



PAVILIONS PALM BEACH

STAGE 2 // NOV 2014



**BROAD PROPERTY
RESEARCH & ADVISORY**

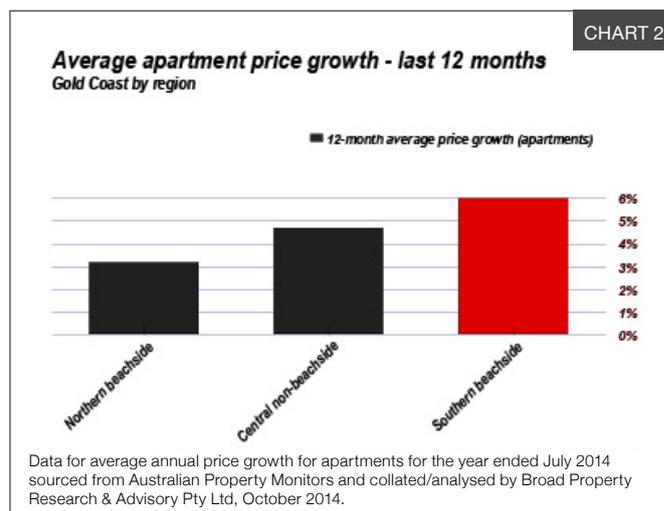
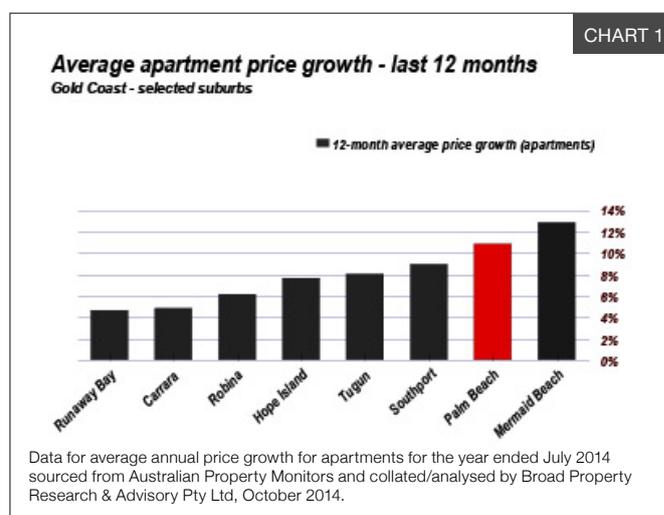
THE PROJECT

Australian Property Growth Fund is about to release the second stage of its Pavilions Palm Beach project in Palm Beach. Palm Beach is one of the Gold Coast's southern beachside suburbs and is located seven kilometres from the Gold Coast Airport, 17km from Surfers Paradise and approximately 80km south of Brisbane's CBD. Bordered by Tallebudgera Creek in the north and Currumbin Creek in the south, Palm Beach has 4.5km of beach frontage. With a population of nearly 540,000 permanent residents, the Gold Coast is Australia's largest city outside of the five mainland state capitals and has been the third-fastest growing municipality in Australia over the past year.

Stage 1 comprised 104 apartments, a full-service Coles supermarket, and a number of specialty stores. Stage 2 comprises a further 44 one-bedroom apartments and 56 two-bedroom apartments across three buildings, as well as an expansion of quality retail and dining establishments. The apartments proposed for stage 2 of Pavilions Palm Beach are well-sized; at an average of 67m² gross* for one-bedroom apartments and 106m² gross for the two-bedroom apartments. The average balcony size is 14m² for the one-bedroom apartments and an exceptionally-generous 23m² for the two-bedroom apartments. Ground-floor apartments also have expansive courtyards averaging 44m². All apartments come with at least one secure car park and the premium apartments have two car parks.

There are many reasons why Palm Beach is a location worthy of property investment:

- The median sale price of apartments in Palm Beach has increased by 10.9% over the past 12 months, making it one of the better-performing suburbs on the Gold Coast over this period. See chart 1;
- Apartment price growth in the southern beachside suburbs of the Gold Coast has out-performed those in other parts of the Gold Coast over the past 12 months, achieving an average annual capital gain of 6.0% compared to just 3.2% across the Gold Coast's northern beachside suburbs. See chart 2;



- The re-sale performance of apartments in Palm Beach has been solid, averaging 6.5% across 500 sales over the past decade, with an average capital gain upon re-sale of \$128,702;

- Several projects in Palm Beach have achieved average annual capital gains upon re-sale in excess of 9.0% per annum and four projects in Palm Beach have seen average capital gains upon resale in excess of \$200,000 over the past decade;
- The residential vacancy rate across the Gold Coast has dropped dramatically to just 1.5% as at July 2014, the lowest residential vacancy rate recorded on the Gold Coast for more than a decade and indicating the market is undersupplied with rental product;

Vacancy rates are especially tight in the Gold Coast's southern beachside suburbs, with vacancy rates of between 0.6% and 0.9% in each of Burleigh Heads, Palm Beach, Currumbin, Tugun and Coolangatta. Note that stage 1 of Pavilions Palm Beach achieves close to 100% occupancy;

- Apartments in Palm Beach are returning average gross rental yields of 5.5%; and
- Median weekly rents for all dwelling types in Palm Beach having increased by an average of \$20 per week over the past 12 months. Such strong demand for rental accommodation is not surprising given that 42.5% of households in Palm Beach are renting.

Apartments in stage 2 of Pavilions Palm Beach are very keenly priced, with one-bedroom apartments priced from \$365,000 and the two-bedroom apartments priced from \$525,000. With prices averaging around \$6,500 per square metre (gross), new apartments on the Gold Coast are significantly more affordable than those currently for sale across the inner suburbs of Brisbane (averaging \$7,000 per square metre), the Sunshine Coast (\$7,400 per square metre), Melbourne (averaging \$9,200 per square metre) and Sydney (an average of \$10,700 per square metre). See chart 3.

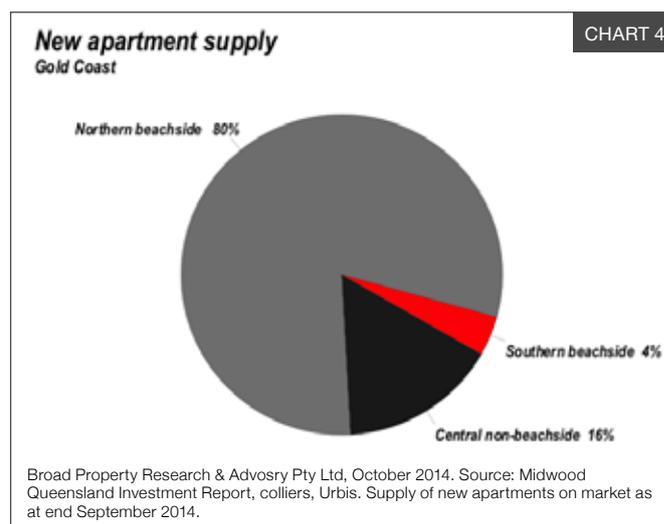
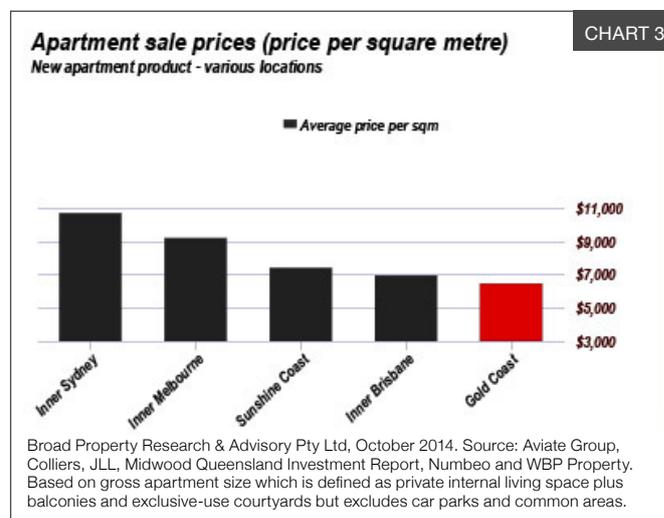
Pavilions Palm Beach presents a significant opportunity for buyers looking to take advantage of competitively-priced new apartments, of which there is a significant shortfall across the Gold Coast's southern beachside suburbs.

TOP PERFORMANCE

Over the past eight years, nearly 7,000 new ("developer") apartments have settled along the Gold Coast's beachside suburbs. The vast majority of these sales (78%) have occurred in the northern beachside suburbs between Paradise Point and Broadbeach. The southern beachside suburbs between Mermaid Beach and Coolangatta/Tweed Heads have seen very little new apartment development over the past few years, recording just 8% of new apartment settlements in 2012/13 and 10% in 2013/14.

There are currently 2,093 new apartments for sale across the Gold Coast and northern New South Wales, with 80% of this new supply located in the northern beachside suburbs of the Gold Coast, 16% in the non-beachside suburbs of the Gold Coast, and just 78 new apartments (or just 4% of total new supply) in the southern beachside suburbs[^]. See chart 4.

Pavilions Palm Beach was the first truly mixed-use project in Palm Beach, recognising the interrelationship that residential accommodation has with surrounding services and facilities. The high Walk Score™ rating that Fifth Avenue, Palm Beach enjoys is due in no small way to the amenity provided by stage 1 of Pavilions Palm Beach, which is important given that lifestyle is now at the top of the owner-occupier and tenant wish-list, alongside affordability.



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