

Westpac

Northern Territory

Property Report – January 2015



**HERRON
TODD WHITE
RESIDENTIAL**

National Overview

This quarter we asked Herron Todd White’s team of valuers to identify those suburbs ideally suited to upgraders. Despite differing market conditions around the nation, it is clear that upgraders often have remarkably similar aspirations when it comes to climbing the property ladder.

FOCUS ON NEARBY SCHOOLS

The move to a second, third or even fourth home is often triggered by the needs of a growing family, so proximity to quality schools and family-friendly facilities is often at, or near, the top of an upgrader’s wish list.

This is certainly the case in Sydney, where the population growth zones north-west and south-west of the city are proving extremely popular among second and subsequent home buyers. With homes priced anywhere from \$500,000 to over \$1 million in prestige locations such as The Ponds, these areas of Greater Western Sydney will benefit from improvements to transport infrastructure and the development of new employment hubs such as the Western Sydney Airport.

It’s a similar story in Brisbane, where upgraders are favouring family-focused northern suburbs such as Ashgrove, Wilston, Bardon and New Farm. Price growth in Brisbane has hovered around 5-10% in the past 12 months, and if interstate migration picks up, we could see further long-term gains in value across the city.

A CHANCE TO ENJOY MORE DESIRABLE LOCATIONS

Melbourne upgraders can take the opportunity to buy into one of the near-city suburbs that offer cosmopolitan living and charming character homes, such as South Melbourne, Thornbury, Williamstown and Essendon. The weak Australian dollar may stimulate further foreign investment in Melbourne, thereby supporting future capital growth.

In some areas, upgraders are taking advantage of increased home equity to trade up to more desirable locations. In Hobart, for instance, proximity to water frontage is a key drawcard, so we are seeing plenty of upgrader activity in waterfront locations such as Howrah, Sandy Bay, Lindisfarne, Bellerive and Blackmans Bay. It’s a similar situation in Adelaide, where the inner north-west suburbs between Croydon and St Clair offer nearby beaches and an easy commute to the CBD.



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In the Northern Territory, government incentives are enticing upgraders to consider brand new dwellings and units. This has underpinned the popularity of newer suburbs in Palmerston, including Durack Heights, Johnston, Zuccoli and Bellamack.

THE APPEAL OF LOCAL EMPLOYMENT OPPORTUNITIES

Not surprisingly, many upgraders regard local employment opportunities as an important location factor. In Perth, the opening of the new Fiona Stanley Hospital in Murdoch has stimulated upgrader activity in nearby Kardinya and Winthrop.

Upgraders are more experienced than first home buyers, and the buying trends we are observing suggest that many of today's upgraders are very selective about the area they buy into. As location remains a driving force of future capital gains, I am confident this considered approach will pay off over time.

Brendon Hulcombe

CEO - HERRON TODD WHITE



Northern Territory



Darwin

The Northern Territory Government is offering a range of stamp duty concessions on new builds, making it more compelling for upgraders to consider brand new dwellings and units.

These benefits are not means tested, and this has boosted the popularity of newer suburbs in Palmerston such as Durack Heights, Johnston, Zuccoli and Bellamack, as well as Muirhead in Darwin's northern suburbs. Apartments in Darwin CBD continue to be very popular.

HOUSES OFFER GREATER OPPORTUNITIES FOR GROWTH

Upgraders in Darwin tend to have growing families and are often moving from a first home or unit. Understandably, proximity to schools, shopping facilities and sporting amenities tend to be very important to these buyers.

In 2014, around 800 new apartments came onto the market in Darwin. Given this huge increase in supply, houses offer a better prospect for upgraders seeking to enjoy superior long-term capital growth.

It is worth noting that while there have been a number of large subdivisions released in the outer suburbs of Palmerston, there is still a relatively limited supply of land. As at January 2015, all of the current land sales are 'off the plan', meaning purchasers cannot settle an allotment for a period of at least six months.

MEDIAN PRICES FROM \$538,000

Upgraders looking at the typical middle market are facing median apartment prices of \$538,000 in Darwin's CBD. Prices in the Muirhead upgrader market range from \$650,000 to \$850,000; and in the new suburbs of Palmerston, prices start at \$550,000 and range all the way through to \$800,000.

ECONOMIC FUNDAMENTALS SUPPORT PROPERTY VALUES

Importantly, prices have remained firm in the upgrader market, and more broadly Darwin has achieved steady capital growth for a long period of time. We expect this to continue over the longer term.

The key drivers for the Top End have been – and will continue to be – large infrastructure projects. To date the local economy and, as a result, the Darwin property market have been underpinned by the mining and gas industries, the presence of Australian and US military forces and the backing of the Northern Territory and federal governments under their combined plan to 'Develop the North'.

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