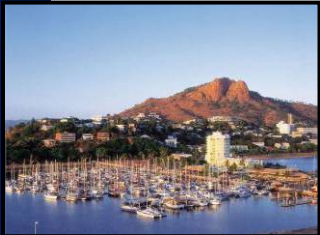




# Townsville Commercial Property Market Report

August 2008



Prepared by PRDnationwide Consulting NQ  
For further details contact Dean Dederer, North Qld Research Manager  
Ph: (07) 4759 9103 or [deandederer@prd.com.au](mailto:deandederer@prd.com.au)  
Use with written permission only. All other responsibilities disclaimed. Copyright ©2008

# Townsville Economy Overview

## Area characteristics

For the purposes of this report Townsville refers to the new Townsville City following the merger of adjoining Local Government Areas Townsville and Thuringowa in March 2008. The new Local Government Area is the largest outside of the South East corner of Queensland. 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.

## Population growth

Townsville's consistently high population growth will continue to drive dwelling demand in the foreseeable future. In the year ended June 2007, the Greater Townsville population grew 2.7% according to the ABS, increasing by 4,529 people to reach a total of 169,484 people. Net migration has been the major driver of recent population growth, reflecting strong employment growth. The Townsville population has grown by 2.7 per cent per annum over the past five years, with Queensland Government projections (high series) indicating the population is expected to reach over 240,000 people by 2026. Based on the most recent population increase and average dwelling size (persons per household) across Greater Townsville of 2.7 persons, approximately 1,680 new dwellings are required per annum in Greater Townsville to satisfy derived demand for permanent dwellings. 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.

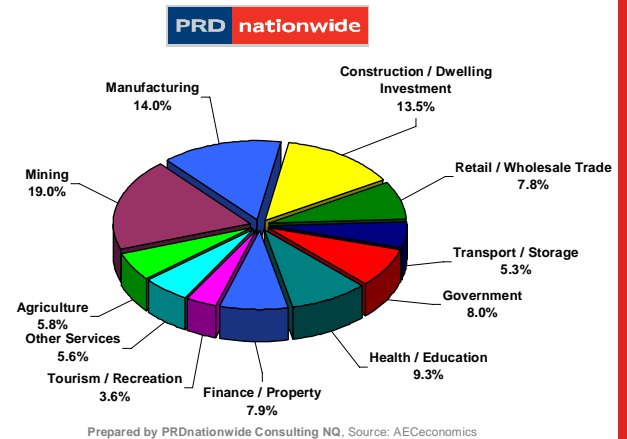
## Economic growth

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.

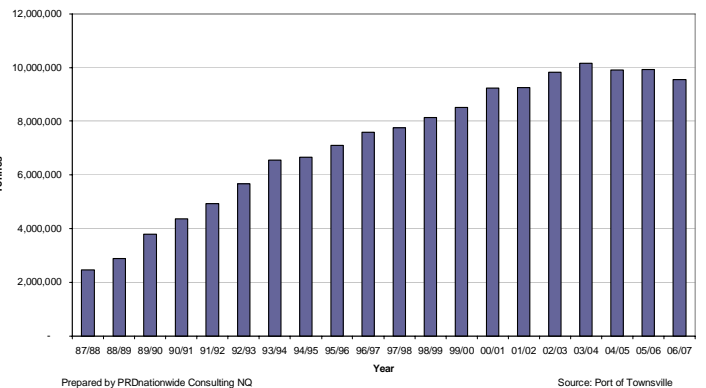
## Business Confidence

- Pricewaterhouse Coopers conduct a quarterly survey amongst approximately 300 business operators in Townsville regarding their expectations for the quarter ahead.
- The results of the surveys are translated into a change index.
- At 98.5 for the September-08 quarter, the index has dropped 6 points from the previous quarter.
- Turmoil in the global financial markets and falling consumer demand are exacerbating the local situation although according to PWC, most survey respondents expect economic conditions to improve.

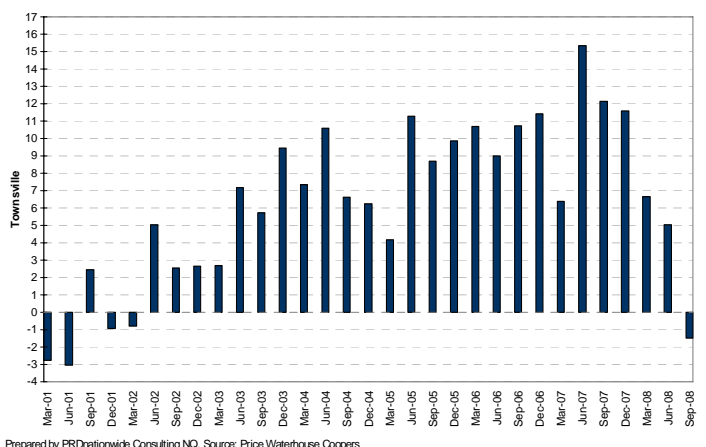
## Townsville Region Gross Regional Product 2006-07



## Port of Townsville Trade Throughput 1987/88 - 2006/07



## Townsville Business Confidence Index

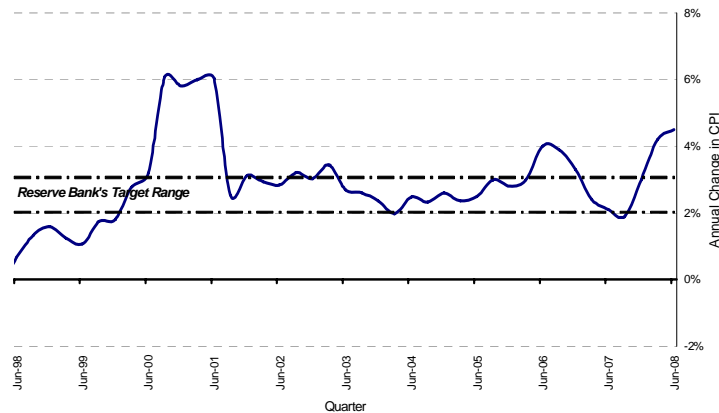


# Macroeconomic Climate

## Inflation forces RBA to adjust interest rates again

- Inflation is an increase in the Consumer Price Index (CPI), calculated by the Australian Bureau of Statistics as the price of a weighted 'basket' of goods and services which account for a high proportion of expenditure by metropolitan households.
- 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-08 CPI figures recorded an annual change of 4.5% which is well above the RBA's target range.
- Quarterly inflation was 1.5%, up from the 1.3% recorded during the March-08 quarter.
- The underlying inflation figure as measured by the RBA was the worrying figure again however. Underlying inflation removes volatile items such as fruit and fuel. Underlying inflation increased by 4.2% over the year, placing further pressure on interest rates.
- Recent trends indicate that consumer and business confidence are trending downwards, which reduces inflationary pressure.

*Inflation*

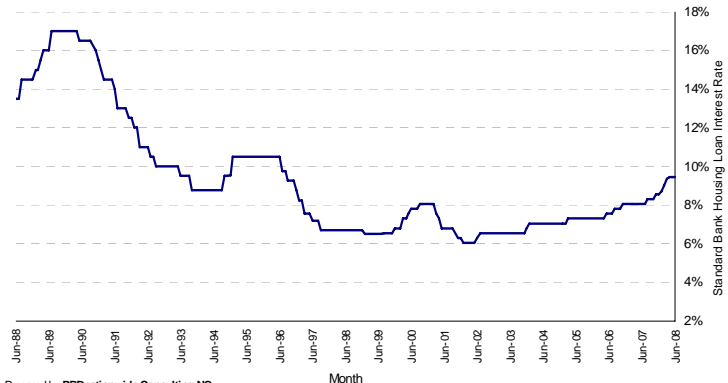


Prepared by PRDnationwide Consulting NQ  
Source: ABS Cat No: 6401.0, last updated August-08

## Interest rates up to highest level since October 1996

- The housing loan interest rate is the average 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.
- Following a 25 basis points rise in March, the RBA have left interest rates on hold during the June-08 quarter, leaving the cash rate at 7.25% and the average standard variable home loan at 9.45% at the end of June 2008.
- The RBA has raised its key rate by a half percentage point this year, while retail banks have increased lending rates by a full percentage point because of their own increased borrowing costs.
- Despite slowing demand, inflation is expected to continue its rise, dampening any immediate cuts in interest rates. However, the market is factoring in moderate rate cuts by the end of the year or early 2009.

*Housing Loan Interest Rate*



Prepared by PRDnationwide Consulting NQ  
Source: RBA Bulletin F05, last updated August-08

## Commodity prices climbing

- The RBA's Commodity Price Index provides an indicator of primary commodity price movements.
- Primary commodities account for more than half of Australia's export earnings.
- The dramatic rise in commodity prices can be seen from this index, particularly since June-04. During this period, the commodity price index has increased by 81.3%. The index is up 30.5% in the last year.
- Townsville is the largest non ferrous metals ports in the world, due to its proximity to the vast north west Queensland minerals province and the establishment of three metal refineries in the city.

*RBA Commodity Price Index*



Prepared by PRDnationwide Consulting NQ  
Source: RBA Bulletin G5, last updated August-08

# Retail Market Overview

## Townsville Retail Market

Population and economic growth are driving increased retail spending in the greater Townsville area despite high fuel prices and increased interest rates. This growth is providing developers and property owners with the confidence required for major investment in retail infrastructure.

### Retail developments currently under construction include:

- Fairfield Central shopping centre at Cluden. This \$70m Woolworths anchored shopping centre is being developed by Fairfield Waters & Lancini Group at the southern end of the Fairfield Waters Estate fronting Racecourse Road opposite the Cluden racecourse.
- Castletown Shopping world located at Hyde Park recently completed a \$30 m expansion and refurbishment, including 30 new specialty shops, a 400 seat food court and more car parking. Further stages are planned.
- Parkside Developments have developed The Avenues Plaza, a Woolworths anchored retail centre at Kirwan on the corner of Kern Bros Drive and Burnda St, located centrally to their sold out residential estate The Avenues and in close proximity to currently selling estate Willowbank.



### Retail developments planned include:

- Austexx plan to develop a \$100m Direct Factory Outlet at Cluden alongside Fairfield Central. The centre will include around 100 separate outlets.
- Stockland at Aitkenvale are undertaking a \$200m development program to incorporate a Myer store.
- Austexx and Lancini Group are developing Flinders Plaza in the CBD. The \$200m development will include a cinema complex, fitness centre, cafes, restaurants and 150 retail outlets. Flinders Plaza will also include four levels of carparking to provide 1600 on-site spaces. The plaza will house two levels of retail, entertainment, alfresco dining and a cafe precinct covering a 1.6ha block in the city's heart.
- JCU are planning a large scale mixed use development at their Douglas campus. The project called 'Discovery Rise' will include a hotel, around 54,000 sqmtrs of mixed industry and business activities, 123,000 sqmtrs of commercial and retail, detached residential and medium density residential precincts.



# Retail Market Overview

## Retail developments planned include: (Continued)

- Owner of Willows Shoppingtown Dexus (formerly DB RREEF) have announced a \$70m redevelopment of the popular retail centre. The plans include a new 8500 sqmtr discount department store, 50 new specialty stores and 600 additional car parking spaces. Dexus has also applied for preliminary approval of its 20 year masterplan, which calls for an increase in floor space from the current 25,000 sqmtrs to 82,500 sqmtrs.

- New retail infrastructure is also proposed by Sunland at Bushland Beach and by Stockland in the northern beaches growth corridor to cater for the population expansion in this region.

- Thuringowa's Riverway project will also provide an estimated 4,000m2 of retail/commercial space once the village commercial precinct is completed. The cultural centre and lagoon component of the Pioneer Park stage 1 opened in mid 2006 and will be a catalyst for further major development in the adjoining areas.

- DA approval has been granted for two hotels opposite Riverway Stage 1, with each of the proposed developments incorporating approximately 4000 sqm of commercial space.



## Rental rates

Rental rates for prime retail properties with good exposure typically range between \$400 to \$700 psqm P.A. while secondary properties in inferior locations typically range between \$250 to \$400 psqm P.A. Quality retail property is in demand and yields typically fall between 7.0% to 8.0% and sale prices are commonly around \$4000 to \$6000 psqm of building area.

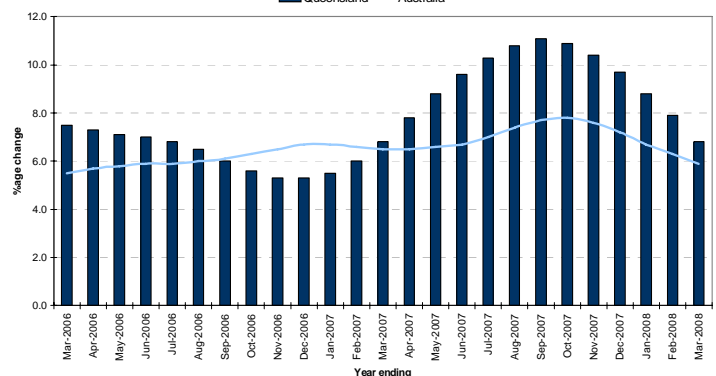
## Retail turnover

According to Queensland Treasury, Queensland's trend nominal retail turnover declined 0.1% for the third consecutive month in February 2008, although the annual rate of growth in Queensland as at February 2008 was well above the national rate at 7.8% Vs 6.2%. In Townsville, strong wages growth and household incomes are forecast to underpin solid retail sales growth at a local level.

### Retail Turnover

Annual % change, trend

■ Queensland — Australia



Prepared by PRDnationwide Consulting NQ. Source: ABS Cat. No

# Industrial Market Overview

## Townsville Industrial Market

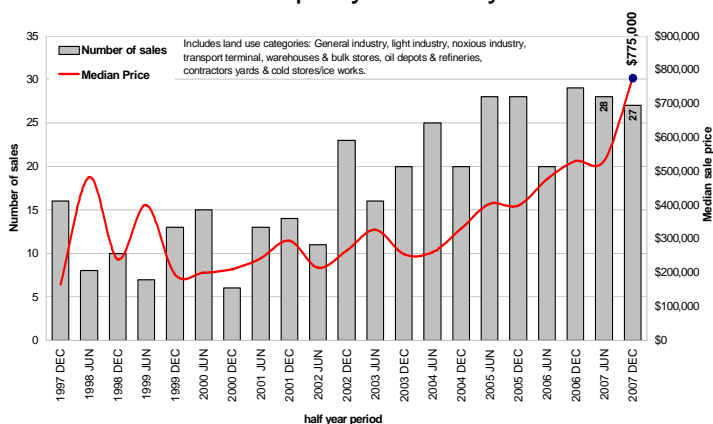
The Townsville industrial market has grown considerably as a result of the regions' strong economic growth. Major projects such as the recently completed US\$450m expansion of the BHP Billiton QNI Nickel Refinery at Yabulu, and a raft a major construction projects are creating continued demand for industrial space. Townsville is one of three locations short listed by Chinese aluminium producer Chalco for the establishment of an alumina refinery, utilising raw material from the Arukun Bauxite deposit on Cape York. The refinery is expected to require a capital investment in the order of \$2.1 billion and generate up to 11,500 full time equivalent jobs over the construction phase.

Industrial property sales in the Townsville Local Government Area (based on land use codes of warehouses & bulk stores, light industry, general industry, noxious industry, transport terminal, oil depots & refineries, contractors yards, & cold stores/ice works) recorded a median price of \$775,000 in the December 2007 half year from 27 transactions. This median price has grown by 46.2% in the past year and 23.9% per annum over the past five years. Land sales in the Townsville Local Government Area (based on land zones of general industry and light industrial) recorded a median price of \$1,088,802 in the December 2007 half year from 13 transactions. This median price has grown by 81.5% in the past year and 68.1% per annum over the past five years. Supply of vacant land is generally tight and is achieving in the range of \$200 to \$265 psqm.

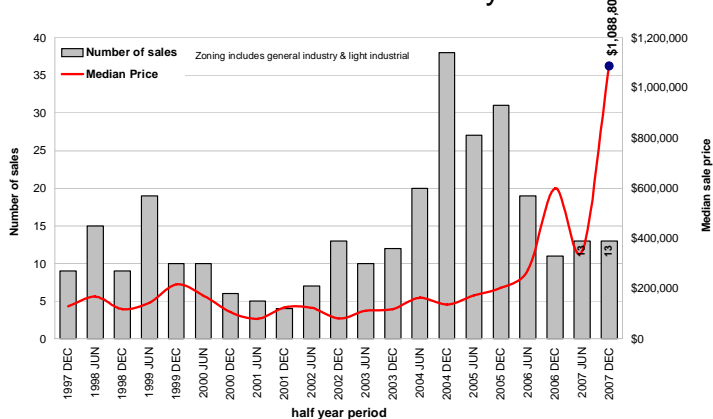
The major light industrial area of Townsville concentrated around the Bohle/Mt St John area north west of the airport continues to be in demand. Markwell Place has achieved sales rates of up to \$260 psqm for serviced vacant land, while the Webb Industrial Estate which houses a new 6,300 sqm LG distribution centre, a 5,000 sqm Woolworths distribution centre along with a 6,500 sqm NQX transport depot and many other major businesses, offers a lease only option for occupiers. Sunland have released the first two stages of their three stage 53 lot industrial subdivision at Everett St with strong sales interest.

The Woolcock Street corridor running through Garbutt is another growth area. A 240 unit 'Ikin Store-it' self storage complex was recently completed, and a number of vacant parcels of land have recently sold and on the market, in the range of \$220 to \$270 per sqm. A number of industrial and commercial business parks are proposed at the northern end of Woolcock St, with the most advanced being the Insight Business Park. Located on an 8.5 Ha site, the project will include a service station, hotel and liquor barn, motel, boutique retail, office space and service industry.

Townsville LGA  
Industrial Property Sales Cycle



Townsville LGA  
Industrial Land Sales Cycle



### Industrial estates planned include:

- A 53 Ha site at Everett St, Bohle, was purchased for \$17.6m by the CEC group. The site is planned to yield around 100 lots ranging in size from 2,000 sqmtrs up to 2 Ha.
- A 19.4 Ha site on Shaw Rd was purchased by Urbex for \$8.35m. Urbex plan a subdivision of 2,000 to 2,500 m2 lots.
- A 25.48 Ha site fronting the Bruce Highway at Shaw is under contract to a Cairns based company who are planning an industrial subdivision with a range of small lot sizes.
- The 15 Ha former speedway site on Shaw Rd was purchased by a local consortium who are planing a 24 lot subdivision with an average lot size of 3,500 sqmtrs.
- The Lancini Group purchased a 8,903 sqmtr site on Woolcock St and are planning 10 two level strata titled industrial units ranging in size from 300 sqmtrs to 600 sqmtrs.

# Office Market Overview

## Townsville Office Market

The dominance of government administration and manufacturing in the northern region economic profile is driving greater demand for office space from both private and public sector organisations. New supply has been limited to date with the most significant development being the refurbishment of the former Commonwealth Bank building in Flinders Mall. This new building renamed 'Central Plaza' provides approximately 4,700 sqm of high quality CBD office space, with rents in the range of \$245 to \$395 psqm (nett). Queensland Health secured the final 1,650 sqmtrs and the building is now fully leased. 111 Charters Towers Road purchased by trident Corporation in April 2007 was also recently refurbished to provide 2,000 sqmtrs of quality office space.

A 2,500 sqm office complex was recently completed on Ross River Road, Aitkenvale, where rents are up to \$300 per sqm. Centrelink have also relocated to a large redeveloped complex on Ross River Road opposite the Stockland Shopping Centre. One of the major lease deals in recent times was completed for the former NORQEB building in Stokes St, Townsville City, which saw Maunsell engineering take up 3,000 sqm of office space and accountants Pickards BDS take up 1,200 sqm of space.

Recent office sales include:

- The Suncorp Building on Sturt St was purchased by Melbourne based superannuation fund ISPT for \$16.48m.
- Denham St, Townsville City. This two storey multi tenancy complex with a net lettable area of 3,050 sqmtrs showing an approximately 7.0% net yield sold for \$10.5m.

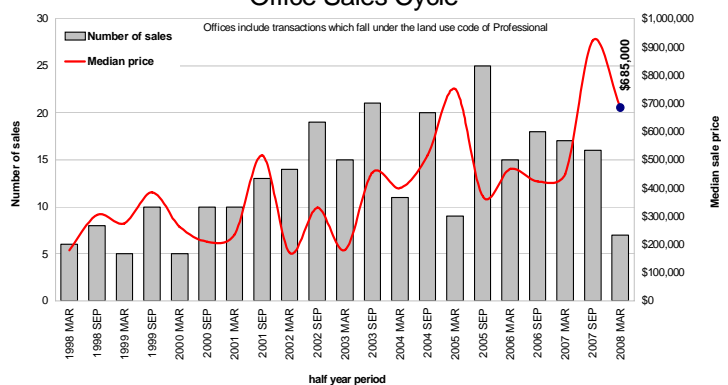
An analysis of settled transactions of properties with a land use code of 'professional offices' across Townsville reveals that annual median price growth of 30.6% has been achieved over the past five years. There is some volatility due to the relatively small number of transactions recorded.

## Office projects planed include:

- Stanley Street Business Centre is currently under construction at 19 Stanley St. The project will include 2,700 sqmtrs of A grade office space over three levels and around 100 car parks.
- The former T&G building on the Cnr of Flinders St and Stanley St has been demolished to make way for a new 16 storey office tower with ground floor retail. The project could provide up to 1,300 sqmtrs of office space.
- Central One, Flinders St. Central One is currently under construction and has been sold by Honeycombes Property group to Reed Reed Property trust for a reported \$11.25m. The building which includes ground floor retail will have a net lettable area of 2,634 sqmtrs.



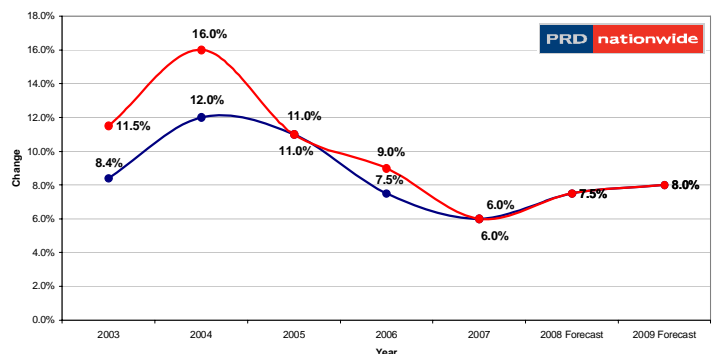
## Greater Townsville Office Sales Cycle



Prepared by PRDnationwide Consulting NQ. Source: RP Data

## Rider Levett Bucknall Tender Price Index

— Brisbane — North Qld



Prepared by PRDnationwide Consulting NQ. Source: Rider Levett Bucknall, updated May 2008

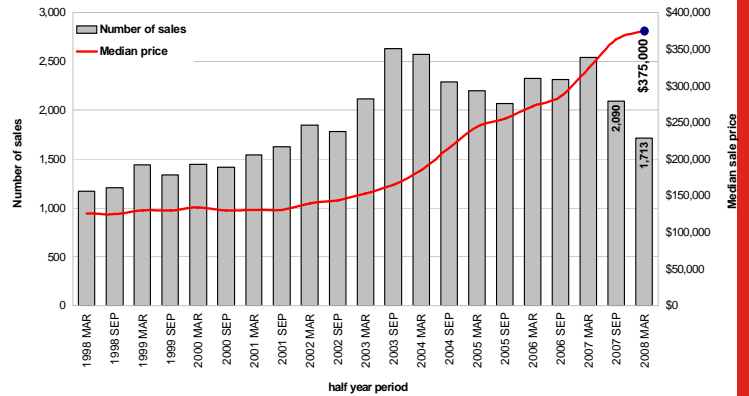
# Residential Property Market Overview

## Townsville House Market

The Greater Townsville house market has experienced solid growth over the past decade as the sales cycle graph below indicates. The median house price for the six months ending March 2008 was \$375,000, based on 1,713 transactions. This median price has grown at very strong rates in the last five years, rising from a mere \$153,000 in March 2003. This change represents annual compounding growth of 19.6% per annum. Growth in the last year was a more moderate but still solid 16.1%.

38,481 transactions were recorded in the ten years ending March 2008, equating to an annual average of 3,848 transactions (1,924 every six months). The annual average over the last five years is 4,546 (2,273 every six months). Sales volumes retracted marginally in the last six month period to 1,713 transactions and current market conditions indicate that activity may remain at slightly subdued levels comparative to recent years.

Greater Townsville House Sales Cycle

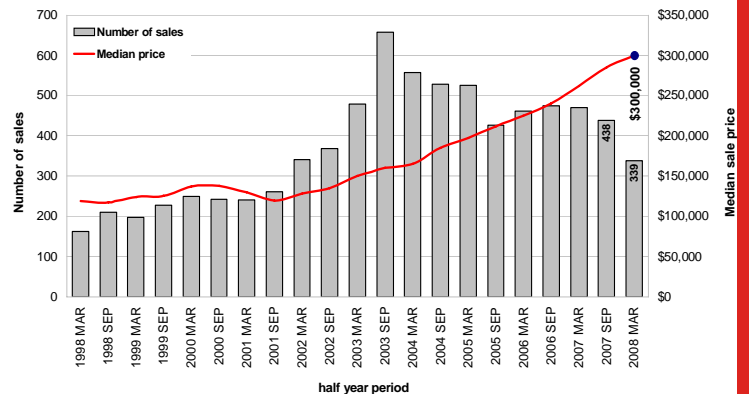


Prepared by PRDnationwide Consulting NO. Source: RP Data

## Townsville Unit Market

The median unit price for the six months ending March 2008 was \$300,000, based on 339 transactions. This median price has grown at steady but sustainable rates over the last five years, rising from \$150,000 in March 2003. This change represents annual compounding growth of 14.9% per annum. Growth in the last year was a similar level at 14.4%. 7,693 transactions were recorded in the ten years ending March 2008, equating to an annual average of 769 transactions (384 every six months). The annual average over the last five years is 975 (487 every six months). Sales volumes peaked in September 2003, with 658 transactions for the six month period. Sales volumes have declined in the last six month period to 339 transactions. As this is below the historical average and the underlying market fundamentals are still sound, there is likely to be a build up of pent up demand in the medium term.

Greater Townsville Unit Sales Cycle

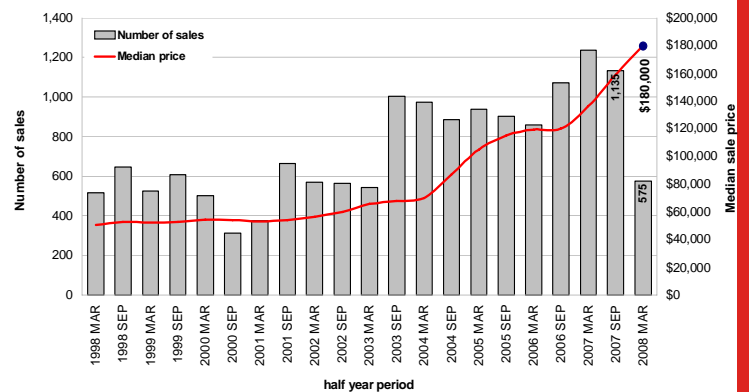


Prepared by PRDnationwide Consulting NO. Source: RP Data

## Townsville Land Market

In a similar trend to the house and unit market, the Greater Townsville land market has performed extremely strongly over the past decade. The median land price for the six months ending March 2008 was \$1800,00, based on 575 transactions. The market has changed considerably in recent times and median price has grown at very strong rates in the last four years, rising from just \$70,000 in March 2004. This change represents annual compounding growth of 26.6% per annum. Median price growth in the last year ramped up to 32.4%.

Greater Townsville Land Sales Cycle



Prepared by PRDnationwide Consulting NO. Source: RP Data

# Tourism Overview

## Townsville Airport Arrivals

Passenger movements through the Townsville airport have continued to grow on the back of the strong business travel market. 1,374,000 passengers passed through the Townsville airport in the year ending June 2007, representing a change of 11.4% from 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 2008, weekly domestic seat capacity into Townsville is estimated at 16,188 seats, up from 13,860 in March 2008.
- This 17% increase (2,328 seats) is driven by increased capacity on Qantas, Jetstar and Virgin Blue Brisbane to Townsville flights.
- Qantas hold the highest market share with 6,750 seats (52 flights), followed by Virgin Blue with 5,544 seats (33 flights), then Jetstar with 3,894 seats (22 flights).

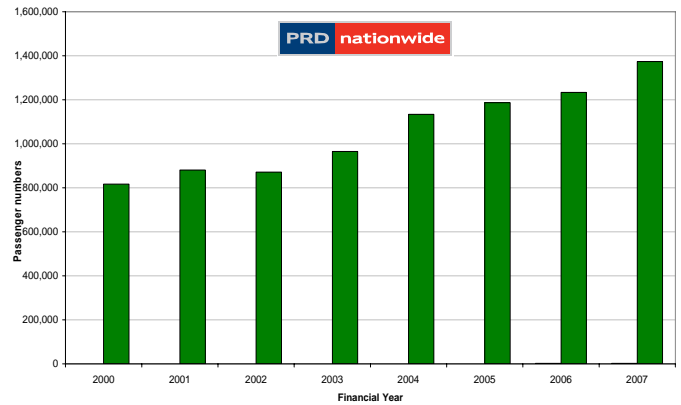
## Visitor Numbers

- The Townsville region hosted 1,098,000 domestic overnight visitors in the year ending December 2007, comprising mainly of intrastate visitors.
- The visitor profile is shared almost equally between holiday (395,000), visiting friends and relatives (VFR) (362,000) and business visitors (296,000), spreading the risk and not relying on any one market sector, as do some of the neighbouring regions.
- Domestic visitors account for 88% of all visitors to the region.
- Interstate visitors account for 17% of domestic visitors yet account for 33% of visitor nights.
- Total expenditure by visitors in the year ending December 2007 was \$615 million.
- The short break drive market has reached a five year high.

## Accommodation Performance

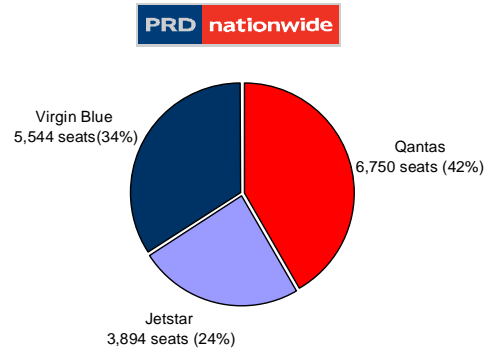
Recent tourism statistics show room occupancy rates across Townsville hotels motels and serviced apartments decreased slightly between the year ending December 2006 and 2007. An increase in the average room rate offset the slightly lower occupancy rate however, with revenue per available room (REVPAR) increasing slightly over the year. September is the best performing quarter of the due to seasonal influences. The increase in tourist numbers, and the way that Townsville has marketed itself to the rest of Australia has encouraged developers to start planning and constructing more business and leisure hotel towers in the central Townsville area, supplying much needed quality accommodation to an expanding market.

## Townsville Airport Passenger Movements



Prepared by PRDnationwide Consulting NQ. Source: Queensland Airports Ltd

## Airline Shares of Seat Capacity Townsville August -08



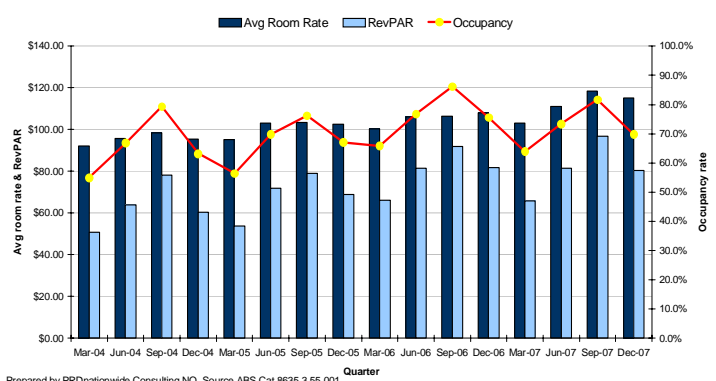
Prepared by PRDnationwide Consulting NQ. Source: Tourism

## Townsville Region 2007 Tourism Visitation Highlights

	Total Vistors	Holiday	VFR	Business
Domestic overnight	1,098,000	395,000	363,000	296,000
3 year trend	↑ 4.80%	↑ 7.20%	↑ 4.70%	↑ 8.30%
International overnight	157,000	132,000	16,000	n/p
3 year trend	↑ 3.00%	↑ 3.30%	↓ 2.00%	n/p

## Townsville LGA

### Hotels Motels & Serviced Apartments



Prepared by PRDnationwide Consulting NQ. Source: ABS Cat.8635.3.55.001



Prepared by **PRDnationwide Consulting NQ**  
Source: ABS, AECeconomics, Townsville Port Authority, PRDnationwide Consulting NQ 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 Manager, Ph: 07 4759 9103 or [deandederer@prd.com.au](mailto:deandederer@prd.com.au)**  
**Use with written permission only. All other responsibilities disclaimed. © 2008**

