

# NORTHERN EXPOSURE



A FINGER ON THE PULSE OF NORTH  
QUEENSLAND'S ECONOMY

THIRD QUARTER 2016/2017

## 1. REGIONAL DEVELOPMENTS AND NEWS

### 1.1 Mackay Region

#### News

*The Blair Athol coal mine near Clermont is scheduled to reopen over the coming weeks after the State Government gave formal approval to transfer the lease from Rio Tinto to Orion Mining.*

The reopening comes after the mine was placed on care and maintenance in 2012 and is expected to provide around 150 direct jobs and support a further 450 jobs indirectly.

*Global miner Anglo American has taken its Moranbah and Grosvenor coal mines off the market.*

Recovering resource prices and previous cost-cutting measures have enabled the company to retain its Queensland coal assets.

#### Outlook

The outlook for the Mackay Statistical Division (SD) continued to improve over the December Quarter 2016.

Solid recent gains in coal prices alongside improved business sentiment and labour market conditions suggest that the worst of the economic downturn in Mackay SD has passed.

### 1.2 Northern Region

#### News

*The Northern SD is scheduled to see the development of three of the biggest solar farms in Queensland over 2017.*

Construction of the 100MW Clare Solar Farm in the Burdekin will start in early 2017 after funding was secured and the \$155 million, 116MW Sun Metals solar farm is scheduled to begin construction in April.

ESCO Pacific's 135MW solar farm in the Upper Ross is also expected to be developed over 2017.

*Townsville has been announced as one of two potential Fly-In/Fly-Out worker hubs for the \$22 billion Adani Carmichael coal project.*

The project, which is estimated to create 10,000 direct and indirect jobs has the potential to provide a substantial stimulus

to the regional economy which has been suffering since the closure of Yabulu nickel refinery in early 2016.

#### Outlook

Economic activity remains weak in the Northern SD with unemployment levels around 10%.

However, substantial construction works including three major solar farms, the \$250 million North Queensland Stadium and fly-in/fly out work associated with the Adani Carmichael project provide the potential for a substantial economic turnaround over 2017 and 2018.

### 1.3 North West Region

#### News

*MMG Limited has sold the Century zinc mine to Century Mine Rehabilitation Project Pty Ltd, a subsidiary of Century Bull Pty Ltd.*

The company will immediately begin work towards the economic extraction of metal from evaporation dam water while also completing a feasibility study into zinc tailings re-processing.

Century mine, located in Burke Shire has been on care and maintenance since production ceased in early 2016.

*Altona Mining's Cloncurry project has moved a step closer to development after the Chinese regulators approved its joint venture deal with Sichuan Railway Investment Group.*

The joint venture company intends to develop a seven million tonne a year mine and processing plant for an annual production of 39,000 tonnes copper and 17,000 ounces gold over an initial mine life of 13 years.

#### Outlook

The outlook for the North West SD was mixed over the December Quarter 2016. While unemployment remains stubbornly high, the potential for new resource projects including Altona's Cloncurry project and zinc tailings processing at Century mine have the potential to boost sentiment within the remote region.

Establishing long term leading infrastructure across power, water storage and energy remains the key to achieving sustainable economic development in the North West.

### 1.4 Far North Region

#### News

Further doubt has been cast over the future of the proposed Aquis project at Yorkeys Knob following the announcement of plans by the company to build a \$440 million luxury hotel on the Gold Coast.

The initial \$8 billion casino resort at Yorkeys Knob was scaled back to a \$2 billion hotel and residential development in late 2016. Plans for the scaled back development have since been placed under review following the announcement of the Gold Coast hotel project.

#### Outlook

The outlook for the Far North SD softened over the December Quarter 2016.

Unemployment levels remain high and the likely loss of the Aquis development will impact regional confidence over the short term.

Over the longer term a strong tourism outlook and improving housing market should see the region strengthen.

### 1.5 Fitzroy Region

#### News

The \$300 million Rookwood Weir project between Rockhampton and Gladstone has received approval under the Environment Protection and Biodiversity Act.

The irrigated agriculture and water security project is expected to provide up to 400 construction and 2,100 ongoing jobs. The project has already received a \$130 million Federal funding commitment and is now awaiting State Government approval and co-funding.

Rockhampton Regional Council is proposing to build a new airport in order to serve as the FIFO hub for the Adani Carmichael coal project.

Council has made an offer to Adani to spend \$20 million to build, own and operate a new airport to service the project located in the Galilee Basin. The proposed airport would accommodate planes as large as 737s with the capacity to process up to 200,000 passengers a year through charter flights.

Townsville and Rockhampton are the two shortlisted cities competing to serve as the FIFO hub for the project, which has the potential to provide up to 1,000 local jobs.

#### Outlook

The outlook for the Fitzroy SD continued to stabilise the December Quarter 2016.

With unemployment now trending lower, the region has potential to return to growth with major regional developments including Rockford Weir and the Adani Carmichael project.

## 2. QUARTERLY INDICATORS

### 2.1 Business Confidence

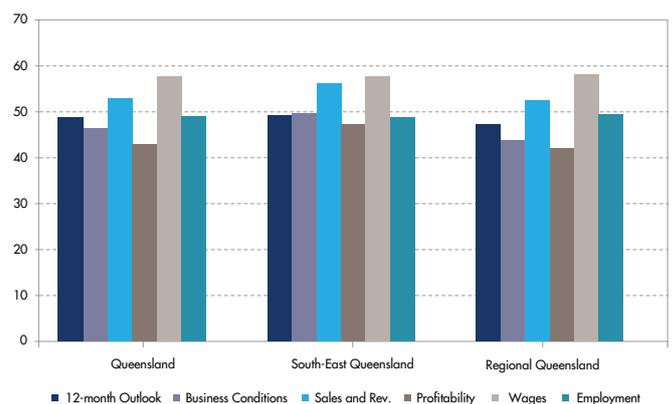
Due to changes in the 'CCIQ pulse survey of business conditions' the regional business confidence breakdown has been consolidated into three regions; Queensland, South-East Queensland, and Regional Queensland.

Business confidence levels improved in Regional Queensland over the December Quarter 2016. However, regional business confidence still lags significantly behind the South East, trailing by 16.3 points across all indicators.

All indicators rose led by the 12-Month Outlook (+6.5 points) with more modest gains in Wages (+3.7 points), General Business Conditions (+3.6 points), Sales and Revenue (+3.6 points), Employment (+3.0 points), and Profitability (+2.5 points).

Regional Queensland gained a net 22.9 points across all indicators compared to a 19.2 point gain for the South East.

Figure 2.1: Business Confidence, Dec Q 2016



Source: CCIQ Pulse Report Dec 2016

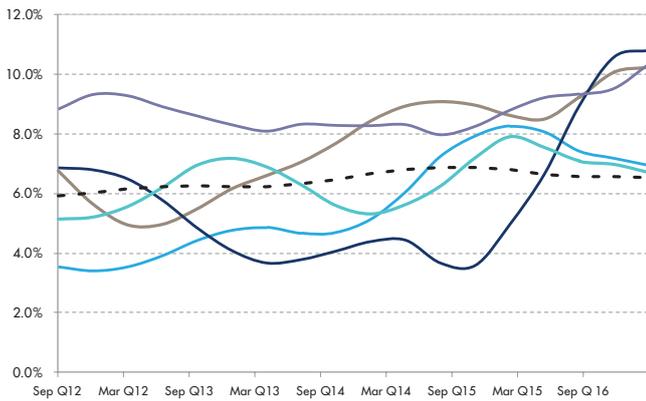
### 2.2 Unemployment

Unemployment results were mixed over the December Quarter 2016.

The Mackay (-0.6 ppt), Fitzroy (-0.4 ppt), and Northern SD (-0.1 ppt) regions recorded reduced unemployment over the quarter. However, the unemployment rate rose sharply in the North West (+1.7 ppt) and a modest gain (+0.4 ppt) was recorded in the Far North.

Rising commodity prices have seen unemployment levels recover strongly in the Mackay and Fitzroy SD's over the previous two quarters. However, unemployment in all regions of North Queensland remains above the Queensland average of 6.2%.

Figure 2.2: Unemployment Rate



Source: QRSIS Labour Force Trends

### 3. NORTH QUEENSLAND’S RENTAL, HIRING AND REAL ESTATE SERVICES

Each Quarter the Northern Exposure provides an overview and outlook for a key sector in North Queensland. This quarter, we look at the Rental, Hiring and Real Estate Services industry.

Rental, Hiring and Real Estate Services is a major sector in North Queensland, contributing \$2.1 billion (or 3.0%) to Gross Regional Product (GRP) in 2014-15.

The industry is dominated by the property rental and real estate agent services sector but also includes a range of rental and hiring activities including motor vehicles, heavy machinery and intangible assets such as patents and trademarks.

Table 3.1: Regional Industry GRP

SD	GRP (2014-15 \$M)	% of GRP
Far North	\$764.5	5.4%
Fitzroy	\$473.5	2.6%
Mackay	\$414.6	2.3%
Northern	\$397.7	3.0%
North West	\$42.8	0.9%
<b>North Queensland</b>	<b>\$2,093.0</b>	<b>3.0%</b>

Source: AEC

The Far North SD has the largest Rental, Hiring and Real Estate Services industry in North Queensland, with the sector contributing over \$760 million to GRP in 2014-15 (see table 3.1 above).

The sector is supported by a large regional population (over 275,000) and has strong ties to the Far North’s tourism industry through holiday rental accommodation as well as other hiring services.

The Fitzroy and Mackay SD’s also feature substantial Rental, Hiring and Real Estate Services industries contributing over \$400 million per annum to GRP. Real estate and heavy machinery hire services predominately support the region’s dominant mining and energy sectors.

The Northern SD Rental, Hiring and Real Estate Services industry also provides nearly \$400 million to GRP annually, with real estate services supporting a regional population of nearly 240,000. The remote North West SD features a more modest industry contributing \$42.8 million (0.9%) to GRP.

The performance of the Rental, Hiring and Real Estate Services sector is closely tied to the regional housing market. As such the industry is highly sensitive to prices, rental yields, and sales volumes.

Three-year performance for each of these key housing market indicators is presented for the SD’s of North Queensland in the table below.

The Far North SD is the only region of North Queensland to exhibit positive growth over the past three years. A lower Australian dollar has helped underpin the region’s dominant tourism sector leading to a solid performance since 2013 (nearly 3% per annum sales and rental growth).

Elsewhere the resources sector downturn has heavily impacted the property market, with significant flow-on impacts for the Rental, Hiring and Real Estate Services sector.

Sales volumes have fallen particularly hard from previously unsustainable highs in the resource producing regions of Mackay, Fitzroy and the North West. Sales volumes have declined by 12-19% p.a. and median prices by 5-15% p.a. since 2013.

Table 3.2: Housing Market Indicators (Year to September, 2016)

Region	Indicator	3 Year AAG
<b>Median Rent (\$/Week 3 B’room House)</b>		
Cairns	\$350	3.0%
Townsville	\$300	-4.1%
Mackay	\$270	-12.3%
Fitzroy	\$260	-11.1%
North West	\$300	-5.9%
<b>No. of Sales</b>		
Cairns	5,515	1.8%
Townsville	3,373	-5.7%
Mackay	1,922	-12.3%
Fitzroy	2,716	-14.2%
North West	543	-18.7%
<b>Median Prices (Detached Dwellings)</b>		
Cairns	\$380,000	2.8%
Townsville	\$330,000	-2.4%
Mackay	\$329,500	-7.8%
Fitzroy	\$310,000	-5.5%
North West	\$187,000	-15.0%

Note: Property Data based on ABS Statistical Area Level 4 regions. AAG = Average Annual Growth. Source: QGSO (2017)

Going forward, the outlook for the *Rental, Hiring and Real Estate Services* sector should steadily improve over the coming years. Recovering coal and base metal prices mean the worst of the resources sector job losses have likely past.

Current record low interest rates should also minimise any further distressed sales in the current housing cycle.

Major future projects such as the \$22 billion Adani Carmichael mine have the potential to help underpin employment and population growth with flow-on impacts for the *Rental, Hiring and Real Estate Services* sector.

With this outlook, North Queensland's *Rental, Hiring and Real Estate Services* sector should start to return to growth as the region works through the current downturn and towards the next growth cycle.

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