

## Interest Rate Increases reposition local real estate market

The Real Estate institute of Tasmania released its September Quarterly Report today. Whilst Tasmania has not seen property prices plummet like our mainland counterparts, we have seen a re-alignment of the market with significant decreases in real estate sales, investor participation and mainland acquisitions.

In comparing the January to September sales in 2022 to 2021, one could be forgiven to believe that things haven't changed. Year on year comparisons show a 16.1% decline in transactions (9122 in 2021 to 7655 in 2022) yet house, unit and land prices growing 23.7%, 16.9% and 28.1% respectively. The combined cumulative value of sales which currently sits at \$4.6 billion is 2.7% above the same time last year but in this current environment will struggle to better last calendar years result of \$6.2 billion. In the 12 months Hobart's median house price grew \$127,600 to \$790,000, as did Launceston (\$85,000 to \$575,000) and the North West (\$79,000 to \$465,000). Growing prices saw 710 million-dollar sales achieved in the 9 months; an increase of 45.7% on last year. On the downside, rising interest rates and surging prices saw First Home Buyer numbers drop by 15%. Worryingly investor transactions fell 23.8%, and mainland buyer participation decrease 22.6%.

A significant swing in momentum has occurred over the past 6 months but more evident over the September quarter. Rising interest rates, growing cost of living expenses, inflation and slow wage growth are finally starting to bite. Over the past 3 months, sales numbers slumped 19.7% going from 2667 sales over the June Quarter to 2142. Withdrawal of First home buyers, investors and mainland buyer participation saw sales in these sectors fall away considerably.

REIT President Michael Walsh stated that over the September Quarter our market had transitioned to meet the demands of the current economic climate. Despite national commentary of doom and gloom, our local market was well positioned to minimise the fallout. We still have a shortage of stock (although levels have improved considerably) and relatively good buyer interest. I don't believe we will be seeing prices spiral downward out of control.

What has become evident is that interest rate increases, inflation and wage levels are having a real impact on affordability. The rapid rise in prices over the past twelve months, combined with increasing interest rates (which have impacted the borrowing capacity of many purchasers), has created a climate of uncertainty and apprehension with purchasers in the market. We are seeing a controlling transition from seller to buyer occurring.

I remain concerned at the continued withdrawal of investors from our market and the impact this will have on rents and rental availability into the future. This highlights the need for the Government to not only move expediently with its public housing construction program but to also consider ways to get investors back into our market.

I remain positive about the direction in which our market is heading. It is now a level playing field with equal opportunity for both buyer and seller to achieve a fair and favourable outcome.

**A summary of the major findings of the September Quarterly Report are detailed below:**

- 2142 property sales occurred across Tasmania valued at \$1,290,581,698. Transactions were down 19.7% on the previous quarter and 27.7% on the same time last year.
- Across the State, house sales (1507) dropped 15.4% on the June Quarter, and 22.3% on September last year. The median house price fell 2.6% from \$626,000 (in June) to \$610,000.
- Unit sales (330) decreased 15.4% but median price increased \$10,000 to \$495,000.
- Over the quarter land sales decreased 51% (from 513 to 283) but prices grew 8.0% to achieve a record median of \$289,000.
- Across Greater Hobart house sales numbers decreased 21.2% over the quarter with the median sale price receding 4.0% from \$790,000 (June) to \$758,775. Launceston sales numbers remained stable (230) but its median house price fell 4.2% from \$585,000 to \$560,500. Sales in the North West were down slightly to 210 transactions, with prices continuing to grow in the region increasing 1.6% to \$477,500.
- Sales of property exceeding \$1 million dropped 33.3% from 267 in June to 178.
- First Home buyer numbers decreased 19% going from 426 in June to 345
- Alarming investor participation was down 31.8% on June Quarter with just 305 sales occurring in this sector. That's half of what occurred for the same period last year. In 2021 investor sales represent 20% of all transactions; this year it dropped to 14.3%. To address our state-wide rental supply issues, we need these numbers to exceed 25% of all sales. This is the lowest level investor activity has been at in the past decade. A vast majority of sales in this sector are resales of existing rentals.
- Rents have increased \$20 or 3.8% in Hobart (\$550 per week - 3 bed house) and remained stable in Launceston (\$450 per week) and up \$5 on the North West Coast (\$380 per week). Vacancy rates remain very low (below 1.1%). With median prices dipping, investment yields in Hobart and Launceston have improved. All areas are providing returns between 4.3 and 4.5%.
- Mainland buyer levels (305 purchases) were down 34% on the June quarter. This is the lowest level that mainland interest has been for some time.
- Over the past year sales at the bottom end of the market (below \$400,000) reduced 55.7%. Similarly, sales in the \$400,001 to \$600,000 fell 25.4%. This year, the numbers remained close, but it has been the top end of the market which has decline over the past 3 months. Sales numbers above \$600,001 fell by 19.6%. The decrease in these sales is a major contributor to the downward movement in median prices particularly in Hobart.
- Acton Park became our most expensive suburb of the September Quarter worth a median price of \$1,411,000, closely followed by West Hobart \$1,250,000 and Sandy Bay \$1,225,000. The West Coast remained our most affordable region with Roseberry leading the way with a median price of \$165,000. Queenstown was next at \$230,000 and then Zeehan \$245,000. Burnie recorded the most sales (66) for any suburb/town followed by Devonport (57), Kingston (42), Glenorchy (35) and new Norfolk (30).

**END**

**REIT President Michael Walsh will be available at 1.00 pm 4th of NOVEMBER 2022 at Roberts Real Estate, 16 Charles Street Launceston**

**Radio interviews 0417160715**