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INSIDE



GHOST TOWN GIVEN A SECOND CHANCE



Mining ventures may deliver high rental yields but investors should be cautious, as the prosperity may not last. Christina Zhou investigates Mount Morgan, a mining town turned ghost town that may yet rise again

Sitting 38km south of Rockhampton, Mount Morgan has experienced growth that is surging right through central Queensland.

However, what was once a mine that produced 360,000 tonnes of sought after metals is now one of the largest artificial holes on earth. This 2.5km long, 300 metre deep crater is a startling representation of what can happen when a boom ends.

Prior to the 1980s, when mining in Mount Morgan was at its peak, the area saw huge population growth, which drove demand skyward and propelled rental yields. That demand largely came from workers who wanted to live in close proximity to the mine.

According to Trevor Kay, co-principal of Mount Morgan Real Estate, the mining town saw rental yields of up to 10.4 per cent with properties selling for as little as \$75,000, where they now sit at a medium of \$120,000. Currently, yields of eight per cent are achievable.

"It made sense to buy an investment property in Mount Morgan," he says. "People who were working at the mines were renting in Mount Morgan and travelling out there."

After exhausting its ore body, the mine closed in 1981, leaving the site with a water pollution crisis. Strategies enforced by the Queensland government to treat the Dee

River, and the rehabilitation of the mine site, remains much discussed today.

Hotspotting.com.au's Terry Ryder warns that investing in mining towns come with risks. He points towards the lack of industries as one factor to consider.

"Mining towns are risky because they are one-industry towns - and sometimes one-employer towns," says Mr Ryder. "That one industry is the mining sector and it tends to be cyclical - when the cycle is in a trough mines can be closed or downsized - and that causes prices and rents to fall."

"We saw that happen in 2008-09 when the GFC impacted and we're seeing it right now with coal mining towns in Queensland, including Dysart and Moranbah, with mine closures and or deferral of planned projects."

Despite closure of the Mount Morgan mine, the town may be seeing an upturn in the future as a result of other mining projects nearby.

THE RIPPLE EFFECT

So is Mount Morgan worth investing in? Currently the most affordable town in the Rockhampton region according to RP Data, this might be a point of attraction for investors.

Dr Andrew Wilson, Australian Property Monitors' senior economist, says there will continue to be growth near central

Queensland's mining regions, as people look for cheaper options and start to spread out. This is particularly the case for Mount Morgan as cities such as Rockhampton and Gracemere are built out and become more expensive.

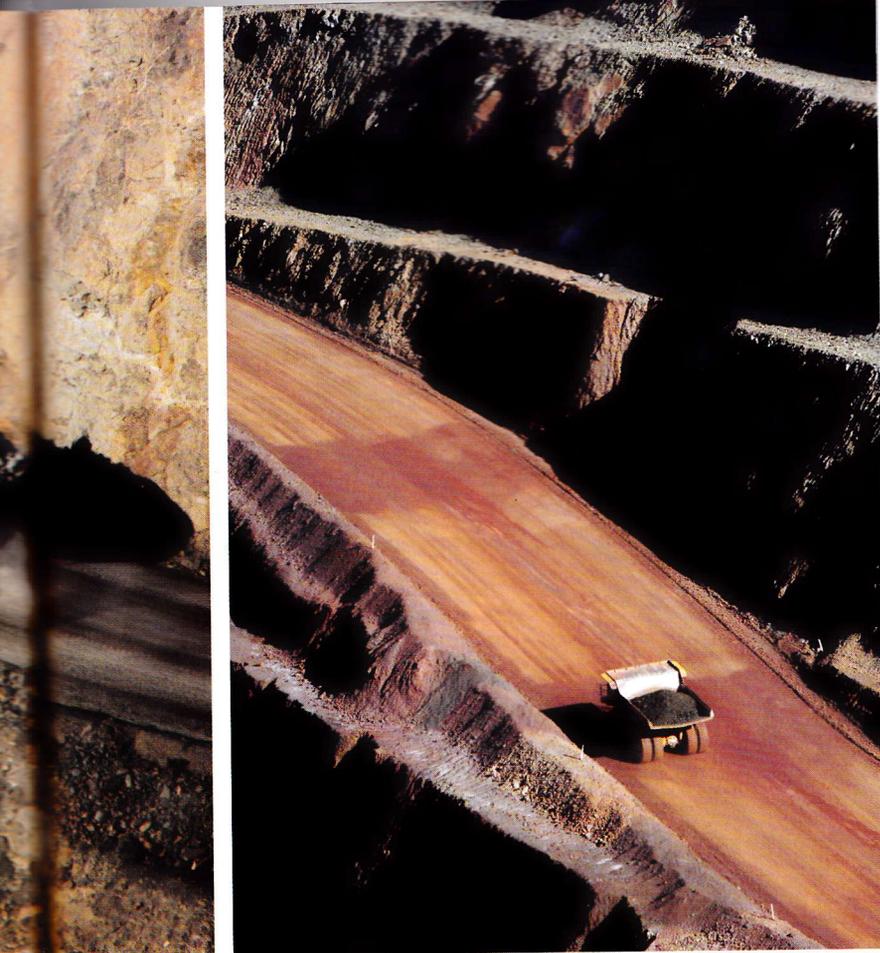
"As prices become more expensive in these areas that have residential development and that are close to mining communities or mining centres, then people look for cheaper options and start to spread out," says Dr Wilson. He adds that central Queensland is comparable to the north west of Western Australia in terms of supply and demand, with rising prices and increasing difficulty to get new supply in properties.

In some of central Queensland's mining towns, the median for a house is climbing into the \$500,000 to \$600,000 bracket. Dr Wilson says that it's once the price moves to the \$600,000 to \$700,000 that it becomes an issue of whether people want to move further out.

"The strength and durability of the resources boom has yet to pan out, so it might not happen over the medium term," he says.

"But it's something that's worth watching for in the long-term."

Houses in Mount Morgan remain competitive on entry-level price compared to other areas in Rockhampton and Gracemere, recording one per cent growth in the last five years.



Source: State Library of Queensland



MOUNT MORGAN GOLD MINE, 1888

Source: State Library of Queensland



JUNIOR FARMERS PICNIC AT MOUNT MORGAN, 1955

DEVELOPMENTS IN THE REGION:

- Queensland's government is investing \$1.6 million in the Mount Morgan Mine rehab project. (Natural Resources and Mines, Queensland government)
- Population in Mount Morgan recorded by the 2011 census: 3,015 people, one per cent increase from 2006. (Australian Bureau of Statistics)
- Rockhampton Region Planning Scheme, which will provide a consistent approach to the management of land use and development, is expected to be finalised in the last quarter of 2013 (Rockhampton Regional Council)
- Number of people employed is expected to increase to 578 by 2031. (Rockhampton Regional Council Economic Development and Employment Study Final Report December 2010)

OBSTACLES FOR GROWTH

In Mount Morgan, high unemployment and lack of industries are the main factors hindering the growth of the town.

According to the Department of Education, Employment and Workplace Relations' 2011 *Small Area Labour Markets Australia* report, the unemployment rate in the area has reached 21.8 per cent, a 2.3 per cent increase from 2010.

Mr Kay says that around 60 to 70 per cent of the demographics are pensioners or unemployed, and the availability of work in town is also an issue, with some people travelling to neighbouring cities such as Rockhampton for work.

"If more work is available in town, and you didn't have to travel long distances to get to work, certainly more people would come to the townships," says Mr Kay.

"A lot of people are starting to not worry about the travelling factor, and they are starting to come up here for the better lifestyle, but it's not in droves, it's a trickle effect."

In Mount Morgan, the main employers are limited to the local hospital, the schools, the age care facility and the council.

A BRIGHTER FUTURE

While there are no more mining activities set in stone for the area, the town is set for growth with new residential housing being built on the north side of town, and plans for the south side have also been mapped out by the council.

Juxtaposed to Gladstone, where there has been a boom in new buildings, Mr Kay says there has been minimal building in Mount Morgan. However, the number of new houses built per year has more than doubled since three years ago.

"Now we have two estates earmarked to forge ahead and we're probably seeing about five houses a year get built now," says Mr Kay. "The lots are available, the infrastructure hasn't been completely put in, so where the infrastructure is, houses are being built slowly but surely."

The Rockhampton Regional Council is also optimistic about Mount Morgan's future.

"There's been belief the rich gold and copper deposit which was the rich part of the original mine continues in another place. There's also interest in coal in some nearby areas," says a Rockhampton Regional Council spokesperson. "Given the right economic climate, Mount Morgan could once again experience increased interest." ■

SINCE 1882, THE MOUNT MORGAN MINE YIELDED APPROXIMATELY:



Source: 2012 Mount Morgan Promotional Development Inc.