



**Preston  
Rowe  
Paterson**

®  
International Property Consultants

# Property Market Report

## Tasmania

**March quarter 2015**

### **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 Given the manner in which statistics are compiled and published they are usually 3-6 months out of date at the time we analyse them.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.

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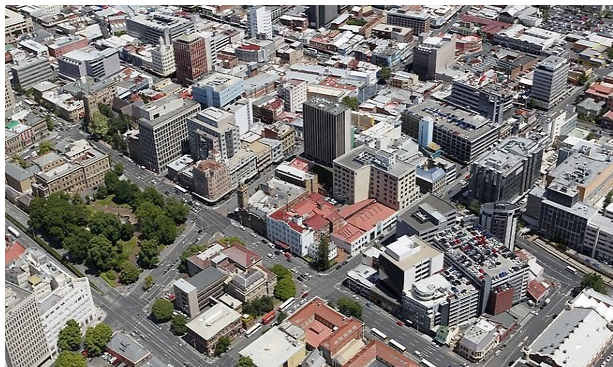
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## Commercial Office Market

### Hobart CBD



### Investment Activity

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

#### 28 Elizabeth Street, Hobart TAS 7000

The office building has been sold for **\$4.5 million** on an estimated yield of **11.07%**. The property has a ground floor retail area of 547 sqm and a net lettable area of 1,307 sqm across level 1 and 2. The property is fully leased on an approximate annual income of \$498,000. Rear access underground car parking is available via Trafalgar Place.



### Development Sites

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

**Parliament Square development** located in the **Salamanca precinct** is currently in the construction phase. The landmark redevelopment owned by **Citta Property Group** will 20,709 sqm of office space and 1,200 sqm of retail area over 8 storeys on an average floorplate size of 1,941 sqm. It will include 155 car spaces. The site includes the former St Mary's Hospital, the Red Brick Building, 34 West Davey Street, the former Government Printing Office building and the former PABX building. The development will include open public space, an amphitheatre, restored heritage buildings, 5-star green office building, shops and cafes. It is expected to be completed by 2017.



### Supply by Grade (Stock)

According to the Property Council of Australia Office Market Report January 2015, the Hobart CBD office stock has increased by 3,685 sqm to a total supply of 363,082 sqm in the six months to January.

A Grade office stock dominates the Hobart CBD market with a 51.9% share of the total market. B and C Grade office stock both recorded a similar share of the total market at 19.4% and 18.9% respectively. The D Grade stock has remained unchanged since January 2012, amounting to 9.7% of the market.

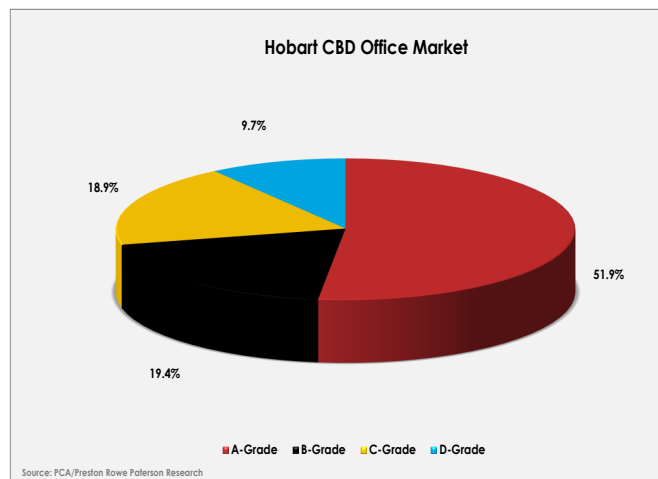


Chart 1 – Hobart CBD Total Stock by Grade– Source PCA

### Net Absorption

The Hobart CBD office market has recorded a negative net absorption in the twelve months to January 2015 of -2,303 sqm. All office grades, with the exception of A Grade which absorbed 3,814 sqm of office space, recorded a negative net absorption in the six months to January.

C Grade recorded -4,237 sqm absorption in the six months to January, followed by D Grade at -1,440 sqm and B Grade at -400 sqm.

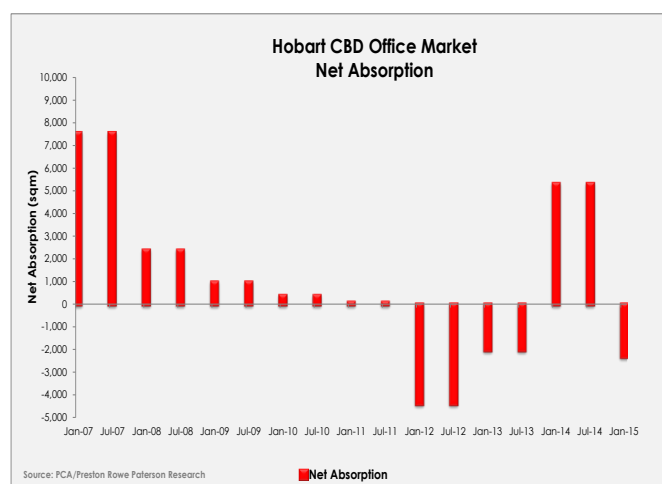


Chart 2 – Hobart CBD Office Market Net Absorption – Source PCA

### Total Vacancy:

The Hobart CBD office market total vacancy rate has increased by 1.6% to 8.9% in the six months to January 2015. The total office vacancy in Hobart amounts to about 32,332 sqm. The both direct and sub-lease vacancy increased by 0.8 to a rate of 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 grown 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%.

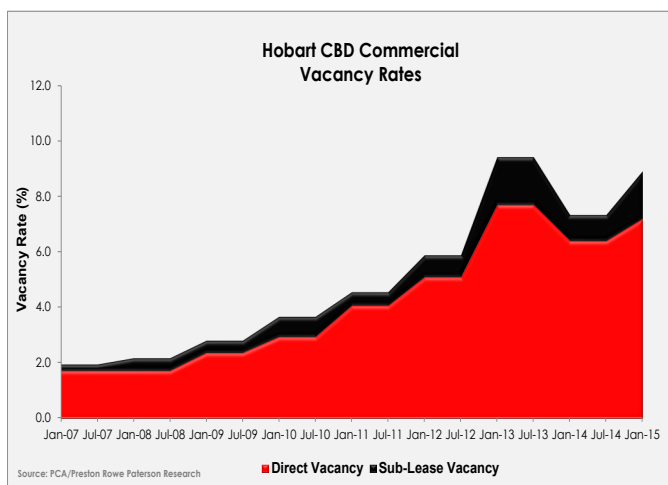


Chart 3 – Hobart CBD Commercial Vacancy Rates – Source PCA

## Retail Market



### Investment Activity

Preston Rowe Paterson Research has recorded the following major sales transactions that occurred in the Tasmania retail market during the three months to March 2015;

#### 112 Argyle Street, Hobart TAS 7000

A car yard has been sold for **\$8.413 million**, reflecting a rate of nearly \$30,000 psqm. The car yard is tenanted by *Tilford Auto Group* which retails cars. The site retails used cars and services *Chrysler Jeep Dodge, Skoda, Land Rover* and *Jaguar* automobile brands.

### Economic Statistics

According to the Australian Bureau of Statistics category Retail Trade (March 2015), the retail turnover figures recorded in Tasmania produced positive results. The Tasmanian total industry retail turnover increased by 0.4% over the month of March resulting in total turnover for the month of \$476.7 million. This is a 4.4% increase when compared to March 2014.

The Tasmanian retail market had produced positive results over the month of March, except for Food retailing. The highest monthly retail turnover growth was realised by Café, restaurants and takeaway service increasing by 2.7% (\$49.6 million). Household goods retailing grew by 0.8% (\$93.2 million) and Clothing, footwear and accessory retailing increased by 0.6% (\$31.9 million). Food retailing fell by -0.8% to a monthly turnover of \$207.5 million.

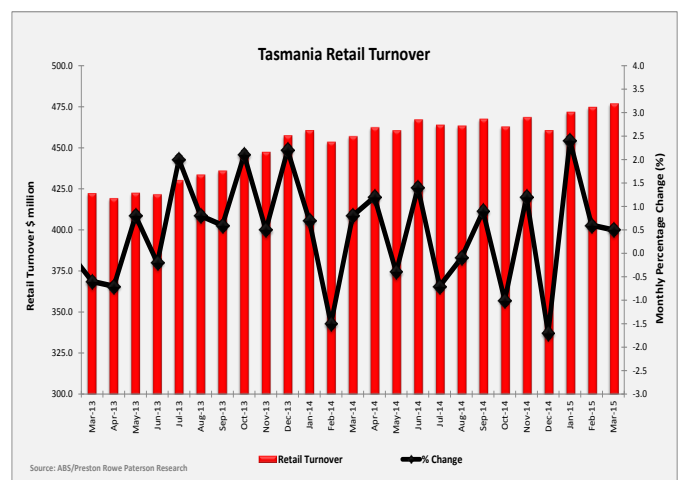


Chart 4 – Tasmania Retail Turnover – Source ABS

Year on year analysis recorded mixed results for Tasmanian retail. Clothing, footwear and accessory retailing recorded the largest decline of -7.3%. Café, restaurants and takeaway service fell by -0.4% whilst Food retailing and Household goods retail both reported an annual growth of 5.1% and 6% respectively.

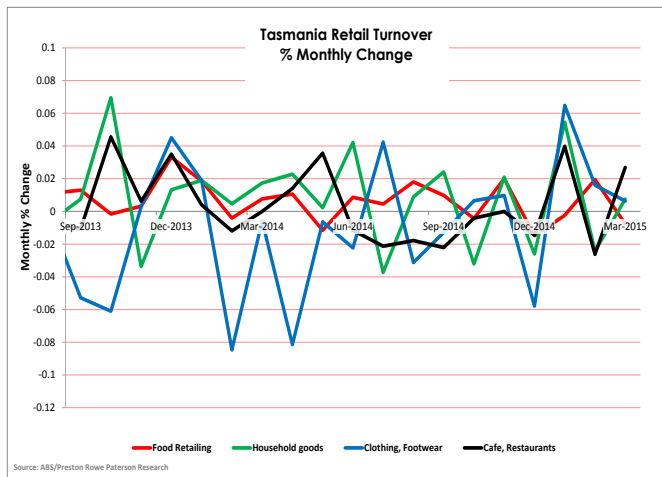


Chart 5 – Tasmania Turnover % Monthly Change – Source PCA

## Industrial Market

Preston Rowe Paterson Research has recorded the following significant sales transaction that occurred in the Tasmanian Industrial Market, during the three months to March 2015;

### 61 Boland Street, Launceston TAS 7250

A warehouse facility has been sold in vacant possession for **\$1.705 million**. The property features a 1,500 sqm clear span warehouse, three roller door access, 190 sqm of office and showroom space and on-site parking. Launceston is located about 198km north of Hobart.



## Residential Market

### Economic Statistics

According to the Australian Bureau of Statistics category 8731.0 Building Approvals March 2015, the total number of house dwelling approvals in the Hobart Statistical Division over the month has increased by 34% from 73 approvals to 98 approvals. In comparison to March 2014, dwelling approvals realised a growth of 88%. The monthly total number of non-house dwelling approvals increased from 2 approvals to 67 approvals. In comparison to March 2014 this reflected a decrease of 67%.

The Hobart total dwellings market has recorded a total number of 165 dwelling approvals in the year to date 2015.

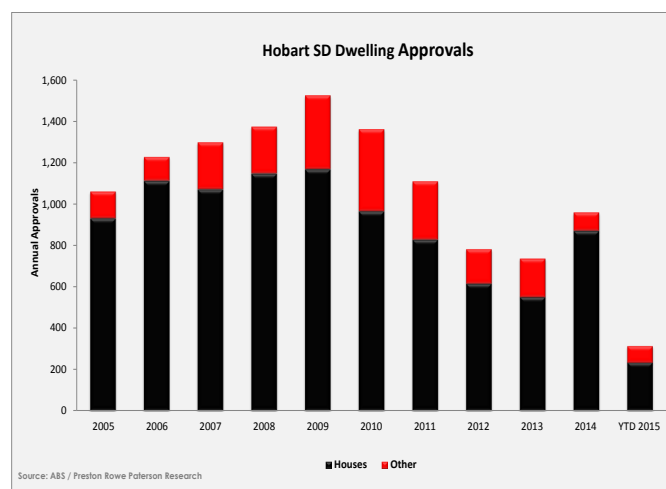


Chart 6 – Hobart SD Dwelling Approvals – Source ABS

## HOBART

### Market Affordability

According to the Real Estate Institute of Australia (REIA) December quarter 2014, the Hobart median house price has remains unchanged to a price of \$360,000. A decline of -2.7% was recorded over the twelve months to December. Mixed quarterly results were recorded across all cities and zones.

The highest quarterly growth in median house sales prices was Launceston which grew by 7.2% to \$284,000, followed by Middle Hobart at \$319,000 (3.5%). Inner Hobart houses recorded a quarterly fall of -6% to a median price of \$463,500; Outer Hobart by -3.2% to \$348,500 and North-West Centres by -2.3% to \$234,500.

Year on year analysis revealed predominantly negative results on Tasmanian house sales. Launceston median house prices was the only annual growth recorded of 3.3%. Inner, Middle an Outer Hobart recorded an annual decline of -1.4% -1.8% and -0.7% respectively. North-West Centres recorded annual median sales price declines of -2.3%.

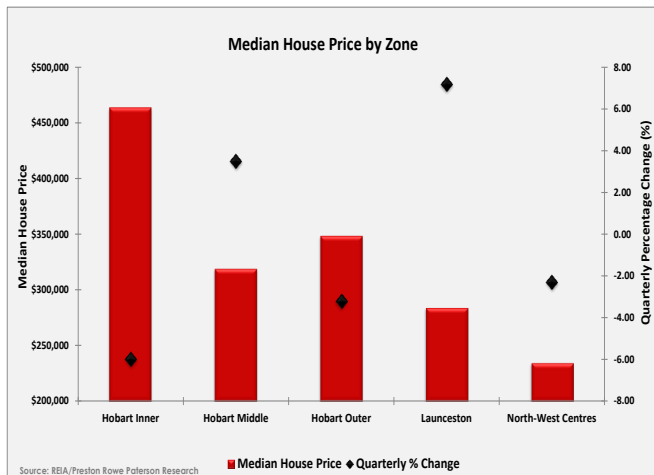


Chart 7 – Median House Price by Zone – Source REIA

Similarly, the median other dwellings prices in Tasmania noted mixed results in the Hobart zones in the December quarter 2014. The most significant quarterly fall was in Launceston decreasing by -11.1% to \$200,000 median sales prices, followed by North-West Centres at -6.4% to \$201,300 and Middle Hobart at -5.5% to \$225,000. Inner and Outer Hobart median prices grew by 11.6% and 13.3% to the median sales price of \$337,500 and \$294,500.

Year on year analysis revealed mixed results recorded as at December 2014. The largest decline in other dwelling median sales price was Launceston which fell by -14.9%, followed by Middle Hobart at -1.1%. The highest annual growth was recorded in Outer Hobart followed by North-West Centres and Inner Hobart increasing at 11.3%, 3.2% and 0.7% respectively.

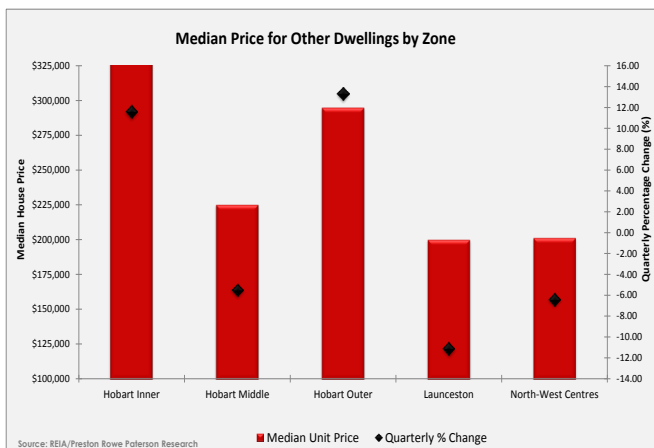


Chart 8 – Median Price for Other Dwellings by Zone – Source REIA

## Rental Market

The December quarter revealed varied results in Tasmanian house rentals. Rent in the regional cities recorded growth whereas Hobart house rents remained relatively stable. The highest quarterly growth was recorded in North-West Centres 2 bedroom house of 12.7% to median weekly rent of \$248. The largest fall in median weekly rent was noted in Outer Hobart 4 bedroom house of -8.4% to \$394.

The Inner Hobart 3 bedroom, Middle Hobart and Launceston 4 bedroom house median weekly rent remain unchanged at \$400, \$410 and \$365 respectively.

Year on year analysis also revealed mixed results in Tasmanian median house rents. An annual growth was recorded across the Inner Hobart, Launceston and North-West Centres house rents. The highest annual growth in median weekly rents was reported in North-West Centres 4 bedroom house which increased by 29.3% to \$375. The greatest annual decline in median weekly rent was noted in Outer Hobart 4 bedroom house of -7.3%.

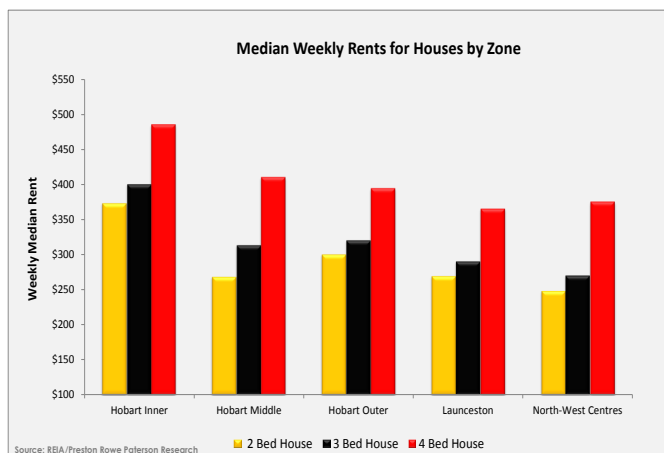


Chart 9 – Median Weekly Rents for Houses by Zone – Source REIA

Tasmania Other Dwellings rentals revealed predominantly positive quarterly results. The largest growth were recorded in the Launceston, Inner Hobart and Outer Hobart 3 bedrooms other dwellings which reflected a quarterly increase of 22.3%, 13.9% and 17.9% to the median weekly rent of \$340, \$450 and \$330 respectively.

There were limited median weekly rent declines recorded in the December quarter. Inner Hobart 1 bedroom, Middle Hobart 2 bedroom and North-West Centres 1 bedroom other dwelling rents fell by -8.7%, -4% and -6.3% respectively to \$210, \$240 and \$150.

No rental results were recorded for Outer Hobart 1 bedroom other dwellings in the December quarter 2014.

Year on year analysis of Tasmanian other dwellings rentals has revealed growth, except for Outer Hobart 2 bedroom which declined by -6.7% to \$280. The highest rental growth was recorded in the North-West Centres 3 bedroom other dwelling that increased by 33.3% to a median weekly rent of \$300.

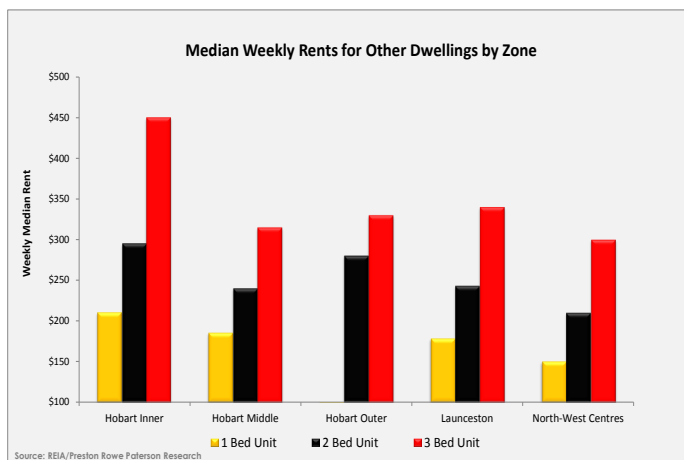


Chart 10 – Median Weekly Rents for Other Dwellings by Zone – Source REIA

## Hotel & Leisure Market

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

### St John Street, Launceston, TAS 7250

The Richman family has purchased **The Sebel Launceston** hotel from *Tasmanian Boutique Hotels Pty Ltd* for **\$10 million**. The 4.5 stars hotel features 49 rooms of one and two bedders across 8 storeys, conference room, fitness centre, restaurant and bar. The average occupancy rate at the Sebel in 2013-14 was 79.3%, which is better than the Tasmanian average of 58.5%. The sale reflects a rate of **\$204,081.65 per room**.



### 139 Wilson Street, Burnie TAS 7320

The **Comfort Hotel Burnie** was sold for **\$1.5 million**. The 3 star hotel features 55 rooms across 4 levels, restaurant, bar and lounge, business centre, and a function room for up to 350 seatings. The sale reflects a rate of **\$27,272.70 per room**. Burnie is located approximately 47km east of Devonport and 296km northeast of Hobart.



## Economic Fundamentals

### GDP

GDP figures for the March quarter 2015 are not available until the 3rd June 2015, however, over the December 2014 quarter revealed that the Australian economy recorded growth of 0.55% seasonally adjusted which reflected growth of 2.47% seasonally adjusted over the twelve months to December 2013.

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

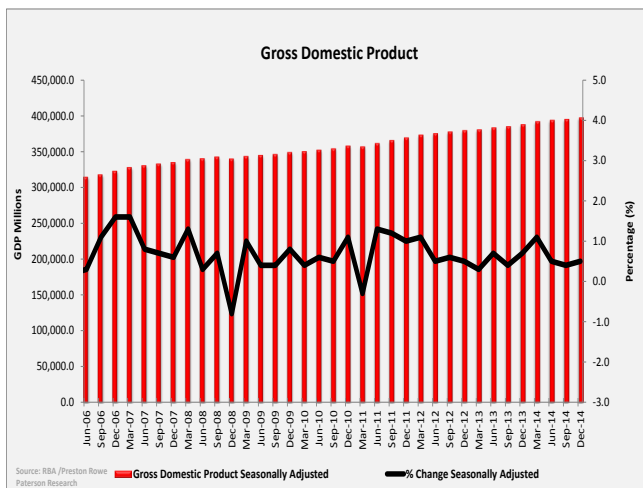


Chart 11 – Gross Domestic Product (GDP) – Source ABS

### Labour force

Over the month to March 2015, the number of unemployed people decreased by 1,530 from 766,038 in February to 759,156 in March which is a 0.20% decrease. In comparison to March 2014, the number of unemployed people has increased by 42,327 which reflected an annual increase of 5.90%. The unemployment rate as at March 2015 is 6.2%.

The number of unemployed seeking full time employment recorded an increase over the month of March by 700 to 546,800 persons, reflecting a growth of 0.13%. The number of unemployed seeking part time employment recorded a decrease over the month by 2,200 to 217,700 persons, reflecting a decrease of 1.05%.

Tasmania experienced an absolute decrease over the quarter in seasonally adjusted employment by 2,023 persons to 239,354 persons. The unemployment status in Tasmania has remain unchanged at 6.6% in the March quarter.

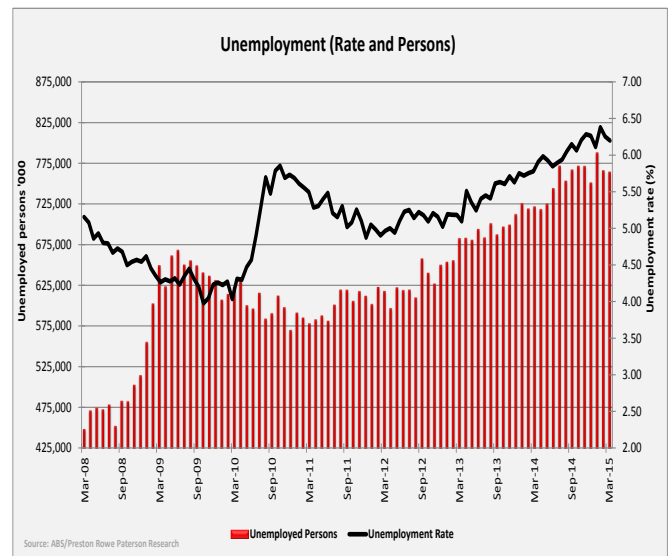


Chart 12 – Unemployment – Source ABS

### Interest Rates

As at the date of publishing, the official Cash Rate over the March quarter 2015 has decreased by 25 basis points to 2.25%. The Reserve Bank of Australia's Media Release for March 2014, released 3rd March 2014 explained that;

*"In Australia the available information suggests that growth is continuing at a below-trend pace, with domestic demand growth overall quite weak. As a result, the unemployment rate has gradually moved higher over the past year. The economy is likely to be operating with a degree of spare capacity for quite some time yet...Credit is recording moderate growth overall, with stronger growth in lending to investors in housing assets...The Bank is working with other regulators to assess and contain risks that may arise from the housing market. In other asset markets, prices for equities and commercial property have risen, in part as a result of declining long-term interest rates."*

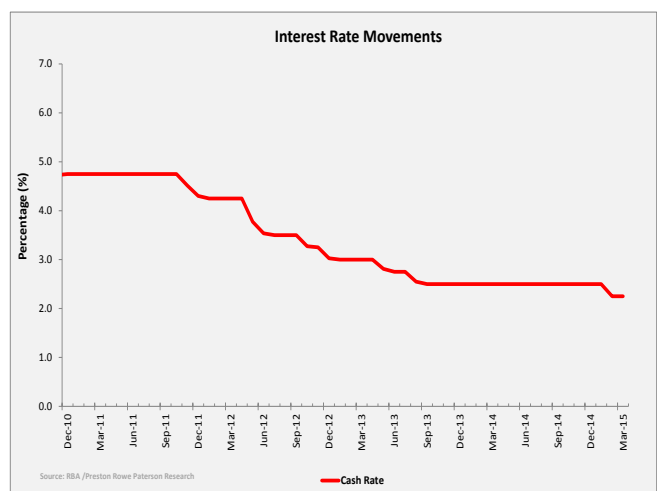


Chart 13 – Cash Rate—Source RBA

## CPI

According to the Australian Bureau of Statistics (March 2015), the Australia's All Groups CPI increased by 0.2% over the March quarter from 106.6 to 106.8. The annual CPI change to March 2015 recorded a growth of 1.3%.

The most significant price rises over the March quarter were for Domestic holiday travel and accommodation (+3.5%), Tertiary education (+5.7%) and Medical and hospital services (+2.2%). The greatest price fall over the March quarter was attributed to Automotive fuel (-12.2%) and Fruit (-8%).

The Housing Group increased by 0.8% over the March quarter. The main contributors to the price rise were in new dwelling purchase by Owner-occupiers and Electricity recording a growth of 0.9% and 1.9% respectively. Over the twelve months to March 2015, the housing group recorded growth of 2.7% which was backed by the 4.8% annual growth in new dwelling purchases by Owner-occupiers and a 2.1% rise in Rents.

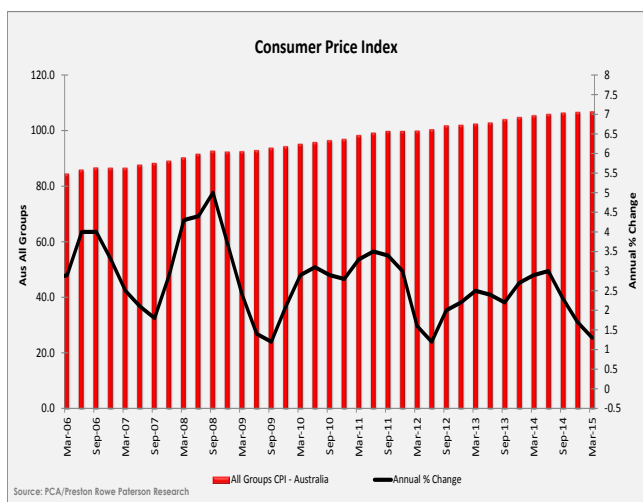


Chart 14 – Consumer Price Index – Source RBA

## 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."

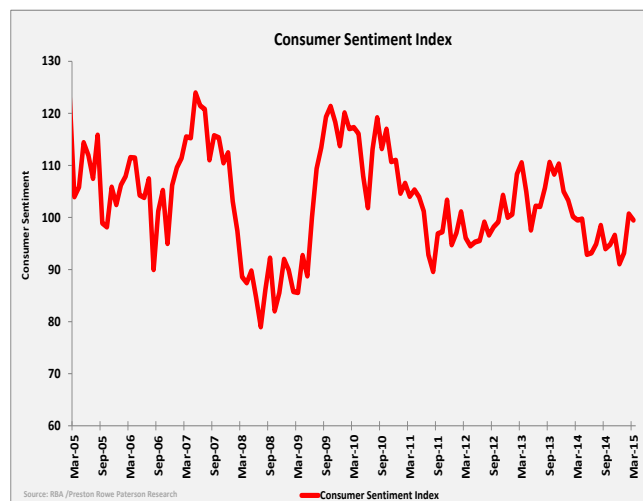


Chart 15—Consumer Sentiment Index—Source Westpac Melbourne Institute

## Exchange Rates & Equity Markets

### Australian Exchange Rates

Over March quarter 2015, the Australian Dollar fell significantly against the US Dollar, decreasing from \$0.8202 in December to \$0.7634 in March. Over the twelve months to March, the Australian dollar has decreased by 17.21% from \$0.9221 USD.

The Australian Dollar also recorded a quarterly decline against the British Pound and the Japanese Yen. The Australian Dollar exchange rates against the Pound and Yen fell by 2% and 6.4% respectively. The Australian Dollar rose against the Euro by 4.80%.

Year on year analysis saw the Australian Dollar decline against the British Pound by 6.85% to £0.5164 and 3.28% in the Yen to ¥91.72. The Australian Dollar experienced an annual increase against the Euro of 5.41% to €0.7070.

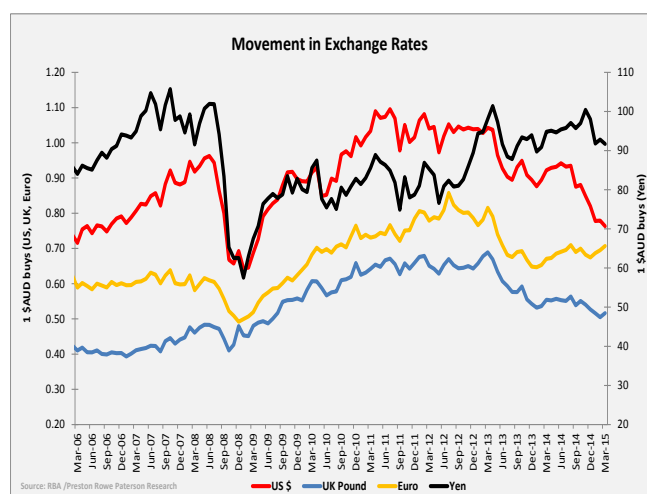


Chart 16 –Movement in Exchange Rates – Source RBA





## 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 have all *real estate* types covered

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

- CBD and Metropolitan commercial office buildings
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- Industrial, office/warehouses and factories
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- Hotels (accommodation) and resorts
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- Residential development projects
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- Rural properties
- Special purpose properties such as: nursing homes; private hospitals, service stations, oil terminals and refineries, theatre complexes; etc.
- Infrastructure

## We have all types of *plant & machinery* covered

We regularly undertake valuations of all forms of plant, machinery, furniture, fittings and equipment including:

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- Office fit outs, equipment & furniture
- Agricultural machinery & equipment
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- 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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- Local, State and Federal Government Departments and Agencies
- Mining companies
- Mortgage trusts
- Overseas clients
- Private investors
- Property Syndication Managers
- Rural landholders
- Self managed super funds
- Solicitors and barristers
- Sovereign wealth funds
- Stock brokers
- Trustee and Custodial companies



## **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.

## **We have *your needs* covered**

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

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