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National Australia Bank

MEDIA RELEASE

NAB Commercial Property Survey - Q4 2018

Overall sentiment among property professionals increased marginally in the final quarter of 2018, with the NAB Commercial Property Index rising 1 point to +9.

NAB Chief Economist Alan Oster said: “While there was basically not a lot of difference in the aggregate, there were some changes across property sectors.”

A solid improvement in sentiment around Office property underpinned the index, and it replaced Industrial property as the leading market sector.

“Retail property market sentiment improved a little but was still heavily negative and the weakest sector overall as business conditions in the Retail industry continue to lag” said Mr Oster.

In contrast, sentiment in the bouncy CBD hotels sector fell to its lowest level since mid-2016. Industrial market sentiment also softened but continued to out-perform the broader market average.

By state, sentiment rose strongly in Victoria, was a little higher in NSW and steady in Queensland. It was very weak (and negative) in SA/NT and WA - and in all property sectors.

Despite the improvement in sentiment, overall confidence levels in the commercial property market remain weak and well below survey average levels.

Confidence was again weakest (and negative) for Retail.

“This result does not surprise us as we also expect the headwinds of slow income growth, high debt levels and weaker growth in household wealth to weigh on consumption over the coming years” said Mr Oster.

In other key findings, the expectation for capital and rental growth was again strongest for Office property, underpinned by healthy outcomes in NSW and Victoria. But they remain very weak for Retail property in all states, with expectations also scaled back heavily in the CBD Hotels sector.

National Office vacancy fell to 7.8% in Q4, with vacancy lowest in Victoria (4.3%) and NSW (4.9%). Retail vacancy fell during the quarter, likely reflecting higher uptake typically seen before Xmas, and was also lower for Industrial property.

On the development front, the Survey pointed to a significant fall in the number of developers planning to commence new projects in the next 6-18 months.

Property professionals also said accessing credit was harder than at any time since Survey began in 2010. Equity funding was also harder than it has been since the Survey started, and property professionals expect both debt and equity funding conditions to worsen further over the next 3-6 months.

“Clearly, challenging funding conditions are making it harder to get new projects up and running, resulting in the shelving of some projects” said Mr Oster.

Around 300 property professionals participated in the Q4 2018 survey.

For more information, please contact
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