Gold Coast development: A special case or same old city factories?
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Abstract
Despite its size and rapid growth, the Gold Coast has not received as much attention from urban analysts as have other Australian cities. This situation is being rectified to a degree with growing interest in the area. One emerging question which interests researchers is whether the Gold Coast is different to other Australian cities. Given the association that the city has had with the property development industry, it is pertinent to ask a question that is relevant to urban governance, managing urban growth and urban morphology: “Is the Gold Coast development industry different?” This paper begins to answer this question setting out the broad dimensions of the issue in an investigative framework, and offering a preliminary response using secondary sources.
Introduction

Urban analysts have recognised, from time-to-time, the role of real estate development (henceforth referred to as development) in shaping cities. In Australia, there is Daly’s (1982) dissection of a development cycle in “Sydney Boom, Sydney Bust” while internationally, Fainstein (1994) has focused on the industry’s role in London and New York. Yet, while development is important in shaping Australian cities, no Australian city and few in the world are as synonymous with, and linked in the public imagination with development as Queensland's Gold Coast. Moreover, the reality appears to match the imagination. The name itself, formally adopted in 1959 as the ‘City of the Gold Coast’, was promoted by developers (Moore, 2003, 193). The developer of the first successful subdivision 'Surfers Paradise Estate' in 1917 created its centre’s iconic name (Moore, 2003, p. 191). Accounts of the Coast’s history, growth and culture focus on development and developers, referring to individuals by name (eg Moore 2003; Hadju, 2005; Kilmartin, 1966; McRobbie, 1966) and while development perspectives have been taken on various cities, the Coast’s history is written as if it were a history of development and of individuals like Stanley Korman who "strode like a giant across the Gold Coast scene". (McRobbie, 1966, 43). More recent giants to stride the same scene include Michael Gore, Alan Bond, and Solheil Abedian.

The Gold Coast has grown from a few settlements, which in 1961 had 33,716 people, to become Australia’s 6th largest major urban centre with a 2006 population of 565,311 (ABS, 2008a). (The Gold Coast City Council area had a slightly smaller 2006 population of 472,279.) Despite its size and rapid growth, it has received less attention from urban analysts than have other Australian cities, but interest is growing. One emerging question is whether the Gold Coast is different to other Australian cities. Given its association with development, it is pertinent to ask a question
that is relevant to urban governance, managing urban growth and urban morphology: “Is the Gold Coast development industry different?”

The question implies that development industries differ between places. But there is very little in the literature that would predict or explain such difference. There are models of the development process which posit that processes are highly variable depending particularly on the development sector, the development product (e.g., vacant residential lots compared to house and land) and the institutional context (Ganderton, 1994; Gore & Nicholson, 1991; Healey & Barrett, 1990; Healey, 1992; Healey 1991). They do not, however, suggest that industries themselves (as distinct from the processes) would differ from place-to-place.

Second, some literature contends that despite growing scale of corporations, the capacity for development industry globalisation is limited and it remains largely a local industry, where local information and contacts are important for success (Logan, 1993). It follows that there might be resulting differences in industries between places.

Third, some geographically limited empirical work shows that the outlooks, attitudes and inclinations of developers can differ from place-to-place - although the mechanism is not articulated, other than to say that that some types of developers are attracted by, and in turn influenced by, particular places (Coiacetto 2000). The final pointer in the literature, is that Guy and Henneberry (2002; 2000) have proffered a cultural explanation – challenged by Ball (2002) - for UK inter-regional differences in developer investment levels.

To ascertain whether the Gold Coast industry is different this paper will outline the key characteristics of development and then ask whether, in relation to the selected characteristics, the Gold Coast stands out in some way. For example, in an industry noted for its conservative nature, is the Gold Coast industry innovative? In an industry noted for its volatility, is the Gold Coast
industry particularly so? A comprehensive comparison with all Australian cities—especially in light of the availability of data, problems of secrecy associated research in development (eg. Healey & Barras 1990, p. 99) – is beyond the scope of this paper. The scope here is also to make a preliminary investigation to see whether the question is worth pursuing further and is based on existing available sources including popular histories, often written in a promotional tenor, scholarly literature, and some statistical data. The paper begins by considering key characteristics of development. After outlining the Coast’s urban form and structure it then examines its development industry in terms of some of the described characteristics of development.

Development is sometimes considered a special industry (eg Fainstein 2001, pp 197-218). In market-based economies it is a high-risk industry operating in a unique imperfect market area where property values are difficult to establish and where buyer and seller psychology affect prices (Adams, 1994). Demand and supply conditions are extremely difficult to predict. Land assembly can be complex and characterised by secretive dealings and negotiations to prevent developers’ intentions being known. The process involves risk and uncertainty concerning matters such as funding, interest rates, approvals, construction timeframes, development costs and site conditions. Projects involve long lead times but once commenced often require irreversible commitments of large amounts of resources. However, opportunities offered by site availability or market conditions are fleeting and decisions have to be made in the absence of full information (Whitehead, 1987).

This risky and uncertain character of development encourages conservative, risk-averse and innovation averse development strategies. It leads to high profit expectations and attracts
particular personality types: confident, decisive and entrepreneurial. It also offers many opportunities for corruption and unethical behaviour (Dodson, Coiacetto & Ellway, 2006).

The importance of local information and local contacts to reduce risk and uncertainty has meant that development has traditionally been largely a local industry: a developer, an individual usually, operated within a given local area and had good local knowledge and contacts. The developer typically borrowed from banks or financial institutions on short-term, above-average interest rate loans that were subject to frequent loan reviews and site inspections (Logan, 1993). However, new ways to finance development permitted the growth of much larger corporate developers operating at national and even international scales, although local players remain common (Logan, 1993). Australia has seen the emergence of publicly listed firms like Lend Lease, Delfin (since absorbed into Lend Lease), Mirvac and Stockland and the arrival of international corporations like ING.

Another key feature is high volatility manifest in sometimes spectacular booms and busts (eg. Daly, 1982). Volatility has been attributed to many factors including capital switching between sectors such as between shares and property (see Beauregard, 1994; Harvey, 1985). There are the difficulties predicting supply and demand as well as other factors described earlier including the irreversible commitment to projects once started, methods of investment appraisal, lending policy and credit squeezes. Volatility has even been attributed to over-confident developer personality which leads some to ignore adverse market signals at critical times. (Whitehead, 1987)

The development process is highly variable sectorally and spatially (eg. Ganderton, 1994). Also, developers adopt different strategies with respect to matters like the geographical scope of operations, their exposure to risk, their innovativeness, decision making and the reliance on local knowledge (Coiacetto, 2001). There is also considerable variation in developer sub-market
targeting and associated strategies: for example, some specialise on narrow development
submarkets, some target a range of markets in the one location while others are more
opportunistic. (Coiacetto, 2007)

The industry is also difficult to study, partly because it is somewhat secretive (e.g., Healey &
Barrett, 1990, p. 99). Useful data such as firm output are not usually kept or accessible. Firms
constantly enter and leave the industry, especially through development cycles. It is not always
easy or possible to identify who is the developer (Coiacetto, 2009). Unlike building, for example,
many kinds of firms and individuals undertake development either on an ongoing basis or once
only, and there are no registration or certification requirements.

As the name implies, the Gold Coast is on the coast. The regional coastline forms a long semi-
continuous arcuate curve commencing in the south at the Coolangatta-Tweed Heads headland on
the Queensland-New South Wales border. It extends north to Point Lookout at the northern tip of
the great sandy island of North Stradbroke. The curve’s continuity is broken at several points by
minor headlands and estuaries. The mouth of the Nerang River sits at the southern tip of the
sandy barrier island of South Stradbroke. The Stradbroke Islands are long and narrow, widening
gradually from the south to the north. Between the Islands and the mainland lies the long stretch
of water and small low-lying islands known as the Broadwater. The Gold Coast City includes the
South Stradbroke Island while the North Stradbroke Island is part of Redland City, to the East of
Brisbane City.

Along the coast, the mainland is generally low-lying or with low hills. Inland to the west and
south-west are hillier, mostly Tertiary volcanic areas.

Urban development follows the coast in a strip from Coolangatta to the mouth of the Nerang
River and then along the western edge of the lower reaches of the Broadwater as well as on some
of the small low islands within the lower reaches of the Broadwater. The two Stradbroke Islands are relatively undeveloped. Griffin (2002) notes that urbanisation forms more or less parallel strips to the coast: the beach strip, a high-rise tower/residential coastal strip, the highway strip, the canal estates, the suburbs and the semi-rural hinterland.

A salient feature is the frequent redevelopment of some sites and not others. In the coastal strip one finds recently constructed high-rise towers on sites that may have been redeveloped three times, overlooking buildings from earlier phases of development like 70s low-rise flats, 1960s motels, and 1950s fibro shacks. The most intensively developed area is in the central coast starting from the mouth of the Nerang River at Southport and south through Surfers Paradise to Broadbeach.

The paper now examines some of the characteristics of Gold Coast development, addressing its role in the Gold Coast’s economy and some characteristics of the developers. It also addresses innovation and volatility in its industry. It concludes that there is a case that the industry there is different.

As noted, one thing that sets the Gold Coast apart from other places is that its history has been written, usually, as a history of development. Data recently published on the economic impact of the industry in Queensland and its regions (Tourism Potential, 2008) shows that the Coast is indeed development-based.

For the 2004/05 year, the report estimates the value of the Industry to the economy of the Gold Coast City area, with just under 12% of the State’s population, at $7.399B or about 18.3% of the State’s Development Industry value of $40.423B.

The report also estimates regional Queensland shares of employment by industry for the 2004/05
period using 18 industry groupings. Based on a variety of data from the Australian Bureau of Statistics and from the Queensland Office of Economic and Statistical Research the report comes with a caveat: the estimated regional impacts are “indicative, rather than representative” (p. 14).

Development is the Gold Coast City’s 2nd biggest employer accounting for 14.4% of jobs. This is placed behind Retail Trade (15.5% ca), and followed by Property and Business Services (excluding Development Industry) (11.5% ca) and Manufacturing (10.5% ca).

By comparison, the Development Industry is:

- Queensland’s 4th biggest industry having a 9.5% share of employment after Retail Trade, Manufacturing, and Property and Business Services;
- In 4th place at 10.3% in South East Queensland;
- Brisbane City’s 6th biggest industry with a 7.4% share; and
- In 13th place in Queensland’s Western Region which covers roughly half of the State’s land area from the Gulf to the southern borders.

But while development indeed underpins the Gold Coast economy, it is surpassed by the Sunshine Coast where, at 16.6%, development has the highest employment share of all its 18 industry divisions.

While the history of the Gold Coast has been written as a history of development, it has been written as a history of individual actors rather than as an abstract industry. Accounts tend to present the early developers as small, entrepreneurial, risk taking and even heroic businessmen. Jones, for example, lamented their demise:
Much of the charm of the Gold Coast came from the small entrepreneurs such as Bernie Elsey, Bruce Small, Stanley Korman and other small operators who took risks and often failed. The 1980s is seeing a new type of capitalism. Investments are on a far greater scale, often involving several hundred million dollars in the one development. Sophisticated market research and complex American entertainment technology mean that the small operator is now less important. There is risk that big capitalism is as bureaucratic and boring as big government and the Coast may lose some of its charm. (Jones, 1986, 8)

This small development/small business theme is echoed elsewhere (McRobbie, 1966, 111-114; Mullins, 1984). However, despite claims therein to the contrary, popular historical accounts actually show that the Gold Coast since the 50s has been the site of big investments in apartment buildings and canal estates. (see Jones, 1986, 24-32; McRobbie, 1966, 34, 47; Kilmartin, 1966, 38-41). Bruce Small, a migrant from Melbourne in the 60s, for example, developed 1000 hectares of land, mainly in canal estates, like the Isle of Capri, Sorrento, Benowa, Cypress Gardens, started the “meter maid’ promotions and became mayor in 1967 (Jones, 1986, 29). The Chevron Hotel, with its first stage completed in 1958, cost over 2,750,000 Pounds and the developer, Korman, flew in 200 interstate guests in 1960 to promote it, not a cheap feat at the time. Kilmartin (1966, 38) noted that the success of large developers possibly encouraged smaller firms to enter the industry.

Over time, the scale of projects, like elsewhere, grew. By the 80s some of the proposed estates were in the hundreds of hectares or hundreds of millions of dollars: Gaven Forest, a $400million large lot satellite city of 25,000; Hope Island on 200 hectares proposed to be the Coast’s first international standard fully self-contained themed resort and Robina, a $1.2B proposal for a 1,600 hectare satellite city of 60,0000 (McRobbie, 1984, 274-293).
However, whether the Coast’s industry is more concentrated than elsewhere in Australia, and what has been the role of smaller operators and how the mix has been and changed over time, are difficult to tell. Unlike other industries, measuring concentration in development is methodologically problematic and extremely rare, while geographically comparative measures are seemingly non-existent (Coiacetto, 2009). However, it does seem that the same large national developers that are dominant elsewhere in Australia are now dominant here: Stockland, Delfin-Lend lease, Mirvac, and Brisbane firm, Heritage-Pacific: it would seem the Coast is and never was the realm of small operators.

It does seem, however, that from early days, the Gold Coast has been a Mecca for flamboyant developers. Showpiece developers are those motivated by status, the desire to produce quality or to stand out in some way, sometimes to the neglect of market research and risk and detriment of return, and have access to funds to do it (Coiacetto, 2001). People seeking to make a mark were attracted from the earliest days by the name ‘Surfers Paradise’, individuals like Korman with “a desire for sunshine and luxury” (Mc Robbie, 1966, 52). Names such as Michael Gore, Soheil Abedian, Christopher Skase and the Versace family are well known. The many Japanese investors of the late 1980s boom were motivated by the high status afforded to property and to golf club membership in contemporary Japanese culture and a desire to produce landmark developments of the very highest quality (and sometimes attracted by relatively laid back Australian lifestyle). (Hajdu, 2005) Backed by ready funding, the Coast attracted an array of players from both development and non-development backgrounds including pop stars, fashion designers and plastic components manufacturer Nifsan, one of the few Japanese developers still creating landmarks on the coast (www.nifsan.com.au/).
Usually showpiece developers are motivated to produce developments that are atypically innovative (Coiacetto, 2001):

- In 1952 a “Chinese syndicate” built the first serviced apartment (McRobbie, 1966, 23);
- In 1955 the Surfers Paradise Motel was only one of 3 in Australia (McRobbie, 1966, 24);
- The Gold Coast also was forward in creating large world-class hotels with in-house entertainment from the late 1950s (McRobbie, 1966, 43-51);
- In 1957 the then Albert Shire, now amalgamated with the Gold Coast City, approved a canal estate which “was considered almost unbelievable in those days” (McRobbie, 1966, 32);
- Techniques for development of ‘normal estates’ through site levelling and preparation were also pioneered then (McRobbie, 1966, 32). Stanley Korman pioneered the transfer of full-grown trees from growing point to the Chevron Hotel (McRobbie, 1966, 49);
- The 1966 construction of a 10 storey apartment block ‘The Sands’ placed the Gold Coast as a pioneer of individually saleable strata titled apartments (McRobbie, 1966, 25);
- Queensland's tallest contemporary building, a 23 storey skyscraper was started in 1966 (McRobbie, 1966, 26);
- The Gold Coast boom of the later 70s and early 80s adopted the latest technologies including spas, electronic security systems and modern building design such as view-maximising glass exteriors (Jones, 1986, 68);
- The Japanese-led boom of the late 80s also set a new and high standard for the quality of development and luxury on the coast and in Australia;
Michael Gore in 1987 commenced Sanctuary Cove, Australia’s first gated community and master-planned resort; and

The Q1 apartment tower built by the Sunland Group (Abedian) in Surfers Paradise, was according to Wikipedia, at the time of construction, the world’s tallest residential building and the southern hemisphere’s tallest building.

So the risk averseness of development does not entirely apply on the Coast. But in what sense are these developments innovative? Some developers, like Korman, a lover of all things American, built monuments to themselves. Some ideas that were regionally or nationally innovative were imported from elsewhere, often the United States: canal estates and home units. ‘Lavishness’ is also often an imported innovation: In the late 80s Japanese investors got ideas from America, California and Hawai’i which represented everything prestigious and desirable about affluent cosmopolitan lifestyles at end of 20th century producing rolled out instant golf-estate landscapes and instant landmarks like the mauve ‘Belle Maison’ (Hajdu, 2005).

While the innovations include the adoption of technical advances, the key ones have about selling more products. These include techniques to commodify property to facilitate its tradability. One is strata-titling which enabled and stimulated the production of home units, many for investment, after Queensland’s passing of Home Units Building Act in 1965 (McRobbie, 1966, 40 & 122).

The Gold Coast developers also vigorously adopted the introduction of timeshare that allow an apartment building to be broken into thousands of small tradeable shares that, however, required intensive direct marketing to sell. Timeshare began in the French Riviera in 1966 and, possibly, first introduced in Australia in 1983 on the Gold Coast which, by 1984, had 8 out of 20 Australian timeshare developments (McRobbie, 1984, 294-311).
The Coast also has also been at the forefront of promotions and marketing, especially to interstate or overseas markets. Developers in the 60s,

although they spent millions in the "boom" period in orthodox advertising, were also active in promoting "stunts" that caught the imagination of the nation and attracted their own publicity. Things like chartering special planes and flying prospective land buyers up from Melbourne and Sydney - with champagne lunches and bikini fashion parades in flight - that was a new way of inspecting a real estate development. (McRobbie, 1966, 85-86)

From the 50s big name stars and special events were used to sell developments or promote the Coast itself (McRobbie, 1966, 83-93): pyjama parties; international airhostess quests; free prizes of accommodation for charities/TV or press competitions; golden bikini-clad Meter Maids from 1965; sporting championships; and promoting conventions to boost sales in off-season. The bikini itself is often paraded as a feature of the Coast’s history in popular accounts. Such themes continue in later years: Frank Sinatra opening Sanctuary Cove; many Japanese investors of the 80s performed promotional stunts (Hajdu, 2005); and now there is the Indy car race and its successor-to-be, the A1 Grand Prix

The role of time-share, strata titling and marketing the Coast’s development products elsewhere emphasise that its product has often been for investment from elsewhere rather than for direct local consumption as in owner-occupiers. Investment property marketing helps boost consumption beyond what the rental market currently wants and the Coast spawned a phenomenon known as 2-tier marketing: marketing at different prices for local and remote buyers producing sometimes more than 30% overpricing. (McDonald, 1999)

But the Coast also has smaller-scale, less showy environmental initiatives like the Couran Cove tourist resort on South Stradbroke Island and the Currumbin residential eco-village at the margins
of the coastal urban strip. Facilitated by accommodating financial supporters, these showpiece developments had practical innovations that other developers were quick to investigate.

Several themes emerge from a reading of the available historic sources on the Coast’s development cycles. Sometimes intense, these have been intrinsic to the Gold Coast since the earliest days (Box 1). Each boom and bust differs slightly. Some lessons are learned, but each or some of the cycles present a slightly new scenario. The cycles reshape the built environment not only expanding into new areas but also partly destroying and replacing existing built fabric. The busts are associated often with spectacular price falls, significant down-scaling of ambitious projects as well as a landscape of neglect or abandonment. Jones suggests the booms are often underpinned by some promotion of the land as being limited in supply and in scope for further expansion (1986, 33-34). If these are features of development anywhere in market economies, the impression from the literature is that the difference in the Gold Coast is at least one of degree.

The waves of change in the city landscape the cycles brought include the late 50s boom replacement of many weekend fibro shacks with walk-up flats (Hajdu, 2005, 127-144). The 1950s and 60s were the great Brisbane weekender and investment boom, the 1960s a canal estate boom, and the early 1960s a low-rise flats boom (Jones, 1986, 33-34). The 1971-73 boom replaced many shacks and walk up flats with a first wave of high rises and the cycle rising again in 1979-81 brought a second wave of high rises (Hajdu, 2005, 127-144). The Japanese boom rolled out an instant landscape of golf course estates as well as the luxury hotels and apartments, lavishly designed and exotically themed resorts which were often at odds with the market realities of the time, given the Gold Coast had only a small 5 star resort market.
Some available figures suggest price collapses may be worse than elsewhere:

- Prices tumbling overnight in the early 60s bust was mentioned earlier;

- ‘Monte Carlo’, an apartment block in Orchid Avenue Surfers Paradise previously valued at $10M brought $4M, luxury high-rise units at Broadbeach fell from $215,000 to $90,000 in the 1982 crash while bargain hunters from Brisbane picked up units at 1/3rd to ½ price in 1984 (Jones, 1986, 33-59); and

- Following the Japanese boom, in the 4 years after peak values in 1991, commercial property fell by 85%, residential fell by 40%, with the fall continuing throughout the 90s. Some golf resorts had spectacular falls: Sapphire Lakes at the southern end of the Coast was liquidated for 1/3rd of what developers paid. At the other end of the Coast the Shinko Corporation had spent $220million building canals and golf courses on the then remote Hope Island but in 2000 with the cycle rising and the site now less remote, it was traded for only $40million (Hajdu, 2005, 198-222).

The 2008 USA stock market crashes reverberated in share price falls in Australia around 15-16 September 2008 terminating the recent prolonged boom. However, beforehand in July, the first signs of an earlier-than-elsewhere development crash on the Gold and Sunshine could be discerned in the press. As sales lag, developers may use gimmicks to stimulate sales rather than alarm potential buyers and existing owners by dropping prices (Ball, 1983). One developer on the Coast was giving away a Toyota Prius to each of the first six land and home package buyers (Ketchell & Stolz, 2008). Some of the first developer collapses in Australia also were on the Gold Coast, just before the Australian share price fall, with the press reporting these by September 11 (Ketchell, 2008).
Table 1 is a snapshot of residential land development activity in selected Queensland Councils, at that moment, just before the crash. Queensland now has 74 Councils and publishes residential land activity data fact sheets for 23 of these. Using the most recently available data, the table compares such activity for either the June quarter 2008 or the year to June Quarter 2008, with the same period for the previous year.

The column sequence, a to f, corresponds to the sequence in which the land development process often, but not always, proceeds. It therefore presents a picture of the development pipeline through (a) lot approvals, (b) lot production, (c) registration to (d) consumption. Then come the vacant land sales (e). Not all lots are sold vacant: some have dwellings and medium density dwellings and other attached dwellings are more likely to be sold as lots and buildings in combination. The final columns (f) show building approval applications. For separate dwellings, building usually, but not always, comes at the end of the development process, that is, after lot production and so on. However, it can also sometimes come before lot approval. The move from left to right also generally represents a move backward in time: columns to the right often represent the outcomes of decisions and developments undertaken in the past.

Notably, the Gold Coast has the highest proportion of attached dwellings of any Local Authority: less than half the applications are for separate dwellings (column f).

All 23 LGAs in the June 2008 quarter experienced a clear and strong market signal: vacant land sales fell sharply compared to the same period for the previous year (columns e). The falls range
from 32.0% for Logan City, which adjoins Brisbane City, to 78.6% for the Scenic Rim Regional Council west of the Gold Coast (and with few exceptions, sale prices continued to rise despite the sales falls). However, with respect to the other figures, there is much variation between Councils despite the consistent fall in vacant land sales. For instance, lot approvals rose 438.9% in Somerset Regional Council but fell 63.6% in Fraser Coast Regional Council.

The Gold Coast experienced a decline in the volume of residential land development activity across all 6 indicators of development activity, a to f. The Gold Coast and the Fraser Coast are the only ones of the 23 LGAs to experience this consistent fall across all indicators, supporting the idea that the bust starts early in the Gold Coast.

Table 2 shows the changes in residential land activity in the Gold Coast compared to other Queensland LGAs for the June Quarter 2008, or the year to June Quarter 2008, compared to the same period in 2007. The changes are shown using the same indicators used in Table 1, namely, lots approved (a), lots produced (b), and so on. The Table shows the range of these changes as well as the median change. The Gold Coast experienced falls in all these indicators at rates that are, in every case, greater than the median change: it is in every case amongst the worst affected LGAs. The final column of Table 2 also ranks the Gold Coast experience in terms of the intensity of the falls in the residential land development indicator for the period. Of the 23 LGAs, the Gold Coast ranges from being the 2nd worst affected (i.e. having the 2nd biggest fall) in the number of approved lots (row a) through to the 8th worse affected in terms of its fall in the number of registered lots (row c).

<insert Table 2 here>
In short, the data support the view the Gold Coast is different: the bust is strong (Jones, 1986, 1-8) and early, if not necessarily the strongest and quickest in every way. This may be because:

- every boom presents a new set of circumstances and a new set of players attracted to the lure of the Gold Coast and so the experience from earlier crashes does not follow through to mitigate subsequent cycles;
- this characteristically volatile development industry is a large part of the local economy. Property booms also create their own feedback effects such as demand for housing;
- the reliance of the local economy on cycle-prone tourism with its flow-on for other sectors of the economy including development;
- the economy is largely private sector driven and lacks a significant public sector cushioning effect; and
- the industry relies on the relatively speculative and volatile investment market leading to periodic over-production.

But the ego and mindset of the ‘showpiece’ developers must also be implicated. An insightful little-known empirical PhD analysis of a cycle in Calgary, Canada argued that over confidence, risk taking and bravado are factors that led many developers to assume that success in an upswing was attributable to their own talents and to subsequently ignore the signs of an impending crash by continuing to develop, thus exacerbating oversupply. (Whitehead, 1987)

The Gold Coast historically has no shortage of big, risk-taking personalities. Jones (1986, 1-8) describes them as rich entrepreneurs, non philanthropic unlike their American counterparts, and ostentatious. Even in the 1950s and 60s the enthusiasm of these early developers was probably too far sighted, as great numbers of residential lots were prepared for the market, some in areas that would have required the
Australian population to have doubled to allow the absorption of the thousands of home sites that were offered for sale. (Kilmartin, 1966, 38)

Kilmartin’s popular history is empathetic to the developers. Jones (1986) who lauds their entrepreneurism says they built a city ahead of demand. For example, he presents Korman, the 1950s developer of the ambitious Chevron Island development, and the first large Hotels, Lennons in Broadbeach and the Chevron Hotel, as a visionary risk taking entrepreneur who represented the successful migrant whose drive, energy, and vision were transforming Australia. He was unashamedly American in his values, a risk-taker on a grand scale, providing an exciting symbol for more timid southerners, especially the Melbourne financial establishment who had grown unenterprising because of a lack of competition. (Jones, 1986, 25)

But by Jones’ own account, Korman’s projects were 10 years ahead of demand and by the early sixties, the entrepreneur, like others to follow, was failing, and moved to the USA.

Ignoring the warning signs of impending disaster, or indeed any signs, is most spectacularly evident with the Japanese investors of the late 1980s.

It was as if the constriction of the frugal Japanese culture had suddenly been released and the world was their oyster. A tradition of caution and hard-nosed ways of making business decisions appeared to be thrown to the wind as more and more Japanese with their wallets full of the hardest currency in the world flew out of Tokyo, Kansai, Nagoya, Fukuoka and Sapporo to acquire and develop land and property. This was a dream that until recently had been beyond their dreams. (Hajdu, 2005, 99)

Lenders downplayed experience in lending. Loans were used to buy land which created collateral to borrow to buy more land. Driven by the status attached to land and its ownership, competitiveness and the importance of aiming for highest possible standards in everything, many
ignored advice and payed far too much for development sites and lavish developments and ignored signs of impending crash. The bust was assisted by the credit squeeze and interest rate rises designed to reduce inflation in Japan and the fact that golf club membership, a development-funding mechanism, was becoming less desirable (Hajdu, 2005, 198-222). Reduced funding made property deals harder to close so values fell so collateral value reduced which made it harder to borrow. But Hadju notes that Japanese developers did not cut and run like other local developers had learned to do in the past. Japanese developers were involved for some time in many projects that are still or becoming landmarks now: Ephraim Island; Rivage Royale; Daikio Palm Meadows; and Sanctuary Cove. (Hajdu, 2005)

As the present crash unfolds the fate of many developers is unclear though the current endangered list includes: the Raptis Group owing creditors almost $1B (Klan, Anthony. 2009, 4th February. The Courier Mail, p. 34), Octaviar, City Pacific financiers and developers, and Craig Gore son of developer Michael Gore owing creditors $145M (Cranston, Matthew. 2009, 13th February. Australian Financial Review, p. 35).

In conclusion then, there is sufficient evidence for a prima facie case that the Gold Coast development industry is different. This suggests that there are a number of questions that are each worthy of its own individual account. Is the structure of the Gold Coast development industry different? Is the industry more prone to greater transience in the entry and exit of players in the industry than elsewhere? Is the industry more innovative than other industries? Are development cycles more intense on the Coast?

Another worthy question not considered here – being particularly difficult to investigate given the secretive nature of the industry and sensitive nature of the topic - is whether the Coast’s industry is relatively corrupt. The sources used in this paper mention possible conflicts of
interests and close links between Council and developers from the earliest of days (Jones, 1986, 29), convictions for tax avoidance schemes, money laundering and other forms of channelling funds into development in 1985 (Jones, 1986, 51-53), poor or unsafe construction and/or cheating on building inspections in the late 70s early 80s boom (Jones, 1986, 62-70), a history from the earliest days of failed developers cutting and running, and finally two-tier marketing supported by the valuations of amenable professional property valuers.

What also are the implications and lessons of the above for the nature of the built environment and for urban governance? These include pressures on planners and the quality of decision-making in the shifting environment of intense development cycles; the mismatch between supply and demand (as at august over 20% of office space was vacant); the mismatch between consumer requirements and the outputs of producers intent on creating showpieces; as well as the employment, economic flow-on effects and the social consequences of severe development downturns.

Finally, there is scope for theory development, particularly on two fronts. One is a theory to explain industry differences in space. The other, on a global scale, is the role that development in places like the Gold Coast might play in capitalism. Are places like the Gold Coast and Southern Florida the risk-testing incubators of innovations that produce broader advances in the industry or that herald in new phases of consumption and capitalism? Or are they the locales, the safety valves perhaps, for capitalism’s worst excesses and failures?

Acknowledgements

I wish to thank the two anonymous referees for their comments which helped improve the paper.
References


Box 1: Development cycles in the Gold Coast in outline

Early 1950s: the lifting of wartime building restrictions sparks boom (Kilmartin, 1966, 37).

1957-60: development and prices boom (Kilmartin, 1966, 37-38) ending with a credit squeeze of early 60s hitting "most estate developments hard. Prices tumbled overnight, particularly in estates in outlying areas" (McRobbie, 1996, 34). Developers floundered, hotels failed or were taken over and investment in luxury hotels in tourist areas became unattractive investments (McRobbie, 1966, 59). Publicity stunts, TV advertising, free flights to sell Gold Coast land to people in other states dried up. Confidence in the Gold Coast was partly restored by the parade of big name stars to the Chevron Hotel in 1963 organised by its newly appointed manager.

1966: the cycle was picking up again (Kilmartin 1966, 37) but with downscaled developments. "Homes, often not quite as lavish as the developers planned for their estates, are beginning to take the deserted look from most estates and tree-planting by home owners is beginning to put some greenery back into areas that were stripped of natural growth by the developers." (McRobbie, 1966, 34). Development and tourism slumped after great 1974 floods, a series of cyclones and serious coastal erosion (McRobbie, 1984).

1979-82: the next boom crashed in 1983 (McRobbie, 1984) A combination of factors produced a speculative frenzy and oversupply of high-rise apartments. Tax deductability of interest rate costs on mortgages and also tax-free capital gains encouraged investment in property. This was exacerbated by speculative activity: the ability to purchase apartments speculatively off the plan at fixed prices with a tiny deposit and resell at a higher price before having to settle. This was fuelled also by ample media attention on the growing skyline, developers talking up the shortage, and probably the channelling of funds into development from ‘bottom of the harbour’ tax avoidance schemes and other venture which the Gold Coast appeared to lead (Jones, 1986, 33-59).

Late 1980s: the Japanese-led boom peaked in 1989-90. An array of status driven agents arrived backed by easily obtained funds from a range of sources including the pre-sale of expensive golf club memberships; the wealth generated by the Yen revaluation, a keenness to lend for property without asking questions; and the status conferred by golf club membership and ownership.

2000 to 2008: A prolonged boom underpinned partly by a resources boom and continued immigration.
Table 1: Residential land activity in selected Queensland Local Government Areas: June quarter 2008 and percent change compared to same period in the previous year

<table>
<thead>
<tr>
<th>LGA (north to south)</th>
<th>(a) Lots approved - year to June qtr</th>
<th>(b) Lots produced - year to June qtr</th>
<th>(c) Lots registered – in June qtr</th>
<th>(d) Lots consumed – in June qtr</th>
<th>(e) Vacant land sales – in June qtr</th>
<th>(f) Residential dwelling approvals - year to June qtr</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.</td>
<td>Change (%)</td>
<td>No.</td>
<td>Change (%)</td>
<td>No.</td>
<td>Change (%)</td>
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<td>655</td>
<td>-7.5</td>
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</table>

Sources: Department of Infrastructure and Planning 2009. Residential land Activity Fact Sheets: June Quarter 2008. (As updated 3 April 2009 and sourced 15 April 2009)
Table 2: Changes in residential land activity in Gold Coast compared to other Queensland Local Government Areas: June Quarter 2008 compared to same period previous year.

<table>
<thead>
<tr>
<th>Indicator and period</th>
<th>Smallest Fall LGA</th>
<th>Largest Fall LGA</th>
<th>Median Change LGA</th>
<th>Gold Coast Change Ranking out of 23 LGAs. (1 = largest fall).</th>
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<tr>
<td>a. Percent change in No. lots approved - year to June quarter</td>
<td>Somerset +438.9</td>
<td>Fraser Coast -63.6</td>
<td>Rockhampton +11.8</td>
<td>-47.9</td>
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<tr>
<td>b. Percent change in No. lots produced - year to June quarter</td>
<td>Gladstone +94.4</td>
<td>Scenic Rim -66.3</td>
<td>Fraser Coast -8.0</td>
<td>-28.6</td>
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<td>c. Percent change in No. lots registered - in June Quarter</td>
<td>Whitsunday +158.8</td>
<td>Lockyer -64.6</td>
<td>Sunshine Coast +13.7</td>
<td>-7.5</td>
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<tr>
<td>d. Percent change in No. Lots consumed - in June Qtr</td>
<td>Somerset +58.5</td>
<td>Central Highlands -58.5</td>
<td>Brisbane -5.6</td>
<td>-18.1</td>
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<tr>
<td>e. Percent change in No. vacant land sales - in June quarter</td>
<td>Logan -32.0</td>
<td>Scenic Rim -78.6</td>
<td>Moreton Bay -60.4</td>
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<td>f. Percent change in No. residential dwelling applications - year to June quarter</td>
<td>Somerset +54.6</td>
<td>Central Highlands -51.0</td>
<td>Redland +5.4</td>
<td>-1.6</td>
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</table>

Sources of Data: Department of Infrastructure and Planning, Residential land Activity Fact Sheets: June Quarter 2008. (As updated 3 April 2009 and sourced 15 April 2009)