



# **UDIA REGIONAL BRANCH**

## **“STATE OF THE MARKET”**

### **CAIRNS**

1 September 2008

**Kerrie Young**

Urban Economics + Advisory

Partner – Senior Research Analyst

07 56575123

urban growth and infrastructure

**CONICS**

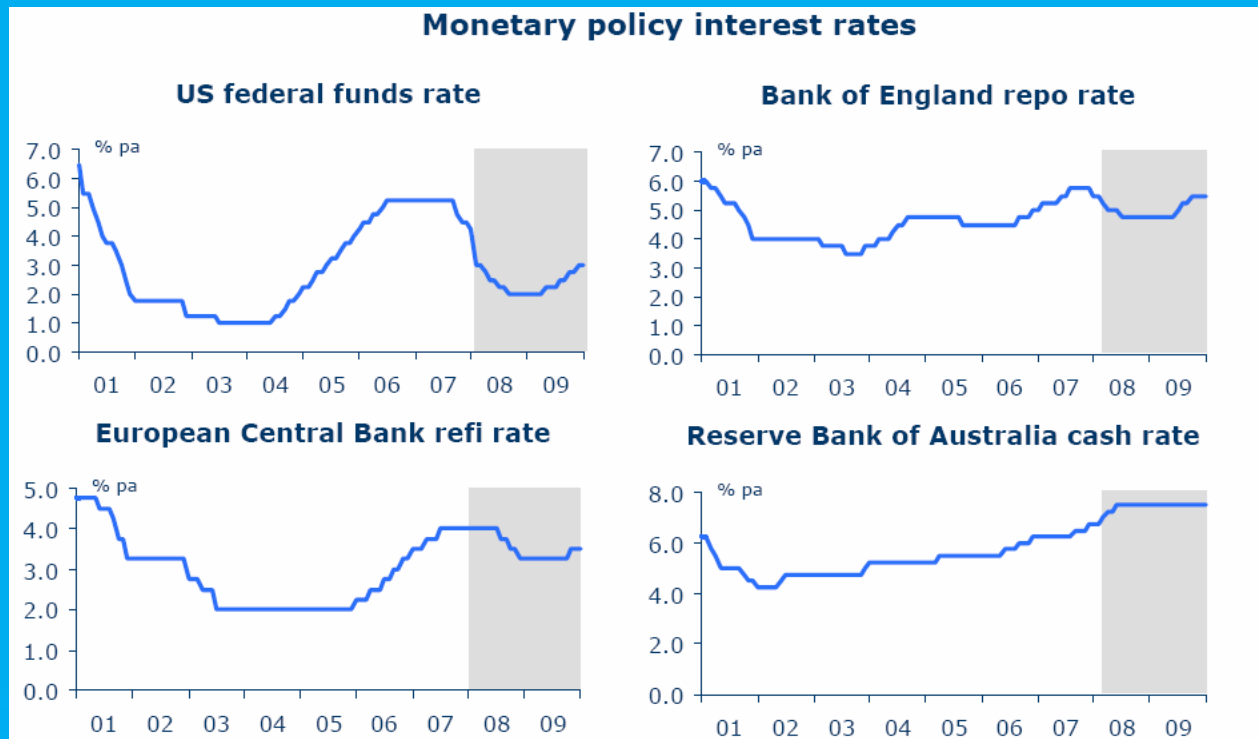




# Economic Overview – Australia

## INTEREST RATES Vs INFLATION

Reserve Bank Monetary policy is a Blunt Instrument



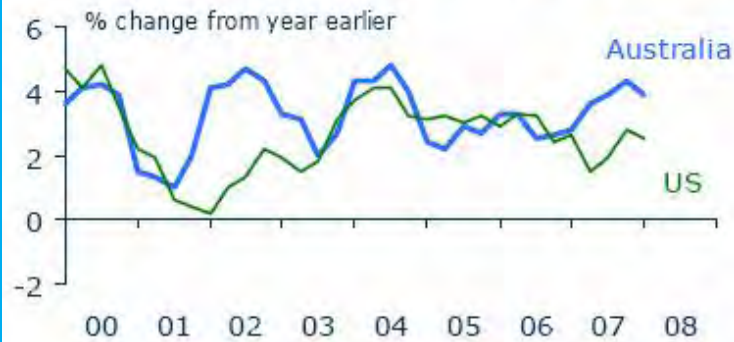
Sources: Federal Reserve; Bank of Japan; European Central bank; Bank of England; ANZ.



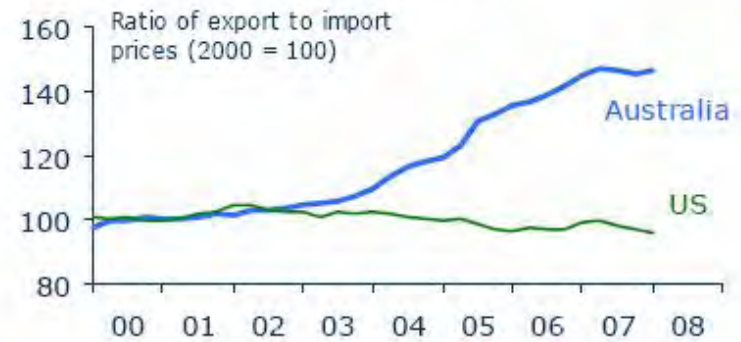


## Australian and US economic indicators

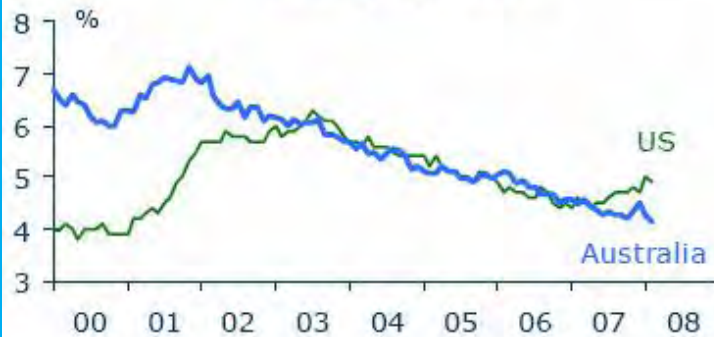
### Real GDP growth



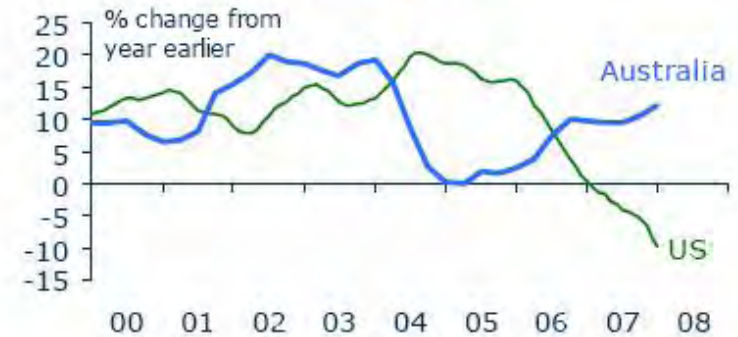
### Terms of trade



### Unemployment



### House prices

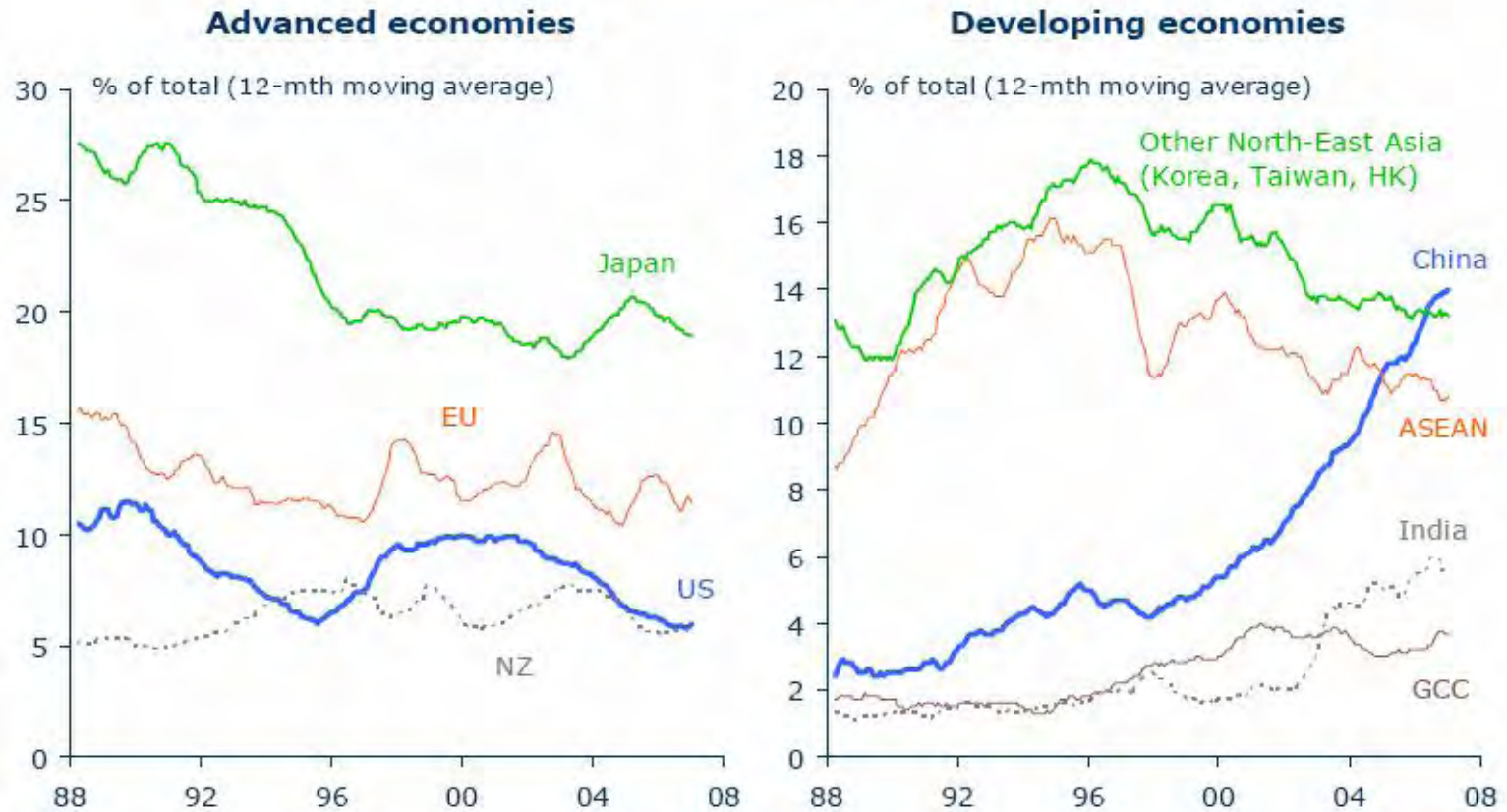


Sources: Australian Bureau of Statistics; US Bureau of Economic Analysis; US Bureau of Labor Statistics; S&P.





## Australia's major export markets



Sources: Australian Bureau of Statistics.



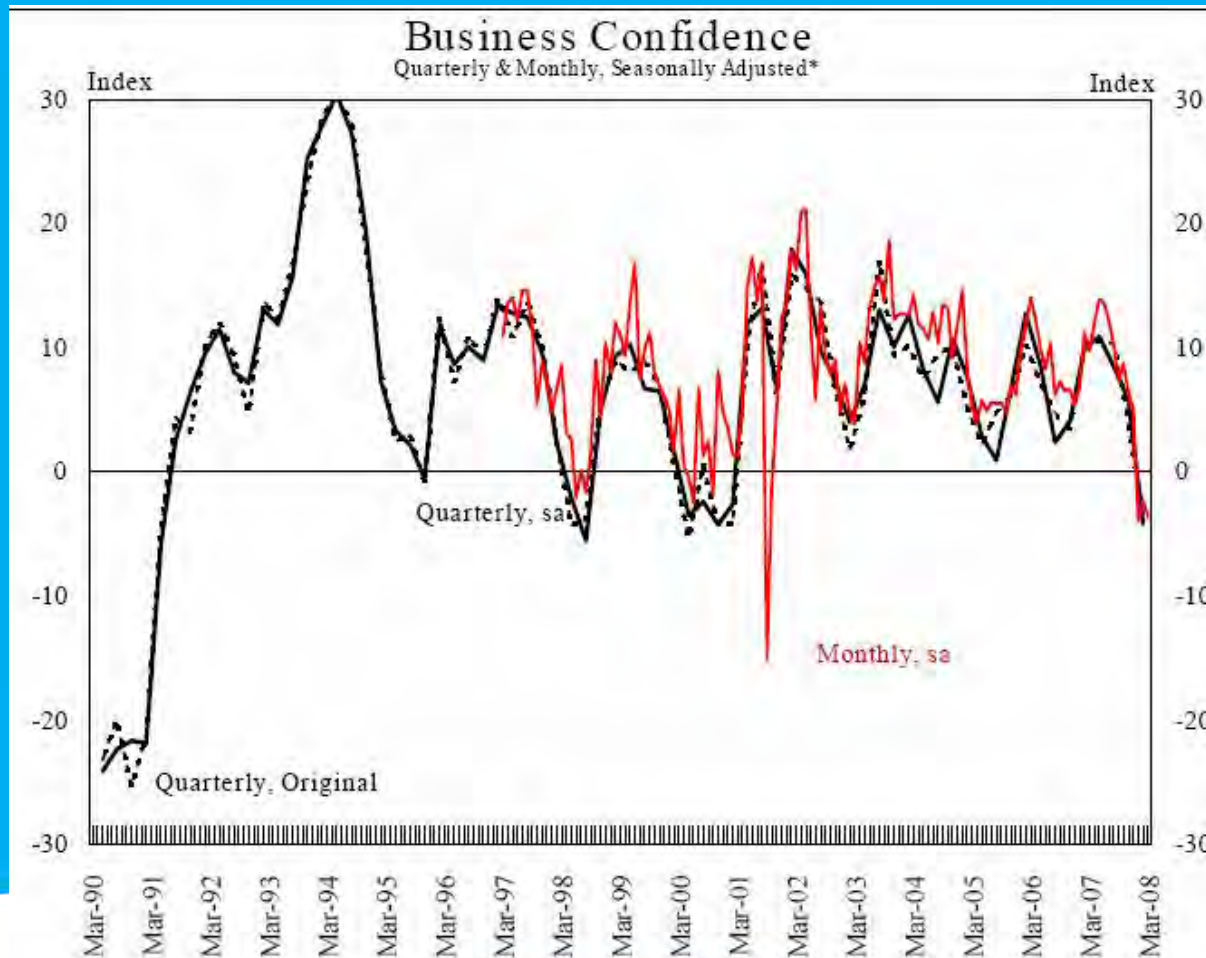
urban growth and infrastructure





# Economic Overview – Australia

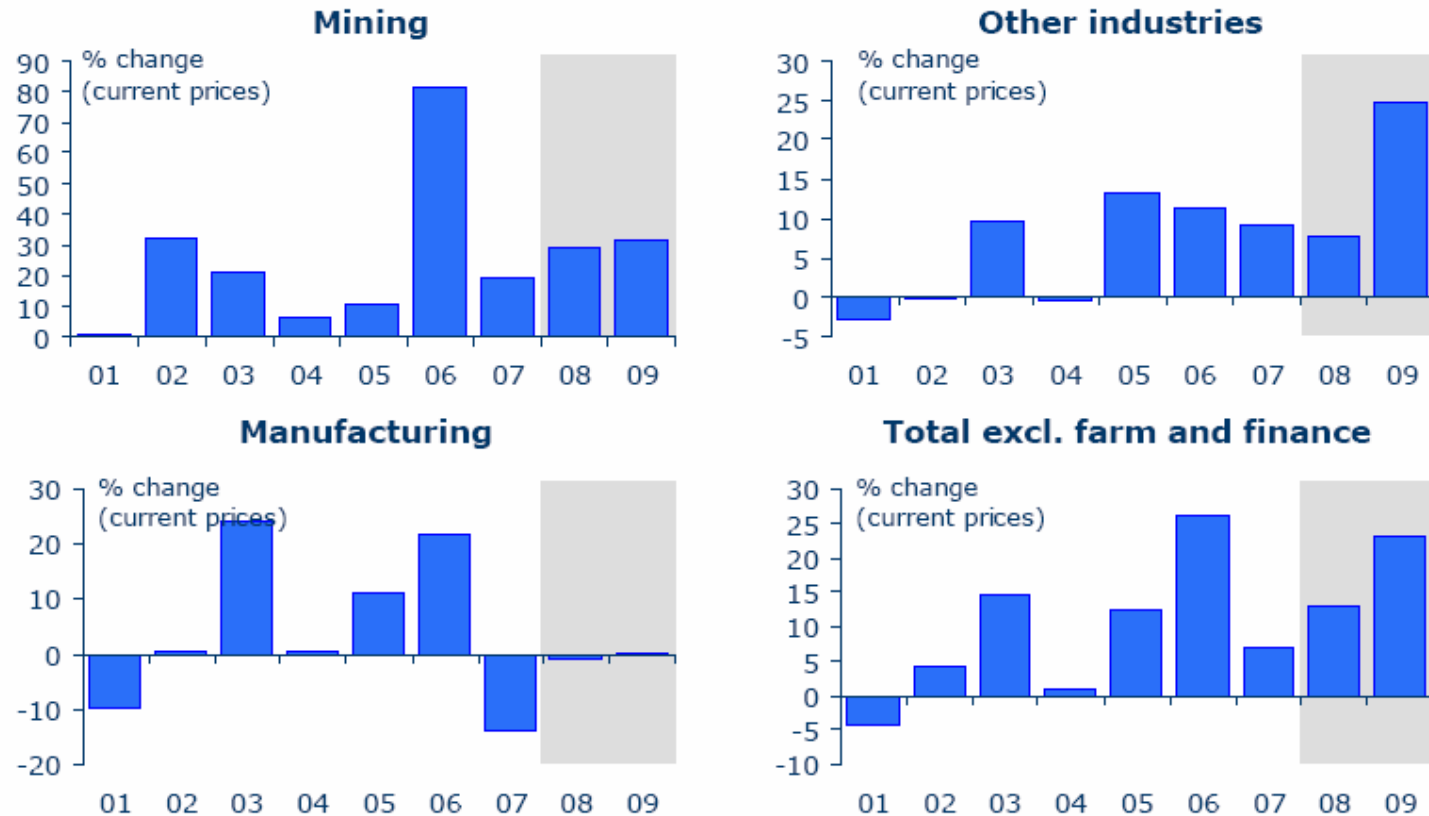
- BUSINESS CONFIDENCE NAB Survey Australia



\* Seasonally adjusted by National



## Actual and projected capital expenditure

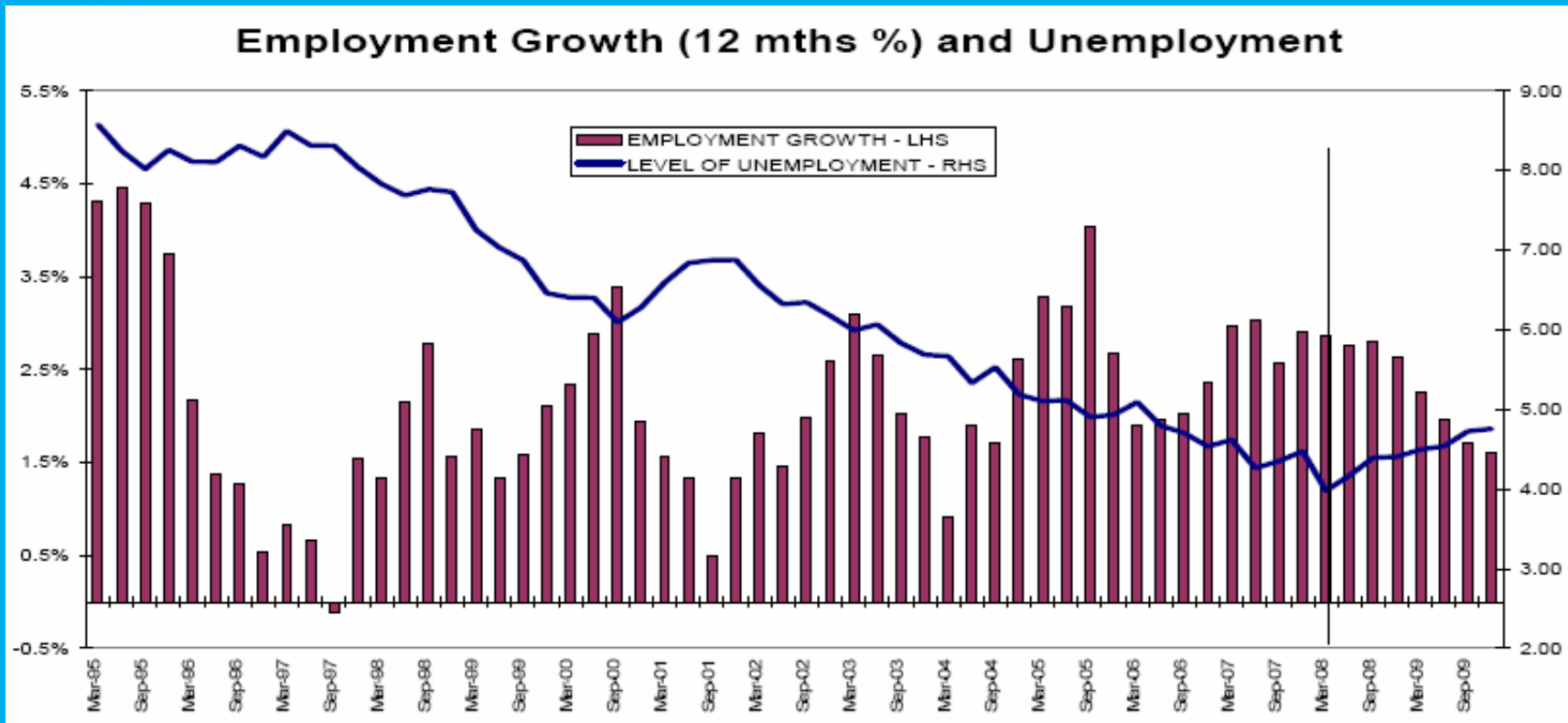


Note: Data are for financial years ended 30 June. Projections for 2007-08 and 2008-09 are based on expected levels of capital expenditure reported to the ABS in its January-February 2008 survey, adjusted for the extent to which expectations in this survey have been realized over the five years to 2006-07. Sources: ABS; ANZ.





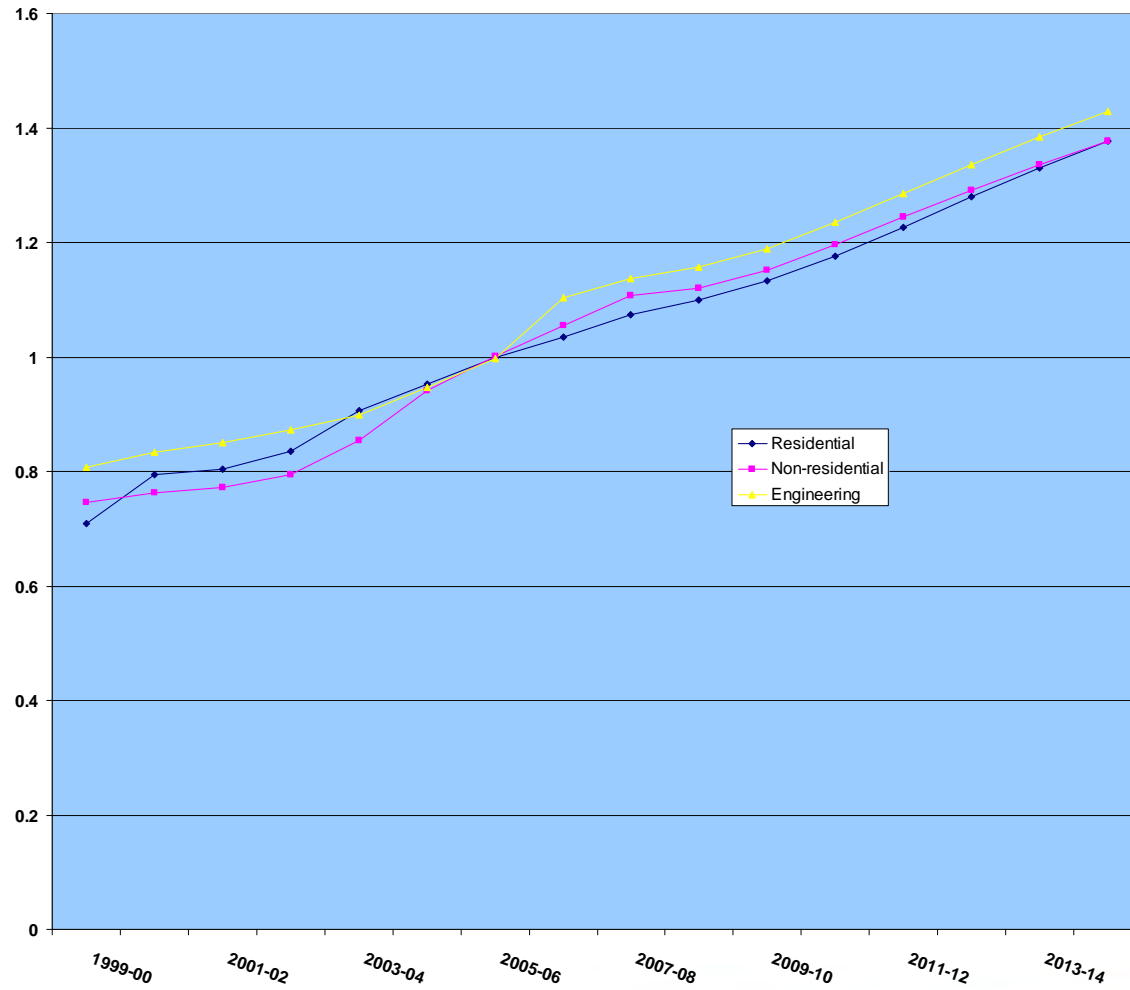
## NAB Bus. Confidence – Employment future





# Property Market Indices

## Construction Price Index

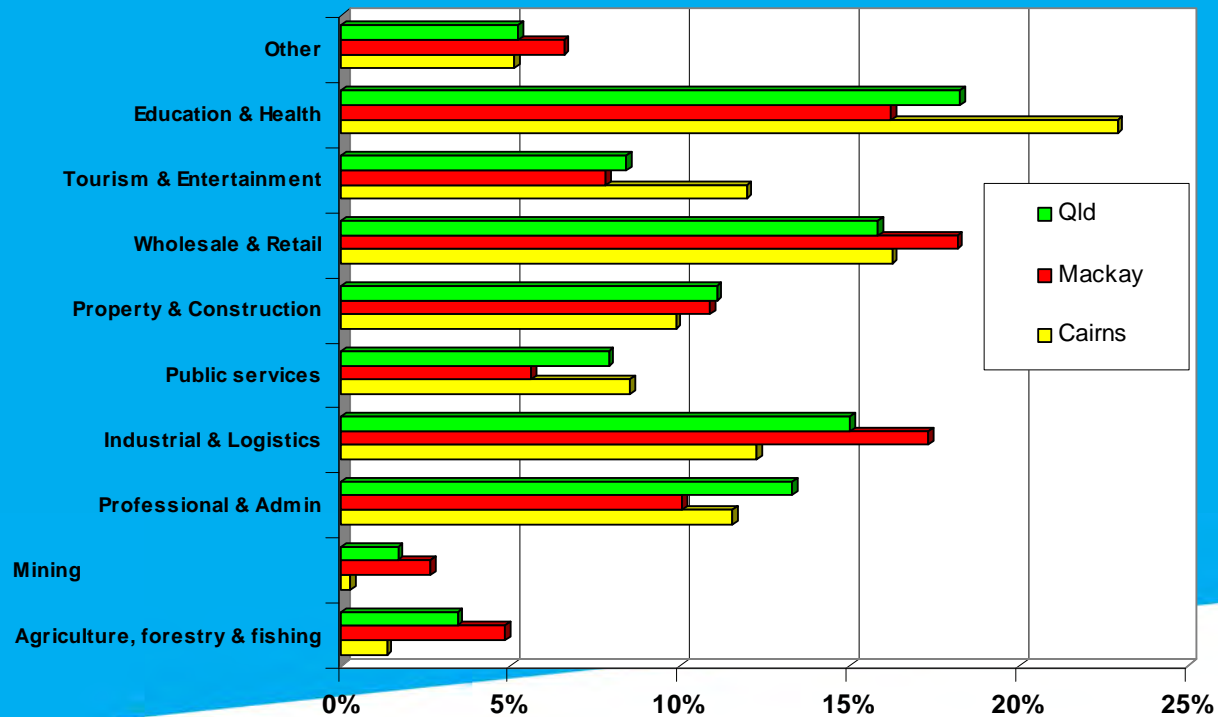




# Cairns - Employment Profile

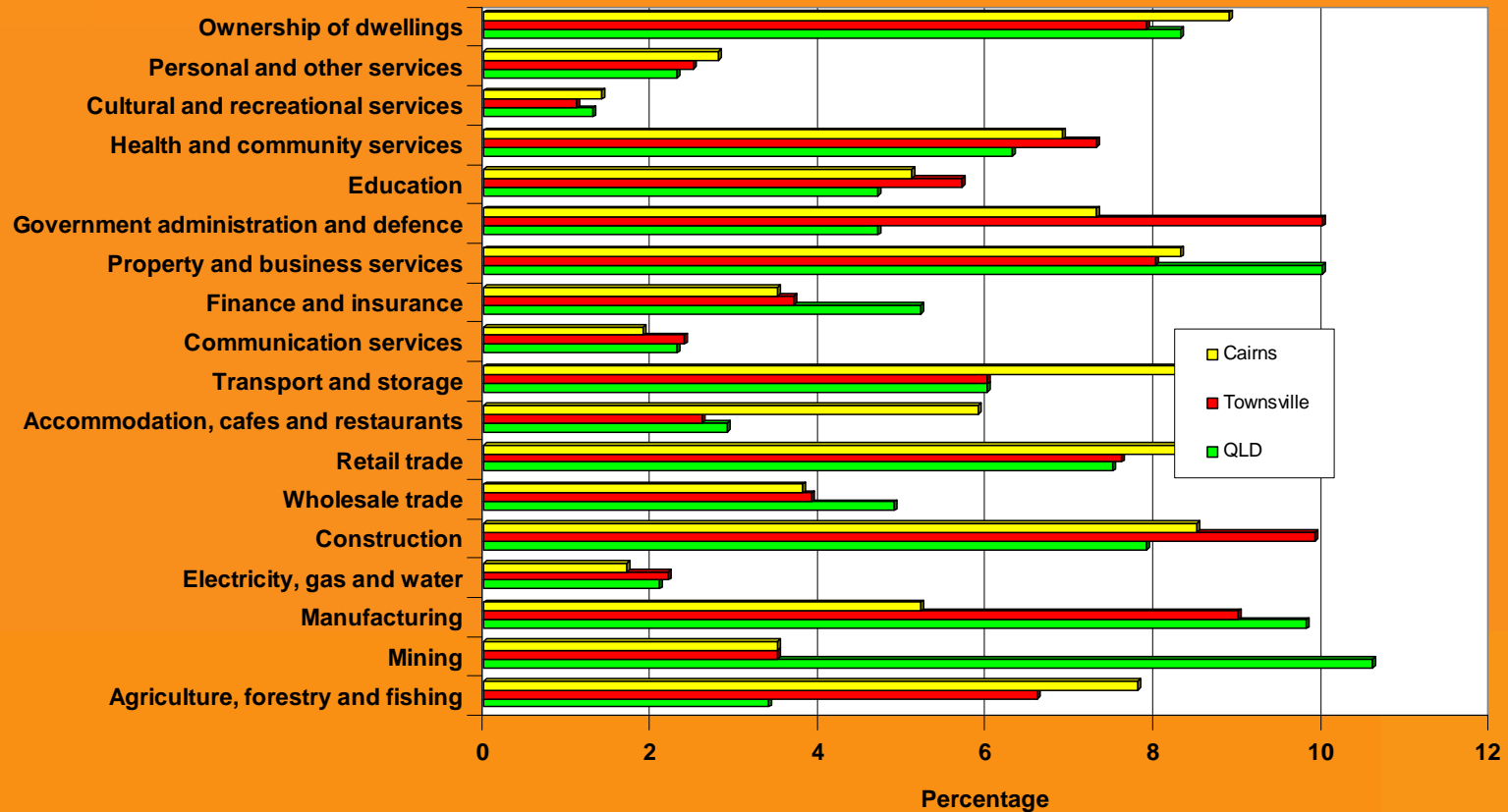
Labour Market  
Unemployment Rate

Cairns 4.8 %  
Queensland 3.8%





# Cairns -Gross Regional Product 2005 -06 (Value Add)





## Real Gross Regional Product - Queensland

Region (a)	2000-01	2005-06	Average annual growth
	\$m	\$m	Per cent
Brisbane	65,482	85,317	5.4
Gold Coast	na	18,340	na
Sunshine Coast	na	9,375	na
West Moreton	na	1,642	na
Moreton (b)	20,745	29,357	7.2
<i>South East QLD</i>	86,227	114,674	5.9
Wide Bay-Burnett	6,545	7,815	3.6
<b>Darling Downs</b>	<b>7,385</b>	<b>9,119</b>	<b>4.3</b>
South West	1,876	1,663	-2.4
Fitzroy	12,041	14,126	3.2
Central West	774	557	-6.4
Mackay	10,468	13,698	5.5
Northern	7,526	8,557	2.6
Far North	8,042	9,055	2.4
North West	4,745	4,719	-0.1
<b>Total Queensland</b>	<b>145,629</b>	<b>183,983</b>	<b>4.8</b>
Rest of Australia	674,929	783,471	3.0

(a) 2000-01 estimates align with the Statistical Division boundaries set out in ASGC 2001 while 2005-06 estimates are presented using ASGC 2006

Source: Office of Economic and Statistical Research, Queensland Treasury

THE AUSTRALIAN

# FINANCIAL REVIEW

AUGUST 16-17, 2008

WEEKEND EDITION

PRICE \$3.00

## SMART MONEY

Can hedge funds help you beat the market?

JOHN WASILIEV  
38



## MONEY MOVERS



Deverall tries to get Perpetual back on track

KAREN MALEY  
14

David Deverall  
CEO of Perpetual

## THE CORPORATION

Making sure your company speaks the same language

# HEAD NORTH . . . MAKE MONEY

As one boom cools another heats up. Why power is shifting to Queensland

MARK LUDLOW +  
LISA ALLEN • 24-25



## NEWS

\$2bn for cars but no relief on tariff cuts

MARK SKULLEY • 3

CGT shock for super losers

SALLY PATTEN +  
ALISON KAHLER • 2

Banks told to do rate thing

GEOFF WINESTOCK • 5

Why \$US rise is good news

ANTHONY HUGHES • 30

Tax man to look into DIY

MADELEINE KOO • 9

Investors rush to sell Babcock

KAREN MALEY • 13

Macquarie's big green grab

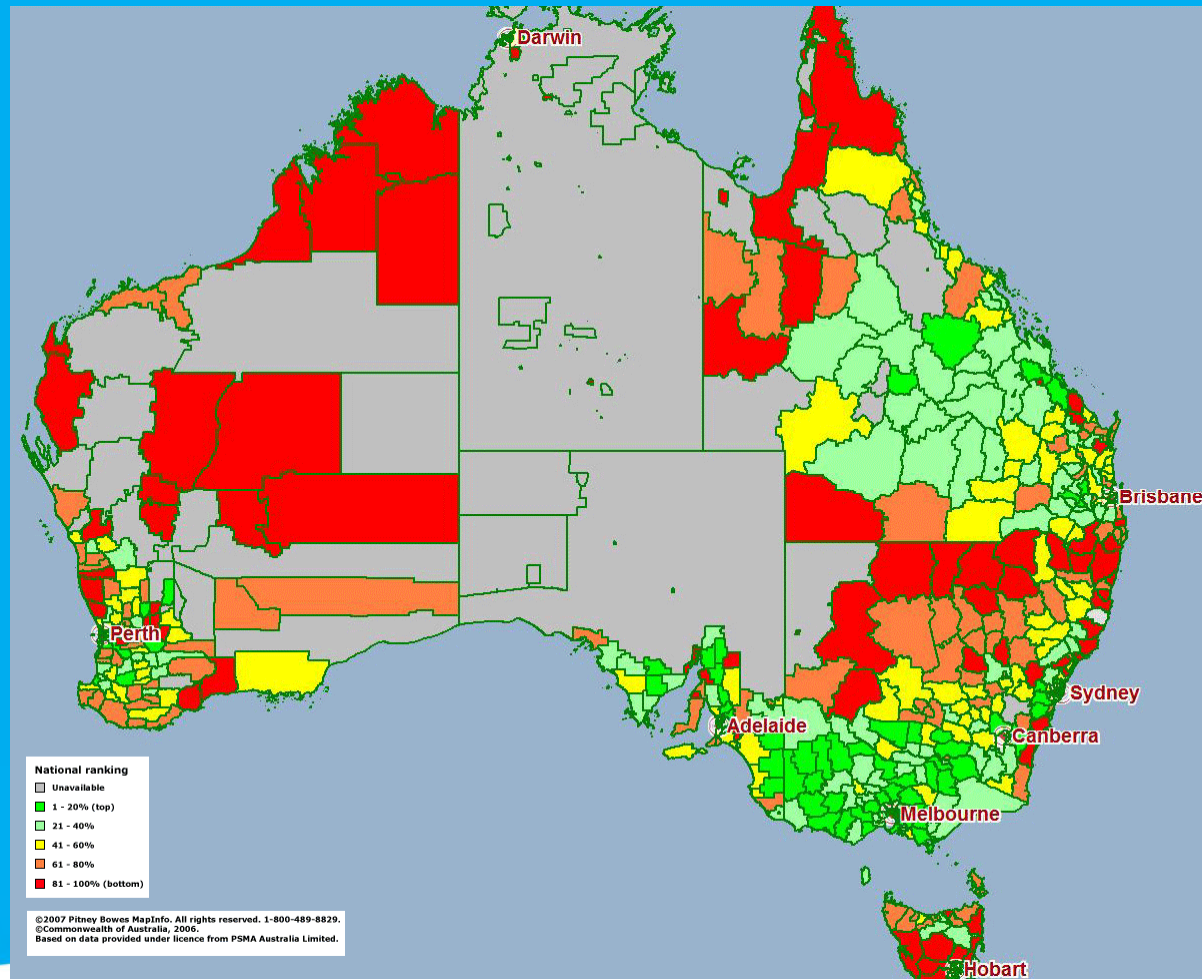
BEN WOODHEAD • 27

urban growth and infrastructure

CONICS



# Liveability – Bankwest Style



**'THE VEGGADOER'** Roll here to find out more... **VEGEMITE** (enriched flour cereal) KRAFT

03:18 am DRUG-SMUGGLING PIGEON BEHIND BARS

03:05 am ONE DEAD AS TWO QUAKES HIT

02:56 am IMPLANT'S HELP TRACK

HOME

- ▶ News
- ▶ Election 2008
- ▶ Sport
- ▶ Breaking News
- ▶ Business
- ▶ Entertainment
- ▶ Darwin Festival 2008
- ▶ Pride of Australia
- ▶ Travel NT
- ▶ Games
- ▶ Horoscopes
- ▶ Buy a Photo

LET US KNOW

- ▶ News Tip
- ▶ Your Pictures
- ▶ Letter to the Editor
- ▶ Fishing
- ▶ Sport

CLASSIFIEDS

- ▶ Flea Market
- ▶ CareerOne
- ▶ CarsGuide



WEATHER

**Darwin**  
 Fine, dry, Windy.  
 Hi: 32C Low: 19C  
[More Weather](#)

TODAY'S PAPER



MISSED SOMETHING?

Review news archives from:

- Yesterday
- Wednesday, 20-Aug

## Southerners reckon our lifestyle sucks

ALYSSA BETTS

August 21st, 2008

**HIGH** on cold-and-flu tablets they have cooked up a "Quality of Life Index" and - apparently - you definitely wouldn't want to live in the Territory.

The "index" attempts to rank 590 places across the country according to how "liveable" they are. Darwin came 467th and Alice Springs 507th. Litchfield was the highest Territory entry at 284.

Tim Crawford, the senior analyst who helped to put together the research for BankWest's list, admitted he had never been to Litchfield.

"What we did is look at 10 different indicators across Australia using government data and the like," Mr Crawford, based in Sydney, said.

Down at East Point with a rod and a quiet beer. Parap's Matt



WE LOVE IT! Parap's Matt Verdooran and Tammy Waddell are not too worried about a new index that ranks Darwin 467th best place to live in Australia. They carry on with rod and brew enjoying another spectacular NT sunset at East Point. Picture: Chloe Erlich



## **Medium Density Housing is a ‘lifestyle disadvantage’?**

Places were ranked according to 10 key indicators, including levels of home ownership, detached housing, health, property-related crime, high school enrolment, income, and volunteering.

Mr Crawford said Darwin's ranking was let down by low levels of home ownership, higher levels of medium-density housing, and higher levels of crime.”



## **Affordability & Changing Consumer Expectation**

- We now deliver (and mandate) a fully finished product.
- While the 'starter suburbs' were never very attractive in the early years they did provide a real way into home ownership.
- Higher levels of expectation on Local Government (no longer rates, roads and rubbish).
- Many local politicians are seeking to 'keep rate increases to CPI' – this decreases the opportunity to instigate change.
- Compare the current situation with the stories our parents and grandparents tell of their first homes.
- Higher expectations from the market and approving authorities lead to a more expensive house.



## **Affordable, small footprint housing?**

So what does affordable, high density , low environmental small footprint housing look like?



# Medium Density Affordable Housing???



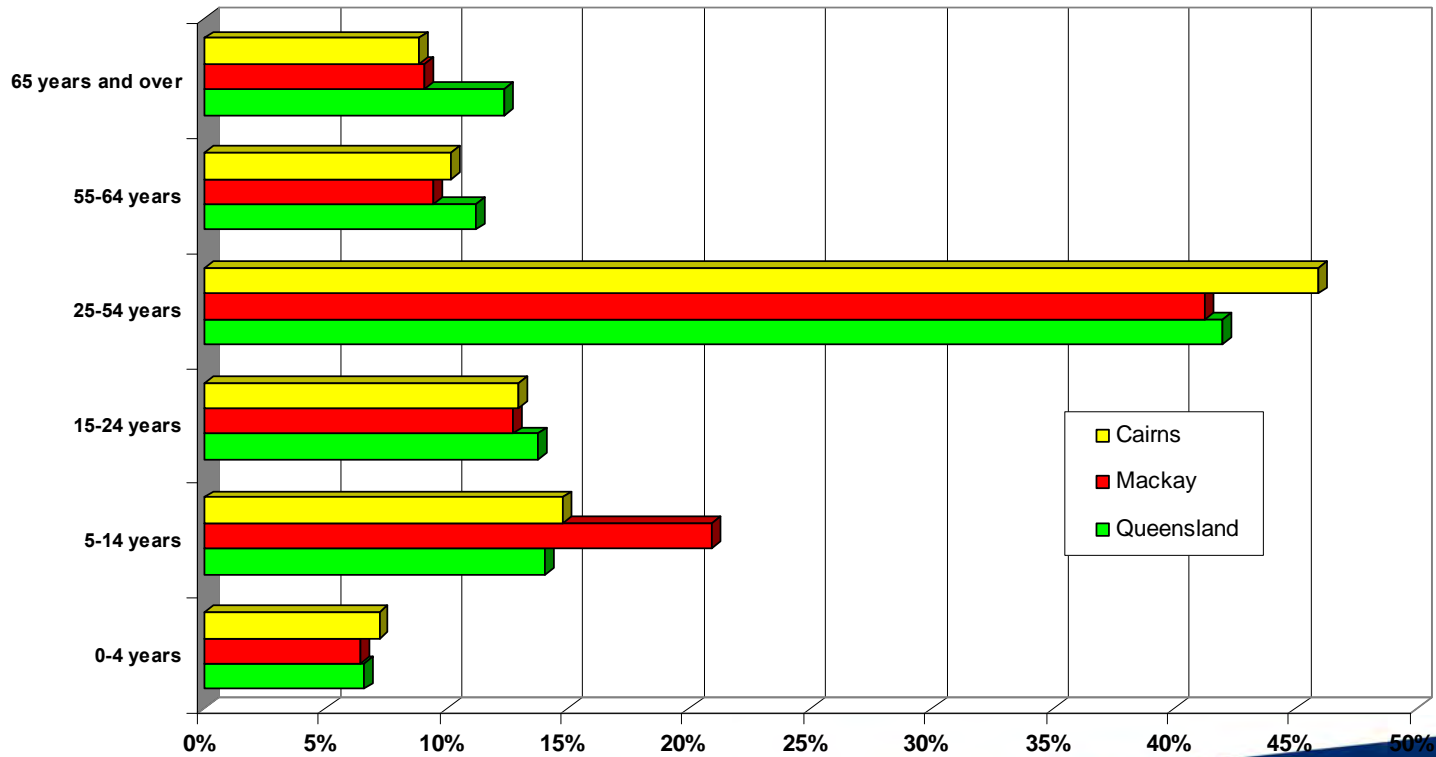
urban growth and infrastructure





# Population and Demographics

- Cairns share – 3.3% of QLD
- Population growth
  - 152,103 Growth Av. Annual 3%
  - 4,182,062 Growth Av. Annual 2.5%
- Age profile Cairns Vs Queensland

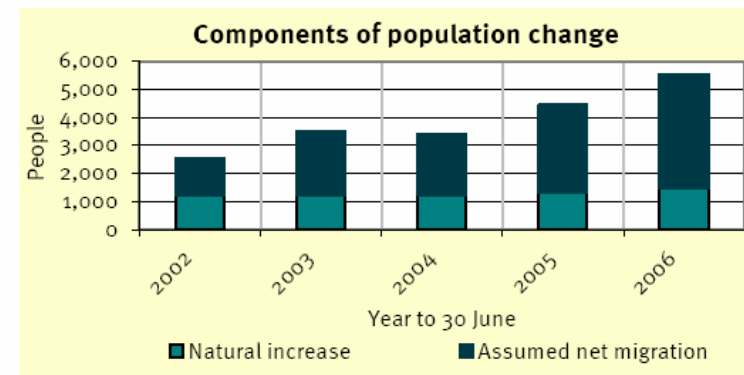




# Population Growth

## Cairns Regional Council

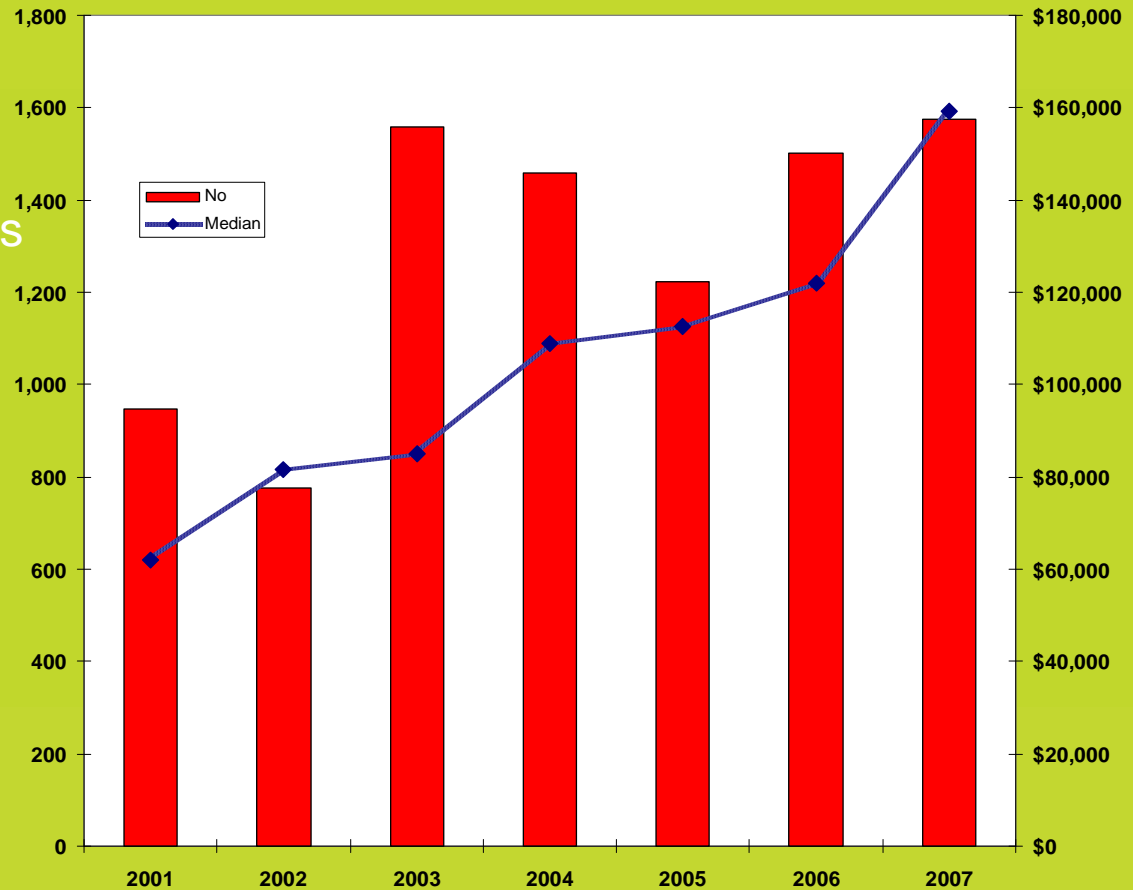
- The preliminary estimated resident population of Cairns Regional Council at 30 June 2007 was 152,103 people, an increase of 4,565 people or 3.1 per cent over the year. This compares with an increase of 5,545 people or 3.9 per cent in the year to June 2006.
- In the year to June 2006 natural increase (births minus deaths) accounted for an increase of 1,465 people while assumed net migration resulted in a gain of 4,080 people.
- Projections prepared by the department indicate that by 2016 the expected population of Cairns Regional Council will be between 176,280 and 192,410 people. By 2031 this is expected to change to between 206,090 and 248,770 people (low and high series).
- The median age of Cairns Regional Council's population is projected to increase by 5 years from a median age of 35 years in 2006 up to a median age of 40 years in 2031.
- Dwelling activity decreased in Cairns Regional Council in the year ending June 2008 with 2,203 approvals, 67.6 per cent of them for separate houses. Compared to 2,631 approvals in the previous year, these figures represent a decrease of 16.3 per cent in dwelling activity.





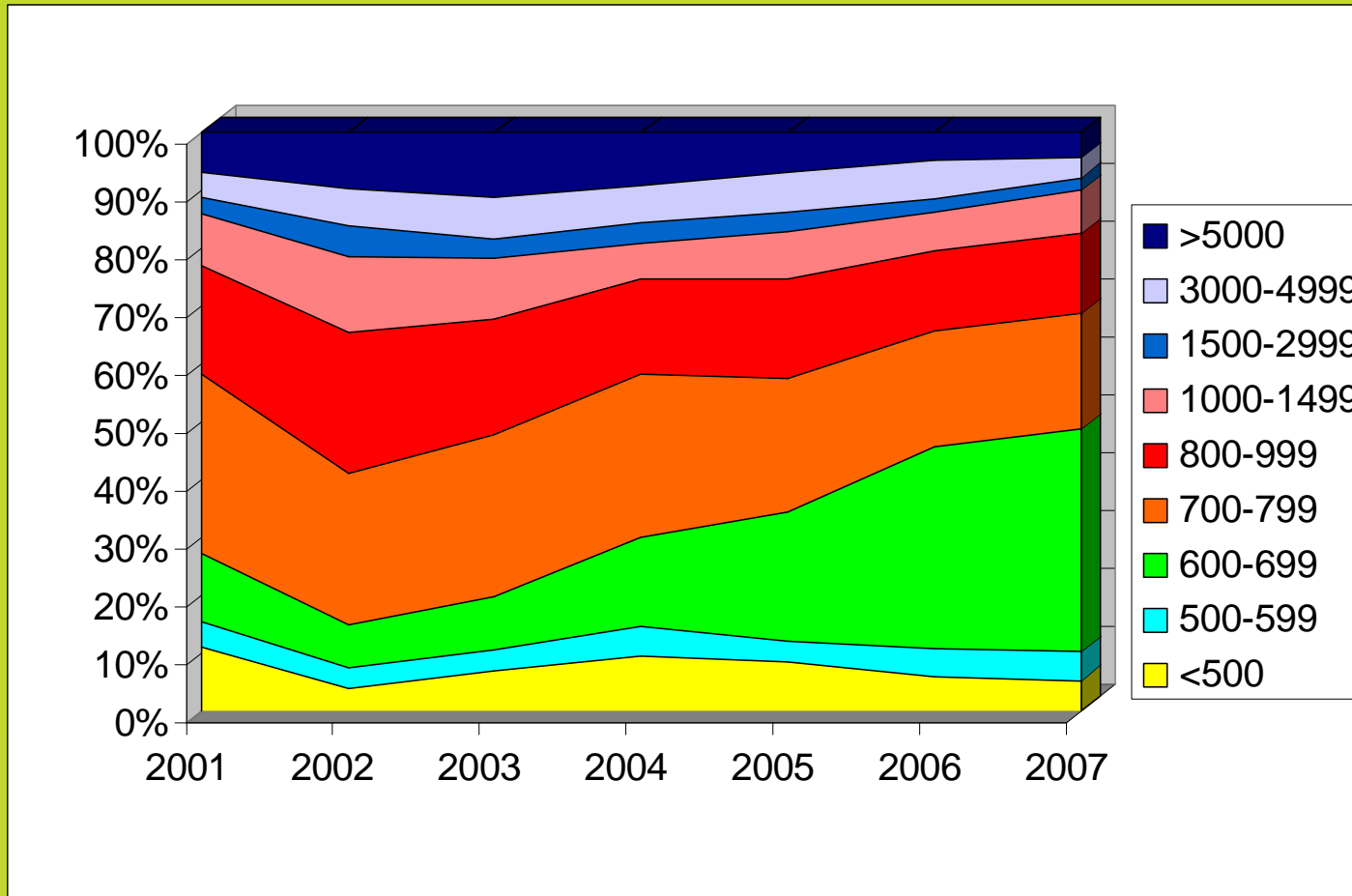
# Cairns Residential Land Market

- Sales cycles graph
- Price categories over time
- Rental vacancy trends  
\$ %vacancy
- Affordability Issues



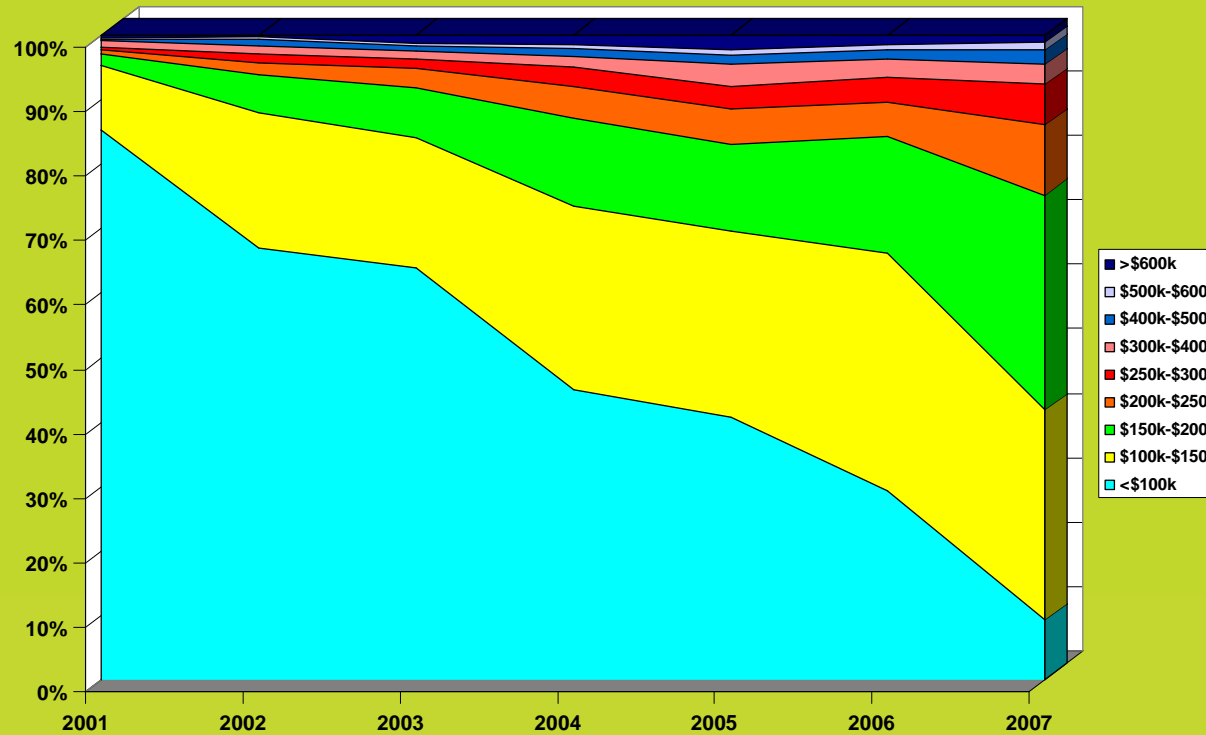


## Land Market – Lot Size (Sq M)



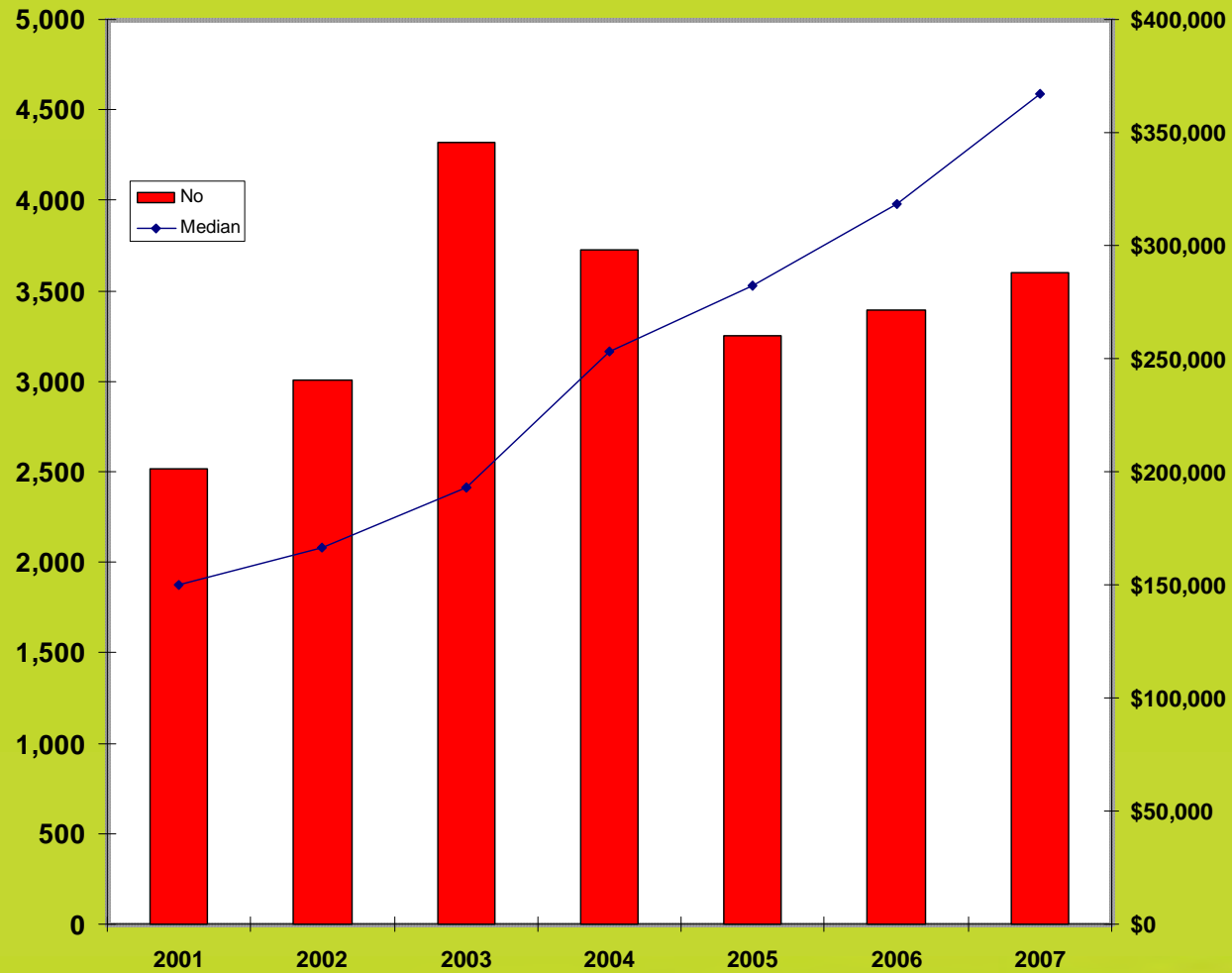


# Residential Land Market



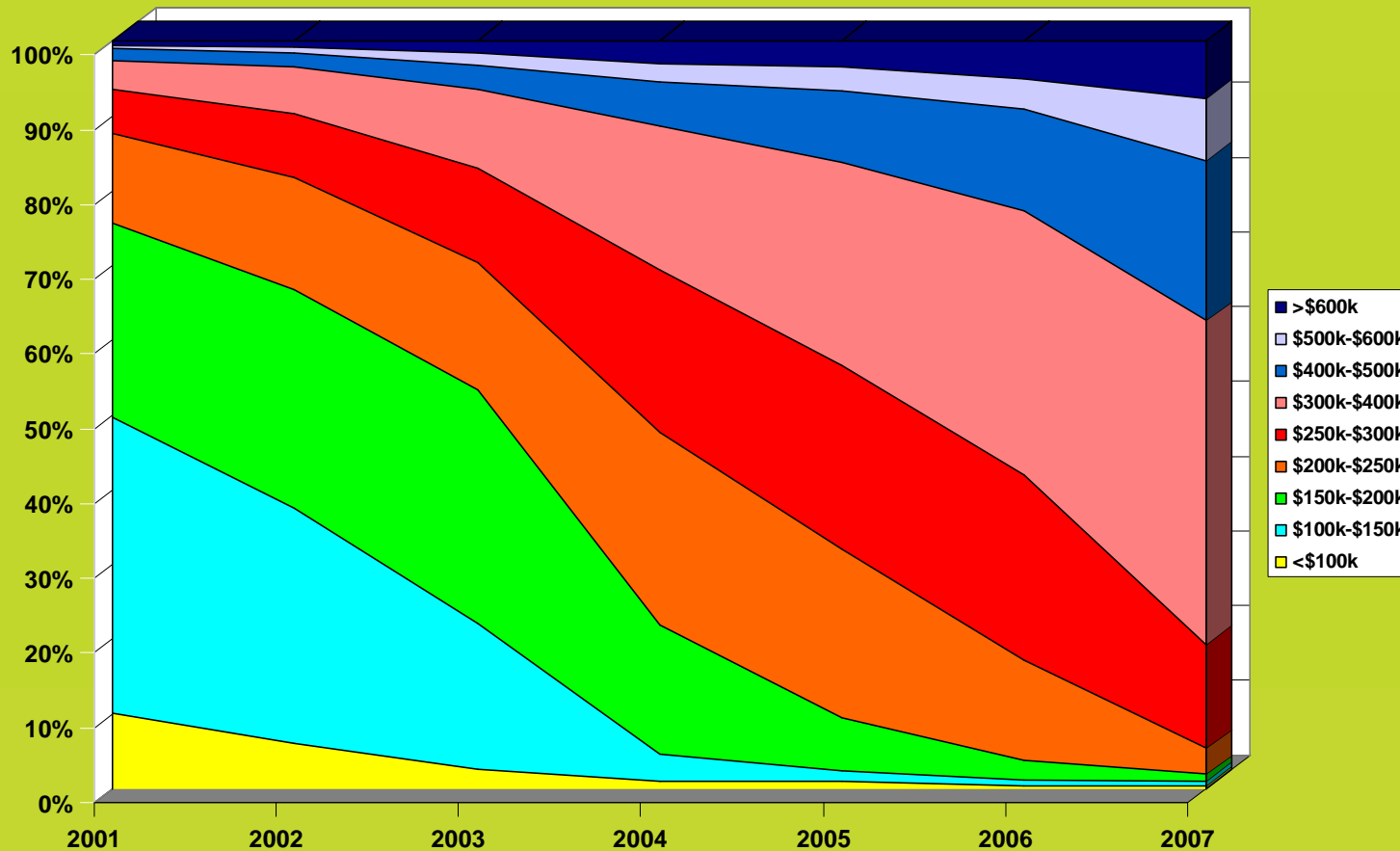


# Cairns House Market Cycle



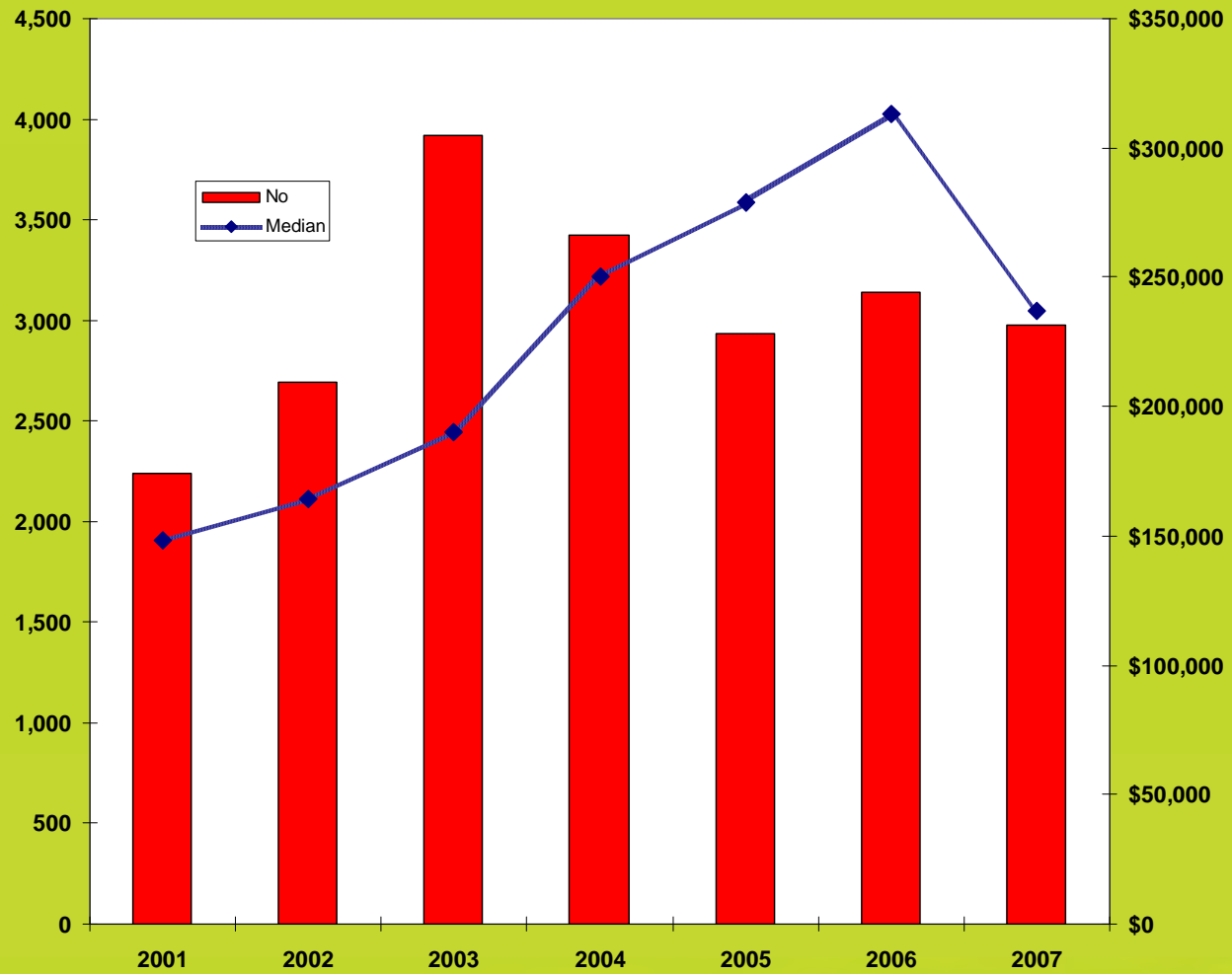


# Cairns House Market Price Ranges





# Cairns Unit Market Cycle





# Cairns Commercial Office Market

City Centre

Business Parks

Fringe

Decentralisation?



**urban growth** and **infrastructure**



## **What does all this mean?**

The creation and continued evolution of where we live, work and play is a complex interaction of what people want, what they can afford, what they need, how the three levels of Government legislate, the attitudes of the broader community and demographic and social change. The development industry will continue to walk the tightrope of these often competing goals and aspirations, with successful developers catering to the correct (and ever changing) blend of interests.



## What does all this mean?

### Government and Developers

- Less broad scale one size fits all approach to planning, design and building.
- Be brave when it comes to product , tenure, adaptability and location ( the Banks and financiers need to be brought along on this journey)
- Local Authorities currently lack flexibility and resources to accommodate a 'new' solution.
- Less emphasis on hard infrastructure and more emphasis on the community aspects.
- Where people live, where people work and where they play will be increasingly important in the future.



## **What will be the impact on the market?**

- The majority of the housing product will be 'suburban' in flavour with many people preferring a 'torrens title' solution.
- The market will be increasingly looking for a 'low foot print' solution driven by cost (esp after the introduction of carbon trading) and the desire to be green.
- "Buying back time" will see a desire for more local connections reducing the travel time of the journey to work.
- Communities will become more self contained (more local roads, work and required services)



## Looking to the future....

- What are the expectations of the next generation of home owners?
- How will they fund a home and what does this mean for design, production and marketing?
- Is there a straight line connection between demographics and product?
- Will houses get smaller and smaller and will the numbers of people in each house continue to decline?
- How will the planning policies of today shape the communities and housing product of tomorrow?
- What does it take to 'be brave' when designing, building, funding and marketing of new types of housing?
- The communities of tomorrow are being shaped by the planners, governments, designers, developers and homeowners of today.
- What should the balance be between 'now' and 'when'?



# Thank you

The document contains a series of projections and forecasts that have been prepared on the basis of the best available information. Due to the dynamic nature of many of these issues and the number of variables involved, Conics can give no guarantee that these projections and forecasts will be realised.