

Why Invest in the Whitsundays?

The Whitsundays region is notable as the central gateway to the world heritage listed Great Barrier Reef region and is a premium sailing and boating destination, with secluded anchorages among its 74 islands. It is the playground within the wider Mackay-Isaac-Whitsunday region, which contributes so much to Queensland's resources economy.

Over the past two years, post Cyclone Debbie, it is estimated there has been \$1 billion spent in recovery and reconstructions works throughout the Whitsunday Local Government Area (LGA). Notably, this includes the **re-opening of Island resorts**. Daydream Island re-opened in April 2019 after a \$140 million upgrade with Hayman Island following in August 2019 after a \$135 million spend on reconstruction works. Hamilton Island has also gone under rejuvenation at both the hotels and privately-owned residences on the Island. Add to this the **\$42 million upgraded runway and terminal** at the Whitsunday Coast Airport and things are looking positive for the tourism sector.

The resources sector has also experienced a recovery off the back of higher coal prices, with Adani's Carmichael coal mine starting construction & the Galilee Basin open. The Greater Whitsunday Council of Mayors has indicated this could generate almost \$4 Billion in Gross Regional Product in the wider region & support over 13,000 direct and indirect jobs in 2030.

In March 2019 the Queensland Resources Council identified the Whitsunday region as accounting for 39% of vacancies in the mining, energy & resources sector.

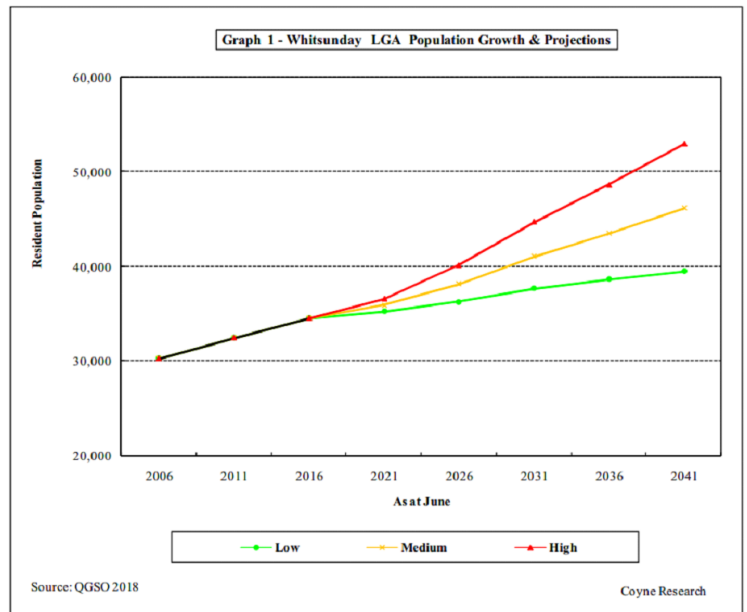
Following the federal election, confidence has returned to property markets. The 'time to buy a dwelling index' rose by 19.5% in July 2019, when compared with July 2018. This also reflects the 50 basis points cut from the official cash interest rate, with a further 25 basis points widely predicted towards the end of the year.

There are indications that **confidence is returning to the Whitsundays property market**, with some recent increases in median prices. Across the Whitsunday LGA, the past two years saw housing approvals increase to over 200 dwellings per annum, 15% above the previous high point in 2012-14.

Nevertheless, new construction levels have been below the level of underlying demand, based on resident population growth. Compared with the southern capitals and South East Queensland, **investment in the Whitsundays region is more affordable**, offering higher gross rental yields.

Population Growth

As of June 2018, the Whitsunday LGA had a population of 35,050 however variable & floating visitor population is estimated to add 13,000 people on an average day, bringing the total population of the Whitsunday LGA to 48,000. Most of this transient population is centered around Airlie Beach & the Islands, creating a pocket of demand for holiday letting style investment properties. The average growth rate of the Whitsunday LGA in 2018 was 2.5%, which is well above the state average of 1.43%



Tourism Market

Over recent years, the Whitsundays has seen adverse publicity affecting its tourism industry, notably coral bleaching that primarily occurred in the northern part of the Great Barrier Reef region in 2016/17; Cyclone Debbie in March 2017 and three shark attacks in 2018.

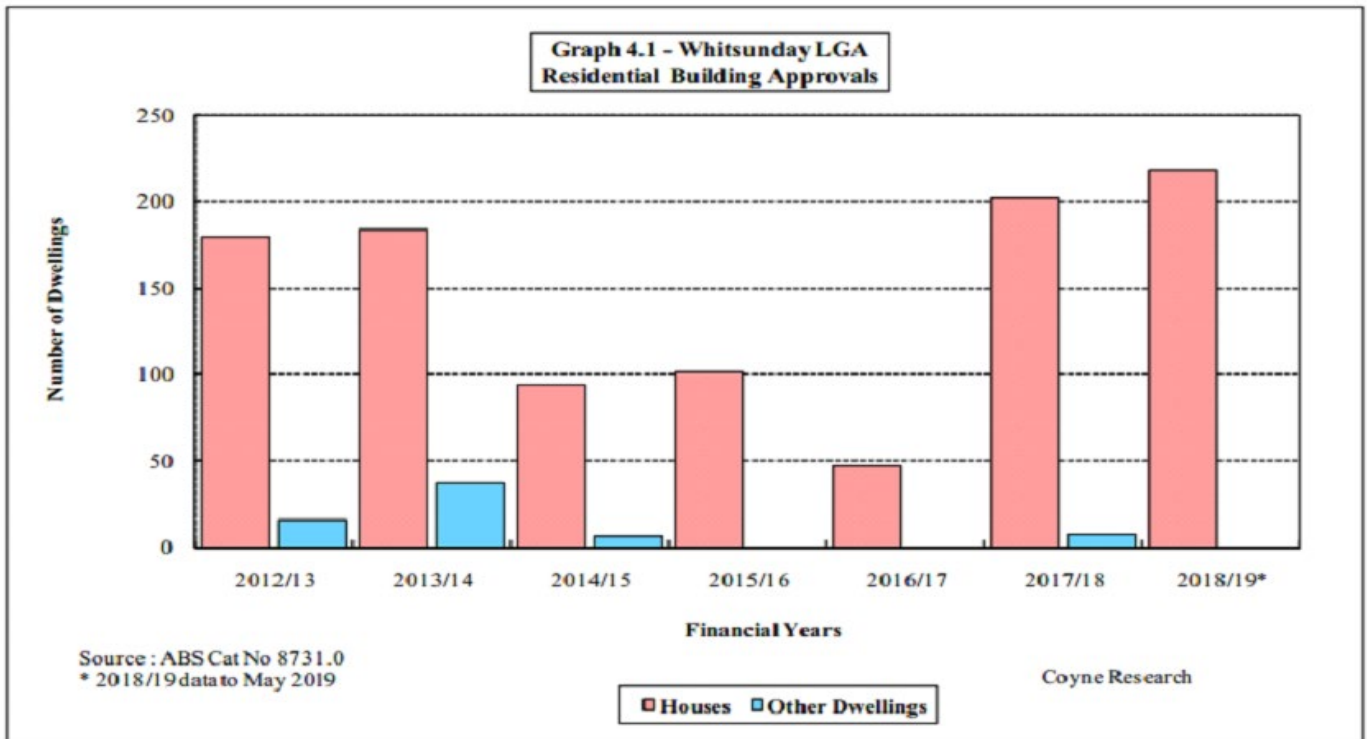
Despite this, the Great Barrier Reef Marine Park Authority (GBRMPA) has stated that the Great Barrier Reef has a natural resilience & capacity to recover from adverse events. It remains a vibrant and beautiful ecosystem that attracts millions of visitors each year.

GBRMPA figures show that across the entire Great Barrier Reef region, stretching from Cape York down to Central Queensland, there were 2.26 million visitor days in 2018. This is up from 2013 which saw a total of 1.9 million visitor days but down from the peak in 2016 which saw around 2.4 million visitor days.

A recent report from the Australian Institute of Marine Science has confirmed that outer-shelf reefs in the Whitsunday region have increased their coral cover since 2018, and remain in good condition. This of course means good news for the 1.1 million visitors each year to the region.

In the year to March 2019 the Whitsunday region has attracted a total of 656,000 domestic tourists alone who injected \$696 million & 226,000 International visitors who injected \$180 million into the local economy. Given the level of Chinese investment in the area, the number of tourists originating from China is still low. This is poised to increase with growth in the Chinese middle class.

In addition to the natural wonder of the Great Barrier Reef, the Whitsunday region also features the mountainous Conway National Park. The 22,500ha National Park surrounds Airlie Beach and limits the amount of land available for development in the area, along a small 1km strip of the coast.



Steady Demand for Land and Houses

Over the past two years, new building approvals across the Whitsunday LGA exceeded 200 houses per annum, which was 15% up on the previous peak in 2012-14.

Of the more-than 200 houses, 103 per annum were approved over the past 2 years in the Airlie-Whitsundays SA2 area, making up 49% of approvals within the LGA.

The influx of workers associated with reconstruction work after Cyclone Debbie saw the Whitsunday postcode areas of 4800 and 4802 experience very tight vacancy rates and spikes in median rents in 2017 and 2018.

This pressure on the rental market has now eased, with SQM Research showing the overall vacancy had returned to 3.6% in June 2019.

However, rents have risen more than property prices, which remain very affordable – refer to Table 1 below. As a result, the gross rental yields in the Whitsunday LGA are quite high.

For the March Quarter 2019, the Real Estate Institute of Queensland (REIQ) indicates a gross yield of 4.9% for houses and 7.3% for units, above Brisbane City (3.5% and 5.3% respectively), also above the more expensive southern capital cities.

Table 1 – Median Price Comparisons

Houses	Vacant Land*
Sydney: \$866,524	Brisbane: \$412,000
Melbourne: \$709,092	Cannonvale: \$159,500
Brisbane: \$533,133	Units & Townhouses*
Whitsunday*: \$340,000	Brisbane: \$441,144
Cannonvale*: \$425,000	Airlie Beach: \$400,000

Source: CoreLogic 1 July 2019 for capital city houses

* REIQ data for year to Mar 2019; for standard lots

Tourism Trends

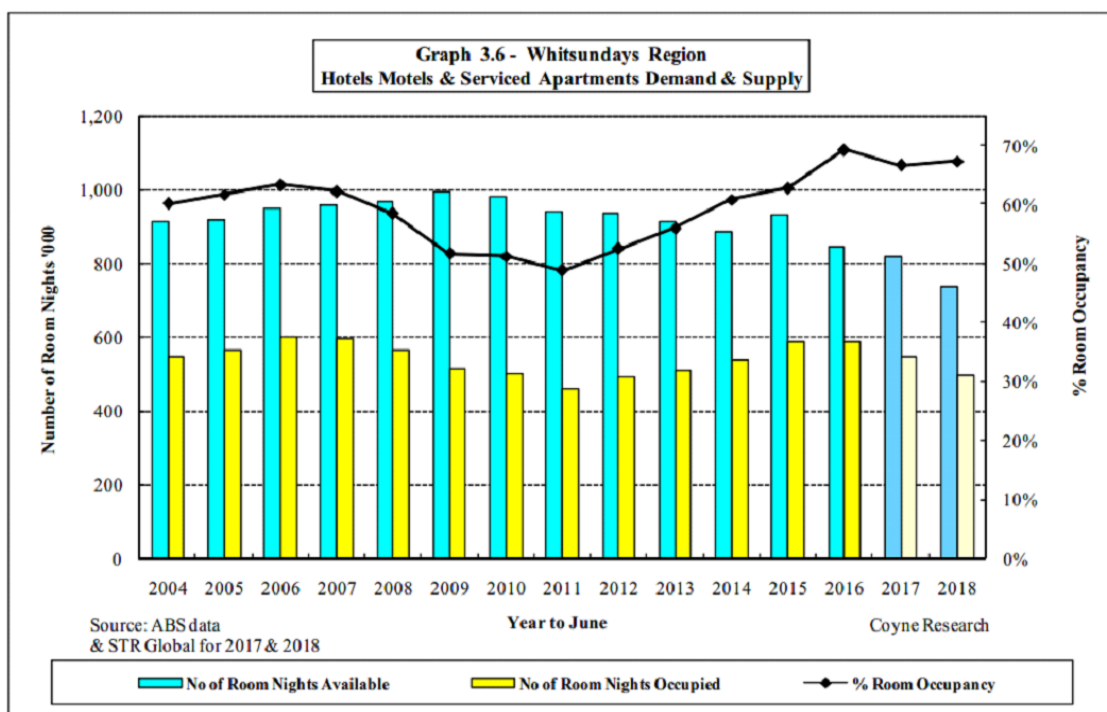
It is considered that having both Daydream and Hayman Islands closed, as well as adverse publicity around three shark attacks in 2018 and coral bleaching, could have contributed to the reduced international visitor numbers and expenditure in the year to March 2019.

However, visitors from the USA increased by 19.4% to 21,000 visitors in the year to March 2019 (source: TEQ). Other international markets in Asia and Europe may also be affected by the downturn in the global economy.

The Whitsunday region is served by three airports, as follows:

- Mackay (Qantas, Jetstar, Virgin Australia and Tiger Airways) with around 204 flights and 22,377 seats per week, and flights to and from Brisbane and various provincial centres, such as Townsville and Rockhampton;
- Hamilton Island (Qantas, Jetstar and Virgin Australia) with around 89 flights and 12,536 seats per week, and direct flights from Brisbane, Sydney, Melbourne and Cairns; and
- Whitsunday Coast at Proserpine (Jetstar, Virgin Australia and Tiger Airways) with around 57 flights and 10,205 seats per week, servicing Brisbane, Sydney and Melbourne.

Source: Bureau of Infrastructure, transport & Regional Economics (BITRE), averages based on years to April 2019.



Development Pipeline

PRDnationwide Whitsunday has recently updated its analysis of the Whitsunday development pipeline for an area corresponding with postcodes 4800 and 4802, stretching from Proserpine to Shute Harbour. It indicates that over the past 5 years, development activity was concentrated in Cannonvale, Airlie Beach and Jubilee Pocket.

There were only 5 projects under construction, with a total of 51 titles, valued at \$51m dollars. This compared with 181 titles being constructed in 2016. The current projects were the Whitsunday Coast Airport; a retail development, Airlie Marketplace; and 3 residential Land Developments at Parker Road, Cannonvale and Mount Marlow. Only one of the Parker Road projects includes standard residential lots.

The data on currently under construction projects highlights the shift in development towards Cannonvale and Cannon Valley, and

away from Airlie Beach and Jubilee Pocket. The new estates in the Cannonvale and Cannon Valley areas are closer to shopping centres and schools and are characterised by young families, including first home buyers.

Looking forward, PRDnationwide Whitsundays' development pipeline envisages that over the next five years there will be a shift back towards Airlie Beach and Jubilee Pocket, as well as Flametree, associated with ongoing development of Funnel Bay. This includes the 140-room Hotel that received council approval in August 2019.

Over the medium and longer term, there was expected to be a return to residential apartment development, for both permanent and tourism use. This includes future stages of Port of Airlie. However, it was anticipated there would also be ongoing development in the Cannonvale, Cannon Valley and Jubilee Pocket areas. This reflects steady demand for vacant land in suburban areas.

Supply and Demand

Analysis of historical population growth shows that over the 17 years to 2017/18 there was an average increase in the Airlie Whitsundays SA2 area of 345 people per annum.

Based on the 2016 census average household size of 2.4 people for the Airlie Whitsundays SA2 area and 17.3% of unoccupied dwellings, this would represent an underlying demand for 174 new dwellings per annum in this SA2 area.

Note that estimates of underlying demand based on such benchmarks do not always translate to commensurate levels of new development. This can reflect macroeconomic factors that inhibit developers and households, such as the tendency for young adults to remain in the family home into their 20s; and financial considerations, such as some areas being more attractive due to their amenity and affordability.

In the buoyant years, overall building approvals slightly exceeded the indicated underlying demand for the Whitsunday LGA of 200 dwellings per annum. Reflecting the cyclical nature of property markets, there were 3 out of 7 years with a shortfall.

Note that these estimates of underlying demand are based on the estimated resident population growth, thus reflecting the permanent resident population and not including demand for tourism accommodation

National Property Clock: Houses

Entries coloured orange indicate positional change from last month



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Source: Herson Todd White, *Month in Review*, July 2019

The number of approved plots with OPW approvals as at December 2018 across the Whitsunday LGA of 469 urban and rural lots would reflect immediate potential to cater for around 1.8 years of underlying demand. The overall supply of approved lots in the LGA of 1,421 lots would represent 5 to 6 years supply. It is acknowledged that developers typically have the capacity to bring forward supply to cater for increased demand, or to delay supply as needed.

Whitsunday LGA Median Prices

The small Whitsunday LGA residential market is quite diverse, ranging from high-priced Waterfront properties to Suburban estates and more remote rural residential properties. It also includes Bowen and Collinsville.

In the immediate vicinity of Airlie Beach, the topography creates an amphitheatre that has facilitated opportunities for elevated estates, houses and apartments, offering Coral Sea views. The median prices reported below tend to reflect the more typical suburban housing and generic established department and townhouse products.

The REIQ data for the year to March 2019 indicates that there were 102 vacant land sales below 2400 square metres across the LGA, at a median price of \$147,000. This was down by 5.8% for the year and 5.2% over 5 years. Cannonvale had 26 vacant land sales at a somewhat higher median price of \$159,500 in the year to March 2019, up by 2.9% on 2018 and up by 1.4% over 5 years.

The REIQ data to March 2019 provides separate median house price data for houses on standard lots and for rural residential properties on lots of 2400 square metres-plus. In Cannonvale there were 85 house sales for the year to March 2019, at a median price of \$425,000. The median price rose by 4.5% over the year and 5.1% over 5 years.

Rural residential house sales totaled 78 sales across the LGA for the year to March 2019, at a median price of \$477,500. The median price was 4.5% up over the year and by 2.8% over 5 years. This highlights the ongoing support for this lifestyle choice in the Whitsundays region.

Rental Market Trends

Data from SQM research for the postcode areas of 4802 and 4800, as at June 2019, indicates a somewhat lower vacancy of 3.6% than the REIQ's LGA vacancy. These areas had seen vacancy rates rise from around 2% in 2017 and 2018.

According to PRD Nationwide Whitsunday, the vacancy rate for its rent roll had fallen below 2% in June 2019, below the overall market.

For the Airlie Beach and surrounds postcode area of 4802, the median rent for 4-bedroom houses reached \$520 per week in 2012, at the time when the resources sector employment was highest in the Mackay Isaac Whitsunday region.

The median rent for 4-bedroom houses in the 4802 postcode area gradually fell to \$400 per week in 2016, spiking to \$500 per week in 2017, following cyclone Debbie, which caused a shortage of rental accommodation.

Similarly, the median rent for 4-bedroom houses in the Cannon Valley-Proserpine postcode area of 4800 rose sharply to \$485 per week in 2017. Compared with postcode area 4802, this is a smaller market, more widely dispersed.

Up-market House Sales

Evidence of the increased confidence in the market was a number of up-market houses sold, sometimes after several years on the market. These included the exclusive Mandalay House at Mandalay Point, with its own private marina and helipad, sold in June 2017 for \$14m.

The nearby property at 383 Mandalay Road sold in June 2018 for \$13m. 371 Mandalay Road, sold in October 2018 for \$3.4m and 1-3 Ocean View Avenue Airlie Beach, overlooking the Coral Sea Resort Marina, sold under replacement cost in February 2017 for \$7.5m.

After Cyclone Debbie, the four-bedroom Chesapeake house on 19.3 hectares, at 184 Mandalay Road sold in March 2018, "as is", with significant damage, for \$1.66m.