

Darwin Residential Research

September 2024



Inner Darwin Median
House Price \$900,000



Darwin Median
House Rental
\$675 per week



8% yield for
Apartments in
Greater Darwin

Darwin Market Overview

The September quarter of 2024 has indicated a stabilisation in house prices and a tightening of volumes of residential sales through the suburbs of Darwin. In Palmerston there has been an increase in median sale prices as well as an increase in the volume of sales.

For the 12 months ending September 2024, the median price for houses in Darwin/Palmerston has decreased by approx. - 2.6% (source : TPC Pty Ltd) as compared to the previous year and this is in contrast to the increasing medians in the smaller capitals with Brisbane at +14.5%, Adelaide at +14.5% and Perth at +24%. The larger eastern seaboard capital cities were, however, quite stable with Sydney at +4.5% and Melbourne at -1.4% (source : Core Logic Sep 2024).

The softer housing conditions across Darwin still appear to be more demand driven, with the exception of Palmerston which has indicated an increase of 22% in comparison to a year ago. Palmerston has had a substantial number of new build sales in the recently developed suburbs of Zuccoli & Bellamack and this has boosted the overall median price so much so that it is now equivalent to the median price of Sanderson. This stability may be a turning point indicator that the median prices have levelled out and prices will begin to rise again in 2025.

Affordability constraints and reduced borrowing capacity continue to support stronger conditions across housing markets with lower price points. Across the combined capitals, lower quartile home values have increased by 12.4% over the past twelve months compared with a 3.8% rise in values across the upper quartile. This trend is evident across every capital city, including Darwin, which is now the most affordable market after adjusting for local household incomes. (source : Core Logic Sep 2024)

Applications for Australia's most generous housing grant scheme has now opened in the Northern Territory. The NT government's new HomeGrown Territory and Fresh Start New Home programs includes three different grants ranging from \$10,000 to \$50,000, encompassing both first home buyers and existing home owners. Designed to help turn around the territory's net interstate migration deficit, the scheme was a key commitment of the Country Liberal Party (CLP) leading into the NT election in August. The government says it will also halt a downturn in the local residential construction sector.

Under the scheme, first home buyers can either access a \$50,000 grant if they build or buy a new home in the NT, or a \$10,000 grant if they purchase an existing property. On the other hand, people who already own property can access a \$30,000 grant under the program, but only if they build or buy a new home in the territory. Once the homes are built or bought, owners must live in them for a minimum of 12 months.



Darwin Market Overview (continued)



The immediate outlook for housing markets is for further growth in housing values, at least at the macro level, but a continuation in the gradual loss of momentum and increasing diversity across the cities and regions. Upside factors for housing conditions include improving sentiment amid a slowdown in inflation, and a consensus that the next move in interest rates will be a cut. Household balance sheets are also benefitting from tax cuts and energy rebates that could help to lift sentiment and borrowing capacity, while real income growth would be supported by a further slowdown in inflation.

Additionally, constraints on new housing supply look to be entrenched due to squeezed profit margins for builders, scarcity of trades and significant competition with the public infrastructure sector. An ongoing under-supply of newly built homes will naturally keep a floor under housing prices and rents. A 0.4% cut to house lending variable interest rates is looking likely by May 2025, which will provide a boost to borrowing capacity and should help to support a further lift in confidence for households to make high-commitment decisions like buying a home.

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 2024 was between +3% (Sanderson) to -15% below (inner Darwin) to what had occurred in the previous financial year to September.

Rental demand is now stable with lower interest for almost all vacancies and limited available stock in comparison to the previous quarter. We anticipate this will remain in the short term however, with the recent opening of the new Charles Darwin University city campus in September 2024, we could see an uptick of rental activity within the CBD from students and associated staff.

Residential Sales Activity



House Market

The Average Median Price for the inner suburbs of Darwin (Larrakeyah/Parap/Stuart Park etc) decreased 4% to \$900,000, Northern coastal suburbs (Nightcliff/Rapid Creek/Lyons/Muirhead etc) were unchanged at \$665,000, North Eastern suburbs - SANDERSON (Leanyer/Wulagi/Anula/Malak/Karama) down 3% at \$540,000 and Palmerston (all suburbs) also unchanged at \$540,000.

Sales volumes for the year ending September 2024 decreased for inner Darwin, it was relatively stable for Nightcliff/Sanderson and increased substantially in Palmerston at 22%. Refer table below:-

October 2022 - September 2023 Darwin House Sales

Locality	No of Sales	Median Price
Darwin	122	\$940,000
Nightcliff	336	\$660,000
Sanderson	179	\$560,000
Palmerston	537	\$538,000

October 2023 - September 2024 Darwin House Sales

Locality	No of Sales	Median Price	Average Price Change	Change in Volume
Darwin	103	\$900,000	-4.26%	-15.57%
Nightcliff	325	\$665,000	0.76%	-3.27%
Sanderson	185	\$540,000	-3.57%	3.35%
Palmerston	654	\$540,000	0.37%	21.79%

Apartment Market

Data from CoreLogic also shows that the Darwin apartment market experienced a small reduction in growth (- 2%) with the median price ending September 2024 recorded at \$353,000. 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 gross yields of all capital cities remaining at around 8% as against Sydney and Melbourne with both at approx. 4%.



New Construction & Land Sales

In August 2024, the number of residential building approvals in the Territory decreased by 2.7% to 34, In the year to August 2024, residential building approvals in the Territory decreased by 12.2% to 421.

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

More recently Marrara Gardens is Darwin's newest residential estate offering land within the heart of the Northern Suburbs. It is centrally located to essential amenities and services and only 77 lots are available, ranging from 416m² to 1846m² with starting prices from \$250,000. The subdivision is located midway between Casuarina, Darwin City and Palmerston and titles are expected by the end of 2024.

Activity on new land sales is low however with the recent NTG New Home/Land grants introduced this month we anticipate strength in sales over the next 6 months. The continued high costs and scarcity of trades will, however, 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. CoreLogic indicate Darwin weekly housing rentals have increased by approx. 2% over the past 12 months.

The slowdown in rental growth for housing from a National, and to a lesser extent Local, perspective is likely to be a factor of both easing net overseas migration alongside rental affordability pressures forcing a restructuring of demand. The latest demographic trends from the ABS showed net overseas migration reduced by 19% from the record highs in the first quarter of 2023. The March quarter of 2024 saw 133,800 net overseas migrants arrive in Australia, 31,700 fewer than a year prior, helping to take some pressure off rental demand. We would expect that the average household size has continued to increase as group households and multigenerational households become more common in the face of high rental costs.

The table below references the average rental prices in Darwin according to the September 2024 report from Rent.com.au. They estimate the average unit rental is \$550 per week and the average house rental is \$675 per week. The increase in weekly unit rental on an annual basis can be partly attributed to demand for increasing student accommodation and in this context, there are future plans for student housing developments within the CBD to cater for the upsurge. The recently opened Charles Darwin University CBD campus will further strengthen this sectors demand.

Metro area	Apartments	Annual Change %	Houses	Annual Change %
Sydney	\$700	7.70%	\$850	6.00%
Melbourne	\$550	7.80%	\$600	9.00%
Brisbane	\$600	9.10%	\$630	1.00%
Perth	\$600	9.10%	\$650	8.30%
Adelaide	\$490	11.40%	\$600	9.00%
Hobart	\$468	7.60%	\$540	-2.00%
Canberra	\$550	10%	\$710	18.30%
Darwin	\$550	14.60%	\$675	3.80%
National Median	\$600	1.70%	\$620	1.00%

Source : 2024 Rent.com.au property listing data

Residential Rental Activity

Broadly, from our discussions with local property managers, the rental rates have been relatively static in comparison to the last quarter and vacancy rates remain tight at around 1.5%.

From recent in office research based on managed accommodation classes, the current average weekly rental rates in Greater Darwin and Palmerston as at September 2024 are tabled below :-

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

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 2024. According to local residential property managers, the vacancy rate from 3 months ago (approx. 1.5%) has remained stable at that rate. To reinforce the above, new data issued October 2024 from PropTrack revealed average rents have not increased to any great extent for housing however there has been movement over the past 12 months for unit stock more particularly older stock at the lower end of the market which has increased from a lower base whilst the mid to upper tiers have been relatively stable.



Darwin's Commercial Market



The commercial investment market in Darwin is experiencing slower conditions due to high lending rates. Although there is some interest again in larger retail with private syndicates that have bought into retail centres ahead of large institutions fully returning to the market.

Over this past quarter there has been no significant commercial/retail sales and investment yields in Darwin are expected to stabilise, with yields achieving in the order of 7.0% to 9.0% net. On a positive note, our 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.

There has been some refurbishment of lower grade office space in the CBD with the aim of leasing to Federal and NTG agencies (i.e. Construction House) and we also understand that Health House on Mitchell Street is under negotiation to sell with prospects for a full refurbishment and upgrade to A grade accommodation status.

The inflation rate still provides a positive boost to commercial rentals that are linked to annual increases to All Capital City and Darwin CPI indices. Whilst inflation is retreating from its peak of 7.8% in July 2022, it still remains elevated as demand-supply imbalances persist particularly in sectors like rents, new dwellings and insurance.

An interest rate cut of approximately 0.4% is anticipated for mid to early next year, depending on the unemployment rate and if inflation has subsided. Any reduction in lending rates will be a healthy sign for the Darwin housing market for 2025.

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