



November 2010

Call for a More Positive Attitude

Among the noise generated by political manoeuvring, nationally and at a state and local level, it is sometimes difficult to focus on an objective view of the economic situation. It is easy to highlight the negativity that surrounds the property market, especially here in Queensland. This is a call for industry participants to take a more positive attitude, particularly in regard to the Gold Coast economy.

A mindset that concentrates on the negatives seems to be prevalent in the Gold Coast property market, where industry participants are concerned with construction funding issues, planning complexities and delays and infrastructure charging regimes that have seen developers and consultants seeking work elsewhere. With more distress stock still to be sold, interest rates rising and reports of median prices falling, it is sometimes hard to see the upside of the Gold Coast market.

At times like these, I like to remind everyone of a few key considerations. This is a cyclical market, we are in the midst of a downturn, so this is opportunity time for counter-cyclical buyers. Property is a long-term investment (seven to ten years, by my reckoning). It is unwise to buy more than you can afford (ie to be so highly geared that you cannot ride the downturn or accommodate a two percentage point rise in interest rates).

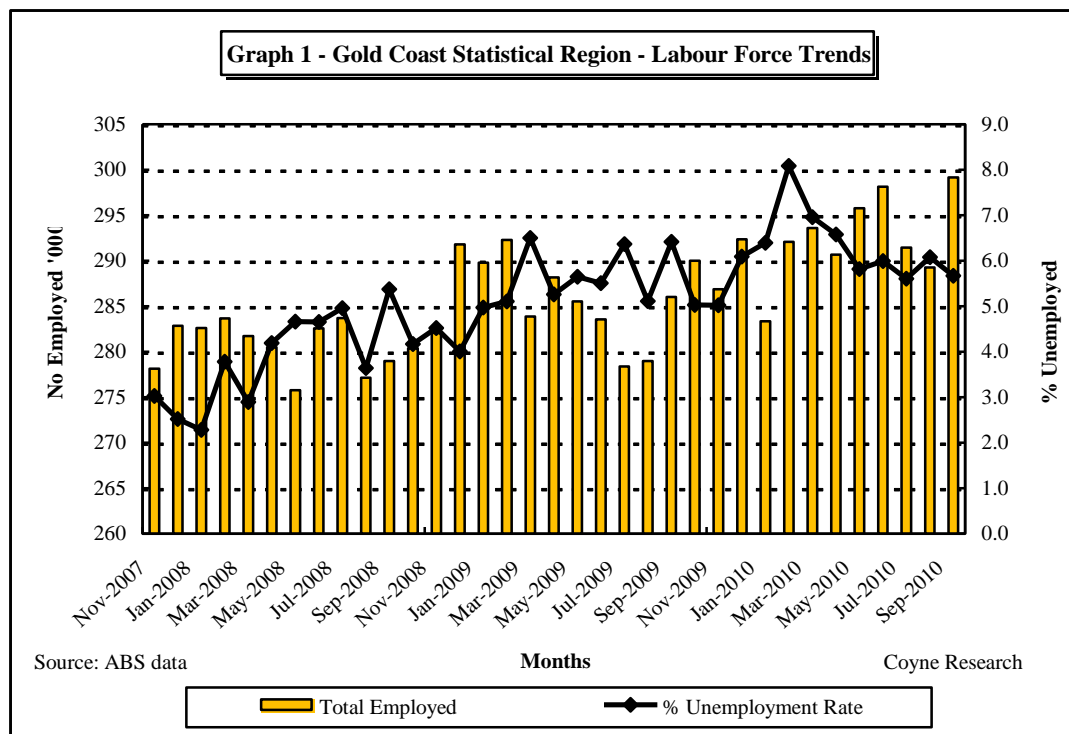
As far as the Gold Coast economy goes, we have expanded enormously over recent decades. This is an economy supported by a resident population base of 570,000 people, with a floating visitor population of around 80,000 people daily (based on the wider Gold Coast-Tweed region).

Even more importantly, the Gold Coast's regional economy has diversified, with four universities, a significant medical and scientific/technical sector and growing creative arts and sporting industries.

These are some brief facts on the Gold Coast labour market:

- Since late 2007, Gold Coast added 21,000 workers to the employed population (a 7.9% increase);
- Unemployment peaked in Feb 2010 at 8.1%, as a result of more people entering the Gold Coast workforce, but has since fallen to 5.7%, following creation of 7,000 jobs;
- There have been significant job losses in the tourism and restaurant sectors, in construction and in property-related services, with employment in these sectors down by 25% between August 2008 and August 2010;
- Virtually every other sector of the Gold Coast economy has expanded over this period, with a slight fall in the education and training sector. These other sectors accounted for 78% of jobs in August 2010.

The Australian Bureau of Statistics (ABS) labour force data for the Gold Coast region is original data based on a sample survey, so it is sometimes volatile and subject to seasonality impacts. However Graph 1 on the next page clearly shows the number of persons employed in the Gold Coast region in September 2010, at 299,100 persons, was 21,000 persons or 7.9% higher than in November 2007 prior to the Global Financial Crisis – GFC (and the beginning of the ABS data series).



With more people entering the workforce in early 2010, the unemployment rate rose to 8.1%. It has since fallen to 5.7% as a result of 7,000 jobs being created over the seven months to September 2010.

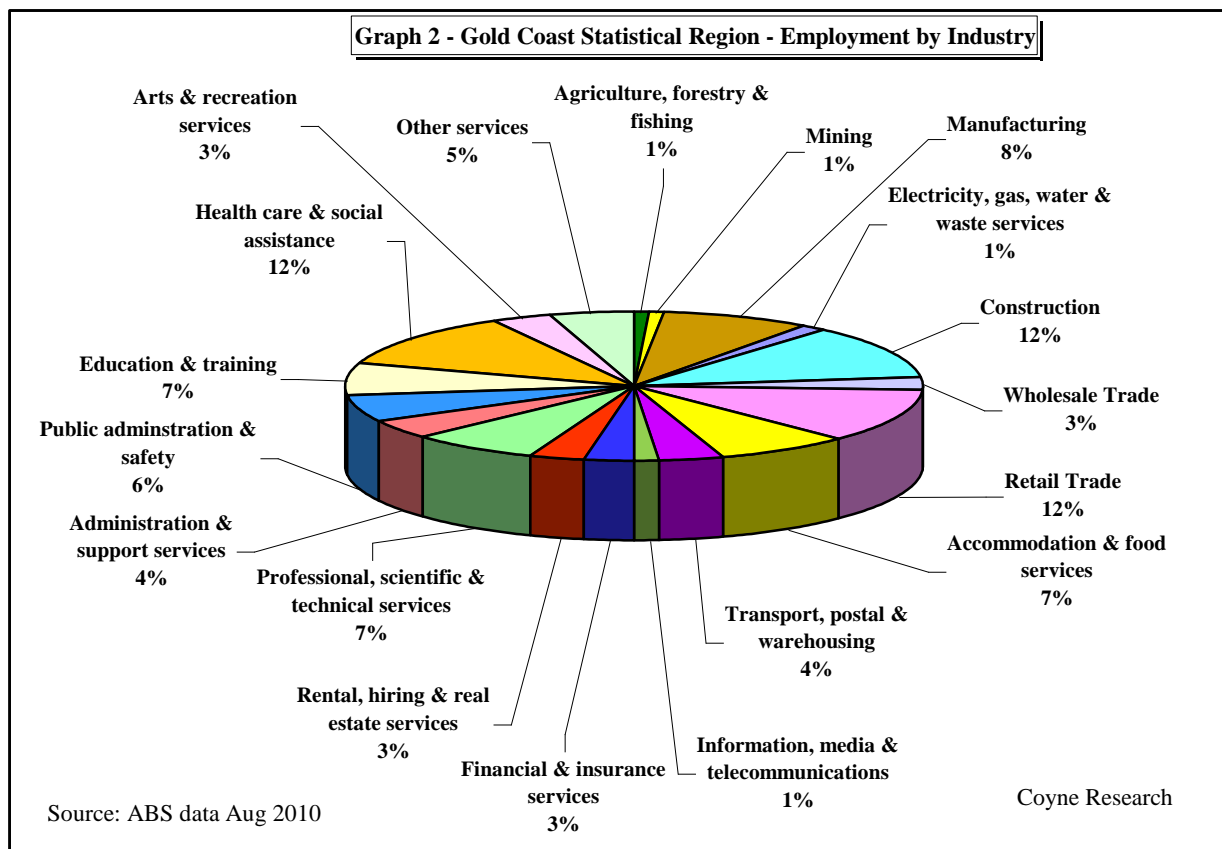
Graph 2 on the next page highlights the diversity of the Gold Coast economy. It is based on the ABS quarterly labour force data by region and industry sector, as at August 2010.

The industries most affected by the GFC (accommodation and food services, construction and rental, hiring and real estate services) accounted for 30.5% of Gold Coast employment in August 2008. This fell to 22.0% in August 2010, mainly as a result of reduced discretionary spending on tourism and restaurant services and, to a lesser extent, falling construction activity.

Other sectors have increased employment over this two-year period, both in absolute terms and as a proportion of total employment: agriculture, forestry, fishing and mining (2% of jobs in August 2010), manufacturing and utilities (9%), wholesale and retail trade (15%), transport and communications (5%), financial, professional, technical and administrative services (20%), health care and social assistance (12%) and arts, recreational and other services (8%).

The education and training sector reduced slightly over the two year period, no doubt in response to Federal Government changes and the impact of the high \$AUD on overseas student numbers.

The news from our tourism sector is now very positive, with increasing visitor numbers. This is largely due to the success of Gold Coast Airport in attracting low cost airlines since its expansion. In 2009/10, there were record passenger arrivals (2.2 million domestic passengers, up by 8% on the year before; and 378,500 international arrivals, up by 53%). Overall passenger numbers have doubled since 2003/04 to 5.17 million.



As far as construction jobs, we are very fortunate to have major projects occurring in the Gold Coast region. These include Carrara Stadium, Robina Hospital, Gold Coast University Hospital and the Rapid Transit System (RTS). Not only will these projects provide critical long-term services and jobs, but construction jobs are gearing up. Gold Coast University Hospital currently has a construction workforce of 600 people, but in 2011 this will rise to a peak workforce of 2,300 workers. As we know, construction on the RTS is just starting.

In highlighting these actual projects, it is also important not to forget the potentiality of the Commonwealth Games 2018 bid (refer to my July 2010 newsletter).

While there are challenges ahead for the Gold Coast regional economy and the property market, I believe we will emerge as a stronger and more diversified region. Meanwhile, can we spend at least some time counting our blessings, rather than always focusing on the negatives!

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