



Herron
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Independent Property Advisors

Westpac

PROPERTY REPORT

Northern Territory

National overview

Despite perceptions that affordability is a challenging issue in today's residential property market, a budget of \$500,000 still offers Australian investors and owner-occupiers a generous array of options even in Sydney, Melbourne, Brisbane and Perth.

What will \$500,000 buy these days?

Half a million dollars is something of a magic number in residential property as it marks the price limit for many first homebuyers, investors and downsizing retirees. With this in mind, we set out to discover just what \$500,000 buys around the nation, and in many markets, the answer is a surprisingly wide choice of quality properties.

Specifically, we asked state-based Herro Todd White teams what they would recommend buying with a budget of \$500,000 if they were:

- an investor;
- an owner occupier (single or couple) without children;
- an owner occupier with a family.

Cooler prices have improved value

We found that the slowdown impacting markets over the past 12 months has provided exciting buying opportunities. Properties that a few years ago would have been well beyond this price bracket can now be secured for \$500,000 – in some cases with change to spare. Nowhere is this more apparent than in Brisbane, the Gold Coast and Sunshine Coast where an investor with a budget of \$500,000 could pick up not one, but potentially two rental properties.

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Yields topping 17% in outback areas

Even in Sydney, one of the nation's most expensive cities, suburbs like Auburn and Parramatta offer units priced at \$370,000 with gross yields of up to 5.7% - an appealing combination of affordability and healthy returns. As our report illustrates, in some mining towns such as Queensland's Chinchilla, yields can soar to 17% - but with long term prosperity linked firmly to global demand for resources, such investments are highly speculative.

Vibrant lifestyles for owner occupiers in Melbourne

For owner occupiers, a price limit of \$500,000 offers a wealth of choice. In Melbourne's inner city suburb of Footscray, significant urban renewal is occurring and while houses are still available for around \$500,000 there is a good selection of apartments priced from around \$310,000.

Adelaide continues to offer good buying, and in suburbs like Flinders Park and Torrensville \$500,000 will secure a 3-bedroom house on a generous lot with the added appeal of nearby beaches.

Quality suburbs and high yields in Perth

In Perth, \$500,000 buys a wealth of options from inner city apartments generating yields of 6.0% through to 4-bedroom houses in established suburbs like Willetton, Bassendean and Ocean Reef that combine proximity to the CBD with local amenities and quality schools.

Darwin – don't miss the boat

In Darwin it is still possible to pick up apartments priced below \$500,000 in city fringe suburbs like Larrakeyah. But with an influx of workers expected once construction begins on the new Inpex LNG plant, Darwin prices look set to climb again, and investors could be the key beneficiaries.

The Apple Isle fits the bill

In Tasmania, \$500,000 will secure a quality house or unit virtually across the state, with the possible exception of more expensive prestige suburbs like Sandy Bay, Battery Point and Central Hobart, which is great news if you're considering a move to our southernmost state.

Brendon Hulcombe
CEO, Herron Todd White

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Northern Territory

The Territory's property market is dominated by Darwin, where buyers need to be quick to pick up properties priced under \$500,000. It can be done though, and with several major projects planned for Darwin the local property market looks set to dish up further capital growth.

Darwin

Until about January this year, the residential property market in Darwin had experienced weakening demand over the preceding 12 to 18 months, and as a result values had cooled. The recent announcement confirming construction of the multi-billion dollar Inpex LNG plant has seen a cautious surge of confidence spread across residential property.

However affordability remains a big issue in Darwin. With the exception of the past 18 months, the city's residential market has experienced unprecedented growth, and this has pushed house prices to levels many buyers – especially first home buyers, regard as unacceptable. This factor is likely to restrain capital growth in Darwin over the short term at least.

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Investors

Investors with a tight budget may need to look at older style units within the CBD and in city fringe suburbs such as Larrakeyah. Until recently there have been problems associated with an oversupply of inner city units however this issue is increasingly restricted to the prestige apartment market.

There are still reasonable buying opportunities for lower end units, and rental demand remains strong – and is poised to strengthen further, following an anticipated influx of workers on the Inpex LNG plant. The construction of a large 3,000-man workers' camp in Darwin's rural residential areas will alleviate some of this rental pressure. However the rental market is already tight and several other large industrial projects are planned for the next 12 months, putting further pressure on the city's rental market.

Owner occupiers – single, without children

Buyers in this category have a range of options available including older townhouses, which can still be purchased for less than \$500,000 in the sought after inner suburbs of Larrakeyah, Fannie Bay, Parap, Stuart Park and The Gardens. The popular beachside suburbs of Nightcliff and Rapid Creek offer a cost effective alternative and are likely to remain popular over the longer term given their superior lifestyle benefits.

Families

The best buying for families in the under-\$500,000 price bracket is found in the established suburbs around Jingili, Moil and Millner. These locations offer relatively close proximity to the CBD and plenty of local amenities including major shopping centres. That said, this sort of money does limit purchasers to entry level properties such as ex-Government housing. With some renovations like the addition of a verandah, carport or pool, these houses can be transformed and slowly these suburbs are increasing in popularity.

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Katherine

The regional town of Katherine, located 300 kilometres south of Darwin, provides a more affordable alternative for investors hoping to enter the Northern Territory market. Over the past few years, price growth in Katherine has remained steady with none of the peaks and troughs seen in Darwin, and gross yields are currently an attractive 6%. A budget of \$500,000 would enable a purchaser to select from a variety of property types as the vast majority of local dwellings are priced below this level.

While Katherine's future growth could be spurred on by mining prospects, it should be noted that Katherine is vulnerable to seasonal flooding. There hasn't been a major flood for several years and the price gap between properties located inside the flood zone - and those located outside the flood-prone areas has narrowed over time. Should a major flood occur again, this gap may widen. Both investors and owner occupiers need to be mindful of the possible consequences of buying property in a flood liable area.

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Looking for peace of mind with your property decisions? Ask Herron Todd White to help. From pre-purchase property valuations to tax depreciation schedules for investors; from commercial, to residential, to rural property, we have someone in your corner working for you.

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Source: Herron Todd White

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WESTPAC PROPERTY REPORT
NORTHERN TERRITORY
APRIL 2012