

MEDIA RELEASE 28 JULY 2021

Real Estate Frenzy Surges

Market to New Heights



The Real Estate Institute of Tasmania confirmed in its June Quarterly Report that unyielding buyer and rental demand continue to push prices and rents to record heights. The June quarter recorded another record cumulative sale value quarter with the prospects of the State government gaining almost \$100,000,000 in **additional** stamp duty from an estimated \$1.5 billion dollar gain over 2020. Sales numbers for the year to date are up 25.3% on last year whilst the cumulative sales value is up \$952,000,000 or 48.6% on last year.

Whilst mainland buyer participation in our market has increased to 17.4% of total sales it has not shifted to the lofty levels forecast by many. Local buyers still account for 82.3% of sales in our market. The first 6 months of 2021 has yielded 294 sales in excess of \$1 Million dollars. This exceeds 2020's full year total of 256 such sales. 78.2% of these purchases were made by Tasmanians.

Highlights of the June quarterly report were:

- 2956 property sales worth a record \$1,459,141,424
- Tasmania's median house, unit and land prices set new benchmarks at \$510,000, \$425,000 and \$186,250 respectively.
- 1967 house, 373 unit and 570 land sales were recorded over the quarter
- Likewise, Hobart (\$675,000), Launceston (\$461,000) and the North West Centres (\$382,000) all recorded their highest median prices ever. Hobart up 26.2%, Launceston 22.6%, and the North West Centres 19.4% on the same time last year.
- 150 Million dollar sales over the quarter. Only 30 were acquired by mainland buyers.
- Million dollar sales are up 172.2% on last year.
- First Home Buyer numbers remain stable at 14.5% of all sales purchasing 430 properties over the quarter. 277 acquired houses, 58 units and 95 purchased land.
- Investor numbers improved slightly to 19.2% of all sales but remain below the 25% threshold we need to stabilise the rental market. Investors acquired 570 properties at a median price of \$380,000.
- Mainland buyer numbers increased 20.4% over the quarter to 584 sales. Of these, 365 were acquiring property to move here while the balance were investors. The median price paid by mainlanders for property was \$436,000.
- Foreign buyers were responsible for 7 sales at a median price of \$535,000

- Rental demand saw rents increase between \$10-\$25 per week across most regions. Vacancy rates are now at an historical low (below 2%), with Hobart recording 1.4%, Launceston 1.1%, and the North West 1.7%.
- As rents fail to keep pace with rising property prices, diminishing investment returns see yields decreasing and investors looking elsewhere for places offering better outcomes. Hobart's rental yields have dropped to 3.7% for 3 bed homes, and 4.1 % for units. Launceston has also dropped to 4.5% for houses and 5.9% for units. The north west offers 4.6% for houses and 4.3% for units. Launceston remains the investment "capital" of Tasmania with 28% of its properties being sold for investment purposes.
- From a municipal perspective, Launceston recorded the most sales with 338 worth \$161,558,244, Clarence was second with 295 sales worth \$187,015,496. Hobart was third with 214 sales at \$192,762,932, Glenorchy fourth with 207 sales at \$100,089,655. Devonport was fifth with 164 sales worth \$63,122,835.
- Sandy Bay (\$1,411,000) and Acton Park (\$1,084,625) remain our two most expensive suburbs. Our most affordable Rosebery (\$129,850) and Zeehan (\$150,000).

REIT president Mandy Welling said that the information contained in the report confirms what we are seeing in the marketplace. A dire shortage of rental stock and established homes for sale is failing to quell an insatiable appetite for property across all sectors of the market. If the current levels of activity continue for the remainder of 2021, insurmountable pressure will continue to be placed on property prices and rents. Stock shortages are at the heart of the issue. Without an increase in the number of properties for sale and properties for rent the affordability gap will only widen.

The popularity of Tasmania as a safe haven and lifestyle destination is accelerating and we can expect mainland demand for our property to grow. This will place even more pressure on an already overwhelmed market. The marketplace needs government to expedite major private building and development projects to enable future demand can be met. Any Stamp Duty windfall should be channelled into Public Housing to help ease the burden currently carried by the private rental sector.

Unfortunately, in the immediate future I see prices and rents having no other option than to continue to move upwards.

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