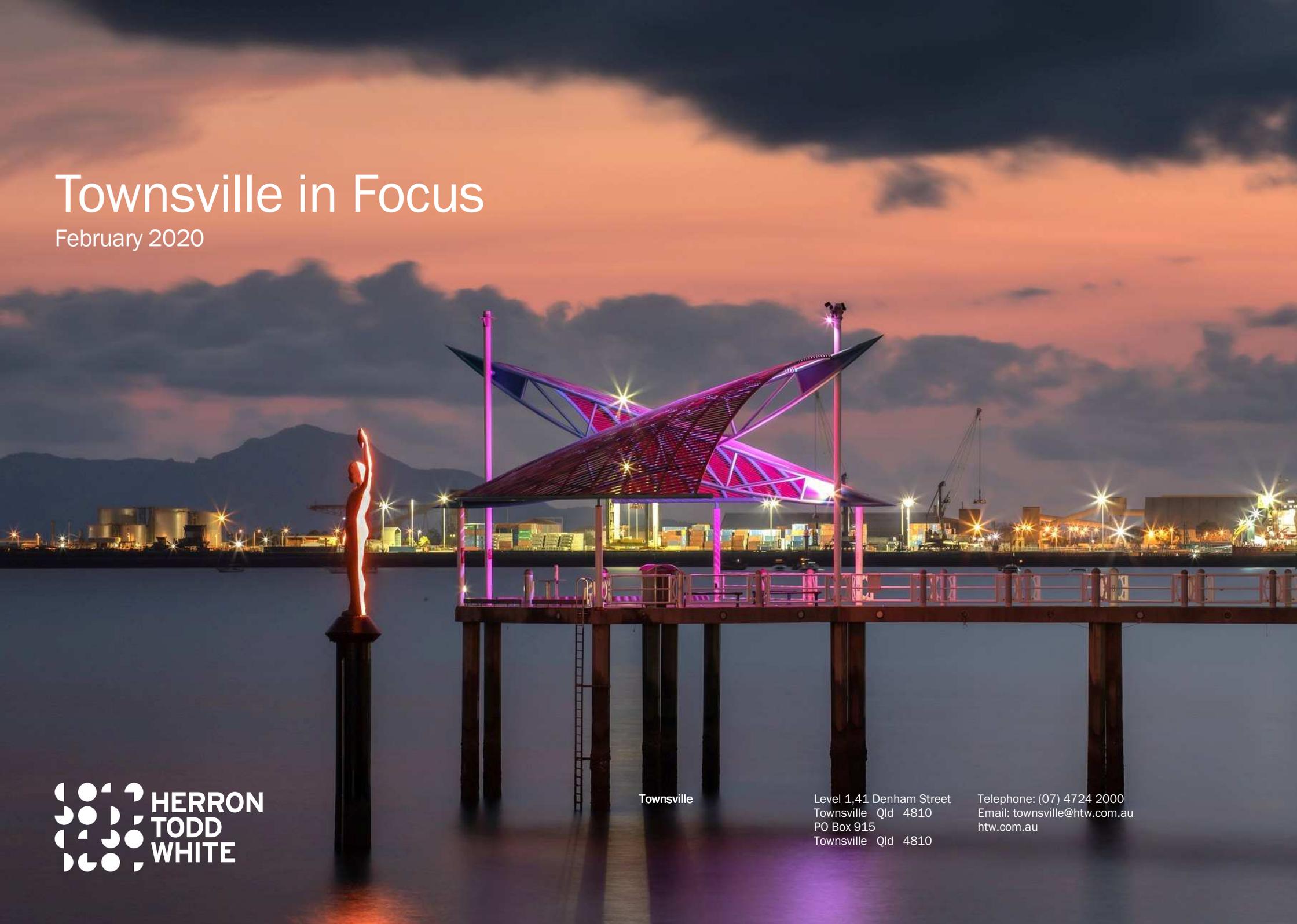


Townsville in Focus

February 2020



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TOWNSVILLE IN FOCUS FEBRUARY 2020

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The Fine Print:

Information in this publication is based on an analysis of data from a number of sources, often subjected to technical procedures of seasonal adjustment and trend analysis. Seasonal adjustment is a means of removing the effects of normal seasonal variation from the data, so that comparisons can be made of data against their established seasonal patterns. Trend analysis smooths the seasonally adjusted estimates to provide a clearer picture of the underlying behaviour of the series over time. The trend estimates apply the same procedures used by the Australian Bureau of Statistics in producing trends for national aggregates.

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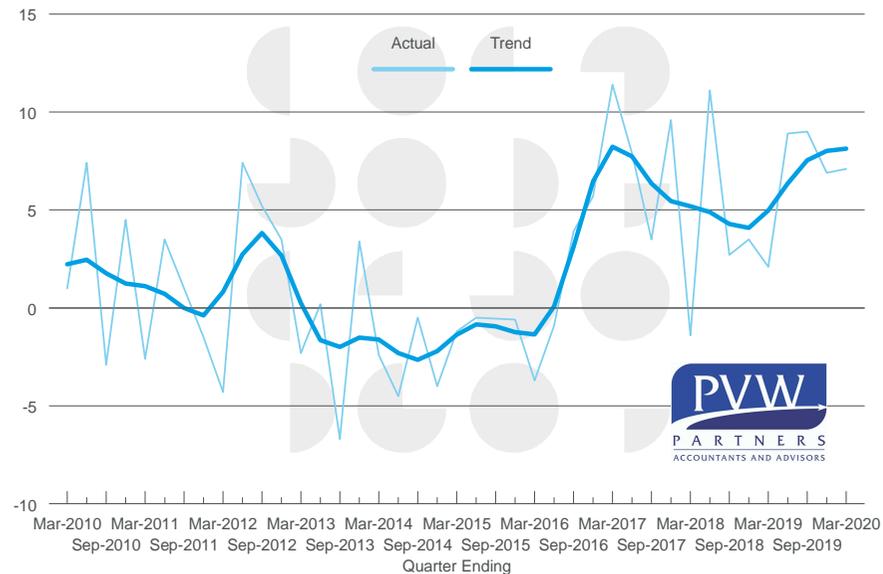
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BUSINESS CONDITIONS

Business Confidence

PVW Partners Business Confidence Change Index



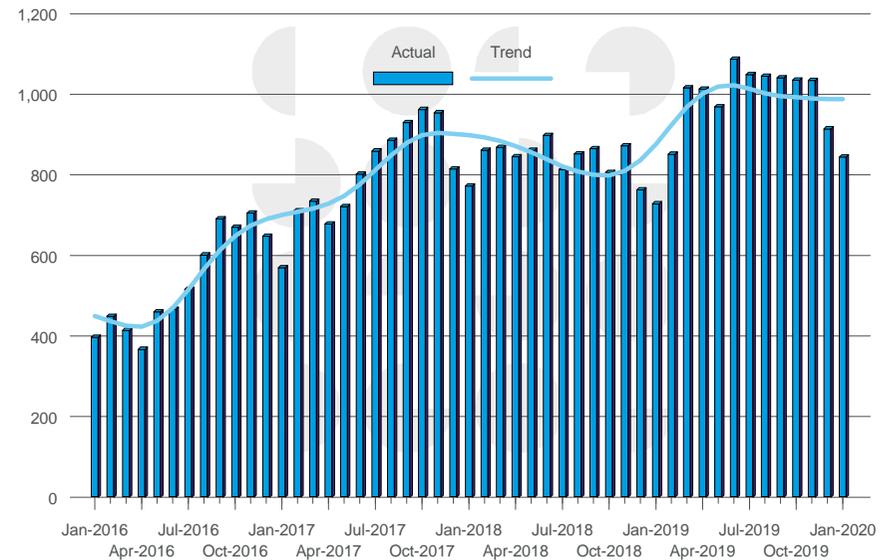
Source: PVW Partners

Townsville is entering 2020 with high levels of business confidence, according to the Quarterly Townsville Business Confidence Index compiled by PVW Partners. Their Quarterly Townsville Business Confidence Index indicates a slight increase in confidence for the first quarter of 2020, while also showing a long-term upwards trend with significantly stronger sentiment than at the beginning of 2019.

PVW Partners comment that with projects such as the North Queensland Stadium, Stages One & Two of the Water Pipeline, the Museum of Underwater Art and Adani now becoming reality, they're a real shot in the arm for the local business community.

Job Advertisements

Monthly Average Jobs Advertised



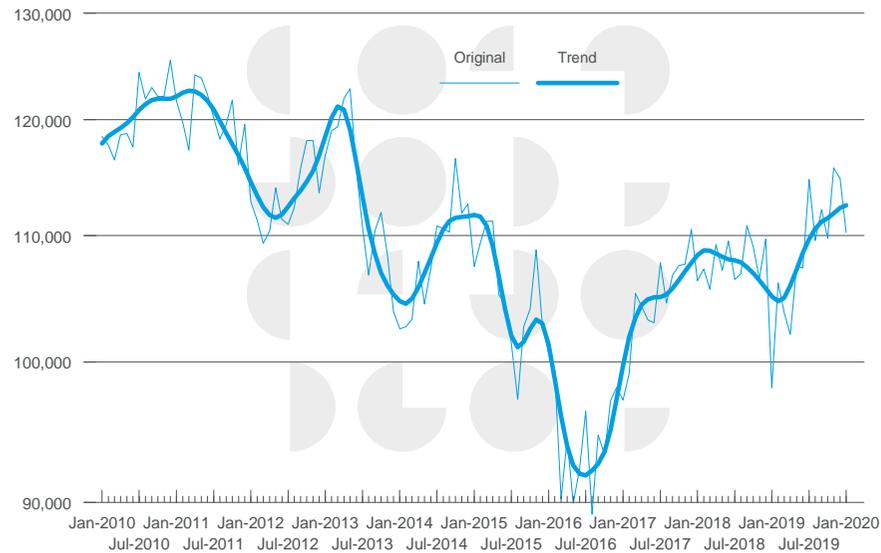
Source: HTW Analysis of Employment Websites

The trend in the number of jobs being advertised in recent months on employment websites for the Townsville region has remained strong and stable at near record highs. The trend in the number of jobs advertised during January 2020 has increased by a solid 12.7% compared to January 2019, and bodes well for continuing increases in net employment in the months to come.

LABOUR MARKET

Persons Employed

Persons Employed (Log Scale)



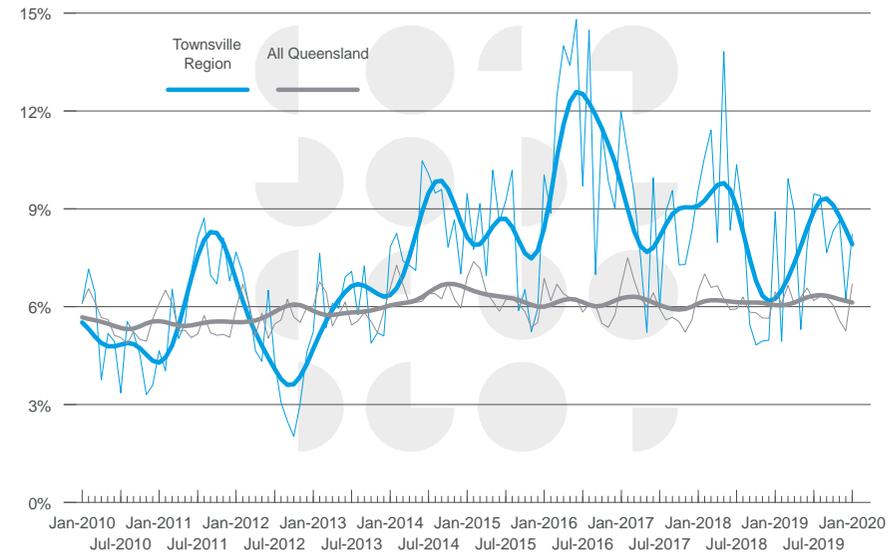
Source: Derived from ABS Labour Force Survey data

The employment trend in the Townsville Region (extending from Townsville through to the Burdekin, Hinchinbrook, Palm Island and Charters Towers LGA's) has been growing strongly since the start of 2019, to reach a trend level of 112,500 persons employed in January 2020. This represents a trend increase of 7.1% over the twelve months since January 2019, significantly higher than the State average of 2.3% growth over the same period. In addition, the high levels of business confidence and strong rates of job advertising now being observed bode well for continued strength in employment creation in the coming months.

N.B. The Labour Force figures published by the ABS are estimates derived from a sample survey of only about 500 Townsville Region residents, and hence are subject to potentially large margins of error. Whilst neither the original nor the trend estimates should be interpreted as precise values, greater reliance should be placed on the trend.

Unemployment Rates

Unemployment Rate (Actual and Trend Basis)



Source: Derived from ABS Labour Force Survey data

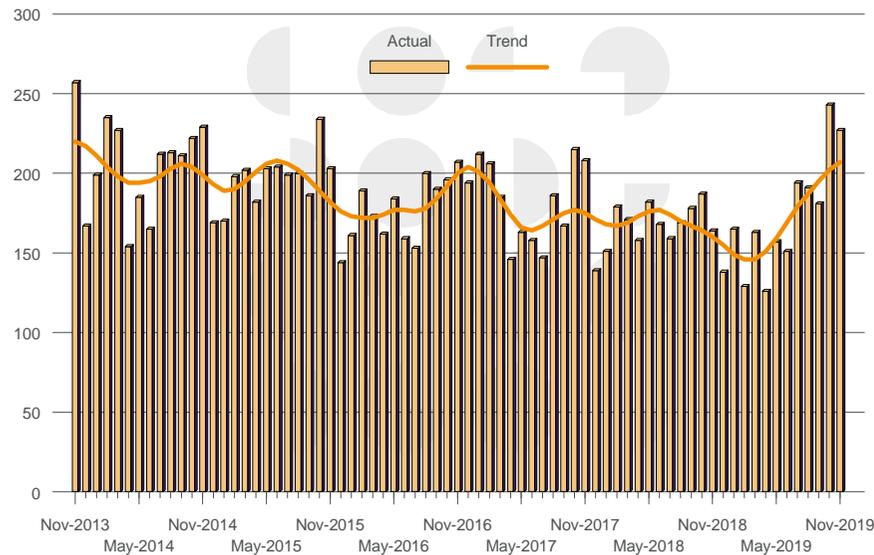
The unemployment rate in the Townsville Region has been on a downward trend since mid-2019, reducing to a level of 8.0% in January 2020. It is now clearly back on track towards the State average which stood at 6.1% in January 2020. Employment growth in the Townsville Region has played a large part in the unemployment rate reduction in recent months, but has been aided by a slight softening in the so-called participation rate over the same period.

N.B. To be counted as 'unemployed' in the ABS Labour Force survey you need to not have a job and be actively seeking work. People who do not have a job and are not actively seeking work are not counted as unemployed, they are regarded as 'not in the labour force'.

RESIDENTIAL MARKET - HOUSES

House Sales

Number of Sales per Month

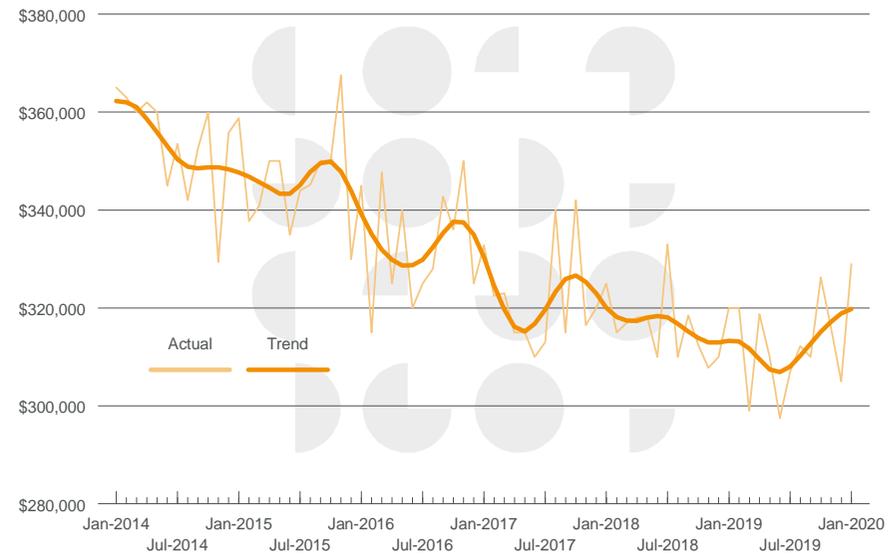


Source: HTW Analysis of RPData

House sale volume trends have been come back to life during the course of 2019, with sale volumes as at November 2019 trending at a level of approximately 207 transactions per month, an impressive 29.4% above the levels observed in November 2018. Sales have increased most rapidly in central (4810 postcode) suburbs like Belgian Gardens, North Ward and South Townsville, where both the rate and the pace of sales have quickened. However sales growth in most areas of the Upper Ross and Northern Beaches is nowhere near as vigorous, due to a large amount of stock on the market and more extended selling periods.

House Prices

Median House Price



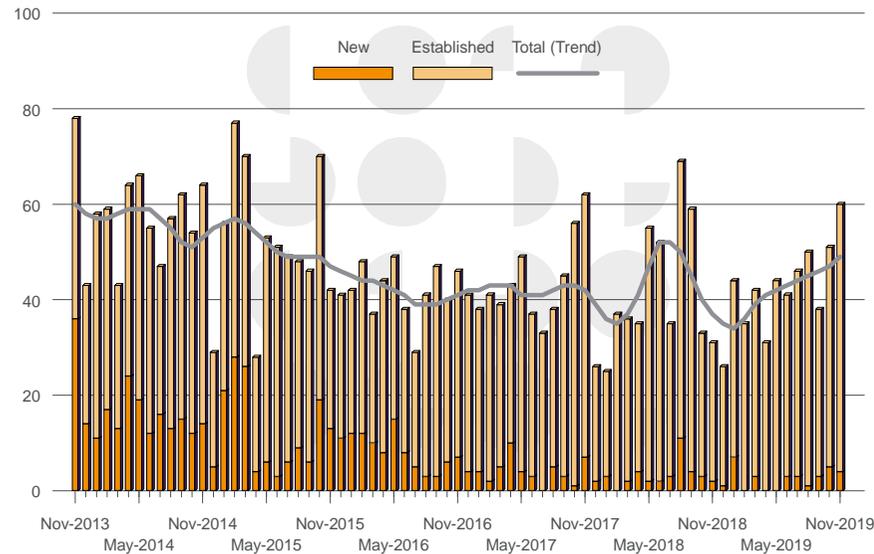
Source: HTW Analysis of RPData

Townsville's median house price has been moving upwards since mid 2019, with the latest median price trend for houses sold in January 2020 coming in at \$319,000. However the increase has been largely compositionally driven due to sales growth in inner areas (where sales values are typically higher) outstripping that of the outer suburbs. In our view, even though we perceive values in the inner areas as now 'stirring', the level of value change across the market overall is fairly minimal. This also reflects sale values being achieved in the better regarded suburbs often coming in at the upper end of expectations, while prices achieved elsewhere continue to vary against their prior expectation.

RESIDENTIAL MARKET - UNITS

Unit Sales

Number of Sales per Month

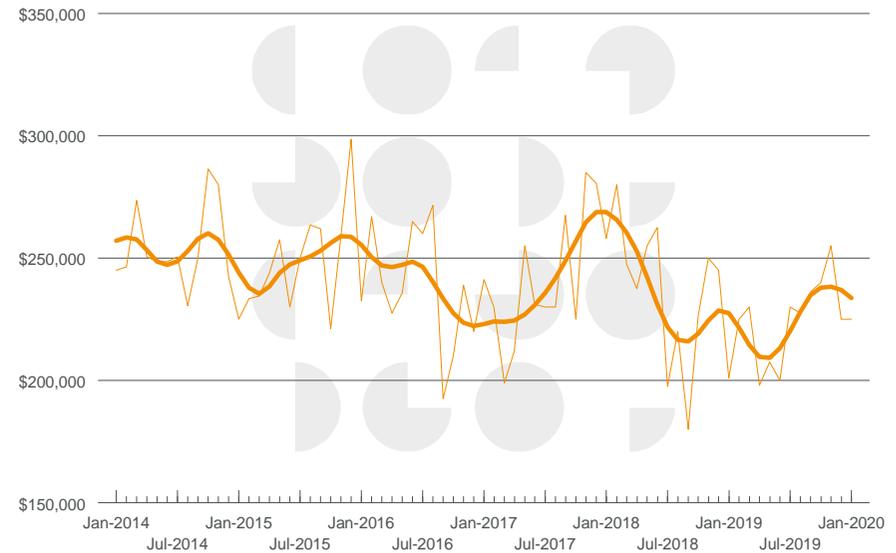


Source: HTW Analysis of RPData

The number of units being sold and settled has also increased during the course of 2019, to reach a trend transaction level now running around 50 unit sales per month. The current market consists almost entirely of established unit sales, with new unit sales and supply having faded almost completely away. Demand appears to be rising primarily from intending owner occupiers, though investors do appear to be returning from a very low level based on the more attractive yields available in Townsville compared to the capital cities.

Established Unit Prices

Median Unit Price



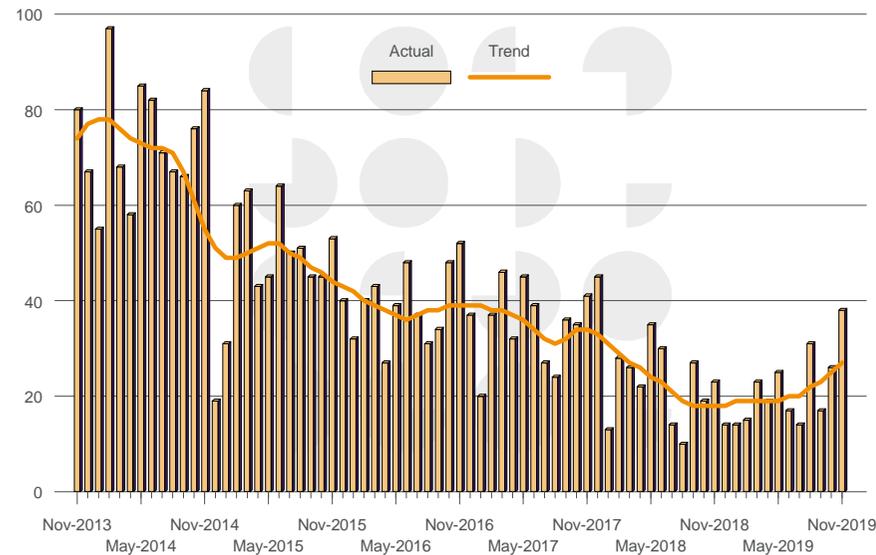
Source: HTW Analysis of RPData

Prices in the established unit market continue to be influenced by affordability concerns, with an aversion to high body corporate expenses, a dominance of entry-level or low end investor sales, and a continued incidence of mortgagee-in-possession sales. Overlaid with these has been a level of disruption associated with the February floods. The January 2020 median trend price came in at \$234,000, which is 5.5% above the level that prevailed in January 2019. In our view recent movements are more a reflection of changing composition in the market rather than actual value change, arising from a progressive exhaustion of low-priced stock that dominated the market during 2019, and that prices are otherwise steady.

RESIDENTIAL MARKET - LAND

Residential Land Sales

Number of Sales per Month

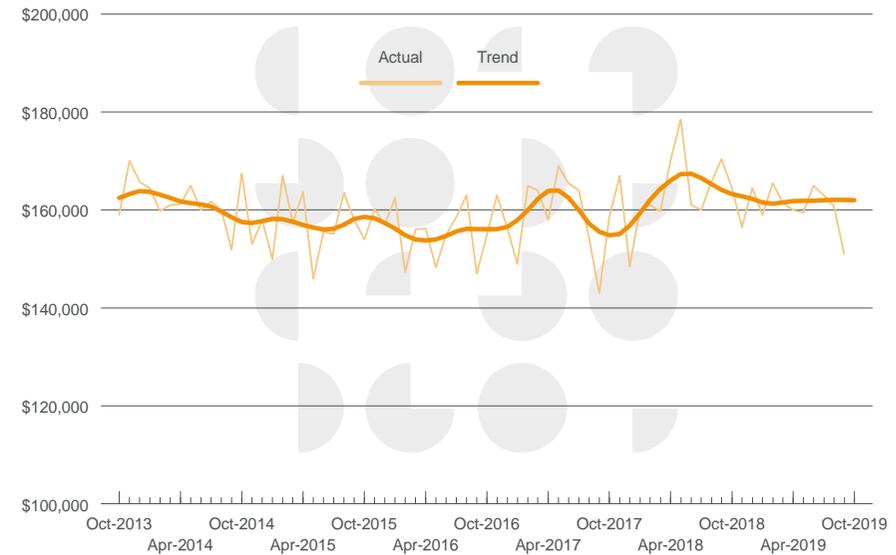


Source: HTW Analysis of RPData

New vacant allotment sales have moved up from the record low levels observed during the period from mid 2018 to mid 2019, with a 53% increase in land sales volumes coming from a very low base over the twelve months from January 2019 to January 2020. However the increase over the last twelve months only means that vacant allotment sales have clawed their way back from about one sixth to one third of the average levels observed over the 2000 to 2013 period. In other words, the land market is still subdued overall.

Residential Land Prices

Median New Land Price



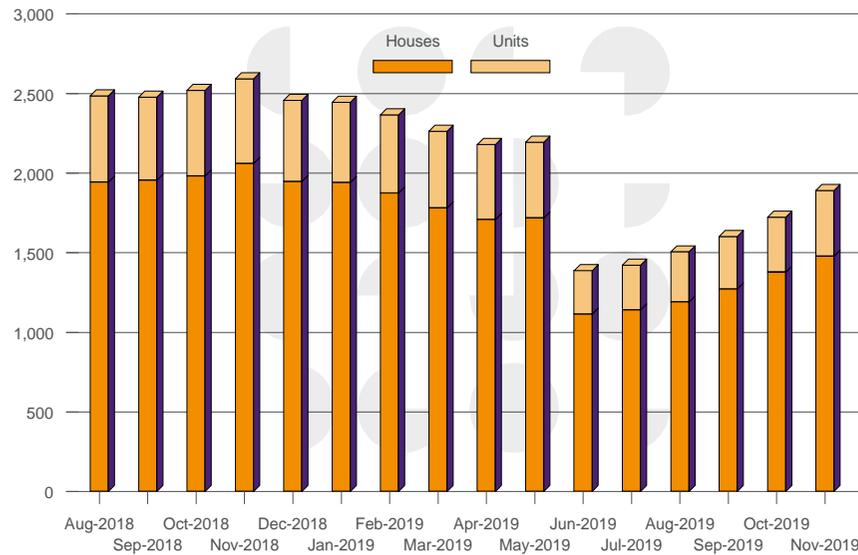
Source: HTW Analysis of RPData

Despite high volatility in month-to-month actual median prices the trend in Townsville's median vacant land price has remained steady during the last twelve months. The median vacant land price trend came in at \$162,000 per allotment as at January 2020, which represents a 0.7% decrease compared to January 2019. Competitive pressures and low levels of demand are maintaining land values at static levels.

RESIDENTIAL MARKET METRICS

Residential Property Listings

Number of Properties For Sale

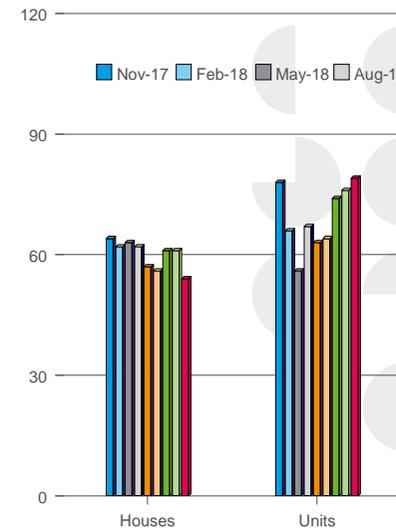


Source: CoreLogic

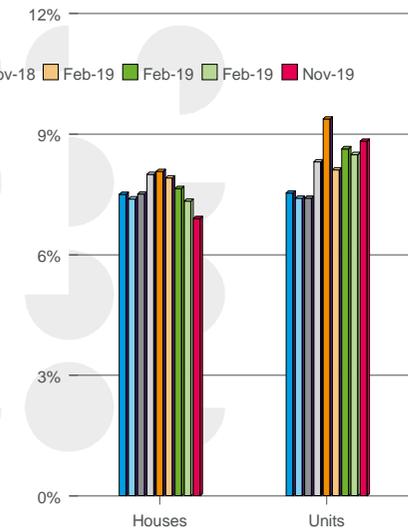
Analysis of the number of properties listed for sale in the market has been affected by an apparent (and unexplained) comparability break in the statistics between May and June 2019. Notwithstanding this, the statistics appear to indicate a declining trend in the number of listings up to May 2019, but an increasing trend over the months from June to November 2019. The latest increase is a potential sign of some increased confidence returning to the market during this period.

Market Metrics

Median Days on Market



Median Vendor Discount

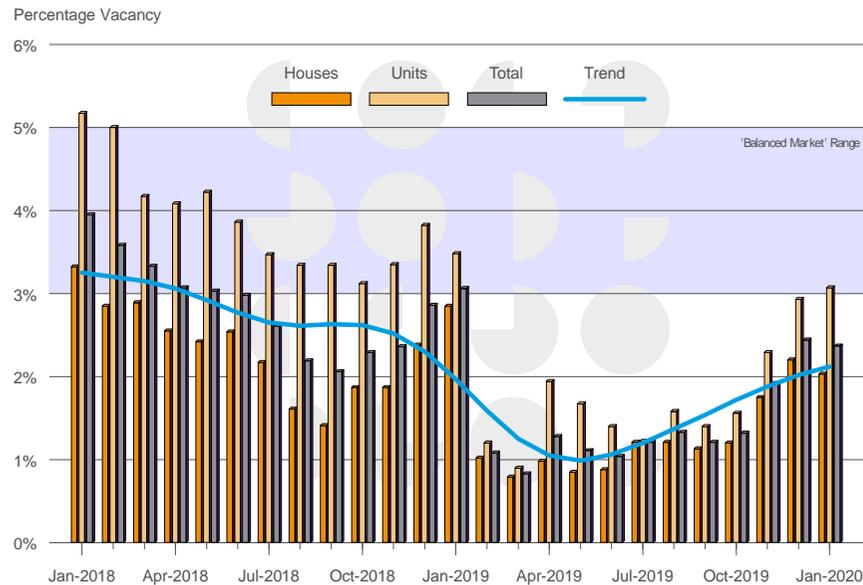


Note: Comparability Break between May-Aug 2018
Source: CoreLogic

Other market metrics are showing mixed signals. For houses, the median time taken to reach a sale has reduced over the last twelve months to around 54 days, while the median time taken for a unit to reach a sale has increased to around 79 days. Meanwhile median vendor discounts – the difference between the sale price first listed and the sale price ultimately achieved – has reduced over the last twelve months to 6.9% for houses but has increased to 8.8% for units. This indicates significant disparity in the improved market situation for houses compared to the more difficult market conditions for units.

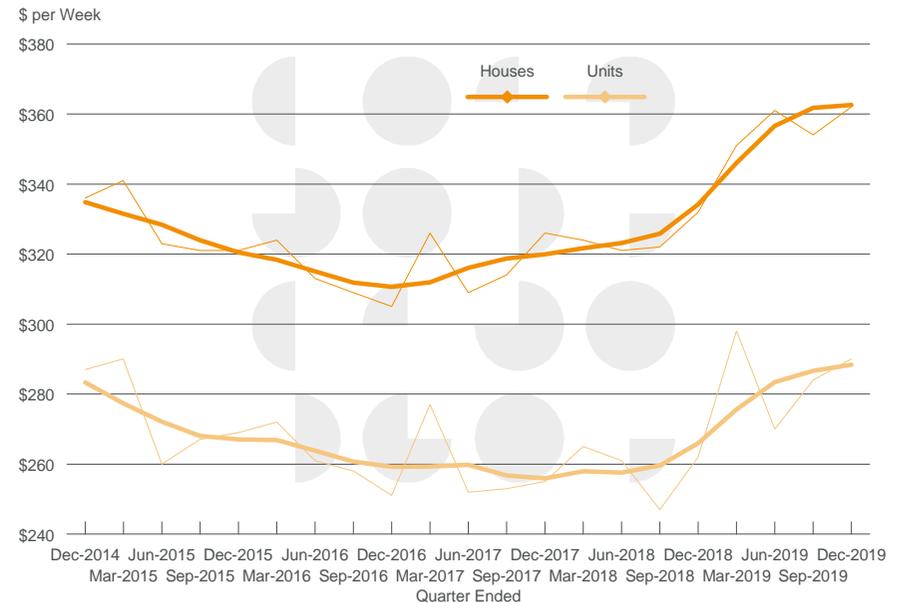
RESIDENTIAL RENTAL MARKET

Rental Vacancies



Our HTW Monthly Rent Roll Survey indicates that the rental scarcity experienced as a result of the February 2019 floods has washed through the system, and that rental market conditions are just about back to normal. Vacancy trend levels in January 2020 still stood at relatively tight levels of 1.9% for houses, 2.6% for units and 2.1% overall, but are liable to continue easing during the course of 2020.

Median Rents



The very tight rental vacancy rates observed following the February 2019 floods led to burgeoning rent levels during the remainder of 2019, especially for houses, but these effects now appear to be tapering off. During the December 2019 quarter the trend median house rent stood at \$365 per week, and the trend median unit rent at \$285 per week. Rents are liable to settle back into a pattern of mild increases only during 2020.

CONCLUSION

The Townsville market has become cautiously optimistic as the ripple effects of employment growth and higher business confidence feed through into positive market sentiment.

We are already seeing pockets of life in the market, with rising turnover levels in bell-weather inner suburbs like Belgian Gardens, North Ward and South Townsville. Sales rates in these areas are quickening and selling periods are reducing. However sales in these areas are still price sensitive and price movements thus far have been minimal.

However these conditions are not yet widespread, as they are yet to filter through to housing in the outer suburban areas of Townsville and the unit market in general. There is a lot of stock to absorb in these areas and lengthy selling periods remain the norm.

Meanwhile pressures in the rental market are easing as it returns to normal from the February 2019 floods.

Higher levels of confidence and improving economic conditions are maintaining a positive overall residential market outlook.

AT A GLANCE

Indicator	Comments	Current Sentiment
Business Confidence	Staying high	↔
Labour Market	Improving	↑
Residential Property Outlook	Cautiously optimistic	↑
House Sale Volumes	Rising	↑
House Prices	Steady	↔
Unit Sale Volumes	Rising	↑
Unit Prices	Steady	↔
Residential Land Sales	Subdued but rising	↑
Residential Land Prices	Static	↔
Rental Vacancy Rate	Increasing	↑
Median Rents	Tapering	↑