

GLADSTONE: INVESTMENT KEYS TO ONE OF THE NATION'S MOST TALKED-ABOUT HOTSPOTS



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On the back of its mineral resources, Queensland is currently undergoing a metamorphosis that will pave the way for wealth generation for smart property investors.

Investors from across Australia have also been looking to Queensland given its emerging housing shortage in many mining-associated towns within the state's 12 mining basins.

A recent Central Queensland University study found that in the Gladstone area, on Queensland's central coast, infrastructure projects were set to employ up to 8,300 workers between 2012 and 2016.

The report also found that the median weekly four-bedroom house rental price has increased by an annual 48%, while median house prices have notched up an 8.2% increase.

It's been forecast that due to the vast number of major projects either planned or underway, investors can expect solid rental and sale price growth for some seven-plus years.

Researcher Andrea Dixon was asked to put Gladstone under the microscope. We all know it's a mining boom town with a vast number of liquefied natural gas (LNG) and coal projects in development, but how does it really stack up?

Dixon heard many stories about the impact of mining and also gleaned their observations of an increased number of cars arriving in their town that carry licence plates from almost every other state in Australia.

Anecdotal reports assist in putting some perspective around the recent claims that the end of the mining boom was nigh. As we know, anecdotal evidence is not enough to make an informed decision; savvy investors also need to undertake broader research and keep abreast of important economic mining news.

We hope this eBook provides some initial steps to assist in making a smart investment.



JONATHAN CHANCELLOR,
EDITOR, PROPERTY OBSERVER



01

THE GROWTH STATE

WEEK by week the resources sector in central Queensland is growing at breakneck speed, fuelled by international demand for energy.

Workers are coming from across Australia and around the world attracted by the big pay cheques on offer from mining and liquefied natural gas (LNG) projects and to snag a slice of the infamous laid-back Aussie lifestyle.

In central Queensland fortunes have been made on real estate investment, and there appears to be no sign of the opportunities abating.

In Gladstone the population is tipped to nearly double to 123,000 by 2031, so demand for housing is undiminished.

The Queensland government has ramped up its land release program and sped up its approvals process for builders and developers in an effort to increase housing stock to satisfy this impending demand.

The state government also recently announced the first-home owners' grant of \$15,000 for first-home buyers purchasing a newly built home or property off the plan.

But despite this rush on residential stock, the traditional laws of property investment still apply.

02

LOCATION, LOCATION, LOCATION!



Research is imperative and begins with location. As well as ensuring your potential investment is close to important infrastructure such as schools, airport, healthcare, parks and entertainment, check out the local employers.

Investigate the size of their workforce and the longevity of their operations and, importantly, if they have a policy that caps the distance staff can drive between home and work. Road accidents in rural areas are a major Occupational Health & Safety issue and are taken very seriously by many leading employers. Be sure that an investment is inside such a zone.

03

LOCAL INFRASTRUCTURE IS CRITICAL

Financial commitment to infrastructure from governments and industry should not be underrated when weighing up an investment. A healthy community needs long-term obligations to a range of education, health, sporting and recreational facilities plus good roads and transport.

International shopping mall developers will not invest in their projects unless they have secured an anchor tenant – a large retailer such as Woolworths or Myer. Smaller shops and boutiques, hair salons and cafes trail along in a natural flow to where the money is being spent. No tenant will pay a premium to have to drive 10 kilometres to buy steak and salad for an impromptu Sunday barbecue.

Such facilities will help keep tenants happy, maintain security of income and ensure improved resale potential when compared against less well-located property. Resource companies whose projects have a major social impact are required by law to have an integrated housing strategy, which is why many LNG companies buy up blocks of land within master planned estates close to town.

In Gladstone alone the resources industry has invested \$22 million into housing projects, and the Gladstone Foundation has received \$13.5 million from these businesses for social infrastructure.

Respected property pundit Terry Ryder, who is behind the [Hotspotting website](#), which identifies real estate regions that are about to boom, is a vocal proponent of the incredible spin-on effect and massive overall impact that resources-fed industry is continuing to have on property investment in Queensland.

“I have a conviction, one that is confirmed everywhere I go, that Australians do not comprehend the enormity of what’s coming to our economy. We’re on the threshold of the greatest period of prosperity in our history, and there will be mega repercussions for real estate,” he recently said.



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MARINA - 10 mins

GLADSTONE
CBD - 10 mins



FOLLOW THE EXPERTS' ADVICE

With Gladstone's population tipped to nearly double by 2031 it's no wonder the Government is keen to increase housing stock. Experts insist, however, that good investment properties should be close to infrastructure and within 10 minutes of the CBD. Forest Springs.

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ECONOMIC DIVERSITY IN THE REGION

Gladstone also has diversity of employment beyond resources. As part of the Southern Great Barrier Reef, it is a launching pad for reef visits, trips to Heron Island and tours inland to Lake Awoonga and its many recreational activities. Tourism Queensland reports that the Gladstone region hosted nearly 500,000 domestic visitors in the year to September 30, 2011, plus 52,000 international visitors.

Agriculture, fisheries and forestry have historically flourished, and all remain successful components of the economy. Central Queensland University has a campus in Gladstone, and the local hospital is well funded and provides an impressive array of services.

Other businesses include retail and restaurants, storage and transport, recreation and entertainment, along with the support services that are among the many important facets of Gladstone's wealth that will sustain it into the next century.

05

ENERGY DEMANDS ARE INCREASING

With the world's population heading towards 9 billion by 2050, energy demand is unlikely to fall. The demand for energy from developing economies such as India and China is expected to continue its spiral upwards as tens of millions of people improve the quality of their life through mass urbanisation.

While it is predicted that coal use will be phased out, LNG will replace it and is set to become the second most important source of energy in the world after oil. Australia is anticipated to become among the largest suppliers of LNG in the world within a decade.



06

MINING AND ASSOCIATED INDUSTRIES ARE BOOMING

Gladstone Economic and Industry Development Board claims that many international companies choose Gladstone for their large-scale resource processing businesses and associated industries because of its excellent access to raw material, energy supply, service and support industries, and infrastructure.

Gladstone is home to one of the world's largest alumina refineries, the world's first greenfield alumina refinery, Australia's largest aluminium smelter, Australia's largest cement kiln and Queensland's largest power station, and Truenergy is also investing \$1.8 billion on a gas-fired power station there.

The region also has the world's largest industrial grade ammonium nitrate plant, an international scale sodium cyanide plant and a chloralkali plant.

07

DEVELOPERS CREATING QUALITY RESIDENTIAL HUBS

Economist Brian Haratsis from MacroPlan Dimasi says the big guys in property development can handle the creation of large communities from scratch and produce the quality that will take these projects into the next century.

This is critical from an investment point of view as it is always best to buy quality property over the long term, even if it's not the cheapest stock available.

Walker Corporation targeted Kirkwood for its \$176 million revenue, \$140 million cost Forest Springs master-planned community, which will eventually house 3,000 people.

The site was identified due to its close proximity to the CBD, airport, marina and many current and future employers. It is also surrounded by important facilities such as public and private schools, childcare operations, parks and recreational setups while a local Woolworths plus specialty shops and cafes are within walking distance.

Walker has teamed up with a host of builders and set down guidelines for house design so there will be diversity without an aesthetically compromised streetscape. The developer has worked with the NBN to have it installed directly into the 900 dwellings that will eventually make up Forest Springs.



08

CAREFULLY CONSIDER HOUSE DESIGN

Poor design may compromise a great location. A sunken, windowless home theatre cannot be used as a bedroom due to bad ventilation, a narrow internal stairway and cheap appliances all negatively affect the rent and resale potential.

Savvy investors target their clients and provide suitable housing. Families enjoy a garden while young couples or empty nesters usually prefer an alfresco entertainment area. Everyone likes six-star energy ratings, which has already proved to bolster resale prices and keep maintenance cost low. A pool and view will add a premium to the rent while up-scale inclusions will be reflected in the rent and reduce ongoing repairs.

Factor gardening into the rent and this will help to keep your investment well maintained. High quality appliances will pay off far better than cut-price white goods from eBay which often don't come with a warranty and spare parts are difficult to find.

A thoughtfully designed property is much more likely to secure a long-term corporate tenant with annual CPI rent increases, while a cheaper entry-point house or established but aging "original charmer" has turned into a money pit of repairs with a parade of tenants.

Low-cost housing may attract a good rent during the first phases of any rush but it will remain a low-cost style. This will reveal itself as the permanent population stabilises and low-cost tenants look to buy their own home. Tenants will not scramble to rent these old places once recruitment has steadied and communities have started to evolve. Your investment could be relegated to the low-rent heap.



THE SMART LOCATION FOR SMART PROPERTY INVESTORS

LAND THE BEST RETURNS IN GLADSTONE

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MAXIMISING YOUR INVESTMENT RETURNS

A corporate tenant must be looked after and in return they may offer a five-year lease with an option and annual CPI rent increases. Therefore, the quality of property management is vital to investment success.

Not only can a professional operator secure as much as \$150 a month more in rent, they also give better service to both landlord and tenant. The rule is to avoid a manager with more than 100 properties to look after since they will not have time to dedicate to service.

Gladstone agent Kerry O'Connor of Go Gecko says that Gladstone rents are high enough for agents to offer excellent management services.

"Rents are strong so there is no excuse for poor service. An investor should never have to wait a day for a call to be returned."

"To maximise your investment buy something within 10 minutes drive of the CBD. A house that is nothing special will sell for between \$470,00 and \$550,000 and rent out for \$600 a week," O'Connor says.

"I think locals and first-home buyers are starting to open up to the idea of buying off the plan as you can have a lot of input into the final design of the home. Particularly since the government is only giving the \$15,000 grant to new homes and nothing for established houses. There is good value to be had at the moment," O'Connor says.



09

MAXIMISING INCOME CONT'D...

Benaraby is known for its art galleries, clay workers studios and farmers market while Tannum is a sporty coastal enclave that hosts Australia's largest family fishing event and is rapidly gaining national acclaim for kite boarding.

While these towns have strong identities and cultures of their own, they seem much further away from Gladstone's CBD than a mere 20 kilometres or so, and typically attract less tenants, lower rents and fewer buyers.

Research shows these towns all attract net yields of about 5%, which shows the impact of distance.

Once your research is complete the timing of your purchase comes into play. Agents say to avoid buying houses when big industrial investments are announced because prices spike.

"The hype about major investment usually affects the prices of established housing and it hardly ever touches house and land packages," O'Connor says.

While not writing directly on Gladstone, Hotspotting's Terry Ryder says: "Anyone whose vision extends beyond the 24-hour news cycle can see that Australia is caught up in events with very distant horizons. And that creates long-term opportunities for property investors.

"My overriding view has been that the best places to invest in Australia are regional centres, which benefit from the resources sector but do not depend on it, and it still is."



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GLADSTONE: AN INTERNATIONAL HUB

Gladstone Ports Corporation Limited (GPC) has long been Queensland's largest port and is set to get even bigger with a new \$400 million shipping channel that will open the way for two-way traffic.

The project is part of the GPC's 50-year strategic plan. Gladstone has the fourth largest coal-exporting terminal in the world and has plans for further expansion. Terry Ryder notes that in Gladstone alone there are \$55 billion worth of resource-aligned projects underway with a further \$25 billion in the pipeline, which means 28,000 construction jobs. The impact that these investments will have on the residential market is enormous.

"To put all this into perspective, let me tell you about Gladstone of the recent past. In the years leading up to the GFC, Gladstone had around \$20 billion worth of projects on its books. That generated a tremendous upsurge in real estate demand. There was double-digit price growth in four consecutive years from 2004 to 2008, including more than 30% growth in 2007.

"Now ask yourself this question: if \$20 billion in investment inspired that kind of real estate growth, what will \$80 billion do?" he asks.



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SOARING PROPERTY VALUES AND RENTAL YIELDS

Property values in Gladstone have increased 264% in 10 years. According to the REIQ the median house price for Gladstone in 2002 was \$129,000, it is now \$475,000.

Rental yields in Gladstone and surrounding areas vary from 11% to a more stable figure of a tad over 6% further away from the CBD.

Recent REIQ figures show that values are growing rapidly around Gladstone with New Auckland's median house price increasing by more than 20% to \$490,000, while Clinton, Kin Kora and South Gladstone all experienced growth of more than 17%. In Benaraby housing prices jumped nearly 10% to \$630,000, while Calliope had an increase of 13.3% to \$470,000, Tannum Sands showed gains of 12.8% to \$514,500 while Telina was up 14% to \$510,000.

Although rents in Gladstone range from between \$500 for a modest three-bedroom house to over \$1,000 for an executive home, vacancy rates are almost nonexistent at about 0.6%. Agents predict some easing in demand when Leighton Contractors' \$84 million 2,600-bed workers village on Curtis Island is completed in the next year.

While that may go some way to reducing rental pressure, earlier this year two development applications for two workers' accommodation projects in Calliope were rejected by council due to social concerns.

These two projects would have housed 3,500 construction workers. In the 1960s the alumina boom kicked off in Gladstone and then families rolled into town in caravans due to lack of accommodation. Now vast new communities are being planned and executed by some of Australia's most reputable property developers and it is an open field of investment potential.

