

# Wollongong

a city transformed



**Investor Prospectus**  
March 2017

**ADVANTAGE  
WOLLONGONG**   
[advantagewollongong.com.au](http://advantagewollongong.com.au)

# Message

## from the Parliamentary Secretary to the Premier, Illawarra and South Coast



**Wollongong, Australia's City of Innovation, is a city transformed. Wollongong has superb liveability, a supportive business environment, is globally connected and is home to a world-class university with a focus on encouraging innovation.**

Wollongong is NSW's 3rd largest city and lies on the narrow strip between the Illawarra escarpment and the Pacific Ocean, approximately 80km south of Sydney.

Wollongong's economy is diversifying and experiencing strong growth with key sectors driving this change including Knowledge Services, Trade and Logistics, Advanced Manufacturing and Defence.

The Wollongong City Centre has seen a \$1.3 billion investment over the past 4 years, with a further \$300 million in the pipeline. Wollongong will also see a 150% increase in the city centre population over the next 2-3 years, as a result of the current construction underway, which will significantly add to the vibrancy and life in the city centre.

The University of Wollongong continues to expand and grow, with 36,180 enrolled students studying at 12 locations in 5 countries across the world. UOW is rated in the top 1% for graduates as rated by global employers and the top 2% of world universities. Wollongong recently welcomed the opening of the new \$16.5 million iAccelerate Centre, which will house 280 entrepreneurs.

Wollongong is a superior business location, making it a great place for businesses seeking to establish, grow or invest. A recent report by Deloitte found that in relation to the Shared Services sector in Wollongong, salary costs are 85% of Sydney costs, rental costs are 50% of Sydney CBD costs and staff retention rates are 95% compared to 75% in Sydney.

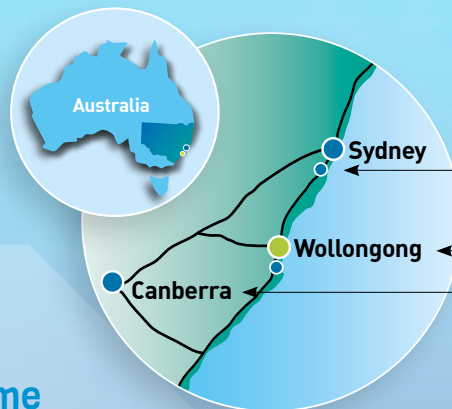
I encourage you all to take a look at what Wollongong has to offer and what it can do for your business.

**Gareth Ward MP**  
**Member for Kiama**  
**Parliamentary Secretary to the Premier,**  
**Illawarra and South Coast**

### Spotlight

**Wollongong is likely to be home to around half a million people by 2050. Metro Wollongong is at the heart of this urban area and will drive the economic growth, employment and diversification of the region's economy.**

Source: Illawarra Shoalhaven Regional Plan, 2016



**Australia's most connected regional city:**

**Sydney International Airport**  
Distance 80kms, 1hr by road

**Port Kembla Harbour**  
Distance 5kms, 5mins by road

**Canberra**  
Distance 240kms, 2.5hrs by road



#### Location



**80KMS**  
FROM SYDNEY CBD

**1 HOUR**  
SOUTH OF  
SYDNEY INTERNATIONAL  
AIRPORT & PROPOSED  
BADGERY'S CREEK AIRPORT

**20,000**  
HIGHLY SKILLED WORKERS  
COMMUTING TO SYDNEY

#### Economy



**\$12.3B**

GROSS REGIONAL PRODUCT

**POPULATION**  
**208,875**

**\$1.3B**

CITY CENTRE INVESTMENT  
IN THE PAST 4 YEARS  
\$300M IN PIPELINE

**150%** CITY CENTRE  
POPULATION  
INCREASE IN NEXT 3 YEARS

#### Connectivity



**7.6MW**  
**TIER 3**

DATA CENTRE

**NBN LIVE**  
WHICH OFFERS  
<2 MILLISECOND  
DATA CONNECTIVITY



#### University of Wollongong

**32,953**  
ENROLLED STUDENTS\*  
\*consolidated entity

**13,663**  
INTERNATIONAL STUDENTS  
ENROLLED IN AUSTRALIA & ABROAD

**\$671M**  
ANNUAL OPERATING  
REVENUE WITH APPROX.  
2,241 FULL-TIME  
EQUIVALENT EMPLOYEES

**RATED IN THE**  
**TOP 2%**  
WORLD UNIVERSITIES

**TOP 1%**  
FOR GRADUATES AS RATED  
BY GLOBAL EMPLOYERS

#### Property



**\$694,000**  
MEDIAN HOUSE VALUE

**\$511,000**  
MEDIAN UNIT VALUE  
(CORELOGIC, DECEMBER 2016)

HOUSES & UNITS  
ARE PRICED  
**35-40%  
LESS**  
THAN THE GREATER  
SYDNEY AVERAGE  
(RESIDEX)

**80,000**  
**SQM OF**  
DA APPROVED  
OFFICE SPACE  
IN THE CITY CENTRE

Wollongong is a city transformed. Renowned for its world class steel making and coal mining industries, Australia's City of Innovation is today an important knowledge services centre, international trade hub and a leading university city.



# The Wollongong Advantage

1

## Globally connected

**Wollongong offers a competitive base for businesses to benefit from access to domestic and global markets.**

**Digital:** Wollongong offers a high quality broadband network with double and triple fibre redundancy options and NBN access across the city.

**Road:** Located just one hour south of Sydney International Airport, Wollongong is also close to the Hume Highway corridor and the proposed Badgery's Creek Airport.

**Port:** Situated just 5km south of Wollongong, Port Kembla is NSW's largest motor vehicle import hub and grain export terminal, and second largest coal export port.

**Rail:** Wollongong is part of the Sydney train network which helps to transport the majority of grain and coal coming into the port.

2

## Superb liveability

**Wollongong provides an enviable coastal lifestyle for people of all ages.**

**Affordable living:** Houses and apartments across Wollongong are currently priced around 35-40% less than the Greater Sydney average (Residex). Residential choices range from coastal villages in the north, beachfront apartments in the city centre, spacious family homes in leafy suburbs to rural acreages further south.

**Coastal lifestyle:** Located just south of the Royal National Park, Wollongong's spectacular natural environment includes 17 patrolled beaches framed by the backdrop of the Illawarra escarpment, offering an abundance of recreational activities to enjoy.

**Bar/café culture:** The city has experienced a burst of activity within its bar and café scene with 65 new venues opening in the past three years.

**Quality infrastructure:** Wollongong offers relatively short journey to work times and reduced costs, while also being well-connected to Sydney. Its quality health infrastructure includes a major teaching hospital and a number of private hospitals.



### 3

## City of Innovation

**Home to a sophisticated and well developed innovation eco-system that supports industry collaboration and excellence.**

**University of Wollongong:** Consistently ranked in the top 2% of universities worldwide, the University of Wollongong has earned its place through world-class research and teaching and routinely rates among the top Australian universities in key areas including graduate satisfaction and starting salaries. UOW is also an international centre of research excellence that ranks in the top 1% for research quality.

**Innovation Campus:** The University of Wollongong's Innovation Campus is an award-winning research, technology and commercial precinct. Set on 33 hectares by the beach, the \$600 million site encourages innovative organisations from around the world to co-locate with UOW's leading research institutes, with 1,500 people currently working on the campus.

**iAccelerate:** iAccelerate is the region's first purpose-built business incubator, providing a permanent home for 280 entrepreneurs across 4,000 square metres. The iAccelerate program is built around a robust educational program, formalised business monitoring and one-to-one mentoring, and offers two streams to cater for businesses in either the start-up phase or growth phase.

### 4

## Supportive business environment

**Wollongong provides a supportive environment with considerable advantages for businesses located in the area.**

**Competitive costs:** With competitive rents and wages compared to Sydney and higher than average staff retention rates, Wollongong provides significant cost savings in an increasingly competitive and global commercial environment.

**Industry base:** A significant strength is the size and diversity of the economy with a number of large national and multi-national companies already part of the business landscape. Supporting these businesses are a range of professional services including leading legal, financial, accounting, human resources, marketing and IT companies.

**Skills:** Wollongong has a large, experienced, multilingual workforce, with skills ranging from traditional manufacturing expertise to high technology and knowledge-based capabilities. Around 20,000 Wollongong residents commute to Sydney each day for work, providing an attractive pool of potential employees for any business operating in the city.





# Wollongong's Key Assets

## City Centre

### The Wollongong City Centre

The Wollongong City Centre is the employment hub of the region, providing employment for over 20,000 people and home to over 3,000 businesses. It is the region's business and administrative centre with the majority of knowledge service businesses in ICT, financial services and shared services choosing the City Centre as their base.

The Wollongong City Centre is undergoing a significant economic transformation. Over the past 4 years, the City Centre has seen over \$1.3 billion worth of investment in major development projects completed or currently underway, with a further \$300 million in the pipeline.

#### Major highlights recently completed include:

- the \$200 million upgrade to Wollongong Central by GPT, which included an additional 18,000m<sup>2</sup> of specialty stores, a new supermarket, department store and 650 car spaces;
- the \$120 million Wollongong Private Hospital, operated by Ramsey Health Care; and
- the \$134 million expansion of the Wollongong Public Hospital.

Adding to the revitalisation is the growth of the café and small bar culture with over 65 new establishments in the City Centre over the last three years.

### Spotlight

**The Crown Street Mall is now home to the Friday Forage Markets and Thursday's Eat Street Markets - which attract up to 8,000 people**

**H&M opened in September 2016**

**38 facades have been upgraded in the City Centre through Wollongong City Council's Façade Rejuvenation Program**

**The City Centre has seen the fast tracked roll out of the NBN**

**65 NEW**  
SMALL BARS & CAFÉS  
OPENED IN LAST 3 YEARS





# Wollongong's Key Assets

# University

## of Wollongong

The University of Wollongong is a research intensive university with an outstanding reputation for its learning environments across a broad range of disciplines.

The University's commitment to students is evident in its graduates, who are recognised for their capability, quality and success in the global workplace. Locally, the University of Wollongong is a vital part of the Wollongong economy, contributing over \$2 billion in gross economic output and providing highly-skilled graduates for local businesses.

Globally, the University's research agenda is working to solve some of the biggest problems facing the world today with key research institutes including the Illawarra Health and Medical Research Institute, the SMART Infrastructure Facility and the Australian Institute for Innovative Materials.

### Innovation Campus

The University of Wollongong's Innovation Campus encourages innovative organisations from around the world to co-locate with leading research institutions in a collaborative environment. The Innovation Campus is home to 16 organisations that work alongside a number of research institutes.

### iAccelerate

The region's first business incubator and accelerator opened in July 2016 with space for 280 entrepreneurs. iAccelerate provides bright minds with the infrastructure, mentoring and education programs to help them succeed. Entrepreneurs are connected to a world-class university, potential investors and high quality business advisors.

RATED IN THE  
**TOP 2%**  
OF WORLD  
UNIVERSITIES

**6,687**  
GRADUATES  
IN 2015





# Wollongong's Key Assets

## Port Kembla

**Port Kembla is an important international gateway, a key infrastructure asset for NSW and an economic driver in the Illawarra region.**

Port Kembla is home to NSW's largest motor vehicle import hub and grain export terminal, and is the second largest coal export port in NSW. The Port handles a range of dry bulk, bulk liquid and general cargo.

Port Kembla is also a key link in the logistics chain for a number of local, Australian and international companies operating in the global economy. Port Kembla provides significant opportunities for companies operating in the logistics field, including:

- Connections throughout NSW, including freight rail connections, to support agriculture and mining.
- Proximity and access to the growing population and employment areas of south-west Sydney, the Illawarra and the hinterland.
- Capacity to handle new trades and increased volumes of existing trades.

- Deep water shipping channel and berths that require minimal maintenance dredging.
- Capable of handling large cargo vessels.
- Short shipping channel that minimises vessel transit time and contributes to port efficiency.
- Excellent stock of well-connected nearby industrial land to support key trades and port-related activities.
- Operates 24 hours per day, seven days a week.

As outlined in Navigating the Future – NSW Ports' 30 Year Master Plan, the proposed Outer Harbour Development provides for additional trade capacity at Port Kembla. NSW Ports' has planning approval to develop a container and multi-purpose facility at Port Kembla's Outer Harbour, which envisages new wharves, berths and terminal facilities for NSW's second container terminal.

### Spotlight

**Port Kembla opens up to tourism, with Royal Caribbean's Radiance of the Seas making its maiden voyage on 30 October 2016.**

**\$760M**  
ANNUAL  
CONTRIBUTION  
TO NSW GSP

**5,200 JOBS**  
CONTRIBUTION TO  
THE NSW ECONOMY  
DUE TO PORT OPERATIONS

**\$935K**  
PER VESSEL VISIT  
CONTRIBUTION TO  
NSW ECONOMY



# Wollongong's Key Growth Sectors

**While Health, Education, Manufacturing, Tourism and Retail are the top employing sectors within Wollongong, there are a number of emerging sectors in the local economy.**

## Knowledge Services

Wollongong has a strong footprint in key sectors including Shared Services, ICT and Financial Services. With over 75 locations employing 5,200 in this sector, Wollongong also boasts some of the lowest staff turnover rates within Australia with most reporting an average rate below 5%.

## Advanced Manufacturing

Advanced Manufacturing is an important growth sector for the local economy with a large number of organisations using advanced methods and technology to compete on both a domestic and global scale. Key to their success is the strong skills base in the region; access to the latest research conducted at the University of Wollongong's Australian Institute for Innovative Materials; and i3net, which promotes the region as a manufacturing and engineering centre of excellence.

## Trade and Logistics

Port Kembla is an important international gateway, being Australia's largest vehicle import hub, largest export grain terminal and the second largest coal export in NSW. An international gateway for agricultural and mining industries, Port Kembla provides significant opportunities for companies operating in the logistics field.

## Defence

The region has a strong record of providing innovative defence technology and services to the Australian and global defence industries. The region has a unique range of capabilities in design, engineering and manufacturing that are applicable across joint land, sea and air domains. Many Wollongong companies supply specialised services and products to defence primes and contractors, with several world class research institutes at the University of Wollongong further enhancing the region's defence credentials.

## Spotlight

**Wollongong welcomed NEC Australia, a leading Australian ICT solutions and services firm in 2016. NEC's new corporate office will create more than 130 new technology jobs for Wollongong. NEC's \$25 million investment in the region will support major customers of NEC across the country.**



image: Kramer Photography

# Wollongong's Economy







## Economy

Top 5 by industry:

Employment		Output (Gross Revenue)	
1 Health	11,118 jobs	1 Manufacturing	\$6.1B
2 Manufacturing	8,572 jobs	2 Real Estate	\$2.6B
3 Education	8,167 jobs	3 Construction	\$2.2B
4 Retail	7,529 jobs	4 Finance & Insurance	\$2.1B
5 Food & Hotels	5,456 jobs	5 Mining	\$1.6B

Source: Remplan, December 2016

## Comparative costs

	Salary costs	Average net lease cost	Staff retention rates
	Salary costs in Wollongong are 15% less than Sydney	Lease costs in Wollongong are 50% less than Sydney	Retention rates in Wollongong are 95% compared to 75% in Sydney
Wollongong			
Sydney			

Source: Deloittes, 2015

## Population

20,000

HIGHLY SKILLED WORKERS  
COMMUTING TO SYDNEY

POPULATION  
FORECAST TO  
INCREASE BY OVER

20%  
BY 2036

## Tourism

TOURISM

CONTRIBUTES MORE THAN

\$1B

TO THE LOCAL ECONOMY

OVER 5 MILLION  
VISITORS ANNUALLY

INTERNATIONAL  
OVERNIGHT VISITORS

↑45%

DOMESTIC DAY  
TRIP VISITORS

↑16%

1MILLION  
DOMESTIC  
OVERNIGHT VISITORS

MAJOR EVENTS  
CONTRIBUTED

\$40M  
ANNUALLY

Source: Destination NSW  
Illawarra subregion, March 2016





# Wollongong's Property Market

## Residential

**Wollongong is experiencing broad confidence in the residential property sector, with the best year-on-year performance of any regional location in the country with house and unit values increasing by 15% annually. Coupled with strong yields and expectations of solid performance throughout 2017, Wollongong provides an attractive alternate option for Sydney residents who find themselves increasingly priced out of the market.**

### Wollongong City Centre

The Wollongong City Centre is seeing an explosion in demand for inner city living with the construction of a number of residential towers in and around the city centre. It is estimated that the Wollongong City Centre will see a 150% increase in the inner city population over the next three years.

### West Dapto Urban Release Area

The West Dapto Urban Release Area is the largest single land release in NSW outside the Sydney Northwest and Southwest growth areas and is located at the base of the Illawarra escarpment. Once complete, the release area will include 19,000 lots and house around 50,000 residents over the next 30-40 years. Stages 1 and 2 of the West Dapto Urban Release Area have commenced with a number of major greenfield developments either underway or completed.

Wollongong is also home to Calderwood Valley, a 609 hectare land subdivision currently underway that is anticipated to provide around 4,800 homes for nearly 12,500 residents.

HOUSES & UNITS ARE PRICED  
**35-40% LESS**  
THAN THE GREATER  
SYDNEY AVERAGE (RESIDEX)

**\$694,000**  
MEDIAN HOUSE VALUE  
(CORELOGIC, DECEMBER 2016)

**\$511,000**  
MEDIAN UNIT VALUE  
(CORELOGIC, DECEMBER 2016)

**\$470/WEEK**  
MEDIAN HOUSE RENT  
(IRIS, 2016)

### Spotlight

**Wollongong median house and unit prices increased by 15% over the last 12 months.**

Source: CoreLogic, December 2016



# Wollongong's Property Market Industrial

## Advanced manufacturing continues to play a vital part in the Wollongong economy.

Following a difficult transition period as a result of some key changes within Bluescope, the market has diversified and adapted with the next 12 months forecast to be a period of strong growth, with particular focus on smaller to mid-sized efficient warehouse tenancies. Most of the activity in the industrial market is being driven by the Port of Port Kembla with logistics a rapidly developing sector, particularly in new vehicle transportation.

Industrial net rents in Wollongong broadly range between \$115-\$150/m<sup>2</sup> for A-Grade premises. Due to low interest rates and the high yield metrics on offer, Wollongong represents a significant investment opportunity.

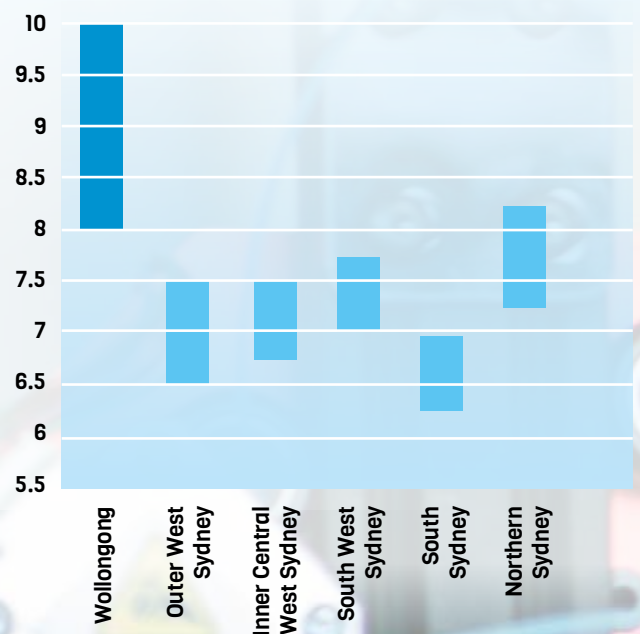
Investment will continue to be strong in 2016-17 for functional assets, as the business outlook remains positive with local firms expecting trading activity to improve, coupled with positive overflow from Sydney. Further site specific information is available from Advantage Wollongong.

## Spotlight

**Wollongong has 2,931 industrial land parcels comprising 2,001.8ha. 1,681ha is occupied, while 321ha is unoccupied.** Source: Cardno, 2014.

## Average A-Grade industrial core market yields

Wollongong vs Sydney industrial regions, June 2016.



Source: Knight Frank, 2016.



## Spotlight

Leasing demand is expected to gain further momentum in 2016/2017 with positive overflow demand from Sydney, local employment growth and positive business confidence.

Source: Knight Frank, 2016.

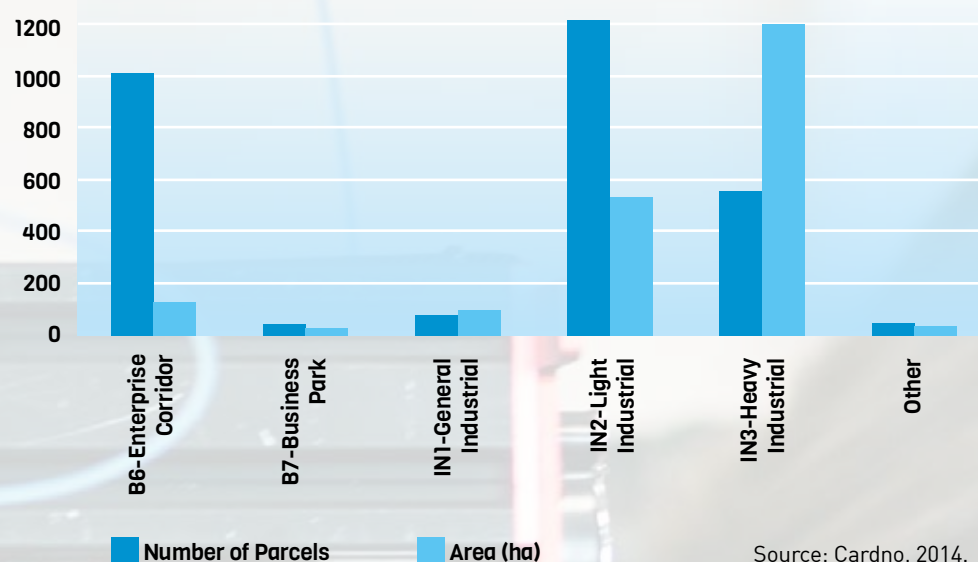
Industrial market indicators (prime)				
Market	Gross face rents \$/m <sup>2</sup>	Market yield range	Land values \$/m <sup>2</sup>	Capital values \$/m <sup>2</sup>
Illawarra	\$115-\$150	7.50-10%	\$150-\$225	\$1,000-\$1,350
South Sydney	\$170-\$385	4.75-6.75%	\$1,300-\$4,450	\$2,500-\$4,800
North Shore	\$200-\$400	6.25-8.75%	\$440-\$900	\$1,500-\$4,300
Outer South West	\$120-\$160	5.00-10%	\$140-\$260	\$1,200-\$1,600

Source: Herron Todd White, 2016.

Note: Land values are based on 2,000 to 5,000 square metre lots.

NB - Market yields and capital values will vary according to level of occupancy, quality of tenants, lease expiry profile, relative level of rents (at, below or above market) building age/capital expenditure requirements, motivations of purchaser (owner occupier v investor v developer), location and price range.

Total area and number of parcels by land use zoning, Wollongong LGA



Source: Cardno, 2014.

# Wollongong's Property Market

## Office

**Wollongong's office market is experiencing strong growth. Low interest rates have made it more attractive for tenants to become owners, while the development of several large strata titled mixed-use projects in the Wollongong City Centre may convert some existing and potential tenants to owner occupiers. Over the last 12 months, there has been an upturn in the market, from existing businesses wishing to expand and new businesses relocating to Wollongong.**

Wollongong has a total of 154,119m<sup>2</sup> of total office space, with around 48% of this stock classified as A-Grade stock. A-Grade office space is currently experiencing low vacancy rates and good demand. Wollongong's A-Grade office vacancy rate is currently sitting at around 8.5% (from 74,626m<sup>2</sup> total A-Grade stock). This

rate has been inflated through the vacancy of the 5,700m<sup>2</sup> former ATO site at 93 Burelli Street, however, once the new building is tenanted to the SES headquarters in early 2017, Wollongong's A-Grade vacancy rate is expected to fall to around 1%.

Wollongong has faced strong rental levels in recent years. Wollongong A-Grade office space averages around \$425m<sup>2</sup>, while secondary assets range between \$250-\$380m<sup>2</sup>. Gross face rents are considerably below that of major non-CBD Sydney office markets, currently discounted by up to 22% depending on comparable market.

Wollongong offers reduced occupancy costs for prime and secondary grade office space compared to Sydney's North Ryde, Parramatta and North Shore markets.

### Office market indicators (prime)

Market	Gross face rents \$/m <sup>2</sup>	Market yield	Capital values\$/m <sup>2</sup>
Wollongong	\$375-\$450	8 – 10.5%	\$2,000- \$4,000
Macquarie Park/North Ryde	\$390-\$450	7.50 – 8%	\$3,000-\$4,800
Parramatta	\$430-\$500	7.25 – 8.5%	\$3,500-\$7,000
North Shore	\$450-\$800	7 – 7.75%	\$6,500-\$10,500

Source: Herron Todd White (2016), note: rents are based on a circa 1,000 square metre floor size.

NB - Market yields and capital values will vary according to level of occupancy, quality of tenants, lease expiry profile, relative level of rents (at, below or above market) building age/capital expenditure requirements, location and price range.

### Record sale

**The recent sale of 90 Crown Street Wollongong for \$43.9M saw a new record set for the Wollongong commercial property market, achieving a rate of \$4786 per square metre.**







## Spotlight

Wollongong is not short  
on development ready  
sites. Currently there is  
**80,000m<sup>2</sup>**  
of DA approved  
commercial space in the  
Wollongong City Centre.

# Looking to invest in Wollongong?

**Advantage Wollongong is committed to assisting investors and businesses interested in Wollongong. If you're considering investing in Wollongong, we can help.**



## **Mark Grimson**

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UNIVERSITY  
OF WOLLONGONG  
AUSTRALIA

INNOVATION  
CAMPUS

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## Acknowledgements



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