



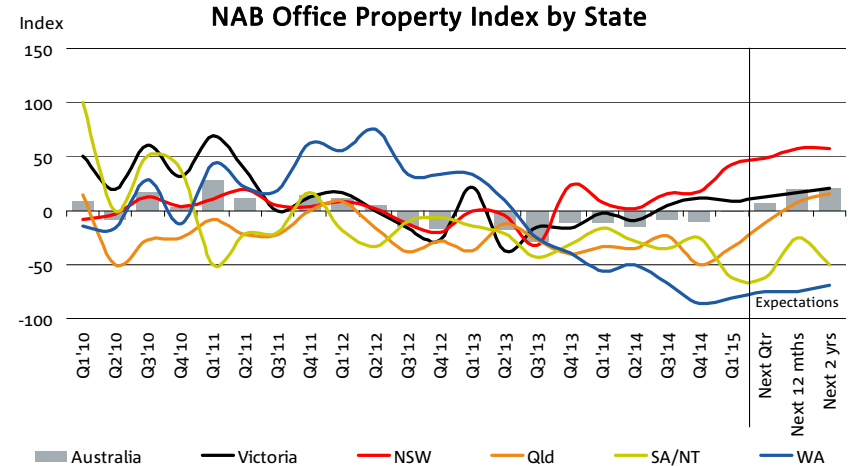
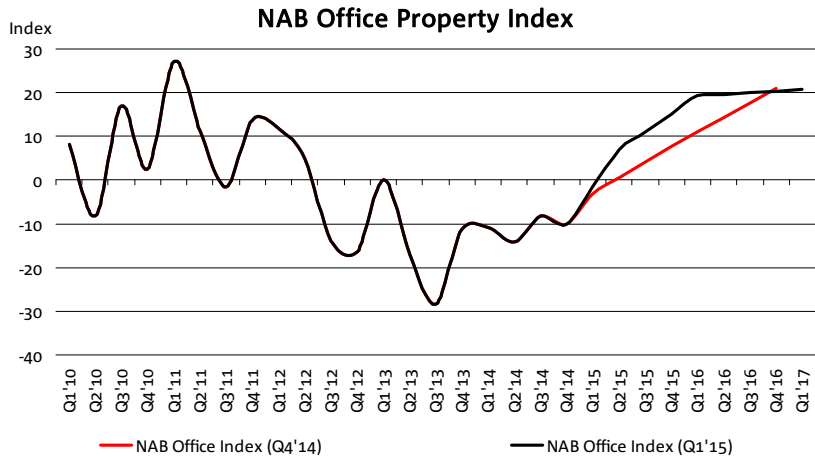
# NAB Commercial Property Survey: Office Market Q1 2015

by NAB Group Economics

Embargoed until: 11.30am Thursday 14 May 2015

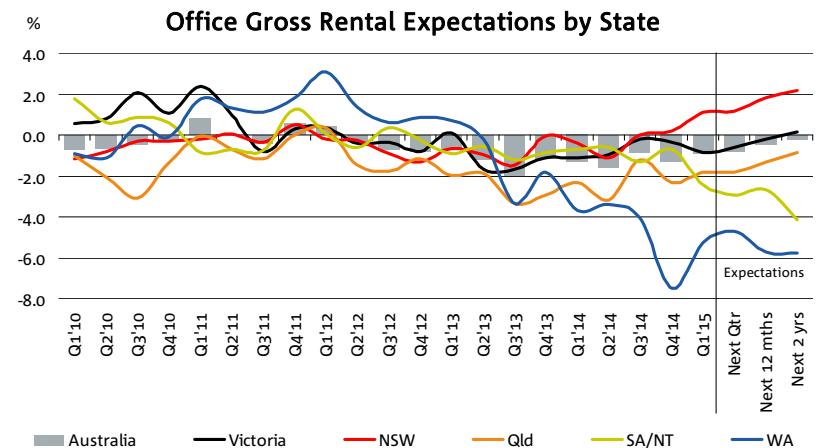
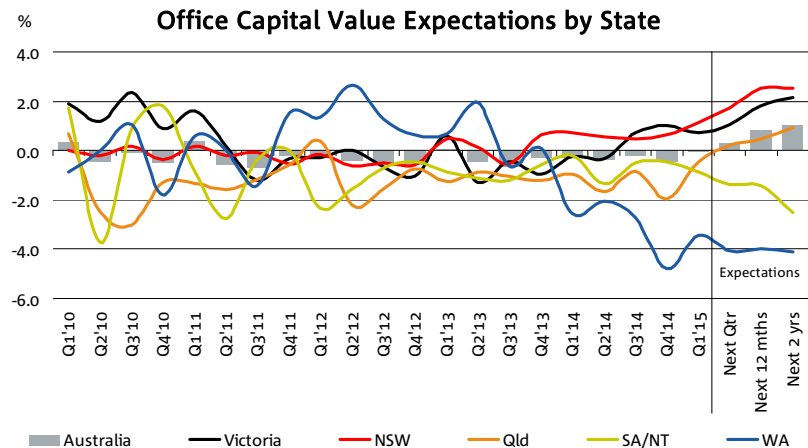
Office market sentiment improves in Q1'15, but still overall negative (-2 points). Confidence also stronger and improving more rapidly than predicted in Q4'14 survey (particularly in the short-term). This suggests that market recovery may be gaining momentum.

However, there is big variance as to where each state market currently sits. Sentiment in WA, SA/NT & QLD continues to languish in deeply negative territory, but is positive in NSW (and improving) & VIC (but lower). Outlook strongest in NSW & VIC, but very weak in WA & SA/NT.



Office values rising in NSW & VIC, down heavily in WA and falling in SA/NT & QLD. Overall capital growth to remain moderate in next 1-2 yrs, with rising values in NSW, VIC & QLD offset by ongoing falls in WA & SA/NT.

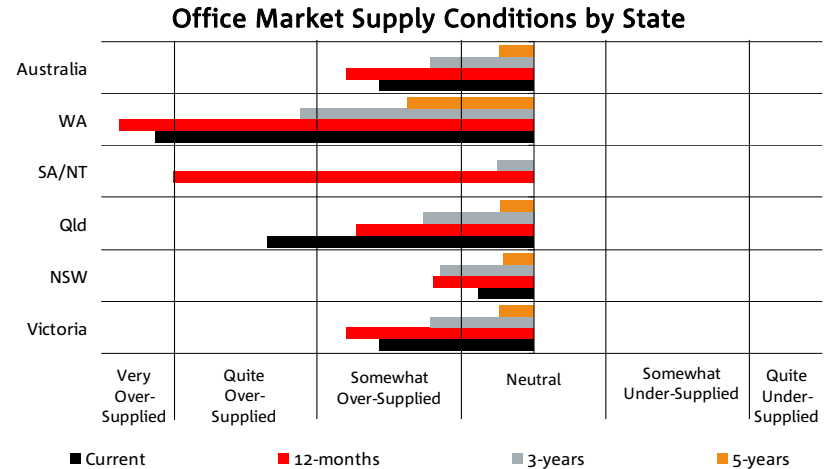
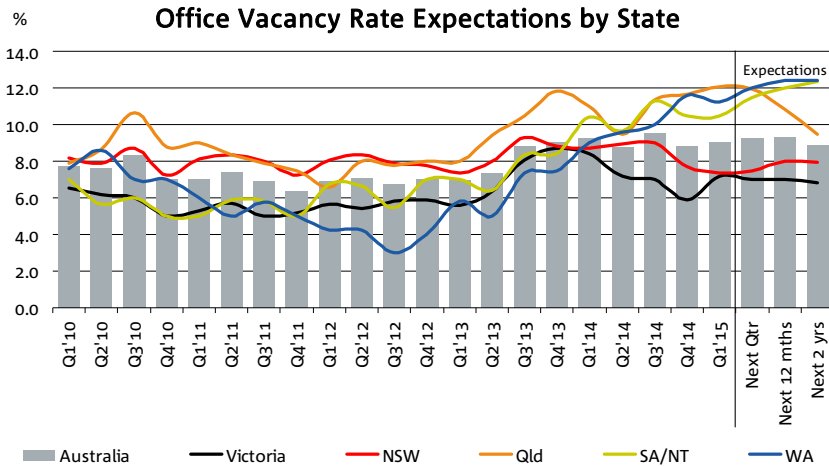
NSW was the only state reporting income returns in Q1'15, Weak tenant demand and over-supply having big negative impact in WA. Best returns expected in NSW & VIC in next 1-2 yrs. Negative in WA, SA/NT & QLD.



# NAB Commercial Property Survey: Office Property Market

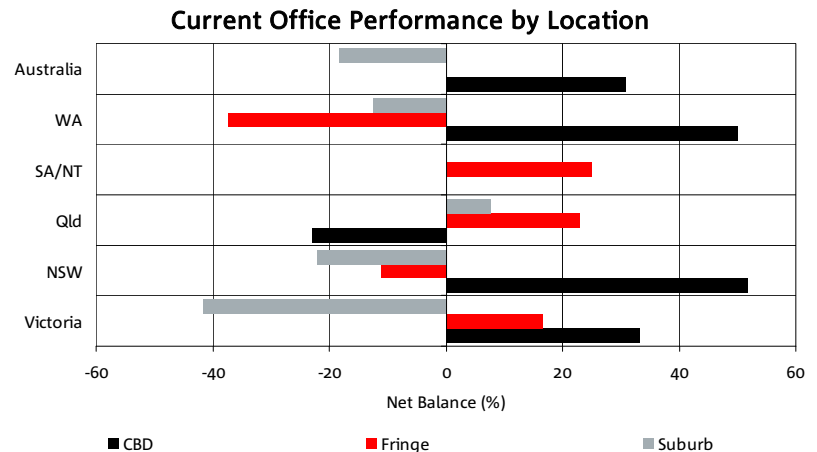
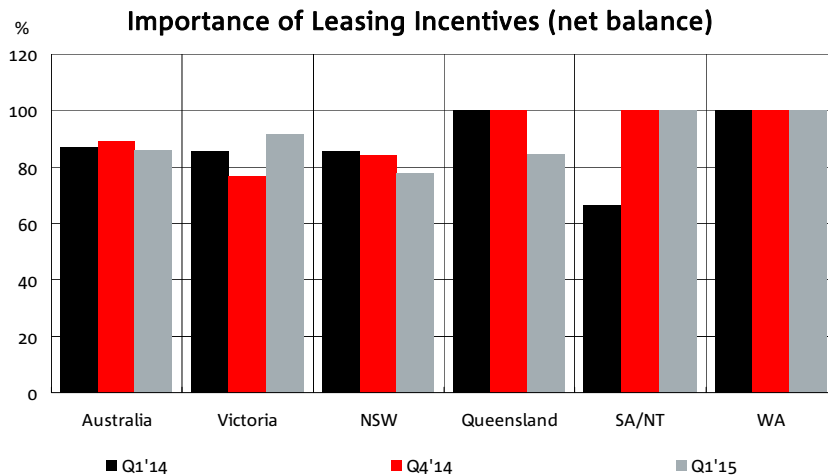
Improving vacancy profile in NSW offset by rising vacancy in all other markets. VIC & NSW now tightest markets. Weak demand associated with mining slow down and over-supply negatively impacting vacancy in WA & QLD, with double digit rates persisting in next 1-2 yrs.

Over-supply of office space prevalent in all states (bar NSW). Over-supply remains a very big issue in WA (and is expected to remain so for the next 3 years). Over-supply also an issue in QLD, where further supply additions are already in the pipeline.



The importance of incentives in office markets in NSW and QLD have reduced, but are still at very high levels. Incentives increased in VIC and remain very high in WA & SA/NT.

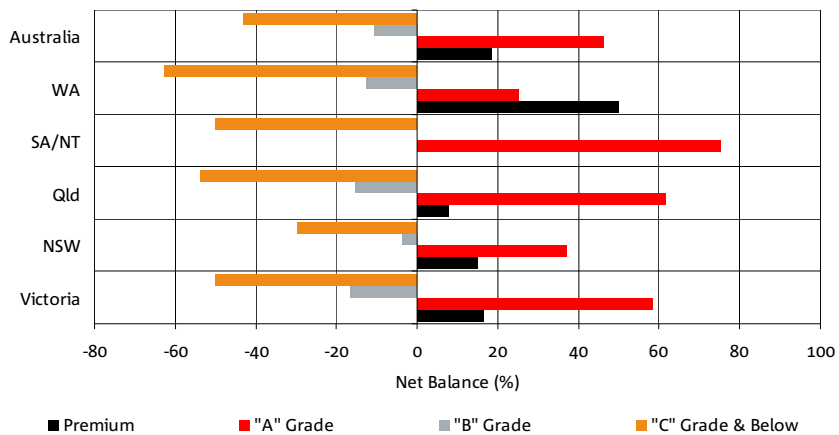
CBD the best performing location in all states bar QLD & SA/NT where Fringe considered best, Suburbs under-performing in VIC, NSW & WA. CBD worst in QLD amid reports CBD tenants continue relocating to the Fringe.



# NAB Commercial Property Survey: Office Property Market

“A” grade stock best performing grade of office property in all states, except WA where premium is out-performing as many tenants are reportedly taking advantage of current market weakness to upgrade. “B” and “C” grade properties identified as the worst performers in all states..

Current Office Performance by Grade



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