



**Preston  
Rowe  
Paterson**

®  
National Property Consultants

# Property Market Report

## Tasmania

**June 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 Given the manner in which statistics are compiled and published they are usually 3-6 months out of date at the time we analyse them.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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Phone: +61 2 9292 7400

Fax: +61 2 9292 7404

Address: Level 11, 80 Clarence Street Sydney NSW 2000

Email: [research@prpsydney.com.au](mailto:research@prpsydney.com.au)

Follow us: Visit [www.prpsydney.com.au](http://www.prpsydney.com.au) to follow us

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# Economic Fundamentals

## GDP

GDP figures for the June quarter are not available until the 3rd September 2014, however, Preston Rowe Paterson research over the March 2013 quarter revealed that the Australian economy recorded growth of 1.1% which brings the annual growth to 3.5%.

The main contributors to expenditure on GDP were Net Exports which increased by 1.4%, final consumption expenditure, which increased by 0.3%. The expenditure on GDP was private gross fixed capital formation, increased by 0.2 percentage points.

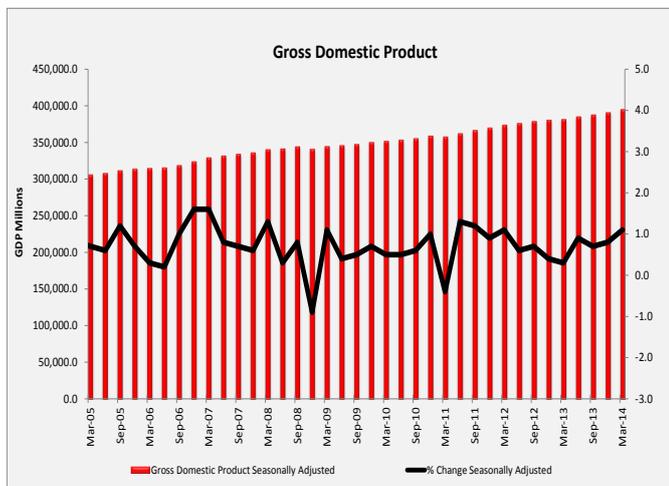


Chart 1 – Gross Domestic Product (GDP) – Source ABS

## Labour force

The official employment figures released from the Australian Bureau of Statistics revealed that the unemployment rate is 6% in June 2014.

Over the month to June 2014, the number of unemployed people increased by 20,322 from 721,330 in May to 742,652 in June which is a percentage decline over the month of 2.82%. In comparison to June 2013, the number of unemployed people has increased by 49,772 which reflected a percentage increase of 7.2%.

The number of unemployed seeking full time employment recorded an increase over the month of June by 10,000 to 543,000 persons, reflecting a growth of 1.8%. The number of unemployed seeking part time employment recorded a increase over the month by 10,300 to 198,600 persons, reflecting a growth of 4.9%.

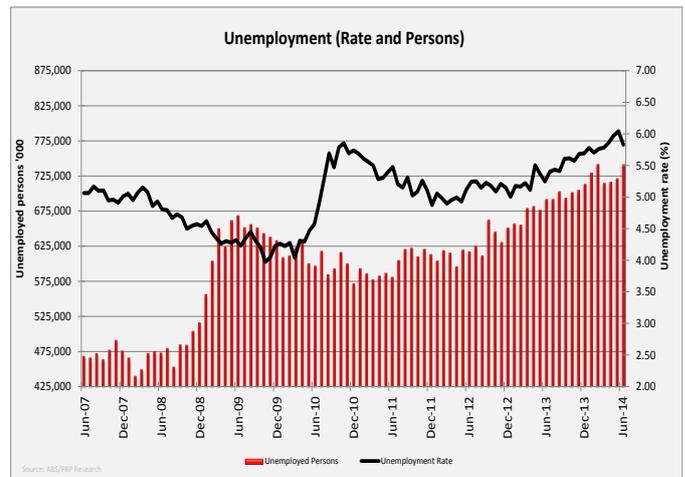


Chart 2 – Unemployment – Source ABS

## Interest Rates

As at the date of publishing, the official Cash Rate over the June quarter 2014 remained unchanged at 2.50%. The Reserve Bank of Australia's Media Release for July 2014, released 1st July 2014 explained that;

*"In Australia, recent data indicate somewhat firmer growth around the turn of the year, but this resulted mainly from very strong increases in resource exports as new capacity came on stream; smaller increases in such exports are likely in coming quarters. Moderate growth has been occurring in consumer demand. A strong expansion in housing construction is now under way. At the same time, resources sector investment spending is starting to decline significantly. Signs of improvement in investment intentions in some other sectors are emerging, but these plans remain tentative as firms wait for more evidence of improved conditions before committing to significant expansion.*

*Public spending is scheduled to be subdued. Overall, the Bank still expects growth to be a little below trend over the year ahead."*

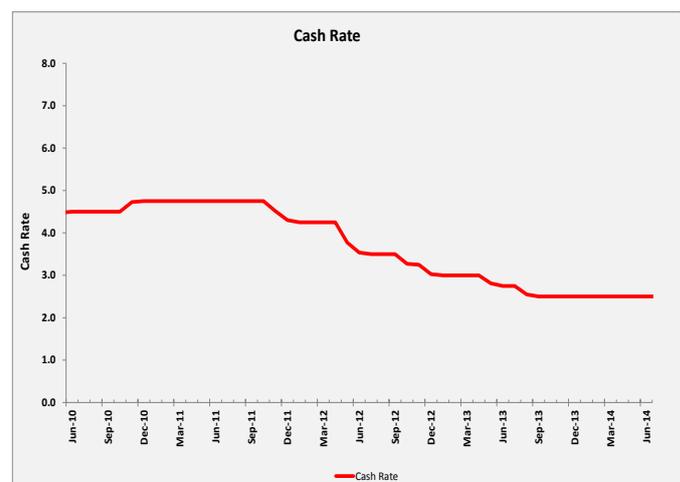


Chart 3 – Cash Rate—Source RBA

## CPI

According to the Australian Bureau of Statistics (June 2014), the Australia's All Groups CPI increased by 0.5% over the quarter to June 2014 from 105.4 to 105.9. Over the 12 months to June 2014, growth of 3% has been recorded.

The most significant price rises over the June quarter were for medical and hospital services (+4.6%), tobacco (+3.1%) and new dwelling purchase by owner-occupiers (+1.6%). The greatest price fall over the June quarter was attributed to domestic holiday travel and accommodation (-3.8%), followed by automotive fuel (-2.7%) and telecommunication equipment and services (-1.6%).

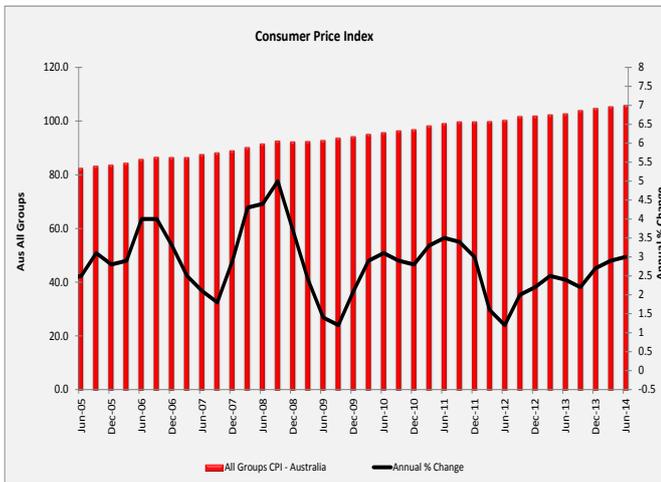


Chart 4 – Consumer Price Index – Source RBA

## Consumer Sentiment

The Westpac Melbourne Institute of Consumer Sentiment Index increased by 0.3% in June from 92.9 index points in May to 93.2 index points in March. Over the quarter the index has declined by 6.3 points, a decline of 6.33%. Over the twelve months to June the index declined by 9 index points, reflecting a percentage decline of 8.79%.

The Index has risen from its lowest in May and is expected to continue to do so. Westpac's Senior Economist, Matthew Hassan stated; *"Sentiment has stabilised after registering a sharp fall in the wake of the Federal Budget last month. The Index is still in firmly pessimistic territory however, down 6.6% from its pre-Budget level in April and 15.6% below its post-election high in November last year"*.



Chart 5—Consumer Sentiment Index—Source Westpac Melbourne Institute

## Commercial Office Market

### Hobart CBD



#### Property Council of Australia

The latest statistics from the Property Council of Australia's (PCA) Office Market Report January 2014 have been analysed to derive at the following findings:

#### Supply by Grade (Stock)

Over the six months to January 2014 there was 0.67% decline of Hobart CBD office stock due to a lack of new supply and withdrawal of 2,419 sqm resulting in total supply of 359,397 sqm.

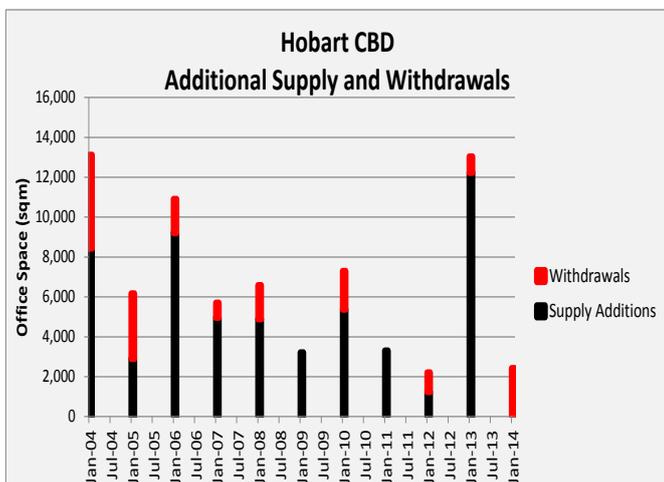


Chart 6 – Hobart CBD Additional Supply and Withdrawals – Source PCA

All office stock experienced a decline except for D Grade office stock which remained unchanged, recording no supply or withdrawals to remain at stock levels of 35,381 sqm reflecting 9.8% of the office stock share.

The A Grade office space dominates the Hobart CBD office market with a market share of 49.9%. A Grade stock recorded decline in the six months to January 2014 by 0.55% with 994 sqm withdrawals from the market resulting in an decrease in total supply to 179,397 sqm.

B Grade office stock recorded a decrease consisting of 562 sqm withdrawals resulting in total supply of 72,622 sqm and a market share of 20.2%. C Grade office stock recorded the largest decline of 863 sqm to 71,997 sqm and reflects 20% of the total market share.

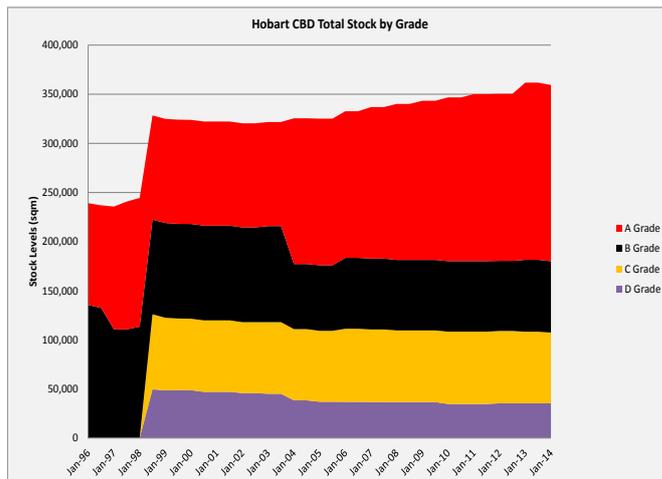


Chart 7 – Hobart CBD Total Stock by Grade – Source PCA

#### Total Vacancy:

The Hobart CBD office market total vacancy rate has tightened by 2.1% to 7.3% six months to January 2014. Sub-lease vacancy accounted for 0.9% of total vacancy and 6.4% was attributed to direct vacancy. This reflects a decline of total office space supply available for lease to 26,344 sqm.

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%.

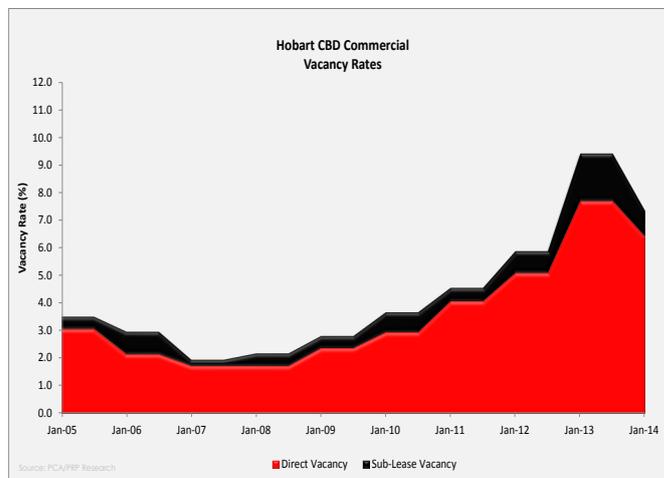


Chart 8 – Hobart CBD Commercial Vacancy Rates – Source PCA

## Retail Market

### Economic Statistics

According to the Australian Bureau of Statistics category Retail Trade (May 2014), the retail turnover figures recorded in Tasmania produced varied results. Tasmania total industry retail turnover decreased by 0.2% over the month of May resulting in total turnover for the month of \$459.1 million. This is a 8.8% increase when compared to May 2013.

The Tasmanian retail market had produced mixed results over the month of May 2014. The highest monthly retail turnover was realised by café, restaurant and takeaway services (3.7%) followed by clothing, footwear and accessory retailing (1.3%). The May turnover for these industries were \$32.4 million and \$52.8 million respectively.

Household goods retail fell by 0.1% to \$88.9 million monthly turnover, and food retailing also fell by 1.1% to a monthly turnover of and \$195.8 million.

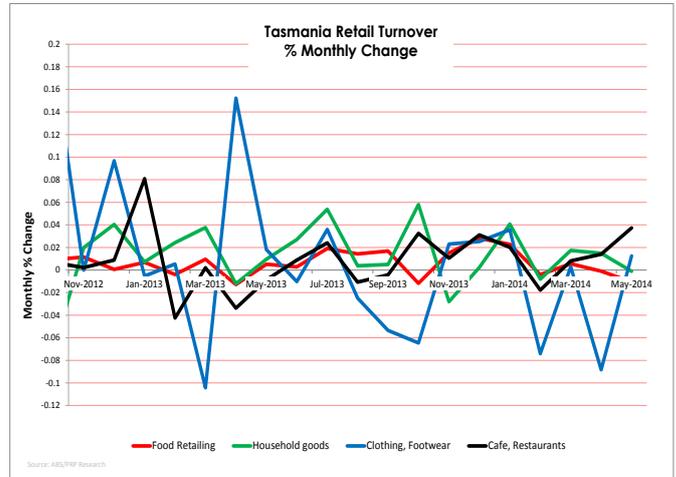


Chart 10 – Tasmania Turnover % Monthly Change – Source PCA

## Residential Market

### Economic Statistics

According to the Australian Bureau of Statistics category 8731.0 Building Approvals May 2014, the total number of house dwelling approvals in the Hobart Statistical Division over the month has increased by 45% from 73 approvals to 106 approvals. There was a significant annual growth of 186% in house dwelling approvals when compared to May 2013. The monthly total number of non-house dwelling approvals remained unchanged with no approvals. In comparison to May 2013 this reflected a significant decline of 100%.

The Hobart total dwellings market experienced a significant annual increase of 141% from May 2013 to 106 total approvals in May 2014.

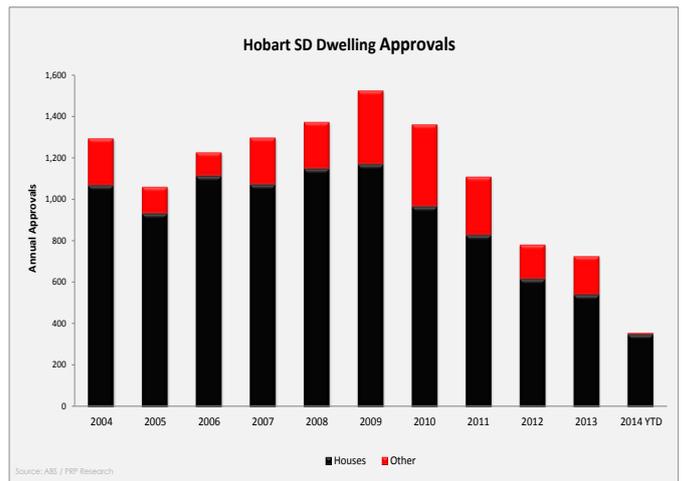


Chart 11 – Hobart SD Dwelling Approvals – Source ABS

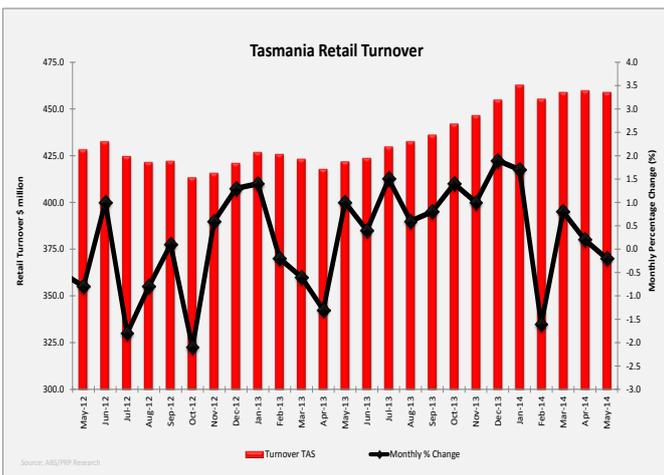


Chart 9 – Tasmania Retail Turnover – Source ABS

Year on year analysis recorded growth in all industries except for clothing, footwear and accessory retailing with declines of 17.6%. The most significant annual growth was recorded by household goods retailing (19.8%), followed by cafes, restaurants and takeaway food services (16.3%) and food retailing (10.1%).

## HOBART

### Market Affordability

According to the Real Estate Institute of Australia (REIA) the Hobart median house price over the June quarter 2014 increased by 4.1% to a median sale price of \$385,000. Over the twelve months to June, growth of 6.9% was recorded. Quarterly declines in median sale prices were experienced in Launceston of -3.3% to median sale prices of \$266,000. North-West Centres recorded a quarterly growth of 4.2% to a median sale price of \$250,000.

Inner Hobart experienced the highest quarterly growth of 8.5% to with median sales price of \$510,000. Middle and Outer Hobart experienced growth of 0.3% and 5.4% with median sales prices of \$326,000 and \$270,000 respectively.

Year on year analysis revealed predominantly positive results on Tasmanian house sales with the exception of Middle Hobart recording an unchanged value. Inner and Outer Hobart, Launceston and North-West Centres zones recorded annual growth of 12%, 14.9%, 1.1% and 0.6% respectively. The most significant annual growth was experienced in Outer Hobart house prices, increasing by 14.9%.

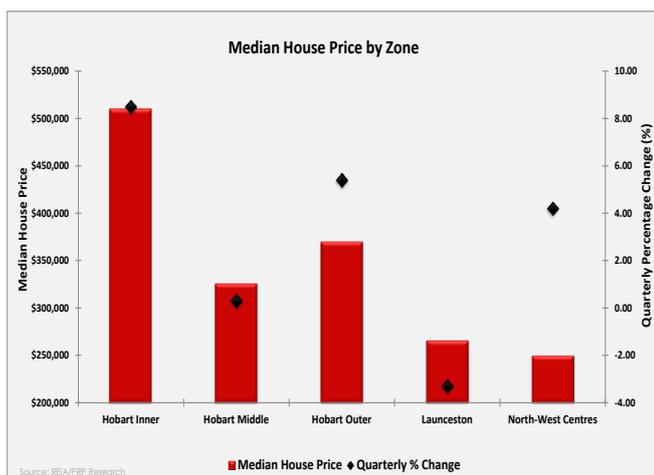


Chart 12 – Median House Price by Zone – Source REIA

Other Dwellings median house prices in Tasmania recorded growth in the June quarter 2014. The most significant quarterly growth was in Launceston and North-West Centres increasing by 8.9% and 12.6% to \$256,000 and \$219,500 median sales prices respectively.

Year on year analysis revealed positive results, with mixed results. Inner Hobart and Launceston recorded an annual growth of 1.2% and 13.8% respectively. Middle and Outer Hobart recorded the largest decline of -9.8% and -6.9% respectively. North-West Centres recorded a decline of -3.1%.

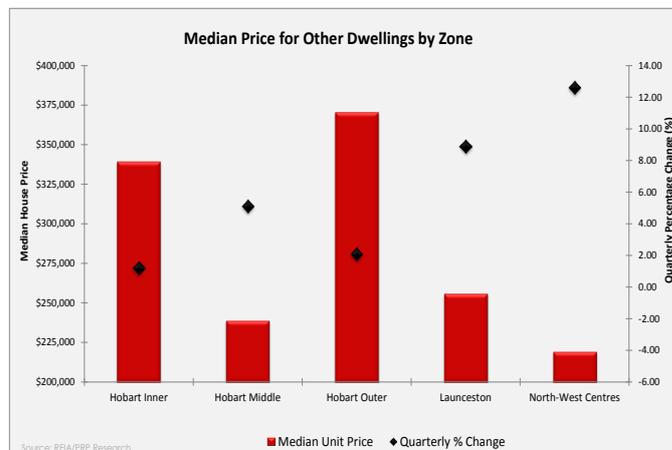


Chart 13 – Median Price for Other Dwellings by Zone – Source REIA

### Rental Market

The June quarter revealed varied results in Tasmania house rentals. The most marked declines were recorded in Outer Hobart 4 bedrooms and Launceston 2 bedrooms with declines of -11.8% and -4.8% respectively to median weekly rentals of \$375 and \$238. The most significant quarterly growth was attributed to North-West Centre 2 bedrooms (15.4%), Outer Hobart 2 bedrooms (12.4%) and Launceston 4 bedrooms (9.9%) to median weekly rental of \$240, \$300 and \$390 respectively.

Inner Hobart 4 bedrooms and Middle Hobart 2 bedrooms saw to a 4.2% and 3.7% growth to median weekly rentals of \$500 and \$280 respectively. The zones which remained unchanged in weekly rentals were Inner Hobart 2 bedrooms (\$340), Middle Hobart 3 bedrooms (\$320) and North-West Centres (\$250).

Year on year analysis revealed mixed results in Tasmanian median house rents. The highest annual growth of 13.2% was in Outer Hobart 2 bedrooms and the largest decline of -35.9% was in Outer Hobart 4 bedroom houses.

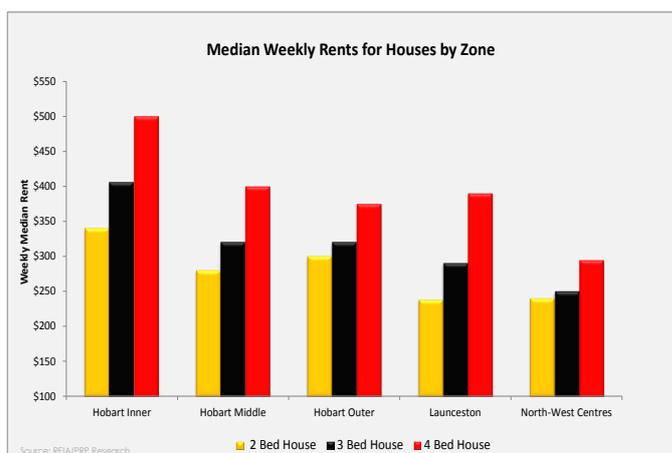


Chart 14 – Median Weekly Rents for Houses by Zone – Source REIA

Tasmania Other Dwellings rentals revealed various results. North-West Centres 4 bedrooms recorded a significant increase in median weekly rental of 17.3% to \$264 in the June quarter. Other large growth were recorded in Launceston 3 bedrooms (13.8%) and Middle Hobart 3 bedrooms (6.7%) to \$330 and \$320 per week respectively.

Declines were experienced across the many zones. North-West Centres experienced the most significant quarterly decline on 1 bedrooms other dwellings by -13.3% to \$130 weekly rental. Followed by Launceston 1 bedrooms and Outer Hobart 2 bedrooms declining by -7.1% and -6.7% to weekly rentals of \$158 and \$280 respectively.

Year on year analysis of Tasmania Other Dwellings rentals has revealed the North-West Centres zone as the best performer. The 1, 2 and 3 bedrooms increased by 20.4%, 9% and 12.3% respectively to a median weekly rental of \$130, \$218 and \$264 respectively.

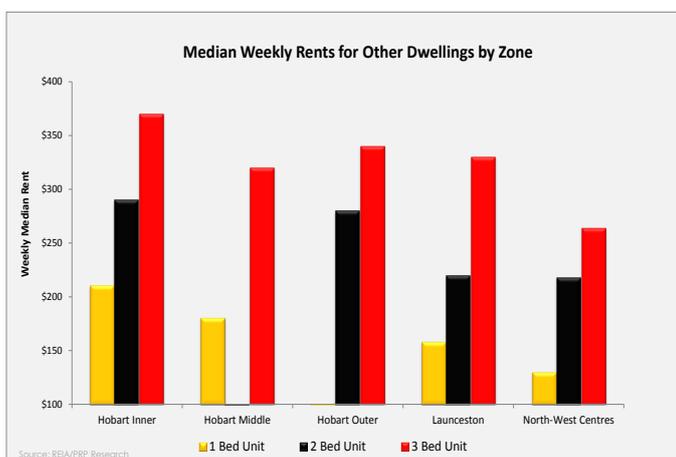


Chart 15 – Median Weekly Rents for Other Dwellings by Zone – Source REIA

## Regional Markets

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

### Retail

#### 159 William Street, Devonport TAS 7310

The **838 sqm** property was sold for **\$2.31 million** on a **7.42% yield**. It is leased to The Reject Shop on a 6 plus 6 year option term at an **annual rent** of approximately **\$171,408**. The sale of this property was via an auction which was exchanged between two Victorian private investors.



### Hotel

#### 19 Lenborough Street, Beauty Point TAS 7270

The **Riviera Hotel** was sold for **\$650,000**. The **1,011 sqm** hotel sits on a 0.4 ha site, comprises of a 40 seat bistro, 40 seat function room, bar, games room, 4 bay garage and 50 on-site car spaces. The upper level of the property includes the manager's 3 bedroom residence and 9 accommodation rooms.



## 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
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- 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
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- Listed property trust & investment fund valuations & re-valuations
- Litigation support
- Marketing & development strategies
- Mortgage valuations
- Property Management
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- Rental assessments and determinations
- Sensitivity analysis
- Strategic property planning

## Sydney (Head Office)

Level 11, 80 Clarence Street  
Sydney NSW 2000

PO BOX 4120, Sydney NSW 2001

P: 02 9292 7400

F: 02 9292 7404

E: [research@prpsydney.com.au](mailto:research@prpsydney.com.au)

W: [www.prpsydney.com.au](http://www.prpsydney.com.au)

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**Preston Rowe Paterson Australasia Pty Ltd**

**ACN: 060 005 807**

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## Directors

**Greg Preston**

M: 0408 622 400

E: [greg.preston@prpsydney.com.au](mailto:greg.preston@prpsydney.com.au)

**Greg Rowe**

M: 0411 191 179

E: [greg.rowe@prpsydney.com.au](mailto:greg.rowe@prpsydney.com.au)

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