted previously). Respondents from Queensland (-1.5%), NSW (-1%) and SA/NT (-1%) were the least optimistic states for rental returns.

Rental expectations for industrial property in the next year were also revised up slightly, with rents now tipped to grow by 0.9% (0.8% previously). Industrial rents are expected to grow fastest in Queensland (1.4%) and WA (1.3%), but remain flat in SA/NT.

Over the next 2 years, national industrial rents are expected to rise by 1.9% (1.7% previously), with Queensland (3%) and WA (2.8%) the strongest rental markets in this period and SA/NT (0.6%) the weakest. Rental expectations in the national office market were also revised up to 1.5% over the next 2 years (1% previously), with WA (4.6%) and Victoria (3.1%) expected to provide the best returns in this period. In the national retail market, rents are expected to fall by -0.1% over the next 2 years, compared with a -0.4% fall forecast in Q4'12.

With income returns improving, a lower net balance in the office and industrial markets said that leasing incentives (e.g. rent free periods etc.) were important in Q1'13 (compared with Q4'12), although the net balance was still higher than year earlier levels. In the retail market, however, a larger net balance considered leasing incentives to be important in Q1'13.

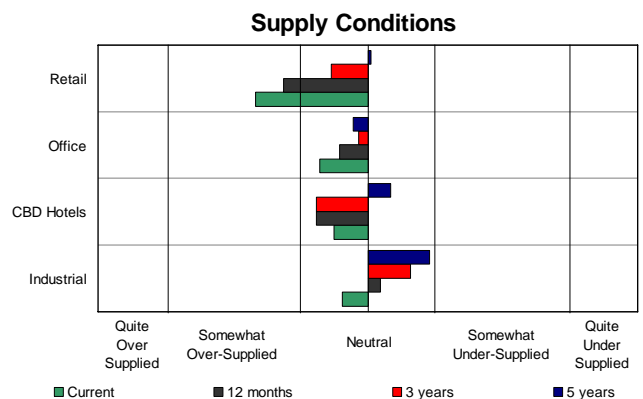
National office supply was "neutral" in Q1'13 as market tightness in WA offset modest supply over-hangs in SA/NT, Victoria and NSW. The national market is set to remain balanced in the 1-5 years in all states according to our survey respondents.

The national retail property market was considered to be "somewhat over-supplied" in Q1'13 and is expected to remain so in the next year. Excess supply is however, expected to be slowly worked out of the market with "neutral" conditions emerging in the next 3-5 years.

The national industrial property market is currently balanced. However, survey respondents expect this market to tighten in the next 3-5 years and be approaching conditions of "somewhat under-supplied".

The CBD hotel market is now considered to be "neutral" and is expected to remain so in the next 1-5 years.

Retail market over-supplied. Industrial, office and CBD hotels balanced. All markets "neutral" in the next 3-5 years.



National vacancy rates were broadly unchanged in all property segments in Q1'13 according to our survey respondents.

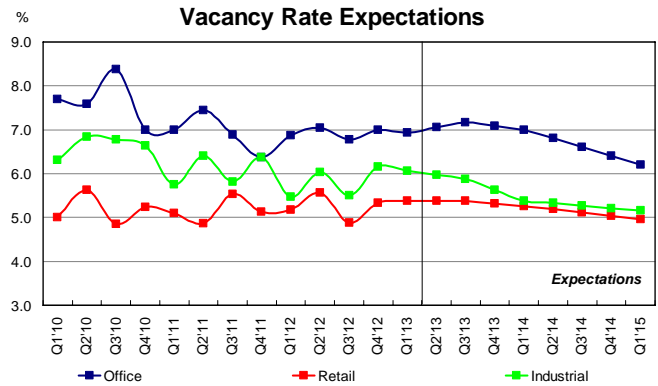
In the national office market, the vacancy rate fell to 6.9% in Q1'13 (7% in Q4'12).

National vacancy in the industrial property market also declined slightly to 6.1% in Q1'13 (6.2% in Q4'12).

Reflecting the ongoing difficulties still facing many retail trade sectors, the national vacancy rate in the retail property sector increased slightly to 5.4% Q1'13 (5.3% in Q4'12).

Given still relatively weak development/supply pipelines and expectations for a steady pick-up in overall operating conditions, vacancy rates are expected to improve gradually in all commercial market segments over the next 2 years.

Vacancy rates were broadly unchanged in all property markets in Q1'13. Steady improvement in operating conditions to push vacancy lower in the next 1-2 years.



New Property Developments

Survey respondents in the property development space are asked when they plan to commence new works. Responses in Q1'13 indicate that more developers are planning to commence works in the near-term.

The number of respondents planning new developments in the next 0-6 months rose to 47% in Q1'13, from 43% in Q4'12 and 39% a year earlier. This reflected a jump in the number of new commencements planned in the next month to 15% (13% in Q4'12) and in the next 1-6 months to 32% (30% in Q4'12). Developers are most optimistic in Victoria, where 60% expect to commence new developments in the next 0-6 months, and least optimistic in Queensland (39%).

The share reporting new developments in 6-12 months fell to 25% (31% in Q4'12). Those starting in the next 12-18 months rose to 19% (11% in Q4'12), while those with a longer time frame fell to 5% (13% in Q4'12).

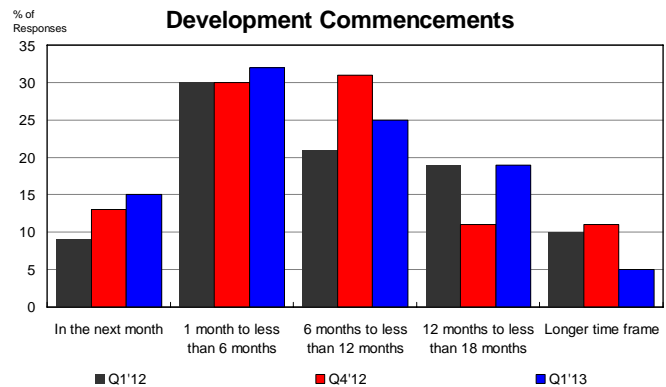
When asked to nominate which sectors developers were seeking to develop new projects, residential property remains the most favoured property type according to 52% of survey respondents, although this was down from a high of 58% in the previous quarter.

Improved sentiment in the office market is also apparent among property developers. Around 16% of survey respondents expected to develop new projects in the office sector in Q1'13, up from 14% in Q4'12, with office developers most optimistic in NSW.

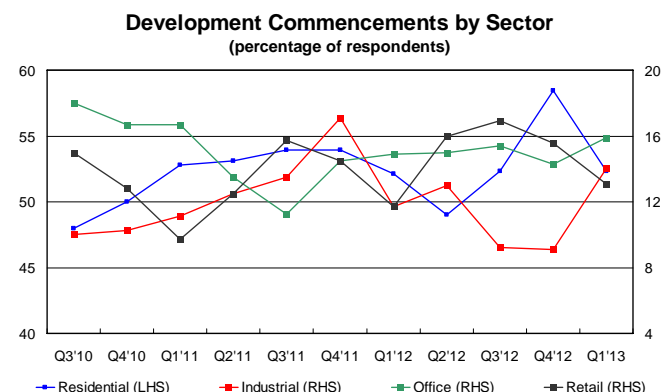
Prospects for new industrial developments also increased notably this quarter, with 14% of national survey respondents planning new industrial developments in Q1'13 (9% in Q4'12). Victorian developers were the most optimistic in this space.

The share of respondents seeking to develop retail property however declined to 13% (16% in Q4'12).

Slightly more property developers are planning to start new projects or developments in the near-term.



Majority of property developers still seeking to develop residential projects, but more office and industrial property also earmarked for development.



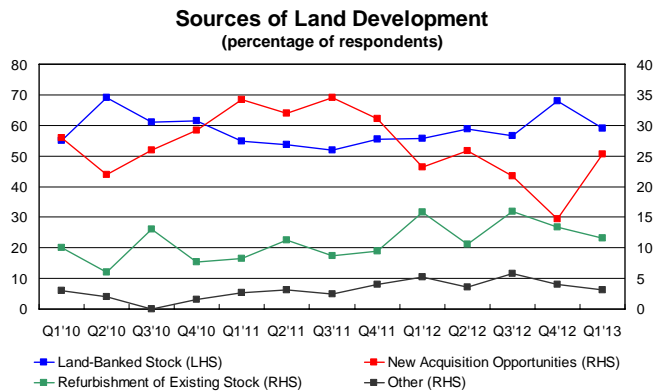
Of the survey respondents looking to undertake new works, 59% were looking to do so with land-banked stock held for future development, down from 68% in Q1'13. Victorian (39%) and NSW (32%) developers hold the lion's share of land slated for future development.

Majority of developers entering market are looking to cash in on land-banked stock, but more also chasing new acquisitions.

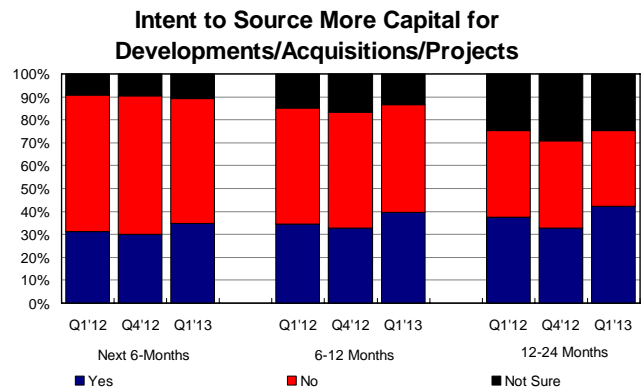
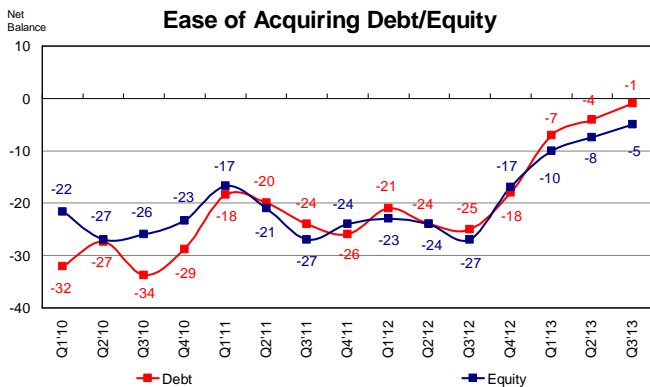
The share of national developers chasing new acquisitions increased to 25% in Q1'13, up from a low of 15% in Q4'12. Developers from NSW (29%) and Victoria (24%) are most likely to be chasing new stock this quarter.

The number of national survey respondents looking to refurbish existing stock fell to 12% in Q1'13 (13% in Q4'12 and 6% one year earlier), with refurbishments more likely to occur in NSW.

Overall, these trends suggest that developers were slightly more optimistic about entering the market this quarter.



Debt and equity funding still seen as a problem for property developers in Q1'13, but less so than in Q4'12. Conditions are expected to improve in both channels over the next 3-6 months, but net balance still negative (just).



Fewer developers saw debt funding as a problem in Q1'13. A net balance of -7% of survey respondents reported more difficult conditions for sourcing debt in Q1'13, compared with -18% in Q4'12. Developers in SA/NT (-25%) and Victoria (-14%) were most pessimistic, but less so than in Q4'12. WA was the most optimistic state (0%), followed by NSW (-1%) and Queensland (-2%). Around 25% of respondents also reported no new borrowing requirements in the past 3 months, but this share is expected to fall to 21% in the next 3-6 months.

Debt conditions are expected to improve in the next 3-6 months, with a net balance of -1% seeing more difficult conditions. SA/NT (-12%) and Victoria (-5%) remain the most pessimistic states, with NSW (+2%) and WA (+1%) the most optimistic states.

Raising equity was also less difficult in Q1'13, with a net balance of -10% anticipating more difficult conditions (-17% in Q4'12). SA/NT (-26%) and Victoria (-24%) were the most pessimistic states, while Queensland (-7%) and WA (-8%) were the most optimistic states. Raising equity is expected to be easier in the next 3-6 months, with the net balance falling to a low of -5%. Victoria (-14%) remains the most pessimistic state, followed by SA/NT (-13%), while developers from Queensland (+11%) are by far the most optimistic.

Around 30% of respondents said they had no equity requirements this quarter, but that share is expected to fall to 25% in the next 3-6 months.

More survey participants plan to source funds in the next 6 months (35% versus 30% in Q4'12) and in the next 6-12 months (40% versus 33% in Q4'12) which is consistent with an increase in the number planning to start new developments over this period. Those with no sourcing intentions also fell in this period. Longer-term intentions strengthened, with 42% expecting to source capital over the next 12-24 months (33% in Q4'12).

The share of respondents who are "not sure" about their future capital raising plans was scaled back slightly suggesting that fewer developers were uncertain about the future operating environment.

Expectations on bank pre-commitment requirements for new developments fell slightly to 57% in Q1'13 (58% in Q4'12). Victoria (62%) and Queensland (58%) were the most negative states on bank conditions. WA (49%) and SA/NT (52%) were the most positive with regards average pre-commitment expectations to secure development funding.

Of those electing to predict the next 6 month period, a net balance of +12% of survey respondents expect looser pre-commitment requirements to secure funding for new developments. WA (+33%) was the most optimistic state, with NSW (+1%) the least optimistic state.

Pre-commitment requirements are expected to continue easing in the next 12 months with a net balance of +29% predicting improved conditions. WA (+50%) and SA/NT (43%) are the most positive states, while Victoria (+18%) is the least positive state.

Consumer confidence is still the main challenge facing property businesses in the next 12 months according to 14% of respondents, but this was down from 22% in Q4'12. Those in Queensland (21%) were the most concerned, while SA/NT (6%) was least concerned.

Finance/funding was identified as the next biggest challenge by 13% of national survey respondents, but this was also down from 11% in Q4'12. In SA/NT, however, this (along with costs) was the biggest concern according to 19% of all state respondents.

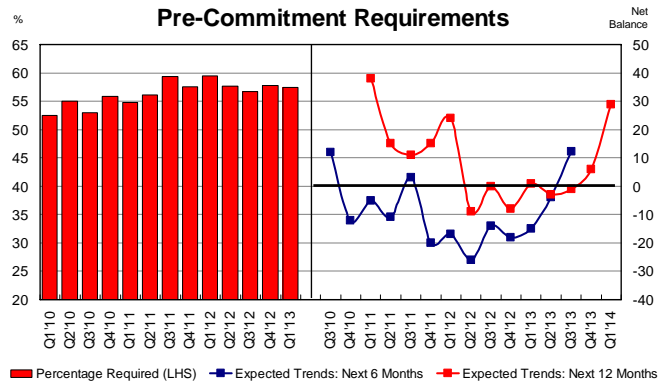
Availability of stock is emerging as a growing challenge according to 13% of survey respondents nationally, with property professionals from WA (22%) and Victoria (16%) the most concerned.

Uncertainty over the upcoming federal election was also identified as a key concern, especially in Queensland (15%) and NSW (13%).

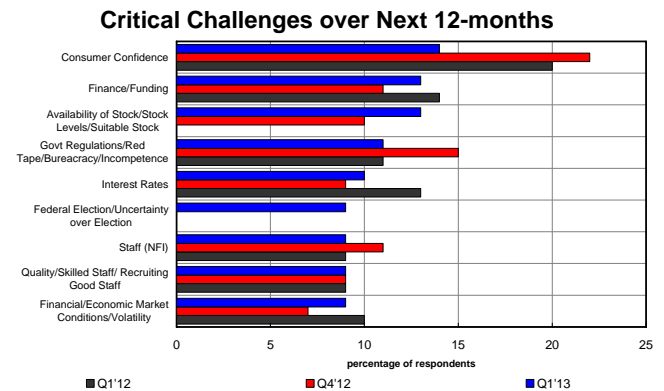
Around 19% of the survey panel anticipate higher interest rates in the next 12 months, 38% expect them to fall and 43% see no change. On average rates are tipped to fall by 10 bps in the next year.

Based on NAB's analysis of the state of the economy and our expectation for activity to soften over the year ahead, we believe there is still room for further easing by end 2013. Underlying inflation is expected to remain within the RBA's comfort range of 2-3%, helped by weaker labour market conditions, fiscal tightness and persistent consumer caution. While the RBA is likely to wait and see how the economy responds to previous rate cuts, we believe the economy will weaken as the mining sector transition intensifies, and another rate cut will be necessary by late-2013. Of course, timing remains fluid and a faster than anticipated worsening in labour market conditions could bring forward a rate cut and increase the number of cuts required.

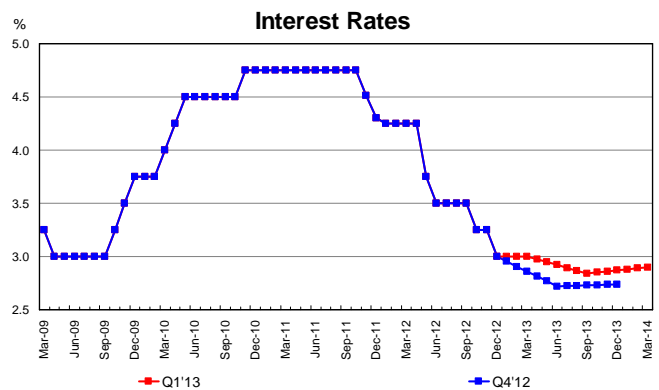
Expectations on bank pre-commitment requirements fell slightly in Q1'13 and are expected to loosen further in the next 3-6 months.



Consumer confidence less of a challenge for property firms, but concerns about stock availability, finance/funding and the upcoming federal election have grown.



Survey respondents expect interest rates to continue falling in the next 12 months, but at a slower rate than previously thought.



Tables

Survey Respondents Expectations: Q1 2013

Capital Values (%)

OFFICE	Victoria	NSW	Queensland	WA	SA/NT*	AUSTRALIA
Q1'13	0.6	0.5	-1.3	0.7	-0.9	0.0
Q3'13	1.2	1.4	-0.3	1.1	-0.5	0.8
Q1'14	2.7	2.5	0.7	3.5	0.8	2.1
Q1'15	4.2	4.1	3.2	5.6	2.4	3.9
RETAIL	Victoria	NSW	Queensland	WA	SA/NT*	AUSTRALIA
Q1'13	-1.0	-0.8	-1.6	0.0	-0.5	-1.0
Q3'13	-0.9	-0.8	-1.1	-0.8	-0.1	-0.9
Q1'14	-0.2	0.1	-0.3	-0.5	0.4	-0.2
Q1'15	0.6	1.0	0.9	0.0	-2.1	0.8
INDUSTRIAL	Victoria	NSW	Queensland	WA	SA/NT*	AUSTRALIA
Q1'13	-0.3	-0.4	-0.3	0.5	-2.1	-0.4
Q3'13	0.1	0.3	0.4	1.1	-1.3	0.3
Q1'14	0.8	1.0	1.6	1.9	-1.4	1.1
Q1'15	2.0	1.7	3.3	3.1	0.0	2.3

Gross Rents (%)

OFFICE	Victoria	NSW	Queensland	WA	SA/NT*	AUSTRALIA
Q1'13	0.1	-0.7	-2.0	0.7	-0.9	-0.7
Q3'13	0.4	-0.7	-2.1	1.1	-0.5	-0.6
Q1'14	1.9	0.1	-1.8	3.4	0.3	0.4
Q1'15	3.1	0.7	0.3	4.6	1.6	1.5
RETAIL	Victoria	NSW	Queensland	WA	SA/NT*	AUSTRALIA
Q1'13	-1.2	-1.3	-2.7	0.4	-1.9	-1.6
Q3'13	-1.1	-1.7	-2.0	-0.8	-1.4	-1.5
Q1'14	-0.8	-1.0	-1.5	-0.5	-1.0	-1.0
Q1'15	-0.2	-0.4	0.0	1.6	-1.0	-0.1
INDUSTRIAL	Victoria	NSW	Queensland	WA	SA/NT*	AUSTRALIA
Q1'13	-0.3	-0.7	-0.4	0.5	-0.7	-0.4
Q3'13	0.0	-0.1	-0.1	1.1	-0.8	0.0
Q1'14	0.8	0.7	1.4	1.3	0.0	0.9
Q1'15	1.4	1.3	3.0	2.8	0.6	1.9

Vacancy Rates (%)

OFFICE	Victoria	NSW	Queensland	WA	SA/NT*	AUSTRALIA
Q1'13	5.6	7.3	8.0	5.8	7.0	6.9
Q3'13	6.0	7.5	8.5	5.8	6.7	7.2
Q1'14	6.2	7.3	8.2	6.2	6.1	7.0
Q1'15	5.3	6.7	6.7	6.0	5.6	6.2
RETAIL	Victoria	NSW	Queensland	WA	SA/NT*	AUSTRALIA
Q1'13	4.2	4.9	8.1	3.0	4.5	5.4
Q3'13	4.3	4.9	7.8	3.5	4.5	5.4
Q1'14	4.5	4.7	7.0	4.0	5.0	5.3
Q1'15	4.3	4.6	6.2	4.0	5.0	5.0
INDUSTRIAL	Victoria	NSW	Queensland	WA	SA/NT*	AUSTRALIA
Q1'13	6.2	5.3	7.1	5.0	6.3	6.1
Q3'13	6.0	5.5	7.0	4.5	5.0	5.9
Q1'14	5.7	5.0	6.3	4.0	5.0	5.4
Q1'15	5.2	4.7	6.4	3.5	5.7	5.2

* Limited sample size

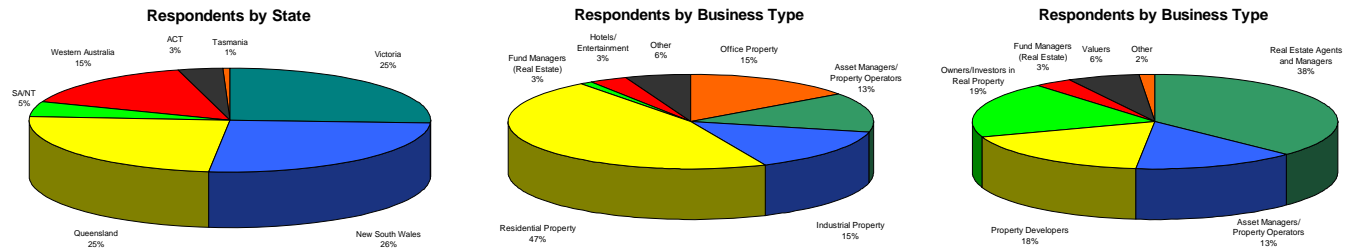
About the Survey

In April 2010, NAB launched the inaugural NAB Quarterly Australian Commercial Property Survey with the aim of developing Australia's pre-eminent survey of market conditions in the Commercial Property market.

The large external panel of respondents consisted of Real Estate Agents/Managers, Property Developers, Asset/Fund Managers and Owners/Investors.

Given the large number of respondents who are also directly exposed to the residential market, NAB expanded the survey questionnaire to focus more extensively on the Australian Residential market.

Around 300 panellists participated in the Q1 2013 Survey and the breakdown of our Survey respondents - by location, property sector and business type - are shown below.



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