

## MEDIA RELEASE

### REIT June 2019 Quarterly Report

#### Investors flee softening market



Real Estate Institute of Tasmanian figures released today for the June Quarter saw the market rebound from pre-election jitters (of the possibility of Labor's introduction of Negative Gearing and Capital gains tax changes). Whilst the recovery was modest, it did see transactions for this quarter increase 7.7% to 2843 sales, and the gross value of sales reach \$1.054 Billion. Both figures were down marginally on the June 2018 Quarterly results.

The first 6 months of 2019 has seen overall transactions for this year down 1.9% on 2018 and down 0.5% in cumulative value. Across the State, house prices have increased 4.2% over the 6 months whilst units were up 6.6% and land rose 7.5%. The markets varied across the 3 major population zones with activity remaining very strong on the North West Coast with house sales up 6.4%; Launceston easing down just 0.6%, and Hobart slowing more rapidly down 3.5%.

The biggest shock has been the continued withdrawal of investors from our market (down 10.9%). In 2018, 2504 investors purchased rental properties across the State. In the first half of 2019 the number was 979. This is very concerning and will only add pressure to an already tense rental market. Mainland purchaser numbers are also down significantly (12.6%) on last year. Traditionally mainland buyers account for between 20-25% of our total sales with foreign buyers less than 1%. More than half of the mainland buyers are buying property to move here to live. In 2019 mainland buyers are down by 12.6%.

Major highlights of the June 2019 Quarter were:

- 2843 sales worth \$1,054,063,218
- Hobart recorded 534 house sales at a median price of \$520,000. Whilst the median price was up 2.8% on last year the number of sales continue to decrease (down 7.8%).
- Launceston recorded 332 sales at a median price of \$335,000 with both sales numbers down 7.5% and prices -1.2%
- A strong and active North West Coast market saw a 15% increase in transactions and a 0.4% increase in prices (median \$279,000).
- 380 unit/townhouse sales were recorded across the State in the June Quarter. Hobart record 186 of these sales at a median price of \$382,500. Sales numbers were down 6.4 % across the State whilst median prices grew a healthy 7.5%.
- First home buyer numbers have retracted (down 5%) from the previous quarter but return to the traditional level of the past couple of years (12% of all house sales).
- Investors were at 17%, up 1% on March Quarter but well down on their historical average of 20-25%. Investors remain strongest in Launceston where they account for 28% of all sales. Hobart and the North West were 18% each.

- Like investors, interstate buyers were well down on their traditional 20-25% market share at just 18% of all sales.
- The average selling time for property crept out to 34 days an increase of 2 days over the quarter.
- A slight easing in the rental market over the June quarter has seen rental prices across all regions ease in all the major population centres. The easing in rents is reflective of a slight softening in vacancy rates across all regions.
- Sandy Bay pipped Acton Park for Tasmania's most expensive suburb achieving a healthy median price of \$939,000 from 32 sales. Queenstown and Roseberry provide some of the most affordable living in Australia with median prices below \$100,000 for their 35 sales. Devonport sold the highest number of properties with 56 sales. Launceston remained the highest selling Municipality with 397 sales, followed by Clarence and Glenorchy.

REIT President Tony Collidge said

Whilst there was clearly an improvement in activity within the market place following the Federal election, it is evident that our market is transitioning to a more balanced environment. Whilst a reduction in interest rates improved affordability, it doesn't appear to have significantly impacted sales numbers. I believe that the strong price and rental growth of yesterday's market is now behind us and that a much more modest level of momentum in our market will occur.

REIT data captured over the quarter showed a strong improvement in activity in April; a robust May and softening in sales numbers in June. What has become evident from these results is that the unavailability of stock (properties to sell) in Hobart and Launceston in particular has almost brought the market to a standstill. Furthermore the withdrawal of investors from our market is a major concern and will only impact the broader economy as we struggle to cater for the housing needs within our communities.

The inability of Government or Municipal Councils to make proactive decisions on urban development and infrastructure needs will have dire consequences into the future. Unfortunately, the lack of strategic foresight and a common sense to planning could see both investors and developers looking to leave the state in pursuit of opportunities elsewhere. This is something Tasmania can't afford! We need to develop diverse accommodation not only to meet current needs but those of the future. By increasing housing supply, we can create an environment which is more conducive to affordability and meeting buyer needs.

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**MEDIA RELEASE EMBARGOED UNTIL MIDNIGHT 30<sup>th</sup> OF JULY 2019**

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