Herron Todd White

Independent Property Advisors

Westpac

# PROPERTY REPORT

## *Tasmania*

# Introduction

*The Australian property market is experiencing mixed fortunes, and while 'upgraders' have taken over from first home buyers in many areas, the state of markets around the country is far from uniform.*

Buyers in many areas remain hesitant following a string of interest rate rises with the possibility of more to come. Concerns over European debt woes, and the possibility of wider economic fallout also weighs heavily on the market.

In some areas where financial impact of tourism is particularly important, for example coastal Queensland and the south coast of West Australia, property markets remain generally subdued post the Global Financial Crisis.

Friction between the Federal Government and the mining industry had a negative impact on property markets in resource-rich regions, with many buyers adopting a 'wait and see' approach. However, with a more conciliatory new Prime Minister, and a lower rate of mining tax than originally proposed, property markets in mining regions may strengthen.

## 'Upgraders' fill the gap

One of the key features of today's market is a marked slowdown in first home buyer activity following the cutback in government incentives at the end of 2009. In many parts of Australia, prices at the low end of the market rose steeply throughout 2008/09 reflecting increased activity among first home buyers. In some cases prices rose beyond the value of the additional incentives, however, without continued strong demand from first home buyers, values at the lower end of the market could remain static for some time.

Upgraders are tending to fill the gap left by first timers, buoyed by increased home equity – the result of several years of strong price growth. The challenge for many upgraders may be selling their existing home. This is especially the case for owner occupiers whose properties are in the lower price ranges that traditionally appeal to first home buyers.

## Yields rising

One positive outcome of a cooler market is an increase in rental yields through lower prices. This may see investors take the lead as the main market driver in the months ahead, particularly if home affordability worsens as a result of future interest rate rises.

**Brendon Hulcombe**
Chief Executive Officer, Herron Todd White

# Tasmania

While many parts of Australia have been facing uncertainty over proposed changes to mining tax, certain regions within Tasmania are experiencing the devastation that can occur when mines and other key primary industries shut down altogether.

## Contracting employment opportunities

Contracting employment opportunities continue to impact Tasmania's property market, especially regional forestry-affected areas and the north west coast, which has suffered the aftermath of pulp mill closures.

The ongoing issue of contamination from MMG's lead mine in Rosebery continues to affect property values in this area. It is a subject that has attracted considerable media attention and the issue will take some time to resolve.

Elsewhere in Tasmania, recent months have seen first home buyer activity cool, in favour of upgraders and increased participation by investors.

*"... recent months have seen first home buyer activity cool, in favour of upgraders and increased participation by investors."*

## Rental yields are rising

Yields on regional properties are rising, and some regional villages continue to show gross rental returns of around 10% gross. This is in contrast to high-end metropolitan suburbs, which are delivering the lowest returns. Metropolitan yields have remained consistent.

A number of strong valuations were achieved over the quarter including a Tolmans Hill home featuring a lift, pool and views, which was valued at $1.3 million. A unique waterfront holding on Hobart's eastern shore offering 180 degree views was valued at $2.2 million. A Launceston home was valued at $1.1 million. This rural property features a tennis court, self contained flat and expansive grounds.

Source: Herron Todd White