

# REAL ESTATE REPORT

SEPTEMBER 2016





# SUMMARY

The year to June 2016 saw lifts in the median purchase price for all property types in the Wollongong Statistical District (WSD). The median house price climbed 8.6% to \$570,000. The median unit price increased 7.4% to \$450,000 and the median land price rose 6.2% to \$324,000.

For investors, the rental market improved over the period with the median weekly rental price up 6.4% to \$500 for houses and 17.7% to \$410 for units, flats and townhouses.

Looking at the commercial building sector, the value of building approvals in the WSD surged 129.3% to \$482.6 million. For the Illawarra Statistical District (ISD), the value of non-residential building approvals was up 92.9% to \$604.9 million.

ISD dwelling approvals totalled 3,328, up 4.9% on the year to June 2015. This consisted of 1,730 houses (down 3.7%) and 1,598 units, flats and townhouses (up 16.0%).

## SUMMARY

		YR TO J15	YR TO J16	CHANGE (%)
<b>WOLLONGONG STATISTICAL DISTRICT</b>				
Median House Price (\$)		525,000	570,000	8.6
Median Flat/unit Price (\$)		419,000	450,000	7.4
Median Land Price (\$)		305,000	324,000	6.2
Median Weekly Rent Houses (\$)		470	500	6.4
Median Weekly Rent Units (\$)		350	410	17.7
Non-res Building (\$m)		210.5	482.6	129.3
Dwelling Approvals (No.)		1,576	2,176	38.1
<b>ILLAWARRA STATISTICAL DISTRICT</b>				
Non-res Building (\$m)		313.6	604.9	92.9
Dwelling Approvals (No.)		3,174	3,328	4.9



# WOLLONGONG STATISTICAL DISTRICT

The June quarter saw land and unit values strengthen while the median house price declined.

The median house price fell 5.8% to \$565,000 over the three months to June.

The median unit price appreciated 5.9% to \$482,000

The median land price soared 18.4% to \$380,000. However, due to the relatively small number of sales in the June quarter means this result should be treated with caution.

WOLLONGONG STATISTICAL DISTRICT	MAR 16 QTR	JUN 16 QTR	QUARTLERLY CHANGE %
Median House Price (\$)	599,975	565,000	-5.8
Median Flat/unit Price (\$)	455,062	482,000	5.9
Median Land Price (\$)*	321,000	380,000	18.4

Source: IRIS/Valuer General's Land and Housing Database

\*Result should be treated with caution due to a low number of June quarter sales.



# HOUSING PRICES

Median purchase prices for houses across the ISD strengthened over the year to June 2016:

Kiama LGA recorded the highest growth at 15.4% (to \$750,000). Shellharbour LGA (up 10.8% to \$515,000) and Wollongong LGA (up 6.8% to \$570,000) also saw improvement.

For the Illawarra Balance, median house prices lifted 12.9% (to \$525,000) for Wingecarribee LGA and 8.1% (to \$400,000) for Shoalhaven LGA.

**Results for the three months to June were weaker compared to preceding quarters:**

- Wingecarribee LGA was up 1.9% to \$545,000 and was the sole LGA to see an increase in median house price over the quarter.
- Kiama LGA (down 11.4% to \$720,000), Wollongong LGA (down 9.1% to \$550,000), Shellharbour LGA (down 7.5% to \$490,000) and Shoalhaven LGA (down 0.5% to \$410,000) saw falls.

# FLAT/UNIT PRICES

ISD median purchase prices for high density properties also saw improvement over the year.

Wingecarribee LGA saw the highest appreciation in median unit price, up 40.4% to \$582,500.

This was followed by Kiama LGA (up 13.3% to \$510,000), Shoalhaven LGA (up 11.2% to \$330,000), Shellharbour LGA (up 6.2% to \$419,500) and Wollongong LGA (up 5.9% to \$450,000).

**During the three months to June:**

- Shellharbour LGA was the only LGA to see a fall in median unit price over the quarter, down 4.3% to \$420,250.
- Wingecarribee LGA (up 6.8% to \$625,000), Wollongong LGA (up 6.1% to \$480,000), Kiama LGA (up 6.0% to \$551,250) and Shoalhaven LGA (up 2.3% to \$327,500) saw increases in median purchase price.

# LAND PRICES

Median land prices generally improved across the ISD with the exception of Shellharbour LGA.

Over the 12 months to June 2016, Shoalhaven LGA grew 13.9% to \$180,000, the highest of any LGA.

This was followed by Wollongong LGA (up 5.7% to \$280,000), Kiama LGA (up 4.8% to \$380,000) and Wingecarribee LGA (up 3.8% to \$275,000). Shellharbour LGA was down 12.3% to \$307,000.

**There were varied results for the June quarter across the ISD due to a low number of sales:**

- Wollongong LGA (up 16.1% to \$360,000) and Kiama LGA (up 8.3% to \$360,000) saw growth while Shoalhaven LGA (down 10.5% to \$191,000) and Shellharbour LGA (down 4.0% to \$263,975) saw falls for the quarter.



HOUSE PRICES		YR TO J15	YR TO J16	CHANGE (%)
Wollongong LGA		533,500	570,000	6.8
Shellharbour LGA		465,000	515,000	10.8
Kiama LGA		650,000	750,000	15.4
Shoalhaven LGA		370,000	400,000	8.1
Wingecarribee LGA		465,000	525,000	12.9

#### FLAT/UNIT PRICES

Wollongong LGA		425,000	450,000	5.9
Shellharbour LGA		395,000	419,500	6.2
Kiama LGA		450,000	510,000	13.3
Shoalhaven LGA		296,750	330,000	11.2
Wingecarribee LGA		415,000	582,500	40.4

#### LAND PRICES\*

Wollongong LGA		265,000	280,000	5.7
Shellharbour LGA		350,000	307,000	-12.3
Kiama LGA		362,500	380,000	4.8
Shoalhaven LGA		158,000	180,000	13.9
Wingecarribee LGA		265,000	275,000	3.8

HOUSE PRICES		YR TO J15	YR TO J16	CHANGE (%)
Austinmer/Thirroul		874,000	950,000	8.7
Bulli/Woonona		692,500	795,000	14.8
Russell Vale to Fairy Meadow		596,000	648,240	8.8
Wollongong to Figtree		560,000	650,000	16.1
Unanderra to Mt Kembla		482,500	607,500	25.9
Dapto/Kanahooka/Koonawarra		430,000	470,000	9.3
Lake Heights to Windang		400,000	440,000	10.0
Lake Illawarra Sth to Oak Flats		420,000	480,000	14.3
Shellharbour		580,000	660,000	13.8
Kiama		662,505	752,500	13.6

#### FLAT/UNIT PRICES

Bulli/Woonona		470,000	535,000	13.8
Russell Vale to Fairy Meadow		386,000	441,250	14.8
Wollongong to Figtree		422,250	433,750	2.7
Dapto/Kanahooka/Koonawarra		354,000	377,750	6.7
Lake Illawarra Sth to Oak Flats		340,000	361,000	6.2
Shellharbour		425,000	465,000	9.4
Kiama		453,500	512,500	13.0

Source: IRIIS/Valuer General's Land and Housing Database  
\*Result should be treated with caution due to a relatively low number of sales.

Source: IRIIS/Valuer General's Land and Housing Database



# RESIDENTIAL BUILDING APPROVALS

Dwelling approvals were up for the year on the back of strong results for units and a positive June quarter.

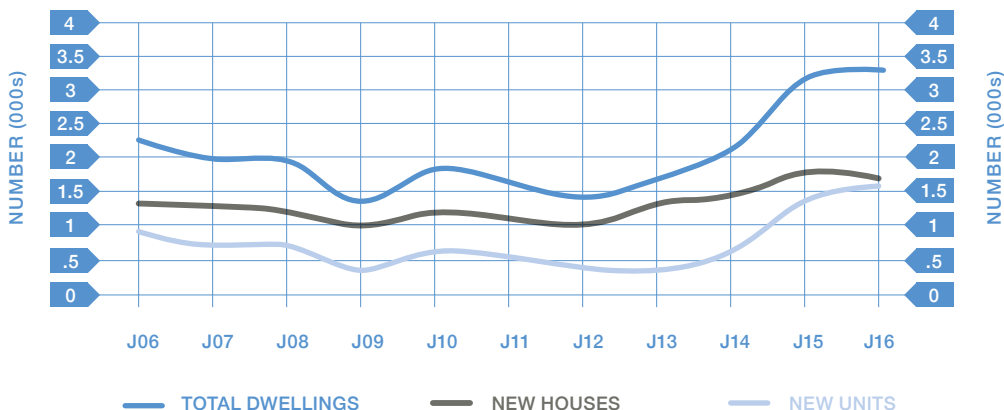
A total of 3,328 dwellings were approved in the ISD over the twelve months to June 2016, up 4.9% on the year to June 2015. This consisted of 1,730 houses (down 3.7%) and 1,598 units, flats and townhouses (16.0%).

Across the WSD, dwelling approvals in the year to June 2016 soared 38.1% to 1,344. This was driven by growth in units, up 67.4% to 1,344 while houses lifted 7.6% to 832.

In the three months to June, ISD approvals totalled 967, up 43.3% on the preceding quarter. This boost was evenly shared between houses (up 41.1% to 539) and units (up 46.1% to 428).

Source: IRIS/ABS Building Approval Statistics

## NUMBER OF DWELLING APPROVALS (ISD)





# COST OF RESIDENTIAL BUILDING APPROVALS

A particularly strong June quarter were positive, up 63.0% to \$305.6 million for ISD and up 122.5% to \$242.7 million for WSD. For both cases this was on the back of strong growth in the value of unit approvals.

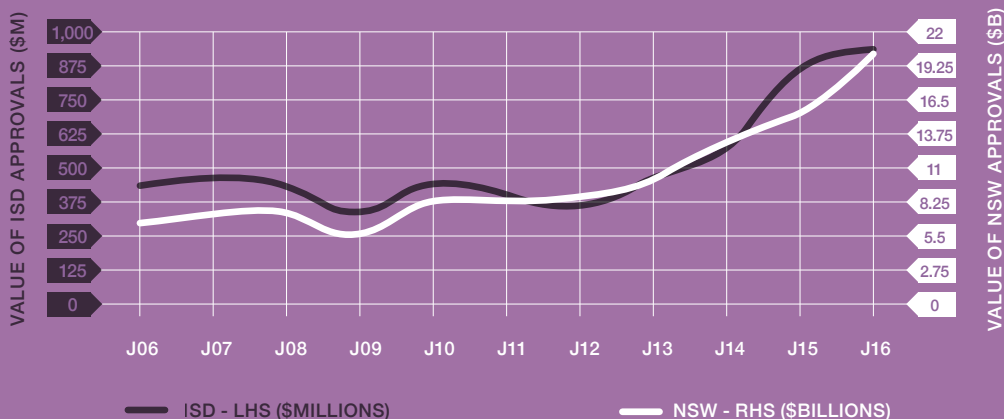
The value of residential approvals in the WSD totalled \$610.7 million for the year to June 2016 (up 37.9% from \$442.7 million in the year to June 2015).

ISD approval values climbed 8.1% to \$935.0 million over the same timeframe. This result lagged behind NSW, where approvals soared 31.7% to \$20.2 billion on the back of surges in the value of units (up 50.3% to \$11.8 billion) and alterations and additions to existing buildings (up 221.3% to \$6.9 billion).

Results for the June quarter were positive, up 63.0% to \$305.6 million for ISD and up 122.5% to \$242.7 million for WSD. For both cases this was on the back of strong growth in the value of unit approvals.

Source: IRIS/ABS Building Approval Statistics

## COST OF RESIDENTIAL BUILDING APPROVALS





# NON-RESIDENTIAL BUILDING APPROVALS

The three months to June saw a surge in the total value of non-residential investment in the Illawarra.

ISD non-residential approvals totalled \$222.3 million, up 42.4% on the June 2015 quarter result of \$128.2 million. This was primarily driven by surging public investment, up 92.8% to \$69.5 million.

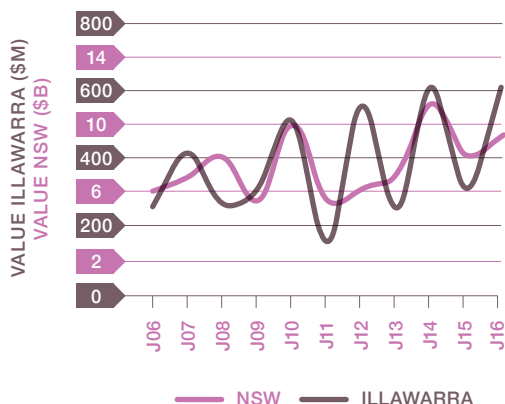
76.3% of the aforementioned ISD investment was generated in the WSD (\$169.7 million). Meanwhile, there was \$2.7 billion of non-residential approvals during the quarter in NSW.

## Key results for the year to June 2016:

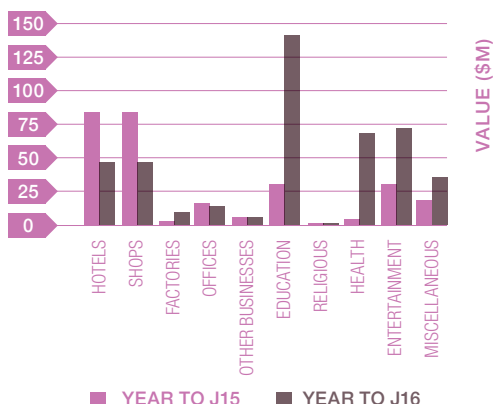
- Non-residential approvals in the ISD totalled \$604.9 million, almost double the result for the year to June 2015 (\$313.6 million). While private investment rose 22.8% to \$345.5 million, public investment saw an increase of \$227.1 million to \$259.4 million, up from an unusually low \$32.3 million in the year to June 2015.
- Sectors showing growth include education (to \$141.7 million), health (to \$68.1 million) and entertainment and recreation (to \$71.6 million). Sectors with falling investment include hotels (to \$29.6 million) and shops (to \$45.6 million).
- Commercial building approvals in NSW were up 10.2% to \$9.4 billion on the back of a 12.7% lift in private investment (to \$7.4 billion). Public investment was stagnant.

Source: IRIS/ABS Building Approval Statistics

## VALUE OF NON-RESIDENTIAL BUILDING APPROVALS



## NON-RESIDENTIAL BUILDING APPROVALS BY SECTOR





# BORROWING COSTS

The June quarter saw further cuts to interest rates on the back of the Reserve Bank of Australia's monetary policy decisions.

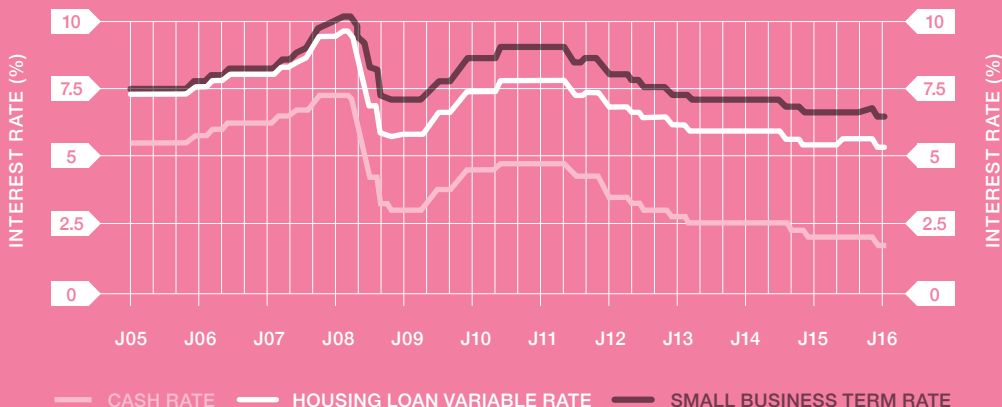
The RBA cut the cash rate 25 basis points to 1.75% in May due to lower than expected inflation

May also saw the housing loan variable rate fall 15 basis points to 5.40% and the small business term rate down 25 basis points to 6.50%.

These historically low interest rates have contributed to a 4.9% rise in the total number of dwelling approvals in the ISD for the year to June 2016.

Source: IRIS/ABS Building Approval Statistics

## BUSINESS FINANCING COSTS



# RENTAL MARKET

Rental price growth was higher for units than houses over the twelve months to June 2016.

The median weekly unit price climbed to \$410, up 17.1% on the year to June 2016. Over the year the average number of units advertised per week fell from 48 to 35.

The median weekly house price for the year to June 2016 rose 6.4% to \$500. The average number of houses advertised per week was steady at 26.

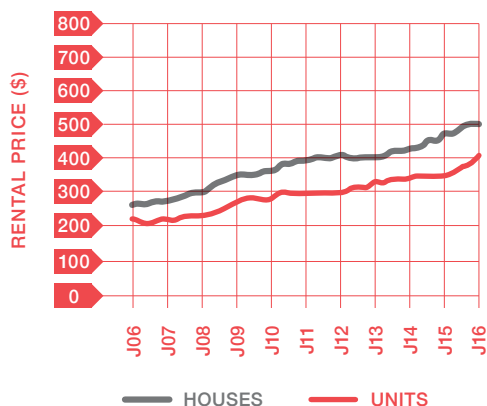
Key results for the three months to June:

The median weekly rental price for units was up 5.3% to \$400 over the quarter while the result for houses was up 4.0% to \$520.

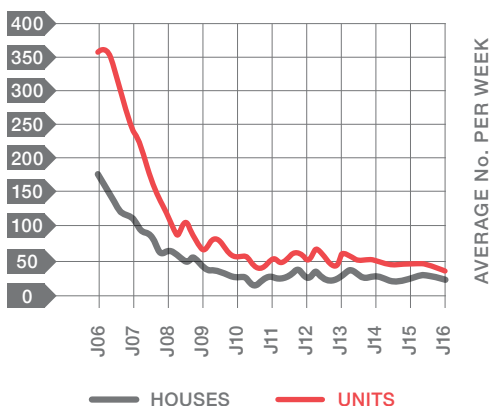
The average number of weekly rentals advertised increased for both units (from 26 to 30) and houses (from 20 to 26).

Source: IRIS/Illawarra Mercury Housing Database

## YEARLY RENT PRICE (WSD)



## RENTAL LISTINGS (WSD)





# RENTAL RETURN ON INVESTMENT

## Looking at the rental return on investment (RROI) for houses:

Dapto/Kanahooka/Koonawarra (5.3%) saw the highest RROI followed by Lake Heights to Windang (5.1%) and Lake Illawarra Sth to Oak Flats (5.0%).

Kiama (3.7%), Austinmer/Thirroul (3.8%) and Bulli/Woonona (3.8%) saw the lowest yields due to growth in median house price outpacing weekly rental price.

## In the rental market for flats/units:

Shellharbour recorded the highest RROI at 5.6%. The next highest results were for Lake Illawarra Sth to Oak Flats (5.2%) and Dapto/Kanahooka/Koonawarra (5.1%).

Bulli/Woonona (3.5%) saw the lowest yield on the back of 13.8% increase in median house price and 2.7% fall in median weekly unit price.

HOUSE RENTAL PRICES		YR TO J15	YR TO J16	RROI (%)
Austinmer/Thirroul		695	690	3.8
Bulli/Woonona		570	580	3.8
Russell Vale to Fairy Meadow		495	522	4.2
Wollongong to Figtree		480	540	4.3
Unanderra to Mt Kembla		430	500	4.3
Dapto/Kanahooka/Koonawarra		440	480	5.3
Lake Heights to Windang		370	432	5.1
Lake Illawarra Sth to Oak Flats		420	460	5.0
Shellharbour		550	575	4.5
Kiama		490	532	3.7

FLAT/UNIT RENTAL PRICES		YR TO J15	YR TO J16	RROI (%)
Bulli/Woonona		370	360	3.5
Russell Vale to Fairy Meadow		340	370	4.4
Wollongong to Figtree		350	420	5.0
Dapto/Kanahooka/Koonawarra		282	367	5.1
Lake Illawarra Sth to Oak Flats		350	360	5.2
Shellharbour		442	505	5.6
Kiama		420	470	4.8



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**Report Notes**

The Illawarra Real Estate Report is produced quarterly by IRIS as an indicator of the regional economy. Information is based on data sourced from ABS publications, Estate Agents Cooperatives, the State Government and from the IRIS database.

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