



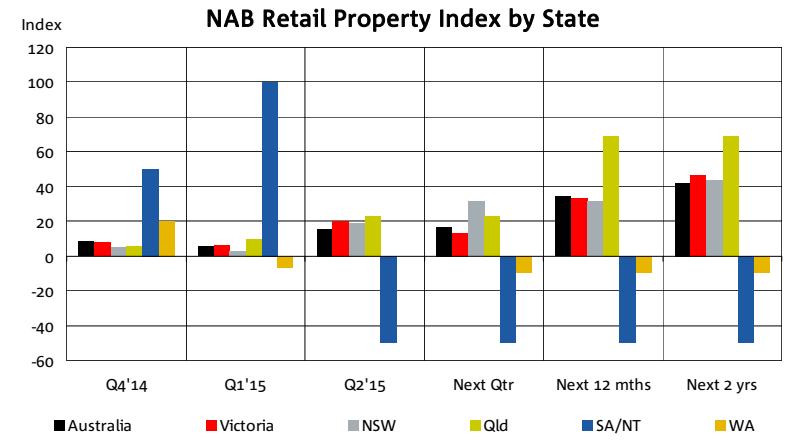
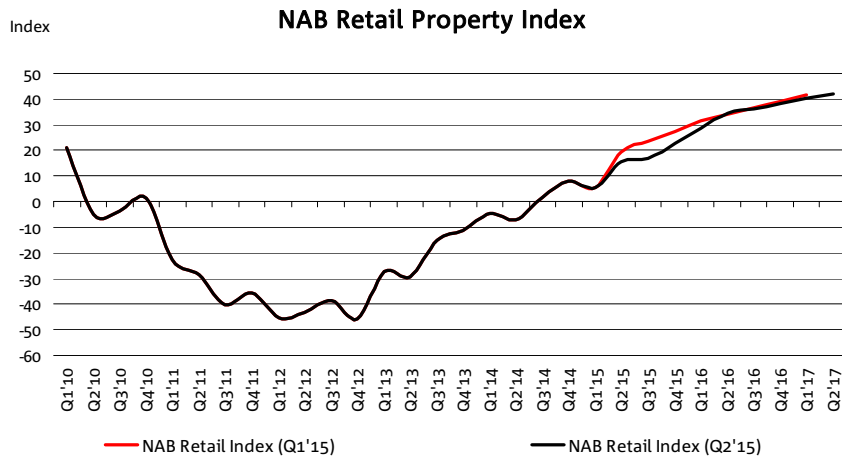
NAB Commercial Property Survey: Retail Market Q2 2015

by NAB Group Economics

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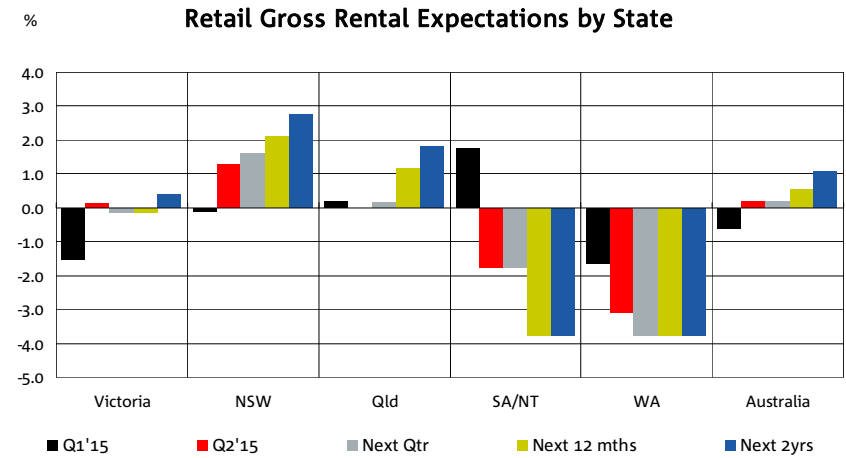
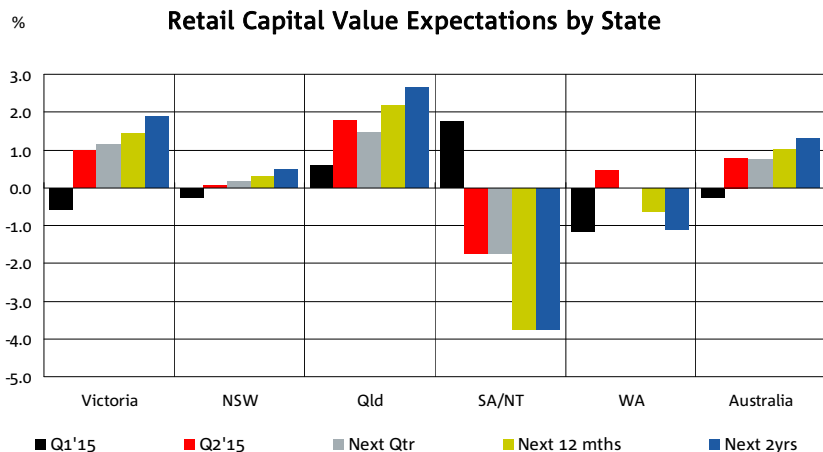
Sentiment in retail markets rose to highest level since early-2010 (+16 points) as house price growth in some states and lower savings rate help consumer sector and conditions for some retailers.

Retail sentiment positive and has improved in most states (except SA/NT but from small sample size), with the biggest gains in NSW, VIC & QLD. Expectations in next 1-2 years best in QLD, with SA/NT & WA lagging.



Capital returns led by QLD, VIC & WA; flat in NSW and negative in SA/NT in Q2. Strongest returns in next 1-2 years expected in QLD & VIC. Modest capital growth forecast in NSW, but expected to fall in SA/NT & WA - two states where consumer sectors appear to also be struggling most.

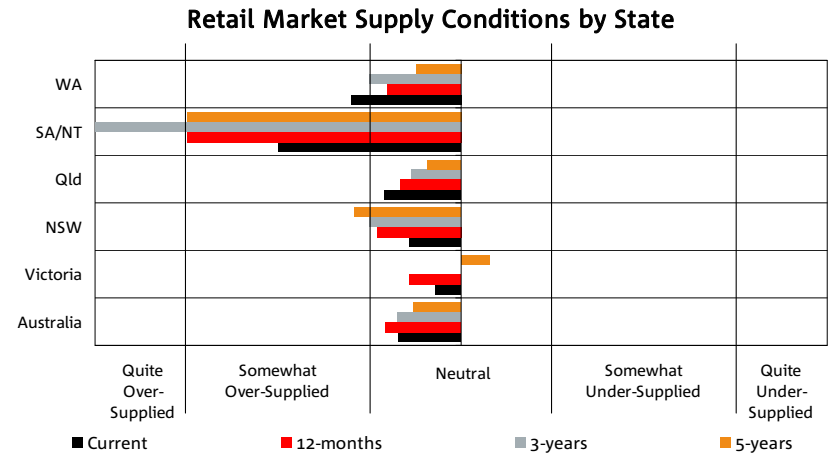
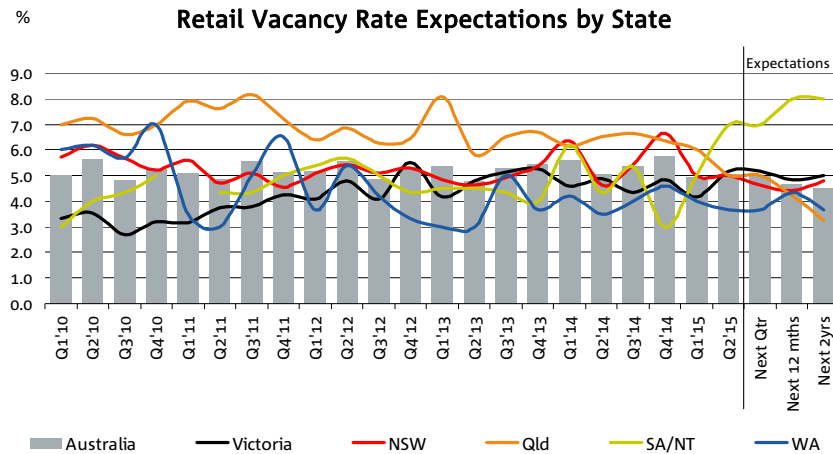
NSW & VIC the only states to report positive income returns in Q2. Returns were flat in QLD and negative in SA/NT & WA. Outlook for income growth is strongest in NSW & QLD and to a lesser extent VIC. Income returns in other markets to fall quite heavily.



NAB Commercial Property Survey: Retail Property Market

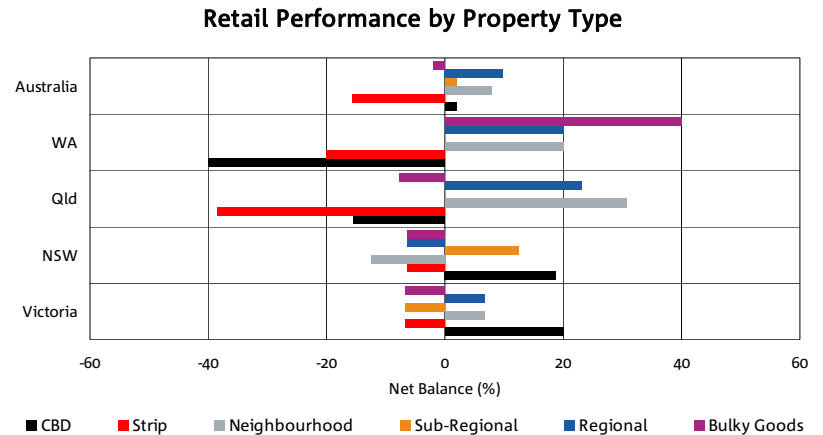
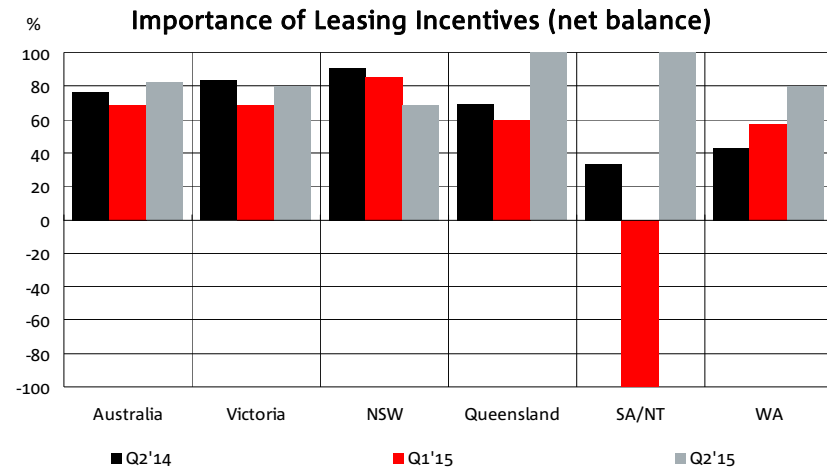
Average vacancy rate rose to 5.1% nationwide in Q2, as downward pressure in most states was offset by higher vacancies in SA/NT & VIC. The picture going forward is mixed, with vacancy falling in most states next year (except WA & SA/NT), but rising modestly in VIC & NSW in 2 yrs time.

Retail property market supply currently assessed as “neutral” in all markets except SA/NT & WA where market “somewhat” over-supplied. Market supply to remain “neutral” in VIC, QLD & WA over next 1-5 years. Significant over-supply to feature in SA/NT in next 1-5 years.



The importance of leasing incentives in retail property markets rose in all states in Q2, except NSW where a stronger state economy has been supporting higher retail trade turnover and in turn improved tenant demand and rental growth.

CBD best location for retail property in VIC & NSW (worst in WA) where expansion of international retail brands in city centres is continuing. Neighbourhood best in QLD and bulky goods strongest in WA. Strip under-performing in all states except NSW (neighbourhood worst).



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