

Darwin Residential Research

June 2023



Inner Darwin Median House
Price \$875,000



Ultra low 1.5% Vacancy
rate in Greater Darwin



7.5% Yield for Apartments
in Greater Darwin

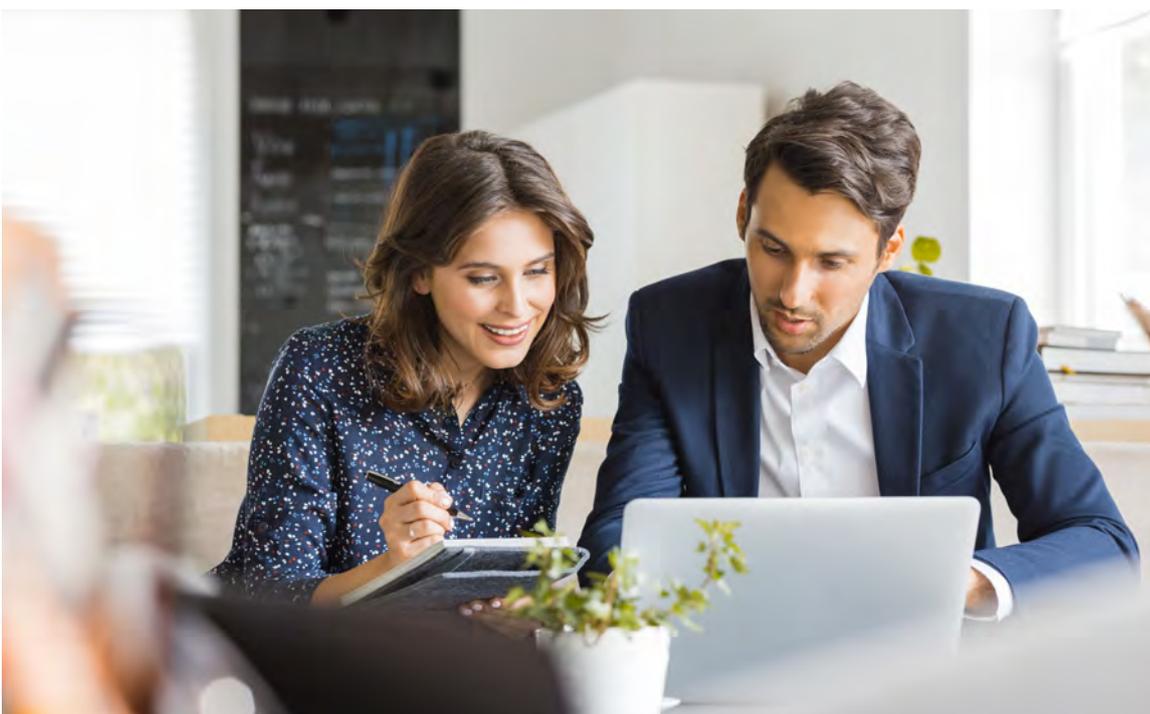
Darwin Market Overview

The Darwin market has recorded fairly stable residential sales prices in the June quarter of 2023. Despite stable sales prices there has been a decline in the number of residential sales in all regions of Darwin except for Palmerston where the sales volume remained steady.

For the 12 months ending June 2023, there was a small median price decrease for houses in Darwin/ Palmerston of - 0.85% (source: TPC Pty Ltd) as compared to the previous year and this is in contrast to the falling medians in the larger eastern seaboard capitals with Sydney recording a - 8.2% decline and Melbourne a - 7.4% decline (source : Core Logic May 2023).

Currently high interest rates and the potential for a further rise in August could weigh further on consumer sentiment, which is already around GFC lows and historically consumer sentiment and housing market sales have been closely correlated.

Housing activity may be further impacted if credit becomes less available. At the date of this report, the average variable mortgage rate for new owner occupier loans nationally is approximately 5.9% and with a 3% bank serviceability buffer in place, new borrowers will be assessed to repay their loan at a mortgage rate close to 9%. Thus along with the mix of high living costs, negative real income growth and the high cost of debt, it has become more difficult for borrowers to obtain credit approval. This is then magnified with lenders less willing to lend on high debt-to-income ratios, high loan-to-income ratios or on smaller deposits.



Darwin Market Overview (continued)



As more borrowers are exposed to higher interest rates, either via rising variable mortgage rates or the expiration of fixed rates, we are likely to see a progressive increase in mortgage arrears, albeit from record lows last year. To date, the majority of borrowers have kept on track with their mortgage repayments, with APRA data for the March quarter indicating only half a percent of home loan borrows have fallen less than 90 days behind on their mortgage repayments.

While the portion of borrowers falling behind on their repayment schedule is likely to rise, Australia's unemployment rate is forecast to remain below 5%, which should help to prevent a material blowout in mortgage arrears. Whether the current interest rate setting and the potential for a further hike in August is enough to push the housing market into a double-dip downturn remains uncertain.

Despite the high interest rate environment, the housing sector is still facing an under supply which is likely to provide some support for values. The number of homes advertised for sale is tracking at about 16% below the previous year in Darwin and new build approvals continue to trend well below average levels. Low supply in the face of record net overseas migration and extremely tight rental conditions should be a key factor helping to offset the impact of higher interest rates.

With regard to sales volumes, research conducted by Territory Property Consultants in Darwin revealed the actual sales volume activity across all Darwin/Palmerston suburbs for the 12 months ending June 2023 was 16% below what was seen in the previous financial year to June, however, in contrast, Palmerston volumes, as a separate precinct, were close to exactly the same from 12 months previous.

As for annual capital returns, the trend has broadly been towards declining yields however there is some variance among the individual capitals. Darwin continued to record the strongest residential rental yields across the capitals at 5.8% followed by Perth at 4.7%. Both major capitals, Melbourne & Sydney recorded gross yields far lower than Darwin at 2.7% to 3.0% respectively. (source: Core Logic June 2023).

Residential Sales Activity



House Market

The median house price in Darwin/Palmerston decreased by - 0.85% over the past 12 months ending June 2023 to \$580,000. Research conducted by Territory Property Consultants in Darwin revealed some additional data on housing over the same period.

Over the past 12 months, the Average Median Price for the inner suburbs of Darwin (e.g. Larrakeyah/Parap/Stuart Park) increased 3% to \$875,000, northern coastal suburbs (e.g. Nightcliff/Rapid Creek/Lyons/Muirhead) was static at 0.7% at \$655,000, north eastern Sanderson suburbs (e.g. Leanyer/Wulagi/Anula/Malak/Karama) also static at \$555,000 and Palmerston (all suburbs) decreased -1.5% to \$522,000.

In contrast to the above, sales volumes for the year ending June 2023 decreased for all Darwin suburbs however remained stable for the Palmerston suburbs (Refer table below).

Highlights during the year ending June 2023 were nine (9) high end residential sales over \$2M, the largest of these at 12 Perkins Court, Cullen Bay which sold for \$3,075,000.

July 2021—June 2022

Darwin Residential Sales

Locality	No of Sales	Average Price
Darwin	169	\$850,000
Nightcliff	495	\$650,000
Sanderson	235	\$555,000
Palmerston	621	\$530,000

July 2022– June 2023

Darwin Residential Sales

Locality	No of Sales	Average Price	Average Price Change	Change in Volume
Darwin	128	\$875,000	2.94%	-24.26%
Nightcliff	339	\$655,000	0.77%	-31.52%
Sanderson	173	\$555,000	0.00%	-26.38%
Palmerston	623	\$522,000	-1.51%	0.32%

Apartment Market

Data from CoreLogic also shows that the Darwin median apartment price ending May 2023, was recorded at \$365,937. This reflected a small reduction in growth of -2.8%, in contrast to Sydney and Melbourne with declines in price of -5.5% and 4.7% respectively.

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. The average yield in Darwin remains at 7.5%, compared to Sydney and Melbourne with both recording an average yield of approximately 4% (Source: Core Logic June 2023).



Land Sales

In May 2023, the number of residential building approvals in the Territory increased by 2.3% to 44 and in annual terms, the number of residential building approvals in the Territory decreased by 25.4%. This downturn in new building activity can be attributed partly to current high living costs and the rise in interest rates for borrowers, as well as an increase in building costs.

The new land releases remain located predominantly in Northcrest (ex-Berrimah Agricultural Farm), Zuccoli in Palmerston East and Muirhead North.

Residential Rental Activity

Darwin's residential rental market has continued to perform strongly with both gross yields and annual rental increases. CoreLogic indicates that the average Darwin house and unit weekly rental price has remained stable over the past 12 months.

The table below references the average rental prices in Darwin according to the June 2023 report from Rent.com.au. It is estimated the average apartment rental is \$490 per week and the average house rental is \$665 per week.

Metro area	Apartments	% Change monthly	Houses	% Change monthly
Sydney	\$650	0%	\$800	2.5%
Melbourne	\$500	1%	\$520	1.9%
Brisbane	\$550	5.4%	\$620	3.2%
Perth	\$500	0%	\$590	3.3%
Adelaide	\$430	-2.3%	\$540	2.7%
Hobart	\$411	-3.4%	\$532	0.3%
Canberra	\$520	-3.8%	\$650	0%
National median	\$538	-5.9%	\$600	2.2%
Darwin	\$490	-4.1%	\$665	1.5%

According to local residential property managers, over the past 3 months, vacancy rates in Greater Darwin have remained very low at approximately 1.5%. From our research there does, however, appear to be a slight increase in available stock in the Darwin region.

Residential Housing

From recent in house research at Colliers NT, based on managed properties, the current average weekly rental rates in Greater Darwin and Palmerston are tabled below :

Accomm. Type	Darwin (p.w.)	Palmerston (p.w.)
House - 3 Bedroom	\$600—\$750	\$550 - \$660
House - 4 Bedroom	\$680—\$900	\$680—\$750
Unit - 1 Bedroom	\$450 - \$500	\$450—\$500
Unit - 2 Bedroom	\$520—\$580	\$500—\$540
Unit - 3 Bedroom	\$700—\$800	\$525—\$580



In general, the rental rates for houses has remained relatively static from the previous quarter and the unit market rents have increased both Darwin and Palmerston by 7% to 15%.

Our local research indicates rental stock available in Palmerston has remained unchanged from the previous quarter however, surprisingly, rental stock in the Darwin area has increased in the order of 15%. We can partly attribute this to a number of 1 and 2 bedroom unit properties reverting back to long term renting after experimenting with the short term AirBnB market which has become somewhat over supplied and more reliant on seasonal tourism.

With Darwin providing the most attractive returns for residential investment nationally, there is now the strong possibility that we will see an increase in the amount of sales to prudent investors.

Darwin's Commercial Market



The commercial market in Darwin, whilst active, is not as engaged as the previous year and this can be partly attributed to increasing commercial borrowing rates. There does appear to be higher interest being shown in the smaller submarkets for leased industrial and strata office and this is an attractive option for smaller private superannuation funds looking for some diversity away from direct shareholdings.

Investment yields in Darwin are expected to further loosen due to increasing bank lending rates and yields are now achieving in the order of 6.5% to 7.5% net.

The high inflation rates currently in place have been providing a boost to commercial rentals that are linked to annual increases to CPI both locally and/or based on the 8-capital city averages.

We note there is limited larger commercial investment stock available for sale in the Darwin CBD and very little A-grade/ Premium commercial office space available for lease. This will eventually lead to further refurbishment of existing office space and new developments but the latter only on larger pre-commitment generally from either NT or Federal government agencies.

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

