



Darwin Residential Research September 2023



Inner Darwin Median House
Price \$940,000



Vacancy rate approx.
2% in Greater Darwin



7% yield for Apartments in
Greater Darwin

Darwin Market Overview

The September quarter of 2023 has seen stabilisation in residential house prices and a tightening in the volume of residential sales in Darwin and Palmerston.

For the 12 months ending September 30, the median price for houses in Darwin and Palmerston was virtually unchanged with a small increase of less than 1% (source : TPC Pty Ltd) as compared to the previous year and this is in contrast to the increasing medians in the larger eastern seaboard capitals with Sydney at + 7.3% and Melbourne at +1.5% (source : Core Logic Sep 2023).

Softer housing conditions across Darwin & Palmerston appears to be more demand driven, with the number of house sales some 30% lower than a year ago across all areas. In contrast, the estimated volume of home sales across the combined capital cities was 1.9% higher than a year ago and this is a leading factor in the stronger median price change in comparison to Darwin.

The three major capitals recording the highest capital gain each have advertised supply levels that are around 40% below their previous five-year average so on this proviso this may be a turning point on median sale price for Darwin given the 30% decline over the last 12 months.

Housing affordability is still relatively stretched and high interest rates make it harder to qualify for credit, especially when considered alongside high cost of living pressures and the three percentage point serviceability buffer. Persistently low consumer sentiment is another factor dampening housing sector activity.

We understand that the Federal Government has plans in 2024 to introduce a “help to buy” scheme for low to middle income earners to try and bolster activity in the mid tier market. There would be price ceilings for property involved and for the NT this is set at \$600,000 which would have most impact in the northern suburbs and Palmerston.



Darwin Market Overview (continued)



A housing undersupply looks set to worsen before it gets any better. Annual dwelling approvals haven't been this low since 2013. Against a backdrop of record population growth that is forecast to remain at above average levels over the next five years, we are yet to see any early signs of a supply response.

Federal and state policy initiatives focused on incentivising supply are well placed, but high costs and scarcity of trades remain a key challenge to deliver more housing supply. While an undersupply of housing is clearly negative, insufficient levels of housing are likely to support housing values over the medium term.

The Reserve Bank has left the cash rate on hold at 4.1 % for the fourth month in a row but has not ruled out future increases to return inflation to target. The significant increase in mortgage servicing costs, together with cost-of-living pressures, has seen consumer spending slow and weigh on economic activity. Conditions are expected to further soften in the coming months so we don't expect any surprises in the market locally for the short /medium term.

With regard to sales volumes, research conducted by Territory Property Consultants in Darwin revealed the actual sales volume activity across Darwin suburbs for the 12 months ending September 2023 was between 27% to 30% below what was seen in the previous financial year to September.

Rental demand remains 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 large increase in overseas migration to Australia and also the NT.

Residential Sales Activity



House Market

The Average Median Price for the inner suburbs of Darwin (Larrakeyah/Parap/Stuart Park) increased 10% to \$940,000 which was influenced by several high end sales in excess of \$2 Million. The median price for northern coastal suburbs (Nightcliff/Rapid Creek/Lyons/Muirhead) decreased slightly by -3% to \$660,000 and north eastern suburbs in the Sanderson district (Leanyer/Wulagi/Anula/Malak/Karama) remained static at \$560,000. In Palmerston, the median price also remained static at \$538,000.

Sales volumes for the year ending September 2023 decreased for all Darwin /Palmerston suburbs in the order of 30%. Refer table below:-

Oct 2021 to Sep 2022

Darwin Residential Sales

Locality	No of Sales	Average Price
Darwin	171	\$850,000
Nightcliff	486	\$680,500
Sanderson	248	\$553,500
Palmerston	763	\$530,000

Oct 2022 to Sep 2023

Darwin Residential Sales

Locality	No of Sales	Average Price	Average Price Change	Change in Volume
Darwin	122	\$940,000	10.59%	-28.65%
Nightcliff	336	\$660,000	-3.01%	-30.86%
Sanderson	179	\$560,000	1.17%	-27.82%
Palmerston	537	\$538,000	1.51%	-29.62%



Apartment Market

Data from CoreLogic shows that the Darwin apartment market experienced moderated growth of 2% with the median price recorded at \$382,000 at the end of September 2023. 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 around 7%, compared to Sydney and Melbourne with yields at approx. 4%.



New Construction & Land Sales

In August 2023, the number of residential building approvals in the Territory decreased by 5.4% to 35 and in annual terms, the number of residential building approvals in the Territory decreased by 47.8%. In the year to August 2023, residential building approvals in the Territory decreased by 20.5% to 497. Unit and townhouse approvals decreased by 48.0%, and house approvals decreased by 3.1%.

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

Activity on new land sales is low and with continued high costs and scarcity of trades, this is a key challenge to delivering more housing supply.

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 2.1% 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 September 2023 report from Rent.com.au. They estimate the average apartment rental is \$480 per week and the average house rental is \$650 per week.

Metro area	Apartments	Quarterly Change %	Houses	Quarterly Change %
Sydney	\$650	0%	\$800	0%
Melbourne	\$510	2%	\$550	5.7%
Brisbane	\$550	0%	\$625	0.8%
Perth	\$550	10%	\$600	1.7%
Adelaide	\$440	2.3%	\$550	1.85%
Hobart	\$435	5.8%	\$550	3.38 %
Canberra	\$500	- 4%	\$600	-7.7%
National median	\$590	9.6%	\$615	2.5%
Darwin	\$480	- 2%	\$650	-2.3%

According to local residential property managers the vacancy rate from 3 months ago (approx. 1%) has now increased to approximately 2%. Additional stock for both houses and apartments has become available to prudent lessees with strongest demand still in the more traditional beachside and inner city suburbs of Darwin. New listings were also up 3.7 % in Darwin over the year, against a national drop of -5.7 %.

There appears to be a stabilisation in weekly rents more particularly for housing with some increased activity for units when comparing to the quarter ended June 2023.

To reinforce the above, new data issued October 2023 from PropTrack revealed some relief for Darwin renters in the middle of a record low property supply across the country and this was likely in part due to an exodus of residents ahead of the wet season with the city having the highest rental vacancy rate of all capital cities and regions in September at 1.8 %.

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 - \$700	\$550 - \$650
House - 4 Bedroom	\$650 - \$750	\$650 - \$700
Unit - 1 Bedroom	\$450 - \$480	\$450 - \$480
Unit - 2 Bedroom	\$500 - \$560	\$500 - \$530
Unit -3 Bedroom	\$650 - \$750	\$520 - \$560



In general, the rental rates have been relatively static in comparison to the last quarter however vacancy rates remain extremely tight.

We have noted a reduction in available rental stock, more particularly in the Darwin CBD, for long term accommodation due to an increasing conversion of existing stock 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. There has been noted an uptick in sales of CBD units with existing leases in place.

Darwin's Commercial Market



The commercial investment market in Darwin is facing slower conditions due to the current high lending rates and is not alone in this sector as nationally there is poor demand from larger corporate property investors and listed property funds.

The only major investment sale to have occurred in this quarter was the sale of the Fannie Bay Village Shopping Centre (1 – 15 Fannie Bay Place) to a local syndicate for \$17,800,000 in September 2023. The Fannie Bay Village sits on a high profile position and is a retail, commercial and residential precinct consisting of 11 stand-alone one and two storey buildings over 7 allotments. Indicative analysis shows the property being purchased on an approximate 9% net yield.

Investment yields in Darwin are expected to loosen with increasing bank lending rates, with yields now achieving in the order of 7.0% to 9.0% net.

On a positive note, our current research indicates extremely low to nil vacancy for Premium/A Grade office stock in the CBD and with Darwin being a major focal point for Defence and associated Commonwealth Govt. agencies over the long term, there may be some pressure building for new premium grade space and possible investment opportunities at a later date.

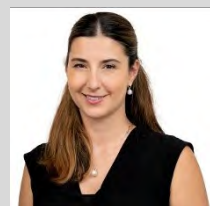
Given the expected levels of inflation it is likely the RBA will continue to lift official interest rates until mid 2025 and this is likely to have a negative impact on investment yields. The high inflation rates however still provide a positive boost to commercial rentals that are linked to annual increases to all capital city and Darwin CPI indices.

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