

REAL ESTATE REPORT

MARCH 2017





SUMMARY

- Median purchase prices in the Wollongong Statistical District (WSD) strengthened over the year to December 2016. The median house price was up 1.6% to \$570,000 while the median unit price lifted 12.6% to \$490,000. The median land price climbed 18.4% to \$361,250 over the period.
- There was positive news for investors with the median weekly rental price for units soaring 21.6% to \$450. The weekly house price was up 9.3% to \$530.
- Looking at the commercial building sector, the value of building approvals in the WSD almost halved, down 41.5% to \$248.3 million. This was caused by a reversion to average education investment after a substantial September quarter in 2015. The wider Illawarra Statistical District (ISD) saw a 28.6% fall in the value of non-residential approvals to \$385.5 million.
- The number of ISD dwelling approvals sunk 7.0% to 3,107. This consisted of 1,908 houses (up 13.4%) and 1,199 units, flats and townhouses (down 27.8%). WSD was up 15.1% to 2,008, driven by a 37.6% increase in housing approvals to 999.

SUMMARY

WOLLONGONG STATISTICAL DISTRICT		YR TO D15	YR TO D16	CHANGE (%)
Median House Price (\$)		561,250	570,000	1.6
Median Flat/unit Price (\$)		435,000	490,000	12.6
Median Land Price (\$)		305,000	361,250	18.4
Median Weekly Rent Houses (\$)		485	530	9.3
Median Weekly Rent Units (\$)		370	450	21.6
Non-res Building (\$m)		424.4	248.3	-41.5
Dwelling Approvals (No.)		1,019	1,009	-1.0
ILLAWARRA STATISTICAL DISTRICT				
Non-res Building (\$m)		539.9	385.5	-28.6
Dwelling Approvals (No.)		3,342	3,107	-7.0



WOLLONGONG STATISTICAL DISTRICT

Median purchase prices in the WSD
strengthened over the quarter.

The median
house price
increased
6.0% to
\$593,750.

The median
unit price
was up
5.1% to
\$508,500.

The median
land price
increased
3.8% to
\$375,000.

WOLLONGONG STATISTICAL DISTRICT	SEP 16 QTR	DEC 16 QTR	QUARTLERLY CHANGE %
Median House Price (\$)	560,000	593,750	6.0
Median Flat/unit Price (\$)	483,750	508,500	5.1
Median Land Price (\$)*	361,250	375,000	3.8

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

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



HOUSING PRICES

Median house prices strengthened over the twelve months to December.

- Wingecarribee LGA recorded the highest growth at 16.3% (to \$570,000). This was followed by Shoalhaven LGA (up 10.4% to \$425,000).

- Shellharbour LGA saw the lowest growth, up 1.5% to \$515,000.

Quarterly growth for the WSD was weaker compared to the Illawarra Balance.

- Wingecarribee LGA was up 18.4% to \$610,000 while Shoalhaven LGA was up 8.8% to \$445,000.

- Kiama LGA recorded the lowest quarterly growth, up 1.0% to \$732,000.

FLAT/UNIT PRICES

WSD unit prices experienced strong growth over the year.

- Wollongong LGA saw the highest growth, up 13.6% to \$500,000. This was followed by Shellharbour LGA (up 12.2% to \$450,000).

- The median unit price for Wingecarribee LGA fell 3.6% to \$458,000.

Results for the three months to December:

- Quarterly growth was highest for Shoalhaven LGA, up 20.3% to \$385,000.

- Kiama LGA (down 21.4% to \$432,500) and Shellharbour LGA (down 1.1% to \$440,000).

LAND PRICES

With the exception of Shellharbour LGA, ISD land prices generally improved over the past twelve months.

- Wingecarribee LGA recorded the highest appreciation, up 36.2% to \$320,000. This was followed by Wollongong LGA (up 34.6% to \$350,000).

- Median land price for Shellharbour LGA fell 8.4% to \$300,000 over the year

Quarterly results for land prices were varied due to relatively few sales.

- Shoalhaven LGA was up 12.4% to \$213,500.

- Shellharbour LGA fell 17.9% to \$270,000. This was followed by Kiama LGA, down 4.7% to \$357,500.



HOUSE PRICES				YR TO D15	YR TO D16	CHANGE (%)
Wollongong LGA				565,000	595,000	5.3
Shellharbour LGA				507,500	515,000	1.5
Kiama LGA				710,000	726,000	2.3
Shoalhaven LGA				385,000	425,000	10.4
Wingecarribee LGA				490,000	570,000	16.3
FLAT/UNIT PRICES						
Wollongong LGA				440,000	500,000	13.6
Shellharbour LGA				401,000	450,000	12.2
Kiama LGA				482,500	510,000	5.7
Shoalhaven LGA				315,000	345,000	9.5
Wingecarribee LGA				475,000	458,000	-3.6
LAND PRICES*						
Wollongong LGA				260,000	350,000	34.6
Shellharbour LGA				327,500	300,000	-8.4
Kiama LGA				360,000	473,500	31.5
Shoalhaven LGA				159,825	202,500	26.7
Wingecarribee LGA				235,000	320,000	36.2

HOUSE PRICES				YR TO D15	YR TO D16	CHANGE (%)
Austinmer/Thirroul				977,500	951,000	-2.7
Bulli/Woonona				765,000	775,000	1.3
Russell Vale to Fairy Meadow				650,000	690,000	6.2
Wollongong to Figtree				610,000	680,000	11.5
Unanderra to Mt Kembla				565,000	498,000	-11.9
Dapto/Kanahooka/Koonawarra				450,000	496,000	10.2
Lake Heights to Windang				440,000	462,000	5.0
Lake Illawarra Sth to Oak Flats				459,000	480,000	4.6
Shellharbour				655,000	681,000	4.0
Kiama				710,550	724,500	2.0
FLAT/UNIT PRICES						
Bulli/Woonona				482,500	550,000	14.0
Russell Vale to Fairy Meadow				421,000	442,750	5.2
Wollongong to Figtree				435,000	510,500	17.4
Dapto/Kanahooka/Koonawarra				365,000	449,500	23.2
Lake Illawarra Sth to Oak Flats				348,750	345,000	-1.1
Shellharbour				440,000	495,000	12.5
Kiama				474,500	510,000	7.5

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

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



RESIDENTIAL BUILDING APPROVALS

A relatively weak December quarter led to a fall in dwelling approvals over the year.

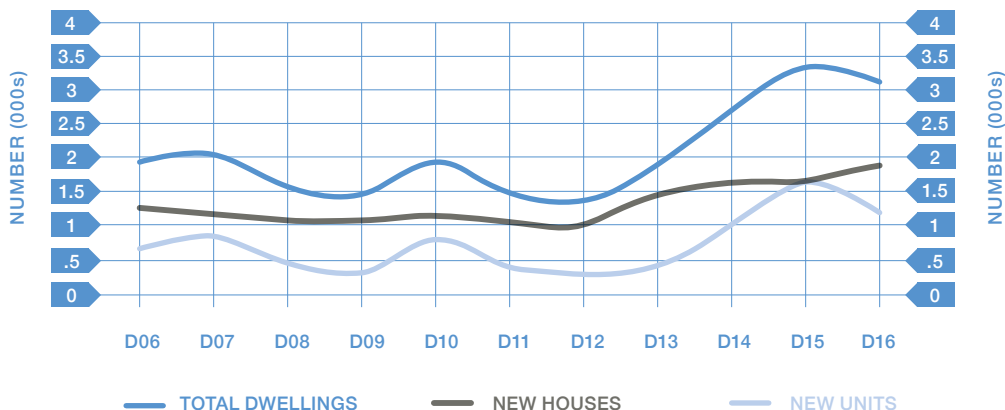
A total of 3,107 dwellings were approved in the ISD over the twelve months to December 2016, down 7.0% on the year to December 2015. This consisted of 1,908 houses (up 13.4%) and 1,199 units, flats and townhouses (down 27.8%).

Across the WSD, dwelling approvals were up 15.1% to 2,008. This was driven by growth in approvals for houses, up 37.6% to 999. Unit approvals fell 1.0% to 1,009.

Looking at the three months to December, ISD approvals totalled 650, down 20.2% on the September quarter. Approvals for houses fell 30.7% to 404 while unit approvals were up 6.0% to 246.

Source: IRIS/ABS Building Approval Statistics

NUMBER OF DWELLING APPROVALS (ISD)





COST OF RESIDENTIAL BUILDING APPROVALS

The value of residential building approvals increased over the past year despite a weak December quarter.

The value of dwelling approvals in the ISD was up 3.4% to \$909.2 million over the year to December 2016. This result lagged behind NSW, where approvals were up 10.7% to \$20.9 billion. The primary driver of this growth was a 13.5% lift in the value of unit approvals to \$12.2 billion.

The cost of residential building approvals in the WSD lifted 32.7% to \$596.3 million over the same timeframe. This was driven by a 52.5% surge in the cost of housing approvals to \$324.8 million.

Results for the December quarter were weak compared to the September quarter. The total value of dwelling approvals was down 21.4% to \$183.1 million for the ISD and down 33.1% to \$98.0 million for the WSD. NSW saw a similar fall, down 28.1% to \$4.8 billion.

Source: IRIS/ABS Building Approval Statistics

VALUE OF DWELLING APPROVALS





NON-RESIDENTIAL BUILDING APPROVALS

The value of non-residential building approvals declined over the year to December 2016.

The value of ISD non-residential approvals totalled \$385.5 million in the year to December 2016, down 28.6% on the year to December 2015 (\$539.9 million). Private investment contracted 19.8% to \$278.9 million while public investment fell 44.5% to \$106.6 million.

64.4% of the aforementioned ISD investment was generated in the WSD (\$248.3 million). Meanwhile, there was \$10.9 billion of non-residential approvals during the year in NSW.

Sectors showing growth include shops (to \$75.7 million) and factories (to \$8.4 million). The significant fall in education investment over the year (down 91.3% to \$12.4 million) was caused by an unusually high September quarter result in 2015 (\$127.0 million).

Key results for the three months to December:

ISD non-residential approvals totalled \$70.0 million, down 24.6% on the 2015 December quarter result (\$92.8 million).

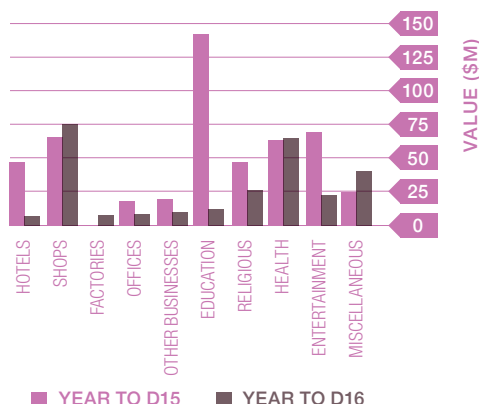
27.6% of the aforementioned ISD investment was generated in the WSD (\$19.3 million). Almost two thirds (63.2%) of this investment was generated in Wingecarribee (\$44.2 million) primarily due to \$36.0 million in retail and wholesale investment during the quarter.

Source: IRIS/ABS Building Approval Statistics

VALUE OF NON-RESIDENTIAL BUILDING APPROVALS



NON-RESIDENTIAL BUILDING APPROVALS BY SECTOR





BORROWING COSTS

Interest rates remained unchanged during the December quarter.

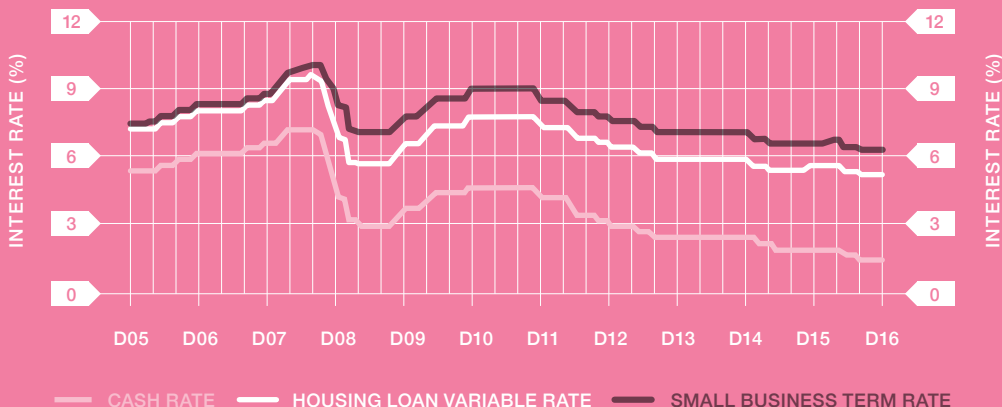
The Reserve Bank has kept the cash rate at 1.50% since August 2016.

The housing loan variable rate remained at 5.25% while the small business term rate was unchanged at 6.40%.

Despite historically low interest rates there was a 7.0% fall in the total number of dwelling approvals in the ISD over the year to December 2016.

Source: IRIS/ABS Building Approval Statistics

BUSINESS FINANCING COSTS



RENTAL MARKET

Rental price growth was higher for units compared to houses.

The median weekly house price for the year to December 2016 was \$530, up 9.3% on the year to December 2015. Over the year the average number of houses advertised per week dropped from 29 to 26.

The median weekly unit price rose to \$450, up 21.6%. The average number of units advertised per week fell from 44 to 30.

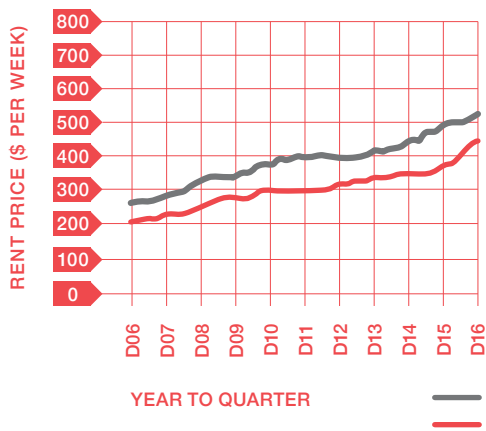
Key results for the three months to December:

The median weekly house price was up 4.0% to \$520 while the median weekly unit price was up 5.2% to \$442.

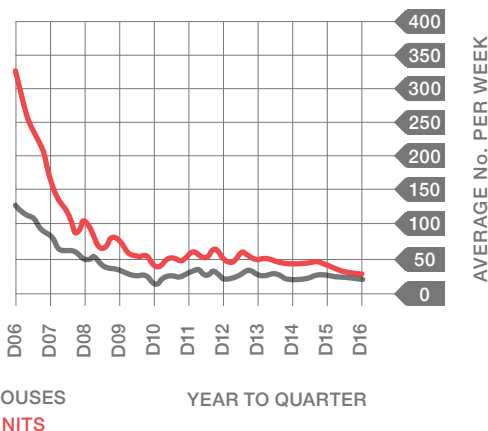
The average number of weekly rentals advertised increased from 26 to 31 for houses and 32 to 33 for units.

Source: IRIS/Illawarra Mercury Housing Database

RENT PRICE (WSD)



RENTAL LISTINGS (WSD)





RENTAL RETURN ON INVESTMENT

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

Unanderra to Mount Kembla (5.2%) and Lake Illawarra Sth to Oak Flats (5.2%) saw the highest RROI followed by Dapto/Kanahooka/Koonawarra (5.1%) and Lake Heights to Windang (5.0%).

Austinmer/Thirroul (3.8%) saw the lowest yield due to the relatively high median house price in the area.

In the rental market for flats/units:

Lake Illawarra Sth to Oak Flats recorded the highest RROI at 6.3% followed by Shellharbour (5.3%).

Bulli/Woonona (4.1%) saw the lowest yield followed by Dapto/Kanahooka/Koonawarra (4.6%).

HOUSE RENTAL PRICES		YR TO D15	YR TO D16	RROI (%)
Austinmer/Thirroul		690	700	3.8
Bulli/Woonona		570	605	4.1
Russell Vale to Fairy Meadow		500	550	4.1
Wollongong to Figtree		520	540	4.1
Unanderra to Mt Kembla		450	500	5.2
Dapto/Kanahooka/Koonawarra		450	490	5.1
Lake Heights to Windang		380	440	5.0
Lake Illawarra Sth to Oak Flats		450	480	5.2
Shellharbour		570	597	4.6
Kiama		485	540	4.1
FLAT/UNIT RENTAL PRICES		YR TO D15	YR TO D16	RROI (%)
Bulli/Woonona		350	430	4.1
Russell Vale to Fairy Meadow		350	420	4.9
Wollongong to Figtree		380	460	4.7
Dapto/Kanahooka/Koonawarra		350	400	4.6
Lake Illawarra Sth to Oak Flats		330	420	6.3
Shellharbour		400	500	5.3
Kiama		450	490	4.8



Better
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Phone (02) 4285 4446
Web iris.org.au

Fax (02) 4285 4448
Email research@iris.org.au

Postal
University of Wollongong
Northfields Avenue
Wollongong
NSW 2522

Office
Level 1 IC Central,
Innovation Campus
Squires Way
North Wollongong, NSW 2500

For further information & enquiries:

Peter Watts, Chief Executive
Geoff Besnard, Research Analyst

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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