

A man in a dark suit and black shirt stands on a city sidewalk at night. In the background, a yellow tram is blurred as it moves past. Tall buildings and streetlights are visible against a dark blue sky. A neon sign for a restaurant is also present.

Property Research Report: Gold Coast Profile

Todd Polke

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Introduction by Todd Polke



If only, if only, if only...

I've worked with hundreds of property investors over the years and the one phrase I've heard uttered over and over again is 'if only'.

If only... I'd started investing in property when I was younger.

If only... I hadn't been too scared to take the plunge and become a landlord sooner.

If only... I'd invested in Sydney before it boomed and values jumped up to 30 per cent!

The list of 'laments' goes on and on.

People get really annoyed at themselves when they have the chance to invest somewhere but choose not to, and that area goes on to boom.

It's a hard pill to swallow, right?

Three years ago, that opportunity was in Sydney.

But today, while there are still opportunities in the Harbour City, it's harder to find good value. That's why many investors are looking at other opportunities, in a lower price range.

The good news is, my team spend their days researching dozens of property market across Australia...so we can give you the inside scoop on up and coming areas.

And, in this report you'll read about one area that my team have their eyes on.

Now, of course the right investment location for me could be very different to the right investment for you, or your sister, or your neighbour, or anyone else.

So this report is just to help you get started in your research process. As always, due diligence is vital safeguard your investment.

The Gold Coast may stack up as a viable investment opportunity for you -or it may not. But you won't know unless you apply what you learn in this report against your own investment strategy and goals and research.

I wish you every success in your property investing,

Todd Polke

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Gold Coast: A regional overview

A popular tourist destination with overseas and Australian visitors alike, the Gold Coast is a city that stretches along the coast of southeast Queensland.

It encompasses the northern suburbs of Upper Coomera and Pacific Pines in the thriving growth corridor stretching towards Brisbane, and goes all the way south down to the Queensland/New South Wales border.

The Queensland capital of Brisbane is around 80km to the north. While Brisbane is an inland city, the Gold Coast is fringed by beaches on one side and rainforest and hinterland on the other.

This means there's a limited amount of land that can be developed for housing – which creates a level of scarcity in the market.

Home to between 550,000 and 600,000 permanent residents, the city attracts more than 12 million visitors per year, according to Gold Coast City Council (GCCC) figures.

Diverse, cosmopolitan, forward-thinking city

For many decades, the Gold Coast property market has lived in the shadow of its big brother, Brisbane.

But as the population has evolved to value lifestyle amenities more and more, the Gold Coast has become a population investment location for those seeking affordable yet in-demand properties.

Much more than just a pretty face, the Coast offers much more than sun, surf and sand. The Gold Coast has developed into a cultured, cosmopolitan city that fosters innovation and growth.

As the selected host city for the 2018 Commonwealth Games[†], the Gold Coast is seeing growth in infrastructure and amenities at a rate not seen before.

The Gold Coast City Council confirms that more than \$13.5 billion* has been budgeted towards major infrastructure projects by 2018.

This not only puts a solid floor under employment, but it ensures that the Gold Coast is well resourced to serve the needs of the population well into the future.

* Source: <http://www.goldcoast.qld.gov.au/thegoldcoast/default.html>

Robust, growing and diverse economy

Public money has been invested wisely across the Gold Coast over the last half decade, both in preparation for the Commonwealth Games and also to service the current growing population.

The 750-bed Gold Coast University Hospital was completed in 2013 at a cost of \$1.8 billion, will services including specialist cancer and cardiac departments, neurosciences, trauma and neonatal intensive care.

This is important, because the Gold Coast is popular retirement hub.

Stage one of the light rail has recently been completed, at a cost of \$2 billion, and a \$300 million redevelopment of the Gold Coast Airport has also been approved.

Strong population growth, a growing and diversified economy and public and private investment in strategic infrastructure are driving the Gold Coast towards a bright future.



What's happening on the Gold Coast?

Public and private money is being spent left, right and centre on the Gold Coast, as the city finds itself in the middle of a makeover to prime the region for the upcoming Commonwealth Games.

Major shopping and entertainment precinct Pacific Fair Shopping Centre is undergoing an epic overhaul, at a cost of \$650-\$700 million.

Adjacent to the massive shopping village is Jupiters Hotel and Casino, which is going through a renewal of its own: around \$350 million is being spent to upgrade the hotel rooms and amenities, to deliver half a dozen new restaurants to the area.

Early in 2016, a \$300 million redevelopment of the Gold Coast Airport was also approved.

This will finally bring the facility in line with other major Australian airports by providing four aerobridges and improved ground transport facilities; presently, passengers must cross the tarmac by foot (regardless of the weather) when they arrive on the Gold Coast.

Stage one of proposed construction is due to commence in the second half of 2016 and will also include two new wide-bodied aircraft stands, along with a three-level terminal development.

This stage would be completed in late 2017 ahead of the Commonwealth Games, which are expected to draw visitors, athletes, officials and media to the Gold Coast from around the world.

In addition to the above-mentioned projects, a significant level of investment into the Gold Coast has been planned or commenced, further strengthening the city's diversity and long-term sustainability.

These include a number of projects in the city's northern growth corridor, where there are still plenty of opportunities for investors to construct new dwellings and attract quality tenants, while enjoying many yield and capital growth advantages.

Projects already committed or underway include:

- **\$1.2 billion to fund the first leg of the G-Link, the Gold Coast's light rail system, was completed in 2015**

- **Development of the billion-dollar Coomera Town Centre on the northern Gold Coast. The first stage of the project, valued at \$500m, will include a cinema, two-level department store, supermarkets, retail shops and an artificial beach similar to Brisbane's Southbank.**
- **\$150m approved funding (\$95m state funding, \$55m Council funding) to extend the Gold Coast Light Rail (G-Link) to Helensvale ***
- **Billions of dollars' worth of proposed and planned future extensions to the G-Link, to connect the light rail to the airport in the south, and to various other suburbs of the Gold Coast.**
- **\$163 million Heavy rail duplication project from Coomera to Helensvale**
- **\$180 million residential 'urban village', Vantage Gold Coast, being development in Benowa**
- **\$160 million upgrade of major road networks in and around the suburb of Benowa**

Source: <http://www.tmr.qld.gov.au/Projects/Name/G/Gold-Coast-Light-Rail-Stage-2.aspx>



Gold Coast: A city snapshot



The Gold Coast is a thriving, major regional city in south east Queensland, located around one hour's drive south of Brisbane.

The population of the entire city is estimated to be home to up to 600,000 permanent residents, although this figure fluctuates due to the high number of tourists and short-stay visitors.



Major features of this established and cosmopolitan city include a new multi-billion-dollar public hospital, several private hospitals, the expansive campus Griffith University, the internationally renowned Bond University, several major shopping centres, a new light rail system, and a prolific strip of hotels and entertainment fringing the beach at Surfers Paradise.

Household type			
Gold Coast City		2011	
Households by type	Number	%	Greater Brisbane %
a Couples with children	53,837	27.5	32.0
a Couples without children	51,361	26.3	25.5
a One parent families	21,655	11.1	11.1
Other families	2,083	1.1	1.4
a Group household	10,887	5.6	5.0
a Lone person	41,754	21.3	21.0
Other not classifiable household	9,669	4.9	3.1
Visitor only households	4,334	2.2	0.9
Total households	195,580	100.0	100.0

Source: <http://profile.id.com.au/gold-coast/households>

Quick stats: Gold Coast

- ✓ Gold Coast economy is valued at more than \$25 billion annually
- ✓ Has diversified from tourism and construction industries to an economy that includes health, ICT, manufacturing, education and professional services
- ✓ 56,000 more people are forecast to find employment within the city over the next 10 years
- ✓ Is the 6th biggest city in Australia
- ✓ Largest city in Australia outside of a capital city
- ✓ Gold Coast Airport is the 6th busiest airport in Australia (2013–14 financial year)

Source: Gold Coast City Council.

Historical capital growth on the Gold Coast

Because the Gold Coast is a major regional city, it is home to many diversified property markets that operate separately from each other.

For instance, the Coast's **over-supplied** apartment market in Surfers Paradise has experienced dismal capital growth in recent years.

Meanwhile evolving suburbs in developing areas, stretching out to the west and moving north in the growth corridor towards Brisbane, have enjoyed strong price appreciation.

While we're talking about capital growth, it's also important to remember that **historical growth isn't always a strong predictor of future growth.**

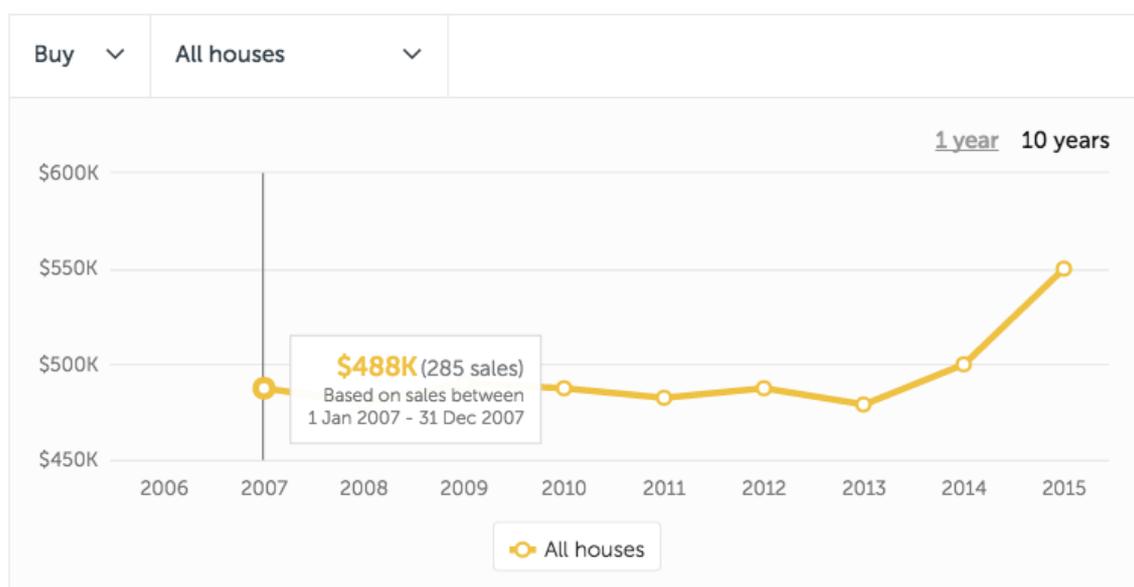
Look at Western Sydney, for instance: in terms of capital appreciation, it did nothing for 9 years. Then in 2014/15 it suddenly boomed, and various suburbs experienced growth of 15% (or even greater) in as little as 12 months.

It's what's happening beneath the surface that investors need to keep track of: the population growth, the new infrastructure, the employment opportunities that will make the next decade far more profitable than that preceding 10 years.

When we look at northern Gold Coast suburbs in the growth corridor leading towards Brisbane, these areas are ripe with opportunity.

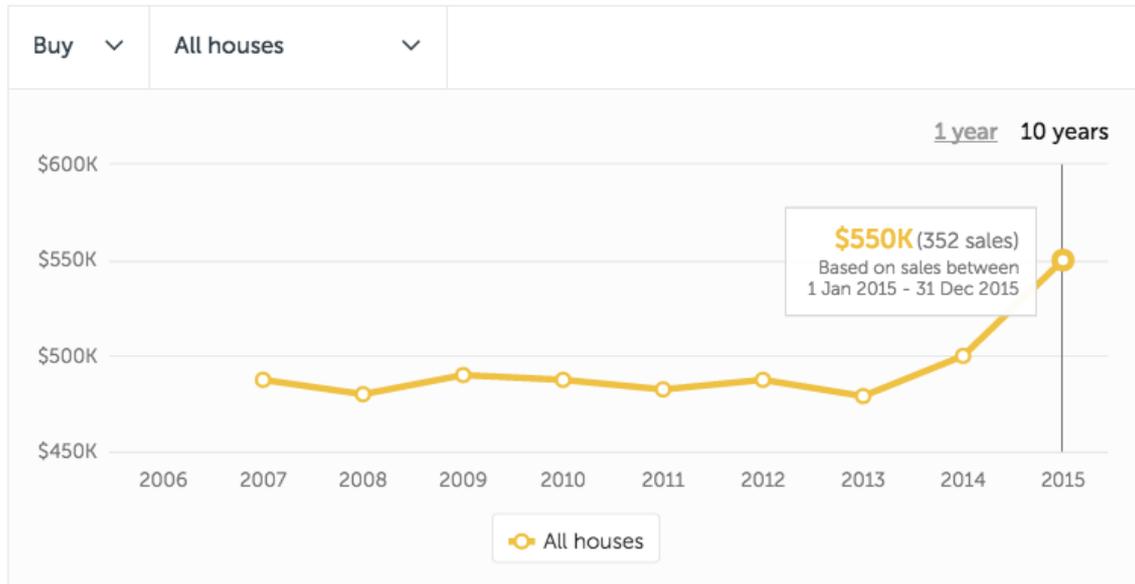
For the sake of example, we have chosen the suburb of Helensvale to demonstrate our point.

In 2007, the median house price was \$488,000, according to RP Data/Core Logic.



Source: RP Data/Core Logic and RealEstate.com.au

By 2015, the median had increased a small amount to reach \$500,000 – an increase of around 13%.



Source: RP Data/Core Logic and RealEstate.com.au

From this data we can infer that the housing market in Helensvale has historically experienced low levels of capital growth.

However, Helensvale is poised for growth and change. Already linked to the Pacific Motorway and Gold Coast Highway, the suburb is the newest transport hub of the Gold Coast.

With the upcoming expansion of the light rail set to connect to heavy rail at the Helensvale Train Station, commuters and residents will find themselves with plenty of options for public transport.

“Locals are excited and are showing overwhelming support for the [transport] projects... The suburb has a huge live music venue at the Night Quarter with dozens of brilliant live local artists,” local councillor XX says.

Helensvale State High School accommodates more than 2000 students and is the largest on the Gold Coast.

Meanwhile, Villawood Properties has plans to develop more than 1200 houses and apartments, with an end value of about \$500 million on an 86ha site in Helensvale.

So this suburb clearly shows signs of being ‘on the move’ – and worth looking at further.

Rental performance in the Gold Coast

Again, we have drilled down to focus on specific suburbs to showcase a cross-section of the Gold Coast property market.

In real estate terms, a property market is considered to be balanced when the vacancy rate settles between 2-3 per cent.

Overall on the Gold Coast, the vacancy rate is very competitive at **1.44%** and the rental population is **35.8%**, or around one-third of residents are renters.

Throughout the Gold Coast, the vacancy rate (encompassing combined properties, both houses and units) has been tracking as follows:

Suburb	Vacancy rate (2016)	Rental population
Helensvale	0.89%	20.8%
Gaven	0.21%	17.8%
Upper Coomera	2.44%	46.4%
Arundel	0.84%	33.6%
Oxenford	0.78%	28.9%

Source: Real Estate Investar

These statistics imply that many Gold Coast suburbs are presently very right, with vacancy rates hovering around 1%.

With a steady stream of active tenants absorbing the supply of rental properties on the market, landlords have their pick of the bunch when it comes to choosing a tenant.



The Gold Coast had one of the lowest rental vacancy rates in the state. We know that there is a lot going on the Gold Coast, the need for accommodation there is growing and that is what is contributing to those very low vacancy rates there. There is very much a renewed interest to live on the Gold Coast. I think what is driving it is we have got the Commonwealth Games coming up in 2018, so that is definitely contributing."

- Antonia Mercorella from the Real Estate Institute of Queensland (REIQ), November 2015, [ABC News](#)

Gold Coast in action: Example investment

For investors looking to add a high cash flow or growth investment to their portfolio, the Gold Coast's housing market presents some excellent buying opportunities.

At the time of compiling this report, an active listing was available for a three-bedroom, two-bathroom home in Freestone Drive, Upper Coomera.

Listed for \$335,000, the house was neat, tidy and able to be rented immediately without any renovations or refurbishments. However, the relatively new house also offered opportunities to add value and appeal through strategic renovations, including landscaping the basic outdoor area.

With a rental potential of around \$400 per week, it demonstrated a yield at list price of 6.2%.

Let's say an investor was able to negotiate the purchase price down to \$315,000.

In this, the numbers would look something like this:

Purchase price	\$315,000
Deposit @ 20%	\$31,500
Loan amount	\$283,500
Loan interest rate	4.75%
Weekly interest repayment	\$259
Rental income	\$400
Income surplus	\$141

Naturally, this surplus rental income will need to cover a range of property ownership expenses, including council rates and water, and property management fees.

Assuming council rates/water of \$2,600 annually and a property management fee of 8 per cent, this would account for around \$100 in weekly expenses.

This still leaves you with a modest income (**around \$40 per week**) in **positive cash flow returns** – and we haven't yet factored in depreciation. Depreciation deductions could help you to boost that return even higher.

Gold Coast Supply and Demand: Official ranking for houses

DSR stands for Demand to Supply Ratio, and it aims to be a predictor of capital growth potential. According to DSR Data:

- A DSR between 46 and 54 is considered **BALANCED** with respect to supply and demand.

“This market is in balance with respect to supply and demand. There is a healthy count of properties for sale compared to the number of interested buyers. There is a closely fought tug-o-war between buyers and sellers. Sellers may get away with a good price if they find a poorly researched buyer. Buyers may get a good price if they find a seller who wants a quick sale. Prices should grow in line with the national average.”

- A DSR score of between 55 and 63 is considered **ABOVE AVERAGE**:

“Demand only just outweighs supply in this market. This is a healthy market for investors wanting to apply some value adding strategy. Buyers are sometimes able to get away with low-ball offers. Sellers are getting the prices they ask for more often than not. Expect growth to marginally exceed the national average.”

- A DSR score of between 64 and 72 is **GOOD**

“Sellers are in no panic and buyers are making decent offers. This is a healthy market for investors. Demand is ahead of supply but not alarmingly. Buyers are rarely able to get away with low-ball offers. Sellers are usually getting the prices they ask for. Expect growth to exceed the national average.”

Gold Coast suburbs: A snapshot

- **Upper Coomera has a DSR Score of: 57/100.**
- **Helensvale has a DSR Score of: 61/100.**
- **Pacific Pines has a DSR Score of: 66/100.**
- **Oxenford has a DSR Score of: 64/100.**
- **Arundel has a DSR Score of: 66/100.**

Source: www.dsldata.com.au, March 2016

Conclusion

The ideal investment location for you to invest in really depends on a number of things, including your strategy, risk profile and your personal situation.

Overall, Gold Coast offers a lot of opportunity for investors looking for both higher yielding investments and growth properties.

There is plenty of construction and renewal taking place in and around the Gold Coast, largely due to the need to service its growing population and in preparation for the 2018 Commonwealth Games. This is providing strong and diversified employment opportunities, now and for many years to come.

Historically, the Gold Coast's property market overall has had a chequered reputation in the property industry.

There have been times where the apartment market particularly was massively over-supplied, which had a severe negative impact on property values. This has left a bad taste in many investors' mouths, especially those who lost hundreds of thousands of dollars on deals gone wrong.

Whilst these risks are still present in the *apartment market*, I believe the Gold Coast offers opportunities for savvy investors to buy well located, blue chip stock in sought after locations.

The secret is to avoid the over-hyped, over-supplied new apartments in the glitzy Surfers Paradise – and go for proven performers in growing neighbourhoods, where increases in values and rental returns are expected to continue for the long-term.

The northern corridor through Upper Coomera, Pacific Pines and Oxenford has been evolving over the last decade to become the well-serviced, growing neighbourhood it is today. These northern suburbs are expected to continue to grow in size and popularity in the future.

In my view, investors should always aim to seek out properties with both growth potential and high yield when building their property portfolio as a form of risk mitigation.

On the Gold Coast, it is more than possible to achieve both – provided you do your due diligence and negotiate well, to secure the right property at the right price.

As I've mentioned before, an investment in to the Gold Coast's property market won't suit everyone's strategy or portfolio, now or in the future.

But it may be the right fit for you, and the only way to know for sure is to launch into your own due diligence.

Either way, it is my hope that this report has enlightened you to the opportunities available to you as you embark on your next property adventure.

Yours in success,

Todd Polke



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