

COUNTRY ALLURE WILL ENDURE

Tree change City folk have flocked to regional towns in record numbers during the pandemic. Is the trend a flash in the pan? Perhaps not, writes Larry Schlesinger.

It is a trend that could reshape regional economies for decades to come. Record numbers of Australians are turning their backs on pandemic-hit big cities, taking advantage of being able to work from home, and relocating to commutable country towns and their lure of open space, fresh air and cheaper housing. This, in turn, is creating new jobs and business opportunities.

In April to June last year – the first three months of the lockdown – capital cities suffered a net loss of 10,500 people, the largest quarterly decline on records going back to 2001, official data shows.

September quarter figures, due for release next month, will likely show further evidence of the flight from city to country, given the extent to which regional property prices have surged in the past year.

Regional property values jumped 6.9 per cent in 2020, more than three times the 2 per cent figure of the capital cities – reversing a 15-year trend of regions underperforming their metropolitan neighbours.

In December, regional house prices gained 1.6 per cent – the most in 17 years – with record prices achieved in NSW's Hunter Valley (\$453,000), and in the Victorian cities of Bendigo (\$437,000), Ballarat (\$437,000), Warrnambool (\$367,000) and Shepparton (\$303,000), CoreLogic and CommSec research shows.

"Regional home prices continue to outpace capital cities and house prices are outpacing apartment prices. Both reflect COVID-19 effects, especially the new reality that work can be done anywhere and at any time," says CommSec chief economist Craig James.

Many of Elders' regional offices recorded double-digit growth last year in the number of sales transacted, says Belinda Connor, head of residential real estate at the rural specialist company. Homes were snapped up a day or two after hitting the market at significant premiums to the listed price.

"People seeking a lifestyle change used the pandemic and the trend towards remote working as the catalyst to make a move to regional centres with excellent infrastructure. Families selling up in expensive capital city locations and buying, sometimes sight unseen, in regional hotspots is becoming commonplace," she says.

Among those who made the move out of the capital cities this year was Alex West, CEO of broadband provider Swoop.

Previously residents Sydney's north shore, West and his wife Joanne – both 43 – bought a farm in the Hunter Valley, two hours up the M1 motorway, in December, after selling their Sydney home in October and a short spell living on the Central Coast.

The Wests and their three children are now happily ensconced among the valley's mountain vistas and famous vineyards, with busy city life a rapidly fading memory.

"The move now has very little impact on my day-to-day working life," says West. The structure of my day is the same, with the exception that the number of in-person meetings has been reduced and replaced by virtual meetings.

"It's somewhere we plan staying for the foreseeable future as a family."

It's not just regional house prices that are rising as city residents compete for often limited stock in previously quiet country towns.

Job vacancies – another key indicator of economic activity – are growing at a much faster rate outside the capital cities, according to the Regional Australia Institute, a not-for-profit think tank.

RAI's research shows job vacancies advertised across regional Australia hit a record high of 54,000 in October, up 7.4 per cent on September, and a 13 per cent increase from the year-earlier month.

Mainland capital city job vacancies also recovered in October, but are still down

Draw card

Key indicators of change

HOUSING HOTSPOTS	Median price (\$'000)	Change 12mths to Oct. 2020 (%)
Launceston & North East Tas	365	+10.5
Illawarra	711	+9.6
Sunshine Coast	681	+8.1
Newcastle & Lake Macquarie	601	+8.0
Gold Coast	682	+7.2
Wide Bay (Qld)	309	+7.0
Central West NSW	370	+6.7
Southern Highlands & Shoalhaven	620	+6.0

JOB VACANCIES	At Oct. 2020	Change 12mths to Oct. 2020 (%)
Regional Australia	54,512	+12.9
Regional NSW	17,452	+35.3
Regional Vic	5,785	-11.0
Regional Qld	15,795	+11.3
Regional SA	1,370	+28.6
Regional WA	4,709	+25.7
Capital cities	103,581	-20.7

LEAVING THE CITIES	Net internal migration, June quarter
Sydney	-5964
Melbourne	-7957
Brisbane	+3210
Adelaide	-178
Perth	+413
Hobart	-44
Darwin	-207
Canberra	+243
Total	-10,484

SOURCE: CORELOGIC, REGIONAL AUSTRALIA INSTITUTE, ABS



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Andy Peters, Melbourne property developer

20.7 per cent on a year ago. Kim Houghton, chief economist at RAI, says the regions were much less affected earlier on by the pandemic and that, consequently, economic activity broadly has been much stronger than in the capital cities – except in areas reliant on international tourism, such as Cairns.

"Mining has done really well to keep its workforce active and the agricultural sector [supported by high commodity prices and good seasonal conditions] has also done really well," Houghton says.

"Job vacancies are real numbers. They are jobs that need filling... they drive the movement of people to regional places."

Importantly, Houghton points out, almost half the vacancies in regional areas are for

highly skilled tradespeople and professionals, including in the automotive, engineering, construction, medical and legal sectors.

"There's been a real shift in the regions. Low-skilled jobs dominated 10 years ago."

According to Houghton, if these jobs are filled, it can "create a spiral of success", bringing in the soft infrastructure, including healthcare and education, that make regions more attractive to other employers.

Among those who see potential in country towns is 32-year-old Melbourne property developer Andy Peters. In October, Peters, his fiancée, Crystal Kimber, and business partner David Powell opened a high-end wine bar in Nagambie, a pretty Victorian town of about 2000 people surrounded by wineries and horse studs, 90 minutes up the Hume Highway from Melbourne.

Called Eighteen Sixty (a nod to the nearby well-known Tahbilk winery founded in that year), the wine bar serves only regional wines, complemented by an Italian menu of pastas, cheeses and desserts.

While initially its 38-person indoor capacity was reduced to 10 because of COVID-19 restrictions, Peters says the business is now "flying".

"We're open Thursday to Sunday and

most days we have periods where we are booked out," he says.

"We're getting a high amount of local patronage, but our peak periods are coming from overnight visitors and day trippers."

Following that success, the trio has expanded into the adjacent vacant shop, which is being fitted out as a café and provedore.

The rents are a fraction of what they would pay for retail space in Melbourne; and the local council has been extremely supportive of their efforts to add a dash of sophistication to Nagambie's High Street.

"We see this as a market that is only going to grow stronger," says Peters.

"Two good homeware and gift stores have opened on the main street and they are both trading exceptionally well," he adds.

"We're looking at further opportunities in this northern Victorian corridor, which is undersupplied with good quality offerings."

"Towns close to Melbourne have a huge amount of growth potential," he says.

Developer Matt Belford, who heads one of Victoria's biggest private developers, ID Land with co-founder Jeff Garvey, is also confident the regional boom won't be a flash in the pan. ID Land has almost a third of its project pipeline in regional areas, including Willow, a \$250 million housing estate in Gisborne in the Macedon Ranges – about an hour from Melbourne.

Last month it paid \$40 million for a 37-hectare site in Armstrong Creek, on the outskirts of Geelong.

Supported by generous government incentives including HomeBuilder and regional grants for first home buyers, sales are booming, with about a quarter of buyers coming from Melbourne.

"The last three-four months we've had our best sales results in the 11 years of the business," Belford says. "COVID has opened up people to the idea of making the move out of Melbourne, and more will do so."

But it also creates headaches for regional councils that never saw COVID-19 or the

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