



Herron
Todd White

Independent Property Advisors

Westpac

PROPERTY REPORT

Northern Territory



National overview

Today's climate of low interest rates coupled with property values that in some regions have fallen by 10% over the past 18 months, are giving first home buyers and entry level investors a welcome opportunity to enter the residential property market. The key is to seek out locations where prices are below the broader market median yet with good prospects for capital growth. This is exactly what we have done in compiling this edition of the Herron Todd White Westpac Quarterly Property Report, which outlines the wide choice of suburbs that give budget conscious buyers a toehold on the property ladder.

Entry level prices vary around the nation

In a market as diverse as Australia 'entry level' property prices vary widely across states, cities and suburbs. In the Tasmanian city of Launceston for instance, first home buyers and investors can secure quality properties priced from around \$250,000. This can be around half the price paid for homes in Sydney's newest growth corridor subdivisions where in suburbs like Gregory Hills and Edmondson Park in the south west, or The Ponds and Ropes Crossing in the north, house and land packages are priced at around \$500,000.

Units – more affordable but growth prospects may be lower

In many metropolitan areas apartments are more affordable than freestanding houses. This affordability gap can point to differences in the long term growth prospects and location can play a key role in determining whether an entry level house will offer better amenity and long term price appreciation than a unit.

As a guide, north west of the Queensland Gold Coast a budget of \$200,000 will buy an older house possibly in need of renovation in Beaudesert, Eagleby or Beenleigh. For around \$190,000, buyers can secure a far more central location with a 1-bedroom apartment in Southport or Surfers Paradise. As with any apartment it is essential to consider the volume of units in the area and the availability of local facilities, infrastructure and transport links that will support values over time.

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Incentives for new builds

A number of state and territory governments have boosted the financial incentives available to buyers/builders of new homes as a means of stimulating the construction industry. Together with reduced affordability for inner ring established suburbs, this is seeing many first home buyers opt for outer ring locations in cities like Darwin and Canberra. In Darwin's satellite city of Palmerston, units are priced from the high \$200,000s. In Canberra, a number of new suburbs including Casey, Harrison and Bonner offer freestanding homes available for around \$400,000.

Infrastructure can underpin growth

For both investors and first home buyers, local infrastructure can improve the amenity of an area and support future price growth. An example of this is the Melbourne suburb of Craigieburn, where a \$330 million shopping, entertainment and community precinct – Craigieburn Central, is under construction. Property prices in the area have risen by 18% in recent months, but with a median price of \$360,000 it remains an affordable location for first home buyers with further scope for values to rise.

Brendon Hulcombe
CEO, Herron Todd White

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Northern Territory

Darwin

Darwin, the Top End's largest city, continues to enjoy healthy capital growth. While this is good news for those already in the market, high prices are proving challenging for first home buyers and entry level investors. The satellite city of Palmerston is helping to bridge the gap with properties still available for around \$300,000.

Changes to first home buyer concessions

Darwin's residential property market remains one of the most robust across Australia, and the strong market gains noted throughout 2012 continue to push entry level prices higher.

A change of government in the Northern Territory in September 2012 resulted in a shake-up of the First Home Owner Grant (FHOG) and stamp duty concessions. Coinciding with the Country Liberal Party's first 100 days in office, significant changes were announced to the first home owner segment of the property market. Like a number of states, these reforms are chiefly aimed at encouraging first timers to buy or build a new home rather than an established dwelling.

The FHOG has been increased from \$7,000 to \$12,000 on all established properties in an urban area, with the concession for a newly built home rising from \$17,000 to \$25,000. This takes over from the previous 'build bonus' schemes and represents a considerable increase in front end assistance for first home owners.

On the downside, the previous stamp duty concessions that saw first home owners exempt from paying duty on established homes have been abolished.

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Palmerston – affordable for entry level buyers

Even with the benefit of government concessions, strong property prices mean many first home buyers have to look beyond areas close to Darwin's CBD to find affordable housing.

The city's northern suburbs along with the satellite city of Palmerston continue to be the preferred locations for the Territory's first home owners. Within these areas, apartments dating from the 1980s are typically more affordable than freestanding houses, and not surprisingly, first home buyers tend to opt for units.

Homes available from the low \$300,000s

In the northern suburbs of Darwin, entry level properties - chiefly attached units, are available from the low to mid \$300,000s. This rises to the high \$300,000s for semi-detached units.

Palmerston is slightly more affordable with the entry level price for attached units being around the high \$200,000s or mid \$300,000s for semi-detached apartments.

In this price range buyers can expect a home comprising 2-bedrooms and 1-bathroom with a small portion of land under title.

For first home buyers planning to build, large blocks of vacant land of about 700 square metres to 900 square metres are available in Palmerston priced from around \$380,000. Lots this size can be suitable for the construction of a duplex though this is likely to be beyond the budget constraints of the typical first home buyer.

In Bellamack, one of the newer suburbs of Palmerston, newly built houses are priced in the high \$500,000s, and again this puts these homes beyond the reach of many entry level buyers.

First home buyers and investors who can meet property funding requirements are likely to be rewarded with decent long term capital growth. Over the past 12 months property values in the Palmerston market have risen by close to 5%.

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Rental market to remain robust

The rental market in the Greater Darwin area has been heavily stimulated throughout 2012 and this growth is likely to continue well into 2013.

Rental demand will be supported by the workforce needed to complete a number of new infrastructure projects including the \$34 billion Inpex Gas Plant on which dredging work in Darwin Harbour is already underway.

The stress on Darwin's rental rates is convincing many potential purchasers that now is the time to buy and get off the rental roundabout, and this will add further support to property values.

Attached and semi-detached units are likely to remain the favoured stock for both first home buyers and entry level investors as these properties offer functional living, are generally located in areas close to amenities and continue to be affordable in a consistently strong market.

Source: Herron Todd White

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1300 880 489

htw.com.au

admin@htw.com.au

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