



NAB Commercial Property Survey: Office Market Q2 2015

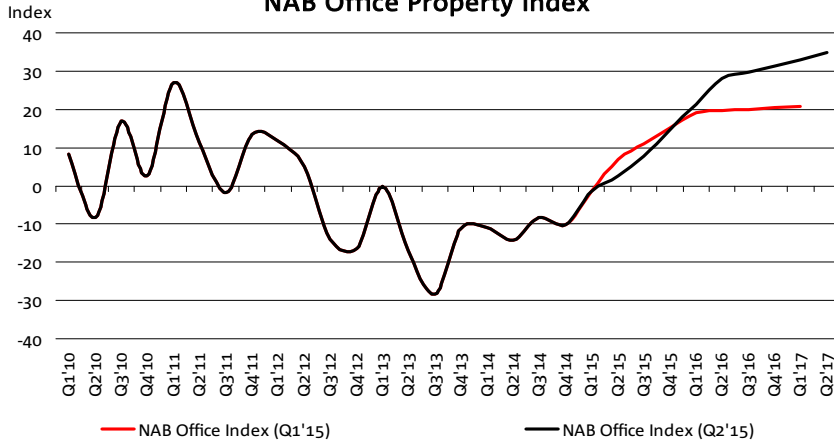
by NAB Group Economics

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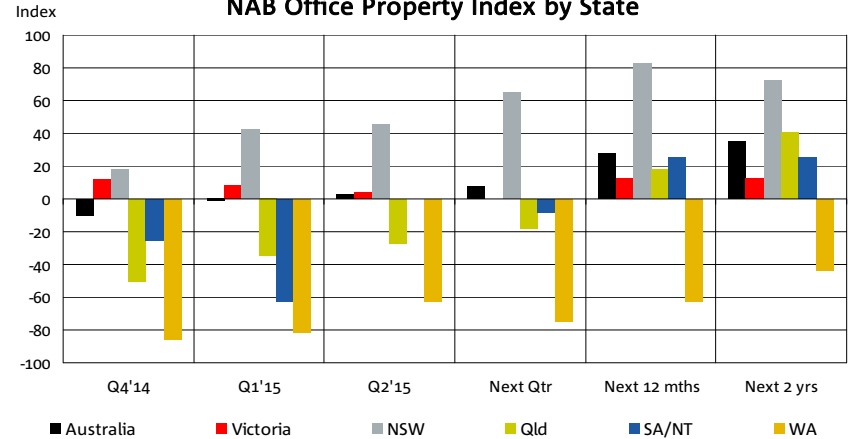
National office sentiment turns positive for first time in 3 yrs off the back of NSW & VIC. Confidence also stronger and higher than in Q1 survey. Property professionals in most states positive in next 1-2 years (NSW best by some margin). WA the exception, with confidence deeply negative.

Office market sentiment strongest in NSW, followed by VIC. Sentiment deeply negative in WA and to lesser extent QLD. Outlook revised up heavily in NSW & QLD and scaled back (but still positive) in VIC. Confidence in WA improving but still deeply negative and lagging.

NAB Office Property Index



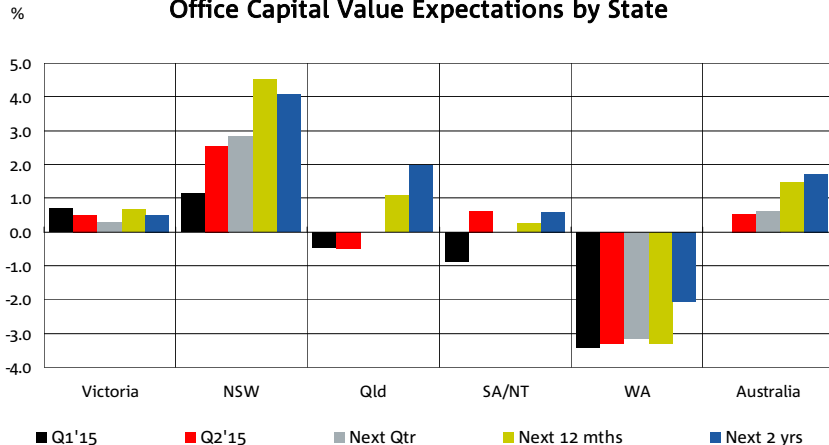
NAB Office Property Index by State



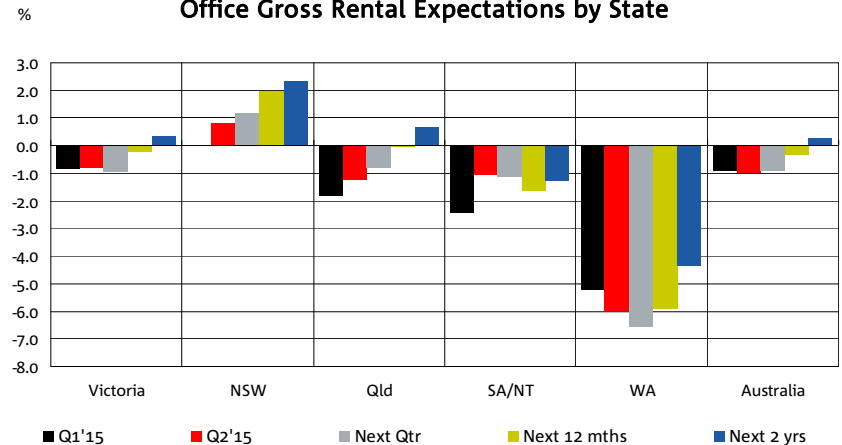
Office capital growth accelerated in NSW in Q2, but slowed in VIC. Overall growth to accelerate in next 1-2 yrs, underpinned by stronger returns in NSW & QLD. Growth to moderate VIC and continue falling in WA (but rate of contraction less severe than predicted in Q1).

NSW the only state to report positive income returns in Q2. Rents in WA move lower as weak tenant demand is compounded by rising vacancies. Best income returns expected in NSW next 1-2 yrs, with WA & SA/NT to record negative growth. Modest growth expected in VIC & QLD in 2 years.

Office Capital Value Expectations by State



Office Gross Rental Expectations by State

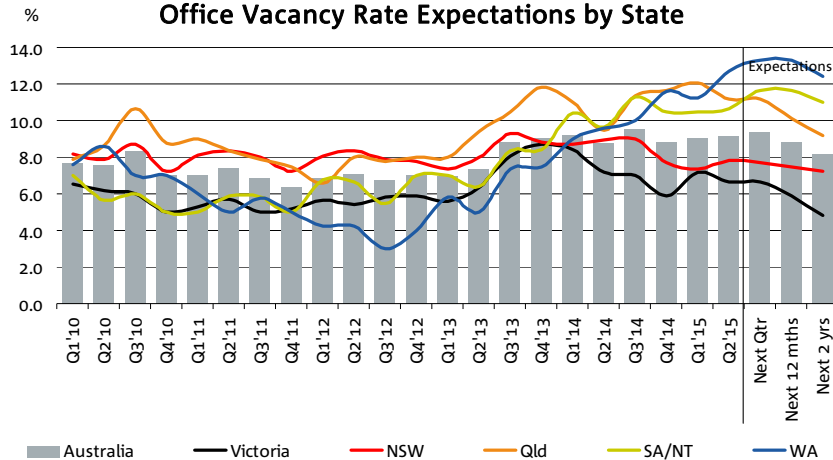


NAB Commercial Property Survey: Office Property Market

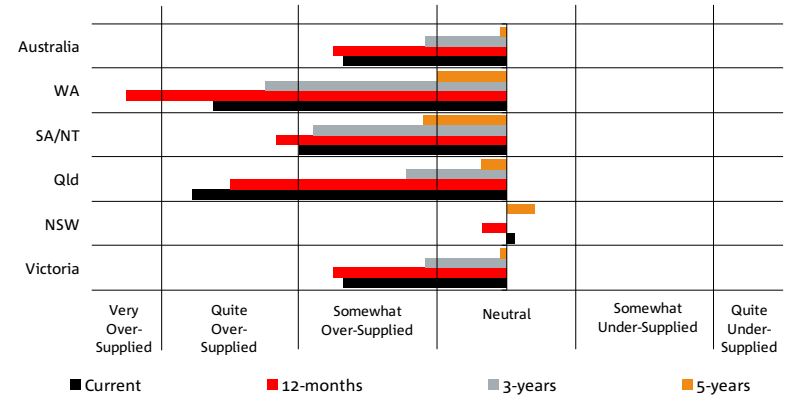
VIC & NSW remain the tightest markets in terms of available space. Some signs of a tentative recovery in QLD, but excess supply keeping vacancy rates elevated. Weak demand associated with mining slow down and a large supply pipeline continuing to impact negatively on vacancy in WA.

Over-supply remains a key feature of office markets in all states, except NSW. It remains a particularly big issue in WA, where a large supply overhang is expected to persist for at least the next 3 yrs. Market also tipped to be "quite" over-supplied in QLD next year, but reduce in 3-5 years.

Office Vacancy Rate Expectations by State



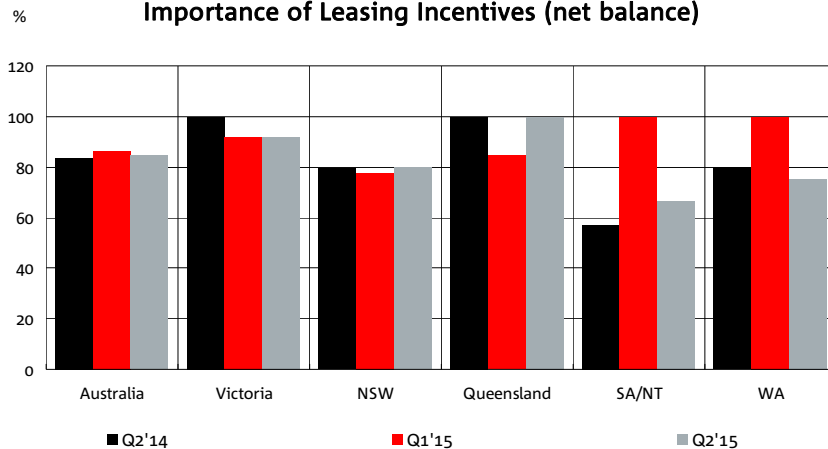
Office Market Supply Conditions by State



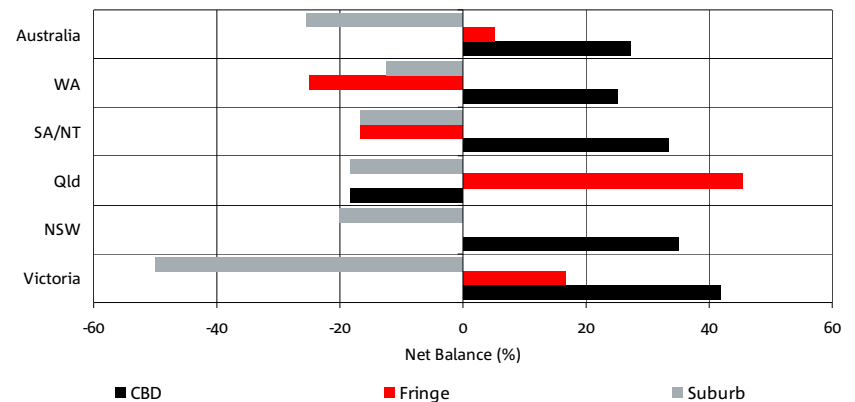
Leasing incentives remain important in all states and highest in QLD & VIC. Incentives broadly unchanged in NSW, but decline in WA and SA/NT (but results may be biased by a smaller sample size).

CBD still the best performing location for office property in all states bar QLD where Fringe considered best. Suburbs under-performing in most states, except WA where Fringe considered the worst performer.

Importance of Leasing Incentives (net balance)



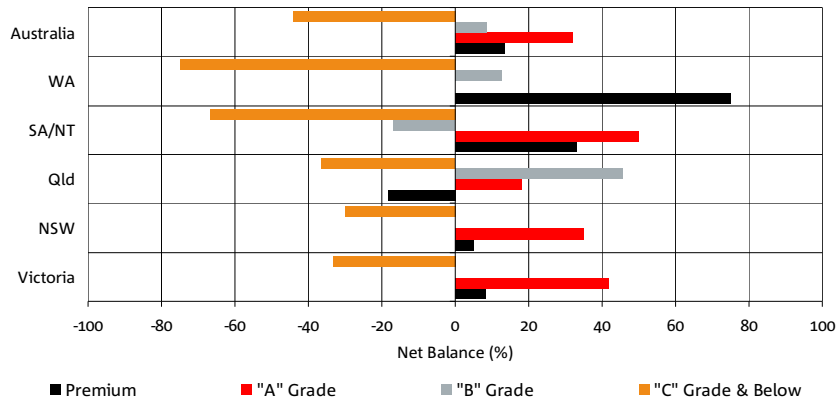
Current Office Performance by Location



NAB Commercial Property Survey: Office Property Market

“A” grade stock best performing grade of office property in SA/NT, VIC & NSW, followed by premium. Premium property clearly best in WA, with “B” grade property leading the way in QLD. “C” grade properties and below identified as the worst performer in all states. Premium property under-performing in QLD.

Current Office Performance by Grade



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