

Despite a federal election, local political turmoil, economic volatility, and the failure of the Reserve Bank to introduce interest rate relief, Tasmanians felt confident enough to give its thumbs up to the local real estate market over the recent June Quarter and post its strongest results for the past 12 months. Southern Tasmania led the way achieving more than half of the States real estate transactions. It saw robust growth in house sales (up 16% on the March Quarter), 49.5% growth in investment activity, and 47.8% increase in mainland buyer activity. Rental availability continues to decline whilst rents remain stable.

Whilst surging mainland Capital City prices has seen the margin widen between them and Hobart, the affordability of Tasmanian real estate has become more appealing. Hobart has the lowest rents of any capital city, and its median house price is half that of Sydney and approximately \$300,000 less than Melbourne, Adelaide, Brisbane and Canberra. Typically, Tasmanian property prices have slowed over the past two years but moving forward the prospect of future interest rate reductions should see an invigorated market.

The REIT June Quarterly Report identifies the highlights for Southern Tasmania as:

- Southern Tasmania achieved 1249 property transactions over the June quarter which was its strongest result in 12 months. Its sales represented 56.8% of total sales made throughout the State. The cumulative value of these transactions was \$875 million.
- There were 919 house sales at a median price of \$695,000. This was 127 or 16% more transactions than the previous quarter and 98 more than the same time last year. The median price increased (\$5,000) over the quarter but was \$5,000 less than the same time last year. With a significantly higher proportion of properties selling in the middle to outer areas of the southern market the overall median price was forced lower than it otherwise would have been.
- There were 210 Unit sales at a median price of \$547,000. Both transaction numbers and prices were just below last those achieved last quarter and the same time last year.
- Land sales numbers (110) were 58 less than the same time last year but 6 more than the last quarter. The median land sale price was \$270,000 which was down \$12,500 on the previous quarter and \$20,000 on the same time last year.
- The number of sales recorded in the region above \$1 Million, (159) surged 16.9% over the previous quarter (136) and 24 more than the same time last year. Local buyers acquired 81.8% of these properties.
- As expected, First Home Buyer activity jumped from 196 to 221 over the quarter but was 12 less than the same time last year. 170 acquired houses at a median price of \$605,000, 33 units at \$505,000 and 21 land at \$245,000.
- Investor activity (142 transactions) recovered significantly across Southern Tasmania. Numbers were 49.5% or 45 acquisitions higher than the previous quarter and 19 more than the same time last year. The Median acquisition price increased from \$540,000 in the March quarter to \$553,750 and was \$23,750 more than the same time last year. Mainland investor numbers (64) represented 31.4% of total investment activity and their median purchase price was \$560,250. An alarming observation has

been the number of existing investors placing their properties for sale. A reduction in rental stock levels is something we cannot afford given the current rental shortages.

- Mainland purchaser activity soared to 204 purchases over the quarter. This was an increase of 47.8%. Numbers were also up 22.2% on the same time last year. Median purchase price was \$607,750. Twenty-nine (29) of these purchasers acquired property in excess of \$1 million. Sixty-four (64) acquired investment properties. As local real estate prices lag further behind mainland prices the prospect of a relocation to Tasmania becomes a real option.
- Battery Point was Southern Tasmania's most expensive suburb recording a median price of \$1,380,000. It was followed by Sandy Bay \$1,338,500, Tranmere \$1,250,000, and Acton Park \$1,150,000, Gagebrook was its most affordable location with a median price of \$382,750. Bridgewater \$430,000 was next followed by New Norfolk \$451,000 and Risdon Vale \$470,000. Kingston with 43 transactions recorded the highest number of sales for a location. It was followed by Claremont and New Norfolk on 30 and Rokeby on 28. Of the municipalities Clarence recorded 243 sales followed by Glenorchy 200, Hobart 194 and Kingborough 177.
- The rental market tightened in Southern Tasmania with the vacancy rate reducing from 1.9% to 1.8%. Median rents remained unchanged at \$560 per week over the quarter but were up \$35 per week over the year. Based on current rents and property prices investment yields of 4.4% are being achieved.

Commenting on the June Quarterly Report, REIT President Russell Yaxley said that as anticipated momentum has continued to build as confidence returns to our market. Sales numbers continue to grow; the pool of property for sale shrink, and prices begin to climb. A shrinking rental pool and increasing demand will unfortunately see continued pressure on rents. Buyers and renters have been fortunate to not have seen prices and rents surge like many of the mainland capital cities. On a mainland scale our property prices and rents remains at the bottom end of the table.

Whilst it is encouraging to see strong growth in investor activity this can be largely attributed to many current investors selling their investment. Higher costs, bias governance combined with proposed rental legislation changes have seen many landlords on the move. Rental sales are outpacing rental supply. This is something we don't want and can't afford in this current market. It will however provide opportunities for First Home Buyers at the expense of renters.

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