



Herron
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Westpac

PROPERTY REPORT

Northern Territory



National overview

Taken as a whole, the Australian property market has cooled over recent months though in a market as diverse as ours, there are pockets of growth even amid quieter conditions. Buyers who research the markets and choose wisely can be rewarded with both short and long term gains.

The key to success in today's market is to look for locations offering a competitive advantage. The Sydney suburb of Hunters Hill for instance is benefiting from the slowdown in the overall prestige market as buyers seek quality and amenity, but at a more affordable price.

More uniformly though, it's the resource-rich regional areas that are tending to buck the national trend of flat or falling prices. In a number of locations where mining is a dominant industry, strong price gains are supported by high employment and an undersupply of local housing stock. In the Queensland city of Gladstone for example, development of LNG infrastructure is creating significant demand for accommodation. The Mackay property market is also benefiting from mining expansion in the Bowen Basin.

Looking ahead

The best gains on property are made by buying when prices are low, and today's market offers ample opportunity to take advantage of improved affordability as the basis for future gains. Nonetheless it is essential to look for concrete factors that will underpin tomorrow's price appreciation. Indicators of growth can range from improvements to local transport infrastructure through to macro developments which can affect the prosperity of an entire city or region.

As a guide, the Gold Coast suburbs of Broadbeach and Surfers Paradise are likely to benefit from the construction of the new rapid transport rail system scheduled for completion in 2014.

In Darwin, several large-scale construction projects are due to commence next year including the INPEX LNG plant and the Marine Supply Base. These projects should lend support to the city's residential property market.

The general rules of sensible buying still apply even in areas with growth potential. Watch the market that you're planning to buy in, get an idea of how long a particular property has been listed and whether the price has been reduced. Bear in mind that the asking price is only a marketing guide, and in today's market, many vendors will expect an offer below this price.

Brendon Hulcombe
CEO, Herron Todd White

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Northern Territory

The residential property market throughout the Northern Territory reached its peak around 18 months ago, and since then values have either marked time or experienced downward pressure. However there have been one or two exceptions.

Darwin

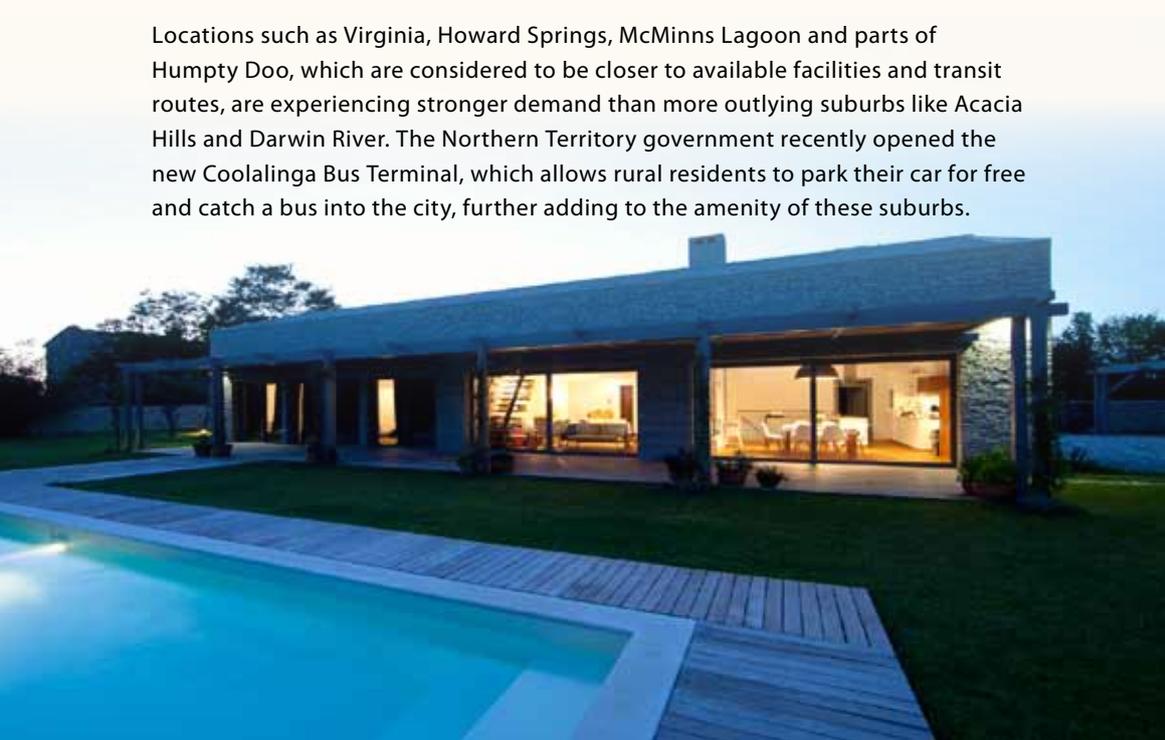
Over much of the recent boom period, which lasted six to seven years, investors were attracted to the Darwin market based on high average yields. As a consequence of investor demand, values rose and yields have softened to around 5% (down from 6% a few years ago). While this still compares favourably with other capital cities, in today's market investment sales are the exception rather than the norm, and owner occupiers dominate the mid to lower end of the Darwin market.

Affordability remains an issue in Darwin and until values recede, there may be little scope for significant capital gains in the short term. Nonetheless there are pockets of the market that could buck the trend.

The rural suburbs of Darwin, which mainly feature owner occupied lifestyle properties, are becoming increasingly attractive to Darwin's population demographic. Infrastructure projects and upgrades, including the Tiger Brennan Drive extension, the Stuart Highway, Girraween Road intersection and the planned Coolalinga Shopping Mall, have led to more confident market sentiment towards these rural areas. Coupled with this, concerns over commuting times to the CBD and Palmerston have been reduced and the availability of commercial precincts in the area should lend further support to values over the medium term.

Locations such as Virginia, Howard Springs, McMinns Lagoon and parts of Humpty Doo, which are considered to be closer to available facilities and transit routes, are experiencing stronger demand than more outlying suburbs like Acacia Hills and Darwin River. The Northern Territory government recently opened the new Coolalinga Bus Terminal, which allows rural residents to park their car for free and catch a bus into the city, further adding to the amenity of these suburbs.

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Future growth supported by major new projects

Looking ahead, a number of large construction projects are due to commence in Darwin in 2012 including the INPEX LNG plant, the Marine Supply Base and the Defence Support Hub. It is unclear at this stage what impact these major projects will have on the residential market.

In anticipation of an influx of workers associated with these projects, the Territory government has released large amounts of land for residential development coupled with the introduction of the \$10,000 BuildBonus grant to encourage the construction of new houses and units. (The BuildBonus offer ends on 31 December 2011). If Darwin experiences a significant inflow of workers from interstate - and the local market is not ready to accommodate them, there is a strong likelihood that rents will rise due to increased demand. This could lead to short term spikes in yields across Darwin and residential property will once again become highly attractive for investors, with capital growth likely to follow.

Over the next four to five years, when these infrastructure projects have been bedded down, the increase in employment in the Darwin region may find its way to the unit markets of the inner city and fringe suburbs.

Parap is one suburb with additional growth prospects. The town's centre is being revitalised to create an attractive environment for commercial businesses as well as providing high density and low density residential dwellings.

Although the Parap market remains flat at present, this suburb as well as neighbouring Fannie Bay looks set to provide solid capital growth, particularly in the first home owner apartment market. Unit living in close proximity to Darwin's CBD is expected to suit the demographic most likely to be attracted by the future gas industry in Darwin.

Katherine

Situated 300 kilometres south of Darwin, Katherine has probably seen the best capital growth over the past year of any location in the Territory. Units and houses range in price from \$200,000 to \$350,000 and rental yields are in the order of 5.5% to 6%. The low entry price and strong yields continue to attract investors and owner occupiers to the area, which also boasts very low vacancy rates – currently less than 0.5%.

Source: Herron Todd White

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NORTHERN TERRITORY
OCTOBER 2011