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# NEWSLETTER

## QUEENSLAND - GOLD COAST

### SEPTEMBER 1989

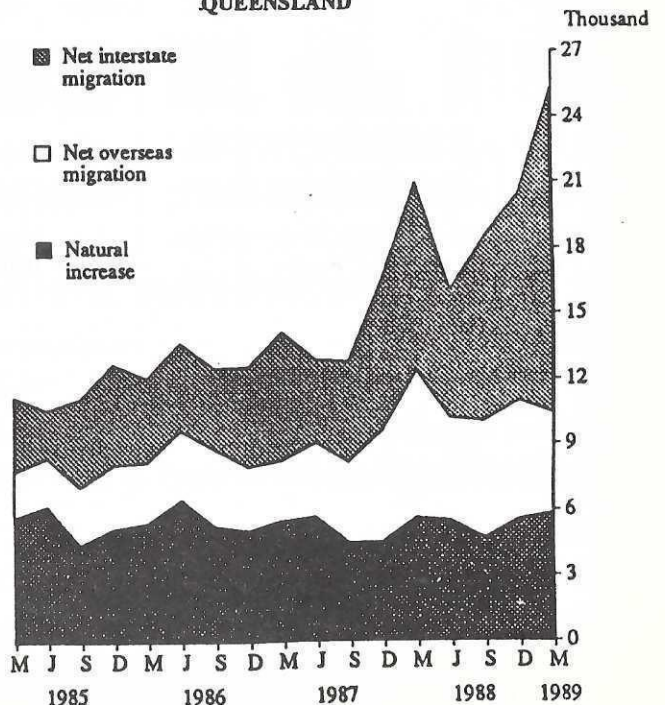
This report reviews various statistics and opinions in respect of Queensland as one of Australia's most desirable states to live. It specifically highlights the emergence of the Gold Coast region as a city in its own right.

Comments in this report are drawn from a number of sources, including PRD Realty's own Research Division, Rider Hunt's Queensland Development Report and Herron Todd White Valuers Property Reports. In this issue we have also taken comments from the UDIA Conference's keynote address by P. K. Ruthven of the IBIS Group.

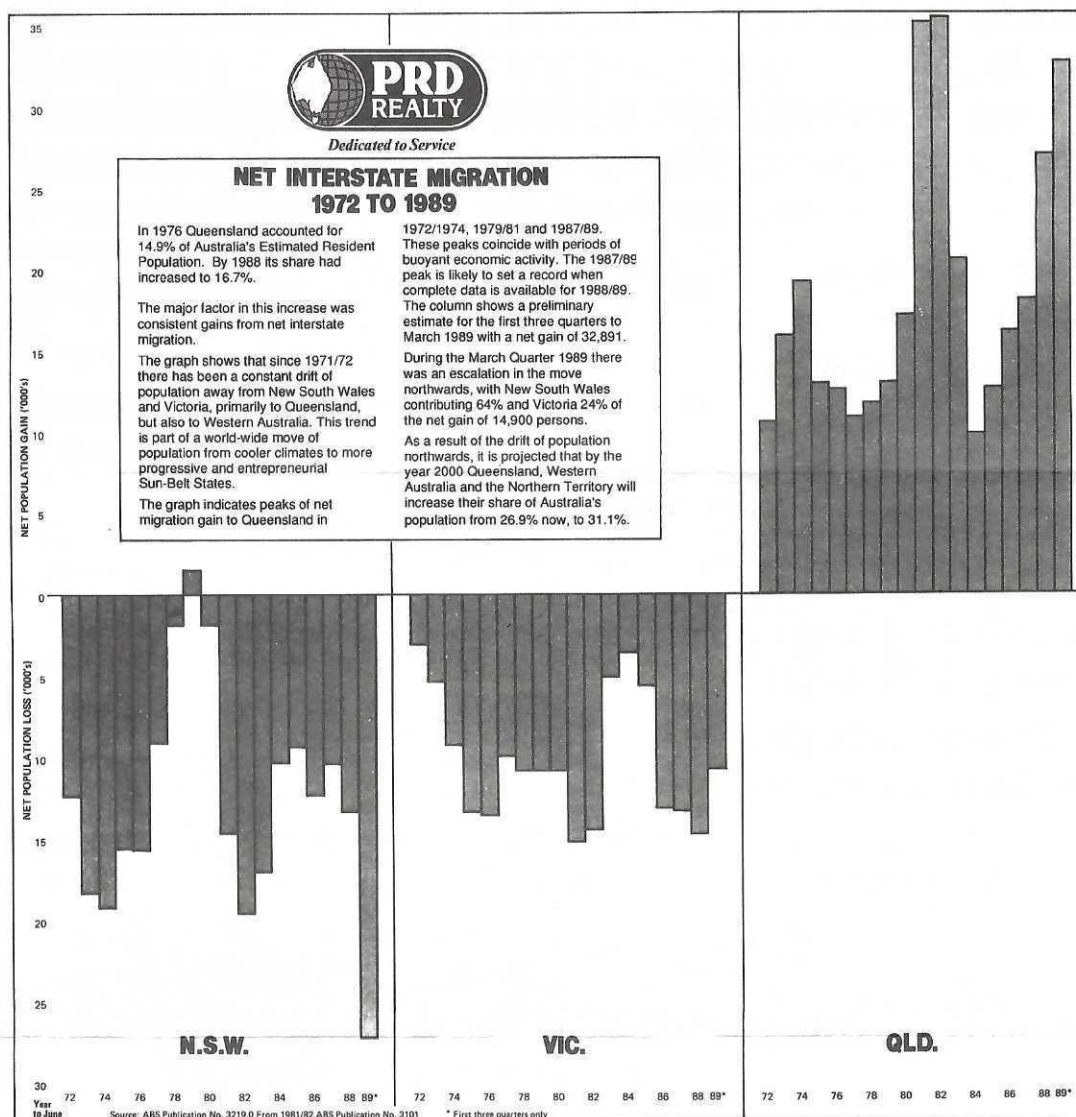
#### QUEENSLAND - GROWTH STATE

Recent statistics show that Queensland has been experiencing record growth rates. The graph, prepared by Rider Hunt, shows the relative proportions attributable to natural increase, net overseas migration and net interstate migration.

**COMPONENTS OF POPULATION INCREASE, QUEENSLAND**



Interstate migration continues to be the most significant component of Queensland's growth. The graphs below show Queensland's consistent gains from net migration, at the expense of New South Wales and Victoria, over a seventeen-year period. The move northwards is part of a world-wide trend of people moving from cooler climates to more progressive and entrepreneurial Sun-Belt regions such as Southern California and Sophia Antipolis in Southern France.



The graph indicates peaks of net migration gain to Queensland in 1972/74, 1979/81 and 1987/89. These peaks coincide with periods of buoyant economic activity. The 1987/89 peak is likely to set a record when complete data is available for 1988/89. The column shows a preliminary estimate for the first three quarters to March 1989, with a net gain of 32,891.

#### **IMPACTS UPON DWELLING DEMAND**

The following extracts are from Phil Ruthven's paper to the UDIA Conference on 26th August 1989:

1988/89 represented a record year for Queensland - with some 38,500 dwelling units being constructed. Indeed, the last two years have seen an enormous recovery from the general decline in housing from 1984/85, and in other dwellings (ie home units) from 1981/82.

Queensland, in the Year 2000, will still be building over a quarter of the dwellings in Australia compared with its then population share of around 19% - signifying its faster population growth and its strong grip on tourism.

(IBIS predicts) average Queensland growth rates in total dwelling construction of 3.1% per annum to 1995, and 6.1% per annum for the second half of the nineties. This compares with 2.6% per annum and 4.2% per annum respectively for Australia at large.

#### **THE CURRENT CYCLIC DOWNTURN**

The high interest rate climate is clearly affecting Australian property markets, and both the tourism and retail sectors are also experiencing a downturn. It is worthwhile pausing to examine the reasons for the downturn, and the prospects for recovery, particularly in the Gold Coast region.

#### **PROPERTY**

On the property market, Herron Todd White's July 1989 Newsletter said:

The short to medium term prospects for the property market are totally dependent on future interest rate movements, the performance of the Australian economy, and the level of business and consumer confidence.

The long term prospects for the property market are good with population growth, fuelled by high levels of immigration, producing a good level of underlying demand for residential property. Continued overseas investment and financial deregulation will provide a basis for a strong recovery across the board.

The confidence international investors are demonstrating in the Gold Coast region, together with the stock shortage situation in most sectors of the market, particularly residential, will ensure that the Gold Coast will be among the areas best placed to lead the recovery of property markets in Australia.

#### **EXCELLENT FUTURE PROSPECTS**

In spite of the difficulties being experienced by some in the short term, for the Gold Coast, future prospects are excellent.

The attached Map of Committed and Proposed Development in the Gold Coast region shows more than \$18 billion worth of investment. This is up from \$13 billion identified in October 1988. Whilst Residential Resort/Tourist Projects account for the lion's share of projects, with \$9.63 billion, there have been notable increases in the Commercial Projects and Infrastructure Works sectors.

#### **MAJOR BUSINESS RELOCATIONS**

The increase in Commercial projects is partly a response by the development industry to an acute shortage of office space experienced in 1988/89, as a result of new companies relocating to the region (eg Brisbane professional groups, interstate and overseas companies). Of more significance is the emergence of international 'hi-tech' relocations such as Digital Equipment Corporation's \$100 million Networking and Communications facility being constructed at Bond University's Research Park.

The Robina Regional Business Centre to be developed progressively over the next ten years will also attract major corporate relocations. It will be

directly associated with the Brisbane to Robina Rail Terminus and Robina State Government Hospital planned to be in place by 1995. The Brisbane rail link will create further opportunities for growth in the Gold Coast region, since residents will be able to commute more easily to Brisbane with its more extensive employment base.

The diversification of the Gold Coast's own employment base away from dependence upon domestic tourism is a sign that the region has entered a new era. We will be less vulnerable to the cyclic downturns in this new era.

#### **RESIDENTIAL MARKETS UNDER-SUPPLIED**

Whilst the current downturn has seen the dropping of prices in some areas of the established housing market, prices have dropped little for prestige housing (being underwritten by overseas residents relocating here); vacant land (in short supply); and high rise units.

*Rider Hunt makes the following comment on the market:*

(The volume of) Land sales are also down and there are approximately 1,400 original developer lots available at this time (July 1989). Some 2,800 will be needed in the next year to meet the reduced level of activity we are predicting in the housing market. The production of housing land has been carefully balanced to meet the level of demand in recent years. Prices are unchanged.

Dwelling approvals and commencements indicate there is no oversupply and there will be no disastrous slump following the slow down. It is interesting to note how the current downturn differs from the slump of 1982. On this occasion there has been strong demand by end users until interest rates finally priced them out of the market. They will return as soon as interest rates fall, which forecasters seem to think will be in early 1990.

High interest rates have finally caught up with the High Rise Unit Market, and sales have slowed markedly in the past Quarter. There is however no cause for concern as with 700 units currently available the

market is not over-supplied. In some segments it is in fact under-supplied.

This represents just over one year's supply at take-up rates for new high rise stock over the last two-year period. Much new stock is not due for completion for two years.

Best performers during the past Quarter were Grand Mariner at Paradise Waters and Burleigh Surf at Burleigh Heads. Two buildings were fully sold out - Pintari at Main Beach and Westwater, inland from Broadbeach. The Inlet at Main Beach was the only new building introduced - it comprises 92 large permanent residential two-plus bedrooms with extensive facilities at remarkably competitive prices.

There are now just under 1,000 high rise units under construction with 3,600 at the peak of the boom in 1981. Buildings where settlements were completed recently have seen negligible fall-overs further emphasising the difference between the speculative boom of 1981 and the strong demand growth of recent years.

#### **NEW ZEALANDERS**

Kiwis have traditionally constituted a significant proportion of the market, and once their own economy emerges from the doldrums, they are expected to become very active again. New legislation exempts New Zealanders from the requirement to obtain FIRB approval for any residential purchase. They do however, still need to seek approval for non-residential purchases.

Should you require further information, please write or telephone PRD Realty.

Yours sincerely,



J. W. Barrie Devenport,  
General Manager.