

# PORT HEDLAND MARKET DRIVERS

## Introducing Port Hedland, gateway to the Pilbara

THE BIGGEST SINGLE INFLUENCE on Australian real estate right now is the resources boom – and with a vacancy rate of zero and a rental return of over 10%, Port Hedland is the investor's boom town of Western Australia.

Located 1322km north of Perth, the town of Port Hedland has long been exporting Australian raw commodities.

With the rise in demand from China and other countries over the last ten years, there has been a dramatic increase in the exporting of iron ore.

An ideal location for a port, it has a deep natural anchorage and has become the world's largest port by tonnage. Connected by hundreds of kilometers of railway lines, the port supports over 20 mines in the Pilbara region.

Despite the economic activity centred in the region, the present town of Port Hedland hasn't been working as a serious option for families. They have been undermined by a 'project mentality' that has not seen them as having a long-term future. State

governments and mining companies have historically focused on enabling projects without enabling places.

This project mentality has resulted in the adoption of a fly-in-fly-out (FIFO) workforce as the means for mining companies to meet the challenges of providing skills and labour to remote Pilbara townships.

These FIFO workers, accounting for 11% of the town's population, are placing pressure on the limited available short-term rentals.

Additionally, developable land is restricted by flood-prone areas – it is essentially land-locked.



Port Hedland, WA  
A town with an assured future.

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## Iron ore demand from the newest global investment superpower – China

AUSTRALIA'S ECONOMY HAS BEEN greatly boosted by the unrelenting purchasing of our raw commodities by China, but how long will this Asian giant's voracious appetite for Australian resources continue?

China has a population of over 1.3 billion people and it is currently undergoing a major shift to urbanization. According to research from the global consultancy, McKinsey & Company, 350 million people will be added to China's urban population over the next 15 years. 221 Chinese cities will have over a million people living in them, 23 will have more than 5 million. To give a little visual perspective, that is 221 cities the size of Adelaide, with 23 of those being larger than Sydney. It's staggering to

think that over the next 15 years nearly 17 million people a year will relocate from rural areas into urban regions – the equivalent of the entire adult population of Australia.

The essential ingredient in these cities – the new houses, apartments, office towers – is of course the iron ore based product, steel. Another mass consumption of steel is car manufacturing. China has the largest domestic car market in the world, with over 18 million cars being sold in the last 12 months.

### “...THE FUTURE DEMAND FOR AUSTRALIAN IRON ORE AND OTHER NON-RURAL COMMODITIES IS ASSURED.”

As the nation's urban economy grows (their economy is the second largest in the world after that of the United States), China continues to enjoy an impressive pace of national prosperity. China came through the last GFC (Global Financial Crisis) relatively

unscathed, posting an impressive economic growth of over 10%.

American economist Professor Paul Gillis who is based at the Peking University, states that “China's go- ing to be one of the major, if not the major, consumer of raw materials.”

It could be assumed that the effects of the GFC on the US and Europe would be hurting China's economy, but because they are selling more and more to the local market where demand is staying strong, China continues to charge along at what would seem an unstoppable rate, and remains remarkably optimistic. Their optimism isn't unfounded as demands for products continue to increase.

This is all positive news for Australia's export industry. With the forecast for China's economic growth being over 9% for the next 10 years, the future demand for Australian iron ore and other non- rural commodities is assured.

## Port Hedland as a property investment opportunity

INVESTING IN PORT HEDLAND IS QUITE DIFFERENT from the usual property investment strategy but the fundamentals are supportive.

We are in the exciting second leg of a commodities boom and this means property investors have a unique opportunity to acquire substantial capital gains and 10%+ yields in Port Hedland's property market.

- The capital growth rate of property prices has increased by 24% per annum over the last 5 years.
- There is a chronic accommodation and land supply issue, due in part to the geography of the area.

- The future for the town is one of solid growth and expansion with millions of dollars in improved infrastructure planned.
- The population growth is expected to more than double in the next 15 years.
- The rent yields are between 10 and 11% per annum which in comparison to the average interest rates of 6.5% per annum, sees investors being very positively geared from day one.
- Based on the median price of South and Port Hedland, investors nett an average of \$450 per week after all expenses and interest only repayments of 100% of the purchase price.

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## Looking to the future of the economy

**THE LONG-TERM ECONOMIC FUTURE**  
for Pilbara cities based on mining and  
energy is now well established.

The many mining projects coming on stream and the good prices for commodities in China and elsewhere suggest there will be many jobs in the Pilbara region for generations to come. As Andrew Forrest of the Fortescue Metals Group stated in the 2008 Pilbara Plan (Pilbara Area Consultative Committee 2008): "The Pilbara is not a short-term quarry. It will sustain major wealth generation for Australians for hundreds of years. The Pilbara therefore can and must host long-term, fully sustainable and high quality living Pilbara communities."

The Western Australian Government has recognised the need for change in the Pilbara to reflect this long term vision. In 2009 the Premier Colin Barnett announced the Pilbara Cities

Blueprint, which would create "vibrant, major cities" in the iron ore ports and towns of Port Hedland, Karratha, Dampier, Newman, Tom Price and Onslow of which Karratha and Port Hedland would become major cities (50,000 plus population) of the future.

## "FOR ANY PROPERTY INVESTOR THIS TYPE OF TALK IS EXCITING ..."

Landcorp are helping to facilitate a cooperative, unified effort from all parts of government to turn the vision into a reality. With a combined West Australian Government investment of over \$457m in addition to actively seeking to attract private investment into the region. For any property investor this type of talk is exciting, revitalisation and improvement in a property market's amenities creates strong capital growth potential. This will also diversify the town's economy from being driven purely by the mining industry.

## In the media

THE PORT HEDLAND EXPANSION plans, housing shortage and huge rents regularly makes news and the opportunity for property investors to add cash flow positive property to their portfolios has never been better.

Eastern States and overseas investors are noticing the opportunities we have here in the West; to own Pilbara property that pays you from day one and potentially props up the holding costs of other negatively geared investment property.

The Pilbara region has held onto its title as the most expensive place in the nation to rent a home as Perth's barnstorming house rental market surged past every capital city over the past year.

Recent media headlines say it all:

PORT HEDLAND THINKS BIG  
ON HOMES, HOTELS

IRON ORE BOOM LIFTS BHP TO  
NATION'S LARGEST PROFIT

NEW FACILITIES TO INJECT LIFE  
INTO SOUTH HEDLAND

QUEST TO CASH IN ON PAUCITY  
OF PORT HEDLAND HOUSING

FMG SIGNS DEAL TO BOOST  
CHICHESTER PRODUCTION

FOR LEA\$\$\$\$E – WA'S RENTAL  
BOOM STILL LEADS THE NATION

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## Looking to the future of the community

ROYALTIES FOR REGIONS HAVE committed \$300m and along with the West Australian government's blueprint and private investors' \$562m, Port Hedland will be transformed into its vision of "a nationally significant regional city".

The following exciting projects have been highlighted on the Town of Port Hedland's website.

### Airport Upgrade

- Involving a new terminal, runway, taxiway, apron upgrades and a multi-storey car park. Aiming to service 1 million passengers annually.

### South Hedland Town Revitalisation

- To be delivered by LandCorp. Creation of serviced land including 450 dwellings in the CBD.

### Developing the Spoil Bank Marina

- The marina will consist of 258 pens plus boat ramps and storage development of in excess of 1,200 dwellings.

### Marapikurrinya Tower Project

- Creation of cultural and tourist precinct: tower and marine interpretation centre.

### McGregor Street Reserve Redevelopment

Includes three cricket-sized fields, multi-purpose sports pavilion and new canine club to name a few.

### Pilbara's Port City Growth Plan







**Building and Maintaining Infrastructure Capacity**  
Strategic and urban transport, utilities and communications infrastructure are provided in a timely, sustainable and efficient manner to cater for a growing resident population and increasing strategic and business activity

*"Pilbara Cities will make Port Hedland a vibrant, sustainable place of choice where people come to live, work, play and visit for lifestyle, services, facilities and opportunities." – Kelly Howlett, Mayor, Town of Port Hedland.*

### Utilities Infrastructure for City Growth

- Key infrastructure for residential growth: power, water, sewer, gas and telecommunications.

### South Hedland Community Centre and Library

- A modern facility serving as both library and community meeting space.

### Aboriginal Arts and Cultural Centre

- Opportunity for local Indigenous people to practice art and showcase their culture.

### Relocation of the Port Hedland Sewerage Treatment Ponds

- Current location limits future residential development.

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## The future is bright

DESPITE THE CURRENT GLOBAL economic climate, the future for Port Hedland is exciting.

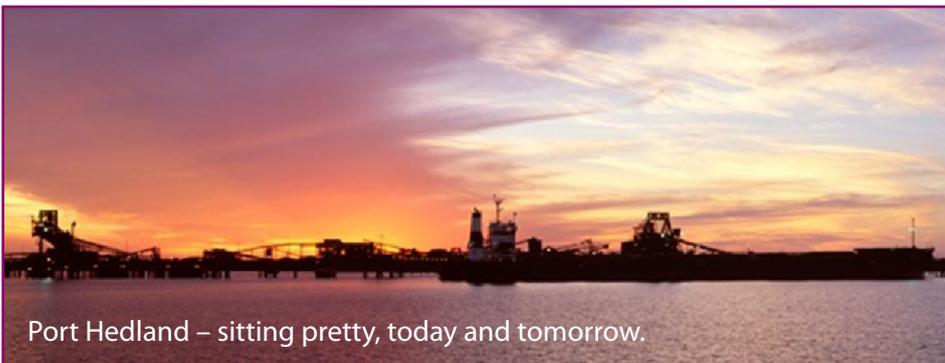
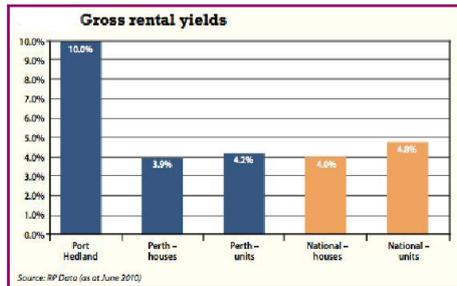
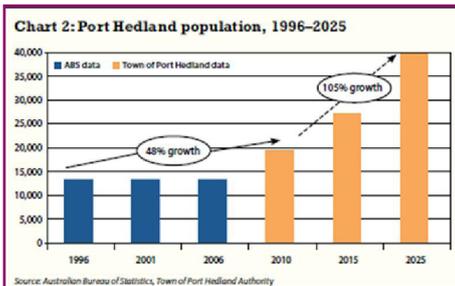
Recognising the immediate need to create a future for the town from the current mining boom and beyond, an exciting combined partnership between State government (Pilbara Cities Blueprint Initiative and Royalties for Regions Revitalisation Plan), Federal government and private sector are transforming Port Hedland from a relatively under-developed town into a modern regional city.

The mining boom has rapidly boosted the town's average salaries for workers, which has risen 39% within seven years. This rapid rise is due to the fact that virtually every worker on the numerous mine and port related facilities are on \$100,000-plus salaries.

These large salaries are a result of the wealth that mining companies and their suppliers have enjoyed from booming iron ore prices, the town's remote and hot location and the fact that there is a chronic shortage of workers in Western Australia's remote resources sector.



As the fundamental principles of investing in property are location and timing, it can be seen that there's a bright future for investing in Port Hedland. The town of Port Hedland has a growth plan in place to increase the population from 19,500 currently to 40,000 by 2020 and 50,000 by 2035.



Port Hedland – sitting pretty, today and tomorrow.

Contact us to secure your positive cashflow investment property today, and be well positioned to achieve significant capital growth.

PASSION  
STRATEGY  
EXCELLENCE  
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