Colleen Coyne Property Research

Colleen Coyne Property Research Pty Limited ABN 58 088 879 878
PO Box 3109
Nerang East
QLD 4211
Phone (07) 5532 2745
Mobile 0418 856 439
E-mail colleen@colleencoyne.com.au
Web www.colleencoyne.com.au

April 2019

Intergenerational Equity

The coming Federal election is shaping as a contest based on intergenerational equity. This is primarily due to the suite of new taxation changes proposed by the Australian Labor Party (ALP).

The rate of decline in home ownership by all age groups <55 years has accelerated over the past decade. According to the Grattan Institute's analysis of Census data, in 1986, 58% of households with first reference person aged 25-34 years owned their home, but this had fallen to 51% in 2006 and 45% in 2016 (reported by ABC News, 17 July 2017).

This trend has highlighted the impact of rising property prices over the decade to 2016 on millennials, leading to support among younger voters for changes to negative gearing and capital gains tax (CGT). While those aged 18-34 years now account for about 27% of voters, having risen by about 13% since 2013, those aged 55 years plus account for close to 40%, having risen by about 16% (Australian Electoral Commission).

It is older people who benefit most from the long-established negative gearing and CGT policies. Recent data from the Australian Taxation Office for 2017 indicates that 77.2% of landlords were aged 40 years plus.

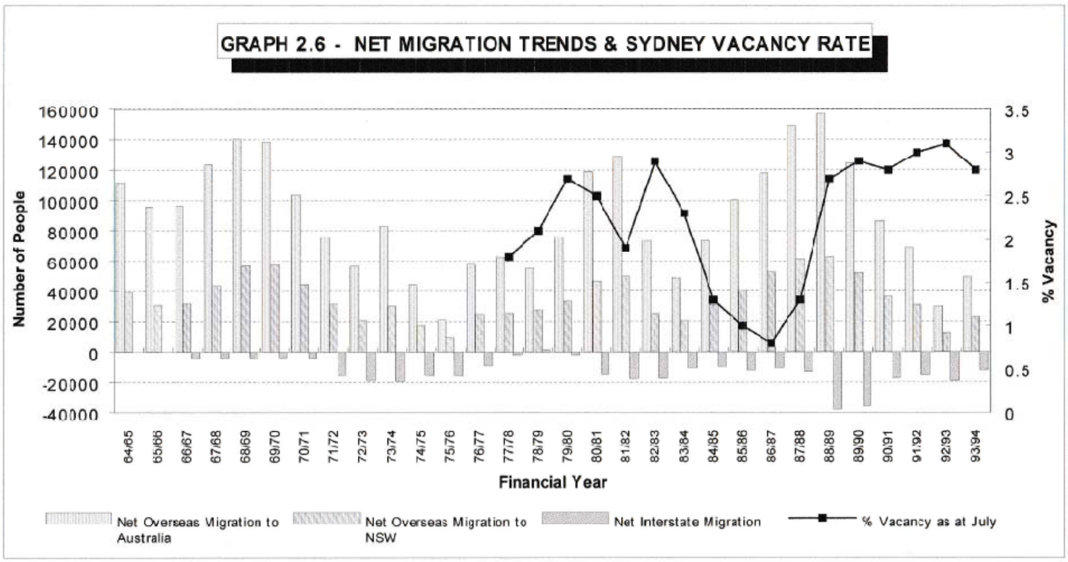
Of over two million landlords, 1.3 million, or 60%, used negative gearing to offset losses from property investment against income from other sources (reported by *The Daily Telegraph*, 17 April 2019).

Retirement Security

Those using negative gearing almost doubled from 2000. Social researcher, Rebecca Huntley, attributes older people's shift into property investment to "the fear of running out of money" in retirement. This is a very real fear, given increased longevity and the unpredictability of individual life spans.

Negative Gearing

Negative gearing, which is available for all asset classes, not just property, enables an investor to claim a tax deduction for losses incurred (including interest paid on borrowing). The concept aligns with the principle that taxpayers should be able to deduct associated costs incurred in earning income from investments - ACIL Allen Consulting report for the Property Council of Australia (PCA) and the Real Estate Institute of Australia (REIA), June 2015.



Source: Colleen Coyne report 1995, based on ABS & REI NSW data

Trends in Dwelling Prices

Low interest rates have provided a conducive environment for property investment, contributing to significant growth in dwelling prices. However, this trend has reversed over the past 18 months. The largest falls from the peak were in Sydney (-13.9%) and Melbourne (-10.3%), compared with a national fall of 7.4%. Dwelling values were still up by 15.9% nationally. The largest annual declines have been in the most expensive parts of Melbourne and Sydney (CoreLogic, Hedonic Home Value Index to 31 March 2019).

The increase in supply, tighter credit conditions, reduced demand from overseas buyers and weakening buyer sentiment are factors contributing to continuing falls in prices (Federal Budget 2019-20). The prospect of policy changes by an ALP Government may also be influencing the downturn.

According to CoreLogic and Moody Analytics, further falls in dwelling values are forecast:

- Sydney house values to fall by a further 9.3% in 2019, with units to fall by a further 5.9%, before recovering from 2020. Although down by almost 20% since July 2017, Sydney house values remain 60% higher than in 2012;
- Melbourne's market is also forecast to fall (houses by 11.4% in 2019, units by 5.0%);
- Brisbane is expected to see recovery from 2019. This relates to the lower supply of units than in the southern capitals and higher net interstate migration – refer to our November 2018 newsletter, *SEQ Defies National Trend*.

These forecasts ignore the prospective impact of the ALP policy changes, but Moody Analytics indicates they could exacerbate the downturn – refer also to pages 4-5.

Negative Gearing Continued
Among the benefits claimed for negative gearing are that it supports the private rental market, assisting in reducing demand for public housing. According to the ACIL Allen Consulting report, the proportion of investor loans remained relatively constant at around 30% of new construction funding over the period from the mid 1980s to 2014. Hence negative gearing also supports new construction.

Why would someone invest, only to make a loss? By definition, a negatively geared property investment makes a loss in the year the tax deduction is claimed. Sometimes it is argued that, over time as rents increase, the property becomes positively geared (rental income exceeds the cost of property expenses, including interest payments).

It is likely the real reason is that most investors buy in expectation of making a capital gain on resale.

Hence, critics of negative gearing argue that it is effectively a tax minimisation strategy. They argue that reducing taxes on wages is one of the primary goals (Grattan Institute, *Hot property: negative gearing and capital gains tax reform*, 2016).

It is also claimed that negative gearing mainly benefits those with higher incomes. The Grattan Institute analysis supported this, indicating occupations most likely to benefit were anaesthetists, surgeons, finance managers, mining engineers, lawyers and emergency service workers.

The ALP policy involves the grandfathering of negative gearing on existing properties where the investment is made prior to 1 January 2020; and retaining negative gearing from that date on investments in new properties.

Data on the proportion of investor loans that currently goes to new properties is uncertain, due to unavailability of data from the Australian Bureau of Statistics (ABS). Based on the most recently available ABS data, Chris Bowen has indicated 7% of investment loans have been for new properties (ALP Media Release, 18 January 2019).

More recently, Chris Bowen has revised the estimated proportion of investors in new properties to 22%. Private sector commentators (Mirvac, AFG mortgage brokers, BMT Tax Depreciation and MCG Quantity Surveyors) estimate a higher share of investment in new properties, ranging from 33% to 57%. This difference has implications for the projected revenue raised by the ALP policy (*Australian Financial Review*, 9, 11 & 13-14 April 2019).

The 1980s Experience
The potential impact of this negative gearing policy change has been widely debated. Many commentators refer to what happened between July 1985 and July 1987, a period when the Hawke/ Keating Government only allowed interest expenses to be offset against rental income, not other taxable income. Instead, interest expenses were quarantined until they could be claimed against future rental income.

A 4% building depreciation deduction was also introduced in 1985 on new buildings, reducing to 2.5% once negative gearing was reinstated in 1987.

Analysis by the Grattan Institute indicated that from 1985 to 1987, inflation-adjusted rents only rose significantly in Sydney and Perth. However, analysis from SQM Research shows that nominal rents did rise across the majority of capital cities.

Graph 2.6 on page 1, prepared in 1995 for a client report, highlights the sharp fall in the Sydney residential vacancy rate between 1984/85 and 1986/87 (down from 1.1% in June 1985 to 0.8% in March 1987). The dramatic recovery in the vacancy rate from 1987/88 followed the reversal of the Hawke/Keating Government's abolition of the negative gearing provisions introduced in 1985.

The graph shows that the fall in Sydney's vacancy rate occurred at a time when net overseas migration to Australia and to New South Wales (NSW) was rising significantly. Other factors operating at the time included high interest rates and a buoyant stock market.

Standard variable housing loan interest rates rose from 11.5% in July 1984 to 15.5% by July 1986. During the 1985 to 1987 period, investors preferred the stock market to rental properties; and rising rents were associated with high interest rates; with tenants staying in the rental market, because the high interest rates were a disincentive to become owner occupiers (ABC News, 3 March 2016).

The further rise in the home interest rate to 17.0% by July 1989 coincided with the Reserve Bank of Australia seeking to end the asset price bubble. This followed the stock market crash in October 1987. Investors had shifted into residential property, activity that was fuelled by the reinstatement of negative gearing. New construction and prices also rose in 1988/89 in Sydney, resulting in two years of record losses from net interstate migration from NSW - refer to the graph.

Hence the fall in Sydney's vacancy rate and increase in rents from 1985 to 1987 were not entirely due to investors in the rental market "going on strike" due to changes in negative gearing. The property industry at the time certainly believed the abolition of negative gearing played a major role and lead to its reintroduction in 1987. This too may not be the full explanation, as the ALP was facing an election in NSW, so it may primarily have been a political decision.

Capital Gain Tax
In September 1985, the Hawke/Keating Government introduced a CGT, paid at the time the asset was resold, applying only to the inflation-adjusted capital gain. This arrangement was said to be complex, so the Howard Liberal National Government changed it in 1999, to remove indexation for inflation. Instead a discount was applied to the nominal capital gain, prior to the calculation of tax owed (at the taxpayer's marginal income tax rate).

Under the current arrangement that has prevailed since 1999, this CGT discount is 50% for individuals and 33% for superannuation funds (for assets held for more than 12 months). Assets acquired prior to 1985 are exempt from CGT.

Evidence presented by the Grattan Institute indicated that rental losses claimed by investors accelerated during the 2000s, following the Howard Government's change to CGT.

Now the ALP is proposing to halve the CGT discount to 25% for individuals for investments entered into from 1 January 2020. Since the capital gain would not be adjusted for inflation, it has been claimed some people would be paying the revised CGT, even if they made a capital loss in real terms (*Australian Financial Review*, 10 April 2019).

The 2016 Grattan Institute report recommended that negative gearing should be abolished and the CGT discount should be reduced to 25%, but it recommended the changes should be phased in over five years, to reduce price shocks. They expected a 2% fall in prices if this approach was followed.

The report said phasing in the changes would be better than grandfathering current arrangements, as this would "increase complexity, limit the additional tax collected for many years, and be unfair to new investors, especially younger ones". Grandfathering the current CGT discount would also tend to introduce an incentive for investors in existing properties to hold their properties for longer, reducing turnover in the market.

SQM Research Forecasts
SQM Research's recent report on the impact of the ALP policies examined various scenarios, some assuming a 50 basis point cut in the cash rate in late 2019/early 2020. They assumed the policy changes would be implemented from 1 July 2020 (not 1 January 2020, as subsequently announced by the ALP). Key forecasts over the three years to 2022, all assuming the interest rate cuts, include:

- Nationally, capital city weighted average dwelling rents would rise by 7%-12%;
- Brisbane and Perth would see the rental increases first, as their markets are closest to entering an undersupply situation. Perth rents could rise by 11%-17% and Brisbane's by 12%-19%;
- In Sydney, with its oversupplied rental market, the fall in building approvals is expected to see the rental market enter undersupply from 2021. Over the three years to 2022, its rents could rise by 3%-8%;
- Nationally, capital city weighted average dwelling prices could fall by an additional 4%-8%;
- In Sydney, the additional price fall could be 7%-12%, in Melbourne 8%-13%; with Brisbane experiencing a modest change of -3% to +2%;
- Dwelling prices would be likely to rise in advance of the policy commencement, as buyers purchase existing properties to grandfather the concessions. Beyond the implementation date, turnover of existing properties would fall. Stamp duty revenues would fall and job losses in the property and related industries would occur;
- There is a risk that construction activity would fall below underlying demand, contributing to shortages of rental properties and increased rents. This could have a significant impact on economic growth; and
- Within two to three years, the market would adjust to the loss of the concessions. However, there is a risk that those who purchase new properties could potentially see a loss on resale in the first three years of the property's life. This would be to compensate for the subsequent buyer not being eligible for the tax concessions.

(SQM Research, *Labor's Negative Gearing Policy – A Market Update,* 21 March 2019).

Even without the ALP policy changes, BIS Oxford Economics expects the downturn in construction activity nationally to last for two years and be more severe than in past downturns (due to the scale of the recent upswing in supply). They highlight the role of investors in the recent upturn and that the fall in investor activity is underpinning current price falls (ABC News, 19 March 2019 & *Australian Financial Review,* 11 April 2019).

Impacts of the ALP Policies
While the SQM Research forecasts specifically refer to losses by investors in new properties on resale, the projected additional price falls generally suggest that impacts would be felt more widely in the market. The overall size of the market could be smaller than over the five years up to 2017, with investors having a smaller pool of potential buyers on resale (although owner occupiers, including first home buyers, would benefit from more affordable prices).

SQM Research's Director, Louis Christopher has been quoted as saying the ALP policies would ultimately improve affordability, but that the changes should be phased in to avoid the expected economic shock, especially given the current softer economy (Charles & Stuart Real Estate March 2019 newsletter).

Another forecaster, NATSEM, has indicated that a policy shift of this significance "is likely to induce a strong behavioural response, changing the equilibrium in a range of markets". NATSEM says that without serious modelling, "it is not possible to draw a robust, evidence-based conclusion".

A report undertaken by Newgate Research for the PCA in January 2019 focused on the behavioural changes that might be anticipated as a result of the ALP policies.

An online survey was undertaken of 500 current property investors and 515 potential investors. Of the existing investors, 42% had purchased a new property in their most recent investment. Half of existing investors used negative gearing and 24% had previously used it.

Table 1 highlights some of the key findings of the Newgate Research report. It shows that both current and potential investors would be less likely to buy an investment property, should the ALP policies be implemented. **It shows some investors would be discouraged from investing in property of any sort. Those aged 55 years plus were most likely to be discouraged (55%), compared with those aged 18-34 years (42%).**

It is interesting that 46% of current investors said they would have increased the rent they charged their tenants, had the ALP policies been in place at the time of purchase. It should be noted landlords usually cannot raise rents at will. In Sydney, with its 3.7% vacancy in March 2019, landlords have been reducing rents (REI NSW).

In summary, the ALP policies could see younger people's chances of entering the property market improve. There are however expected to be widespread impacts, which would vary according to the market cycle in each city and other factors such as net migration.

Table 1 – Newgate Research for the PCA – Selected Findings

Scenario	**Current Investors**		**Potential Investors**	
% "probably" or "definitely" making the following investment decisions in the next 5 years	**If changes are not implemented**	**If ALP changes are implemented**	**If changes are not implemented**	**If ALP changes are implemented**
Buy an investment property of any sort	47%	25%	50%	20%
Buy a newly-built investment property	34%	27%	33%	24%
Buy an established investment property	39%	21%	42%	16%

Impact of ALP changes on future investment in property	**Current Investors**	**Potential Investors**
They discourage me from investing in property of any sort	58%	40%
They don't discourage me from investing in property overall, but make me reconsider the type of property I would invest in	35%	48%
They don't discourage me from investing in property of any sort	7%	12%
For current investors, action taken if ALP changes were already in place at time of purchase	**% "probably" or "definitely" would have**	**% "probably" or "definitely" wouldn't have**
I would have increased the rent I charged tenants for my property	46%	18%
I wouldn't have been prepared to pay the price I did	36%	26%
I would have invested in shares or something else instead	33%	30%
I would have bought a new property rather than an established one*	27%	38%

Source: Newgate Research for the PCA, *Investor Responses to Proposed Property Taxation Changes Community Research Report,* January 2019. * % of current investors who had purchased an established property

Gold Coast-Tweed Challenges - A Decade On

This article updates some aspects of a newsletter we published a decade ago, based on an analysis of eleven economic subregions. Most of the challenges for the Gold Coast-Tweed region identified then remain issues today. They include:

- Infrastructure spending not keeping up with high population growth;
- Retaining hospitality, sales and service workers living in the expensive coastal areas;
- Distributing jobs where the population lives to increase sustainability; and
- Continuing to diversify the regional economy. Despite jobs growth in excess of population growth, most jobs still service the residential and visitor populations.

Table 2 shows Estimated Resident Population for 2018 for the selected areas, subregions and regions.

It also shows population projections for the Gold Coast City areas to 2026, from the Queensland Government Statistician's Office (QGSO).

The 2018 medium series projection assumes net interstate migration to Queensland of 19,000 persons per annum from 2021/22. Recent data shows it reached 24,316 persons for the year ended September 2018, which is consistent with the high series projection assumption.

The table shows recent growth rates have been higher than the QGSO's medium series projections to 2026. The highest levels of increase have been in the northern corridor (57% of the City's average increase for 2016-2018). Expectations of a shift to infill development would have contributed to higher levels of average growth over the decade to 2026, notably along the Light Rail route and in the Nerang subregion.

Table 2 – Gold Coast-Tweed Subregions Population Growth & Projections

Area/Subregion/Region	2018 Population	Change pa 2016-2018	% Change pa 2016-2018	2026 Projected	Change pa 2016-2026	% Change pa 2016-2018
Yatala	26,183	+ 1,137	+ 4.6%	29,267	+ 536	+ 2.0%
Coomera	67,637	+ 6,132	+ 10.5%	103,099	+ 4,773	+ 6.4%
Oxenford-Helensvale	67,469	+ 1,657	+ 2.5%	80,764	+ 1,661	+ 2.3%
Nerang	63,539	+ 727	+ 1.2%	75,076	+ 1,300	+ 1.9%
Southport Area	102,483	+ 1,446	+ 1.4%	118,627	+ 1,904	+ 1.8%
Runaway Bay Area	39,805	+ 593	+ 1.5%	46,712	+ 809	+ 1.9%
Southport Subregion	142,288	+ 2,039	+ 1.5%	165,339	+ 2,713	+ 1.8%
Surfers Paradise-Broadbeach	56,894	+ 1,207	+ 2.2%	71,620	+ 1,714	+ 2.8%
Robina-Varsity Lakes	87,067	+ 1,707	+ 2.0%	93,989	+ 1,034	+ 1.2%
Burleigh Heads	31,445	+ 267	+ 0.9%	33,790	+ 288	+ 0.9%
Coolangatta	64,262	+ 861	+ 1.4%	70,401	+ 786	+ 1.2%
Gold Coast City	**606,774**	**+ 15,735**	**+ 2.7%**	**723,342**	**+ 14,804**	**+ 2.3%**
Tweed Heads-Pottsville	76,779	+ 1,016	+ 1.3%	-	-	-
Gold Coast-Tweed	683,553	+ 16,751	+ 2.5%	-	-	-
Australia	24,992,860	+ 400,976	+ 1.6%	28,372,315	+ 337,945	+ 1.3%

Source: ABS Cat No 3218.0, 31/8/18 & 27/3/19, Cat No 3222.0, 22/11/18 & QGSO Medium Series Projections 2018 pa = per annum
Subregions defined in terms of 2016 Statistical Area (SA) 2 areas: Yatala: Ormeau-Yatala, Jacobs Well-Alberton; Coomera: Upper Coomera-Willowvale, Pimpama, Coomera; Oxenford-Helensvale: Oxenford-Maudsland, Helensvale, Hope Island, Pacific Pines-Gaven; Nerang: Nerang-Mt Nathan, Highland Park, Carrara, Merrimac, Guanaba-Springbrook, Worongary-Tallai; Southport: Southport North, Southport South, Paradise Point-Hollywell, Runaway Bay, Coombabah, Biggera Waters, Labrador, Parkwood, Arundel, Molendinar, Ashmore, Benowa; Surfers Paradise-Broadbeach: Surfers Paradise, Bundall, Mermaid Beach-Broadbeach, Broadbeach Waters, Main Beach; Robina-Varsity Lakes: Robina, Varsity Lakes, Mermaid Waters, Clear Island Waters, Mudgeeraba-Bonogin, Reedy Creek-Andrews; Burleigh Heads: Burleigh Heads, Miami, Burleigh Waters; Coolangatta: Coolangatta, Currumbin-Tugun, Currumbin Waters, Currumbin Valley-Tallebudgera, Elanora, Palm Beach; Tweed Heads-Pottsville: Tweed Heads, Tweed Heads South, Banora Point, Terranora-North Tumbulgum, Kingscliff-Fingal Head, Pottsville.
For this review, Southport Subregion subdivided into the Runaway Bay Area with these SA2 areas: Paradise Point-Hollywell, Runaway Bay, Coombabah, Biggera Waters; with the Southport Area being the balance SA2 areas within the Subregion.
Note: directly comparable population projections for Tweed Heads-Pottsville not immediately available.

Table 3 – Gold Coast-Tweed Subregions Introductory Statistics Compared 2006-2016

Area/Subregion/Region	2016 % of Population*	Change 2006-2011*	Change 2011-2016*	% of Growth 2006-2016*	Population : Jobs 2006	Population : Jobs 2016	Median Age 2016
Yatala	4%	5,525	4,115	7%	1.6	1.2	34
Coomera	9%	15,756	17,762	25%	3.4	4.6	30
Oxenford-Helensvale	10%	12,530	6,890	15%	3.7	3.3	38
Nerang	9%	3,313	3,668	5%	3.5	3.3	40
Southport Area	15%	6,848	7,638	11%	1.7	1.7	37
Runaway Bay Area	6%	2,813	3,754	5%	4.1	3.7	43
Southport Subregion	21%	9,661	11,392	16%	2.3	2.0	41
Surfers Paradise-Broadbeach	8%	2,372	6,575	7%	1.9	1.4	39
Robina-Varsity Lakes	13%	7,677	5,897	10%	3.9	2.7	38
Burleigh Heads	5%	1,754	1,511	3%	2.0	1.7	41
Coolangatta	9%	1,937	3,418	4%	4.2	3.1	43
Gold Coast City	**88%**	**60,525**	**61,228**	**92%**	**2.7**	**2.3**	**39**
Tweed Heads-Pottsville	12%	5,164	5,472	8%	3.9	3.4	48
Gold Coast-Tweed	100%	65,689	66,700	100%	2.8	2.4	40
Australia	-	1,652,432	1,894,173	-	2.3	2.2	38

Source: ABS 2016 Census Time Series Profile & 2006 Basic Community Profile * Usual Resident Population note this is not the same as Estimated Resident Population which is adjusted for undercounting & for Australian residents temporarily overseas on Census night.

Table 3 compares some introductory statistics based on ABS Census data. The distribution of population from 2006 to 2016 was fairly consistent, but the northern corridor saw its share of of the population increase from 15% to 23%. The Coomera subregion accounted for 25% of the region's population growth from 2006 to 2016, accelerating from 2011 onwards.

The Surfers Paradise-Broadbeach subregion's share of the Gold Coast-Tweed population fell from 12% in 2006 to 8% in 2016, while Coolangatta's fell from 11% to 9%. This may partly reflect the difficulty in undertaking redevelopment in these coastal areas. Both subregions had low levels of absolute increase from 2006 to 2011, the period including the Global Financial Crisis and the significant oversupply of apartments in the three years following 2008.

This slower level of growth in these subregions is being addressed to some extent with the upsurge in development activity currently underway, for example with Palm Beach having the highest number of apartments under construction for decades.

Population : Jobs Ratio

The population growth in the Coomera subregion saw the ratio of population to jobs from 2006 to 2016 deteriorate to 4.6 persons per job. The opening of the Coomera Town Centre will have improved this situation. Nevertheless, it highlights the infrastructure challenge of enabling people to move around the corridor and to commute to jobs elsewhere. **Sharing the cost of Pacific Motorway upgrades is a longstanding political football. Capacity of commuter car parks and of Motorway intersections are hot button issues.**

Several areas saw ratios decline, reflecting job creation since 2006. While the Southport Area's ratio was stable at 1.7 persons per job, the Southport North SA2 area, including the Gold Coast University Hospital and the Gold Coast Central Business District, had a 2016 ratio of 0.6 persons per job (14,697 people and 24,156 jobs). This area had the highest number of jobs of the region's SA2 areas, followed by Ormeau-Yatala (18,438 jobs) and Robina (15,302 jobs).

Unemployment Rates

The small area jobs data from 2006 to 2016 is based on Census data. It shows that over the decade, the unemployment rate increased both nationally and in the Gold Coast-Tweed region. In 2006, the highest unemployment rate was 6.8% in Tweed Part A (now the Tweed Heads-Pottsville subregion, with slightly different boundaries). This compared with 5.4% for the overall region.

In 2016, the highest unemployment rate was in the Southport Area (8.7%), above the regional average of 7.0%.

A more recent source of unemployment data, the ABS Labour Force Survey, supports the national and regional trends observed in the Census data. The Gold Coast region had an unemployment rate in August 2006 of 4.0%, which rose to 5.4% in August 2016, falling to 4.6% in March 2019 (based on the original data averaged over the previous 12 months, to even out monthly volatility). The Richmond-Tweed region's unemployment rate was stable at 6.7% in 2006 and 2016, falling to 4.0% in March 2019.

These recent low unemployment rates are consistent with the national trend series, which fell from 5.6% in August 2016 to 5.0% in March 2019, despite the participation rate increasing by eight basis points. The local regions also saw small increases in their participation rates.

Gold Coast-Tweed's favourable employment situation is similar to Greater Sydney (an unemployment rate of 4.2%), but the rates for Queensland and Greater Brisbane were higher in March 2019 (6.1% and 6.2%).

Job Containment

The job containment ratio compares the number of jobs with the number of employed persons in the local area. Graph 1 compares 2006 and 2016, showing that the Gold Coast-Tweed region improved this self-containment ratio over the decade. In 2016, it had 0.9 jobs for every resident employed, just below the national benchmark of 1.0.

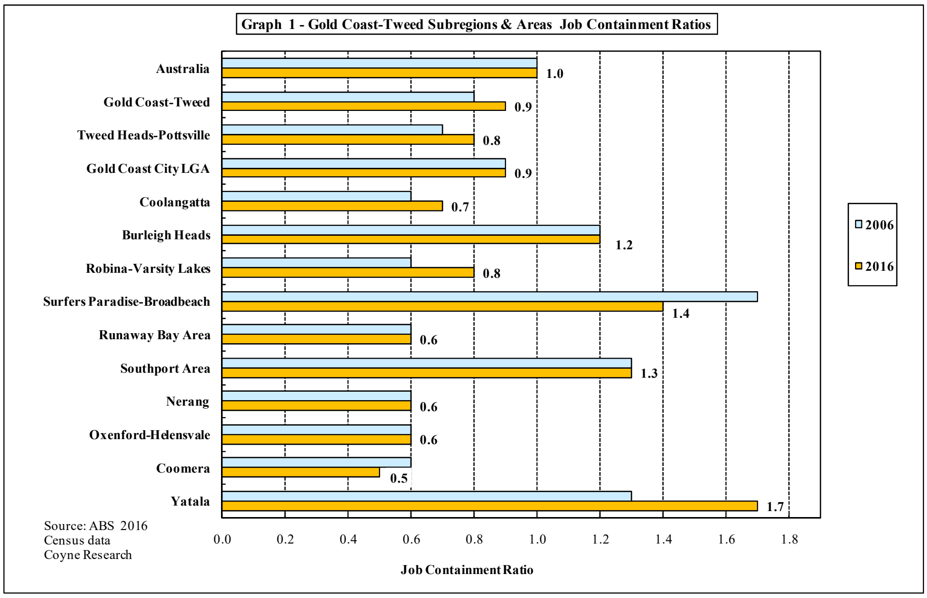
Most of the predominantly residential subregions, in the northern and western corridors, had low job containment ratios of around 0.6. Robina-Varsity Lakes saw an improvement over the decade from 0.6 to 0.8 jobs for every resident employed.

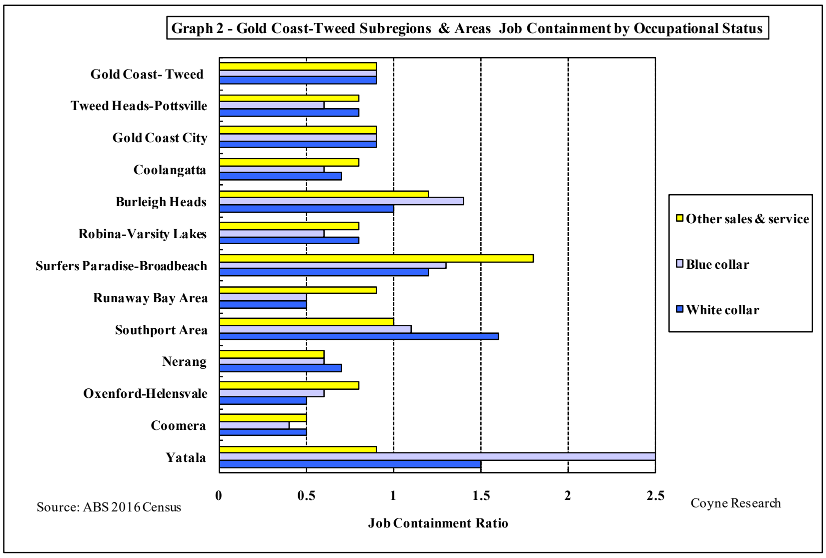
The largely industrial Yatala subregion increased its job containment over the decade from 1.3 to 1.7 jobs. Its number of jobs more than doubled over the decade. Graph 2 on the next page shows its 2016 job containment ratio for blue collar workers was 2.5 jobs, up from 1.8 jobs in 2006.

Surfers Paradise-Broadbeach saw its job containment ratio decline from 1.7 to 1.4 jobs over the decade. Its share of the region's jobs fell from 17.2% in 2006 to 13.8% in 2016. Graph 2 shows that its job containment ratio for those employed in other sales and service occupations in 2016 was 1.8 jobs. This was down from 2.2 jobs in 2006.

This trend is consistent with the challenge identified in our 2009 newsletter, namely that of retaining a pool of hospitality, sales and service workers in this expensive coastal area.

As at the March Quarter 2019, the median weekly rent in the Surfers Paradise postcode area was $350 for one bedroom units and $475 for two bedroom units (Residential Tenancies Authority).





With the emergence of the Parklands precinct at Southport as a jobs hub, the Southport North SA2 area had high job containment ratios for white collar workers: 7.9 for professionals, 6.1 for clerical and administrative workers and 3.8 for managers. This is likely to be enhanced over time, with the development of the GCHKP (refer to our newsletter of November 2018).

It is desirable for employees to have relevant jobs in close proximity to their place of residence. The Gold Coast-Tweed's multi-nodal urban structure tends to aid this aspiration. The job containment ratios show there is more to be done in improving the distribution of jobs, especially in the western corridor from Pimpama to Nerang.

Sustainability

Journey to work methods also reveal progress on sustainability. By 2016, Surfers Paradise-Broadbeach had improved its proportion of workers using environmentally friendly methods to 25.5%, up from 22.5% of employees in 2006. The national proportion in 2016 was 21.7%. The Gold Coast-Tweed region, at 13.2%, was only slightly improved from 2006.

The Yatala subregion declined slightly to 10.8%, with areas from Pimpama to Nerang also low, at around 10%. This reflects the relatively low density character of these areas, making it more difficult to provide public transport. It is acknowledged that use of public transport would have improved in some of these areas since 2016.

The most recent Translink statistics on tram patronage showed a 33% uplift in patronage in the September Quarter 2018, compared with the same quarter in 2017. This followed the extension to Helensvale. Over 10 million passengers are expected to use the Light Rail this year. (Sustainable methods defined to include using at least one form of public transport, cycling and walking to work and working from home.)

Specialisation

The Location Quotient (LQ) measures the extent to which an area achieves a level of specialisation equal to or greater than the national average. A score of 1.0 indicates the local industry produces "just sufficient to satisfy local demand" (Planning Institute of Australia). A score of 2.0 or more suggests a high level of specialisation in the subsector, which creates positive economic activity, engaged in exporting to areas beyond the local community.

Table 4 on the next page shows only those subregions and subsectors that achieved an LQ of 2.0 or more. The region's economy has diversified since 2016, so that neither the Gold Coast-Tweed nor Gold Coast City had LQs >2.0 in 2016 for any sector (in 2006, both areas had LQs of just over 2.0 for rental, hiring and real estate services and around 2.3 for arts and recreation services).

The degree of specialisation for arts and recreation services at a subregional level was less intense than in 2006 (a range of 5.3 to 7.3).

Table 4 – Gold Coast-Tweed Subregions by Industry Type: Subsectors with an LQ of 2.0 Plus

Subregion	Manufacturing	Construction	Wholesale Trade	Accommodation & Food Services	Information, Media & Telecommunications	Rental, Hiring & Real Estate Services	Education & Training	Arts & Recreation Services
Yatala	3.620	2.368	2.323	-	-	-	-	-
Coomera	-	-	-	-	-	-	2.046	4.464
Oxenford-Helensvale	-	-	-	-	2.525	-	-	4.231
Surfers Paradise-Broadbeach	-	-	-	3.774	-	3.256	-	4.963
Robina-Varsity Lakes	-	-	-	-	2.059	-	-	-
Coolangatta	-	-	-	2.002	-	-	-	-

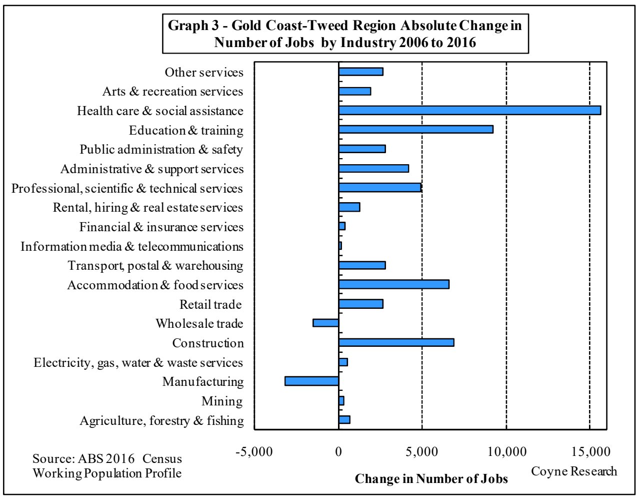
Source: ABS 2016 Census Working Population Profile

In the Coomera subregion, education and training replaced manufacturing – this no doubt reflects the number of new schools.

Some individual SA2 areas had notable LQs in some sectors, for example, Oxenford-Maudsland: 13.2 for arts and recreation and 7.2 for information, media and telecommunications; and Surfers Paradise: 5.5 for accommodation and food services and 3.5 for rental, hiring and real estate services. Both Paradise Point-Hollywell (6.1) and Hope Island (4.1) also scored well in the sector including real estate services. The highest score for heath care and social assistance was at Benowa (3.6). Yatala and Molendinar scored 3.7 for manufacturing, above Coomera (3.4).

Job Creation by Industry Sector

One of the challenges raised in 2009, where the Gold Coast-Tweed region has perhaps exceeded expectations, is job creation. From 2006 to 2016, around 69,000 jobs were created, bringing the total to 257,196 jobs in 2016. Jobs growth averaged 3.2% per annum, in excess of population growth of 2.4% per annum (based on the usual resident population). It is considered that the boost given to the economy by preparations for the Commonwealth Games in 2018 would have contributed to this activity. However, most jobs are still servicing the residential and visitor populations.



Graph 3 shows the absolute change in the number of jobs by industry sector. Most sectors saw annual growth rates of 2.5% to 3.5%, but higher rates were recorded for health care and social assistance (6.1% per annum), education and training (5.5%), administrative and support services (5.4%) and professional, scientific and technical services (4.0%).

Manufacturing declined from 10% of identified industry jobs in 2006 to 6% in 2016. Retail trade fell from 17% of jobs to 13%, although jobs would have been added in this sector since 2016, as a result of new and expanded shopping centres opening.

It is considered that further diversifying the regional economy remains a challenge.