

PROPERTY MANAGEMENT BULLETIN

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QUEENSLAND'S VACANCY RATES TIGHTEN ONCE AGAIN

In the latest REIQ vacancy rates report - reflecting the final quarter of 2020 - vacancies have continued to tighten across Queensland. In fact, the state saw new record lows, primarily in regional and coastal areas. Vacancy rates in Brisbane are also on the decline, but are still relatively elevated after a spike in the June quarter. While the state-wide decline witnessed in the December Quarter hasn't been as dramatic as previous 2020 results, it's difficult to say whether this trend will continue into 2021.

Regional Queensland Reaching Capacity

Property owners in regional Queensland likely experienced a successful year, with high occupancy rates and median house prices on the rise. However, for prospective tenants looking for a property, renting in these areas has been a difficult task.

"It's been good as a landlord, but not so good as a tenant if you've been looking at moving away from the CBD," says Louis Christopher, Managing Director at SQM Research.

"One of the issues that many regional townships around Queensland have is that there is very limited capacity to take on a sudden increase in demand for rental accommodation."

With many people opting to move away from the city due to the pandemic, regional markets have seen substantial growth in 2020. Christopher says the drop in vacancy levels can be contributed to many Queenslanders and other Australians choosing to relocate.

"These regional townships have a fixed number of rental properties and it's usually a relatively small number.

So, if we suddenly see an increase of people looking for accommodation, the vacancy rate will quickly drop to zero."

Vacancy rates that are this low represent a difficult challenge in the short term. But in the medium to long term, it represents an opportunity for regional towns to grow their economy.

According to Christopher, this opportunity only exists if demand continues and those people who have moved to regional Queensland remain there.

"If we get to the point when the COVID-19 vaccine rolls out and there are no more reported cases, you're likely going to see more people move back to the cities," he says.

"But we don't think it's going to be a complete reversal, as many people used the coronavirus as a catalyst for a lifestyle change."

Coastal Queensland Continues to Thrive

Coastal markets have only gone from strength to strength in 2020 with demand skyrocketing due to the pandemic. Vacancy rates in the coastal regions fell across the board. The Gold Coast recorded the largest drop in the state, falling 0.7 per cent from 1.6 per cent to 0.9 per cent.

The outlook for 2021 is positive, with coastal regions set to continue their development growth, as vacancy rates tighten. "For the rest of this year the market for coastal accommodation will keep on increasing," says Christopher. "Generally speaking, regional and coastal areas are offering a higher rental yield compared to the Brisbane City areas."

While it is expected that the high rental yields in coastal Queensland will spike interest from investors, the presence of government incentives is needed to attract them into the market now. The REIQ is calling on the Queensland Government to abolish stamp duty, which would result in increased rental accommodation to assist in reducing the pressures of skyrocketing demand across the rental sector.

Christopher, says "we think many investors will be looking at all the new demand that has come through". "But it's also important to keep in mind record low interest rates and that most properties in Queensland are cash flow positive."

Just like regional Queensland, the coastal areas also have a major opportunity to capitalise on these low vacancy rates and continue to grow their economies. These regions also face the same issue of people moving back to the cities when the pandemic is manageable. However, Christopher says they are better positioned to deal with this change.

"For example, the Gold Coast is a pretty large region now so it can withstand the peaks and troughs in demand, better than what it could 30 years ago. "Whereas a small township with less than 10,000 people is more of a 'boom bust' market. It's more difficult for these small towns to plan for the long term. When the demand comes and then suddenly goes, you can be left with a lot of vacant properties."

Source: reiq.com



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