

RIVERINA

Highlight Report®



The Riverina Museum in Wagga Wagga
Image: Bidgee

MARKET INDICATORS

Change from Last	Year	Half Year
HOUSE SALES	↑	↑
HOUSE MEDIAN	↑	↑
HOUSE RENTS	↑	↔

The indicators depicted above are based on the year ending March 2013.

KEY HIGHLIGHTS

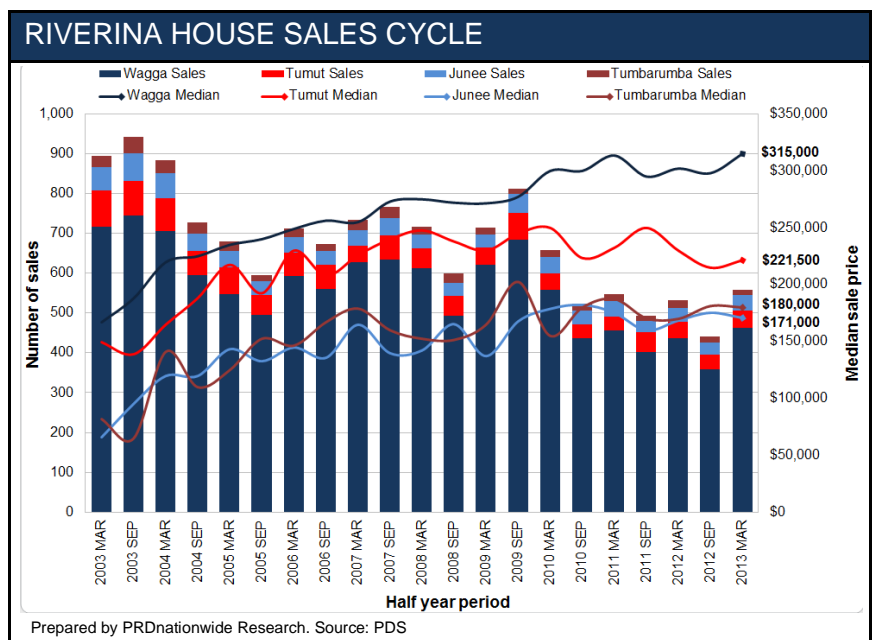
- Most sub-markets experienced a strong house activity over the 12 months to March 2013 along with firm median prices.
- Units and townhouses did not perform as well as free-standing houses, with softness in activity and an overall decline in median price.
- Wagga Wagga has seen the growth of value-added industries such as battery recycling and a seed crushing.
- The diversity of residential product expanded with the construction of retirement living units and luxury apartments in Wagga Wagga.

RIVERINA OVERVIEW

The Riverina Highlight Report analyses the performance of residential real estate markets within the city of Wagga Wagga and the towns of Junee, Tumbarumba, and Tumut. The intention of this investigation is to identify trends and commonalities that exist between each sub-market, and most importantly to gain an appreciation of the underlying drivers of each particular market.

The Riverina region, located 500 kilometres southeast of Sydney and 300 kilometres north of Melbourne, remained an important part of the state's economy, with agriculture, retail and manufacturing the area's largest industries. Population estimates provided by the Australian Bureau of Statistics indicated that the region's population declined between June 2011 and the corresponding period in 2012. This was consistent with a wider shift toward major coastal areas observed in New South Wales over the past decade. Wagga Wagga, the region's largest city has recently seen the growth of value added industries such as oil refineries, a battery recycling plant and a seed crushing plant. The city is also experiencing a growing diversity of residential product, with the construction of retirement living units, and luxury apartments near the local railway station.

Most sub-markets experienced a strong house activity over the 12 months to March 2013 along with firm median prices. Attached dwellings such as apartments, villas and townhouses did not represent a significant share of dwellings in most sub markets with the exception of Wagga Wagga, where strata-titled residences accounted for 16.4 per cent of all residential dwellings. Units and townhouses did not perform as well as free-standing houses, with softness in activity and an overall decline in median price. Vacant land sales also remained soft, with a limited number of transactions across all submarkets.



JUNEE

The Junee area's house market experienced a rising number of transactions in the 12 months to June. Increased enquiry came from employees in the penitentiary and railway industries, who favoured Junee for its proximity to the services in Wagga Wagga. Investors were seeking high rental yields and looked for properties in the sub \$200,000 price point.

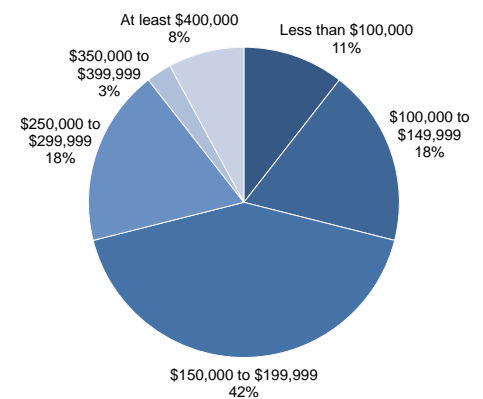
The median price of a house firmed in the year to March 2013, rising by 1.3 per cent despite a small decline since September 2012. Activity firmed with 38 transactions recorded in the March half year period, signalling the start of a recovery. The House Price Point chart highlighted a large share of houses selling between \$150,000 and \$199,999, and a significant share (approximately one third of transactions) selling for \$200,000 plus. Regent Street recorded the highest number of sales for the year ending March 2013 with six house sales, followed by Commins Street with five transactions.

A tight supply of credit by the major lenders limited sales activity, with some buyers facing long approval periods for their finance. The challenging times are expected to continue in the short term although a record low interest rate environment and the September election are expected to create certainty in time for the spring selling season.

While demand for houses increased, land sales remained slow over the past five years, with an average of eight transactions per six month period. The median land price closed the March 2013 period at \$46,500. Soft prices and ample supply of lots have diminished any urgency in the purchase of land, with most lots being purchased only when the new owners are ready to start construction.

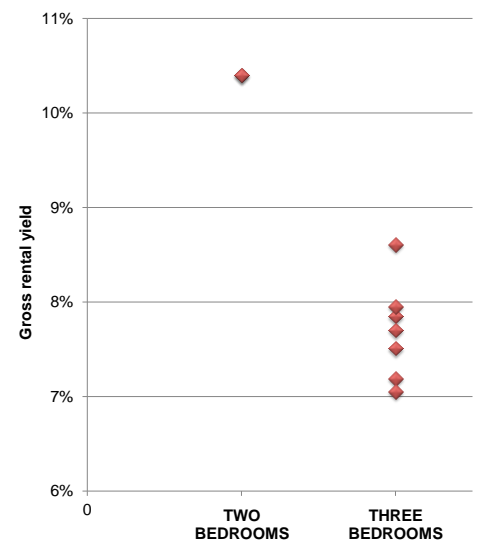
A record **low interest rate** environment and the September election are expected to create **certainty** in time for the **spring selling season**

HOUSE PRICE POINTS 6 MONTHS TO MARCH 2013



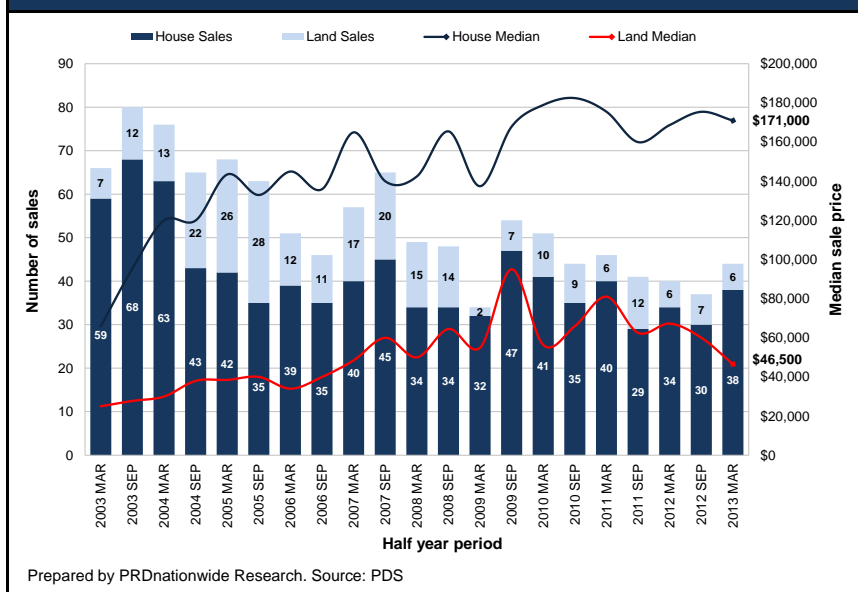
Prepared by PRDnationwide Research. Source: PDS

HOUSE RENTAL YIELD 6 MONTHS TO MARCH 2013



Prepared by PRDnationwide Research. Source: PDS

JUNEE HOUSE AND LAND SALES CYCLE

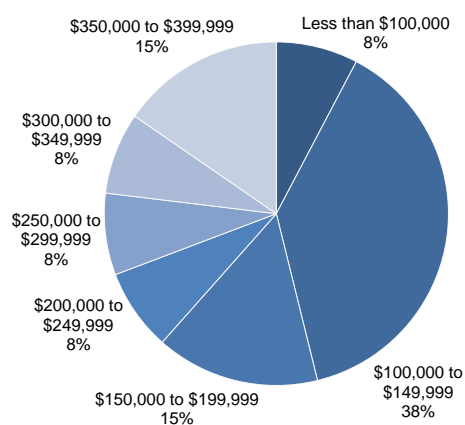


Prepared by PRDnationwide Research. Source: PDS

The rise in activity did not negatively impact on the rental market to date, recording a measured increase in rent prices despite a seasonal increase in vacancy. Transient population continued to demand rental accommodation, while uncertainties about price growth and the wider economy kept would-be home buyers in rental accommodation. Rental yields remained high compared to other regional areas. Houses transacting in the six months to March 2013 exhibited gross rental yields of seven per cent plus, with a two bedroom house on Prince Street recording a 10.4 per cent return. With positive gearing available for most properties and a potential for capital growth expected as the market rises, investors have been showing strong demand for properties in lower price points.

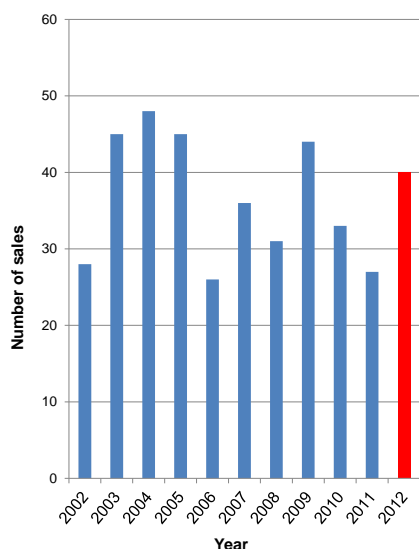
Recently, the **record-low** interest rates have started to **support growth**, with **confidence** returning to the **residential** and **rural** sectors

HOUSE PRICE POINTS 6 MONTHS TO MARCH 2013



Prepared by PRDnationwide Research. Source: PDS

10 Ha PLUS SALES TUMBARUMBA LGA



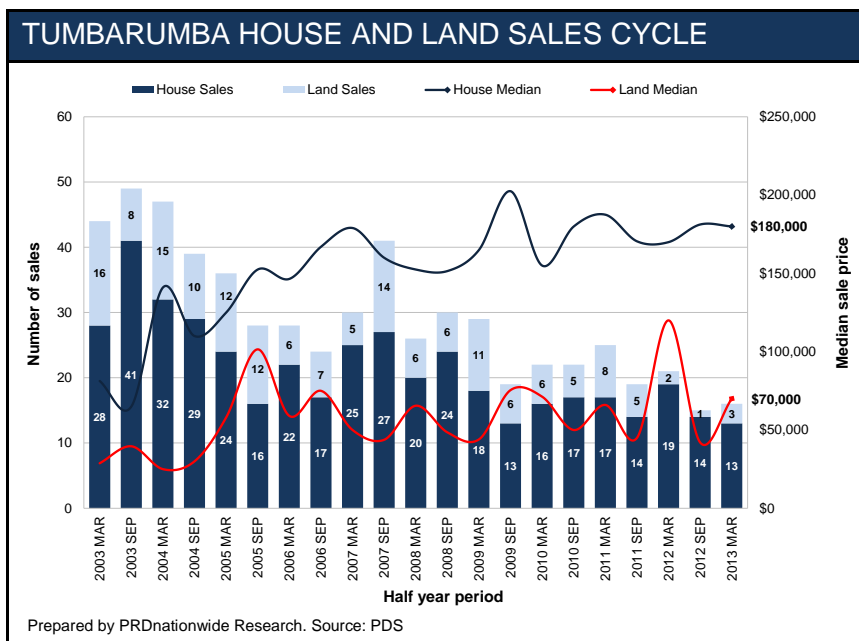
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TUMBARUMBA

Tumbarumba's property market has experienced a regression in activity since the onset of the Global Financial Crisis. A sharp increase in supply was met by a fall in demand, leading to low activity and little price movement. Recently, the record-low interest rates have started to support growth, with confidence returning to the residential and rural sectors. Vendors of rural lots are encouraged by the falling Australian Dollar, with hopes that the lower currency will reignite demand for grazing properties.

The median house price closed the March period at \$180,000, representing a 12 month growth of 5.9 per cent after recording a figure of \$181,250 in September 2012. Observing the House Price Point chart over the March 2012 half year period, it was evident that a dominant concentration of buyers existed in the \$100,000 to \$149,999 price point. Recent enquires came from 'tree change' retirees who favoured lifestyle properties and from investors seeking solid rental yields.

The demand for vacant land declined in the March 2013 half year with three lots transacting over the six month period, equating to a cumulative figure of four lots for the year. However, activity since March suggested a measured recovery, with a recently-sold four-unit block. Demand for Council-developed aged care units was strong, with three of the four existing dwellings sold and more currently in planning stage.



Prepared by PRDnationwide Research. Source: PDS

The rental vacancy rates closed at 1.4 per cent in April, signalling a strong rental market. In June 2013 there were only five properties advertised for lease, exhibiting a rental price from \$190 per week for a three bedroom house in Albury Close to \$320 per week for a new four-bedroom residence. Rental properties in Tumbarumba returned similar yields to those in other Riverina localities. The sub \$150,000 market performed best, with returns of six per cent plus. For the six months ending March 2013 a property in Pound Creek Road recorded the highest yield, equating to 7.8 per cent.

The 10 Ha Plus graph to the left depicts sales of large lots in the Tumbarumba local government area (LGA) over the past 10 years. Activity declined in 2006 but peaked again in 2009 in reaction to government stimulus measures. The forty property transactions in 2012 signalled a rebound in confidence for rural and lifestyle lots compared to 2010 and 2011.

WAGGA CITY

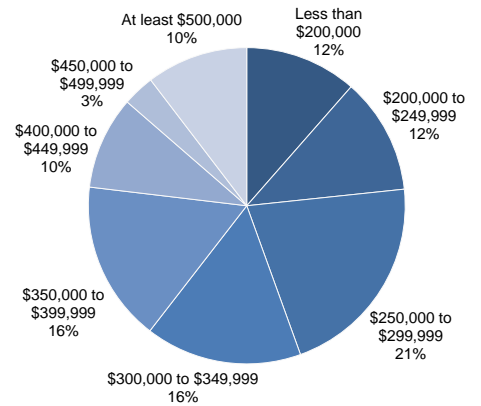
Wagga City comprises the suburbs north of Springvale and south of Boorooma and Cartwrights Hill. Activity in the City has held firm in the six months to March 2013 amid steady demand for detached houses. A 5.9 per cent growth in house transactions since March 2012 resulted in 463 sales. Despite strong enquiry levels, a high level of supply allowed price-sensitive buyers a strong negotiating position. Unit activity contracted from the corresponding period in 2012, with 42 transactions recorded in the six months to March 2013.

The median house price climbed to the highest figure on record (\$315,000) after remaining stable over the previous 18 months. The House Price Point chart to the right indicates a strong representation for houses selling in the \$250,000 to \$299,999 price point. Residences selling for \$500,000 or more accounted for ten per cent of sales; this price point averaged 42 sales per half year period over the past three years, with recent figures signalling confidence toward the top end of the market.

Unit market softness resulted in a 12-month decline in median price, equating to 11.4 per cent. A sharp contraction in the \$200,000 to \$249,999 price point was noted, while the share of units selling for \$300,000 plus represented only two per cent of the market. The figures point to subdued demand for attached product and acts as a warning to developers of large unit complexes in the City.

HOUSE PRICE POINTS

6 MONTHS TO MARCH 2013

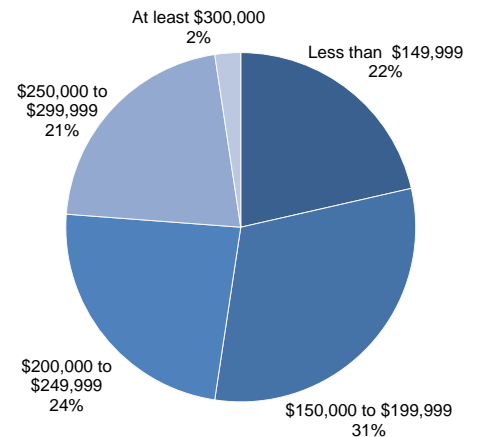


Prepared by PRDNationwide Research. Source: PDS

The median house price climbed to the **highest figure on record** after remaining stable over the previous 18 months

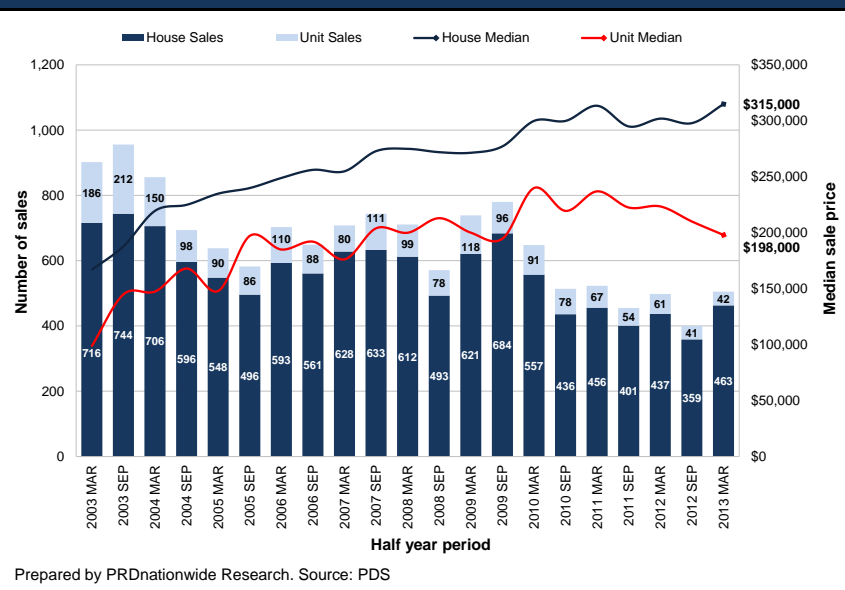
UNIT PRICE POINTS

6 MONTHS TO MARCH 2013



Prepared by PRDNationwide Research. Source: PDS

WAGGA CITY HOUSE AND UNIT SALES CYCLE



Prepared by PRDNationwide Research. Source: PDS

A Wagga City rental market experienced stable rent prices over the 12 months to March. A three-bedroom house recorded a median weekly rent of \$310, while a two-bedroom unit / villa recorded a median rent of \$240 per week.

Investors were seeking strong yields, with some opting for ex-housing commission homes in Ashmont, Tolland, Mount Austin and Koorngal. However, the higher rental return was often weighed against low capital growth and unreliable tenants. Conversely, a modern four-bedroom home attracted professionals who work in short term construction projects in the city. Rental vacancy proved cyclical, increasing to four per cent in December 2012 before returning to 2.7 per cent in April 2013.

Houses that sold in the six months to March 2013 exhibited rental returns between 5.2 per cent in Wagga Wagga and 9.5 per cent in Tolland. For the same period units returns ranged from 6.1 per cent in Forsyth Street, to 7.0 per cent in Travers Street, Wagga Wagga.

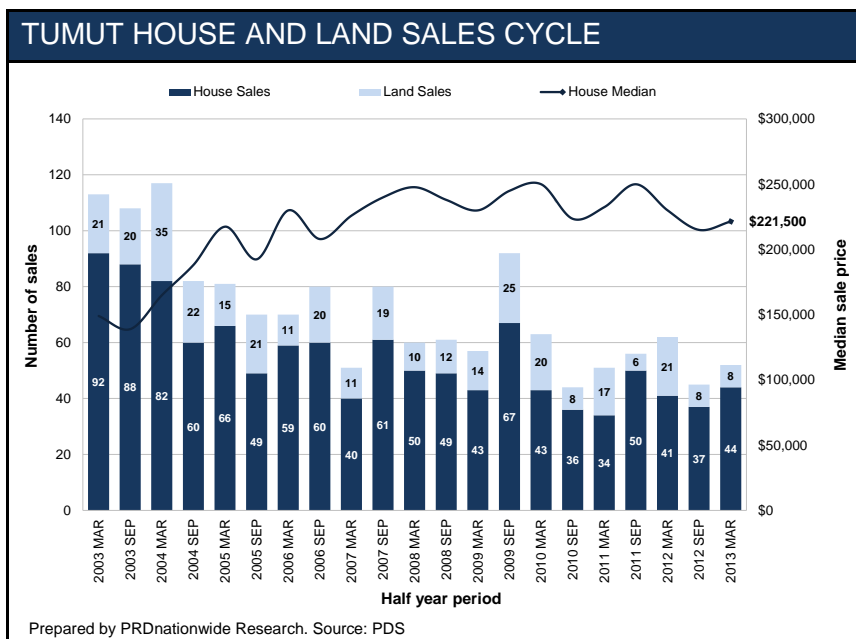
TUMUT

The Tumut property market experienced a decline in activity since the 2009 September period, when government stimulus resulted in high sales volumes. Confidence remained low, with tenants renewing leases and potential buyers continuing to favour savings. That said, the house market registered 44 transactions in the six months to March 2013, representing a three transaction increase from the corresponding period in 2012.

The median house price softened by 3.7 per cent in the year to March, continuing a downward trend that commenced in September 2011. However, small growth since September 2012 hinted that a moderate upward trend may continue in the second half of 2013, with low interest rates and high yields expected to encourage buyers back into the market. Tumut experienced a high supply of stock in the past five years, with 170 houses advertised for sale in June. Ample supply and subdued demand contributed to the softer median price. The 166 houses on the market in June 2013 offered buyers in the area a strong negotiating position.

The \$200,000 to \$249,999 price point represented the largest share of transactions in the March 2013 half year, accounting for 28 per cent of sales; this price point recorded an increase of seven transactions from the corresponding period in 2012, offsetting declines in sales above \$250,000.

Vacant land activity remained subdued, with a total of 16 transactions for the year ending March 2013. The low number of transactions prevented the calculation of a meaningful median, although lots selling for \$100,000 or less accounted for the largest share of transactions. Half of the total land sales in the six months to March transacted off Booral Avenue on the eastern end of town (four sales).



Changes to the First Home Owner Grant have left most first home buyers out of the market as new construction incentives did little to stimulate the purchase of established homes. While upgraders remained in the market, most enquiries in the March half year came from out-of-town downsizers aiming to retire in Tumut.

Uncertain market conditions benefitted the rental market, with would-be buyers opting to remain in rental accommodation in the short term. Depressed capital prices and an increase in rent equated to a rise in rental yields. The sub-\$200,000 market achieved strong returns in the six months to March 2013, with yields for three bedroom houses ranging from 7.1 per cent to 8.3 per cent.

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