

Darwin Residential Research

September 2022



Darwin returns highest apartment growth of 6.7% in price



Darwin Median House Price
\$617,000



6.3% Yield for Apartments
in Greater Darwin

Darwin Market Overview

The September quarter of 2022 has seen a stabilisation in residential sales prices and a decline in the volume of residential sales through all regions of Darwin and Palmerston.

For the 12 months ending September 2022, there was a median price increase for houses in Darwin and Palmerston of 9% (source : TPC Pty Ltd) as compared to the eastern seaboard cities of Sydney and Melbourne where both have trended lower (between -1% to -5%, source CoreLogic Sept. 2022) with momentum slowing in line with the housing interest rate increases.

Darwin now remains the only capital city where monthly housing values haven't started to trend lower, although property values still remain approximately 10% below their 2014 peak.

Inflation is likely to remain high for some time, and interest rates are expected to rise steadily in response, so it is likely there will eventually be a decline in housing values however fortunately in Darwin there has not been the same downward trend as the southern capitals.

Strong labour market conditions should help to contain any rise in mortgage distress. With the national unemployment rate at 3.5% in August and wages growth picking up, it is expected that there will not be a major rise in distressed listings or forced sales.



Darwin Market Overview (continued)



Financial markets are now predicting a peak in the cash rate around 4.1% between June and August of next year, while private sector economists are generally less bearish, with Bloomberg recently reporting a median forecast of 3.35% as the peak cash rate in the first quarter of 2023. Considering economists are forecasting rates to peak through mid-2023, the coming months are likely to feature a stabilisation in home values.

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 September 2022 has stabilised for inner Darwin with an approximate increase of between 1% to 7% for the Northern Suburbs. What is significant however, was the large volume increase shown for Palmerston residential, up over 20% for the same 12 month period previously. This can be correlated with the new land subdivisions within the Palmerston area such as Zuccoli.

In the year to August 2022, the number of commitments by first home buyers in the Territory decreased by 41.0% to 833. This was the weakest result of the state jurisdictions, which otherwise ranged from a decrease of 31.8% in South Australia to a decrease of 12.7% in the Australian Capital Territory. Nationally, the number of commitments decreased by 27.3% to 125,608. This can be directly linked to the phasing out of government related housing grants. On a more positive note, in the year to August 2022, the number of investors purchasing in the Territory increased by 13.9% to 2,409.

Residential Rental demand remains very high with strong interest for almost all rental properties and limited available stock. It is anticipated 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



House Market

The median house price in Darwin/Palmerston increased by 9% over the past 12 months ending September 2022 at \$617,000. Further research conducted by Territory Property Consultants in Darwin revealed some additional data on housing over the same period.

Over the same period ending September 2022, the Average Median Price for the inner suburbs of Darwin (e.g. Larrakeyah/Parap/Stuart Park etc.) increased 11.5% to \$850,000, northern coastal suburbs (e.g. Nightcliff/Rapid Creek/Lyons/Muirhead etc.) increased 10% to \$680,500, North Eastern suburbs - Sanderson (e.g. Leanyer/Wulagi/Anula/Malak/Karama) increased 9% to \$553,500 and Palmerston (all suburbs) increased 6% to \$530,000.

Sales volumes for the year ending September 2022 increased for all regions except inner Darwin which has basically stabilised. Refer table below:-

Sept 2020-Sept 2021

Darwin Residential Sales

Locality	No of Sales	Average Price
Darwin	174	\$762,500
Nightcliff	455	\$620,000
Sanderson	244	\$507,500
Palmerston	631	\$500,000

Sept 2021 - Sept 2022

Darwin Residential Sales

Locality	No of Sales	Average Price	Average Price Change
Darwin	171	\$850,000	11.48%
Nightcliff	486	\$680,500	9.76%
Sanderson	248	\$553,500	9.06%
Palmerston	763	\$530,000	6.00%

Apartment Market

Data from CoreLogic also shows that the Darwin apartment market experienced growth in excess of Sydney and Melbourne, with the median apartment price increasing by 6.7% ending September 2022 to \$377,432. This is in contrast to Sydney at -4.8% and Melbourne at -1.6%. 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 a yield of 6.3%, the highest yields of all capital cities, and significantly greater than Sydney and Melbourne where yields are at approx. 3. %.



Land Sales

In August 2022, the number of residential building approvals in the Territory increased by 7.1% to 75, the strongest result of the jurisdictions, which otherwise ranged from a decrease of 18.9% in the Australian Capital Territory to an increase of 3.7% in New South Wales. In annual terms to August 2022, the number of residential building approvals in the Territory increased by 120.6%. This was the strongest result of the jurisdictions, which otherwise ranged from a decrease of 26.2% in Victoria to an increase of 8.3% in Tasmania. Nationally, residential building approvals decreased by 13.7%.

It should be noted that 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 for the 2022/2023 financial year.

There is still new land releases available for sale in Northcrest, Zuccoli in Palmerston, Muirhead North and, more recently Boulter Road, Berrimah (Mirawood Estate- 36 lots). With a plot of land in these subdivisions generally ranging for sale between \$250,000 to \$450,000 dependent on land size and location.

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 5.5% for housing and apartments over the past 12 months.

The image below references the average rental prices in Darwin according to the September 2022 report from Rent.com.au. They estimate the average apartment rental is \$500 per week and the average house rental is \$600 per week.

Metro area	Apartments	% Change monthly	Houses	% Change monthly
Sydney	\$550	0.90%	\$700	0%
Melbourne	\$420	0%	\$470	0%
Brisbane	\$460	2.20%	\$560	0%
Perth	\$435	1.10%	\$500	0%
Adelaide	\$395	0%	\$480	0%
Hobart	\$430	-4.40%	\$545	1.80%
Darwin	\$500	6.3%	\$600	0%
Canberra	\$535	-2.7%	\$675	-0.70%
National median	\$480	1%	\$540	1.8%

According to local residential property managers, over the past 3 months, vacancy rates in Greater Darwin remain very low at approximately 1.0%. Stock for both houses and apartments are limited and most are leased within 2 weeks with very strong demand in the traditional beachside and inner city suburbs of Darwin.

Since the onset of COVID, capital city rents have risen 16.5% and regional rents are up 25.1%. It is expected that renters will be progressively seeking rental options across the medium to high density sector, where renting is cheaper, or maximising the number of people in the tenancy in an effort to spread higher rental costs across a larger household. Even with the lower amount of long term rental stock available (see below regarding short term rental accommodation) there will be an inevitable cap on sustainable weekly rental rates however this is yet to be determined.

Residential Housing

From our recent in office research based on managed rental properties, the current average weekly rental rates in Greater Darwin and Palmerston as at September 2022 are tabled below :-

Accomm. Type	Darwin (p.w.)	Palmerston (p.w.)
House - 3 Bedroom	\$600—\$750	\$550—\$660
House - 4 Bedroom	\$700—\$900	\$680—\$750
Unit - 1 Bedroom	\$420—\$470	\$430—\$480
Unit - 2 Bedroom	\$530—\$580	\$500—\$530
Unit - 3 Bedroom	\$700—\$800	\$525—\$580



In general, rents have remained steady since the June 2022 quarter, although we have seen an increase in prices in the lower end of the rental market. This increase was noted in the unit market for both Darwin and Palmerston.

The availability of long term rental stock, particularly in Darwin CBD, has reduced due to an increasing conversion of these units into short term serviced apartments (notably Air Bnb's) .

This will provide further pressure on existing long term rent levels and we do not foresee a change to this in the short to medium term unless there is legislation change similar to what has occurred in Brisbane and some tourist related council shires of NSW such as Byron Bay Shire where houses or units cannot be used for short term rental for more than 180 days in a 365 day period.

Darwin's Commercial Market



Photo: Harbourview Plaza was recently sold by Colliers Darwin on a yield of 7.1%

The commercial market in Darwin, whilst active, is easing with extended periods for negotiations due in some way to rising commercial lending rates.

The largest commercial sale over the 2022/2023 first quarter was Harborview Plaza in McMinn Street which sold in September 2022 for \$27,500,000 on a net yield of 7.1%. This is a six level office building, originally constructed in 1988 which has undergone a number of refurbishments since it was constructed. The property was fully leased, with 81% of Net Lettable Area to the Northern Territory of Australia, 17.5% to Commonwealth Government and 1.5% to a café tenancy, overall providing a 7.7 year WALE at time of settlement.

Investment yields in Darwin are expected to rise in line with 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.

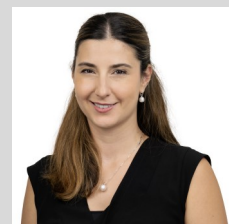
Given the expected higher levels of inflation, the RBA will continue to lift official interest rates, potentially multiple times in the coming months but with lower stepped increases than what has occurred in the early and mid-stages of 2022. This is likely to have some negative impact on investment yields. The high inflation rates however have been providing a boost to commercial rentals that are linked to annual increases to CPI.

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