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## Sunshine Coast recovery has been a long time coming



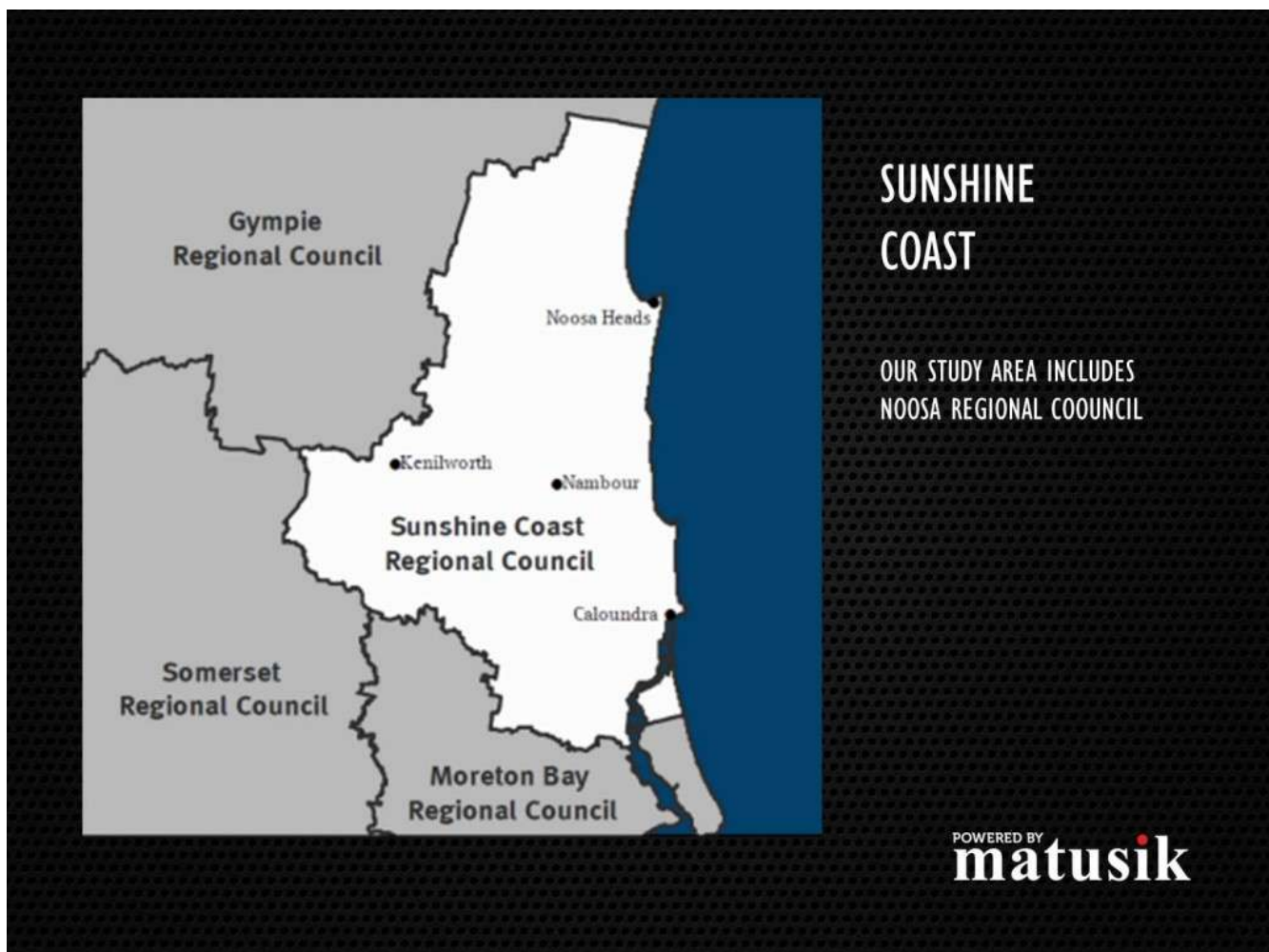
The Sunshine Coast market has finally entered a recovery.

It has been a long time coming. The Sunshine Coast, unlike other markets across south-east Queensland during the previous market upturn, didn't necessarily overheat property value-wise; but instead, it was more hit by a collapse in tourism and retail spending, plus new residential development.

These three industry types were, historically, some of the major employers on the Sunshine Coast. The Sunshine Coast, up until recent years, has suffered from a lack of 'employment depth'.

### GAME CHANGER

However, the new infrastructure being delivered around the Kawana area – namely the hospital and associated uses – is a game changer adding employment strength to the Sunshine Coast, whilst also helping to reduce the cyclical nature of its employment.



Today, close to 165,000 people are employed on the Sunshine Coast. Over the past twelve months, 14,000 new jobs were created on the coast. A total of 32,000 new jobs are expected in the Kawana area on infrastructure and housing build-out. In 2001, unemployment on the Sunshine Coast was over 11%. Today, it is less than the Queensland average.

The Sunshine Coast, in short, is creating new jobs and with this essential change comes an increase in population growth, a rise in dwelling starts, more sales, a lift in rents and a return to price growth. Some large increases in dwelling prices are expected.

## PRICE GROWTH AND DEMAND

Our borrowing capacity analysis suggest that once interest rates normalise (increase) in coming years, dwelling appreciation on the Sunshine Coast will slowdown, but end prices are unlikely to drop unless variable mortgage rates rise over 7%.

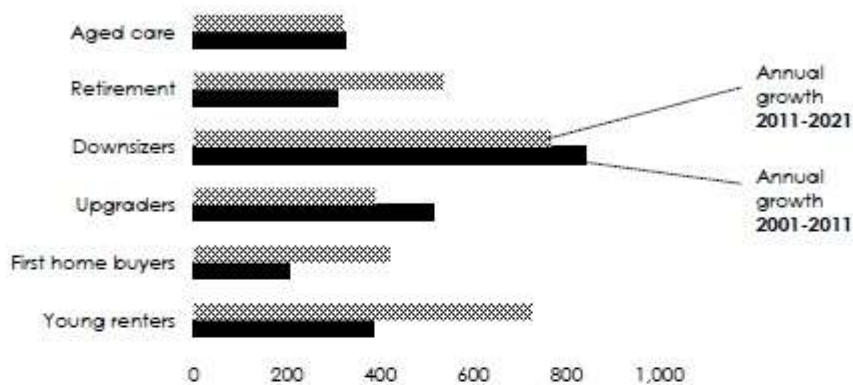
Another big plus to the Sunshine Coast property cycle this time around is the undersupply of new stock and also the very tight local rental market. The supply of property for rent is extremely tight.

The Sunshine Coast now has – and this might surprise many – a relatively young demographic profile. Whilst it does have a growing retirement and age-care related

market, these two buying segments are quite small when compared to the size and growth expected in the young renter and first home buyer markets. Furthermore, the downsizing market is expected to contract in size and impact over the next 10 years.

## HOUSING DEMAND

### SUNSHINE COAST MARKET SEGMENT HOUSING DEMAND PROJECTIONS



Queensland state government medium population projection series:  
 young renters – 18 to 29 ; first home buyers 30 to 44; upgraders 45 to 59; downsizers 60 to 74;  
 retirement 75 to 84 & aged care over 85 years.

#### KEY FACTS:

- ★ Our modelling suggests the annual new housing need & market share for the Sunshine Coast's housing-related market segments over the next decade (2011 to 2021) are:

▪ Young renters	750 pa	24%
▪ First home buyers	425 pa	13%
▪ Upgraders	400 pa	12%
▪ Downsizers	750 pa	24%
▪ Retirement	550 pa	17%
▪ Aged care	325 pa	10%
▪ <b>Overall</b>	<b>3,200 pa</b>	<b>100%</b>

These demographic shifts will see the need for more affordable property and more accommodation for a young rental market. This will fuel the need for more one and two-bedroom apartments.

## PRICE POINTS

The key thing here is affordability. Investors should look to buy property priced largely under \$400,000 for second-hand stock, under \$500,000 for new apartments and under \$600,000 for new house and land. At these price points, property should be met with consistent rental demand and attract owner-resident buyers on resale.

The Sunshine Coast property play moving forward is more about jobs and buying what I call “capital city stock”, rather than lifestyle coastal property. So beachfront, top-end, luxury homes might not make the best investment on the Sunshine 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 Sunshine Coast; this will further help increase employment. Yet in contrast, given the polarisation of the demographics – young markets and older ones – our Property Pulse™ reading suggests that the Sunshine Coast’s net housing demand will settle back (at a high level) in coming years.