



# Townsville Residential Property Report

AUGUST | 2009



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# Introduction

## Area characteristics

Situated on the North Queensland coastline approximately 1500 km north of Brisbane, Townsville is the largest tropical city in Australia and has emerged as one of the most dynamic and livable cities in the country in recent years. The buoyant property market has been driven by strong economic and population growth which has provided a blend of opportunity and stability. Combined with world class infrastructure and recent lifestyle enhancements Townsville has cemented its position as the hub of North Queensland.

Townsville is quickly ascending in the national interest as northern economies and populations boom. Townsville is already the largest independent regional centre in Northern Australia, and is positioned to be the major beneficiary of the continued "rise of the north". Townsville is Northern Australia's centre for public administration, education, research, health services and a wide range of professional services. Furthermore, resident surveys reveal a dramatic increase in the liveability of the region. People are flocking to North Queensland for the opportunities and now staying for the lifestyle. Townsville has developed into a confident and vibrant city, attracting a wide range of new industries and investors who all recognise the growth opportunities the region has to offer.

Following the Queensland Government Local Government boundary reviews, the two former adjoining Local Government Areas (LGA's) of Townsville and Thuringowa merged in March 2008 to form the largest LGA outside of the South East corner of the State. This merger will assist in delivering a clear and concise marketing message and will give the new Townsville City the substantial clout that it deserves.

## Market summary

According to recent data, it appears that the Townsville residential property market has passed the bottom of the current cycle and a recovery is now underway. During the six months ending March 2009, 1607 house sales were recorded in the Townsville City Local Government Area, compared to 1405 sales for the previous six month period. This equates to an increase in activity of 14.4 per cent. This upward trend is expected to flow through to the balance of 2009, propped up by first home buyers and bargain hunters. Investors who have not been as active in the market in recent times have already re-entered the market in increasing numbers and no doubt more will join the market as the year progresses.

Market activity is now more evenly spread across all sectors of the market rather than being totally concentrated in the bottom end. This trend was driven by first home buyers, who were stimulated with an additional boost to the First Home Owners Grant, which phases out from October 2009. According to information extracted from RP Data, the number of sales in the \$750,000+ price point increased by 60 per cent in the June 2009 quarter compared to the March 2009 quarter. This follows a period of very little activity in the top end of the local market. A stabilising in broader economic conditions, a rally in the stock market, and a range of economic indicators all heading into positive territory are providing some much needed confidence to business and consumer markets.

The Reserve Bank of Australia recently stated that economic conditions in Australia have been stronger than anticipated and that the risk of a severe economic contraction had now abated. This underpinned the RBA's decision to keep Australia's cash rate at a near 50 year low of just 3% when they met earlier this month. Overall, the Townsville residential property market has fared well during the recent period of broader market instability.

Prepared by PRDnationwide Townsville  
 241 Sturt St  
 PO Box 5514  
 Townsville Qld 4810  
 For further details contact Dean Dederer  
 Ph: (07) 4789 7053  
 E: deandederer@prdnq.com.au

# Townsville Economy Overview

## Population growth

Townsville's consistently high population growth will continue to drive dwelling demand in the foreseeable future. In the year ended June 2008, the Greater Townsville population grew 3.0% according to the ABS, increasing by 5,134 people to reach a total of 175,542 people. Net migration has been the major driver of recent population growth, reflecting strong employment growth. The Townsville population has grown by 3.0 per cent per annum over the past five years, with Queensland Government projections (medium series) indicating the population is expected to reach over 270,000 people by 2031. Considering the Greater Townsville average dwelling size is 2.7 persons, this growth equates to an average derived demand of 1,686 new dwellings per year needed to house the growing population over the next 19 years. Forecast demographic changes including a reduction in the number of persons per household (household size) will increase the underlying demand for dwellings even further in future years.

## Economic growth

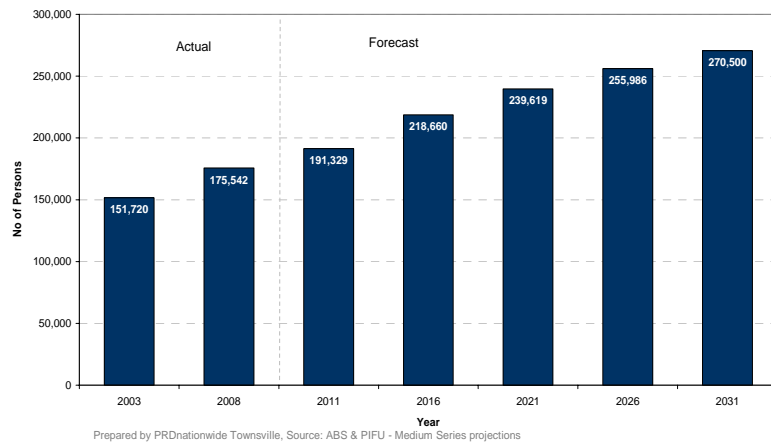
The key to the strength of the Townsville economy lies in its diversity. Contributions are received from many industry sectors, with no one industry dominating the economy. Major contributions are generated from manufacturing, health & education, construction & dwelling investment, retail and wholesale trade and government. According to AECeconomics, Gross Regional Product (GRP) for the northern region increased 7.8% from 2005-06 to 2006-07 to reach 11.87 billion. Townsville is the trade centre for the vast North West Queensland minerals province and the port experienced seventeen years of consecutive trade growth to exceed 10 million tonnes per annum in 2003-2004. Townsville is an internationally significant base metals processing centre and is home to three major metal refineries. Further expansion of the defence forces based in Townsville is also planned, with the relocation of the 3RAR light infantry battalion including 1500 soldiers and support staff, due to move from Holsworthy in Sydney to Lavarack Barracks by 2012.

## Business Confidence Improves

Following a rapid fall during the later part of 2008 and early 2009, confidence is beginning to return to Townsville's business community. The PricewaterhouseCoopers Townsville Business Confidence Change Index returned a score of minus one for the September-09 quarter. The survey covers the outlook for the quarter ahead.

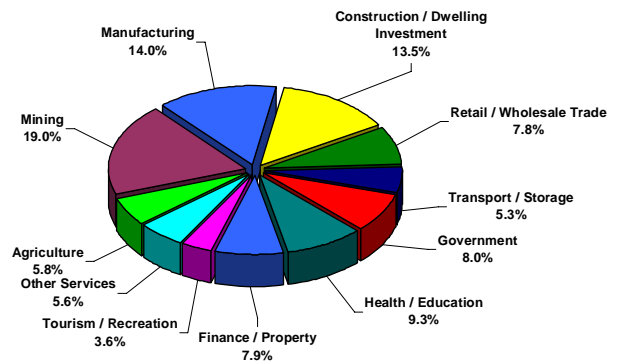
41 per cent of respondents believed that business conditions would improve, versus 25 per cent who said it would get worse. General sentiment appears to be improving, with recent events such as the sale of BHP Billiton's Yabulu nickel refinery which secures its future, having a major impact on the market. The benefits of government spending on infrastructure projects is also forecast to positively influence sentiment.

Townsville Population Projections 2011-2031



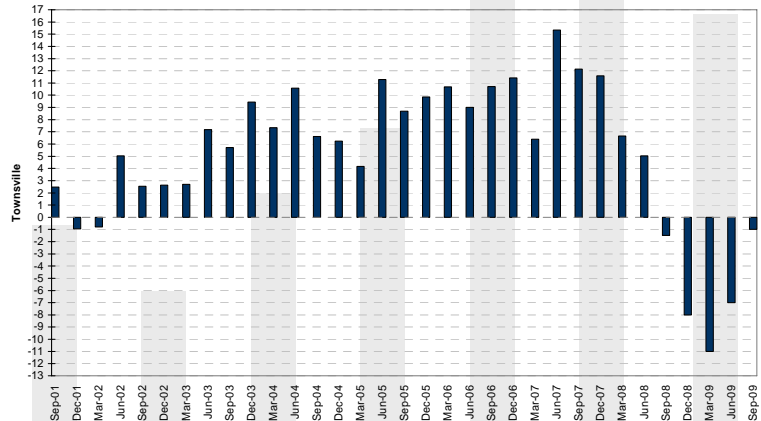
Prepared by PRDnationwide Townsville, Source: ABS & PIFU - Medium Series projections

Townsville Region Gross Regional Product 2006-07



Prepared by PRDnationwide Consulting NQ, Source: AECeconomics

Townsville Business Confidence Index

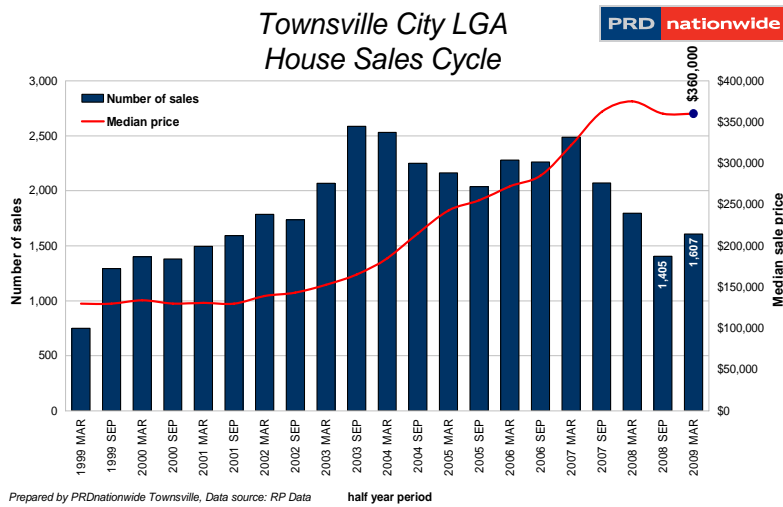


Prepared by PRDnationwide Townsville, Source: PricewaterhouseCoopers

# Townsville Property Market Sales Cycles

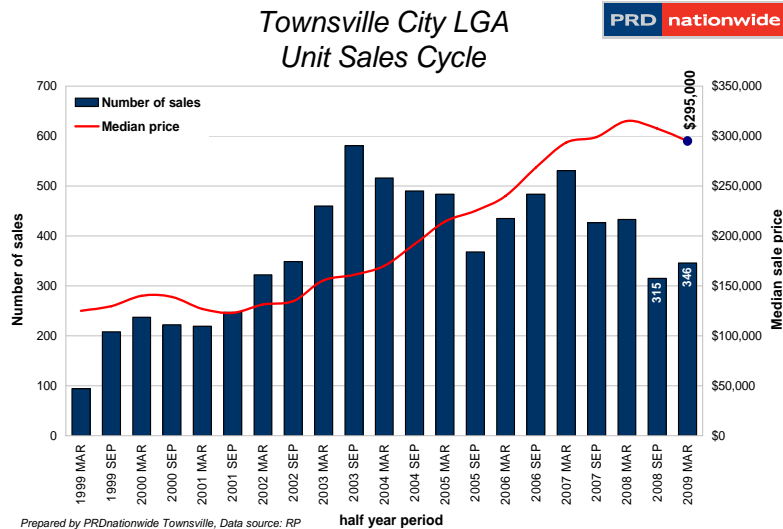
## Townsville House Market

The Townsville house market has experienced strong growth over the past decade as the sales cycle graph indicates, however a significant slowing in both sales volumes and median price growth occurred during 2007 and 2008. Sales volumes appear to have bottomed in late 2008, with a recovery taking place in early 2009. In the six months to March 2009, 1,607 transactions occurred compared to the previous six month period when 1,405 transactions were recorded. The Townsville median house price peaked in the six months ending March 2008 at \$375,00. For the six months ending March 2009, the median price declined 4.0 per cent to reach \$360,000, based on 1,607 transactions. Median price growth over the past five years has been a strong 14.2 per cent per annum.



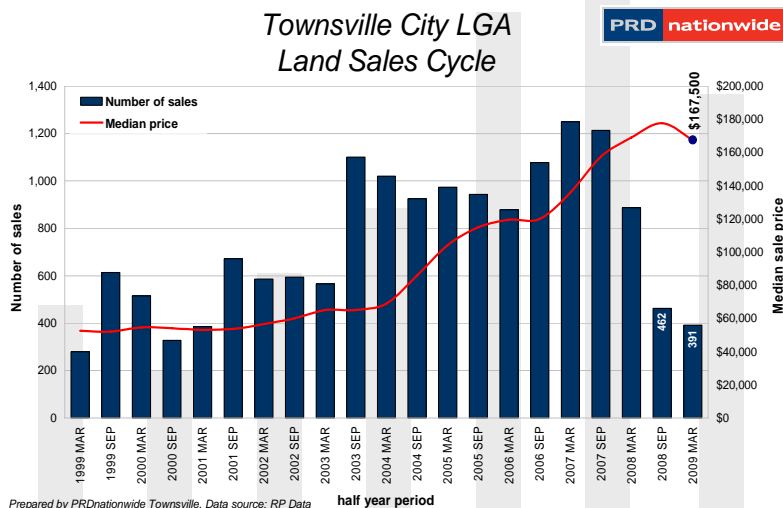
## Townsville Unit Market

The Townsville unit market also experienced a rapid fall in sales volumes during 2008, however just like the housing market, sales volumes bottomed in the six months ending September 2008 with 315 transactions and climbed in the six months ending March 2009 with 346 transactions. The median unit price for the six months ending March 2009 was \$295,000, based on 346 transactions. This is 6.3 per cent lower than March 2008 when the median price was \$307,500. Over the past five years median price growth has been 11.7 per cent per annum.



## Townsville Land Market

Unlike the house and unit market, the Greater Townsville land market has not shown a recovery in sales volumes in early 2009. 391 transactions were recorded for the six months ending March 2009, down from 462 recorded for the previous six month period. The fall in demand is largely attributed to the mass exodus of the builder market and a recovery will occur once builders clear their current stock. This is very close to being achieved. As forecast by PRDnationwide, the median land price has retracted slightly over the past 12 months to reach 167,500 in the six months ending March 2009. This follows a period of very strong price growth, with the median price growing by 19.4 per cent per annum over the past five years. New infrastructure charges may continue to place upward pressure on land new land prices in the near future.

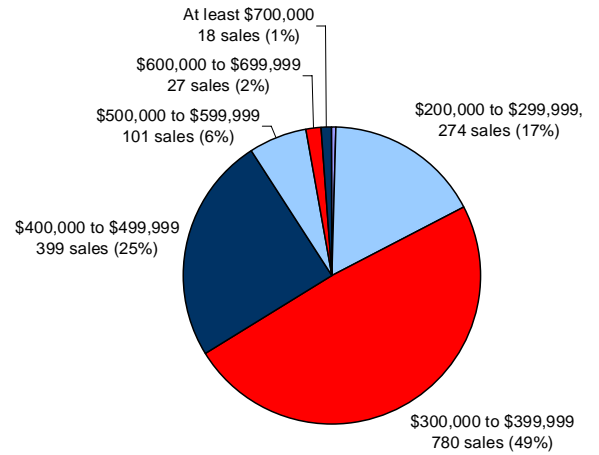


# Townsville Property Market Price Points

## Townsville House Market

During the six months ending March 2009, the dominant price point was the \$300,000 to \$399,999 bracket, which accounted for 49% of all house sales. The next highest concentration occurred in the \$400,000 to \$499,999 price point with 25% of all sales. Only 9% of sales occurred over the \$500,000 price point, highlighting the lack of activity in the upper end of the market. The upper end of the market is expected to show significantly more activity during the second half of 2009. Some of the more significant house sales during the six months include a Stanley St house in North Ward which sold for \$1.5m, a Bushland Beach property which sold for \$1m, and a house on the river in Aitkenvale which fetched \$1m.

## Townsville House Price Points Six months ending March 2009

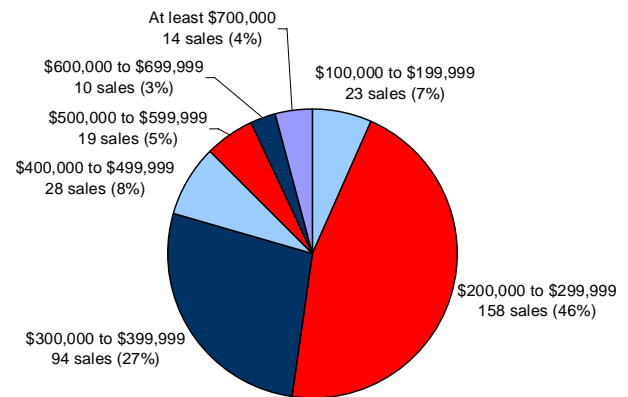


Prepared by PRDnationwide Townsville, Data source: RP Data

## Townsville Unit Market

Most sales in the Townsville unit market in the six months to March 2009 were concentrated in the \$200,000 to \$299,000 price point, with 46% of sales occurring in this price bracket. 12% of all sales occurred over the \$500,000 price point, slightly more than the house market. Similarly, activity in the upper end of the market is forecast to pick up as the year progresses. A number of prestige unit complexes are settling in the second half of 2009.

## Townsville Unit Price Points Six months ending March 2009

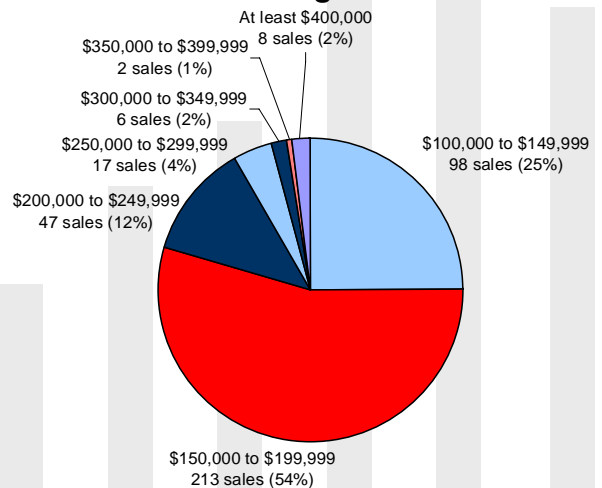


Prepared by PRDnationwide Townsville, Data source: RP Data

## Townsville Land Market

The Townsville land market was dominated with sales in the \$150,000 to \$199,999 price point, which represented 54% of all sales for the six months ending March 2009. Sales above \$250,000 accounted for 9% of market activity for the six months to March 2009. The highest priced land sales included a 1290m2 lot on Castle Hill which sold for \$1.1m, a 702m2 lot at Mt Louisa which sold for \$439,434, an 800m2 lot in Idalia which fetched \$410,000 and a 1044m2 lot at Bushland Beach which sold for \$380,000.

## Townsville Land Price Points Six months ending March 2009



Prepared by PRDnationwide Townsville, Data source: RP Data

# Townsville Unit Report, March-09 Qtr

## Market Snapshot

- There were 66 unconditional sales of new units across 27 projects in the Townsville market during the Mar-09 quarter.
- Gross sales for the quarter are estimated at \$34.2 m.
- 516 new units were available for sale at the end of the quarter, suggesting 23.5 months supply based on current demand.
- 'Central' Stage 2 was the fastest selling project during the Mar-09 quarter with 12 unconditional sales.

## Overview

The Townsville new unit market started the first few months of the year slowly, however sales began to flow again towards the end of the first quarter. Once again, affordable stock or product representing value for money were the main movers. The number of unconditional sales ended up well above the level experienced during the December-08 quarter, with a total of 66 sales recorded. With more recent positive news regarding the economic recovery and consumer sentiment, activity in the unit market is forecast to escalate as the year progresses. Interest rates are at record lows and major events over the winter months including the Dunlop Townsville 400 are widely tipped to positively influence market confidence.

## Survey Analysis

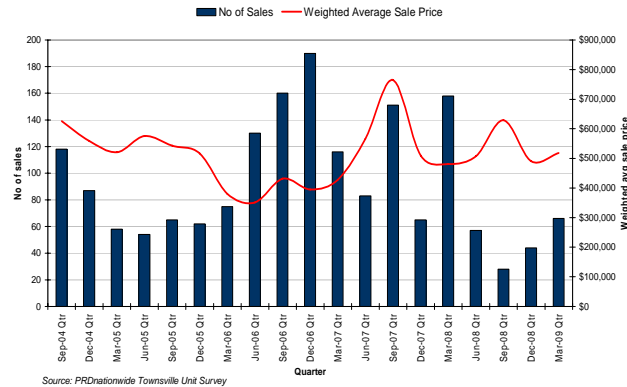
There were 66 unconditional sales recorded during the Mar-09 quarter, up 50% from the 44 sales recorded during the Dec-08 quarter. Townsville City dominated sales accounting for 71% of all sales, compared to Townsville Outer with 29% of sales. 'Central' Stage 2 in the city was the fastest selling project with 12 unconditional sales recorded for the quarter. The affordable price points and convenient location close to the CBD drove this strong result. Other projects to note include 'Central' Stage 1 with 10 sales, 'Riverlinks Apartments' at Douglas with 8 sales, 'West End' with 8 sales, and 'Fulton Gardens' with 8 sales.

The level of demand in the Mar-09 quarter suggests 23.5 months supply of new unit stock across the Townsville market at current levels of demand, down from 39.5 months recorded in the Dec-08 quarter. Townsville Outer had 12.0 months of stock, up from 11.0 months, while the City area had 22.0 months supply, well down from 106.1 months in the Dec-08 quarter. The weighted average sale price moved up slightly from \$490,909 in the Dec-08 quarter to \$518,182 in the Mar-09 quarter, reflecting the continued concentration of value seeking buyers in the market. Almost all sales were for projects intended for permanent residential use, apart from the three sales at 'Gateway on Palmer' and one sale at 'The Dalgety'.

New projects in the pipeline that may be ready to report sales next quarter include 'Harbourside Hotel' (140 units) and 'Harbourside Residences' (22 units) and 'Hotel M' (52 dual key units).

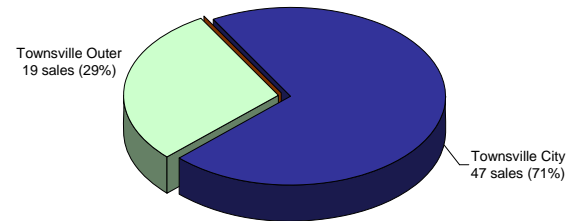
A higher proportion of projects in the market are now completed, with new project commencements slowing sharply. With a further decrease in new unit commencements, continuing low vacancy rates, healthy rental rates and record low interest rates, demand is forecast to continue during 2009 as owner occupiers and investors are enticed back into the market. In the short term activity is likely to remain concentrated in the lower price points which can generate an acceptable yield and represent a lower risk. Some cashed up buyers are beginning to emerge however, seeking value for money product at both ends of the market.

### Quarterly Sales



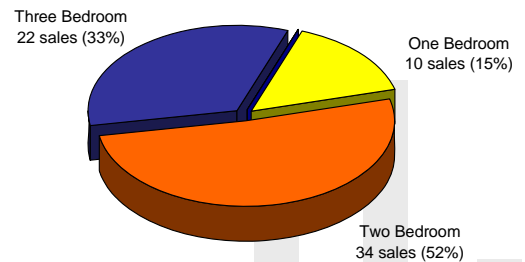
### Sales Volumes

Based on units sold during Mar-09 quarter



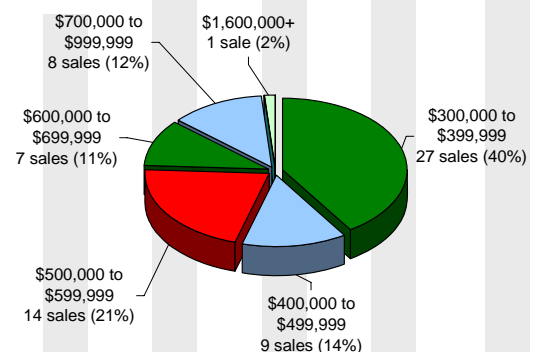
### Unit Type

Based on units sold during Mar-09 quarter



### Price Points

Based on units sold during Mar-09 quarter



## Townsville Unit Report, March-09 Qtr

## Townsville New Unit Market

## Sales Analysis of Recent Market Activity

PRD nationwide

Development	Suburb	Construction Status	Intended Building Use	Total Units	Sold to date	Avail for sale	No. Sold Mar-09 Qtr	Weighted Avg Sale Price	Approx gross sales Qtr	Marketing Company	Developer
<b>Townsville City</b>											
4 Oxley St	North Ward	Awaiting	Permanent Residential	4	1	3	0	\$0	\$0	Ray White Tvl City	Westcon Site Management Pty Ltd
Altitude	City	Underway	Permanent Residential	46	27	19	0	\$0	\$0	Benchmark Developments	Benchmark Developments
Bluewater Residences	North Ward	Completed	Permanent Residential	6	2	4	1	\$900,000	\$900,000	PRDnationwide	Rockpool Developments
Central (Stage 1)	City	Completed	Permanent Residential	95	51	44	10	\$670,000	\$6,700,000	Honeycomes Property Group	Honeycomes Property Group
Central (Stage 2)	City	Awaiting	Permanent Residential	70	47	23	12	\$383,333	\$4,599,996	Honeycomes Property Group	Honeycomes Property Group
Eclipse on Little St	Belgian Gardens	Completed	Permanent Residential	12	4	8	0	\$0	\$0	PRDnationwide	Perry McDonald Constructions
Fulton Gardens (Metro Tower)	North Ward	Completed	Permanent Residential	27	18	9	8	\$600,000	\$4,800,000	CPR Townsville Holdings Pty Ltd	CPR Townsville Holdings Pty Ltd
Gateway on Palmer	South Tvl	Completed	Mixed Use	112	83	29	3	\$416,667	\$1,250,001	PRDnationwide	Quantum Group
Harbourside	South Tvl	Awaiting	Mixed Use	142	n/a	n/a	n/a	\$0	\$0	Ferry Property	Laing O'Rourke
Hotel M	South Tvl	Completed	Short term	52	n/a	n/a	n/a	\$0	\$0	Smith & Elliott	Pointon Hotel Group
Jade #	North Ward	Underway	Permanent Residential	93	30	63	0	\$0	\$0	Hedley Group	Hedley Group
Mariner's Peninsula - The Stanton Apartments	City	Underway	Permanent Residential	101	98	3	0	\$0	\$0	Ferry Property/Mirvac	Mirvac
Mariner's Peninsula - Foreshore Homes	City	Underway	Permanent Residential	4	2	2	1	\$1,600,000	\$1,600,000	Ferry Property/Mirvac	Mirvac
Number 98	North Ward	Completed	Permanent Residential	25	22	3	2	\$850,000	\$1,700,000	Lancini Group	Lancini Group
Soiree	North Ward	Completed	Permanent Residential	24	11	13	0	\$0	\$0	Real Way	Gedoun Constructions
Solarus (Tower 1)	South Tvl	Underway	Permanent Residential	73	57	16	0	\$0	\$0	Ferry Property	Glen Alpine
Solarus (Tower 2)	South Tvl	Awaiting	Permanent Residential	46	0	46	0	\$0	\$0	Ferry Property	Glen Alpine
T1 Stage 1 #	City	Completed	Permanent Residential	55	54	1	5	\$550,000	\$2,750,000	Hedley Group	Hedley Group
The Dalgety	City	Underway	Mixed Use	117	90	27	1	\$450,000	\$450,000	Ferry Property	Fortia Funds Management
Vue	City	Underway	Permanent Residential	20	2	18	0	\$0	\$0	Remax	Fortia Funds Management
Yarrowonga Village (Stage 3)	North Ward	Completed	Permanent Residential	36	22	14	4	\$450,000	\$1,800,000	Lindona Developmemnts Pty Ltd	Lindona Developments Pty Ltd
<b>Summary - 20 Projects</b>				<b>1160</b>	<b>621</b>	<b>345</b>	<b>47</b>	<b>\$564,894</b>	<b>\$26,549,997</b>		
<b>Townsville Outer</b>											
Itara (Stage 1)	Condon	Completed	Permanent Residential	52	30	22	2	\$850,000	\$1,700,000	Honeycomes Property Group	Honeycomes Property Group
Oasis Apartments	Garbutt	Underway	Permanent Residential	26	17	9	1	\$350,000	\$350,000	Benchmark Developments	Benchmark Developments
Precinct Apartments	Cranbrook	Underway	Permanent Residential	20	10	10	0	\$0	\$0	Benchmark Developments	Benchmark Developments
Riverlinks Apartments	Douglas	Underway	Permanent Residential	58	27	31	8	\$350,000	\$2,800,000	Gribbin Realty	
West End #	West End	Underway	Permanent Residential	42	38	4	8	\$350,000	\$2,800,000	Hedley Group	Hedley Group
<b>Summary - 5 Projects</b>				<b>198</b>	<b>122</b>	<b>76</b>	<b>19</b>	<b>\$402,632</b>	<b>\$7,650,000</b>		
<b>Magnetic Island</b>											
One Bright Point	Nelly Bay	Completed	Mixed Use	124	90	34	0	\$0	\$0	Meridien	Meridien
Peppers Blue on Blue Resort	Nelly Bay	Completed	Mixed Use	101	40	61	0	\$0	\$0	Eureka Funds Management	Eureka Funds Management
<b>Summary - 2 Projects</b>				<b>225</b>	<b>130</b>	<b>95</b>	<b>0</b>	<b>#DIV/0!</b>	<b>\$0</b>		
<b>TOTAL DEVELOPMENTS - 27</b>				<b>1,583</b>	<b>873</b>	<b>516</b>	<b>66</b>	<b>\$518,182</b>	<b>\$34,199,997</b>		

# Rental Market

## Vacancy Rates on the Rise

- The REIQ conduct a bi annual survey to determine residential vacancy rates in Local Government Areas across Queensland.
- Townsville vacancy rates are calculated by using information provided by local real estate agents.
- The number of vacant properties on rent rolls divided by the total number of rental properties available determines the overall vacancy rate.
- Residential vacancy rates across Townsville were 3.4% in March 2009, up from 1.5% in September 2008.
- Despite the rise, this is still one of the lower level levels in regional Queensland.
- Vacancy rates have been widely predicted to be under pressure throughout 2009 due to lower dwelling commencements, however the reality appears to contradict this forecast.

## Residential Vacancy Rates

LGA	Mar-09	Sep-08	Change
Townsville	3.4%	1.5%	1.9%
Cairns	5.1%	4.6%	0.5%
Mackay	2.5%	2.1%	0.4%
Whitsunday	n/a	2.3%	
Sunshine Coast	3.9%	3.1%	0.8%
Gold Coast	3.4%	3.2%	0.2%
Greater Brisbane	2.6%	1.7%	0.9%

Source: REIQ

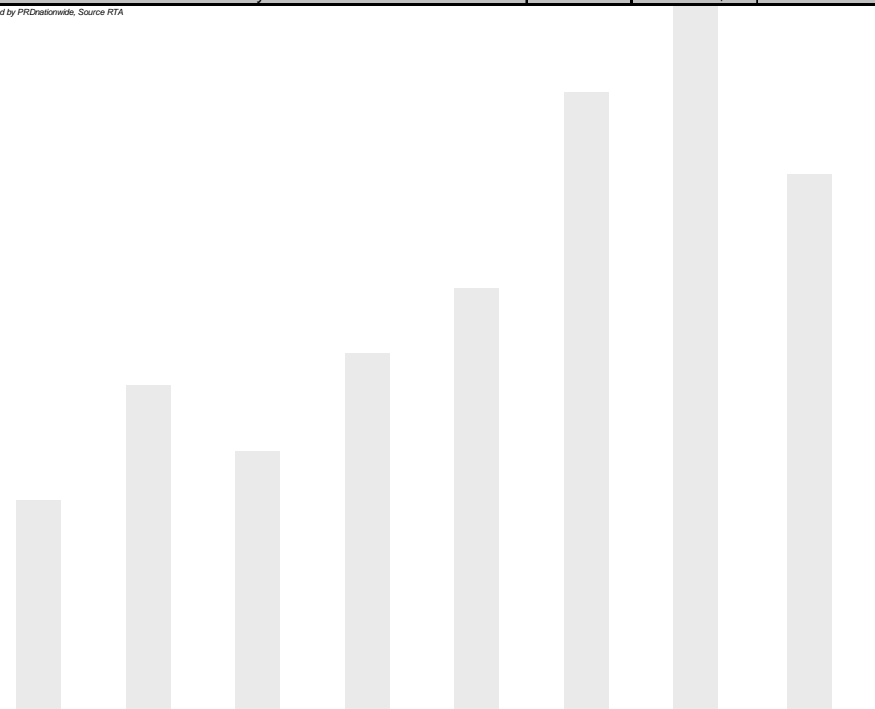
## Rental Rates Begin the Plateau

- Analysis of new rental bonds lodged with the Residential Tenancy Authority (RTA) is the basis of the median weekly rents information.
- The median rents are calculated for different types of dwellings in major centres throughout Queensland.
- In June 2009 the Residential Tenancy Authority held a total of 9,981 bonds for houses and 6,515 bonds for units in Townsville.
- Across Townsville, rents have increased around 3.2% over the year ending June 2009, however the quarterly change shows an average decrease of 4.8%.
- Analysis of median weekly rentals by postcode shows that Magnetic Island offers the most affordable housing, while the inner city areas in the 4810 postcode are generally the least affordable.
- The highest median rent of all dwelling types was \$400 per week for 3 bedroom units in the inner city postcode of 4810 followed by \$400 per week for 4 bedroom houses in the 4810, 4811 and 4816 postcode.
- The largest gains were experienced in the middle southern postcode of 4811 where 2 bedroom units rose by \$70 to \$330 per week and the upper Ross area in postcode 4815 where 2 bedroom units rose by \$40 per week to \$230 per week and middle ring suburbs in postcode 4812 where 4 bedroom houses rose \$40 per week to \$380.
- Further growth in rental rates is expected to be limited due to rising vacancy rates.

## North Qld Median Weekly Rents

		PRD nationwide						
Dwelling Type	Area	Jun Qtr 09 Rent (\$)	Mar Qtr 09 Rent (\$)	Jun Qtr 08 Rent (\$)	Qtr Change %	Qtr Change \$	1 Yr Change %	1 Yr Change \$
2 bed units	Townsville Area	\$270	\$280	\$260	-3.6%	-\$10	3.8%	\$10
2 bed units	Thuringowa Area	\$240	\$260	\$230	-7.7%	-\$20	4.3%	\$10
2 bed units	New Townsville City LGA	\$265	\$280	\$250	-5.4%	-\$15		
3 bed units	Townsville Area	\$380	\$400	\$380	-5.0%	-\$20	0.0%	\$0
3 bed units	Thuringowa Area	\$320	\$345	\$290	-7.2%	-\$25	10.3%	\$30
3 bed units	New Townsville City LGA	\$350	\$380	\$380	-7.9%	-\$30		
3 bed houses	Townsville	\$320	\$340	\$320	-5.9%	-\$20	0.0%	\$0
3 bed houses	Thuringowa	\$320	\$330	\$310	-3.0%	-\$10	3.2%	\$10
3 bed houses	New Townsville City LGA	\$320	\$330	\$320	-3.0%	-\$10		
4 bed houses	Townsville	\$395	\$400	\$390	-1.3%	-\$5	1.3%	\$5
4 bed houses	Thuringowa	\$370	\$380	\$360	-2.6%	-\$10	2.8%	\$10
4 bed houses	New Townsville City LGA	\$380	\$390	\$370	-2.6%	-\$10		

Prepared by PRD nationwide. Source RTA



# Townsville Tourism Overview

## Townsville Airport Arrivals

Passenger movements through the Townsville airport have continued to grow on the back of the strong business and leisure travel market. 1,484,901 passengers passed through the Townsville airport in the year ending June 2008 representing an increase of 8.2% the previous year. Increased capacity and domestic competition coupled with the strong economic and tourism growth is likely to see strong growth in the future.

## Airline seat Capacity

- In August 2009, weekly domestic seat capacity into Townsville is estimated at 16,127 seats, up from 15,079 seats in March 2009 (includes interstate services and intrastate flights from Brisbane only).
- This 6.9% increase is largely seasonal and has been driven by increased capacity on Jetstar and Virgin Blue flights.
- Virgin Blue now hold the highest market share with 6,314 seats (47 flights), followed by Qantas with 5,481 seats (46 flights), then Jetstar with 4,002 seats (22 flights).
- Total weekly flights into Townsville in August 2009 is 115, comprised of 93 from Brisbane (up from 91 in March-09), 12 from Sydney (unchanged), 3 from Melbourne (unchanged), and 7 from Canberra (up from 0).
- Virgin Blue commenced four new routes from April 6 with daily return services from Townsville to Gold Coast, Cairns, Canberra and Rockhampton. This has the potential to boost visitor numbers to the City and has been welcomed by Townsville business leaders.

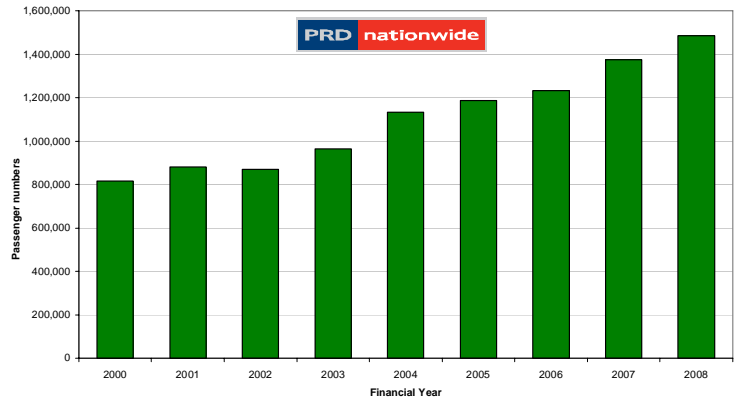
## Visitor Numbers

- The Townsville region hosted 842,000 domestic overnight visitors in the year ending March 2009, comprising mainly of intrastate visitors.
- The visitor profile is shared almost equally between holiday (240,000), visiting friends and relatives (VFR) (260,000) and business visitors (264,000), spreading the risk and not relying on any one market sector, as do some of the neighbouring regions.
- Domestic visitors account for 85% of all visitors to the region.
- Interstate visitors account for 17% of domestic visitors yet account for 26% of visitor nights.
- Total expenditure by visitors in the year ending March 2009 was \$541 million.

## Accommodation Performance

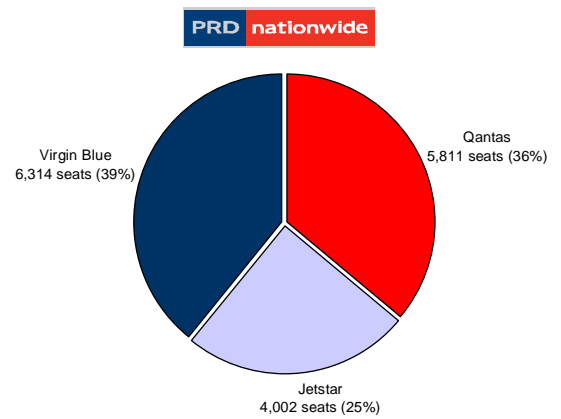
Recent tourism statistics show room occupancy rates across Townsville hotels motels and serviced apartments decreased slightly between the year ending March 2009 and 2008, from 71.85% to 69.05%. An increase in the average room rate offset the slightly lower occupancy rate however, with revenue per available room (REVPAR) increasing by 3.6% over the year. The March-09 quarter recorded poor results however, with both occupancy rates and room rates down from the March-08 quarter. This was forecast by PRDnationwide, due to a surge in new supply. Room numbers increased 12% from 2,192 in March-08 to 2,455 in March 2009, providing an additional 263 rooms.

## Townsville Airport Passenger Movements



Prepared by PRDnationwide Townsville, Source: Queensland Airports Ltd

## Airline Share of Seat Capacity Townsville August-09



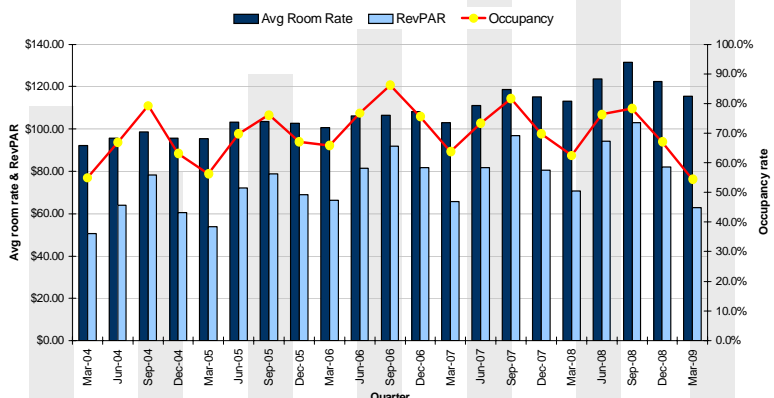
Prepared by PRDnationwide Townsville, Source: Tourism

## Townsville Region YE Mar-09 Tourism Visitation Highlights

	Total Vistors	Holiday	VFR	Business	Expenditure
Domestic overnight	842,000	240,000	260,000	264,000	\$541m
Annual change	↓ 21%	↓ 37%	↓ 21%	↓ 13%	↓ 1%
International overnight	145,000	122,000	16,000	n/p	n/p
Annual change	↑ 4%	↑ 4%	↑ 7%	n/p	n/p

Prepared by PRDnationwide Townsville, Source: Tourism Queensland

## Townsville LGA Hotels Motels & Serviced Apartments



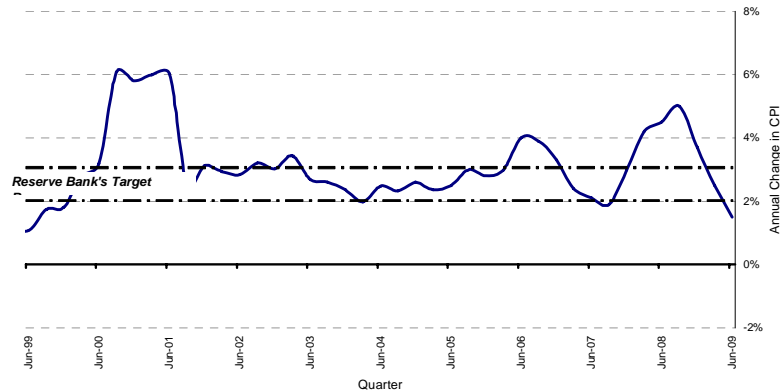
Prepared by PRDnationwide Townsville, Source ABS Cat.8635.3.55.001

# Macroeconomic Climate

## Inflation on the way down

- The Reserve Bank of Australia (RBA) aims to constrain inflation in a long-run target range of 2-3% through the setting of interest rates.
- The June-09 CPI figures recorded an annual change of 1.5% which is below the RBA's target range.
- Quarterly inflation was 0.5% up in the June-09 quarter, compared to a 0.1% rise in the March-09 quarter.
- The underlying inflation figure as measured by the RBA is also on the way down, recording growth of 2.5% over the year. Underlying inflation removes volatile items such as fruit and fuel.
- Improvement in consumer and business confidence are likely to place upward pressure on inflation again soon.
- September 2009 CPI data is scheduled to be released on 28/10/2009.

**Inflation**

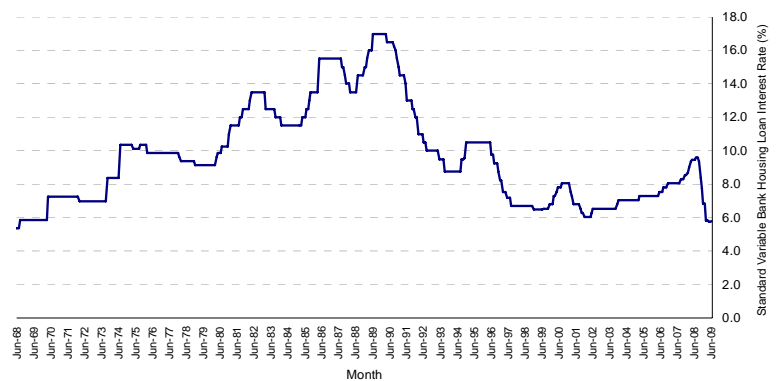


Prepared by PRDnationwide Townsville  
Source: ABS Cat No: 6401.0, last updated August-09

## RBA holds interest rates steady at near 50 year low

- The housing loan interest rate is the average variable rate of interest being offered by housing lenders. It is higher than the RBA's target cash rate due to lending costs and profit margins.
- Interest rates are set by the RBA, who acts independently of government and sets interest rates with the goal of maintaining inflation in a long-run target range of 2 - 3%. The RBA meets monthly to review the current interest rate.
- The RBA held the cash rate steady at 3.0% at its August meeting, for the fourth consecutive month.
- The average variable interest rate is already creeping up, and the major lenders have indicated that they will be raising interest rates independently of the RBA, due to allegedly higher lending costs.
- The RBA has all but ruled out any future rate cuts as the Australian economy has performed much better than expected during the global financial crisis.
- The market is now factoring in rate rises, in the order of 0.25% in Nov-09 or Dec-09, with further rises of 1.5% on top of this over the next 12 months.
- The average variable rate may be back up to around 7.5 to 8.0 per cent by his time next year, from 5.8 per cent as of June 2009.

**Housing Loan Interest Rate**

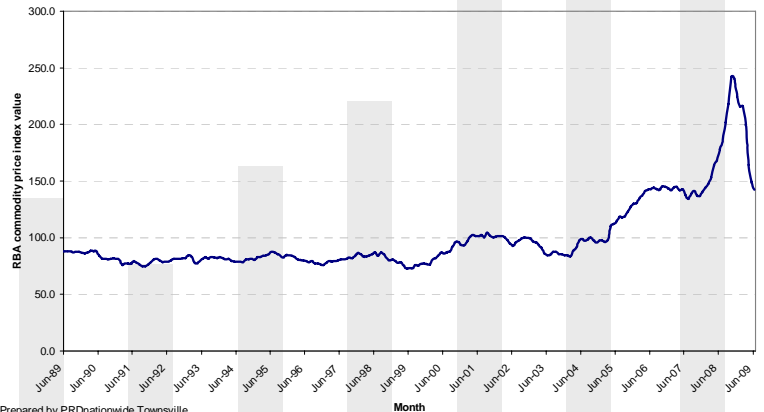


Prepared by PRDnationwide Townsville  
Source: RBA Bulletin F05, last updated August-09

## Mixed Bag for Commodities

- The RBA's Commodity Price Index provides an indicator of primary commodity price movements.
- The index includes 17 commodities with separate weightings, the highest of which are coal, gold and iron ore.
- The first two quarters of 2009 have seen a steady decrease in commodity price growth.
- A recovery in China has played a major role in rising export volumes, although the value in exports has fallen.
- The largest contributors to the decrease have been through coking coal, thermal coal and iron ore, while nickel, copper and aluminium have risen.

**RBA Commodity Price Index**



Prepared by PRDnationwide Townsville  
Source: RBA Bulletin G5, last updated August-09

# Special Feature: North Qld leisure & lifestyle property market overview

The residential property market generally comprises two main sectors, being the permanent residential market, catering to owner occupiers and renters, and the leisure and lifestyle market, which includes property that may be placed in a letting pool for short term/holiday accommodation and/or used as a winter residence which may be locked and left over the summer months. The North Queensland leisure and lifestyle property market includes the coastal area extending from the Whitsundays in the south to Port Douglas in the north. This market historically performs well during times of economic prosperity, however has also experienced prolonged periods of negative growth and little activity during economic downturns and periods of turmoil, including the pilots strike in the late 1980's, and currently following the global financial crisis. During the most recent property boom, this market expanded rapidly and performed well between approximately 2003 and 2006. During 2007, market supply peaked and sales volumes began retracting, signaling a change in market dynamics. By 2008 sales volumes had slowed to a trickle as investors and speculators retreated from these property markets. This trend has continued to the current point in time, with no indication of any change being imminent.

In tighter times, the permanent residential market is more resilient than the leisure and lifestyle market, especially in the lower price points. In economically diverse regional centres such as Townsville, some demand for permanent residential accommodation continues during a downturn, due to continued economic and population growth. Most product in these regions is geared towards the permanent residential market, however where there is product that suits both market sectors, this supply may be taken up by this continued demand for permanent accommodation. In holiday and lifestyle destinations such as the Whitsundays and Port Douglas, where there are limited economic drivers and employment opportunities and the product on offer has little residential application, the effects of a downturn are felt the greatest, as there is a widening gap between supply and demand of the two product types.

Across North Queensland, there were approximately 1,734 apartments of all types available for sale off the plan and for recently completed projects at the end of the March 2009 quarter. Based on demand for the quarter of 94 apartments, this equates to a supply of 55.3 months (4.6 years). When permanent residential apartments, which are selling in reasonable volumes, are removed from these figures, the true picture of the leisure and lifestyle begins to emerge. PRDnationwide estimate that across North Queensland, there were approximately 1,123 leisure and lifestyle apartments available for sale off the plan or for new recently completed projects at the end of the March 2009 quarter. Based on demand for the quarter of 26 apartments, this equates to a supply of 129.6 months (10.8 years). Refer to tables 2.0-1 and 2.0-2 below and on the following page.

**Table 2.0-1  
North QLD unit supply as at Mar-09 Qtr**

	Available	Sold	Supply (Mths)
<b>Townsville</b>			
Townsville City	345	47	22.0
Townsville Outer	76	19	12.0
Magnetic Island	95	0	
<b>Total Townsville Market</b>	<b>516</b>	<b>66</b>	<b>23.5</b>
<b>Cairns</b>			
Cairns City	535	9	178.3
Cairns Northern Beaches	140	16	26.3
Port Douglas	110	2	165.0
<b>Total Cairns Region</b>	<b>785</b>	<b>27</b>	<b>87.2</b>
<b>Whitsundays</b>	<b>284</b>	<b>0</b>	
<b>Mackay</b>	<b>149</b>	<b>1</b>	<b>447.0</b>
<b>Total North QLD Market</b>	<b>1734</b>	<b>94</b>	<b>55.3</b>

Source: PRDnationwide Townsville and Cairns unit surveys and Midwood Qld Investment Report

Table 2.0-2

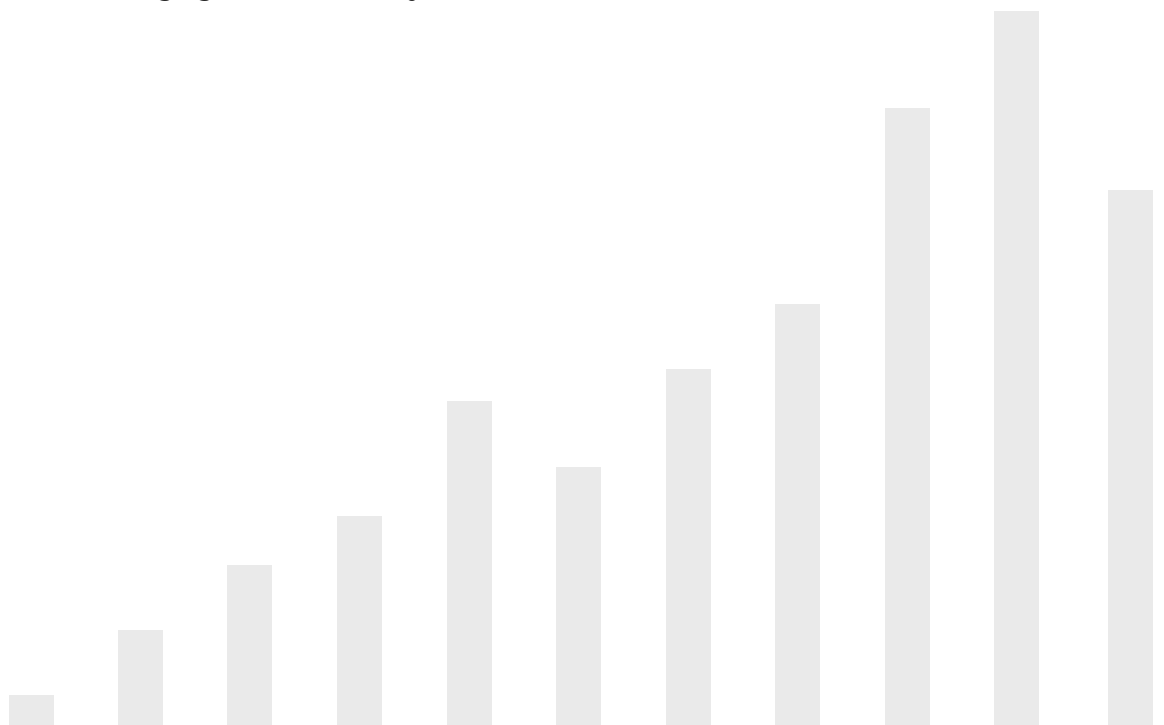
**North QLD leisure & lifestyle market  
unit supply as at Mar-09 Qtr**

	Available	Sold	Supply (Mths)
<b>Townsville</b>			
Townsville City	125	5	75.0
Townsville Outer	22	2	33.0
Magnetic Island	95	0	
<b>Total Townsville Market</b>	<b>242</b>	<b>7</b>	<b>103.7</b>
<b>Cairns</b>			
Cairns City	198	0	
Cairns Northern Beaches	140	16	26.3
Port Douglas	110	2	165.0
<b>Total Cairns Region</b>	<b>448</b>	<b>18</b>	<b>74.7</b>
<b>Whitsundays</b>	<b>284</b>	<b>0</b>	
<b>Mackay</b>	<b>149</b>	<b>1</b>	<b>447.0</b>
<b>Total North QLD Market</b>	<b>1123</b>	<b>26</b>	<b>129.6</b>

Source: PRDnationwide Townsville and Cairns unit surveys and Midwood Qld Investment Report

Furthermore, a number of new projects have been released recently, including two projects in the Townsville market released during the June-09 quarter. These include 52 dual key apartments at the recently completed 'Hotel M' on Palmer St and 142 apartments selling off the plan for Laing O'Rourke's 'Harbourside', also located in Palmer Street. These will add further supply to a market which is already grossly oversupplied according to recent demand.

Some projects have not achieved any sales at all over the last twelve months, despite consistent and professional marketing and advertising campaigns and innovative offers, including guaranteed returns and interest free finance. Discounting of up to 40 to 50 per cent off list price is now common for some leisure and lifestyle projects. Many developers have also explored selling in one line, with little success. Despite the best of efforts, most projects currently in the market have failed to achieve an acceptable rate of sale. As a result, further mortgagee action may be witnessed in the short term.



**PRD nationwide**

Prepared by **PRDnationwide Townsville**

Source: ABS, AECeconomics, Bureau of Meteorology, Townsville City Council, PRDnationwide Townsville Quarterly Unit Survey, Midwood Queensland Investment Report, Pricewaterhouse Coopers, RP Data, Queensland Airports Ltd, Tourism Queensland, REIQ, RTA, RBA.

For further details please contact: **Dean Dederer, Research & Special Projects Manager, Ph: 07 4789 7053 or [deandederer@prdnq.com.au](mailto:deandederer@prdnq.com.au)**

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