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Surging prices

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Investors rush to Gold Coast for luxury properties, but new projects cannot keep up with demand

Queensland's Gold Coast has an average of 277 days of sunshine a year and an average temperature of 27 degrees Celsius, but the only thing that's hotter than its climate is the coast's luxury property market.

Even the latest wave of new developments cannot keep up with demand, with agents and developers reporting queues of buyers for the prized beachfront positions.

'Interest in Australian property has increased dramatically - up by more than 25 per cent in January on the monthly average for last year - with most of the inquiries coming in for the Gold Coast and Sydney,' says Peter Mindenhall, business and media manager for propertyshowrooms.com.

On the coast as in other prime areas of Australia, prestige property keeps rising in value.

The latest RP Data confirms that the top end of the Australian market remains 'absolutely resilient' to any upward movement in interest rates.

'While most markets were very flat from 2004 to 2007, top-end properties continued to improve in value,' it notes.

Real estate author Terry Ryder agrees Queensland remains the property market of choice for investors across the country - particularly those with a long-term view.

'Queensland is driven by the pistons of a strong state economy and nation-leading population growth,' Mr Ryder says on his Hotspotting website.

'The major markets of southeast Queensland are well into a recovery phase and locations beyond southeast Queensland continue to show life, especially those impacted by the resources boom.'

Research by PRDnationwide also shows Gold Coast high-rise construction is surging ahead with one suburb, Broadbeach, outpacing the heady development wave of the 1980s.

'Along with the suburb's natural attractions, such as the beach, it also features the Gold Coast's largest shopping centre, Pacific Fair, the region's only casino, Conrad Jupiters, and the Gold Coast Convention and Exhibition Centre,' says PRD's Lynda Campbell. Other luxury apartments will be built in Casuarina Beach and Mermaid Beach in Gold Coast.

Brinton Keath, of Colliers International's Gold Coast office, says demand for the coast's top-end market is clearly the strongest, fuelled by young active retirees (the so-called baby boomers) who are not affected by rising interest rates. 'These people want prestigious beachfront or waterfront property, and they're buying without a mortgage,' he says.

'These people want their prestigious waterfront properties to compliment their desire for an active lifestyle and they are buying without a mortgage. As such, they are generally not concerned with short-term interest-rate fluctuations.'

Investors, too, are snapping up luxury property off the plan. 'The current perception is that the next 18 to 24 months is going to be very strong for the Gold Coast market. The educated investors, who have had success in previous off the plan developments, are always looking to get in at the initial releases of any new waterfront project. These buyers realise that the fundamental market factors here are sound and that land and construction prices will continue to rise, as such leading to growth in prices. The earlier they get into the project the greater the gain.'

Mr Keath says the coast's 'ultra-ultra prestige property', defined as property worth A\$3million (HK\$22million) plus, is in greatest demand. An example is Allisee at Runaway Bay, a Stockland project. It comprises 197 units across seven different buildings built around an internal harbour opening to the Broadwater, with direct ocean access. Of only 11 penthouses, seven have been released and four sold, at prices ranging from A\$2.9million to A\$3.4million.

'This price range for this location was previously relatively untested at this level, highlighting the confidence these consumers have when the location and the product is correct,' he says.

Among these prestige homes, a property with a marina berth is considered the ultimate as buyers almost always demand one because they recognise the investment potential, Mr Keath says.

'Even if the buyer doesn't own a boat, they realise the potential for capital growth, [and] they want the ability to [own a boat] some time in the future - in addition to the fact that such an addition is a huge plus for the resale of a prestige apartment.'
