

THE AUSTRALIAN Business WITH THE WALL STREET JOURNAL.

November 21, 2008 04:48am AEDT

Geraldton has high life and low costs

HOTSPOTTING: Terry Ryder | November 13, 2008

Article from: *The Australian*

THERE'S a sense of unreality about many of Western Australia's northern towns.

Karratha, Newman, Port Hedland and others exist in a bubble inflated by the resources boom and land shortages.

They have property values that border on the ridiculous. The typical house sells for \$760,000 in Port Hedland, where prices have grown an average 18 per cent a year for the past 10 years. In Dampier, you pay \$840,000, after price rises averaging 22 per cent per annum.

Most houses in these locations rent for more than \$1000 a week. A modest three-bedroom one-bathroom abode in Dampier is currently for sale for \$910,000 -- which will give the buyer a 10 per cent-plus yield because it's rented for \$1800 a week.

It's all about remoteness, scarcity and iron ore, and there's a sense that one day it may all collapse because it is not sustainable.

That is why I like Geraldton. It's a real town, 435km north of Perth. It does well from mining, but has an existence beyond resources.

It's a regional centre of 30,000 residents, with thriving industries in tourism, fishing and agriculture. It's the regional hub of the Mid-West. It has the second-largest grain export port in Australia and the largest lobster fleet on the west coast.

It has good beaches, a Mediterranean climate and an enviable lifestyle. It's known as Sun City because it averages eight hours of sunshine daily. It has mild winters and its summers are cooled by sea breezes. That makes it popular for tourists.

Geraldton isn't a mining town, but the resources sector is important -- and diversified. It's surrounded not only by iron ore mining, but mineral sands, gold and garnet mining.

Plenty of government and private money is being spent, and the town's port, roads and city centre are being upgraded and renewed. Typical houses cost only \$330,000.

State government spending on the region's infrastructure totals \$400 million, including expansion of Geraldton's port.

Another current project is the \$60 million stage two of the Geraldton Southern Transport Corridor (the \$88 million first stage of the road was completed in 2005).

Geraldton's recently expanded port is so busy there are plans to spend \$3 billion building a new one just down the road.

There are power station developments in the region, including the \$1 billion Coolimba facility, and the region is expected to secure the \$2 billion Square Kilometre Array (SKA) radio telescope project (it's on a short list of two contenders).

With these and other things happening, the Geraldton-Greenough Council projects a regional population of 80,000 by 2020 (currently 35,000), based on a Monash University study.

The big kicker for Geraldton is the proposed Oakajee port and associated rail facilities. This is a \$3 billion project, and it's apparently second on the WA Government's wish list for a handout from the federal Government's infrastructure fund.

The development includes rail links to the mines to the east and it's hoped construction will be completed in 2011.

Geraldton Mayor Ian Carpenter says: "With some extensions to the existing rail network, it can become a true west coast deepwater port, exporting to China, India and Africa."

The International SKA project involves 17 countries in building the world's largest radio telescope.

Geraldton hopes to beat its South African rival and be the site announced in 2012. In the meantime, Geraldton is building the Australian SKA Pathfinder as a demonstration project.

"The Government has committed \$115 million to build Pathfinder and they have already started construction," Carpenter says.

"They'll build a fibre optic cable to Geraldton, which will run data from the SKA.

"CSIRO will build a supercomputer here in Geraldton, which will be the biggest computer in the southern hemisphere."

Another big development likely to affect Geraldton is the \$1billion Coolimba Power Project at Eneabba, to the south.

This is a 400-megawatt power station fuelled by the Central West Coal deposit and designed to service the power needs of expanding mining operations. Aviva Corporation says it hopes to complete construction in 2011.

Also proposed for the area is a \$450 million transmission line from the Eneabba substation to a new substation 15km east of Geraldton.

All this activity generates plenty of demand for offices, warehouses and shops -- and lots of local confidence.

Carpenter says: "People here are perhaps a bit more positive than in other places. I guess that's because we have a good spread of different types of industry here."

One reason this region might be of interest to developers is that, unlike towns further north, there's no land shortage. Large areas zoned residential and industrial are waiting to be developed.

"That's one of the great advantages we have over places like Karratha and Port Hedland," Carpenter says. "You can't buy land there for love or money -- it's \$800,000 a block up there. Geraldton has a land bank of 23,000 housing lots."

There's also 6500 hectares of land set aside for an industrial estate next to the Oakajee port site.

A developer has bought a large land bank at the western end of the central business district and is expected to apply to council for a development combining retail, offices and possibly residential, Carpenter says.

Copyright 2008 News Limited. All times AEDT (GMT + 11).

*All times are EST. © MarketWatch, Inc. 2008. All rights reserved. Subject to the Terms of Use.
Designed and powered by Dow Jones Client Solutions. MarketWatch, the MarketWatch logo,
BigCharts and the BigCharts logo are registered trademarks of MarketWatch, Inc. Dow Jones is the
registered trademark of Dow Jones & Company, Inc. Intraday data delayed at least 15 minutes.
"Intraday data is provided by Interactive Data Real Time Services and subject to the Term of Use."
FXQuote™ provided by GTIS, an Interactive Data Company "Historical and current end-of-day data
provided by Interactive Data Pricing and Reference Data". FTSE (Footsie) is a trade mark of the
London Stock Exchange and the Financial Times and is used by FTSE International under license.*