



**Preston  
Rowe  
Paterson**

®  
National Property Consultants

# Property Market Report

## Tasmania

**September quarter 2014**

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 Given the manner in which statistics are compiled and published they are usually 3-6 months out of date at the time we analyse them.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

## GDP

According to the Australian Bureau of Statistics, the Australian economy recorded a quarterly growth of 0.3% seasonally adjusted which reflect a growth of 2.7% seasonally adjusted over the twelve months to September 2014.

The main contributors to expenditure on GDP were Net exports which increase by 0.8% and Final consumption expenditure increased by 0.4%.

In seasonally adjusted terms, the main industry gross value added contributors to GDP were the Mining services which increased by 9.5%, Accommodation and food services which increased by 8.6% and Financial and insurance services up by 6.1%.

In seasonally adjusted terms, the main contributors to GDP were Mining which increased by 8.6%, Financial and insuring services increasing by 2.8% and Construction (up 3%). Each of these industries accounted for 0.2% of the total increase in GDP.

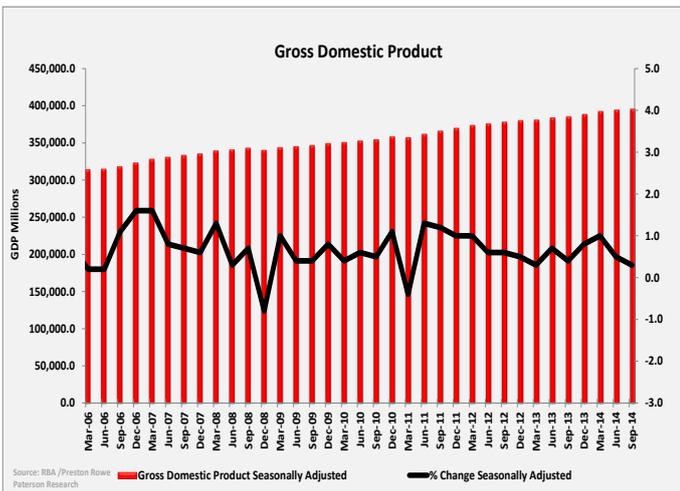


Chart 1 – Gross Domestic Product (GDP) – Source ABS

## Labour force

Over the month to September 2014, the number of unemployed people increased by 11,027 from 735,530 in August to 746,557 in September which is a 1.50% increase. In comparison to September 2013, the number of unemployed people has increased by 52,306 which reflected a percentage increase of 7.53%. The unemployment rate is 6.1%.

The number of employment over the month to September 2014 recorded a decrease of 29,700 persons from 11,622,200 in August to 11,592,500 in September. In comparison to September 2013, employment in Australia recorded growth of 126,130 reflecting a percentage increase of 1.1%.

New South Wales experienced a large absolute decrease in seasonally adjusted employment by 4,100 persons. The unemployment status in New South Wales over the September Quarter increase by 0.1% to 5.8%.

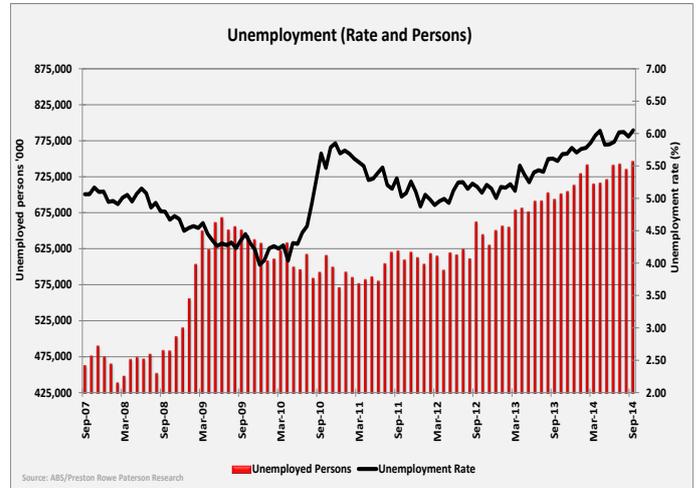


Chart 2 – Unemployment – Source ABS

## Interest Rates

As at the date of publishing, the official Cash Rate over the September quarter 2014 remained unchanged at 2.50%. The Reserve Bank of Australia's Media Release for October 2014, released 7th October 2014 explained that;

*"In Australia, most data are consistent with moderate growth in the economy. Resources sector investment spending is starting to decline significantly, while some other areas of private demand are seeing expansion, at varying rates. Public spending is scheduled to be subdued. Overall, the Bank still expects growth to be a little below trend for the next several quarters."*

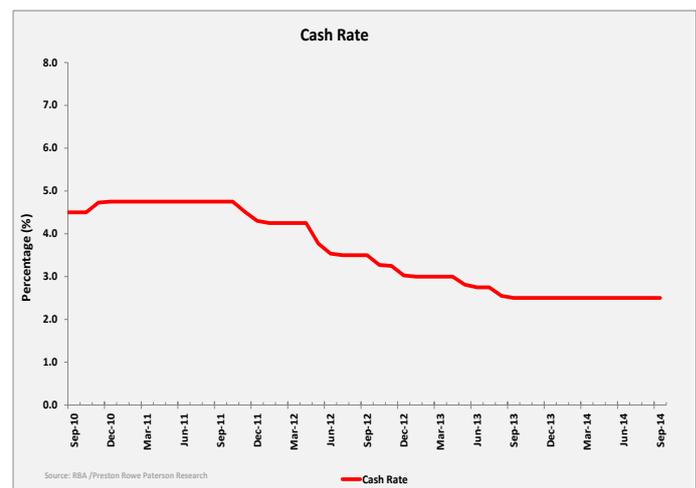


Chart 3 – Cash Rate—Source RBA

## CPI

According to the Australian Bureau of Statistics (September 2014), the Australia's All Groups CPI increased by 0.5% over the September quarter from 105.9 to 106.4. The annual CPI change to September 2014 recorded a growth of 2.3%.

The most significant price rises over the September quarter were for fruit (+14.7%), property rates and changes (6.3%). The greatest price fall over the September quarter was attributed to electricity (-5.1%) and automotive fuel (-2.5%).

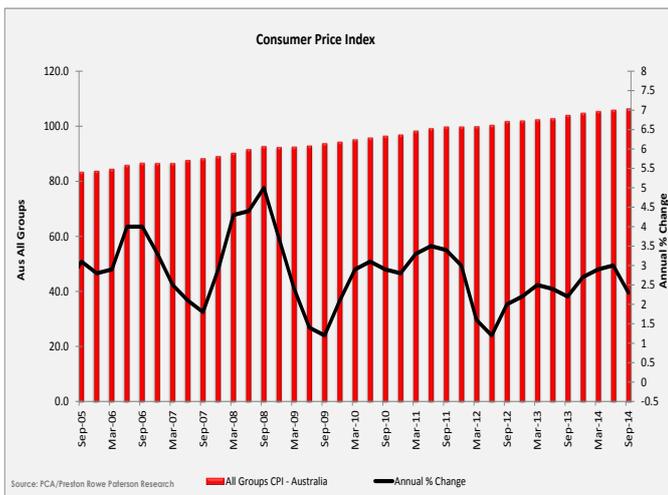


Chart 4 – Consumer Price Index – Source RBA

## Consumer Sentiment

The Westpac Melbourne Institute of Consumer Sentiment Index fell by 4.6% in September from 98.5 index points in August to 94 index points in September. Over the quarter the index has increased by 0.8 points. Over the twelve months to September the index declined by 16.6 index points, reflecting a decline of 15.01%.

The Index has fell below the June quarter's recovery and is expected to continue to do so. Westpac's Chief Economist, Bill Evans stated; "This is a surprising and disappointing result...From June to August the Index had lifted by 5.9% to find it only 1.3% below the pre-Budget level. The Index is now 5.8% below the pre-budget level and only 1.1% above the post-Budget print

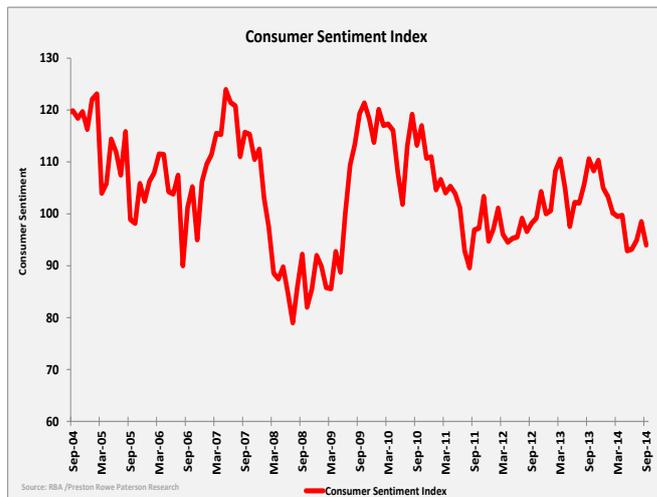


Chart 5—Consumer Sentiment Index—Source Westpac Melbourne

## Exchange Rates & Equity Markets

### Australian Exchange Rates

Over the month of September 2014, the Australian Dollar fell significantly against the US Dollar, decreasing from \$0.9420 in June to \$0.8752 in September, the largest fall in 2014. Over the twelve months to September, the Australian dollar has decreased by 5.98% from \$0.9309.

The Australian Dollar also recorded decline against other major currencies of UK Pound Sterling, Euro and Japanese Yen. The Australian Dollar exchange rates against the UK currency fell 2.7%, Euro at 0.1% and Yen at 0.3% respectively in the September quarter.

Year on year analysis saw the Australian Dollar decline across the UK and Euro currencies, with the most marked decline attributed to the British Pound of 6.53% to £0.5384 followed by the Euro with a 0.03% decline to €0.6898. The Australian Dollar experienced an increase against the Yen of 5.05% to ¥95.73.

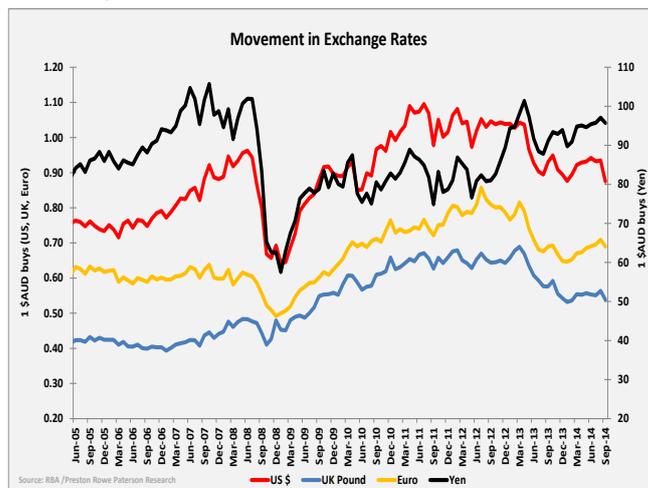


Chart 6 –Movement in Exchange Rates – Source RBA

## Commercial Office Market

### Hobart CBD



### Investment Activity

Preston Rowe Paterson Research has recorded a limited number of major sales transactions that occurred in the Tasmania office market during the three months to September 2014;

#### 2 Macquarie Street, Hobart TAS 7000

The strata titled office was sold to an Asian religious group for **\$7.5 million on a yield of 7%**. This was the third time in 150 years that the **Gasworks Village** site was sold. The mixed site comprises of five office, retail and hotel strata titled space. The property is on long term leases to Vantage Hotel Group and Hogs Breath Café. The remaining three lots were sold as vacant. The site is zoned as "Sullivan Cove Mixed Use" under the Sullivan Cove Planning Scheme.



#### 121 Hampden Road, Battery Point TAS 7004

The medial office property was offloaded by Australian Hearing for **\$1.37 million** to a private investor. The private investor, medical professional, intends to use the property as a clinic. The floor area of the property is about **505 sqm** to approximately 1,622 sqm of site area. The property was sold prior to the auction date.



### Supply by Grade (Stock)

According to the Property Council of Australia Office Market Report July 2014, there has been no changes to the Hobart CBD office stock supply or withdrawals in the six months to July 2014. The total Hobart CBD office stock supply was 359,397 sqm.

A Grade office stock assumes the largest share of total office stock at almost 50% to 179,397 sqm. B Grade and C Grade office space reflected about 20% of total stock each to 72,622sqm and 71,997 sqm. Whereas D Grade office space totalled to 35,381 sqm.

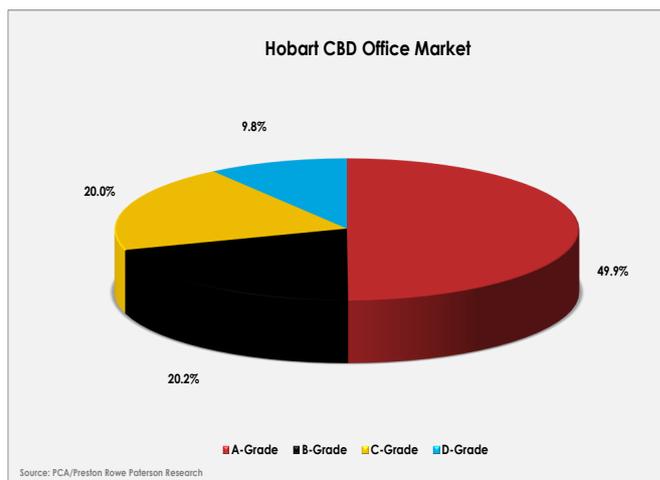


Chart 6 – Hobart CBD Total Stock by Grade – Source PCA

### Net Absorption

There has been no market net absorption in the total office market in the Hobart CBD over the six months to July 2014. However, In the past twelve months to July 2014 there was a net absorption of 5,297 sqm of office space.

All grades of office space recorded positive net absorption twelve months to July 2014, except for D Grade office which noted a –317 sqm absorption. A Grade absorbed the most at 2,207 sqm, followed by B Grade (1,851 sqm) and C Grade (1,556 sqm).

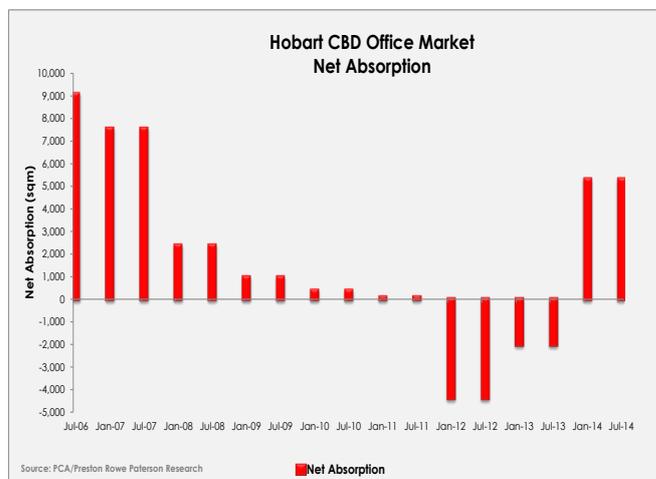


Chart 7 – Hobart CBD Office Net Absorption – Source PCA

### Total Vacancy:

The Hobart CBD office market total vacancy rate has remained unchanged at 7.3% in the six months to July 2014. Sub-lease vacancy accounted for 0.9% of total vacancy and 6.4% was attributed to direct vacancy.

The Hobart CBD A Grade vacancy was 5,554 sqm reflecting a vacancy rate of 3.1%. B Grade vacancy was 10,581 sqm with a vacancy rate of 14.6%. C Grade vacancy had tightened to 7,945 sqm at 11% and D Grade vacancy increased to 2,264 sqm at 6.4%.

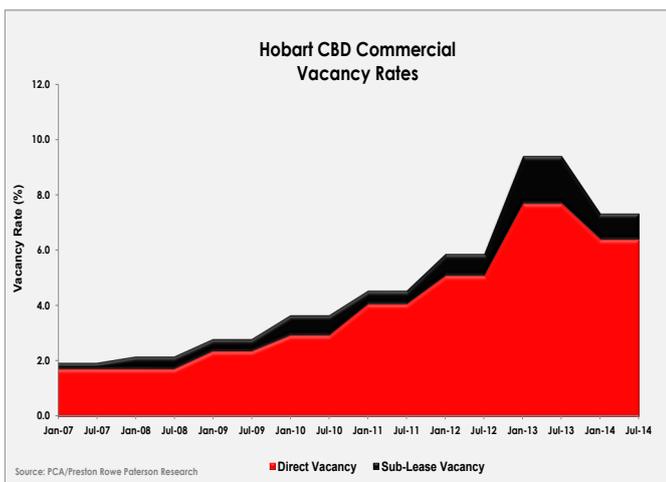


Chart 8 – Hobart CBD Commercial Vacancy Rates – Source PCA

### Retail Market



### Investment Activity

Preston Rowe Paterson Research has recorded a limited number of major sales transactions that occurred in the Tasmania retail market during the three months to September 2014;

#### 131 Bathurst Street, Hobart TAS 7000

The ex Cartridge World retail property was sold for **\$2,500,000**. It was sold by Oxford Enterprises (TAS) Pty to FHF Property Holdings Pty Ltd. The **225 sqm** property shelters multiple tenancies.



#### 174-192 Liverpool Street, Hobart TAS 7000

The three original buildings amalgamated on ground floor was sold for **\$5,200,000**. The **3,456 sqm** retail property include a combination of freehold and leasehold titles. The sale reflects a rate of **\$1,505 psm**.



### Economic Statistics

According to the Australian Bureau of Statistics category Retail Trade (September 2014), the retail turnover figures recorded in Tasmania produced varied results. Tasmania total industry retail turnover increased by 0.7% over the month of September resulting in total turnover for the month of \$466.3 million. This is a 7% increase when compared to September 2013.

The Tasmanian retail market had produced mixed results over the month of September 2014. The highest monthly retail turnover was realised by Household goods retailing (1.5%) followed by Food retailing (1%). The September turnover for these industries were \$93.3 million and \$204.9 million respectively.

Café, restaurant and takeaway services fell by 2.6% to \$48.3 million monthly turnover, and Clothing, footwear and accessory retailing also fell by 1.3% to a monthly turnover of and \$30.1 million.

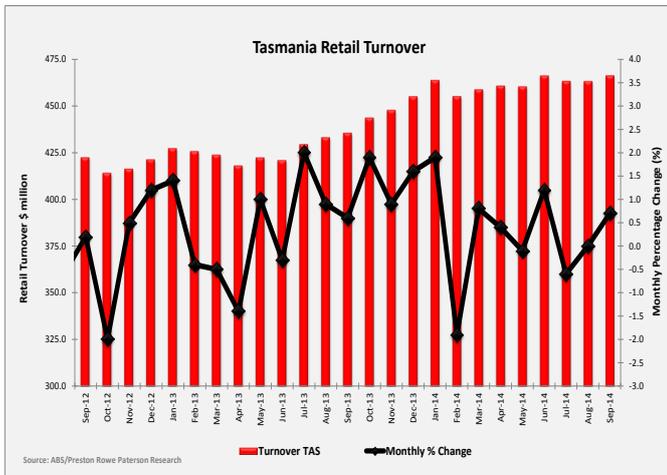


Chart 9 – Tasmania Retail Turnover – Source ABS

Year on year analysis recorded growth in all industries except for Clothing, footwear and accessory retailing with declines of -19.1%. The most significant annual growth was recorded by Household goods retailing (16%), followed by Food retailing (9.7%) and Cafes, restaurants and takeaway food services (4.5%).

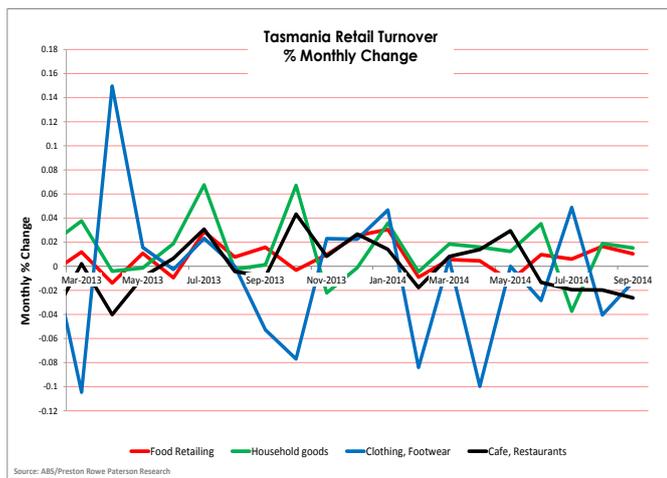


Chart 10 – Tasmania Turnover % Monthly Change – Source PCA

## Residential Market

### Economic Statistics

According to the Australian Bureau of Statistics category 8731.0 Building Approvals September 2014, the total number of house dwelling approvals in the Hobart Statistical Division over the month has decreased by -24% from 79 approvals to 60 approvals. An annual growth of 30% was realised in house dwelling approvals when compared to September 2013. The monthly total number of non-house dwelling approvals increased by 14% to 8 approvals. In comparison to September 2013 this reflected a significant increase of 167%.

The Hobart total dwellings market experienced a significant annual increase of 39% from September 2013 to 68 total approvals in September 2014.

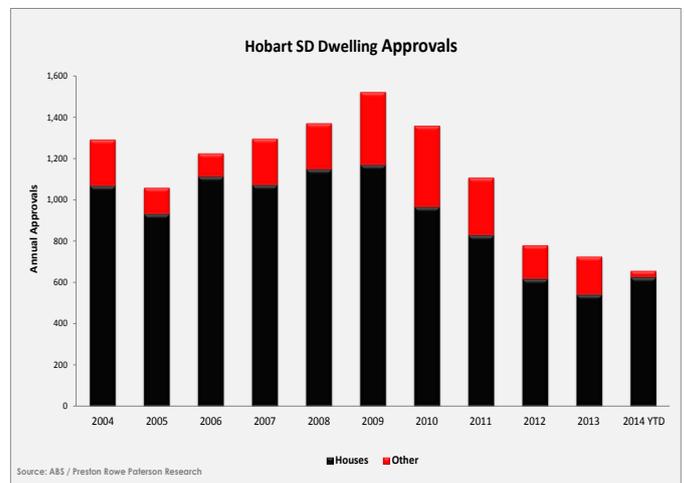


Chart 11 – Hobart SD Dwelling Approvals – Source ABS

## HOBART

### Market Affordability

According to the Real Estate Institute of Australia (REIA) the Hobart median house price over the June quarter 2014 decreased by -1.3% to a median sale price of \$380,000. Over the twelve months to June, a growth of 9.4% was recorded. Quarterly declines in median sale prices were experienced across all zones except for Middle Hobart houses which grew by 1.2%.

North-West Centres experienced the largest fall in median sales price of -4.4% to with median sales price of \$239,000. Middle and Outer Hobart experienced decline of -3.9% and -4.3% with median sales prices of \$490,000 and \$354,000 respectively. Launceston recorded a -0.9% quarterly fall to \$263,500.

Year on year analysis revealed predominantly positive results on Tasmanian house sales. Inner, Middle and Outer Hobart recorded an annual growth of 8.9%, 8.7% and 8.9% respectively. Launceston and North-West Centres recorded annual median sales price declines of -3.7% and -1.5% respectively.

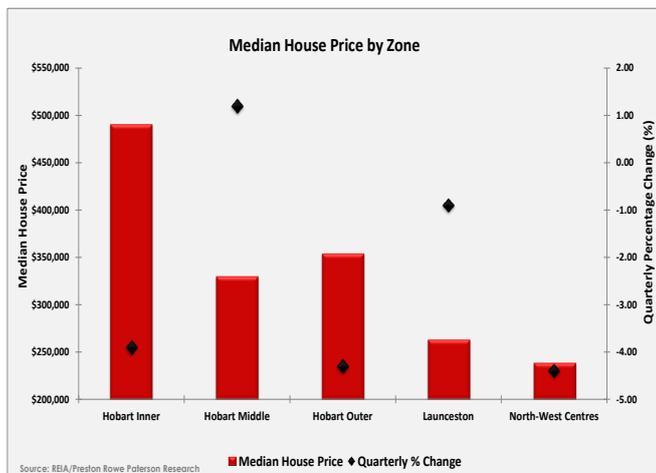


Chart 12 – Median House Price by Zone – Source REIA

Similar to the house sales prices, other dwellings median house prices in Tasmania notes decreases in the June quarter 2014. The most significant quarterly fall was in Launceston and North-West Centres decreasing by -15% and -7% to \$217,500 and \$310,000 median sales prices respectively.

Year on year analysis revealed negative growth across all zones. Launceston recorded the most significant decline of -22.2%. Followed by Inner, Middle and Outer Hobart at -12.7%, -7.3% and -2.9% to median sales prices of \$310,000, \$241,000 and \$267,000 respectively.

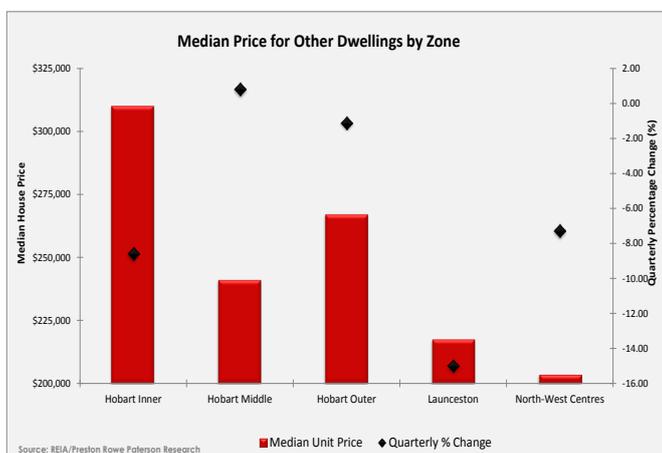


Chart 13 – Median Price for Other Dwellings by Zone – Source REIA

## Rental Market

The June quarter revealed varied results in Tasmania house rentals. The most marked declines were recorded in Inner Hobart 4 bedroom and Launceston 4 bedroom houses with declines of -10% and -7.7% respectively to median weekly rentals of \$450 and \$360. The most significant quarterly growth was attributed to Launceston 2 bedroom (17.6%), North-West Centres 4 bedroom (10.2%) and Outer Hobart 4 bedroom (6.4%) to median weekly rental of \$280, \$325 and \$399 respectively.

Inner Hobart 3 bedroom, Middle Hobart 3 bedroom and Outer Hobart 2 bedroom house saw to a -3.7%, -6.3% and -8.3% decline to median weekly rent of \$390, \$300 and \$275 respectively. The zones which remained unchanged in weekly rentals was Middle Hobart 2 bedrooms (\$280).

Year on year analysis revealed mixed results in Tasmanian median house rents. The highest annual growth was attributed to Inner Hobart 2 bedroom house at 23.3% to \$370. Growths were also noted in Middle Hobart 4 bedroom (11.3%) and Outer Hobart 3 bedroom (1.3%) to median rents of \$395 and \$324 respectively.

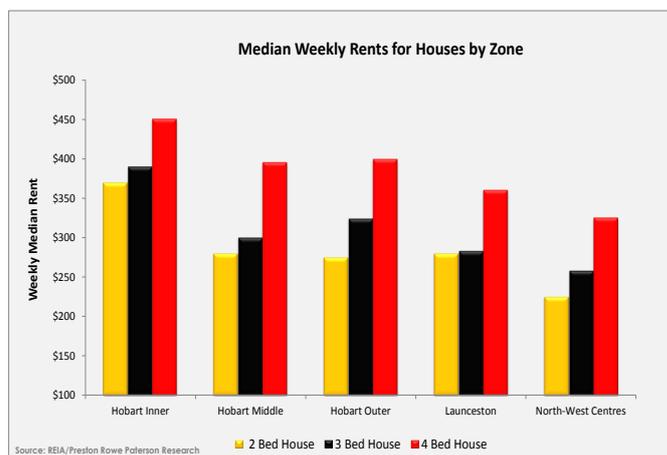


Chart 14 – Median Weekly Rents for Houses by Zone – Source REIA

Tasmania Other Dwellings rentals revealed various results. North-West Centres and Launceston 1 bedroom other dwellings recorded a significant increase in median weekly rental of 26.9% and 17.1% to \$165 and \$185 in the June quarter 2014. Growth was also recorded in Outer Hobart 2 bedroom (1.8%) and Launceston 2 bedroom (2.3%) to \$285 and \$225 per week respectively.

Declines were experienced across the many zones. Inner Hobart 3 bedroom experienced the largest quarterly decline by -6.8% to \$345 weekly rental. Followed by Middle Hobart 1 and 3 bedrooms, and Outer Hobart 3 bedrooms declining by -6.7%, -2.2 and -5.9% to weekly rentals of \$168, \$313 and \$320 respectively.

Year on year analysis of Tasmania other dwellings rentals has revealed the Inner Hobart 1 and 2 bedroom as the best performer, recording 10% and 9.3% growth to \$220 and \$295 respectively. Outer Hobart experienced the largest decline by -23.2% to median weekly rent of \$175. Middle Hobart remained unchanged at \$250 weekly rent.

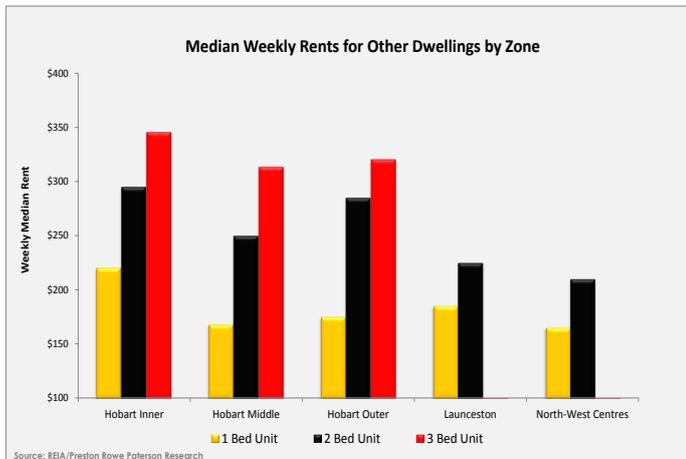


Chart 15 – Median Weekly Rents for Other Dwellings by Zone – Source REIA

## Industrial Markets

Preston Rowe Paterson Research has recorded a limited number of significant sales transaction that occurred in the Hobart Industrial Market, during the three months to September 2014;

### 297-299 Main Road, Glenorchy TAS 7010

The low maintenance showroom complex was sold for **\$1,350,000**. The **704 sqm** property sits on a 2,2820 sqm site which provides ample parking space and has 38m frontage to Main Road. The property is newly leased for 8 years to an annual rent of \$110,000 plus outgoings. The approximate **gross yield is 8.1%**.



### 67 Lampton Avenue, Derwent Park TAS 7009

The office/workshop located in the Derwent Park industrial area was sold for **\$1,700,000**. The property comprises of 161 sqm of office space and 2,511 sqm of workshops and sheds. It was sold vacant in possession.

## Regional Markets

Preston Rowe Paterson Research recorded a limited number of significant sales transactions that occurred in the Tasmania Regional Market, during the three months to September 2014;

### Industrial

#### 241 Hobart Road, Launceston TAS 7250

The showroom/warehouse property was sold vacant possession for **\$915,000**. The **690 sqm** property sits on a 2,956 sqm elevated block with frontage to Hobart Road on one of the busiest intersections in Launceston. The property is fitted with office space, unencumbered floor area of the showroom and warehouse space and 4 roller doors.



## 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

## We have *property* covered

- Investment
- Development
- Asset
- Corporate Real Estate
- Mortgage
- Government
- Insurance
- Occupancy
- Sustainability
- Research
- Real Estate Investment Valuation
- Real Estate Development Valuation
- Property Consultancy and Advisory
- Transaction Advisory
- Property and Asset Management
- Listed Fund, Property Trust, Super Fund and Syndicate Advisors
- Plant & Machinery Valuation
- General and Insurance Valuation
- Economic and Property Market Research

## 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
- Retail shopping centres and shops
- Industrial, office/warehouses and factories
- Business parks
- Hotels (accommodation) and resorts
- Hotels (pubs), motels and caravan parks
- Residential development projects
- Residential dwellings (individual houses and apartments/units)
- 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:

- Mining & earth moving equipment/road plant
- Office fit outs, equipment & furniture
- Agricultural machinery & equipment
- 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:

- Accountants
- Banks, finance companies and lending institutions
- Commercial and Residential non bank lenders
- Co-operatives
- Developers
- Finance and mortgage brokers
- Hotel owners and operators
- Institutional investors
- Insurance brokers and companies
- Investment advisors
- Lessors and lessees
- Listed and private companies corporations
- Listed Property Trusts
- 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:

- Acquisitions & Disposals
- Alternative use & highest and best use analysis
- Asset Management
- Asset Valuations for financial reporting to meet ASIC, AASB, IFRS & IVSC guidelines
- Compulsory acquisition and resumption
- Corporate merger & acquisition real estate due diligence
- Due Diligence management for acquisitions and sales
- Facilities management
- Feasibility studies
- Funds management advice & portfolio analysis
- Income and outgoings projections and analysis
- Insurance valuations (replacement & reinstatement costs)
- Leasing vacant space within managed properties
- Listed property trust & investment fund valuations & re-valuations
- Litigation support
- Marketing & development strategies
- Mortgage valuations
- Property Management
- Property syndicate valuations and re-valuations
- Rating and taxing objections
- Receivership, Insolvency and liquidation valuations and support/advice
- Relocation advice, strategies and consultancy
- Rental assessments and determinations
- Sensitivity analysis
- Strategic property planning

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**Horsham**

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**Newcastle**

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