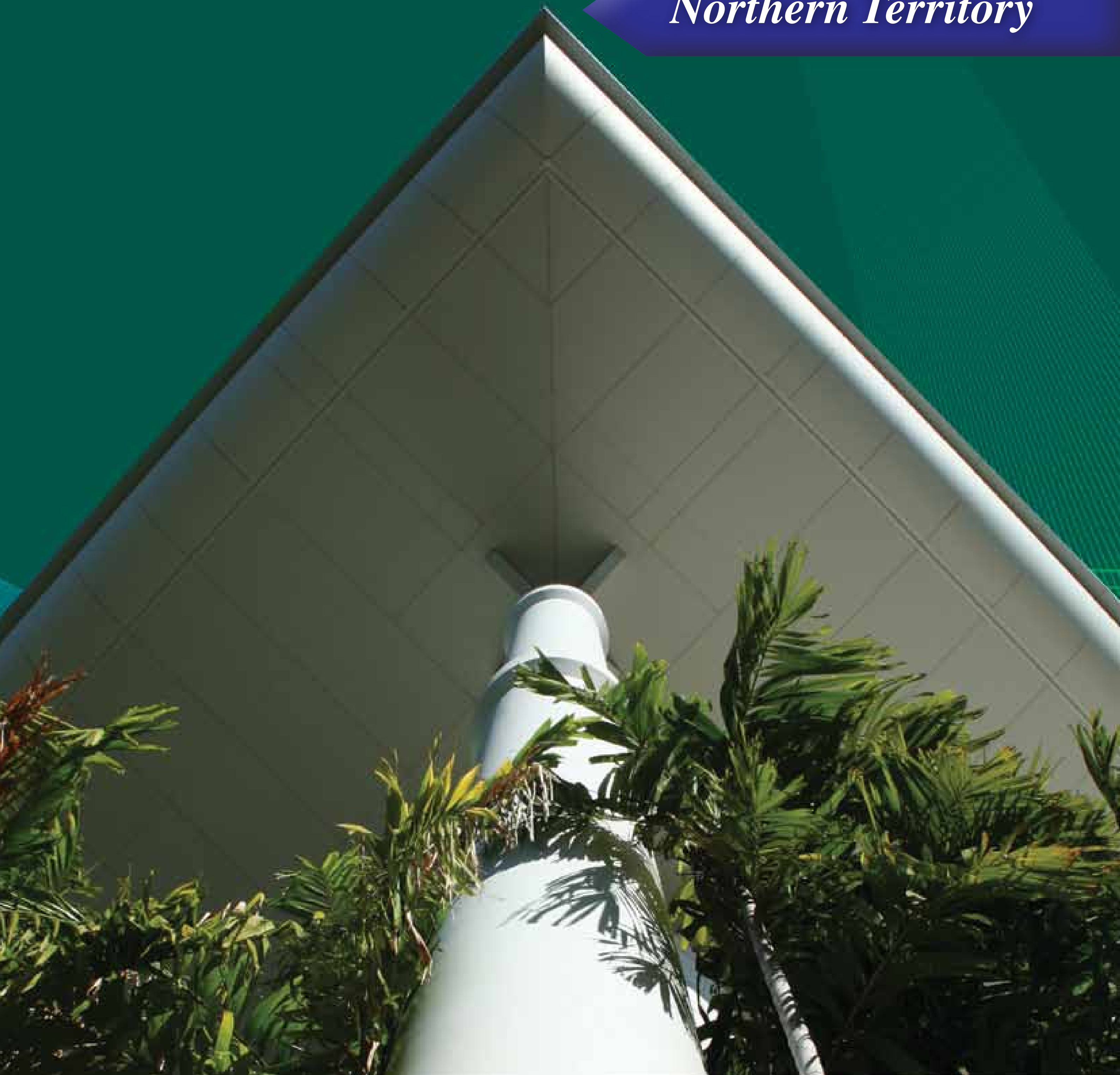
Herron Todd White

Independent Property Advisors

Westpac

# PROPERTY REPORT

## *Northern Territory*



# National overview

***The warmer months traditionally represent one of the peak periods for residential real estate, and this year buyers are well-placed to take advantage of lower interest rates, a large volume of listed properties and improved affordability. However after a period of slow or no growth across many markets today's buyers need to look for areas with decent long term growth prospects – and location-specific factors must be considered to maximise long term gains.***

## Look for lifestyle

Inner city locations tend to perform well over time however lifestyle is a key factor in today's market. With careful research it is possible to combine amenity with affordability.

Adelaide suburbs within 5 kilometres of the CBD for instance are delivering consistent rental yields of up to 5% coupled with low vacancy rates.

In the ACT, near-city apartments in Griffith, Kingston, City, Turner and Lyneham are showing healthy rent returns of up to 6%.

The Hobart suburbs of Kingston and Moonah offer the strongest prospects for capital growth in Tasmania, based on a healthy local labour market. Units in Kingston can be purchased from the low $200,000s – well below the city's median unit price of $270,000.

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## Infrastructure matters

Infrastructure is a key theme of several residential property markets at present.

In Melbourne's satellite suburb of Mornington for example, the completion of the Peninsula Link Freeway in early 2013 will significantly cut travel times to the CBD, and underpin long term price growth. Homes and units can be purchased for under-$400,000 making this area an option for first home buyers.

The affordable outer Sydney suburbs of Schofields and Riverstone will benefit from the widening of the M2 freeway, while values in two new suburbs - Oran Park and Edmondson Park, should be supported by the construction of a new train station planned for 2016.

On Queensland's Sunshine Coast property values have reduced substantially, however the construction of the new University Hospital will play a key role in bolstering future price growth and already rental vacancy rates are tightening.

## Resource boom continues to impact growth

Mining activity is likely to support price growth across a number of markets, although reports of a slowdown in China may impact buyer and investor confidence in some regions.

That said, in Western Australia the continued growth of the fly in/fly out workforce is expected to support growth in the Busselton area. The region is more affordable than Perth with many homes priced around $300,000.

In Queensland's north, Rockhampton continues to experience price growth in its role as gateway to the minefields of the Bowen Basin. Older homes are priced from around $300,000 and investors can secure weekly rents of $320 to $340.

In the Territory, high demand for residential property has impacted Darwin values. Units remain the most affordable option for first home buyers and investors, and in suburbs like Palmerston it is possible to pick up older 2-bedroom units priced from around $320,000.

In today's market the key to achieving long term growth is buying into an area where there is a clear factor that will support demand – and property values over time. A low price simply isn't enough reason to believe you will make a capital gain.

Brendon Hulcombe
CEO, Herron Todd White

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# Northern Territory

***The Northern Territory continues to be one of the nation's most buoyant property markets bucking the trend of other states to deliver consistently strong gains. This may be making life difficult for first home buyers on a tight budget but the positive side is continuing price growth, and with no respite in sight, buyers could be better off getting into the market today rather than risk being priced out altogether in the future.***

Since the initial boom in the early 2000s on the back of the Conoco Phillips LNG gas plant, the Territory's residential property market has continued to record high range capital growth. The announcement of the latest Inpex LNG gas project has further revitalised the market.

As a measure of the strength of Darwin's residential market, figures from the Real Estate Institute of Australia (REIA) indicate that in the June 2012 quarter, the city's median house price had increased by 10.7% compared to the same quarter of the previous year.

## Darwin

Heavy demand for residential property in Darwin over the past ten years has reduced affordability, and the entry point of the market is now beyond the reach of many first home buyers.

REIA data for the June 2012 quarter shows median house prices ranging from $715,500 in Darwin's inner suburbs through to $505,000 in Palmerston located south of the CBD.

Apartments and units are generally more affordable, with the June 2012 median value of 'other' dwellings ranging from $495,000 in inner Darwin to $375,000 in Palmerston.

***"REIA data for the June 2012 quarter shows median house prices ranging from $715,500 in Darwin's inner suburbs through to $505,000 in Palmerston located south of the CBD."***

While prices in Palmerston may still be challenging for some first home buyers, the satellite city could offer the most affordable alternative for Darwin's first home buyers.

With some careful shopping around it is possible to pick up older 2-bedroom units in the Palmerston region priced from about $320,000. Apartment values in the area have risen by up to 4.7% over the last year, and first home buyers who can manage the funding requirements on a Palmerston apartment are likely to be rewarded with steady capital growth possibly from day one.

## Extremely low vacancies attract investors

For investors, Darwin continues to experience extremely low vacancy rates and heavy demand, and the CBD is shaping as the preferred location for landlords in the short to medium term.

Rental vacancies within inner Darwin have been squeezed to less than 1% on the back of a large influx of workers for gas and mining projects. Not surprisingly, industry figures show that over the June 2012 quarter the median weekly rent for 3- bedroom houses in Darwin increased by 0.2% to $560 – a rise of 3.7% compared to the same quarter of 2011.

A number of residential towers are currently under construction in the CBD, which incorporate 1-, 2- and 3-bedroom apartments, and these can offer opportunities for investors to maximise depreciation allowances.

Despite the number of new properties scheduled to come onto the market, vacancy rates are expected to remain low over the medium to longer term based on high rental demand and the requirement for a much larger workforce in Darwin.

## Yields of up to 7%

Investors are currently achieving gross rental yields in the order of 5% to 7% in the Northern Territory. The strongest yields in Darwin are found in Nightcliff where houses are recording yields of 6.3% (units 5.8%). Sanderson is also recording healthy yields of around 5.9% on both houses and apartments.

Compared to the interest rates currently being offered on savings accounts – and property yields elsewhere in Australia, these returns are likely to cement Darwin's popularity among investors.

Source: Herron Todd White

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