

A Research report into the CSG-LNG industry driving the booming Gladstone economy

Gladstone: Queensland LNG boom town

The impact of Coal Seam Gas (CSG) and Liquefied Natural Gas (LNG) on Gladstone's economy

The world powers and lesser nations, including Australia and its Asian neighbours, are aware that the rate of pollution of the atmosphere cannot be permitted to continue on an unregulated and uncontrolled basis.

The industrial community is also aware that coal, in its current form is the dirtiest form of fossil fuel and that Liquefied Natural Gas (LNG), on the other hand, is the cleanest.

After years of planning and much publicity, the CSG-to-LNG industry has started construction in Queensland.

Between the Surat Basin (west of Toowoomba) and Gladstone (north of Brisbane), the opportunity to transport CSG through new pipelines will create the opportunity for conversion plants in Gladstone to convert CSG to LPG and export it overseas in specially designed tankers.



A CSG to LNG conversion plant being built in Gladstone

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There are currently a number of CSG-to-LNG projects that are progressing at or near the port of Gladstone. The projects that are in place to capitalise on this opportunity now include a number of the world's largest resource companies - committed investments in infrastructure now exceeding \$60 Billion.

Methodology

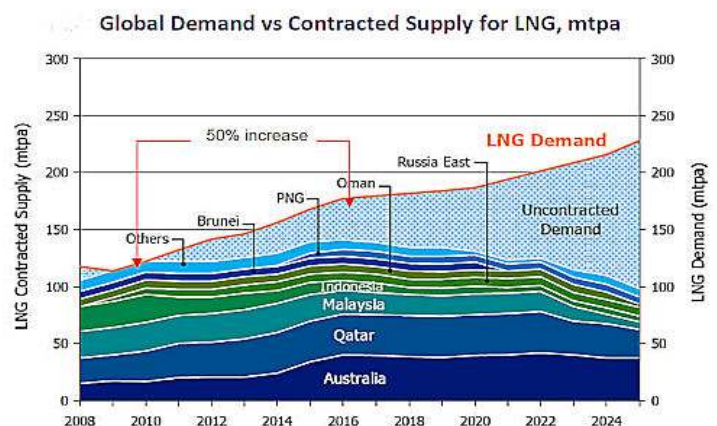
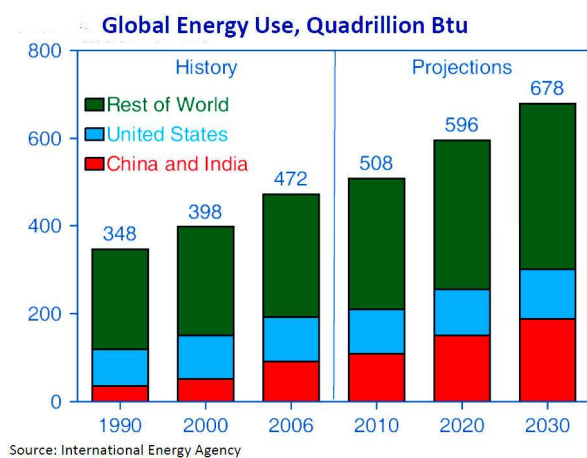
In order to become a major supplier of LNG of the world, the planned methodology will occur in four steps:

- The harvesting of CSG from thousands of wells in the Surat Basin (west of Toowoomba),
- The transport of the CSG through new pipelines being constructed over a distance of more than 500kms to Gladstone (north of Brisbane),
- Conversion of the CSG to LPG in plants being built in Gladstone, and
- The loading of the LNG onto nearby LNG tankers and distribution to the rest of the world – particularly Asia. (China, Japan and Korea are in partnership with a number of the enterprises in the business of supplying LNG from Gladstone.



The Queensland Government has said that the growth of Queensland's LNG industry has the potential to require over \$60 billion in investment and create 18,000 new jobs, contribute some \$3 billion to Queensland's gross state profit, and return a further \$850 million worth of export royalties.

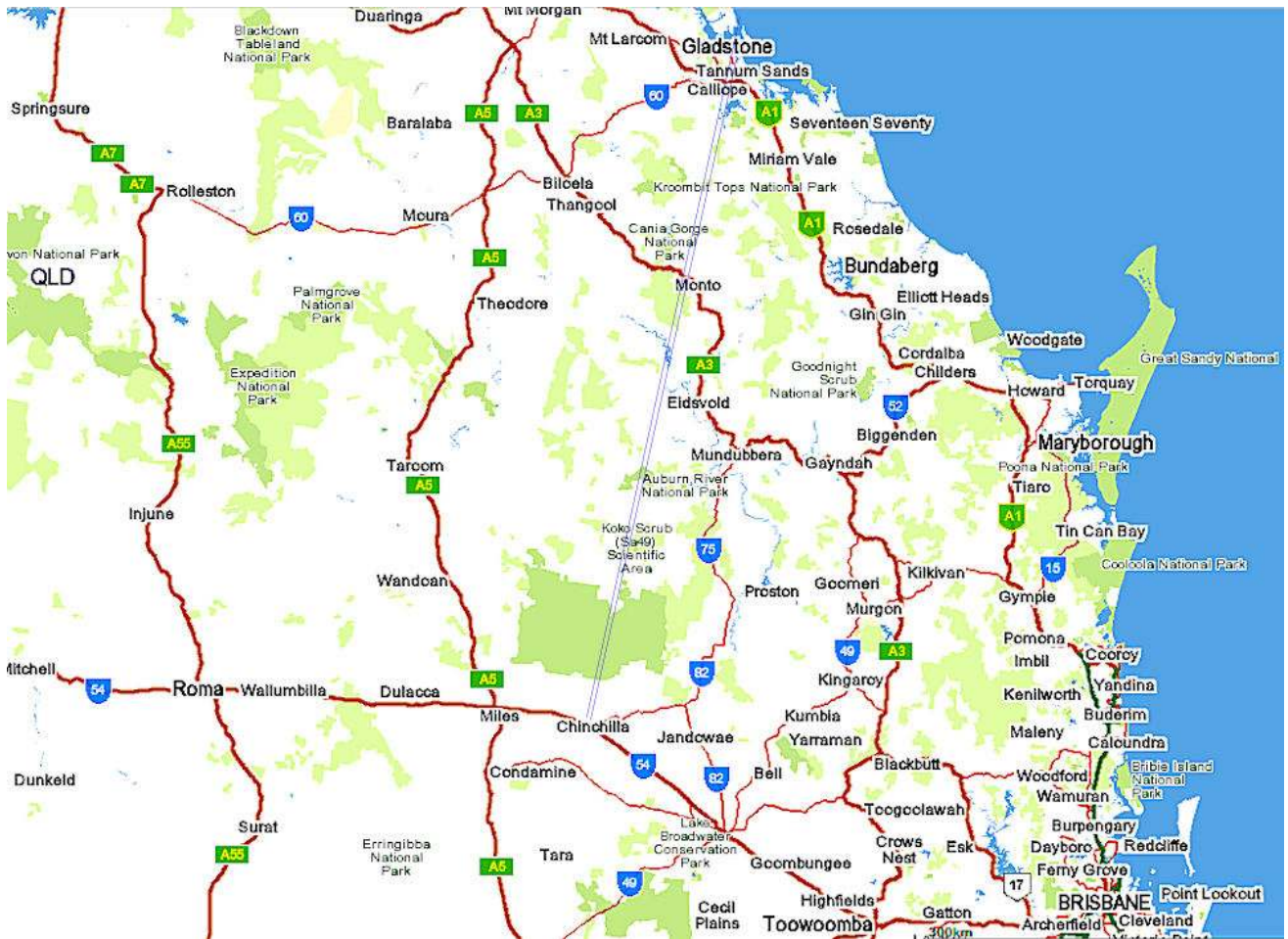
GLOBAL SUPPLY & DEMAND OF ENERGY – Estimations to the year 2030



The demand for global energy (including LNG) is clearly estimated to overwhelm supply

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Blue parallel lines represent the straight line distance between Chinchilla (Surat Basin) and Gladstone

MAJOR CSG-LNG ENTERPRISES – Major Joint Ventures are forming to optimise opportunities

Queensland Curtis LNG Project



BG Group subsidiary QGC is constructing an \$8 billion onshore coal seam gas CSG-to-LNG production and export facility on the Queensland coast, including an export pipeline from QGC’s Surat Basin tenements to a port site. The supply of 190 petajoules per annum (PJ/a) of CSG to feed the project is to be sourced from QGC’s Surat Basin tenements.

Up to 6,000 gas production wells are planned over the life of the project, including an initial 1,500 wells to be drilled across the gas fields by mid-2014. The main pipeline extends over 362 km.

Commissioning of LNG is planned to start in 2013 and LNG production to commence in 2014. First gas is expected in 2015.

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Arrow Energy LNG Project



Arrow Energy is developing a CSG-to-LNG processing facility on Curtis Island, which will be supplied with CSG from Arrow's reserves in the Surat and Bowen basins.

The project is expected to provide up to 3,000 jobs during construction, and up to 300 operational jobs.

Arrow is proposing to develop the 467 km Arrow Surat Pipeline and the 600 km Arrow Bowen Pipeline as part of the project. The dredging of Port Curtis and the Port of Gladstone will also assist the development of this project.

Arrow, which is owned by CSG Australia, is a joint venture between Shell and PetroChina, and plans to export its first gas from its project in Gladstone in 2017.

Gladstone LNG (GLNG) Project



Construction has commenced on Santos' Gladstone LNG (GLNG) Project, located at Curtis Island in Gladstone. The project includes a gas transmission pipeline linking a compression station at Santos' Fairview and Roma CSG fields in the Surat Basin to the liquefaction plant. Gas will also be sourced from the Bowen Basin.

Supply contracts for the project include agreements with Petronas and KOGAS, each for 3.5 MMt/a of LNG are in place.

A second train at the liquefaction plant is expected to commence operation one year after the first GLNG train. A total gas supply of approximately 1,200 terajoules per day (TJ/d) will be required for the two LNG trains. Santos has also identified three other sites within the proposed GLNG precinct for the development of additional LNG trains. The site could contain up to five LNG trains if required.

Initial production is expected to be 3–4 MMt/a, with a maximum potential production of 10 MMt/a of LNG. First LNG exports are expected in 2015.



LNG processing plant in Gladstone



LNG ship headed for overseas markets

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Gladstone Fisherman's Landing LNG Project



LNG Limited has proposed a 3MMt/a single train LNG plant, along with associated infrastructure, at Fisherman's Landing in Gladstone. Early site works, including civil works and deep soil mixing to prepare LNG tank foundations, have commenced at Fisherman's Landing.

The company has signed a Memorandum of Understanding with Metgasco to jointly study the feasibility of a CSG-to-LNG project for its Fisherman's Landing site.

LNG Limited has been granted state environmental approval to build a 21 km gas pipeline to run from the Callide Infrastructure Corridor to the project at the Port of Gladstone.

Australian Pacific LNG (APLNG) project



The APLNG project involves the development of CSG resources in the Surat and Bowen Basins; building a 450 km transmission pipeline; and construction of a multi-train LNG facility on Curtis Island, near Gladstone.

The APLNG project is a joint-venture between Origin Energy and ConocoPhillips.

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ANNEXURE A – Reports

The Australian

Property prices spike as Gladstone benefits from coal-seam gas boom

- Sarah Elks and Rosanne Barrett
- From: The Australian
- December 04, 2010 12:00AM

PROPERTY prices have spiked in the boom town of Gladstone, defying the gloom in Queensland's property market.

They have delivered the first real return to the community from the massive investments in coal-seam gas.

Undeveloped blocks of land are being snapped up by interstate investors, and contractor companies are booking out whole floors of hotels for months at a time to cope with the expected influx of thousands of workers to the city.

Developer Citimark sold 10 blocks of its Emmadale Gardens estate in the first 48 hours after the announcement on October 31 that global energy giant BG Group would go ahead with its \$US15 billion (\$15.3bn) Curtis LNG project.

BG Group was the first of four anticipated multi-billion-dollar projects to announce funding for plans to extract gas from central Queensland's Surat Basin, before converting it to liquefied natural gas on Gladstone's Curtis Island.

The town is riding a boom, with \$30bn to \$40bn in anticipated investment pouring into the new industry.

Figures from RP Data showed an increase in Gladstone property prices of 2.7 per cent for houses and 8.5 per cent for units in the 12 months to October, but Citimark's Geoff McWilliam said sales had soared since the BG announcement.

He said the company had sold 20 blocks in the past month, compared with between three and five blocks a month in 2008 and last year.

"Prices have gone up between \$20,000 and \$30,000 since the announcement," he said.

Remax Gladstone director Jeff Williams said his business had doubled its property sales from 20 to 40 last month.

"The place has gone nuts," Mr Williams said, estimating property prices had risen up to 10 per cent in the past 30 days.

Gladstone's population is projected to increase by up to 2500 a year to 114,530 in 2031 - almost double its 2009 population of 59,644, and a far cry from the fishing village of 50 years ago, before it was developed into a purpose-built hub for heavy industry.

As the coal-seam gas industry gears up, a workforce of 12,000 is expected to arrive to build the 450km pipeline from the Surat Basin to Gladstone, including a work camp of 2500 on Curtis Island.

Another 2500 workers will be engaged on a fly-in, fly-out basis.

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Gladstone Industry Leadership Group chief executive Kurt Heidecker said the rental market was as "tight as a drum at the moment".

Half the 27 rooms at Gladstone's Queens Hotel have already been reserved for the first six months of next year by a company that is related to the giant BG project.

Hotel general manager Eddie Whiteside, who moved his young family to Gladstone five months ago to capitalise on the boom, said the deal could be extended for the next five years.

"In the hospitality industry we're going to benefit almost more than anyone," Mr Whiteside said.

"A lot of people are going to fly in and fly out, but they've still got to eat and drink and put their head on a pillow.

"It's great for our business, in that respect."

Queensland Premier Anna Bligh told a business lunch this week the emerging coal-seam gas to LNG industry was a "once-in-a-generation opportunity".

And the locals are optimistic about the region's ability to handle the growth.

"We would rather deal with the pressures and demands of growth than the challenges and problems of decline," said Gladstone Area Promotion and Development chief executive Glenn Churchill.

LNG project approved - 23rd February 2011

Australian Pacific LNG (APLNG) received its environmental approval yesterday, making the company the third LNG proponent in six months to receive the go-ahead on Curtis Island.

Federal Environment Minister approved the APLNG project from the Surat Basin to Curtis Island proposed by Origin Energy and ConocoPhillips.

The APLNG project involves the development of CSG resources in the Surat and Bowen Basins; building a 450km transmission pipeline; and construction of a multi-train LNG facility on Curtis Island.

The Gladstone mayor said that the approval meant that the LNG companies must continue to work with the Gladstone Regional Council (GRC) to provide infrastructure.

The GRC will be contacting APLNG to discuss the conditions with them and the council expects to work with them and the state and federal governments to provide the infrastructure that is needed here.

Gladstone is going to have the problem of more people at the hospital; more people in the schools and is going to have more people on the road, which is becoming more evident each day.

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Korean deal on Santos' Gladstone LNG

Santos has cleared the way for a go-ahead for its \$US16 billion Gladstone LNG project.

The project could generate LNG sales from Queensland of more than \$US120 billion over 20 years.

Santos has sold 15% of the project to Korea Gas which has also signed up to take 3.5 million tonnes of LNG a year from the project for 20 years.

Kogas, owned by the South Korean Government, will pay \$665 million for its shareholding. Santos also plans to raise \$500 million in new equity through an institutional share placement.

The moves will fully fund Santos' equity contribution to the huge project, according to chief executive David Knox though it will slice its stake in GLNG back to 30 per cent, from 45 per cent.

And Santos has taken out a bit of extra financial insurance by cutting its annual dividend on its expanded capital to 30 for calendar year 2011.

Speaking from Seoul yesterday, Mr Knox said he had just signed the long-anticipated liquefied natural gas sales deal with Kogas.

Malaysia's Petronas, a 27.5 per cent shareholder, will also buy 3.5mtpa.

Mr Knox said the Kogas off-take deal meant GLNG now had contracts for seven million tonnes of LNG a year - clearing the way for a final investment decision on a two-train (or two processing unit) project.

Mr Knox said that construction of the GLNG plant, Queensland's second major LNG project and Santos' single biggest ever investment is expected to commence later in 2011.



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The Australian Financial Review
www.afr.com • Friday 29 July 2011

Origin's \$12.7bn go-ahead

Angela Macdonald-Smith

Origin Energy has bitten the bullet and sanctioned a \$US14 billion (\$12.7 billion) single-train liquefied natural gas project in Queensland with ConocoPhillips as it continues talks on customer sales that would underpin a second production unit and lift returns.

The go-ahead on the first phase of the Australia Pacific LNG venture adds a third mega-project to those already being built on Gladstone's Curtis Island — a massive \$US46 billion of investment so far.

The LNG plants are set to be the world's first to be fed by gas extracted from coal seams rather than conventional fields.

A fourth venture between Shell and PetroChina is following a slightly later schedule and is heading for sanction in 2013.

Origin managing director Grant King described the investment decision as "a transformational event in Origin's history".

But the APLNG partners had originally wanted to give the green light from the start for two production units, which Nomura's Xavier Grunauer estimates would yield returns of 14 to 15 per cent, rather than around 12 per cent for the single-plant venture.

Mr King said the one-train venture still had "robust" economics and that a final investment decision (FID) on a second train, costing another \$US6 billion, would probably be reached within six months.

"I can't conceive of a situation now that we don't proceed with a second train FID," he said.

A deal signed in April between the APLNG partners and foundation customer Sinopec, worth about \$90 billion, left the venture with little flexibility to stretch out the project go-ahead because they are committed to starting deliveries to the Chinese buyer in mid-2015.

"Maybe this was the right decision in the circumstances," said JPMorgan analyst Jason Steed. "You would hope they are close enough to customers two, three and four that they can get the second train off reasonably quickly."

Sinopec will now complete a previously agreed deal to buy 15 per cent of the APLNG venture for \$US1.5 billion, cutting Origin's and Conoco's stakes to 42.5 per cent.

Conoco advised it would book an after-tax loss of about \$US275 million on the dilution

Gas flare

Queensland LNG projects under development

Venture	Lead partner	Capacity (million t/yr)	Start-up date	Cost (\$USbn)
QCLNG	BG	8.5	2014	16
GLNG	Santos	7.8	2015	16
APLNG	Origin Energy/ConocoPhillips	9.0	2015-16	20
Arrow Energy	Shell/PetroChina	8.0	2017*	20+*



*Citigroup estimates. Project sanction scheduled for 2013.

SOURCE: FINANCIAL REVIEW

Queensland puts faith in LNG

Mark Ludlow

The Queensland government is relying on the \$50 billion liquefied natural gas industry to help revive the state's economic recovery and fill its coffers.

With the former boom state recording no economic growth last financial year — the lowest level since 1982-83 — the Bligh government is depending on a string of multibillion-dollar gas and coal projects being rolled out in 2011-12.

It has predicted private business investment will surge by 27 per cent this financial year, with economic growth to bounce back to 5 per cent — courtesy of

the three big LNG projects and the resurgent coal sector.

Although it is still too early for any direct impact from LNG exports, including royalties, featuring in budget forecasts up to 2014-15, the government is predicting significant economic impacts from 2015-16.

Based on a 2009 study, the government said a 28 million tonnes-a-year LNG industry in Queensland could create 1.8,000 jobs, add more than \$3 billion, or about 1 per cent, to gross state product, and provide about \$850 million a year in royalties.

This would complement existing coal royalties, which deliver about \$3 billion a year to the state.

Premier Anna Bligh said yesterday the APLNG project would deliver 6000 jobs alone, with Gladstone to become the new export hub for LNG.

"A decade ago people said this industry was a pipedream," she said.

"Less than three years ago, we published a blueprint for the industry's development. Today LNG in Queensland is a reality."

Despite some protests from environmentalists and farmers in southwest Queensland about gas wells on agricultural land, the state government is determined to push ahead with the new LNG industry saying there was a robust regulatory regime in place.

of its stake, recognising the higher price it paid when it bought into APLNG in 2008.

It will, however, defer another \$US500 million payment it was due to make to Origin on approval of the project until it makes an agreed economic return on its investment.

Origin announced a \$1 billion dividend reinvestment plan, underwritten by Merrill Lynch, removing any need to raise more equity for the initial project.

But executive director, finance and strategy, Karen Moses said another equity raising could not be ruled out for the second train, alongside new debt facilities, project financing or export credit agency finance.

The size of the stakes in the

project expected to be acquired by the LNG customers for the second train would be critical to the funding issue, said Citigroup analyst Mark Greenwood.

"If they don't farm down much more equity they will probably have to do another equity raising," he said.

Moody's downgraded its outlook on Origin's Baal credit rating to negative yesterday, citing uncertainty on the funding structure and noting the "considerable execution challenges" on APLNG, which would raise business risk for Origin. Standard & Poor's left its assessment of Origin's BBB+ rating unchanged but analyst Thomas Jacquot pointed to "real" potential for delays and cost increases.

The venture will involve drilling thousands of wells at coal seam gas fields in the Surat Basin, a pipeline to Gladstone and two, 4.5 million tonnes per year processing units.

Fixed-price construction contracts awarded to Bechtel for the LNG plant and to a McConnell Dowell venture for the pipeline would reduce the risk of cost overruns, Origin said.

The \$US14 billion budget for the initial project includes \$US1.7 billion of contingency, while the \$US20 billion two-train budget includes about \$US2.5 billion in contingency.

The two trains should deliver annual revenues of \$US7 billion in total.



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ASX/MEDIA RELEASE

25 February 2011

GLADSTONE “FISHERMAN’S LANDING” LNG PROJECT GAS PIPELINE ENVIRONMENTAL APPROVAL GRANTED

The Directors of Liquefied Natural Gas Limited (ASX: LNG, *Company*) are pleased to advise that the Queensland Department of Environment and Resource Management has granted environmental approval for the Company’s wholly owned subsidiary, Gladstone LNG Pty Ltd, to build a ~ 21 km gas pipeline (PPL 161) from the Callide Infrastructure Corridor to the Company’s wholly owned LNG project at Fishermans Landing, in the Port of Gladstone (*LNG Project*). The PPL 161 application will now proceed to the Department of Employment, Economic Development and Innovation, being the department responsible for the issue of Petroleum Pipeline Licences.

The pipeline will initially be capable of supplying 520 TJ/day (180 PJ/year) for the 3 million tonne per annum (*mtpa*) LNG Project. However, the pipeline will be designed to allow for additional gas supply capacity, consistent with the Company’s objective to expand the LNG Project in the future, subject to the availability of gas and the obtaining of relevant expansion approvals.

The attached map shows the proposed pipeline route and location of other existing and planned gas pipelines near Gladstone.

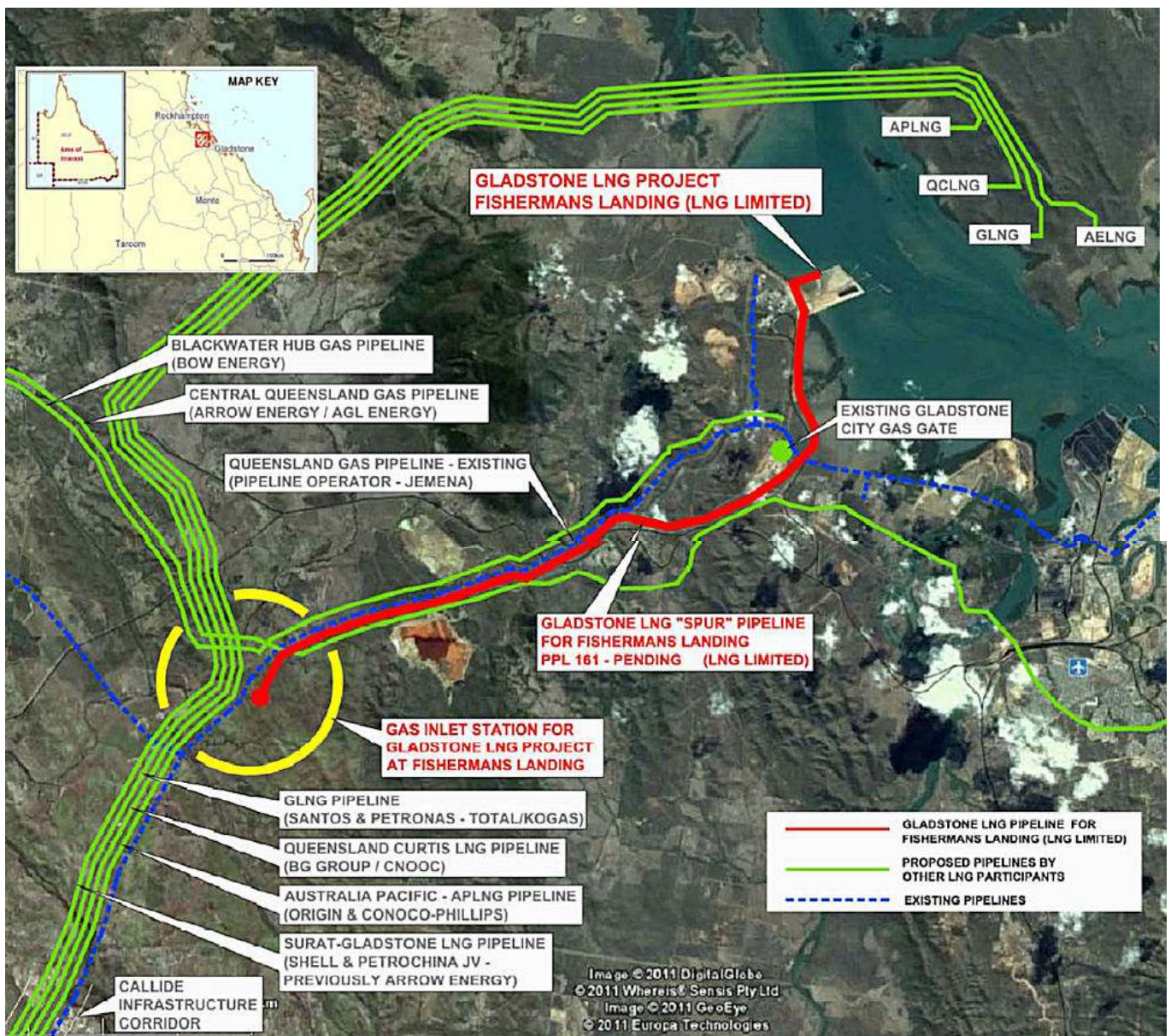
Managing Director Maurice Brand said “this is an important step in progressing the Company’s Gas Supply Plan for its 3 mtpa LNG Project”.

“The existing Queensland Gas Pipeline and at least six planned major gas pipelines, of which five have now obtained environmental approval, will converge into the Callide Infrastructure Corridor and therefore be capable of supplying gas to the Company’s LNG Project.

“Since the announcement of CNPC HQCEC’s proposed investment in the Company, we have been able to more actively progress the Company’s gas supply options for the LNG Project. CNPC HQCEC will bring to the Company and Gladstone LNG Project proven technical and financial capability and the gas pipeline (PPL 161) will provide a defined delivery point for all potential gas suppliers”, added Mr Brand.

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Gladstone LNG “Spur” Pipeline

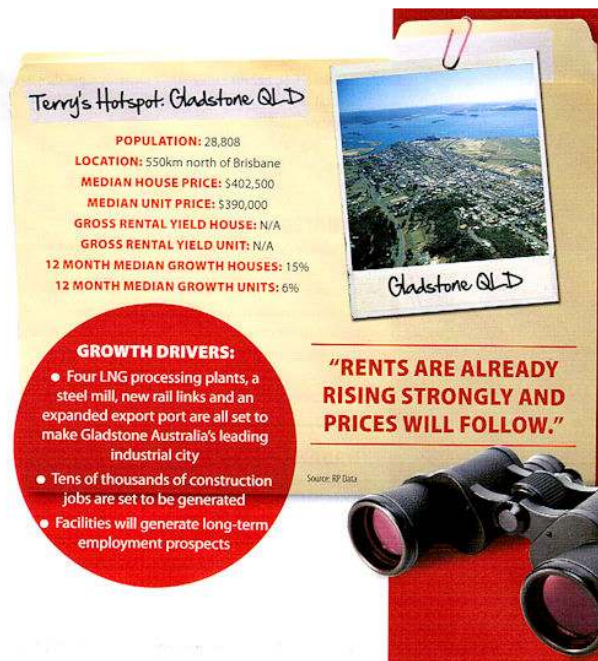
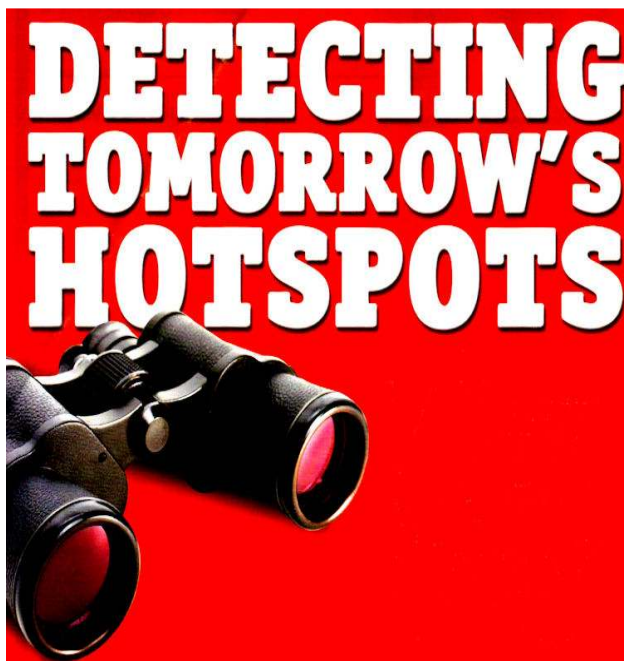


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ANNEXURE B –

Extracts from Property Investment magazines



Gladstone is one of only three Australian properties appearing in this magazine article

About Terry Ryder

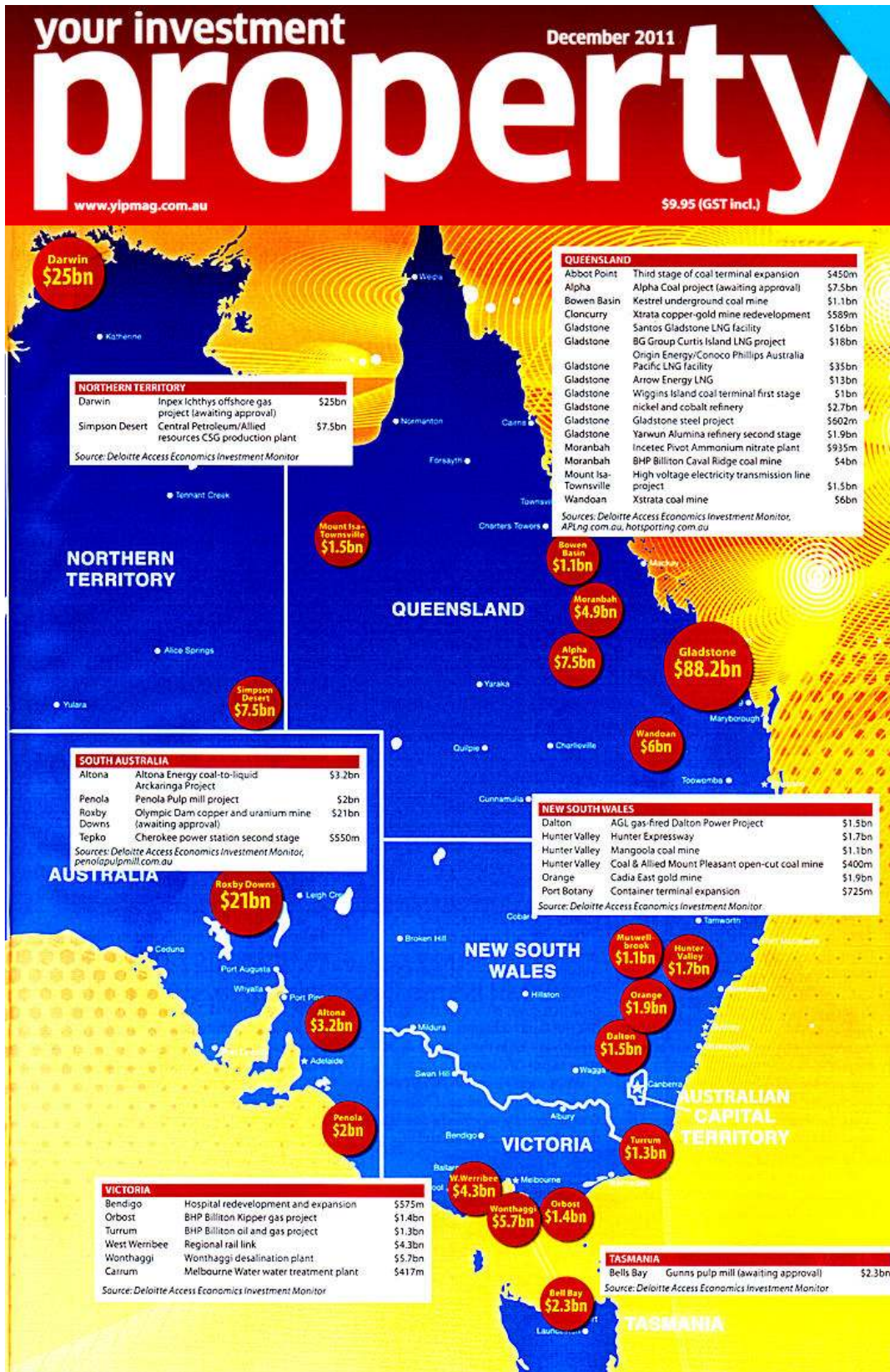
Terry Ryder bought his first house in 1981 and has been involved in real estate as an investor, researcher and writer ever since. He has accumulated three decades of experience as a journalist, author and researcher specialising in residential property.

He is the author of four books on residential real estate and a specialist property writer for newspapers, magazines and websites. Terry is also a columnist for The Australian newspapers, writing on Hot spotting issues every week.

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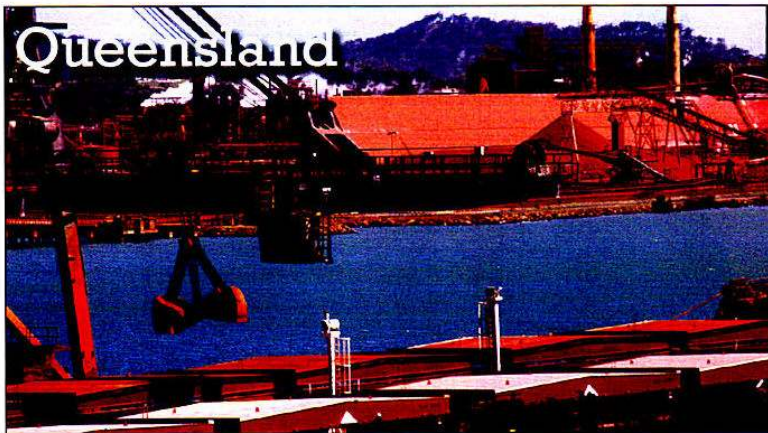
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1 Gladstone

WHY INVEST?

- **Over \$88bn in investment and infrastructure spending**
- **Strong population growth**
- **Housing shortage**
- **High income residents**

Distance from Brisbane	550km
Population	60,316
Population growth 2005-2009	14.29%
Median house	\$439,000
Capital growth (12 months)	13%
Average annual growth	14%
Gross rental yield	5.21%

Source: RP Data July 2011

It's full steam ahead in Gladstone, as the property market begins to bear the marks of a booming local economy, centred on natural commodities.

The enormous infrastructure projects in the area – the biggest being those associated with \$65bn worth of liquefied natural gas (LNG) plants – are expected to take the local economy to an unprecedented growth. The projects, which will process LNG from both Surat and Bowen Basin, are expected to require 21,000 workers over the next five to 10 years.

With Santos' \$16.2bn LNG facility already under construction, BG's \$15bn Curtis LNG project gearing up to major construction phase and a further \$48bn in planned LNG works, the outlook is certainly bright for Gladstone.

That's not all. Queensland Rail has agreed to a \$900m project to transport coal. The project is expected to generate a further 3,000 jobs. The region is home

to the largest power station, the world's biggest alumina refinery and the largest cement operation. With several other projects in the pipeline, total investment in the area is over \$88bn.

As construction gets underway, demand from transient and permanent workers is starting to put pressure on the rental market. According to SQM Research, the vacancy rate is currently sitting at 0.6%, indicating demand is massively outpacing supply.

With median rents currently sitting at \$224, rental yields vary between 5% and 7%. Not surprisingly, population numbers have exploded of late. ABS figures show population grew by 1.1% between 2009 and 2010 to an estimated 60,316. Population is expected to grow a further 3.1% in 2011 to 62,982.

Demand for housing is already strong, with realestate.com.au showing eight people looking for every available dwelling. This is helping capital growth recover after a lull during the GFC: RP Data highlights 12-month growth as 13% in the year to July 2010 – close to pre-GFC levels.

While supply is coming through, it's not fast enough. Gladstone Regional Council recently approved a development that will provide 380 units and 41 housing lots. While mayor Gail Sellers points out that council is up-to-scratch with approval times, it's likely that the accommodation shortfall will continue – pushing both rents and growth sky-high as Gladstone's economy surges.

Your Investment Property Magazine

Gladstone can no longer be called just an infrastructure boom town. It has now joined the ranks of Karatha, Port Hedland and Dampier in becoming a true "super-infrastructure" boom town. However unlike these WA super-infrastructure towns that boast median house prices of \$800,000 to \$900,000 (or more) and 10% yields (i.e. \$1,600 to \$1,800 weekly rents), Gladstone represents true value for "infrastructure spotting" investors.

The projects all have several things in common: a huge injection of cash into the local economy; thousands of cashed up workers on \$100,000 plus salaries; limited housing supplies; and smart investors who have seen this all before and are looking to invest in boom towns before everyone sees the opportunity. This of course means booming house prices. Vacancy rates will hit zero, and rents will escalate as the various projects move through their respective infrastructure spotting cycles.

A few years ago a similar opportunity presented itself in WA. Today, prices in Port Hedland for example are triple that of Gladstone and rents are quadruple. An average two bedroom property sold recently in Port Hedland for \$990,000 with \$7,800 per month rent.

In contrast, this super-infrastructure boom in Gladstone is the largest in Australian history and right now, for a short amount of time, we are poised right at the very beginning of it.

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A seismic economic shift coming from mining in Australia - ANZ Bank – 9 Sep 11

A study by ANZ Bank and consultant Port Jackson Partners has found that the Australian economy will require a nearly \$2 trillion investment if it is to capitalise on the mining boom being fuelled by urban industrialisation in emerging markets, according to a report by *The Australian*.

The study envisions an economy built on the mining sector, whose strength powers the services, education and tourism sectors, and with the capability of boosting commodity export earnings from \$210 billion last year to \$480 billion by 2030, (i.e. more than double) and creating 750,000 jobs in the mining industry over that period.

Over that same time span, the report suggests that gains in the LNG sector especially could lift the commodities export sector from some 10 per cent of the Australian economy, to nearly 20 per cent by 2030, according to *The Australian*.

The ANZ Bank study warns politicians not to try to dampen the commodities boom, saying instead that the boom will instigate a fundamental, and beneficial, shift in the global economy if managed properly.

ANZ chief executive Mike Smith wrote in *The Australian* that the country is facing more than a one-off commodities boom, but is rather experiencing a fundamental shift that needs to be properly managed by governments to ensure the boom flows to the rest of the economy

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Why 'muscle towns' are next in line

Sea change towns are handing over the baton to 'muscle towns' when it comes to property markets that are expected to outperform in terms of price growth.

BERNARD SALT - KPMG PARTNER - MELBOURNE

It's almost 10 years exactly since I predicted a rise in property values on the sea change coast. And I suppose if I had taken my own advice then I wouldn't have blurted this out; I have quietly bought up everything I could on the coast from 2001 and then, hopefully with just as much prescience, I would have sold the lot just before the global financial crisis. But I didn't, instead I told everyone else about my theory and others did well out of the prediction.

Which brings me to my next 'prediction', which relates again to the coming decade...

If the 2000s was the decade of the sea change and tree change shift, then surely the coming decade must be the era of 'muscle towns'. These are places that facilitate the transfer of mineral resources from Australia to China.

It's as simple as that.

The best example of a muscle town in Australia is Mackay, a regional town in Queensland.

Here is a town of 85,000 people that sits between the Bowen Basin's black coal reserves and the Hay Point shipping terminal where coal is loaded onto ships.

Mackay is therefore home to contractors and miners and consultants and other hanger-on whose income is in some way connected either directly or indirectly to the resources industry.

Miners who fly in, fly out, or drive in, drive out to Moranbah tend to locate their families on Mackay's northern beaches.

Here is the perfect location for property investment: a lifestyle coast within striking distance of a resources region.

And the same goes for the nearby locations of the Whitsundays and Proserpine generally. Forget what's happening in these markets now; the bigger picture suggests a bright future for these sea change towns near resources regions.

Further north in Queensland there's Townsville, which I've always liked because of its military presence: 6000 combat-ready soldiers in a town of 180,000 residents is a fair underpinning of the local economy.

The need for defence personnel in Townsville will only escalate in the future and this means demand for more and more housing.

I also like Gladstone in Queensland.

Every big eastern seaboard state has a power generation or muscle town: Victoria has the Latrobe Valley; New South Wales has Newcastle and Wollongong.

Queensland will need the same and Gladstone is it.

LOOK FOR MUSCLE TOWNS IN THE 2010s JUST AS YOU AND I SHOULD HAVE BEEN INVESTING IN SEA CHANGE TOWNS A DECADE AGO.

A Research report into the CSG-LNG industry driving the booming Gladstone economy

LNG boom propels Gladstone property - *The Sunday Mail (Qld)* August 21, 2011



Santos profit doubles on GLNG part sale

Santos Ltd has more than doubled first half profit after the sale of its stake in the Gladstone LNG project.

First came the sea-change, then the tree-change - now it's the LNG-change.

Gladstone is challenging the Gold and Sunshine coasts as the most expensive city for property outside Brisbane, as job opportunities replace lifestyle choices as the key driver of house price rises.

Massive mining and LNG projects are fuelling rising prices in central Queensland while the market across most of the state's southeast continues to run out of steam.

Data released today by the Real Estate Institute of Queensland shows the regional cities benefiting from the investment and jobs boom in coal and gas completely dominate the list of areas where median values are climbing.

Among the major centres, Gladstone is the clear standout, with the median price for a 3-bedroom home up 6.1% in the three months to the end of June, an annualised rate of over 26%pa.

The median price in the industrial city climbed to \$440,250 during the June quarter - only just short of the \$460,000 recorded on the Gold Coast and \$450,000 on the Sunshine Coast. It has overtaken Moreton Bay, Redland City, Townsville and Mackay.

Work is already under way at Curtis Island in Gladstone Harbour, where four companies are planning projects totalling \$60 billion-plus to construct LNG plants to export gas piped from the Surat Basin west of Toowoomba.

The influx of workers has already put huge pressure on housing, with recent REIQ figures showing rental vacancy rates in Gladstone plummeted to just 0.6% in the three months to June - half that in Sydney and a third of Brisbane or Melbourne.

The multi-billion investment in Queensland's resources industry in the central Queensland region is again behind Gladstone's strong performance, but the market strength here is starting to radiate out to its neighbours of Mackay and Rockhampton in this quarter.

About 5,000 workers are expected to come to Gladstone for the LNG projects.

In Toowoomba, the closest city to the Surat Basin, the median price rose 2.6% or less than half and the number of sales is down significantly.

Statewide the number of sales in the past three months was 3% higher than in the March quarter and Brisbane deals rose 7%.

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A Research report into the CSG-LNG industry driving the booming Gladstone economy

www.afr.com The Weekend Australian Financial Review

November 5-6, 2011 21

Business Property

Resources boon for regional Queensland

Gladstone pumped up on LNG

Michelle Singer

Property activity is soaring in the Queensland regional city of Gladstone, driven by more than \$60 billion worth of liquefied natural gas and infrastructure investment.

More than 10,000 new residents will move into the region by 2016 and property developers and investors are moving in along with them, snapping up housing, industrial sites and pubs.

"It's busier than it's ever been. We've increased our staff significantly and had to call in support from other offices to a level that it's never been at before," said Graham Gross, regional managing director of national valuers and property consultants Herron Todd White (HTW).

"When there is significant and more rapid change, it's more difficult to interpret where the market is, what's stimulating the market and where it will be in the next couple of years," he said.

Ray White Special Projects director Mark Creevey said his office had sold eight Gladstone properties in the past 12 months for a total of about \$15 million, with much of the activity starting in September 2010 after several major announcements and approvals were granted.

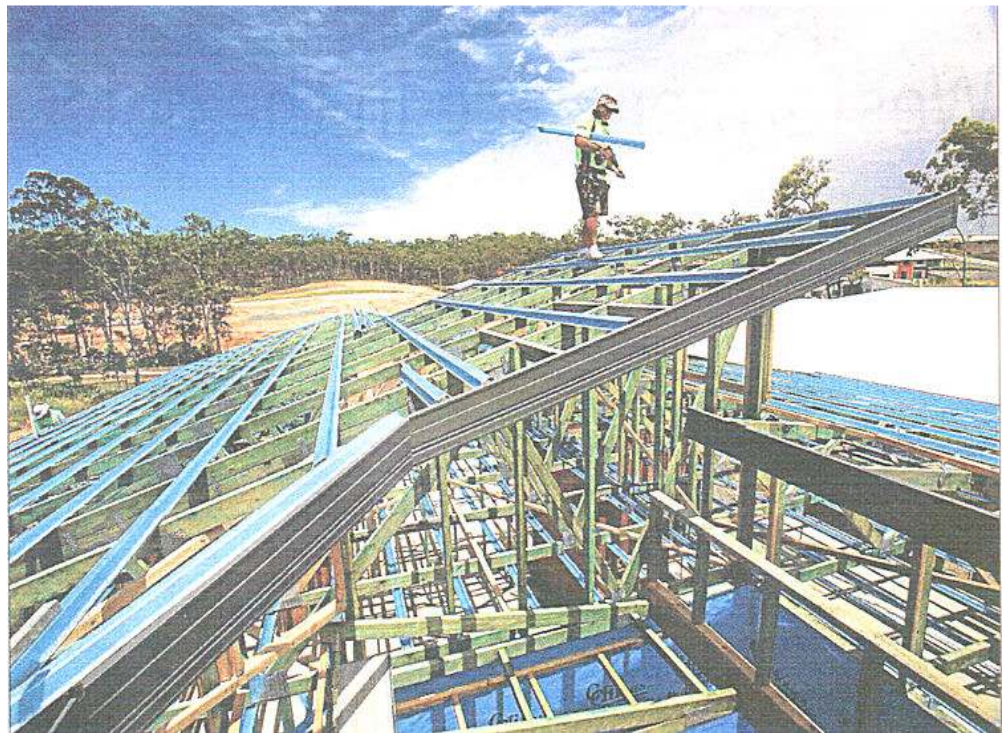
"The spike in activity has seen established property prices increase in addition to rental prices," he said. "It's the only area in the state where sites for sale generate genuine competitive tension."

The city's biggest transaction is the \$28 million sale of the Tannum Sands Hotel Motel, bought by the Paul Irvin Hotel Group in October.

Gladstone's other big sales include the Grand Hotel, which sold through receivers in June for more than \$11 million.

Residential values have also outperformed the rest of Australia, with median prices growing at more than 10 per cent a year, up 6.1 per cent in the June quarter, according to the Real Estate Institute of Queensland.

Jones Lang LaSalle Hotels director John Musca said Gladstone had experienced a 25 per cent lift in apartment values and a doubling of hotel room rates, but the pace of



Building approvals in Gladstone in the year to June topped 600, the highest figure in 15 years.

development could not keep up with demand for accommodation.

Gladstone Regional Council figures show building approvals in the year to June topped 600 – the highest figure in 15 years.

Its October development summary runs to almost 40 pages. Its existing eight residential projects account for about 2650 lots alone with resources-related accommodation submissions in excess of 5000 units.

Historically, the Gladstone housing market absorbs between 600 and 800 lots a year.

Two national developers are already involved. Lang Walker's Walker Corp, backed by funds manager Eureka, is developing more than 900 homes at Forest Springs.

Listed Brisbane company Devine is developing a \$1.4 billion master-planned community on the Boyne River's northern banks, adding some 2900 homes to the area, plus schools, retail, industrial and business space for more than 7000 people.

Watch for ...

Monday: Cromwell Property Group AGM to be held in Brisbane.

Tuesday: Westfield Group to give its third-quarter update with retail analysis from Australia, the US and the UK.

Wednesday: Lend Lease AGM, with a possible first strike on remuneration, to be held in Melbourne.

Friday: Sunland Group AGM to be held on the Gold Coast.

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A Research report into the CSG-LNG industry driving the booming Gladstone economy

It's more than just a boom - by: **TERRY RYDER** - [The Australian](#) - January 21, 2012



Port Hedland in WA is on the front line of the booming resources industry.

The economic phase Australia is entering is being described as a resources boom. I believe this is wrong. The term boom implies to a relatively short, sharp upturn to be followed by an inevitable bust.

I believe we're seeing long-term structural change, one in which Australia is the principal source of the resources developing nations need to build and to create energy.

It's akin to the dominant paradigm of the past 50 years: that the world runs on oil and it gets more of it from the Middle East than anywhere else.

A third of the world's oil production happens in Middle Eastern countries, headed by Saudi Arabia, Iran, United Arab Emirates (including Dubai and Sharjah) and Kuwait. The region is also prominent in natural gas production, headed by Iran, Saudi Arabia and Qatar. Nations such as Saudi Arabia, Kuwait, Dubai and Qatar have not had a boom; they've had long-term sustained demand for their products stretching back many decades.

The new paradigm features the rise of new forces in the world economy: China, India, Russia, Brazil, Malaysia, Indonesia and South Korea, to name a few. Africa is starting to emerge as a significant economic force also. China's growth is not a flash-in-the-pan scenario. China is on a path to becoming one of the world's dominant economic powers; and it plans to stay there.

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India is equally important in terms of demand for Australian resources. India's economic ambitions are as driven as China's and we're starting to see the first big Indian investment in Australia's resources sector, particularly in Queensland's coal industry.

This too is not a short-term scenario. India is not just buying from us. It's investing big time for the long term. Individual companies are making multibillion-dollar investments in mines, rail lines and export terminals. They're here for the long haul, with projects that have 20, 30 or 40-year horizons.

The same is true of China, Malaysia and South Korea. Many of the resources developments happening in Queensland, Western Australia and South Australia and have joint-venture partners from these key Asian economies.

In August 2011, Simon Crean, federal Minister for Regional Australia, said "Australia will become the Saudi Arabia of gas". He was suggesting Australia would be to gas what Saudi Arabia has been to oil: the leading supplier across the long term. I think he's right.

The four big coal seam gas to LNG developments focused on Gladstone in Queensland are worth about \$70bn and the four largest liquefied natural gas projects in WA entail investment totalling \$115 billion.

Keep in mind that they all have sales contracts in place for much of the gas they will produce for decades into the future, with India, South Korea, Malaysia, China and Indonesia important customers.

In terms of their effect on the Australian economy, it's significant that they are only in the early stages of construction, in most cases. The big impact in terms of jobs and business spending is still to come. The same is true of the expansion programs of coal miners in Queensland and NSW and growth plans by the big iron ore miners in WA.

In 2001, there were 26,500 employed in the mining sector in WA. Ten years later there are 101,100 jobs and plenty more still to be created as the big projects like Gorgon get under way.

The number of fly-in, fly-out workers moving through Perth Airport is already at record levels, with more growth on the way.

The creation of new or upgraded export facilities is a growth industry in itself. The various plans for the Port of Gladstone, Port Hedland and Geraldton - each a \$5bn-plus undertaking - are massive. Newcastle in NSW has multibillion-dollar port facilities planned by three different entities.

In Queensland, multiple new terminals costing billions are proposed near Mackay and the expansion of Port Abbot near Bowen now entails six new coal export terminals totalling \$9bn.

Property investors with assets in those locations can feel some comfort that the growth forces are long term, rather than a boom.

Terry Ryder is the founder of hotspotting.com.au