

Darwin Residential Research

March 2024



Inner Darwin Median
House Price \$932,500



Darwin Median
House Rental \$670
per week



7.4% yield for
Apartments in
Greater Darwin

Darwin Market Overview

The volume of residential sales stabilised in the March quarter of 2024. In the 12 months ending March 2024, the median house price in Darwin also remained stable, which should provide reassurance to property owners.

The volume of national home sales through the March 2024 quarter was estimated to be 9.5% higher relative to March 2023, although comparison with a year ago is from a relatively low base, with the housing market bottoming out from the downturn at the beginning of last year. Compared to the previous decade average for this time of the year, residential sales are estimated to be 3.7% higher. For Darwin, on an annual basis, volumes are relatively stable.

Research conducted by Territory Property Consultants in Darwin revealed that sales volume activity in the past year has been relatively volatile when segmented into localities. The reduction ranged from -14% in Nightcliff up to +14% for “inner” Darwin, the latter having an increased volume in sales (i.e. 115 vs 132). Palmerston indicated a -5% reduction in sale volumes.

Overall, nationally, it appears housing markets are dealing with the high interest rates and cost of living environment better than most would have expected. Values and rents are recording rises, albeit with significant diversity across the capitals and regional markets and this also remains the case for Darwin. The outlook for housing values, however, remains positive amid a growing expectation that interest rates will start to fall later this year, providing a boost to borrowing capacity and consumer sentiment.

The basics of housing supply and demand remain out of balance in most regions, placing upward pressure on the cost of housing. The supply side of the housing equation continues to be inadequate. Heading towards the July 1st commencement point for the Federal government’s 1.2 million new ‘well-located’ homes target, dwelling approvals are yet to show any meaningful uplift.



Darwin Market Overview (continued)



Master Builders NT forecast only 270 homes will be built in the NT in the 2023/24 financial year, a fall of 55% on the previous year. On a positive note, local builders remain in work because of a surge in non-residential building activity, largely on the back of the Australian Defence Force's multi-billion dollar infrastructure program.

Rental demand still remains relatively high with decreasing of vacancies over the previous quarter. We anticipate demand will increase with the oncoming Dry season and mid-year job intakes for industry.

Whilst we expect housing values to continue trending higher, with the potential for conditions to accelerate as interest rates come down, some issues remain present. Housing affordability is deteriorating as home values, rental rates and the cost of servicing a mortgage rise faster than household incomes. With fewer buyers able to purchase a home at the median value, we may see demand deflecting towards lower price points, potentially favouring outer-fringe detached housing markets such as Palmerston and the multi-unit sector in older unit developments where price points tend to be lower.

The Reserve Bank (RBA) is expecting economic conditions to ease further through the middle of the year and the unemployment rate to gradually rise from its current low base, implying lower wages growth. Although inflation has beaten forecasts, cost of living pressures remain a key challenge for many households, resulting in lower savings rates, ongoing low sentiment and heightened uncertainty when it comes to making high commitment financial decisions such as purchasing a residential property.

Residential Sales Activity



House Market

According to CoreLogic, the median house price in Darwin increased by 0.4% over the past 12 months ending March 2024 to \$573,498. Further research conducted by Territory Property Consultants in Darwin revealed some additional data over the same period.

For the 12 months ending March 2024, the average sale price for the inner suburbs of Darwin (Larra-keyah/Parap/Stuart Park) increased 7.8% to \$932,500, northern coastal suburbs (Nightcliff/Rapid Creek/Lyons/Muirhead) decreased 3% to \$655,000, north eastern suburbs (Leanyer/Wulagi/Anula/Malak/Karama) decreased 6% to \$535,000 and Palmerston remained static at \$530,000.

Sales volumes reduced in all localities with the exception being Darwin indicating a 15% uptick in volumes. Further analysis shows a large skew towards properties in the upper tier with 59 sales > \$1M in Inner Darwin over the last 12 months versus 39 in previous 12 months, a 50% increase.

April 2022 to March 2023

Darwin House Sales

Locality	No of Sales	Median Price
Darwin	115	\$865,000
Nightcliff	366	\$675,000
Sanderson	189	\$570,000
Palmerston	610	\$530,000
TOTAL	1280	

April 2023 to March 2024

Darwin House Sales

Locality	No of Sales	Median Price	Median Price Change	Change in Volume
Darwin	132	\$932,500	7.80%	14.78%
Nightcliff	314	\$655,000	-2.96%	-14.21%
Sanderson	188	\$535,000	-6.14%	-0.53%
Palmerston	580	\$533,500	0.66%	-4.92%
TOTAL	1214			

Apartment Market

Data from CoreLogic also indicated that the Darwin unit market experienced static growth over the past 12 months with the median price decreasing - 0.2% to \$367,000. Darwin's unit 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 7.4% compared to Sydney and Melbourne with average yields of approximately 4.0%.



New Construction & Land Sales

New Land sales and new house builds remain slow with a continuing lack of local residential tradespeople available along with the past increases in raw material costs for house construction.

On a national perspective, 12,850 homes were approved for construction in January, roughly -25% below the decade average and well below the 20,000 average monthly rate of approvals required to see 1.2 million homes built in the next five years. At the same time, the residential construction sector continues to run up against shortages in labour, high material costs and depressed profit margins.

The new land releases remain predominantly in Northcrest (ex-Berrimah Agricultural Farm), Zuccoli in Palmerston and, more recently, Marrara Gardens (ex Malak Caravan Park). Marrara Gardens is Darwin's newest residential estate, centrally located and located midway between Darwin City and Palmerston and will have 78 residential lots available, ranging from 424m² to 751m². Asking prices range from around \$275,000 (non golf course frontage) to around \$380,000 - \$420,000 for blocks with golf course frontage.

From our discussions with local agents the demand for vacant residential lots significantly eased 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 indicated Darwin weekly rentals have increased by 4.4% for housing and 1.6% for apartments over the past 12 months ending March 2024.

The table below references the average rental prices in Darwin according to the March 2024 report from Rent.com.au. They estimate the average unit rental is \$545 per week and the average house rental is \$670 per week.

According to local residential property managers, over the past 3 months, vacancy rates in Greater Darwin have tightened to approximately 1.5%. Stock for both good quality houses and apartments still remains limited and this sector has seen the most activity as compared to lower tier rental accommodation.

Metro area	Apartments	Monthly Change %	Houses	Monthly Change %
Sydney	\$710	1.43%	\$850	0%
Melbourne	\$570	-0.87%	\$580	0%
Brisbane	\$600	0%	\$640	1.59%
Perth	\$600	3.45%	\$650	0%
Adelaide	\$460	0%	\$590	0%
Hobart	\$450	-2.17%	\$550	0%
Canberra	\$590	0%	\$750	4.17%
National median	\$580	0.43%	\$645	0.78%
Darwin	\$545	2.83%	\$670	-1.47%

Source : 2024 Rent.com.au property listing data

Residential Housing

From recent in office research based on residential rental properties, the current average weekly rental rates in Greater Darwin and Palmerston as at March 2024 are tabled below :-

Accomm. Type	Darwin (p.w.)	Northern Suburbs (p.w.)	Palmerston (p.w.)
House - 3 Bedroom	\$600—\$680	\$580—\$650	\$550—\$650
House - 4 Bedroom	\$700—\$750	\$650—\$750	\$600—\$700
House—Executive	\$850—\$1000	\$700—\$800	\$650—\$750
Unit - 1 Bedroom	\$450—\$500	\$420—\$470	\$400—\$450
Unit - 2 Bedroom	\$550—\$650	\$550—\$630	\$480—\$530
Unit - 3 Bedroom	\$650—\$750	\$630—\$675	\$520—\$580
Unit—Executive	\$850—\$1000	\$675—\$750	N/A

In general, the rental rates have increased in the order of 3% to 5% across all segments of Darwin/ Palmerston since the 12 months ending March 2023.

For the 2024 Dry season we anticipate vacancy rates to remain around 1.5% however this may tighten as some of the major NT infrastructure projects requiring specialised employment come on stream.

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 liquefied 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 likely create higher demand for residential property.



Darwin's Commercial Market



The commercial market has been relatively quiet over this first quarter of 2024 however there has been increased interest in established properties in the traditional industrial area of Winnellie with a number of sales ranging from \$1,000,000 to \$3,000,000.

Activity in the CBD has also been relatively slow, however we understand the historic heritage listed Westpac Bank at the end of Smith Street Mall (24 Smith Street), a commercial property fully leased to Westpac Bank on a long-term lease is now under contract for in excess of \$7M with a net yield under 7%. The property would also have development upside having prime three street frontage sitting adjacent to Charles Darwin Centre.

In the Darwin CBD, rental rates for Premium A grade office space, is expected to rise given the lack of available stock. 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.

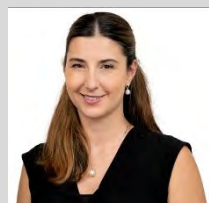
The RBA is expecting economic conditions to ease further through the middle of 2024 and the unemployment rate to gradually rise from its current low base, implying lower wages growth. Although inflation has beaten forecasts, cost of living pressures remain a key challenge for many investors, resulting in lower savings rates, ongoing low sentiment and heightened uncertainty when it comes to making high commitment financial decisions such as purchasing commercial/residential investment properties. With this in mind we do not foresee any major fluctuations to the Darwin market in the short to medium term.

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