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MEDIA RELEASE

Commercial Property Survey - Q4 2016

Commercial property market sentiment has continued to build on the positive gains of recent months, according to NAB's Commercial Property Survey Q4 2016, with the Commercial Property Index rising 5 points to +21 - its highest level since the survey began in early 2010.

NAB Chief Economist Alan Oster said that the improvement in the index was largely due to very big gains in CBD Hotels and small gains in the Office sector.

"While we continue to see an uneven performance across sectors, the performance of CBD Hotels has more than offset the lower sentiment that we're seeing in both Retail and Industrial markets.

"Confidence has also wavered in all sectors, except CBD Hotels where it rose sharply among very strong expectations for occupancy, capital and revenue per available room (revPar) growth.

"By state, sentiment and confidence also continues to be much stronger in NSW & VIC. QLD showed some improvement, but WA still very weak," he said.

The latest survey found that prospects for capital growth in next 1-2 years improved, and are best, for CBD Hotels, and were scaled back, but still growing in all other sectors. Retail is being led by NSW & VIC, Office by NSW and Industrial by NSW & QLD.

Other findings include the expectation that office property will provide the best income returns in the next 1-2 years, led by very strong growth in NSW. Retail and Industrial rents are predicted to grow modestly in all states except WA.

Overall office vacancy fell a little as a small tightening from very high levels in QLD & SA/NT offset Survey high vacancy in WA and small increases in NSW & VIC (but from low levels). Vacancy in Office and Industrial markets are set to fall in the next 1-2 years and rise in Retail.

Around 250 panellists participated in the Q4 2016 Survey.

For further information:

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