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Location Report

A joint publication of Ryder Property Research & Drummond Real Estate

ALBURY-WODONGA NSW-VIC border

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ALBURY-WODONGA

NSW-VIC border

Highlights

- Steady population growth
- Highly strategic location
- Plans for new town of 15,700
- Affordable real estate
- Strong diverse economy: Manufacturing, agriculture, tourism, education, defence, medical services.

| Suburb - houses | Typical prices | Suburb - houses | Typical prices | Suburb - units | Typical prices |
|-----------------|------------------|-----------------|------------------|----------------|------------------|
| Albury | \$505,000 | East Albury | \$405,000 | Albury | \$285,000 |
| West Albury | \$354,000 | North Albury | \$240,000 | Lavington | \$180,000 |
| Lavington | \$270,000 | Thurgoona | \$374,000 | West Wodonga | \$203,000 |
| Springdale Hts | \$238,000 | West Wodonga | \$315,000 | | |
| Wodonga | \$330,000 | | | | |

An increase in sales activity in recent times has led to solid price growth in some of the suburbs of Albury-Wodonga, reinforcing the city's appeal as an affordable property market with growth potential.

The Albury-Wodonga region has been dubbed The Murray Food Bowl but, unusually for an Australian inland city, it is not dependent on agriculture for the health of its economy.

The twin cities have strong sectors in manufacturing, construction, government administration, education, defence and retail. Many national businesses, as well as the Australian Taxation Office, are based there.

Albury is a growth centre serving a region that is rich in crops, cattle, wine and history. Wodonga, once considered the poor cousin to Albury, is growing strongly and is a venue for new development.

Albury-Wodonga appeals as one of Australia's strongest regional economies, with great diversity and the presence of numerous national and international businesses, attracted by its strategic location and good rail and road links.

Sales activity has increased recently, accompanied by good price growth. Above-average rental returns are also part of Albury-Wodonga's appeal for investors.

Economy and Amenities

Although Albury-Wodonga in many ways operates as one community, it has separate councils and State Government services. However, the fact that Melbourne is significantly closer than Sydney, and Victorian TV broadcasts in the region, gives Albury close links to Victoria, despite being in southern NSW.

State differences in the workings of stamp duty, payroll tax and workers' compensation schemes cause frustration - and trades people need dual licences.

Albury-Wodonga is one of Australia's largest regional centres and has a diverse economy. Major enterprises include manufacturing, retail, transport, business services and agriculture.

The diversity and the strength of multiple economic sectors give solidity to the Albury-Wodonga economy.

In July 2016, Albury Council released its economic indicators. Key findings included:

- Albury and Wodonga LGAs had a combined Gross Regional Product of \$5.62 billion - a \$203 million increase compared to August 2015.
- The Albury Wodonga economy is dominated by the Manufacturing, Construction and Public Administration & Safety sectors.
- Most sectors of the local economy experienced growth in the previous 12 months.
- The leading types of positions held by the Albury-Wodonga population are Professionals (18.0%) and Technicians & Trade Workers (16.2%).
- Albury's labour force was 23,810 compared to 23,565 in June 2015 - a 1.02% increase.

The Defence Force also has a significant presence at the Latchford Barracks, Bonegilla, and Gaza Ridge Barracks, Bandiana.

Defence injects an estimated \$536 million into the Albury-Wodonga economy derived from around 1,426 direct jobs.

Albury-Wodonga is well situated to service other regions, with extensive transport infrastructure radiating outwards by road, rail and air.

By road, Albury-Wodonga is three hours from both Melbourne and Canberra, and six hours from Sydney via the Hume Highway.

By rail, Albury-Wodonga is on the main rail line between Sydney and Melbourne for passenger and freight trains.



Location

- 325km north-east of Melbourne, 350km from Canberra
- At the centre of the Melbourne-Sydney-Canberra triangle
- On the Victoria and New South Wales border
- LGAs: Albury City Council and City of Wodonga.



Population:

- Population 2016: 90,000
- Population 2031 (projected): 123,500
- Median age Albury: 39
- Median age Wodonga: 36
- Services a regional population of 170,000.

Source: 2016 Census

Weekly rail services from Albury to Brisbane move 100,000 tonnes of freight annually from three major locally-based manufacturers: Mountain H2O, Norske Skog and Mars Petcare.

The hub also operates a freight service for import and export products between Albury and Melbourne.

This connectivity is a major reason why so many national enterprises have a presence in the region.

Some examples are:

- Bunnings (two big warehouses),
- Overall Forge (major supplier to the mining industry),
- Norske Skog (produces 40% of the nation's newsprint),
- Bradken Industrial,
- Visy Board (paper manufacturers) and Visy Food, and
- Mars Petcare.

There is also the ATO which employs 1,260 people in Albury-Wodonga.

The city has several major trucking businesses, including Border Express, Twin City Truck Centre and the Albury Freight Distribution Centre.

Blacklocks Ford recently carried out a \$4 million expansion of its truck centre.

Quest Apartments, which services demand from business travellers, has three serviced apartment complexes in Albury-Wodonga.

Recently-completed commercial premises include a \$50 million HQ for the Australian Tax Office in Albury; a \$10 million Bethany office building in the CBD; and North Point Tower, a \$10 million, five-storey commercial development in Lavington.

The region has numerous schools, both public and private, supported by two TAFE campuses and a campus of the UNSW Rural Clinical School of Medicine next to the Albury Base Hospital.

Around 26,000 students are enrolled at the TAFE colleges.

Other tertiary education is provided by Charles Sturt University and La Trobe University which have 4,400 students enrolled between them.

The Border's largest employer is Albury Wodonga Health, with 1,140 staff and an annual budget of \$180 million. The \$70 million Albury Wodonga Cancer Centre opened in 2017.

AIRPORT: FAST FACTS

- Third busiest airport in Regional NSW.
- 250,000 passengers per year.
- 180 flights per week.
- Sydney: 90 minutes.
Melbourne: 45 minutes.



Top Five Industries by Employment:

Albury:

- Hospitals
- Supermarkets/grocery stores
- Cafes/restaurants
- Takaway food stores
- Primary education

Wodonga:

- Defence force
- Hospitals
- Supermarkets
- Aged care residential services
- Takeaway food stores

Source: 2016 Census

The Albury Base Hospital is the city's largest employer and the Albury Wodonga Private Hospital, owned/operated by Ramsay Health Care, is regarded as one of the best private hospitals in rural Australia.

Tourism attracts around one million day-trippers annually. In 2015, tourism contributed \$613 million to the Albury-Wodonga economy.

Albury

Albury's economy is dominated by manufacturing, construction, business & property services and retail. This diversity makes for consistent business conditions.

Albury serves as an administrative centre for the agricultural sector and is home of the Norske Skog newsprint paper mill which processes the pine logs planted in the mountains to the east.

The Australian Taxation Office, the Commercial Club Albury, Hume Bank, Apex Tool Group, Geofabrics Australasia, Joss Group and Zauner Construction are major employers in the region.

The Australian pizza chain Eagle Boys was founded in Albury.

Wodonga

Historically Wodonga was regarded as the smaller, less prosperous cousin to Albury.

While Wodonga is still smaller than Albury, economic growth has softened such distinctions.

One project paving the way for economic prosperity is Logic Wodonga, a major logistics distribution hub which houses a variety of businesses:

1. The \$90 million Woolworths Regional Distribution Centre at Logic employs 400 people and turns over \$2 billion of stock every year.
2. Wodonga TAFE.
3. A BP Service Centre, Fatigue Management Centre and Trailer Interchange.
4. Cope Sensitive Freight, a major transporter of medical and electronics goods.

Other major industries based in Wodonga include a large cattle market, a pet food factory (Mars Corporation, which has its national corporate HQ here), a cardboard box factory (Visy), an abattoir and a foundry.

Wodonga also serves as a central point for the delivery of government services, such as the North East Water Regional Office Wodonga project.

Wodonga is the site of Latchford Barracks, an Australian Army logistics base and a training centre for army apprentices.

It also has a La Trobe University campus and Wodonga Institute of TAFE.

The Bandiana Army Museum, located just out of Wodonga, is one of the largest and most diversified army museums in Australia.

Another attraction is The Cube (the Wodonga Art Community Entertainment Centre), which can accommodate up to 1,000 people for functions and shows.

There is extensive new property development on former army land in the Wodonga area, including residential estates and retail warehouses.



Property Profile

Albury-Wodonga presents as a city with affordable property options. Median house prices are generally in the \$300,000s, although Lavington, North Albury and Springdale Heights are in the \$200,000s.

Central Albury is an exception at \$505,000, boosted by 11% growth in its median in the last 12 months.

Building approvals across both towns rose from 699 in FY2014 to 929 in FY2016. They have since eased back to 697, with new housing estates springing up on the northern outskirts of Albury - in Hamilton Valley, Springdale Heights and Thurgoona.

Rental yields for houses are generally in the 5% to 5.7% range for houses, though the suburb of Albury is lower at 3.5% and Springdale Heights higher at 6.1%, according to CoreLogic.

During 2014 and 2015, there was growth in the number of house sales, leading to good price rises in some suburbs. This capital growth continued in 2016 and 2017.

In the last 12 months, there were median house price rises of 8% in West Albury, 6% in Thurgoona and 5% in Wodonga, where quarterly sales have lifted from 96 to 108 to 123 to 132 over the past year.

Median unit prices rose 18% in Albury and 9% in Lavington.

Vacancies in postcodes 2640 and 2641, where new development is occurring, were around 5% in early 2016 - but fell steadily in 2017 and are now below 3%. Vacancies in postcodes 3690 and 3691 remain consistently low. Given the increase in residential building approvals in the past two years, investors need to keep an eye on vacancy rates.

Residential Building Approvals

| Year | Albury | Wodonga |
|--------|--------|---------|
| FY2015 | 425 | 434 |
| FY2016 | 547 | 382 |
| FY2017 | 328 | 369 |

Source: ABS

An economic indicator report prepared by Albury City Council in July 2016 said:

Residential property prices and sales volumes continue to maintain their recovery from the market downturn in the 2011/12 financial year.

Median prices for dwellings, units and vacant house lots continued to rise during the 2015/16 financial year. A rise of 5.52% in the median price for dwellings was experienced, whilst units saw an increase of 3.2% and vacant land rose by 3.9%.

Vacancies: Albury Wodonga

| Postcode | Suburb | Vacancy rate |
|----------|---|--------------|
| 2640 | Albury – North, South, West & Thurgoona | 2.9 % |
| 2641 | Lavington, Springdale Heights | 2.2 % |
| 3690 | Wodonga | 1.0 % |
| 3691 | Baranduda | 0.9 % |

Source: sqmresearch

The Albury-Wodonga property market can be summarised as follows:-

| Suburb | Sales Houses | Median Houses | 1-year Growth | Growth Average | Median Yield |
|--------------------|--------------|---------------|---------------|----------------|--------------|
| Albury | 93 | \$505,000 | 11 % | 4 % | 3.5 % |
| Baranduda | 39 | \$350,000 | 0 % | 2 % | 5.3 % |
| Lavington | 213 | \$270,000 | 4 % | 2 % | 5.6 % |
| North Albury | 143 | \$240,000 | 4 % | 2 % | 5.7 % |
| South Albury | 21 | \$340,000 | 2 % | 4 % | 4.3 % |
| Springdale Heights | 29 | \$238,000 | 0 % | 0 % | 6.1 % |
| Thurgoona | 182 | \$374,000 | 6 % | 3 % | 5.0 % |
| West Albury | 62 | \$354,000 | 8 % | 3 % | 4.5 % |
| West Wodonga | 227 | \$315,000 | 1 % | 1 % | 5.4 % |
| Wodonga | 385 | \$330,000 | 5 % | 3 % | 5.0 % |

| Suburb | Sales Units | Median Units | 1-year Growth | Growth Average | Median Yield |
|--------------|-------------|--------------|---------------|----------------|--------------|
| Albury | 41 | \$285,000 | 18 % | 4 % | 4.4 % |
| Lavington | 90 | \$180,000 | 9 % | 2 % | 5.8 % |
| West Wodonga | 43 | \$203,000 | -2 % | 1 % | 6.2 % |

Source: CoreLogic – “growth average” is the average annual growth in median house prices over the past 10 years

“snr”: statistically not reliable.

Future Prospects

Several large projects began in 2014, giving Albury-Wodonga an ongoing construction boom. Construction employs 3,700 people in the twin cities.

The projects include the Regional Cancer Centre, an ambulance station in Lavington, student accommodation at Charles Sturt University, multiple industrial warehouses, a shopping centre and several sub-divisions.

New homes are being built in the growth areas of Thurgoona, Hamilton Valley and Springdale Heights with the Albury Council encouraging developers by removing red tape for sub-divisions.

In November 2016, Albury mayor Kevin Mack said: "We're trying to release the land as it's required, not on a basis of flooding the market, and maintaining that value, that's what's important.

"We've got 22 developers working in the Thurgoona/Wirlinga corridor at the moment."

There are also several small-scale projects starting in 2018. These include the \$3 million Brain and Mind Centre; the \$2 million Wodonga Plaza upgrade and a \$3.6 million service station and fast food outlet at Thurgoona.

- Baranduda & Leneva

An urban growth zone allowing for 6,000 homes to house 15,700 people in Leneva and Baranduda is in the pipeline.

The proposal requires amendments to the Wodonga Planning Scheme and approval from the State Government.

Wodonga Council began pre-planning work on a Precinct Structure Plan for the Leneva-Baranduda area in August 2016.

Planners from RPS consulting said as many as nine new primary schools and five new secondary schools would be needed to cope with growth in the region. They predict a need for three new shopping and business precincts, a new sports ground, walking trails, bike paths and parks.

- Military

A long-term military presence seems to be assured.

Linfox has a \$416 million seven-year contract with the Defence Department, Bandiana, handling warehousing and distribution.

Transfield manages the military's vehicle repair and maintenance facilities on a \$240 million contract.

CORE INFLUENCES

Urban Renewal

Transport Infrastructure

Boom Towns

The Defence Force has built a \$65 million warehouse at Wadsworth Barracks.

A recommendation from a Senate Enquiry conducted in 2017 into the Impact of Defence training activities and facilities in regional areas such as Albury Wodonga, states:

Defence should continue to foster its presence in Albury Wodonga, and consider future operational and training expansion opportunities to capitalise on existing strategic synergies.

- Wodonga CBD

Work has begun on the Junction Place project, transforming the old rail yards into a \$200 million mixed-use precinct. The project will double the size of Wodonga's central business district and is regional Australia's largest urban renewal project.

Upon completion, the precinct will comprise a residential component of 96 units, cinema and entertainment complex, commercial offices, 150-room hotel, retail, public open spaces and a European market hall.

Plans for the cinema are expected to be lodged by mid-2018 while construction of the units will begin in 2018, after the required level of pre-sales have been achieved.

The Junction Place development will be known as Station 73. Once complete, Junction Place is expected to provide \$350 million of additional economic activity and 1,300 jobs.

- Rail transport

There is talk of a \$114 billion high-speed rail system linking Brisbane, Sydney and Melbourne. The head of the Australasian Railway Association has indicated a \$70 million station in Albury-Wodonga is included in the project.

This would be a separate project from the \$10 billion inland rail project designed to carry freight between Brisbane–Sydney–Melbourne. Albury-Wodonga also lies in the path of this project which is scheduled for completion by 2025.

A rail terminal is now under construction at Wodonga’s Logic industrial hub. When complete, the intermodal terminal will provide direct connections to interstate markets and commence a new rail service between Wodonga and Adelaide.

In the interim, the Federal Government has allocated \$100 million over three years to upgrade the North East rail line which links Melbourne to Albury-Wodonga.

- Agriculture

A study by Victoria University suggests agriculture and manufacturing in north-east Victoria will boom by 2020.

Modelling in the report indicates the Ovens-Murray food bowl will benefit from Chinese demand, which in turn will drive the manufacturing industry.

- Recommended Locations

Often the best outcomes for investors are provided by locations which the locals regard as downmarket or otherwise undesirable.

Lavington is one such area in Albury-Wodonga, one of the cheapest suburbs, with many old-style flats.

It offers attractive affordability and high rental returns. Typical houses are around \$270,000 and units \$180,000, with rental yields in the 5.6–5.8% range.

It is also one of the most popular markets in the Albury-Wodonga region, in terms of sales activity, with around 300 dwelling sales in the past 12 months.

Some of the residential developments either in the pipeline or under construction are listed on the table below:

| Project | Developer | Size | Status |
|------------------------------------|--------------------|---|--------------------|
| Yarrabee Park, Thurgoona | Kerr Road Devts | 700 lots | Under construction |
| Murravale Estate, Tangambalanga | TBA | 300 lots | Approved |
| White Box Rise devt, Wodonga | Abacus Group | 1,100 lots, a town centre, school, supermarket | Under construction |
| Elmwood Estate, Wodonga | Brendon Collins | 130 medium-density houses, medical centre, pharmacy, café | Under construction |
| Glenwood Estate, Baranduda | QOD Property Group | 305 lots | Under construction |
| Baranduda-Leneva urban development | TBA | 6,000 homes, shops, offices, schools and sporting fields | Proposed |
| Thurgoona Park North | Peter Bowen Homes | 428 lots initially, will grow to 1,100 lots to cater for 4,000 people | Under construction |

Projects expected to impact on the Albury-Wodonga economy include:-

INFRASTRUCTURE – TRANSPORT

| Project | Value | Status | Impact |
|---|---------------|--|---|
| Albury Airport upgrade | \$4.7 million | Under construction Completion expected in 2018 | Expansion of the terminal building |
| Upgrade, Riverina Highway, east of Albury State Govt | \$11 million | Completed | 5.7km of highway is being upgraded |
| New rail terminal, North Barnawartha SCT Logistics | \$22 million | Under construction | |
| North East rail line upgrade | \$100 million | Approved Funded by Federal Govt, would be completed by 2020 | Rough sections between Albury and Melbourne will be fixed |

INFRASTRUCTURE – SPORT AND ENTERTAINMENT

| Project | Value | Status | Impact |
|--|---|--|--------|
| Baranduda Fields sports precinct, Baranduda Wodonga Council | \$10 million Football stadium, athletics track, cricket ovals, soccer fields | Proposed Funding is still to be sourced | |
| Lavington Oval upgrade Albury Council | \$8.5 million Federal Govt will fund \$4 million | Approved | |

COMMERCIAL DEVELOPMENTS - GENERAL

| Project | Value | Status | Impact |
|---|---|---|--|
| Junction Place development, Wodonga CBD State Govt & City of Wodonga | \$200 million Includes residential, cinema/entertainment, commercial offices, hotel and retail | Under construction | Jobs 1,300 Economic benefit \$350 million |
| Mann Central Shopping Centre, Wodonga Mann Wodonga Properties | \$65 million Kmart, Coles and 11 specialty shops | Completed | Jobs 200 construction 1,000 operational |
| Mantra Hotel Albury Volt Lane | \$30 Million 158 rooms | Under construction Completion expected in 2018 | Jobs 200 during construction |
| Nexus Industrial Hub & Davey Rd interchange upgrade Albury Council | \$15 million | Under construction | Jobs 1,000 |
| Bunnings warehouse, East Albury | \$17 million Bunnings will relocate to new premises | Completed | Jobs 23 construction 200 operational |
| Timber processing factory XLam | \$25 million | Under construction | Jobs 30 direct 24 indirect |
| Military warehouse, Bandiana | \$65 million | Completed | Forms part of a defence logistics transformation program |
| Cool Off pet food manufacturers expansion | \$16 million Includes export facilities, warehouse and truck depot | Approved The Federal Govt will chip in \$7mil | Jobs 60 |
| Millform Products manufacturers expansion | \$10 million A factory will be built | Approved | Jobs 20 |