

\$2B BOOST FOR THE COAST

Could a \$2 billion health hub at Kawana Waters on Queensland's Sunshine Coast be the tonic needed to rejuvenate the local economy and housing market? API investigates. **NICOLE NAVARRO**

There's no doubt parts of the Sunshine Coast have been hit hard with high unemployment levels, low building approvals and softening property prices.

It would be remiss, however, to make sweeping statements about a region's property market performance when it has a population of around 313,000 and it stretches along 200 kilometres of coastline passing through many small beach towns and major commercial centres and out west to many hinterland towns. Overall its land area covers 3014 square kilometres. A lot goes on in an area of that scale – since the 2007 peak there's been negative growth in some parts and positive growth in others.

This month we hone in on Kawana Waters and the major \$2 billion-plus health hub for the region where, according to property analyst Michael Matusik, three-quarters of the Sunshine Coast's permanent population calls home.

Let's investigate how both this major new infrastructure and jobs for Kawana Waters will provide economic diversity to a region traditionally dependent on tourism and explore the likelihood of a recovery for its property market.

WHAT'S AHEAD FOR KAWANA WATERS?

Plenty is ahead for the coastal region with a population of 23,951.

The Queensland branch of The Urban Development Institute of Australia (UDIA

Queensland) highlights the \$2 billion-plus Sunshine Coast University Hospital Precinct for Kawana Waters, with a construction start for next year.

The spend on this new precinct will be equal to one-quarter of the entire Sunshine Coast's regional economy and will generate more than 11,000 construction jobs over five years. Once operational its permanent employment base is expected to number around 3500.

Included in the precinct will be the Sunshine Coast University Hospital with 738 beds and the new Ramsay Private Hospital with 200 beds. There will also be a \$61 million Skills, Academic and Research Centre, along with a health commercial precinct.

The ripple effect from similar projects in other parts of the world have proven to provide up to 1.7 times additional benefit to local economies equating to more than \$3.5 billion of economic stimulus to the economy, reports UDIA Queensland.

UDIA Queensland also states that the demand for housing to accommodate construction workers and then permanent hospital staff translates to the most significant housing stimulus the Sunshine Coast has ever seen.

Added to this new infrastructure is the proposed Stockland Town Centre Precinct at Kawana Waters, adjacent to the health precinct on the western side of Nicklin Way.

This area will include a shopping centre with a major anchor supermarket, plus medium-density apartment complexes up to 12 storeys high.

The combined projects are estimated to pump \$1 million per day into the local economy over five years.

Matusik says 10,000 new permanent jobs will be created in the Kawana Waters region, and this figure doesn't include the permanent jobs generated from the new demand of between 5500 and 6000 new dwellings.

In a recent blog by Matusik, he compares the economic boost to a major resources project.

"It's a game changer; a recovery catalyst; a smart job generator," he writes.

The only missing piece of the puzzle for Kawana Waters is the train line from Beerwah to Maroochydore via Caloundra and Kawana Waters, an infrastructure project outlined in the *Connecting SEQ 2031 plan*. The Queensland Government has estimated the project to be around \$3 billion, however it's now been delayed from 2015 to 2021.

Liz Wilcox of Hot Property Specialists Buyers Agency, also the Queensland representative of Real Estate Buyers' Agents Association of Australia, says Kawana Waters and the greater Sunshine Coast have traditionally been a one-trick tourism pony, however the enormous spend on development in the health and education industries

is set to diversify its local economy and generate more jobs.

She says a new surf club will also play a part in the new-look Kawana Waters, at the small pocket of Bokarina, as will a new community centre, a new residential community, a retirement village and a TAFE campus, "all within a three-kilometre radius".

OTHER NEW DEVELOPMENT AND INFRASTRUCTURE NEARBY

Not only will Kawana Waters experience a major boost, it's also centrally positioned to other major activity proposed to the north, the west and the south.

Less than 15 kilometres north is the emerging Maroochydore Principal Activity Centre (PAC), also being referred to as the Sunshine Coast's new CBD.

Proposed to go ahead in the PAC is the Sunshine Coast Convention Centre, the Maroochydore railway station, the new Sunshine Coast Council building and 25 hectares of public park and open space.

UDIA Queensland states that the

Maroochydore PAC will include 4000 new units, 160,000 square metres of commercial office space and 45,000 square metres of retail shopping area.

Major new infrastructure reaching values around the \$150 million mark will be provided to service the new CBD; 8000 jobs are expected as a result.

At the Sunshine Coast Airport, 30 kilometres north of Kawana Waters at Coolool, a three-stage masterplan is in place to allow for an aviation-related business precinct to deliver 5000-plus jobs by 2030 and to expand its runways to allow for increased traffic, including mining-related fly-in, fly-out workers.

Twelve kilometres west of Kawana Waters, at the University of the Sunshine Coast suburb of Sippy Downs, a major activity centre is planned to include a Coles, Woolworths, Kmart, a tavern and specialty stores, office towers and a technology hub, according to UDIA Queensland.

On completion of the 25,000-square-metre retail space, 9000-square-metre

commercial space and 2500 new residential dwellings, 1770 new jobs are projected for the town centre and a further 600 jobs for the technology hub, totalling to 4400 full-time equivalent jobs including university positions.

New schools and a major housing development is also proposed at Palmview further south.

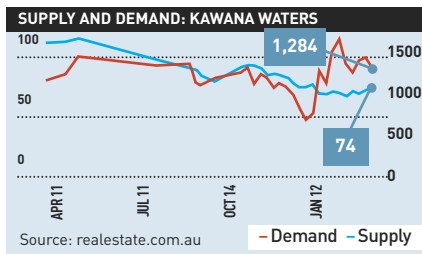
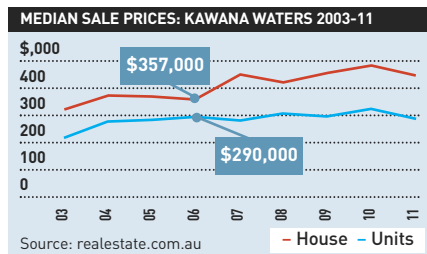
At Caloundra South, about 10 kilometres south of Kawana Waters, an urban development area is under way with approximately 20,000 dwellings to be constructed over the next 30 years.

DOES THIS ALL TRANSLATE TO GOOD INVESTOR OPPORTUNITIES?

According to Matusik, only 40 per cent of a property's price growth is based on broader market conditions, while 60 per cent comes down to individual factors like location, style of housing, the dwelling's design and inclusions, and the income and demographic of the area.

He says a major driving force of this 60

API DATA FILE [KAWANA WATERS]



MARKET ANALYSIS

Wurtulla, located within the Kawana Waters precinct, has a mixed supply-to-demand situation. There are adequate rental properties available to tenants, however there's an oversupply of 'for sale' listings. Discounting is at normal levels. Incomes in Wurtulla are growing faster than the Queensland average. The proportion of renters to owner-occupiers is above average for Queensland. Rental vacancy rates are a moderate 2.6 per cent. 'Stock for sale' levels are down by 0.8 per cent year on year.

Source: SQM Research, www.sqmresearch.com.au (accurate to February 29, 2012)

MEDIANS

Location	Jan 12 (\$,000)	12-month growth	Jan 12 rent (\$)	Jan 12 rent growth (YoY)	Jan 12 gross rental yield	Total properties sold		Average vendor discount	
						Jan 12	Jan 11	Feb 12	Feb 11
Wurtulla (H)	410	-8.9%	385	0%	4.9%	94	107	5.3%	5.2%
Wurtulla (U)	snr	snr	snr	snr	snr	3	5	11.7%	3.0%

Source: APM and SQM Research; H = houses, U = units, YoY = year on year, snr = statistically not reliable

LOCAL SALES IN KAWANA WATERS

Address	Type	Price	Bedrooms	Sale date
Mulloka Esp	House	\$490,000	3	03/03/12
Piringa St	House	\$370,000	3	25/02/12
Anuna St	House	\$293,000	3	22/02/12
Pretella St	House	\$382,000	3	28/01/12

Source: rpdata.com

Investors should look: On the beach side of Nicklin Way at older houses with renovation potential.
Source: Aaron Parker of Propell National Valuers.



per cent influence factor is new infrastructure.

So what does this mean for the emerging infrastructure recipient Kawana Waters, a Sunshine Coast region covering suburbs from the Mooloolah River in the north – just south of Mooloolaba – to Currimundi Lake in the south, a region that also happens to be one of the nation’s major sea change destinations with a real need for good health services to care for the ageing population? Surely the only direction is up.

As already mentioned, Matusik likens the scale of the project and its impact on the local community in terms of job flow to a major natural resources project.

Aaron Parker, national research operations manager of Propell National Valuers, says it’s a valid argument.

“Let’s say we’re talking about a \$10 billion refinery compared to a \$2 billion hospital precinct – the refinery isn’t going to require all those people to run it when construction is finished. A hospital will,” he says.

“It’s a longer term employment chain – the refinery, however, will most probably create more money while the hospital will cost money to run.”

PRDnationwide research director Aaron Maskrey says the difference is that mines are generally located in towns where an insufficient housing supply exists and where miners are on extremely high levels of disposable income, “which assists in pushing property prices north”.

Parker agrees with Maskrey. He says in terms of job opportunities and boosting the long-term population of an area, the hospital precinct wins hands down, however what isn’t being talked about is the current new housing supply already in the Kawana Waters market – particularly on the western side of Nicklin Way – waiting to be absorbed and seeing some discounting as a result, he says.

“Three or four years ago when talk about how the new hospital precinct revolved around ‘boom times’, investors jumped into the market, buying at peak prices,” explains Parker.

It’s easy to make “blanket statements” about the positive impact of infrastructure on an area, however it can be different at the ground level in valuations, he says. “Just because we’re having \$2 billion worth of new infrastructure in one area, it doesn’t mean we’re going to have some immediate impacts on housing prices, often it’s more of a trickle-down effect, although there can be bursts of impact from investors trying to buy close to the hospital and older houses nearby.

“Over the past 18 months on the beach

CASE STUDY [QLD]

Wurtulla for cash flow

Ian and Carol Young bought an investment property in Wurtulla back in 2009. Their strategy was to buy the dwelling through their self-managed superannuation fund (SMSF) for cash flow in their retirement years.

They paid \$575,000 for a former display house – a four-bedroom executive house – in Wurtulla situated on the western side of Nicklin Way. They immediately rented it to professional workers for around \$500 per week.

Living in Wurtulla already, Ian and Carol could see the potential for capital growth in the area beyond the economic downturn. Talk of new health infrastructure ahead – specifically the private hospital at that stage – only further encouraged them to look close to home. Plus, because they knew the area well it meant they were familiar with the type of tenant drawn to the area and potentially the typical tenant who would be attracted to their investment property.

While Ian and Carol have seen some capital growth over the years since buying, prices on the Sunshine Coast have slipped back since. Their property is no exception. Ian says the

side (of Kawana Waters) a lot of houses sold at moderate prices and certainly didn’t break any records.

“Properties there haven’t moved like people thought they might have moved. Some of the properties were bought two or three years ago on the euphoria of the new hospital announcement, then the hospital was delayed and it was delayed again.

“Say a property was sold at \$450,000 two or three years ago, well that same property might have sold for \$420,000 in the recent 18 months. The hospital delays have only been compounded by the economic situation.”

However, despite the lack of capital growth in the recent three years and the government delays, the Kawana Waters area would certainly be the place on the Sunshine Coast for investors to look around to buy established houses at really good prices with the potential for future growth, says Parker.

Maskrey says Kawana Waters is a mid to long-term growth prospect and when

Name	Ian and Carol Young
Lives	Wurtulla (Qld)
Invests	Hobart (Tas) and Wurtulla (Qld)
Properties	3
Strategy	Buy and hold

current value is probably similar to what they paid for it in 2009, however he’s not concerned because he’s holding long term and he’s also quietly confident the Kawana Waters area will be the first Sunshine Coast region to take off again once the health hub is rolled out.

Because the property was bought using their SMSF, the rental increase is what Ian and Carol are really focused on now – after all the property is all about cash flow to them.

Ian says when the construction is completed and the jobs roll in, their property will be well positioned for strong demand from professional health workers.

Today the property is rented for \$520 per week, however on the next lease renewal he expects the rent will rise by another \$5 to \$10, and will only continue to climb from there.



compared with the impact of the Commonwealth Games on the Gold Coast, the hospital hub will provide more impact on the local economy and sustained growth.

He says the Sunshine Coast is smaller than the Gold Coast; if the same project were positioned on the Gold Coast the impact wouldn’t be so great.

The three key drivers of a sustainable growth area are infrastructure and amenity, job growth and population growth, says Maskrey. “Kawana Waters will have all three.”

When the permanent jobs kick in, Maskrey says much of the Sunshine Coast economy will benefit, particularly as this health hub is set to become the single largest employer on the coast.

“According to the ABS (Australian Bureau of Statistics) June 2010 estimates the Sunshine Coast – at 2.3 per cent population growth per annum – is Queensland’s number four region in terms of population growth,” he explains.

“Anything above two per cent is quite high and it would be hard *not* to consider Kawana Waters as an investment prospect, particularly as prices have bottomed, the median house price is \$306,000 and it’s just one kilometre to the beach.”

Parker says much of the new infrastructure proposed is based on big promises and big-dollar commitment from the Queensland Government, so the game could change now that there’s a new leader.

Despite the variables, Parker says the major driver of the Kawana Waters region will be the significant boost in jobs proposed. However, investors need to play ball at a time when the confidence level on the Sunshine Coast is shaky and will continue to be shaky in these parts for quite some time.

He says because investors have shied away from the area due to the repeated delays in the hospital start and the global economic impacts, investors would most likely be able to pick up a house at “under market value”.

Wilcox says these new jobs give people reasons to live in the region and not flee to the cities. They also give confidence to investors that price and rent growth will eventuate over the next few years.

She says public transport connections in the area are currently “average” and rely heavily on buses, but the proposed rail line from Beerwah to Maroochydore would propel this region to another level.

Kawana Waters already offers “very good” services and amenities, says Wilcox, with an excellent private hospital – Kawana Private Hospital – which opened its doors in 2006.

The Kawana Waters area also offers a shopping centre with anchor stores Woolworths, Coles and Big W and plenty of schools nearby.

BUYING OPPORTUNITIES

Matusik says buyers should focus on older housing options adjacent to this emerging infrastructure.

Secondhand housing can currently be bought below replacement cost, he says.

Wilcox says the western side of Nicklin Way features manmade canals with a mix of more modern units, villas and new houses. She takes a more microscopic perspective, pointing to Wurtulla.

Wurtulla is within walking distance to the beach to its east and the new infrastructure to its west.

Parker says because Wurtulla, located within the Kawana urban centre, borders both the eastern and western side of Nicklin Way, it’s a vastly diverse suburb.

He says the seaside of Wurtulla offers better opportunities for capital growth than the west side. “The only downside is that some of it is a bit older – from the 1970s and 1980s era – and would require some big reno dollars to bring it back to scratch. You’ll probably be looking at a render and a new kitchen and bathroom.”

He says investors should be a little more cautious when renovating not to overcapitalise, “because it will be a while before the market returns to investor glory”.

Wilcox expects demand to pick up once construction work begins. Currently landlords are seeing an average five to six per cent gross rental yield on properties in the area, she says.

“Overall this pocket of new development is expected to cause a ripple effect in the local housing market with benefits being felt right throughout

the Sunshine Coast region,” says

Wilcox. **api**



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