

NAB Commercial Property Survey: Industrial Market Q2 2016

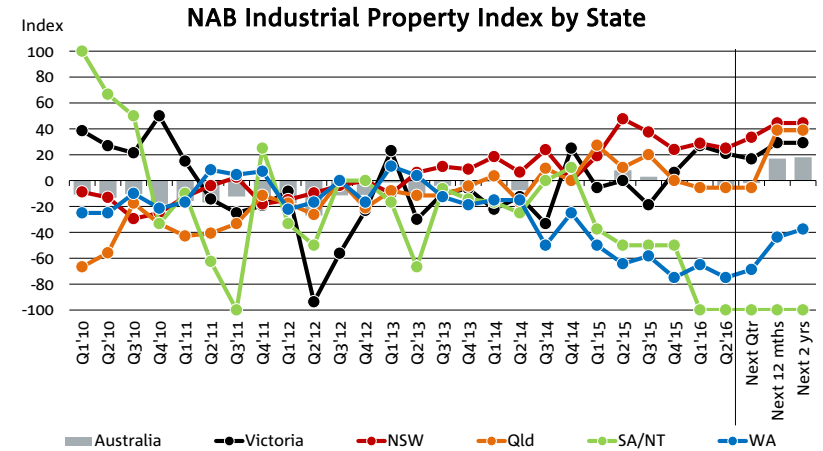
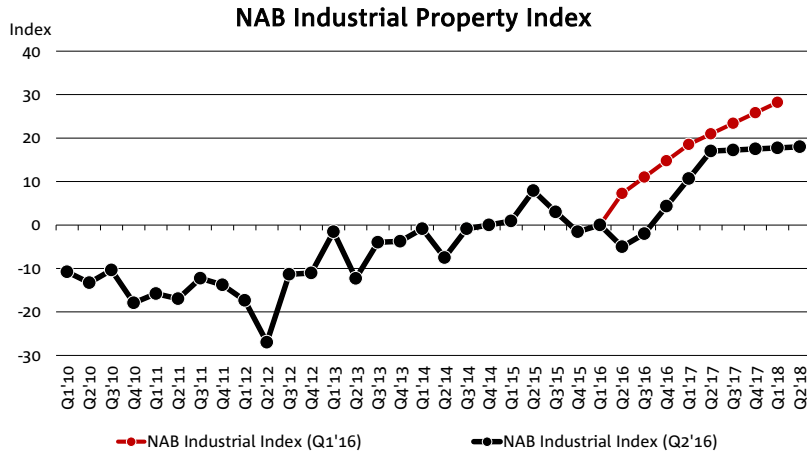
by NAB Group Economics



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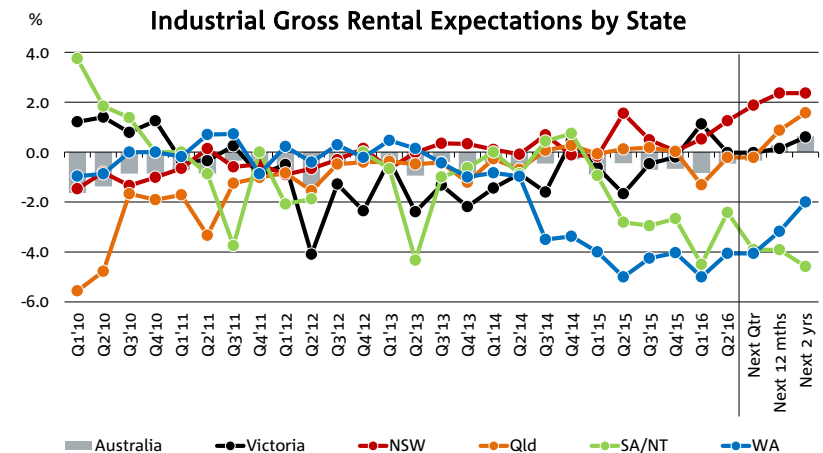
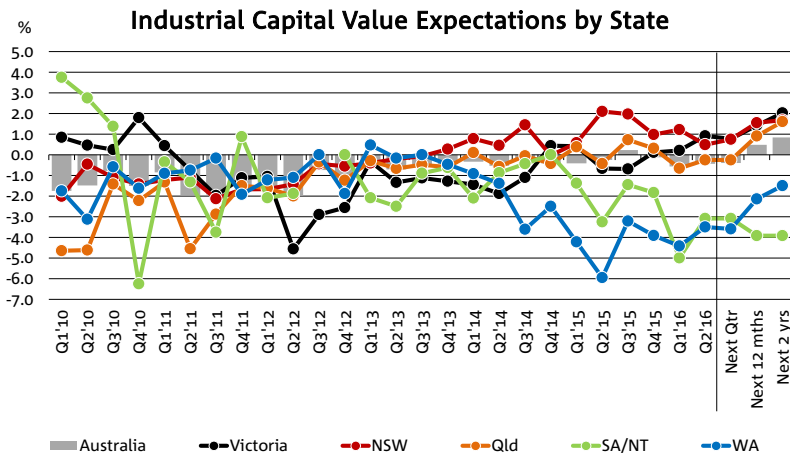
Sentiment in the national Industrial property market weakened in Q2 (down 5 points to -5 but above long-term average -8). Property professionals also less confident relative to Q1, with index expected to level out at +18 in next 2 years (+28 expected last quarter).

Industrial market sentiment fell in VIC & NSW (but overall positive) and WA to survey low levels. No change in QLD & SA/NT (weakest overall but from a small sample size). NSW still the most confident state ahead of QLD & VIC. SA/NT & WA deeply negative (but WA improving).



NSW & VIC the only states to report capital growth in Q2, with values down steeply in SA/NT & WA and moderately in QLD. Prospects for capital growth over the next 1-2 years are strongest in NSW, QLD & VIC, but tipped to continue falling in SA/NT & WA (but improving).

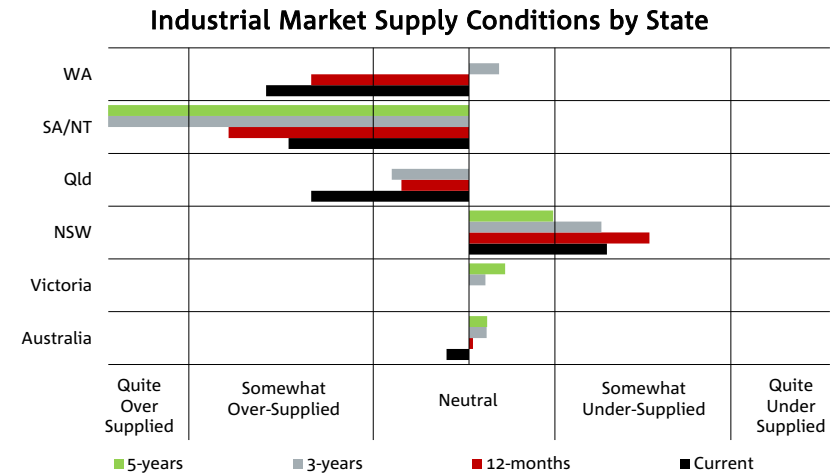
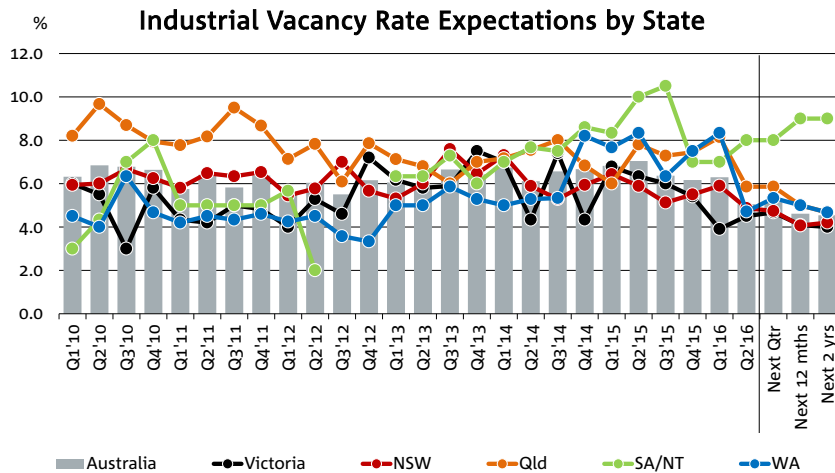
Rental growth improved in NSW, was flat in VIC and negative in all other states, with big falls in WA & SA/NT. NSW & QLD to provide the best income returns in the next 1-2 years. Modest growth forecast for VIC, but negative returns forecast for SA/NT & WA.



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Industrial vacancy rates fell in all states except VIC & SA/NT. Vacancy rates are expected to trend down all markets over the next 1-2 years, with the exception of SA/NT. Vacancy rates are projected to be lowest in VIC (4%) and NSW (4.2%) in 2 years' time and highest in SA/NT (9%).

Industrial property markets currently "somewhat" over-supplied in QLD, SA/NT & WA, "neutral" in VIC and "somewhat" under-supplied in NSW. Over-supply to persist in SA/NT in the next 1-5 years, with under-supply emerging as an issue in NSW over the next in 1-3 years.



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