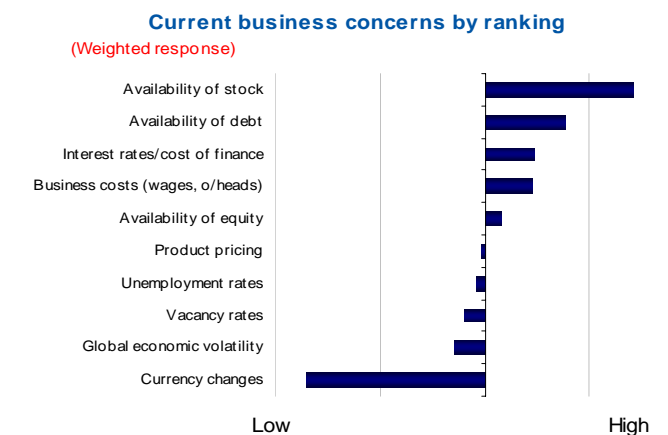
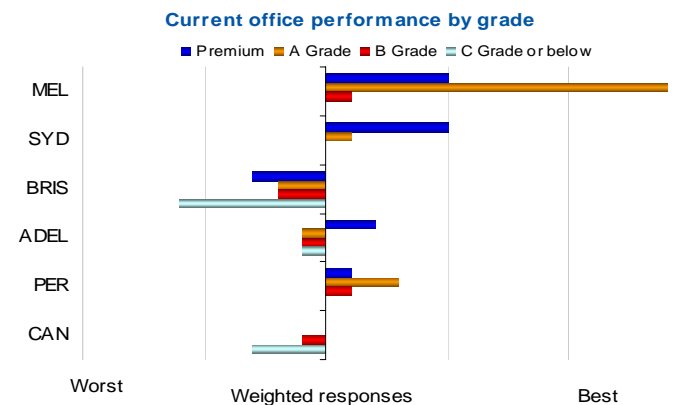
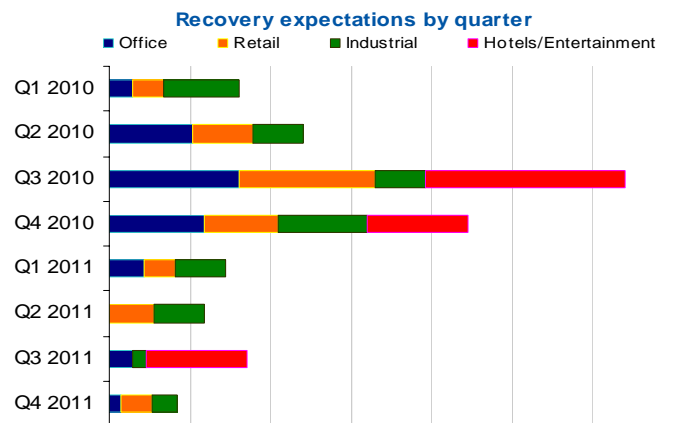
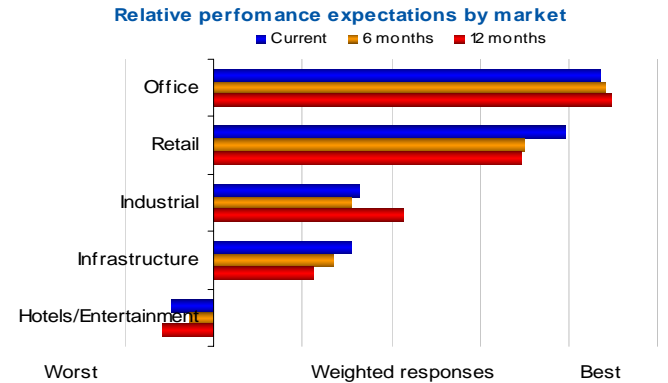


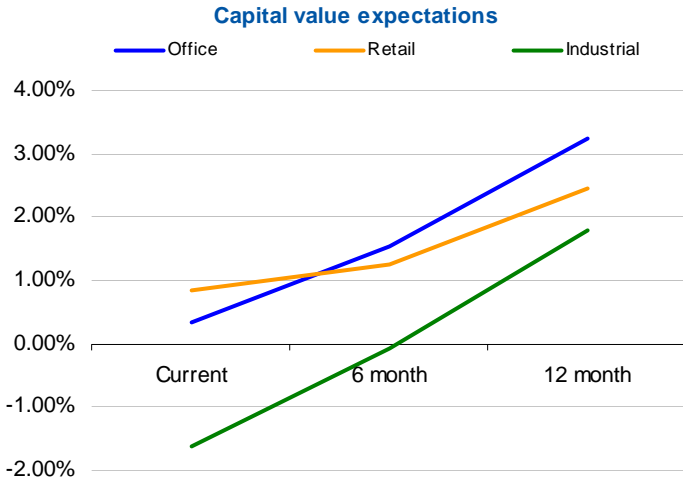
Nab's Quarterly Australian Commercial Property Survey - April 2010

The Key Findings....

- ⇒ Office is expected to demonstrate the best market performance across commercial markets over the next 12 months, followed by retail and industrial.
- ⇒ Melbourne is the strongest performer across all sectors in the current period, with Sydney improving solidly as the next 12 month period unfolds.
- ⇒ In the Office market, Melbourne is the clear favourite for developers and investors, particularly A Grade CBD stock, outperforming their nearest rival, Sydney CBD.
- ⇒ Brisbane Office property received the lowest net score by some margin for all grades.
- ⇒ Perth delivered net positive results, reflecting flow on effects from new resources related projects.
- ⇒ Divergences in performance expectations between 'A grade', 'Premium' stock and lesser grades is likely to reflect availability, with most owners now having refinanced debt looking to hold onto flagship assets and sell down non-core assets.
- ⇒ Capital values are expected to rise across all commercial sectors, with Office (+3.3%) considered the best investment option over 12 months, followed by Retail (+2.4%) and Industrial (+1.8%).
- ⇒ Rents are tipped to follow a similar path, with Office overtaking Retail for best performance expectation during 6 month forecast period through the remainder of the surveyed timeframe.
- ⇒ Vacancy expectations for all commercial markets show improvement across the board with Industrial selected as the market for best absorption over the next 12 months. Retail vacancy is expected to increase slightly over the next 6 months before improving by about 50 basis points over the full 12 months.
- ⇒ Respondents overwhelmingly believe that Q3 2010 will be the recovery quarter for all markets except Industrial, which has a wide spread (directed mainly towards Q4 2010).
- ⇒ 76% of developers surveyed indicated that they will be commencing new works within the next 12 months, while 70% of land/stock to be developed is already under existing ownership.
- ⇒ Respondents have indicated they believe debt sourcing barriers will ease over the next 3 months, while the procurement of equity will become more difficult.
- ⇒ 50% of respondents plan to source more debt within the next 6 months. In addition, the percentage of respondents ruling out any debt additions is falling at a rapid pace over the next year, from 46% to 22%.
- ⇒ Over 26% of respondents feel that bank credit conditions will improve over the next 12 months in relation to development projects. In particular, current pre-commitment requirements estimated at 55% are pegged to improve from Q2 2010 onwards.
- ⇒ The top 5 concerns for property businesses at present are: 1. Availability of Stock; 2. Debt Sourcing; 3. Interest Rates; 4. Business Costs; and 5. Availability of Equity.
- ⇒ Nationally, House prices are expected to rise 5.2% over the next year, with Melbourne ranking first at 5.8% and Sydney last (5%).

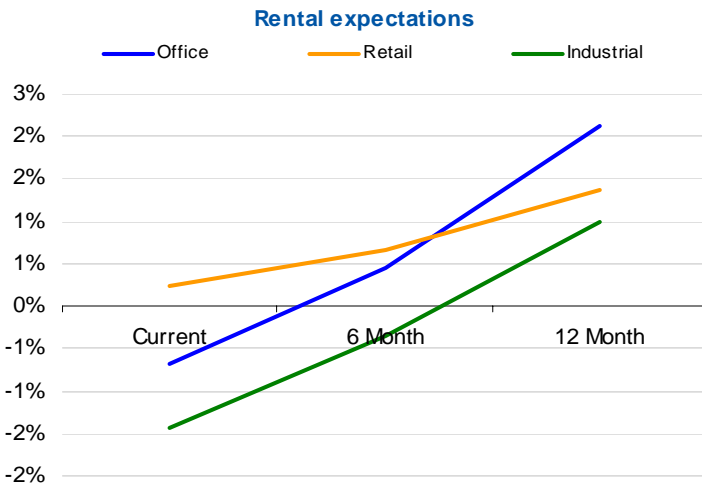


Sentiment improving across all sectors, with Office value forecasts to outpace Retail from mid 2010.....



Capital values are expected to rebound over the next 12 months, in particular for Office and Retail stock. While the majority of respondents still believe there will be little change (<1%) in the next quarter, the trend suggests an accelerating shift in positive sentiment for commercial property. Industrial stock still lags its Office and Retail counterparts. As expected, the most positive capital value expectations were received on Melbourne and Sydney commercial holdings. Of interest, Retail is expected to experience slightly better growth than Office over the next quarter, before yielding to Office which has a capital growth expectation of over 3.25% per annum by April 2011.

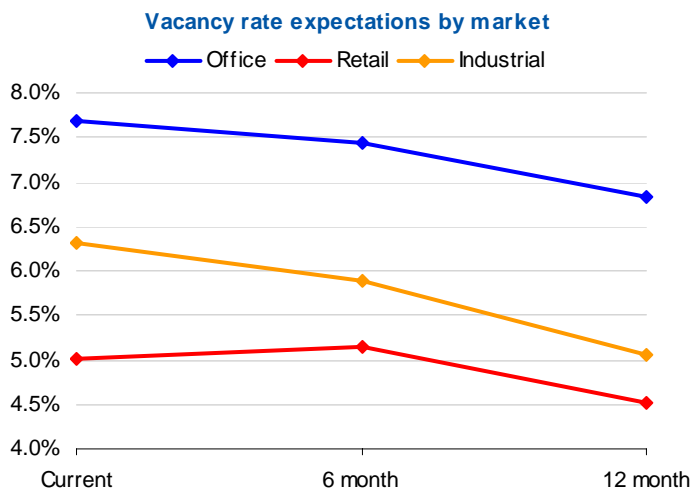
Rents expected to improve within the next 3 months across all sectors, with office outperforming from mid 2010....



Retail rents are expected to give way to the resurgence in optimism on Office stock over the coming 6 months. On a national level, Office and Industrial are still believed to be experiencing negative rental returns at present; however respondents believe this situation will shift dramatically from the next quarter onwards. Office rental growth is expected to jump from negative 0.45% to over 2% by the end of the 12 month survey period. To a lesser degree, Retail and Industrial are expected to follow suit at +1.37% and +1.00% growths respectively.

While these growth expectations may be modest across all sectors, they are a good indicator for positive expectations across the national market, and a sign that industry professionals are predicting the beginnings of a new growth cycle for Commercial property.

Positive forecast continue for all sectors with office and industrial tipped to have commenced improvement already...

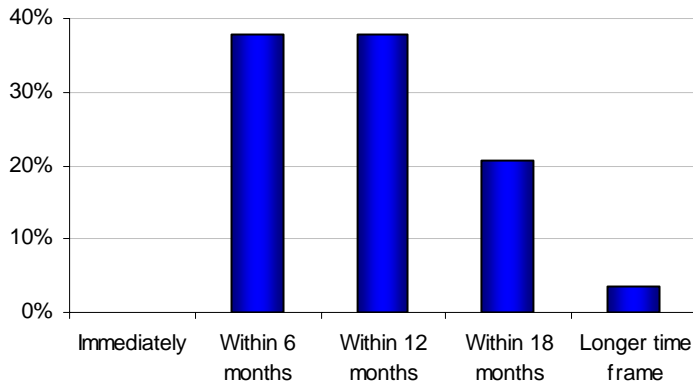


All sectors are expected to experience positive net absorption over the next 12 months, however Retail is expected to suffer slightly before improving after approximately 6 months.

Surprisingly, Industrial property is expected to experience the largest fall in vacancy, with survey results indicating a vacancy rate circa 5% by this time next year. Office vacancy is expected to improve to around 6.8% by the same point and Retail to 4.5%, after experiencing a mild rise through the middle of the reporting period. This jump is wholly attributed to fluctuations of expectations within the Sydney market, with data indicating that respondents feel we will see a rise of around 150 basis points in vacancy within the next 6 months, before reverting to around 4.5% within the year.

Almost 80% of development respondents planning new development construction within the next 12 months...

Development Commencements

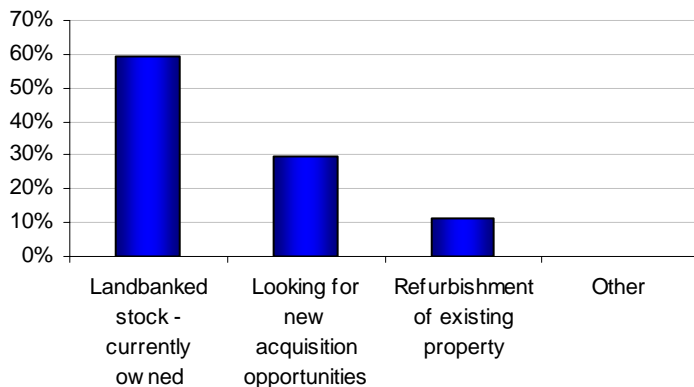


While no developers indicated that they were commencing works immediately, 38% confirmed they are planning works within the next 6 months, with an additional 38% likely to undertake new projects within the next year. On a state by state basis, more than half of the works look to be centred in New South Wales and Victoria in the next 12 months. 83% of Victorian responses indicated movement into development projects within the next 12 months, while 67% of New South Wales respondents will also be looking to commence new works. Likewise 57% of Queensland's respondents and eight of Western Australia's nine developers surveyed are also intending to commence works prior to April 2011.

Again these indicators are positive signs for the revival of private sector funded construction works.

Almost 60% of stock flagged for development is already held, while opportunities still exist for property sale transactions

Development Sourcing

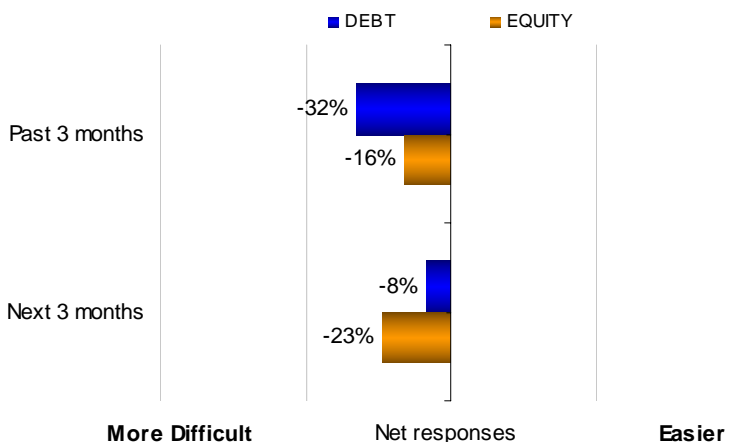


Of the 76% of development respondents looking to undertake new works within the next 12 months, 59% are looking to do so with land banked stock held for future development. New South Wales (25%), Queensland (22%) and Perth (22%) respondents all look to have healthy levels of developable land under existing ownership. Victorian respondents are those most likely to be chasing acquisition opportunities with a considerable 50%, followed by Queensland at 31%. New South Wales respondents are not looking to acquire new stock at present (6%) due to the holding of land banked stock, combined with an additional 50% of refurbishment stock available.

This information indicates that a proportion of companies who had been holding stock awaiting a change in market conditions may be beginning to edge back into the market as conditions thaw.

Businesses expecting credit conditions to ease slightly, however there are still concerns over sourcing of future equity.....

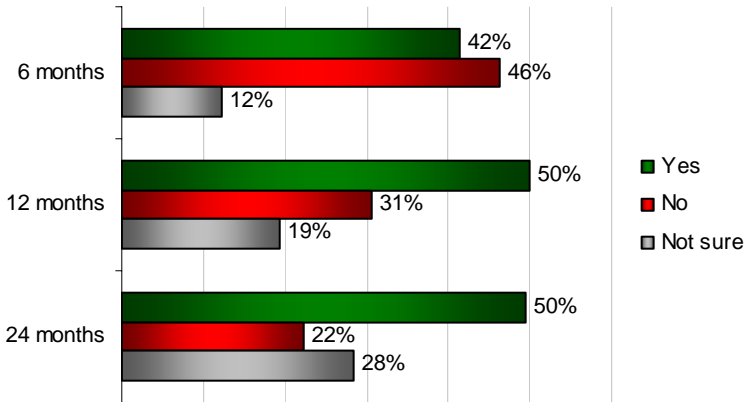
Financing - Obtaining Debt and Equity



Respondents have found debt sourcing more difficult over the past 3 months, with net responses sitting at -32%. However the outlook for the next 3 months looks far more positive at -8%. Interestingly respondents are also indicating that they believe the procurement of equity may become increasingly challenging over the coming months with response output falling from -16% to -23%. This may be the result of new business ventures and developments requiring start up capital - which is generally supplied by the business prior to debt sourcing. If as indicated the market is indeed turning, many companies will need to find start up funding prior to any works taking shape. The 3 month indications are that businesses may indeed be looking to take on more debt and thus face short term liquidity issues on cash reserves.

Businesses planning to increase debt over the coming 12-24 months as conditions improve.....

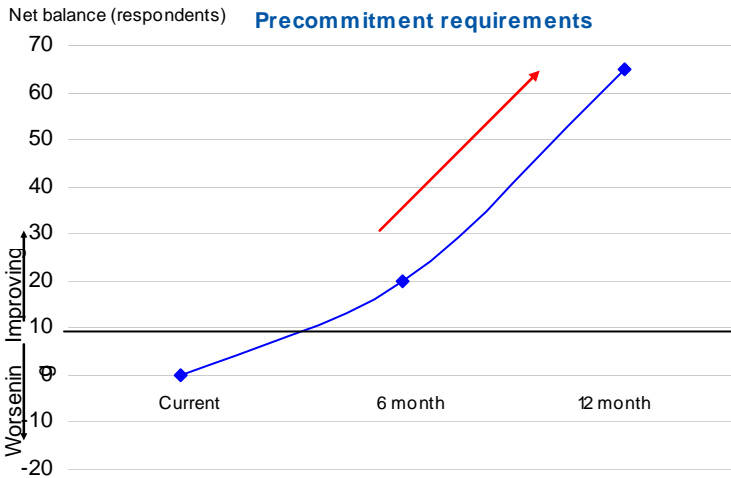
Future funding plans



We are now seeing an increased appetite for debt to fund acquisitions and construction projects, with 88 of the 212 respondents planning to add debt within the next 6 months. This number grows to 106, or 50% of respondents, for the upcoming 12 months and holds steady for the 24 month period. This information is even more optimistic once combined with the continuing decline in those businesses ruling out funding increases over the selected periods. Negative responses fall from first place (46%) in the next 6 months, to second place (31%) for the 12 month measure, and finally last place (22%) for the 24 month period.

Once again, this data is a strong indicator that property businesses foresee a strong turnaround in market fundamentals over the next 1-2 years.

Respondents see lending criteria improving at an accelerating rate....

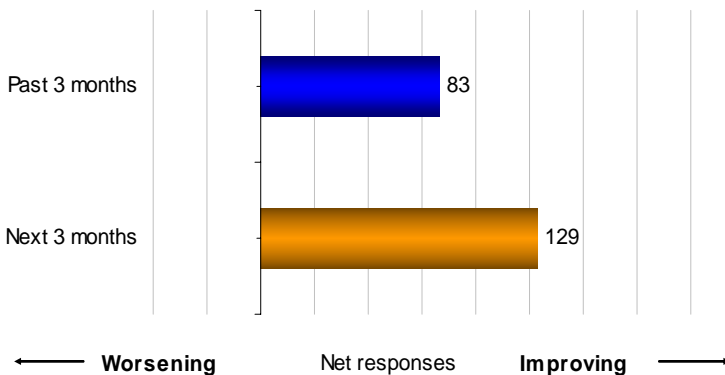


Expectations on bank requirements for pre-commitments on new developments are currently sitting at around 53%. Victorian respondents were the most negative on bank conditions with an average 55% response, while Queensland respondents were the most positive with an average pre-commitment expectation of 51% to secure development funding.

Of the 173 respondents who elected to predict the next 6 and 12 month periods we saw a 26% rise in those believing we will see more favourable pre-commitment criteria to secure debt funding on development projects. When combining this output with the planned new commencements and desire to source additional debt, we are able to see a clear picture of business intentions over the next year.

Business condition expectations creeping up over the next quarter, but so are expectations on interest rate rises....

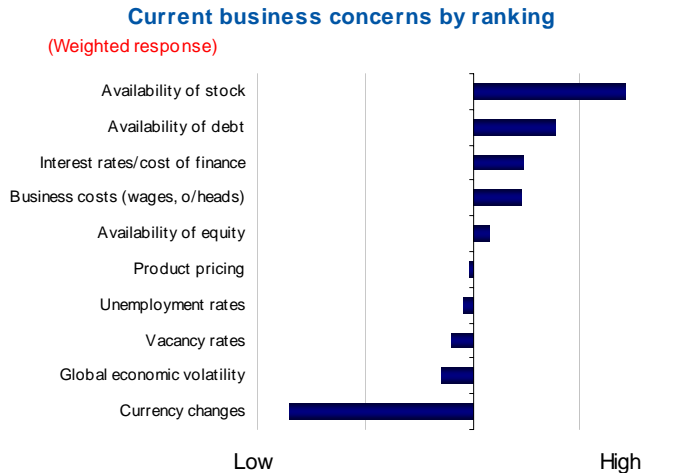
Business conditions / expectations



It seems that rate rises have not dampened national expectations on general business conditions, as the weighted average of property responses indicates a 31% rise in business expectations for the next 3 months when compared against the previous 3 month period.

While Victoria was the most positive for the last 3 months, the survey indicates equally optimistic growth across all states for the next 3 months. The 3 month forecast expectations are led by Western Australia, followed by New South Wales and Victoria. The most significant change over the forecast period is Queensland, which showed a positive 126% turnaround (weighted) in expectations for the coming quarter.

Availability of Stock and future funding the big ticket items for business as market conditions improve.....

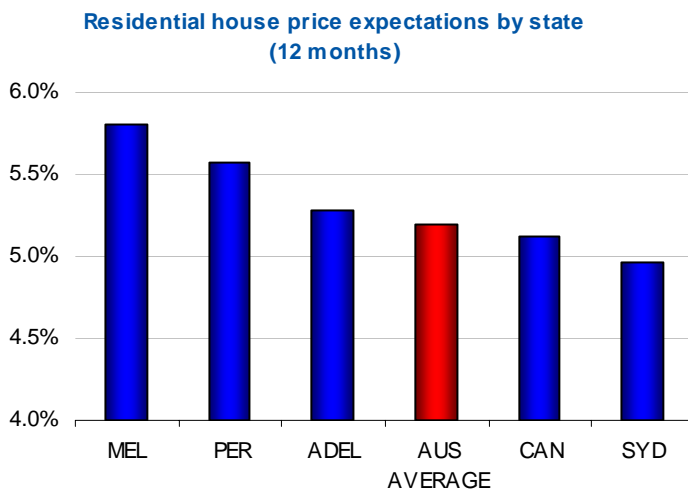


Major concerns currently facing property businesses are ranked below. Availability of stock is the overriding challenge at present, with over 35% of respondents rating stock availability in the strong or very strong concern category. Other key concerns include: debt sourcing, interest rates and general business costs.

When questioned separately on the top critical challenges for business over the next 12 months, respondents feel that Finance Funding, Availability of stock/Levels of stock, interest rates, recruiting of quality staff and economic stability represent the five key items over the coming year.

Interestingly, New South Wales businesses were significantly more concerned about interest rate rises than other states, while all States shared concerns on finance, stock and staffing equally.

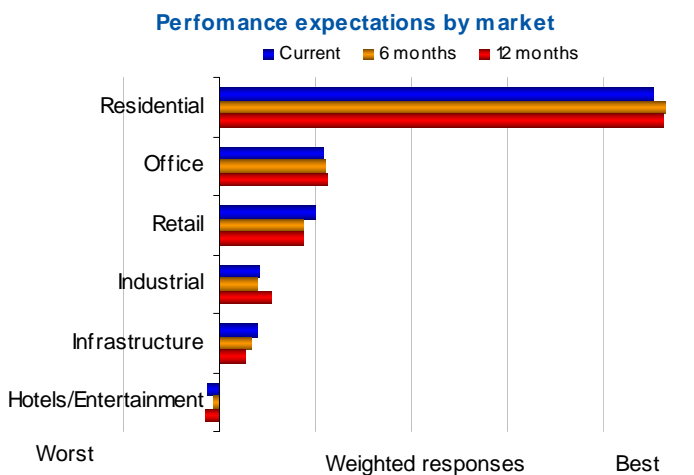
House prices expected to continue to grow despite interest rate hikes....



House prices are expected to rise across the nation over the coming year, with average responses received falling between a 4.95% - 5.8% band. The Australian national average value increase expectation came in at 5.2% for the coming 12 months, with Melbourne seen as the leading growth city for the period (5.8%). Perth (5.6%) and Adelaide (5.3%) follow closely, while Canberra (5.1%) and Sydney (4.95%) fall below the expected national average.

These figures indicates that most respondents do not agree that there is a housing price bubble, or that rising interest rates will negatively impact housing growth over the next 12 months. With Australian housing prices rising, on average, by 13% to the year to March 2010 (RP Data-Rismark), respondents have indicated that a lack of current supply and increasing demand should outweigh any harmful price impacts and continue the strong housing price growth into 2011.

And, Residential Property expected to outperform the market over the next 12 months....

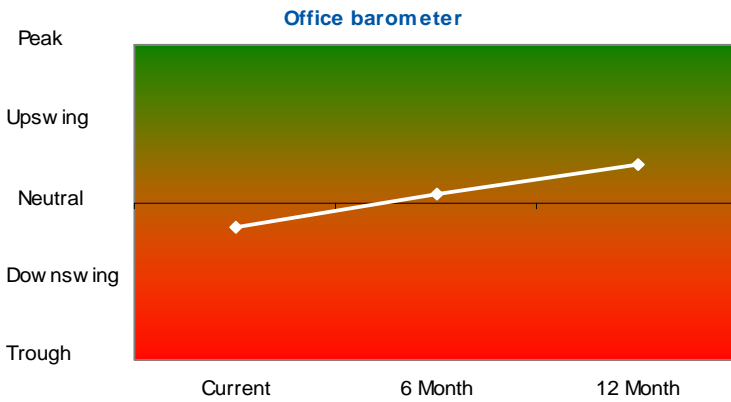


If we include residential property in the mix, it is overwhelmingly the most popular investment and development option in the near to medium term. 66% of respondents voted the residential sector as their No.1 selection for strongest performer for the March 2010 quarter, growing to 69% for the next 6 months and 70% for the next 12 months. It should be noted, however, that a large proportion of respondents to this survey (43%) have been sourced from the residential sector. Both Office and Retail compete for 2nd place over the selected periods, with Office gaining a slight edge.

Over the full 12 months surveyed there was very little change in the expectations of market performance in relation to overall rankings between categories.

AUSTRALIAN OFFICE MARKET

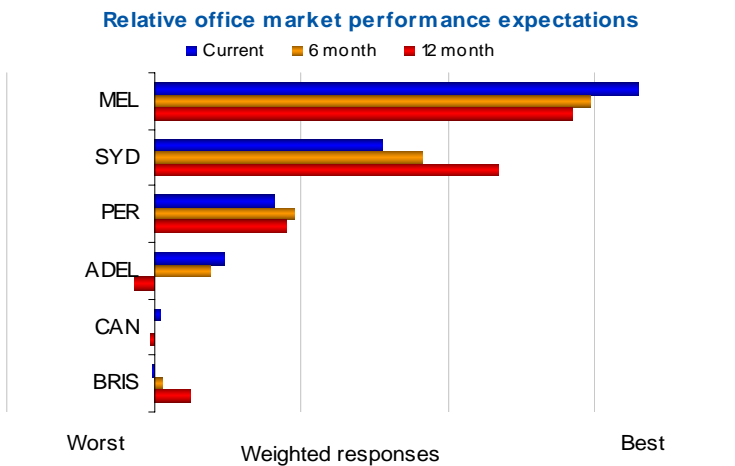
National office markets expected to show positive results across all markets from September 2010.....



The Australian Office market looks to be heading into greener pastures for the 6 month and 12 month periods. Currently sitting in negative territory, ACT respondents were the most pessimistic regarding the current ranking of office markets, followed by Adelaide and Brisbane. Melbourne is the most positive city for the 6 and 12 month outlook by some margin, followed by Sydney.

That said, all cities show a large turnaround over the next 6 months, led by a significant increase in positive responses from both Sydney (+33%) and Melbourne (+34%). On a national level 29% more respondents felt that the 6 month period would see increasingly improving market conditions when compared to current results. The 12 month periods show almost no negative expectations in any states (excluding Western Australia).

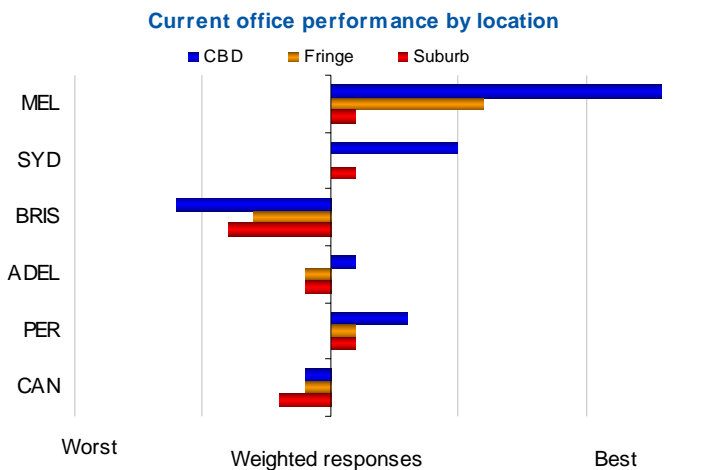
Melbourne and Sydney expected to outperform other cities over next 12 months....



With 21 of the 49 respondents voting Melbourne as the frontrunner for current market conditions, the Victorian capital is favoured to lead the recovery. With some minor fluctuations between the 6 and 12 month categories, there looks to be a clear gap between the combination of Melbourne, Sydney and the rest of the Australian market. Looking forward, Melbourne appears to be deteriorating slightly, while the Sydney (and Brisbane, to a lesser degree) market strengthens as the year progresses.

Note that the chart to the left is a weighted average based on the selection of best to worst performer across each capital city.

Melbourne CBD stock clearly the No.1 preference for Australian office with Brisbane CBD clearly the last....



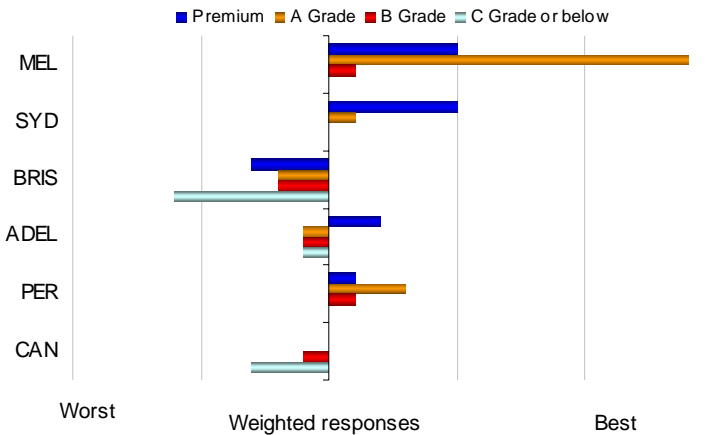
Melbourne is the clear favourite for developers and investors at present, particularly for CBD stock. Both Melbourne CBD and Melbourne fringe outperform the nearest rival, Sydney CBD.

Surprisingly, Brisbane Office property received the lowest net score across location by some margin for all grades while performing significantly better in the overall office market expectations.

Perth's response rate delivers net positive results, shedding some light on local market sentiment around the new resource projects currently gathering critical mass.

Melbourne clearly the frontrunner for market optimism, particularly for "A grade" stock....

Current office performance by grade



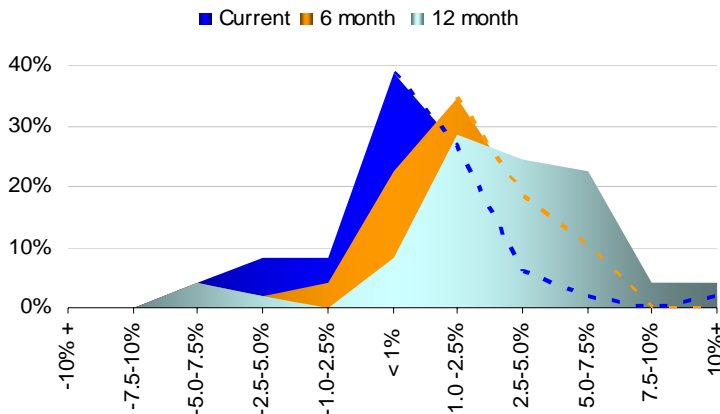
Again Melbourne receives the most positive feedback when dissecting the Office markets by grade. 'A grade' Melbourne Office property is the clear favourite securing 14 of a possible 46 total votes as the number one candidate. Sydney and Melbourne Premium space both shared second position with 5 votes each.

The large divergence between 'A grade', 'Premium' product and other grades is likely to revolve around availability.

Brisbane Office stock again looks to be the underperformer, with secondary stock obviously taking a hit with new quality stock online in a market currently suffering double digit vacancy.

Australian office Capital Values expected to show stronger results throughout the year...

Office capital value expectations



Led by the Melbourne and Sydney Office markets, the Australian Office market is expected to show increasingly positive capital growth results as 2010 progresses. On a national level, capital values are expected to climb 0.32%, 1.52% and 3.26% for the current, 6 month and 12 month periods respectively.

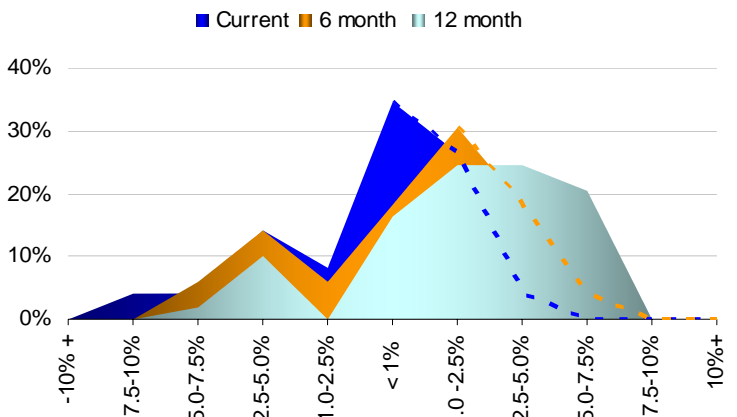
Victoria is again expected to perform strongly; indeed respondents believe Melbourne's Capital Values are already on the rise (alongside Brisbane and Adelaide).

Sydney is expected to start 2010 slowly before improving to over 3% growth within the next 12 months. All major cities are expected to return positive results from the 6 month period onwards. Referencing the rental numbers below it would seem that some mild yield compression is expected as Capital Values outpace rental growth.

	Melb	Syd	Bris	Adel	Per	Can	ALL
CURRENT	1.70%	-0.01%	0.50%	1.75%	-0.89%	0.00%	0.32%
6 MTH	2.73%	1.44%	0.75%	1.75%	0.39%	3.13%	1.53%
12 MTH	4.40%	3.25%	2.07%	1.75%	2.29%	5.88%	3.26%

Rents to follow suit and gain momentum as the year continues, with some signs of growth already....

Office net rental expectations



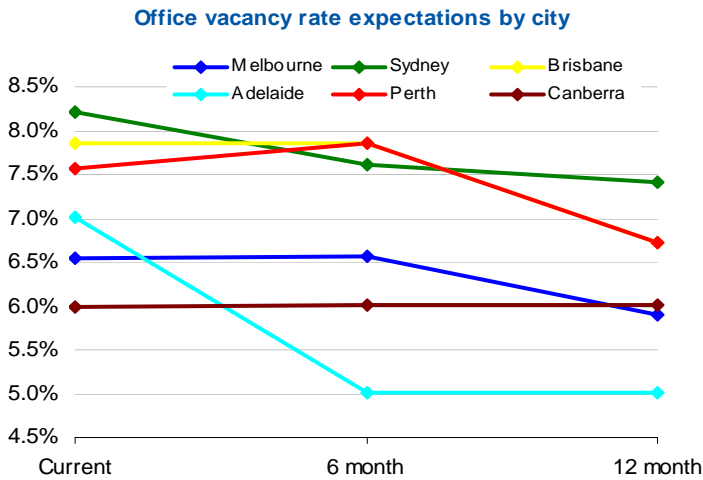
Rents look to be following a similar path to Capital Values however the rate of growth across the cities is more varied. Sydney Rental growth is tipped to move slowly, not realising positive returns for around 12 months, while all other markets (excluding Perth and Canberra), are tipped to improve by 6 months at latest.

On a national level, the data indicates a flat (slightly negative) start to this year, followed by a slight improvement (+0.45%) in 6 months and a stronger result for the 12 month period (+2.11%).

The chart on the left indicates that there are still some pockets of respondents who feel that there is some downside to the Australian Office rental market over the next 6 and 12 months.

	Melb	Syd	Bris	Adel	Per	Can	ALL
CURRENT	0.50%	-1.02%	-1.04%	1.75%	-0.89%	-1.88%	-0.67%
6 MTH	2.10%	0.00%	0.14%	1.75%	-0.21%	0.00%	0.45%
12 MTH	4.05%	1.57%	1.82%	1.75%	0.86%	4.00%	2.11%

Office vacancy levels expected to fall by around 1% over the next 12 months.....



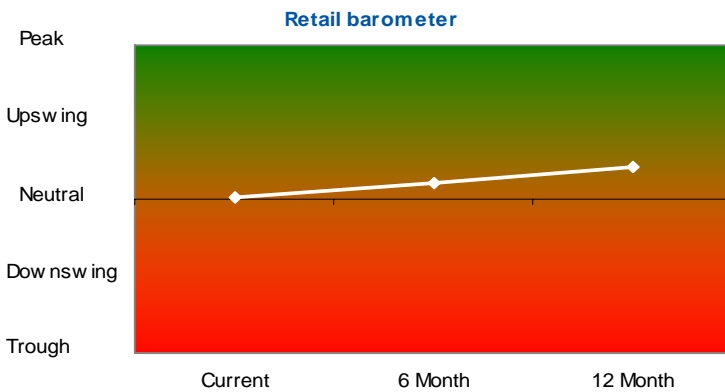
Overall, vacancy levels are tipped to decline over the next 12 months, however there are some large differentiations between each market.

Only two cities are tipped to improve occupancy numbers over the next 6 months, Sydney and Adelaide, while all markets (excluding Canberra) are expected to realise positive net absorption within the next 12 months.

Brisbane vacancy estimates look to be a fair margin below vacancy levels reported by research houses with the current 8% estimate around 3% less than the Property Council's Feb 2010 figures. Apart from Canberra (PCA – 8.7%) most other markets look to be within 100 basis points of reported vacancy figures.

AUSTRALIAN RETAIL MARKET

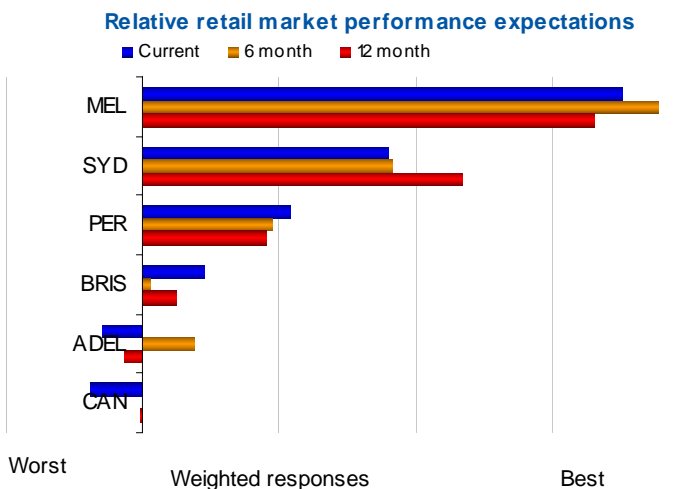
Retail sentiment already in the green and expected to improve throughout the year.....



Retail sentiment is currently faintly positive and improves further over the next 6 to 12 months. Currently sitting in negative territory, QLD respondents were the only 'below the line' respondent on the current retail market with an average response of "mild downturn", (albeit NSW displayed a zero net balance to indicate a neutral position). Allowing for sample discrepancies, Victoria is the most positive region for the first 2 measurement periods, while NSW takes the mantle over the 12 month outlook with an average expectation resting above "mild upswing".

Retail expectations look to be improving at a steady rate across the country, albeit at a lesser pace than office.

Melbourne and Sydney again topping market expectations for the next year, as Brisbane looks to be sliding



With 29 of the 55 respondents voting Melbourne as the best current market performer the retail sector looks to be following the lead of its office counterpart. Once again there looks to be a clear gap between the combination of Melbourne, Sydney and the rest of the Australian market, and the longer (12 month) timeframe shows Melbourne being reeled in by Sydney. It seems that while Melbourne is touted as the best performer all long term expectations show a Sydney rebound, as Melbourne softens slightly. The major contributor to the movement on of the 6 and 12 month charts is the 55% increase in first place votes for Sydney over the final reporting period. Brisbane is the only market expected to perform more poorly over the next 12 months than current levels.

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