

THE GOLD COAST AN HISTORICAL PERSPECTIVE

THE GOLD COAST HAS EXPERIENCED A LONG PERIOD OF SUSTAINED POPULATION GROWTH.

It is Australia's pre-eminent holiday destination, outside of the capital cities. From being ranked the 14th largest urban centre in 1966, the Gold Coast-Tweed jumped to eighth position in 1976 and ranked No 7 in 1996. Since 2001, it has maintained its status as Australia's sixth largest urban population centre. This makes it the largest centre outside of the five mainland capital cities (ahead of the Canberra-Queanbeyan urban centre).

The region continues to experience high levels of population growth. As at June 2015, the Gold Coast-Tweed had an estimated resident population of 603,067 persons - based on preliminary data from the Australian Bureau of Statistics (ABS). This was 44% higher than the resident population in 2001.

Graph 1 shows that the Gold Coast-Tweed saw an increase of 10,124 persons in 2014/15, in line with the average of the previous five years. This was down on the very high levels of the past (over 15,000 persons per annum). Gold Coast City was still the second highest growing Council area in Queensland, after Brisbane City.

The Queensland Government Statistician's Office (QGSO) has recently updated its population projections. Graph 2 shows that Gold Coast City is expected to see an average increase of 14,000 people per annum over the 25 years to 2036 (under the medium series projection). This would result in a City population of 866,637 residents by 2036.

The Gold Coast is widely recognised as an entrepreneurial City. Its economic base has expanded over the past 20 years to include significant health and education sectors.

Nevertheless, there is still a strong reliance upon tourism and construction. Together with its smaller population base, this makes the Gold Coast a more volatile destination for property investment than the metropolitan areas.

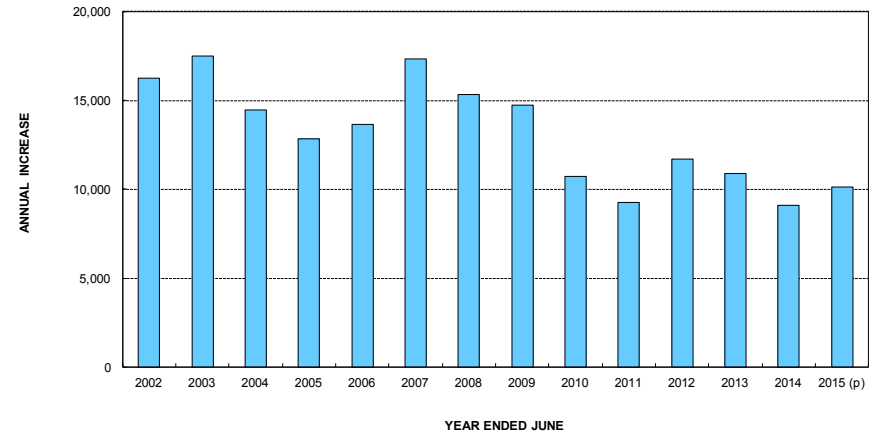
A Cyclical Market

The cyclical nature of the Gold Coast's property market is well known. Historically, it used to be said that it was a seven year cycle, one that might include 18 months to two years of elevated sales activity and rising prices, followed by a sharp downturn and five years of reduced sales volumes.

Table 1 shows the history of Gold Coast residential property cycles over more than 40 years (based on number of sales). In the early 70s, 80s and 90s, the downturns were associated with national recessions, as well as oversupply conditions.

However, Australia has not experienced a technical recession for the past 25 years (as defined by two quarters of negative economic growth). The Reserve Bank of Australia has gained greater control over exuberant outbreaks of asset price inflation. The Australian economy has enjoyed a prolonged period of growth, buoyed by the resources boom.

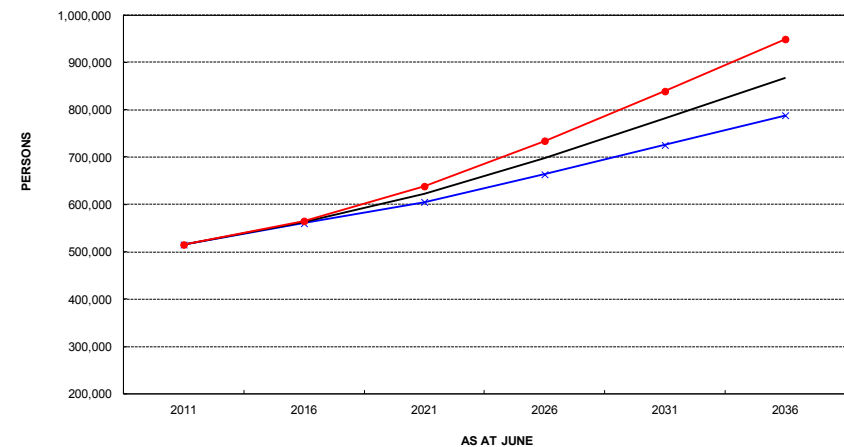
GRAPH 1 - GOLD COAST-TWEED
ESTIMATED RESIDENT POPULATION GROWTH



Source: ABS Cat No 3218.0
(p) = preliminary

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GRAPH 2 - GOLD COAST CITY POPULATION PROJECTIONS



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Source: QGSO 2015

These factors have disrupted the regular cyclical pattern in the Gold Coast property market.

The other intervention in the property market was the introduction of the Goods and Services Tax (GST) in 2000. Although it only applies to new residential property, low interest rates and the introduction of stimulatory measures, such as the First Home Owners Grant (FHOG), saw residential prices on the Gold Coast double over the five years from 2002 to 2007.

Then the Global Financial Crisis (GFC) saw investors desert discretionary real estate, including Gold Coast holiday apartments. It took until 2014 for the apartment oversupply to be absorbed, particularly in Surfers Paradise and Broadbeach prestige projects.

From 2013, Australia's economy was also witnessing the end of the construction phase of the resources boom, with commodity prices also falling due to international influences. We are still in the process of transitioning the economy to non-mining sectors. In the Eastern Seaboard capital cities, this transition has been assisted by a significant upswing in new apartment construction.

Current Recovery

On the Gold Coast, the recovery in the residential property market has been evident since 2014. This followed the announcement of the Gold Coast 2018 Commonwealth Games and completion of two significant infrastructure projects: Stage One of the Light Rail; and the Gold Coast University Hospital at Parklands near Griffith University, three kilometres west of the Southport Central Business District.

Although there have been large numbers of new apartment projects that have received development permits from the City of Gold

Table 1 – History of Gold Coast Residential Property Cycles

Timing in Cycle	Years	Triggers/Characteristics
Peak	1972/73	Rising inflation
Trough	1974/75	Global oil crisis, recession, oversupply
Peak	1980/81	Mining boom buoys Queensland economy
Trough	1982/83	Recession, oversupply
Peak	1987/88	International hotels open, shift from shares to property after 1987 stock market crash
Trough	1989/1992	High interest rates (17%), recession, oversupply
Peak	2002/03	Post-GST introduction, low interest rates, FHOG
Secondary Peak	2007	Sustained resources boom
Trough	2008-2012	Post-GFC downturn, oversupply
Current Recovery	2014-2016	More diversified economy, Games construction boosts employment, undersupply supports price growth

Source: Colleen Coyne Property Research Pty Limited

Coast, the region has lagged the capital cities in the process of new apartments being marketed and constructed. This partly reflects the fact that sales of new apartments have been steady, rather than spectacular. It also reflects the cautious approach that has been taken to the Gold Coast by developers and banks.

Graph 3 shows the distribution of new building approvals for other dwellings within Gold Coast City (ie residential apartments, townhouses and duplexes). It shows the top ten Statistical Area (SA) 2 areas over the past two years.

Leading the way is Southport, where the number of units and townhouses has been boosted by Grocon's Parklands Village project of 1,252 dwellings. These dwellings are to be rented after their use as the Athletes' Village during the 2018 Games. After these are subtracted from the Southport total, the number of other dwellings shown in Graph 3 for Southport falls to 714 dwellings. The largest of the developments under construction is Philip Usher Constructions' project of 279 units, fronting the Broadwater at 120 Marine Parade.

The graph shows that Surfers Paradise and Mermaid Beach-Broadbeach between them have 843 other dwellings with building approvals. There is also significant activity in suburban locations, where the units and townhouses can be expected to cater primarily for the permanent residential market.

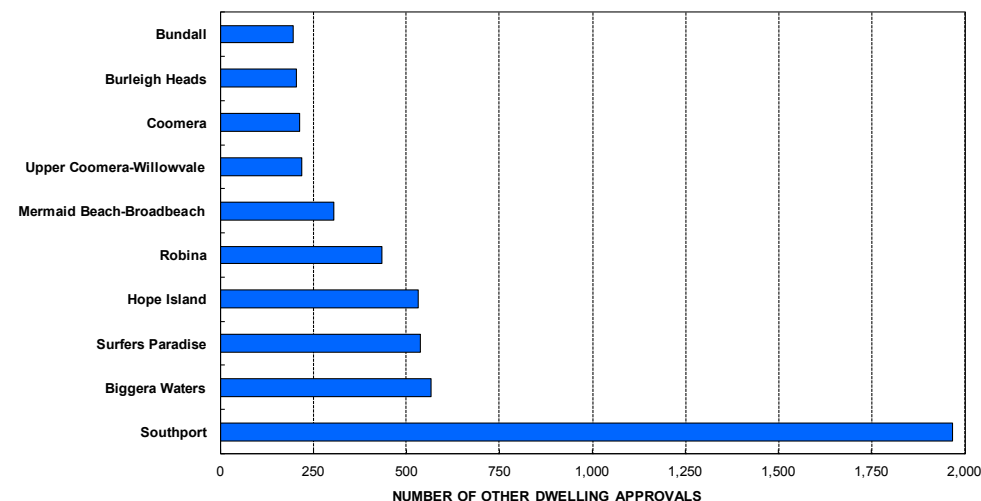
Looking forward, it is likely that the Gold Coast is in the early stage of its upswing in residential sales volumes and rising prices. Given the relatively modest level of new apartment and townhouse construction that has been committed so far, it is likely the current cycle has some time to go before it reaches a peak.

The seriousness of the next downturn, most likely after the 2018 Commonwealth Games, will depend upon wider economic factors and the extent of oversupply created during the upswing.



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GRAPH 3 - GOLD COAST CITY TOP 10 SA2 AREAS FOR OTHER DWELLING BUILDING APPROVALS 2014/2016



Coyne Research

Source: ABS Cat No 8731.0
2014/15 & 2015/16 to May 2016
Other Dwellings = units & townhouses