

Darwin Residential Research Q4 2021-2022



Housing price growth higher than Sydney and Melbourne



Darwin returns highest yields in Australia



6.7% Yield for Apartments in Greater Darwin

Darwin Market Overview

The fourth quarter of the 2021/2022 financial year has indicated a stabilisation in residential selling prices and a decline in volumes of residential sales through all regions of Darwin and Palmerston.

For the 12 months ending June 30, there was a median price increase for detached residential housing in Darwin/Palmerston of 11% (source : TPC Pty Ltd) as compared to the previous year and this is in contrast to the larger eastern seaboard capitals with Sydney at 5.9% and Melbourne at 3.1% (source : Core Logic June 2022).

Housing value growth has been easing since moving through a peak in March 2021, when early drivers of the slowdown included rising fixed term mortgage rates, a trend towards lower consumer sentiment and tighter credit conditions. More recently, surging inflation and a rapidly rising cash rate have added further momentum to the downward trend. Since the initial cash rate hike on May 5, most housing markets around the country , including Darwin, have seen a reduction in the rate of growth.

Darwin Market Overview (continued)



Inflation is likely to remain stubbornly high for some time, and interest rates are expected to rise substantially in response so it is likely the rate of decline in housing values will continue however, we have not yet seen the same sharpness downwards as the southern capitals.

With regard to sales volumes, research conducted by Territory Property Consultants in Darwin revealed the actual sales volume activity across Darwin and Palmerston suburbs for the 12 months ending June 2022 was between 10% and 40% above what was seen in the previous financial year to March. An interesting feature however were the smaller submarkets within some of the suburbs with coastal areas such as Nightcliff/ Rapid Creek indicating far smaller sales volumes but higher than average median price changes (e.g 45% and 32% annual growth respectively).

Rental demand remains very high with strong interest for almost all properties and limited available stock. We anticipate this will remain the status quo in the short term especially with the opening of international borders and the imminent increase in overseas migration to the NT.

Residential Sales Activity



Detached Residential Housing

The median detached house price in Darwin/Palmerston increased by 11% over the past 12 months ending June 2022 to **\$602,500**. Further research conducted by *Territory Property Consultants* in Darwin revealed some additional data on housing over the same period.

The Average Median Price for the inner suburbs of Darwin (e.g. *Larrakeyah/Parap/Stuart Park etc*) increased 23% to **\$850,000**, northern coastal suburbs (e.g. *Nightcliff/Rapid Creek/Lyons/Muirhead etc*) increased 9.3% to **\$650,000**, north eastern suburbs - SANDERSON (e.g. *Leanyer/Wulagi/Anula/Malak/Karama*) increased 12% to **\$555,000** and Palmerston (*all suburbs*) increased 10% to **\$530,000**.

Sales volumes for the year ending June 2022 increased for all regions however this has now stabilised and we would anticipate a reduction in volumes from July 2022 onwards.

Refer table below:

July 2020-June 2021 Darwin Residential Sales

Locality	No of Sales	Average Price
Darwin	120	\$687,625
Nightcliff	348	\$594,300
Sanderson	212	\$495,000
Palmerston	485	\$480,000

July 2021 - June 2022 Darwin Residential Sales

Locality	No of Sales	Average Price	Average Price Change	Volume
Darwin	169	\$850,000	23.61%	40.83%
Nightcliff	495	\$650,000	9.37%	42.24%
Sanderson	235	\$555,000	12.12%	10.85%
Palmerston	621	\$530,000	10.42%	28.04%

Apartment Market

Data from *CoreLogic* also reveals that the Darwin apartment market experienced growth far in excess of Sydney and Melbourne, with the median apartment price increasing by **9.2%** ending June 2022 to **\$378,325**. This is in contrast to Sydney at 3.5% and Melbourne at 2.2%. 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 remaining at 6.7% as against Sydney and Melbourne with both at approx. 3.5%.



Land Sales

The Northern Territory's building approvals remained low for the last quarter of 2022. The Fidelity Fund issued 56 new Fidelity Certificates for houses, units and extensions across the Territory in June 2022. The approvals consisted of 21 home extensions, 29 houses and 6 units. There are strong signs of easing for new construction due to the increasing material costs and this will lead to lower volumes of land sales for vacant detached residential zoned land coming into the 2022/2023 financial year.

The new land releases remain located predominantly in Northcrest (*ex-Berrimah Agricultural Farm*), Zuccoli in Palmerston, Muirhead North (Lee Point) 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 table below references the average rental prices in Darwin according to the June 2022 report from *Rent.com.au*. They estimate the average apartment rental is **\$470** per week and the average house rental is **\$620** per week.

Metro area	Apartments	% Change monthly	Houses	% Change monthly
Sydney	\$525	0.9%	\$690	1.4%
Melbourne	\$410	2.5%	\$460	0%
Brisbane	\$450	0%	\$550	0%
Perth	\$420	0%	\$495	-1%
Adelaide	\$380	0%	\$485	1%
Hobart	\$395	-10.2%	\$550	3.7%
Darwin	\$470	-0.4%	\$620	3.3%
Canberra	\$520	-1.8%	\$675	2.2%
National median	\$460	0%	\$520	0%

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 June 2022 are tabled below:

Accomm. Type		Darwin (p.w.)	Palmerston (p.w.)
House	3Bedroom	\$600-\$750	\$550-\$660
House	4Bedroom	\$680-\$900	\$680-\$750
Unit	1Bedroom	\$380-\$450	\$400-\$480
Unit	2Bedroom	\$500-\$550	\$450-\$530
Unit	3Bedroom	\$650-\$800	\$525-\$560



In general, the rental rates have increased in the order of **4% to 6%** across all accommodation sectors of Darwin/Palmerston since the previous quarter ending March 2022.

We have noted a reduction in available rental stock, more particularly in the Darwin CBD, for long term accommodation due to an increasing uptake and/or conversion to the short term rental market. This will provide further pressure on existing rent levels and we do not foresee a change to this in the short to medium term.

Darwin's Commercial Market

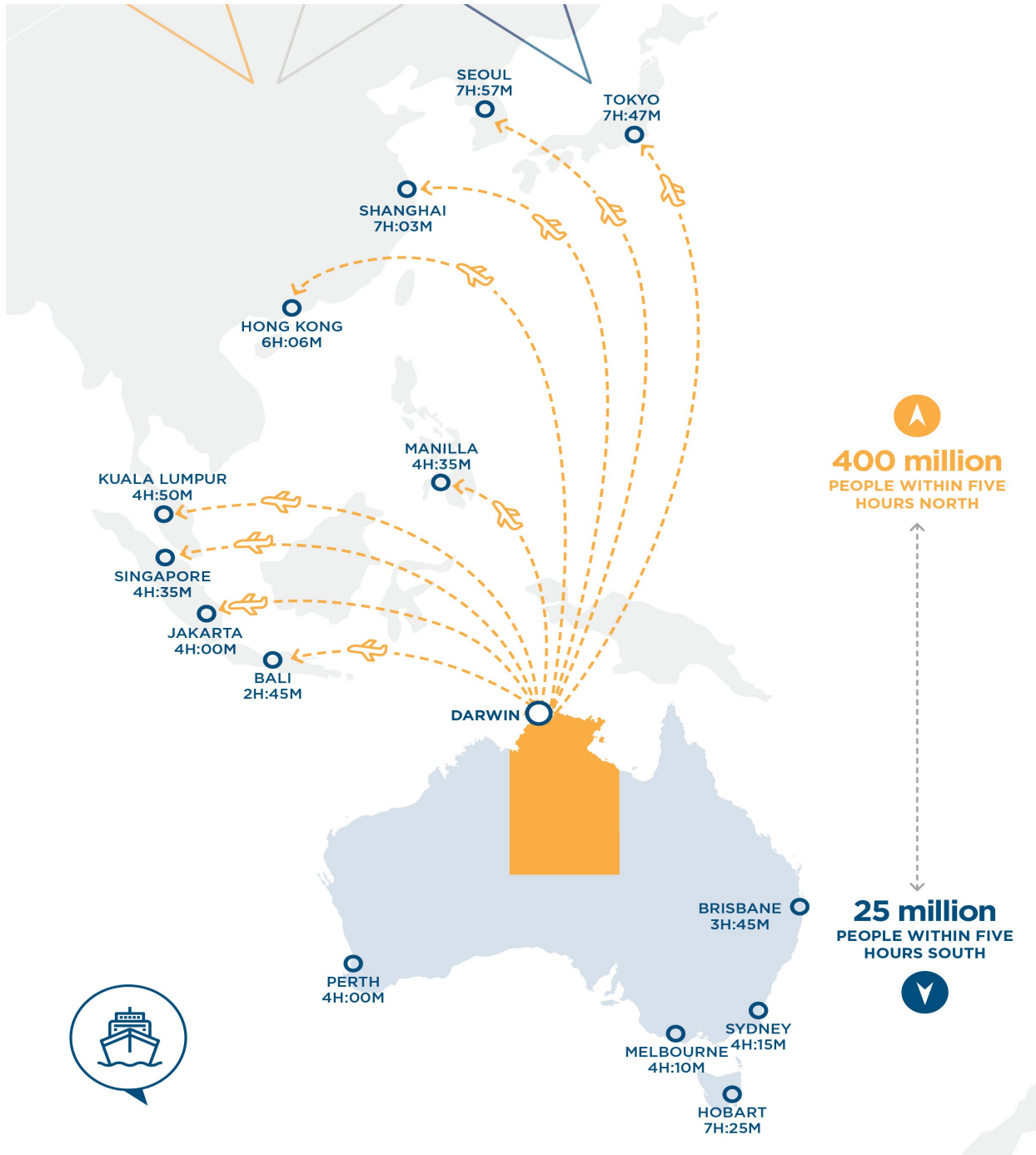
The commercial market in Darwin, whilst active, is showing signs of easing with extended periods for negotiations. There was strong interest from national real estate listed and unlisted property trusts during 2021/2022 which resulted in one of the largest retail transactions in Australia being the sale of the Casuarina Square Shopping Centre to the Sentinel Property Group for \$400m.

Investment yields in Darwin are expected to loosen due to increasing bank lending rates, with yields now achieving in the order of **6.5% to 8.0% net**, an increase of approx. 0.5% since early 2022.

Given the expected higher levels of inflation it is likely the RBA will continue to 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.



43 Knuckey Street, Darwin City —Currently for sale attracting interest locally and nationally.



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