

**Westpac**

# Tasmania

Property Report – July 2016



## National Overview

The lowest home loan interest rates seen in generations, restrictions on investment lending and softer market conditions across some state capitals are creating the ideal opportunity for first home buyers to get that all-important foot on the real estate ladder. There is a range of approaches first home buyers can take to get there.

### Inner-city apartments – affordable and convenient

Opting for a unit rather than a house is often a more affordable option, and inner-city apartment developments offer a combination of convenience and low-maintenance living, with a wealth of amenities.

In Perth, a number of apartment complexes are being developed in and around the city centre as part of the state government's Directions 2031 and Beyond initiative designed to address urban sprawl. One-bedroom apartments in The Springs at Rivervale, for instance, start in price at around \$350,000.

In Melbourne, 2-bedroom apartments in inner-city Docklands and Southbank are selling for around \$600,000, though an increasing supply means buyers should be wary of limited capital growth prospects in the near term.

### The concept of a 'first home' is changing

First home buyers have traditionally opted for houses in new estates in the outer suburbs. This is still a budget-friendly strategy, and there is a wealth of new estates especially targeted at first home buyers on the fringes of most state capitals.

However, in some areas – notably Sydney, the nation's most expensive property market – new estates are offering dwellings that are more compact than traditional homes, often on smaller lots to enhance affordability.

The growth zones around Leppington in the south-west and Marsden Park to the north-west of the Sydney CBD often feature semidetached duplexes or townhouses on parcels of land comprising 300 square metres. Here vacant land can start in price at \$350,000, with completed homes priced from around \$650,000.

Similarly, in Darwin's satellite city of Palmerston, newly developed suburbs such as Zuccoli offer vacant land priced from just under \$200,000.



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### **Growth potential matters**

First home buyers need to be mindful not just of affordability but also of a property's capital growth prospects, and this largely hinges on location. The strategy of buying in a suburb where prices are more affordable than neighbouring areas can give first home buyers value today plus a head start on future price appreciation.

In Adelaide, for example, the outer suburb of Morphett Vale is considerably more affordable than the neighbouring towns of Flagstaff Hill and Hallett Cove. Yet it offers similar access to shops and community facilities, and local values are likely to benefit from the duplication of the Southern Expressway.

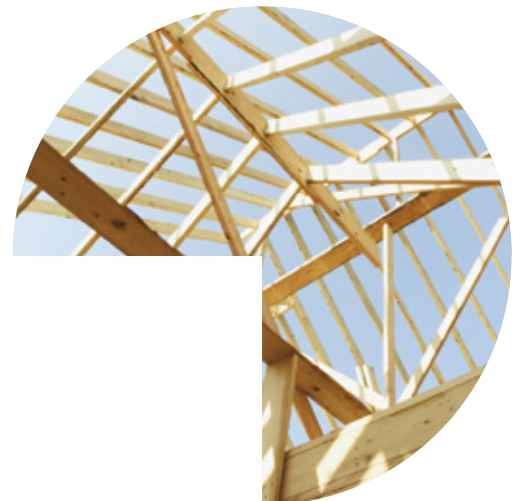
In Brisbane, the southern suburb of Algester offers a price point below \$500,000 while providing the same amenities as neighbouring Sunnybank Hills, where prices are much higher.

First home buyers in Tasmania enjoy a unique position. Not only is the state's property market considerably more affordable than markets in much of mainland Australia, the state government is offering a \$20,000 First Home Builders Boost to first timers who buy or build a new home.

The conundrum facing first home buyers in Tassie is whether to select a new home or purchase an established dwelling – often for a similar price – which could potentially deliver superior long-term gains. Undoubtedly first home buyers in other parts of the country would agree it's not a bad 'problem' to have.

Brendon Hulcombe

**CEO - HERRON TODD WHITE**





## Tasmania

The availability of Tasmania's beefed-up First Home Builders Boost is likely to impact areas that are most keenly sought after by first home buyers planning to build new homes. However, in Tasmania's affordable property market, established dwellings still represent good value.

### First Home Builders Boost enjoys a lift

Tasmania's First Home Builders Boost, which applies to the construction of new homes, was initially set at \$20,000 and was reduced to \$10,000 from 1 January 2016, as scheduled. However, the 2016-17 state budget, delivered in May 2016, reinstated the value of the boost to \$20,000, taking effect immediately.

The increased grant applies until 30 June 2017 and is available to first home buyers who buy new homes, off-the-plan purchases and owner-builder homes.

By doubling the grant, the state government has sought to prevent further softening of the construction industry. But it remains to be seen just how effective it will be. Towards the end of 2015, land developers and construction firms were offering incentives that may have encouraged first home buyers to bring forward their home-buying plans. And in Tasmania's property market, which is considerably more affordable than mainland Australia's, first home buyers can sometimes enjoy better value with established or near-new residential properties. This especially applies in the under-\$250,000 price bracket generally considered to be first home buyer territory.

### Vacant land in Greater Hobart priced from \$24,000

Since the start of 2016, land sales in the south of the state have tended to be dispersed across the Greater Hobart region, rather than concentrated in suburbs where first home buyers were previously more active.

Locations with the greatest number of vacant residential land sales for the year to date include Nubeena, White Beach and Primrose Sands. Given the diverse range of localities, the sale prices for vacant land in these areas also varies broadly, ranging from \$24,000 to \$190,000 for similar-sized blocks.

Glenorchy, located approximately 9 kilometres north-west of Hobart, has accounted for the majority of first home buyer sales for the year to date. As a guide to what is available, an older, partly updated 3-bedroom, 1-bathroom house recently sold for \$236,000. A modern 2-bedroom, 2-bathroom unit in a three-unit development achieved a sale price of \$240,000.



We have seen similar levels of first home buyer interest in Claremont, located 14 kilometres north-west of the Hobart city centre. An older 3-bedroom, 1-bathroom home sold for just over \$240,000, while a 2-bedroom, 1-bathroom unit, which had benefited from some cosmetic updates, sold for \$230,000.

**George Town and Legana remain popular**

In the north of the state, George Town recorded an increased number of established home sales, the majority of which were priced below \$150,000. Most properties had been on the market for extended periods.

Recent sales in the area include an older-style 4-bedroom, 1-bathroom home set on just over 1 acre, on the periphery of town, which sold for \$207,000. An older 2-bedroom, 1-bathroom unit with river views in a six-unit complex sold for \$185,000.

Although George Town is a highly affordable suburb, buyers need to be aware that local employment opportunities hinge on a relatively small number of large employers.

Still in Tasmania's north, the majority of vacant land sales have occurred in Legana, located 12 kilometres north of Launceston. Vacant lots comprising 950 square metres have been sold for between \$90,000 and \$140,000.

**Devonport is attracting first home buyer interest**

The major population centre of Devonport has attracted the highest volume of north-west sales within the first home buyer price bracket. For first home buyers wanting houses, Devonport prices remain very affordable, as evidenced by the recent sale of a centrally located older 3-bedroom, 1-bathroom home with updated kitchen and bathroom and a double lock-up garage for \$249,000. For first home buyers preferring apartments, a buying budget of \$250,000 can often secure a modern 3-bedroom, 1-bathroom unit close to the heart of town.

For first home buyers looking to build, vacant land can be purchased in the Devonport region from as little as \$39,000.

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