



# NAB Commercial Property Survey: CBD Hotel Market Q2 2015

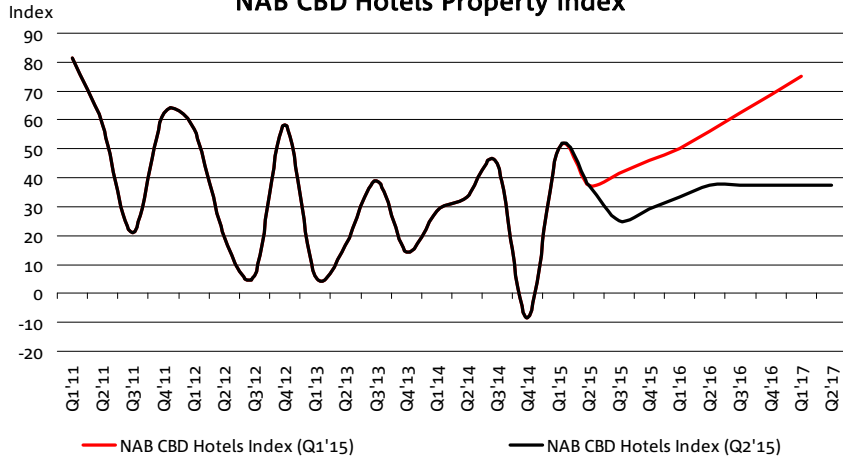
by NAB Group Economics

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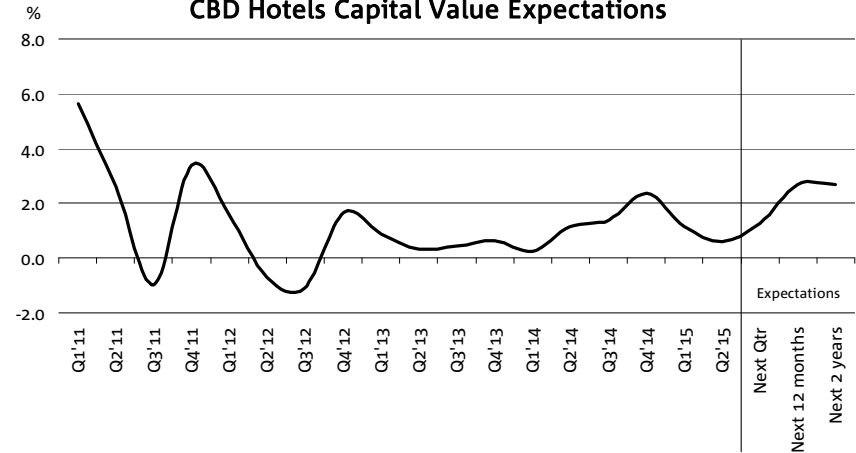
Sentiment among property professionals in the CBD hotel sector turned down in Q2 but was still strongest across all commercial property market segments - and by some margin. Confidence has also softened, largely in response to weaker expectations for room rate growth.

Capital value growth slowed to 0.6% in Q2. Expectations are for stronger growth next year, before slowing in 2 years time (and be weaker than predicted in Q1). Nevertheless, capital returns for CBD hotels are still expected to out-perform all other commercial property sectors.

**NAB CBD Hotels Property Index**



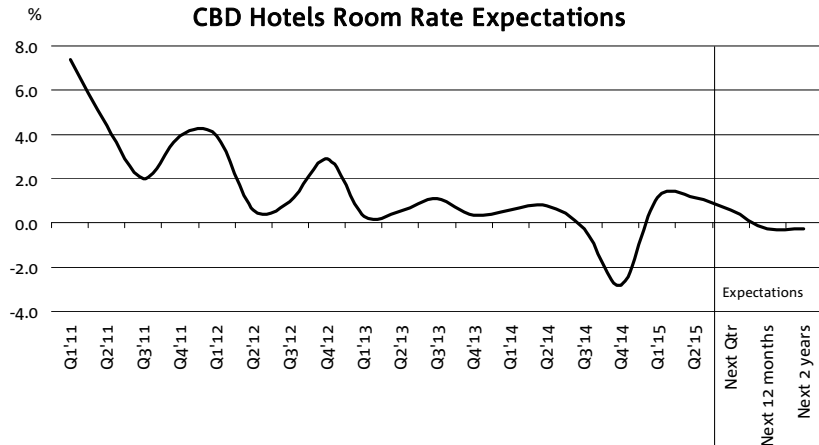
**CBD Hotels Capital Value Expectations**



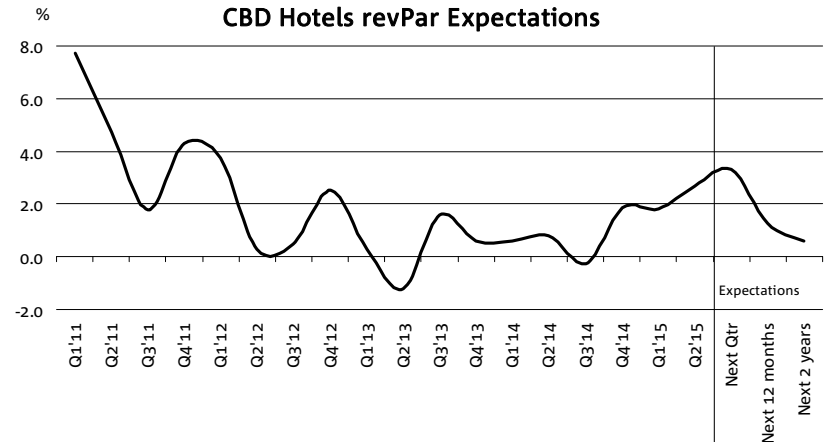
Room rate growth slowed a little in Q2, in line with a small decline in occupancy rates. Expectations for room rate growth were pared back significantly and are now tipped to fall -0.3% in the next 1-2 years.

revPar growth accelerated in Q2, suggesting lower room rate growth was partly offset by a fall in the number of available rooms. The outlook is for slower growth over the next 1-2 years, consistent with increased supply.

**CBD Hotels Room Rate Expectations**

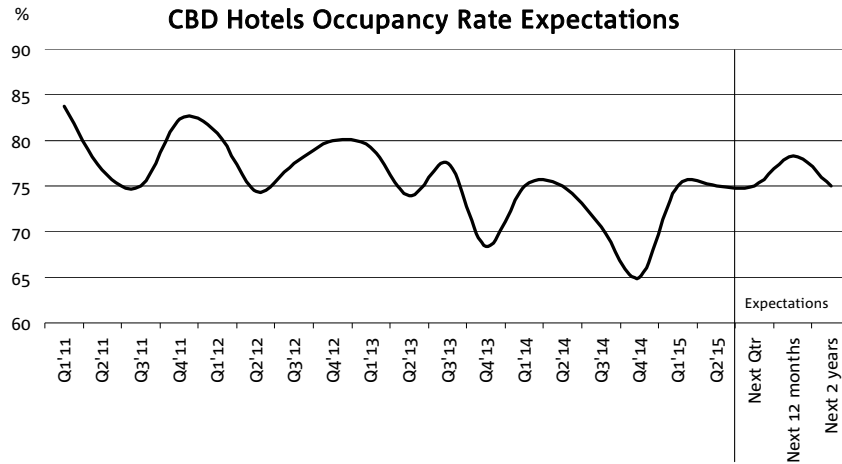


**CBD Hotels revPar Expectations**

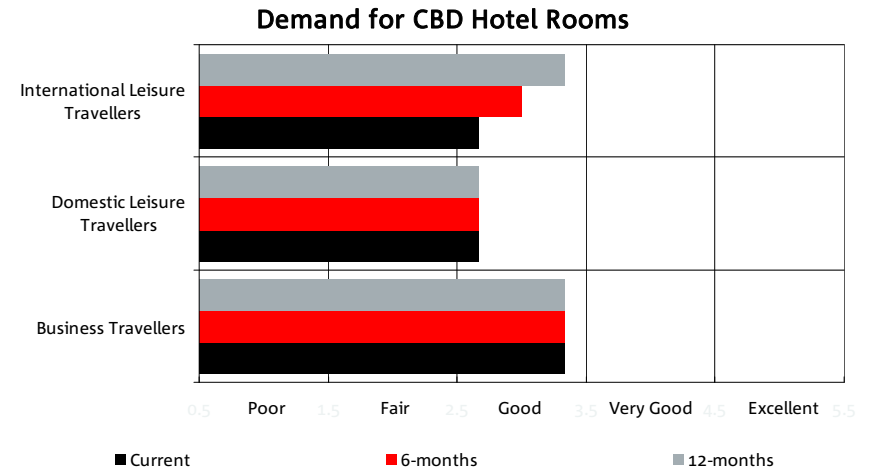


# NAB Commercial Property Survey: CBD Hotels Market

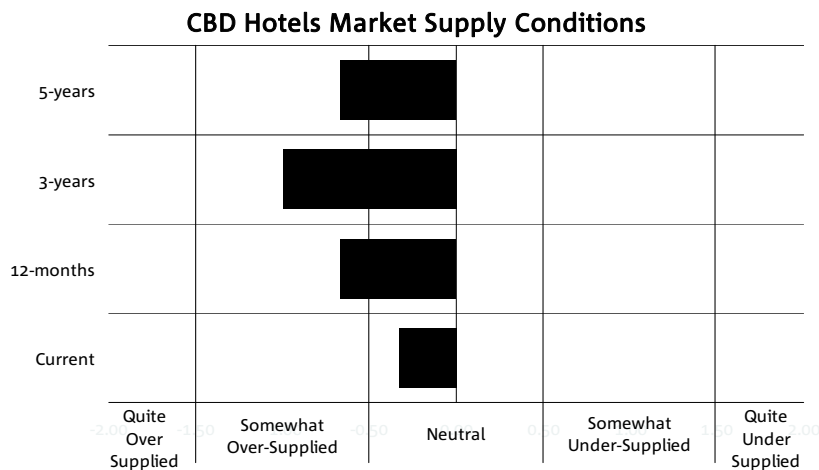
The average occupancy rate in the CBD hotel sector was unchanged at 75% in Q2. Property professionals expect the vacancy rate to climb to around 78% next year (underpinned by improved demand from international leisure travellers), before easing back to 75% in 2 years time.



Demand for CBD hotel rooms was rated “good” across all visitor types in Q2, led by business travellers. Property professionals are anticipating a big pick up in demand for CBD hotel rooms from overseas leisure travellers next year as a lower AUD supports increased international tourism.



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 1-5 yrs.



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