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An independent profile of your suburb

Tweed coast

We recently gave a presentation at the launch of the Southbeach Beachside at Salt. Salt is a master planned beachside community situated in Tweed Shire on the northern NSW coast. Our presentation, which is summarised below, outlined why demand should exceed supply across Tweed Shire (and most of northern NSW) in the years to come. We anticipate significant price rises as a result and told the audience to expect developers of new product to lift prices markedly in the lead up to the opening of the Tugun Bypass in mid-2008.

Queensland

We always start our presentations off on a wide scale, and whilst the focus was on northern NSW and the Tweed Coast, we believe the Queensland market (and not a Sydney-centric NSW) has more bearing on what happens across the Tweed Coast. So let's summarise what is happening in Queensland from a residential point of view:

- Population growth is strong at around 78,000 per annum or 1,500 per week;
- 95,000 full-time jobs were created across the state last year, which is nearly half of the Australian total;
- Whilst there were 38,000 new housing starts last year the residential market is about 10% undersupplied;
- The existing vacancy rate is under 2% and falling, resulting in long-term rents rising by between 10% and 12% per annum;
- Investor demand is up 25% whilst demand from owner-residents has lifted 19% over the last twelve months, and
- The price of generic second hand residential product is currently rising by between 7% and 10% per annum.

In short, the Queensland residential market has strong growth fundamentals. And the Gold Coast/Tweed area is expected to accommodate a significant proportion of this growth in years to come.

Gold Coast/Tweed

The Gold Coast is the fastest growing municipality in Australia and is the largest city outside of the Australian capitals. The Gold Coast grows by around 13,000 new residents each year and today holds 525,000 permanent residents.

The Gold Coast/Tweed region is expected to reach 800,000 permanent residents within the next 25 years. To accommodate this growth, an additional 227,000 new dwellings will be needed, which will double the amount of accommodation currently in the region. This equates to 100 new dwellings per week. In addition to population growth, 4.4 million visitors stayed on the Gold Coast/Tweed last year, whilst another 5.8 million took day trips to the region. The Gold Coast/Tweed currently enjoys a 4.3% unemployment rate.

As at late last year, there was just under \$50 billion worth of new infrastructure and development (either underway or in the planning stages) across the Gold Coast/Tweed. In terms of new infrastructure, there are two projects which are likely to have a major positive impact on northern NSW in the near future.

Tugun Bypass & airport upgrade

The construction of the \$550 million Tugun Bypass is well underway. The seven kilometre route will separate local traffic from tourist and most heavy vehicle traffic. It will also reduce congestion, travel times and air pollution along the existing highway, as well as provide opportunities for improved public transport. All work is expected to be finished by mid-2008.

We have undertaken several studies into the impact of major transport routes on development activity and asset growth. In summary, these studies have found that with improved transport access:

- Population growth increased on average by 30%;
- Daytrip activity increased between 10% and 15%, depending on the attractions within the area of focus;
- Residential sales rates rose by between 150% and 175%, and site values rose by between 110% and 120%;
- The demographic age profile declined, with younger people moving into the area;
- A wider range of residential product was delivered, with a marked increase in more medium density development, and
- Non-residential development, and in particular new retail space, was fast tracked.

Work has also just been completed on extending the Gold Coast Airport runway, which will allow larger aircraft to take off and land; thus opening up direct flights to Japan and the USA. The Gold Coast Airport has experienced continued



passenger traffic growth with total passengers reaching 3.5 million during 2006 – an 11.5% increase over the previous year.

Demand is set to rise because of the new infrastructure being delivered, plus (and importantly) northern NSW has a reliable source of potable water, though supply is being curtailed.

Far North Coast Regional Strategy

In December last year the NSW government released its Far North Coast Regional Strategy, which effectively places a population cap over six municipalities, including Tweed Shire.

This new strategy document wants to see just 19,100 new dwellings developed across Tweed Shire between 2006 and 2031. This equates to just 765 new dwellings per year. However, the annual supply of new dwellings across Tweed Shire was 880 on average over the last five years. If the last five years' demand rate continues, then against the new strategy plan, the short fall will be 13%.

But our modelling suggests that once the Tugun Bypass is complete, annual dwelling demand across Tweed Shire could be 1,200 per annum – a 36% shortfall against the regional strategy target. In summary, the end result is either the strategy will change or prices will rise – and considerably. The latter is the more likely outcome!

Waterfront values

Our studies have found that living next to salt water and being well serviced by transport infrastructure are two major drivers behind exceptional price growth. Another big driver of price is mixed-use. A mixture of land use in an area is preferred today over single-use suburbs. Places like *Salt* have all three ingredients.

An analysis of vacant land sales across south east Queensland, in close proximity to the beach, has found that waterfront values have risen by 16.9% per annum since 1981 to date. Vacant land a few streets back from the water's edge (defined as a waterside property) has also experienced substantial growth, lifting by 12.7% per annum over the same time period.

A closer analysis of more recent sales, and this time between 2004 and 2007, has found that on average buyers will pay between 30% and 40% less for a waterside asset when compared to a waterfront property of similar size/nature in the same location. Looking at a range of similar projects, where the average discount to live waterside was 36%, *Salt* looks comparatively undervalued with a discount factor of just 20% when comparing beachfront to beachside land in their Southbeach Beachside precinct.

Southbeach Beachside at Salt Village

Our modelling - coupled with the prices paid for comparable vacant land elsewhere across south east Queensland (and specifically on the Gold Coast) and which over the last twelve months has pushed well into the million range – suggests that the waterside land at Southbeach, which is currently priced between \$450,000 and \$525,000, should be priced between \$750,000 and \$775,000.

This is without factoring in the impact of the Tugun Bypass; the Gold Coast airport upgrade or the new population cap across northern NSW.

Our analysis indicated that waterside land at Salt is under priced.

End notes

As with all of our presentations, this one ended with a summary of the key points discussed. So to recap – Queensland's residential property growth fundamentals are strong. The Gold Coast/Tweed is the fastest growing region within Australia. New infrastructure plus reliable potable water supply is likely to drive demand higher. However, the NSW Government has just initiated a population cap across northern NSW. This restriction should see prices rise further across the region. Many new estates, including *Salt*, are currently under priced. Buyers take note, developers and vendors, if they are smart, are about to lift their asking prices.

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