



NAB Commercial Property Survey: CBD Hotel Market Q1 2015

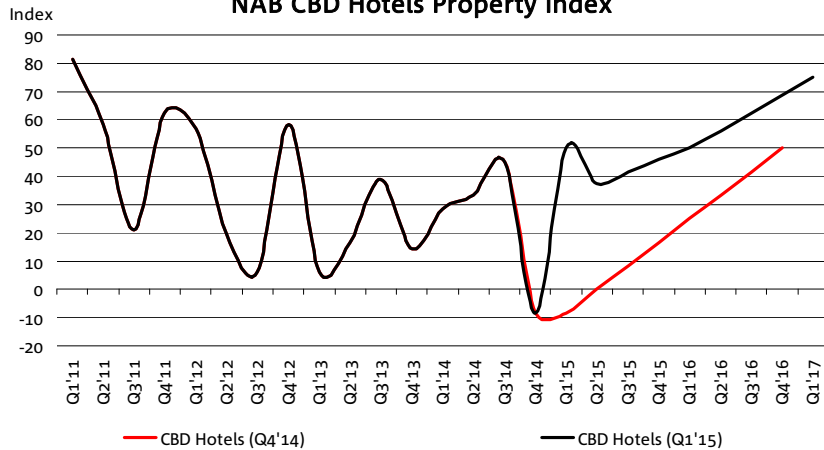
by NAB Group Economics

Embargoed until: 11.30am Thursday 14 May 2015

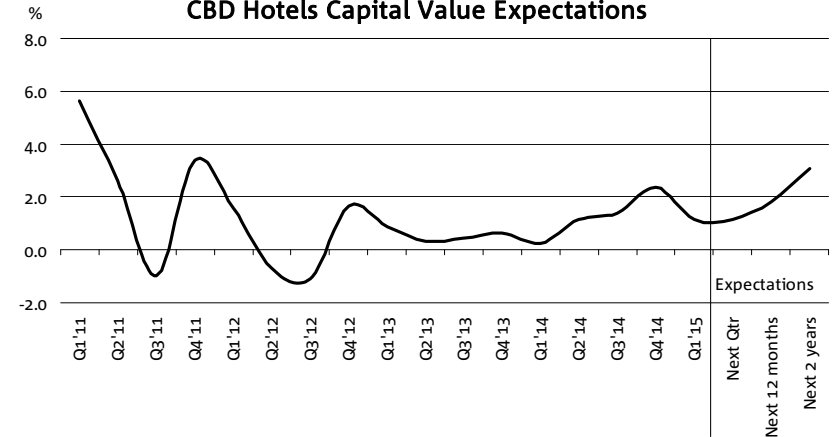
Sentiment among property professionals in the CBD hotel sector turned up sharply in Q1 after a surprisingly large fall in Q4. Forward expectations also strengthened, with the lower AUD and strong demand from international visitors undoubtedly adding to a more positive outlook.

Capital value growth slowed to 1.2% in Q1'15. Expectations are for stronger growth over the next 1-2 years (albeit weaker than predicted in Q4). Nevertheless, capital returns are predicted to out-perform the other major commercial property sectors.

NAB CBD Hotels Property Index



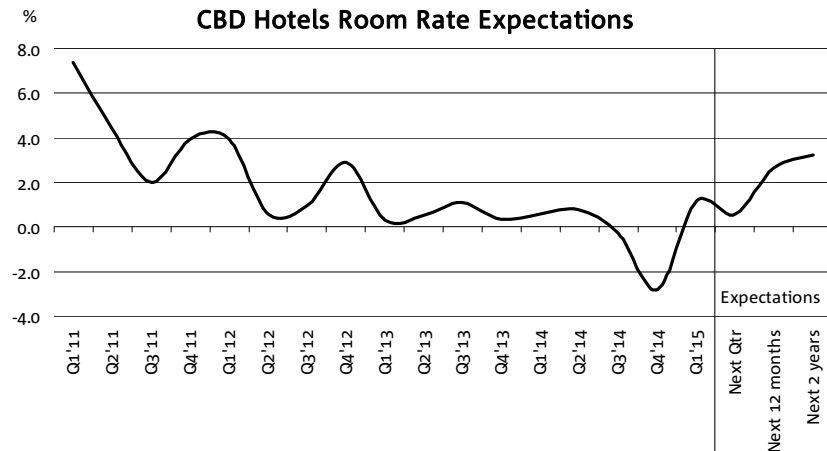
CBD Hotels Capital Value Expectations



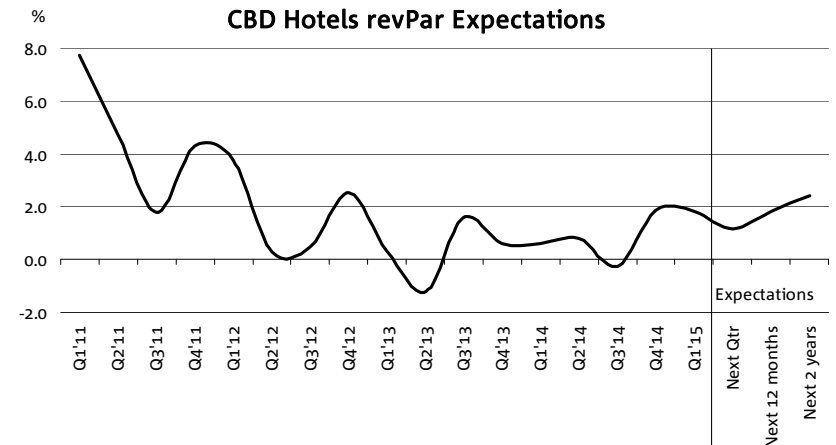
Room rate growth recovered in Q1'15 in line with a big increase in CBD hotel occupancy rates. Nationally, room rates are expected to grow by 2.7% next year and 3.3% in 2 years time (well above previous forecasts).

revPar softened a little in Q1'15, suggesting that higher room rate growth may have been held back by slower supply growth. The outlook is for steady growth next year (1.8%), accelerating to 2.4% the year after.

CBD Hotels Room Rate Expectations

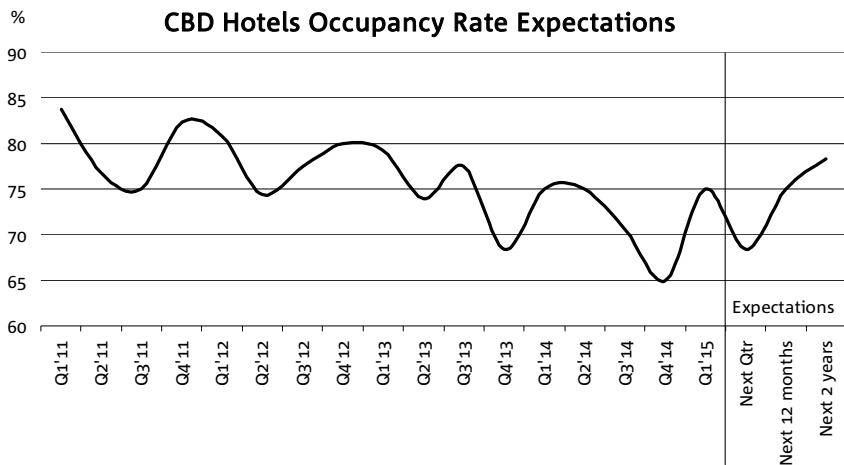


CBD Hotels revPar Expectations

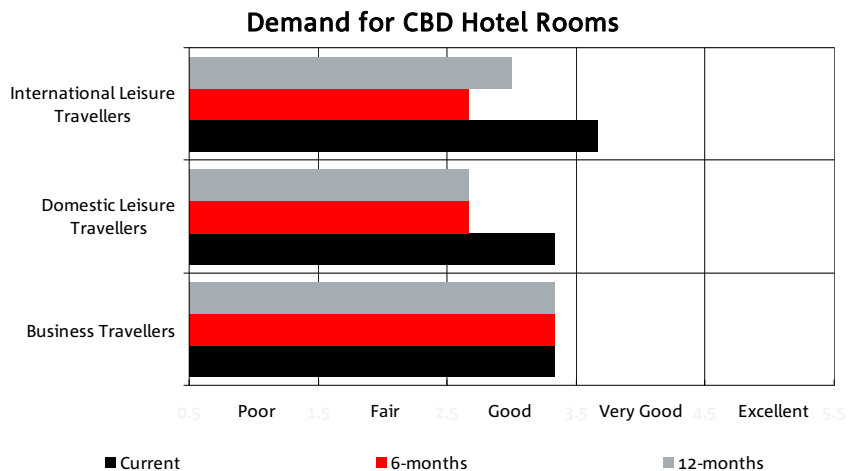


NAB Commercial Property Survey: CBD Hotels Market

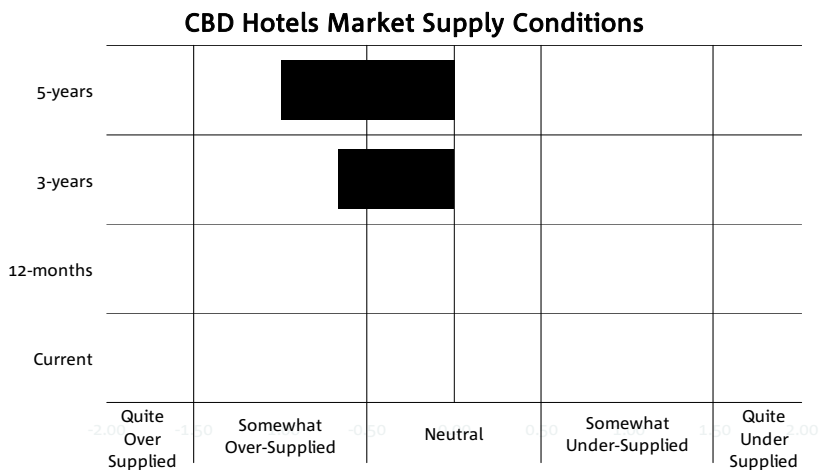
Average occupancy rose to 75% in Q1'15. Available data suggests occupancy remains higher in Sydney and Melbourne, while the mining related slow down in business travel impacts Perth & Brisbane. Average occupancy rate unchanged at 75% next year, rising to 78.3% in 2 yrs time.



Demand for CBD hotel rooms being led by international leisure travellers, with demand rated “very good”. Undoubtedly, a weaker AUD is playing a role. Demand from business travellers is rated good and not expected to change, but demand from domestic travels expected to soften next year.



Supply conditions in the CBD hotel market are currently assessed as “neutral”. Amid reports the hotel investment pipeline has expanded, the market is now expected to be “somewhat over-supplied” in next 3-5 yrs.



Group Economics

Alan Oster
Group Chief Economist
+61 3 8634 2927

Jacqui Brand
Personal Assistant
+61 3 8634 2181

Australian Economics and Commodities

Vacant
Head of Australian Economics

James Glenn
Senior Economist - Australia
+(61 3) 9208 8129

Vyanne Lai
Economist - Australia
+(61 3) 8634 0198

Phinn Ziebell
Economist - Agribusiness
+(61 4) 75 940 662

Amy Li
Economist - Australia
+(61 3) 8634 1563

Industry Analysis

Dean Pearson
Head of Behavioural & Industry
Economics
+(61 3) 8634 2331

Robert De lure
Senior Economist - Behavioural &
Industry Economics
+(61 3) 8634 4611

Brien McDonald
Senior Economist - Behavioural &
Industry Economics
+(61 3) 8634 3837

Karla Bulauan
Economist - Behavioural & Industry
Economics
+(61 3) 86414028

International Economics

Tom Taylor
Head of Economics, International
+61 3 8634 1883

Tony Kelly
Senior Economist - International
+(61 3) 9208 5049

Gerard Burg
Senior Economist - Asia
+(61 3) 8634 2788

John Sharma
Economist - Sovereign Risk
+(61 3) 8634 4514

Global Markets Research

Peter Jolly
Global Head of Research
+61 2 9237 1406

Australia Economics

Ivan Calhoun
Chief Economist, Markets
+61 2 9237 1836

David de Garis
Senior Economist
+61 3 8641 3045

FX Strategy

Ray Attrill
Global Co-Head of FX Strategy
+61 2 9237 1848

Emma Lawson
Senior Currency Strategist
+61 2 9237 8154

Interest Rate Strategy

Skye Masters
Head of Interest Rate Strategy
+61 2 9295 1196

Rodrigo Catril
Interest Rate Strategist
+61 2 9293 7109

Credit Research

Michael Bush
Head of Credit Research
+61 3 8641 0575

Simon Fletcher
Senior Credit Analyst - FI
+61 29237 1076

Equities

Peter Cashmore
Senior Real Estate Equity Analyst
+61 2 9237 8156

Distribution

Barbara Leong
Research Production Manager
+61 2 9237 8151

New Zealand

Stephen Toplis
Head of Research, NZ
+64 4 474 6905

Craig Ebert
Senior Economist
+64 4 474 6799

Doug Steel
Markets Economist
+64 4 474 6923

Kymerly Martin
Senior Market Strategist
+64 4 924 7654

Raiko Shareef
Currency Strategist
+64 4 924 7652

Yvonne Liew
Publications & Web Administrator
+64 4 474 9771

UK/Europe

Nick Parsons
Head of Research, UK/Europe,
and Global Co-Head of FX Strategy
+ 44207710 2993

Gavin Friend
Senior Markets Strategist
+44 207 710 2155

Derek Allassani
Research Production Manager
+44 207 710 1532

Asia

Christy Tan
Head of Markets Strategy/Research, Asia
+ 852 2822 5350

Important Notice

This document has been prepared by National Australia Bank Limited ABN 12 004 044 937 AFSL 230686 ("NAB"). Any advice contained in this document has been prepared without taking into account your objectives, financial situation or needs. Before acting on any advice in this document, NAB recommends that you consider whether the advice is appropriate for your circumstances. NAB recommends that you obtain and consider the relevant Product Disclosure Statement or other disclosure document, before making any decision about a product including whether to acquire or to continue to hold it. Please click [here](#) to view our disclaimer and terms of use.