

# GLADSTONE REGION

## Highlight Report®



## GLADSTONE REGION OVERVIEW

The Gladstone Region Highlight Report analyses the performance of the residential real estate market within the defined Gladstone Regional Council. The report contains detailed investigations into three sub-markets within the region which include the Gladstone City Area, Tannum Sands Area and Agnes Water Area. Results of these investigations are intended to identify trends and commonalities that exist between each sub-market, though most importantly to gain an appreciation of the underlying drivers of each particular market.

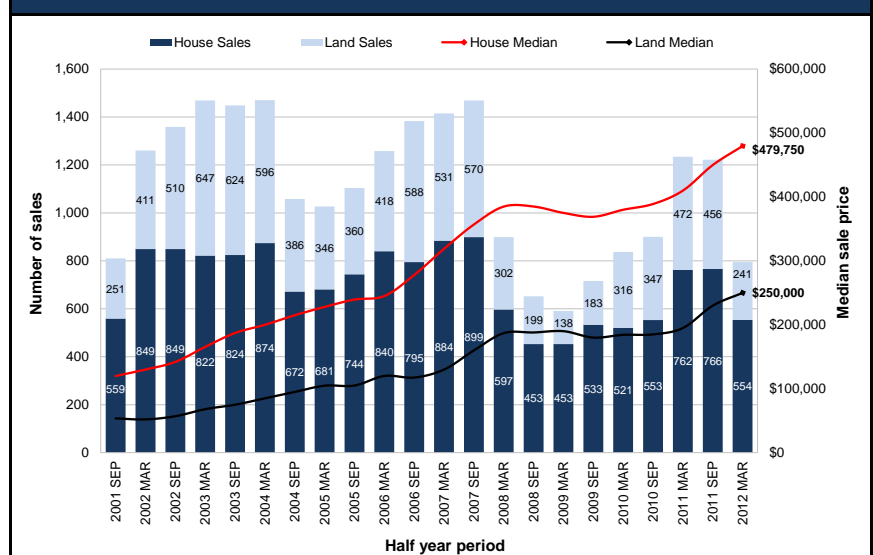
The Gladstone Regional Council is located around 550 kilometres north of the state capital Brisbane and 100 kilometres south-east of Rockhampton. Population estimates provided by the Australian Bureau of Statistics indicate that the region has experienced the fastest growth in Queensland between June 2010 and June 2011, achieved through an annual growth of 3.5 per cent. The region also recorded an average annual growth rate of 2.9 per cent from June 2001 to June 2011, ranking it as the sixth largest growing region out of 37 state-wide.

The regions thriving economy is largely attributed to Queensland's largest multi-commodity port, situated on the periphery of the Gladstone City Area. Other core infrastructure including a nexus of rail and highways, the Gladstone Airport, refineries and a list of other production facilities and industrial titles underpin the region as being the most significant resource service centre in Australia. It is estimated that the total project committal as at March 2012 to be in the vicinity of 97 billion. This accounts for projects that are either completed or under constructions as well as projects that are under study or that have been committed. These projects include core infrastructure, major industry, commercial property and land development in addition to various community projects. The sheer size and longevity of such projects is placing increasing pressure on the regions property markets to accommodate an exponentially growing workforce.

## KEY HIGHLIGHTS

- A shortfall in supply has contributed to subdued sales volumes and subsequent higher prices during the six months to March 2012. During this period both house and land markets recorded a median price peak of \$479,760 and \$260,000, respectively.
- Low vacancy continues to drive rental prices upwards, which combined by the increasing cost of living, is influencing many to consider entering the market or indeed relocation to other regional townships.
- The extent of state significant, multi-billion dollar pipeline projects and supporting infrastructure will continue to drive the regional economy and its various property markets.
- Lucrative employment opportunities in the mining and construction industries continue to underpin strong population growth in the area, placing increasing pressure on the existing property market to function efficiently.

## GLADSTONE REGION HOUSE & LAND SALES CYCLE

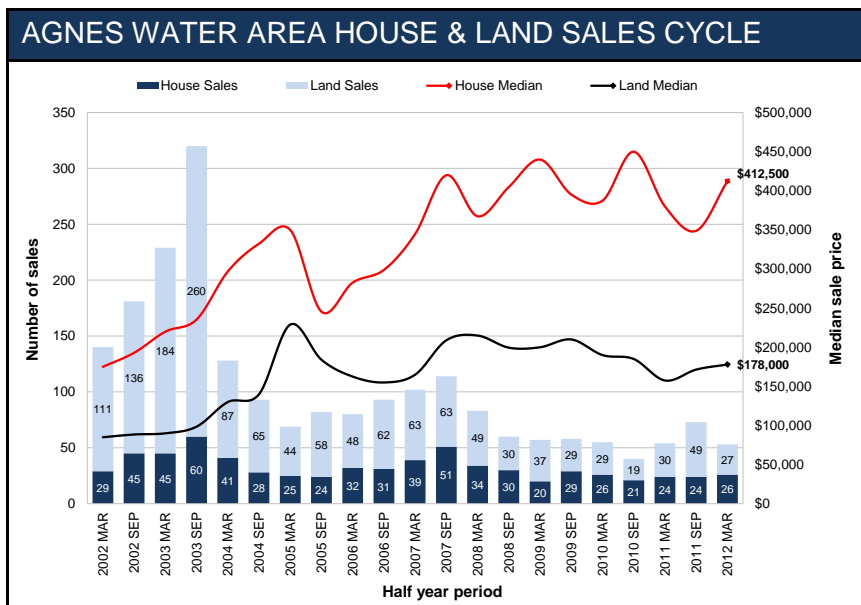


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## AGNES WATER AREA

The Agnes Water Area encompasses the suburbs of Agnes Water, Seventeen Seventy, Round Hill and Captain Creek. Activity in the Agnes Water Area house and land markets has been rather stagnant since the onset of the economic downturn in 2008, with the median price for both markets trending back up to pre-2007 levels. Land sales (which include vacant town land parcels and acreage properties) have historically accounted for a large percentage of the local market, a trend which is no longer apparent as demand for investment property begins to influence market dynamics. The house market registered a total of 26 transactions in the March 2012 half year period, a performance consistent with previous year records. More notably, the unit market also registered 26 sales over the March 2012 half year period, having regained traction over the past year, reiterating the pent up demand for well-priced investment grade property.

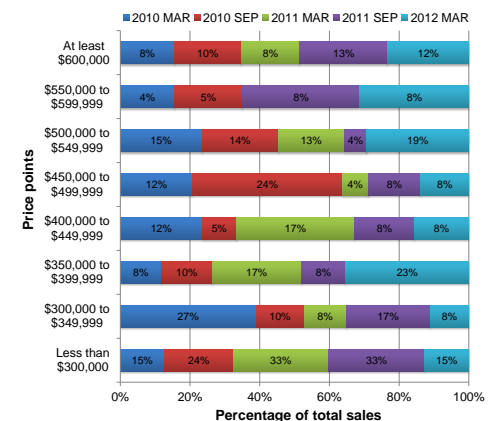
The Agnes Water Area is becoming **increasingly popular** among investors, driven by the opportunity to secure **exceptional value** currently in the market and the town's proximity to the expanding Gladstone economy.



Prepared by PRDnationwide Research. Source: PDS

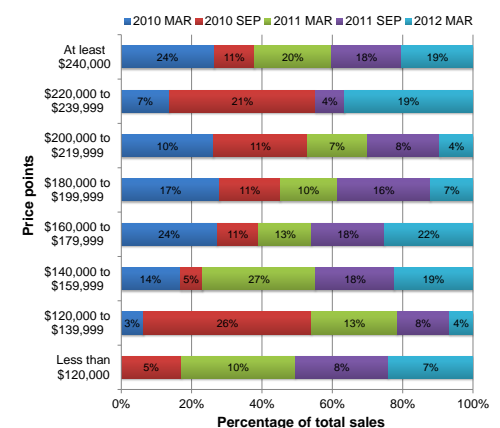
Like many regional coastal towns, the Agnes Water Area property market is benefiting indirectly from the mining boom currently underway, with anecdotal evidence suggesting up to 80 per cent of enquiry and purchases deriving from the Central Queensland region. As indicated by the Price Points charts to the right, demand is still prominent in the lower price ranges, though has recently shifted upward, as the market shapes out of the bottom of its cycle. Following years of excess supply injected into the unit market, receiver sales have gained impressive momentum with buyers taking advantage of incredible value in the current market, and stock volumes contracting accordingly. With that said, the product that appears to be in the highest demand is in fact affordable town land. There is evidence to suggest price increases of up to 25 per cent in the year to March 2012 for serviceable, accessible and easy to build vacant parcels.

### HOUSE PRICE POINTS



Prepared by PRDnationwide Research. Source: PDS

### LAND PRICE POINTS



Prepared by PRDnationwide Research. Source: PDS

### HOUSE ACTIVITY FOR THE YEAR TO MARCH 12

Suburbs	Year to Mar-11		Year to Mar-12		Annual Change	
	Median Price	Total Sales	Median Price	Total Sales	Median Price	Total Sales
Agnes Water	\$400,000	33	\$370,000	45	-7.5%	36.0%
Round Hill/ CC	\$340,500*	10	\$225,000*	1	-25.1%*	-90%
Seventeen S	\$1,025,000*	2	\$950,000*	4	-7.3%*	100.0%

\* PRDnationwide Research requires at least 15 sales to acknowledge a credible median price.

Prepared by PRDnationwide Research. Source: PDS

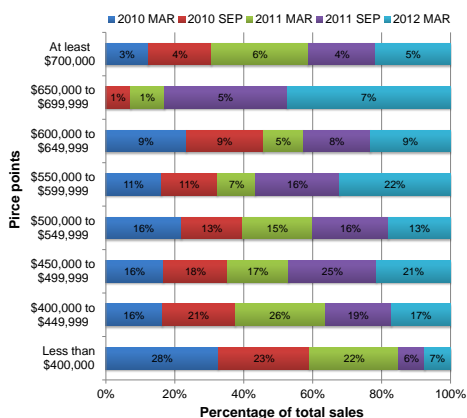
Property prices and the cost of living continue to inflate in the Tannum Sands Area, as the ramifications of a **housing shortage** instigated by previous government in-action begin to manifest in the local economy.

## TANNUM SANDS AREA

The Tannum Sands Area is defined by the suburbs of Tannum Sands, Boyne Island and Benaraby. The Tannum Sands Area property market has experienced a notable regression in activity during the six months to March 2012, with the market unable to sustain the trend of increasing sales volumes since the onset of the Global Financial Crisis. The exceptional performance of both the house and land markets during 2011 has made it all the more difficult for the activity to continue at this pace. The house market registered a total of 106 sales during the March 2012 half year period, translating to a 27.9 per cent decrease from the number of sales registered in the corresponding 2011 period. The land market suffered the most over this period of time, registering only 13 sales, representing a significant decrease of 63.9 per cent.

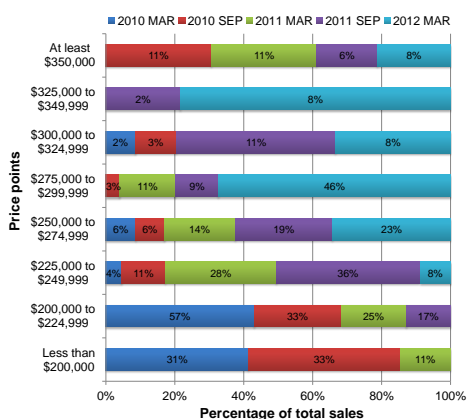
The House Price Points chart to the left provides evidence of decreasing affordability in the area, with the sub \$450,000 price range contracting significantly since the March 2010 half year period. As a result, the March 2012 half year period recorded a median price peak of \$515,000, with many active buyers compelled to transact in the higher price brackets. The \$550,000 to \$599,999 price range is where a majority of transactions occurred during the six months to March 2012, though more importantly is the range that has year on year increased in activity.

### HOUSE PRICE POINTS

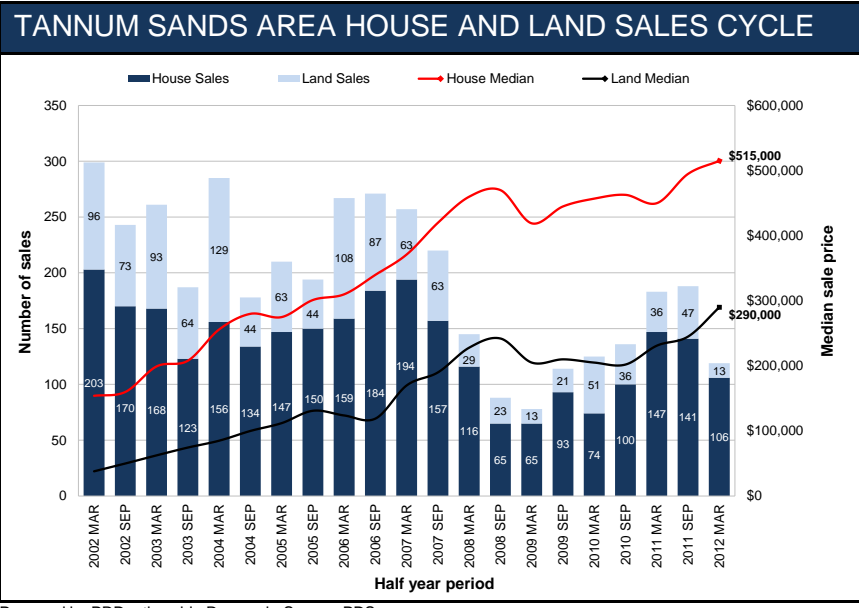


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### LAND PRICE POINTS



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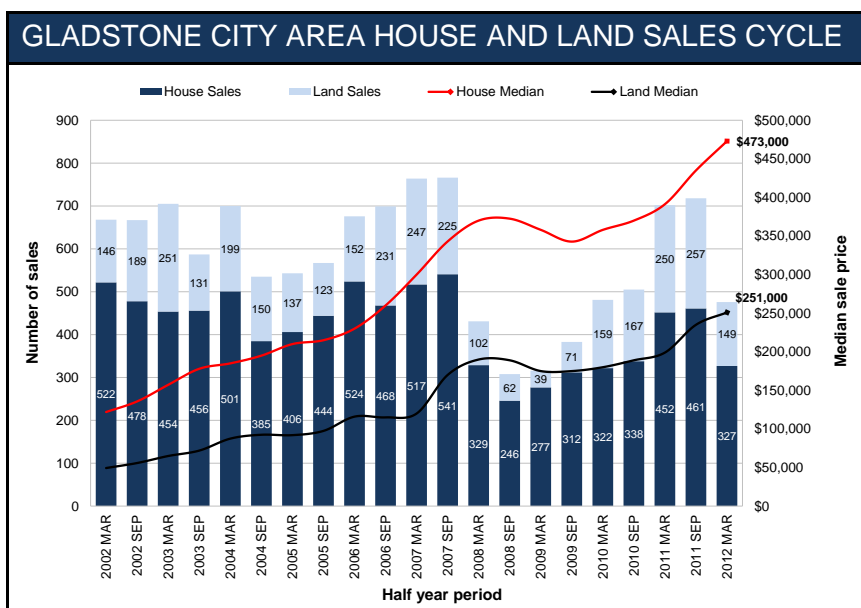
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The construction and mining industries continue to stimulate extraordinary growth in the local economy. Consequently there has been significant population growth in the area, fuelling demand for both houses and rental accommodation. However, the inadequate provision for new development has led to an apparent undersupply of housing, resulting in unprecedented rental price growth. Whilst this represents excellent opportunities for both savvy investors with a keen eye for cash-flow and well-paid mine workers opting to avoid excessive rents, the implications of the housing shortfall to the average local are becoming difficult to navigate. Nonetheless, underlying demand is enabling vendors to be very patient with time on the market to ensure their price expectations are met. Fortunately for these vendors, the higher than average incomes of construction and mining based workers, the level of interest from investors and the recent cuts to interest rates (currently on hold at 3.5 per cent as at July 2012) is likely to continue driving prices upward until such time the housing shortage is rectified by the new State and Local Government and an expedited planning approval process.

## GLADSTONE CITY AREA

The Gladstone City Area comprises a total of 12 suburbs, stretching from the established Gladstone City and neighbouring suburbs right through to the newer estates in the south-west boundary. Collectively, these suburbs represent the urban footprint of the region's core.

The Gladstone City Area property market has experienced a significant decrease in activity during the six months to March 2012, most notably in the land market (which accounts for both vacant parcels and new house and land packages). The house and land markets registered 327 and 149 transactions respectively in the six months to March 2012, representing a solid 27.7 and 40.4 per cent decrease in activity from the corresponding period in March 2011. The unit market also failed to sustain the exploding uplift in activity experienced during 2010/2011, registering a total of 107 transactions in the March 2012 half year period, translating to a comparably modest 20.7 decrease from the level of volumes recorded in the corresponding period in March 2011.

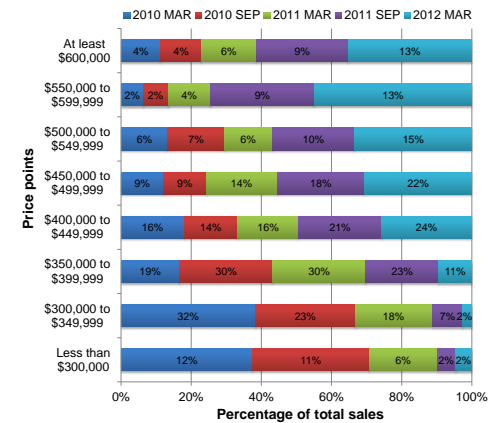


Prepared by PRDnationwide Research. Source: PDS

Despite this most recent regression, the past five years have been quite remarkable for the area. Unprecedented growth in both sales activity and capital values during this time has driven the market to a full recovery, bucking the nation's unrelenting trend of diminishing sales volumes and softening capital values since the onset of the Global Financial Crisis (GFC). With a premature correction to median prices across all markets during 2008/2009, the median price for house, unit and land market elevated shortly after to record the current median price peaks as depicted by the Sales Cycle charts. The five year average annual median price growth rate for house, unit and land markets was an outstanding 9.5, 12.3 and 15.9 per cent respectively.

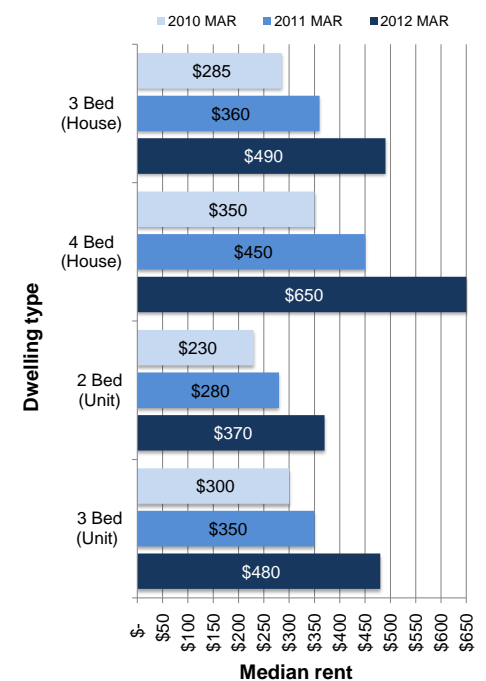
Whilst 2011 proved to be the toughest property market for a majority of Australian locations, it was perhaps the best year for the Gladstone City Area. Sales activity in the house market trended back towards pre-GFC level, though more impressive was the unit and land markets, which both recorded the highest level of sales activity in the markets history. The revival of the property market can be attributed solely to the booming resource industries in the Bowen and Surat Basins. Substantial projects such as the Curtis Island LNG facility have provided the catalyst for the recent flurry of investor interest, with many looking to capitalise on the opportunity for solid capital growth and attractive rental yields.

## HOUSE PRICE POINTS



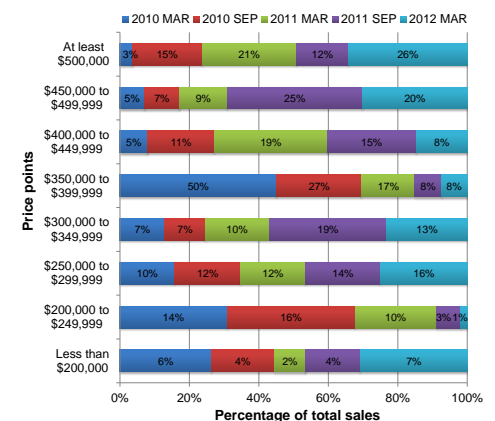
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## MEDIAN RENTS (4680 PC)



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## UNIT PRICE POINTS



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An increasing population, fuelled by a growing workforce in the area has and will continue to affect housing supply, affordability and demand. Evidence of a housing shortfall can be seen by the year on year increases to median rents over the past three years. The house market demonstrated the highest annual growth rates to rental prices, with three and four bedroom houses recording an increase of 36.1 per cent and 44.4 per cent, respectively. The unit market trailed marginally, with two and three bedroom units recording an increase of 32.1 and 37.1 per cent, respectively. The three year average annual growth rate in median rents across all house types was 21.4, followed closely by all unit types at 17.1 per cent. The leap in rent from the March 2011 quarter to the March 2012 quarter has translated to enhanced yields for those who entered the market during the short downturn.

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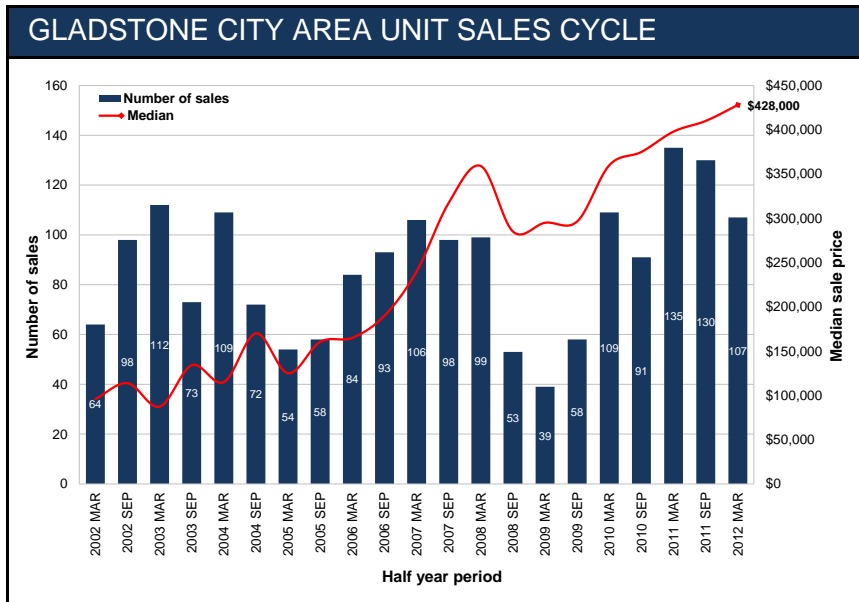
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High yields can still be achieved in the current market, though investors must be diligent to not only buy at the right price, but to buy something that has competitive tenant appeal. Vacancy rates have been quiet turbulent during the first half of 2012, as investor demand grossly outstrips owner occupier demand. Uncertainty surrounding rental vacancy is exacerbated by an ever expanding fly in, fly out workforce, with many workers vacating to mining/construction campsites. As a result, many investors are forced to make sizeable revisions to their rental price expectations in order to secure a tenant on a reasonable lease. Given the current median prices recorded across all markets, there is no doubt that some investors, particularly those who entered the market in 2012, paid a premium on their investment with a heightened expectation of strong cash-flow.

TOP 5 ACTIVE SUBURBS FOR THE MARCH 2012 HY					
House market	No. House Sales		Unit Market	No. Unit Sales	
	HY Mar-12	Annual Change		HY Mar-12	Annual Change
Clinton	64	-33%	Gladstone City	39	-45%
New Auckland	61	3%	South Gladstone	27	80%
West Gladstone	49	-18%	West Gladstone	13	-7%
South Gladstone	32	-36%	New Auckland	12	-14%
Telina	30	30%	Clinton	9	13%

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