NORTHERN EYE

MARCH 2024

Townsville

Each quarter the Northern Eye takes a look at one of our key regional centres from an economics and planning perspective. We are pleased to team with Townsville Chamber for the release of this issue.

Unemployment Jun '23
2.1%
▼0.7 ppt YoY

Population Jun '22
198,143
▲1.4% YoY

Building Approvals '23
1,725
▲7.7% YoY

Median Unit Price Sep '23
$275,000 ▼1.8% YoY

Median Unit Rental Dec '23
$360 ▲9.1% YoY

Median House Price Sep '23
$410,000 ▲5.1% YoY

Median House Rental Dec '23
$430/week ▲7.5% YoY

Residential Vacancy Dec '23
1%

Commercial Vacancy Dec '23
Estimated 15-20% CBD

Source: QGSO, REIQ

OUR INSIGHTS

"National, and broader regional figures indicate the labour market has turned and unemployment is now rising.

"Expect strong population growth in the 2023 figures set for release late March.

"New housing is enough to facilitate population growth of around 4,300 residents (>2% growth) and aligns with what we're seeing on the ground.

"Strata insurance is killing Townsville's growth and driving the rental crisis. New units outside of prime position (e.g. The Strand) are very difficult to stack up.

"Townsville house prices have hit a new high but remain well below the cost of a new build. The regional market remains robust with renters looking to buy driving up the lower end of the market.

"There has been a noticeable uptick in commercial vacancies in the new year. More needs to be done to realise the opportunity to re-purpose commercial properties to residential in and around the CBD.

UP NORTH | Regional Economic Advisory | TOWNSVILLE CHAMBER

> *The demand side of the economic equation remains robust, with full flights, restaurants, schools, and a buoyant residential property market all pointing to one thing:* **Townsville is growing.**

Matthew Kelly, Principal Economist
Regional Economic Advisory

By Matthew Kelly
Principal Economist

Townsville: Economic Outlook 2024

Townsville and the broader national economy appear to be at a tipping point, with higher operating and borrowing costs catching up to the post-COVID growth period. That the Australian economy appears to be stalling at such a low nominal interest rate (a 4.35% cash rate was not that long ago considered expansionary monetary policy) is a testament to the eye-watering levels of mortgage debt, particularly in capital cities.

Townsville, however, remains (comparatively) highly affordable, with both houses and units remaining well below the price of new construction. Our relative financial strength and high local incomes give us confidence that the local economy can weather the impending economic slowdown.

On the one hand, increased business closures and relocations are impacting the commercial property market as businesses battle with labour shortages, cost pressures, and the flow-on effects of the COVID working from home revolution as employers reassess their space requirements.

On the other hand, the demand side of the economic equation remains robust, with full flights, restaurants, schools, and a buoyant residential property market all pointing to one thing: **Townsville is growing**.

A significant infrastructure project pipeline should help see the local civil sector through the current macro-industry malaise better than most. However, the building construction sector remains as susceptible to cost increases and supply shortages as the rest of the country.

More uncertain investments across critical minerals/ processing and renewable energy present a huge economic upside. However, the timing, likelihood, and ultimate economic impact of these opportunities are hard to determine.

Townsville will not escape the 2024/25 downturn unscathed with significant economic links to world trade and commodity markets, with a number of major economies already in recession. However, it remains well-positioned for long-term growth. Keys to unlocking this growth include economically viable higher-density housing options and catching the lagging perception up to the reality of Townsville as a top regional destination to live, work and invest after the difficult social and economic years leading up to COVID.

By Sean Kelly
Economist

Local Labour Market: A Paradigm Shift

Townsville has been the best-performing labour market in Queensland for some time. We expect the labour market to cool off, with early signs that this is beginning to occur. This is likely to continue into the coming months until the RBA reverses the direction of cash rates and/or the global economy finds stability.

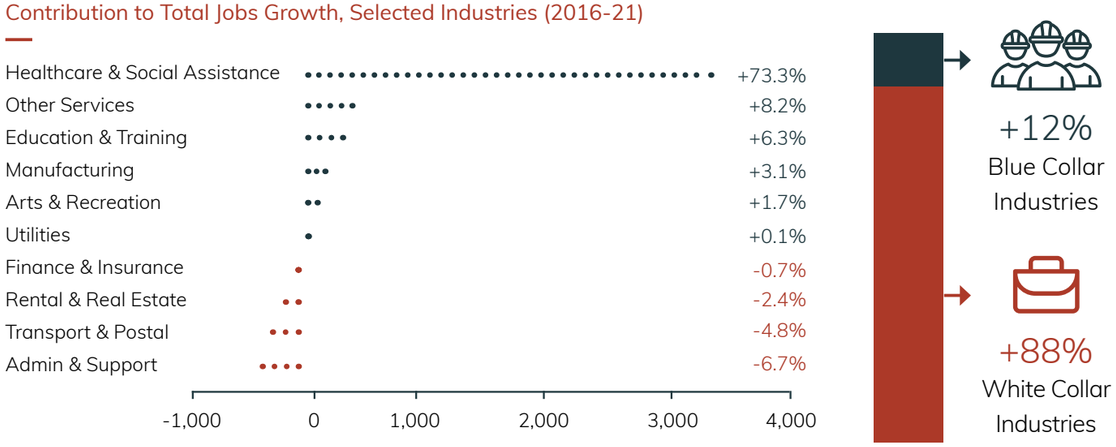
While a lot (rightly) gets said about the local construction/trades sectors, health care has been the real engine of local jobs in this period of growth. In a city known for its diverse economy, almost three-quarters of local employment growth (by Place of Work) between the 2016 and 2021 Census periods came from this one sector.

While the 2021 data was obviously impacted by COVID, Townsville's transition from its historical blue-collar port & manufacturing base to a knowledge economy is stark, with white-collar industry sectors representing almost 90% of new jobs created.

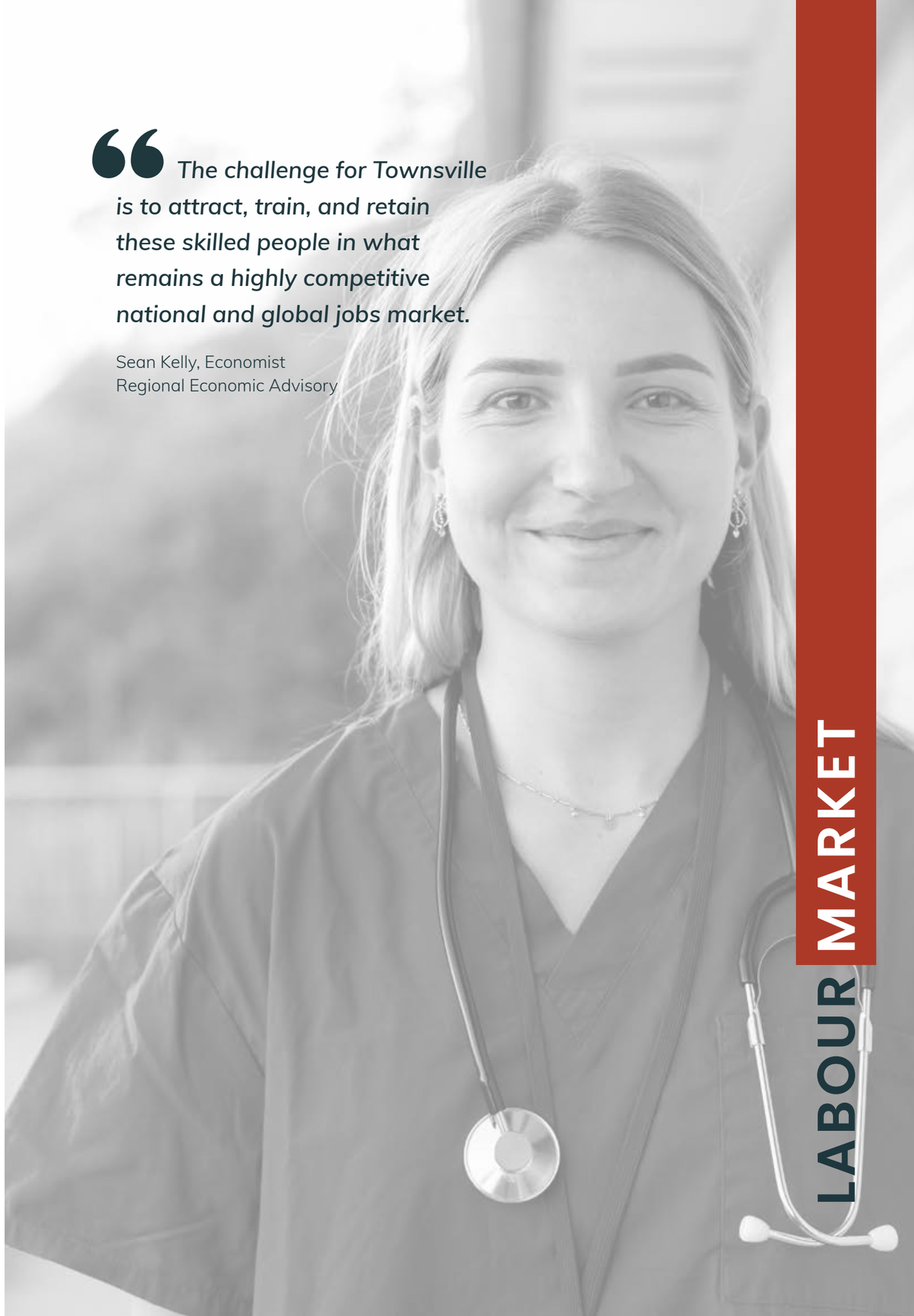
With this and a rapid transition of the types of jobs in demand within industries, in quite an isolated regional area, a skill mismatch between available jobs and job seekers is inevitable. We see this at least partially explaining the dichotomy between "employers screaming out for staff – workers are unavailable or uninterested" and yet "workers struggling to find jobs – there are no real jobs available" dynamic playing out at times in Townsville.

The challenge for Townsville is to attract, train, and retain these skilled people in what remains a highly competitive national and global jobs market.

Contribution to Total Jobs Growth, Selected Industries (2016-21)



Source: ABS



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Sean Kelly, Economist
Regional Economic Advisory

LABOUR MARKET

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>
> Kelly Reaston, Director
> Urban Planning North: UP North

Gentle Density: Solving the Housing Puzzle

By Kelly Reaston
Director, UP North

Unlocking higher density housing supply is identified as one of the key catalysts to achieving Townsville's long-term growth future. The potential to deliver a rapid and relatively affordable supply boost is the most logical way to match the step-change in demand from a return to robust population growth.

The need for additional housing is well understood at a strategic level. Townsville City Council's strategic framework, "*Shaping Townsville*," recognises the need for 45,000 new homes over the next 25 years, and Townsville Enterprise Limited's "*Strategic Regional Industry Growth Plan 2023-2028*" sets a target of nearly 14,000 new apartments and townhouses by 2030 to meet growth needs (more than doubling the estimated 2021 Census supply at a regional level). We are seeing regional activity with concepts such as the North Rail Yard aiming to revitalise the historic CBD site to a vibrant commercial and residential space.

However, the sector continues to perform poorly with relatively few new starts, poor capital growth, and rising rents being eaten away by spiraling insurance and body corporate fees and rates.

Townsville has a strong demographic of young families looking for space and a relative lack of land constraints, allowing for more urban sprawl than comparable centres such as Cairns. These factors set the odds against higher-density living. However, broader trends of aging and smaller families will no doubt flow through to Townsville over the coming decades, and the need for more higher density housing options will increase.

While this is a complex, multi-faceted issue with no 'silver bullet' solution, we believe there are three key areas that can shift the balance of housing options:

1 Re-purposing of commercial supply:

The clear shift away from office needs in many sectors and the historical struggles of the Townsville City hub to find its heartbeat as a commercial and retail centre provides an opportunity to shift the supply of space from an area of oversupply to where it is needed.

Planning studies suggest significant investment would be required to make CBD re-purposing viable; as such government funding could support this initiative.

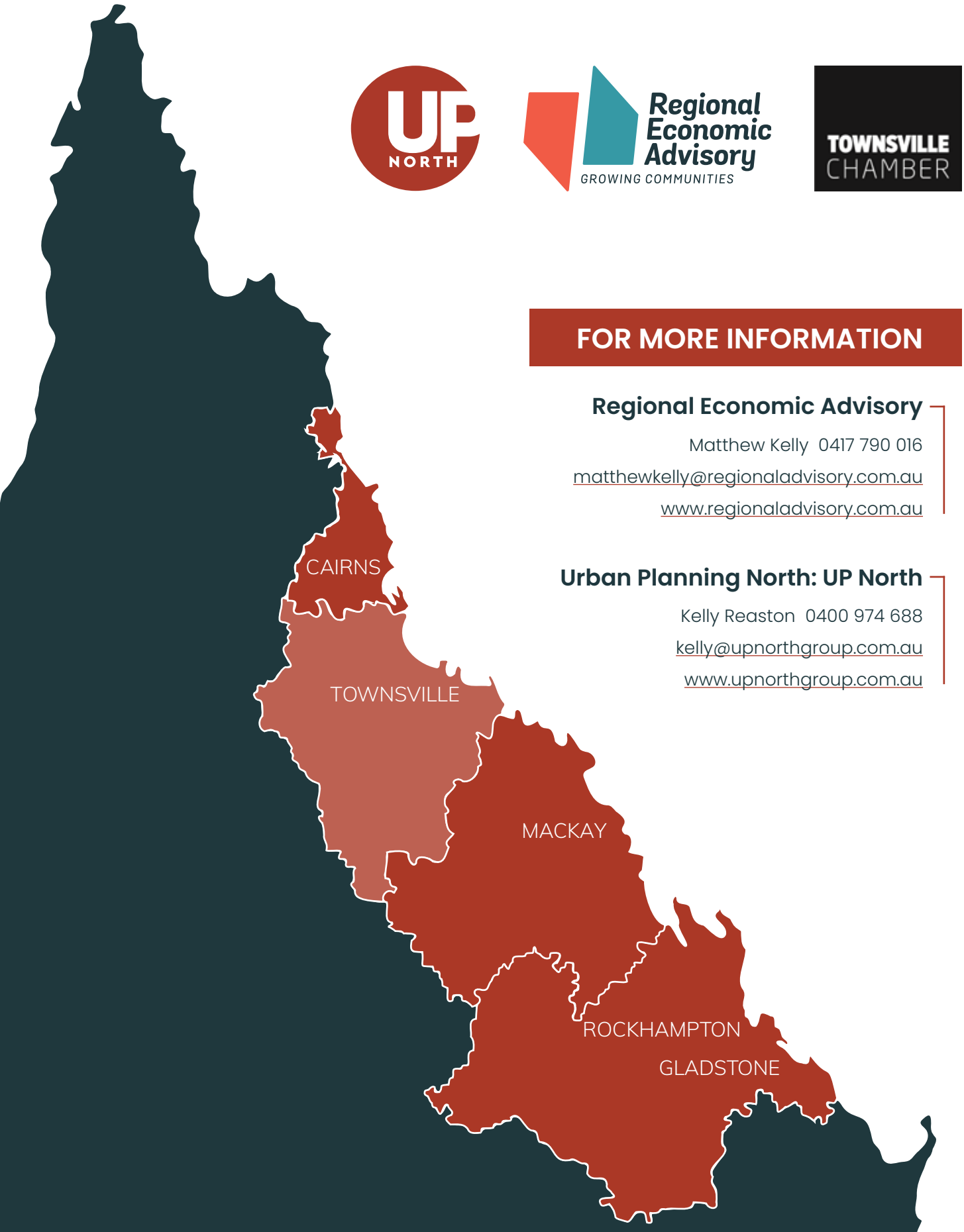
2 Planning for our aging population:

This includes developing viable future public transport options and shifting thinking away from planning around work commutes towards self-sufficient communities where everything is within walking distance.

We also need to consider a shift in consumer preference for "baby-boomers" away from assisted living towards lifestyle communities that are vibrant and dynamic.

3 Gentle density:

Currently a popular planning buzzword that has the attention of the Queensland State Government and we agree it has merit when it comes to our regional centres. The concept is increased density uniquely designed to suit the transformation and growth of neighbourhoods and communities in which it is developed to respond to consumer preference. Think townhouse developments, small lot product, and anything which moves away from your typical detached home and creates incremental density in a community.



FOR MORE INFORMATION

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