

Is Hervey Bay the next Gold Coast?

John Moore, president of the Property Investors Association of Australia, explains why he thinks potential growth abounds in Hervey Bay



The Hervey Bay skyline doesn't look a bit like the Gold Coast! However, the development and drivers in the area do resemble those that drove the Gold Coast years ago. And, while the latter had a great beach with surf and a fabulous hinterland, Hervey Bay has its 'whale watching' – as well as the World Heritage-listed Fraser Island on its doorstep.

Population demand drives capital gain

Hervey Bay's population has grown significantly compared to national and state averages – and, as we know, demand drives prices up. This growth was 5.3% in 2005, according to the ABS, and it is predicted to average 2.9% until 2026, against a predicted state average of 1.4%. Population statistics from the 2005 census show 33% of Hervey Bay residents are families with children and 33% are aged over 55. To house this influx of 4,000 people per year, 1,600–1,700 new homes are required.

With 26.7% of people renting, this is an investment worth exploring. REIQ figures show 9% capital gain in 2004–05 and only 1% the following year. This suggests boutique development prices are masking underlying local trends and more than two years of comparisons are required to understand them. But this is not the only reason to buy an investment property here – the boom in this town is tourism!

There is also a construction boom going on to support investment in tourism with 26.3% of the working population

employed in this sector according to the ABS, compared to 19.7% in property and business services and 13.3% in retail. So, what are they building?

Infrastructure development drives capital gain

Marking this region as a growth area, the State Government announced a major investment in giving the existing marina a facelift and extending it. Valued at \$800m, the work is expected to start in 2009 and be completed in 2015.

The new project includes 200 more boating berths, accommodation from resort-style to backpacker and upgrading the street, cafes and restaurants with a promenade around the frontage. It will also upgrade the Fraser Island Ferry Terminal to transport cars to the island.

Some new developments in Hervey Bay:

- \$800m marina upgrade and facelift
- Peppers Pier Resort, on the Esplanade at Urangan Pier, completed 2007, \$80m
- Eight apartment and hotel-style developments, Whale Cove Apartments, Eden of the Bay, The Bay, The Quarterdeck Harbour Retreat, Allegra by Grand Mercure, Akama and Tingera
- Total value of building approvals was \$236.7m in 2006–07 (source: Hervey Bay Council)
- Total value of commercial and industrial construction 2006–07 jumped from \$35m to \$110m (source: Hervey Bay Council)
- \$15m airport upgrade completed 2004 to take 737s. Virgin Blue and Jet Star now fly direct from Brisbane and Sydney (Source: www.hbaip.com.au/majorproj.htm)
- Waterless Theme Park, Local Council, \$5m (Source: www.yourwater.com.au/waterpark/)
- 60% expansion to local shopping complex, \$140m. Well designed centre to take advantage of local attributes
- Industrial growth with bulky goods and warehousing for region
- Sharp downturn in housing starts for

2007 reflects restriction on land zone that is expected to continue and support capital gain

(Source: Hervey Bay Council)

Tourism

Tourism is a huge source of potential investment income with 2.8 million visitors in 2007 generating 4.88 million domestic visitor nights and 0.88 million international visitor nights. Tourism Queensland estimates that 72% of visitors are Queenslanders, 14% interstate and 14%, international. Occupancy rates for 2007 were low at 51.8%, but individual resorts will do better. Air travel increased arrivals from 30,000 to 150,000.

Investment returns

Investment returns in this area have two opportunities. First, rental housing for locals working in the area. Look closely at the report generated by www.frasercoast.qld.gov.au for local salaries and do the figures for your selected opportunity. Talk to local real estate agents and do your homework in depth. The other opportunity is based on tourist dollars. With the Qld State Government investing in the marina and increased amenities to travel to Fraser Island, we can assume this area will have significant advertising promotion driving tourism demand.

What to look for:

- A development with great facilities
- Management to service good occupancy rates.
- Proximity to new marina, water park, cafes and more

What will drive this area to the next level?

Direct flights from Melbourne: this is a great location to rival other favoured Melburnian holiday destinations.

More direct flights from Sydney: currently once daily per airline.

The new tourist facilities: marina and car ferry.

Hervey Bay has some unique natural attractions renowned internationally; it is a beautiful location with year-round appeal to southern holiday-makers. The level of infrastructure investment is high for driving capital gains and with State Government support, it is on a fast track to gaining popularity and demand. Is it the next Gold Coast? Only time will tell whether the investment opportunities here are going to rival other areas. ■