

NAB Commercial Property Survey: Retail Market Q2 2016

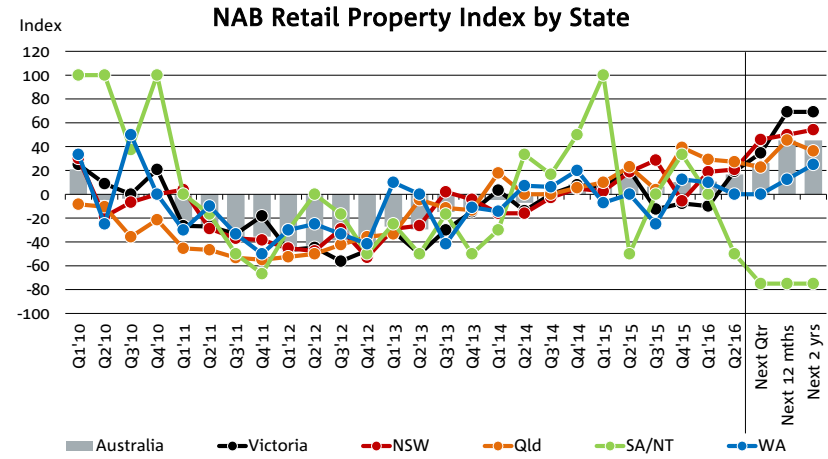
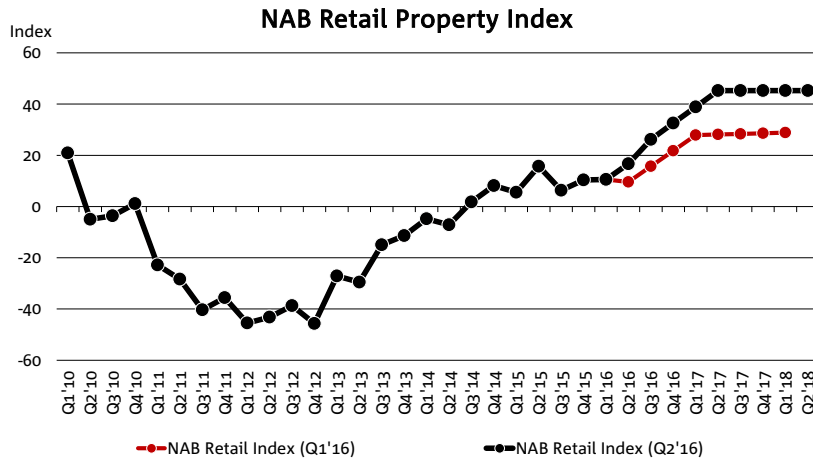
by NAB Group Economics



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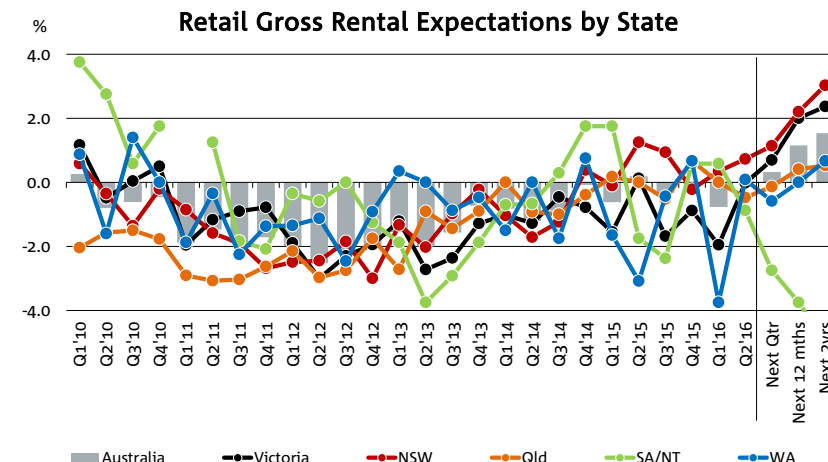
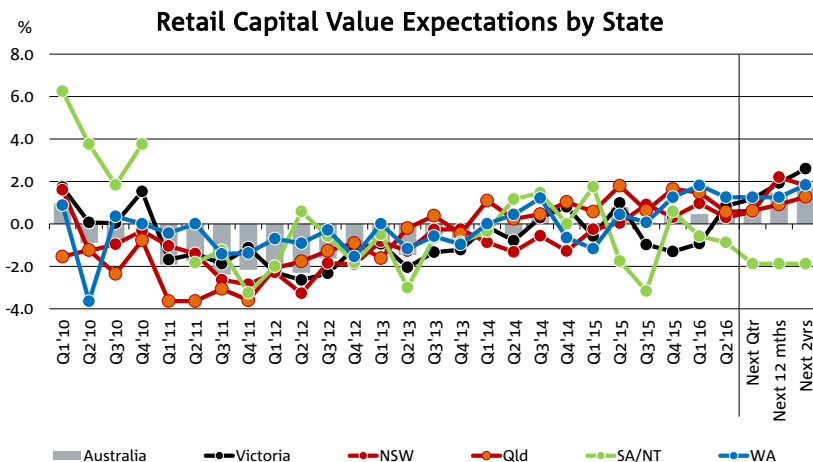
Retail property sentiment improved further in Q2 (up 6 to +17) and is now strongest across all sectors and well above its long-term average (-12). Confidence has strengthened and is also highest of all sectors.

But picture mixed across states. Sentiment up strongly in VIC & higher in NSW, but down in QLD, WA & SA/NT (heavily). Looking ahead, property professionals most confident in VIC & NSW and least confident in SA/NT.



Capital returns for Retail property moderated in all states except VIC in Q2, but are positive in all states except SA/NT. The best returns are expected in VIC in the next 1-2 years, followed NSW, WA & QLD. Capital values are however tipped to fall in SA/NT (albeit from a smaller sample).

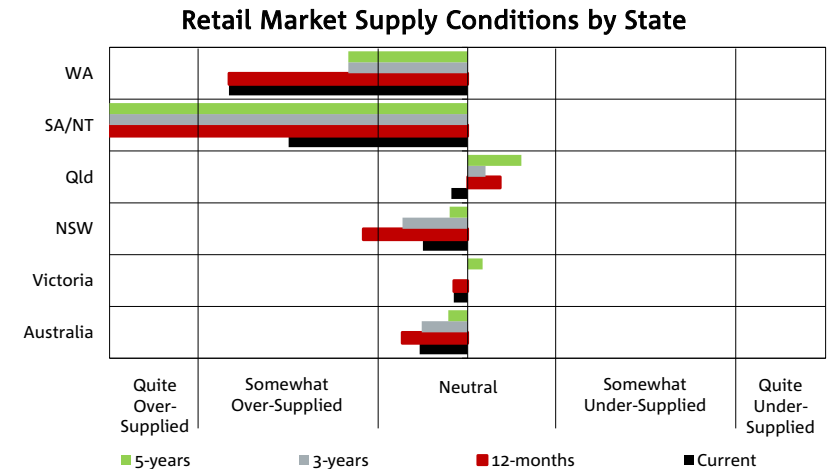
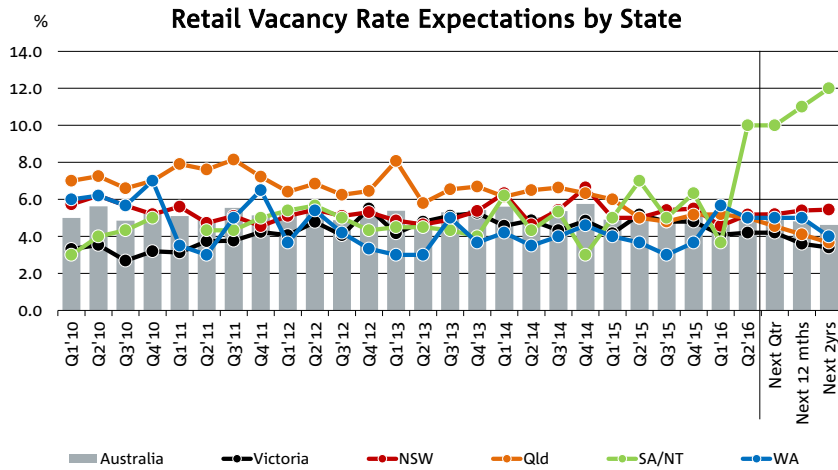
Rental growth still soft across the board (but improving in most states), with negative income returns in SA/NT & QLD offset by modest growth in other states. Outlook for rents positive in most states led by NSW & VIC. SA/NT the exception with negative expectations over the next 1-2 years.



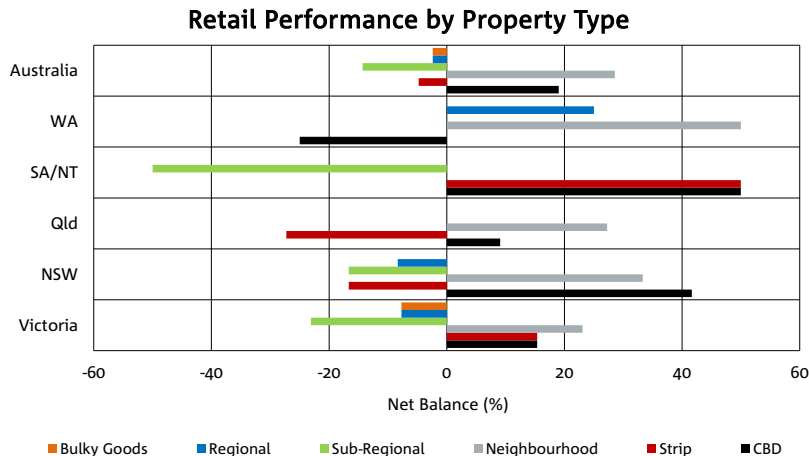
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Average national Retail vacancy rate rose to 5.1% in Q2 (4.6% in Q1), reflecting a big increase SA/NT and incremental increases in VIC & NSW. Overall, vacancy rates for Retail property over the next 1-2 years are expected to remain highest in SA/NT and lowest in VIC.

Retail property market currently assessed as “somewhat” over-supplied in SA/NT & WA and “neutral” in all other markets. Over-supply to persist in SA/NT & WA over the next 1-5 years year, with modest over-supply emerging in NSW in the near-term.



Neighbourhood considered the best location for Retail property in WA, QLD & VIC. CBD best in NSW & SA/NT (along with strip). Sub-regional rated worst in SA/NT, VIC & NSW (with Strip). CBD the worst performer in WA and Strip the worst in QLD.



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