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MEDIA RELEASE

NAB Commercial Property Survey - Q4 2017

Overall sentiment around commercial property (measured by the NAB Commercial Property Index) moderated a little in Q4 (down 1 to +17) but is still well above the long-term average (+2).

NAB Group Chief Economist said "Positive sentiment likely reflected a steady economy, healthy employment growth and strong business conditions."

CBD Hotels out-performed all other sectors.

Industrial sentiment also lifted, amid continued reports of strong warehousing and logistics activity linked to growth in online retail (including Amazon) and e-commerce.

Office has eased but is still out-performing.

But Retail sentiment fell quite sharply and turned negative for the first time since mid-2014.

"Not surprisingly, NAB's Business Survey also showed Retail was the only industry sector reporting negative business conditions" said Mr Oster.

By state, sentiment was broadly unchanged and strongest in NSW (+33 points), followed by VIC (+20) where it softened somewhat but was still relatively solid.

A weaker outcome was also reported in WA (-44) where the ongoing transition from the mining investment boom continued to weigh on both economic growth and local commercial property markets.

Overall confidence levels fell to their lowest levels in 2 years and fell in all sectors - except CBD Hotels.

"It fell most in Retail, which is not surprising given NAB's own outlook for wages suggests that any improvement in consumer spending will be slow, especially if wealth effects have an impact as house prices ease" said Mr Oster.

Property experts in all states were less confident about overall commercial property markets in the next 1-2 years. NSW is still the most upbeat state, and WA and SA/NT the least confident (and negative).

The survey also indicated that property developers were more hesitant about entering the market in Q4, perhaps reflecting concerns about over-supply in some segments such as high density apartments.

Australia wide, the number developers intending to start new building works in the next 6 months fell to 47% in Q4 below its long-term average (51%).

"Property experts are also telling us that debt and equity funding is still difficult to obtain and most don't expect any improvement in their funding conditions any time soon" said Mr Oster.

About 300 panellists participated in the Q4 2017 Survey.

For more information, please contact
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