

REAL ESTATE REPORT

DECEMBER 2016





SUMMARY

- Median purchase prices for all property types lifted in the Wollongong Statistical District (WSD) over the twelve months to September 2016. The median house price increased 3.6% to \$570,000. The median unit price climbed 13.3% to \$487,000 while the median land price saw a 24.1% boost to \$360,000.
- There was positive news for investors in medium density property with the median weekly rental price rising 22.2% to \$440. The weekly house price lifted 9.0% to \$520.
- Looking at the commercial building sector, the value of building approvals in the WSD sunk 28.3% to \$290.7 million due a reversion to average education investment after a substantial 2015 September quarter. For the wider Illawarra Statistical Division (ISD), the value of non-residential building approvals fell 19.3% to \$408.3 million.
- The number of ISD dwelling approvals lifted 9.5% to 3,473. This consisted of 1,910 houses (up 9.8%) and 1,563 units, flats and apartments (up 9.1%). This was driven by growth in the WSD, which saw dwelling approvals shoot up 41.8% to 2,309 over the year.

SUMMARY

WOLLONGONG STATISTICAL DISTRICT	YR TO S15	YR TO S16	CHANGE (%)
Median House Price (\$)	550,000	570,000	3.6
Median Flat/unit Price (\$)	430,000	487,000	13.3
Median Land Price (\$)	290,000	360,000	24.1
Median Weekly Rent Houses (\$)	477	520	9.0
Median Weekly Rent Units (\$)	360	440	22.2
Non-res Building (\$m)	405.3	290.7	-28.3
Dwelling Approvals (No.)	1,628	2,309	41.8
ILLAWARRA STATISTICAL DISTRICT			
Non-res Building (\$m)	506.1	408.3	-19.3
Dwelling Approvals (No.)	3,172	3,473	9.5



WOLLONGONG STATISTICAL DISTRICT

The three months to September were relatively soft compared to preceding quarters.

The median house price fell 0.9% to \$560,000 over the quarter.

The median unit price was stable, up 0.4% to \$483,750.

The median land price was down 4.9% to \$361,250. However, due to a relatively small number of sales in the September quarter this result should be treated with caution.

WOLLONGONG STATISTICAL DISTRICT	JUN 16 QTR	SEP 16 QTR	QUARTLERLY CHANGE %
Median House Price (\$)	565,000	560,000	-0.9
Median Flat/unit Price (\$)	482,000	483,750	0.4
Median Land Price (\$)*	380,000	361,250	-4.9

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

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



HOUSING PRICES

Sales data shows median house prices strengthened across the Illawarra over the twelve months to September:

Wingecarribee LGA recorded the highest growth at 9.3% (to \$530,000). This was followed by Shoalhaven LGA (up 7.9% to \$410,000) and Wollongong LGA (up 7.8% to \$575,000)

Shellharbour LGA saw the lowest growth, up 2.2% to \$500,000

The results for the three months to September were generally weaker compared to the rest of the year:

- Shellharbour LGA was up 6.1% to \$520,000. This was followed by Wollongong LGA (up 1.9% to \$560,650) and Kiama LGA (up 0.7% to \$725,000).
- The Illawarra Balance saw falls over the quarter with Wingecarribee LGA down 5.5% to \$515,000 and Shoalhaven LGA down 0.2% to \$409,000.

FLAT/UNIT PRICES

ISD median purchases prices for high density properties saw strong growth over the year.

Wingecarribee LGA saw the highest appreciation, up 43.9% to \$590,000.

This was followed by Kiama LGA (up 25.3% to \$570,000) and Shellharbour LGA (up 14.2% to \$445,000). Shoalhaven LGA saw growth of 7.9% to \$329,000.

During the three months to September:

- Like housing, Shellharbour LGA recorded the highest growth, up 5.9% to \$445,000. This was followed by Wollongong LGA, up 1.0% to \$485,000.
- Areas where median unit price depreciated over the quarter include Wingecarribee LGA (down 10.4% to \$560,000), Shoalhaven LGA (down 2.3% to \$320,000) and Kiama LGA (down 0.2% to \$550,000).

LAND PRICES

Median land prices in the Illawarra experienced significant growth with the exception of Shellharbour LGA.






Wollongong LGA recorded the highest appreciation, up 36.8% to \$349,950 over the year to September 2016. This was followed by Shoalhaven LGA (up 24.8% to \$200,000) and Wingecarribee LGA (up 22.8% to \$350,000).

Shellharbour LGA saw a fall in median land price, down 8.0% to \$322,000.






There were varied results for the September quarter due to a relatively low number of sales.

- The September quarter was positive for Shellharbour LGA, up 24.6% to \$329,000. This was followed by Kiama LGA (up 4.2% to \$375,000) and Wollongong LGA (up 0.7% to \$362,500).
- Median land price for Wingecarribee LGA was down 15.8% to \$320,000 while Shoalhaven LGA fell 0.5% to \$190,000).








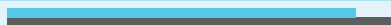

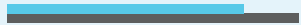
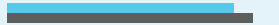
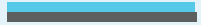
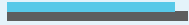
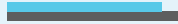
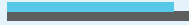


HOUSE PRICES		YR TO \$15	YR TO \$16	CHANGE (%)
Wollongong LGA		533,500	575,000	7.8
Shellharbour LGA		489,250	500,000	2.2
Kiama LGA		675,000	725,000	7.4
Shoalhaven LGA		380,000	410,000	7.9
Wingecarribee LGA		485,000	530,000	9.3

FLAT/UNIT PRICES


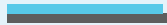
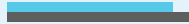
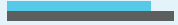


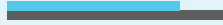
Wollongong LGA		440,000	485,000	10.2
Shellharbour LGA		389,500	445,000	14.2
Kiama LGA		455,000	570,000	25.3
Shoalhaven LGA		305,000	329,000	7.9
Wingecarribee LGA		410,000	590,000	43.9

LAND PRICES*

Wollongong LGA		255,750	349,950	36.8
Shellharbour LGA		350,000	322,000	-8.0
Kiama LGA		340,000	390,000	14.7
Shoalhaven LGA		160,250	200,000	24.8
Wingecarribee LGA		285,000	350,000	22.8

HOUSE PRICES		YR TO \$15	YR TO \$16	CHANGE (%)
Austinmer/Thirroul		922,500	1,022,000	10.6
Bulli/Woonona		740,000	770,000	4.1
Russell Vale to Fairy Meadow		625,000	770,000	23.2
Wollongong to Figtree		599,500	650,000	8.4
Unanderra to Mt Kembla		497,569	500,000	0.5
Dapto/Kanahooka/Koonawarra		442,500	478,500	8.1
Lake Heights to Windang		408,750	457,850	12.0
Lake Illawarra Sth to Oak Flats		440,000	480,000	9.1
Shellharbour		628,000	692,500	10.3
Kiama		685,000	738,750	7.8

FLAT/UNIT PRICES

Bulli/Woonona		483,000	522,500	8.2
Russell Vale to Fairy Meadow		410,000	449,000	9.5
Wollongong to Figtree		439,000	488,000	11.2
Dapto/Kanahooka/Koonawarra		380,000	440,000	15.8
Lake Illawarra Sth to Oak Flats		340,000	355,000	4.4
Shellharbour		425,000	482,000	13.4
Kiama		455,000	570,000	25.3

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

A relatively soft September quarter did not significantly impact dwelling approvals, which strengthened over the year.

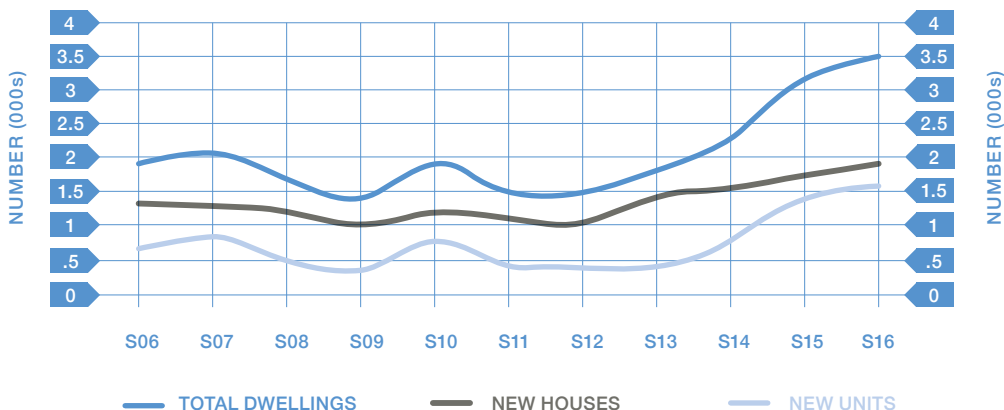
A total of 3,473 dwellings were approved in the ISD over the twelve months to September 2016, up 9.5% on the year to September 2015. This consisted of 1,910 houses (up 9.8%) and 1,563 units, flats and apartments (up 9.1%).

Across the WSD, dwelling approvals in the year to September 2016 surged 41.8% to 2,309. This was primarily driven by growth in unit approvals, up 48.8% to 1,339. Housing approvals also saw a significant boost, up 33.2% to 970.

Looking at the three months to September, ISD approvals totalled 815, down 15.7% on the June quarter. Approvals for houses increased 8.2% to 583 while unit approvals almost halved, down 45.8% to 232. This was the lowest number of unit approvals since the 2015 March quarter.

Source: IRIS/ABS Building Approval Statistics

NUMBER OF DWELLING APPROVALS (ISD)





COST OF RESIDENTIAL BUILDING APPROVALS

While the September quarter was relatively weak, the value of residential building approvals saw strong growth over the past twelve months.

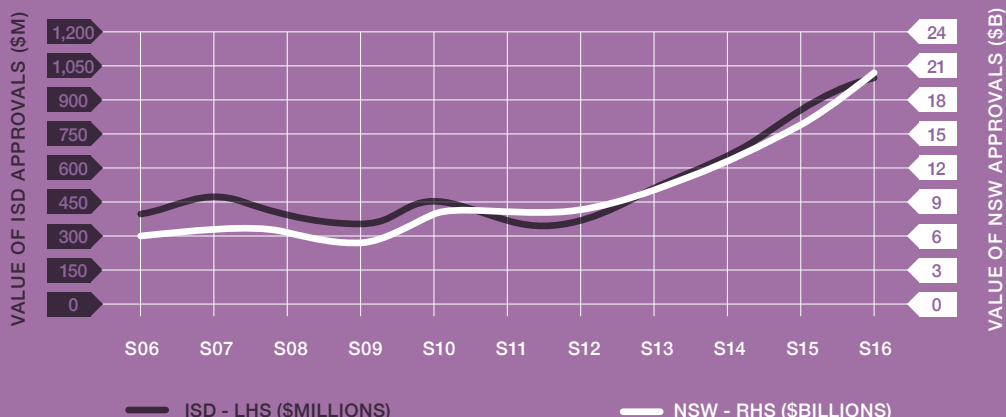
The value of dwelling approvals in the ISD climbed 16.2% to \$994.9 million over the year to September 2016. This result lagged behind NSW, where approvals were up 28.1% to \$21.9 billion. The primary driver of this growth was a 42.0% lift in the cost of unit approvals to \$13.3 billion. The value of alterations and additions to existing buildings sunk 61.4% to \$2.5 billion.

The cost of residential building approvals in the WSD soared 49.1% to \$661.3 million over the same timeframe. The value of unit approvals surged 55.6% to \$353.1 million.

Results for the September quarter were weak compared to the particularly strong June quarter. The total value of dwelling approvals was down 23.8% to \$232.9 million for the ISD and down 39.6% to \$146.5 million for the WSD. In contrast, NSW experienced a 25.2% lift to \$6.7 billion over the three months to September.

Source: IRIS/ABS Building Approval Statistics

VALUE OF DWELLING APPROVALS





NON-RESIDENTIAL BUILDING APPROVALS

Falling private investment caused the total value of non-residential building approvals in the Illawarra over the past year to decline.

The value of ISD non-residential approvals totalled \$408.3 million in the year to September 2016, down 19.3% from the year to September 2015 (\$506.1 million). This was caused by a contraction in private investment, down 28.8% to \$252.5 million while public investment rose 2.7% to \$155.7 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.

Commercial building approvals in NSW were up 25.5% to \$11.1 billion. This was shared evenly between private (up 24.1% to \$9.1 billion) and public (up 29.6% to \$1.9 billion) investment.

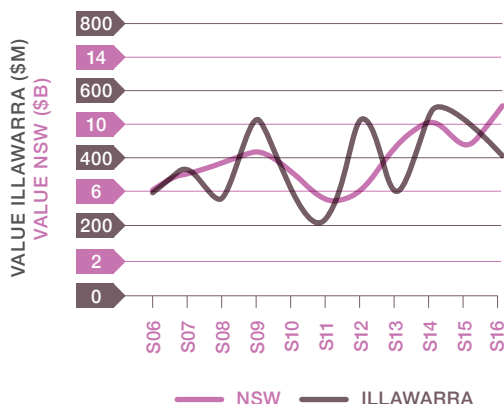
Key results for the three months to September:

ISD non-residential approvals totalled \$48.9 million, less than a quarter of the 2015 September quarter value (\$245.5 million).

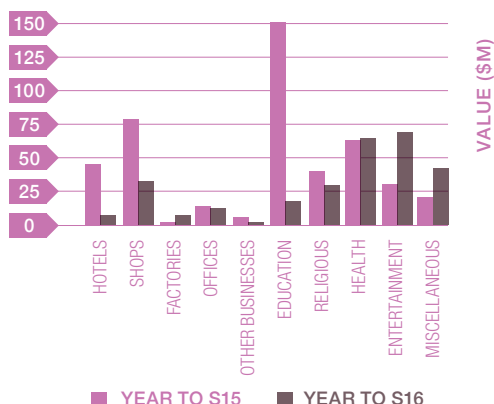
62.3% of the aforementioned ISD investment was generated in the WSD (\$30.5 million). Meanwhile, there was \$4.2 billion of non-residential approvals during the quarter in NSW.

Source: IRIS/ABS Building Approval Statistics

VALUE OF NON-RESIDENTIAL BUILDING APPROVALS



NON-RESIDENTIAL BUILDING APPROVALS BY SECTOR





BORROWING COSTS

Interest rates continued to fall during the September quarter.

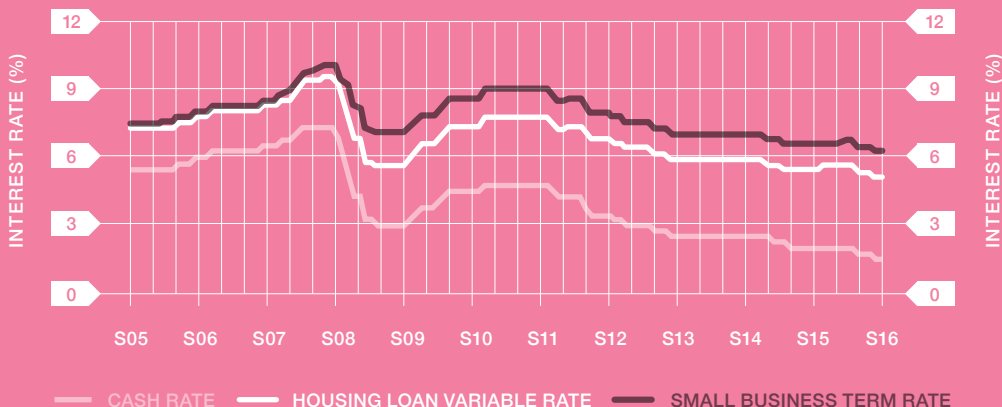
In August the Reserve Bank cut the cash rate 25 basis points to 1.5% in an effort help return inflation to target.

The August cut saw the housing loan variable rate fall 15 basis points to 5.25% while the small business term rate was down 10 basis points to 6.40%.

These historically low interest rates have contributed to a 9.5% rise in the total number of dwelling approvals in the ISD for the year to September 2016.

Source: IRIS/ABS Building Approval Statistics

BUSINESS FINANCING COSTS



RENTAL MARKET

Rental price growth for houses was outpaced by units over the twelve months to September 2016.

The median weekly house price for the year to September 2016 was \$520, up 9.0% on the year to September 2015. Over the year the average number of houses advertised per week dropped from 30 to 25.

The median weekly unit price climbed to \$440, up 22.2% over the twelve months to September. The average number of units advertised per week fell from 49 to 31.

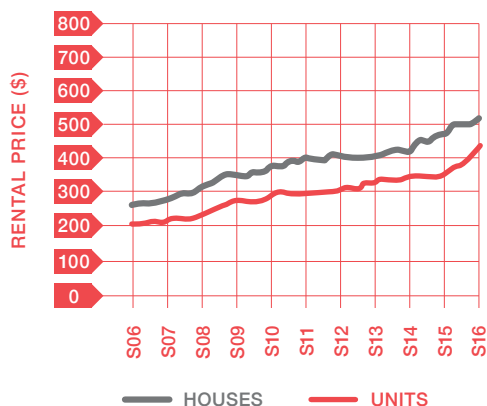
Key results for the three months to September:

The median weekly house price was down 3.8% to \$500 over the quarter while the median rental price for units was up 5.0% to \$420.

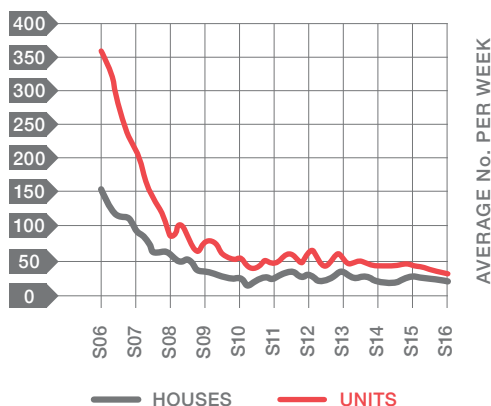
The average number of weekly rentals advertised increased from 30 to 32 for units while houses were steady at 26.

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%) again saw the highest RROI followed by Unanderra to Mount Kembla (5.2%) and Lake Illawarra Sth to Oak Flats (5.1%).

Austinmer/Thirroul (3.6%), Russell Vale to Fairy Meadow (3.7%) and Kiama (3.8%) saw the lowest yields due to relatively high median house price appreciation compared to rental price growth.

In the rental market for flats/units:

Lake Illawarra Sth to Oak Flats recorded the highest RROI at 5.9% followed by Shellharbour (5.6%) and Wollongong to Figtree (4.8%).

Bulli/Woonona (4.3%) saw the lowest yield followed by Kiama (4.4%).

HOUSE RENTAL PRICES		YR TO \$15	YR TO \$16	RROI (%)
Austinmer/Thirroul		635	700	3.6
Bulli/Woonona		550	597	4.0
Russell Vale to Fairy Meadow		490	550	3.7
Wollongong to Figtree		500	540	4.3
Unanderra to Mt Kembla		430	500	5.2
Dapto/Kanahooka/Koonawarra		445	490	5.3
Lake Heights to Windang		380	440	5.0
Lake Illawarra Sth to Oak Flats		430	470	5.1
Shellharbour		565	567	4.3
Kiama		477	540	3.8
FLAT/UNIT RENTAL PRICES		YR TO \$15	YR TO \$16	RROI (%)
Bulli/Woonona		382	430	4.3
Russell Vale to Fairy Meadow		350	405	4.7
Wollongong to Figtree		360	450	4.8
Dapto/Kanahooka/Koonawarra		342	397	4.7
Lake Illawarra to Oak Flats		350	400	5.9
Shellharbour		420	520	5.6
Kiama		420	480	4.4



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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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