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A joint publication of Edwards Windsor & Ryder Property Research

HOBART Tasmania

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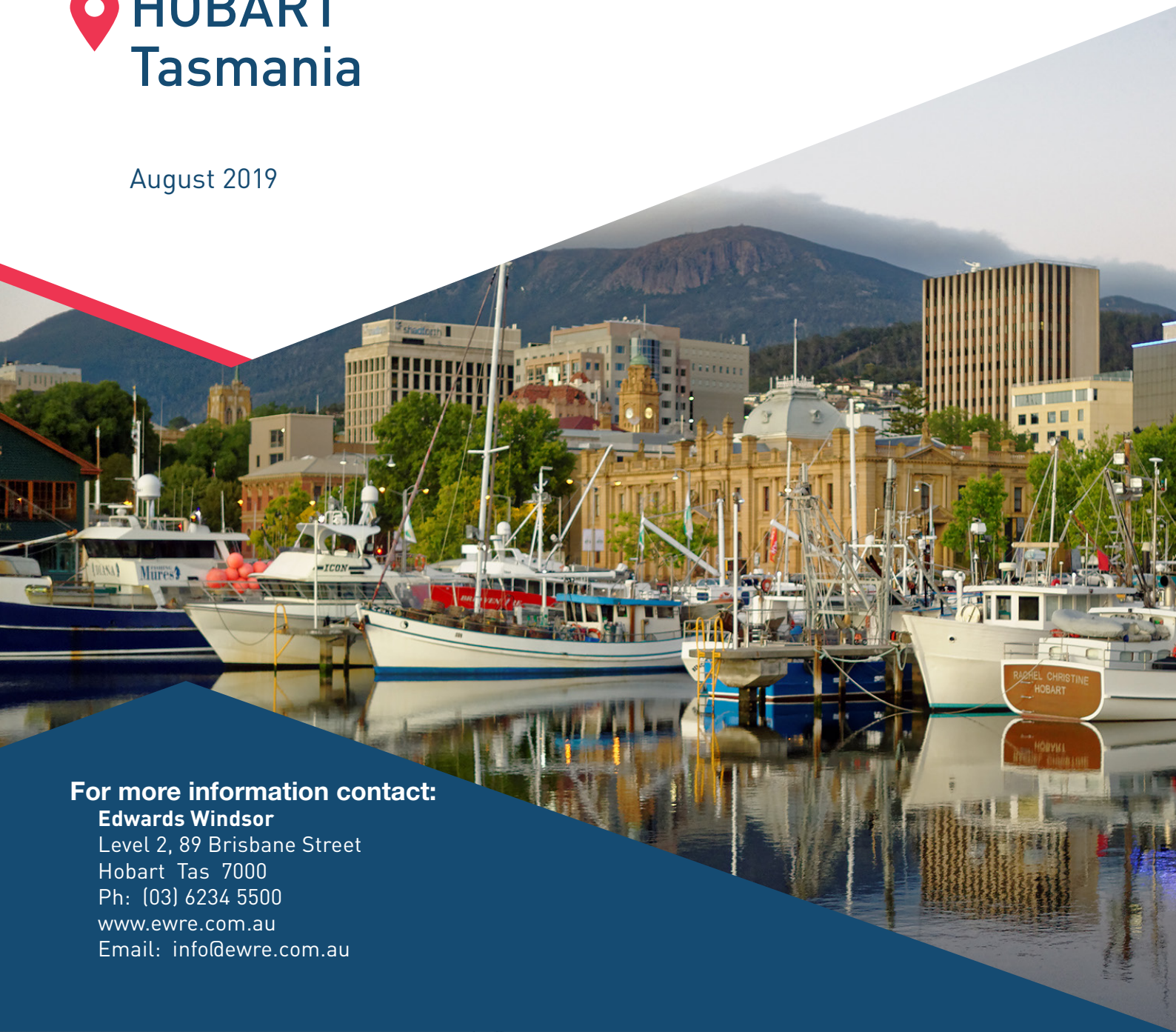
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HOBART Tasmania

Highlights

- Affordable house prices
- Low vacancies, high yields
- Strengthening economy
- \$2 billion Macquarie Point Master Plan
- \$1.4 billion City Deal
- \$700 million hospital upgrade
- \$400 million education precinct

Suburb - houses	Typical prices	Suburb - houses	Typical prices	Suburb - units	Typical prices
Claremont	\$365,000	Kingston	\$500,000	Bellerive	\$425,000
Glenorchy	\$380,000	Lindisfarne	\$540,000	New Town	\$345,000
Howrah	\$530,000	Moonah	\$445,000	Sandy Bay	\$555,000

Hobart continues to be the strongest market in capital city Australia - and its economic future is now fortified by the \$1.4 billion City Deal signed by three levels of government.

Tasmania's economy is gathering strength, having overtaken the ACT to claim third place on economic performance rankings, according to CommSec's *State of the States* report.

Significant projects in the pipeline include an international airport to encourage direct flights for tourists, an Antarctic and Science Precinct at Macquarie Point, and a light rail network.

Homes sell faster in Hobart than anywhere else, price growth leads capital city Australia, and three Hobart suburbs are the most in-demand suburbs for renters nationally.

Hobart presents an attractive package to investors, with affordable prices compared to other capital cities, as well as attractive rental yields and low vacancy rates.

Population and Demographics

Greater Hobart encompasses a region from Kettering in the south, Mt Wellington in the west, Brighton to the north and Marion Bay and Blackmans Bay to the east.

Within Greater Hobart, at the 2016 Census there were fewer residents of working age (i.e. those aged from 25-49) than the national average – 32% compared to 35%; but the number of people aged over 50 (38%) was higher than the national average of 34%.

The more common occupations are:

- professionals (23%)
- clerical & administrative workers (15%)
- technicians & trades workers (13%)
- community & personal service workers (13%)
- managers (11%).

Tasmania has a high concentration of Antarctic and Southern Ocean scientists, according to Wikipedia.

Economy and Amenities

Greater Hobart incorporates the LGAs of:

1. **City of Hobart:** The CBD and surrounding suburbs such as Battery Point, North Hobart and Glebe.
2. **City of Clarence:** Eastern shore of Derwent River but west of Hobart International Airport.
3. **City of Glenorchy:** Northern suburbs of Hobart, but west of the Derwent River. (The Glenorchy City Council was sacked in 2017 following a Board of Inquiry which uncovered governance failures and “unethical” leadership. A new mayor and aldermen were elected in January 2018.)
4. **Kingborough Council:** South of Hobart CBD and including Bruny Island.

Hobart is the financial and administrative heart of Tasmania. It also serves as the home port for both Australian and French Antarctic operations.

Australia has had a presence in Antarctica for 100 years and Hobart’s proximity to East Antarctica and the Southern Ocean makes it suitable as a port for scientific research.

There are 830 people working in the local Antarctic community, including 200 in the private sector and 630 scientists and technical staff.



Location

- South-east Tasmania, on the estuary of the Derwent River.
- 1.25-hour flight to Melbourne.
- 3-hour drive to Devonport (where ferries from Melbourne dock).
- The Midland Highway runs north-south, connecting Hobart to Launceston and Devonport.



Population

Greater Hobart: 222,300
Median age: 40

Source: 2016 Census

Hobart supports the development of about 150 postgraduate students who will become the next generation of Antarctic scientific researchers.

The CSIRO’s Marine and Atmospheric Research Division in Hobart has Australia’s largest marine research library and also employs 300. CSIRO’s facilities include ocean marine laboratories, engineering workshops and the \$120 million vessel RV Investigator.

This sector employs around 1,200 and contributes more than \$180 million annually to the Tasmanian Gross State Product, with the flow-on effect estimated to be about \$260 million.

But Hobart’s connection to Antarctic research is not exclusively Australian.

The French Antarctic program boosts the southern Tasmanian economy from its use of Tasmanian shipping agents for food, fuel, boating supplies and waste disposal services.

The city is also a hub for cruise ships during the summer months, with up to 40 ships carrying 100,000 passengers docking during the season.

- Light Industry

Hobart supports a host of light industry manufacturers. Major local employers include catamaran builder Incat, zinc refinery Nyrstar, Cascade Brewery, Cadbury's Chocolate Factory and Norske Skog which produces around 290,000 tonnes of newsprint and paper annually.

- Tourism

Tourism plays a key role in Hobart's economy. In 2017, there were 1.26 million visitors to Tasmania, up 2% on the previous year, according to the Tasmanian Visitors Survey. The majority arrived via Hobart.

Total spending by visitors rose 8% in 2017, with the average visitors spending \$216 per night.

The number of international visitors rose 17%.

Hobart's rich history as a penal settlement, its heritage-listed architecture and snow-capped Mt Wellington are just some of the reasons why tourists visit Tasmania every year.

Other attractions include Salamanca Place, the site of restaurants, galleries, craft shops and offices as well as a weekly market with 300 stallholders selling produce and arts & crafts.

The annual Sydney-to-Hobart yacht race creates much excitement at Constitution Dock in the Port of Hobart where the race finishes on New Year's Eve. Running since 1945, the race has become one of the top three offshore yacht races in the world and attracts around 100 international competitors.

Wineries have become popular in the last 15–20 years with many popular vineyards located around the Derwent, Coal River and Huon Valleys.

The Wrest Point Hotel Casino in Sandy Bay was Australia's first legal casino, opening in 1973.

In the past few years, \$78 million has been spent on upgrades to the Hobart International Airport, allowing it to accommodate mainstream international commercial flights, a direct route to South-East Asia and more international charter flights.

The airport employs 820 and contributes \$143 million into the state's economy each year.



- Education

The main provider of tertiary education in Hobart is the University of Tasmania. It claims to be ranked in the top 2% of universities worldwide and have 29,000 local, national and international students.

The university's extensive array of faculties located around the city include:

- the Tasmanian Conservatorium of Music
- the Tasmanian Centre for the Arts
- a multi-million dollar Medical Sciences Precinct which includes the School of Medicine
- the Menzies Research Institute and
- the School of Health Sciences.

There is the Faculty of Science, Engineering and Technology, the University Farm near Richmond, which is the site for agricultural research, the University's observatories and the Grote Reber Physics Museum at Cambridge.

The Institute for Marine and Antarctic Science, a specialist institute of the University, is located in new \$45 million premises which provide teaching and research facilities for around 290 staff and students.

Several TAFE colleges can be found across Hobart.

- Health

Hobart is serviced by the Royal Hobart Hospital and two private hospitals.

The Royal Hobart Hospital is Tasmania's largest hospital and as the major clinical teaching and research centre, it works closely with the University of Tasmania. The hospital employs around 3,000.

Property Profile

Hobart and Tasmania are national leaders on price growth – although our analysis of the latest sales activity data suggests the market has passed its peak after two years of strong growth.

The rise of markets in Hobart, Launceston and other parts of Tasmania began with a steady uplift in sales activity early in 2017 and we have seen strong sales activity since then, leading to nation-leading price growth.

But now sales volumes are subsiding and the number of plateau markets across the state is the highest since we began our quarterly surveys five years ago.

The number of plateau markets in Tasmania, quarter-by-quarter in the past two years, has been 17, 30, 39, 39, 40, 43, 46 and 54 – a clear pattern showing the increase in the number of locations where sales activity has passed its peak.

There are still suburbs with growth markets (measured by sales volumes) in both Hobart and Launceston.

In the Hobart metropolitan area, suburbs that still have growth momentum include Berriedale, Bridgewater, Rokeby, Sorell, Old Beach, Margate and Howrah.

Price growth continues to be strong. In the last 12 months, many suburbs have recorded double-digit growth in median house prices.

The surge in property market activity has led to a critical shortage of rental properties in Greater Hobart, earning the city the reputation of being the least affordable capital in Australia, according to the *Rental Affordability Index*. The index is an indicator of rental affordability relative to household incomes.

Data from SQM Research shows the weekly median house rent of \$450 is 13% higher than a year ago and 32% more than three years ago. The growth rate is the highest of any capital city.

Other research by *realestate.com.au* says Claremont, Glenorchy and Kingston are the three most in-demand suburbs for renters nationally. Sandy Bay ranks at 10th place.

“Rental demand is driven by jobs growth, driving population levels, as well as relatively low levels of new development,” says *realestate.com.au* chief economist Nerida Conisbee.

Herron Todd White agrees population growth has played a major role, coupled with improved employment prospects from a booming tourism industry and a solid government sector.

HOME OWNERSHIP

- 33% own their homes outright
- 35% own with mortgages
- 29% rent their homes

Another factor placing pressure on the property market is Airbnb which is reducing the pool of rental stock.

The Tasmanian Government is partly addressing the housing shortage by rezoning parcels of Crown land in West Moonah and Rokeby. The land involved, a total of 4.31ha, has the potential to deliver between 40 and 50 subdivision lots on which many more dwellings can be built.

Hobart appeals because of its affordability, high yields and lifestyle. Agents report a lot of interest is coming from Melbourne and Sydney where some home-buyers are being priced out of the market.

Hobart is Australia's second oldest city behind Sydney, so there are plenty of character cottages to be found. But there are also modern homes and apartments. Standalone houses make up 85% of all dwellings while 15% are units, flats or townhouses.

Many Hobart suburbs have median house prices under \$400,000, including Berriedale, Bridgewater, Claremont, Glenorchy, Rokeby and Sorrell.

Strong median returns are a feature; seven suburbs offer median yields of 5.0% or higher including Bridgewater (7%) and Rokeby (6.5%).

The median unit price in Claremont is \$285,000 following a 19% rise in the last 12 months. New Town follows closely with an increase of 18%, while Belerive (16%) and Sandy Bay (13%) have also lifted.

Investors can expect a median rent of \$320 in Claremont to deliver a return of 5.8%.

- Vacancy Rates

Vacancies across Hobart are so tight that homelessness has become a problem. Vacancy rates are well under 1.0% in most postcodes of the city.

SQM Research indicates that the average vacancy rate for Hobart is currently 0.5%.

Hobart has had the lowest vacancies among the capital cities for several years, according to SQM.

The suburbs listed below are a sample of the Hobart unit market:

Suburb	Sales Units	Median Units	1-year Growth	Growth Average	Median Yield
Bellerive	35	\$425,000	16 %	6 %	4.6 %
Claremont	50	\$285,000	19 %	4 %	5.8 %
Hobart	45	\$635,000	3 %	4 %	4.1 %
New Town	43	\$345,000	18 %	4 %	5.2 %
Sandy Bay	99	\$555,000	13 %	5 %	4.0 %

Source: CoreLogic – “No. of sales” is the number of house sales over 12 mths; “Growth ave.” is the average annual growth in median house prices over 10 yrs.

The house market in Hobart can be summarised in this sample of suburbs:

Suburb	Sales Houses	Median Houses	1-year Growth	Growth Average	Median Yield
Bellerive	54	\$605,000	8 %	5 %	4.0 %
Berriedale	46	\$385,000	13 %	6 %	5.4 %
Blackmans Bay	110	\$570,000	-4 %	5 %	4.4 %
Bridgewater	85	\$240,000	14 %	4 %	7.0 %
Claremont	123	\$365,000	18 %	5 %	5.4 %
Geilston Bay	48	\$480,000	12 %	5 %	4.9 %
Glenorchy	172	\$380,000	13 %	6 %	5.5 %
Howrah	132	\$530,000	12 %	5 %	4.4 %
Kingston	142	\$500,000	8 %	5 %	4.8 %
Lenah Valley	97	\$550,000	1 %	5 %	4.5 %
Lindisfarne	108	\$540,000	14 %	5 %	4.4 %
Margate	65	\$585,000	15 %	6 %	3.9 %
Moonah	104	\$445,000	19 %	6 %	5.0 %
New Town	59	\$665,000	12 %	6 %	4.1 %
Rokeby	74	\$290,000	8 %	5 %	6.5 %
Sandy Bay	116	\$915,000	2 %	5 %	3.7 %
Sorrell	87	\$395,000	5 %	4 %	5.5 %
South Hobart	59	\$675,000	11 %	7 %	3.9 %

Source: CoreLogic – “No. of sales” is the number of house sales over 12 mths; “Growth ave.” is the average annual growth in median house prices over 10 yrs. “Snr”: statistically not reliable

HOBART VACANCY RATES

Postcode	Suburbs	Vacancy rate
7004	South Hobart	1.0 %
7005	Sandy Bay	0.8 %
7008	Lenah Valley, New Town	0.4 %
7009	Lutana, Moonah, West Moonah	0.2 %
7010	Glenorchy	0.1 %
7011	Claremont	0.4 %
7015	Geilston Bay, Lindisfarne	0.5 %
7018	Bellerive, Howrah	0.6 %
7050	Kingston	0.3 %
7052	Blackmans Bay	0.4 %

Source: SQM Research

Future Prospects

Tasmania's economy continues to perform solidly, according to Commsec's latest *State of the States* report.

Since the beginning of 2019, Tasmania has nudged past the ACT to claim third position (behind Victoria and NSW) on the economic performance rankings. Tasmania's key strengths are population growth, housing finance, business investment and dwelling starts.

In 2018, Tasmania's commercial construction sector was described as a "standout performer", increasing by 40% over the previous two years to \$1.8 billion with another \$1.7 billion in the planning stages.

The activity has been led by the \$700 million redevelopment of the Royal Hobart Hospital, while Mona's \$400 million hotel proposal heads the list of projects in the pipeline.

- City Deal

More promising opportunities are on the horizon, three levels of Government signed the \$1.4 billion Hobart City Deal in February 2019.

Projects to be delivered over the next 10 years via the City Deal include:

CORE INFLUENCES

Boom Towns

Lifestyle Features

Cheapies with Prospects

- a new international airport;
- an Antarctic and Science Precinct at Macquarie Point;
- a major upgrade to Bridgewater Bridge and other measures to reduce traffic congestion, including a light rail system; and
- partnerships with the private sector to deliver affordable housing.

International Airport

Hobart Airport is to evolve into an international airport under a series of upgrades.

A \$200 million Terminal Expansion Project (TXP) will see the terminal double in size over three stages.

The initial stage will cost \$100 million and will be completed by December 2020. This stage includes the expansion of the existing departure lounge.

This follows the \$40 million runway extension completed in 2018 and will add to the \$82 million project funded by the Australian Government to install customs and immigration services.

The upgrades will capitalise on Tasmania's current appeal to international visitors.

International flights will stimulate regional economic growth and employment opportunities. It is estimated the total economic benefit is \$128 million per annum with 680 additional jobs.

As well as increased tourism, it will open up opportunities for Tasmanian primary producers and exporters to directly export to international markets, guaranteeing products are delivered faster and fresher, increasing Tasmania's competitive advantage.

Antarctic and Science Precinct at Macquarie Point

Establishing an Antarctic and Science Precinct at Macquarie Point has the potential to create a prominent gateway that promotes Hobart's status as an Antarctic and Southern Ocean research powerhouse.

The Precinct would be complemented by the Australian Government's \$1.9 billion icebreaker due to arrive in 2020 and \$450 million in additional capital expenditure on Antarctic research stations.

Bridgewater Bridge

The Bridgewater Bridge, which crosses the Derwent River, is a critical part of the transport and freight link between the northern and southern regions of Tasmania.

A new bridge costing \$576 million will be built, though trains will continue to use the old bridge.

Reduction of Traffic Congestion

Some of the identified measures to reduce traffic congestion include the construction of the Hobart Transit Centre, additional Derwent ferry services, road upgrades and a light rail system to the northern suburbs. Funding of \$125 million has been allocated to these projects.

Affordable Housing

The City Deal Partners have committed to putting in place initiatives to manage the issues impacting housing affordability, including rental stress, home ownership affordability - particularly for low-income households - and the supply of housing near employment, transport and service centres.

The Federal Government will provide \$30 million for projects in partnership with community housing providers to deliver new dwellings.

The University of Tasmania plans to build a \$400 million science, technology, engineering and maths (STEM) facility in the Hobart CBD. The proposal is for the development of a purpose-built STEM facility for tertiary education, research and training in the centre of Hobart.

This would relocate the University of Tasmania's Faculty of Science, Engineering and Technology from the existing campus at Sandy Bay to a new facility in the Hobart CBD.

The university says it would accommodate 3,000 students and 700 staff.

Construction of the project is expected to begin in 2019 and be finished in 2021.

- Tourism

Tourism has gained momentum as a powerful economic driver in Tasmania's economy.

In the 12 months to September 2018, over 1 million people visited Hobart and its surrounds.

Museum of Old and New Art (MONA)

MONA, at Berriedale, has turned into the island's biggest tourist attraction.

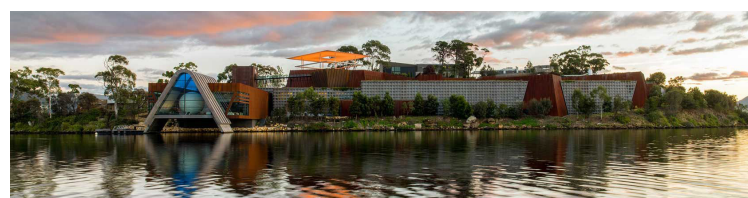
It is the largest privately-funded museum in Australia. Opened in 2011, it also hosts festivals and live performances.

MONA's owner plans to add a 5-star hotel, 1,075-seat theatre and 1,000-seat conference centre to the complex, making the attraction on the banks of the Derwent River a "beacon for Hobart".

In another sign of Hobart's growing prosperity, the largest amount of new office stock in 25 years has been added to the Hobart CBD market, says the Property Council of Australia.

Numerous older buildings are being either re-purposed or knocked down and replaced with hotels and commercial buildings. This activity is primarily aimed at tourism.

Hotel developments worth \$855 million, with an extra 2,500 rooms, are either under way or proposed.



Major projects currently impacting the region are:

INFRASTRUCTURE – TRANSPORT

Project	Value	Status	Impact
Hobart International Airport upgrade (1)	\$40 million Runway extension	Completed	Improvement will allow direct international flights into Hobart
Hobart International Airport upgrade (2)	\$82 million The terminal will be upgraded to include border security	Approved Part of the City Deal	Improvement will allow direct international flights into Hobart
Hobart International Airport upgrade (3)	\$200 million Stage 1: Improved terminal facilities	Proposed	Jobs: 120 during construction
Midland Highway upgrade Federal & Tasmanian Governments	\$500 million A 10-year project	Under construction	
Glenorchy to Hobart Public Transport Corridor Project	TBA A light rail project	Proposed Part of the City Deal	The plan will generate commercial, retail and community projects along the corridor
Bridgewater Bridge replacement	\$533 million Federal Govt will contribute \$461mil, State Govt \$115 mil	Proposed Part of the City Deal	Trains will continue to use the old bridge

INFRASTRUCTURE – HEALTH AND MEDICAL FACILITIES

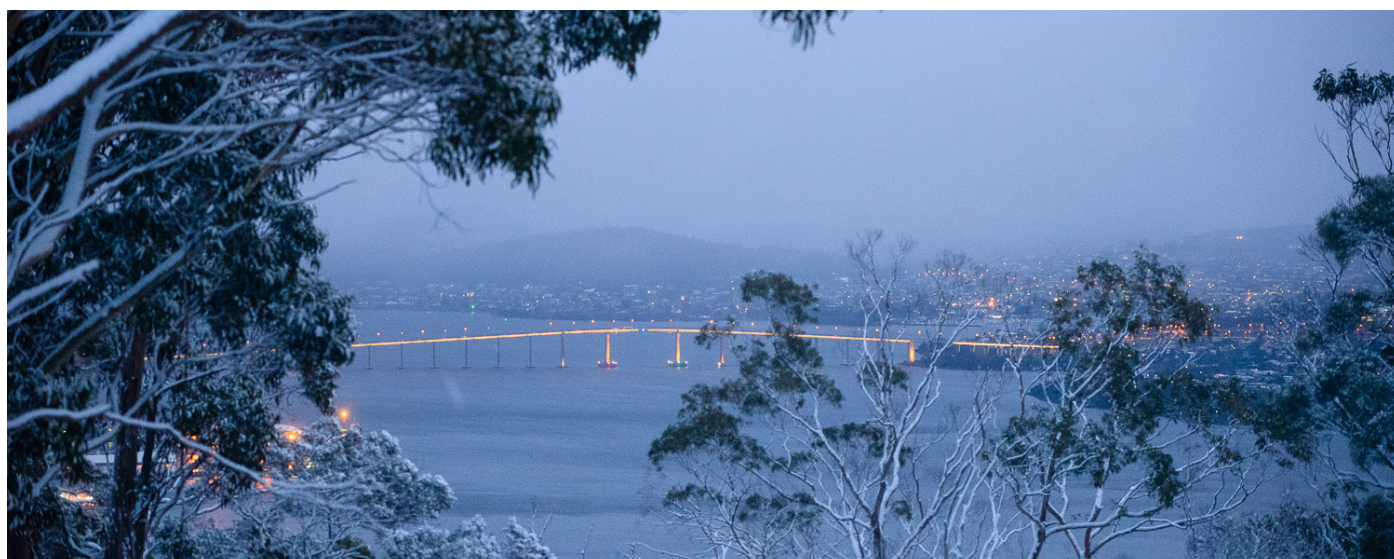
Project	Value	Status	Impact
Royal Hobart Hospital redevelopment State & Federal Govts	\$700 million	Under construction	

RESIDENTIAL DEVELOPMENTS

Project	Value	Status	Impact
Whitewater Park residential estate, Kingston WWP Developments	\$60 million	Under construction	
Spring Farm sub-division, Kingston	\$150 million	Under construction	500 homes on 290 lots are planned
Garrington Park, New Town	\$70 million	Under construction	114 lots are planned

INFRASTRUCTURE - EDUCATION

Project	Value	Status	Impact
The Hedberg, Creative Industries and Performing Arts Precinct University of Tasmania	\$96 million Includes a Conservatorium of Music, a 300-seat recital hall, 300-seat studio theatre	Approved	Jobs: 280 construction 60 operational; Economic benefit: \$660 million; 3,000-8,000 new students
New STEM precinct, Hobart CBD University of Tasmania	\$400 million	Proposed	Jobs: 700 Would service 3,000 students



COMMERCIAL DEVELOPMENTS

Project	Value	Status	Impact
4.5 star hotel, ICON Complex, Argyle St Radas Property	\$100 million	Under construction	Redevelopment of the Myer site
Parliament Square redevelopment Citta Property Group	\$150 million	Under construction	Jobs: 400 Includes a new office building, hotel and retail outlets
Hotel, 28-30 Davey St Fragrance Group	\$130 million	Proposed DA lodged in May 2017	A 400-room hotel is planned
Conference Centre, 2-6 Collins St Fragrance Group	\$55 million	Abandoned Hobart City Council refused the devt in Jan 2019 because it was too big	1,000-seat conference centre and 256-room hotel are planned
Motown, 5-star hotel and art gallery, Berriedale David Walsh	\$400 million 172 rooms, 1075 seat theatre and 1000 seat conference centre	Proposed	Jobs: 450 construction 120 operational
Cable car, Kunanyi/Mt Wellington Mount Wellington Cableway Company	\$50 million	Proposed	Jobs: 200 construction 50 operational
Lenna of Hobart hotel, Battery Point	\$60 million	Proposed	The heritage-listed hotel would be converted into a 6-star hotel with 85 rooms
Hotel and hospitality training college, Rosny Hunter Devts JV Champbroad	\$50 million	Deferred DA was approved but withdrawn in Sept 2018. Hunter Devts intend to re-submit a revised DA	100-room hotel, TasTAFE tertiary level hospitality training school and a ferry pier

COMMERCIAL DEVELOPMENTS

Project	Value	Status	Impact
Macquarie Point Masterplan Macquarie Point Devt Corp	\$2 billion Commercial, retail and recreation space on an 8ha site	Proposed	Transformation of old rail-yards land
Antarctic and Science Precinct, Macquarie Point	\$450 million	Proposed Part of the City Deal	It would develop Antarctic education, diplomacy and business
Claremont Golf Club redevelopment Chinese consortium	\$100 million	Proposed	A hotel, marina and serviced apartments are planned
New hotel, 179 Macquarie St	TBA	Proposed DA Lodged June 2019	A 206-room hotel is planned
New hotel and hospitality training school, Rosny Shandong Chambroad	\$80 million	Proposed	

