

# REAL ESTATE REPORT

MARCH 2019





# SUMMARY

- The current real estate market in the Illawarra is characterised by slowing property prices, oversupply and declining commercial investment. In the property market, the median sale price for units increased 0.9% to \$550,000 over the year to December 2018. Meanwhile, the median sale price for houses fell 0.8% to \$655,000 while land was down 2.6% to \$375,000.
- Residential investment continues to surge. Dwelling approvals in the Illawarra Statistical District (ISD) were up 31.8% to 4,041. This represents \$1.4 billion of investment, up 38.1%. Over the same period dwelling approvals in the Wollongong Statistical District (WSD) increased 29.9% to 2,625, with residential investment up 32.4% to \$871.1 million.
- These results have begun to impact the rental market. For the year to December 2018 median rent increased 3.9% to \$530 per week. However, in the December 2018 quarter this measure declined 5.5% to \$520 per week. This has coincided with the average number of units advertised per week increasing from 23 to 36.
- Commercial building approvals in the Illawarra continued to decline. The value of commercial approvals decreased 27.7% to \$391.6 million over the year to December 2018. This was felt most in Kiama LGA, Shellharbour LGA and Shoalhaven LGA. Wingecarribee LGA was stable while commercial investment in Wollongong LGA increased 37.3% to \$255.6 million.

## SUMMARY

	YR TO D17	YR TO D18	CHANGE (%)
<strong>WOLLONGONG STATISTICAL DISTRICT</strong>			
Median House Price (\$)	660,000	655,000	-0.8
Median Flat/unit Price (\$)	545,000	550,000	0.9
Median Land Price (\$)	385,000	375,000	-2.6
Median Weekly Rent Houses (\$)	550	560	1.8
Median Weekly Rent Units (\$)	510	530	3.9
Non-res Building (\$m)	295.9	300.2	1.4
Dwelling Approvals (No.)	2,021	2,625	29.9
<strong>ILLAWARRA STATISTICAL DISTRICT</strong>			
Non-res Building (\$m)	541.6	391.6	-27.7
Dwelling Approvals (No.)	3,065	4,401	31.8



# WOLLONGONG STATISTICAL DISTRICT

The December 2018 quarter has seen an absence of growth in house prices and negative growth in prices of units and land.

- The median sale price for houses was unchanged at \$645,000.
- The median sale price for units declined 4.1% to \$540,000.
- The median land price decreased 9.2% to \$326,719. However, quarterly results for land sales should be treated with caution due to a relatively low number of sales.

WOLLONGONG STATISTICAL DISTRICT	SEP 18 QTR	DEC 18 QTR	QUARTLERLY CHANGE %
Median House Price (\$)	645,000	645,000	0.0
Median Flat/unit Price (\$)	563,000	540,000	-4.1
Median Land Price (\$)*	360,000	326,719	-9.2

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

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



# HOUSING PRICES

A poor December 2018 quarter caused sluggish and, in some areas, negative growth in median sale prices for houses across the Illawarra.

- The median sale price for Shoalhaven LGA increased 2.1% to \$497,250. This was followed by Kiama LGA, up 0.5% to \$829,000.

- Wingecarribee LGA declined 0.8% to \$645,000. Wollongong LGA declined 0.6% to \$661,250 while Shellharbour LGA declined 0.6% to \$616,100.

Results for the December 2018 quarter:

- Kiama LGA was the only local government area to see an increase over the December 2018 quarter, up 0.3% to \$815,000.
- Shellharbour LGA was down 1.4% to \$611,000 while Wingecarribee LGA was down 0.9% to \$602,500.

# FLAT/UNIT PRICES

Growth in median sale price for units was higher than houses across the Illawarra.

- The median sale price for units in Wingecarribee LGA increased 13.3% to \$595,000. This was followed by Shoalhaven LGA, up 3.8% to \$405,000.

- Wollongong LGA saw the lowest growth, up 0.9% to \$555,000.

Results for the December 2018 quarter:

- Kiama LGA was up 11.1% to \$752,500 over the quarter, the only local government area to see an increase.
- Wingecarribee LGA was down 15.9% to \$600,000 while Wollongong LGA fell 4.7% to \$543,000.

# LAND PRICES

There was varied growth in land prices across the Illawarra.

- Kiama LGA saw the highest growth in median sale price for land, up 7.0% to \$471,000. This was followed by Shoalhaven LGA, up 3.5% to \$265,000.

- The median land price for Shellharbour LGA fell 8.1% to \$340,000.

- Quarterly results for land are not reported due to a low number of sales.



## HOUSE PRICES

	YR TO D17	YR TO D18	CHANGE (%)
Wollongong LGA	665,000	661,250	-0.6
Shellharbour LGA	620,000	616,100	-0.6
Kiama LGA	825,000	829,000	0.5
Shoalhaven LGA	487,000	497,250	2.1
Wingecarribee LGA	650,000	645,000	-0.8

## FLAT/UNIT PRICES

Wollongong LGA	550,000	555,000	0.9
Shellharbour LGA	500,000	510,000	2.0
Kiama LGA	629,500	640,000	1.7
Shoalhaven LGA	390,000	405,000	3.8
Wingecarribee LGA	525,000	595,000	13.3

## LAND PRICES\*

Wollongong LGA	390,000	395,000	1.3
Shellharbour LGA	370,000	340,000	-8.1
Kiama LGA	440,000	471,000	7.0
Shoalhaven LGA	255,950	265,000	3.5
Wingecarribee LGA	375,000	370,000	-1.3

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

## HOUSE PRICES

	YR TO S17	YR TO S18	CHANGE (%)
Austinmer/Thirroul	1,100,000	1,100,000	-
Bulli/Woonona	920,000	852,500	-7.3
Russell Vale to Fairy Meadow	780,000	762,500	-2.2
Wollongong to Figtree	730,000	720,000	-1.4
Unanderra to Mt Kembla	633,250	592,500	-6.4
Dapto/Kanahooka/Koonawarra	565,000	575,000	1.8
Lake Heights to Windang	555,000	529,500	-4.6
Lake Illawarra Sth to Oak Flats	585,000	581,875	-0.5
Shellharbour	797,000	792,500	-0.6
Kiama	805,132	820,000	1.8

## FLAT/UNIT PRICES

Bulli/Woonona	630,000	650,000	3.2
Russell Vale to Fairy Meadow	533,000	530,000	-0.6
Wollongong to Figtree	538,000	550,000	2.1
Dapto/Kanahooka/Koonawarra	540,000	532,000	-1.5
Lake Illawarra Sth to Oak Flats	479,500	510,000	6.4
Shellharbour	533,000	590,000	10.7
Kiama	629,000	660,000	4.9

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

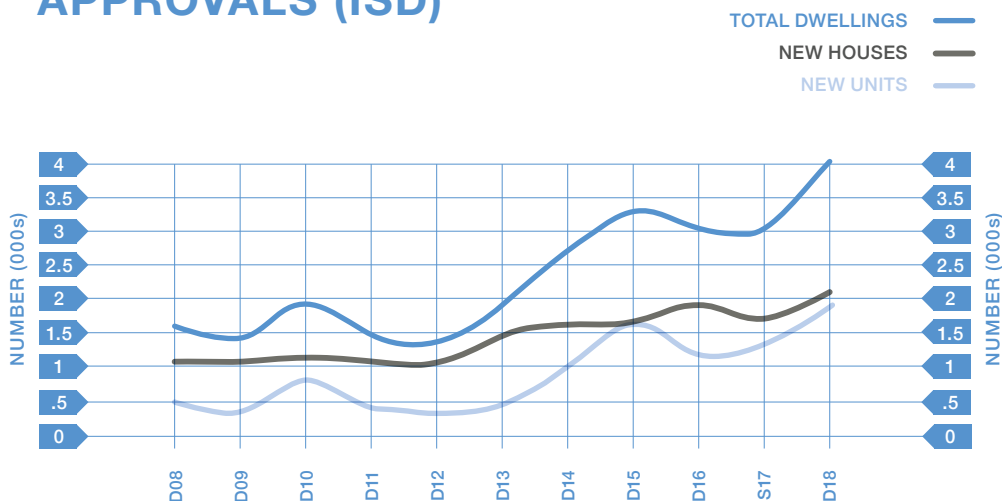


# RESIDENTIAL BUILDING APPROVALS

Year-on-year residential dwelling approvals experienced a strong increase, though the December 2018 quarter was the weakest of the year.

- A total of 4,041 dwellings were approved in the Illawarra during the year to December 2018, up 31.8% on the previous year. There was strong growth in both approvals for houses (up 21.6% to 2,116) and units (up 45.3% to 1,925).
- Across the WSD, dwelling approvals were up 29.9% to 2,625. This consisted of 1,142 houses (up 19.3%) and 1,483 units (up 39.4%).
- Looking at the December 2018 quarter, ISD approvals totalled 916, down 1.2% on the September 2018 quarter. Housing approvals were up 6.5% to 571 but the number of unit approvals fell 11.8% to 345.

## NUMBER OF DWELLING APPROVALS (ISD)





# COST OF RESIDENTIAL BUILDING APPROVALS

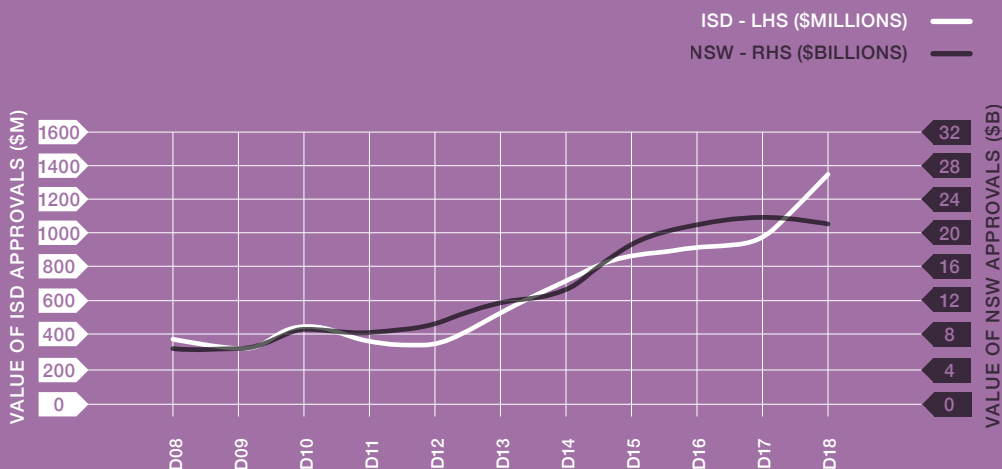
The value of residential building approvals in the Illawarra continued to soar against state trends.

• The value of dwelling approvals in the Illawarra lifted 38.1% to \$1.4 billion over the year to December 2018. This was driven by a 52.9% increase in the value of unit approvals to \$566.9 million. Over the same timeframe the value of NSW residential approvals declined 3.4% to \$21.0 billion.

• In the WSD the value of residential building approvals rose 32.4% to \$871.1 million. Unit approvals increased 47.0% to \$445.6 million while the total value of housing approvals lifted 23.9% to \$407.5 million.

• Looking at the December 2018 quarter, the value of ISD approvals increased 13.8% to \$335.4 million. This was driven by a 26.0% rise in the value of unit approvals. Meanwhile the value of WSD approvals lifted 32.2% to \$229.9 million while NSW approvals fell 10.4% to \$4.8 billion.

## VALUE OF DWELLING APPROVALS





# NON-RESIDENTIAL BUILDING APPROVALS

The decline in commercial building approvals in the Illawarra suggests construction continues to be reliant on residential investment.

- The value of non-residential building approvals in the Illawarra totalled \$391.6 million, down 27.7% on the year to December 2017. This was driven by a 71.4% fall in public investment to \$63.1 million.

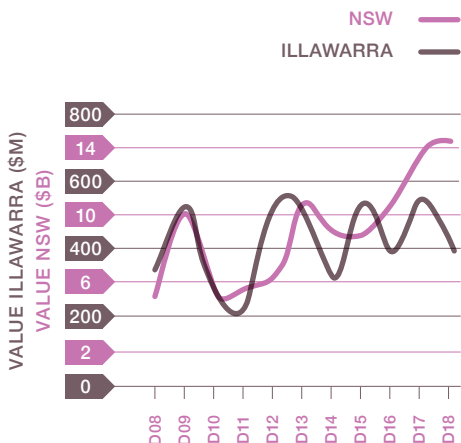
- 76.7% of the aforementioned ISD investment was generated in the WSD (up 1.4% to \$300.2 million). Meanwhile, there was \$14.4 billion of commercial building approvals in NSW, up 3.5%.

- Sectors showing growth include shops (to \$94.7 million), education (to \$75.0 million), offices (to \$55.4 million) and agriculture/aquaculture (to \$26.5 million). Sectors which saw lower investment include hotels (to \$5.1 million), health (to \$9.4 million) and miscellaneous (to \$7.6 million).

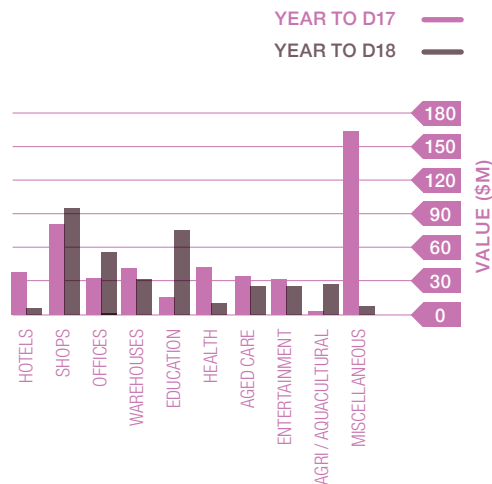
## Key results for the December 2018 quarter:

- ISD non-residential approvals declined 14.5% to \$120.5 million during the quarter.
- Commercial approvals in the WSD slumped 32.4% to \$79.0 million over the same period.

## VALUE OF NON-RESIDENTIAL BUILDING APPROVALS



## NON-RESIDENTIAL BUILDING APPROVALS BY SECTOR







# BORROWING COSTS

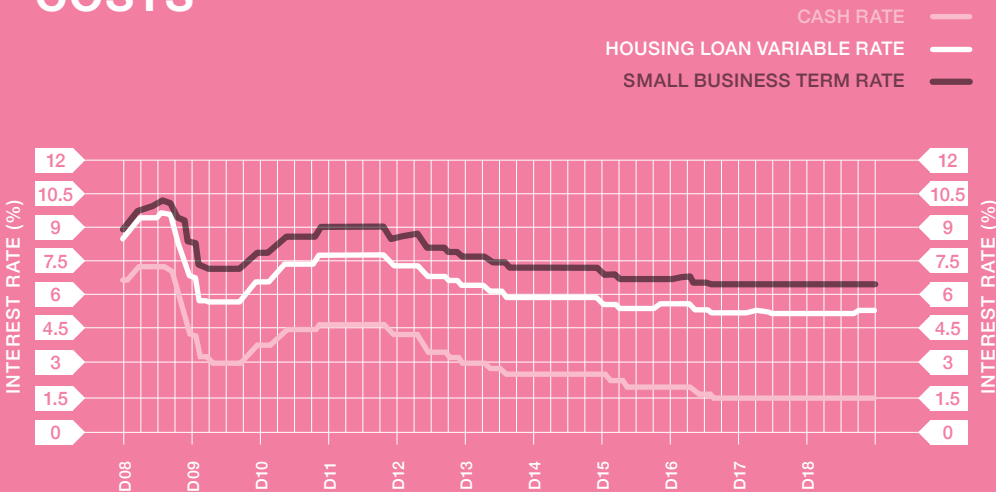
The housing loan variable rate has increased 12 basis points since the December 2017 quarter.

- The Reserve Bank of Australia has kept the cash rate at 1.50% since August 2016.
- The housing loan variable rate increased 3 basis points to 5.34% during the December 2018 quarter.
- The small business term rate was unchanged at 6.47% over the December 2018 quarter.

NOTE:  
From February 2019 the Reserve Bank's lending rates data no longer rounds to the nearest 5 basis points. These changes have been applied retrospectively.

Source: IRIS/ABS Building Approval Statistics

## BUSINESS FINANCING COSTS



# RENTAL MARKET

An increase in rental supply of units pushed down the median rent price during the December 2018 quarter.

- Median rent for houses rose 1.8% to \$560 per week over the year to December 2018. The average number of houses advertised per week increased from 30 to 35.

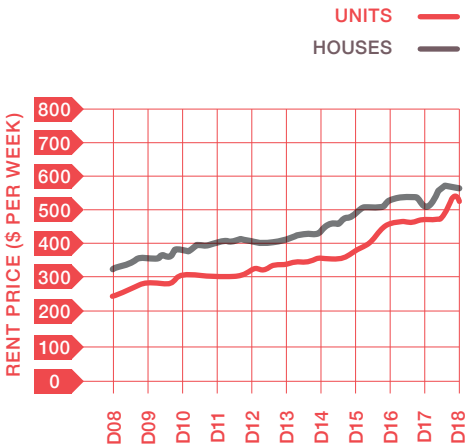
- Median rent for units lifted 3.9% to \$530 per week. The average number of units advertised per week fell from 35 to 31.

## Key results for the December quarter:

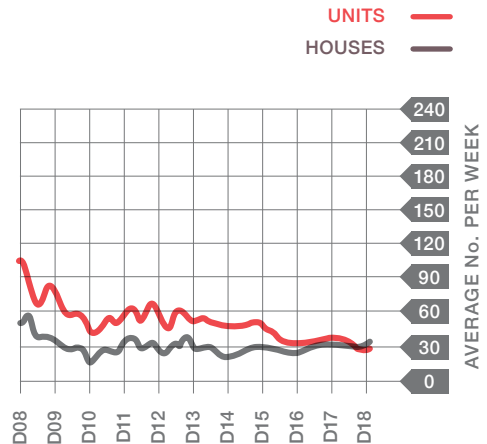
- The median rent for houses was steady at \$560 per week. The average number of houses advertised per week increases from 31 to 40.
- The median rent for units declined 5.5% to \$520 per week. This coincided with a strong increase in the number of units advertised per week, up from 23 to 36.

Source: IRIS/Illawarra Mercury Housing Database

## RENT PRICE (WSD)



## RENTAL LISTING (WSD)





# RENTAL RETURN ON INVESTMENT

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

Unanderra to Mount Kembla recorded the highest RROI at 5.0%. This was followed by Lake Illawarra South to Windang (4.6%) and Dapto/Kanahooka/Koonawarra (4.5%).

Austinmer/Thirroul saw the lowest RROI at 3.3%. The next lowest was Kiama (3.8%).

In the rental market for flats/units:

Lake Illawarra South to Oak Flats (6.3%) recorded the highest RROI at 6.3%. This was followed by Wollongong to Figtree (4.6%). Bulli/Woonona (4.0%) saw the lowest RROI.

## HOUSE RENTAL PRICES

YR TO D17 YR TO D18 RROI (%)

Austinmer/Thirroul	700	700	3.3
Bulli/Woonona	650	650	4.0
Russell Vale to Fairy Meadow	580	575	3.9
Wollongong to Figtree	575	570	4.1
Unanderra to Mt Kembla	520	565	5.0
Dapto/Kanahooka/Koonawarra	495	500	4.5
Lake Heights to Windang	480	450	4.4
Lake Illawarra Sth to Oak Flats	477	520	4.6
Shellharbour	600	620	4.1
Kiama	565	605	3.8

## FLAT/UNIT RENTAL PRICES

YR TO D17 YR TO D18 RROI (%)

Bulli/Woonona	500	500	4.0
Russell Vale to Fairy Meadow	420	430	4.2
Wollongong to Figtree	480	490	4.6
Dapto/Kanahooka/Koonawarra	430	425	4.2
Lake Illawarra Sth to Oak Flats	422	620	6.3
Shellharbour	490	497	4.4
Kiama	550	527	4.2



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#### **Report Notes**

The Illawarra Real Estate Report is produced quarterly by IRIS Research 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 Research database.

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