

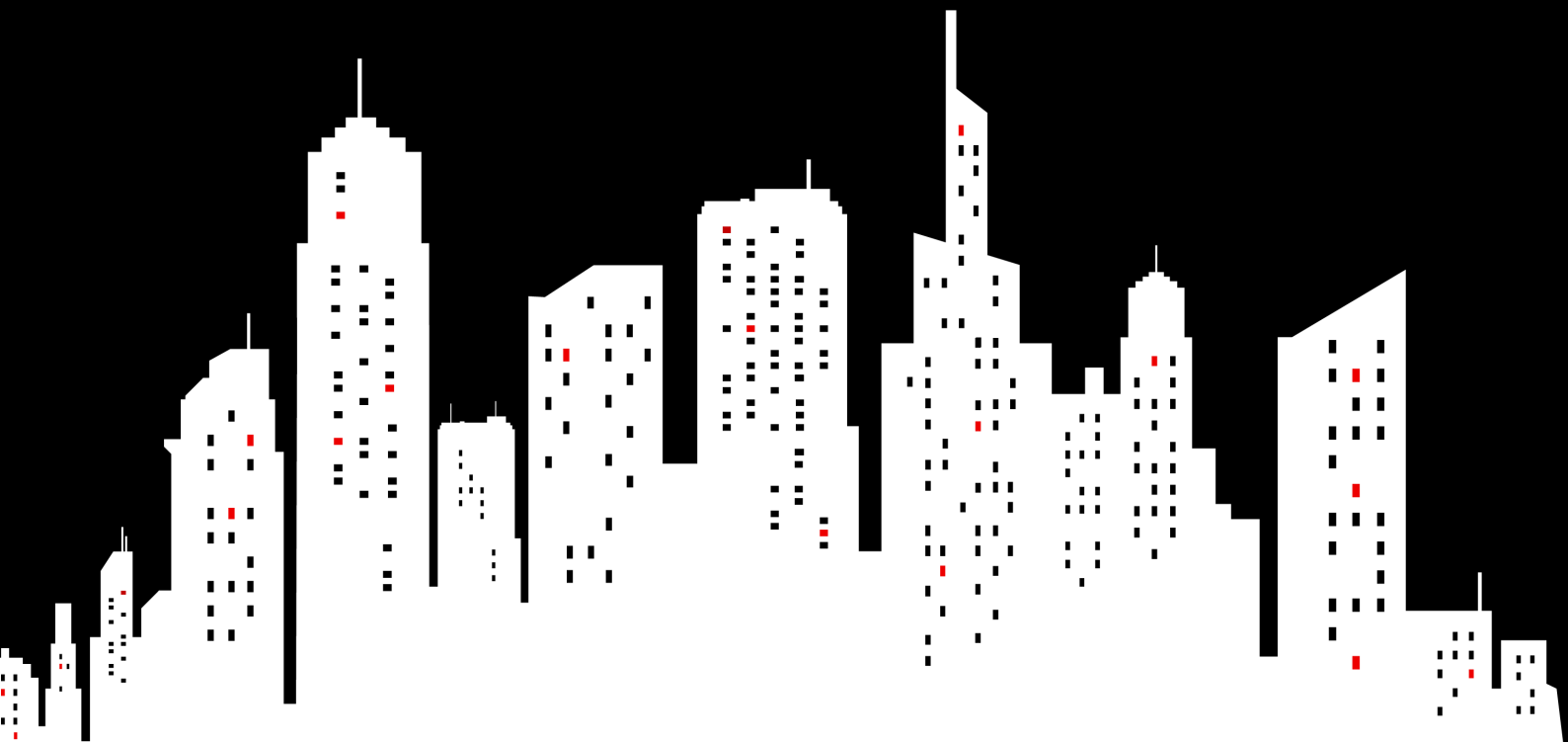
more
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money



NAB Commercial Property Survey

Q4 2024

NAB Behavioural & Industry Economics



Commercial Property Survey Q4 2024

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The NAB Commercial Property Index moved back into positive territory in the December quarter amid improved expectations for future capital growth and rents. Sentiment was higher in all sectors and turned positive for office property for the first time in almost 3 years. Market sentiment improved in all states bar Victoria, which is now the only state in negative territory. It is also lagging the rest of the country in all sectors, particularly office and retail.

Survey Findings

- With NAB's Business Survey showing conditions holding steady and a slight improvement in confidence, commercial property market sentiment also lifted in the December quarter with NAB's Commercial Property Index printing at +13, up from -2 in the previous quarter. With inflation slowing, speculation of imminent interest rate cuts are likely to have also fuelled optimism in the sector.
- Sentiment increased most for CBD hotels (up 50 to +50), followed by office which was positive for the first time since March 2022 (up 23 to +5). Industrial sentiment stabilised (up 2 to +42) and sits well above average (+12). Retail sentiment was slightly higher but remained negative (up 3 to -7). Sentiment improved in all states bar VIC (down 7 to -31 and now the only state in negative territory) and WA (down 3 pts to +49 but highest overall). VIC also lagged the country in all property sectors, particularly office and retail - see Table 2.
- Confidence grew, with the 12-month measure reaching its highest level since March 2018 (up 19 to +27) and the 2-year measure also hitting a 7-year high (up 8 to +36). Short and long-term confidence is now positive in all sectors, led by CBD hotels and industrial (and well above average). It increased sharply for office property but was a little weaker for retail in the long-term, with confidence levels in both sectors still below long-term survey averages. By sector, office confidence in the next year is highest in SA/NT (+83) and lowest in VIC (-40). For retail, it ranged from +100 in WA to -25 in VIC and for industrial from +75 in QLD to +30 in VIC and WA - see Table 2.
- The average survey prediction for capital growth in the next 12 months is highest for industrial property (2.2%), with values also expected to grow for CBD hotels (0.6%). Smaller falls are now expected for office (-0.3%) property with bigger falls for retail (-1.3%). Expectations for office value growth are negative in VIC (-4.7%) and NSW (-1.2%) but expected to grow in all other states led by SA/NT (3.4%). The outlook for retail values is highest in WA (1.8%) and lowest in VIC (-3.0%). Industrial values are tipped to grow in all states and range from 0.4% in WA to 3.2% in QLD. Property professionals still see values growing fastest for industrial property in 2 years' time (3.1%) and faster for CBD hotels (1.9%) and office (1.5%) property, with retail values falling (-0.6%). Values are expected to grow in all state markets except office in VIC (-2.0%), and retail in VIC (-2.1%), QLD (-0.6%) and NSW (-0.3%) - see Data Appendix Table 3.
- Survey participants pointed to an improvement in overall office vacancy to 10.3% in Q4 (11.1% in Q3). Vacancy fell in all states but ranged from 8.3% in QLD to 13.2% in VIC where the market was assessed as 'very' over-supplied. National office vacancy is expected to fall to 9.4% and 8.5% in the next 1-2 years with VIC the only state still in double digits (10.2%). Industrial vacancy inched up to 3.4%, but remained well below average across the country, ranging from 2.0% in SA/NT to 3.9% in VIC. It is expected to remain relatively low in the next 1-2 years (3.7% & 3.4% respectively) and in most states. Overall retail vacancy climbed to an above average 7.1% in Q4 but is tipped to ease to 6.5% and 6.1% in the next 1-2 years, with vacancy lowest in WA and QLD and highest in VIC - see Data Appendix Table 5.
- The outlook for rents is also strongest for industrial property and expected to grow 2.3% and 2.8% in the next 1-2 years respectively, with expectations highest in QLD (3.1%) next year and NSW (3.6%) in 2 years' time. In office markets, property professionals see rental growth resuming next year (0.4%) and accelerating in 2 years' time (1.3%). The outlook remains weakest by some margin in VIC next year (-1.9%) and it is the only state where property professionals see rents still falling in 2 years' time (-0.8%). The outlook for retail rents is flat next year (0.0%) with modest growth in 2 years' time (0.4%). Positive returns over this period are expected in SA/NT (3.1% & 4.6%) and WA (2.8% in both years) with small gains in NSW in 2 years' time (0.5%). Retail rents are expected to fall most in VIC next year (-0.8%) and QLD in 2 years' time (-1.4%) - see Data Appendix Table 4.
- A well below average 37% of property developers plan to commence new projects within the next 6 months, and a slightly lower number within the next 6-12 months (46%). Around 1 in 2 (52%) are targeting residential projects (49% in Q3), and above average numbers looking at developing industrial (19%) and office (15%) property. The majority are also looking to use land banked stock (85%) or targeting new acquisitions (41%) for these developments.
- Debt funding conditions were largely unchanged in the December quarter with a net -13% of property professionals reporting that it was more difficult than easier during the quarter (-14% in Q3). Perceptions about debt funding conditions in the next 3-6 months also held steady at -9% (-10% in Q3). Accessing equity funding was a little better with the net number who said it was harder falling slightly to -9% (-11% in Q3). Looking ahead, however the number of property professionals who believe accessing equity will be harder in the next 3-6 months increased to -11% (-7% in Q3).
- Survey respondents estimate the average pre-commitment needed to meet external debt funding requirements for new developments was lower for both residential (53%) and commercial (55%) property in Q4. Looking ahead to the next 3-6 months, more respondents on balance see residential and commercial requirements worsening (-10%). But more property professionals on balance expect pre-commitment requirements for residential (+2%) and commercial (+3%) property to improve in the next in 6-12 months.

Table 1: NAB Commercial Property Index

	Sep-24	Dec-24	Next 12 months	Next 2 years
NAB Commercial Property Index	-2	13	27	36
Office Property Index	-18	5	16	33
Retail Property Index	-10	-7	11	16
Industrial Property Index	40	42	52	54
CBD Hotels Property Index	0	50	67	67

Market & State Overview

Chart 1: Commercial Property Index

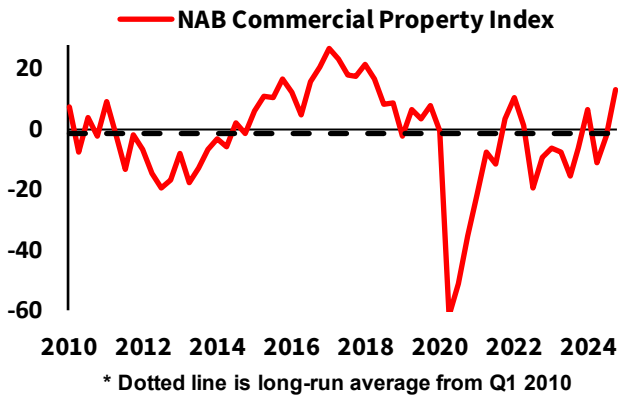


Chart 2: Commercial Property Index by Sector

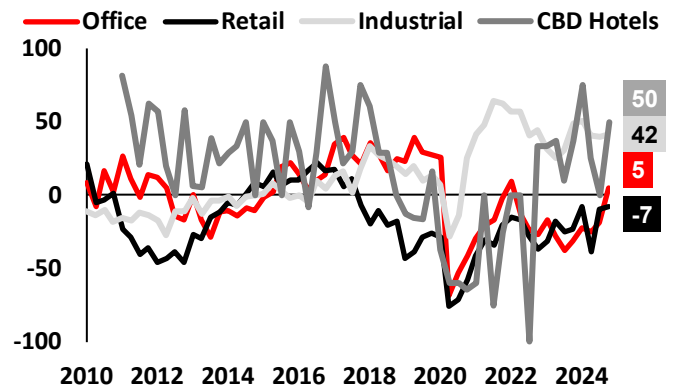


Chart 3: Commercial Property Sentiment and Confidence by Sector

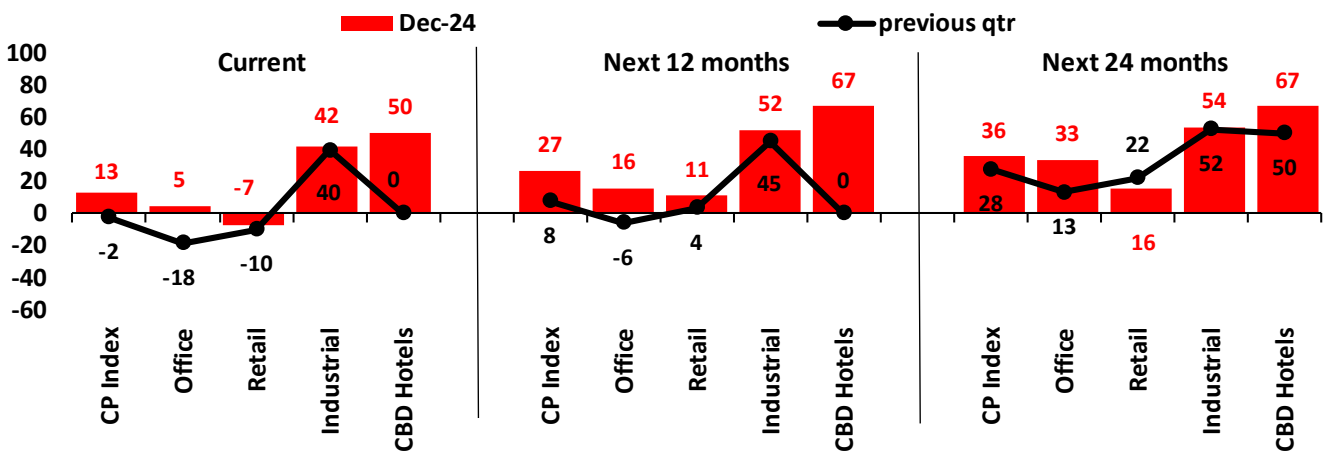


Chart 4: Commercial Property Index by State

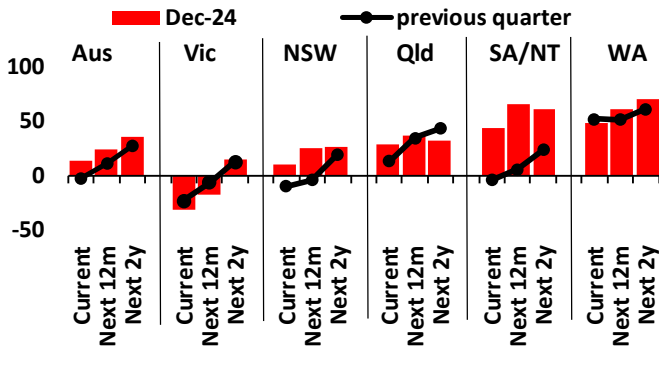


Chart 5: Office Property Index by State

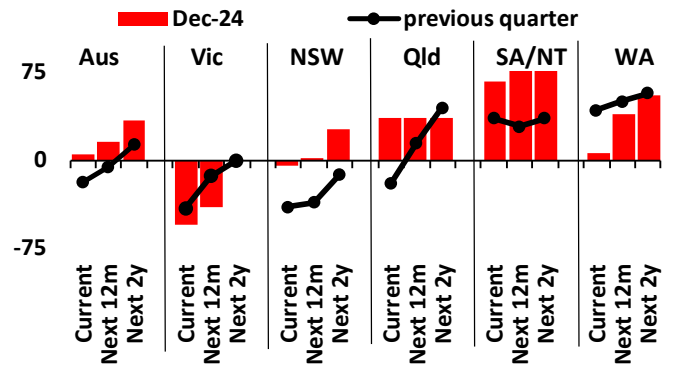


Chart 6: Retail Property Index by State

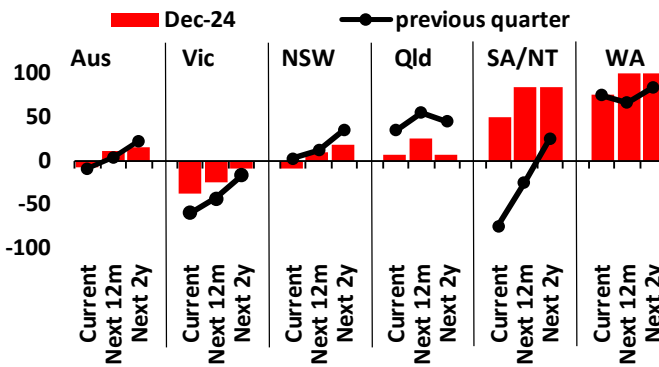


Chart 7: Industrial Property Index by State

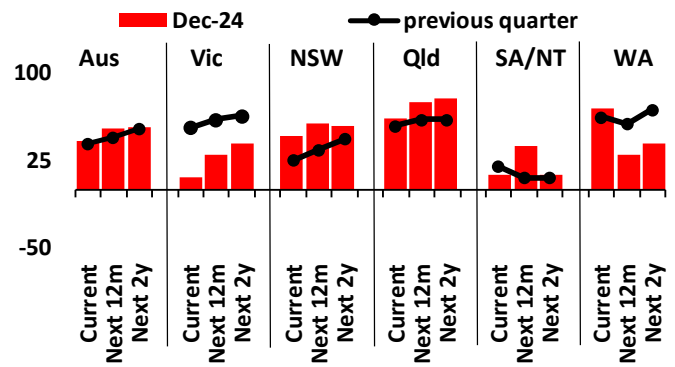


Table 2: Commercial Property Indices by State and Sector

	Sep-24	Dec-24	Next 12 months	Next 2 years
Commercial Property Index				
AUS	-2	13	27	36
VIC	-24	-31	-18	15
NSW	-10	10	25	27
QLD	14	28	37	32
SA & NT	-4	44	66	61
WA	52	49	62	70
Office Property Index				
AUS	-18	5	16	33
VIC	-41	-55	-40	0
NSW	-40	-4	2	26
QLD	-20	36	36	36
SA & NT	36	67	83	83
WA	43	6	39	56
Retail Property Index				
AUS	-10	-7	11	16
VIC	-60	-38	-25	-9
NSW	3	-9	9	18
QLD	35	6	25	6
SA & NT	-75	50	83	83
WA	75	75	100	100
Industrial Property Index				
AUS	40	42	52	54
VIC	53	10	30	40
NSW	25	45	57	55
QLD	55	61	75	78
SA & NT	20	13	38	13
WA	63	70	30	40

Capital Growth, Vacancies, Rents & Supply Conditions

Chart 8: Capital Growth Expectations by Sector (%)

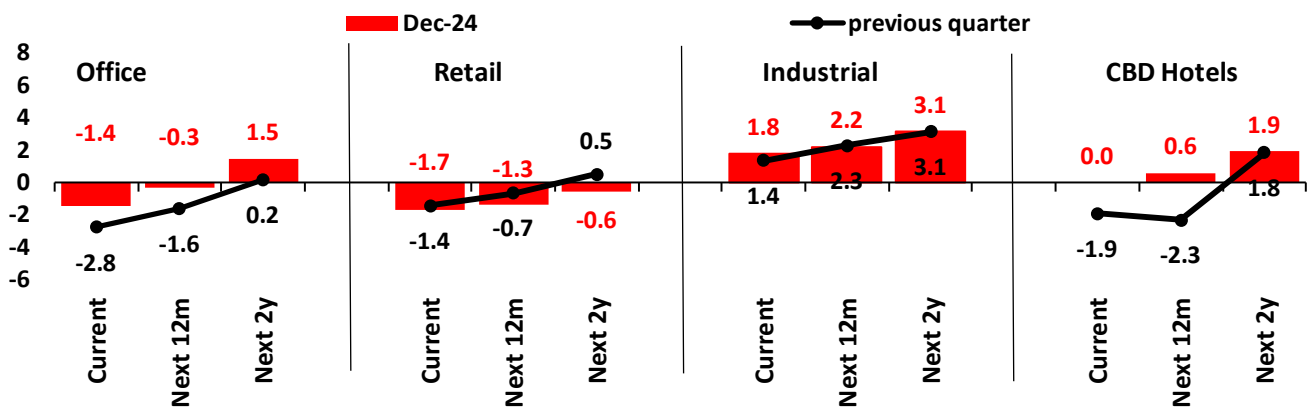


Chart 9: Vacancy Rate Expectations by Sector (%)

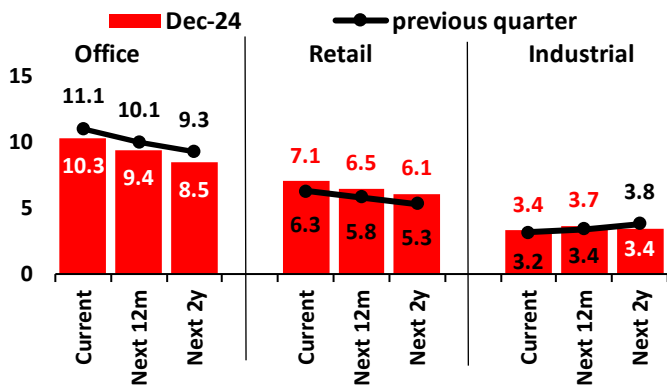


Chart 10: Office Vacancy Rate by State (%)

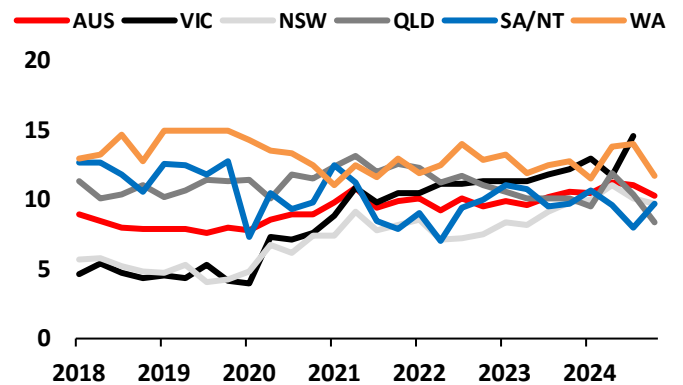


Chart 11: Rent Growth Expectations by Sector (%)

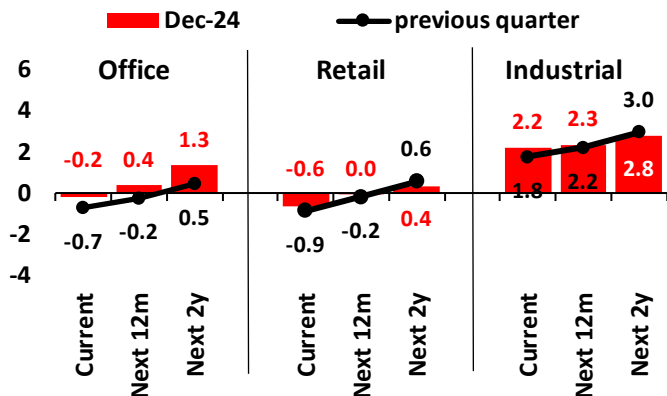


Chart 12: Office Supply Conditions by State

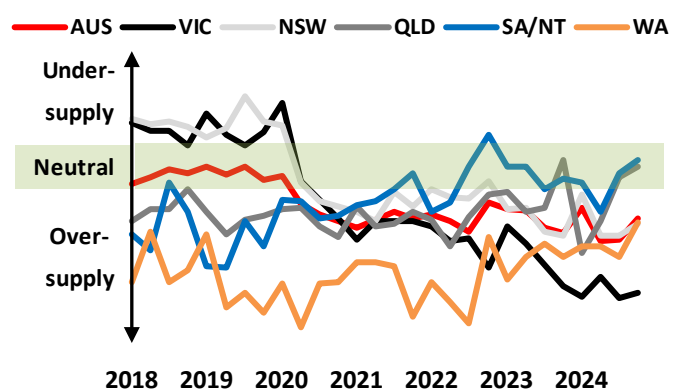
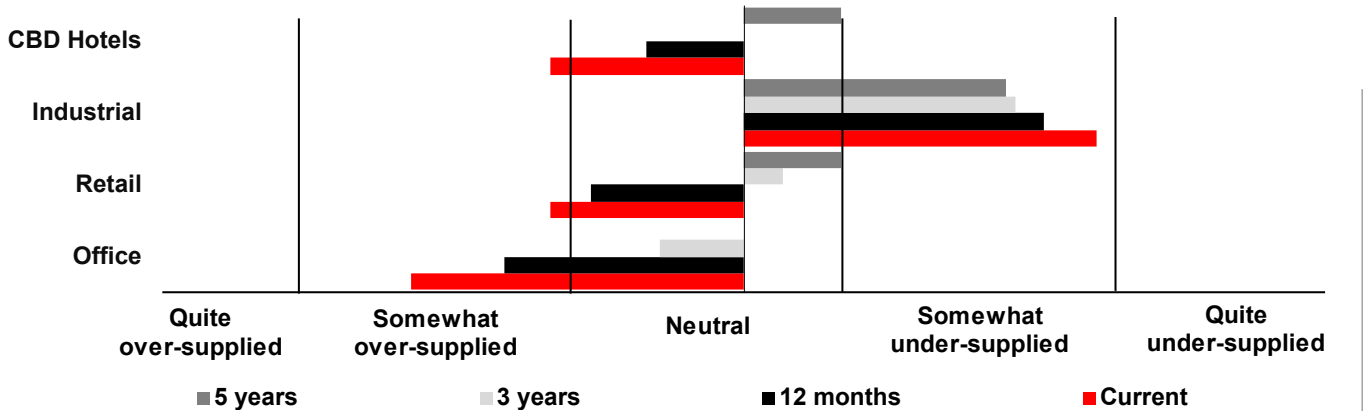


Chart 13: Supply Conditions by Sector



Development Intentions, Capital Funding & Pre-Commitments

Chart 14: Development Commencement Intentions by Timing (%)

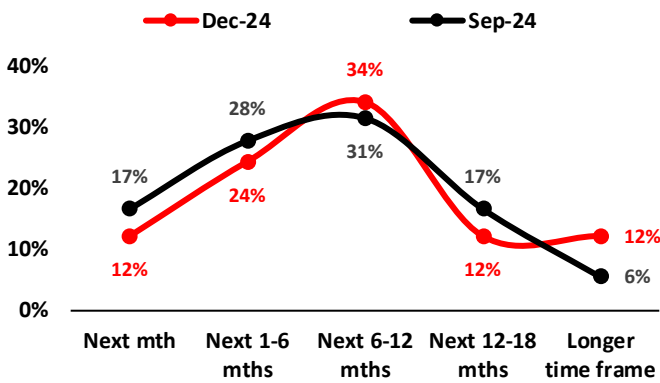


Chart 15: Development Commencement Intentions by Sector (%)

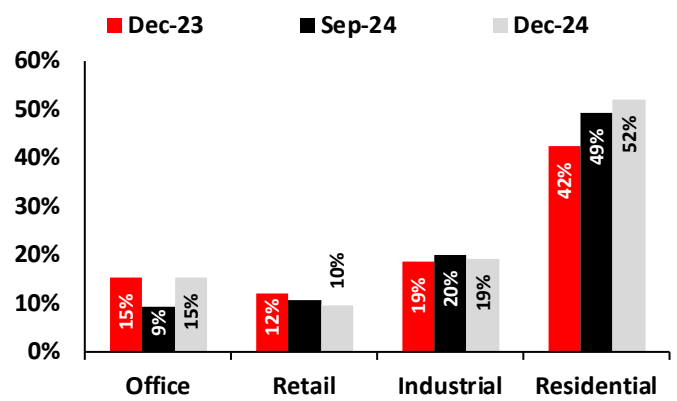


Chart 16: Sources of Land Development (%)

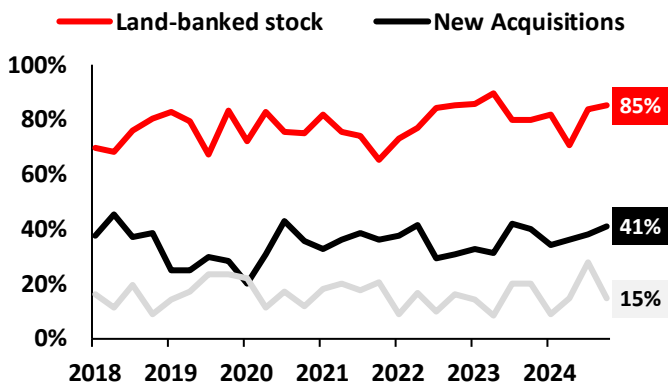


Chart 17: Intent to Source More Capital (%)

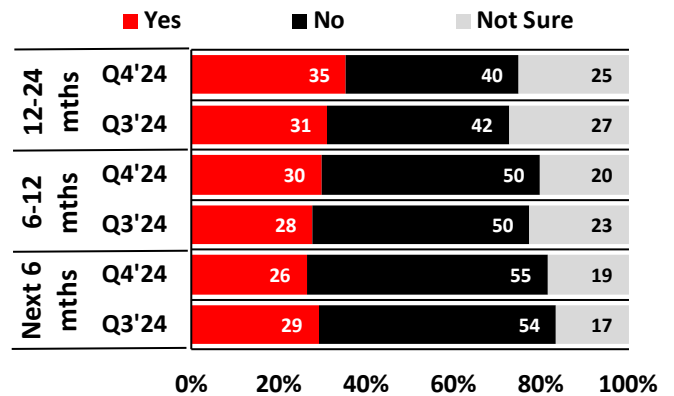


Chart 18: Ease of Acquiring Debt & Equity (net)

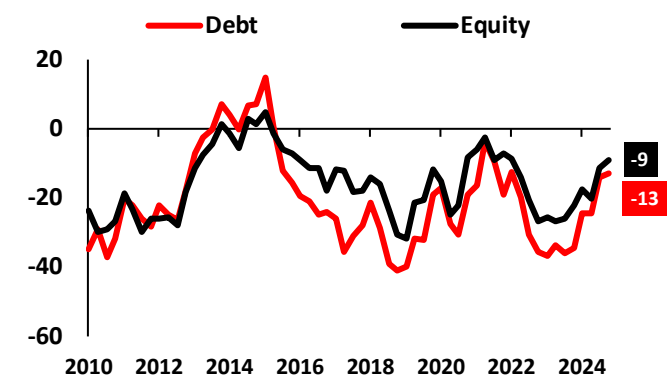
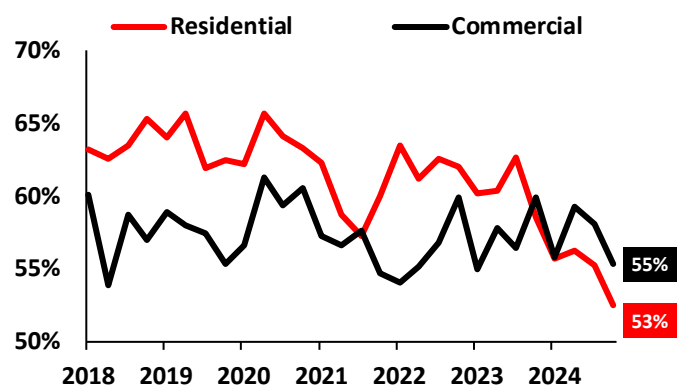


Chart 19: Pre-Commitment Requirements (%)



Data Appendix

Table 3: Capital Value Growth by Sector and State (%)

	Sep-24	Dec-24	Next 12 months	Next 2 years
Office Capital Values (%)				
AUS	-2.8	-1.4	-0.3	1.5
VIC	-4.4	-7.6	-4.7	-2.0
NSW	-3.8	-1.5	-1.2	1.3
QLD	-3.8	1.0	2.0	2.7
SA & NT	0.8	2.8	3.4	4.7
WA	1.5	-0.8	1.1	2.0
Retail Capital Values (%)				
AUS	-1.4	-1.7	-1.3	-0.6
VIC	-3.4	-3.3	-3.0	-2.1
NSW	-1.0	-1.9	-1.1	-0.3
QLD	0.0	-1.0	-0.6	-0.6
SA & NT	-5.0	1.3	1.2	2.5
WA	3.1	2.8	1.8	3.8
Industrial Capital Values (%)				
AUS	1.4	1.8	2.2	3.1
VIC	0.9	0.7	1.4	2.4
NSW	1.2	1.9	2.5	3.8
QLD	2.8	2.6	3.2	3.7
SA & NT	-2.3	0.4	1.4	1.4
WA	2.7	1.8	0.4	2.1

Table 4: Rent Growth by Sector and State (%)

	Sep-24	Dec-24	Next 12 months	Next 2 years
Office Rent Growth (%)				
AUS	-0.7	-0.2	0.4	1.3
VIC	-1.8	-2.9	-1.9	-0.8
NSW	-1.4	-0.8	-0.2	0.5
QLD	-0.5	0.9	1.5	2.9
SA & NT	1.4	5.0	5.1	5.2
WA	0.5	-0.8	-0.3	1.4
Retail Rent Growth (%)				
AUS	-0.9	-0.6	0.0	0.4
VIC	-2.8	-1.0	-0.8	-0.3
NSW	-0.3	-1.3	-0.3	0.5
QLD	0.2	-1.3	-0.5	-1.4
SA & NT	-1.9	1.8	3.1	4.6
WA	2.8	1.9	2.8	2.8
Industrial Rent Growth (%)				
AUS	1.8	2.2	2.3	2.8
VIC	2.4	1.9	2.0	2.3
NSW	1.0	2.1	2.5	3.6
QLD	3.6	3.2	3.1	3.4
SA & NT	0.2	0.0	0.4	0.0
WA	1.7	1.5	1.5	1.1

Table 5: Vacancy Rates by Sector and State (%)

	Sep-24	Dec-24	Next 12 months	Next 2 years
Office Vacancy Rates (%)				
AUS	11.1	10.3	9.4	8.5
VIC	14.6	13.2	12.0	10.2
NSW	10.0	9.7	8.8	8.2
QLD	10.4	8.3	7.8	7.0
SA & NT	8.0	9.7	9.0	9.0
WA	14.0	11.8	10.8	9.3
Retail Vacancy Rates (%)				
AUS	6.3	7.1	6.5	6.1
VIC	6.8	8.7	8.5	7.8
NSW	6.5	7.0	6.1	6.5
QLD	5.0	4.7	4.1	3.6
SA & NT	7.0	7.0	7.0	6.0
WA	6.2	5.0	4.0	4.0
Industrial Vacancy Rates (%)				
AUS	3.2	3.4	3.7	3.4
VIC	2.7	3.9	4.5	3.9
NSW	3.4	3.8	4.2	3.4
QLD	4.2	3.0	3.0	3.0
SA & NT	2.2	2.0	2.0	2.5
WA	1.9	2.5	4.0	5.5

Notes:

Survey participants are asked how they see capital values, gross rents and vacancy rates in each commercial property market sector in the following periods: annual growth to the current quarter; annual growth in the next 12 months; and annual growth in the next 12-24 months. Average expectations for each state are presented in the tables above (results for SA/NT may be biased due to a smaller sample size).

About the survey:

In April 2010, NAB launched the first NAB Quarterly Australian Commercial Property Survey with the aim of developing Australia’s pre-eminent survey of market conditions in the commercial property market.

The large external panel of respondents consists of Real Estate Agents/Managers, Property Developers, Asset/Fund Managers and Owners/Investors.

Around 300 property professionals participated in the Q4 2024 Survey.

Contact the authors

Alan Oster

Group Chief Economist
Alan.Oster@nab.com.au
+(61 0) 414 444 652

Dean Pearson

Head of Behavioural & Industry Economics
Dean.Pearson@nab.com.au
+(61 0) 457 517 342

Robert De lure

Senior Economist - Behavioural & Industry Economics
Robert.De.lure@nab.com.au
+(61 0) 477 723 769

Brien McDonald

Senior Economist
Brien.McDonald@nab.com.au
+(61 0) 455 052 520

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