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FOR HOMEBUYERS, INVESTORS & PROPERTY PROFESSIONALS

What effects can tourism have?

This month we asked five experts, how much impact do you think tourism can have on property investments?

SAM SAGGERS
POSITIVE REAL ESTATE

Like any market, if it's more exposed to one system of economics it can be very vulnerable to ups and downs based on the performance of that sector. Tourism markets can be very seasonal market places. A high Australian dollar sees more tourists head overseas and less money coming in. With less activity you have a weaker job market and then a loss of sentiment. The opposite can happen too, for example in a very low Australian dollar market, many people flock to Australian tourist spots, bringing more wealth and a surge in confidence, which usually results in higher property values or a small boom. Many of the buyers are without question buying holiday homes. In a downturn you often see that this discretionary item, i.e. the holiday home, is offloaded, sometimes at a loss. In short, I wouldn't recommend holiday market places or tourism-only areas or suburbs, especially the epicentres. Somewhere like Surfer's Paradise, with its many units, is very turbulent at times. Broader based economies with more than one centre of activity are always much smarter investments.

HELEN COLLIER-KOGTEVS
REAL WEALTH AUSTRALIA

The problem with tourism is that it directly correlates to household disposable income. So, when times are good people travel but when there are downturns in the economy, people tend to tighten their belts, and holidays become the first casualty of it. Therefore, if you have an investment property in a town that solely relies on tourism, you run the risk of long vacancies if people decide to not take a holiday.

“When there are downturns in the economy, people tend to tighten their belts.”

My advice is to stay away from tourism towns and focus your investments on areas that have multiple industries and a history of long-term growth. This will lower your risk and ensure you enjoy sustainable growth for the future. When downturns occur, be sure to have a buffer in place to ride out any economic storms.

CAM MCLELLAN
OPENCORP

I segregate the big four capital cities into two, Sydney/Melbourne and Perth/Brisbane, to understand the drivers behind their economies. Sydney and Melbourne's economies are primarily driven by business activity. Sydney's the predominant business capital so when the economy lifts, Sydney prices move first, followed by Melbourne. So when considering property charting and looking at pricing movements I use Sydney as a lead market indicator. Perth and Brisbane, however, are driven by mining and tourism. Following the GFC, people tightened their belt and the tourism industry ground to a halt, which meant both of these markets' price growth stagnated for long periods. In fact Brisbane's only just now getting over the fallout. I suggest staying well away from regional areas for which the main employment generator is tourism. While these may seem like a great place to invest while you're on holidays strolling up the beach with coffee in hand, when the economy falters and the tourism industry dies, prices take a sharp turn down and vacancy rates are high meaning investors will be covering huge holding costs on their poor investment.

JOHN LINDEMAN
PROPERTY POWER PARTNERS

Each year, around 2.5 million overseas tourists pump more than $6 billion into the economies of the areas they visit. Tourism can engage whole communities and revitalise local economies, creating new local businesses providing accommodation, food and dining services, recreation and entertainment, guided tours and travel, clothing and souvenirs. The Bureau of Tourism Research Australia estimates that the demand for new jobs can be up to three times the number of tourist arrivals during tourism booms; mostly part-time and casual employment suiting younger people attracted to such coastal and country tourist areas for the lifestyle. The first effect on local housing markets is the rise in rental demand, which these young opportunity seekers create, leading to rental shortages. This is often followed by an increase in demand for owner-occupied housing from the owners and managers of new tourist-related business enterprises. Rent rises followed by price rises are the result and in order to benefit as property investors, we just need to know which destinations the tourists of the future will favour.

LIZ STERZEL
PROPERTY WIZARDS

Tourism can have a positive impact for investors as increasing visitor numbers leads to new employment opportunities in tourism-related industries and stimulates migration. These economic drivers create demand for accommodation, placing upward pressure on both property prices and rents. Currently 100,000 people are employed in tourism-related industries in Western Australia, for example, with new opportunities arising as Perth's tourism market grows. More than $3 billion is being spent in Perth on 4,000 new hotel rooms over the next five years; an excellent indicator of expectations as large hoteliers will only invest where they expect sufficient growth and demand. Migration is boosted when visitors enjoy the outdoor lifestyle and look for a way to stay. People are drawn to tourist areas for the weather and the easygoing way of life, as well as the job opportunities.

“Large hoteliers will only invest where they expect sufficient growth and demand.”