

NAB Commercial Property Survey: Retail Market Q1 2016

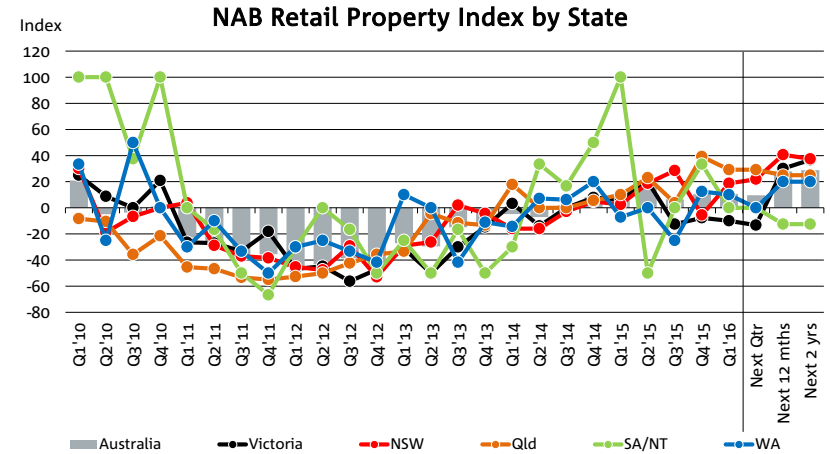
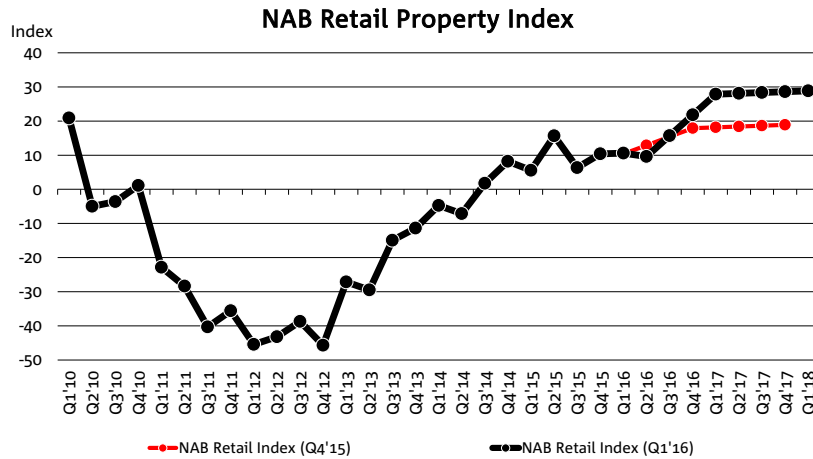
by NAB Group Economics



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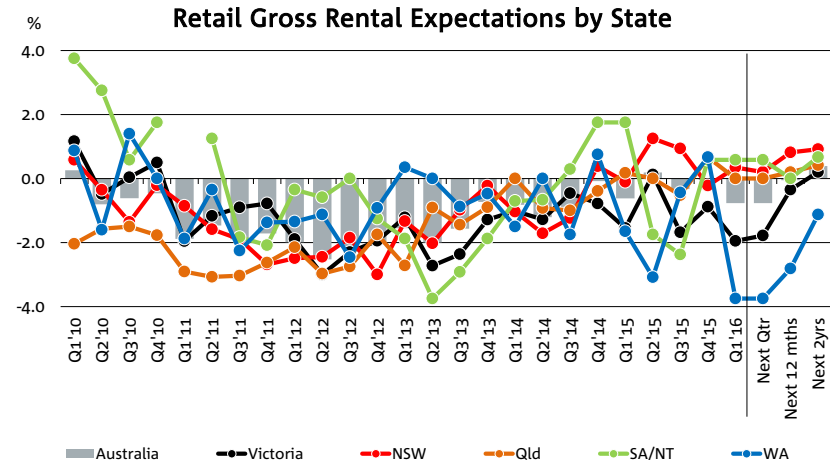
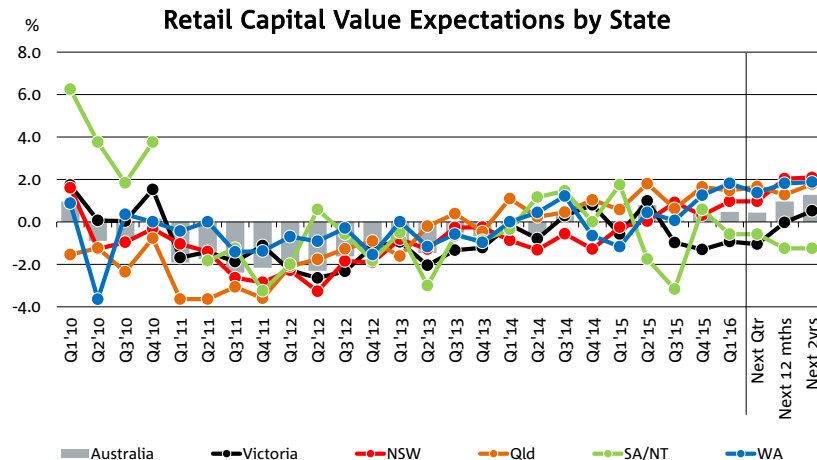
Retail property sentiment improved a little in Q1. NAB's Retail Property Index rose to +11 (+10 in Q4) and well above its long-term average (-13). Looking ahead, confidence has also improved relative to Q4.

Retail property sentiment improved in NSW but fell in all other states. It was highest in QLD & weakest in VIC. Looking ahead, property professionals most confident in NSW & VIC and least confident in SA/NT.



Capital returns for Retail property were led by WA & QLD in Q1, with negative returns in VIC & SA/NT. In the next 1-2 years, the best returns are expected in NSW & WA, with modest growth resuming in VIC. Capital values are however tipped to continue falling in SA/NT.

Rental performance varied widely by state in Q1, with negative rental returns in WA & VIC offsetting very modest growth in all other states. The outlook for rental growth is positive in most states, led by NSW. WA is the exception, with negative returns expected over the next 1-2 years.

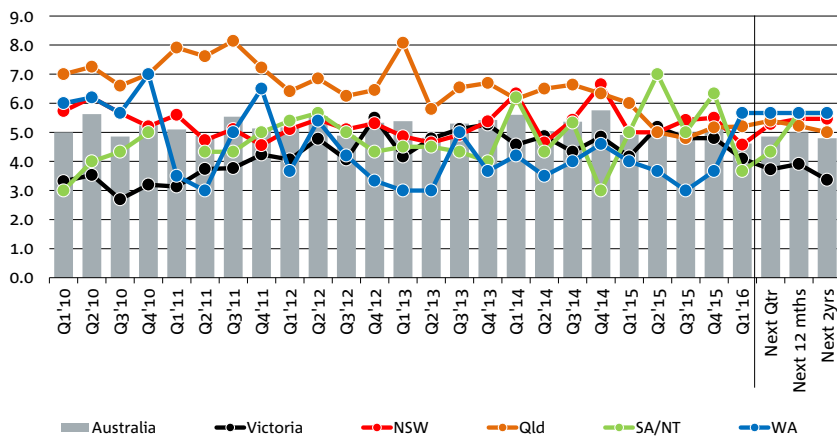


NAB Commercial Property Survey: Retail Property Market

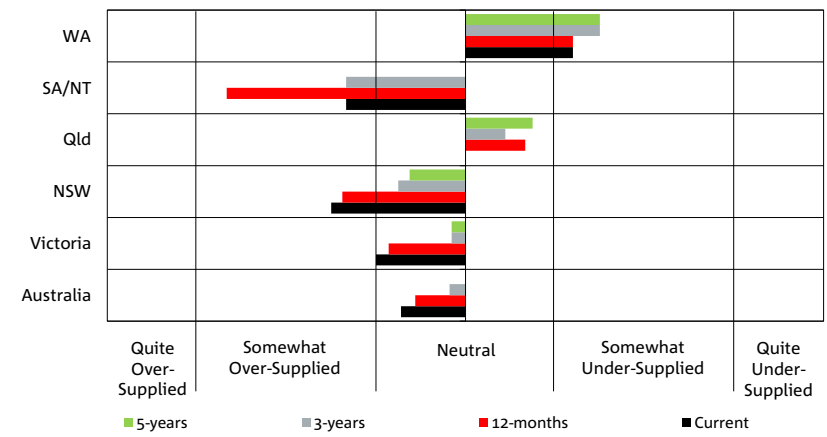
Average national Retail vacancy rate fell to 4.6% in Q1 (5.1% in Q4), with falling vacancy in most states offsetting a big increase WA. Overall, vacancy rates for Retail property over the next 1-2 years are expected to be highest in WA & SA/NT and lowest in VIC.

Retail property market currently assessed as “somewhat” over-supplied in NSW & SA/NT, “somewhat under-supplied” in WA and “neutral” in all other markets. Over-supply to persist in SA/NT & NSW over the next year, with the market in WA to remain under-supplied over the long-term.

Retail Vacancy Rate Expectations by State

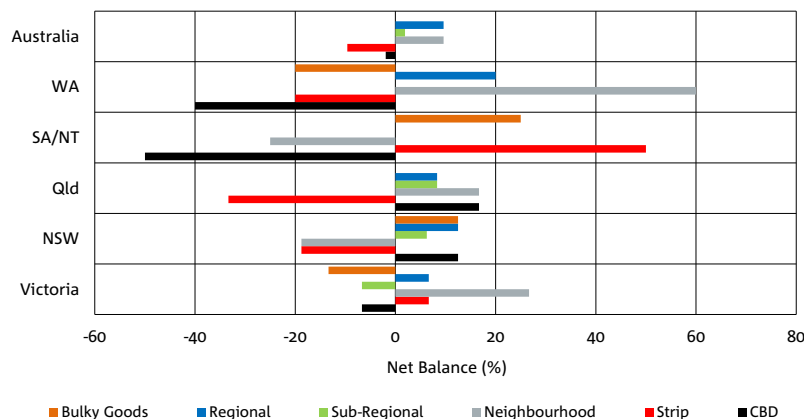


Retail Market Supply Conditions by State



Neighbourhood considered the best location for Retail property in WA, VIC & QLD (along with CBD). Strip Retail considered the best location for Retail property in SA/NT, while CBD, regional and bulky goods Retail property were rated equal best in NSW.

Retail Performance by Property Type



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