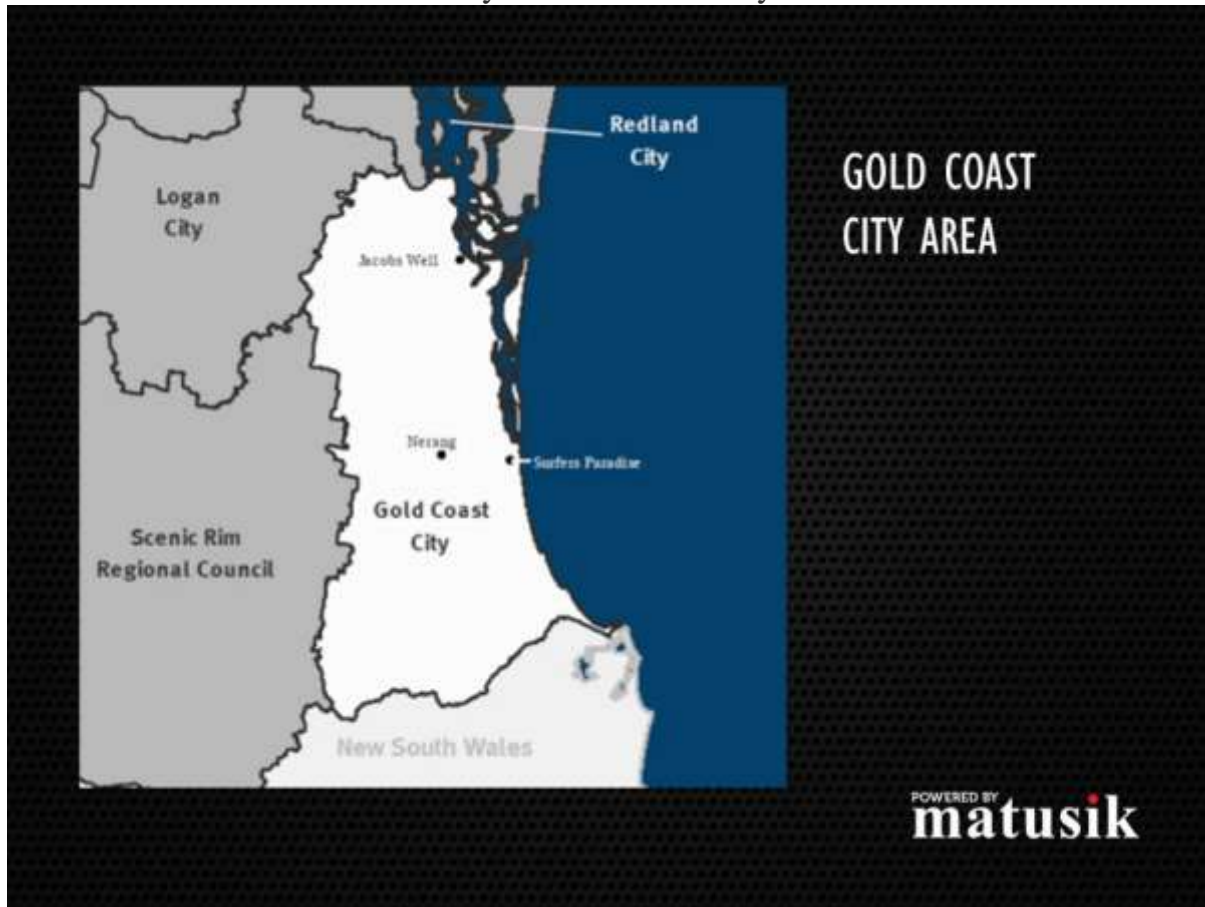


24 JULY 2014

Now looks like a good time to buy a Gold Coast investment



The Gold Coast market has finally entered a recovery.



This recovery started in earnest this year. It followed a market correction and long stagnation period. This ‘reset and rest’ was needed, as the Gold Coast had overheated in terms of price and even rents in the mid-to-late 2000s. Property values on the Gold Coast appreciated in the order of 165% between 2001 and 2008.

WHAT NEXT?

This time around, values are expected to lift, but mildly in comparison. Potentially, house values could rise by another 9% and attached property values by as much as 11%. This takes into account the current low interest rate setting.

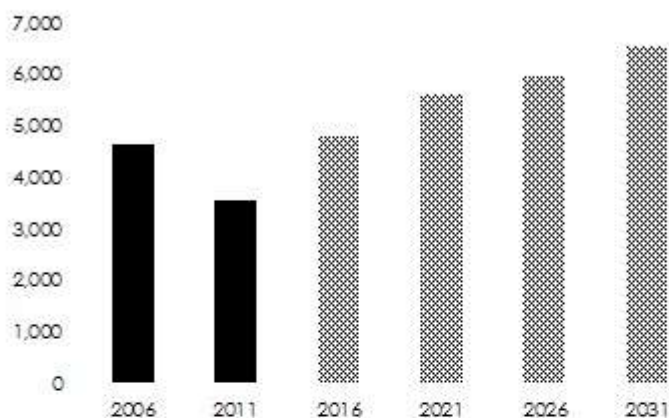
The Gold Coast’s current recovery and pending upturn is likely to be short in duration this cycle, with the market peaking in early 2016, depending on interest rate movements, local employment trends and dwelling supply.

DEMAND

One of the driving factors behind the Gold Coast property market and overall economy is its population growth. The already high rate of population growth is expected to accelerate in the future. Much of this growth is imported, from interstate and overseas.

UNDERLYING DEMAND

GOLD COAST FUTURE UNDERLYING DEMAND



Annual demand for new housing; five year intervals, based on Queensland state government medium population projection series.

KEY FACTS:

- ★ The Gold Coast is experiencing a lift in underlying demand
- ★ The need to build more new dwellings on the Gold Coast is expected to accelerate into the future
- ★ Over the last ten years (2001 to 2011), there was a need to build 4,100 new dwellings each year. During the next decade (2011 to 2021) this underlying demand is expected to lift to 5,225 per annum
- ★ Our modelling suggests (each year between now & 2021) the need for:
 - **3,100 new owner-resident based homes**
 - **2,125 new rental properties**

COMMENTS:

- ★ Our underlying demand outlook is based around the projected size of the location's housing-related market segments; the tenure distribution within each segment & the average household size by market segment.

The Gold Coast also has a relatively young demographic profile, with the strongest demand over the next 10 years coming from young renters and first home buyers.

This will see the need for more affordable property. This will likely fuel the need more townhouses plus one and two-bedroom apartments in low-to-midrise developments, mostly, away from the beach.

The size of the downsizing market is also quite large and this market, too, is looking towards smaller dwellings, but at affordable prices and in their local area.

Again, the key message here is affordable dwellings. On average, Gold Coast households have limited income. Increasingly detached housing is priced out of the majority's reach.

WHAT TO BUY

Investors should look to buy property priced largely under \$400,000 for second-hand stock; under \$500,000 for new apartments and house and land. Property at these price points should be met with strong rental demand and should attract owner-resident buyer interest at presale.

Another big plus to the Gold Coast property cycle this time around is the undersupply of new stock and also the very tight local rental market.

Despite all the hoop-la about the Commonwealth Games, employment growth on the Gold Coast – or the general lack of it – remains a drag on the local economy and dwelling price growth.

Whilst speaking about jobs, investors should look to buy property in or within close proximity to the Gold Coast's major employment nodes. These include Robina/Varsity Lakes and Southport/Benowa.

MOVING FORWARD

With already over 500,000 permanent residents; strong population growth, a young demographic profile and tight supply (at present), the Gold Coast property market is in its best shape for almost a decade.

We stress that the Gold Coast property play moving forward is more about jobs and buying what I call "capital city stock" rather than the traditional lifestyle coastal property. So beachfront, top-end, luxury homes or apartments might not make the best investment on the Gold Coast for the next cycle or two – the underlying demographics don't really support such.

Our modelling suggests a growing need for more residential construction on the Gold Coast and this will further help increase employment. The city has a very strong future Property Pulse™ suggesting a growing demand for property in the region. We

stress, however, that until jobs and incomes improve on the Gold Coast, price growth, despite rising demand, will be constrained.

FINAL WORD

Now looks like a good time to buy a Gold Coast investment. Prices should increase over the next 12 to 24 months. Rents are rising. But investors need to buy affordable, mainstream rental property, not lifestyle-orientated stock.