

RESEARCH & FORECAST REPORT

DARWIN RESIDENTIAL



Darwin's median unit price increased to \$455,000

Demand for Affordable Housing on the rise...

SEPTEMBER QUARTER HIGHLIGHTS

- The median house price of Darwin and the Northern suburbs is \$540,000, down from \$545,000 in Quarter 2 2011.
- Palmerston's median house price increased to \$470,000, from \$465,000 recorded in Quarter 2 2011.
- Darwin's median unit price is \$455,000, up slightly from the previous quarter of \$450,000
- The volume of Darwin unit sales increased by 15% from the previous quarter.
- There were 7 sales of CBD executive apartments over \$700,000 for the September quarter.
- Approximately 88% of all unit sales were under \$600,000
- The official interest rate remains unchanged at 4.75 %, for the 11th consecutive month

MARKET INDICATORS FORECAST - 6 MONTHS

OVERALL PERFORMANCE	➔
TRANSACTION ACTIVITY	⬆
SUPPLY	⬆
DEMAND	⬆
SENTIMENT	⬆
VACANCY RATE	⬆
ECONOMIC GROWTH	⬆
INFRASTRUCTURE	⬆
POPULATION GROWTH	⬆

RESIDENTIAL MARKET ACTIVITY

In September 2011, Australia still remained exposed to high levels of uncertainty in the property sector with reports that growth in house prices had far outstretched the growth in income. Uncertainty in regard to affordability, coupled with an unstable global economic environment resulted in low levels of market sentiment and virtually flat growth in house prices.

The residential property market in Darwin continued to experience relatively soft conditions in the third quarter of 2011. However, there were signs of improvement, with median prices and sales volume increasing in some areas. Agents report increased enquiry and more transactional activity, and suggest the market is beginning to move.

The current figures indicate that affordability is the crucial factor in maintaining transactional activity in the property sector. Buyers have become increasingly savvy and are ensuring that their debt levels are kept to a minimum. Vendors have begun to respond by pricing their property to meet the market. Additionally, many buyers are now able to refinance their debt as banks become more flexible and offer competitive discounts.

SUMMARY

Transactional activity levels improved in the September quarter.

DARWIN RESIDENTIAL SALES OVERVIEW

In the third quarter of 2011, Darwin's residential property market continued to improve with slightly increased transactional activity.

By the end of the September quarter sales turnover had improved with stable median prices. Whilst sales figures are not at the bullish pre-2009 levels, Darwin appears to have endured the national decline better than other states.

In the third quarter of 2011, the median house price for Darwin and the Northern suburbs was recorded at \$540,000. The volume of sales in the Darwin region increased from the June quarter, with higher levels of transactional activity.

Palmerston's median house price rose to \$470,000, indicating the increasing demand for affordably priced property. A steady volume of sales in the Palmerston region reflects buyer preference towards purchasing newer housing.

The unit market has gathered some momentum with a higher volume of sales and a steady median price. At the end of the September quarter the median price for a unit in Darwin was recorded at \$455,000, in comparison to \$450,000 in the June quarter. The CBD executive apartment sector continues to experience soft market conditions, with 7 sales over \$700,000 recorded in the CBD over the September quarter.

Land sales in Palmerston were robust in the September quarter with titles issued for the new suburbs of Johnston and Bellamack. The Northern Territory Government (NTG) continued to maintain the steady release of residential blocks. The high transactional level of land in Palmerston has had a positive bearing on the median price.

TOTAL SALES OF DWELLINGS (HOUSES & UNITS)

The total value of all residential sales in Darwin and Palmerston in the third quarter of 2011 was approximately \$252.8 million, with 569 transactions recorded. In comparison, the total value of sales for the second quarter of 2011 was approximately \$235.2 million highlighting an increase of approximately 8%.

The regional breakdown of total sales showed that Darwin and the Northern Suburbs recorded a total sales value of approximately \$163.1 million. Whilst in Palmerston the total sales value of houses, units and land was approximately \$89.7 million.

TOP PRICES

In the September quarter of 2011 the highest sale price achieved for a single dwelling was \$1.25 million for a property situated in the fashionable suburb of Fannie Bay. The second highest sale was recorded at \$1.1 million for a property in Bayview. In general, all other sales recorded were below \$1.1 million. The modest figures recorded for high-end property generally indicates that the edge has been taken off prestige sales prices.

TOP FIVE SALES

SUBURB	PROPERTY	SETTLED PRICE
Fannie Bay	7 Allen Street	\$1.25m
Bayview	12 Bayview Boulevard	\$1.10m
Stuart Park	53 Flinders Drive	\$1.07m
Coconut Grove	30 Martin Crest	\$1.06m
Nightcliff	8 Rankin Street	\$1.04m

Source: Land Titles Office & Colliers International Darwin

N.B. Information for this table was obtained from a public domain source

TOP SUBURBS

In what has become a continuing trend, the Northern suburbs recorded the bulk of house sales in Darwin in the September quarter. There were 142 transactions for houses in Darwin, and of these 122 sales were from the Northern suburbs. Affordability remains the limiting factor for most buyers.

DARWIN - MOST POPULAR SUBURBS

SUBURB	AMOUNT OF TRANSACTIONS	MEDIAN PRICE
Leanyer	12	\$567,500
Anula	10	\$519,000
Tiwi	9	\$490,000

Source: Land Titles Office & Colliers International Darwin

“The total value of all residential sales in Darwin and Palmerston in the third quarter of 2011 was approximately \$252.8 million...”



DARWIN HOUSE PRICES

The total value of all houses sold in Darwin and the Northern suburbs in the third quarter of 2011, was approximately \$83.9 million. In comparison the total value of Darwin houses sold in for the second quarter of 2011 was approximately \$75.4 million, reflecting an improvement in the value of transactions of approximately 11%.

Transactional activity increased by 14.5% to 142 sales; whilst the median price remained relatively stable at \$540,000. The median price however, is 8.5% lower than at the beginning of 2011 where it was recorded at a high of \$590,000.

The Northern suburbs comprised 85.9% of all house sales in Darwin. This high proportion of sales in a small zone continues to reflect the market demand for affordable housing. Leanyer again took the top spot for most popular suburb with 12 transactions and a median price of \$567,500. The second most popular suburb was Anula with 10 transactions and a median price of \$519,000.

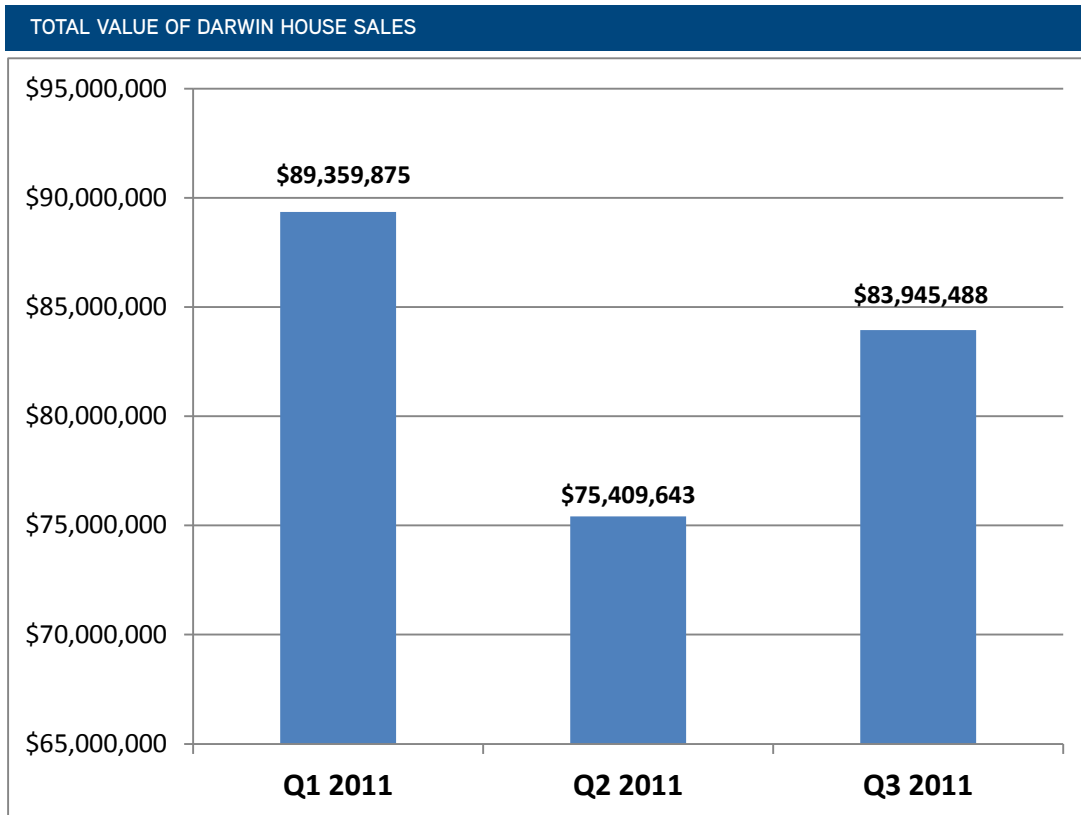


Darwin's median house price was \$540 000.

RENTALS

Vacancy rates in Darwin continued to track at low levels in the third quarter of 2011, and have been recorded between approximately 2.3 %-4.4%. Darwin continues to maintain the highest median house rental for an Australian capital city at \$550 per week.

“Transactional activity increased by 14.5%...”



Source: Land Titles Office & Colliers International Research Darwin



Palmerston's median house price increased to \$470,000.

PALMERSTON HOUSE PRICES

In the September quarter sales in the Palmerston region remained healthy, with 97 transactions recorded and a total sales value of \$46.8 million. In comparison with in the second quarter of 2011, 105 transactions were recorded with a total sales value of \$51.3 million. The median house price in Palmerston increased to \$470,000 and reflected the market's appetite for affordably priced homes.

The most active suburb in Palmerston for the September quarter was Moulden with 15 transactions recorded and a median price of \$385,000. The second most active suburb was Gunn with 14 transactions recorded and a median price of \$488,500. Comparatively in the June quarter, Woodroffe was the preferred suburb with a median price of \$445,000. Whilst prices have improved in Palmerston, the data reflects that lower priced homes were sold more frequently.

LAND

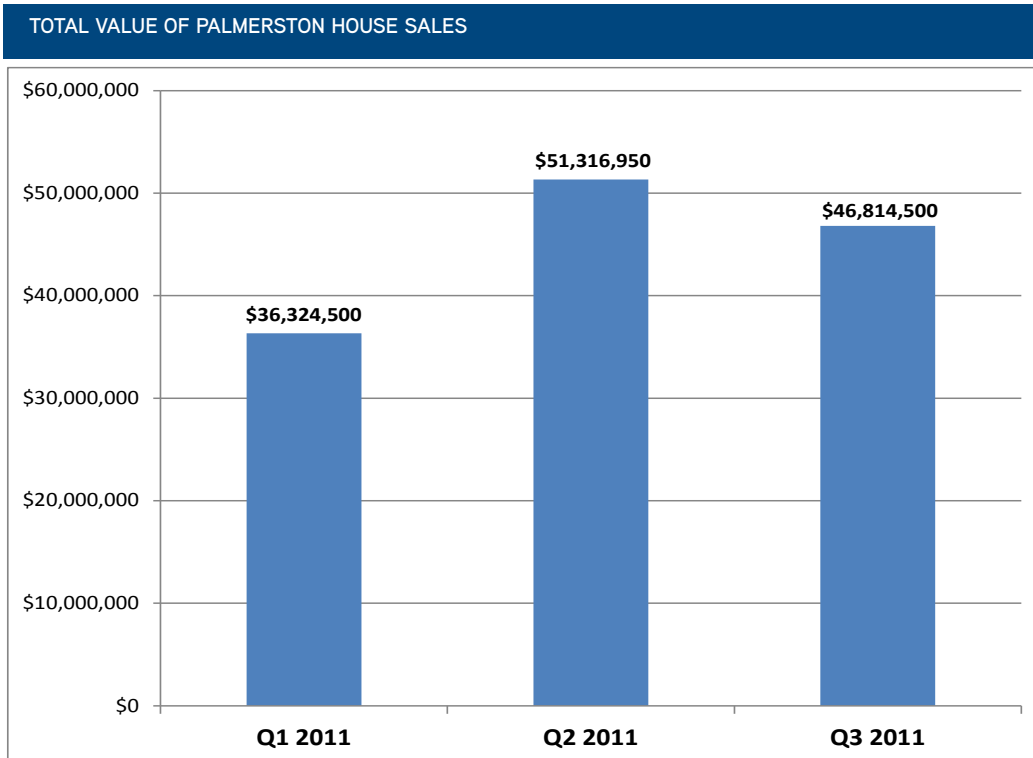
In the third quarter of 2011, the volume of land sales again increased in Palmerston. There were 124 transactions recorded, with a total value of \$26.96 million. The bulk of these sales were achieved in the new suburbs of Bellamack and Johnston as titles were issued, and accounted for the abnormally high figures.

Comparatively in the previous quarter the total value of land sold in Palmerston was approximately \$22.56 million.

The median price for land in Palmerston was recorded at \$215,000, slightly moderated from the previous quarter where it stood at \$217,500. This figure continues to remain stable whilst NTG continues to place emphasis on ensuring adequate land is available for first home buyers.

Due to the limited supply, land sales within close proximity to Darwin city were only 3 for the quarter and were located in Frances Park. The median price for these blocks was \$365,000. In view of limited supply of land available close to Darwin city, the government is considering reducing the minimum allotment size and allowing for the infill of existing large sites.

“There were 124 transactions recorded, with a total value of \$26.96 million.”



Source: Land Titles Office & Colliers International Research Darwin

UNITS

In the September quarter of 2011 the Darwin unit market gathered momentum with an improvement in both the volume of sales and the median price.

The total sales value for units in Darwin was approximately \$77 million, with 164 transactions recorded. In comparison, the total value of units sold in the 2nd quarter of 2011 was \$66.8 million. This represents an increase in sales volume of approximately 15%. Additionally, the median unit price in Darwin increased to \$455,000.

Darwin city held the highest volume of sales with 45 transactions recorded at a total value of \$23.52 million. This represented an increase in the total value of sales, with the previous quarter recording a total \$17.3 million. The figures also revealed that the Darwin CBD area accounts for approximately 28% of the unit market. The Darwin city market consisted predominately of sales under \$600,000 with a median price of \$465,000. This median price is lower than the previous quarter where it was recorded at \$522,200. The lower median price can be attributed to stronger demand in the lower price bracket, with a larger pool of buyers for more affordable units.

The second most active location for units was Nightcliff and Rapid Creek, with 28 transactions recorded and a total sales value of \$10.87 million. The median price of units in this area was recorded at \$407,500. It has been noted that beachside suburbs like Nightcliff are increasing in popularity due to the close location to both the CBD and Northern Suburbs. New developments in this area are being rapidly absorbed by the market.

In Palmerston the unit market remained healthy, with 43 transactions recorded for the September quarter. The total value of unit sales was approximately \$15.9 million, and the median price remained unchanged at \$358,000. The lower list price of units in Palmerston has created more activity in the market.

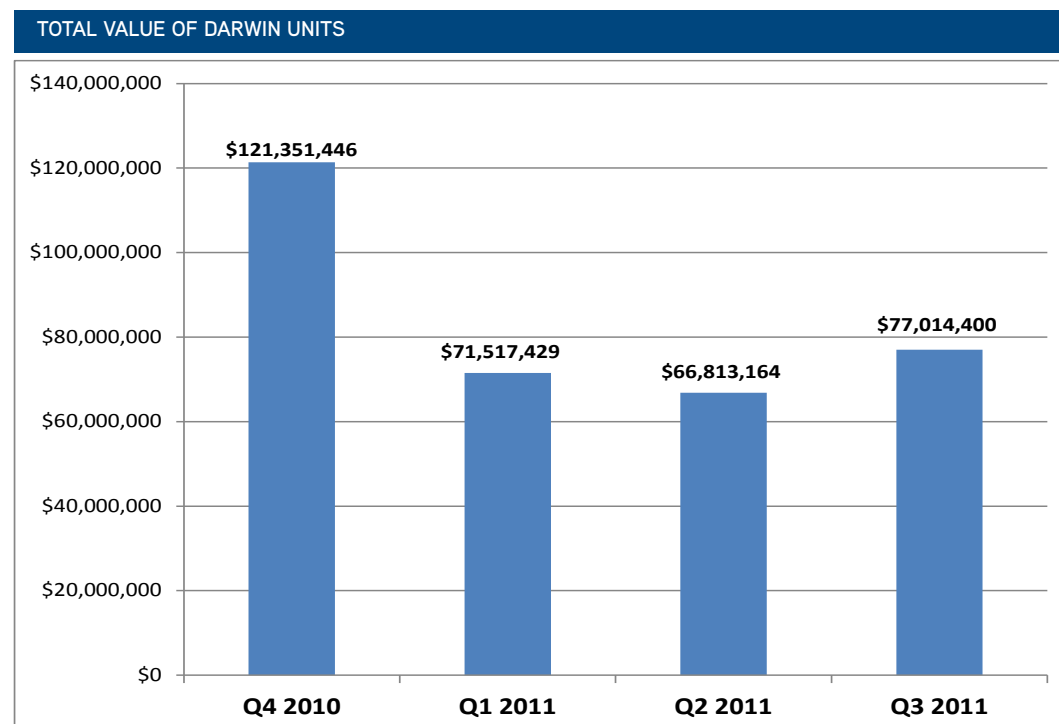
It is anticipated that the overall rental yield for a unit in Darwin will be stable for the remainder of 2011, in the range of 4.5-5%.

The average rent for a 2-bedroom apartment in Darwin City is within the range of \$400-\$450, whilst in Palmerston the average rent for a 2-bedroom apartment is within range of \$350-\$400.

EXECUTIVE APARTMENTS

The executive CBD apartment market remained stable in the September quarter of 2011, with sales figures consistent with those at the beginning of the year. There were 7 sales recorded over \$700,000 for apartments in the CBD, with a further 6 high-end sales recorded in city fringe locations.

There continues to be an oversupply of executive apartment stock. Data has shown that in the September quarter, 87.6% of transactions were for apartments under \$600,000. In contrast, only 2.4% of transactions were for apartments over \$900,000, whilst only 2 sales over \$1 million were recorded for executive units.



Source: Land Titles Office & Colliers International Research Darwin

Outlook

In the year to September 2011, Australia has already witnessed interesting economic conditions. The property market appears to have cooled off, primarily from weak market sentiment and an increased level of financial conservatism amongst Australians. Though despite, uncertainty in the global economic environment, Australia continues to be considered as a safe haven. In particular, the Northern Territory has remained notably resilient to a slower economic environment.

Since 2004 the Territory has experienced 7 years of unsustainably high capital growth. A study by RP Data recorded the average annual growth from 10 years to July 2011, with Darwin recording the highest average annual growth margins at 13.6%. And whilst the current market is softer than previous years, the price correction appears to be a pause before the market regains momentum.

Nonetheless, Australians remain very cautious and watch the Reserve Bank of Australia with trepidation. The RBA Board decided to keep the official cash rate unchanged at 4.75% in the recent October meeting, citing the increase in the unemployment rate and the critical state of the Eurozone and US. This is the 11th consecutive month the interest rate has remained on hold, with this pattern not seen since 2003.

Until recently most analysts cited an increase in the official interest rate by the end of the year, however due to the downturn in the global economy a rate cut now appears more likely. Many credible institutions such as AMP, Macquarie and Westpac Bank are predicting a number of rate cuts by July next year. The Chief Economist of Westpac, Bill Evans, forecasts that in a year's time the current rate will decrease by 1%.

“The NTG has raised the stamp-duty free threshold to \$540,000 and in addition introduced a BuildBonus Scheme in May 2011. The BuildBonus scheme will provide both owner-occupiers and property investors a \$10,000 grant...”

According to RP Data the future of housing credit growth is constrained and affordability will remain a barrier to market entry. It is forecast that property values are likely to grow at slower pace, and that property value fundamentals are largely returning to normal conditions after a decade of abnormal growth.

The strong demand for affordable housing in Darwin continues however pricing will play a crucial role in transactions coming to fruition. The NTG has raised the stamp-duty free threshold to \$540,000 and in addition introduced a BuildBonus Scheme in May 2011. The BuildBonus Scheme will provide both owner-occupiers and property investors a \$10,000 grant to place towards the purchase or construction of a new home. It is anticipated that the introduction of new incentives combined with lower land prices, will help address affordability issues and stimulate the lower end of the market.

According to Northern Territory Treasury, in 2011-2012 the Territory's economic growth will strengthen to 3.2 per cent to a total of \$17.8 billion, driven by a widening trade surplus, increased private sector investment and a recovery in household consumption.

It is forecast by Northern Territory Treasury that the Territory's employment growth will strengthen to 2.8% in 2011-2012 due to improved economic growth and increased construction activity.

Darwin's economy is largely driven by major projects that ensure employment for a large portion of the population. Whilst 2010-2011 has been relatively slow in terms of private sector projects, it is anticipated in 2012 that a new wave in infrastructure and resource based projects will begin. Territorians now wait upon the final investment decision of the INPEX Ichthys project, due for announcement towards the end of the year.

It is expected that by 2020 Australia will be the world's largest exporter of LNG and with Darwin at the forefront of this industry, the Territory's future appears bright and the long term prospects extremely positive.

Information Sources

Easy Access, ABS, Land Titles Office, NT Government, Access Economics, AMP National Centre-Social and Economic Modelling, REINT, NT Treasury, Territory Economic Review, RP Data, Colliers International Research Darwin

512 offices in 61 countries on 6 continents

United States: 125
Canada: 36
Latin America: 18
Asia Pacific: 194
EMEA: 117

- \$1.5 billion in annual revenue
- 978.6 million square feet under management
- More than 12,500 professionals

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