



Herron
Todd White

Independent Property Advisors

Westpac

PROPERTY REPORT

Tasmania



National overview

In this edition of the Westpac Herron Todd White Residential Property Report, we are putting the spotlight on the opportunities for cashed-up investors and self-managed super funds (SMSFs).

Softer residential property prices around the country are presenting opportunities for aspiring landlords and DIY superfunds, and we'll take a look at some of the stand-out investment real estate markets.

A buyer's market

With lending still tight and confidence relatively low, competition for quality homes is comparatively thin on the ground, particularly in the entry level markets that are typically popular with investors. While prices are yet to hit bargain basement levels, it's fair to say they have flattened out. This is good news for cashed-up investors and SMSFs looking for long-term capital gains.

Leading the way is the Western Australian market, which has stabilised after a booming period of growth. Similarly, there has been a slight drop in Tasmanian real estate values after 10 years of strong returns. Indeed some markets in and around Hobart, such as Sandy Bay, South Hobart and West Hobart, recorded growth of more than 200% over the last decade.

Property a long term investment

While buyers, particularly first timers, might be taking a wait-and-see approach, rental markets around Australia are still relatively strong. As a result, vacancy rates are low and this is keeping rents steady, which is good news for investor cash flow.

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Location, Location, Location

A resounding message from around Australia is that the investment properties with the best prospects of long term growth are located close to city CBDs, regional centres and infrastructure. Melbourne is a case in point. A wave of building activity and apartment development applications continue in suburbs close to the city, defying the national slowdown. It seems it's a classic case of 'build and they will come', as there appears to be strong demand for new apartments in the inner city, and steady sales.

Regarding the impact of infrastructure and employment on housing prices, it is also worth keeping an eye on Australia's resources sector, especially in South Australia and the Northern Territory. In Adelaide, market watchers are anxiously awaiting the announcement about the future of BHP Billiton's multi-billion dollar expansion of Olympic Down, the world's largest known uranium deposit. Likewise in the NT, it seems that Inpex's multi-billion dollar Ichthys LNG Project is getting closer to reality, with the issuing of pipeline licences.

We expect the Adelaide and Darwin real estate markets will experience major boosts when these initiatives come to fruition and the projects start employing workers – both in terms of sales activity and rentals.

Queensland finds its feet

After a rough start to the year, Queensland is slowly getting back on its feet. We are pleased to report that the town of Toowoomba is experiencing slow but steady growth and a stable rental market. About 400 kilometres away in Gladstone, 2011 is also shaping as a very 'robust' year. The rapidly developing coal seam gas industry has fuelled residential development and growth across the board – in terms of real estate values and rents. Vacancy rates have shrunk below 1% and tenant demand appears to be increasing. It is truly pleasing to hear some good news coming out of the Sunshine State.

Brendon Hulcombe
CEO, Herron Todd White

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Tasmania

Hobart

With a stable population of about 500,000 people, the prospect for real estate market growth in Tasmania is relatively negligible. Static population growth means little demand for increased housing, while Tasmania's largest industry is the rather temperamental forestry sector.

The Tasmanian Government is another major employer, and recent speculation that up to 4800 people (including 2500 private sector workers) may lose their jobs due to budget cutbacks, has shaken local investor confidence. While real estate prices in many parts of Tasmania are stable, values in some towns on the east coast such as Orford and Triabunna have fallen by as much as 15%.

Yet history shows that once the economy rebounds, demand for residential property in the Apple Isle follows. So for cashed up investors and Self Managed Super Funds (SMSFs), softer Tasmanian real estate prices could present some immediate buying opportunities.

Hobart house and apartment/unit market

We believe inner city and fringe CBD locations in Hobart present the best opportunities for investors and SMSFs.

Hobart

Inner city Hobart has produced some of the best returns over the past 10 years. In 1998 the median price was \$125,000 and by 2008 it had jumped to \$480,000. This represents a staggering 284% increase over that 10 year period. The convenience of surrounding amenities is also a huge drawcard, along with the bonus of the CBD locale.

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Sandy Bay

Sandy Bay is worth some consideration and has enjoyed strong capital growth. The University of Tasmania is located within the suburb and good shopping and transport facilities exist. Solid rental returns can be achieved for those properties used for student accommodation, which can be an advantage long term. In 2008, the median price was \$595,000, up from \$195,000 ten years earlier. This represents a 205% increase.

South Hobart

This inner city/fringe suburb's proximity to the CBD is advantageous and also provides good services. The past 10 years has seen a 222% increase in South Hobart's median price from \$115,000 to \$370,000.

West Hobart

West Hobart offers good facilities and close proximity to the CBD. The median price in 2008 was \$412,000 up from \$130,000 in 1998 – a 217% increase. The median currently sits at \$450,000.

Semi-regional house and apartment/unit market

Two semi-regional areas worth considering include Huonville and Kingston - although Kingston is more a southern suburb of Hobart, which provides a hub for the Channel country and the townships to the south.

It's worth noting Huonville and Kingston are not experiencing the same levels of price softening as some property markets in the south of the state. Indeed Huonville and Kingston may be protected against significant price falls as they are more established markets, with strong services sectors.

Kingston

This town provides a full raft of amenities such as major shopping centres, government departments, medical services and various commercial enterprises. The median house price in Kingston is \$349,000.

Huonville

This is also a hub centre that provides all essential services to the Huon Valley and surrounds. The median house price in Huonville is \$270,000.

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Regional house and apartment/unit market

Regional real estate investors could consider an involvement with the National Rental Affordability Scheme (NRAS) which launched recently in Tasmania. Established by the Commonwealth Government to provide affordable rental housing, the scheme allows eligible families and individuals to rent dwellings at a discounted rate, while providing a tax-free commercial investment option for investors. In Tasmania, it is expected that about 900 homes will be part of the scheme by 2012.

As for the regions providing good investment opportunities, we have selected Summerhill, Devonport and Somerset.

Summerhill

A suburb of Launceston, this is a good location for investors looking for affordable housing. It is well supported with amenities, including medical services, schools, two significant shopping centres, plus a regular bus route to the CBD. Summerhill also offers rental opportunities and has historically attracted steady demand from first home buyers and investors. Summerhill enjoys consistent capital growth, while the median house price is \$266,000.

Devonport

In terms of housing types and community facilities, Devonport is very similar to Summerhill, and will enjoy the advantage of being within walking distance of a shopping centre, which is currently under construction. This \$50 million development is expected to have a positive effect on nearby housing values. Devonport's median house price is \$257,000.

Somerset

Somerset (median house price of \$224,000) is an affordable and attractive regional coastal area adjacent to Burnie with a limited supply of homes. It has a serviceable local commercial centre and reliable public transport to the Burnie CBD.

Source: Herron Todd White

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