

**Westpac**

# Tasmania

Property Report – January 2016



## National Overview

As we head into 2016, two key factors are taking some of the heat out of a number of metropolitan property markets. APRA-initiated caps on investment lending are watering down demand among local investors. In addition, the Chinese government has increased restrictions on the amount of capital its citizens can take out of the country. This, too, is seeing a softening of demand from overseas investors.

### POTENTIAL SAVINGS FOR UPGRADERS

It's worth stressing that we are not seeing property values tumble. Nonetheless, more-sustainable growth in our state capitals will benefit first home buyers as well as upgraders, who may have been sitting on the sidelines waiting for markets to take a breather.

Upgrading in the current market can mean selling your current home for a lower price than you may perhaps have achieved, say, 12 months ago. The trade-off is the potential to pocket valuable savings on a home in the next price bracket. As our experts across Australia confirm, the current market offers ample opportunities to take advantage of this strategy.

### VALUE IN SOUGHT-AFTER SUBURBS

In Sydney, some locations are experiencing price falls. In Caringbah South, for example, the median house price has dipped from \$1.582 million in June 2015 to around \$1.28 million at present. Yet with proximity to the Cronulla beaches, nearby transport links and ample local facilities, Caringbah South is expected to deliver strong price growth over the long term.

In Melbourne, suburbs such as Balwyn and Balwyn North, in the city's east, were a favourite among Chinese investors. As this buyer segment withdraws, auction clearance rates are dropping from around 72% to as low as 30%. This has seen values fall by up to 10%, giving today's buyers excellent value for money.



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**DECLINE IN RESOURCE SECTOR BOOSTS AFFORDABILITY IN PERTH**

The end of the mining boom is the chief cause of price corrections across virtually the whole Perth market. Median prices in prestige locations such as Peppermint Grove have fallen by more than 10%. The lower end of the market is also more affordable. In suburbs such as Balga, to the north of Perth, vacant development sites formerly priced at \$480,000 are now listing for around \$420,000 – a saving of 12.5%.

Darwin hasn't escaped the weaker market conditions. Values in and around the CBD have dropped by 4% over the past year; and to the south, sales in Alice Springs have slowed noticeably, providing value-packed buying opportunities.

**TASSIE MARKET PICKS UP**

Tasmania's property market continues to perform below long-term averages, though this is a reflection more of a sluggish state economy than of a downturn in the property market. On a positive note, we are beginning to see increasing sales volumes leading to stock shortages in some areas, suggesting now is a good time to buy.

**QUEENSLAND MARKET – A MIXED BAG**

Brisbane values are reasonably static, with more of the same expected in 2016. The Gold Coast market is strengthening and is likely to pick up speed as we head towards the Commonwealth Games in 2018.

By contrast, a tapering of investor activity on the Sunshine Coast is creating opportunities in the \$600,000 to \$900,000 price range typically favoured by upgraders. For buyers in the north of the state, Mackay offers outstanding value. Prices have dropped by around 30% and quality homes that were once priced from \$700,000 can now be picked up for around \$550,000.

**LOOK FOR THE POTENTIAL FOR LONG-TERM GAINS**

Regardless of the savings that can be made in a cooler market, buyers still need to be mindful of the fundamentals that will underpin long-term capital gains.

If a location ticks the boxes for ample local facilities, strong transport links and nearby employment opportunities, buyers can be reasonably confident their property will notch up healthy value growth over time.

Brendon Hulcombe

**CEO - HERRON TODD WHITE**

## Tasmania

Tasmania's economic outlook remains positive, and 2016 will see continued focus on the development and expansion of the state's agricultural, education and tourism sectors.

Even so, hurdles remain. Unemployment in Tasmania rose slightly, to 6.4%, at the close of 2015, above the national rate of 6.0%. The north-west region in particular is challenged economically; more broadly, the residential property market is performing below long-term averages.

On a brighter note, sales volumes have increased recently and there are reported stock shortages in some suburbs state-wide. The continued strengthening of tourism and agriculture is likely to have a flow-on effect, improving employment and business opportunities. This, in turn, should underpin other markets, including residential housing.

For home owners who enjoy secure employment, the next few months may present an ideal opportunity to upgrade, and for the majority of Tasmanian home owners that means looking at properties priced above \$220,000.

### Hobart

#### **WATER FRONTAGE REMAINS A DRAWCARD**

To the south of Hobart's CBD, Sandy Bay, Kingston and Blackmans Bay are all desirable upgrader locations. Sandy Bay offers many prestige homes, with the additional appeal of being just a short commute to the city centre. However, it is one of Hobart's more expensive suburbs, with a median 3-bedroom house price of \$570,000.

Kingston and Blackmans Bay are further south and therefore involve longer commutes to the city. Even so, Kingston is experiencing rapid growth supported by a wealth of amenities and a picturesque location nestled between Hobart and the Huon Valley. The median price of a 3-bedroom house in Kingston is around \$340,000, with a slightly higher median value of about \$360,000 for Blackmans Bay.

Most recently, the highest number of sales in the mid-priced section of Tasmania's southern market has occurred in Howrah. Located on Hobart's eastern shore, just a 10-minute commute from the CBD, Howrah offers a mix of 1960s and 1970s homes as well as more modern dwellings.

Howrah continues to be affordable at present, with a median 3-bedroom house price of about \$350,000. As a guide to what upgraders can expect for this sort of money, a 1960s 147-square-metre home on a 600-square-metre block recently sold in Howrah for \$370,000.



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## Launceston

### SCHOOLS ARE A DRIVER FOR UPGRADERS

In the northern population centre of Launceston, one of the main drivers for upgrader activity tends to be the availability of quality local schools. There are more than twice as many primary schools as high schools in Tasmania, and some high schools are held in higher regard than others.

For families with children approaching secondary school age, there can be a strong impetus to upgrade to suburbs that fall within the catchment area of one of Launceston's more sought-after schools.

In recent months, the suburb of Legana, located 12 kilometres from the Launceston CBD, has enjoyed the highest number of sales in the mid-price bracket across the state's north.

As an example of what upgraders can expect in Legana, a modern 245-square-metre home set on just over 900 square metres of land recently sold for \$395,000. In a separate sale, an older-style home on a lifestyle block commanded a selling price of \$353,000.

## Devonport

### STILL POPULAR WITH UPGRADERS

Further north-west, the population centre of Devonport has seen strong sales activity relative to the other north-west regions in the typical upgrader price bracket.

Examples of recent sales in the mid-point range include an older-style 203-square-metre home located close to the water for \$377,000; and a modern 131-square-metre residence on a lifestyle block located on the periphery of Devonport, which sold for \$350,000. These results are above Devonport's median 3-bedroom house price of \$235,000.



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