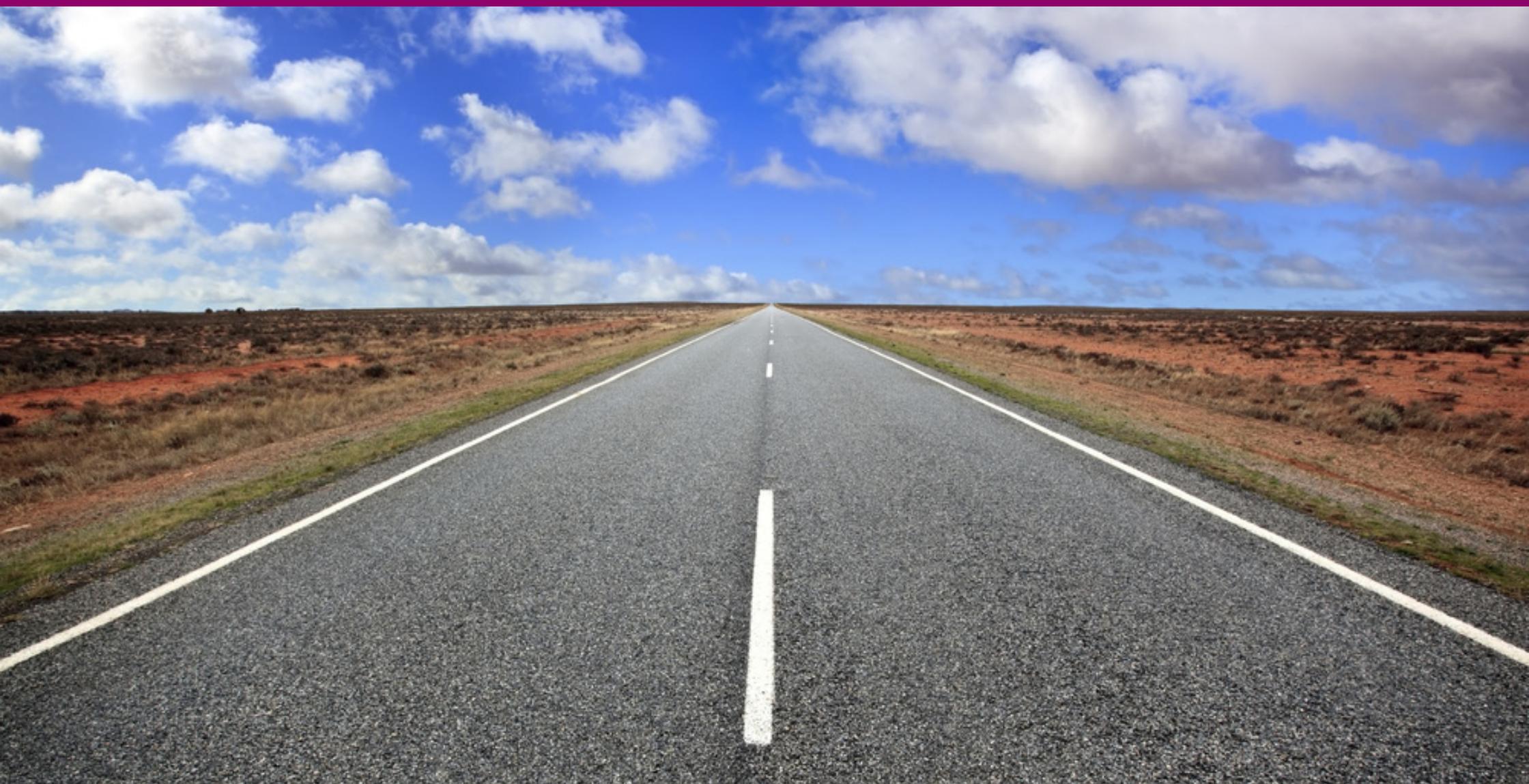


PROFITING FROM THE **MINING BOOM** WITH REAL ESTATE



You've heard of the mining boom – what does it mean for property investment?



## Contents

Why invest in mining towns?	1
The mining boom and the WA economy	2
The property boom and your investment	3
Finding cash flow positive properties	4
Port Hedland	5
South Hedland	6
Newman	7
Karratha	8
How the mining boom is affecting the Perth property market	9
About Veronica and the MACRO Realty team	10
How MACRO Realty can improve your portfolio	10
Your FAQ	11
Contacts	12

MACRO Realty Pty Ltd  
Level 18, 152-156 St Georges Tce  
Perth WA 6000

MACRO  
REALTY

+61 8 9361 6612  
admin@macrorealty.com.au  
Licensee MACRO Realty TC 62199

## Why invest in mining towns?

Can you imagine not having to work to earn your money?

To have a monthly rent cheque just keep arriving in your bank account as a result of cash flow positive property?

There are properties in Western Australia's booming North-West mining towns you could invest in that not only have above average capital growth (18% over the last 5 years in Port Hedland) – but they also pay you cash from the day you own them.

You know there are many self-made property millionaires out there. You also know there is a massive mining and resource boom going on and that there are people who are even now making hay in a tightly supplied market.

The question is – how can you take advantage of it?

## Do you have questions like these?

You know what you'd like to do; walk into a one-stop, money-making shop. Find the right property, in the right location, below market value and then structured, financed and managed with ease. Then have professional property management on hand to look after your investment.

That still leaves a few unanswered questions, such as:

- Where can such properties be found?
- Which locations are reliable and have longevity?
- Which properties will produce the best returns?
- How do I know if a particular opportunity is a 'good deal'?
- What structure should I use to minimise my tax?
- How do I best finance the property so my portfolio is flexible?
- Who will the tenants be and how do I mitigate problems?
- How much cash will a positively geared property pay me?
- Who can I trust with all of this?

Read on to learn the answers to these questions and more.



## The mining boom and the WA economy

The impact of the current mining boom in Australia, aided by an unprecedented demand for minerals from an emerging China, has helped this nation to withstand global financial turmoil.

In June 2012, Andrew Forrest, founder of Fortescue Metal Groups said: **'The world's population has just hit 7 billion people and demand for commodities will remain very strong'**.

The first 2012 CommSec (Commonwealth Securities) Report reported that the state's economic output is now 28% higher than its 10-year average, leading its eastern counterparts in terms of construction activity, business equipment spending, and lower unemployment.

For a state with just 10% of the nation's population, Western Australia is punching above its weight more than ever:

- the economy expanded by 11% in 2011.
- unemployment fell to the nation's lowest at 3.8% in April 2012.
- 70% of all jobs created in Q1 2012 in Australia were in WA (ABS).

Across the Pilbara, BHP Billiton, Rio Tinto, Fortescue Metal Group and Gina Rinehart's Hancock Prospecting are spearheading iron ore projects and expansions worth tens of billions of dollars.

On Barrow Island off the Pilbara coast, US energy giant Chevron and its partners are halfway through the construction of Australia's biggest industrial project, the \$43bn Gorgon liquefied natural gas plant. Work is also under way at Chevron's \$29bn Wheatstone plant near Onslow.

A boom, by definition, may not last forever – but what remains behind when new investment slows? The hundreds of billions of dollars invested by mining companies over the last decade are now starting to produce huge exports revenue for Australia, extra tax income and thousands of high paying jobs.

Western Australia has the highest economic growth rate of all of the States and one of the lowest unemployment rates, making it very attractive for interstate and international migration – everyone wants a job and ideally a high paying one!

While a boom will by its very nature level out at some point, the infrastructure investments and people it brings with it will remain.



## The property boom and your investment

Mine industry workers are cashing in on Australia's modern gold rush, lured from the comforts of big cities to work in remote parts of the country for generous incentives.

It's been estimated that in the next ten years the state will need another 500,000 new workers. The government has approved 1700 foreign workers for Gina Rinehart's latest mine in the Pilbara, and in April 2012 Rio-Tinto announced their job campaign for 6000 new employees, with 4000 required immediately for its West Australian expansions.

**'This announcement brings into reality something we've been talking about for a long time and that is there is increasing demand for workers'** James Pearson from the Chamber of Commerce and industry says, **'WA needs to be ready to cope with the massive influx of workers'**.

And all of these workers need somewhere to live.

There is no quick fix to this situation, as there are impediments to rapid land development in the region.

The Western Australian State Government has recognized the need to support these hubs and along with the mining companies is pouring millions in to upgrade the local shires and turn them in to regional cities consisting of 50,000 residents. This is being conducted through the Royalties for Regions system and is known as the Pilbara Revitalisation Plan.

This level of investment will help improve the situation over time, however it is not likely to keep up with the current or future increasing demand from workers who will need to reside in the region.

The government and mining companies need people to invest in properties, to increase the housing. MACRO Realty are, amongst other roles, developers. They have their finger on the pulse and know where to buy land and get it to you at below-cost rates by cutting out the middleman.

Australia's mining and energy resources accounts for about 9% of GDP, but more than half of the national exports.

**'Against a dreary outlook for the prices of Australia's key exports, BIS Shrapnel believes the value of contracted resource projects means mining investment would not peak until 2014, with Queensland and Western Australia tied up with major projects for three to five years.'**

— *The Australian*, 27 August 2012.

## Finding cash flow positive properties

Currently, some of the best investment opportunities are to be found in Western Australia's beautiful Pilbara region. Deep ochre reds, long outback roads and rich in mineral deposits. The mining towns supporting the numerous mines are bursting at the seams, unable to accommodate the massive influx of workers.

The Fast 50 Report, released by analysts Smart Property Investment in January 2012 identified Pilbara towns Port Hedland, Dampier, South Hedland and Newman as investment hotspots.

Fast 50 contributor Helen Collier-Kogtevs said the Pilbara boasted high capital growth prospects and strong positive cash flow opportunities. **'It is strategically important to the national economy, has great historical performance and great projected performance, low vacancy rates, high per capita income levels and a shortage of, and high demand, for housing'**.

The hotspots are identified based on a range of key metrics, including population growth, demand for housing, income levels, employment, vacancy rates, capital growth history and current rental yields.

The following pages will look at Port Hedland, South Hedland, Newman and Karratha (the town that supports Dampier) individually.

## What can you make with a positively geared property?

Located in the heart of budding Pilbara cities, these fantastic investment properties offer a **great net cash flow position.**

**\$53,872/year or \$1,036/week clear**  
Four bedroom house  
Newman, WA



**\$33,800/year or \$650/week clear**  
Three bedroom house  
Newman, WA



**\$24,544/year or \$472/week clear**  
One bedroom apartments  
Port Hedland, WA



**\$20,124/year or \$387/week clear**  
One bedroom apartments  
Karratha, WA



**\$19,760/year or \$380/week clear**  
Furnished apartments  
Newman, WA



How many of these would you need to replace your current wage and retire early?

**Call +61 8 9361 6612 to discuss your options**

Figures are based on 100% borrowing at today's interest rates, after all costs including insurances, rates and property management fees are paid, and include depreciation benefits.



## Port Hedland 20.3100° S 118.6010° E

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.

It is an ideal location for a port, having 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.

Investing in Pilbara locations like Port Hedland is quite different from the usual property investment strategy, but the fundamentals are supportive:

- the capital growth rate of property prices has increased by 18% 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.
- population growth is projected to more than double in 15 years.
- rent yields are between 10 and 11% per annum, compared to average interest rates of 6.5% per annum, which sees investors being very positively geared from day one.
- based on the median price of South and Port Hedland, investors net an average of \$450 per week after all expenses and interest-only repayments of 100% of the purchase price.

Despite the economic activity centered 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.

Flood-prone areas surround Port Hedland, creating an essentially land-locked town limiting the land available for housing developments.

MACRO Realty developments in Port Hedland are designed to a quality finish with the likely tenants being valuable employees working in the local area such as at the Port itself.

## South Hedland 20.3961° S 116.6111° E

South Hedland was originally designed as a satellite city to Port Hedland in the 1970s and now has the capacity to become home to 40,000 residents. Whilst Port and South Hedland were once recognized as transient towns with the sole purpose of servicing local industries, more recently the unique beauty of the area is being recognized and the improvements to the area are encouraging many to make the town their permanent home.

As a residential centre, the town has facilities for families such as shopping, schools, day care, cinemas, aquatic centre and some motel style accommodation. The town centre is currently undergoing a major \$23million revamp with the assistance of the WA Government's Royalties for Regions scheme. The improvements will include amongst other things a new main street around a new town square, better roads and footpaths, and a release of large development blocks by Landcorp to allow for further growth in the South Hedland population along with new commercial and retail space.

There's no stopping the capital growth South Hedland is likely to enjoy, averaging 16.4% over the last 5 years. The rapid growth expansion plans that are in place to meet 2015 targets of an increase in iron ore exports fuels the town's population growth.

Once a transient town, South Hedland is fast becoming a place to raise a family.



## Newman 23.3500° S 119.7333° E

The town was established in the late 1960s by Mount Newman Mining Company and today is considered a model mining town servicing the iron ore mining development at Mount Whaleback, one of the largest projects owned and operated by BHP Billiton.

The massive Mt Whaleback mine is the biggest single-pit open-cut iron ore mine in the world being more than five kilometers long and nearly 1.5 kilometers wide.

Adjacent are smaller deposits, Orebodies 29, 30 and 35. Smaller satellite mines – Wheelarra and Orebodies 18, 23, 24 and 25 – are located outside the town of Newman. The Yandi and Area C mines are located about 100 km northwest of Newman.

All the mines around Newman and other approved projects will be contributing together over 25 billion dollars of expenditure on mining expansions in the Pilbara region of Western Australia.

These major mining projects are looking to at some time or another be running concurrently which will mean a massive expansion in infrastructure, workforce and government spending in these localities.

Due to Newman's direct link to the vital towns of Port Hedland and Karratha and its geographical proximity to the Hamersley Range (the source of the majority of Western Australia's iron ore deposits), the town will continue to be used as a main support town to supply workers and services to the mines and in turn be supported by that workforce for the local businesses and support industries in town.

As the project expansions develop in the coming years the demand for housing, rentals and investment properties in the town of Newman will greatly increase, far outweighing the supply; a fact we already started to see at the end of 2011 with rental returns above 11% and house price increases of 24.1% (as a 5 year average).

A major rise in Newman's population, and plans for improved infrastructure is expected to cause the same style of property market we see in Port and South Hedland today (2012). The *Newman Revitalisation Plan* 'responds to the shared vision of the Shire of East Pilbara and the Western Australian State Government to modernise and transform Newman'. The objective of the Pilbara Cities vision is to 'build vibrant cities that offer economic and social sustainability from one generation to the next'.

## Karratha 20.7365° S 116.8464° E

Located over 1500km north of Perth on the North West Coastal Highway, Karratha was established in the 1960s in response to the growing iron ore industry and the need for a new regional centre caused by a shortage of land in Dampier, the port that is located 20km to the west.

The current population of Karratha is approximately 20,500 plus FIFO (fly-in-fly-out workers), which is approximately 30% of the Pilbara region's population.

Under a new State Government plan, the vision is to transform this region into a vibrant network of communities with Karratha projected to be one of two Pilbara Cities, each with a population of about 50,000 by 2035.

This Pilbara Cities Vision seeks to create places that people choose to settle on a permanent basis, a place to bring up families with access to high standards of education, health and diverse employment and career opportunities. As part of making this a reality, Karratha will enjoy a \$1.5bn makeover.

The economy is well established and draws from many mining operations including:

- Rio Tinto iron ore
- Dampier salt – sea salt mining
- Cape Lambert South Project – magnetite
- North West Shelf Venture – natural gas
- Gorgon LNG
- Pluto LNG

The appeal for investors in the Karratha property market is the high rent returns, with properties achieving rent returns of 10% and above.

The long-term growth rates are also consistently high, with the market averaging between 13% and 16% over the last 10 years from July 2012.

Karratha's rental market is driven by a big demand for accommodation from the resources sector where there is a limited supply of residences. There is a limited availability of housing, due to the difficulties of obtaining developable, affordable land and implementing the necessary infrastructure to build.



## How the mining boom is affecting the Perth property market

In May 2012, media headlines appeared with titles like 'Rents hit the roof', which can be expected when a flurry of mining industry related workers are lured in droves by generous incentives. It has been reported that some mining consultants can earn far, far more than they would in Sydney, with their airfares, accommodation, entertainment and meals all paid for.

**'The price of rents in some Perth suburbs have almost doubled in 12 months, causing panic and 'mania' among those looking for a home'** reporter Mara Fox wrote.

These increased rents mean property owners are reaping bigger profits and tenants are in a situation where with the current low interest rates, it is cheaper for them to buy a property in some areas and service mortgage repayments, than it is for them to rent.

Experts say the former property boom has now become a rental boom. Even in the Perth property market, there are near new properties that can deliver investors a positive cash flow return.

Independent property analyst and commentator Gavin Hegney said Perth conditions had changed rapidly as a result of a continuing population influx. **'People moving into the state have tended to move into rental accommodation, hence the vacancy rate has very quickly dropped from 4.8 per cent to its current level of 1.9 percent'** Mr Hegney said.

Prospective tenants are arriving at rental viewings surrounded by 30-40 other groups and in the current market it is not uncommon for around a dozen applications to be received and more than the asking price for rent to be offered.

Suburbs to record the greatest spikes in median asking rent include Burswood, up from \$482 per week to \$875, North Fremantle from \$500 to \$800 per week and Churchlands, from \$700 to \$990 per week.

In comparison, the mortgage repayments on a new home, in a good quality estate within 30 kilometers from the CBD and the Perth airport, can be as little as \$490 per week.

Consequently, tenants and new workers coming to Western Australia are weighing up their options.

As an investor, this means your benefits come from both an increase in rental yield and an increase in property sales. It is all good news.

REIWA president David Airey reported in July 2012 that West Australians are returning to property with more confidence, with trade-up buying increasing and investors being attracted to higher rental yields due to our obvious population growth.

## About Veronica and the MACRO Realty team

Veronica Macpherson has more than 12 years' experience in the real estate industry with property investing, property development, facilitating land syndicates, sales, property management and more recently, establishing MACRO Realty Pty Ltd.

Co-owner of the real estate agency MACRO Realty Pty Ltd, Veronica is the licensee who holds a current triennial certificate for Real Estate and Business Agents (TCN 61299) and is an Authorised Representative of Anquan Securities and Investments Ltd (License No: 291653).

Veronica is one of the largest private developers in the Pilbara today. This means that as an investor you can get developer discounts by going directly to her agency MACRO Realty.

MACRO Realty have facilitated successful project marketing campaigns for several Pilbara developments to achieve the target pre sales and profit margins, including off the plan and land packaging sales. They work as buyers' advocates for investors nationally and have long-term relationships with several mining companies, to assist with their accommodation requirements.

## How MACRO Realty can improve your portfolio

MACRO Realty has a solid reputation for achieving outstanding results and going over and above with providing their clients the ultimate in customer service.

They specialize in all facets of real estate including selling, managing and developing real estate, with a core area of their business being to assist others to 'buy well' and make informed decisions when looking to invest in property.

From start to finish, their team works together to identify suitable investment properties, package up sustainable and 'expandable' portfolios that meet their clients' goals, compare tax benefits, prepare cash flow models, investigate the fundamentals of the area and carry out feasibility studies to take all the hard work out of finding the best opportunity for you.

They can help you establish the right structure for the purchase (to minimise your income and capital gains tax), assist with securing the ideal finance package and the best interest rates with their in house accounting and finance division, then they'll make sure they have a suitable tenant ready to lease the property from settlement.

Knowing when to invest and where is imperative. Talk to the team at MACRO Realty – people that invest themselves, and who know by personal experience where to strike and when.

## Your FAQ

Do you have a burning question that hasn't already been answered? Did you want to skip all the reading and go directly to your answer? Here's a list of some frequently asked questions with brief answers.

### How likely is the mining industry to keep performing strongly?

The expansion plans for our Pilbara region are a reality; it is a question of how fast the mining giants are expanding, not 'if'. The Pilbara has the largest port and iron ore mine in the world by bulk export, with the cost of production at a point where the large companies will survive under any likely macroeconomic scenario.

### How long will China feature in the mining boom future?

In recent months China has reported slowing growth. But what many people don't realize is that this is a direct result of the Central Government's policy – they actually want the economy to slow a bit to avoid overheating and inflation. At the same time, they know that the key to power is to keep the economy moving and the people happy. This means a continued policy of moving people from regional to urban areas – about 15 million a year. All these people need to be housed which means China still needs our resources – iron, coal, gas, oil, copper, zinc and bauxite, and will continue to do so for many years.

### How much can I borrow?

Our finance division can answer this question for you quickly and easily after getting a few details about your situation. Please don't hesitate to contact us to get answers for your circumstance.

### If I lock in a price 'off the plan', can it be increased if the property prices go up?

No, the capital gain is the investors' benefit and the price of the property cannot be increased for the life of the contract regardless of how much the property's value may have increased.

### Can you guarantee the rent returns?

At rates of 10.5% upwards, MACRO Realty works with an affiliate group known as 'Pilbara Short Stay' to deliver a minimum rent return as of settlement, providing investors with comfort that their Pilbara property will be generating them cash flow from the day they settle. The rates offered by Pilbara Short Stay are a minimum amount and the MACRO Realty property management division will still work in their owners' best interest to secure a higher lease, which the owner will have the ability to accept instead.

### Who will rent it?

The MACRO Realty property management division will source you the best possible tenant and in the Pilbara these are typically mining corporates, government departments, or mining related industries that provide accommodation to their employees. It is extremely rare for leases to be entered into with individuals, who are typically unable to afford the cost of a lease in the Pilbara. Typically, an individual will sublet a room from employees who have been provided with accommodation by their employer.

**Can I use a deposit bond instead of paying a 10% deposit?**

Good question. A deposit bond is a fee that typically costs between \$800 and \$4,500 (for most Pilbara investment properties) that you pay to a third party institution instead of the deposit (which is usually 10%). They in turn guarantee to the developer that you will have the deposit available at settlement. For most of the house-and-land packages and 'off the plan' purchases MACRO Realty are involved with, it is possible to use a deposit bond.

**What size are the apartments?**

The MACRO team is aware that mortgage insurers have specific size requirements in order for investors to be able to finance more than 80% of a property's value. They will be much larger than a hotel room, with the benefit of being fully self-contained and are always greater than 50 metres on the title.

If your question isn't here or hasn't been answered sufficiently, please use the contact details on the following page. The MACRO Realty team is here to help you.

**Contacts****General Enquiries**

admin@macrorealty.com.au

Phone +61 8 9361 6612

Fax +61 8 9310 4462

**MACRO Sales Department**

sales@macrorealty.com.au

**MACRO Property Management**

rentals@macrorealty.com.au

**MACRO Finance Department**

Peter Cirillo

peter@macrorealtyfinance.com.au

**MACRO Project Management and Accounting**

Rob McMillan

rob@macrorealty.com.au

Andy Michaels

andy@macrorealty.com.au