

EVER WATCHED FROM THE SIDELINES as a town or region has undergone its own real estate mini-boom, wishing you'd known about it earlier?

If you have, you're the typical property investor. You're one of millions frustrated about discovering the next boom area after it's already happened.

It doesn't have to be like that. Out-performing markets are never an accident and they're seldom a surprise to well-informed people.

Every day the media is full of snippets of information that flag potential boom areas. Diligent investors are people who read a lot and surf the internet regularly. If they know what to look for, they'll pick up on clues to future real estate hotspots.

Here are some typical recent events that might grab the attention of an alert investor:

- ▶ Queensland mining town Mt Isa has been boosted by Swiss mining company Xstrata's decision to spend \$165 million expanding its zinc mine.
- ▶ Coles Myer is building two distribution centres that will employ 800 people in Melbourne. One, at Somerton, will reportedly be four times the size of the MCG. Another will be built at Laverton in Melbourne's west.
- ▶ Another major gas discovery has been made off the West Australian coast. US energy giant Chevron believes the discovery offshore from Dampier and Karratha is worth billions of dollars in exports. It's not far from the \$11 billion liquefied natural gas project planned for Barrow Island by Chevron in joint venture with ExxonMobil and Shell, which is expected to generate 6000 jobs.
- ▶ The Defence Department plans to close four South Australian bases and relocate units to the Edinburgh Defence Precinct in Adelaide's northern suburbs.
- ▶ The \$55 million Green Bridge to carry pedestrians, cyclists and buses across the Brisbane River from Dutton Park to St Lucia will open early next year.
- ▶ A significant phase of the Perth to Bunbury Highway

Pinpointing the mini-booms

How can you anticipate localised property booms before they happen? It may be as simple as paying closer attention to the information that surrounds you, writes **Terry Ryder**.

project – the final acquisitions of land needed for the 70-km roadway – has just been completed.

- ▶ The WA Government plans a new container port 15 km south of Fremantle. It will create a 2.6 km man-made island in Cockburn Sound. Stage one will cost \$1.3 billion.
- ▶ A \$400 million wind farm will be built at Waubra in Victoria, creating 150 jobs. Acciona Energy Oceania says the project, initially approved by the State Government last year, will have a \$50 million first stage.

Some of these events will create real estate hotspots – if they proceed. And that's the problem for property investors, because there's always a chance that an announced project won't go ahead or that the impact on real estate will be less than predicted.

But it's easy to imagine the impact of Xstrata's ongoing investment of big money in its Mt Isa holdings. Mt Isa is already bursting at the seams, with few rental properties available and rents rising fast.

The potential impact of the Defence Department's consolidation of units at its Edinburgh facility in Adelaide's north would be apparent to anyone who's looked at the nearby Elizabeth precinct, where houses are cheap and returns above 6 per cent are common.

The Green Bridge across the Brisbane River will create possibilities for students seeking rentals because it links directly into the University of Queensland and it's accessible by buses and bicycles but not by private vehicles.

But there are even better examples around. Here are five areas that have been, or will be, turned into hotspots by major events:

Bunbury, Western Australia

THE CATALYSTS KEEP LINING UP

In a 2004 article *Australian Property Investor* labelled Bunbury "the forgotten city". The article said: "If you need a map to locate Bunbury, you're not alone."

How things have changed. Bunbury, on the ocean 180 km south of Perth, is now well and truly on the map. It has become a property hotspot of national ranking.

Bunbury has many drivers to keep its economy and property market growing. One development alone is worth \$1 billion and the State Government has nominated Greater Bunbury as the number one growth area in regional WA over the next five years.

Perth property analyst Gavin Hegney says Bunbury isn't "a sexy sort of town" but one with its own charm.

"It has infrastructure, it's a commercially backed town and it's a low-risk place to invest," he says.

Bunbury, WA's largest regional centre, is a case study for hotspots created by multiple events. There's the \$1 billion expansion of the Worsley Alumina Refinery, several nearby mines, a \$400 million power station, a \$430 million gas pipeline, a \$300 million port expansion, a LandCorp development and new transport infrastructure.

KPMG demographer Bernard Salt says there are five or six economic pistons firing for Bunbury.

"Baby boomers are streaming out of the city to places on the

ocean like Bunbury," says Salt, author of books *The Big Shift* and *The Big Picture*.

"It's pretty, it has all the infrastructure and it's within striking distance of the capital city."

The upcoming Mandurah Bypass project will shave 30 minutes off the Perth to Bunbury drive, adding further to Bunbury's appeal. The State Government announced in July that land acquisitions for the 70-km roadway were almost complete.

The Greater Bunbury region has a population of around 70,000, encompassing the City of Bunbury plus the shires of Capel, Harvey and Dardanup. Among Australia's 70 largest urban areas, Bunbury ranked the third fastest growing in Salt's *Population Growth Report 2005*, behind nearby Mandurah and Hervey Bay in Queensland.

Bunbury is more industrial than many of the hot oceanside locations in WA.

Bunbury agent Jason Gard, principal of Gard & Associates, equates the town to Newcastle in New South Wales – seaside,

"There's nothing available for rent in the Adelaide Hills at all. The new mine will attract a new workforce and place further pressure on scarce rental accommodation."

lots of fine beaches, but with an industrial heart to its economy, as well as a touch of tourism.

The strong mining industry feeding wealth into Bunbury includes mineral sands activity and the Griffin coal operation at Collie, east of Bunbury, where there's also a power station. Griffin Energy began construction in April on a \$400 million coal-fired power station near Collie, employing around 600 people.

Bunbury's port is targeted for a \$300 million expansion to double the capacity of the inner harbour and increase the number of berths from eight to fourteen. In addition, LandCorp proposes to transform the Bunbury Outer Harbour from an ageing industrial site into "a world-class waterside development".

Against the background of so much business activity, Bunbury's real estate prices have seen huge growth. In the year to April 2006, Bunbury had a 50 per cent rise in its median house price, passing \$400,000 – while Capel prices grew 42 per cent and Dalyellup 34 per cent.

Despite this, prospects are strong for further growth.

"The alumina refinery expansion will go for two to three years, bringing in more workers," says Gard. "We would expect another year or two of decent performance in real estate."

Mt Barker, South Australia

NEW INDUSTRY PRODUCES RENTAL SHORTAGE

Mt Barker in the Adelaide Hills faces a rental accommodation shortage. It's one of Australia's population growth spots, it has

almost zero vacancies in housing, retail developments are happening, and a major mining operation is set to open on its doorstep.

An old copper mine within 15 minutes of Mt Barker is soon to be developed in a project reportedly worth almost \$3 billion. Hillgrove Resources has options covering the former mine workings of the Kanmantoo Copper Mine in the Mount Lofty Ranges, 55 km southeast of Adelaide. The mine operated from 1971 to 1976, but stopped production because of low copper prices, a high exchange rate and rising costs.

Hillgrove Resources also has an exploration licence around the former copper and base metal workings.

"Hillgrove believes the area is a prime target for economic copper-gold mineralisation and gold mineralisation," the company says.

Hillgrove Resources released upgraded figures for the Kanmantoo resource in May. It said there was copper, gold and garnet (potentially one of the three largest garnet producers in the world) worth \$2.74 billion at current prices.

Construction at the mine is likely to start around September

2007 and the mine could be operational by 2008. It's expected to employ 150 people plus a further 300 during construction, which represents a gigantic lift to nearby small towns like Kanmantoo and Callington – and to the nearest major commercial centre, Mt Barker.

The Mt Barker township is likely to benefit the most, as it offers more amenity and services than the towns neighbouring the new mine.

"We would expect there to be big spin-offs in Mt Barker," says James Sexton of RE/MAX Hills & Country. "Everything would have to come through here on the freeway, all the shopping is here and we would be the closest major source of rental properties."

Mt Barker, 35 km from Adelaide on the South Eastern Freeway, is the administrative centre at the southern end of the Adelaide Hills. It's a substantial commercial precinct and the town has expanded with new residential subdivisions. Developer Daycorp recently announced a \$50 million homemaker centre, one of several new retail developments in the area.

The Mt Barker District Council area has a population of 26,000; Mt Barker township has around 9000 people. Mt Barker stood out in Salt's *Population Growth Report* as the only location in the top 10 growth areas that wasn't a sea change location.

Real Estate Institute of South Australia president Mark Sanderson says residential vacancy rates in that precinct are currently zero.

"There's nothing available for rent in the Adelaide Hills at all," he says. "The new mine will attract a new workforce and place further pressure on scarce rental accommodation."

Sanderson says Mt Barker has thrived since the Heysen Tunnels were completed, speeding access to the city.

"It's such a popular corridor now and there's room for further expansion up in the hills," he says. Two-thirds of Mt Barker residents commute to the city to work and a new Park'n'Ride bus station is planned.

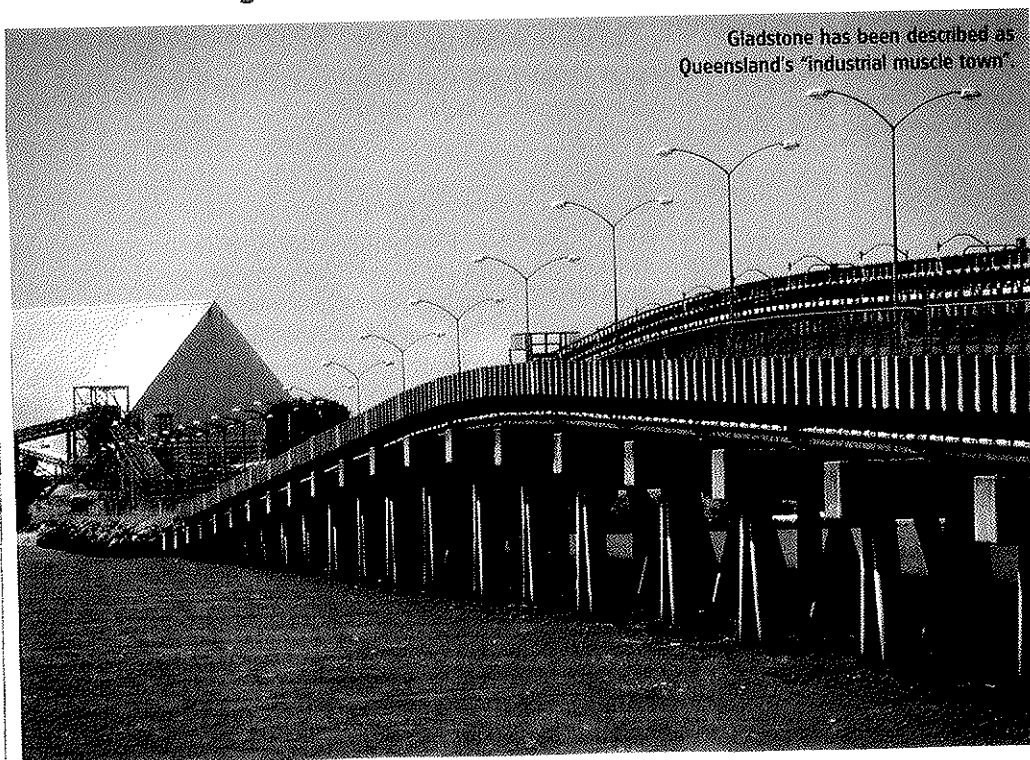
Sexton says he's never seen the rental market so tight in Mt Barker and with the influx of new businesses creating jobs growth, this is likely to continue. But a new planning amendment will eventually allow another 1200 to 1500 homes to be created in the precinct.

Mt Barker currently has a median house price around \$255,000 and there are plenty of solid, three-bedroom brick homes around that price. Acreage, which is heavily in demand, is much pricier.

Gladstone, Queensland UNDER-RATED ECONOMIC POWERHOUSE

Gladstone doesn't have a glossy image but the central Queensland port city shapes as a shiny prospect for long-term

Gladstone doesn't have a glossy image but the central Queensland port city shapes as a shiny prospect for long-term investment. It has about \$10 billion in major projects earmarked for the next few years.



Gladstone has been described as Queensland's "industrial muscle town"

Get in the loop

IT'S ONE THING to have a theory to identify future hotspots. It's another to make it work.

To make it work, investors have to be informed. There's little point knowing that a major new freeway can create real estate hotspots if you don't know that a major new road has been announced. If you live in Queensland, how will you know that a \$1.5 billion mine is being opened just outside a small town in Western Australia?

Investors need to read magazines and newspapers, listen to radio and tap into the vast resources of the internet.

For example, onlinenewspapers.com links to the websites of hundreds of newspapers around the country. If a new freeway has been announced by government, there will be an article on it in one of the major papers. If a major new coal mine is proposed, it will be reported in newspapers.

An online service called *WA Business News* costs about \$100 for an annual subscription and provides a daily email link to major business stories. It's a good source of news about new mines, major new industrial projects and other property and business happenings.

For good information on the property markets in Queensland, investors can subscribe to services provided by research firms like Matusik Property Insights, PRDnationwide Research and the *Midwood Queensland Investment Report*. A national monthly report is available from Herron Todd White, a valuation practice based in Queensland but with offices throughout the country.

Anyone interested in investing in a particular location can type in the place name in Google and it'll bring up a smorgasbord of websites with information.

Another information source that's primarily free is provided by the various state real estate institutes. Some have useful information about prices and other data relevant to real estate. There's a lot more an investor can do to stay informed. But those are some of the research possibilities.

investment. It has about \$10 billion in major projects earmarked for the next few years.

Queensland's Department of State Development, Trade and Innovation says: "If all the proposed projects proceed, they will create 9000 direct and indirect jobs at the peak of the construction phase and countless business and flow-on opportunities in the region."

Projected population growth figures place Gladstone high on a national list of growth regions. This is a change of status for the city – its population growth until now has been steady but unspectacular.

Salt nominated Gladstone as number four in his *Australia on the Move* report, which identified growth areas for the Property Council of Australia. The report, which studied the housing needs of the 41 largest urban centres of Australia until 2031, predicted Gladstone would be one of four centres to double its housing stock in that time.

"It was a real surprise," Salt says. "But Gladstone ranks highly in terms of the percentage increase in housing stock that we project. Gladstone distinguishes itself in that study."

Salt says Gladstone isn't a sea change or lifestyle town, but one driven by industrial development, power generation and the management of the southern end of the Bowen Basin.

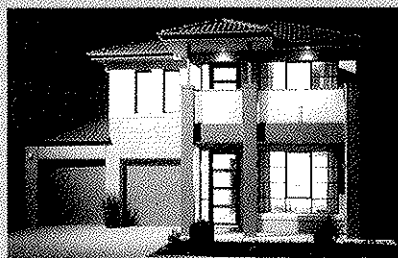
"As long as there's a requirement for the Bowen Basin, Gladstone will go ahead."

Researcher ACIL Tasman also has Gladstone high on the list of projected growth regions around the nation. Gladstone, with a 2001 population of 42,000, is expected to add another 11,000 people by 2019 – putting it ahead of acknowledged growth stars (in percentage growth terms) such as Bunbury and Townsville.

Salt says as Queensland grows, the consumption of power will also expand and there will be an ongoing need for power from Gladstone.

"Just as Sydney needs a Woollongong and Melbourne needs a Geelong, so Brisbane needs a Gladstone," Salt says. "It needs an industrial muscle town. You can't have the entire state being five-star resorts. Someone has to do the gritty stuff and Gladstone is it."

8% guaranteed rental return - up to 5 year lease back



Devine Homes, one of Australia's leading home builders is expanding rapidly with new master-planned Devine Communities featuring exciting display homes for wise investors in strong growth areas throughout Queensland and Victoria.

Buy now and receive assured cash flow based on 8% per annum return, for up to five years.

After that, move in yourself, sell the property or continue to use it as part of your wealth creation program as a rental property. Great options!

For more information, register your details at www.devinedisplays.com.au

Devine
Homes

Terms, conditions, fees and government charges may apply. Photographs for illustrative purposes only. BPB No. DB-U22307, VIC009142

Salt says Gladstone has the makings of Queensland's industrial powerhouse. It has Australia's largest aluminium smelter, the nation's largest cement kiln, one of the world's largest producers of sodium cyanide, Queensland's largest limestone mine operation, the state's largest multi-cargo port, Queensland's largest power station, and soon the world's largest coal exporting terminal.

A major driver for Gladstone recently has been the construction of Comalco's new \$1.5 billion alumina refinery, which illustrates the impact of major industrial projects on residential property. During its construction, which created 2150 jobs, Gladstone went from high residential vacancies to virtually zero vacancies.

Now the \$2 billion Aldoga Aluminium Smelter is being built on a 288-ha site in the Gladstone State Development Area. This will take three years and employ a construction workforce of 2200.

A \$1.3 billion nickel refinery is planned, while in May the Central Queensland Port Authority announced the fast-tracking of an expansion of the Gladstone coal port. Construction of the Wiggins Island coal terminal and associated rail infrastructure will cost around \$1.8 billion and make Gladstone the world's largest coal export facility.

According to the Department of State Development: "Gladstone is an ideal location for large-scale projects of national and international significance, as evidenced by existing major international industries that have chosen to establish their projects in the region.

"The availability of land, a deep-water port, competitively priced energy, access to water, gas and raw materials, along with existing and planned infrastructure, make Gladstone a strategic and logical choice."

Against all that heavy industrial development, it's easy to forget Gladstone is a coastal city with what Salt describes as a "stunning" harbour. It has some fine beaches and there are spectacular Barrier Reef islands off its coast.

Gladstone has seen substantial increases in property values since 2000, but not the same level of growth as other centres. According to Real Estate Institute of Queensland figures, Gladstone's median house price rose 90 per cent in the five years to 2005 – not a bad effort, but dwarfed by 122 per cent in Mackay, 121 per cent in the Whitsundays, 120 per cent in Townsville and 150 per cent in Hervey Bay.

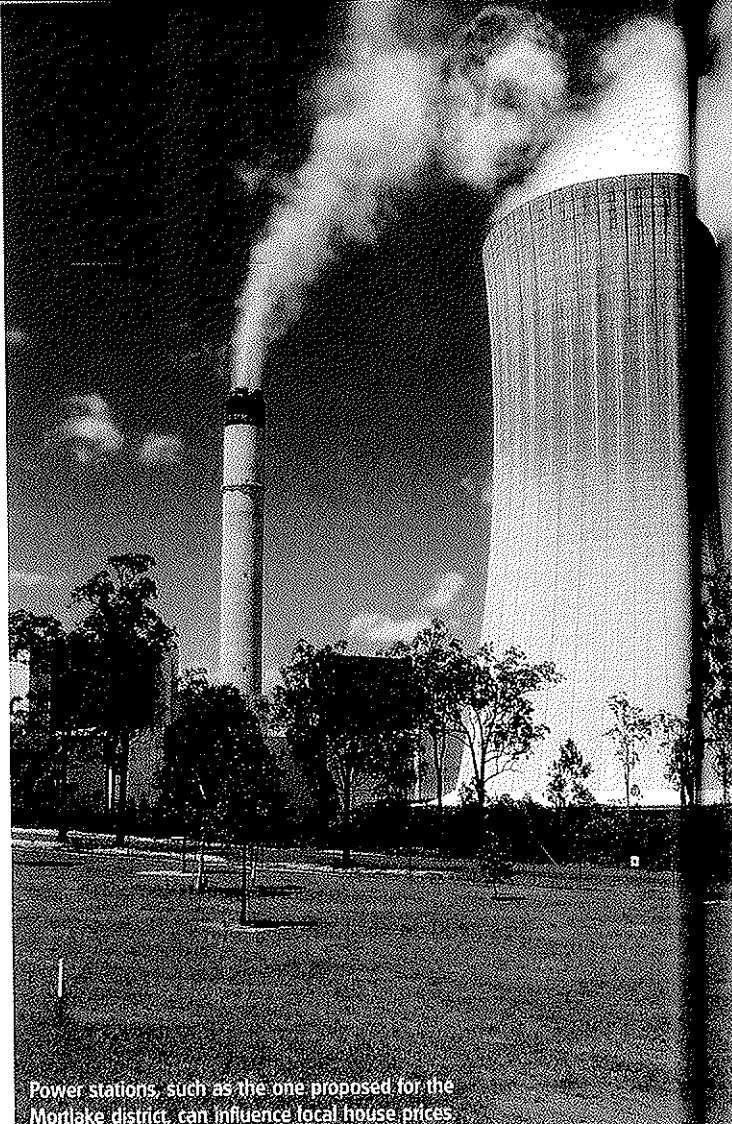
Gladstone's median house price is still low, particularly when compared to Hervey Bay, Mackay, Townsville and Cairns.

There are plenty of houses around Gladstone selling in the low-to-mid \$200,000s, with two-bedroom units in small blocks selling below \$150,000.

Mortlake, Victoria \$1 BILLION PROJECT FOR TOWN OF 1000

If you haven't heard of Mortlake, you're not alone. This small country town has a population of barely 1000 and has no great claim to fame. The only business of any size is Clarke's Pies.

But a \$1 billion power station will soon rise out of the nearby countryside and Mortlake will change. Also likely to change is the price of houses in a town where many sell for less than



Power stations, such as the one proposed for the Mortlake district, can influence local house prices

\$130,000. Mortlake sits on the Hamilton Highway about 230 km west of Melbourne, not far from Warrnambool. It's a town with two pubs, a post office, a couple of schools, two small grocery stores and two rural property agencies.

The State Government's intention to build a gas-fired power station there, close to a major gas source, was confirmed in July after a preliminary announcement two years ago.

David Steel of First National Real Estate sells real estate in Mortlake but is based in nearby Cobden. He says it's impossible to find rental accommodation in Cobden or Timboom because of the workforce generated by the gas operation at Port Campbell.

"The same thing will happen at Mortlake," he says.

The greatest impact won't be immediate because it's expected to be 12 months before construction starts on the power station. But when it comes it will be considerable.

"I don't know where they're going to get the accommodation from," Steel says. "Some will have to go over to Warrnambool to find houses.

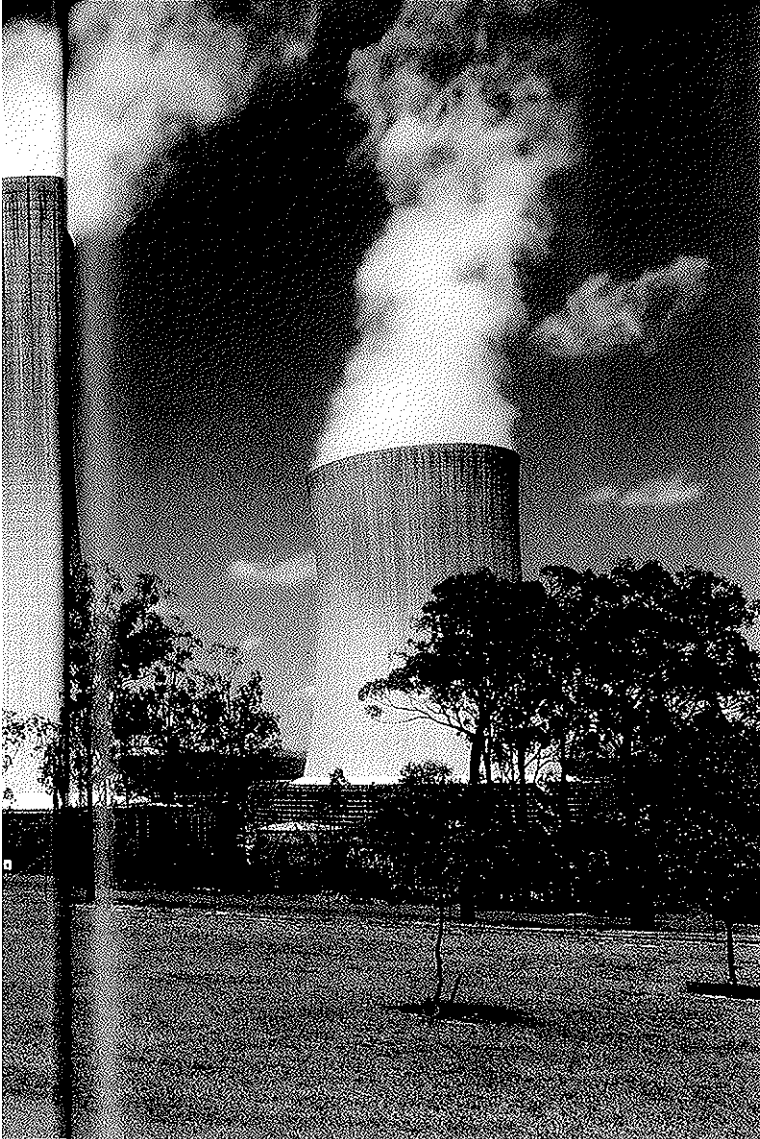
"Prices in Mortlake pretty well doubled when they first announced the power station and then they levelled out. They'll go up again once the thing starts construction. There will be a chronic shortage of rental accommodation."

John Nunn of Brian O'Halloran & Co says rents in towns near Port Campbell have jumped from \$100 a week to \$300 in the past three years.

"It will be similar in Mortlake," he says. "Currently a three-bedroom house rents for \$150 a week. That could easily double."

Nunn says three-bedroom homes sold for \$60,000 to \$70,000 in Mortlake five years ago. Now they sell for \$130,000 or \$150,000, although some still fetch less than \$100,000.

PHOTOLIBRARY.COM



A \$1 billion power station will soon rise out of the nearby countryside and Mortlake will change. Also likely to change is the price of houses in a town where many sell for less than \$130,000.

He says there has been rising interest not only in residential properties but commercial and industrial properties, particularly from tradespeople wanting to set up before the big action starts.

"It's great for Mortlake," says Nunn. "It's gone from being a 'hole' to a place with an upbeat feel."

Zeehan, Tasmania

GHOST TOWN COMING BACK TO LIFE

Zeehan has seen better days. Once there were thriving mines in the area but lately it's been struggling and houses can be bought for \$80,000 or less.

But Zeehan and neighbour Rosebery are expecting good times again. Two major mines are expected to start construction soon, bringing hundreds of new workers into the area.

One of them has finalised a deal with a Chinese nickel company, which will pay almost \$2 billion over 10 years to buy all the nickel produced near Zeehan.

Alliance Mining announced in April that it hoped to be

producing within a year and local real estate agent Max Deverell of Dean Chamley & Associates says the company has just called tenders to start mine construction.

"It's not a matter of if, it's when," he says.

Bluestone Mines has indicated it plans to re-commence mining operations at the Renison Bell tin mine halfway between Zeehan and Rosebery soon. Its closure in 2003 was a major blow to Zeehan, resulting in significant population loss.

The combination of the two mines could mean 300 to 400 extra jobs, a big impact for towns the size of Zeehan and Rosebery.

"It's created a buzz about the place," says Deverell. "It's given the whole region a bit of confidence."

Already operational in the area is Zinifex Limited's Rosebery mine, producing zinc, lead, silver, gold and copper. Zinifex recently announced a \$19 million exploration program over three years to extend the mine's life beyond 2020.

Zeehan, 290 km northwest of Hobart, is a traditional mining town long past its heyday, which was early last century when its population was 10,000. Today only 1100 people live there. Rosebery, 20 minutes down the road, is slightly bigger.

Deverell says Zeehan houses sold for \$30,000 before the Tasmanian property boom started in 2003. Now prices are typically \$70,000 to \$80,000 and some of the better homes fetch between \$120,000 and \$150,000.

The market hasn't yet risen in expectation of the mining impact, but things are moving.

"It's not huge just yet but it has warmed things up," says Deverell. "I listed a property (recently) at \$89,000 – a standard old mining town home – and the next day a woman turned up and paid full price, subject to a building inspection."

This is in contrast to earlier in the year when Deverell had a four-bedroom home for sale for \$109,000 but no-one would pay that price. It eventually sold for \$94,500.

"Today it would sell for \$120,000," he says.

Pam Gilbee of Emu Bay Realty believes the mines' impact will be felt in both Zeehan and Rosebery, with the latter offering more amenities than Zeehan, including a high school and a hospital.

Gilbee says, "We haven't seen the real impact, not just yet, but once the mines get up and running we'll see it then."

"There's not a lot of rentals in the area. We're all waiting for the mine to open and then we'll see a little mini-boom."

Houses for sale recently include a three-bedroom house asking \$89,000, another three-bedder seeking \$65,500 after a price reduction, and another asking \$70,000.

A little more extravagant was a house in better condition, with a gazebo barbecue area, priced at \$110,000.

Deverell says many of the cheaper homes need work and some will eventually need new kitchens and bathrooms. But most would rent now for \$150 a week – and rents are expected to escalate when workers start arriving for the new mining operations. ■

Terry Ryder is the author of four real estate books and creator of hotspotting.com.au