

Tassie Real Estate Reset

Rising interest rates, rampant inflation, and rising living costs have seen local real estate conditions reset to a pre COVID-19 norm. Real estate sales numbers dropped from 12,107 in 2021 to 9848 in 2022 (an 18.7% drop). A decrease in sales has seen the number of properties for sale increase to its highest level in 4 years effectively giving purchasers more choice and time to make an informed decision. Increasing interest rates have reduced the buying capacity for a lot of buyers in particular First Home Buyers, whose numbers decreased 15.6% over the year. Rental demand continues to outstrip supply resulting in the vacancy rates in all regions decreasing to near record lows, pushing rents up in most areas. Of real concern was a 33.1% drop in investor activity which saw numbers drop from 2329 last year to 1558 in 2022 placing even more pressure on an already under resourced residential rental market.

The “mainland invasion” appears to have slowed (recording a 27.1% drop) with interstate purchases decreasing from 2,109 in 2021 to 1,538 in 2022.

Despite all the above house, unit and land values have continued to climb with million-dollar sale numbers surging 19.7%. Quarter on quarter results for December follow the annual results when comparing December quarters in 2022 to 2021 but show an improvement to September 2022. A summary of the highlights of the Real Estate Institutes December Quarterly Report is contained below:

Annual results 2021 to 2022

- 2022 recorded 9848 residential real estate sales down 18.7% on 2021. The cumulative value of the sales in 2022 was \$5.95 billion down from the 2021 record result of \$6.24 billion.
- Across the State house sales were down 16.7% with median prices growing 18.5% to \$616,000, Unit sales were down 16.7% with prices rising 13.4% to \$490,000. Land sales decreased 31.3% while prices increased 21.4% to \$255,000.
- In the regions, Greater Hobart House sales fell 11.7% over 2022 with its median house price increasing 12.9% to \$790,000. Launceston House sales numbers were down 14.6% while prices grew 17.9% to \$579,000. The North west centres saw a 22.8% reduction in house sales numbers but a 16.8% increase in median price to \$466,000.
- Million-dollar sales numbers increased 19.7% from 788 in 2021 to 943 in 2022. Mainland buyers represented just 18.5% of these sales leaving 81.5% as local acquisitions.
- First home buyer numbers (1541 sales) decreased 15.6% in 2022. 67% of FHB sales were for houses (1027 sales), 19% units (295 sales) and the remaining 14% (219 sales) acquired land.
- Investor acquisitions reduced 33.1% in 2022. While 2021 recorded 2329 investment transactions, 2022 recorded just 1558. The median acquisition price was \$454,000 up \$54,000 on last year.
- Purchases from mainland buyers decreased 29.8% from 2190 in 2021 to 1538 in 2022. 509 of these buyers purchased an investment property (median \$480,000) while the balance (1029 sales) was buying to move here. Their median purchase price was \$615,000.
- A dire shortage of rental accommodation has seen rental vacancy rates decrease from 1.3% in 2021 to 1.0% in 2022. In Launceston the rate has decreased from 1.0 to 0.9% and in the North West 1.6% to 1.2%. Demand has seen rents rise 15.5% in Hobart 12.55 in Launceston and 11.8% in the North West.

Median rents in the regions are now \$560 pw in greater Hobart, \$450 in Launceston and \$380 in the North West. Rising house prices have seen investment yields flow to their lowest ever levels of 3.5% in Hobart, 4.0% in Launceston and 4.2% on the North West.

Quarter on Quarter- December '21 to December '22

- In the December 2021 quarter we recorded 2985 residential property sales. In 2022 this reduced 26.5% to 2193 sales.
- Hobart house sales numbers reduced from 560 in 2021 to 451 in 2022 whilst the median sale price increased 1.9% from \$775,000 to \$790,000. Launceston saw house sales decrease over the quarter from 269 in 2021 to 205 in 2022 with median sale price decreasing 3.3% from \$600,000 in 2021 to \$580,000 in 2022. North West house sales decreased from 288 in 2021 to 183 in 2022. Whilst transactions decreased the most in this region (-36.5%) prices increased 8.4% to \$477,000.
- Million dollar sales reduced from 298 in 2021 to 229 in 2022.
- FHB numbers dropped from 454 to 375.
- Investors dropped from 594 in 2021 to 236.
- Mainland buyers down from 537 in the December quarter 2021 to 259 in 2022.

Quarter on Quarter September '22 to December '22.

- Transactions increased from 2142 in previous quarter to 2193. Whilst there were 5 fewer house sales, increases in unit (44 sales) and land (17 sales) accounted for the increase.
- Hobart made 47 more sales over the quarter and saw its median house price increase from \$758,775 in September to \$790,000 in December. Launceston recorded 25 fewer house sales but saw its median price increase to \$580,000. The North West recorded 27 fewer house sales and saw its median price decrease from \$477,500 in September to \$477,000.
- Million-dollar sales were up from 178 in September to 229 in December.
- FHB purchase numbers increased over the quarter from 345 to 375.
- Investor numbers decreased a further 22.9% from 306 in September to 236 in December.
- Interstate buyer numbers (259 for the quarter) continue to decrease from 305 in September.

Other highlights of December 2022 Quarterly Report

- Sandy Bay with a median sale price of \$1,410,000 remains our most expensive suburb closely followed by Tarooma (\$1,221,250) and Acton Park (\$1,220,000), whilst Zeehan (\$223,500), Queenstown (\$247,000) and Smithton (\$325,000) are our most affordable.
- Devonport with 54 sales recorded the most sales of any suburb/town followed by Burnie (49 sales), Kingston (33 sales) and Glenorchy (31 sales).
- The highest municipal sales were recorded at Launceston with 244 sales closely followed by Clarence (223 sales), Hobart (189 sales) and Glenorchy (158 sales).
- Properties are taking longer to sell. Selling time has doubled in Hobart over the past 12 months (now 26 days) and it has significantly increased in Launceston (17 to 29 days) and in the North West (22 to 33 days).

Conclusion

In presenting the December 2022 Quarterly Report, REIT President Michael Walsh said the local real estate market has moved on from the highs of the past three years. We have returned to the levels of activity which occurred in the pre Covid-19 era. It has established a new set of norms which have seen the market transition from sellers dictating their terms of sale to a much more balanced market.

It is taking longer for properties to sell and with increasing numbers of property for sale we are seeing buyers taking a more cautious approach. We are fortunate that our market is relatively small with some areas still experiencing a shortage of stock thus our prices haven't been as drastically affected as our mainland counterparts.

Further interest rate increases, and rising building costs are certainly going to impact our market further. Of considerable concern is the decrease in investor participation in our market. We desperately need more rental property across all parts of the State, but we can't rely just on private investment to fill the gap. Unless there is growth in this sector demand will continue to push rents higher.

I remain confident that the Tasmanian real estate market is well positioned to weather the storm and minimise any fallout from rising interest rates. The need to address a growing shortage of rental properties and a rapid decrease in investor participation is fast becoming a priority for all to address.

END

REIT President Michael Walsh will be available for interviews at 12:30 pm, 7th February 2023 at Roberts Real Estate, 16 Charles Street, Launceston.

Radio interviews 0417 160 715