

A SWEET FUTURE

As Gladstone's real estate prices and rents heat up, locals and investors are beginning to rate nearby Bundaberg as a good alternative. NICOLE NAVARRO

There's a lot of talk about Gladstone – the emerging mining hub in central Queensland – but what about Bundaberg, the sub-tropical regional city just a two-hour drive south with a population of 45,802 at the 2006 Census?

Will the city famous for the iconic Bundaberg Rum, its sugar production, loggerhead turtles and soon its cash flow positive opportunities feel any spin-off effects from the mining boom further north?

Let's first look at what Bundaberg has to offer, then what and how it might gain from being geographically close to the Gladstone boomtown.

BUNDABERG'S ASSETS

Bundaberg, or 'Bundy' as it's more affectionately known, is positioned at the most

southern end of the Great Barrier Reef and faces the northern tip of Fraser Island. It's a popular lifestyle destination for fishing, island hopping, snorkelling and diving over at one of the many gorgeous islands, such as Lady Musgrave and Lady Elliot.

The loggerhead turtle rookery at Mon Repos Conservation Park near Bargara is also a Bundy treasure, where tourists flock to see the turtles laying eggs and their hatchlings being born.

The city is agriculturally diverse with rich soil and a good water supply from nearby Paradise Dam, says independent residential valuer Angus McLean of Propell National Valuers.

As farming land in other parts of the nation and indeed the world becomes scarce, Bundaberg's agricultural industry

and economy has the potential to translate into higher prices for Bundaberg's farmers in the future and more money flowing into new jobs, technologies, support services and amenities for the city, says McLean.

Approximately 16 per cent of all Queensland's fruit and vegetables is cultivated in the Bundaberg region, which stretches out to Childers and Gin Gin; it's also the nation's largest supplier of tomatoes, avocados, sweet potatoes, snow peas and chilli and is a robust supplier of other veggies, says real estate agent Dion Taylor of Bundaberg Property Gallery.

The fruit produced in the Bundaberg region includes bananas, custard apple, honeydew melons, lychees, macadamia nuts, mangoes, passionfruit, rockmelons, stone fruit, strawberries and watermelon.

Then there's the sugar production, still a major crop in Bundaberg and refined out of three mills. Once converted to molasses, it's then supplied to the Bundaberg Rum distillery and turned into the nation's favourite rum. The rum and sugar is exported directly out of the city's port, a port with some big plans ahead.

Other gourmet goods and culinary tourism are now cashing in on Bundaberg's fresh fruit and vegetable reputation, and farmers are thinking beyond the cattle fence and approaching food technologists to help produce pre-packaged food. One example is avocado in a tube, says Taylor.

TRANSPORT, AMENITIES, SERVICES AND GROWTH

Qantas Link flies passengers between Bundaberg and Brisbane 10 times daily. Queensland Rail also offers a train service and a regular tilt train, and a coach service regularly runs between the two cities. Brisbane is a four-hour drive by road.

Bourbon Street is the high street and commercial centre, however a few blocks back is Hinkler Central shopping centre with anchor stores Woolworths, Kmart and Coles.

In West Bundaberg the Sugarland Shoppingtown is positioned adjacent to Bunnings and features anchor stores Woolworths, Big W and IGA supermarket.

Buyers agent Liz Wilcox of Hot Property Specialists says Bunnings has gained approval to add 4680 square metres to its current store, while its new competitor, Masters, has lodged a development application for a new 13,536-square-metre store.

Wilcox says it's promising when you see a second hardware superstore opening up in a smallish city like Bundaberg.

It's also promising to see a good selection of educational facilities including a selection



of state and independent primary and secondary schools, and a university and TAFE.

As the hometown to pioneer aviator Bert Hinkler, aviation production is another emerging industry in Bundaberg, with exports of aircraft, kits and engines globally.

Three hospitals service the city: one major public hospital and two private hospitals.

The Bundaberg region is considered a high growth area; in the four years to 2009 the population increased at an average annual rate of 2.5 per cent, according to the Bundaberg Regional Council. "Growth has slowed and the housing and construction market has softened since the global financial crisis but a recent increase in planning and building approvals suggests a recovery in the market," it says.

Bundaberg is typically an ageing community, however young families are now moving to the area, reports the council.

The majority of jobs in Bundy stem from agriculture, fishing, forestry, construction, retail, health care and assistance.

THE GLADSTONE EFFECT

There's no denying that Gladstone rents

and property prices are starting to heat up as construction on major mining projects begins and more skilled workers drift into the town, hungry for bigger pay packets.

But what about those who can't continue to afford the soaring prices and rents for both housing and businesses, as the cost of a bag of tomatoes escalates, the queue for the local doctor grows longer and the wait time to see the local barber numbers several days?

According to Gladstone-based Herron Todd White independent residential valuer Kris Jenkins, Bundaberg is one of the two small regional cities on the Gladstone retreaters' hit list. The other small city is Hervey Bay.

Jenkins says Gladstone retirees, small business owners, hospitality staff and public service workers are eyeing off new lifestyle opportunities in both cities because they offer similar services, amenities and the relaxed lifestyle they once experienced in Gladstone, without the exorbitant rents and prices.

Retirement housing is also more easily attainable in Bundaberg, he says.

Apparently Bundaberg has already started

embracing Gladstone retreaters, says Taylor.

Newcomers can buy two houses in Bundaberg for the price of one in Gladstone, or rent a house in Bundaberg for an average price of \$250, the same price as only one single room in Gladstone, he says.

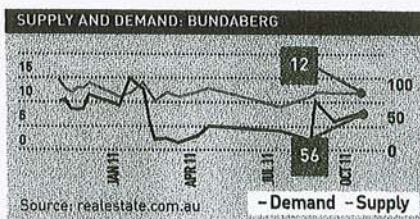
This "two-for-one deal" is becoming increasingly attractive to Gladstone resource workers who are on big pay packets but not yet able to afford, or even find, property investments there, says Taylor. "So they're now looking to Bundaberg where they can pick up one or more affordable investment properties."

They're also looking to Bundaberg as a place to base their families away from the pollution of Gladstone and find a more affordable lifestyle, while enjoying similar services and amenities to Gladstone that are easier and faster to access, says Taylor.

He says once the miners' work shifts are more set in stone, the future population growth of Bundy will become increasingly certain.

Taylor is already starting to see some workers on the same shifts car pooling to

API DATA FILE [BUNDEBERG]



MARKET ANALYSIS

Bundaberg has a mixed supply-to-demand situation. There are few rental properties available to tenants, however there's an oversupply of 'for sale' listings. Discounting has been muted. Incomes in Bundaberg are growing slightly slower than the Queensland average. The proportion of renters to owner-occupiers is below average for Queensland. Rental vacancy rates are a tight 2.4 per cent. 'Stock for sale' levels are up by 21 per cent year on year.

Source: SQM Research, www.sqmresearch.com.au (accurate to September 30, 2011)

Location	Sep 11 (\$,000)	Sep 10 (\$,000)	12-month growth	Rent (\$)	Sep 11 total sold	Sep 10 total sold	Sep 11 average vendor discount	Sep 10 average vendor discount
Bundaberg LGA (H)	202	200	+1.0%	270	1,270	1,322	4.5%	5.2%
Bundaberg LGA (U)	255	270	-5.6%	225	107	188	4.2%	6.1%

Source: APIM and SQM Research. H = House, U = Unit, LGA = Local government area.

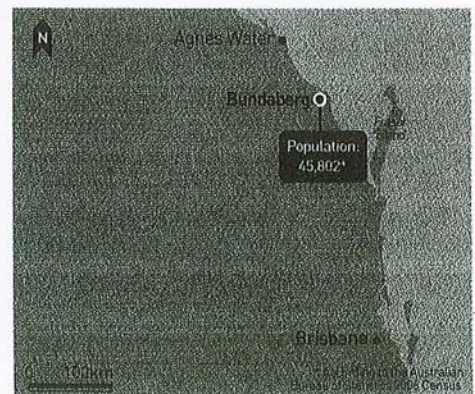
Address	Type	Price	Bedrooms	Sale date
McMinnle St	Land	\$4,500	-	07/06/11
Maryborough St	Unit	\$180,000	-	11/03/11
Electra St	House	\$285,000	4	27/03/11
Wallace Rd	Land	\$228,450	-	28/01/11

Source: realestate.com.au

WHERE TO LOOK

Investors should look at: The coastal suburbs of Moore Park Beach, Bargara, Coral Cove, Innes Park and Elliott Heads – all a maximum 15-minute drive from Bundaberg central.

Source: Dion Taylor of Bundaberg Property Gallery



QLD [NEWS]

Positive signs for the Gold Coast

It looks like the Gold Coast might be picking up slightly, with new land and house sales up by four cent for the September quarter, according to the *Prodap Report*.

Many developers appear optimistic with expectations of producing in excess of 100 lots over the next 12 months, as discovered in a recent Prodap survey of developers.

Currently only two projects are selling more than eight lots per month, while next year 12 projects aim to sell at the same rate, says the report.

The developers' optimism is likely due to the expectation of lowering interest rates over the next 12 months, says *Prodap Report* author Bill Morris.

Despite current low sales, the majority of developer respondents in Prodap's survey said that new production is needed on the Gold Coast at a level of approximately three times the current demand.

With the Commonwealth Games now confirmed for the Gold Coast in 2018, Morris says these higher production levels haven't even factored in the accommodation needs for this grand scale event.

Floods mitigated with new system

A new Floodwise system will be developed to assist southeast Queensland and Tweed councils better prepare for and mitigate the effects of natural disasters, according to Queensland Emergency Services Minister Neil Roberts.

The new system, an integrated online map system flagging flood risks, will also link in with Emergency Management Queensland's new \$6.9 million All Hazards Information Management System "to provide accessible, relevant and up-to-date information to enhance situational awareness during disasters", says Roberts.

and from Gladstone for work each week.

Bundaberg is also highly attractive to Gladstone retirees who are choosing to sell their homes and realise the extraordinary capital growth, then buy something cheaper in and around Bundaberg's coastal suburbs.

Taylor says the average number of days on the market for Bundy properties is currently between 30 and 45 days if priced to sell, compared to last year's 60 to 80 days.

With the retreat from Gladstone just warming up, substantial evidence of the trend is still yet to be seen, says McLean.

He believes at this stage the idea of a population boom in Bundaberg as the result of Gladstone residents escaping the escalating prices is still only "wishful thinking".

"Everyone has their fingers crossed it does flow on to Bundaberg, but it hasn't happened yet. You would think housing couldn't get much cheaper at the moment," says McLean.

He explains that personally he hasn't seen too much evidence of this change reflected in values, a tightening of supply or new businesses opening in the heart of town yet.

"Any flow on from the mining isn't guaranteed; it's a fine balance as to whether

we're in the shadow or the light of Gladstone," McLean says. However he says it's certainly a possibility.

Currently some small businesses are struggling to stay open, while others are finding opportunities to provide infrastructure services to the mining companies, he says.

Those Bundaberg businesses preferring not to deal with the "ruthlessness" of the larger mining companies are finding support service opportunities surrounding the mining sector, says McLean.

THE HOUSING MIX

The Bundaberg 4670 postcode takes in about 15 suburbs including the coastal suburbs and around 25,000 houses, says Taylor.

The coastal suburbs of Moore Park Beach, Bargara, Coral Cove, Innes Park and Elliott Heads are a maximum 15-minute drive from Bundaberg central. Taylor says the coastal suburbs are where the future demand is likely to be.

Generally when new buyers arrive to the region they like to secure coastal land and it's possible to find a four-bedroom, two-bathroom house on an 800-square-metre block for under \$350,000 and just 300 metres to the water, while the same house might be priced around the \$600,000 mark

in Gladstone, not even near the water, says Taylor.

The recently released *Wide Bay Burnett Regional Development Plan* identifies Bundaberg's urban growth area to be positioned between the city and Bargara, he says.

Typical housing in Bundaberg is the standard post-war chamfer board three-bedroom house and the semi-modern solid brick house with three or four bedrooms, says McLean.

New units can also be picked up in the Bundaberg region, mostly in the coastal townships such as Bargara.

For close proximity to the Bundaberg CBD, the most popular inner suburbs would be Bundaberg South, Walkervale, Norville and Svensson Heights, says Taylor.

"You can buy a chamfer board house for \$200,000 in modest condition and rent it for \$250 per week," McLean says.

It's certainly possible to find a cash flow positive property in Bundaberg, but they're limited because what's available is older chamfer board houses with ongoing maintenance issues which can "take the gloss off the cash positive", says McLean.

Many investors buying these houses are renovating, typically adding a new kitchen, new bathroom, new floor coverings and a coat of paint, he says.

The do-it-yourself renovation trend is possibly because the rental return increase is often only around \$20 per week after the renovation, while the increased property value might only be an extra \$20,000, so investors need to maximise margins, he explains.

Taylor says the entry-level three-bedroom chamfer board house can be picked up from as little as \$179,000 close to the heart of Bundaberg.

He says the kitchen might be a little "daggy" but it's not necessary to race off to renovate because the minimum rent is still going to be around \$250 per week.

"The majority of renters look at the number of bedrooms first rather than if it's renovated or not, or if it's chamfer board or brick. They also stick to a certain price range," Taylor says.

The capital growth and rent returns tend to be consistent across the board, says Taylor. "Although you do get better bang for your buck in Bundaberg (central), compared to its coastal suburbs like Bargara."

McLean says you find similar rents in Bargara but you're paying at least \$30,000 to \$40,000 more.

"Currently units are a little oversupplied in that area," he says.

McLean points to pockets of Bundaberg West around the hospital as examples of

where stronger rental demand can be found.

While McLean is hard pressed choosing the most in-demand areas in Bundaberg, he says the least desirable areas are most likely the flood-affected areas immediately surrounding the Burnett River and its tributaries.

The area immediately north of the river was probably hardest hit by floods last year, however parts of suburbs to the east and south were also affected, says McLean. "People are a little reticent to buy there at the moment but give it another year or two and this will probably change."

Taylor says these areas have felt an average 10 to 15 per cent hit in price as a result.

He suggests investors first go to the Bundaberg Regional Council website to investigate if a specific property has been flood affected.

Since the floods last year the Bundaberg CBD has bounced back with new street-scapes and a renewal of energy, says Taylor.

Before the global financial crisis hit the nation, the market slowed down, he says. But prior to that it saw a surge between 2006 and 2007.

Taylor says in 2002 Bundaberg experienced a mini boom when house prices lifted from \$120,000 to \$270,000 in four months due to market catch up.

"Overall Bundaberg always seems to remain steady; historically it's never really boomed above the Queensland market and tends to follow the general trend of south-east Queensland," says McLean. **api**

API eMAGAZINE

Read more about Bundaberg in API's eMagazine. Turn to page 9 for details.

■ CASE STUDY [QLD]

Buying on the edge

To capitalise on the mining boom Andrew* was initially excited by the idea of investing in Gladstone, however it was too difficult to find a block there he could develop at a reasonable price.

The next best option for Andrew was to buy in an economically diverse regional town close to the action yet still independently strong.

He engaged the services of his buyers agent who suggested he consider Bundaberg, a strong and diverse regional economy that sits on the edge of the mining activity, yet is sustainable without it.

In October 2010 Andrew's buyers agent found a three-bedroom, two-bathroom house on a 915-square-metre block in highly desired Svensson Heights, south of the Bundaberg CBD. He bought it for \$282,500 and settled on the property sight unseen.

That property now rents for \$290 per week, although he could bump it up to \$300 on the next lease because the market there is very stable with "fairly tight" vacancy rates.

Bundaberg's population and construction over the recent five years has been quite strong, however there has been a slowdown recently, he says.

That said, demand for the affordable housing range doesn't seem to have slowed down, says Andrew. "I always purchase in the mid to lower-third range, I like the bread and butter property," he says.

Name	Andrew*
Lives	Deception Bay, Qld
Invests	Bundaberg, Qld and Nowra, NSW
Properties	3
Strategy	Buy and hold, then develop

While Andrew could have selected a property closer to cash flow positive, he wanted a quality property he could rent out hassle-free for some time and subdivide and build on later.

The buyers agent's choice of suburb was a good one, particularly after the floods in January last year when Svensson Heights was high and dry and didn't see a price drop of "up to seven per cent" like in some other areas closer to the Burnett River. In fact Andrew's property value has remained the same, even after the general 2011 price drops experienced further north in Townsville and Cairns, and in southeast Queensland.

The entire time Andrew has held the property he's experienced continued rental demand.

He says it's possible to buy cash flow positive properties in Bundaberg; he's even seen a couple of older unit duplexes on the market "that look good".

But Andrew has decided to hold for now and build his own triplex on his block of land in the future.

* Name changed for privacy purposes

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