



Herron
Todd White

Independent Property Advisors

Westpac

PROPERTY REPORT

Northern Territory



National overview

In this edition of the Westpac Herron Todd White Residential Property Report, we are putting the spotlight on the opportunities for cashed-up investors and self-managed super funds (SMSFs).

Softer residential property prices around the country are presenting opportunities for aspiring landlords and DIY superfunds, and we'll take a look at some of the stand-out investment real estate markets.

A buyer's market

With lending still tight and confidence relatively low, competition for quality homes is comparatively thin on the ground, particularly in the entry level markets that are typically popular with investors. While prices are yet to hit bargain basement levels, it's fair to say they have flattened out. This is good news for cashed-up investors and SMSFs looking for long-term capital gains.

Leading the way is the Western Australian market, which has stabilised after a booming period of growth. Similarly, there has been a slight drop in Tasmanian real estate values after 10 years of strong returns. Indeed some markets in and around Hobart, such as Sandy Bay, South Hobart and West Hobart, recorded growth of more than 200% over the last decade.

Property a long term investment

While buyers, particularly first timers, might be taking a wait-and-see approach, rental markets around Australia are still relatively strong. As a result, vacancy rates are low and this is keeping rents steady, which is good news for investor cash flow.

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Location, Location, Location

A resounding message from around Australia is that the investment properties with the best prospects of long term growth are located close to city CBDs, regional centres and infrastructure. Melbourne is a case in point. A wave of building activity and apartment development applications continue in suburbs close to the city, defying the national slowdown. It seems it's a classic case of 'build and they will come', as there appears to be strong demand for new apartments in the inner city, and steady sales.

Regarding the impact of infrastructure and employment on housing prices, it is also worth keeping an eye on Australia's resources sector, especially in South Australia and the Northern Territory. In Adelaide, market watchers are anxiously awaiting the announcement about the future of BHP Billiton's multi-billion dollar expansion of Olympic Down, the world's largest known uranium deposit. Likewise in the NT, it seems that Inpex's multi-billion dollar Ichthys LNG Project is getting closer to reality, with the issuing of pipeline licences.

We expect the Adelaide and Darwin real estate markets will experience major boosts when these initiatives come to fruition and the projects start employing workers – both in terms of sales activity and rentals.

Queensland finds its feet

After a rough start to the year, Queensland is slowly getting back on its feet. We are pleased to report that the town of Toowoomba is experiencing slow but steady growth and a stable rental market. About 400 kilometres away in Gladstone, 2011 is also shaping as a very 'robust' year. The rapidly developing coal seam gas industry has fuelled residential development and growth across the board – in terms of real estate values and rents. Vacancy rates have shrunk below 1% and tenant demand appears to be increasing. It is truly pleasing to hear some good news coming out of the Sunshine State.

Brendon Hulcombe
CEO, Herron Todd White

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Northern Territory

Darwin

The Australian real estate market has faced some significant challenges over the past 12 months. Interest rate rises, natural disasters and subdued economic conditions haven't done the market any favours.

Every state and territory in Australia has been affected in some way and the Northern Territory is no exception. In addition, the value of the Darwin real estate market has also been impacted significantly after years of double digit growth in rents and capital values.

As a consequence, nominating suburbs with growth potential in Darwin is a challenging exercise, however a softer market is usually good news for cashed up investors and self-managed super funds (SMSFs) looking for value buys.

When looking for stand-out suburbs in Darwin and regional Northern Territory, it is important to also consider the major sectors driving growth – namely tourism, mining and defence. From a property investment perspective, it's fair to say mining and defence will prove the most significant drivers of growth and yields.

Defence presence

Defence Housing Australia (DHA) has been an active player in the Darwin and Palmerston property markets for some time. According to the Northern Territory Government, the region is home to some 10% of the Australian Defence Force's (ADF) total combat personnel. Defence personnel now contribute close to 7% of the Territory's total population. The ADF has not only invested in the NT in terms of personnel – it has based some of its newest and most advanced platforms here, including the Tiger Armed Reconnaissance Helicopters, Armidale Class Patrol Boats, F/A 18 Hornets and the Abrams M1A1 main battle tank.

Defence personnel have a strong impact on the property market, both as tenants and owners, and there is no sign that this will decline given Australia's involvement in overseas conflicts. The DHA is investing \$170 million in a new subdivision (known as Lyons) in the outer suburbs. This will provide about 300 homes for Defence personnel and has been well received by the market. The second stage of the land release will be a new suburb in Darwin's north known as Muirhead, which will include the release of 300 to 500 allotments.

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Mining

The Japanese resource company, Inpex is the driving force behind the Ichthys LNG Project, the largest oil and gas development in the Northern Territory, said to be worth at least \$12 billion – some estimates put it as high as \$25 billion.

Gas from the Ichthys Field, in the Browse Basin, situated about 200km off the coast of Western Australia, will be exported to onshore processing facilities in Darwin via an 885km subsea pipeline. This has created endless speculation about the project, and plenty of anticipation about the 2000 people who will be employed during the construction phase, and the additional 300 once the project is up and running. These workers will require accommodation, and the sentiment is that it will be the catalyst for confidence returning to the Darwin and Palmerston property markets.

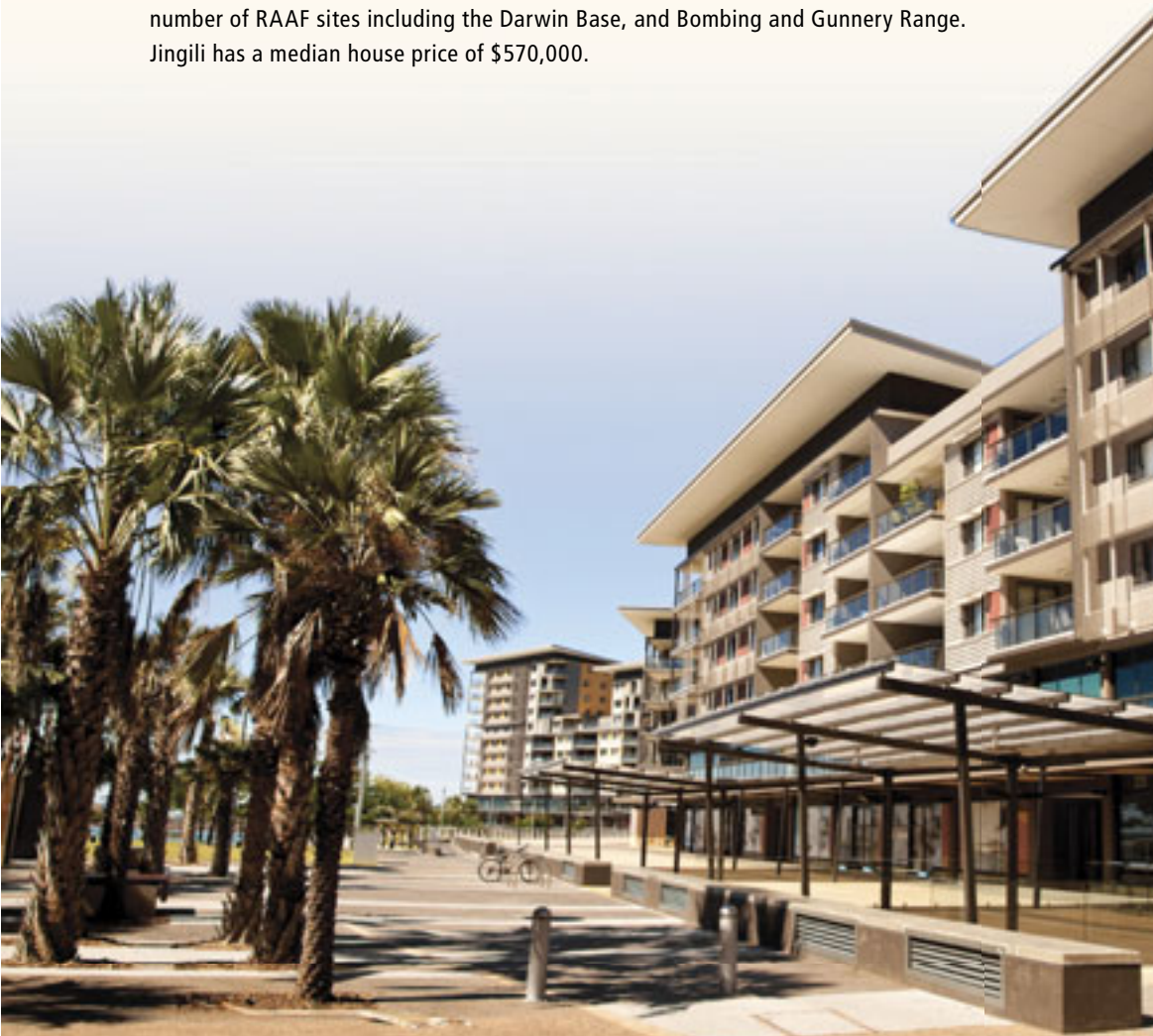
Darwin House and Apartment/Unit Market

The best buying in Darwin can be found in the northern suburbs of Jingili and Moil. Entry levels are still not at 'bargain basement' levels, with prices starting at around the \$500,000 mark. While we question whether these prices can maintain the strong growth levels of the past 24 to 36 months, there is every chance that the presence of DHA and Inpex may have a positive influence.

Jingili

This family-friendly suburb is located close to the Darwin International Airport and a number of RAAF sites including the Darwin Base, and Bombing and Gunnery Range. Jingili has a median house price of \$570,000.

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Moil

A neighbour of Jingili, Moil is central to transport, shops and community facilities. Like other neighbouring suburbs, there is a smattering of mortgagee-in-possession activity in Moil, while some ex-housing commission homes are on the market and typically represent good investment opportunities. Moil's median house price is \$510,000.

Regional market

Without a doubt the best regional location in the Northern Territory for investors and SMSFs is Katherine East. This is due to the suburb's relatively low rental vacancy rates and a shortage of vacant land – which should continue to push capital growth upwards. Katherine East is located on the Stuart Highway, just over 300km south east of Darwin City. The area includes a mix of residential, rural and industrial areas. Katherine East's median house price is \$337,000.

Source: Herron Todd White

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PH **1300 880 489**
htw.com.au
admin@htw.com.au

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