

Location Report

A joint publication of Edwards Windsor & Ryder Property Research

HOBART **Tasmania**

September 2020

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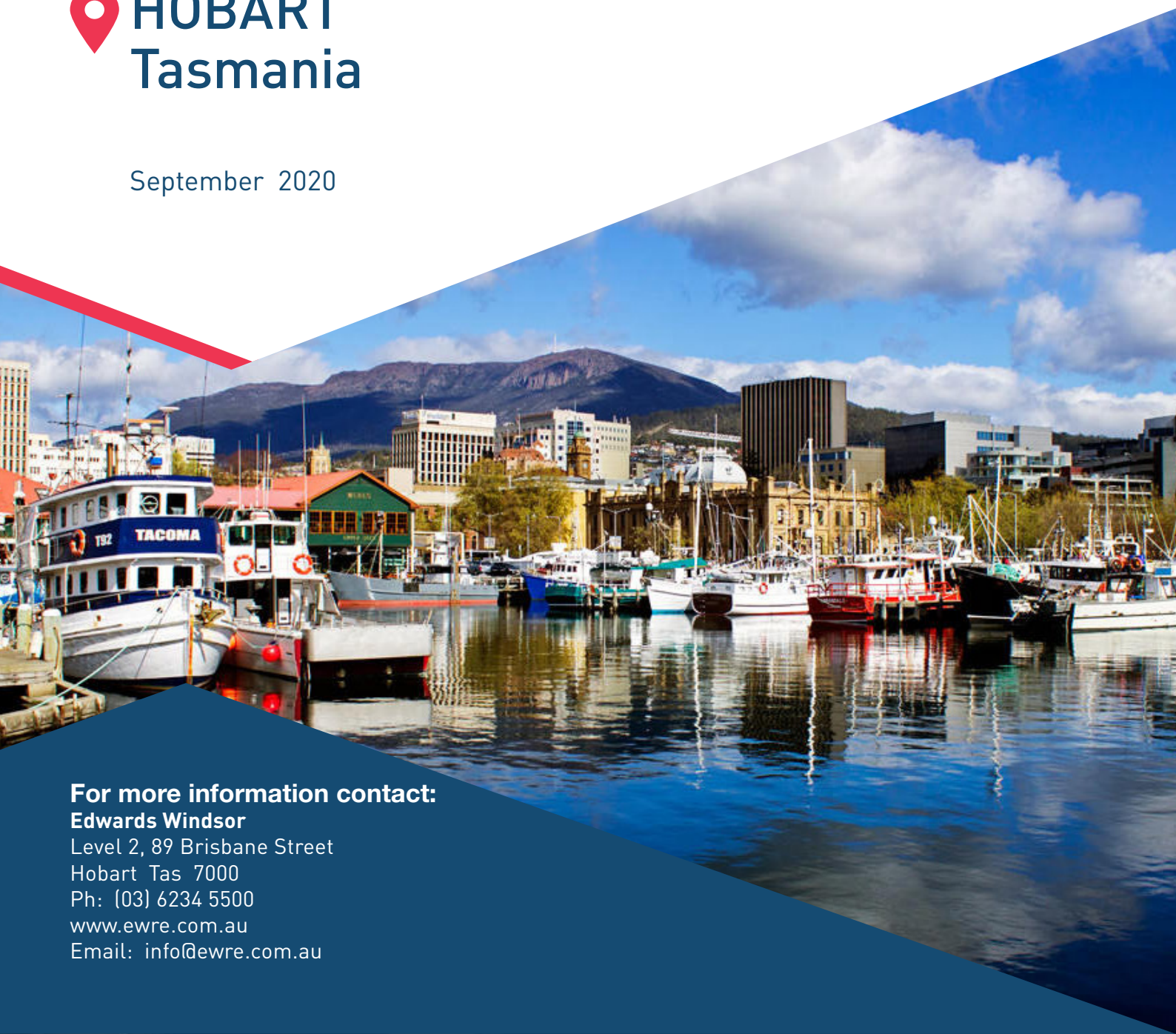
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HOBART

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	\$3880,000	Kingston	\$540,000	Bellerive	\$435,000
Glenorchy	\$390,000	Lindisfarne	\$595,000	New Town	\$470,000
Howrah	\$565,000	Moonah	\$445,000	Sandy Bay	\$590,000

Hobart continues to be the strongest property market in capital city Australia. This is underpinned by the nation's strongest state economy and its economic future is now fortified by the \$1.4 billion City Deal signed by three levels of government.

Tasmania's economy gathered strength throughout 2019 and is now ranked the No.1 state for economic performance, according to CommSec's *State of the State* 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.

The steady rise of the state economy in recent years has had a major impact on the Hobart property market.

Homes sell faster in Hobart than anywhere else, price growth leads capital city Australia, and vacancies are the tightest of the capital cities, having been below 2% for seven years (and remain so, despite the impact of the pandemic).

Hobart presents an attractive package to investors, with affordable prices compared to the big 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

For the first time since October 2009, Tasmania holds the mantle of the best performing state economy in its own right, according to the July 2020 edition of Commsec's *State of the States* report.

This, combined with Tasmania's solid results produced in defiance of the pandemic, brings benefits to the Tasmanian property market. There has been continued growth in both sales and prices in the last 12 months.

Hobart, Darwin and Canberra were the only capital cities to record an increase in dwelling prices over the three months to August 2020, says CoreLogic's Home Value Index.

Throughout 2019, CoreLogic's monthly Home Value Index reports showed annual median price growth in Hobart in every month, while valuation firm Herron Todd White noted good growth of 6–10% in median house prices in suburbs such as Rokeby, Bridgewater, Lenah Valley, Lindisfarne, Geilston Bay and Sorell.

- Profit on Resales

Hobart led the nation with the highest portion of profit-making property sales in the March 2020 Quarter, according to CoreLogic's *Pain & Gain Report*.

In Hobart 99.4% of sales were at a profit and in Kingborough the figure was 99.1%. Following closely at 97% were Glenorchy and Clarence while Hobart also recorded the highest median profit at \$315,625.

These results build on the positive impetus that has been developing in Tasmania for some time; the Hobart property market has been leading capital city Australia in recent years.

CoreLogic's *Pain & Gain Report* for the September 2019 Quarter revealed that every home sold in three of the Greater Hobart municipalities made a profit for the vendors.

The successful run of good capital growth continued into the December 2019 Quarter with no loss making sales recorded in the Clarence and the Derwent Valley council areas, according to CoreLogic.

CoreLogic's head of residential research, Eliza Owen, said Hobart was the capital city region that had seen the highest level of profit-making sales.

She said Hobart had been tracking close to historically low levels for loss-making resales.

HOME OWNERSHIP

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

- Rental Shortages

Prior to the impact of the coronavirus, Greater Hobart experienced a critical shortage of rental properties, earning the city the reputation of being the least affordable capital city in Australia for tenants, according to the *Rental Affordability Index*.

Vacancy rates had been below 1% for several years.

But the coronavirus ushered in a flood of ex-Airbnb properties on to the rental market. This may have a positive result in Hobart by easing the housing shortage with additional supply, although the city's vacancy rates remain among the nation's lowest.

- Affordability, High Yields, Lifestyle

Hobart appeals because of its affordability, high yields and lifestyle. Agents report a lot of interest has been coming from Melbourne and Sydney where some buyers have been priced out of the market.

Hobart also offers a cooler climate for those who don't like the harsh heat in some parts of Australia. HTW says the past few years have seen climate changers coming to Tasmania from Queensland and Western Australia to escape the heat.

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 and Rokeby, shows data from CoreLogic.

Strong median returns are a feature; seven suburbs offer median yields of 5.0% or higher including Bridgewater (6.7%) and Rokeby (6.2%).

The weekly median rent in Bridgewater is \$355 with Rokeby being a little higher at \$385.

The median unit price in Bellerive is \$725,000 after recording a 29% rise in the last 12 months.

Bridgewater (median \$275,000) and Lenah Valley (\$620,000) each recorded double digit growth in the last year while Kingston (\$540,000) had the highest number of annual sales at 168.

Strong price growth of 32% at New Town over the last 12 months has delivered a median unit price of \$470,000. However, sales activity has gradually weakened in 2020.

When it comes to units, Glenorchy has been a more consistent performer. Based on 85 annual sales, it has a median unit price of \$320,000. This price is 12% higher than a year ago and 47% above the price point of 2015.

Investors can expect a median unit rent of \$330 in Glenorchy to deliver a return of 5.4%, while \$340 in Claremont will produce a yield of 5.5%.

- Vacancy Rates

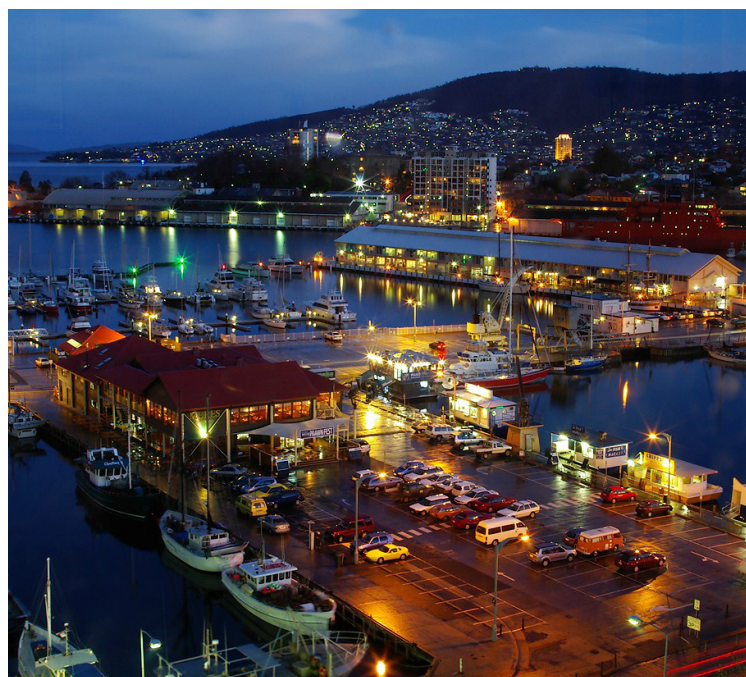
With the exception of South Hobart and Sandy Bay, Hobart vacancies are extremely tight and mostly well below 1.0%.

Vacancies in South Hobart and Sandy Bay had been below 3% for five years, only rising above the benchmark point briefly in April and May 2020 before falling again.

Across Greater Hobart, vacancies have been below 2% for seven years - and remain so, despite the influx of rental properties due to Covid-19.

Vacancies across Greater Hobart have been below 2.0% since 2013.

SQM Research, July 2020



HOBART VACANCY RATES

Postcode	Suburbs	Vacancy rate
7004	South Hobart	2.6 %
7005	Sandy Bay	2.2 %
7008	Lenah Valley, New Town	0.7 %
7009	Lutana, Moonah, West Moonah	0.5 %
7010	Glenorchy	0.2 %
7011	Claremont	0.3 %
7015	Geilston Bay, Lindisfarne	0.8 %
7018	Bellerive, Howrah	0.3 %
7050	Kingston	0.5 %
7052	Blackmans Bay	0.5 %

Source: SQM Research

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	35	\$725,000	29 %	6 %	3.4 %
Berriedale	40	\$395,000	5 %	5 %	5.5 %
Blackmans Bay	90	\$605,000	3 %	4 %	4.2 %
Bridgewater	50	\$275,000	14 %	5 %	6.7 %
Claremont	98	\$380,000	4 %	4 %	5.5 %
Geilston Bay	54	\$515,000	8 %	4 %	4.7 %
Glenorchy	135	\$390,000	3%	4 %	5.6 %
Howrah	130	\$565,000	6%	5 %	4.3 %
Kingston	168	\$540,000	7 %	4 %	4.8 %
Lenah Valley	73	\$620,000	12 %	5 %	4.4 %
Lindisfarne	77	\$595,000	8 %	5 %	4.3 %
Margate	56	\$595,000	5 %	5 %	3.9 %
Moonah	65	\$445,000	1 %	6 %	5.3 %
New Town	74	\$680,000	3 %	6 %	4.0 %
Rokeby	64	\$320,000	7 %	5 %	6.2 %
Sandy Bay	130	\$920,000	-1 %	4 %	3.4 %
Sorell	63	\$430,000	4 %	2 %	5.1 %
South Hobart	54	\$675,000	3 %	6 %	4.2 %

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	32	\$435,000	9 %	4 %	3.4 %
Claremont	41	\$320,000	2 %	5 %	5.5 %
Glenorchy	85	\$320,000	12 %	4 %	5.4 %
Hobart	96	\$610,000	9 %	4 %	4.5 %
New Town	41	\$470,000	32 %	7 %	3.9 %
Sandy Bay	77	\$590,000	3 %	4 %	4.1 %

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.

Future Prospects

Tasmania's economy continues to perform strongly, according to Commsec's latest *State of the States* report, leading the nation on four of the eight economic indicators in the July 2020 Quarter. It is ranked first on population growth, unemployment, equipment investment and retail trade while ranking second on construction work and dwelling starts.

This builds on earlier successes. 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.

Smaller projects have also been contributing:

- the InterContinental Crown Plaza Hotel has finally been completed creating 110 jobs;
- Nyrstar zinc smelter has carried out an \$11 million maintenance program;
- the Murray St Pier is about to receive an \$8 million transformation to create the Franklin Wharf precinct;
- there are plans to spend \$10 million in converting the Hobart Navy Club into units and student accommodation;
- the Peacock Centre, North Hobart is to be rebuilt at a cost of \$9 million after it was destroyed by fire.

- City Deal

On the horizon is the City Deal which offers more opportunities; 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:

- a new international airport;
- an Antarctic and Science Precinct at Macquarie Point;
- a \$576 million upgrade to Bridgewater Bridge and other measures to reduce traffic congestion, including a light rail system; and
- funding agreements have been signed with community housing providers for 100 new social housing homes in the Greater Hobart region.

CORE INFLUENCES

Boom Towns

Lifestyle Features

Cheapies with Prospects

International Airport

Hobart Airport is to evolve into an international airport under a series of upgrades by 2024.

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.

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.

Activation of the light rail system would see the decommissioned railway tracks that run from Macquarie Point and through Hobart's Northern Suburbs, including through all Glenorchy's major commercial areas, transformed into the Northern Suburbs Rail Corridor.

The State Government, supported by \$25 million in funding from the Federal Government, plans to carry out a study on the proposed project.

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 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 on the banks of the Derwent River.

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.

There are also plans for an entertainment precinct at Glenorchy's Wilkinson's Point. The \$260 million proposal includes food and beverage outlets, a 204-room hotel, a rejuvenated 5,000-seat Derwent Entertainment Centre and a multi-court indoor sport facility.

Major projects currently impacting the region are:

INFRASTRUCTURE – HEALTH AND MEDICAL FACILITIES

Project	Value	Status	Impact
Royal Hobart Hospital redevelopment State & Federal Govts	\$700 million	Under construction	
New Tasman Private Hospital, old WIN TV site Nexus Hospitals JV Contact Group	\$55 million	Proposed	Jobs: 130 An integrated medical centre and hospital is planned

INFRASTRUCTURE – TRANSPORT

Project	Value	Status	Impact
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
Hobart Airport roundabout upgrade	\$50 million	Under construction Completion expected in 2022	
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	\$576 million Federal Govt will contribute \$461mil, State Govt \$115 mil	Proposed Part of the City Deal	Trains will continue to use the old bridge

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
Sorell School upgrade	\$25 million	Approved Construction will begin in 2021 and be completed by 2023	
New public high school, Brighton State Govt	\$30 million	Proposed	

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
Wilkinson's Point precinct, Glenorchy	\$260 million Retail, food, beverage and specialty space	Proposed	Jobs: 1,100

COMMERCIAL DEVELOPMENTS

Project	Value	Status	Impact
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
Hotel, 28-30 Davey St Fragrance Group	\$130 million	Proposed	A 400-room hotel is planned
Parliament Square redevelopment Citta Property Group	\$150 million	Under construction	Jobs: 400 Includes a new office building, hotel and retail outlets
4.5 star hotel, ICON Complex, Argyle St Radas Property	\$100 million	Under construction	Redevelopment of the Myer site
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
New hotel and hospitality training school, Rosny Shandong Chambroad	\$80 million	Proposed	
New hotel, 179 Macquarie St	TBA	Proposed DA Lodged June 2019	A 206-room hotel is planned