

# Property

## GOLD COAST LACKS LUSTRE

The financial crisis has hit hard and property values may take years to recover. **Report: Michelle Singer**

● Investment property in a city such as the Gold Coast used to be sold on building, apartment type, level, amenities and outlook and the rest would take care of itself.

Consecutive annual price growth, sky-high sales volumes and multiple cranes dotting the skyline was proof enough that the Gold Coast's property market was on the up and up and its reputation alone lured more than a few speculators during the process.

The fast-paced lifestyles of brash entrepreneurs with their luxury cars, waterfront homes and top-of-the-range yachts also exemplified the fortunes that could be made, and rarely lost, if you invested in a place such as the Gold Coast.

But the risk of investing in a city driven by limited economic activity, in the Gold Coast's case construction and tourism, has only been highlighted by the slowdown as a result of the global financial crisis.

While Gold Coast researcher Colleen Coyne is optimistic about the Gold Coast's medium-term future, she says all property investments, regardless of the market, should be for the long term.

"The market is cyclical," she says. "You need to be prepared to hold property for seven to 10 years and if you buy at the top of the cycle you need to be prepared to sell at the next peak."

For lifestyle markets in particular, cycles can be as long as a decade, as was the case in the 1990s.

But Coyne already sees strength in a diversified Gold Coast economy and views it above and beyond similar sized coastal areas because of its access and proximity to Brisbane.



**Boom to gloom:** There are fewer cranes in the skies above Surfers Paradise

"One of the largest growth areas is health jobs," she says. "We have hospitals, four universities, a large sports industry and the marine sector, despite its difficulties, is a large driver of jobs."

For some investors it may be too late, with the pain of the past four years unlikely to go away any time soon.

Prices have fallen up to 50 per cent from their peak and sales volumes are 60 per cent down, with \$2 billion worth of receiver stock to take up to five years to be sold.

RP Data senior analyst Tim Lawless says even as activity in Queensland increases, markets such as Cairns, the Whitsundays and the Gold and Sunshine coasts won't be so quick to turn.

"These markets are more dependent on investors and lifestyle buyers once again becoming active, a trend we are yet to see a sign of," he says.

BIS Shrapnel senior residential economist Angie Zigomanis says the lifestyle areas were prone to booms and busts because of small markets and a tendency to overbuild as a result of speculative activity.

"The flipside is when the market is oversupplied, it remains weak for a while

When the market is oversupplied, negative perception can remain for such a period that economic recovery takes longer

**BIS Shrapnel economist Angie Zigomanis**

and negative perception can remain for such a period that economic recovery takes longer," he says.

In the few years before the financial crisis, Gold Coast prices increased at a rate of more than 20 per cent a year. Colliers International figures show billions of dollars worth of units were approved for construction. In turn, this brought jobs and new residents and delivered a buoyant economy.

"A construction boom can become a peak on itself but it overshoots once the merry-go-round stops," Zigomanis says.

"We expect Gold Coast prices over the next five years to be flat or slightly below where they are now because of the weak market and oversupply of units."

For some stalwarts such as Gold Coast real estate agent Andrew Bell, stock levels are well down and any shortage is likely to stimulate growth sooner rather than later.

The quarterly *Midwood Report* shows 618 new apartments were on the market at the end of August 2011 compared with double that figure in 2009.

Bell, principal at Ray White Surfers Paradise, says it leaves only two years worth of supply on the Gold Coast, with a potential for less if savvy investors start picking off heavily discounted mortgagee stock.

"While transaction numbers aren't setting any records, they have consistently eaten away at the available stock and buyers are now facing an incredible shortage of choice," he says.

"Many observers have failed to recognise that we now have virtually no range of choice in new apartment stock and what remains is concentrated in just a couple of developments."

Coyne agrees that the oversupply of stock will be whittled down over the next couple of years and a lack of funding for new projects will bring the market back into balance.

"The astute people are out there looking for properties that are returning a reasonable income that they feel confident will catch the next wave up," Coyne says. **BRW**