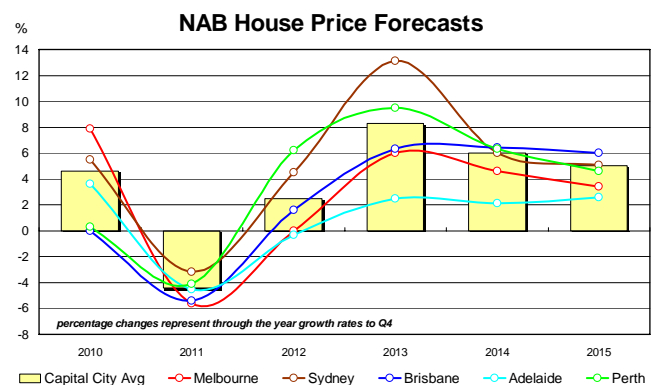
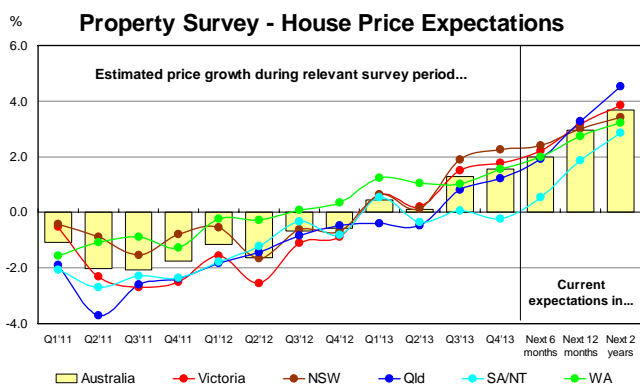


Quarterly Australian Residential Property Survey: Q4 2013

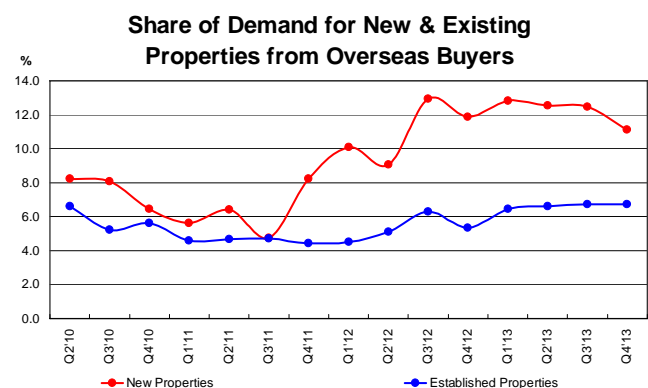
Housing market sentiment lifts in Q4, supported by faster house price growth in all states (bar SA/NT). House prices expected to keep growing in next 1-2 years, but at slower rate than predicted in Q3 survey. Queensland is the exception and now set to lead country for capital gains. Demand improved for all types of new and established property, with local and foreign investors significant players in the market.

- NAB Residential Property Index up +4 to +36 in Q4 - highest read since survey began. VIC saw biggest increase and replaced NSW as strongest state. VIC and QLD most optimistic in next 1-2 years; WA revised down heavily.
- House prices up 1.6% in Q4 led by NSW and VIC. Outlook for prices softer and now tipped to rise 2.9% in next year (3.3% previously) and 3.7% in following year (4.5% previously). Expectations lower in all states except QLD which is now expected to provide the biggest returns in next 1-2 years.
- NAB's view of the market more optimistic than average survey forecast. NAB sees average capital city house prices rising 6% in year to end-2014 and 5% in the year to end-2015 (more detail contained in Appendix 1). **Part of this reflects the influence of foreign buyers in the market, who account for 11% of all new property demand and around 6½% of the established property market** (see chart below).
- National rents ticked up a little in Q4, but combination of slow rental growth and faster capital appreciation suggest yields continued to erode. Rental growth fastest in NSW and weakest in WA. NSW and VIC the standouts for income growth in the next 1-2 years with returns weakest in WA.
- Local investors played a bigger role in new property market in Q4, especially in QLD. Foreign investors slightly less active but still represent a significant part of the market.
- Moderate increase in demand for all types of new property in Q4 with inner city the best location in all states.
- Concern over housing affordability and credit availability identified as main factors constraining new housing development, but the level of concern around credit has faded significantly over past year.
- Demand for established property stronger in all market segments in Q4, led by houses in the inner city and middle/outer ring.
- Capital growth expectations for established houses and apartments higher at all price points (except <\$250,000 although this segment still set to out-perform). Premium market showing signs of recovery.
- Employment security still viewed as biggest impediment to buying existing property in most states (especially Victoria and WA), but concern also growing about price levels and lack of stock.



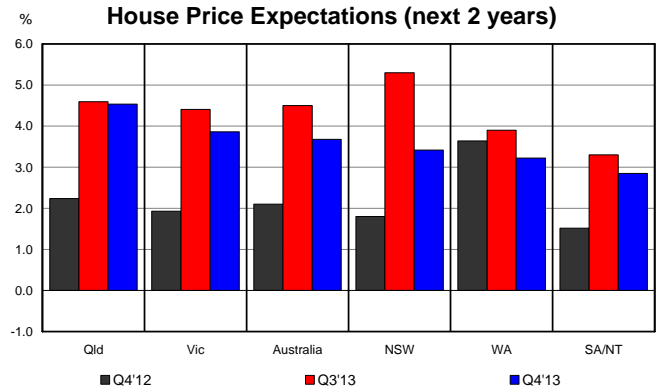
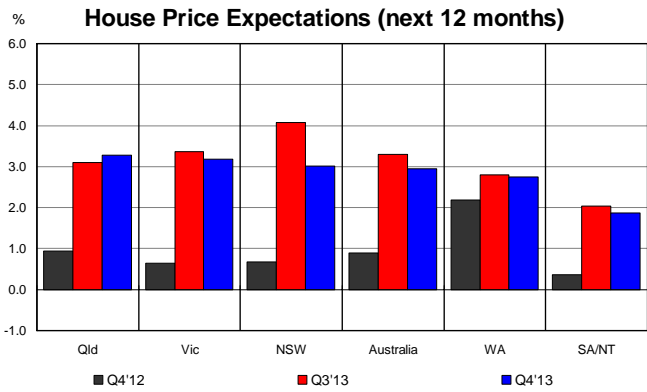
NAB Residential Property Index

| | Q3'13 | Q4'13 | Q2'14 | Q4'14 | Q4'15 |
|--------------------|-----------|-----------|-----------|-----------|-----------|
| Victoria | 40 | 50 | 66 | 77 | 77 |
| NSW | 47 | 45 | 55 | 59 | 58 |
| Queensland | 31 | 35 | 54 | 69 | 73 |
| South Australia/NT | 2 | 9 | 28 | 59 | 66 |
| Western Australia | 13 | 20 | 42 | 46 | 47 |
| Index | 32 | 36 | 53 | 63 | 65 |

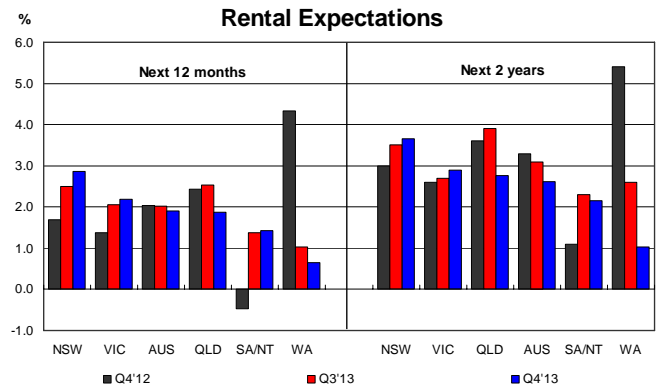
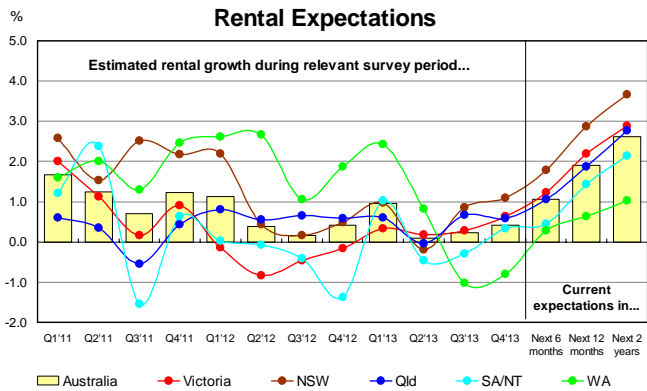


Residential Property - Market Performance

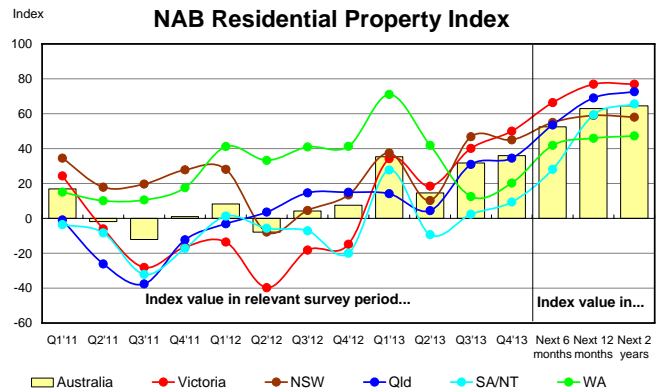
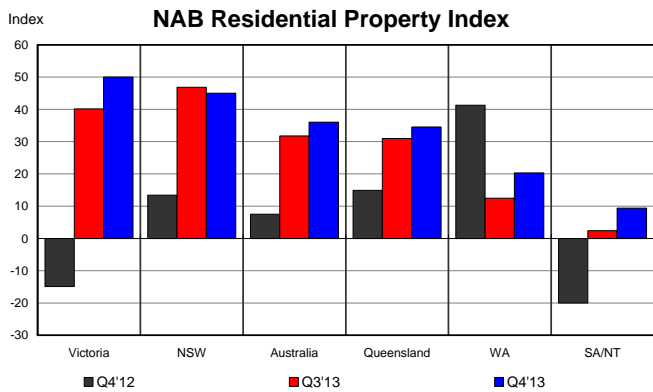
House price outlook softens in all states except Queensland. Queensland now expected to lead the country for capital growth over the next 1-2 years, with SA/NT the weakest market.



Rental growth ticked up a little in Q4, but faster capital growth suggests that yields are eroding. Outlook for rental market strongest in NSW and Victoria, but expectations in WA much weaker.



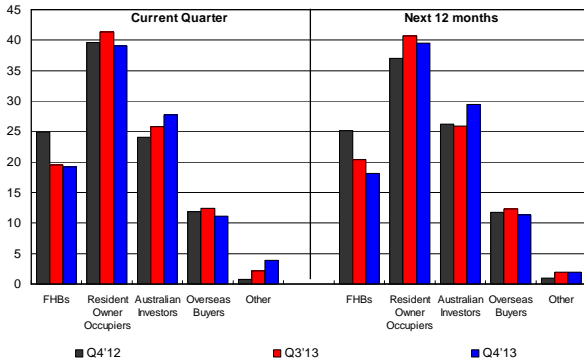
NAB Residential Property Index rose in all states except NSW in Q4. Victoria and Queensland to emerge as the strongest states in the next 1-2 years, with expectations in WA scaled back heavily.



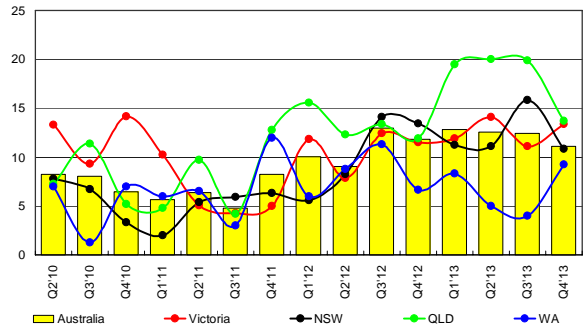
Residential Property - New Developments

Local investors playing a bigger role in the new property market. Overseas buyers less active in Q4 (especially in Queensland and NSW) but still significant players overall, accounting for 11% of the market.

Percentage Share of Buyers - New Developments

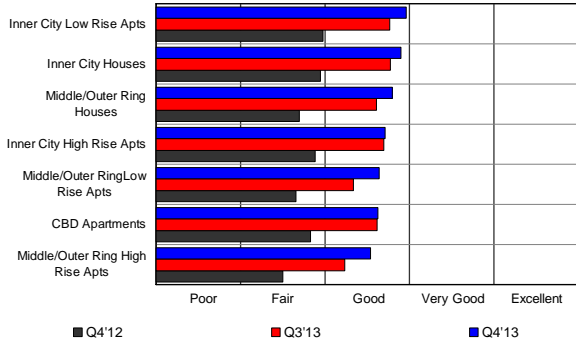


Share of Demand for New Properties from Overseas Buyers

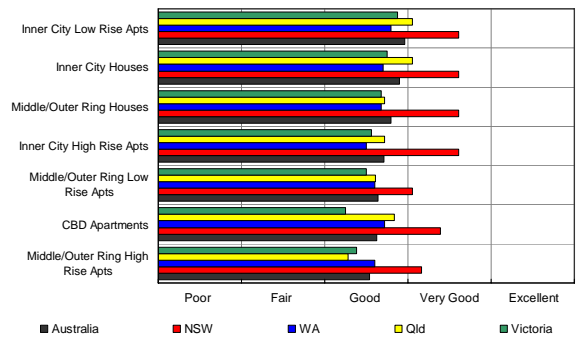


Demand for all new property improved in Q4, but national average hides big variance among states (overall demand much stronger in NSW). National demand for most property to wane slightly next year.

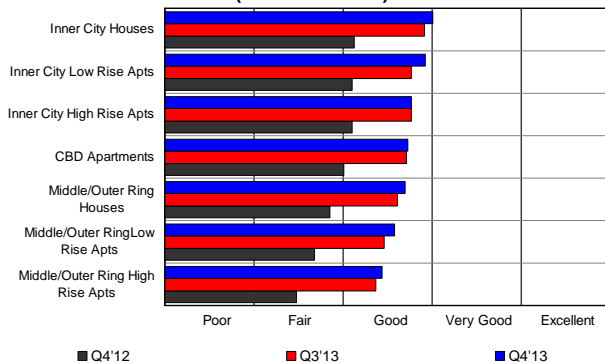
Demand for New Residential Developments (current)



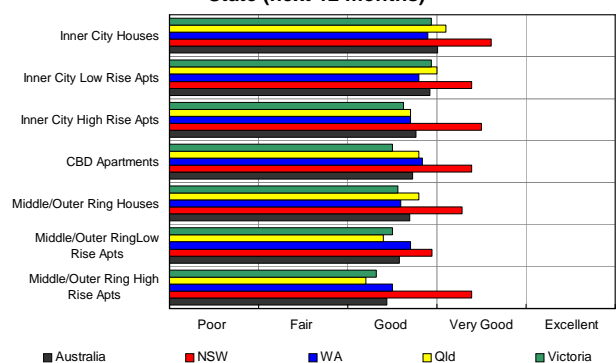
Demand for New Residential Developments by State (current)



Demand for New Residential Developments (next 12 months)

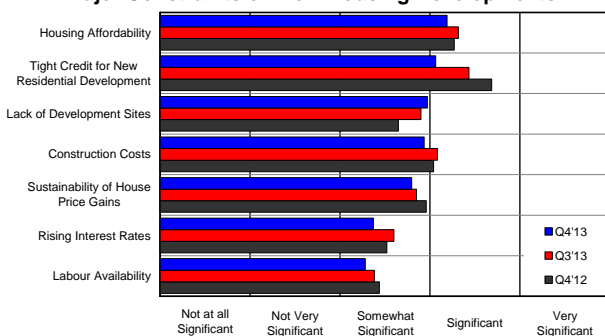


Demand for New Residential Developments by State (next 12 months)

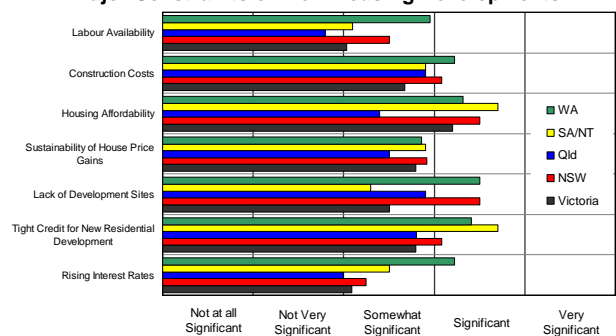


A notable decline in the level of concern over tight credit in the new housing market evident in past year.

Major Constraints on New Housing Developments

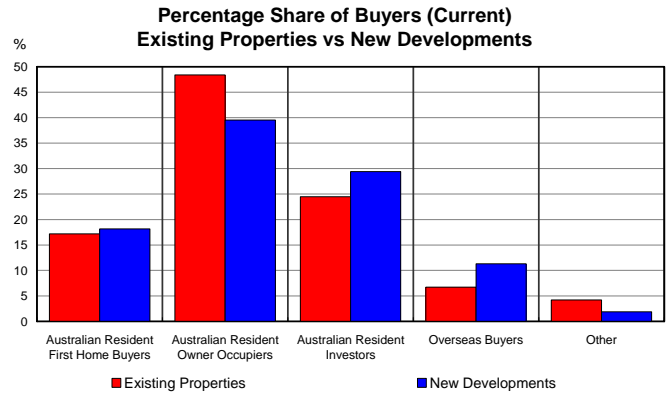
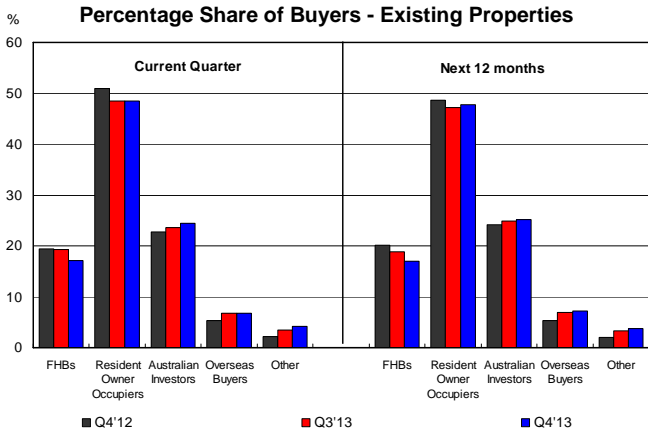


Major Constraints on New Housing Developments



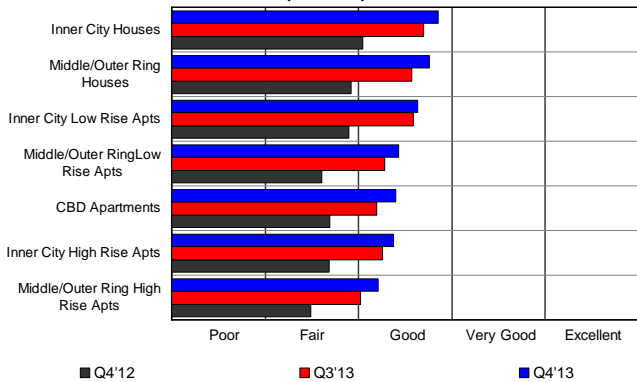
Residential Property - Existing Properties

Up-graders dominate established housing market. FHB activity slowed in Q4, but local investors more active (especially NSW). More foreign buyers (over 7%) tipped to enter market next year. On average, more upgraders attracted to established housing, but investors (local and foreign) favour new developments.

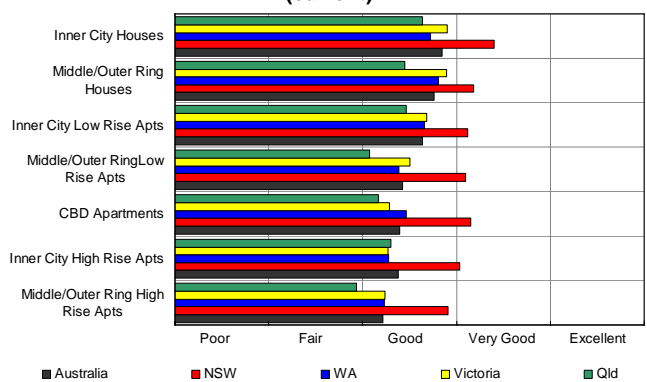


Demand for established property improved in all market segments/locations in Q4 and was strongest for houses in the inner city and middle/outer ring in all states.

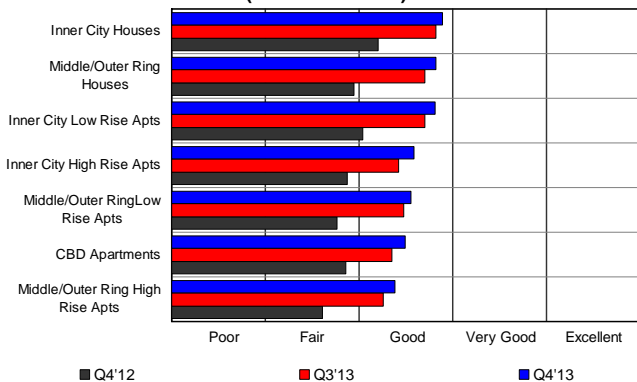
Demand for Existing Residential Property (current)



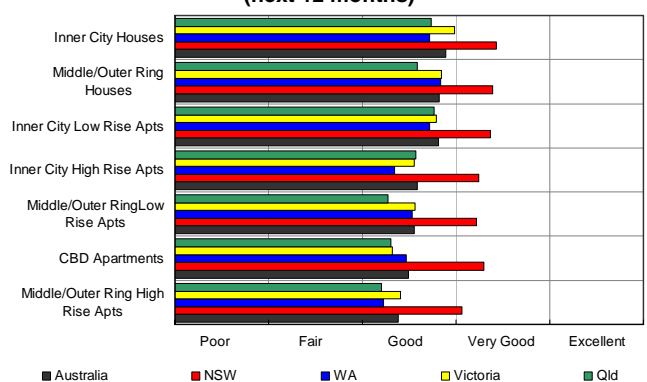
Demand for Existing Residential Property by State (current)



Demand for Existing Residential Property (next 12 months)

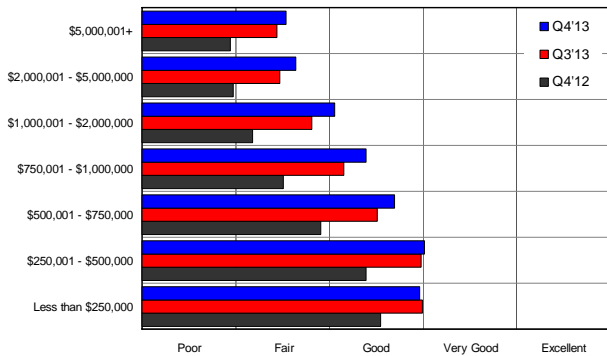


Demand for Existing Residential Property by State (next 12 months)

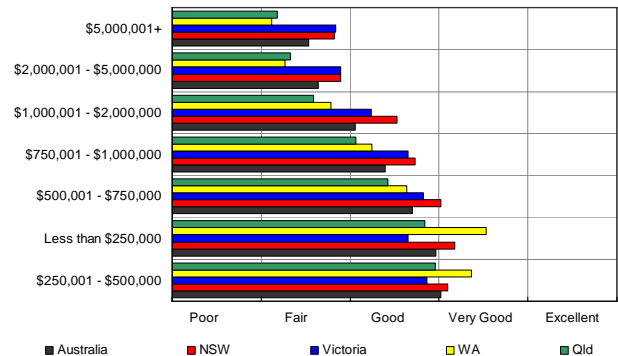


Expectations for capital growth in housing and apartment markets next year higher at all price points (bar <\$250,000 although still best). Premium market showing signs of recovering, especially NSW and Victoria.

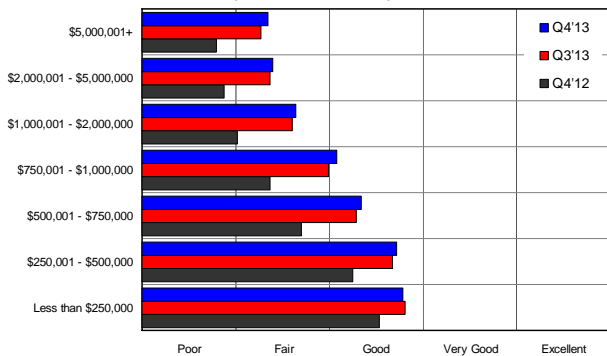
Capital Growth by Price - Established Houses (next 12 months)



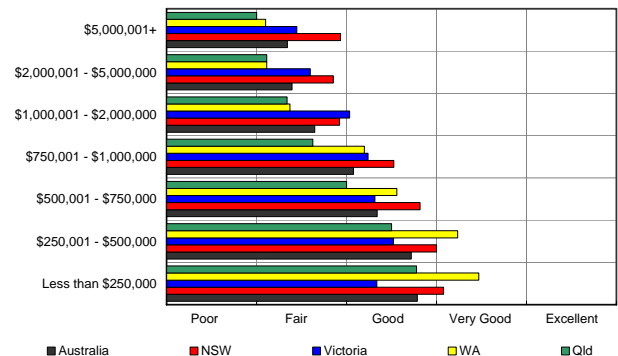
Expected Capital Growth: Established Houses by State (next 12 months)



Capital Growth by Price - Established Apartments (next 12 months)

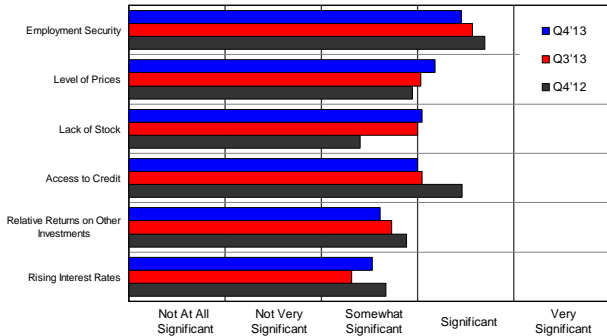


Expected Capital Growth: Established Apartments by State (next 12 months)

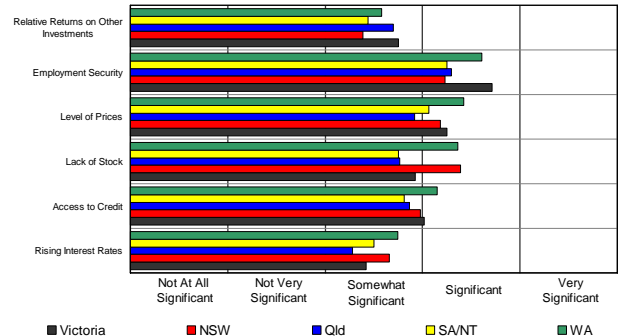


Employment security still viewed as the biggest impediment to buying existing property in most states (especially in Victoria & WA), but concerns are growing about price levels and lack of stock.

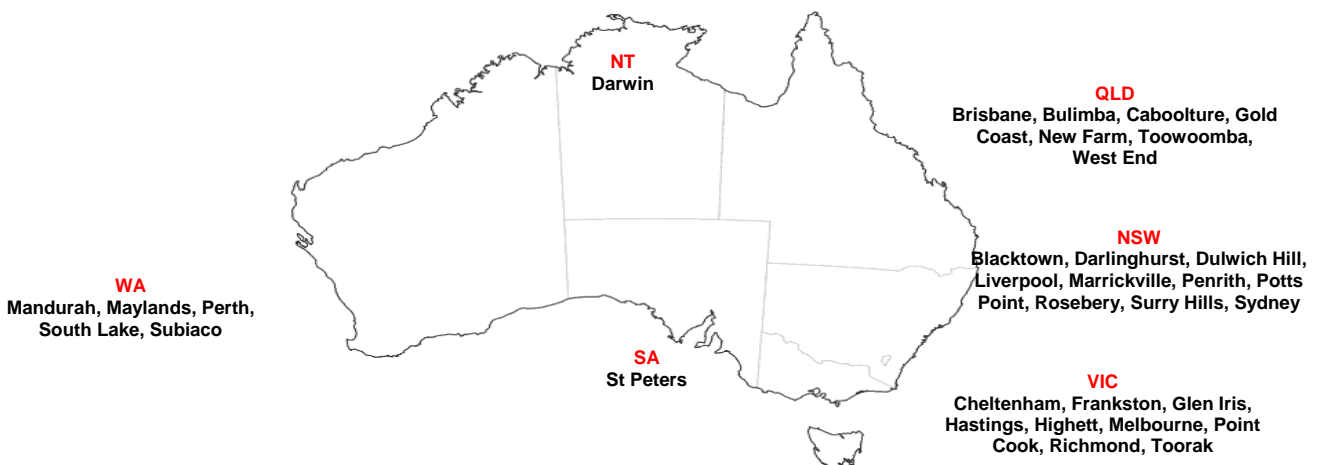
Major Constraints on Existing Property



Major Constraints on Existing Property



Suburbs tipped to enjoy above average capital growth over the next year.



Survey Respondents' Expectations

House Price Expectations (%)

| | Current Survey Quarter | | | | | | | | | | Next 6mth | Next 12mth | Next 2yrs |
|--------------------|------------------------|-------------|-------------|-------------|-------------|-------------|------------|------------|------------|------------|--------------|---------------|--------------|
| | Q3'11 | Q4'11 | Q1'12 | Q2'12 | Q3'12 | Q4'12 | Q1'13 | Q2'13 | Q3'13 | Q4'13 | | | |
| Victoria | -2.7 | -2.5 | -1.6 | -2.5 | -1.1 | -0.9 | 0.6 | 0.2 | 1.5 | 1.8 | 2.2 | 3.2 | 3.9 |
| NSW | -1.5 | -0.8 | -0.5 | -1.7 | -0.6 | -0.7 | 0.6 | 0.1 | 1.9 | 2.3 | 2.4 | 3.0 | 3.4 |
| Queensland | -2.6 | -2.4 | -1.8 | -1.4 | -0.8 | -0.5 | -0.4 | -0.5 | 0.8 | 1.2 | 1.9 | 3.3 | 4.5 |
| South Australia/NT | -2.3 | -2.4 | -1.8 | -1.2 | -0.3 | -0.8 | 0.5 | -0.4 | 0.1 | -0.2 | 0.5 | 1.9 | 2.9 |
| Western Australia | -0.9 | -1.3 | -0.2 | -0.3 | 0.1 | 0.4 | 1.2 | 1.0 | 1.0 | 1.5 | 2.0 | 2.7 | 3.2 |
| Australia | -2.1 | -1.8 | -1.2 | -1.6 | -0.7 | -0.6 | 0.4 | 0.1 | 1.3 | 1.6 | 2.0 | 2.9 | 3.7 |

Rental Expectations (%)

| | Current Survey Quarter | | | | | | | | | | Next 6mth | Next 12mth | Next 2yrs |
|--------------------|------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|--------------|---------------|--------------|
| | Q3'11 | Q4'11 | Q1'12 | Q2'12 | Q3'12 | Q4'12 | Q1'13 | Q2'13 | Q3'13 | Q4'13 | | | |
| Victoria | 0.2 | 0.9 | -0.1 | -0.8 | -0.5 | -0.2 | 0.3 | 0.2 | 0.3 | 0.6 | 1.2 | 2.2 | 2.9 |
| NSW | 2.5 | 2.2 | 2.2 | 0.4 | 0.2 | 0.5 | 1.0 | -0.2 | 0.9 | 1.1 | 1.8 | 2.9 | 3.7 |
| Queensland | -0.5 | 0.4 | 0.8 | 0.6 | 0.6 | 0.6 | 0.6 | 0.0 | 0.7 | 0.6 | 1.1 | 1.9 | 2.8 |
| South Australia/NT | -1.5 | 0.6 | 0.0 | -0.1 | -0.4 | -1.4 | 1.0 | -0.5 | -0.3 | 0.3 | 0.5 | 1.4 | 2.2 |
| Western Australia | 1.3 | 2.5 | 2.6 | 2.7 | 1.1 | 1.9 | 2.4 | 0.8 | -1.0 | -0.8 | 0.3 | 0.6 | 1.0 |
| Australia | 0.7 | 1.2 | 1.1 | 0.4 | 0.2 | 0.4 | 1.0 | 0.1 | 0.2 | 0.4 | 1.1 | 1.9 | 2.6 |

Appendix 1: NAB's View of Residential House Prices

NAB modelling indicates that average capital city house prices will rise by around 6% through the year to December 2014 and by 5% in the year to December 2015, which is more bullish than the average survey forecast. House price growth should be supported by continued low interest rates, improved affordability, population growth, long standing supply issues and foreign buying activity. However, unemployment pressures and the economy are likely to put a ceiling on how high house prices will go.

Brisbane (6.4%), Perth (6.3%) and Sydney (6%) lead the way forward in 2014, with much slower growth predicted in Adelaide (2.1%) due to high unemployment and an under-performing state economy.

State variance will persist through 2015, with Brisbane (6%) and Sydney (5.1%) out-performing the national average. Modest price growth is also forecast for Perth (4.6%) and Melbourne (3.4%), but Adelaide (2.6%) continues to under-perform.

NAB Capital City House Price Forecasts (%)*

| | 2010 | 2011 | 2012 | 2013F | 2014F | 2015F |
|-----------------------------|------------|-------------|------------|------------|------------|------------|
| Sydney | 5.5 | -3.2 | 4.5 | 13.1 | 6.0 | 5.1 |
| Melbourne | 7.9 | -5.6 | 0.0 | 6.0 | 4.6 | 3.4 |
| Brisbane | 0.0 | -5.4 | 1.6 | 6.3 | 6.4 | 6.0 |
| Adelaide | 3.6 | -4.5 | -0.3 | 2.5 | 2.1 | 2.6 |
| Perth | 0.3 | -4.1 | 6.2 | 9.5 | 6.3 | 4.6 |
| Capital City Average | 4.6 | -4.4 | 2.5 | 8.3 | 6.0 | 5.0 |

*percentage changes represent through the year growth rates to Q4

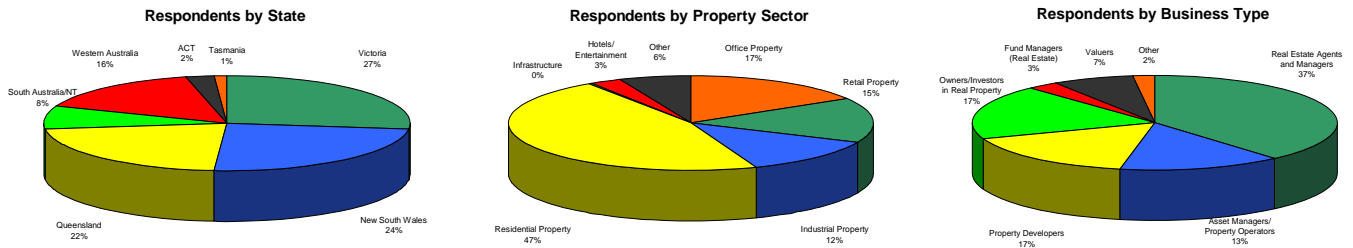
About the Survey

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 290 panellists participated in the Q4 2013 Survey and the breakdown of our Survey respondents - by location, property sector and business type - are shown below.



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| Wellington | +800 64 642 222 | +800 64 644 464 |
| London | +800 747 4615 | + (44 20) 7796 4761 |
| New York | +1 800 125 602 | +1877 377 5480 |
| Singapore | + (65) 338 0019 | + (65) 338 1789 |

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