



Darwin Residential Research December 2022



**Ultra low 1% Vacancy
rate in Greater Darwin**



**Inner Darwin Median House
Price \$872,000**



**7.1 % Yield for Apartments
in Greater Darwin**

Darwin Market Overview

The December quarter of the 2022/2023 financial year has seen a stabilisation in residential selling prices together with an associated decline in volume of residential sales through all regions of Darwin and Palmerston.

For the 12 months ending December 31, the overall median price for detached residential housing in Darwin/Palmerston was virtually unchanged with a small increase of 1% (source : TPC Pty Ltd). This compared to the eastern seaboard cities of Sydney and Melbourne where both cities recorded a decline in median prices of -8% to -12% respectively (source CoreLogic Dec. 2022) with momentum slowing in line with the housing interest rate increases.

Darwin, along with all capital cities, is the last to have peaked in this current cycle with a falling trend evident nationally, although dwelling values remain approximately 10% below their 2014 peak.

We anticipate 2023 will be characterised by further falls in home values through the early months, followed by a stabilisation in housing prices after housing interest rates find a peak.

A surge in fixed rate loan refinancing is expected in the third & fourth quarter of the 2022/2023 financial year. The latest Financial Stability Review from the RBA noted around 35% of outstanding housing credit is on fixed terms, with around 2/3 of these loans set to expire in 2023. Most of these borrowers will be seeking to refinance to variable mortgage rates that will be 3 to 4 percentage points above their original rate. As progressively more fixed rate borrowers become exposed to higher mortgage repayments, alongside variable rate borrowers, it is reasonable to expect mortgage arrears will gradually trend higher.



Darwin Market Overview (continued)



Interest rates, or more specifically, mortgage rates, will be one of the main factors influencing housing market movement in 2023. The timing and magnitude of a peak in the cash rate remains highly uncertain, however at least one more 25 basis point lift seems all but certain.

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 December 2022 has fallen in all areas with the exception of inner Darwin (ie Larrakeyah/Fannie Bay/Parap) and Palmerston, with both indicating positive volume growth of between 7% to 8%. This may be indicative of a two tier market with stronger interest in the upper and lower price levels available in the Darwin region and a matching decline in the median level priced northern suburbs (falling 7% to 10% from 2021).

In November 2022, the number of housing finance commitments for owner occupation in the Territory increased by 7.6% to 441. This was the second weakest result of the jurisdictions which ranged from an increase of 3.7% in Victoria to an increase of 11.7% in Tasmania.

The number of commitments by first home buyers in the Territory decreased by 39.0% to 782 and the number of non-first home buyer commitments in the Territory increased by 2.4% to 2,316. With the volume growth indicated in our data, more particularly in Palmerston, we can surmise that home buyers are now a majority mix of investors and previous home owners. (Source NTG Dept. of Treasury & Finance)

Residential Rental demand remains very high with strong interest for almost all rental properties and limited available stock. We anticipate this will remain the status quo in the short term especially with the increase in overseas migration and students to the NT during early 2023.

Residential Sales Activity



House Market

The median house price in Darwin/Palmerston was stable with a 1% increase over the past 12 months ending December 2022 to \$585,000. Further research conducted by Territory Property Consultants in Darwin revealed some additional data on housing over the same period.

Over the same period ending December 2022, the Average Median Price for the inner suburbs of Darwin (Larrakeyah/Parap/Stuart Park) increased 6.3% to \$872,000. The Northern coastal suburbs (Nightcliff/Rapid Creek/Lyons/Muirhead) increased 7% to \$680,500, the North eastern suburbs of Sanderson (Leanyer/Wulagi/Anula/Malak/Karama) increased 1.8% to \$555,000 and Palmerston suburbs increased approximately 2% to \$530,000.

Sales volumes for the year ending December 2022 decreased for all regions except inner Darwin and Palmerston.

2021 Calendar Year

Darwin Residential Sales

Locality	No of Sales	Average Price
Darwin	136	\$820,000
Nightcliff	437	\$635,000
Sanderson	238	\$545,000
Palmerston	620	\$520,000

2022 Calendar Year

Darwin Residential Sales

Locality	No of Sales	Average Price	Average Price Change
Darwin	148	\$872,000	6.34%
Nightcliff	425	\$680,500	7.17%
Sanderson	220	\$555,250	1.79%
Palmerston	674	\$530,000	1.92%

Apartment Market

Data from CoreLogic also shows that the Darwin apartment market experienced positive growth in comparison to negative falls in Sydney and Melbourne, with the median apartment price increasing by 4.0% for the year ending December 2022 to \$382,695. This is in contrast to Sydney at -9.2% and Melbourne at -4.8%. Darwin's apartment market still presents great value to both owner occupiers and investors alike with a yield of 7.1% and remains one of the most affordable capital cities to purchase an apartment. Darwin recorded the highest yields of all capital cities comparing to Sydney and Melbourne with yields of both at approx. 4%.



Land Sales

In November 2022, the number of residential building approvals in the Territory decreased by 11.7% to 53, the weakest result of the jurisdictions, which otherwise ranged from a decrease of 6.2% in Western Australia to an increase of 1.9% in Tasmania. Nationally, residential building approvals decreased by 2.4%. In annual terms, the number of residential building approvals in the Territory increased by 55.9%. This was the strongest result of the jurisdictions, which otherwise ranged from a decrease of 41.8% in the Australian Capital Territory to an increase of 7.1% in Tasmania. It should be noted Darwin is a smaller market and fluctuations are greater in percentage terms. Nationally, residential building approvals decreased by 11.5%. (Source NTG Dept. of Treasury & Finance)

Fixed-price contracts that fail to meet inflation and plan for contingencies like Covid, worker shortages and logistics disruptions, are causing some residential construction firms to become unprofitable. Electricity cost hikes and new building standards coming into force mid 2023 are adding further strain to an industry with rapidly shrinking margins. Construction costs have risen 20 to 30 per cent in the 2022 calendar year, while prices of some materials, like timber have risen by more than 40 per cent and this, together with a lack of qualified tradesmen in the NT, has led to very low volumes of new builds.

The new land releases remain located predominantly in Northcrest, Zuccoli and Durack in Palmerston, Muirhead North and, more recently Boulter Road, Berrimah (Mirawood Estate - 36 lots). Darwin is currently in an undersupply of "shovel ready" land for residential development. The NT Government has now realised this and the future release of Holtze and Kowandi (adjacent to the Palmerston Hospital) from 2024 onwards will assist in alleviating the lack of supply. The development of the area is still in its early stages however, long term, Greater Holtze has the potential to support 30,000 to 35,000 people. The detailed Land Use Vision Plan for the Holtze and Kowandi localities indicates the potential for accommodating approximately 15,000 people.

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 4.3% for housing and 4.0% for apartments over the past 12 months.

The image below references the average rental prices in Darwin according to the December 2022 report from Rent.com.au. They estimate the average apartment rental is \$490 per week and the average house rental is \$600 per week. This average house weekly rental is now the third highest of any capital city and the highest for gross yields deeming it an attractive option for investors.

Metro area	Apartments	% Change monthly	Houses	% Change monthly
Sydney	\$575	0.80%	\$720	0%
Melbourne	\$450	2.20%	\$490	2%
Brisbane	\$500	2%	\$590	0.80%
Perth	\$450	0%	\$540	3.70%
Adelaide	\$400	0%	\$500	0%
Hobart	\$460	4.30%	\$550	0%
Darwin	\$490	6.10%	\$600	1.60%
Canberra	\$539	1.60%	\$675	0.40%
National median	\$500	0%	\$550	0%

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 indicated in the more traditional beachside and inner city suburbs of Darwin.

We anticipate no significant change to rental growth in the face of such a low vacancy rate as any reversal in rental demand is likely to be offset by the uptake in levels of overseas migration and overseas students. Persistently high rental demand and persistently low rental vacancy rates are expected to continue due to a lack of rental supply.

Residential Housing

From our recent in office research based on managed accommodation classes, the current average weekly rental rates in Greater Darwin and Palmerston as at December 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, the rental rate range has remained steady since the previous quarter.

The availability of long term rental accommodation stock, more particularly in the Darwin CBD, has reduced due to an increasing uptake and/or conversion to the short term Airbnb type rental market. This is particularly evident with the 1 bedroom category. We would anticipate the oversupply in this category will gradually put pressure on placing these types of units back onto the regular long term market thus loosening up the tight vacancy rate in this sector.

Darwin's Commercial Market



Photo: Homezone was recently sold by Colliers Darwin on a yield of 6.0%

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 second quarter was Homezone Berrimah at 660 Stuart Highway, Berrimah which sold in December 2022 for \$29,000,000 on a passing yield of 6.0%. This was a large format retail centre in new condition with a blue chip tenancy mix next door to Harvey Norman. The property was fully leased on a 9.8 year WALE at time of settlement and reflective of retail yields with strong long term lease tenure backing it.

The current high inflation rates maintain a boost to commercial rentals that are linked to annual increases to CPI however this is not anticipated to continue in the short term. While the latest monthly inflation data in Australia suggest the Reserve Bank of Australia (RBA) may have to downgrade its inflation forecasts, which superficially boosts the odds of the RBA pausing its aggressive, rate-rising cycle in the coming months, it appears they are eager to remain in lockstep with overseas central banks. In the most recent board minutes published in December they pointedly noted that the central banking contemporaries overseas had yet to halt lifting rates.

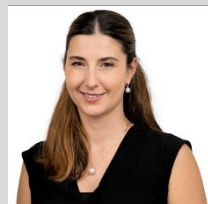
A prospective pause would be eagerly embraced by embattled home buyers, who have been hammered by a never before seen interest rate shock that has lifted residential variable mortgage rates more than 3 percentage points and also commercial investors who may see some stabilisation in values especially for those commercial lease reviews linked to CPI increases.

Bill Linkson

Consulting Advisor—Territory Property Consultants
www.tpcnt.com.au

Lianna Tsounias

Marketing & Research Manager
lianna.tsounias@colliers.com



Colliers International NT

08 8997 0888
13 Cavenagh Street | Darwin, NT 0800 | Australia
www.colliersnt.com

