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**Westpac**

**PROPERTY REPORT**

*Northern Territory*



# Introduction

*The Australian property market is experiencing mixed fortunes, and while 'upgraders' have taken over from first home buyers in many areas, the state of markets around the country is far from uniform.*

Buyers in many areas remain hesitant following a string of interest rate rises with the possibility of more to come. Concerns over European debt woes, and the possibility of wider economic fallout also weighs heavily on the market.

In some areas where financial impact of tourism is particularly important, for example coastal Queensland and the south coast of West Australia, property markets remain generally subdued post the Global Financial Crisis.

Friction between the Federal Government and the mining industry had a negative impact on property markets in resource-rich regions, with many buyers adopting a 'wait and see' approach. However, with a more conciliatory new Prime Minister, and a lower rate of mining tax than originally proposed, property markets in mining regions may strengthen.

## 'Upgraders' fill the gap

One of the key features of today's market is a marked slowdown in first home buyer activity following the cutback in government incentives at the end of 2009. In many parts of Australia, prices at the low end of the market rose steeply throughout 2008/09 reflecting increased activity among first home buyers. In some cases prices rose beyond the value of the additional incentives, however, without continued strong demand from first home buyers, values at the lower end of the market could remain static for some time.

Upgraders are tending to fill the gap left by first timers, buoyed by increased home equity – the result of several years of strong price growth. The challenge for many upgraders may be selling their existing home. This is especially the case for owner occupiers whose properties are in the lower price ranges that traditionally appeal to first home buyers.

## Yields rising

One positive outcome of a cooler market is an increase in rental yields through lower prices. This may see investors take the lead as the main market driver in the months ahead, particularly if home affordability worsens as a result of future interest rate rises.

### **Brendon Hulcombe**

Chief Executive Officer, Herron Todd White

# Northern Territory

Supply and affordability are the two key themes shaping the Northern Territory market at present. A lack of vacant land and a shortage of quality detached dwellings have seen values spike over the past 3 - 5 years, however higher interest rates make it likely that the market will stabilise slightly in the short term.

## Darwin

A limited supply of vacant land is a significant factor affecting Darwin property values. A number of subdivisions are on the drawing board and these may help to ease price pressures, however many of these developments are located in outer suburban areas that don't appeal to a wide range of purchasers.

Affordability is likely to be another key issue potentially placing a strain on the market. Already a slight stabilisation of prices is occurring in the Darwin market, reflecting declining affordability.

Upgraders are undoubtedly a strong force in the Darwin market. First home buyers who purchased in recent years are now upgrading from smaller, strata titled semi-detached and attached units to fully detached homes, and this has resulted in steady price growth in smaller homes priced between \$400,000 and \$650,000.

*It is in the first home owner market that Darwin's strongest rental yields can be found.*



Upgrader activity is especially strong in Palmerston and Darwin's northern suburbs.

The prestige unit market in the Darwin CBD is not achieving any growth at all at present. If anything, there has been a slight softening of the market. An oversupply of units constructed in the last 12 to 18 months has left buyers spoilt for choice, and this could see prices for these properties ease over the next 12 to 24 months.

It is in the first home owner market that Darwin's strongest rental yields can be found. Most notably, strata titled units located in the northern suburbs and Palmerston are returning yields of up to 7%. The lowest yields of around 4.5% are among detached dwellings.

The highest sales valuations are still being seen in Darwin's sought after inner suburbs with close proximity to the water. Areas such as Larrakeyah, Fannie Bay and Nightcliff continue to remain strong and over the last quarter a number of prestige sales have been finalised in the \$1 million-plus price range.

The strongest vacant land sales have been achieved in the final release of the Lyons subdivision, highlighting the extent of demand for vacant land offering proximity to all amenities.

Source: Herron Todd White

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