

Westpac

Northern Territory

Property Report – October 2014



**HERRON
TODD WHITE
RESIDENTIAL**

National Overview

In this edition we asked Herron Todd White property experts to identify affordable suburbs with growth potential that are suitable for both first home buyers and entry-level investors. We discovered that there is a wide choice of suburbs that fit the bill – many with entry-level prices below \$450,000.

Across Australia's diverse property markets, we found that suburbs located a little further out from city centres are often ideal candidates for first home buyers and entry-level investors. In the Perth suburbs of Joondalup and Currabine, for example, 3-bedroom duplexes are available for around \$420,000 with these suburbs becoming more central as areas to Perth's north are developed.

In fact, as a city's outer suburbs become self-sustaining, there is often less need to commute to the CBD. This certainly applies to the Parramatta area of north-western Sydney. Apartments in North Parramatta, Westmead and Harris Park are priced from the high \$300,000s, and as a large commercial and retail hub, Parramatta offers extensive employment opportunities – a strong foundation for future price appreciation.

The same trend is seen in Palmerston in the Northern Territory, where first home buyers and entry-level investors can pick up quality apartments in the mid-\$400,000s, yet easily commute to Darwin.

In Queensland, the Gold Coast offers real potential for first home buyers and entry-level investors. Market conditions have improved in many pockets of the Coast over the past 8 months, and the Cabarita Beach / Bogangar area is especially worth a look as it features a primary school, new supermarket and proximity to the beach. Basic houses are still available for under \$400,000, while older duplex units are selling in the low \$300,000s.



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In Tasmania, the First Home Builder Boost (worth \$30,000 until 1 January 2015) is encouraging first home buyers to snap up affordable land in the Hobart suburbs of Oakdowns and Howrah, as well as Newnham and Prospect in Launceston. Government incentives also make it attractive to opt for a new build in Adelaide, and buyers who pick up infill lots in suburbs such as Ingle Farm and Seacombe Gardens will benefit from the extensive road improvements planned for the southern suburbs of Adelaide.

Of course, excellent buying opportunities can also be found in regional cities. In Victoria, the city of Bendigo has a large population of around 80,000 and a robust local economy. It's an affordable market for first home buyers and entry-level investors, with a median price of around \$312,500 for 2-bedroom houses.

I invite you to take a further look at the Westpac / Herron Todd White Property Report for Q3 2014 to discover the key areas offering entry-level prices in your preferred state or territory, and the drivers likely to support long-term price growth.



Northern Territory



Darwin

FIRST HOME BUYERS FIND VALUE IN PALMERSTON

The first home owner market has eased across the greater Darwin area due to reductions in assistance for first home owners, including the complete removal of stamp duty concessions for first home buyers.

Despite this, Palmerston has remained one of the more popular locations for first home owners. This is largely due to the greater affordability of property in the area. The established Palmerston suburbs of Moulden, Driver, Bakewell and Gray seem to be particularly good prospects for first home buyers.

Palmerston offers a wealth of amenities for first home owners, including primary and secondary schools, sporting grounds, shopping precincts and various entertainment facilities such as a cinema, taverns and bistros which are all supported by public transport services.

The entry-level price in Palmerston's residential market is around the mid \$400,000s. Buyers who can extend their budget to \$500,000 will enjoy a wider variety of properties. At that price point, properties are typically ground-level 3-bedroom apartments.

A number of house and land packages pitched specifically at first home owners are coming onto the market in the new Palmerston estate of The Heights, Durack. The estate features 2- and 3-bedroom dwellings built on courtyard-style parcels of land typically about 300 square metres in size. Prices start around the low \$500,000s.

Palmerston's entry-level prices have held relatively firm over the past 12 months. We believe price growth is likely to remain stable over the short to medium term, reflecting the watering down of first home buyer concessions.

Across Palmerston's residential property market, first home buyers are likely to enjoy superior long-term capital gains by opting for houses rather than apartments.

ENTRY-LEVEL INVESTORS – NEW APARTMENTS OFFER DEPRECIATION BENEFITS

For entry-level investors, the Darwin CBD is worth a look. The price point for new housing stock is around \$500,000. By purchasing a recently constructed property, investors can take advantage of more generous depreciation benefits, coupled with the potential savings of lower maintenance costs.

Weekly rents for 1-bedroom CBD units are around \$464 with 2-bedroom apartments they are around \$583. Rents have continued to rise across most sections of the city's housing market, in some cases, quite dramatically. As a guide, rents for 2-bedroom apartments have soared 7.4% in the past year.

In our view, rents are likely to stabilise over the next 1 to 3 years. The bigger issue is how rental demand will be impacted when the Inpex Ichthys gas processing plant at Blaydin Point is completed in about 2016. At that point, Darwin could potentially lose many of the 3,500 workers currently engaged in the plant's construction.

Darwin has seen a considerable degree of development activity, particularly within the apartment market. This increase in supply is likely to ease the strong growth in property prices seen in recent years. As a result, we expect values to remain steady over the next 1 to 3 years.

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