

## PROPERTY WATCH®

Second Quarter 2011

## Wollongong LGA

## IN BRIEF

- Houses continue to perform despite a softening in other coastal markets across the Eastern seaboard.
- Major Infrastructure projects in Port Kembla and the University of Wollongong are expected to expand the local economy in coming years.

## Scope

The following Property Watch is the result of an investigation into the house, unit and land markets within the Wollongong Local Government Area (LGA).

## Area Characteristics

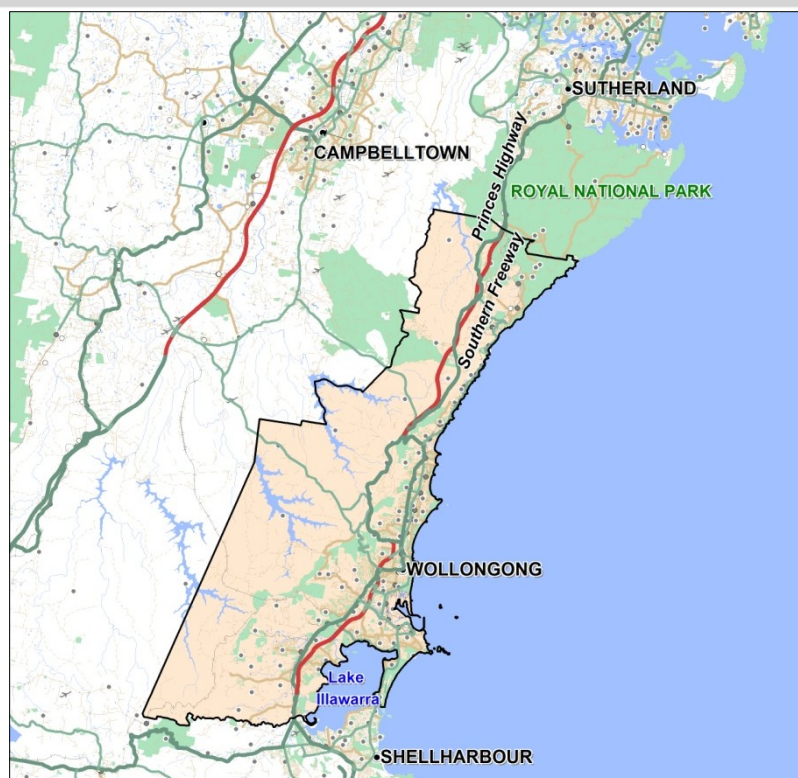
The Wollongong LGA is located in the Illawarra Region of NSW, approximately 85 kilometres south of Sydney and 240 kilometres east of Canberra. The area is easily accessible via the Southern Freeway as well as the Princess and Illawarra Highways. The Wollongong and Dapto rail stations link the Wollongong town centre to Sydney, Nowra and the South Coast. The region's economy is based on a strong mining industry and the largest integrated steel works in the Southern Hemisphere at Port Kembla. Other major employer are the education, tourism and retail sectors.

## Infrastructure

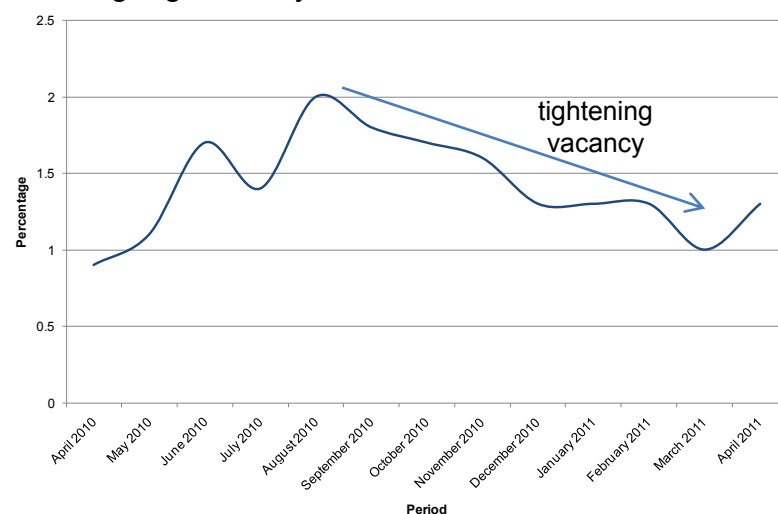
- A development approval for the \$750 million Port Kembla redevelopment project was granted in March this year. It will allow for the reclamation of approximately 42 hectares of land and the construction of seven new berths.
- The Innovation Campus at the University of Wollongong represents a major extension to the institute's capacity. The first building opened in mid 2008, with the last two teaching buildings and a commercial building due for completion in mid 2011. The campus will provide a total of 135,000 square metres of gross floor area over the 33 hectare site. Upon completion the facility will include research and office space, retail facilities, a hotel, conference centre and residential accommodation providing direct employment to 5,000 people.

## Rental Market

According the Department of Housing the proportion of affordable private rentals (to households on 80 percent of the median income) in the LGA was 61.5 per cent at June 2008. All LGAs in the Upper South Coast housing market have more affordable rental markets than that of the average for Sydney's Greater Metropolitan Region with 31 per cent as at June 2008. Vacancy rates in the region have been tight over the past 12 months. The Vacancy Rates graph depicts the seasonality of vacancy trends. After a dip below one per cent in April 2010 rates improved to two per cent in September 2010 before decreasing to one per cent in March 2011. The graph suggests an increase in vacancy levels in the second half of 2011. The median rent price for the LGA increased 9.4 per cent to \$290 per week in the twelve months to March 2011, while the median rent for a three bedroom house increased 5.7 per cent to \$370 per week.



## Wollongong Vacancy Rates



Prepared by PRDnationwide Research. Source: REINSW

## Median Weekly Rents – March 2011

LGA	3 Bedroom House	One Year Rental Growth	2 Bedroom Unit	One Year Rental Growth
Wollongong	\$370	5.7%	\$290	9.4%
Shoalhaven	\$280	7.7%	\$200	2.6%
Shellharbour	\$350	6.1%	\$225	2.3%

Prepared by PRDnationwide Research. Source: NSW Housing

## House Market

The latest Census puts detached houses at 72 per cent of total dwellings in the Wollongong LGA. According to the House Sales Cycle graph strong growth in the median house price over the first half of the decade was followed by a softer median in the four years to December 2008. The recovery during 2009 to 2010 is largely attributed to the 2009 government stimulus that saw the median price peaking at \$441,000 in December 2010, representing a twelve month growth of 8.8 per cent. House prices are holding firm despite an overall softening in activity in other coastal regions of NSW. Growth in median price was accompanied by higher activity levels. In 2009 activity exceeded the long term average of 1,154 sales per six month period, but have since declined since to register 1,129 transactions in the second half of 2010. The House Price Points graph provides further details on the different segments of the market in the six months to December 2010. It shows that at the affordable end of the market houses selling for less than \$300,000 represent 14 per cent of the market, with the majority of sales occurring in the \$400,000 to \$499,999 (26 per cent) and \$300,000 to \$399,999 (24 per cent). Toward the luxury end of the market houses selling for \$900,000 or more accounted for four per cent, with the top suburbs in this bracket represented by Wombarra with eight sales, and Bulli and North Wollongong registering five transactions each.

## Unit Market

On average units represent 36 per cent of total dwelling sales in the LGA. This level remained steady in the past ten years with a notable increase during 2009 in response to the government incentives. Over the past decade the median price for units followed a similar pattern to that of houses, with a strong growth period in 2009 to 2010 and some softening toward the second half of 2010 to record a median of \$345,000 in December 2010. Activity has been increasing since the second half of 2008, with a five year record number of transactions registered in 2009. 2010 activity shows an improvement on pre GFC activity but markedly lower than 2009 levels. A unit price points analysis revealed that while the \$300,000 to \$399,999 price bracket represented the majority of transactions or 35 per cent, at both ends of the price spectrum transactions below \$200,000 and above \$700,000 accounted for five per cent of the market each. The suburb of Wollongong recorded the highest number of unit sales with 245 transactions or 39 per cent, followed by Woonona with ten per cent and Fairy Meadow with 58 transactions representing nine per cent of the market.

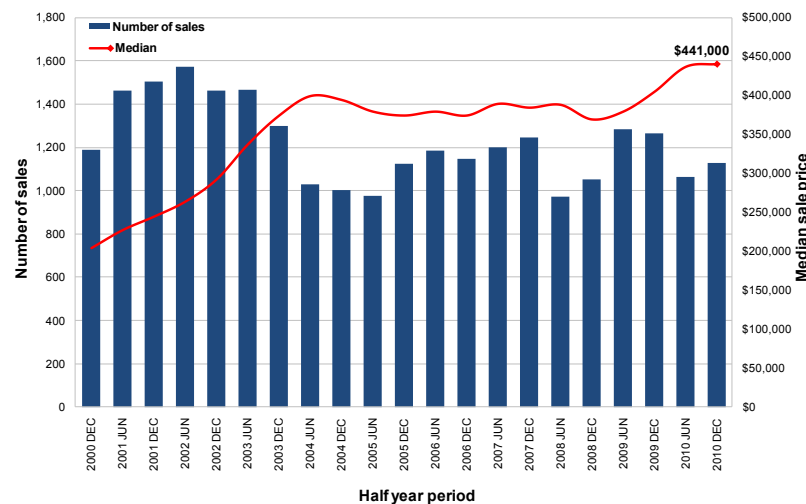
## Vacant Land Market

Land activity increased in the Wollongong LGA with levels almost doubling activity in the six months to June 2008 where 65 lots transacted. Despite an increase in activity, the median price for land in the region has been declining over the past three years from \$344,000 in December 2007 to \$262,500 in December 2010. In Bulli the Stockland Sandon Point residential subdivision is at advanced stages with a total of 181 lots expected upon completion. Currently in design stage is a land development in Wongawilli Village west of Dapto, expected to release approximately 616 lots.

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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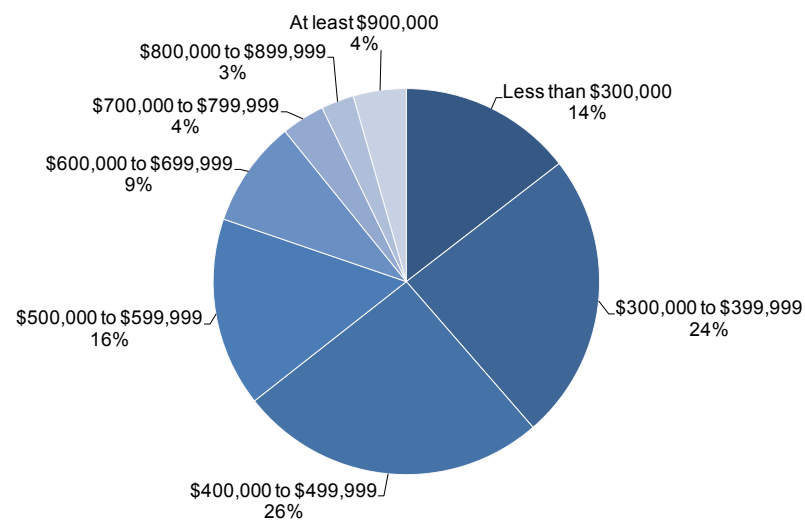
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## Wollongong LGA – House Sales Cycle



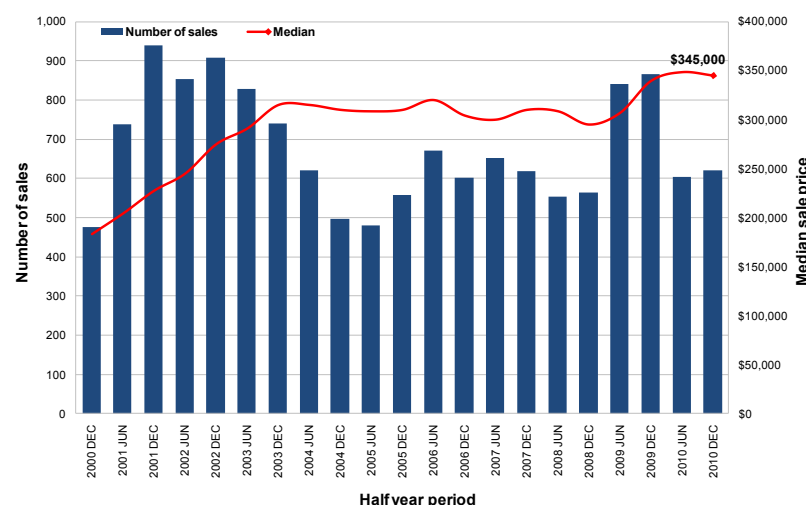
Prepared by PRDnationwide Research. Source: PDS

## House Price Points - Six Months to December 2010



Prepared by PRDnationwide Research. Source: PDS

## Wollongong LGA – Unit Sales Cycle



Prepared by PRDnationwide Research. Source: PDS



## The Greater Dapto Area

Located eight kilometres south of Wollongong and renowned for its Greyhound racing track, the Greater Dapto Area is set on the banks of Lake Illawarra, with its residential suburbs covering an area of approximately 30 square kilometres. It is dissected by the Southern Freeway and the South Coast Rail Line, with the suburbs of Brownsville, Dapto, Kanahooka and Koonawarra located between the lake and the railway line, and the suburbs of Horsley and Wongawilli on the western side.

### House Market

The house market in the Dapto Area experienced two significant price increases over the past decade. The first lasted until June 2004, resulting in a median price of \$315,000 and the second between 2009 to 2010, where the median price read \$350,000 as at December 2010. In between the two periods the market moved sideways until December 2008. The ten year average growth of 8.5 per cent per annum, reflects the two growth periods as well as the soft market of 2004 to 2008. Activity rebounded in the first half of 2009 as a result of lower interest rates and government incentives but declined in the same period in 2010, when 162 house transactions were recorded. The 205 transactions recorded in the December 2010 half year remained on par with the 2009 figure but higher than activity in 2008. The Price Points Graph shows that 26 per cent of transactions occurred in the \$300,000 to \$349,999 price bracket, followed by the \$350,000 to \$399,999 bracket with 22 per cent. At the affordable end of the market ten houses sold for less than \$250,000, while toward the top end 15 houses, equating to seven per cent of the market, sold for \$550,000 and above.

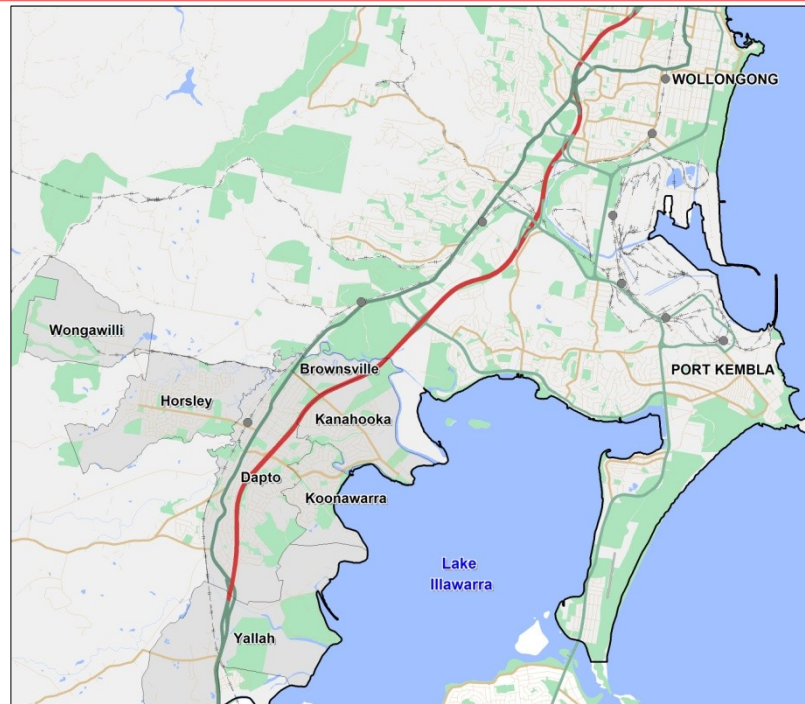
The rental market for houses is considered robust as a result of a shortage in rental properties as reflected in the tight vacancy rate of 1.3 per cent recorded in April 2011. Land releases currently under construction are expected to decrease the pressure on existing properties.

### Vacant Land Market

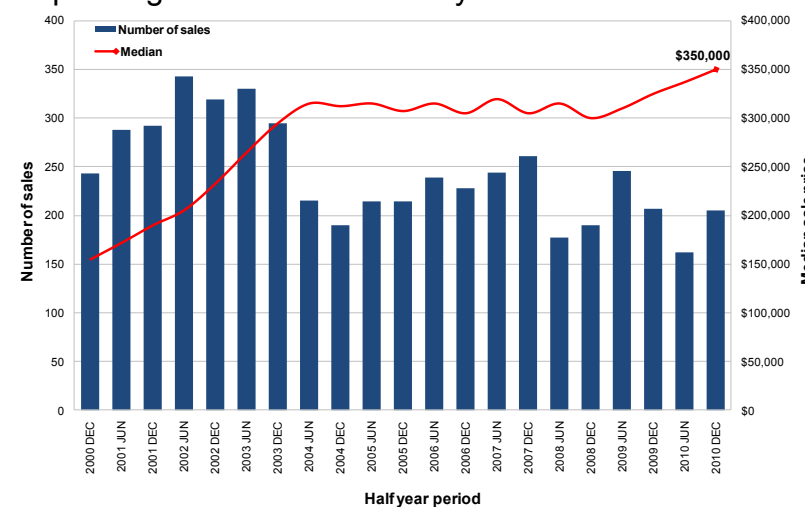
The median vacant land price reached its bottom in June 2009 at a median price of \$199,999, ending a five and a half year decline from the highs recorded in the six months to June 2004. The median has recovered since to register \$220,000 in December 2010 representing a 12 month growth of 0.9 per cent. The activity of 25 transactions in the second half of 2010, represents an increase of nine transactions over the same period in 2009 and a change of 15 transactions from December 2008. Most sales occurred in Dapto, where eight lots transacted achieving a median lot size of 953 m<sup>2</sup>. Koonawarra followed with seven lots and a median size of 721 m<sup>2</sup>, while the suburb of Horsley achieved a median size of 570 m<sup>2</sup> based on the sale of five lots during the six months to December 2010. Currently under development is an 81 lot subdivision in Kanahooka Road, Kanahooka, expected to be completed in October, with the Brooks Reach Estate in Horsley recently given an approval by the Council and development expected to commence in the coming months.

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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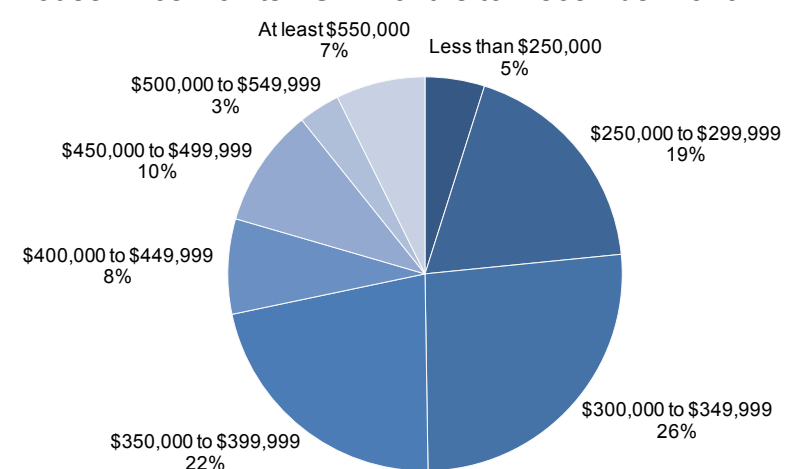


### Dapto Region – House Sales Cycle



Prepared by PRDnationwide Research. Source: PDS

### House Price Points - Six Months to December 2010



Prepared by PRDnationwide Research. Source: PDS