

REIT June 2023 Quarterly Report – Tasmania

Investors become an endangered species - 08/08/23

As government walks the political tightrope around housing affordability and rental stress, those investors upon whom it has become reliant upon to fill the gap in its housing supply are becoming less willing and less participative than they have been in the past two decades. The Real Estate Institute of Tasmania in its June 2023 Quarterly Report identifies that investor activity halved (was down 54%) on its previous year's activity. Investor numbers plummeted from 2215 participants in the 2021/22 financial year, to just 1018 in 2022/23. Increasing interest rates, the threat of rental freezes, and the erosion of landlord rights has led many potential investors to seek other avenues to invest their savings.

The rising cost of living expenses combined with interest rate rises has dampened the level of activity within Tasmania's real estate market. Over the last financial year, sales numbers were down 23% and are now transacting at levels achieved almost a decade ago. Prices have not been impacted as significantly with houses and land median prices decreasing 1.8% and 1.3% respectively, while unit prices rose 1.7%. Across the major population centres, median house prices fell 7.3% in Hobart, 3.6% in Launceston and 2.3% across the North-West. The fall in median prices does not necessarily mean that house prices have fallen. What it does mean is that the largest proportion of sales are occurring in the middle to lower levels of our market. Interest rate increases have eroded the amounts that purchasers can borrow, and they are now buying at significantly lower levels than they could 12 to 18 months ago. The top end of the market has been the most impacted with million-dollar sales numbers decreasing 20.2%. Like investors, the "Mainland Invasion" has slowed to a trickle with the numbers seeking to buy Tasmanian real estate down 48.5% (from 2095 in 2020/21 to 1078 in 2022/23).

Quarter on quarter the June 2023 transaction results were up 14.6% on March's results and relatively consistent with June 2022 (with the exception of investor and mainland participation levels).

Across the rental sector there has been a significant easing in vacancy rates across all regions of the state. Whilst it's pleasing to see more rentals becoming available very few falls within "the affordable" levels sought at the lower end of the market. Median rents for a 3 bed home declined slightly (\$5 pw) in Hobart, but have increased \$10pw in Launceston and \$25 pw across the North West Coast.

Highlights of the June 2023 Quarterly Report are detailed below:

- 2395 sales worth an accumulated value of \$1.49 billion. Transaction numbers were up 14.6% on the March Quarter but were down 10.2% on the same time last year.
- House sales numbers (1689) across Tasmania were up 14.1% on March quarter, but down 5.2% on June 2022. The median house price (\$615,000) was up 2.7% for the quarter.
- Unit sales increased 11.2% to 376 sales for the quarter, while the median price dropped \$6550 to \$493,450 for the same period.
- Land sale numbers improved 18.1% over March but were still down 36.7% on June 2022. The median price fell 2.3% over the quarter to \$263,750.
- It is taking almost twice as long to sell a house today as it did last year. Average selling time in June 2022 was 22, while in 2023 it has increased to 47 days.
- Greater Hobart achieved 516 house sales, 75 more than last quarter and 3 more than the same time last year. Over the past 3 months the median house price increased \$12,000 to \$732,000.
- House sales in Launceston (258) increased by 43 sales over the quarter. They also achieved a better result than the same time last year (237 sales). Prices increased \$15,000 to \$564,000 over the quarter but remain below 2022 levels.

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- The North-West sales grew 23.8% to 213 over the quarter with its median price remaining stable at \$459,000.
- Residential sales exceeding \$1 million increased 36.6% to 239 for the quarter but this is still 10.5% down on June 2022. Local Tasmanian buyers acquired 84.9% of these properties.
- First home buyer numbers grew 17.4% over the quarter to 419. 308 first home buyers purchased houses, 71 units and 40 land lots.
- Whilst investor numbers increased slightly from 227 to 249 over the quarter, they were down 44.5% on the same time last year.
- In similar fashion, the mainland immigration numbers improved slightly over the quarter from 242 in March to 273 in June but were down 40.9% on the same time last year.
- Residential Vacancy rates have hit their highest level in 3 years. State-wide it sat at 1.7% which was an increase of 0.5% on last quarter. These vacancies appear largely in the mid to upper ranges and unfortunately cannot help alleviate the stress at the more affordable bottom rental tier. Current market activity suggests rents in many areas have peaked.
- Seven of Tasmania's highest selling suburbs all had median prices exceeding \$1 million. A top of the list was Sandford at \$1,371,500, followed by Sandy Bay and Kingston. Rosebery (\$195,000) remained our most affordable town together with Queenstown and Railton.
- Burnie (72 sales) recorded the highest number of sales for a single location, closely followed by Devonport (58), and Kingston (33). Of the municipalities, Launceston recorded the most sales with 276, followed by Clarence (270), Hobart (207) and Glenorchy with 184.

REIT President Michael Walsh said that there is no doubt that increasing interest rates have significantly affected the level of activity within our market. Inflation and its impact on the rising costs of living have had their part to play as well. Both have placed considerable pressure on the lifestyle of many Tasmanians and impacted consumer confidence.

Hopefully the worst is now behind us as we look to return to what one would term "a pre COVID normal Market" where demand and supply between buyer and seller, tenant and landlord determine the market.

Significant growth in the number of properties for sale and for rent will generate an increase in supply which in turn will place a downward pressure on prices and rents. The market has levelled out and we should see more stability across the sales and rental markets.

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REIT State President Michael Walsh will be available for interviews at 11:30 am, 8th August 2023 at Roberts Real Estate, 16 Charles Street, Launceston.

Radio interviews 0417 160 715