

REAL ESTATE REPORT

JUNE 2017





SUMMARY

- Median purchase prices in the Wollongong Statistical District (WSD) strengthened over the year to March 2017. The median house price grew 4.9% to \$605,000 while the median unit price lifted 11.9% to \$492,250. The median land price was up 15.7% to \$375,000 over the twelve months to March.
- The median weekly rental price for houses was up 6.0% to \$530 while units soared 19.5% to \$460. This coincided with strong growth in the median price for units across the Illawarra.
- Looking at the commercial building sector, the value of building approvals in the WSD fell 19.5% to \$321.1 million. This was caused by a reversion to average education investment after a substantial September quarter in 2015. Across the ISD, the value of non-residential building approvals fell 9.4% to \$462.5 million.
- The number of WSD dwelling approvals rose 8.5% to 1,997 on the back of housing approvals doubling in the year to March 2017 (up 53.6% to 1,109). ISD approvals were down 13.4% to 2,991. This was caused by unit approvals sinking 40.1% to 1,064.

SUMMARY

WOLLONGONG STATISTICAL DISTRICT		YR TO M16	YR TO M17	CHANGE (%)
Median House Price (\$)		576,500	605,000	4.9
Median Flat/unit Price (\$)		440,000	492,250	11.9
Median Land Price (\$)		324,000	375,000	15.7
Median Weekly Rent Houses (\$)		500	530	6.0
Median Weekly Rent Units (\$)		385	460	19.5
Non-res Building (\$m)		399.0	321.1	-19.5
Dwelling Approvals (No.)		1,840	1,997	8.5
ILLAWARRA STATISTICAL DISTRICT				
Non-res Building (\$m)		510.7	462.5	-9.4
Dwelling Approvals (No.)		3,453	2,991	-13.4



WOLLONGONG STATISTICAL DISTRICT

With the exception of units, median purchase prices strengthened over the quarter.

The median house price increased 6.1% to \$630,000.

The median unit price was down 0.7% to \$505,000.

The median land price grew 2.7% to \$385,000.

WOLLONGONG STATISTICAL DISTRICT	DEC 16 QTR	MAR 17 QTR	QUARTLERLY CHANGE %
Median House Price (\$)	539,750	630,000	6.1
Median Flat/unit Price (\$)	508,500	505,000	-0.7
Median Land Price (\$)*	375,000	385,000	2.7

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

The median sale price for houses strengthened over the year to March.

- Wingecarribee LGA recorded the highest growth, up 16.2% to \$589,000. This was followed by Shoalhaven LGA (up 13.9%) to \$450,000.

- Kiama LGA saw the lowest growth, up 1.3% to \$760,000.

Results for the three months to March:

- Kiama LGA was up 8.8% to \$796,500, followed by Shoalhaven LGA (up 6.7% to \$475,000).
- Wingecarribee LGA saw the lowest quarterly growth, up 3.3% to \$630,000.

FLAT/UNIT PRICES

ISD unit prices generally experienced growth over the year.

- Shoalhaven LGA saw the highest growth, up 18.5% to \$385,000. This was followed by Kiama LGA, up 13.1% to \$560,000.

- Median sale price for units was unchanged at \$500,000.

Results for the March quarter

- Quarterly growth was highest for Kiama LGA, up 29.5% to \$560,000.
- Wollongong LGA saw a fall of 3.0% to \$509,000.

LAND PRICES

With the exception of Shellharbour LGA, land prices saw significant growth over the year to March.

- Shoalhaven LGA and Wingecarribee LGA experienced equal growth, up 33.3% to \$220,000 and \$320,000, respectively.

- Shellharbour LGA was down 9.3% to \$340,000.

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

- Shellharbour LGA was up 37.0% to \$370,000.
- Wollongong LGA saw the lowest growth, up 3.5% to \$370,000.



HOUSE PRICES

		YR TO M16	YR TO M17	CHANGE (%)
Wollongong LGA		585,000	620,000	6.0
Shellharbour LGA		520,000	537,000	3.3
Kiama LGA		750,000	760,000	1.3
Shoalhaven LGA		395,000	450,000	13.9
Wingecarribee LGA		506,700	589,000	16.2

FLAT/UNIT PRICES

Wollongong LGA		445,000	500,000	12.4
Shellharbour LGA		415,000	455,000	9.6
Kiama LGA		495,000	560,000	13.1
Shoalhaven LGA		325,000	385,000	18.5
Wingecarribee LGA		500,000	500,000	0.0

LAND PRICES*

Wollongong LGA		280,000	370,000	32.1
Shellharbour LGA		375,000	340,000	-9.3
Kiama LGA		355,000	430,000	21.1
Shoalhaven LGA		165,000	220,000	33.3
Wingecarribee LGA		240,000	320,000	33.3

HOUSE PRICES

		YR TO M16	YR TO M17	CHANGE (%)
Austinmer/Thirroul		970,000	961,000	-0.9
Bulli/Woonona		800,000	826,000	3.3
Russell Vale to Fairy Meadow		651,000	730,000	12.1
Wollongong to Figtree		630,000	710,000	12.7
Unanderra to Mt Kembla		585,000	555,000	-5.1
Dapto/Kanahooka/Koonawarra		470,000	520,000	10.6
Lake Heights to Windang		450,000	465,000	3.3
Lake Illawarra Sth to Oak Flats		475,000	500,000	5.3
Shellharbour		665,000	727,500	9.4
Kiama		750,000	750,000	0.0

FLAT/UNIT PRICES

Bulli/Woonona		482,000	540,000	12.0
Russell Vale to Fairy Meadow		445,000	457,500	2.8
Wollongong to Figtree		435,000	505,000	16.1
Dapto/Kanahooka/Koonawarra		358,000	442,000	23.5
Lake Illawarra Sth to Oak Flats		337,000	359,000	6.5
Shellharbour		445,000	481,000	8.1
Kiama		488,000	568,000	16.4

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 significant decline in residential building approvals led by unit approvals decline.

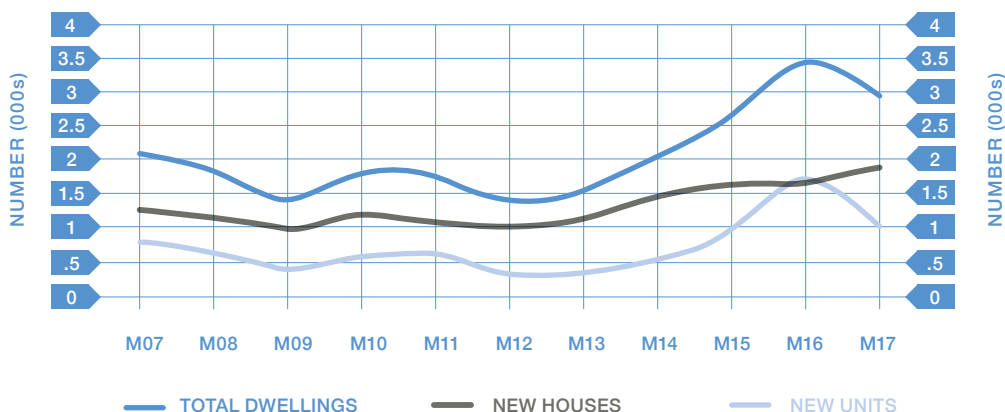
A total of 2,991 dwellings were approved in the ISD over the twelve months to March 2017, down 13.4% on the year to March 2016. This consisted of 1,927 houses (up 15.0%) and 1,064 units, flats and townhouses (down 40.1%).

Across the WSD, dwelling approvals were up 8.5% to 1,997. This was driven by growth in approvals for houses, up 53.6% to 1,109. Unit approvals fell 20.6% to 888.

Looking at the three months to March, ISD approvals totalled 559, down 14.0% on the December quarter. Approvals for houses were relatively stable, down 0.7% to 401 while unit approvals dropped 35.8% to 158.

Source: IRIS/ABS Building Approval Statistics

NUMBER OF DWELLING APPROVALS (ISD)





COST OF RESIDENTIAL BUILDING APPROVALS

Consecutive weak quarters marginally reduced the value of ISD residential building approvals over the past year.

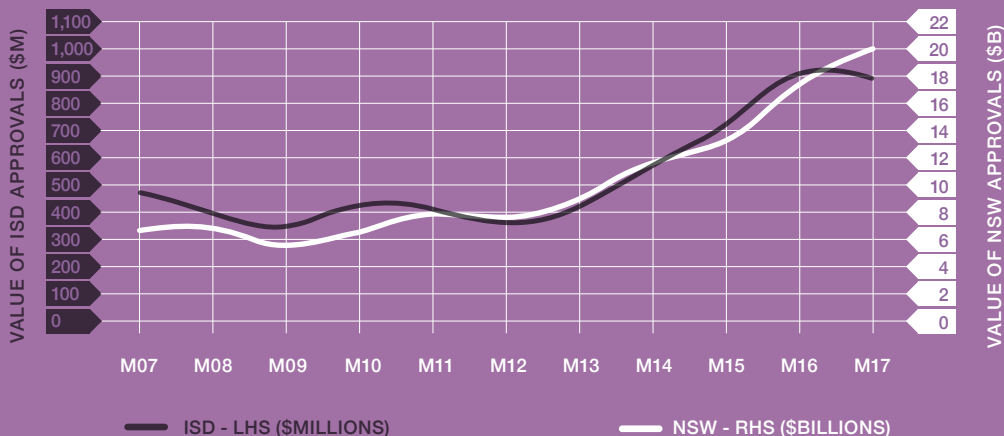
The value of dwelling approvals in the ISD was down 2.2% to \$892.1 million over the year to March 2017. This result lagged behind NSW, where approvals were up 15.8% to \$21.8 billion. The main driver of this growth was an increase of 20.5% in the value of NSW unit approvals to \$12.8 billion.

The cost of residential building approvals in the WSD lifted 29.3% to \$612.1 million over the year. This was driven by a 69.6% boost in the cost of housing approvals to \$363.2 million.

ISD results for the March quarter were weak compared to the December quarter with the value of dwelling approvals down 6.9% to \$170.5 million. Meanwhile, WSD results were up 27.4% to \$124.9 million. NSW was relatively stable, down 0.7% 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 in the Illawarra declined despite strong growth overall in NSW.

The value of ISD non-residential approvals totalled \$462.5 million, down 9.4% on the year to March 2016 (\$510.7 million). An 11.0% increase in private investment (to \$350.6 million) did not compensate for the 42.6% fall in public investment to \$111.9 million.

69.4% of the aforementioned ISD investment was generated in the WSD (\$321.1 million). Meanwhile, there was \$12.0 billion of non-residential approvals during the year in NSW, up 41.1% on the back of strong growth in approvals for retail and offices.

ISD sectors showing growth include shops (to \$107.9 million) and aged care (to \$65.6 million). The significant fall in education over the year (down 90.9% to \$12.8 million) was caused by an unusually high September quarter result in 2015 (\$127.0 million).

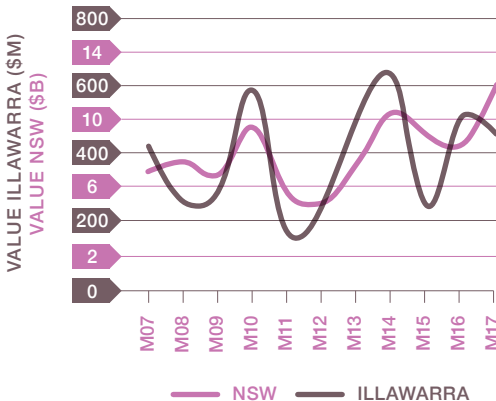
Key results for the three months to March:

ISD non-residential approvals totalled \$121.3 million, up 73.9%. The drivers of this growth were retail, accommodation and warehouse approvals.

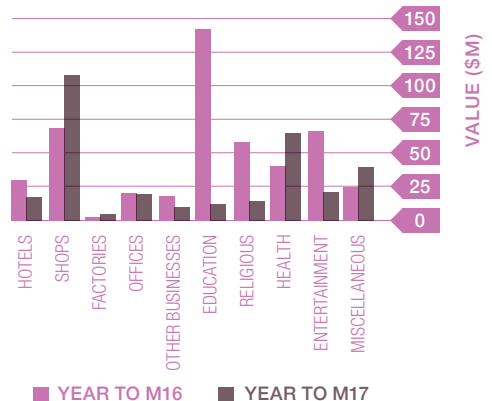
83.8% of the aforementioned ISD investment was generated in the WSD (\$101.6 million).

Source: IRIS/ABS Building Approval Statistics

VALUE OF NON-RESIDENTIAL BUILDING APPROVALS



NON-RESIDENTIAL BUILDING APPROVALS BY SECTOR





BORROWING COSTS

The housing loan variable rate saw a small increase during the March quarter.

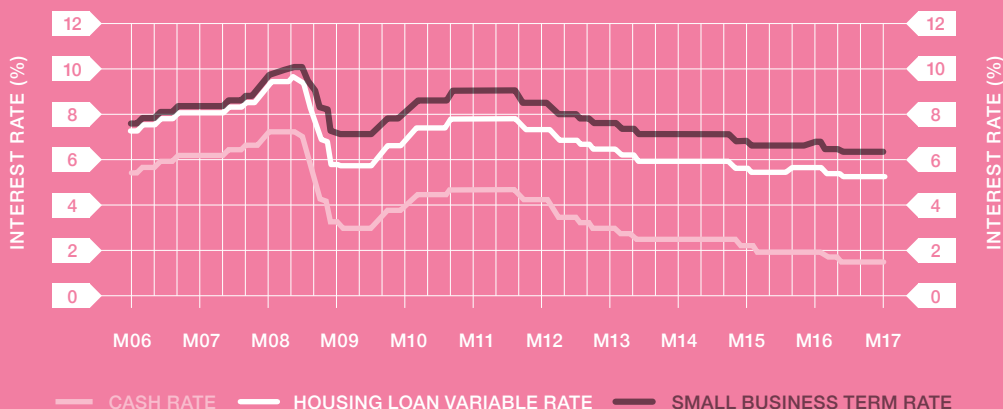
The Reserve Bank has kept the cash rate at 1.50% since August 2016.

The housing loan variable rate increased 5 basis points to 5.30% in March 2017. The small business term rate was unchanged at 6.40%.

Despite low interest rates there has been a 13.4% fall in the total number of dwelling approvals in the ISD to 2,991 over year to March 2017.

Source: IRIS/ABS Building Approval Statistics

BUSINESS FINANCING COSTS



RENTAL MARKET



Growth in rental prices continued to be higher for units than houses.

The median weekly house price for the year to March 2017 was \$530, up 6.0% on the year to March 2016. Over the year the average number of houses advertised per week rose from 27 to 29.

The median weekly unit price rose to \$460, up 19.5%. The average number of units advertised per week fell from 40 to 32.

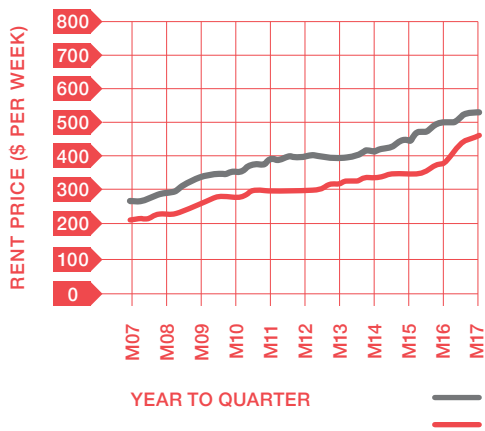
Key results for the three months to March:

The median weekly house price was up 1.9% to \$530 while the median weekly unit price was up 1.8% to \$460.

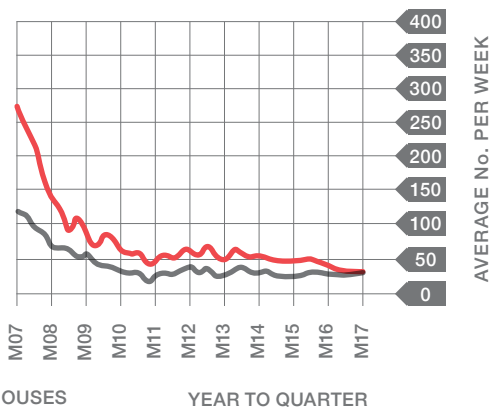
The average number of weekly rentals advertised increased from 31 to 34 for houses and was unchanged for units at 33.

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:

- Lake Heights to Windang (5.1%) saw the highest RROI followed by Dapto/Kanahooka/Koonawarra (5.0%) and Lake Illawarra Sth to Oak Flats (5.0%).
- Austinmer/Thirroul (3.8%) and Kiama (3.8%) recorded 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 (5.9%) recorded the highest RROI followed by Dapto/Kanahooka/Koonawarra (5.0%) and Shellharbour (5.0%).
- Bulli/Woonona saw the lowest yield at 4.6%.

HOUSE RENTAL PRICES		YR TO M16	YR TO M17	RROI (%)
Austinmer/Thirroul		700	710	3.8
Bulli/Woonona		575	620	3.9
Russell Vale to Fairy Meadow		500	550	3.9
Wollongong to Figtree		540	550	4.0
Unanderra to Mt Kembla		455	500	4.7
Dapto/Kanahooka/Koonawarra		455	500	5.0
Lake Heights to Windang		400	460	5.1
Lake Illawarra Sth to Oak Flats		450	480	5.0
Shellharbour		580	600	4.3
Kiama		490	545	3.8
FLAT/UNIT RENTAL PRICES		YR TO M16	YR TO M17	RROI (%)
Bulli/Woonona		350	480	4.6
Russell Vale to Fairy Meadow		360	420	4.8
Wollongong to Figtree		400	470	4.8
Dapto/Kanahooka/Koonawarra		350	422	5.0
Lake Illawarra Sth to Oak Flats		350	410	5.9
Shellharbour		415	460	5.0
Kiama		470	520	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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