



Herron
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Independent Property Advisors

Westpac

PROPERTY REPORT

Tasmania



National overview

Despite perceptions that affordability is a challenging issue in today's residential property market, a budget of \$500,000 still offers Australian investors and owner-occupiers a generous array of options even in Sydney, Melbourne, Brisbane and Perth.

What will \$500,000 buy these days?

Half a million dollars is something of a magic number in residential property as it marks the price limit for many first homebuyers, investors and downsizing retirees. With this in mind, we set out to discover just what \$500,000 buys around the nation, and in many markets, the answer is a surprisingly wide choice of quality properties.

Specifically, we asked state-based Herron Todd White teams what they would recommend buying with a budget of \$500,000 if they were:

- an investor;
- an owner occupier (single or couple) without children;
- an owner occupier with a family.

Cooler prices have improved value

We found that the slowdown impacting markets over the past 12 months has provided exciting buying opportunities. Properties that a few years ago would have been well beyond this price bracket can now be secured for \$500,000 – in some cases with change to spare. Nowhere is this more apparent than in Brisbane, the Gold Coast and Sunshine Coast where an investor with a budget of \$500,000 could pick up not one, but potentially two rental properties.

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Yields topping 17% in outback areas

Even in Sydney, one of the nation's most expensive cities, suburbs like Auburn and Parramatta offer units priced at \$370,000 with gross yields of up to 5.7% - an appealing combination of affordability and healthy returns. As our report illustrates, in some mining towns such as Queensland's Chinchilla, yields can soar to 17% - but with long term prosperity linked firmly to global demand for resources, such investments are highly speculative.

Vibrant lifestyles for owner occupiers in Melbourne

For owner occupiers, a price limit of \$500,000 offers a wealth of choice. In Melbourne's inner city suburb of Footscray, significant urban renewal is occurring and while houses are still available for around \$500,000 there is a good selection of apartments priced from around \$310,000.

Adelaide continues to offer good buying, and in suburbs like Flinders Park and Torrensville \$500,000 will secure a 3-bedroom house on a generous lot with the added appeal of nearby beaches.

Quality suburbs and high yields in Perth

In Perth, \$500,000 buys a wealth of options from inner city apartments generating yields of 6% through to 4-bedroom houses in established suburbs like Willetton, Bassendean and Ocean Reef that combine proximity to the CBD with local amenities and quality schools.

Darwin – don't miss the boat

In Darwin it is still possible to pick up apartments priced below \$500,000 in city fringe suburbs like Larrakeyah. But with an influx of workers expected once construction begins on the new Inpex LNG plant, Darwin prices look set to climb again, and investors could be the key beneficiaries.

The Apple Isle fits the bill

In Tasmania, \$500,000 will secure a quality house or unit virtually across the state, with the possible exception of more expensive prestige suburbs like Sandy Bay, Battery Point and Central Hobart, which is great news if you're considering a move to our southernmost state.

Brendon Hulcombe
CEO, Herron Todd White

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Tasmania

A budget of \$500,000 is regarded as generous in the Tasmanian property market, and this gives investors the option to buy multiple properties, while owner occupiers can enjoy the luxury of a high quality home for a fraction of the cost of a similar mainland property.

Investors

As a guide to just how much \$500,000 will buy in Tasmania, the highest median price across the state's regions is just under \$500,000 – and this applies only to inner Hobart. So investors with a \$500,000 budget could choose to expand their portfolio by purchasing multiple properties.

A wide range of suburbs have had numerous sales of houses or units below \$150,000 over the past 12 months – among them, Scottsdale, Ravenswood, New Norfolk and Bridgewater.

Even in the cities of Launceston, Burnie and Devonport, a reasonable house or unit in a well-located suburb with good local amenities can be purchased for \$250,000.

Given the lower initial purchase costs in these parts of Tasmania, rental yields tend to be much higher than would be available in more expensive locations. However strong yields are likely to come at the expense of long term capital growth.

Given the current economic climate, investors should not expect to see any noteworthy capital gains in the short to medium term. However vacancy rates are remaining steady at below 5% providing reasonably stable rent returns.

Sandy Bay and Newnham are suburbs that may be of special interest to investors. Both locations benefit from proximity to the University of Tasmania and Australian Maritime College campuses, which provide a large pool of prospective tenants. Rent returns in these areas can be seasonal based on the academic year though this can be compensated for by charging an increased rent or by letting on a per room basis.

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Speculative investment around George Town

There is evidence of speculative investors looking at the proposed development of the Gunns Pulp Mill in the Tamar Valley as a possible source of increased tenant demand in the nearby town of George Town in the state's north. However a major investor in the mill – New Zealand businessman Richard Chandler, bailed out of the deal in early March and it remains uncertain whether the project will proceed.

Investors in this region need to be wary of possible price falls if the mill doesn't get the green light. This has been something of a stop/start project to date, and the local property market has experienced price falls of up to 20% on past occasions when setbacks have been announced.

Even if the Gunns Pulp Mill does go ahead, future growth in the surrounding property market is expected to be tempered by the recent announcement that local employer TEMCO is suspending its operations for three months. TEMCO – a producer of manganese alloy, announced in February that it will suspend production while it assesses the future of the plant, which is experiencing operating losses caused by the strong Australian dollar and steady increases in costs. TEMCO employs about 400 people plus contractors.

Owner occupiers

Half a million dollars will buy a home in all but the most prestigious suburbs of Tasmania. There are really only a handful of areas that have recently achieved a large volume of sales priced over \$500,000, and these locations include Sandy Bay, Battery Point, Central Hobart, Central Launceston and East Launceston.

Properties can still be purchased below \$500,000 in these sought after suburbs, and while it is unlikely to be the best in the street, owners can expect to be rewarded with higher rates of long term capital growth.

Elsewhere in Tasmania, buyers with a budget of \$500,000 can choose from a wide range of locations and property types, many providing picturesque views and lifestyle options like proximity to the water. The downside is that on current projections Tasmania's property market is unlikely to achieve any noteworthy capital growth in the short to medium term.

Source: Herron Todd White

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