

PROPERTY WATCH®

Third Quarter 2011

Wagga Wagga LGA

IN BRIEF

- The median house price continued to perform despite a decline in activity.
- The vacant land market stabilised with an increase in both activity and median price.
- Rural residential lots recorded the lowest activity in 10 years, with the majority of properties transacting in the \$500,000 to \$599,999 price bracket.

Scope

The following Property Watch is the result of an investigation into the house and vacant land markets within the Wagga Wagga Local Government Area (LGA). The report also includes a special rural overview.

Area Characteristics

Located in the Riverina region of NSW, the Wagga Wagga LGA has a population of 63,500 people, with 58,610 of them living in the City of Wagga Wagga making it one of the state's largest inland cities. Wagga Wagga (commonly referred to as Wagga) is an important agricultural, military, and transport hub for the Riverina region and the state of NSW. The region is accessible via the Hume, Sturt and Olympic Highways, while flights to Sydney and Melbourne depart the local airport daily. An XPT rail service is available to those with time on their hands, with a six hour trip to Sydney. CBD shopping facilities include the Wagga Wagga Marketplace and Sturt Mall, complemented by at least four additional suburban shopping centres as well as strip malls on Baylis and Fitzmaurice Streets. Recreational facilities are located around Lake Albert and along the banks of the Murrumbidgee River, a part of the Murray-Darling basin that runs north of the city. Indoor entertainment can be found in the Wagga Wagga Civic Theatre, the Forum Cinemas, and in the city's museums.

Infrastructure

Infrastructure projects in the region include the long awaited upgrade of the Wagga Wagga Base Hospital, with land acquisition appearing to be complete. Woolworths have submitted a development application (DA) for a new hardware store at the corner of Sturt Highway and Koorringal Road, while a significant expansion continues at the local campus of the Charles Sturt University, including the recently completed vet science building.

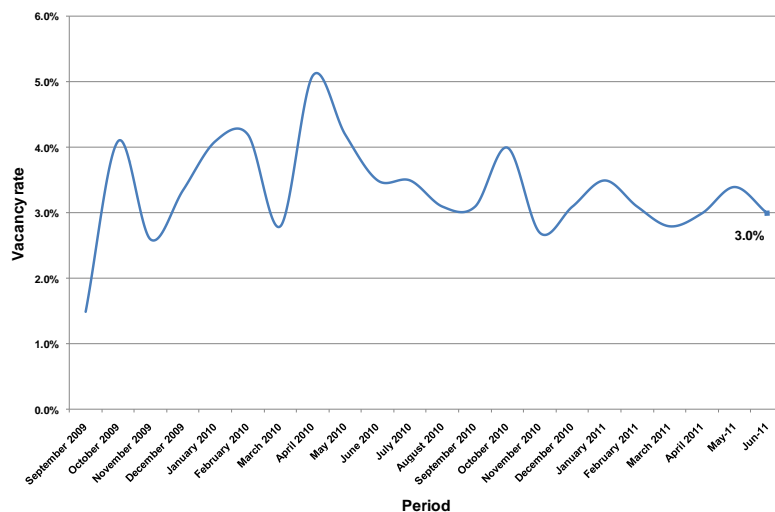
Rental Market

According to the Department of Housing the private rental market in Wagga Wagga represents 20.8 per cent of all occupied private dwellings in the LGA, compared to an average of 17.3 per cent in non-metropolitan NSW. The Department's data shows strong rental prices growth for the LGA, with the June median rent for a two bedroom apartment at \$220 per week, increasing to \$300 per week for a three bedroom house. This represents growth of 12.8 and 11.1 per cent for units and houses respectively. However, a recent analysis of properties advertised for rent revealed a weekly median price of \$240 for a two bedroom unit. It is not uncommon for investors in the region to locate properties achieving a gross rental yield above six per cent, normally in lower price brackets.



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Riverina Vacancy Rates



Prepared by PRDnationwide Research. Source: REINSW

House Market

A recent report from the valuation company Herron Todd White indicates a noticeable increase in the number of residential properties on the market in the Wagga Wagga LGA. The company further indicated a decline in the number of sales to date during 2011 as compared to the first and second halves of 2010. Our analysis confirms this observation, with the House Sales Cycle pointing to a 21 per cent decline in activity between the March 2010 half year and the corresponding period in 2011. The decline in activity is likely to be the result of a national downturn in the housing market and the flooding of the town earlier this year. Despite the decline in activity the median price closed the March quarter at \$303,750, representing a 12 month growth of three per cent and a long term growth of 4.7 per cent per annum for the past five years. The price point chart demonstrates how this median was derived, with the majority of sales occurring in the \$200,000 to \$299,999 price bracket. While the top and bottom brackets were minimal, a large proportion of houses transacted between \$100,000 to \$199,999, offering an affordable entry point into the property market for both investors and first homebuyers.

A resale analysis was conducted to ascertain the actual capital gains achieved by vendors who exited the market during the six months to March 2011. It revealed an average capital growth of 6.4 per cent per annum, and an average holding period of five and a half years between resales.

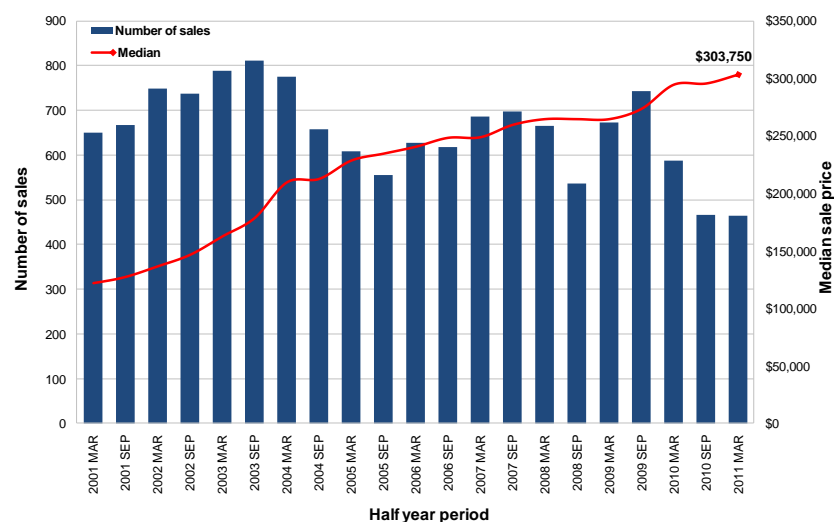
It is expected that uncertainty about the state of the national and global economy, and the direction of interest rates will keep buyers sitting on the sidelines in the near term. However, a move by the Reserve Bank of Australia to reduce interest rates before the end of the year would create new opportunities in both the state and local housing market.

Vacant Land Market

The LGA recorded 114 vacant land sales over the period between September 2010 to March 2011. While activity levels declined from the previous six month period, the numbers compare favorably with the March period in 2010. The median price for a vacant lot in the region remained steady in recent years after a strong growth period that came to an end with the Global Financial Crisis. The median read \$122,500 in March, representing a 12 month increase of 4.7 per cent. A price point analysis indicates that half of all lots transacted in the \$100,000 to \$150,000 price bracket, with a notable activity in the \$150,000 to \$199,999 bracket accounting for 15 per cent. Toward the bottom end of the market lots transacting for less than \$50,000 represented five per cent of the market, while toward the top end five lots transacted for \$350,000 plus. An investigation into lot sizes revealed a large share of lots with sizes ranging between 750 square metres to 1,000 square metres (sq m), representing 55 per cent of the market. The highest number of transactions was recorded in Bourkelands, with Marylands Way and Murndal Place achieving five sales each and a suburb total of 20 sales. The neighbouring suburb of Tatton followed, recording 16 transactions for the six month period with a notable 11 lots transacting in Brindabela Drive.

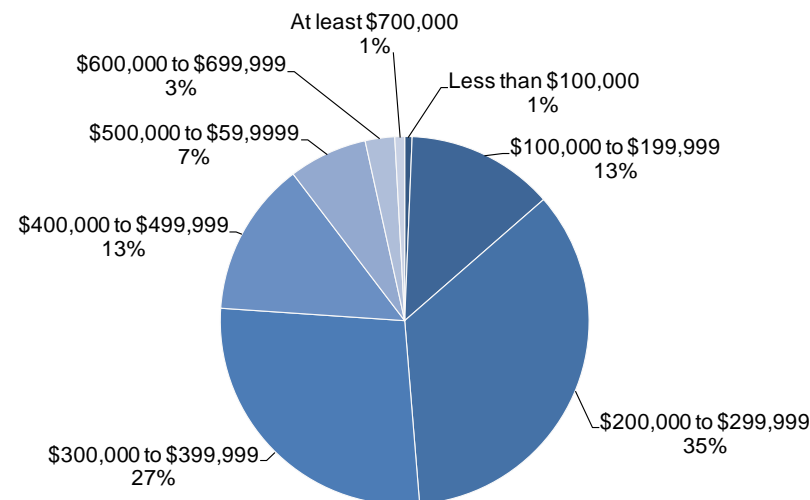
The full effect of the slowdown in the land market is likely to only be revealed with the release of the September six month results. However, without a new stimulation in the housing market, a strong increase in activity is unlikely.

Wagga Wagga LGA – House Sales Cycle



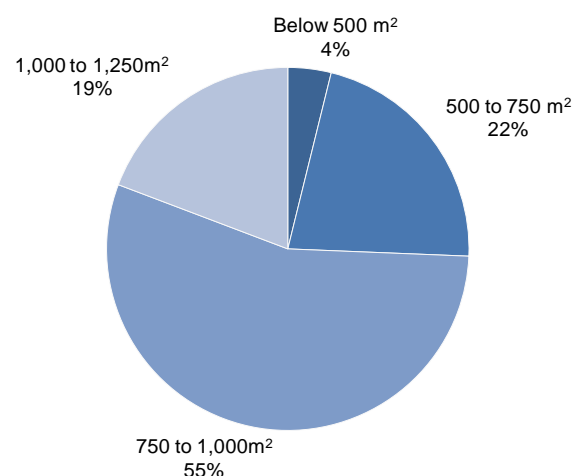
Prepared by PRDnationwide Research. Source: PDS

House Price Points - Six Months to March 2011



Prepared by PRDnationwide Research. Source: PDS

Wagga Wagga LGA – Vacant Lot Size



Prepared by PRDnationwide Research. Source: PDS

Rural Residential Market

Rural residential properties are those with a land size between one to twenty acres (about 4,050 to 80,500sq m). These properties are characterised by their location (normally closer to the town centre) and may be either in or out of an estate development. Upkeep of animals may be restricted by Local Government legislation, but some lots are suitable for a limited horticultural and viticultural ventures. While normally not a major factor in determining the value of larger rural lots, accommodation is an essential part of rural residential properties, with high quality improvements generally commanding a higher purchase price.

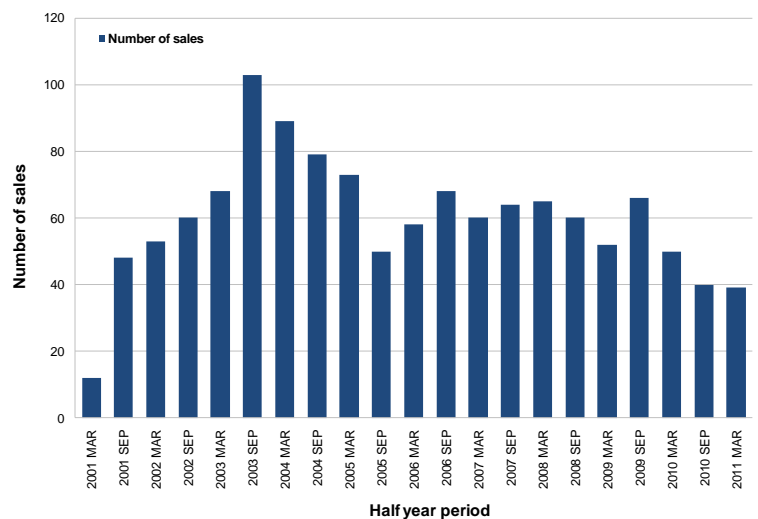
Sales of rural residential properties have been declining since September 2008, notwithstanding a notable spike in sales in September 2009 possibly in response to government stimulus. The March 2011 figure of 39 transactions represents the lowest activity in the past 10 years, and a decline of 22 per cent from March 2010. Of the 39 lots exchanging during the period, 31 per cent transacted in the \$500,000 to \$599,999 price bracket, where the majority of sales occurred in the suburbs of Lake Albert and Springvale, recording five lots each. Towards the top and bottom ends of the market lots transacting below \$100,000 and above \$700,000 accounted for eight per cent each. An analysis tracking the changes in the share of lot sizes over the past three years revealed that lots transacting between one and two acres represented 28 per cent of the market in 2011 compared to 31 per cent in 2008. Also notable is the doubling in size of the eight to nine acre bracket and the decrease in size of the two to three acre bracket from 20 per cent in March 2009 to eight per cent in March 2011.

Rural Market

Lots ranging above 20 acres will normally be found further away from town centre and, depending on the carrying capacity of the land and type of improvements, enable its owners to run an agricultural operation on the land. Improved type of soil, rainfall and water allocations will lead to a greater carrying capacity, in turn increasing the viability of the land and ultimately the value of the property. The Sales Cycle graph indicates an overall decline in activity since 2008, with the September six month period consistently outperforming the March period by between nine to 30 per cent. It is interesting to note the changes in price brackets within the region. While the bottom end of the market declined slightly between the March periods in 2010 and 2011, most rural properties transacted in the \$200,000 to \$399,999 bracket, increasing from eight per cent in 2010 to 25 per cent in 2011. At the same time properties toward the top end of the market (\$1.4 million plus) decreased from 25 per cent in 2010 to 14 per cent in March 2011. Lake Albert and Book Book recorded four and three transactions respectively for the March period, while the suburbs of Wagga Wagga and Uranquinty recorded a decline in sales from ten transactions in March 2010 to one in 2011 (Wagga Wagga) and from five sales to none in 2011 (Uranquinty).

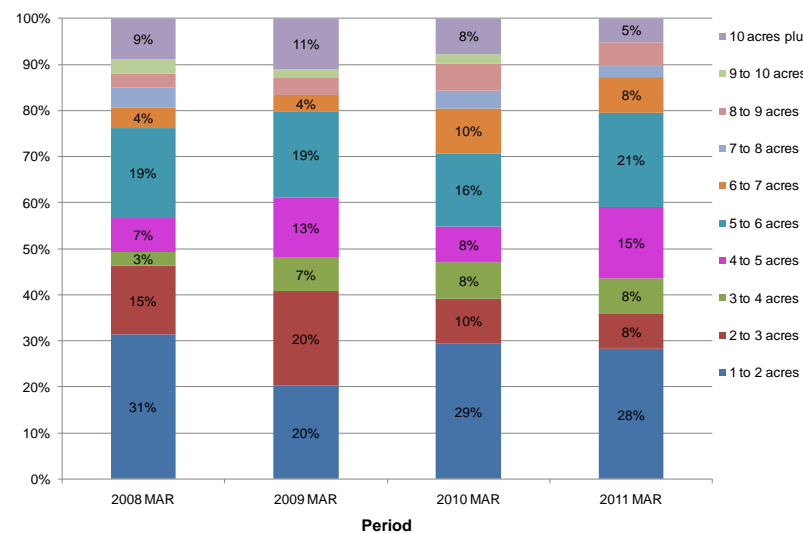
Given the seasonality of the activity, it is expected that the figure for the September period will be in line with previous years, in particular as anecdotal evidence points to increasing interest in rural properties from local farmers seeking to expand their operations, offshore investors, and large companies.

Wagga Wagga LGA – Rural Residential Sales Cycle



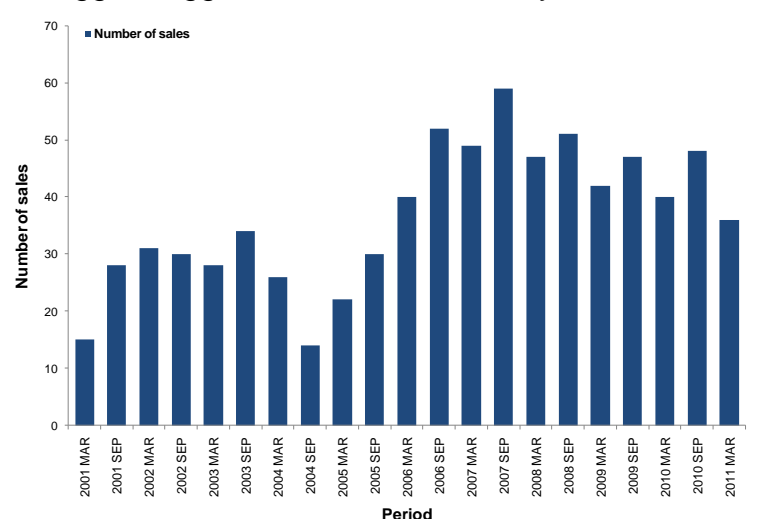
Prepared by PRDnationwide Research. Source: PDS

Rural Residential Lot Sizes – Six Months to March



Prepared by PRDnationwide Research. Source: PDS

Wagga Wagga LGA – Rural Sales Cycle



Prepared by PRDnationwide Research. Source: PDS

Prepared by PRDnationwide Research. Source: PDS, REINSW, Housing NSW, BCI Australia and the ABS. For further details contact: Oded Reuveni Etzioni, Research Analyst
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