

# REAL ESTATE REPORT

SEPTEMBER 2017





# SUMMARY

- Median purchase prices in the Wollongong Statistical District (WSD) saw double-digit growth over the 12 months to June 2017. The median house price was up 10.5% to \$630,000 while the median unit price rose 12.2% to \$505,000. The median land price strengthened 14.2% to \$370,000.
- The median weekly rental price for houses increased 6.0% to \$530 over the year. Meanwhile, the weekly rental price for units lifted 12.2% to \$460.
- Looking at the commercial building sector, the value of non-residential building approvals slumped, down 58.9% to \$198.4 million. This was caused by a reversion to average education investment after a substantial September quarter in 2015. Across the wider ISD, the value of non-residential building approvals fell 22.4% to \$469.3 million.
- The number of WSD dwelling approvals declined 20.1% to 1,738 on the back of unit approvals almost halving, down 47.5% to 705. ISD approvals fell 12.8% to 2,903.

## SUMMARY

WOLLONGONG STATISTICAL DISTRICT		YR TO J16	YR TO J17	CHANGE (%)
Median House Price (\$)		570,000	630,000	10.5
Median Flat/unit Price (\$)		450,000	505,000	12.2
Median Land Price (\$)		324,000	370,000	14.2
Median Weekly Rent Houses (\$)		500	530	6.0
Median Weekly Rent Units (\$)		410	460	12.2
Non-res Building (\$m)		482.6	198.4	-58.9
Dwelling Approvals (No.)		2,176	1,738	-20.1
ILLAWARRA STATISTICAL DISTRICT				
Non-res Building (\$m)		604.9	469.3	-22.4
Dwelling Approvals (No.)		3,328	2,903	-12.8



# WOLLONGONG STATISTICAL DISTRICT

Unit prices experienced the highest growth in the WSD over the June quarter.

The median house price increased 0.8% to \$635,000.

The median unit price rose 5.6% to \$533,500.

The median land price fell 26.0% to \$285,000.

WOLLONGONG STATISTICAL DISTRICT	MAR 17 QTR	JUN 17 QTR	QUARTLERLY CHANGE %
Median House Price (\$)	630,000	635,000	0.8
Median Flat/unit Price (\$)	505,000	533,500	5.6
Median Land Price (\$)*	385,000	285,000	-26.0

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

The year to June saw strong growth in median house price across the Illawarra.

- Wingecarribee LGA experienced the highest growth, up 16.2% to \$610,000. This was followed by Shoalhaven LGA (up 15.0% to \$460,000).

- Kiama LGA saw the lowest growth, up 5.1% to \$788,500.

## Results for the June quarter:

- Wingecarribee LGA saw the highest quarterly growth, up 4.8% to \$660,000.
- Wollongong LGA declined 4.3% to \$612,500.

# FLAT/UNIT PRICES

With the exception of Wingecarribee LGA, Illawarra unit prices saw improvement.

- Kiama LGA appreciated 17.2% to \$597,500. This was followed by Shoalhaven LGA (up 14.5% to \$377,772).

- Wingecarribee LGA fell 14.2% to \$500,000. This was due to an unusually high Year to June 2016 result and does not reflect the long-term trend.

## Results for the three months to June:

- Wingecarribee LGA increased 9.9% to \$560,500.
- Quarterly growth for Kiama LGA was negative, down 6.4% to \$603,750

# LAND PRICES

With the exception of Shellharbour LGA, land prices strengthened across the Illawarra.

- The median land price for Wollongong LGA soared 37.5% to \$385,000. This was followed by Shoalhaven LGA (up 29.2% to \$232,500).

- Shellharbour LGA was down 2.3% to \$299,800.

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

- Wingecarribee LGA increased 14.9% to \$385,000.
- Shellharbour LGA sunk 40.8% to \$291,000.



## HOUSE PRICES

		YR TO J16	YR TO J17	CHANGE (%)
Wollongong LGA		570,000	635,000	11.4
Shellharbour LGA		515,000	575,000	11.7
Kiama LGA		750,000	788,500	5.1
Shoalhaven LGA		400,000	460,000	15.0
Wingecarribee LGA		525,000	610,000	16.2

## FLAT/UNIT PRICES

Wollongong LGA		450,000	505,250	12.3
Shellharbour LGA		419,500	471,500	12.4
Kiama LGA		510,000	597,000	17.1
Shoalhaven LGA		330,000	377,722	14.5
Wingecarribee LGA		582,500	500,000	-14.2

## LAND PRICES\*

Wollongong LGA		280,000	385,000	37.5
Shellharbour LGA		307,000	299,800	-2.3
Kiama LGA		380,000	430,000	13.2
Shoalhaven LGA		180,000	232,500	29.2
Wingecarribee LGA		275,000	325,000	18.2

## HOUSE PRICES

		YR TO J17	YR TO J17	CHANGE (%)
Austimmer/Thirroul		950,000	947,250	-0.3
Bulli/Woonona		795,000	850,000	6.9
Russell Vale to Fairy Meadow		682,500	750,000	9.9
Wollongong to Figtree		650,000	716,000	10.2
Unanderra to Mt Kembla		607,500	570,000	-6.2
Dapto/Kanahooka/Koonawarra		470,000	540,000	14.9
Lake Heights to Windang		440,000	480,000	9.1
Lake Illawarra Sth to Oak Flats		480,000	545,000	13.5
Shellharbour		660,000	768,000	16.4
Kiama		752,500	760,000	1.0

## FLAT/UNIT PRICES

Bulli/Woonona		535,000	578,500	8.1
Russell Vale to Fairy Meadow		441,250	470,000	6.5
Wollongong to Figtree		433,750	500,000	15.3
Dapto/Kanahooka/Koonawarra		377,750	443,500	17.4
Lake Illawarra Sth to Oak Flats		361,000	468,000	29.6
Shellharbour		465,000	512,500	10.2
Kiama		512,500	595,000	16.1

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

Positive June quarter results did not thwart the downturn in unit approvals over the past twelve months.

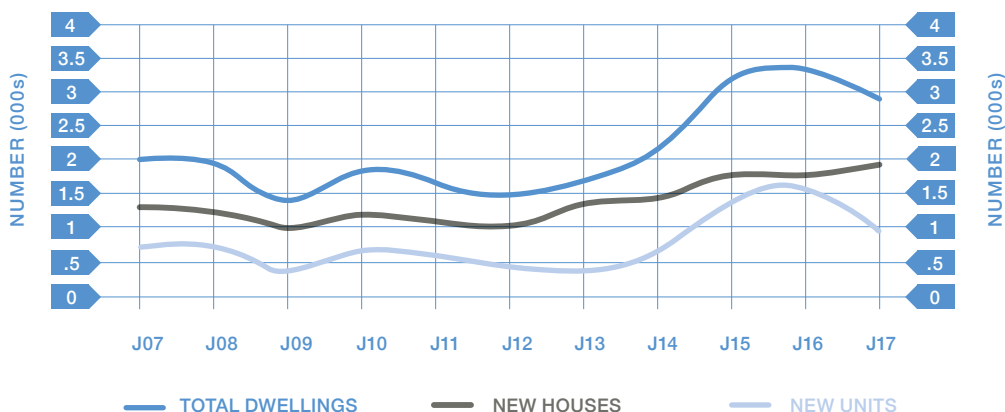
A total of 2,903 dwellings were approved in the Illawarra over the twelve months to June, down 12.8% on the year to June 2016. This consisted of 1,927 houses (up 11.4%) and 976 units, flats and townhouses (down 38.9%).

Across the WSD, dwelling approvals slumped 20.1% to 1,738. While housing approvals increased 24.2% to 1,033, unit approvals almost halved, down 47.5% to 705.

Looking at the June quarter, ISD approvals totalled 879, up 57.2% on the March quarter. Approvals for houses rose 34.4% to 539 while unit approvals more than doubled, surging 115.2% to 340.

Source: IRIS/ABS Building Approval Statistics

## NUMBER OF DWELLING APPROVALS (ISD)





# COST OF RESIDENTIAL BUILDING APPROVALS

Falling approvals for units, flats and townhouses caused the value of ISD residential building approvals to weaken over the past year.

The value of dwelling approvals in the Illawarra was down 10.4% to \$837.7 million over the year to June 2017. This result lagged behind NSW, where the cost of approvals strengthened 6.0% to \$21.4 billion. The value of ISD approvals slumped due to a 44.6% contraction in the cost of unit approvals to \$224.4 million.

The cost of residential building approvals in the WSD fell 15.5% to \$516.1 million. This was driven by a 49.4% drop in the value of unit approvals to \$174.3 million.

ISD results for the June quarter were strong compared to the preceding three months with the value of dwelling approvals up 47.4% to \$251.2 million. Meanwhile, WSD results were up 17.5% to \$146.7 million. NSW saw a modest increase, up 4.1% to \$5.0 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 continued to trend downwards against concurrent NSW growth.

The value of Illawarra non-residential approvals totalled \$469.3 million, down 22.4% on the year to June 2016 (\$604.9 million). Both private (down 16.3% to \$289.1 million) and public (down 30.5% to \$180.2 million) investment contracted over the period.

42.3% of the aforementioned ISD investment was generated in the WSD (\$198.4 million). Meanwhile, there was \$12.5 billion of non-residential approvals during the year in NSW, up 33.5%.

ISD sectors showing growth include shops (to \$99.5 million), hotels (to \$42.6 million) and miscellaneous (to \$164.0 million). Sectors which saw lower investment include aged care (to \$27.6 million), health (to \$8.1 million) and education (to \$13.6 million).

**Key results for the three months to June:**

- ISD non-residential approvals lifted 88.9% to \$229.1 million. The main drivers of this growth were accommodation, aged care and other non-residential investment.
- 20.5% of the aforementioned ISD investment was generated in the WSD (\$47.0 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 decreased during the June quarter.

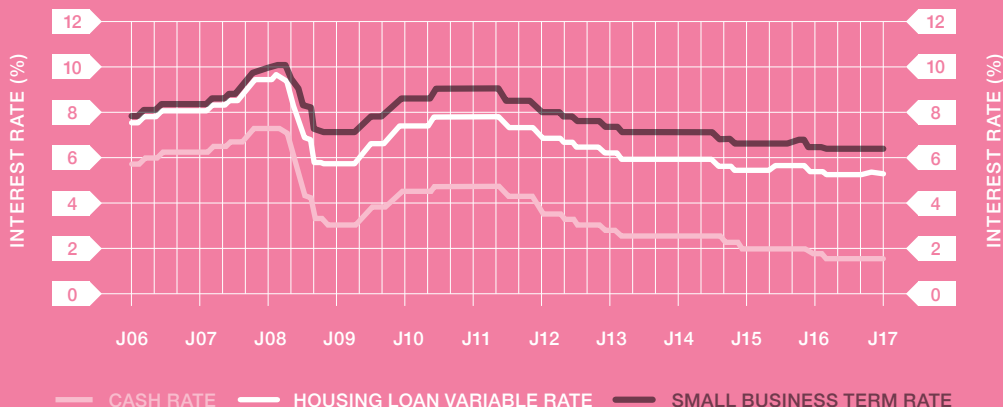
The Reserve Bank has kept the cash rate at 1.50% since August 2016.

June saw the housing loan variable rate decrease 5 basis points to 5.25%. The small business term rate rose 5 basis points to 6.45% in April and remained at that level over the June quarter.

Despite low interest rates there was a 12.8% fall in the total number of dwelling approvals in the ISD to 2,903 over the year to June 2017.

Source: IRIS/ABS Building Approval Statistics

## BUSINESS FINANCING COSTS





# RENTAL MARKET

Units experienced double the growth in rent compared to houses.

The median weekly rent price for houses was \$530, up 6.0% on the year to June 2016. Over the year the average number of houses advertised per week rose from 26 to 31.

The median weekly rent price for units lifted 12.2% to \$460. The average number of units advertised per week decreased from 35 to 34.

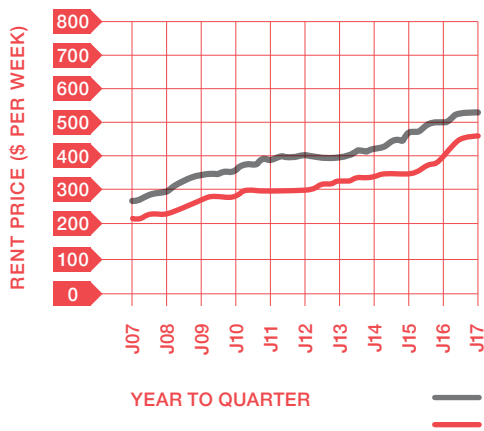
Key results for the three months to June:

The median weekly rent price for houses was up 3.8% to \$550 while the median weekly unit price was unchanged at \$450.

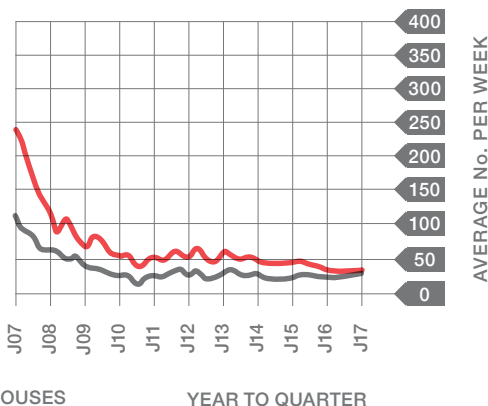
The average number of weekly rentals advertised decreased from 34 to 33 for houses and increased from 33 to 38 for units.

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:

- Lake Heights to Windang (5.0%) saw the highest RROI followed by Unanderra to Mount Kembla (4.6%) and Lake Illawarra Sth to Oak Flats (4.6%).
- Bulli/Woonona (3.8%), Russell Vale to Fairy Meadow (3.8%) and Kiama (3.8%) recorded the lowest yield due to the relatively high median house price in these areas.

## In the rental market for flats/units:

- Wollongong to Figtree (5.0%) recorded the highest RROI followed by Dapto/Kanahooka/Koonawarra (4.9%).
- Bulli/Woonona saw the lowest yield at 4.6%.

HOUSE RENTAL PRICES		YR TO J16	YR TO J17	RROI (%)
Austinmer/Thirroul		700	720	4.0
Bulli/Woonona		572	620	3.8
Russell Vale to Fairy Meadow		530	550	3.8
Wollongong to Figtree		550	560	4.1
Unanderra to Mt Kembla		500	500	4.6
Dapto/Kanahooka/Koonawarra		470	495	4.8
Lake Heights to Windang		435	460	5.0
Lake Illawarra Sth to Oak Flats		460	480	4.6
Shellharbour		567	600	4.1
Kiama		525	550	3.8
FLAT/UNIT RENTAL PRICES		YR TO J16	YR TO J17	RROI (%)
Bulli/Woonona		385	500	4.5
Russell Vale to Fairy Meadow		370	420	4.6
Wollongong to Figtree		420	480	5.0
Dapto/Kanahooka/Koonawarra		380	420	4.9
Lake Illawarra Sth to Oak Flats		360	425	4.7
Shellharbour		450	460	4.7
Kiama		475	540	4.7



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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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