

Darwin Residential Research December 2023 – Annual Recap



Inner Darwin Median
House Price \$930,000



Darwin Median
House Rental \$650
per week



7.4% yield for
Apartments in
Greater Darwin

Darwin Market Overview

The December quarter of 2023 reflected a continued stabilisation in residential house prices along with a tightening in the volume of residential sales in Darwin and Palmerston.

For the 12 months ending December 31, the median house price for houses in Darwin and Palmerston was \$587,000, a figure that recorded a 0.3% increase from 2022 (*Source: TPC Pty Ltd*).

Other major capital cities recorded median price growth between 8% to 15%, with the exception of Melbourne recording minimal growth of 0.9% (*Source: PropTrack Home Price Index Dec. 2023*). In Perth, Adelaide and Brisbane, housing affordability challenges haven't been as pressing relative to Melbourne and advertised supply levels have remained well below average. The cities where home value growth has been lower through the year were generally showing higher than average levels of advertised supply alongside annual home sales.

We anticipate 2024 will be characterised by relatively stable prices with some possible momentum in the second half of the year as home loan interest rates finally begin to ease.

At the end of December 2023, financial markets were fully pricing in a 25-basis point rate cut by June 2024. If interest rates do move lower, there is a good chance of a lift in consumer sentiment and a more positive trend in housing activity and values through the second half of the year.



Darwin Market Overview (continued)



Government policy responses to affordability challenges are likely to remain diverse, however the focus should firmly be on supply side measures in 2024. While growth in construction costs has eased, the government's commitment to deliver a 'stretch target' of 1.2 million new homes in the next five years remains challenging. The first round of funding from the \$10 billion Housing Australia Future Fund (HAFF) is expected to be available in the second half of 2024. While extra funding for social and community housing developments will take some time to flow through to completed new housing stock, this is clearly a positive step in the right direction for much needed affordable housing supply.

With regard to local 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 2023 has fallen in all regions from anywhere between 11% to 30%.

In November 2023, the number of residential housing approvals in the Territory increased by 2.6% to 40 new homes but overall was down 15% for the 2023 calendar year from the previous year. This can be attributed in many ways to the higher costs of residential construction and lack of available tradespeople. Current data would indicate the costs have now peaked and we should see some easing in that sector of the housing market. *(Source NTG Dept. of Treasury & Finance).*

Residential Rental demand has now eased with advised vacancy rates for residential dwellings/units increasing from approx. 1% to 3% at the end of 2023.

Residential Sales Activity



House Market

Over the past 12 months ending December 2023, the median house price in Darwin/ Palmerston was recorded at \$587,000, remaining stable with a minimal lift of 0.3%. 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 2023, the average median price for the inner suburbs of Darwin (e.g. Larrakeyah/Parap/Stuart Park) increased 6.6% to \$930,000, Northern coastal suburbs (e.g. Nightcliff/Rapid Creek/Lyons/Muirhead) decreased 4% to \$654,500, North Eastern suburbs SANDERSON (e.g. Leanyer/Wulagi/Anula/Malak/Karama) increased 0.86% to \$560,000 and Palmerston decreased approximately 1.9% to \$520,000.

Sales volumes for the year ending December 2023 decreased for all regions (as previously mentioned). Refer table below:-

2022

Darwin Residential Sales

Locality	No of Sales	Average Price
Darwin	148	\$872,000
Nightcliff	425	\$680,500
Sanderson	220	\$555,250
Palmerston	674	\$530,000
TOTAL	1467	\$585,000

2023

Darwin Residential Sales

Locality	No of Sales	Average Price	Average Price Change	Change in Volume
Darwin	131	\$930,000	6.65%	-11.49%
Nightcliff	294	\$654,000	-3.89%	-30.82%
Sanderson	175	\$560,000	0.86%	-20.45%
Palmerston	495	\$520,000	-1.89%	-26.56%
TOTAL	1095	\$587,000	0.34%	-25.36%

Apartment Market

Data from CoreLogic also shows that the Darwin apartment market experienced no real gains in 2023, with the median price recorded at \$370,000, reflecting a minimal increase of 0.2%. Darwin's apartment market represents 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. Yields in Darwin remain at 7.4%, compared to Sydney and Melbourne, where yields are significantly lower approximately 4%.



New Construction & Land Sales

New land releases in Darwin are located in Northcrest, Zuccoli & Durack in Palmerston, Muirhead North (Lee Point) and, more recently Boulter Road, Berrimah (Mirawood Estate- 36 lots). Further expansion of Lee Point land by DHA (Defence Housing Australia) has currently been halted until at least March 2024 due to cultural heritage constraints.

Darwin is currently in an undersupply of "shovel ready" land for residential development and 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 ultimate development of the area remains in its early stages however, in the long term, Greater Holtze has the potential to support 30,000 to 35,000 people. The most detailed level of planning shown in the Land Use Vision Plan over the Holtze and Kowandi localities indicate the potential for accommodating approximately 15,000 people.

Activity on new land sales remains low and with continued high costs and scarcity of trades, these underlying remain a key challenge to deliver more housing supply.

Residential Rental Activity

Darwin's residential rental market has continued to perform strongly with both gross yields and annual rental increases however we have now seen slight reductions and vacancy rates increasing towards the end of 2023.

The table below references the average rental prices in Darwin according to the December 2023 report from Domain.com.au. They estimate the average apartment rental is \$540 per week and the average house rental is \$650 per week. The unit rentals have increased by nearly 4% over the quarter whilst the detached housing has remained stable.

We also note the 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	Quarterly Change %	Houses	Quarterly Change %
Sydney	\$680	0%	\$730	1.37%
Melbourne	\$520	0%	\$550	0%
Brisbane	\$560	1.82%	\$600	1.67%
Perth	\$520	4.00%	\$620	3.23%
Adelaide	\$450	0%	\$560	1.79%
Hobart	\$450	0%	\$550	3.64%
Canberra	\$560	1.82%	\$680	2.94%
National median	\$600	0.84%	\$600	2.94%
Darwin	\$540	3.85%	\$650	0%

Source : domain.com.au/research/rental-report/december-2023

According to local residential property managers, over the past 3 months, vacancy rates in Greater Darwin have increased in the order of 2% to 4% which is expected due to a number of additional properties coming onto the market from early 2024.

Most agents have indicated a slowing down in enquiry level and recommendations to maintain lease renewals at their previous set amounts.

Residential Housing

From our recent in-house research based on our portfolio, the current average weekly rental rates in Greater Darwin and Palmerston at December 2023 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



The rental rate range has remained relatively steady since the previous quarter, however as previously mentioned, there could be downward pressure on rental prices in 2024.

Darwin's Commercial Market



The commercial market in Darwin, whilst active, has not seen any major investment transfers above \$2,000,000 in the last quarter of 2023.

There has been good interest for industrial properties, both freehold and strata, in the more traditional industrial areas of Winnellie and Berrimah below \$2,000,000. In general, these sales have been to owner occupiers rather than for investment purposes.

Australia's inflation rate slowed in November 2023, reinforcing expectations the Reserve Bank's key interest rate has peaked. The headline consumer price index for the month was 4.3%, down from October's 4.9%. It shows prices were rising at their slowest pace since the 4.0% reported in January 2022.

The monthly headline inflation figures offer only a partial snapshot of price pressures but they provide more proof that inflation is continuing to wane, as intended by the RBA's 13 increases in its cash rate since May 2022, the fastest in three decades.

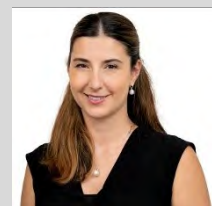
This will be good news for commercial investors with resulting reductions in commercial lending rates expected from mid-2024. We would also anticipate competitive investment yields to continue especially with commercial leases that are set to annual CPI reviews.

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