



Unit shortage for Surfers

The Gold Coast is a sought-after place to invest, underpinned by fundamentals such as population growth, with 15,400 new residents coming to the city each year over the last five years, making it the fastest growing major region in Australia.

THE Gold Coast's most famed address, Surfers Paradise, is facing a significant undersupply of apartments, according to leading property analyst Michael Matusik.

Mr Matusik, director of Matusik Property Insights, said as investor confidence and demand lifted on the back of interest rate rises, supply in the Gold Coast's premier apartment suburb was set to lag behind.

Research reveals annual apartment sales in Surfers Paradise averaged 2200 during the past five years, well ahead of neighbouring suburbs Broadbeach and Main Beach, which recorded an average of 874 and 380 sales per annum respectively.

At the same time, just two new projects are underway in Surfers Paradise, the Hilton Surfers Paradise Hotel and Residences, being constructed by Brookfield Multiplex, and Soul, being developed by Juniper, which will total about 700 apartments between them.

"Southeast Queensland is poised to face serious undersupply in the next 12 to 18 months and it will be pronounced in Surfers Paradise, which has a strong investment market and reliance on apartment product," Mr Matusik said.

"High-rise developments take a long time to get off the ground, particularly in Surfers Paradise where major brownfill sites have already been developed, meaning parcels have to be amalgamated before the rigorous process of approvals can even begin.

"With finance difficult to secure

and banks requiring presales in the order of 70 to 80 per cent, compared to 40 to 50 per cent in a stronger market, a lot of developments are now defeated before they get out of the ground.

"We have seen numerous cases of this in recent times, with a number of projects earmarked for the suburb failing to start and sites placed on the market.

"The fact work has recommenced on Hilton Surfers Paradise Hotel and Residences this year is in some ways remarkable given the hurdles developers are now facing just to get to the point of construction.

"With little in the way of new projects on the horizon and Surfers Paradise continuing to attract investors from across Australia and around the world, when the limited number of new apartments available have sold, supply will fall very short.

Mr Matusik said while sales numbers had cooled to 1394 in Surfers Paradise during 2008, prices had held fairly steady, dropping just three per cent to \$375,750.

"Surfers Paradise, like the rest of the country, recorded a dip in activity last year, with a 40 per cent decline in sales numbers, but prices held up and have recorded strong growth over the past seven years, averaging 7.3 per cent per annum," he said. "Interestingly, the highest sales volumes over the past decade in 2002 and 2003 also coincided with the highest number of off-the-plan sales, indicating that investors are keen to get in on the ground floor of major new developments in the city.

"Certainly that seems to have

been the case with the most recent project, Hilton Surfers Paradise Hotel and Residences, which is recording significant off-the-plan sales."

Mr Matusik said now was the ideal time to buy.

"Properties in good locations in major cities and growth corridors could see price growth of between 15 per cent and 20 per cent over the coming two to three years or so, while rents are likely to lift 10 per cent to 15 per cent in the same period," he said.

"While the market has been buoyed by first home buyers and lower to middle market upgraders, investors are likely to drive demand in coming months, with the Westpac-Melbourne Institute 'time to buy' dwelling index doubling in the last six months – a great indicator for that market.

"The Gold Coast is a sought-after place to invest, underpinned by fundamentals such as population growth, with 15,400 new residents coming to the city each year over the last five years, making it the fastest growing major region in Australia.

"To meet this rising population, the Gold Coast needs at least 7000 new dwellings per year, with the number approved in the year ending June 30 just 3240 – less than half that needed.

"Off-the-plan sales are also only going to become more attractive as investors realise they can benefit from current market conditions and low interest rates, with a long settlement time frame."

