

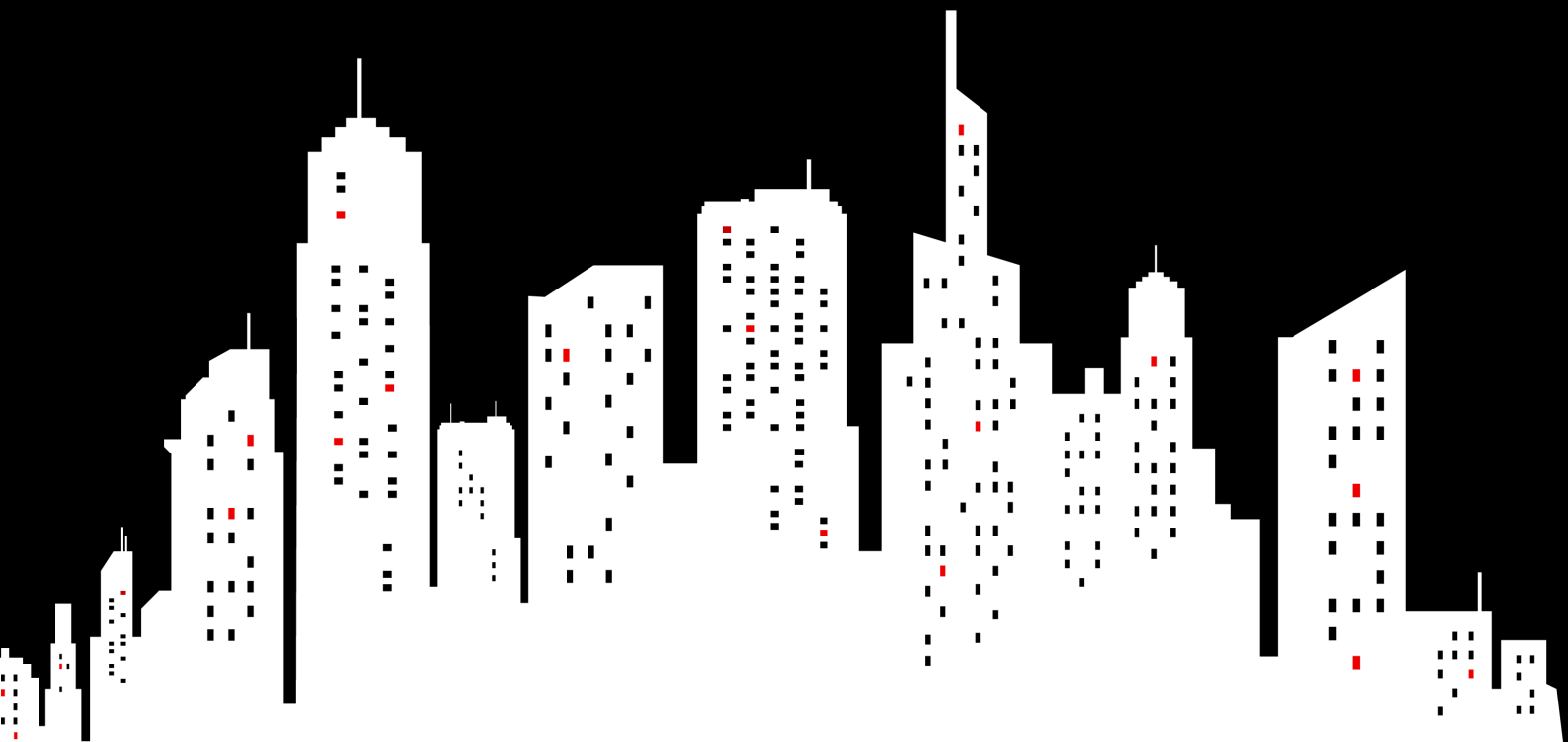
more
than
money



NAB Commercial Property Survey

Q1 2025

NAB Behavioural & Industry Economics



Commercial Property Survey Q1 2025

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The NAB Commercial Property Index lifted to an 8-year high in the March quarter, continuing the run of improvements seen in recent quarters. Confidence levels also improved to multi-year highs and printed positive in all sectors and states (except VIC where it remains negative for office and retail property in the next 12 months). Amid expectations for further rate cuts ahead, property professionals expect capital and rents to grow in all sectors in the next 1-2 years.

Survey Findings

- Commercial property market sentiment hit an 8-year high in the March quarter with the **NAB Commercial Property Index** printing at a well above average +24 pts, continuing the run of improvements seen in recent quarters. February's rate cut and promises of more to come (NAB has rates moving down through 2025 to 2.85% by November) are likely to have helped fuelled optimism in the sector.
- Sentiment was highest for CBD hotel property in March (steady at +50). It rallied in industrial (up 4 to +46) and retail (up 24 to +17 and the first positive read since Q3 2017) and printed positive for the second consecutive quarter for office property (up 6 to +11). Sentiment improved and was highest in QLD (up 19 to +47) and NSW (up 4 to +14) but eased in SA/NT (down 1 to +43) and WA (down 9 to +40) but remained well above the national average. Despite narrowing, VIC again printed negative (up 15 to -16), and also lagged in all property sectors, particularly office and retail - see Table 2.
- Confidence strengthened with the 12-month measure reaching a 7½-year high +38 (from +27) and 2-year measure rising to its highest level in over 13 years (up 17 to +53). Confidence levels are highest for CBD hotels property in both years (+83 & +100), and lowest for office in the next 12 months (+25) and retail in 2 years' time (+34). Confidence scored positive for all sectors and states (except VIC for office (-25) and retail (-13) in the next 12 months). Confidence for office property in the next 1-2 years is highest in QLD (+70 & +80), in WA (+80) for retail in 12 months' time and SA/NT in 2 years' time (+75) and industrial in SA/NT (+86 in both years) - see Table 2.
- The average survey prediction for capital growth in the next 12 months is highest for industrial (2.4%) and CBD hotels (0.6%). Modest gains also forecast for office (0.3%) and retail (0.2%) for the first time in a number of years. Expectations for office values next year are still negative in VIC (-5.1%) but tipped to grow in all other states led by QLD (3.1%). The outlook for retail is highest in WA (3.6%) and lowest in VIC (-2.0%) and NSW (-1.3%). Capital growth expectations are positive in all states for industrial, ranging from 1.7% in VIC to 3.4% in WA. Values are expected to grow in all sectors in 2 years' time led by industrial (3.1%) with retail trailing (1.1%). Values are tipped to rise in all state markets except office (-2.5%) and retail (-0.5%) in VIC and retail in NSW (flat) - see Data Appendix Table 3.
- Survey participants on average pointed to a deterioration in overall office vacancy to 11.4% in March (from 10.3%), with vacancy higher in all states but ranging from 8.5% in QLD to 15.0% in VIC where the market was assessed as 'very' over-supplied. National office vacancy is expected to fall to 10.8% and 9.8% in the next 1-2 years with VIC the only state still in double digits over this period (14.0% & 12.5%). Industrial vacancy tightened to 3.2% (from 3.4%), with vacancy ranging from 2.7% in SA/NT to 3.6% in NSW. It is expected to remain low in the next 1-2 years (3.4% & 3.3%) and in all states. Overall retail vacancy fell to 6.6% (from 7.1%) but is still above average. It is tipped to ease to 6.2% and 5.0 in the next 1-2 years, with vacancy lowest in QLD and highest in SA/NT - see Data Appendix Table 5.
- The outlook for rents is strongest for industrial property and expected to grow 2.3% and 3.1% over the next 1-2 years, with expectations highest in WA (4.5%) next year and in QLD (3.9%) in 2 years' time. In office markets, property professionals see rents growing (0.9%) next year and accelerating to 2.3% in 2 years' time. The outlook however remains weakest by some margin in VIC next year (-2.0%), with growth forecast in all other states led by QLD (3.9%). QLD also leads the way in 2 years' time (4.4%) with growth resuming but lowest in VIC (1.0%). The outlook for retail rents is more positive (0.8%), improving to 1.3% in 2 years' time. Expectations for rent growth are strongest in SA/NT (3.6% & 3.3%) and lowest in VIC (-1.6% & -0.4%) over the next 1-2 years - see Data Appendix Table 4.
- A slightly above average 48% of property developers plan to start new projects within the next 6 months (up from 37%). Almost 6 in 10 (55%) developers are targeting residential projects (49% in Q3), with an above average number also looking to develop industrial property (17%). Below average numbers however plan to develop office (10%) and retail (8%) space. The majority will use land banked stock (91%) or target new acquisitions (32%) for these developments, with just 9% intending to refurbish existing stock.
- In the wake of February's rate cut, debt funding conditions improved noticeably in the March quarter with a net -4% of property professionals reporting that access to funds was harder than easier in the March quarter (from -13%). Perceptions about debt funding conditions in the next 3-6 months also improved to -2% (from -9%). Accessing equity funding was basically unchanged with the net number who said it was harder falling slightly at -8% (from -9%). Looking ahead, however the number of property professionals who believe accessing equity will be harder in the next 3-6 months fell to -3% (from -11%).
- Survey respondents estimated the average pre-commitment needed to meet external debt funding requirements for new developments was higher for both residential (55%) and commercial (60%) in the March quarter (up from 53% and 55% respectively). But looking forward to the next 3-6 months, more respondents on balance see residential (+7%) and commercial (+15%) requirements improving, with more property professionals on balance also expecting pre-commitment requirements for residential (+2%) and commercial (+14%) property to improve in the next in 6-12 months.

Table 1: NAB Commercial Property Index

	Dec-24	Mar-25	Next 12 months	Next 2 years
NAB Commercial Property Index	13	24	38	53
Office Property Index	5	11	25	49
Retail Property Index	-7	17	28	34
Industrial Property Index	42	46	57	63
CBD Hotels Property Index	50	50	83	100

Market & State Overview

Chart 1: Commercial Property Index

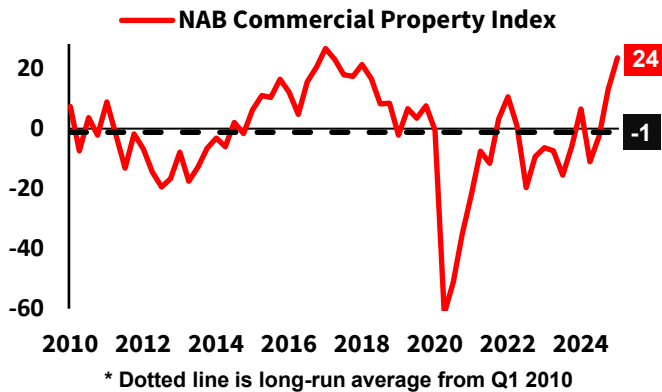


Chart 2: Commercial Property Index by Sector

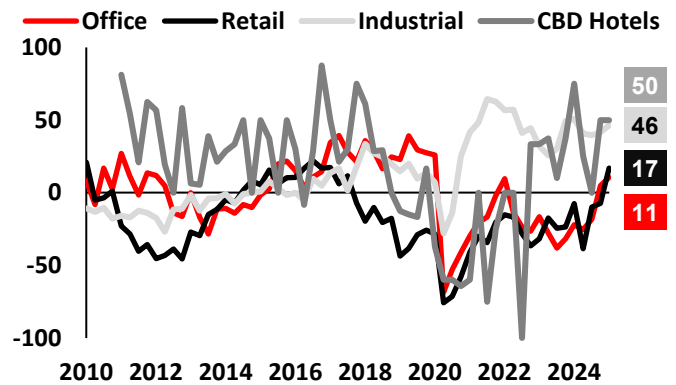


Chart 3: Commercial Property Sentiment and Confidence by Sector

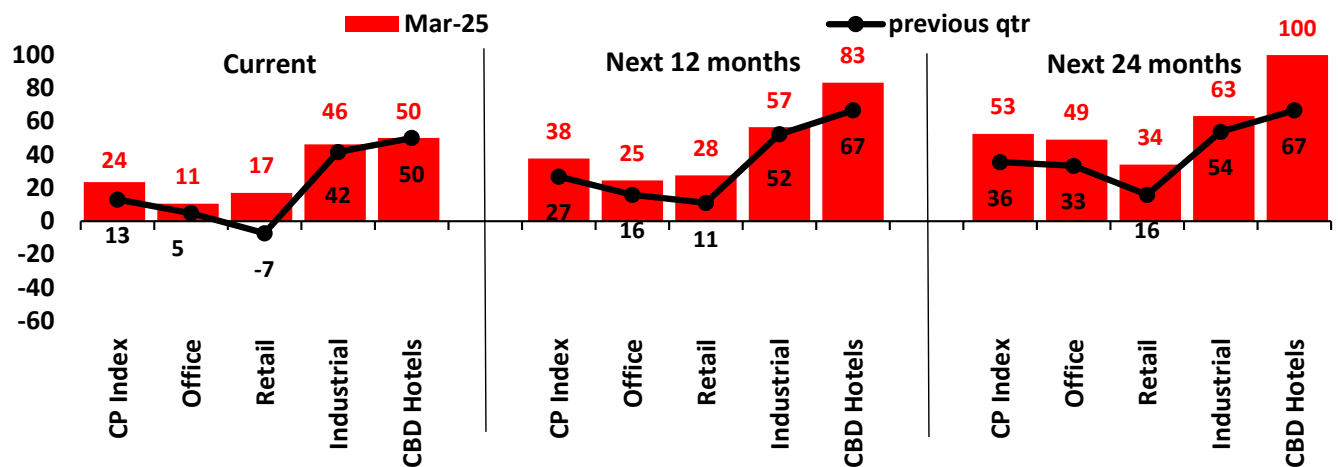


Chart 4: Commercial Property Index by State

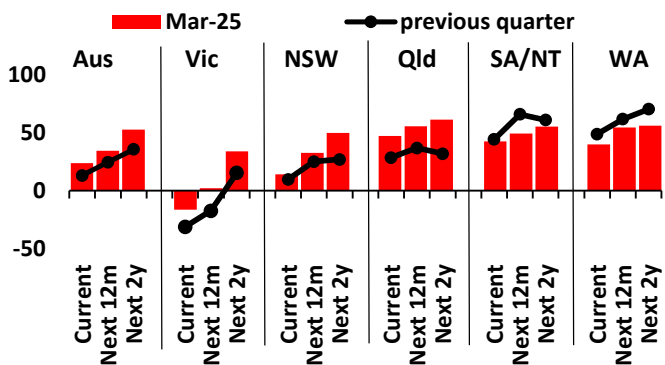


Chart 5: Office Property Index by State

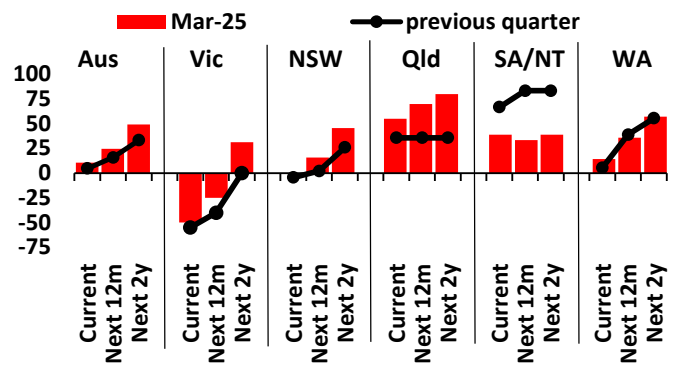


Chart 6: Retail Property Index by State

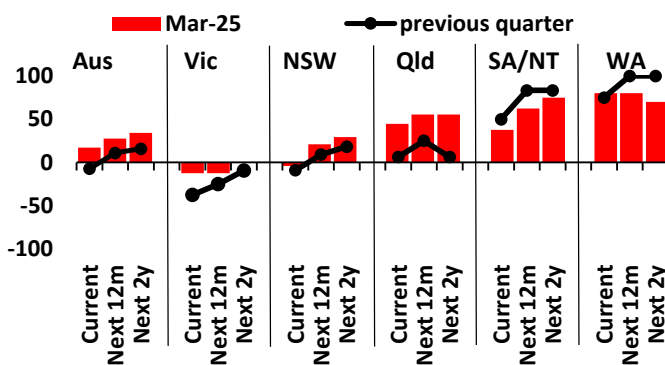


Chart 7: Industrial Property Index by State

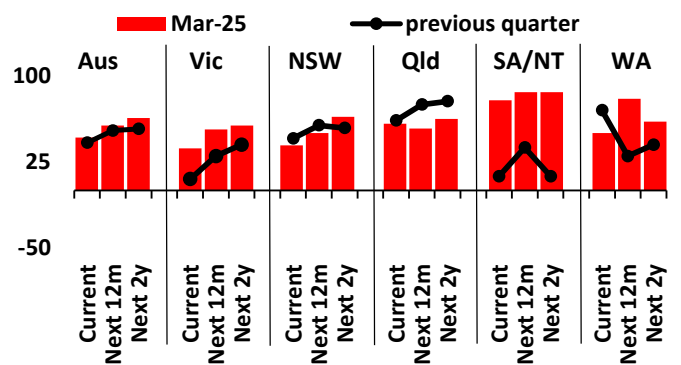


Table 2: Commercial Property Indices by State and Sector

	Dec-24	Mar-25	Next 12 months	Next 2 years
Commercial Property Index				
AUS	13	24	38	53
VIC	-31	-16	2	34
NSW	10	14	33	50
QLD	28	47	56	61
SA & NT	44	43	49	55
WA	49	40	54	56
Office Property Index				
AUS	5	11	25	49
VIC	-55	-50	-25	31
NSW	-4	0	16	45
QLD	36	55	70	80
SA & NT	67	39	33	39
WA	6	14	36	57
Retail Property Index				
AUS	-7	17	28	34
VIC	-38	-13	-13	0
NSW	-9	-4	21	29
QLD	6	44	56	56
SA & NT	50	38	63	75
WA	75	80	80	70
Industrial Property Index				
AUS	42	46	57	63
VIC	10	37	53	57
NSW	45	39	50	64
QLD	61	58	54	63
SA & NT	13	79	86	86
WA	70	50	80	60

Capital Growth, Vacancies, Rents & Supply Conditions

Chart 8: Capital Growth Expectations by Sector (%)

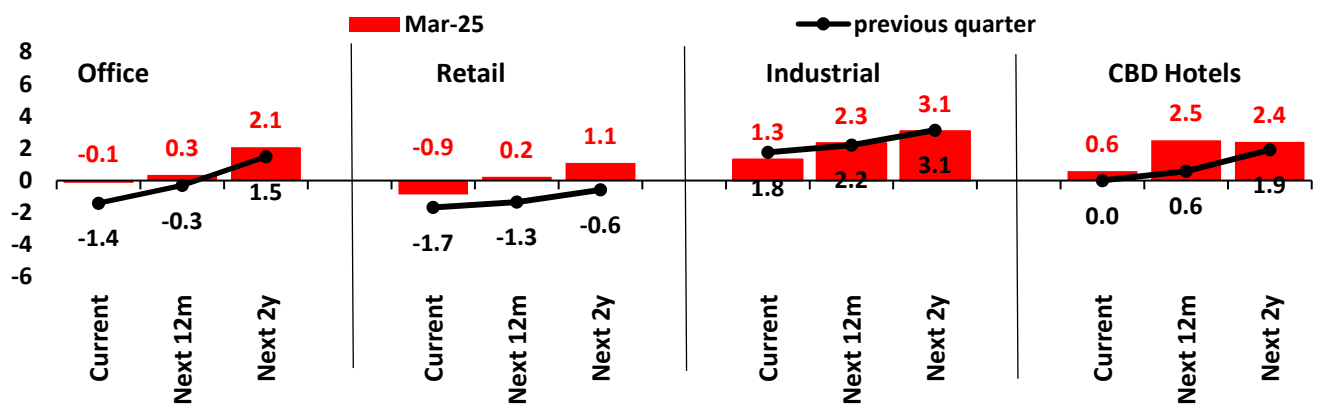


Chart 9: Vacancy Rate Expectations by Sector (%)

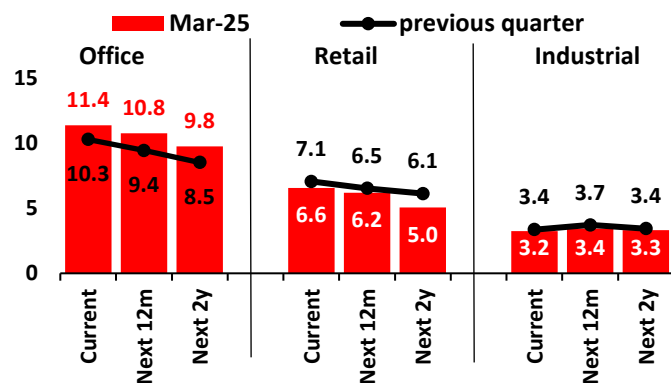


Chart 10: Office Vacancy Rate by State (%)

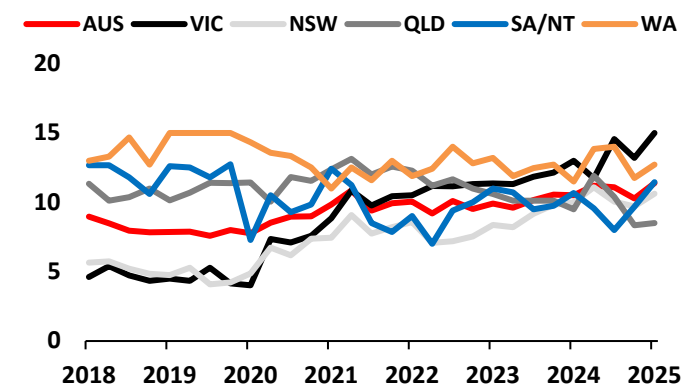


Chart 11: Rent Growth Expectations by Sector (%)

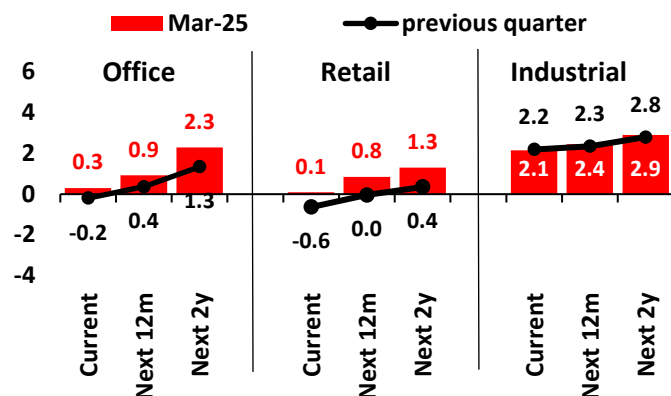


Chart 12: Office Supply Conditions by State

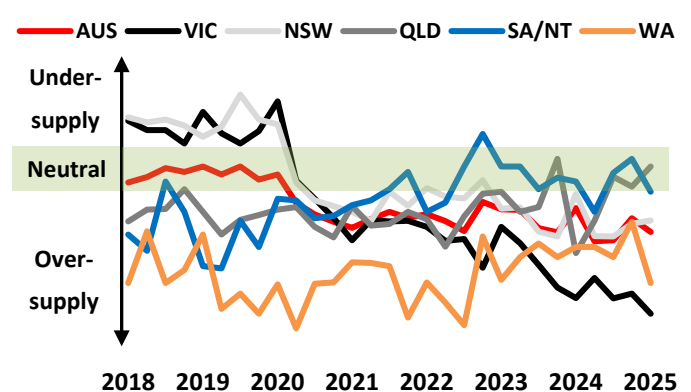
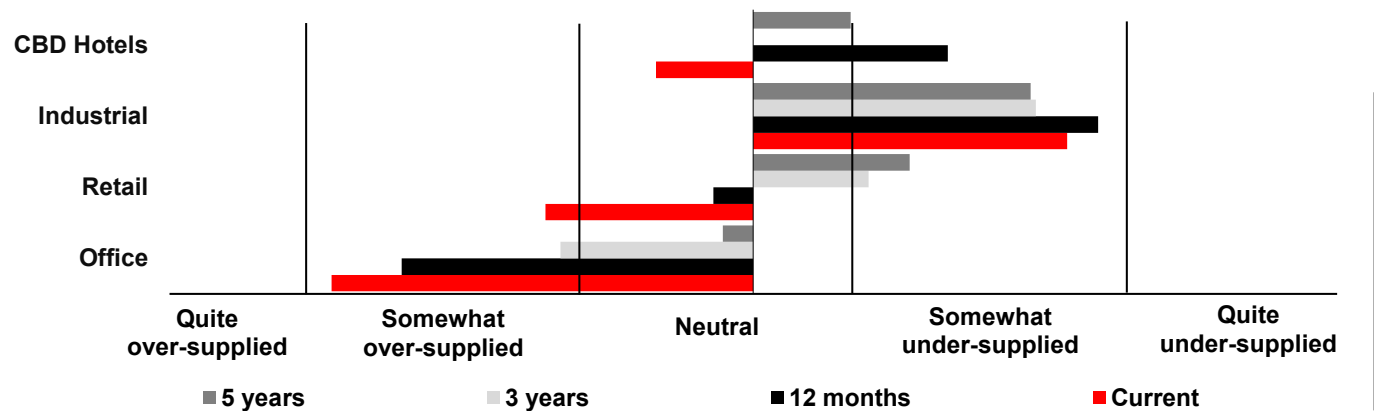


Chart 13: Supply Conditions by Sector



Development Intentions, Capital Funding & Pre-Commitments

Chart 14: Development Commencement Intentions by Timing (%)

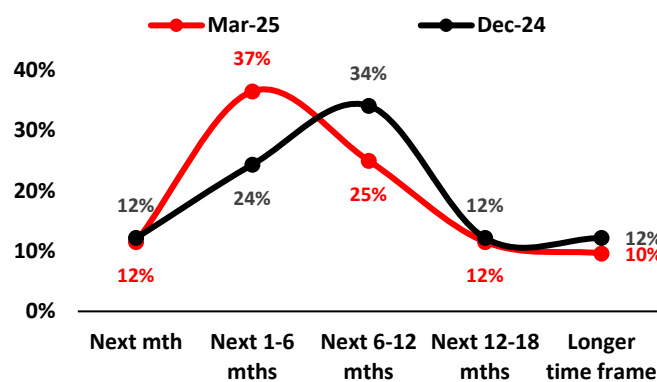


Chart 15: Development Commencement Intentions by Sector (%)

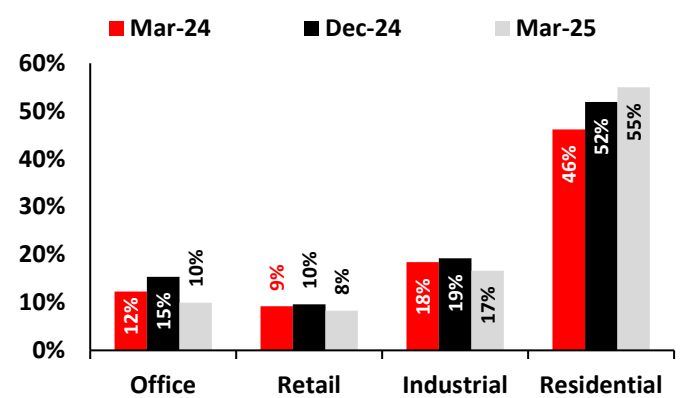


Chart 16: Sources of Land Development (%)

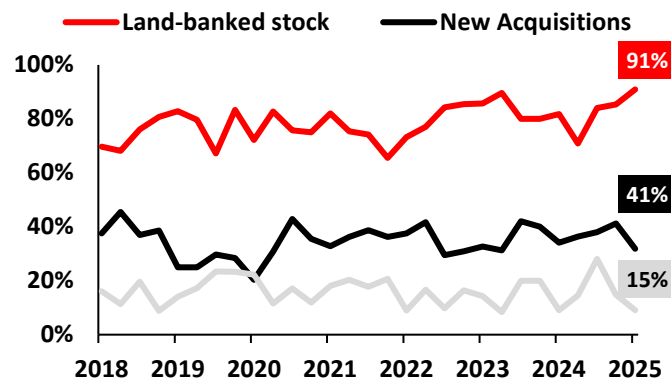


Chart 17: Intent to Source More Capital (%)

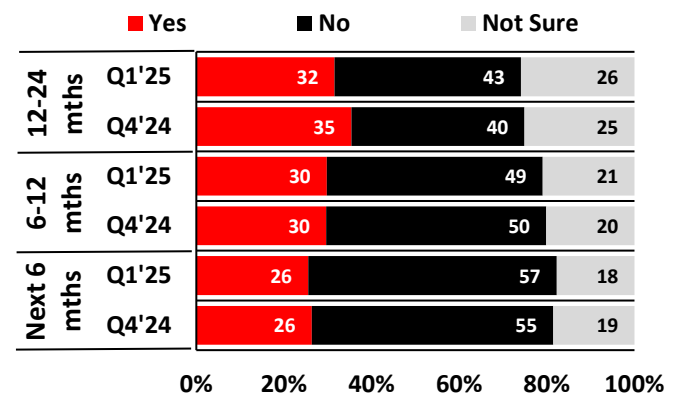


Chart 18: Ease of Acquiring Debt & Equity (net)

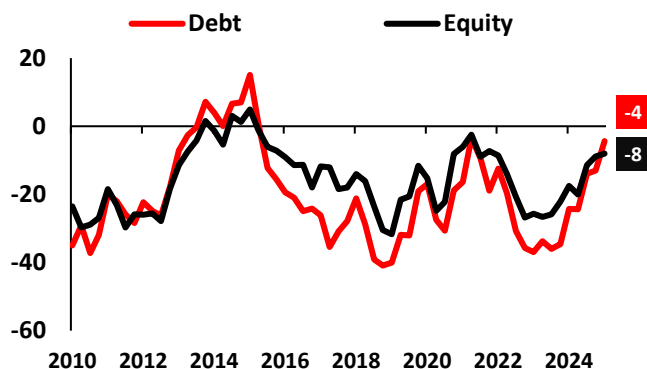
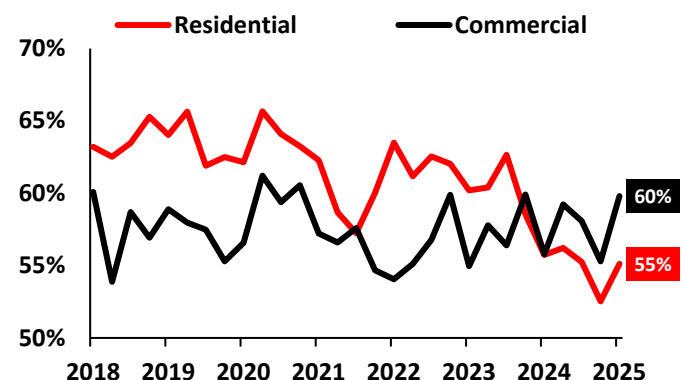


Chart 19: Pre-Commitment Requirements (%)



Data Appendix

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

	Dec-24	Mar-25	Next 12 months	Next 2 years
Office Capital Values (%)				
AUS	-1.4	-0.1	0.3	2.1
VIC	-7.6	-4.8	-5.1	-2.5
NSW	-1.5	0.0	0.5	2.6
QLD	1.0	1.8	3.1	4.7
SA & NT	2.8	0.5	1.3	2.1
WA	-0.8	1.7	1.6	2.8
Retail Capital Values (%)				
AUS	-1.7	-0.9	0.2	1.1
VIC	-3.3	-2.1	-2.0	-0.5
NSW	-1.9	-2.8	-1.3	0.0
QLD	-1.0	1.1	2.2	2.9
SA & NT	1.3	-1.4	1.3	1.3
WA	2.8	3.5	3.6	2.7
Industrial Capital Values (%)				
AUS	1.8	1.3	2.3	3.1
VIC	0.7	0.2	1.7	2.1
NSW	1.9	0.7	1.8	2.7
QLD	2.6	3.1	3.5	5.1
SA & NT	0.4	2.1	3.0	3.3
WA	1.8	2.6	3.4	2.3

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

	Dec-24	Mar-25	Next 12 months	Next 2 years
Office Rent Growth (%)				
AUS	-0.2	0.3	0.9	2.3
VIC	-2.9	-2.7	-2.0	1.0
NSW	-0.8	0.1	0.9	2.3
QLD	0.9	2.6	3.9	4.4
SA & NT	5.0	0.8	0.8	1.5
WA	-0.8	0.6	0.9	2.0
Retail Rent Growth (%)				
AUS	-0.6	0.1	0.8	1.3
VIC	-1.0	-2.1	-1.6	-0.4
NSW	-1.3	-0.4	0.9	1.4
QLD	-1.3	1.9	2.1	1.3
SA & NT	1.8	3.1	3.6	3.3
WA	1.9	2.3	2.8	2.8
Industrial Rent Growth (%)				
AUS	2.2	2.1	2.4	2.9
VIC	1.9	1.4	2.2	2.6
NSW	2.1	1.8	2.1	2.9
QLD	3.2	3.2	2.9	3.9
SA & NT	0.0	1.5	2.4	2.2
WA	1.5	4.3	4.5	2.3

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

	Dec-24	Mar-25	Next 12 months	Next 2 years
Office Vacancy Rates (%)				
AUS	10.3	11.4	10.8	9.8
VIC	13.2	15.0	14.0	12.5
NSW	9.7	10.6	10.0	9.5
QLD	8.3	8.5	8.8	7.5
SA & NT	9.7	11.4	11.0	9.9
WA	11.8	12.7	11.6	9.9
Retail Vacancy Rates (%)				
AUS	7.1	6.6	6.2	5.0
VIC	8.7	7.4	7.0	5.3
NSW	7.0	6.0	6.0	5.3
QLD	4.7	5.2	4.6	2.5
SA & NT	7.0	8.5	8.5	8.5
WA	5.0	6.6	6.2	6.2
Industrial Vacancy Rates (%)				
AUS	3.4	3.2	3.4	3.3
VIC	3.9	3.1	3.4	3.3
NSW	3.8	3.6	3.7	3.5
QLD	3.0	3.2	3.2	3.4
SA & NT	2.0	2.7	3.3	3.3
WA	2.5	2.6	3.0	2.2

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 280 property professionals participated in the Q1 2025 Survey.

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