



Herron  
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Independent Property Advisors

**Westpac**

PROPERTY REPORT

*Tasmania*



# National overview

*Today's climate of low interest rates coupled with property values that in some regions have fallen by 10% over the past 18 months, are giving first home buyers and entry level investors a welcome opportunity to enter the residential property market. The key is to seek out locations where prices are below the broader market median yet with good prospects for capital growth. This is exactly what we have done in compiling this edition of the Herron Todd White Westpac Quarterly Property Report, which outlines the wide choice of suburbs that give budget conscious buyers a toehold on the property ladder.*

## Entry level prices vary around the nation

In a market as diverse as Australia 'entry level' property prices vary widely across states, cities and suburbs. In the Tasmanian city of Launceston for instance, first home buyers and investors can secure quality properties priced from around \$250,000. This can be around half the price paid for homes in Sydney's newest growth corridor subdivisions where in suburbs like Gregory Hills and Edmondson Park in the south west, or The Ponds and Ropes Crossing in the north, house and land packages are priced at around \$500,000.

## Units – more affordable but growth prospects may be lower

In many metropolitan areas apartments are more affordable than freestanding houses. This affordability gap can point to differences in the long term growth prospects and location can play a key role in determining whether an entry level house will offer better amenity and long term price appreciation than a unit.

As a guide, north west of the Queensland Gold Coast a budget of \$200,000 will buy an older house possibly in need of renovation in Beaudesert, Eagleby or Beenleigh. For around \$190,000, buyers can secure a far more central location with a 1-bedroom apartment in Southport or Surfers Paradise. As with any apartment it is essential to consider the volume of units in the area and the availability of local facilities, infrastructure and transport links that will support values over time.

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## Incentives for new builds

A number of state and territory governments have boosted the financial incentives available to buyers/builders of new homes as a means of stimulating the construction industry. Together with reduced affordability for inner ring established suburbs, this is seeing many first home buyers opt for outer ring locations in cities like Darwin and Canberra. In Darwin's satellite city of Palmerston, units are priced from the high \$200,000s. In Canberra, a number of new suburbs including Casey, Harrison and Bonner offer freestanding homes available for around \$400,000.

## Infrastructure can underpin growth

For both investors and first home buyers, local infrastructure can improve the amenity of an area and support future price growth. An example of this is the Melbourne suburb of Craigieburn, where a \$330 million shopping, entertainment and community precinct – Craigieburn Central, is under construction. Property prices in the area have risen by 18% in recent months, but with a median price of \$360,000 it remains an affordable location for first home buyers with further scope for values to rise.

**Brendon Hulcombe**  
CEO, Herron Todd White

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# Tasmania

*Tasmania's property market offers greater affordability than many mainland markets, and in cities such as Launceston first home buyers and investors can secure quality properties priced from around \$225,000. From 1 January 2013 first home buyers can access additional support through the new First Home Builders Boost (FHBB) however this is leading to concerns of a possible oversupply of dwellings.*

## Opportunities for first home buyers

In December 2012 the Tasmania state treasury announced the introduction of the First Home Builder Boost (FHBB) worth \$8,000 as part of the Tasmanian Jobs Package. Together with the \$7,000 First Home Owner Grant (FHOG), this will give approved applicants a total of \$15,000 in government support.

The Boost is available to first home owners who purchase a newly built home or who are owner/builders under contracts entered into between 1 January 2013 and 30 June 2014. This provides first home buyers with the incentive to buy a newly built home or engage a builder to construct a dwelling to their own design. In order to remain competitive with existing housing stocks the FHBB will generally restrict buyers to locations where the value of vacant land is around \$100,000.

While the FHBB may stimulate the state's construction sector, there is speculation it could artificially inflate building prices due to increased demand created by first home buyers. This could lead to increases in both building rates and/or land values, and the supply of new stock may negatively impact values of established homes. A primary cause of the current subdued market conditions has been the oversupply of properties on the market relative to demand. In areas like Tasmania, where population growth is minimal, incentives such as the FHBB could exacerbate the situation.

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## Launceston – priced from \$225,000

For first home buyers looking to purchase an existing home in Launceston, prices of around \$225,000 are achievable. This sort of budget would generally secure an older dwelling within a number of the city's established suburbs such as Riverside, Trevallyn, Newstead, South Launceston, Prospect, Prospect Vale, Summerhill, Youngtown, Norwood, St Leonards and Kings Meadows.

These locations are well serviced by schools, shops and public transport, and the CBD is just a short drive away. Dwellings generally comprise brick or weatherboard freestanding homes with a single bathroom. At this price point buyers can expect a functional kitchen and/or bathroom though many older homes could benefit from a renovation or update.

## Hobart locations priced from \$275,000

In the south, Hobart features a slightly higher median price of around \$400,000 for the city's middle and \$310,000 for outer suburbs. Entry level homes are available from around \$275,000.

Suburbs such as Kingston, Lindisfarne and Austins Ferry offer good local amenities including schools, and public transport and the Hobart CBD is within a 20 minute drive. At this end of the market, first home buyers may need to consider a unit rather than a freestanding house.

## Opportunities for investors

Investors typically compete against first home buyers in the entry level price segment, and the same property features that appeal to first home buyers are often sought after by tenants. This being the case, the same suburbs in Launceston and Hobart that offer opportunities for first home buyers are equally well suited to first-time landlords.

Soft property prices and low interest rates are providing added incentives for investors in Tasmania at present. However the introduction of the First Home Builder Boost on 1 January 2013 could make the market even more attractive if an increase in supply pushes property prices down further. In addition, the FHBB could also lead to reduced competition for existing housing stock as the option to build becomes more attractive.

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## Low rates help to stabilise yields

Across Tasmania the rental vacancy rate has risen slightly over the past 12 months, though favourable interest rates are helping to keep net yields steady.

The outlook for rents and yields is strongly linked to the state's economic prospects, and in the current uncertain environment it is difficult to predict likely future capital growth. Investors seeking capital gains need to adopt a long term approach and hold onto a rental property for a number of years to maximise growth prospects.

Source: Herron Todd White

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**TASMANIA**  
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