

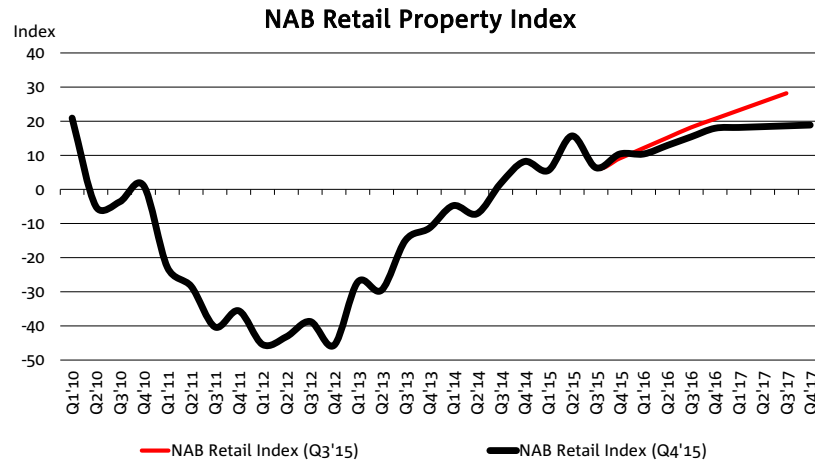
NAB Commercial Property Survey: Retail Market Q4 2015

by NAB Group Economics

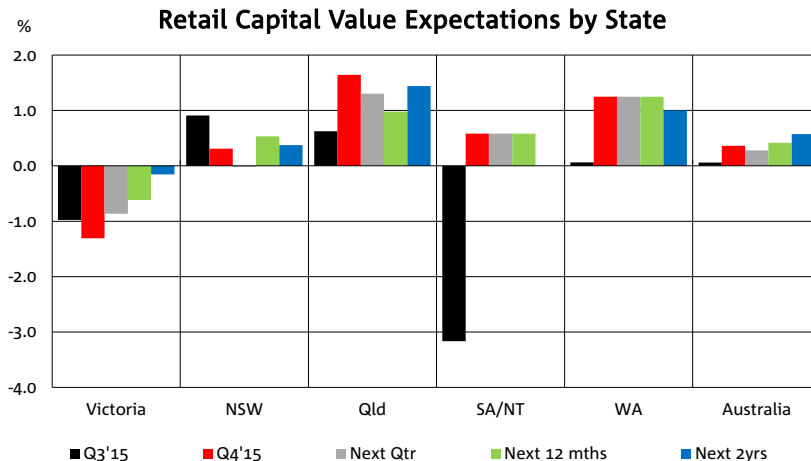
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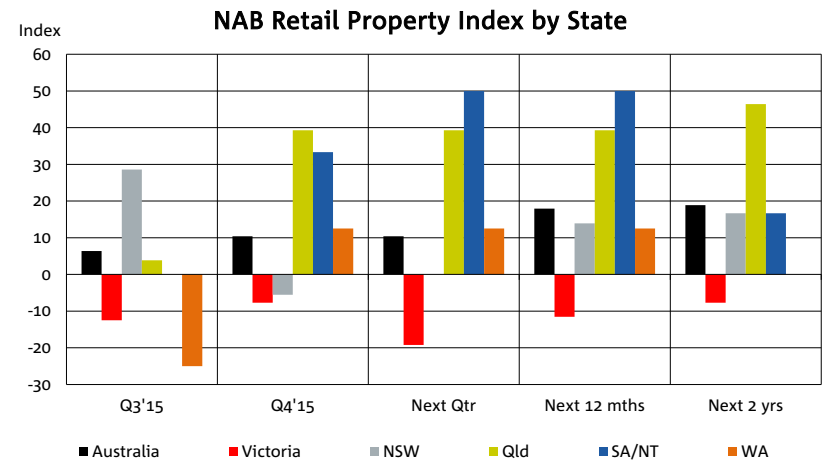
National retail property sentiment strengthened in Q4. NAB's Retail Property Index rose to +10 - well above its long-term average (-14). Looking forward, however, confidence has softened relative to Q3.



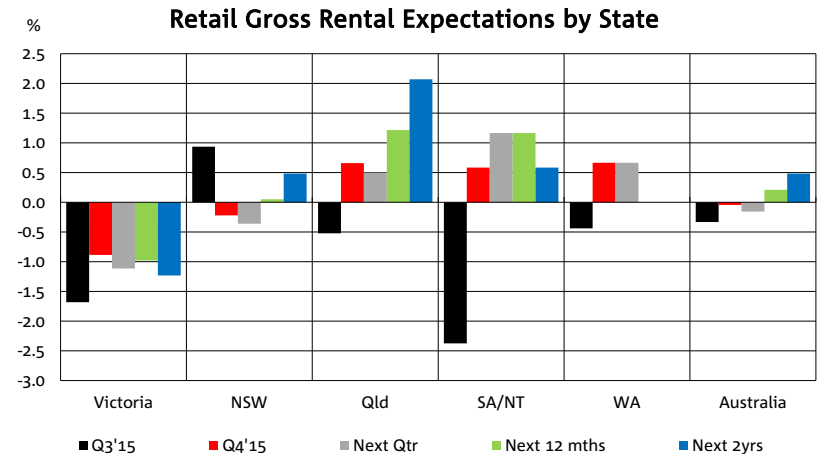
Capital returns for retail property were led by QLD & WA in Q4, with negative returns in VIC. In the next 1-2 years, the best returns are expected in QLD & WA. Modest growth is forecast in NSW & SA/NT, but values are tipped to continue falling in VIC (modestly).



Sentiment was positive in QLD, SA/NT & WA. It improved in VIC (but still negative) and fell heavily in NSW (now weakest overall). Looking ahead, property professionals most confident in QLD and weakest in NSW.



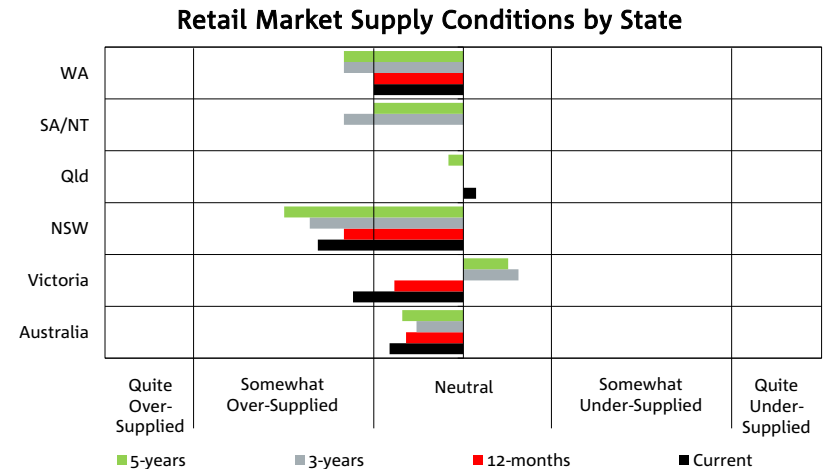
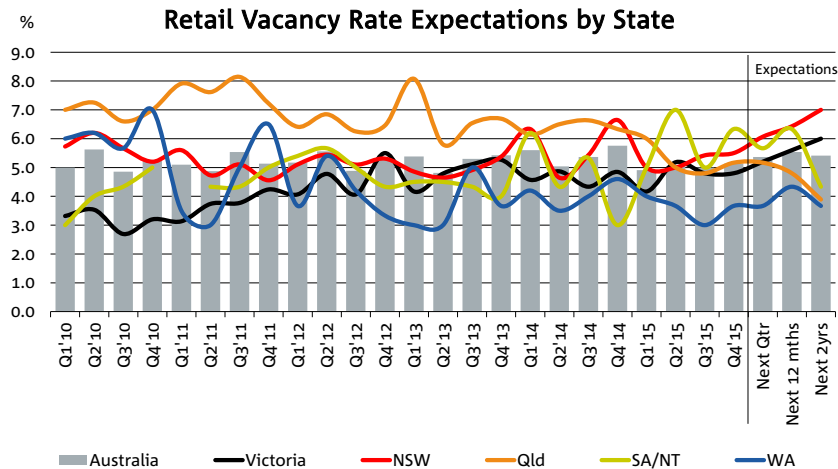
Rental performance varied widely by state in Q4. NSW & VIC were the only states to report negative returns. Rents grew in all other states, with the biggest gains in QLD & WA. The outlook for rental growth is now strongest in QLD and weakest in VIC (and falling faster).



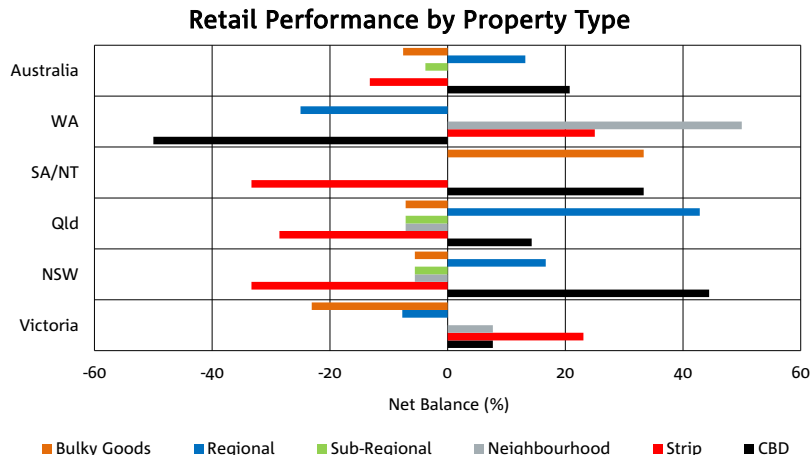
NAB Commercial Property Survey: Retail Property Market

Average national retail vacancy rate expected to climb to around 5.4% in the next 1-2 years (5.1% in Q4), as rising vacancy in NSW & VIC offsets improvements in QLD, WA & SA/NT. Overall, vacancy rates for retail property are tipped to be highest in NSW and lowest in WA in next 1-2 yrs.

Retail property market currently assessed as “somewhat” over-supplied in NSW & VIC and “neutral” in all other markets. Modest over-supply to persist in NSW, WA & SA/NT over the longer-term, with retail markets in both VIC & QLD “neutral”.



CBD considered the best location for retail property in NSW and SA/NT (alongside bulky goods). Neighbourhood retail the best performer in WA, regional in QLD and strip retail in VIC. Strip retail worst in NSW, SA/NT & QLD, but CBD weakest in WA and bulky goods worst in VIC.



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