



# Darwin Residential Research March 2023



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



**Inner Darwin Median House  
Price \$1,030,000**



**7.3% Yield for Apartments  
in Greater Darwin**

## Darwin Market Overview

The first quarter of 2023 has seen a positive 8% increase in residential house prices to the year ending March 2023. This increase was due in part to the smaller number of properties available to purchase in all regions of Darwin, with the exception of Palmerston, which saw an increase in the amount of sales activity.

With national housing turnover easing (preliminary transaction estimates for the March quarter are 20% lower than the 5 year national average), Darwin remains in a more stable position than the majority of other capital cities.

Research conducted by Territory Property Consultants in Darwin revealed the actual sales volume activity in the past year has been relatively volatile when broken up into localities. The reduction in activity ranged from -5% in Nightcliff up to -28% for inner Darwin. The latter having far less sales (i.e. 115 Vs 366). Palmerston was the shining light with a rise in sale volume of over 4%.

Around this time last year, the Reserve Bank began a regime of increasing interest rates when it announced the first official rate hike since 2010, lifting the cash rate by 25 basis points to 0.35 per cent. Since then, the RBA has aggressively raised the cash rate, only pausing this month after 10 consecutive months of rate rises during a national cost of living crisis.

The official cash rate now sits at 3.6%, although it is anticipated to rise again in the months ahead. This is expected to temper any major variations to static growth. The April 2023 residential report provided by Core Logic indicated values were higher across the four largest capital cities, led by a 1.4% gain in Sydney. They put the rise down to a combination of low advertised stock levels, extremely tight rental conditions and additional demand from overseas migration. (Source: CoreLogic April 2023 Home Value Index).





## Darwin Market Overview (continued)



On the construction side, high building costs for base materials has also diminished new construction activity for this class of real estate and this is also indicated by a very slow uptake of available land in the estates in Darwin and Palmerston.

Rental demand still remains high with strong interest for almost all rental properties and limited available stock. We anticipate demand will remain relatively strong.

Other factors that could indicate no major changes after mid 2023 are :-

- Labour markets - As economic growth slows and skilled migration rises it's likely unemployment will rise from the current lows. Although the national unemployment rate is forecast to remain well below the decade average of 5.5%, any additional slack in the labour market could dampen wage growth.
- Tight credit - Borrowers are being assessed to repay their mortgage under a scenario where mortgage rates are three percentage points higher, making qualifying for a housing loan challenging.
- Net overseas migration – This is now at record highs and set to rise further, adding to housing demand. Surging migration can be both a good and bad thing, on one hand, high migration will support economic activity and ease tight labour markets, but on the other, the current surge in migration is occurring against a chronic shortage of housing, especially rental housing. Normally overseas migration has a more significant influence on rental demand rather than home purchasing demand, and this is likely to remain the case. However, with most cities recording vacancy rates around 1%, it's likely such high migration will spill over to purchasing demand more rapidly than historically normal.

## Residential Sales Activity



### House Market

According to CoreLogic, the median house price in Darwin increased by 2% over the past 12 months ending March 2023 to \$582,415. Further research conducted by Territory Property Consultants in Darwin revealed some additional data on housing over the same period.

For the first time the average price for inner Darwin has exceeded the \$1,000,000 barrier.

For the 12 months ending March 2023, the average sale price for the inner suburbs of Darwin ( Larrakeyah/ Parap/Stuart Park etc) increased 12.5% to \$1,030,000, northern coastal suburbs (Nightcliff/Rapid Creek/ Lyons/Muirhead etc) increased 10% to \$721,000, north eastern suburbs ( Leanyer/Wulagi/Anula/Malak/ Karama) increased 7% to \$574,000 and Palmerston (all suburbs) increased 4.2% to \$549,000.

Sales volumes were reduced from the 2nd quarter 2022 and indicated less supply of between 5% to 28% across all of Darwin suburbs however Palmerston went against this trend with a 4.1% increase. Refer table below:-

#### April 2021—March 2022

##### Darwin Residential Sales

Locality	No of Sales	Average Price
Darwin	160	\$915,821
Nightcliff	385	\$656,141
Sanderson	245	\$537,202
Palmerston	586	\$526,716

#### April 2022—March 2023

##### Darwin Residential Sales

Locality	No of Sales	Average Price	Average Price Change	Change in Volume
Darwin	115	\$1,030,408	12.51%	-28.13%
Nightcliff	366	\$721,469	9.96%	-4.94%
Sanderson	189	\$574,515	6.95%	-22.86%
Palmerston	610	\$548,987	4.23%	4.10%

## Apartment Market

Data from CoreLogic also shows that the Darwin apartment market experienced relatively static growth over the past 12 months with the median apartment price increasing by 1% to \$374,000. 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 7.3% compared to Sydney and Melbourne both at approx. 4.2%.



## Land Sales

Land sales and new house builds have declined from 2022 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.

In February 2023, the number of residential building approvals in the Territory decreased by 5.3% to 36, the fourth weakest result of the jurisdictions, which otherwise ranged from a decrease of 10.9% in New South Wales to an increase of 0.9% in Queensland. Nationally, residential building approvals decreased by 5.7%.

In annual terms, the number of residential building approvals in the Territory decreased by 29.4%. This was the third weakest result of the jurisdictions, which otherwise ranged from a decrease of 37.1% in the Australian Capital Territory to an increase of 9.6% in Queensland. Nationally, residential building approvals decreased by 19.6%.

The new land releases are located predominantly in Northcrest (ex-Berrimah Agricultural Farm), Zuccoli in Palmerston, Muirhead Stage 2 and, more recently Boulter Road, Berrimah (Mirawood Estate- 36 lots). From our discussions with local agents the demand for vacant residential lots has softened markedly and this is indicative of the current tighter lending environment.

## Residential Rental Activity

Darwin's residential rental market has continued to perform strongly with gross yields and has had steady rental rates over the past 12 months. CoreLogic indicate Darwin weekly rentals have decreased by -1.5% for housing and -0.4% for apartments over the past 12 months ending March 2023.

The table below references the average rental prices in Darwin according to the March 2023 report from Rent.com.au. They estimate the average apartment rental is \$540 per week, the average house rental is \$660 per week and the average room rental is \$233 per week.

Metro area	Apartments	% Change monthly	Houses	% Change monthly
Sydney	\$630	4.7%	\$750	0%
Melbourne	\$480	0%	\$500	1%
Brisbane	\$525	4.7%	\$600	0%
Perth	\$500	4%	\$560	0%
Adelaide	\$420	0%	\$510	-1.9%
Hobart	\$475	1.1%	\$560	-1.8%
Canberra	\$540	0%	\$645	-3.8%
National median	\$520	-3.8%	\$575	0%
<b>Darwin</b>	<b>\$540</b>	<b>3.7%</b>	<b>\$660</b>	<b>1.5%</b>

According to local residential property managers, over the past 3 months, vacancy rates in Greater Darwin have remained very low at approximately 1% to 1.5%. Stock for both houses and apartments are limited with the best growth seen in the apartment market.



## Residential Housing

From recent in office research based on managed accommodation classes, the current average weekly rental rates in Greater Darwin and Palmerston as at March 2023 are tabled below :-

Accomm. Type	Darwin (p.w.)	Palmerston (p.w.)
House - 3 Bedroom	\$600—\$750	\$550—\$660
House - 4 Bedroom	\$700—\$900	\$650—\$700
Unit - 1 Bedroom	\$420—\$450	\$430—\$480
Unit - 2 Bedroom	\$500—\$550	\$500—\$540
Unit - 3 Bedroom	\$700—\$750	\$525—\$580



In general, the rental rates have increased by approximately 5% across all accommodation sectors of Darwin and Palmerston since the December 2022 quarter with the strongest increase in the unit market.

For the 2023 Dry season we anticipate vacancy rates to remain tight and this will also be directly related to some of the infrastructure projects requiring specialised employment.

Along with the ongoing multi-billion-dollar defence projects in Darwin and Tindal, and the Santos Barossa gas project (The Santos operated Barossa Gas Project is an offshore gas and condensate project that proposes to provide a new source of gas to the existing Darwin liquified natural gas (DLNG) facility in the Northern Territory) , all of these projects combined will assist in providing an increase in activity in the Territory which will assist in demand for accommodation.

# Darwin's Commercial Market



The commercial market has eased in the first 3 months of 2023 with the only major commercial sale in Darwin transacted being the Darwin Corporate Park at Berrimah for \$78,500,000 in February 2023. This multi tenanted property was purchased by Southern Cross Equities, a South Australian syndicate who intend to hold half of the acquisition with the remaining ownership by syndicated investors. We understand a net yield in the order of 5.74% was achieved with this transaction. Darwin Corporate Park is a 5.5 star NABERS rated A Grade quality business park, representing 13,700m<sup>2</sup> of net lettable area with an additional 7,800 m<sup>2</sup> of development land. The asset is positioned in a strategic central location between Darwin City and Palmerston and includes key tenants such as the Northern Territory Government, Territory Generation, Westpac and Defence Housing Authority. In addition to these tenants, Bet 365 recently committed to a new lease of approximately 3,500m<sup>2</sup> within the business park, nearly tripling its current tenancy area, creating a global call centre. The purpose built building is due for completion in October 2023.

Currently the cash rate of 3.6 per cent is the highest since May 2012, after the RBA paused increases earlier this month following 10 consecutive hikes. Recent rate hikes have been aimed at keeping soaring inflation under control. This is sparked by in part by rising energy prices, supply chain issues and the war in Ukraine.

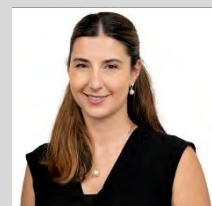
With inflation at its highest level in decades, we anticipate further easing of yield rates for commercial investment property in Darwin however rental rates, more particularly for “A” and “Premium” grade accommodation, is expected to rise given the lack of available accommodation in these particular categories. This has been indicated recently by new lease agreements now in excess of \$700 per square metre in Premium grade office buildings such as the Charles Darwin Centre.

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