



**Preston  
Rowe  
Paterson**

®  
International Property Consultants

# Property Market Report

## Tasmania

### ABOUT THIS REPORT

Preston Rowe Paterson prepare standard research reports covering the main markets within which we operate in each of our capital cities and major regional locations.

The markets covered in this research report include the commercial office market, industrial market, retail market, hotel and leisure market and residential market as well as economic factors impacting on the real estate markets within we operate.

We regularly undertake valuations of commercial, retail, industrial, hotel and leisure, residential and special purpose properties for many varied reasons, as set out later herein. We also provide property management services, asset and facilities management services for commercial, retail, industrial property as well as plant and machinery valuation.

To compile the research report we have considered the most recently available statistics from known sources. Given the manner in which statistics are compiled and published they are usually 3-6 months out of date at the time we analyse them. Where possible we consider short term movement in the statistics by looking at daily published data in the financial press. Where this shows notable fluctuation, when compared to the formal published numbers we have commented accordingly.

### June quarter 2015

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## COMMERCIAL OFFICE MARKET

### Hobart CBD



#### Investment Activity

Preston Rowe Paterson Research has recorded limited major sales transactions that occurred in the Hobart CBD market during the three months to June 2015;

#### 340-344 Elizabeth Street, North Hobart TAS 7000

The **Palfreymans Arcade** was sold for **\$1.85 million**. Built circa 1900, the Queen Anne federation building sits on a prominent corner of North Hobart's emerging trendy retail strip. The property houses six tenancies with retail spaces on ground floor and office spaces on the first floor.



#### Development Sites

The Property Council of Australia's (PCA) Office Market Report July 2015 have recorded the following office developments in the Hobart CBD office pipeline.

The development of **Montpelier Project** located at **2 Montpelier Retreat, Battery Point** within the Salamanca business precinct had had its DA approved. The mix-use development will include 2,000 sqm of office space over a single level and 6,000 sqm of retail space.



The average floorplate size is approximately 2,000 sqm. The development comprise of a set of 5 buildings providing apartments and serviced apartments, wellness centre, public open space, underground car park with 430 car spaces (360 are public car spaces). The project is expected to be completed in the 2nd quarter of 2017.

### Supply by Grade (Stock)

According to the PCA Office Market Report July 2015, the Hobart CBD office market did not record any additional supply or stock withdrawals in the six months to July. The Hobart CBD total stock level remained at 363,082 sqm.

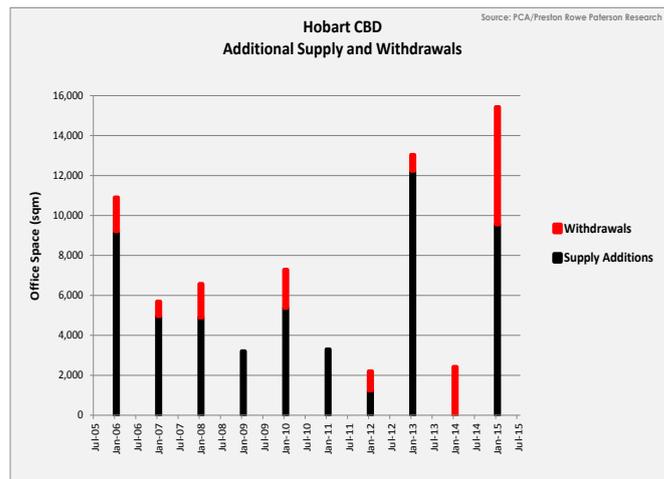


Chart 1 – Hobart CBD Additional Supply and Withdrawals – Source PCA

The Hobart CBD office market was dominated by A Grade stock which amounts to 188,420 sqm. The B and C Grade stock levels were similar, accounting for 70,526 sqm and 68,755 sqm respectively. D Grade stock level totalled to 35,381 sqm.

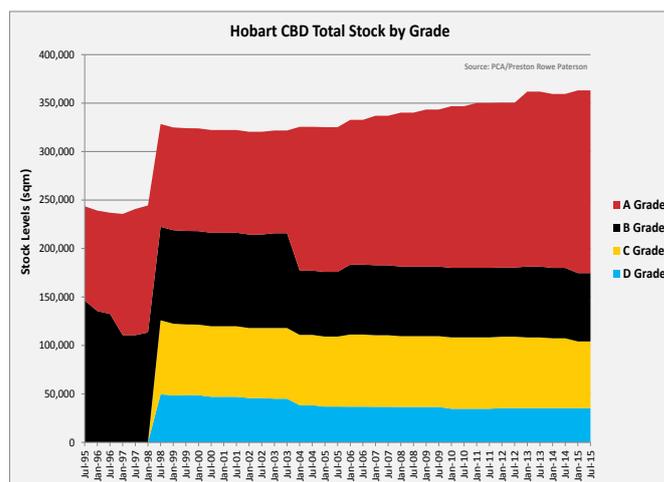


Chart 2 – Hobart CBD Total Stock by Grade – Source PCA

## Total Vacancy

The Hobart CBD office market total vacancy rate remain unchanged in the six months to July. The total office vacancy in Hobart was recorded at 8.9%. Both direct and sub-lease vacancy remained unchanged at 7.2% and 1.7% respectively.

On a year on year analysis the Hobart CBD A Grade vacancy rate has increased by 2.6% to 5.7%. Similarly the C Grade and D Grade vacancy rates have both grew by 2% to 4.1% to 13% and 10.5% respectively. The only recorded tightening in vacancy was in the B Grade office stock which fell by 1.9% to 12.7%.

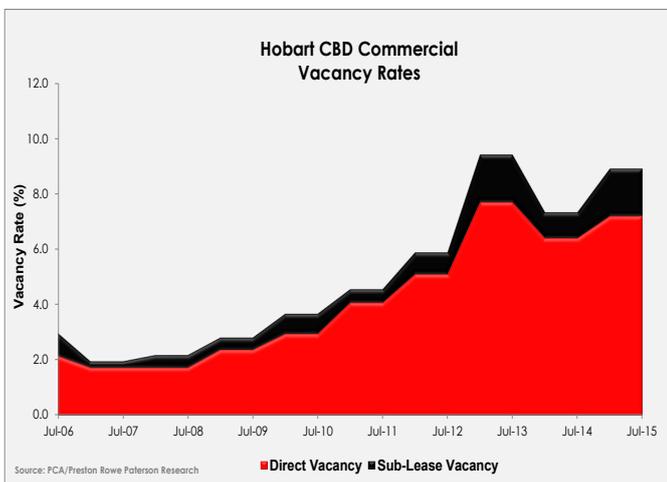


Chart 3 – Hobart CBD Commercial Vacancy Rates – Source PCA

## RETAIL MARKET



### Economic Statistics

According to the Australian Bureau of Statistics category Retail Trade (June 2015), the retail turnover figures recorded in Tasmania produced positive results. The Tasmanian total industry retail turnover increased by 0.1% over the month of June resulting in total turnover for the month of \$475.5 million. This is a 1.7% increase when compared to June 2014.

The Tasmanian retail market had produced predominantly negative results over the month of June. Household goods retailing decreased by -1.5% to a monthly turnover of \$90.2 million. Café, restaurants and takeaway service, and Food retailing fell by -1% and -0.2% to a monthly turnover of \$47.4 million and \$206.3 million respectively. Clothing, footwear and accessory retailing monthly turnover remain unchanged at \$32.2 million.

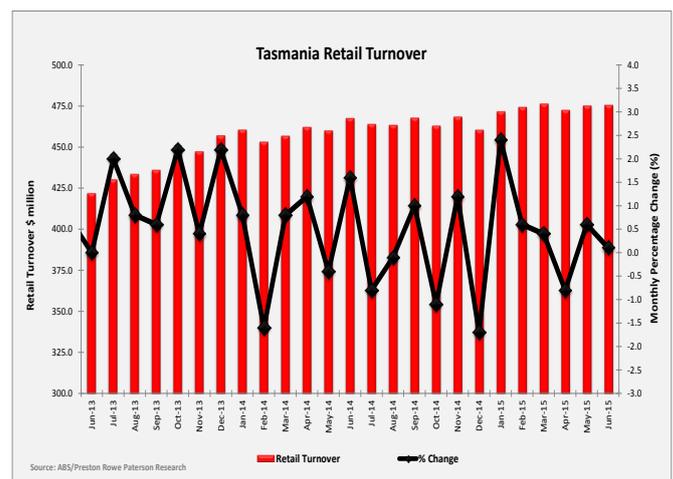


Chart 4 – Tasmania Retail Turnover – Source ABS



Year on year analysis recorded mixed results for Tasmanian retail. retailing Café, restaurants and takeaway service recorded the largest decline of -8.5%. Household goods retail fell by -3.7% whilst Clothing, footwear and accessory and Food retailing both reported an annual growth of 5.6% and 3.5% respectively.

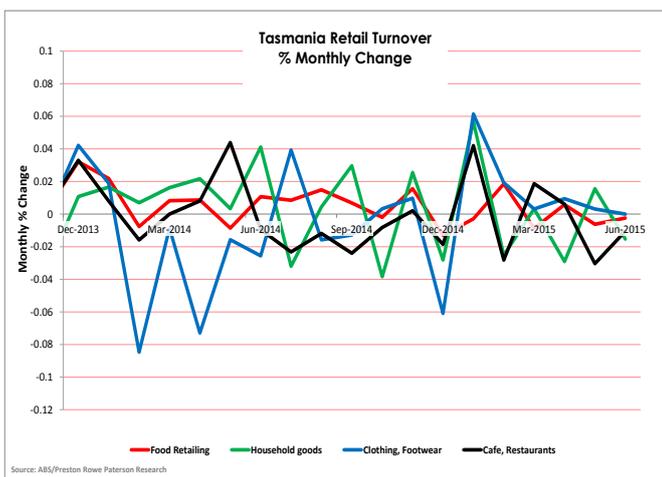


Chart 5 – Tasmania Turnover % Monthly Change – Source PCA

## RESIDENTIAL MARKET

### Economic Statistics

According to the Australian Bureau of Statistics category 8731.0 Building Approvals June 2015, the total number of house dwelling approvals in the Hobart Statistical Division over the month has decreased by -23% from 115 approvals to 88 approvals. In comparison to June 2014, dwelling approvals realised a growth of 33%. The monthly total number of non-house dwelling approvals increased from 9 approvals to 15 approvals. In comparison to June 2014 this reflected a decrease of 650%.

The Hobart total dwellings market has recorded a total number of 696 dwelling approvals in the year to date 2015.

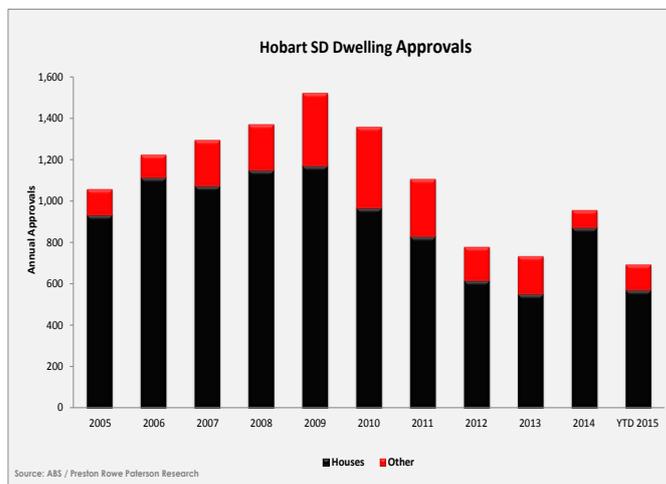


Chart 6 – Hobart SD Dwelling Approvals – Source ABS

## Hobart

### Market Affordability

According to the Real Estate Institute of Australia (REIA) March quarter 2015, the Hobart median house price had increased by 6.3% over the quarter to \$382,500. A decline of -0.6% was recorded over the twelve months to March.

The highest quarterly growth in median house sales prices was Inner Hobart houses recording 18.2% to a median price of \$548,000. Inner and Outer Hobart median sales price increased by 3.4% and 0.1% to \$330,000 and \$349,000 respectively.

Year on year analysis revealed mostly positive results on Hobart house sales. Inner and Middle Hobart recorded an annual growth of 7.5% and 1.2% respectively. Outer Hobart recorded an annual decline of -5.7%.

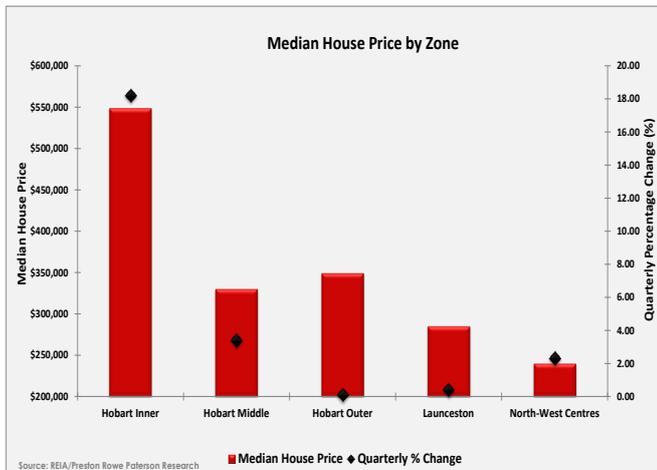


Chart 7 – Median House Price by Zone – Source REIA

The other dwellings median sales prices in Hobart recorded mixed results in the March quarter. Median sales price growth was recorded in Middle Hobart of 11.1% to \$250,000. Inner and Outer Hobart recorded a quarterly decline of -8.1% and -6.6% to \$310,000 and \$275,000 respectively.

Year on year analysis revealed mixed results recorded as at March 2015. Decline in other dwelling median sales price was attributed to Inner Hobart which fell by -8.6%. Middle and Outer Hobart recorded an annual growth of 4.6% and 1.9% respectively.

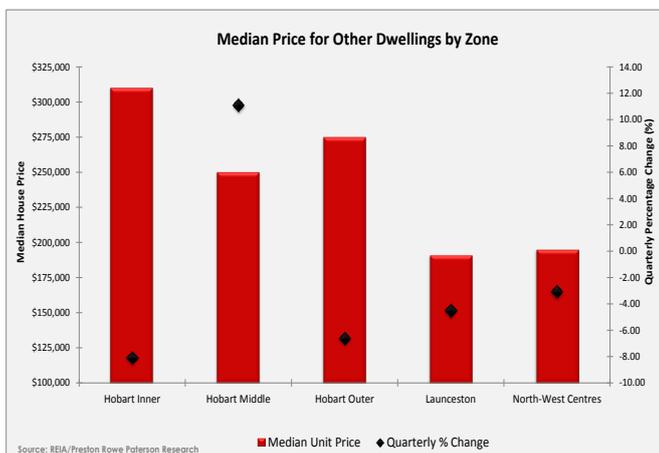


Chart 8 – Median Price for Other Dwellings by Zone – Source REIA

## Rental Market

The March quarter revealed positive results in Hobart house rents. The only recorded quarterly decrease in rent was Inner Hobart 2 bedroom house which decreased by -6.2% to \$350. The highest growth in median weekly rent was Inner Hobart 4 bedroom house increasing by 14.4% (\$555), followed by Middle Hobart 2 bedroom and Outer Hobart 4 bedroom rents which increased by 8.2% (\$290) and 6.6% (\$420) respectively. Middle Hobart 4 bedroom house rent remain unchanged at \$410.

Year on year analysis also revealed growth in Hobart median house rents. The highest annual growth was recorded in the Outer and Inner Hobart 4 bedroom house rents of 11% and 12% respectively. The Middle Hobart 3 bedroom rents remain unchanged at \$320.

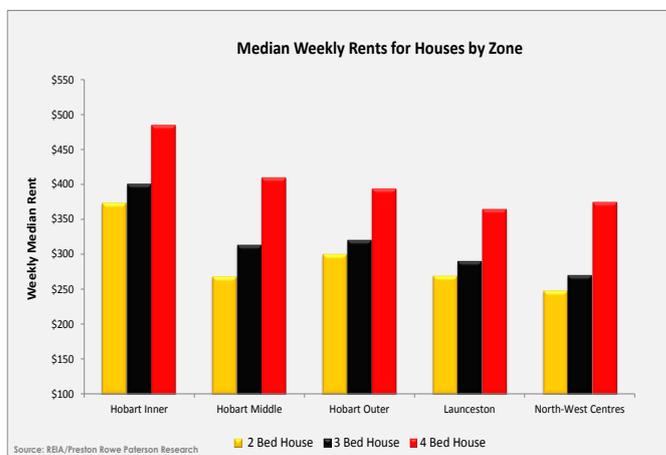


Chart 9 – Median Weekly Rents for Houses by Zone – Source REIA

Mixed quarterly results were recorded for the Hobart other dwelling median weekly rents. Inner Hobart rents decreased in the 1 & 3 bedroom other dwellings to \$205 (-2.4%) and \$405 (-10%). Middle Hobart 1 bedroom rents also decreased by -8.1% to \$170.

The largest quarterly growth in median weekly rent was Outer Hobart 1 bedroom which increased by 25% to \$175. Other reported growth were in the Middle Hobart 2 & 3 bedroom other dwellings of 4.2% (\$250) and 3.2% (\$325) respectively.

Inner Hobart 2 bedroom and Outer Hobart 2 & 3 bedroom rents remain unchanged to median weekly rents of \$295, \$280, \$330 respectively.

Similarly the year on year analysis of Hobart other dwellings rentals has revealed mixed results. The highest annual growth was recorded in Inner Hobart 3 bedroom other dwellings at 9.5% and the largest decrease in rent was Middle Hobart 1 bedroom other dwellings at -5.6%.

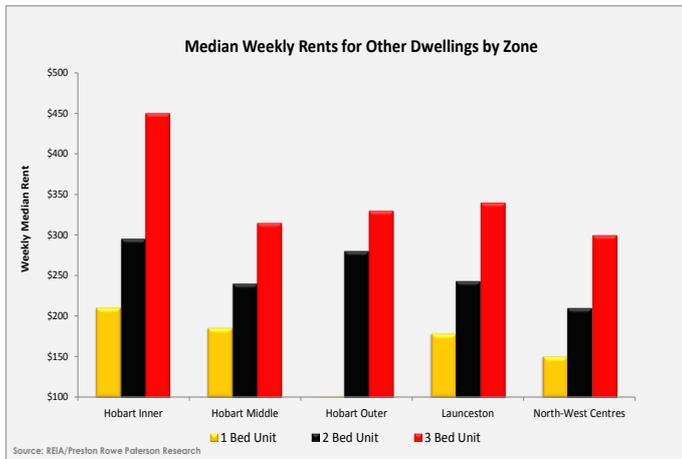


Chart 10 – Median Weekly Rents for Other Dwellings by Zone – Source REIA

## Launceston

### Market Affordability

The Launceston median house price increased by 0.4% to \$285,000 over the March quarter. Other dwellings median sales price decreased by -4.5% to \$191,000. Compared to March 2014, a 7.1% growth in house prices was realised.

### Rental Market

The Launceston rental market revealed mixed results. House median weekly rents grew in 2 bedroom by 1.5% to \$273, 3 bedroom rents unchanged at \$290 and 4 bedroom house rents fell by -1.4% to \$360.

Launceston other dwelling median rents fell in the March quarter. 1, 2 & 3 bedroom rents decreased by -4.5% (\$170), -6.2% (\$228) and -13.2% (\$295) respectively.

## North-West Centres

### Market Affordability

The North-West Centres median house price grew by 2.3% to \$191,000 over the March quarter. Other dwellings median sales price decreased by -3.1% to \$195,000.

### Rental Market

The median house rents in North-West Centres has tightened in the quarter. 2, 3 & 4 bedroom rents decreased by -5.2% (\$235), -3.7% (\$260) and -20% (\$300) respectively.

North-West Centres other dwelling 3 bedroom median rents fell by -6.7% (\$280) in the March quarter. 1 bedroom rents grew by 3.3% to \$155 and 2 bedroom rents remain unchanged at \$210.

## REGIONAL MARKET

Preston Rowe Paterson Research recorded the following significant sales transactions that occurred in the Regional Market, during the three months to June 2015;

### Commercial

#### **67-75 Paterson Street, Launceston TAS 7250**

The A Grade commercial and retail building was sold to a local investor for about **\$3 million** in vacant possession. The building was built in 1911 with commercial additions in 1980. The building comprise of 3 levels and has a gross building area of 3,475 sqm, underground car parking and features a 4-star NABERS Energy Rating. The building adjoins an empty site which is occupied as a car park, the site has development potential. It is located one block from the Brisbane Street Mall in the heart of the Launceston CBD. Launceston is about 198 km north of Hobart.



### Industrial

#### **37 Don Road, Devonport TAS 7310**

The development site was sold to a local developer for **\$1.45 million**. The site is about 6,687 sqm and is located within the emerging retail and commercial precinct in Devonport. The dual-frontage corner site has easy access to the Bass Highway. Devonport is located approximately 277 km north-west of Hobart.



## ECONOMIC FUNDAMENTALS

### GDP

GDP figures for the June quarter 2015 are not available until the 2nd September 2015, however, over the March 2015 quarter revealed that the Australian economy recorded growth of 0.93% seasonally adjusted which reflected growth of 2.31% seasonally adjusted over the twelve months to March 2014.

In seasonally adjusted terms, the main industry gross value added contributors to GDP were Mining (+0.5%), Financial and insurance services (+0.5%), Information media and telecommunications (+0.3%) and Healthcare and social assistance (+0.3%). In trend terms, the largest detractor were the Professional, scientific and technical services (-0.4%) and Construction (-0.2%).

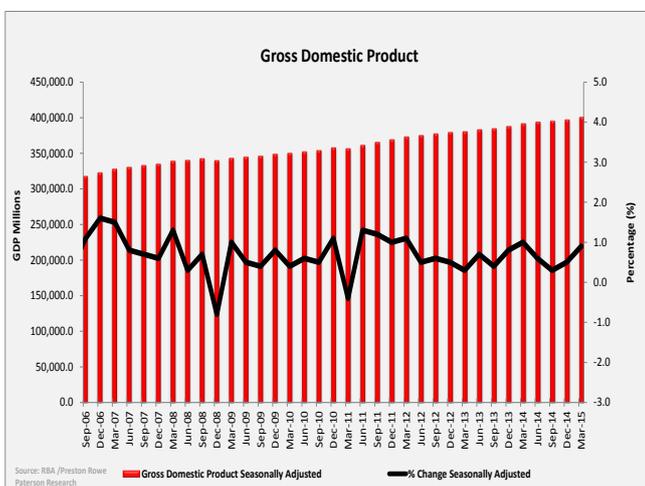


Chart 11 – Gross Domestic Product (GDP) – Source ABS

### Interest Rates

As at the date of publishing, the official Cash Rate over the June quarter 2015 has decreased by 25 basis points to 2%. The Reserve Bank of Australia's Media Release for June 2015, released 2nd June 2015 explained that;

*"In Australia the available information suggests the economy has continued to grow, but at a rate somewhat below its long-term average. Household spending has improved, including a large rise in dwelling constructions, and exports are rising. But the key drag on private demand is weakness in business capital expenditure in both mining and non-mining sectors and this is likely to persist over the coming year...Low interest rates are acting to support borrowing and spending...Dwelling prices continue to rise strongly in Sydney, though trends have been more varied in a number of other cities...In other asset markets, prices for equities and commercial property have been supported by lower long-term interest rates."*

The media release also stated that inflation is as expected to be consistent with its 2%-3% target over the next two years, even with a lower interest rate.

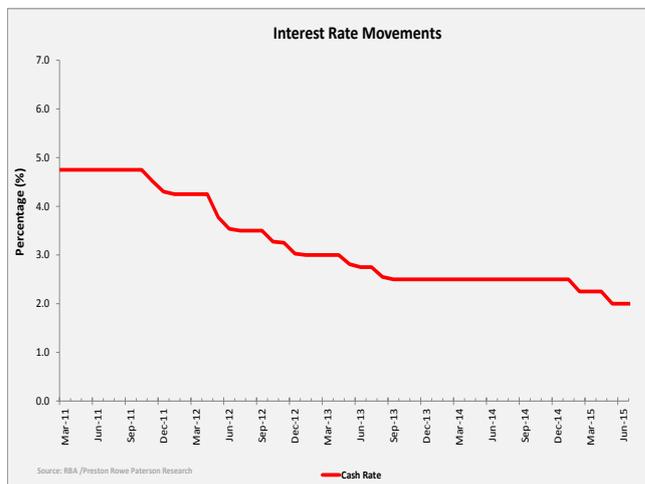


Chart 13 – Cash Rate—Source RBA

### CPI

According to the Australian Bureau of Statistics (June 2015), the Australia's All Groups CPI increased by 0.7% over the June quarter from 106.8 to 107.5. The annual CPI change to June 2015 recorded a growth of 1.5%.

The most significant price rises over the June quarter were automotive fuel (+12.2%), medical and hospital services (+4.5%) and new dwelling purchases by owner-occupiers (+1.5%). The greatest price fall over the quarter was attributed to are domestic holiday travel and accommodation (-5.4%) and pharmaceutical products (-1.8%).

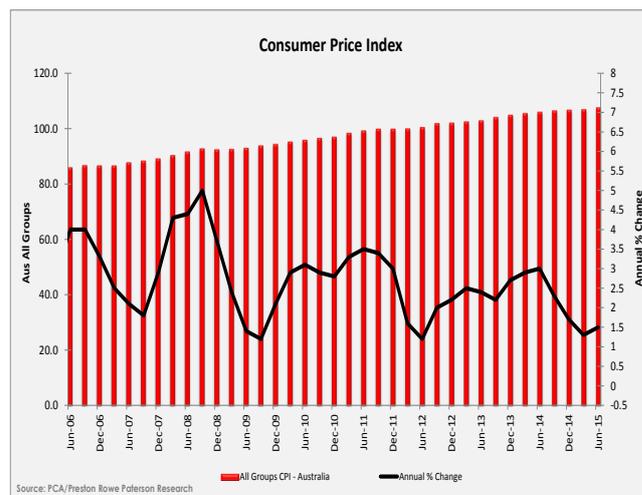


Chart 14 – Consumer Price Index – Source RBA

### Consumer Sentiment

The Westpac Melbourne Institute of Consumer Sentiment Index fell by 1.2% in March from 100.7 index points in February to 99.5 index points in March. Over the quarter the index has increased by 8.4 points, a 9.22% growth. Over the twelve months to March 2015 the index recorded no annual change.

The Index is returning to its pre-budget level in May 2014. Westpac's Senior Economist, Matthew Hassan commented; "Some softening in sentiment was always likely in March given the big lift (in February) following the RBA's surprise 25bp rate cut... The overall message seems to be that while consumers remain very concerned about the outlook for the economy and job security, they are less concerned than they were in December and acknowledge the more positive situation around interest rates."

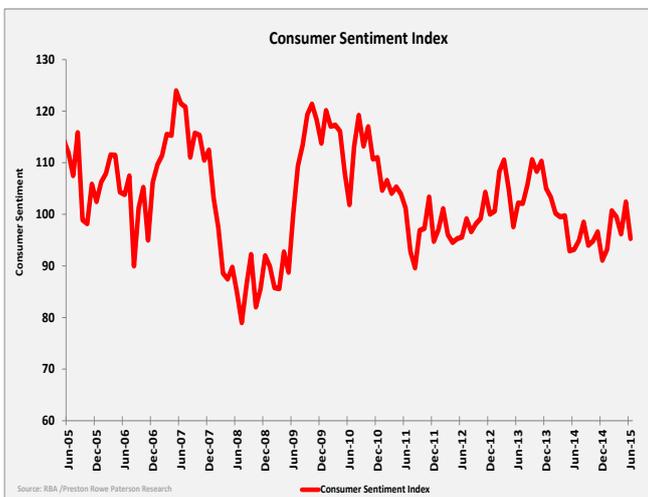


Chart 15—Consumer Sentiment Index—Source Westpac Melbourne Institute

### Labour force

Over the month to June 2015, the number of unemployed people increased by 12,791 from 743,358 in May to 756,149 in June which is a 1.72% increase. In comparison to June 2014, the number of unemployed people has increased by 10,451 which reflected an annual increase of 1.40%. The unemployment rate as at June 2015 is 6%.

The number of unemployed seeking full time employment recorded an increase over the month of June by 27,200 to 541,200 persons. The number of unemployed seeking part time employment recorded a decrease over the month by 14,500 to 214,900 persons.

Tasmania experienced an absolute increase in seasonally adjusted employment by 2,064 persons to 240,272 persons. The unemployment status in Tasmania over the June Quarter 2015 decrease by 0.1% to 6.5%.

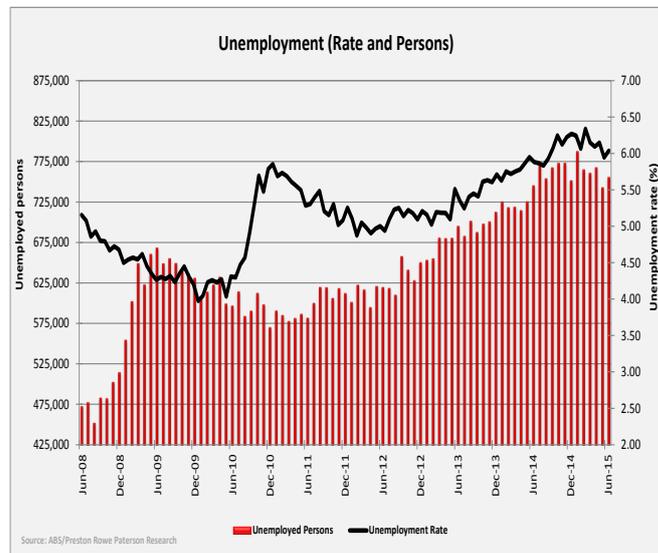


Chart 12 – Unemployment – Source ABS

### Australian Exchange Rates

Over June quarter 2015, the Australian Dollar increased slightly against the US Dollar, increasing from \$0.7634 in March to \$0.7680 in June. Over the twelve months to June, the Australian dollar has decreased by -18.47% from \$0.9420 USD.

The Australian Dollar also recorded a quarterly decline against the British Pound, Euro and the Japanese Yen. The Australian Dollar exchange rates against the Pound, Euro and Yen fell by -2.30%, -1.90% and -1.10% respectively.

Year on year analysis saw the Australian Dollar decline against the British Pound by -5.40% to £0.4885 and -2.90% in the Euro to €0.6866. The Australian Dollar experienced an annual increase against the Yen of 2.40% to ¥93.92.

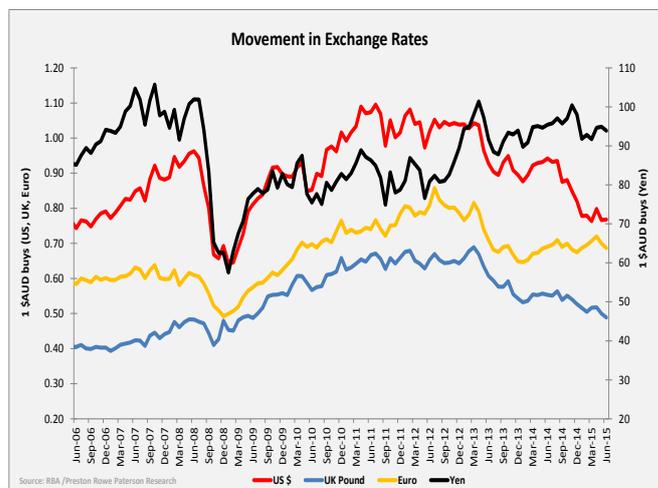


Chart 16 –Movement in Exchange Rates – Source RBA



## Our Research

At Preston Rowe Paterson, we pride ourselves on the research which we prepare in the market sectors within which we operate. These include Commercial, Retail, Industrial, Hotel & Leisure and Residential property markets as well as infrastructure, capital and plant and machinery markets

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We regularly provide valuation, property and asset management, consultancy and leasing services for all types of Real Estate including:

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- . Industrial, office/warehouses and factories
- . Business parks
- . Hotels (accommodation) and resorts
- . Hotels (pubs), motels and caravan parks
- . Residential development projects
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- . Rural properties
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We regularly undertake valuations of all forms of plant, machinery, furniture, fittings and equipment including:

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- . Office fit outs, equipment & furniture
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- . Heavy, light commercial & passenger vehicles
- . Industrial manufacturing equipment
- . Wineries and processing plants
- . Special purpose plant, machinery & equipment
- . Extractive industries, land fills and resource based enterprises
- . Hotel furniture, fittings & equipment

## We have all client profiles covered

Preston Rowe Paterson acts for an array of clients with all types of real estate, plant, machinery and equipment interests such as:

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- . Listed Property Trusts
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- . Mining companies
- . Mortgage trusts
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- . Private investors
- . Property Syndication Managers
- . Rural landholders
- . Self managed super funds
- . Solicitors and barristers
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## **We have all *locations* covered**

From our capital city and regional office locations we serve our client's needs throughout Australia. Globally, we operate directly or via our relationship offices for special purpose real estate asset classes, infrastructure and plant & machinery.

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Our clients seek our property (real estate, infrastructure, plant and machinery) services for a multitude of reasons including:

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