

# Understanding City Fringe Gentrification: The Role of a ‘Potential Investment Gap’

**Brooke Wildin**

Queensland Institute of Technology

**John Minnery**

University of Queensland

[j.minnery@uq.edu.au](mailto:j.minnery@uq.edu.au)

## ABSTRACT

Discussion of gentrification has become ‘balkanised’ into a series of competing and intensely-held positions. The dichotomies are between economic and cultural explanations, supply-side and demand-side explanations and structural Marxist and liberal humanist views. Despite the long academic and policy interest in gentrification there is still no clear definition of what it is and why it occurs. However, almost all previous analyses see gentrification as an inner-city phenomenon and so deal with it within framework of inner-city theory and causation. This paper approaches the debate from a somewhat different position. It argues that gentrification, seen as the replacement of lower status and income households by higher status and income households, can occur outside the inner city. It uses clear cases of gentrification on the urban fringe of metropolitan Brisbane in South East Queensland, to explore mechanisms and explanations. The key to this ‘gentrification by the sea’ is a ‘potential investment gap’ between current and potential future property values, based on increasing demand for a limited locational resource – but instead of this being inner-city properties it is waterside land in a regional facing rapid population increase. The paper also draws attention to the inadequate recognition of the roles of the state and the media in previous analyses of gentrification.

## THE GENTRIFICATION DEBATES

Gentrification is, as Levine (2004, p. 90) notes, “an imprecise term”. Underpinning it is the classic conceptualisation named by Glass in the 1960s (Glass, 1964; van Weesep, 1994). The crux of this gentrification was the replacement of working class households by middle or upper class households.

Most authors see gentrification as complex and multifaceted, being ‘simultaneously a physical, economic, social and cultural phenomenon’ (Hamnett, 1984, p. 284). It involves “not only a social change, but also at the neighbourhood scale, a physical change in the housing stock, and an economic change in the land and housing market” (Smith, 1987a, p. 463). Smith emphasises the economic and physical changes, other authors (for example, Ley 1996, 2003) emphasise cultural change. Any reasonable bibliography on gentrification (such as that of Slater 2004a) will point to the range of divergent views on the phenomenon.

Redfern (1997a) acknowledges Hamnett’s (1991) attempt to integrate the divergent views through the use of the well-known analogy of blind men trying to describe an elephant when each can feel only part of the total beast. Redfern (1997a) however pushes the analogy to the limit and questions even whether (a) the blind explainers of gentrification are actually all describing the same animal, and (b) gentrification is really a beast other than the elephant being described.

## **Physical form**

For the purpose of the analysis being presented here some of the divergences of views assume special significance. The first is the nature of the physical change described as gentrification. Does it include only renovation of residential dwellings or does it also include the redevelopment and conversion of non-residential dwellings?

Ley (1996, p. 34) focuses on “the effects of both renovation and redevelopment”, highlighting both, while Slater (2004a) in his interesting website devoted to gentrification includes illustrations of both redevelopment of non-residential buildings and renovation of working class dwellings. Some authors, including Levine (2004), Lees (2000) and Kennedy and Leonard (2001), exclude from the definition of gentrification the redevelopment of derelict industrial or commercial buildings for residential or office use. Redfern (1997a, 1997b) limits the concept of gentrification to the refurbishment of working class structures that have formerly been abandoned by the middle class. His idea of middle class abandonment encompasses the abandonment of middle class assets such as factories and warehouses as well as abandonment of dwellings. To Redfern gentrification includes only renovation and upgrading, not demolition and replacement.

So what physical changes, then, are incorporated within ‘gentrification’? The literature is certainly ambivalent. But clearly the renovation and replacement of residential dwellings lies at the heart of gentrification, whether accompanied by conversion of non-residential buildings or not. The social implications of gentrification flow mainly from the replacement of households so this paper accepts that the core of the gentrification process is the replacement of households through the replacement, refurbishment and redevelopment of residential accommodation.

## **Class and status**

Gentrification is also seen as a transitional process, a “transient phenomenon” (Redfern 2003, p. 2353). It is the transformation of an area from occupation by one kind of resident (in this case, working class or lower income households) to occupation by another (in this class, middle class or higher income households). Levine (2004, p.91) follows Lees (2000) in excluding from the conceptualisation of gentrification the “1990s post-recession process where members of the New York financial community have used their abundant wealth to buy into already-gentrified areas”. Gentrification, under this approach, is fundamentally about the replacement of lower income residents, not the replacement of middle or higher income residents.

Descriptions of gentrification have also been coloured by the relevant author’s views on social structure, especially the notion of class (Badcock, 2001, Ley 1996, Smith 1979, 1987a). This is not the place to debate the range of meanings attached to the notion of class as used in the gentrification debate. The classic debates between Smith (1979, 1987a, 1987b) and Ley (1986, 1987) are between authors who see gentrification as a showcase for either grander Marxian notions of class and class struggle or for wider Weberian concepts of social status and cultural change. Redfern’s (2003) discussion draws attention to this distinction and its impact on arguments about causes, but after noting the power of both status and class as explanatory variables seems to rely on an economically-defined but non-Marxist idea of class.

The question for analysts that arises from this class-based debate, however, is whether gentrification is the replacement of specifically working class households with specifically upper or middle class households, or whether it is the replacement of lower income or lower status households with higher income or status households. There are both structuralist and nostalgic undertones in the use of the term ‘working class’: it implies a specific ideology of the structure of society (and economic relations) and it comes associated with notions of working class solidarity (see Slater 2004c). Notions of both class and status can find clear support from parts of the gentrification literature. This paper takes a pragmatic position. Any empirical investigation of gentrification will be

constrained by the form of the data available. At least in Australia, census data are collected on income and occupation, normally seen as indicators of social status. Thus, this paper defines gentrification as the replacement of lower income or lower status households by higher income or higher status households.

### **Processes and location**

As is abundantly clear in the literature, the main areas of disagreement about gentrification are about the explanations of its processes. The debates about these became, in the 1980s and into the 1990s, polarised into a series of what Wyly and Hammel (1999, p. 139) called “balkanised” positions. The positions could be characterised as “economics versus culture, property supply versus consumer demand, structural Marxism versus liberal humanism” (Slater, 2004c, p. 1191 citing Bondi, 1999, p. 255).

The one area where there appears to be substantial agreement in the literature about gentrification is its location in the inner-city. Explanations of gentrification are generally explanations of inner-city change. Badcock specifically identifies gentrification as “an inner city phenomenon” (2001, p. 1559). By far the majority of research into gentrification has been carried out in inner-city locations. Even if they do not actually specify this, descriptions of the arena in which gentrification occurs imply an inner-city location (although most do not specifically exclude non-inner-city locations)(Atkinson 2003).

As Redfern perceptively notes (1997a) there is implicit and mainly unidentified agreement amongst even the most trenchant streams of internal criticism that the phenomenon is linked to classical models of city change, specifically the Burgess (1925) model of concentric growth and the Alonso (1960) model of urban land use and residential differentiation. Both see growth and change of the central city as the motor for wider urban change. Gentrification poses a problem for these models because “they contain no provision for a reversal of the trajectory of demand, away from the suburbs and back to the inner city”. In fact, “...the contradiction that the existence of gentrification poses to this basic model originally spurred academic interest in the phenomenon” (Redfern 1997a, p. 1279). Whether gentrification fits these classic models or not, the fact that it is mainly perceived as a form of inner-city change connects it, both implicitly and explicitly, to other inner city circumstances. Explanations of why gentrification occurs have begun to look more widely at trade-offs and shifts in demand towards lifestyle enhancing services that are most readily available in the downtowns of major cities. Increasing incomes afford households the “luxury of buying housing in more interesting neighbourhoods” (Meligrana and Skaburskis 2005, p. 1570).

But there are other locations where working class, unemployed, lower status or lower income households are being replaced by more affluent households. Atkinson (2000, p. 149), for example, refers to two studies relating to rural gentrification, where there has been replacement of poorer rural families by richer households (see Parsons, 1980, Phillips 1993).

The research reported here started from the standpoint that the principal component of gentrification is the replacement of lower income or lower social status residents by more affluent and higher social status residents as a component of a change in the social and physical characteristics of an area (Wildin 2004). This replacement is the principal reason that community activists become concerned about gentrification.

Two questions then arise. First, does gentrification as the replacement of lower income/status residents by higher income/status residents occur outside as well as inside the inner-city? Does it have to be solely an inner-city phenomenon? It seemed likely to us that the answer to this question was that it could, in fact, occur away from the inner-city. All it would take would be for a lower-income/status area to become attractive to higher income/status residents or investors for some

reason or in Meligrana and Skaburksis' (2005, p. 1570) words, for the housing to be available in "interesting neighbourhoods" that may then "put a premium on more personable streetscapes".

If gentrification occurs outside the inner-city, the second question is whether the explanations of gentrification that are predicated on it being an inner-city phenomenon are also applicable to non-inner-city locations (and by extension, if they are not, what kinds of explanation are needed)?

These two questions provide the impetus for the research reported here.

## **THE BAYSIDE CONTEXT**

The research focused on several locations on the coast within and near the city of Brisbane in South East Queensland (Wildin 2004). None of these are inner-city locations. In each case lower income and status households have been, and are being, replaced by far more affluent households; cashed-up investors have bought housing (some derelict, some just offering improvement potential) for renovation and occupation or for re-development and sale to richer households. One suburb is also the site of State housing authority refurbishment of social rented housing for sale as freehold. But these suburbs are between 15 and 31 kilometres as the crow flies from the inner-city. The processes involved show all the characteristics of gentrification except inner-city location.

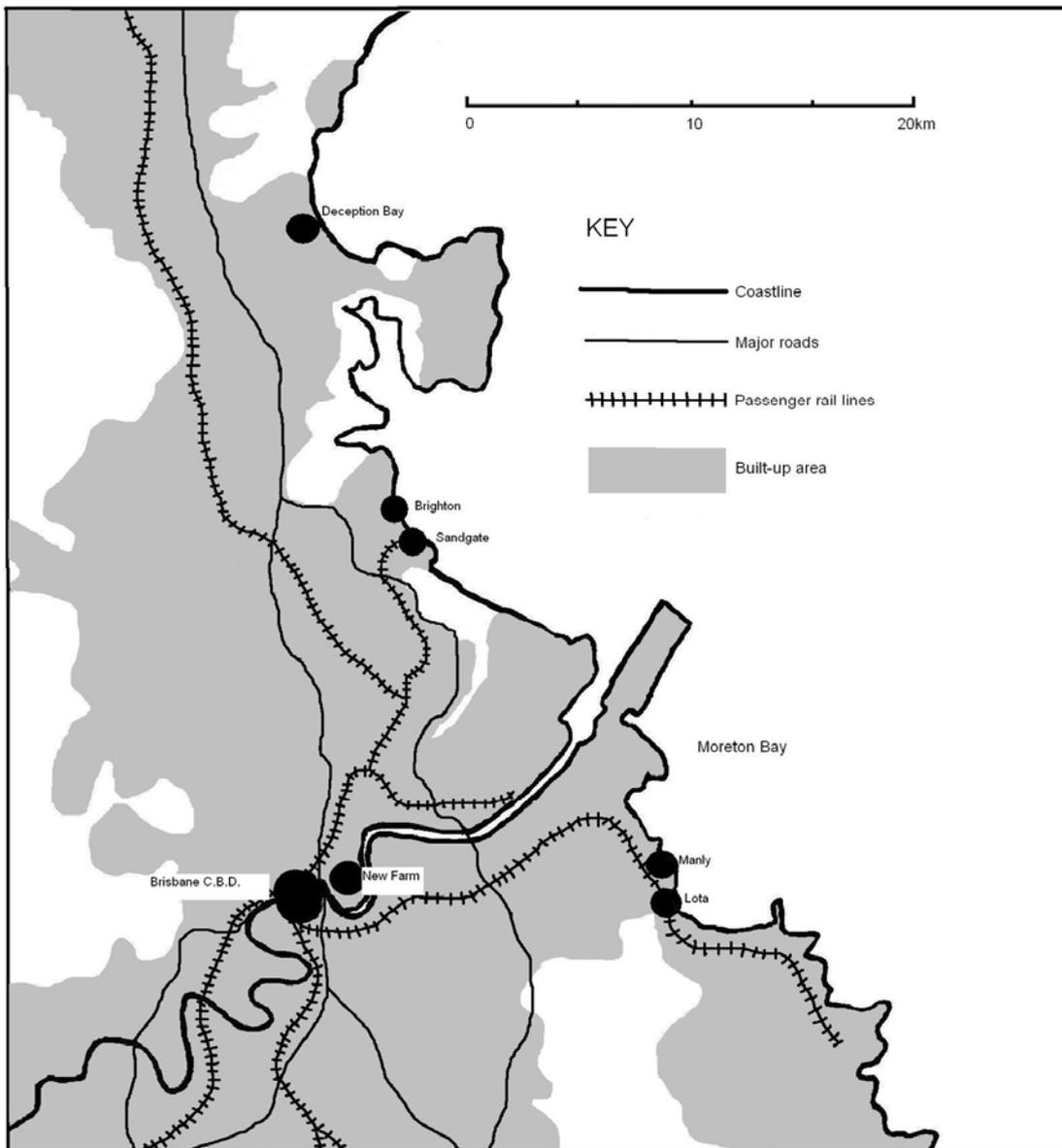
The focus of the investigation was five suburbs located on Moreton Bay within the Brisbane Metropolitan area (See Figure 1). Changes occurring in one of these suburbs, Deception Bay, triggered the research questions identified above: there was clear evidence that the replacement of lower-income/status households by far more affluent households was beginning to occur, and recent policy initiatives by the Queensland Department of Housing were reinforcing these changes. In order to better understand the processes under way, Deception Bay was compared with four other bayside suburbs: Lota, Manly, Brighton and Sandgate. Manly and Sandgate were already highly gentrified, as could be seen from physical inspection and from the relevant demographic and household data. Gentrification had more recently spilled over into neighbouring Lota and Brighton. For some of the analyses the comparison also included the already highly gentrified inner-city suburb of New Farm (see Figure 1), a suburb that fitted within the classic conceptualisation of gentrification, as a former working class and lower income suburb already colonised by trendy, higher income households, and peppered with cafes and ethnic restaurants, renovated worker's cottages and up-market apartment buildings, including refurbished industrial buildings.

The context for the gentrification of the five bayside suburbs is the attraction of coastal living in a region with high levels of in-migration. South East Queensland is "Australia's fastest growing metropolitan region" (OUM 2004, p. 4). The region as a whole grew at an average of "55,000 persons per year between 1986 and 2003" (OUM 2004, p. 6). In 2004 it had an estimated population of 2.65 million and "current projections for the region are 3,709,000 by 2026, an increase of around 1.05 million people, or almost 50,000 each year on average" (OUM 2004, p. 6). In the past the majority of this population growth has been in suburbs and local authorities along the coast, with the inland areas of the region growing more slowly than the region as a whole (OUM 2004, p. 7).

### **Deception Bay**

The focal suburb of this research, Deception Bay, was for years a neglected, outer urban suburb with a high proportion of low- and very-low income home owners and renters, including public housing tenants. It is, however, directly on the coast, with some houses on the waterfront of Moreton Bay. Deception Bay was overlooked in the scramble for coastal development opportunities (although Lota, Manly, Brighton and Sandgate were not) but more recently as the regional population increased and coastal development and re-development opportunities diminished it, too, has been 'discovered'. The parallel with the 're-discovery' of the working class areas of the inner-

city is striking. In Deception Bay the attraction is its waterfront location and its escalating value is because of the diminishing opportunities to buy coastal land; in the inner city the increasing value flows from changing demand for inner-city housing (though changing household structures, life-style fashions and appreciation of the accessibility of inner-city locations) coupled with constraints on the supply of suitable locations.



**Figure 1 Urban Brisbane and the Five Bayside Suburbs**

Deception Bay is on the outskirts of metropolitan Brisbane, although it is located within Caboolture Shire. It is some 40km by road from Brisbane’s CBD. Prior to the 1960s it was a small coastal village primarily supporting farming of small crops. Other coastal locations near Brisbane, such as Sandgate and Manly, which had good road and rail access to the city, developed during the nineteenth century and early twentieth century as seaside resorts attracting affluent households who often built grand seaside homes. A number of boarding houses for holidaying people were also built. Deception Bay suffered from poor road access and has never been accessible by train.

During the “long boom” from 1945 to the 1970s (Forster, 2004), when demand for housing escalated across Australia driven by rapid post-war population increase, Deception Bay attracted speculators who produced low cost housing and land for people who were prepared to sacrifice

accessibility in order to achieve home ownership. When the “long boom” ended one developer offered a stock of unsold lots to the Queensland Housing Commission. “The Housing Commission began building their own homes in 1974 and purchased more land for future residential subdivisions. While recognising the problematic nature of large housing estates in more central locations, from the Long Boom, the State Government continued to build 877 public houses in Deception Bay over a 15-year period to 1989” (Queensland Housing Commission 1989). The area had few job opportunities, very limited social and physical services and poor access to the city.

The insertion of public housing into an already low socio-economic status community reinforced this status and created a stigma from which the community had, until recently, not recovered. Reports in a Brisbane metropolitan daily newspaper even in 1992 quote the Deputy Prime Minister calling the suburb “Desperation Bay” (*Courier Mail* 1992, p. 5) and in 2003 the local suburban newspaper quoted local secondary school students as saying, “they looked down on us and ridiculed us as coming from ‘Decrepit Bay’, Depression Bay or Inala by the sea” (*Northern Times* 2003).

More recently Deception Bay’s coastal location has begun to be appreciated. There is a premium on waterfront land in the whole South East Queensland region. Matusik (2004) has estimated that the value of waterfront land in South East Queensland rose by 34.3 per cent, on average, over the five year period between 1998 and 2003 compared with a rise of 14.6 per cent for non-waterfront land. But there are now limited opportunities to purchase waterfront properties close to Brisbane at affordable prices. Deception Bay is one of the last places where such property is available.

The changes in Deception Bay must also be seen in the wider context of the high levels of population growth in South East Queensland, fuelled in part by migration from southern states, especially New South Wales and Victoria. With the current differences between the high house prices in Sydney (and to a lesser extent Melbourne) and Brisbane, people who sell up and enjoy the higher property values in those cities can then benefit by buying in places like Deception Bay (Midwood, 2003). Clearly average house prices vary over time, depending on cycles in the residential property market. Calculations of median values also vary depending on the sources of the data and the boundaries of the areas chosen. Table 1 (based on Real Estate Institute of Australia data) shows that median housing prices in Brisbane are somewhat lower than those in Melbourne or Sydney.

**Table 1 Median House Prices \$: Selected Australian Capital Cities**

City	March 2003	March 2004	September 2004
Sydney	460,000	520,000	475,000
Melbourne	347,000	368,000	366,000
Brisbane	265,000	345,000	300,000

Source: PRP Research Division ([www.prpaustralia.com.au](http://www.prpaustralia.com.au)) (Based on Real Estate Institute of Australia data)

**Table 2 Comparative Median House Prices \$**

Location	April 2004	Sept. 2004	March 2005
Metro. Sydney	560,000	550,000	566,000
Metro. Melbourne	316,500	310,000	315,000
Metro. Brisbane	349,000	310,000	350,000
Deception Bay	252,000	262,000	240,000

Source: Commonwealth Bank Property Value Guide ([www.commbank.com.au/propertyvalueguide/](http://www.commbank.com.au/propertyvalueguide/)) (Based on Commonwealth Bank loan information)

Table 2, based on data from housing loans given by the Commonwealth Bank, shows that someone selling a median-valued house in Sydney or Melbourne (or even in the remainder of metropolitan Brisbane) to provide the funding for a median-valued house in Deception Bay would end up with a healthy amount of capital left over. Table 2 also shows that gentrification in Deception Bay, the

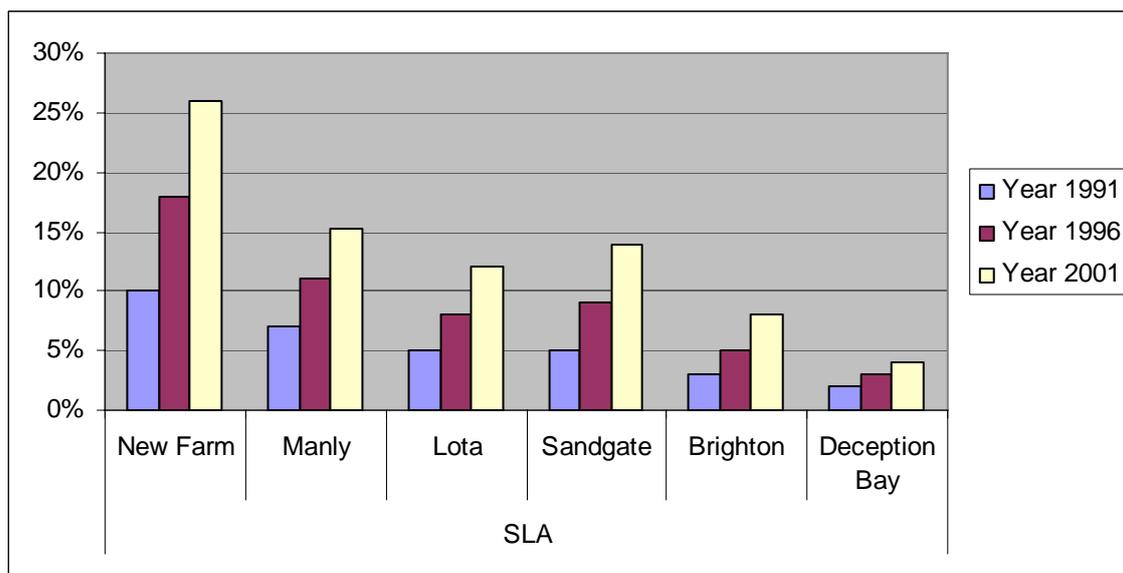
effects of which are visible to observation, is still subject to wider housing price movements that have affected the Australian housing market.

In an interview with a representative of a real estate agent (or self-titled ‘property investment company’) operating in Deception Bay in May, 2004, the representative claimed that most of her clients were “broke” or “washed up baby boomers” from New South Wales and Victoria who had spent all their money or who were now divorced and were looking to catch up in an attempt to accumulate funds before retirement. These ‘southern’ investors did not necessarily intend living in Deception Bay; they were looking for a good investment with capital growth possibilities.

The process of gentrification in Deception Bay parallels that of the way it appears in the inner-city. Inner-city lower income/status areas become desirable because of their location and costly because of their scarcity. Capital and pioneer gentrifiers appear to take advantage of the location and the scarcity, but they do this in expectation of the area changing socially and returning increased capital value for their efforts.

### The bayside suburbs

The suburbs of Lota and Brighton, next to Manly and Sandgate, were similarly gentrified but over a much longer period. Manly and Sandgate were, earlier in Brisbane’s history, attractive bayside locations that were accessible by train or road from the city. The larger dwellings there became the focus of renovation and rehabilitation in the 1980s and 1990s. The less attractive and lower income/status neighbouring suburbs of Lota and Brighton became gentrified as redevelopment capital flowed over from Manly and Sandgate.



**Figure 2 Percentage of persons who hold a postgraduate degree, graduate diploma, graduate certificate or bachelor degree.**

Source: ABS census data

Median house prices in the two areas are shown in Tables 3 and 4. The information is from Commonwealth Bank housing loans information, which is available only by postcode rather than suburb. The information is shown only for months when statistically reliable information was available.

**Table 3 Median Housing Prices \$: Postcode 4179\***

Postcode	May 2004	July 2004
4179	350,000	392,000

Source: Commonwealth Bank Property Value Guide ([www.commbank.com.au/propertyva:ueguide/](http://www.commbank.com.au/propertyva:ueguide/)) (Based on Commonwealth Bank loan information)

\* Postcode 4179 includes the suburbs of Lota, Manly and Manly West

**Table 4: Median House Prices \$ – Postcode 4017\***

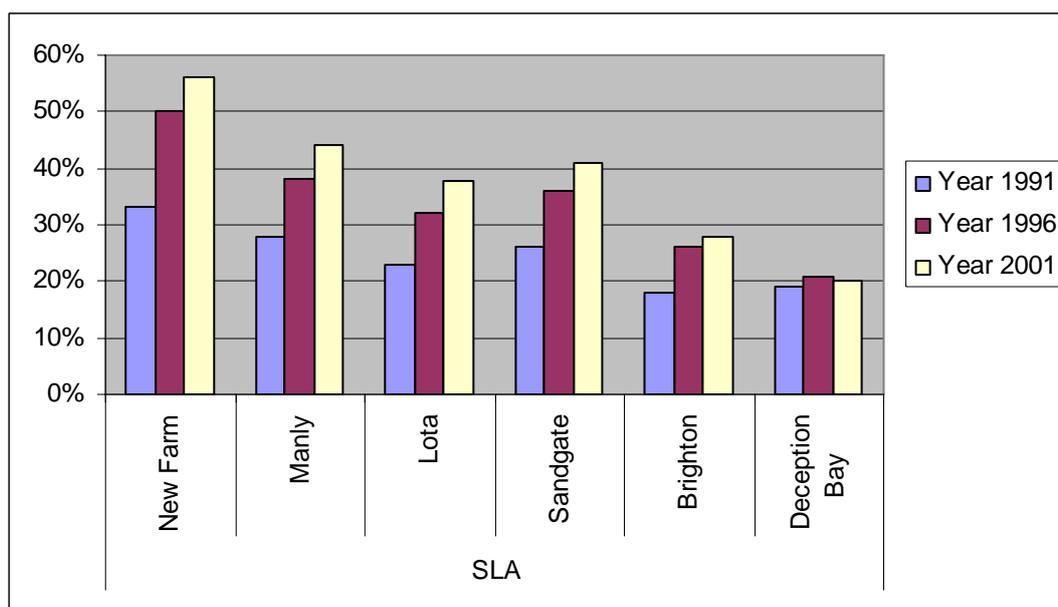
Postcode	May 2004	July 2004	March 2005
4017	290,000	312,500	320,000

Source: Commonwealth Bank Property Value Guide ([www.commbank.com.au/propertyva:ueguide/](http://www.commbank.com.au/propertyva:ueguide/)) (Based on Commonwealth Bank loan information)

\* Postcode 4017 includes Brighton, Sandgate, Shorncliffe and Deagon

Comparisons based on the 1991, 1996 and 2001 censuses of population and housing show the pattern of gentrification in the five bayside suburbs: Manly, Lota, Sandgate, Brighton, and Deception Bay. The data are show in comparison with that of New Farm, a highly gentrified inner-city suburb. All the suburbs have shown an increase in the proportion of the population with tertiary education, normally take as an indicator of the increasing social status of the residents (Yung and King, 1998) (Figure 2)

The proportion of people in professional occupations increased in all five suburbs, although Figure 3 indicates that Deception Bay was far behind the other suburbs in this trend.



**Figure 3: Percentage employed as managers, administrators, professional and associated professionals**

Source: ABS Census data

The demographic trends are clear in four of the five suburbs but the situation in Deception Bay is more equivocal - the latest census data are for 2001 and most of the change in Deception Bay has occurred since then. Gentrification is just beginning in Deception Bay; it is much further advanced in Lota, Manly, Brighton and Sandgate; it is far advanced in inner-city New Farm. The change occurring in the coastal suburbs reflects the changes seen in inner-city gentrification. The current gentrification in Deception Bay can be seen in the demolition of older, run-down houses and their replacement by newer up-market dwellings, in the improvement and sale of former Housing Commission dwellings, in the increase in median housing prices, and in the changing property market perceptions expressed in newspapers and by real estate agents.

## GENTRIFICATION PROCESSES

### Demand and supply

Do, then, the explanations given for the classic processes of inner-city gentrification apply to this ‘gentrification by the sea’?

As indicated above there are several competing explanations of the processes of inner-city gentrification. Explanations are “balkanised”. Because the life-style issues seen in ‘gentrification by the sea’ were quite different to those in the inner-city, whilst those relating to flows of capital appeared similar to inner-city supply-side explanations of gentrification, we turned first to these supply-side explanations. It was also clear that demand-side, life-style issues, had considerable impact on the trend for coastal living in the Brisbane region and so on the gentrification of bayside suburbs.

Smith’s (1979; 1987a; 1992) “rent-gap” hypothesis is an influential structural Marxist, property supply, economic explanation of gentrification. Smith claims, that it is the “essential centrepiece of any theory of gentrification” (1987b, p. 165). He argues that a building cycle develops in urban neighbourhoods so that the gap between the potential capitalised ground rent if a site were developed to its “highest and best use” and the actual ground rent realised increases to some threshold, at which point it is ripe for gentrification because it has become a profitable investment opportunity. Smith explained gentrification in terms of the movement of capital rather than of people, although he also argued that the essential outcome of gentrification was the violent displacement of the poor in the contest over city space (1992).

Redfern’s analysis (1997a, 1997b, 1998) is also predicated on supply-side explanations, although he recognises the importance of demand in addition to supply (Redfern 2003), but his analysis is applied specifically to the refurbishment of building assets abandoned by the middle classes, taken over by the working classes and then reclaimed by the middle classes.

Supply-side explanations of gentrification, such as the rent-gap hypothesis, argue that the pioneer “producers of gentrification” are primarily developers, builders, landlords, banks, real estate agents, governments and mass media, often working together (Smith and Williams, 1986).

There is clearly some explanatory power in supply-side explanations of gentrification (Redfern 1997b). The rent-gap hypothesis itself has attracted a great deal of criticism. Clarke (1987; 1988) was concerned about the confusing conceptualisation of rents involved and with the implication that the rent-gap could widen indefinitely. Ley (1986) pointed to the lack of empirical evidence for the existence of the rent-gap. Badcock (1989) found little evidence of a rent-gap in Australian gentrification. A general problem was that it was difficult to test empirically. The complexity inherent in attempts to empirically test it is well illustrated in Yung and King’s (1998) investigation in Melbourne and Allison’s study of inner-city Brisbane (1995).

An alternative supply-side explanation of gentrification is the value-gap hypothesis developed by Hamnett and Randolph (1986). This argues that gentrification arises when “a property’s value is greater under owner-occupation than under rental – or, in Hamnett and Randolph’s [1986; 1988] terminology, ‘when the vacant possession value is greater than the tenanted value’” (Millard-Ball, 2000, p. 1675). Hamnett and Randolph’s terminology and approach are appropriate for the housing system in inner-city British towns (even though it is understood their approach refers mainly to situations of home ownership); they are difficult to apply to systems with higher levels of home ownership and lower levels of rented municipal or social housing such as in Australia. In Queensland, for example, only 3.7 per cent of housing is in public rental (ABS 2003b).

There are also, as identified by Slater (2004c) and many others, a number of demand-side explanations that identify pioneers/gentrifiers such as “cultural professionals” who typically work in the public or arts sectors and support tolerance and egalitarianism (Rose, 1996; Ley, 1996, 2003; Shaw, 2002). The very notion of “cultural professionals” is redolent with the accoutrements of vibrant, inner-city living. Demand-side explanations focus on the critical role of these “pioneers”, although as Redfern (2003) notes the implications of parallels with pioneer/intrepid explorers pushing out into the dangers of unexplored territory do not mesh with the realities of extension of middle class entrepreneurs into working class neighbourhoods. Redfern (2003) is also adamant that demand-side explanations that explore the motives of the few “pioneers” who have become gentrifiers miss the voluntary and partial nature of gentrification. Not all potential gentrifiers in fact become gentrifiers.

### **The role of government**

Government intervention is a frequently neglected dimension of the gentrification analyses. As Levine (2004), Lees, 2000; Slater 2004b; Wyly & Hammel, 1999) have noted there is a connection between government policy and gentrification. In inner-city areas the state’s role has often been in initiating redevelopment of derelict areas, or providing tax incentives to encourage investment, or similar policies aimed at triggering or supporting private sector activity.

The gentrification of Deception Bay has been supported (if not initiated) by actions from both the Queensland State government and Caboolture Shire Council. The State government’s actions were through two programs related to public housing. As the Department’s recent strategic publications have noted “The public housing system in Queensland currently comprises approximately 50,000 dwellings, which have been acquired over more than half a century” (Queensland Department of Housing 2003b, p. 2). The on-going maintenance costs of this stock across the State are high. As a way of reducing this on-going burden, and as a way of making more efficient use of the reduced funds for public housing being made available by the national government, the Queensland Housing Department initiated what it called an Urban Renewal Program. This provided funding to upgrade the physical fabric of public housing stock so that it could be sold as freehold. This ‘urban renewal’ occurred wherever there were concentrations of public housing stock; it was not specifically an inner-city phenomenon. Most of the older public housing had been built since it started in the 1940s in places where the Queensland Housing Commission could find inexpensive tracts of land – often on the city fringe.

At about the same time the Queensland government also initiated a Community Renewal Program, flagged as an initiative to reduce crime. This was a ‘whole of government approach’, involving the State police and social welfare agencies as well as local governments, but targeted at large public housing estates and their surrounding neighbourhoods. The Community Renewal Program was aimed at improving the public domain of housing estates, by increasing the number of parks, improving lighting and implementing ‘crime prevention through environmental design’ measures. It was aimed at a number of public housing estates across Queensland, all of which were on the urban fringe rather than the inner-city. Unlike the situation in the United States or Britain (or even elsewhere in Australia), public housing estates in South East Queensland consist essentially of detached houses rather than high rise buildings. The Community Renewal Program was initiated through the Queensland Premiers Department and also involved several other State government agencies and local government, but the Queensland Department of Housing became the lead implementation agency. In 2003 the Community Renewal area included some 2,270 dwellings of which only 680 were then in public rental (Queensland Department of Housing, 2003a).

The public housing estates in Deception Bay were targets of both Urban Renewal and Community Renewal Programs. As part of its contribution to the Community Renewal Program the Caboolture Shire Council also upgraded the recreational and pedestrian facilities on the Deception Bay

foreshore. These actions were aimed at ‘improving’ the area and in the case of the Urban Renewal and Community Renewal programs helping the sale of former public rental housing to owner-occupiers. These were not always the original rental occupants. Real estate agents interviewed in Deception Bay in May, 2004, strongly supported the removal of public housing tenants, who one agent described as “ferals”. This removal it was felt would add to the investment potential of the area and help attract more affluent investors and residents.

As Kennedy and Leonard (2001, p. 11) note improvement itself can contribute to an area’s gentrification appeal, including proximity to more expensive developments, shopping centres, job sites or other amenities. Deception Bay shares boundaries with the private sector Delfin-Lend Lease (now Stocklands) master-planned community of North Lakes that is marketed to the middle to top-end of the freehold housing market (although it is inland from Deception Bay and does not have a waterfront location). North Lakes is developing substantial infrastructure, including a sub-regional shopping centre, golf course, schools and childcare centres. It also has plans for commercial and office facilities. The impact of North Lakes in terms of the increase in future potential capital gains in Deception Bay is difficult to quantify but would be substantial.

### **The role of the media**

As is the case with the role of the state the role of the media has been a relatively neglected component of the current debates about influences on gentrification. In fact the media perform a number of critical roles and can affect both demand and supply circumstances. They can reinforce the negative images that may be held of lower-income/status areas; the changes in what they report can be an indicator of the changes that reflect gentrification; and they can also help trigger or exacerbate gentrification. The changing attitudes reflected in media reporting can affect both investors and residents. As noted above, in 1992 the *Courier Mail* quoted the Deputy Prime Minister’s reference to Deception Bay as “Desperation Bay” (*Courier Mail*, 1992). By 2003 articles in the same newspaper were identifying investment opportunities for people wanting affordable waterfront properties in this now desirable part of the region. One article in the *Courier Mail* (Saturday October 4, 2003) was titled “Bay suburb boom shows image can be deceptive”, and said:

“A suburb which has not traditionally been identified as a good area for investing in property. Perceptions of Deception Bay have always leaned towards the negative – but the waterside suburb is having the last laugh ... House sales are running at a record high as demand for waterfront property continues in southeast Queensland ... Prices in the past had been held down because of negative perceptions of the suburb ... It has a history of being a backwater, the poor cousin to Redcliffe and other bayside communities.”

One can also see similar gushing comments from local newspapers reporting the increased investment attention being paid to ‘run-down’ inner city properties as gentrification begins to bite.

### **‘Potential investment gap’**

The power of supply-side explanations of gentrification lies in their identification of the reality of flows of capital into gentrifying areas. It is clear that gentrification in Deception Bay is driven by flows of capital, even though this capital is flowing because of both investment decisions and life-style decisions. Deception Bay has not attracted people from the cultural industries, nor artists, nor gays. It is, however, beginning to attract cashed-up investors who are seeking a bayside lifestyle or who feel they can on-sell or rent to people seeking such a lifestyle.

But what supply-side explanation offers the greatest potential? The value-gap model of Hamnett and Randolph (1986) seems to be based on considerations of housing tenure. This model is inappropriate for the Queensland and Deception Bay: public rental housing is only 3.7 per cent of housing in Queensland and 4.4 per cent in the Brisbane Statistical Division is (ABS 2003a, b).

Applying Smith's rent-gap model is problematic because its reliance on a structural Marxist conceptualisation. It has proved to be difficult, though not impossible, to test empirically even in inner-city locations (Allison 1995, Clarke 1988, Yung and King 1998).

We turn then to Redfern (1997b), whose supply-side explanation of the potential for gentrification is based on what he calls an "investment gap". There seemed to be considerable potential in the use of the concept to explain what was happening in Deception Bay and what had already happened in the other bayside suburbs. But Redfern's conceptualisation of gentrification (1997a) ties it irrevocably to the inner city and the modification and refurbishment of buildings abandoned by the middle class, then occupied by the working class but now being reclaimed by the middle class. The idea of an "investment gap" could not be used in the same way it is used by Redfern (1997b, 2003).

The "investment gap" in Deception Bay describes a lag in the recognition of investment potential in a locality. An area showing such a gap offers investment potential that will attract the attention of investors and middle to high income earners to locations that did not previously appeal to them. The lack of appeal might have related to the location, the poor structure of the buildings, the social stigma attached to the locality, or some other factor. But a "potential investment gap" appears when investors believe that capital gains can be made from a location that was previously ignored or shunned. In the inner city the change can occur because of changing social values, or where inner city convenience and vibrancy might outweigh the attractiveness of suburban space and conventionalism, or outweigh the scruffiness and potential insecurity of inner-city living. Whether it is demand-side movers or supply-side providers is almost immaterial. Supply-side capital shifts because of the possibility of supplying the needs of demand-side movers. Or, which is also highly likely, the new residents are also investors.

Government initiatives may also increase the potential for future earnings from investment. Such initiatives may open a huge gap between the former investment potential of an area and the possible future capital or income gains. The literature on gentrification rarely discusses inner city urban renewal initiatives by governments in the United States, Britain, Australia and elsewhere. Clearly there are good reasons for excluding the urban renewal that consisted of the bulldozing of the housing in whole city blocks and its replacement with 'new' forms of social housing. But if one returns to the definition of gentrification as the replacement of lower income/status housing by middle or upper income/status housing then there are numerous examples of this kind of replacement initiated and carried through by government agencies. In the Australian context there have been a number of examples of the kind of 'community renewal' in public housing estates seen in Deception Bay (see, for example, Randolph et al 2002 and Wood 2002)

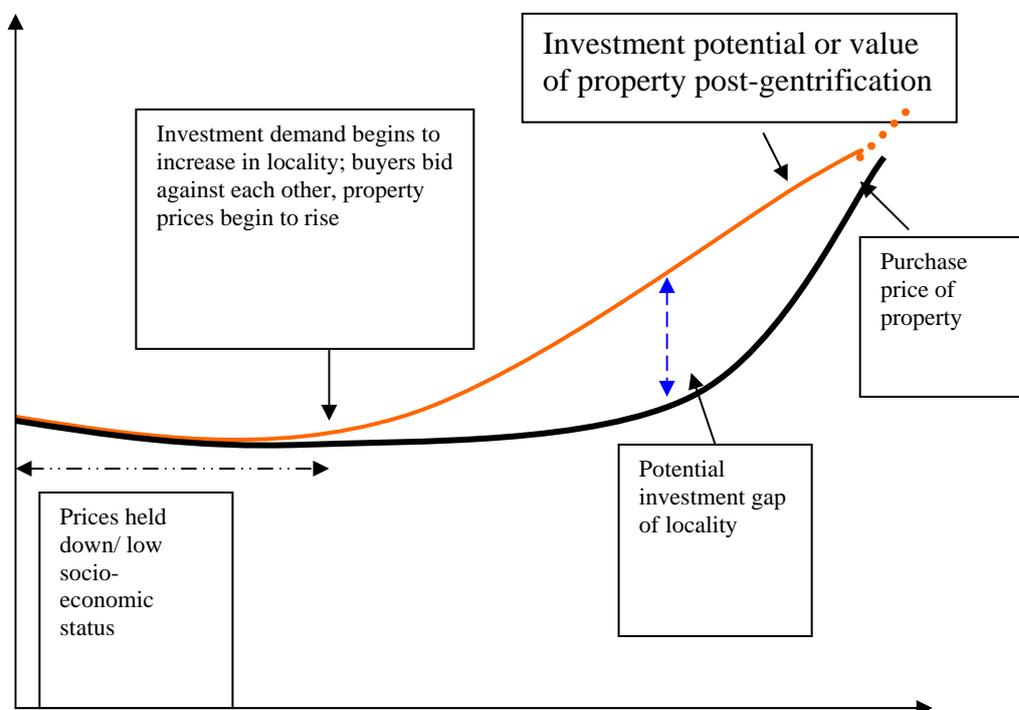
Both structuralists and market supporters reject or downplay government's role in gentrification. In the example discussed here government played a clear and central role.

Whatever the reason for the increased investor interest in an area, buyers begin bidding against one another, thus opening a gap between the value before the demand and the future value after that area has gentrified because of that increasing demand.

Investment demand will impact on the property prices in a neighbourhood. This provides a mechanism by which changes in demand, and the possibility of a potential investment gap, can be verified. The changing median housing sales values shown in Tables 2, 3 and 4 illustrate this increasing value, although the median prices listed there are also subject to broader fluctuations in the housing market.

Conceptually this kind of potential investment gap can be described as in Figure 4.

The potential investment gap is thus the difference between the value of the property with the current land use and the investment potential or future value of the property, which could be realised in the future when the site is sold. The gap will be greater if the dwelling on the site is redeveloped and upgraded. It will also be greater if the dwelling is demolished and a higher value dwelling placed on it. But there will still be a value gap even if the dwelling is not renovated, as there will be gains in the re-sale value from the increased value of the gentrifying neighbourhood. The gap narrows as the purchase price rises; however, it never closes in gentrifying localities, as



**Figure 4 The Potential Investment Gap**

Source: Wildin 2004, Fig. 3.2

top-end investors, developers and affluent homeowners succeed pioneer gentrifiers. Consumer demand for the limited supply of re-developable sites and buildings ensures the gap never closes, with potential investment returns always being the attraction. Gradually, however, Lees' (2000) "financiers" will replace gentrifiers as the value of the properties rise and property values increase as the very affluent are buying from and replacing the merely affluent.

## CONCLUSIONS

Gentrification does not have to be an inner city process. If defined as the replacement of lower income/status households by more affluent households it can occur in any part of the city where social and investment values change so that what was formerly seen as unattractive for investment becomes attractive. All that is needed is a potential investment gap: a gap between the relatively low current investment values of properties in the area and the higher possible future values from investment. In the case investigated, the change came about because of the restricted supply of suitable bayside land in the South East Queensland region and the continuing pressure on suitable land through migration and rapid population increase. There are parallels with the processes that occur in inner-city locations.

If gentrification can occur outside the inner city, then it does not have to be tied, either implicitly or explicitly, to theories of inner-city change. Theories of gentrification do not have to be linked, as Redfern (1997a, 1997b) clearly shows both current demand-side and supply-side explanations are,

to concentric growth models of the city or models of cyclical inner-city neighbourhood change. They can be connected to wider views of potential investment gaps and to connections between investment opportunities and changing demand. Although not explored in detail here, this provides the opportunity to connect demand-side and supply-side theories of gentrification. Supply is connected to changing assessments of future demand; and effective demand is focused on areas where constrained supply may provide greater investment opportunities.

A supply side explanation needs to deal with a potential investment gap rather than a rent gap or tenure gap – i.e. a gap between the existing values of properties and the expected future return based on capital gains from increased future demand.

From the demand side, it is clear that gentrifiers are looking for the special opportunities available only (or mainly) in the gentrifying location. In the inner city this is access to services, facilities, lifestyles and jobs. In South East Queensland this is waterside properties. Gentrifiers are people seeking both a lifestyle and an investment opportunity with a high probability of the increasing future capital value of their property.

Two relatively neglected forces impacting on gentrification were shown to have a powerful impact in Deception Bay: government policies and the media. Their impact on inner-city gentrification needs to be better understood. In Queensland, actions by the Housing Commission (and later the Department of Housing) in placing social housing in a low status suburb on the urban fringe reinforced that status and so helped keep property values low; but now actions by the Department of Housing through the Urban Renewal and Community Renewal programs is helping to boost property values (as well as helping to force low status households out of the area). The media reinforced the abysmal image of Deception Bay in the past but then when values begin to shift they can be seen to reinforce this shift. In a way government can initiate change whilst the media seem to reinforce or exacerbate the pendulum swings the changes represent. A question for future researchers on inner-city gentrification is the real role of government and the media.

But the most critical factor in Deception Bay is the impact of investment opportunities. The differences between median house prices in Sydney or Melbourne (and even with the rest of Metropolitan Brisbane) show that if one is prepared to take a risk on increasing future capital values then one can make a good capital gain through buying in Deception Bay. Similar gains and risks would be evident in inner-city areas that are gentrifying. The situation in Australia changed recently when banks began letting people use the equity in their home to finance investments. Borrowing against home equity is available only to those who own (or are buying) their home, it is not available to renters. But one no longer needs saved capital to invest, one can use one's own home as equity. And as has long been the case higher income earners have the capacity to borrow money to invest against their future income but gambling on capital gains in gentrifying areas is no longer the sole reserve of those with substantial free immediate capital.

'Gentrification by the sea' is a reality even if the seaside location is not in the inner city. The main parallel is that both inner city land and seaside land are in increasing demand but both are in limited supply. In this case the demand is increasing because of in-migration to the region and the demand for waterside properties. A parallel exists between the bayside land in South East Queensland and the inner-city land in cities in Australia, the United States and elsewhere. Increases in demand are driven by lifestyle factors but constraints on land supply lead to increased land values. Both capital and people move to the new location. Where this leads to the replacement of lower income or lower status households by upper income or higher status households then these areas must be seen as gentrifying. The theories and the debates on gentrification can be enriched by serious and empirical consideration of these and similar non-inner-city locations.

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