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Location Report

A joint publication of Mitchells Realty & Ryder Property Research

HERVEY BAY **Fraser Coast, Qld**

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HERVEY BAY

Fraser Coast, QLD

Highlights

- Strong population growth
- Tourism industry
- Affordable housing
- \$455 million - new solar farms
- Emerging medical precinct
- \$300 million coal mine
- \$116 million shopping centre expansion
- Bruce Highway upgrade
- \$660 million Mary Harbour project

Suburb - houses	Typical prices	Suburb - houses	Typical prices	Suburb - units	Typical prices
Pialba	\$300,000	Torquay	\$330,000	Pialba	\$275,000
Point Vernon	\$325,000	Urangan	\$350,000	Torquay	\$235,000
Scarness	\$305,000	Urraween	\$375,000	Urangan	\$250,000

Hervey Bay has been showing signs of elevated sales activity in its residential property market over the past two years and is poised for a period of solid price growth. Several industry experts now consider it as a region worthy of close attention by investors as the tourism and construction industries begin to thrive.

Coinciding with improvements in the property market is a significant fall in unemployment which is now at its lowest level since 2012. This followed the creation of a regional medical precinct which has attracted workers.

The Fraser Coast Council has been encouraging construction activity and major projects are in the pipeline. These, along with a \$112 million capital works budget and a \$60 million munitions factory in Maryborough, are happening.

Affordability combined with a relaxed seaside lifestyle add to the appeal of the Hervey Bay property market, where vacancies are low and rental returns well above average.

Economy and Amenities

Hervey Bay has been described as “sea change for battlers”, both for retirement and for young families seeking affordability with lifestyle.

It offers a relaxed bayside lifestyle at prices within reach of most individuals and families and has become a popular choice for retirees.

ABS data analysed by CoreLogic reveals the Fraser Coast is ranked second out of the 10 most popular places in Queensland for retirees.

The biggest employers are:

- Healthcare and social assistance 21%
- Retail 14%
- Accommodation and food services 11%
- Education and training 10%.

Historically, tourism has been the region’s backbone and it remains important. A 2017 survey by Tourism Research Australia showed 151,000 international tourists visited the region, an increase of 15% from the previous 12 months, and they spent \$37 million.

Tourism is focused on whale watching, World Heritage-listed Fraser Island, Lady Elliot Island and Hervey Bay’s calm beaches and laid-back lifestyle.

Hervey Bay’s sheltered waters make it suitable year round for water sports and fishing. Along the Hervey Bay Esplanade are restaurants, cafes, shops, parklands, piers and a marina which have all recently benefited from an \$8 million makeover.

Events such as sporting, food and wine and speed boat carnivals together with the Hervey Bay Whale Festival attract thousands of visitors annually.

While tourism is seasonal, the recent construction of a \$20 million marine ship lift in Urangan will provide 100 jobs all year round. The lift will enable barges, fishing vessels and other 300-tonne ships to be repaired at Hervey Bay instead of having to travel to Brisbane or Cairns.

Sugar is an important agricultural product in the area with the industry supporting around 500 jobs. In FY2018, \$101 million was injected into the economy by the sugar industry.

- Transport and Access

The council operates the Hervey Bay Airport, which has flights connecting to Brisbane, Sydney and Lady Elliot Island. Frequent charter operations are conducted to nearby Fraser Island.



Location

- 295km north of Brisbane
- 35km north-east of Maryborough
- On the coast facing Fraser Island
- LGA: Fraser Coast Regional Council.



Population and Demographics

- Population 2016: 52,000
- Unemployment (Fraser Coast) March 2019: 8.7% (lowest since 2012)
- Disability pensioners represent 6.32% of Hervey Bay’s population, compared to 3.23% nationally (NIEIR).

Source: 2016 Census and Qld Treasury

TOURISM FAST FACTS:

- 662,000 visitors per year
- \$360 million direct expenditure
- \$650 million indirect expenditure
- 6,000 direct & indirect jobs.

Source: Fraser Coast Tourism

HOME OWNERSHIP

40% own their homes outright

24% own with mortgages

31% rent their homes

Source: 2016 Census

Hervey Bay is serviced by the tilt train which has connections from Maryborough West or nearby Howard. The city also has passenger ferries to Fraser Island, as well as vehicle ferries.

- Education

There are around 40 schools, both public and private, across the Hervey Bay region.

Tertiary education is provided through the Wide Bay Institute of TAFE and the University of the Sunshine Coast which recently merged with the University of Southern Queensland.

- Retail

Stockland Hervey Bay recently completed a \$116 million expansion. Pialba Place Shopping Centre, in conjunction with Coles, underwent a \$10 million expansion while Aldi opened a new supermarket in Urangan in 2017.

Other shopping centres are located at Urangan and Eli Waters, while hardware store Bunnings has a retail outlet and a warehouse in Hervey Bay.

Property Profile

Our research for the Spring edition of the *Price Predictor Index* showed that the Fraser Coast region, including Hervey Bay, had numerous growth suburbs and others with steady demand.

Urangan stood out for consistency in sales performance and was included in our National Top 50 suburbs for consistent sales quarter by quarter.

Suburbs with rising sales activity included: Burrum Heads, Dundowran Beach, Eli Waters, Point Vernon and Tinana.

Those findings, showing improvement in the local property market, were consistent with the latest findings by valuation firm Herron Todd White, which has rated Hervey Bay as a Rising Market for the past six months. HTW says continued population growth and the coastal lifestyle have contributed to steady capital growth in Hervey Bay.

Another property market observer to rank Hervey Bay highly was *Your Investment Magazine*, which listed Scarness as a suburb to watch because of its steady performance.

Improved employment prospects in tourism, construction and health have helped to create real estate growth in the region.

The 2016 Census revealed interesting information which reflects the affordability and popularity of the Hervey Bay property market.

Householders who own their own homes outright rose from 25% in 2011 to 40% in 2016, while those renting fell from 37% in 2011 to 31%. Households paying off a mortgage fell from 38% to 24%.

This is partly the result of a suite of incentives introduced by Fraser Coast Regional Council to boost home ownership, especially for first-home buyers.

Construction continues to increase, with a majority of builders reporting busy schedules, says Herron Todd White. There are still additional stages of estates being developed, as well as smaller infill developments.

A key factor here is that the provision of new dwellings is happening in line with market demand, avoiding the oversupply issues of the past.

Affordability is a major appeal, especially when compared to other seaside locations like the Sunshine Coast. Most Hervey Bay suburbs have median house prices below \$380,000, according to CoreLogic figures. The median house price in Scarness is \$305,000, while Pialba is \$300,000.

The median house price for Urangan is \$350,000 following a 6% increase in the last 12 months.

Long-term growth rates (the average annual growth in median prices over the past 10 years) remain low, although there has been improvement in 2019.

A positive factor is the level of yields. The median rent of \$350 per week in Pialba will return a yield of 6.1%; in Eli Waters, rent of \$370 will deliver 5.9%.

Since 2010, unit construction has eased, leaving the property market mix at about 16% units and 81% standalone houses. The attractiveness of the unit market is the pricing, with median prices generally in the \$200,000s, and good yields of around 5.5–6.5%.

Units in Pialba, Scarness, Torquay and Urangan typically rent for \$285-\$320 a week.

Rents for both houses and units have been steadily increasing over the last three years, shows data from SQM Research.

House rents are 3% higher than a year ago and 14% higher than three years ago. Unit rents have lifted 17% since 2016.

Another encouraging sign of improvement in the Hervey Bay market (postcode 4655) is the falling vacancy rate. After being around 4% in 2016-2017, the vacancy rate has fallen steadily, hovering around 1.9% for the last 12 months.

New building projects throughout the Hervey Bay area have brought workers to the region, helping to absorb the previous over-supply of dwellings.

The list below provides a sample of the Hervey Bay house market:

Suburb	Sales Houses	Median Houses	1-year Growth	Growth Average	Median Yield
Craignish	46	\$460,000	2 %	3 %	4.5 %
Dundowran Beach	65	\$580,000	-4 %	1 %	3.8 %
Eli Waters	91	\$325,000	-2 %	0 %	5.9 %
Kawungan	91	\$360,000	2 %	1 %	5.2 %
Pialba	52	\$300,000	-5 %	1 %	6.1 %
Point Vernon	141	\$325,000	1 %	1 %	5.6 %
Scarness	48	\$305,000	-3 %	1 %	5.6 %
Toogoom	98	\$335,000	1 %	0 %	5.2 %
Torquay	97	\$330,000	2 %	0 %	5.3 %
Urangan	231	\$350,000	6 %	1 %	5.2 %
Urraween	157	\$375,000	1 %	1 %	5.3 %
Wondunna	60	\$455,000	Snr	1 %	4.5 %

The Hervey Bay apartment market can be summarised as follows:

Suburb	Sales Units	Median Units	1-year Growth	Growth Average	Median Yield
Pialba	41	\$275,000	0 %	0 %	5.5 %
Scarness	32	\$285,000	6 %	1 %	5.3 %
Torquay	63	\$235,000	0 %	-1 %	6.3 %
Urangan	99	\$250,000	-7 %	-2 %	6.7 %

Source: CoreLogic. "No. of sales" is sales over the past 12 months. "snr" = statistically not reliable. "Growth ave." is the average annual growth in median house prices over the past 10 years.

Future Prospects

A new deal handed to the Fraser Coast Council by the Federal Government promises to bring hundreds of jobs and boost the local economy.

Announced in January 2019, the Hinkler Regional Deal for the Bundaberg–Hervey Bay region is a Federal Government initiative that involves three levels of government building projects to provide economic growth and long-term employment.

Some of the priority projects include:

- Delivery of the Hervey Bay CBD Master Plan with a new council administration building and enhanced the cultural precinct;
- Expansion of the University of the Sunshine Coast Fraser Coast campus to include student accommodation in the CBD;
- Transforming Urangan Harbour into a tourist destination with commercial, retail and hospitality outlets;
- Developing the next stages of the Fraser Coast Sports and Recreation Precinct to potentially host large sporting carnivals and to create an indoor sports complex.

The first stage of the Fraser Coast Sports and Recreation Precinct has already been opened. At a total cost of \$55 million, the complex will be developed in stages over 20 years.

Upon completion, the complex will comprise a stadium, numerous football fields, tennis and netball courts, club house and other facilities, at Nikenbah.

These projects will follow the wave of construction brought about by the local Council's proactive policies.

As a result of the variety of developments, unemployment has fallen to its lowest rate since 2012 and was 8.7% in March 2019.

An example of the Council's focus is a medical precinct at Urraween and given the high number of retirees in the area, this is accompanied by numerous new retirement villages and aged-care facilities across the region. The Hervey Bay Hospital is also being expanded.

As the medical facility develops, there is a steady influx of personnel to the new facilities.

CORE INFLUENCES

Government Policy

Sea Change

Lifestyle Factors

The Medical Precinct incorporates:

- The Hervey Bay Public Hospital;
- St Stephens Private Hospital;
- Medical Place;
- The southern end of the Fraser Shores Retirement Living development site;
- The approved commercial development on the southern side of Urraween Road; and
- The TAFE East Coast campus site.

Tourism is being massaged through the construction of eco and other resorts and the introduction of RV parks.

Regional Tourism Satellite Accounts data released in December 2019 show tourism accounts for \$478 million of the Fraser Coast's gross regional product and supports 5,000 local jobs.

Stockland Shopping Centre has had a \$116 million expansion and the CBD is being revitalised with outdoor eateries, an adventure park and rock pool.

The Queensland Government has budgeted to spend \$572 million on infrastructure in the Wide Bay Region and this work is generating around 1,500 new jobs.

A \$60 million ammunitions factory is approved with the State Government putting \$9 million towards a dedicated power supply for the plant.

On a broader scale, several resources projects are approved and promise to bring hundreds of jobs. More detail about these can be found in the tables on the next page.

- Aviation Industrial Parks

Several industrial parks offer business and employment opportunities. These include the \$100 million Hervey Bay Airport Industrial Park, which is near the redeveloped airport.

It is the only industrial park in Queensland with direct-access air freight services allowing for express logistics support to industry and is ideal for avionics and warehousing businesses.

The airport industrial park sits alongside Avion - Fraser Coast Airside Precinct, a 12ha logistics hub, which is home to eight aviation-related businesses. The precinct has the long-term potential of creating 2,400 jobs.

- Mary Harbour Project

A major coup for the region will be the \$660 million Mary Harbour project.

Steered by MSF Sugar, the development would see a man-made harbour spanning 2km along the Mary River at Granville, a 250-berth marina and a residential precinct housing 3,500.

A village centre, waterfront boardwalks, a four-star, 100-room resort and conference facilities are included in the plans.

Major projects currently impacting the region are:

RESOURCES AND ENERGY

Project	Value	Status	Impact
New solar farm, Aramara Eco Energy World	\$280 million Would power 55,000 homes	Approved (Eco Energy sold the project to a Chinese buyer in Dec 2018)	Jobs: 120 construction 17 operational
New solar farm, Susan River ESCO Pacific	\$175 million Would power 50,000 homes	Under construction	Jobs: 150 construction
Teebar solar farm, Tiaro	TBA (Stage 1 - \$80mil) Would power 15-20,000 homes	Approved	Jobs: 100 construction
Colton Coal mine New Hope Group	\$300 million	Approved	Jobs: 120 construction 120 operational
Munna Creek solar Farm Renewable Energy System Technologies	TBA Would power 30,000 homes	Approved	Job: 300 construction 10 operation

COMMERCIAL DEVELOPMENTS

Project	Value	Status	Impact
Mary Harbour development MSF Sugar	\$660 million 250-berth marina, 1,800 dwellings and a 100-room hotel	Proposed	Would house 3,500 residents
Engineering contract, Downer EDI, Maryborough	\$336 million	Under construction Contract is to be fulfilled by 2024	75 New Generation Rollingstock will be modified for disability access
Wide Bay Motor Complex	\$30 million	Approved Land tenure needs to be resolved before proceeding	
Timber plant, Maryborough Hyne Timber	\$20 million	Completed	Jobs: 80 during construction; 42 operational
Munitions factory, Maryborough Rheinmetall JV Nioa Munitions	\$60 million	Approved Expected to be operational by 2022	Jobs:100 operational
High-tech aircraft manufacturing facility, Herve Bay Airport Astro Aero	\$12 million Would make 25 aircraft a year	Approved	Jobs: 200 operational

INFRASTRUCTURE – TRANSPORT

Project	Value	Status	Impact
Bruce Highway upgrade, Hervey Bay to Brisbane State and Federal Governments	\$8 billion Multi-stage project with upgrades from Brisbane to Hervey Bay	Under construction	Reduce congestion and flooding, and improve overall safety

RESIDENTIAL DEVELOPMENTS

Project	Value	Status	Impact
Dundowran residential project, Grinstead Rd Leda Devts	TBA	Approved	2,000 lots are planned
Augustus Estate Urraween Rd and Hervey Bay Road Villa World	\$250 million	Under construction	800 lots are planned
Mariners Cove residential estate Eli Waters	TBA	Under construction	529 lots are planned
Diamond Waters Hervey Bay resort, Eli Waters	\$60 million	Approved	350 units and an 18-hole golf course
Highrise project, Urangan Anscape P/L	\$130 million 390 apartments, mixed-use tourism and retail	Approved	Jobs: 300 during construction
The Sanctuary Estate, Eli Waters	TBA	Approved	175 lots are planned

