



Herron
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Independent Property Advisors

Westpac

PROPERTY REPORT

Tasmania



National overview

Taken as a whole, the Australian property market has cooled over recent months though in a market as diverse as ours, there are pockets of growth even amid quieter conditions. Buyers who research the markets and choose wisely can be rewarded with both short and long term gains.

The key to success in today's market is to look for locations offering a competitive advantage. The Sydney suburb of Hunters Hill for instance is benefiting from the slowdown in the overall prestige market as buyers seek quality and amenity, but at a more affordable price.

More uniformly though, it's the resource-rich regional areas that are tending to buck the national trend of flat or falling prices. In a number of locations where mining is a dominant industry, strong price gains are supported by high employment and an undersupply of local housing stock. In the Queensland city of Gladstone for example, development of LNG infrastructure is creating significant demand for accommodation. The Mackay property market is also benefiting from mining expansion in the Bowen Basin.

Looking ahead

The best gains on property are made by buying when prices are low, and today's market offers ample opportunity to take advantage of improved affordability as the basis for future gains. Nonetheless it is essential to look for concrete factors that will underpin tomorrow's price appreciation. Indicators of growth can range from improvements to local transport infrastructure through to macro developments which can affect the prosperity of an entire city or region.

As a guide, the Gold Coast suburbs of Broadbeach and Surfers Paradise are likely to benefit from the construction of the new rapid transport rail system scheduled for completion in 2014.

In Darwin, several large-scale construction projects are due to commence next year including the INPEX LNG plant and the Marine Supply Base. These projects should lend support to the city's residential property market.

The general rules of sensible buying still apply even in areas with growth potential. Watch the market that you're planning to buy in, get an idea of how long a particular property has been listed and whether the price has been reduced. Bear in mind that the asking price is only a marketing guide, and in today's market, many vendors will expect an offer below this price.

Brendon Hulcombe
CEO, Herron Todd White

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While much of Tasmania's housing market is experiencing slow conditions, the south of the state, especially around Hobart, continues to offer growth prospects.

In many regions of Tasmania the property market is either caught in a contractionary phase or beginning to show signs of slowing.

In particular, the north western region of the state has experienced four consecutive quarters of negative growth, while the northern region has delivered two quarters of poor performance.

Hobart proves the bright spot

The leading light of the Tasmanian market remains the southern area of the state, which includes Hobart. Here, property values have generally risen, albeit by a modest, average 2.4% over the last year.

The healthier gains in the south have been boosted by the relatively strong performance of inner and middle Hobart where prices have held steady.

Buyers looking to maintain property values would be wise to target these areas. However other regions where prices are falling may offer better long term gains. This is especially the case for investors seeking strong rental yields.

In Launceston for example, a median priced rental property can be expected to generate a gross yield of 5% to 6% annually.

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Location is the key

Over the coming two to three years, Herron Todd White anticipates a period of generally negative growth in Tasmania's property market – with pockets of outperformance. In this type of environment, first home buyers and investors in particular should concentrate on buying in the right location as the key driver to any capital growth they hope to achieve during this period.

Inner city suburbs or low maintenance suburban dwellings in areas featuring good infrastructure are worth aiming for.

In Hobart, the inner city suburbs of North Hobart, South Hobart and Newtown fit this description and have reasonable medium term prospects for price appreciation.

A number of Hobart suburbs also feature quality infrastructure, and these include Lindesfarne, Bellerive and possibly Kingston. It should be noted that while Kingston is a growing area, it does experience traffic bottlenecks on the Southern Outlet connecting to Hobart's central business district.

Inner city suburbs hold appeal

Launceston, Australia's ninth largest non-state capital city, also offers growth prospects. In particular, the inner city suburbs of South Launceston, West Launceston, Newstead and East Launceston all offer reasonable medium term opportunities for capital growth. Suburbs that boast decent infrastructure, potentially supporting capital gains, include Summerhill, Kings Meadows and Prospect.

On Tasmania's north west coast, inner city locations of both Devonport and Burnie are best placed to deliver price appreciation over the next three to five years.

Source: Herron Todd White

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