



Still coasting

Whether you're looking for a spot in the Sunshine or you're just going for Gold, careful comparison of Brisbane's north and south Coasts is highly recommended.

ANASTASIA HACKETT

TOUTED as the lifestyle capitals of the country, Queensland's Gold and Sunshine Coasts epitomise the Australian dream: city-style comfort and casual community atmosphere backdropped by kilometres of sparkling beaches stuck in eternal summer.

People are being lured by the thousands – between the 2001 and 2006 Census, the Sunshine and Gold Coasts were the second and third fastest growing statistical districts in the country respectively – and investors have been sitting pretty on triple-figure five-year growth rates in most suburbs.

But as the market gets murkier, it's worthwhile taking a reality check on these daydream destinations with a refresher course on the pros and cons of the respective coasts.

STRENGTHS

People power is by far the main driver of both markets.

Queensland's Planning, Information and Forecasting Unit (PIFU) pegs the Gold Coast population at 524,667 as of June 30, 2007, on the back of annual growth rates up to 4.1 per cent over the past five years.

Even if growth slows considerably, PIFU

estimates the city's population may be up to 833,900 within three years.

Experiencing similar population patterns, the Sunshine Coast's current resident count of 303,050 is expected to rise to 520,500 by 2011.

Equally attractive for short-term stays, neither area has suffered the tourism decline felt elsewhere, with Tourism Queensland figures showing visitor numbers increased by 10 per cent on the Sunshine Coast and 3 per cent on the Gold Coast between March 2007 and March 2008.

All the new faces mean big things for the residential development industry.

A little more than 7200 new dwellings were approved for the 17,228 new residents on the Gold Coast last year and 3727 home approvals on the Sunshine Coast catered for the 7925 people who moved there during 2007.

This represents a 6.8 and a 9.9 per cent increase in dwelling activity for the Gold and Sunshine Coasts respectively.

Infrastructure and private investment is also rising to meet the migrating masses.

The Queensland Government outlines major projects worth almost \$8 billion on

the Gold Coast and close to \$2 billion on the Sunshine Coast, constructed or committed this decade.

The fact that the Gold Coast slightly surpasses the Sunshine Coast in terms of population growth and development is not lost on everyone.

Valuer John Burke of Herron Todd White Gold Coast says this gives the city the edge over its northern counterpart.

"The Sunshine Coast is still growing substantially but not quite at the same rate as the Gold Coast," he says.

"There's a lot more infrastructure on the Gold Coast and there are more projects which are creating a lot of work.

"It all comes back to the migration rate".

Official data proves his point.

Unemployment is slightly higher on the Sunshine Coast at 5.8 per cent during the 2006 Census, in contrast to 5.3 per cent on the Gold Coast and Real Estate Institute of Queensland chair Peter McGrath says the better employment opportunities make it more attractive to relocating families.

Perhaps as a result, the Gold Coast recorded a 3.4 per cent population increase between June 2006 and June 2007, compared to 2.7 per cent on the Sunshine Coast.

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QUEENSLAND + THE STATES +

The Gold Coast is now Australia's sixth largest city and KPMG demographer Bernard Salt predicts it may overtake Adelaide to gain fifth place later this century.

"It's closer to the capital city, being 45 minutes away as opposed to Brisbane being an hour and a half from Mooloolaba," Burke explains.

"Also the growth corridor south of Brisbane is still cheaper than the growth corridor in the north, for instance places like Eagleby and Beenleigh are still more affordable than the outer suburbs around Caboolture."

Waterfront properties in the south are also better off according to McGrath.

"The Gold Coast is very strong in this regard because although waterfront property is a feature of both coasts there's probably more variety of waterfront land on the Gold Coast and the market for it is more mature," he says.

However, he's quick to note that the

Sunshine Coast isn't without merit. "It has a different lifestyle, a more relaxed feel which is a huge strength," McGrath says.

"The Gold Coast is certainly more congested than the Sunshine Coast.

"It suffers from a lack of forward planning from consecutive governments, whereas the Sunshine Coast has grown at a slower rate and has also learnt from the mistakes made on the Gold Coast so it has had the opportunity for better planning."

The consensus seems to be that the Sunshine Coast has something of a 'cleaner' image, making it more family-friendly and conducive to relaxed retirements.

With development divided into detached towns, which up until recently were run by three separate councils, it lacks the density of the Gold Coast and offers more of the laidback community feel often sought by seachangers.

"The Sunshine Coast also has Noosa which is a totally unique area with the surf and the national parks.

"Some people go to the Sunshine Coast because they want to go to Noosa and they don't want anything else.

"That is a big advantage," McGrath continues.

WEAKNESSES

The coast markets aren't so far removed that they haven't both felt the impact of a recent real estate slowdown however.

"They're very similar at the moment. Both markets depend on investors to some degree and also on unit sales and with the interest rate rises investors have been out of the market for most of the year," McGrath says.

Southeast Queensland buyers agent Julie-Ann Cronin agrees.

"Fixed leasing arrangements are providing investors with consistent returns but the return isn't attractive, with it ranging from 2 to 4 per cent," she says.

"This low return on their investment is to some extent keeping investors out of the market until interest rates come down and rents improve."

Herron Todd White reports softened demand from interstate and overseas investors and a drop of around 10 per cent in prices on both the Gold and Sunshine Coasts, whether that's in real value or just as a result of inflated vendor expectations.

The rental picture may not be as rosy as the media has painted recently either.

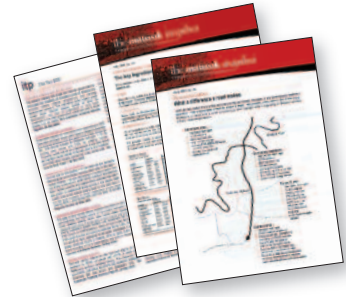
FACT FILE			
	MEDIAN MAR 08 (\$,000)	12-MONTH GROWTH	MEDIAN RENT JUNE 08
Gold Coast (H)	485	14.6%	\$385
Gold Coast (U)	360	10.0%	\$330
Caloundra, Sunshine Coast (H)	470	13.9%	\$360
Caloundra, Sunshine Coast (U)	369	2.2%	\$280
Maroochy, Sunshine Coast (H)	456	14%	\$350
Maroochy, Sunshine Coast (U)	325	5.6%	\$280
Noosa, Sunshine Coast (H)	560	16.9%	\$360
Noosa, Sunshine Coast (U)	385	1.7%	\$295

Source: REIQ, RTA, PIFU. H = houses, U = units
*Coastal region median rents used for Sunshine Coast



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CASE STUDY | Double dipping

Brad McLachlan

Lives: Sunshine Coast
Invests: Sunshine Coast, Brisbane, Gold Coast, Northern and Western Corridors
Properties: 42
Strategy: Buy land, build and sell



His Brisbane and Sunshine Coast homes are moving a bit quicker than their Gold Coast counterparts at the moment but McLachlan puts it down to his regional reputation rather than any significant market differences.

“Nothing is easy to sell at the moment,” he admits. “We’re not making a cent out of the land. Whereas previously the land value would have increased by the time we came to sell the home, now any money to be made is from the convenience of buying an existing home and not having to rent while building.

“Land prices have probably stabilised but they’re still quite high. I think they might even come back a little bit. If you’re

a good negotiator you can probably negotiate a discount,” he continues. “There’s plenty of land available at the moment whereas 12 months ago it was in short supply.”

McLachlan is positive about the future, however.

“The market has died by 90 per cent, it’s the

quietest period I’ve seen in 11 years. But it is good, it had to slow down a bit and I think in the next few months it’s going to turn around. We may have even seen a turnaround already – in the last two weeks we sold two homes whereas we didn’t sell any in the eight weeks before that,” he says.

“With the new stamp duty laws in September (and) a decrease in interest rates... I think people will start to feel more comfortable and come back into the market.”

“It had to slow down a bit and I think in the next few months it’s going to turn around.”

AFTER building spec homes in Brisbane and on the Sunshine Coast for 10 years, builder Brad McLachlan decided to tackle the Gold Coast market 12 months ago. He currently has six display homes in new estates on the Gold Coast and two on the Sunshine Coast with about thirty spec homes around southeast

Queensland in various stages of construction.

“It’s a huge growth area, the Gold Coast, and a little bit of land supply has opened up now,” he says of his decision to venture past the Gateway Bridge.

Interestingly, McLachlan sees the new home

markets on the two coasts as almost identical, with similar profit margins and the same buyer profile – 80 per cent owner-occupiers, mostly from the local areas.

“Land is around \$170,000 to \$200,000 on the Gold Coast, it’s a similar price to build and then the finished homes sell for up to \$500,000,” he explains.

“Land is probably a little bit dearer on the Sunshine Coast compared to the Gold Coast but then you get a little bit more on the price at the end so it all evens out.”

“For the first time we’re seeing rental prices come back about 5 to 10 per cent, either because people are moving back in with their families or looking elsewhere,” Burke says, regarding the Gold Coast.

Herron Todd White Sunshine Coast director Peter Degotardi says while he doesn’t expect rents to drop on the Sunshine Coast, he believes the market there has also hit a barrier for the time being.

The current median rent is \$350 for a three-bedroom house and \$285 for a two-bedroom unit on the Sunshine Coast.

Despite his confidence in rental demand, Degotardi doesn’t think the Sunshine Coast

will match the Gold Coast median of \$385 for a three-bedroom house or \$330 for a two-bedroom unit any time soon.

“\$150 per room for a unit is about the limit that the market is willing to pay at the moment,” he says.

“I think there are lower price thresholds here in rent and there’s a much bigger market in the higher price ranges on the Gold Coast.”

OPPORTUNITIES

Even so, current conditions on both coasts offer investors a better bargaining position than any seen in the past five years, representing a great chance to get into the

market for those who have been sitting on the sidelines so far.

“Clearly we’re in a tough market at the moment, with the market trying to adjust price wise so we’re starting to get a bit of a power shift.

“Investors are seeing more listings and more opportunities to buy into the good areas.

“It’s a great time to make some hard offers,” Degotardi says, speaking of both the Gold and Sunshine Coasts.

While indicators suggest prices could be pushed down with the right offer, rental yields appear to be on the way up.

Both Burke and Degotardi say rental prices have hit a maximum for the moment but strong demand suggests current weekly rates will hold steady and could rise again in the near future.

Figures from the Residential Tenancies Authority show median rents for three-bedroom houses have increased by close to 17 per cent on the Gold Coast and 20 per cent on the Sunshine Coast in the past two years.

Growth has been even higher for two-bedroom units, recording 21 and 23 per cent respectively.

RP Data predicts gross rental yields for units will keep improving over the next 12 to 24 months as price growth slows and claims coastal unit markets will experience some of the strongest growth.

The lower end of the unit market is most popular.

PRDnationwide Research found 60 more unit sales on the Sunshine Coast in the first quarter of 2008 than in the first quarter of 2007 with a drop of almost 15 per cent in the weighted average sale price and attributed the result to increased demand for affordable, high-yield product, while a Colliers report says “apartments under \$300,000 are being snapped up quickly” on the Gold Coast.

Burke says often the Gold Coast’s cheaper properties also have the most scope to drop well below list prices.

“The ones hurting the most are in the cheaper suburban fringe areas like Mudgeeraba, Eagleby and Beenleigh,” he says.

“We’re doing a lot of valuations for bank takeovers and a lot of properties are being marketed by the agents as ‘have to sell’. There are a lot of bargains out there.”

Unit sales specialist Geoff Glanville says there are similar opportunities on the Sunshine Coast.

“While there’s no evident price reduction people’s expectations have certainly come down by about 10 per cent,” he says.

“On the Sunshine Coast there’s occasionally one with a little bit of stress with lower expectations and they may be amenable to offers.”

Meanwhile, Degotardi insists it’s an ideal time to buy a prime position at a reduced price. “There’s a good underpinning, particularly if you buy in good areas which have had good growth spikes in the past.

“To me it is a no-brainer to go back and revisit those areas in tough periods. The market will go up again and when it does those areas will get good growth,” he says.

His recommendations on the Sunshine Coast include any suburbs beachside of key arterials like Nicklin Way and David Low Way; areas such as Bokarina, Alexandra Headlands and Coolum which are traditionally strong performers.

On the Gold Coast, Cronin is backing suburbs on the southern and northern fringes.

“The completion of the Tugun Bypass will have a huge impact on the Tweed Shire.

“That coupled with the ongoing upgrade to the Pacific Highway will continue to drive property prices upwards,” she says.

“More people are choosing to live on the Gold Coast and work in Brisbane because of the rail and motorway links, so suburbs at the northern end of the Gold Coast such as Helensvale, Carrara and further north to Coomera should see sound capital growth.”

THREATS

Not without its dangers, the biggest issue

faced by the Gold and Sunshine Coast markets is the same as the one debated around the nation: affordability.

However, it appears to be compounded on the coasts as locals become priced out of the market and property sellers rely on interstate migration to achieve top-dollar.

The UDIA/Matusik Affordability Measure 2007 deemed houses on both the Sunshine Coast and the Gold Coast ‘unaffordable’ compared to average incomes.

In the ‘attached dwelling’ segment, Noosa and Caloundra on the Sunshine Coast were

“THE SUNSHINE COAST IS STILL GROWING SUBSTANTIALLY BUT NOT QUITE AT THE SAME RATE AS THE GOLD COAST.”

two out of only three localities in the country to be labelled unaffordable, while Maroochy on the Sunshine Coast was found ‘seriously constrained’ and the Gold Coast had ‘some constraints’.

Low affordability was one of the reasons market commentator Terry Ryder included the Sunshine Coast in his No-Go Zones Report, as one of 13 places in Australia where property investment was not recommended.

Degotardi has long-term confidence in the Sunshine Coast market but he admits

there may be further price falls to come.

“In 2008 it’s really about finding a market floor and I don’t even know if we’ve done that yet,” he says.

Degotardi says half of the 2007 price gains have been lost and suggests the rest may go too.

“Even buying at reduced prices, there isn’t really the opportunity for making a quick buck.”

The Gold Coast isn’t immune from doubt either.

Despite some factors pointing to strength in the unit market Cronin advises investors to take care.

“An oversupply of Gold Coast high-rise apartments (more than 10 storeys) would suggest a softening in the Gold Coast unit market... particularly apartments in the Surfers Paradise, Southport and Broadbeach areas which have the largest proportion of unsold unit stock.

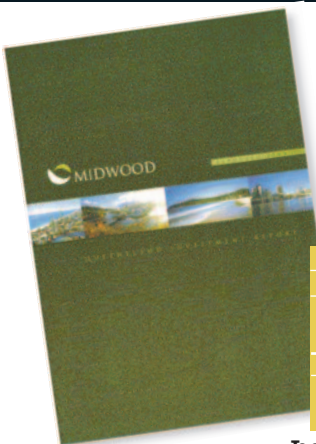
“Investors not familiar with the Gold Coast market should proceed with caution when purchasing apartments,” Cronin warns.

No matter what the issues, however, each coast has its own set of loyal backers and each its own distinct style.

While beachside sites may have plenty of arguments pitching them as a sure bet, just this small taste of the features of two famed coastal centres proves it’s worthwhile taking time to match individual investment needs to specific suburbs and particular property types, even if it’s a dream come true. **api**

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