

# Boom nation with recession mentality fails to savour \$500bn prosperity road ahead

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I HAVE a conviction, one that is confirmed everywhere I go, that Australians do not comprehend the scale of what's coming to our economy.

We're on the threshold of the greatest period of prosperity in our history and there will be mega repercussions for real estate.

Few people get it.

One reason is the numbers are so big as to be meaningless. What does \$500 billion (the value of upcoming projects) really mean?

Another reason is the paucity of political leadership. The federal government is not selling the message and the federal opposition is talking down the nation daily.

A third reason is the negativity of media. So we have a boom nation with a recession mentality. It's quite bizarre.

I visited Gladstone recently to speak at a business conference. If anyone wants to study the implications of the resources revolution, Gladstone is a good place to start.  
Rec Coverage 28 Day pass

There are seven very large projects under construction in Gladstone. The total investment is about \$55bn and they are creating at least 17,000 construction jobs.

There are a further nine projects regarded as committed to start in coming years. These total about \$25bn in investment and a further 11,000 construction jobs.

The total impact is \$80bn in investment and 28,000 construction positions.

To put that into perspective, let me tell you about Gladstone of the recent past.

In the years leading up to the 2008 event known as the global financial crisis, Gladstone had about \$20bn worth of projects on its books.

That generated a tremendous upsurge in real estate demand. There was double-digit price growth in four consecutive years from 2004 to 2008, including more than 30 per cent growth in 2007.

Gladstone's median house price rose from \$230,000 in 2005 to almost \$400,000 in 2010, despite a relatively minor decline in 2009 after the impacts of the GFC were felt.

Now ask yourself this: if \$20bn in investment inspired that kind of real estate growth, what will \$80bn do?

Gladstone today is so alive with activity it's positively electric. Just try getting a hotel room or a hire car there without booking weeks in advance.

Three of the four massive LNG processing facilities are under construction, side by side on Curtis Island just offshore.

One corporation, the global resources entity Bechtel (amazingly, a private family company), is responsible for building all three.

Dick McIlhattan, manager of Bechtel's LNG projects in Australia (it is also doing the \$29bn Wheatstone project in Western Australia), gives further perspective to the gargantuan nature of these enterprises when he says: "The total world production at the moment is 200 to 220 million tonnes per annum. Our four Australian LNG jobs, including the three currently under construction on Curtis Island, will produce 40 to 45 million tonnes per annum."

McIlhattan calls the three simultaneous Gladstone jobs "unprecedented work".

He says: "I have never seen anything like that in my 40 years in the company. This is something pretty unique.

"All three facilities have capacity to build additional trains. If the world market holds together, there will be a lot of work for a lot of years here in Gladstone."

The three projects are now progressing from earthworks to the concrete-pouring stage.

The labour force is building and eventually 6000 workers will be accommodated in workers camps on Curtis Island.

Meanwhile, the Gladstone property market cannot satisfy the demand for accommodation. Around the city, which is forecast to double in population in the next 20 years, there are multiple major sites on which developers are rushing to build new housing.

Developers such as Devine are planning new master-planned communities and the state government's Urban Land Development Authority is trying to fast-track multiple developments to provide affordable housing.

How affordable they can be remains to be seen when land values have risen by up to 35 per cent in the past 12 months, according to Queensland's Valuer-General.

Developments of this nature take time and in the meantime dwelling prices and rents are rising fast. In the past year, suburbs and towns in the Gladstone area experienced double-digit increases in median prices (when all our capital cities declined), with the highest being a rise of 21 per cent in 12 months.

Residential rental vacancies are almost nonexistent and rents are rising by at least \$100 a week at a time.

There are lots of unhappy tenants in Gladstone, especially those not earning the big money on the resources project.

Gladstone's experience is not unique; there are similar scenarios across Australia, including at Port Hedland and Karratha in WA, the Bowen and Surat basin areas of Queensland.

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