

## 5 Housing market

### 5.1 Population growth

The population of Coffs Harbour has grown considerably due to the immigration of lifestyle seekers. Coffs Harbour counted a population of 65,000 in 2004. Growth rates have been above the area's average and the state's average from 1991 to 2004, although the gap in growth rates is narrowing.

It is expected the population of Coffs Harbour will continue to grow considerably in the future. Growth in Coffs Harbour will exceed growth in the surrounding region and NSW significantly. The table below shows historic population data and forecasts growth.

Table 6. Estimated resident population in Coffs Harbour, Mid-North Coast and NSW, 1991-2004 and forecasts 2006-2031 (in persons and in % growth per annum)

	1991	1996	2001	2004	2006	2011	2016	2021	2026
Coffs Harbour	50877	57283	61770	66529	66980	71810	76710	81760	86850
		2.4%	1.5%	1.5%	1.6%	1.4%	1.3%	1.3%	1.2%
Mid-North Coast	240753	262985	275274	291865	296330	309740	323190	337060	350850
		1.8%	0.9%	1.2%	1.1%	0.9%	0.9%	0.8%	0.8%
New South Wales	5732032	6038696	6371745	6731295	6868900	7164700	7450360	7734930	8012570
		1.0%	1.1%	1.1%	0.9%	0.8%	0.8%	0.8%	0.7%

Source: Department of Infrastructure, Planning and Natural Resources, NSW, based on ABS (2001), Population by Age and Sex, NSW, No. 3235.1.55.001

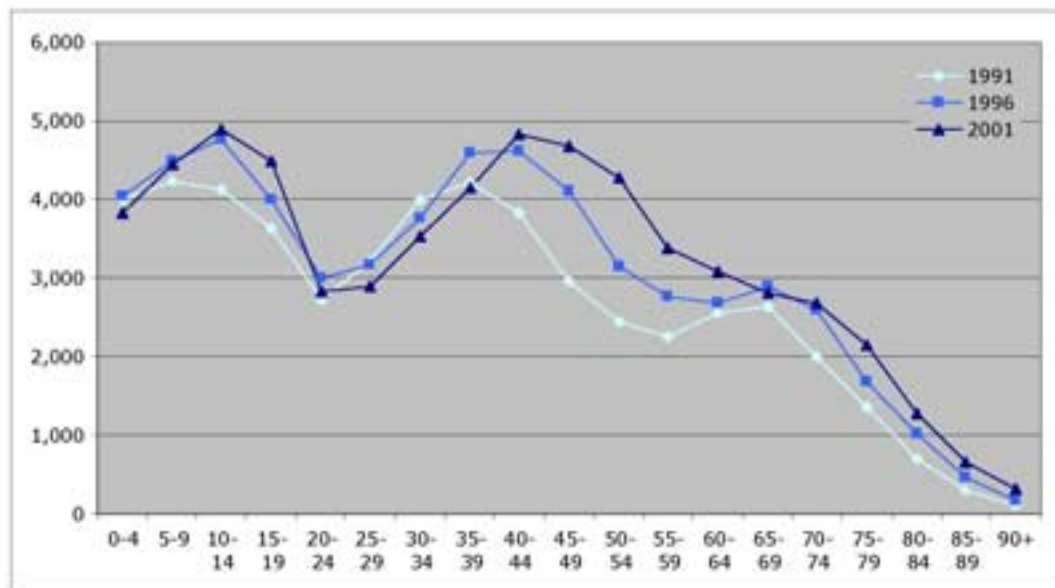
A breakdown between the urban and rural areas of Coffs Harbour shows that for most of the period from 1991 to 2004, growth was strongest in the urban area (not shown in the table).

Examination of the changing age profile reveals that net in-migration has been strongest in working age, 25-34 age groups, often bringing accompanying children under 15. Nearly as strong have been those aged 55 to 69 as a proportion of these age groups, but the numbers moving in this age group are smaller.

In contrast to these incoming age groups, there continues to be a strong departure of young adults, aged 15 to 25 characteristic of regional areas seeking education and employment opportunities and life experiences elsewhere. At least some of the in-migration in the 25-39 year age groups would be some of these returning. However, while in-migration of 25-39 year olds is strong, it has not been strong enough to make up for the out-migration of younger age groups. Consequently, the last decade showed a relative decline of people aged 25-39 years.

This pattern of change is shown in the figure below. The figure also reveals a shift of the graph to the right, which means the population in Coffs Harbour is aging.

Figure 15. Change in age population profile (1991-2001)



Source: ABS Census, time series data, T02

Much of the movements of young adults is tidal – a departure in the late teens or early twenties and a return in the late twenties to early thirties. Lifestyle migrants fall into two broad groups:

- The family aged household seeking a smaller city environment to raise their family
- The late fifties/early sixties household, with considerable purchasing power and assets, originated from Sydney or other major urban centres.

Relatively fewer relocate when they have teenage children as social and schooling connections and career pressures make relocation harder.

A few lifestyle migrants relocate their business – and many of their staff – when moving to the area. This contributes to the economic growth of the area and is essential if population is to be retained.

The prognosis on population growth has considerable consequences for the future housing market. The demand for housing is going to be strong while the types of dwellings sought are changing. Australia's typical household size is decreasing to an estimated average household size of between 2.2 and 2.3 persons in 2021. Coffs Harbour experienced a considerable drop in household size from 2.7 persons in 1991 to 2.5 persons in 2001.

Business owners relocating to the region are relatively wealthy individuals who would have a particular interest in higher value water front dwellings or those with an attractive natural environment and views of the sea.

## 5.2 Real estate market: prices & volumes

### 5.2.1 National trends

Strong growth in housing demand and prices occurred across Australia in the early 2000s prompted by a combination of low interest rates, the First Home Ownership Grant (FHOG) and population growth. Along with this investors that had withdrawn their money from the stock market and had additional equity in their homes to leverage for investment were strong buyers of investment housing.

This began in Sydney and rising prices allowed many Sydney dwellers that had made strong capital gains on their homes to either purchase a second home in a coastal or attractive inland area, or to move to one of these areas and retain a considerable sum for investment. This was dominated by those that had substantial equity in their homes, typically later working age households, and included both those still active in the workforce and those approaching retirement. Investors were also active in regional areas.

Prices eventually exceeded the level at which new entrants could afford to buy a home and demand stalled. Overbuilding in the apartment sector has kept rents relatively low. Low rent returns, uncertainty about capital gains, rising interest rates and a strong stock market over the past two years have further drawn investors out of the housing market, with Sydney housing prices stalling then falling in 2005.

Since the cooling of the Sydney market and increased uncertainty about interest rates, the move to regional areas has been reduced. Strong price rises in the most popular regional areas over the previous years had brought the price differentials back closer to historical levels, reducing the financial benefit of relocating from Sydney. The lifestyle attractions remain, but fewer near retirees can contemplate living from the equity in their city homes without the need to find employment in their new coastal community. Population movement out of the major centres is likely to slow in the near future.

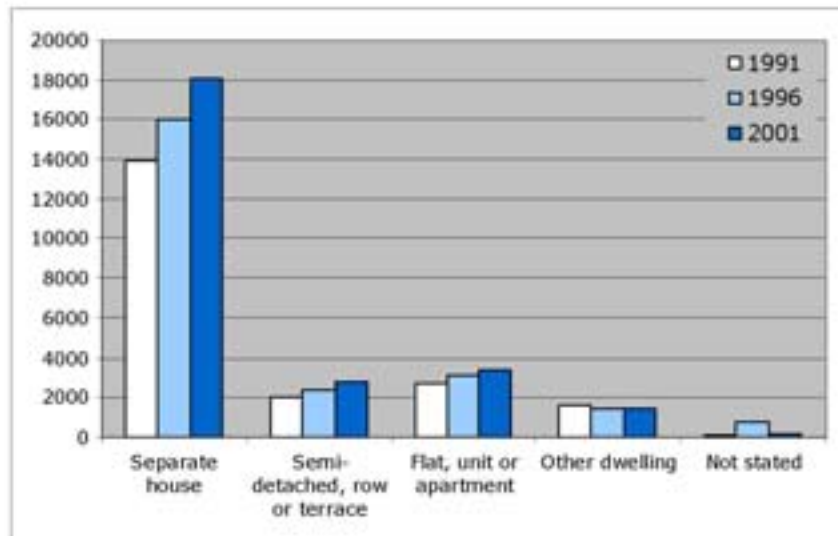
This pattern has played out across much of Australia and applies substantially to Coffs Harbour. One significant difference includes a relatively strong growth rate before the recent wave of change whereas some of the affected areas before the growth surge showed much less growth. Another is the higher proportion of younger families than in some other coastal areas.

### 5.2.2 Housing stock

Since the early nineties the amount of private dwellings in Coffs Harbour grew to nearly 26,000 in 2001. Between 1991 and 1996 the housing stock grew 3% per year on average, and between 1996 and 2001 the annual rate was 2%. It was not until 2001 however, that a real estate boom emerged in Coffs Harbour (see next paragraph on building approvals). For comparison, annual growth of the housing stock in New South Wales as a whole equalled 2% from 1991 to 1996, and also 2% from 1996 to 2001.

The figure below shows how the housing stock of Coffs Harbour has changed between 1991 and 2001. The majority of the housing stock consists of separate houses (71% in 2001). This type of dwellings experienced an average annual growth of 2.6%. Also, the number of semidetached houses and flats, units and apartments grew considerably, with annual growth rates of 3.2% and 2.3% respectively.

Figure 16. Dwelling structure<sup>5</sup> of private dwellings in Coffs Harbour, 1991-2001



Source: ABS, Census (2001, 1996, 1991)

Of all the occupied private dwellings 41% is fully owned, 22% is being purchased, 31% is rented and 7% is characterised by another tenure type. The breakdown of tenure type has hardly changed over the years.

### 5.2.3 Building approvals

After a boom in residential building in the early 2000s, the number of dwelling approvals in Coffs Harbour seems to be stabilising. However, the amount of approvals has been on a consistently high level over the last four years: the number of approvals did not go under 650 per year.

Although the evidence is not substantial, there appears to be a shift from house approvals towards approvals of flats, units and apartments (see table below). The amount of approvals for new houses has been declining over the last three years, while approvals for other type dwellings kept

<sup>5</sup> A share of 8% of the private housing stock is listed as unoccupied. In 1996 this share also equalled 8%, but in 2001 this rate was 10%.

on growing. The amount of approvals has been declining in Mid-North Coast region and in greater NSW.

Table 7. Residential building approvals in Coffs Harbour, Mid-North Coast and NSW, 2004-05

	New houses	Other dwelling	Total dwellings
<b>Coffs Harbour</b>			
Approvals 2004-05	346	438	784
Annual change	-22.4%	88%	15.5%
<b>Mid-North Coast</b>			
Approvals 2004-05	1602	954	2556
Annual change	-24.7%	26.5%	-11.3%
<b>New South Wales</b>			
Approvals 2004-05	19240	17463	36703
Annual change	-17.3%	-24.4%	-20.8%

Source: ABS (2005) 8731.1

#### 5.2.4 Recent changes

The median house sales price in Coffs Harbour accounted for \$289,000, varying greatly between separate houses (\$320,000) and flats and units (\$210,000) in 2005. Sale prices are higher than in the surrounding area of Clarence where median house price equals \$275,000. On the other hand, compared to New South Wales, the prices are considerably lower. The median sale price in New South Wales was \$355,000 in 2005.

Table 8. Median sales prices (in \$'000 and in %) in Coffs Harbour and New South Wales, 2005

	Separate houses	Flats and units	All dwellings
<b>Coffs Harbour</b>			
Sales 2005	320	210	289
Annual change	-3%	1.4%	2.8%
<b>Clarence SDD</b>			
Sales 2005	280	233	275
Annual change	4.5%	13.7%	7.8%
<b>New South Wales</b>			
Sales 2005	358	355	355
Annual change	0.8%	2.9%	1.4%

Source: NSW, Department of Housing (2005)

Over 2004 and 2005 median house prices have been rising at a moderate pace. Over 2004-2005 Coffs harbour experienced a growth rate of 2.8%. Over the three-year period from March Quarter 2002 to March Quarter 2005, the median sales price for all dwellings in Coffs Harbour increased by 96.6%. The real estate market is tempering, just as it is elsewhere in Australia.

The real estate market in Coffs Harbour has slowed in volume and prices have slowed with recent anecdotal evidence suggesting some prices falling.

Some recent developments of residential apartments have converted to being marketed as visitor accommodation (serviced apartments) due to poor market acceptance as residential accommodation. This and other market evidence suggests that in the short run, the market for apartments may have been met. Some properties in the site adjacent to the subject site on the north side have remained unsold for several years.

#### **Coffs Harbour key growth areas**

To accommodate future population growth towards a desired residential pattern, Coffs Harbour identified key growth areas to catch residential growth to 2030. Within northern Coffs Harbour Moonee/Sapphire Beach is expected to accommodate for 1,500 additional residents, which implies a population growth of 38 per cent from 2004 to 2030. Developing residential dwellings, as the Sapphire development proposes, would be consistent with Council's strategic residential aims.

The new development represents about 20% of the additional dwellings constructed in the LGA each year or about 40% of apartments constructed in 2005. Furthermore, the development is able to absorb 16% of expected and planned population growth in this area until 2030. The proposed apartments are expected to be of a premium standard and will represent a major part of that market sector when developed until sold.

It is likely that the rate of absorption will require the project to be staged over a number of years. New residential developments indicate competition for the Sapphire development. Recently lodged and granted approvals show development is mainly concentrated to coastal areas. Especially the more luxury coastal dwellings are sought after by lifestyle migrants.



## 6 Sapphire Resort Impacts

### 6.1 Conclusions

#### Impacts of the closure of the Pelican Beach Resort:

14. The closure of the hotel will lead to the loss of direct employment of about 45 – 50 from the hotel. However, as other hotels in the region are currently operating below capacity, it is expected that this will be largely taken up by increased employment in other hotels. The net loss of jobs is likely to be about 10, but with a loss of a few relatively higher paid management and supervision jobs and a little change in casual service jobs.
15. Total tourist visitation to Coffs Harbour is unlikely to be affected. The closure of the resort represents the loss of 1.6% of hotel establishments and 6.2% of the rooms in hotels, motels and serviced apartments with 5 rooms or more. There are adequate numbers and variety of other hotels in Coffs Harbour to meet the requirements of most visitors. There are very few days when all hotels are at or near capacity.
16. Many hotels in Coffs Harbour are operating at occupancy levels that are marginally viable. The additional clientele gained by the remaining hotels may contribute to their ability to reinvest and upgrade their establishments.
17. The conference and events sector will lose 9% of establishments but only 3-4% of the delegate days capacity. It is anticipated that most of the events lost can be captured by the remaining venues, although some users may be lost. This is expected to represent less than 1% of the current activity in the sector.
18. As total visitor numbers are not expected to be affected significantly by the closure, employment and turnover in restaurants, attractions, transport, retail and other tourism supported activities are likely to remain unchanged.
19. Given the small overall change from the closure, the multiplier effects of the closure are also expected to be negligible.

#### Impacts of the new development:

20. The new development is likely to create 3 – 20 jobs associated with visitor accommodation, essentially offsetting the 10 direct jobs lost in the hotel not picked up by other hotels.
21. The new \$65-\$70 million development will create about 225 direct jobs during a two year construction period and about the same number of indirect jobs. These jobs do not represent a net economic growth, as the development will, at least in part, substitute other construction activities due to crowding out effects.
22. The new development will provide housing or accommodation for approximately 235 persons, depending on the time of year and proportion of units permanently occupied and those used for visitors. This will provide for additional holiday unit capacity, a sector in the Coffs Harbour market that has been growing recently in contrast to the hotel sector.
23. The new development will permit flexibility of use, allowing units to be occupied by permanent or short term rentals or transferred to owner occupiers according to the relative demand in these different sectors. This has the ability to reduce over capacity or to generate additional capacity according to changes in demand.

24. The new development represents about 15% of the additional dwellings constructed in the LGA each year or about 25% of apartments approved in 2005. The proposed apartments are expected to be of a premium standard and will represent a major part of that market sector when developed until sold.
25. If the new development attracts additional high net worth individuals including business owners relocating to Coffs Harbour, it will further contribute to the economic development of the region. This development is considered to be more likely than market median developments to attract new residents of this type. However, market median developments are also required for the associated additional employment generated. As this outcome is expected but speculative, no net gain in employment or population is directly attributed to it.
26. To the extent that population gain would be housed in other developments should this one not go ahead, no gain in population is directly attributed to development.



