



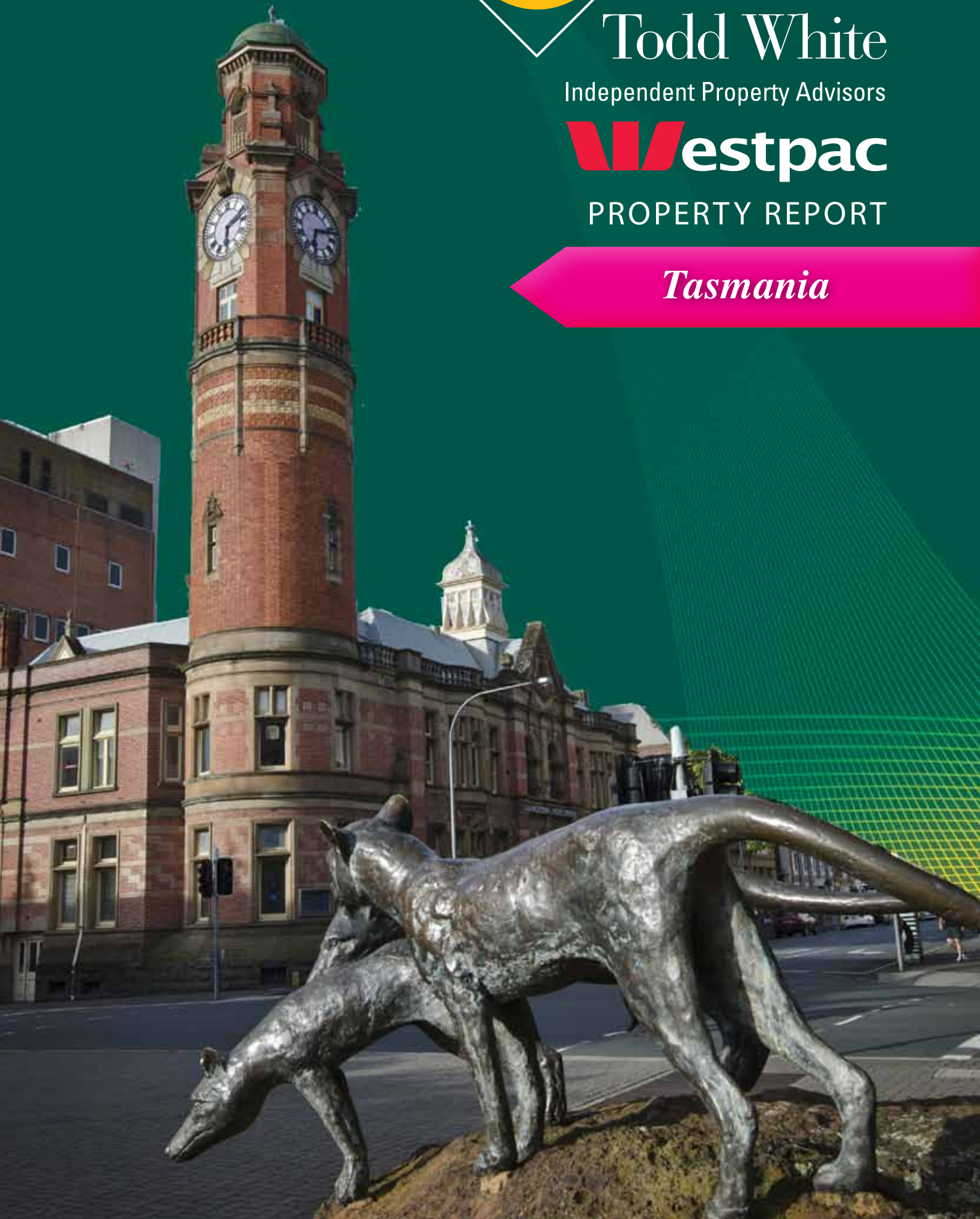
Herron
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Independent Property Advisors

Westpac

PROPERTY REPORT

Tasmania



National overview

The warmer months traditionally represent one of the peak periods for residential real estate, and this year buyers are well-placed to take advantage of lower interest rates, a large volume of listed properties and improved affordability. However after a period of slow or no growth across many markets today's buyers need to look for areas with decent long term growth prospects – and location-specific factors must be considered to maximise long term gains.

Look for lifestyle

Inner city locations tend to perform well over time however lifestyle is a key factor in today's market. With careful research it is possible to combine amenity with affordability.

Adelaide suburbs within 5 kilometres of the CBD for instance are delivering consistent rental yields of up to 5% coupled with low vacancy rates.

In the ACT, near-city apartments in Griffith, Kingston, City, Turner and Lyneham are showing healthy rent returns of up to 6%.

The Hobart suburbs of Kingston and Moonah offer the strongest prospects for capital growth in Tasmania, based on a healthy local labour market. Units in Kingston can be purchased from the low \$200,000s – well below the city's median unit price of \$270,000.

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Infrastructure matters

Infrastructure is a key theme of several residential property markets at present.

In Melbourne's satellite suburb of Mornington for example, the completion of the Peninsula Link Freeway in early 2013 will significantly cut travel times to the CBD, and underpin long term price growth. Homes and units can be purchased for under-\$400,000 making this area an option for first home buyers.

The affordable outer Sydney suburbs of Schofields and Riverstone will benefit from the widening of the M2 freeway, while values in two new suburbs - Oran Park and Edmondson Park, should be supported by the construction of a new train station planned for 2016.

On Queensland's Sunshine Coast property values have reduced substantially, however the construction of the new University Hospital will play a key role in bolstering future price growth and already rental vacancy rates are tightening.

Resource boom continues to impact growth

Mining activity is likely to support price growth across a number of markets, although reports of a slowdown in China may impact buyer and investor confidence in some regions.

That said, in Western Australia the continued growth of the fly in/fly out workforce is expected to support growth in the Busselton area. The region is more affordable than Perth with many homes priced around \$300,000.

In Queensland's north, Rockhampton continues to experience price growth in its role as gateway to the minefields of the Bowen Basin. Older homes are priced from around \$300,000 and investors can secure weekly rents of \$320 to \$340.

In the Territory, high demand for residential property has impacted Darwin values. Units remain the most affordable option for first home buyers and investors, and in suburbs like Palmerston it is possible to pick up older 2-bedroom units priced from around \$320,000.

In today's market the key to achieving long term growth is buying into an area where there is a clear factor that will support demand – and property values over time. A low price simply isn't enough reason to believe you will make a capital gain.

Brendon Hulcombe
CEO, Herron Todd White

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Tasmania

Tasmania's residential property market continues to be impacted by economic uncertainty and prices have stagnated in most areas. Capital values have fallen in Tasmania in recent years and although it is unclear if the market has reached the bottom of the cycle, affordability has improved greatly. This is giving today's buyers more 'bang for their buck' even among sought-after entry level properties.

The current subdued market conditions make it difficult to accurately pinpoint likely future capital growth rates. That makes it important for both first home buyers and investors to focus on traditional drivers of growth – looking for low maintenance properties in locations offering proximity to city centres, shopping precincts and schools as well as access to public services and transport.

Hobart

In the Hobart area, Kingston and Moonah offer the strongest prospects for capital growth based on a reasonably healthy local employment market.

Kingston is located approximately 15 minutes to the south of Hobart's CBD, and the area has developed into a well-serviced suburb with a varied mix of housing including a large number of new homes that may appeal to first home buyers. The suburb enjoys a coastal lifestyle with easily accessible beaches, several schools, a sporting complex, golf course and local shopping centres.

Prior to the market downturn values in Kingston had been climbing as the suburb grew in popularity. More recently however property prices in Kingston have cooled and this is giving first home buyers an opportunity to gain a foothold in the area. Vacant lots can be purchased from around \$120,000, with 2-bedroom units starting in price from the low \$200,000s. This compares favourably to Hobart's median house price of \$370,000 and \$270,000 for 'other' dwellings for the June 2012 quarter.

Prior to the market downturn values in Kingston had been climbing as the suburb grew in popularity.



Kingston also offers good potential for investors, and the location is expected to remain popular when the market starts to recover.

It should be noted that in some areas of Hobart – and indeed across Tasmania, rent returns are falling and it is becoming common for investors to offer incentives to attract and retain quality tenants. The exception to this tends to be suburbs with proximity to the University of Tasmania - like Sandy Bay, where investors are seeking inflated returns by letting properties on a 'per room' basis.

Launceston

Launceston is a more affordable city than Hobart, and Real Estate Institute of Australia (REIA) figures confirm the median house price of \$262,800 and median 'other' dwelling price of \$217,500 for the June 2012 quarter.

To the southwest of Launceston's CBD, the suburbs of Summerhill, Prospect and Prospect Vale offer appeal to both first home buyers and investors.

These locations feature a good mix of older and semi-modern housing stock with some newer subdivisions. The area is well serviced by metro buses, shopping centres and there is a mix of public and private schools. Multiple medical centres, sporting grounds, plenty of parks and the nearby Country Club Tasmania add to the amenity of the area.

Like the rest of the city, this part of Launceston has experienced price reductions however in terms of appeal for both owner-occupiers and investors, it's hard to go past. Once the market stabilises these areas are likely to experience capital growth and investors can enjoy consistent returns as the suburbs are popular among families who choose to rent.

South Launceston is also worth a look for investors, with future capital growth underpinned by the nearby Launceston General Hospital. The suburb comprises character homes and smaller property holdings, and the local residential market generally attracts slightly higher rents due to the number of tenants wanting to be within walking distance to the hospital, the CBD and the Charles Street café strip.

Off street parking is highly desirable in South Launceston, and this is a feature investors should look for. Property values in South Launceston have cooled recently, however the area's long term growth potential remains strong.

Source: Herron Todd White

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