

# Darwin Residential Research Q1 2022



Darwin most affordable  
apartments in Australia



Darwin returns highest  
yields in Australia



6.7% Yield for Apartments  
in Greater Darwin

## Darwin Market Overview

Early 2022 has indicated continuing growth in volumes of residential sales through all regions of Darwin and a further 17% annual growth in detached residential sales to the year ending March 2022. With national housing turnover easing (preliminary transaction estimates for the March quarter are 14% lower than the same period in 2021), Darwin appears to remain in a sweet spot at the present time for sales volumes.

Research conducted by Territory Property Consultants in Darwin revealed the actual sales volume activity across Darwin and Palmerston suburbs was between 30% to 60% above what was seen in the previous year to March.

The recent announcement in late April of a national inflation rate of over 5% has ultimately put pressure on the Reserve Bank to increase official rates for the first time in more than 10 years. This will lead to higher residential bank lending rates and already there are signs of other city residential prices easing along the eastern seaboard. With these factors coming to fruition we would anticipate some market easing on prices in the Top End in the latter half of 2022.



According to *CoreLogic*, Darwin recorded an annual growth for detached residential housing of **13%** within the last 3 months (*January to March 2022*) and a relative stabilisation of values (**+ 1.9%**) (*Source: CoreLogic April 2022 Home Value Index*).

The continuing stabilisation in Darwin residential values in the first quarter of 2022 can be largely attributed to the phasing out of Federal and local Government incentives along with the anticipation of further rate rises. The increasing building costs for base materials has also diminished new construction activity for this class of real estate. We note a recent report issued in April 2022 from the NT Master Builders Fidelity Fund stated that new dwelling completions in Darwin are down 56% from the previous year ended March 2021 indicating a far stronger local demand for established dwellings across all areas of Darwin & Palmerston.

Rental demand remains high with strong interest for almost all rental properties and limited available stock. We anticipate demand will remain strong whilst the owner occupier/investor bank lending interest rates stay low however, there will be pressure on these lending rates after mid-2022.

Other factors that should help offset predicted downside risk after mid 2022 follow :-

- A strengthening economy, low jobless rate and rising income growth – This should help to keep a floor under housing demand.
- A new round of incentives for first home buyers - In the leadup to the May 2022 federal election both major political parties have already announced additional support for first home buyers in the form of an extension to low deposit home loan guarantees. Historically, first home buyers have reacted positively to stimulus measures.
- A return of migration – Higher overseas migration due to new projects in Darwin is a net positive for housing demand. The most immediate flow through is likely to be seen in higher rental demand which could incentivise investors and, in the longer term, flow through to purchasing demand from permanent migrants.

# Residential Sales Activity



## Detached Residential Housing

According to *CoreLogic*, the median detached house price in Darwin increased by 13% over the past 12 months ending March 2022 to \$569,647. Further research conducted by Territory Property Consultants in Darwin revealed some additional data on housing over the same period.

The Average Price for the inner suburbs of Darwin (*e.g. Larrakeyah/Parap/Stuart Park etc*) increased 19% to **\$915,000**, northern coastal suburbs (*e.g. Nightcliff/Rapid Creek/Lyons/Muirhead etc*) increased 19% to **\$650,000**, north eastern suburbs (*e.g. Leanyer/Wulagi/Anula/Malak/Karama*) increased 14.5% to **\$537,000** and Palmerston (*all suburbs*) increased 16.5% to **\$526,000**.

Sales volumes were reduced from the last quarter 2021 however still indicated gains of between 30% to 60% across all of Darwin suburbs and Palmerston in comparison to the previous 12 months ending March 2021. Refer table below:-

1 April 2020-March 2021 Darwin Residential Sales

Locality	No of Sales	Average Price
Darwin	99	\$769,133
Nightcliff	249	\$551,746
Sanderson	188	\$469,080
Palmerston	381	\$451,892

1 April 2021 - 30 March 2022 Darwin Residential Sales

Locality	No of Sales	Average Price	Average Price Change	Volume
Darwin	160	\$915,821	19.07%	61.62%
Nightcliff	385	\$656,141	18.92%	54.62%
Sanderson	245	\$537,202	14.52%	30.32%
Palmerston	586	\$526,716	16.56%	53.81%

## Apartment Market

Data from *CoreLogic* also shows that the Darwin apartment market experienced the second highest growth of all capital cities, with the median apartment price increasing by **26%** over the last 12 months to \$365,093. Darwin's apartment market still presents great value to both owner occupiers and investors alike, as it remains one of the most affordable capital cities to purchase an apartment with the highest yields of all capital cities at 6.7% as against Sydney and Melbourne both at approx. 3%.



## Land Sales

Land sales and new house builds have declined from 2021 levels due to the NT Government Build Bonus scheme and the Federal Government Home Builder grants being phased out in mid-2021 along with the increase in raw material costs for house construction.

The Northern Territory's building approvals remained low for the first quarter of 2022. The Fidelity Fund issued 46 new Fidelity Certificates for houses, units and extensions across the Territory in March 2022. The approvals consisted of 17 home extensions, 29 houses and 0 units. This is in contrast to March 2021 when 104 Certificates (or over 50% more) were issued.

The new land releases are located predominantly in Northcrest (*ex-Berrimah Agricultural Farm*), Zuccoli in Palmerston, Muirhead and, more recently Boulter Road, Berrimah (*Mirawood Estate- 36 lots*).

## Residential Rental Activity

Darwin's residential rental market has continued to perform strongly with both gross yields and annual rental increases. *CoreLogic* indicate Darwin weekly rentals have increased by 6.7% for housing and 5.8% for apartments over the past 12 months.

The image below references the average rental prices in Darwin according to the March 2022 report from Rent.com.au. They estimate the average apartment rental is **\$450** per week, the average house rental is **\$590** per week and the average room rental is \$200 per week.

Metro area	Apartments	Houses	Price per room
Sydney	\$500	\$652	\$272
Melbourne	\$400	\$450	\$192
Brisbane	\$440	\$540	\$195
Perth	\$420	\$482	\$170
Adelaide	\$380	\$460	\$166
Hobart	\$420	\$545	\$166
Darwin	\$450	\$545	\$200
Canberra	\$525	\$635	\$250
National median	\$450	\$510	\$212

According to local residential property managers, over the past 3 months, vacancy rates in Greater Darwin have remained very low at approximately 1.5%. Stock for both detached dwellings and apartments are limited and most are leased within 3 weeks with very strong demand indicated in the more traditional beachside and inner city suburbs of Darwin.

## Residential Housing

From recent research based on managed accommodation classes, the current average weekly rental rates in Greater Darwin and Palmerston as at March 2022 are tabled below :-

Accomm. Type	Darwin (p.w.)	Palmerston (p.w.)
House - 3 Bedroom	\$575 - \$720	\$550 - \$660
House - 4 Bedroom	\$675 - \$900	\$650 - \$710
Unit - 1 Bedroom	\$330 - \$400	\$325 - \$400
Unit - 2 Bedroom	\$420 - \$525	\$390 - \$450
Unit - 3 Bedroom	\$550 - \$675	\$475 - \$525

In general, the rental rates have increased in the order of 5% across all accommodation sectors of Darwin/Palmerston since the previous quarter ending in 2021.

With an expected increase in NT population projected for the 2022 Dry season we anticipate vacancy rates to remain tight and this will also be directly related to some of the larger infrastructure projects requiring specialised employment in the pipeline. Some of those larger projects planned are :-

- ⇒ Inpex's early-stage Darwin Clean Hydrogen Hub
- ⇒ Darwin LNG and Santos carbon capture and storage hub; and
- ⇒ Inpex/Petrel sub-basin low-cost CO2 storage area

Along with the ongoing multi-billion-dollar defence projects in Darwin and Tindal, and fracking in the Beetaloo Basin, all of these projects combined will certainly lead to a significant increase in activity in the Territory which will assist in demand for accommodation.

## Darwin's Commercial Market

The commercial market has remained active through late 2021 and the first quarter of 2022 with very strong interest from national real estate listed and unlisted trusts investing into commercial property which generally have secure leases to corporate and multinational companies. With commercial lending rates remaining at historical lows for the medium term, there will be further interest for well secured commercial and industrial property.

Investment yields in Darwin have tightened further with the stable bank lending rates on offer and, at the end of this first quarter, are achieving in the order of **6.0% to 7.5% net**.

At the smaller end of the Darwin commercial market are strata commercial and industrial property and there remains good interest from private investors for well securely leased property with the incentive of low bank lending rates however this may temper given recent rises in the national inflation rate and the announcement from the Reserve Bank of Australia (RBA) of an increase to official cash rates in May/June 2022.

Given the current high levels of inflation it is likely the RBA will lift official interest rates, potentially multiple times in the coming months and this is likely to have a negative impact on investment yields. The high inflation rates however have been providing a boost to commercial rentals that are linked to annual increases to CPI.



Homezone, 660 Stuart Highway, Berrimah NT—currently for sale attracting interest from the local market as well as interstate institutions.



Harbour View Plaza—currently for sale fully leased to Government

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