

MEDIA RELEASE



REAL ESTATE INSTITUTE OF TASMANIA

December 2017 Quarterly Report

2017 - A year of Strong Uncompromising Growth

2017 Annual Results

Ordinarily the results that Tasmania's residential housing market achieved in 2017 would be cause for celebration. The strength of our market is the product of a strong economy, consumer confidence, strong employment growth, and positive population growth. However, the successes of 2017 are undermined particularly in Southern Tasmania by a gaping shortage of property to meet current rental and buyer demand. Booming tourism, growing University student numbers, increased employment opportunities, the affordability of our housing and the emergence of Tasmania as a lifestyle destination has taken its toll. This creating unprecedented demand on a somewhat limited housing supply. This situation presents us with an opportunity to address where we are at and find solutions that will benefit us all for the future.

As expected the Real Estate Institute of Tasmania (REIT) December quarterly Report confirmed that 2017 was a stand-out year for the residential real estate sector. Not only did it record the highest number of sales in a decade (11353), the cumulative value of these transactions (\$3.879 Billion) was the highest ever recorded. House and unit sales recorded their best results since 2003 increasing 13.2% and 19.6% respectively, while land sales recorded a healthy 22.7% increase.

Whilst Hobart ended the year with a median price of \$431,000 (up 8.8%) it only saw a slight increase in sales numbers (+98) over 2017. Launceston soared to its highest number of sales (1334), up 26.6% since 2003 and the North West recorded its best results in a decade up 16.1% with 706 house sales. Launceston's median house price increased to \$292,500 and the North West to \$250,000.

First home buyer (FHB) numbers increased 9.8% (or 120 sales) to 1345 in 2017. Of these, 911 purchased houses, 158 units and, 276 land. FHB numbers have now waivered between 1000 and 1500 for 12 of the past 17 years. FHB accounted for 11.8% of all property sales and only 15.3% of all land sales.

Despite all the hype, interstate buyers (2423) represented just 21.3% of total sales. Of these more than half (1361 or 56.2%) purchased property to reside in Tasmania at a median price of \$325,000 while the remaining 1062 purchased investment properties at a median price of \$270,500. Interstate buyer participation in our market was at its highest level (up 47.4% on 2016) since 2004.

In 2017 investors acquired 2455 properties at a median price of \$260,000. Whilst 1062 were to interstate investors, the majority (1393) were purchased by Tasmanians. Unlike Sydney (+60%) and Melbourne (+50%) local investor sales represent just 21.6% of our Market. Because we have such a small local rental market (less than 30% of all sales) we have been unable to meet the increased surge in demand over the past 12 months.

In 2017 we recorded a record 168 “million dollar plus” sales. Again, Tasmanians purchased 130 of these properties while only 38 were acquired by interstate buyers. Foreign buyers accounted for 61 sales in 2017.

December Quarter

The December Quarter (of 2871 transactions) set a new benchmark for the cumulative value of sales, exceeding \$1 Billion (for the first time). This resulted from a pickup in the number of Southern Tasmania transactions (+16%) and continued strong performances from Launceston (+4.1%) and the North West (+4.5%). Unit and Town house sales continued to surge in the North West (+50%) and Launceston (+7.4%) while numbers dropped across Greater Hobart (-16.4). Land sales increased by 14%.

On the back of increased sales over the December Quarter house prices across greater Hobart increased by 5.2%, and Launceston 1.7%, whilst prices remained stable in the North West.

The December quarter saw First Home Buyers record their highest number of purchases this year recording 265 transactions at a median price of \$308,000. Investor numbers remained consistent representing 19% of all sales; recording 373 transactions at a median price of \$285,000.

Over the quarter Foreign buyers made ten (10) purchases at a median price of \$360,000 while interstate buyers acquired 444 properties (or 23% of all sales) at a median price of \$349,500. Local Tasmanian buyers still dominate our residential market recording 75% of all sales.

Inner Hobart (\$903,000), Sandy Bay (\$883,000) and West Hobart (\$806,944) headed up the top 10 median priced suburbs while Zeehan (\$40,000), Rosebery (\$67,000) and Queenstown (\$78,750) were the 3 most affordable. The suburbs recording the highest number of house transactions in the quarter were: Devonport (61), Kingston (48) and Glenorchy (43). Launceston (390) was the leading municipality for sales closely followed by Clarence (295) and Glenorchy (244).

Rental vacancy rates have continued to decrease in all regions. Hobart (1.4%) now has a vacancy rate below 1% in Outer Hobart, while Launceston declined to 2.1% and the North West 3.2%. Rents continue to record gains over the quarter. Investment yields remain steady (between 5.0% and 5.5%).

Like many of the other Australian Capital cities, Hobart has experienced a real surge in property value and rental demand over the past two years. No one foresaw how our economic condition would change so rapidly.

Unfortunately, there is no quick solution. It is something that we will have to work through. The problem isn't the fault of Air' bnb 'owners (approximately 300), foreign buyers (61 last year), or the interstate buyers (who purchased 1062 investment properties in 2017 or 9.4% of all sales), its much bigger than that. We estimate that Tasmania needs almost 5000 homes to satisfy its current affordable housing, rental and private dwelling demand.

The current situation needs to be addressed and a real opportunity exists for the government of the day to rethink how it can best support the housing sector.

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MEDIA RELEASE EMBARGOED UNTIL MIDNIGHT 1st of FEBRUARY 2018

REIT President Tony Collidge will be available for comment or interview at 11.00 am the 2nd of February 2018 at the Real Estate Institute of Tasmania, 33 Melville Street, Hobart.

Tony Collidge – 0409 726 680