

Townsville in Focus

August 2020



**HERRON
TODD
WHITE**

Townsville

Level 1,41 Deppham Street
Townsville Qld 4810
PO Box 915
Townsville Qld 4810

Telephone: (07) 4724 2000
Email: townsville@htw.com.au
htw.com.au

TOWNSVILLE IN FOCUS AUGUST 2020

Table of Contents

Topic	Page
Business Conditions	1
Labour Market.....	2
Residential Market - Houses	3
Residential Market - Units	4
Residential Market - Land	5
Residential Market Metrics	6
Residential Rental Market.....	7
Conclusion	8
At A Glance	8

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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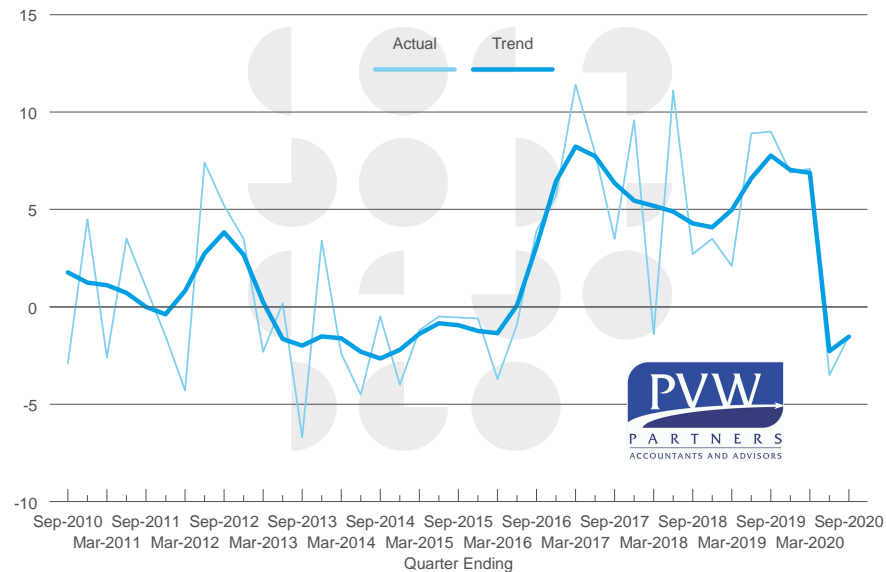
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BUSINESS CONDITIONS

Business Confidence

PVW Partners Business Confidence Change Index

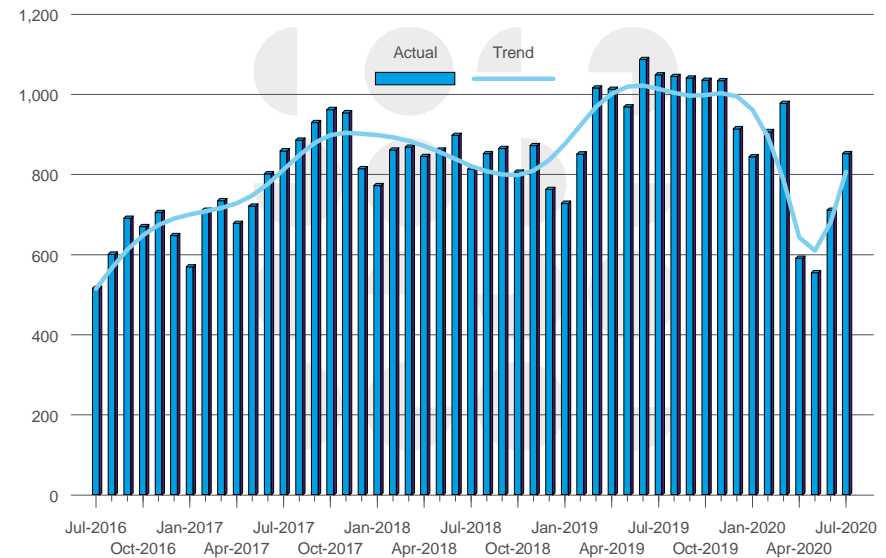


Source: PVW Partners

The PVW Partners Quarterly Townsville Business Confidence Index shows confidence beginning to improve again, with business owners and managers more optimistic about their immediate future than they were three months ago. PVW Partners comment that even though business confidence remains in negative territory, the latest results suggest that the economic impacts of COVID-19 haven't been as bad or far reaching as local businesses initially feared. PVW Partners add that there is no doubt State and Federal Government assistance measures have assisted in cushioning the blow and have been received well by operators.

Job Advertisements

Monthly Average Jobs Advertised



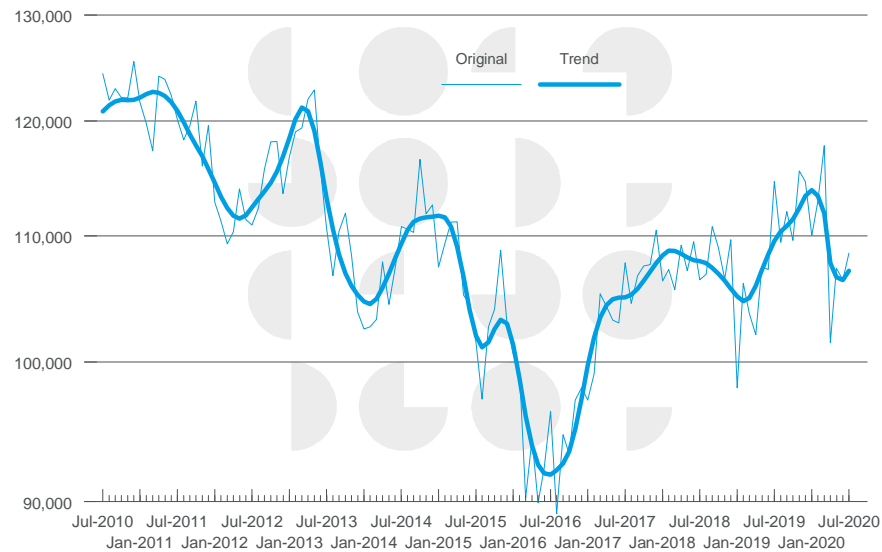
Source: HTW Analysis of Employment Websites

The trend in the number of jobs being advertised in recent months on employment websites for the Townsville region is rebuilding strongly from the April-May 2020 slump. The trend in the number of jobs advertised during July 2020 has reverted to where it was in March 2020, and early indications are that job ad growth during August 2020 will be equally as strong. The results bode well for continuing increases in net employment in the months to come.

LABOUR MARKET

Persons Employed

Persons Employed (Log Scale)



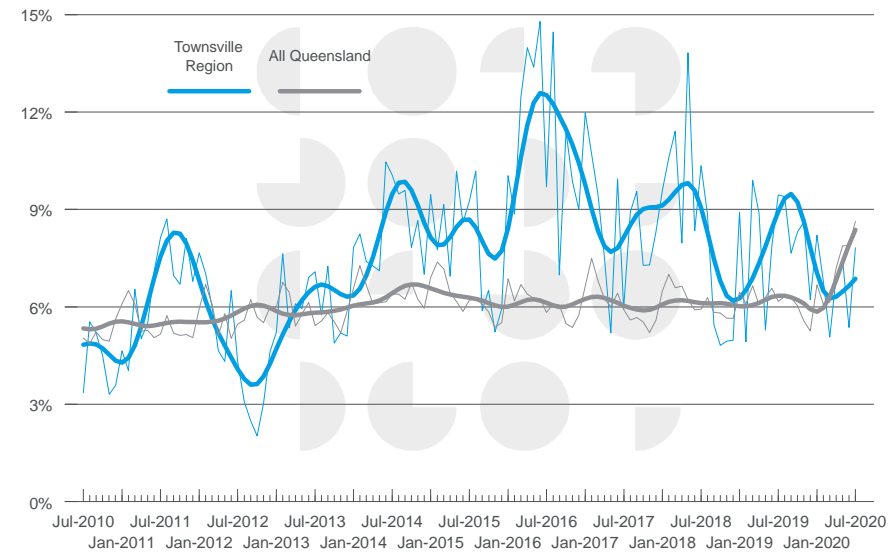
Source: Derived from ABS Labour Force Survey data

The employment trend in the Townsville Region (extending from Townsville through to the Burdekin, Hinchinbrook, Palm Island and Charters Towers LGA's) turned around in July 2020, rising slightly to stand at a trend level of 107,200 persons employed during the month. This means that about 10% of the jobs lost between March and June 2020 were regained in July 2020. In addition, with business confidence returning and strong rates of job advertising now being observed, the region is likely to see continued gains in employment re-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

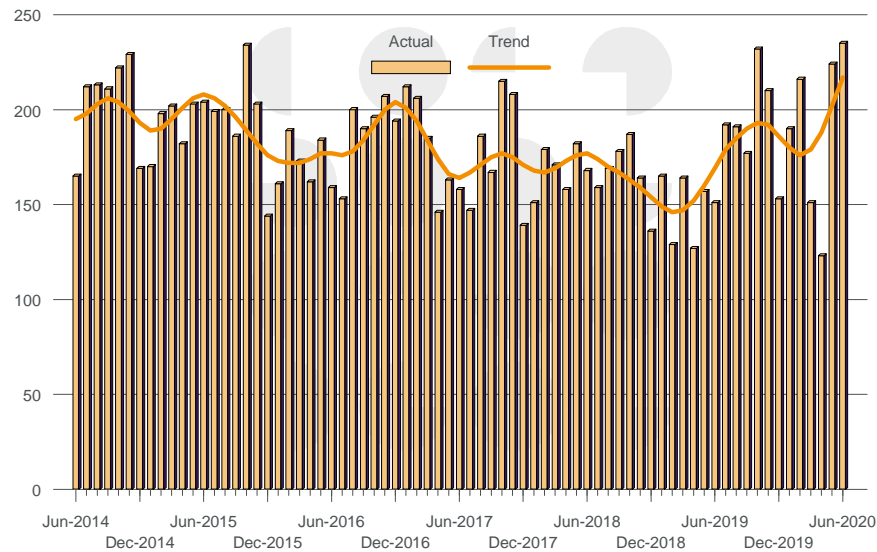
The unemployment rate in the Townsville Region rose to a trend level of 7.0% in July 2020, up from 6.0% in March 2020. Despite this rise, the Townsville Region's unemployment rate still remains well below its average trend level over the past five years of 8.7%. In addition the region's July 2020 unemployment rate also stands below the corresponding State average of 8.8%. Together these results indicate that Townsville's economic experience during the COVID-19 pandemic has been much less severe compared to Queensland as a whole.

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

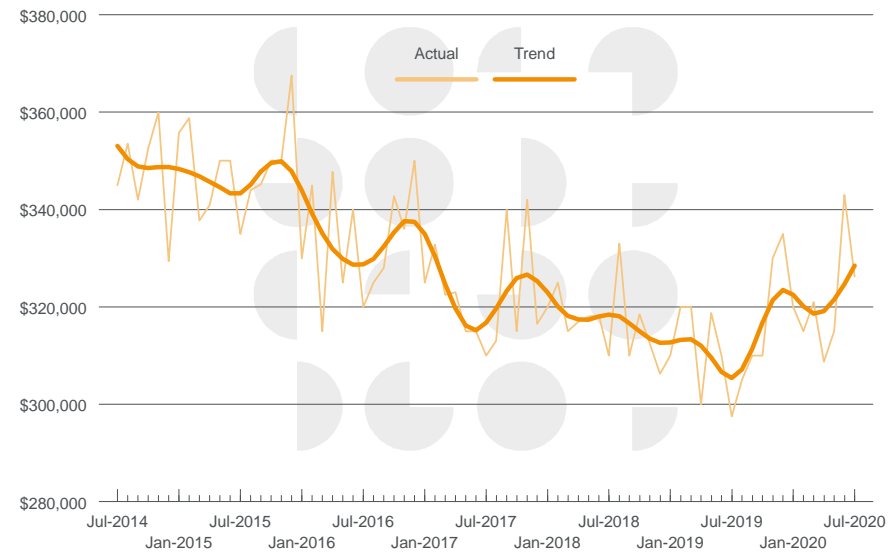


Source: HTW Analysis of RPData

House sale volume trends have been coming back to life during May-June 2020, with sale volumes as at June 2020 trending at a level of approximately 217 transactions per month. This represents its highest level since 2014 and is an impressive 28.2% above the levels observed in June 2019. While demand had previously been concentrated in central (4810 postcode) suburbs like Belgian Gardens, North Ward and South Townsville, sales growth is becoming much more widespread, extending further into the Upper Ross and Northern Beaches.

House Prices

Median House Price



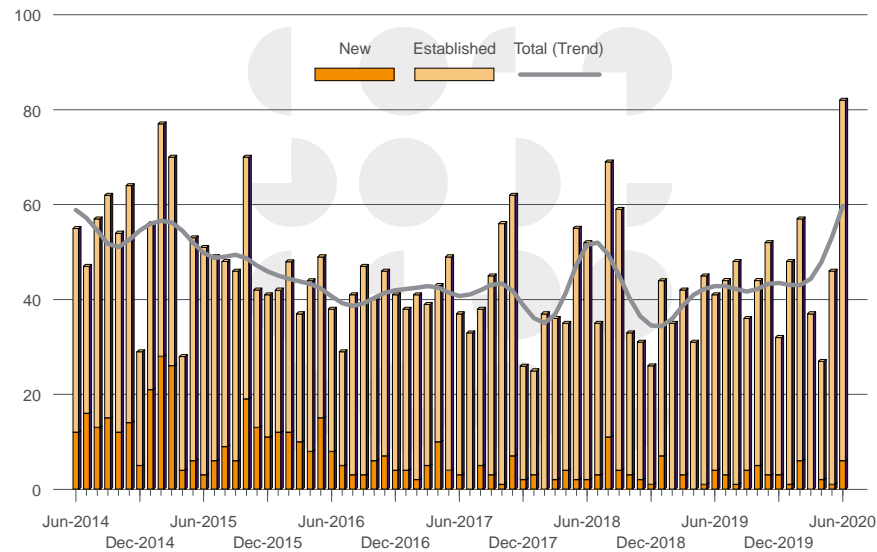
Source: HTW Analysis of RPData

Townsville's median house price has recommenced an upward trend, with the median price trend for houses sold in July 2020 coming in at \$328,500. This represents a 7.6% increase over the period from July 2019 to July 2020. However in our view, even though we perceive values in the inner areas as 'stirring', the level of value change across the market overall is much slower. That said, sale values being achieved in the central suburbs are often coming in at the upper end of expectations, while prices achieved elsewhere continue to show mixed results against their prior expectation.

RESIDENTIAL MARKET - UNITS

Unit Sales

Number of Sales per Month

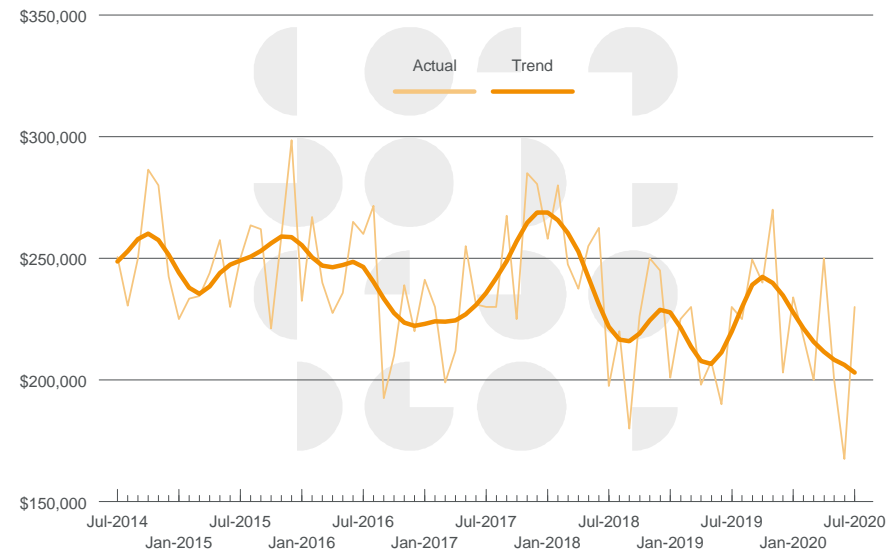


Source: HTW Analysis of RPData

The number of units being sold and settled jumped significantly during May-June 2020, to reach a trend transaction level of around 60 unit sales during June 2020. The current market consists almost entirely of established unit sales, with new unit sales and supply at very low levels. Demand appears to be arising primarily from intending owner occupiers, though investors do appear to be returning from a very low base based on the more attractive yields available in Townsville compared to the capital cities.

Established Unit Prices

Median Unit Price



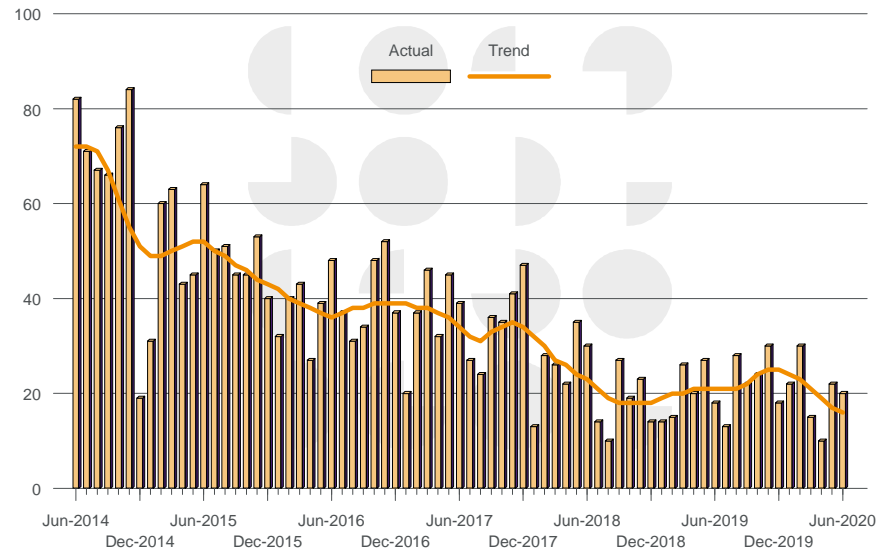
Source: HTW Analysis of RPData

The July 2020 median trend price for an established unit came in at \$203,000, which is 7.7% below the level that prevailed in July 2019. In our view recent movements are more a reflection of changing composition in the market towards lower priced affordable stock, with our assessment that individual unit values remain relatively steady.

RESIDENTIAL MARKET - LAND

Residential Land Sales

Number of Sales per Month

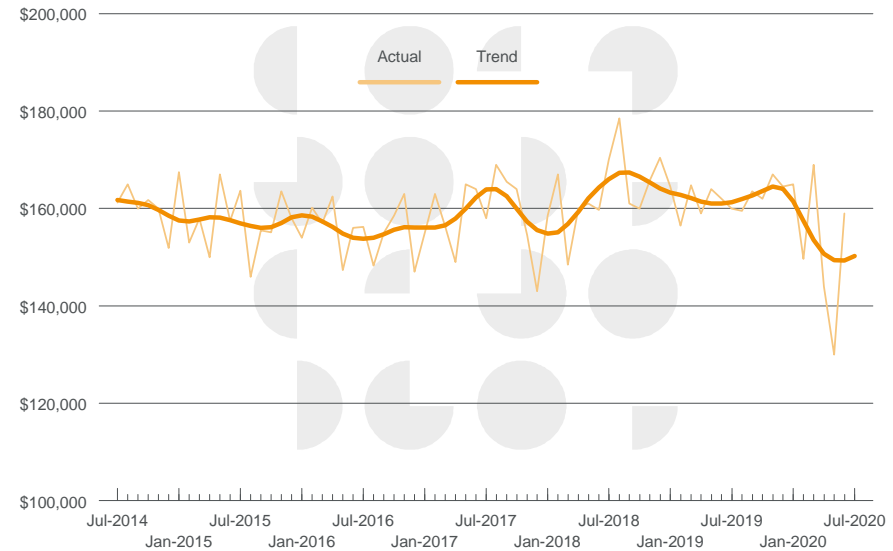


Source: HTW Analysis of RPData

Despite a bounce back in new vacant allotment sales during May-June 2020, the land market trend during those two months remained extremely low by its historical standards, at a trend level of just 16 sales per month in June 2020. While there are expectations of a sales rebound in coming months as a result of new homebuilder grants coming into operation, there are concerns about its longevity and sustainability once those additional grants expire.

Residential Land Prices

Median New Land Price



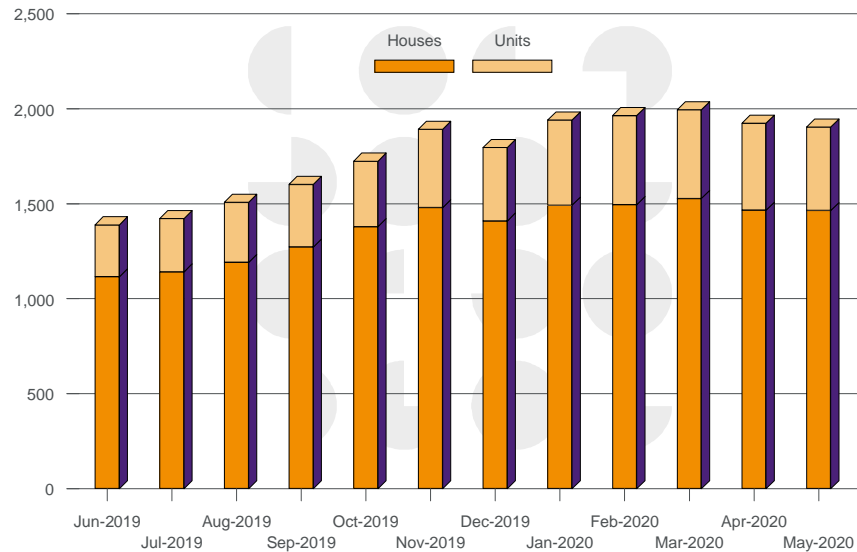
Source: HTW Analysis of RPData

Despite high volatility in month-to-month actual median prices, in part reflecting very low volumes of sales, the trend in Townsville's median vacant land price appears to have dipped during the course of 2020 by about \$10,000 per allotment. The median vacant land price trend came in at \$150,200 per allotment as at July 2020, which represents a 6.8% decrease compared to July 2019. In our view recent median price trend movements reflect a continuing bias in land sales towards lower-priced affordable stock, and that individual land values are relatively static. We expect this to change somewhat in coming months based on the new government homebuilder grants providing a much needed market stimulus.

RESIDENTIAL MARKET METRICS

Residential Property Listings

Number of Properties For Sale

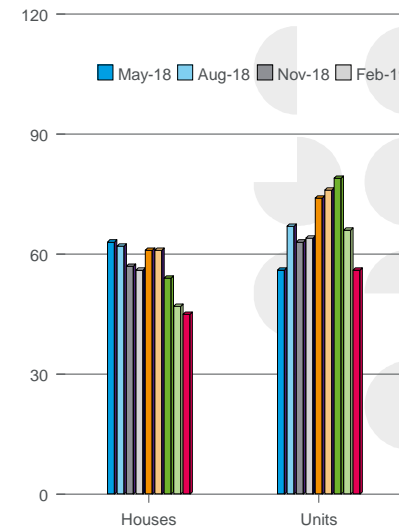


Source: CoreLogic

Analysis of the number of properties listed for sale in the market indicates an increasing trend up until March 2020 arising from increased confidence in the market over the period, but a trailing away thereafter to May 2020 as some vendor reluctance took hold. The latest statistics indicate a stock of 1,464 houses and 440 units listed on the market during May 2020. According to our anecdotal feedback, these conditions have continued over the three months to August 2020, with supply continuing to tighten due to the number of sales exceeding new supply (listings) coming onto the market. Nevertheless Townsville presently appears to have adequate supply relative to current levels of demand.

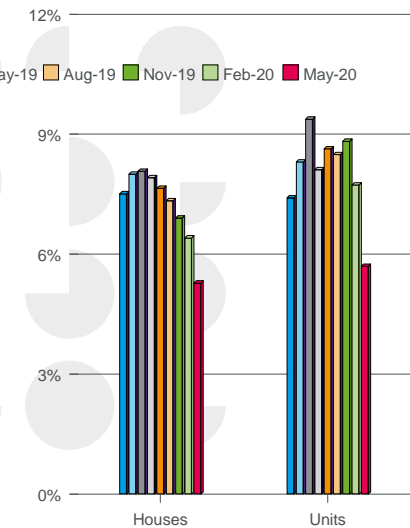
Market Metrics

Median Days on Market



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

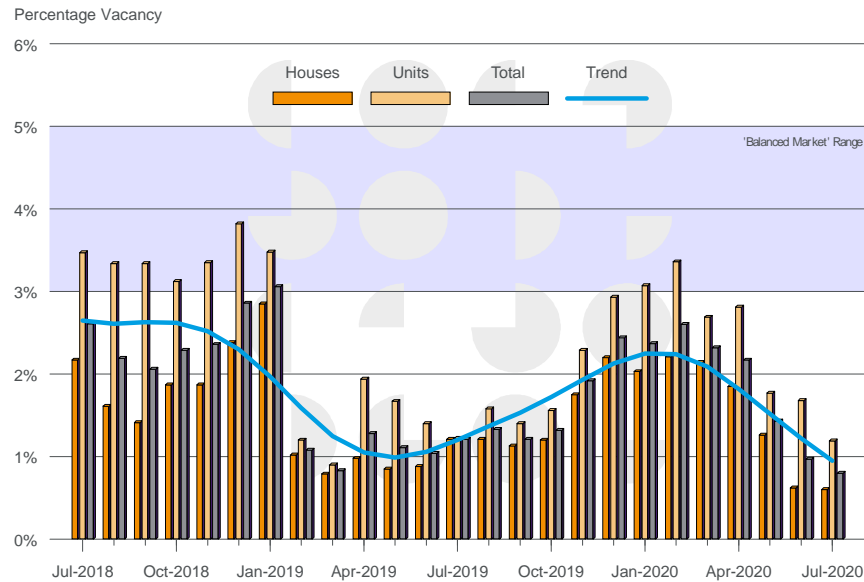
Median Vendor Discount



Other market metrics are showing that property sales are now quickening and achieving closer to asking prices. The median time on market to reach a sale has reduced significantly over the last twelve months, now down to around 45 days for houses and 56 days for units. Meanwhile median vendor discounts – the differences between the sale price first listed and the sale price ultimately achieved – have also significantly reduced over the last twelve months to 5.3% for houses and 5.7% for units. This indicates significant improvement in the overall strength of the market despite the prevailing trying conditions. In addition these trends are liable to have continued through to the end of August 2020.

RESIDENTIAL RENTAL MARKET

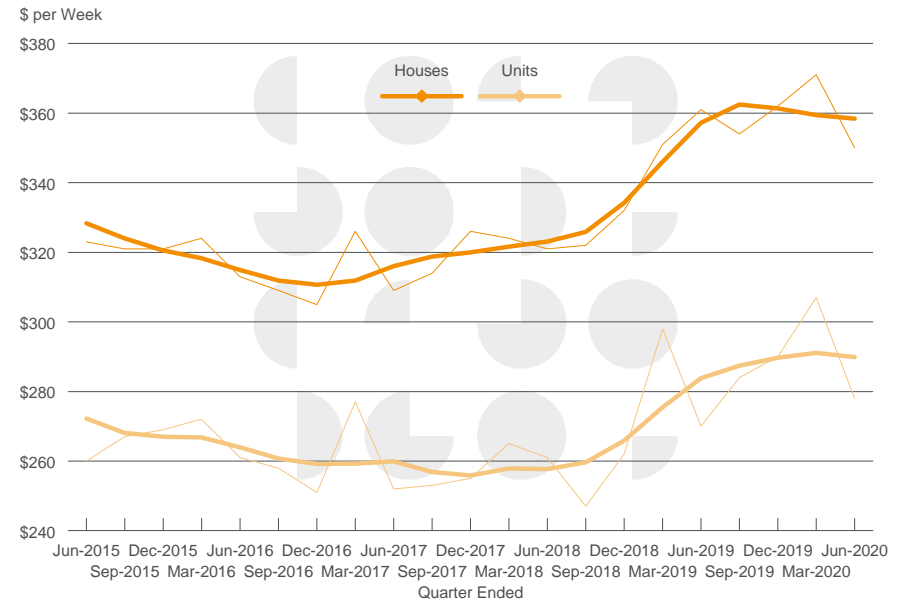
Rental Vacancies



Source: HTW Rent Roll Survey

Our HTW Monthly Rent Roll Survey indicates that rental scarcity has returned to the market, back to the low levels experienced in the immediate aftermath of the February 2019 floods. Vacancy trend levels in July 2020 stood at very tight levels of 0.7% for houses, 1.4% for units and 0.9% overall. Low vacancy rates and strong rental yields are providing the right fundamentals for a return of investors into the market to augment the rental supply.

Median Rents



Source: RTA

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 have now tapered off. During the June 2020 quarter the trend median house rent stood at \$360 per week, and the trend median unit rent at \$290 per week. However with the market now returning to very tight vacancy levels, rents are again liable to succumb to upwards pressures in coming months.

CONCLUSION

The Townsville economy is still copping the effects of the COVID-19 pandemic, though arguably not as badly as other Queensland locations. However there is light at the end of the tunnel with business confidence returning and the labour market now in recovery, contingent on COVID-19 business restrictions continuing to ease.

Meanwhile the Townsville property market appears to have also shrugged off the effects of COVID-19 and is powering on. Indeed the market has become quite positive again as market sentiment improves and feeds through into positive levels of homebuyer demand. Coupled with strong rental market fundamentals, as well as other factors such as reducing supply and quicker times on market, the question is whether current conditions are sufficient to carry the market past the current support mechanisms and into a new era of growth. Watch this space!

AT A GLANCE

Indicator	Comments	Current Sentiment
Business Confidence	Recovering	↑
Labour Market	Recovering	↑
Residential Property Outlook	Cautiously optimistic	↑
House Sale Volumes	Rising again	↑
House Prices	Steady to slightly rising	↑
Unit Sale Volumes	Rising again	↑
Unit Prices	Steady	↔
Residential Land Sales	Subdued but expecting to rise	↑
Residential Land Prices	Static	↔
Rental Vacancy Rate	Tightening	↓
Median Rents	Steady	↔