



## Illawarra Regional Information Service

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# Media Release

### Property & Investment in the Illawarra

The last ten years have been very turbulent for the Illawarra property market. In the midst of a strong national economy, the Illawarra experiencing a housing boom at the turn of the century. However, in more recent times it seems that the bubble has burst and had major impacts on the region. The latest IRIS Economic Report *Illawarra Property & Investment Report 2008* examines the performance of the local property market, the fallout from the housing boom, and strength of commercial investment in the region.

Between 2001-2003 house sales were particularly strong in the Wollongong Statistical District. Over 6,000 houses and units were being sold per annum. In response to the strong demand, property prices rose. By early 2004 the median house price reached the \$400,000 mark. With home ownership becoming increasingly unaffordable, sales volumes plunged. Since then local property prices have slipped marginally. The median house cost \$385,000 in the December 2007 quarter.

On the back of the housing affordability problem, which have only been exacerbated by decade highs in interest rates, residential building approvals have plummeted in the region. There were only 610 housing approvals in the WSD in 2007, less than half the levels seen only 6 years earlier. Despite unit construction remaining relatively buoyant, it does not seem that the supply of rental properties is keeping up with growing demand. The average number of weekly listings has fallen by a third in the last year, causing rental prices to rise.

However, while affordability continues to be an issue of concern, it appears that home ownership remains more affordable in Wollongong than in neighboring Sydney. In the WSD, monthly mortgage repayments constitute 33.9% of monthly income, compared to 34.9% in Sydney. 28.0% of Illawarra families own the home they live in. This is 2.6% points higher than in Sydney (25.4%) and 2.8% points higher than the state average (25.2%). At an local government area level, it appears that the mortgage belt of the Illawarra lies in Shellharbour, with 59.1% of homes being purchased.

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In contrast to the dwindling construction of houses and units in the region, non-residential approvals have more than doubled in the last fifteen years. The value of investment in commercial, institutional and industrial buildings totaled \$226.2m for 2007. Education is the biggest contributor to commercial investment in the region. The WSD continues to benefit from a number of large scale projects such as the University of Wollongong's Innovation Campus, the expansion of the port of Port Kembla, and upgrades of the infrastructure at the steelworks by BlueScope Steel Ltd.

Despite this strong performance, it appears that investment in the WSD is still greatly surpassed by other comparable regions. Commercial investment in the Newcastle Statistical District more than doubled that of Wollongong for the year to June 2007.

**Further comment:**

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