

Darwin Residential Insight

Q4 2023

Knight Frank's quarterly analysis of mainstream residential sales and rental markets across Greater Darwin

knightfrank.com.au/research

Residential rents and capital values rise alongside strong economic growth

▲ Although total residential rental vacancy is close to market equilibrium, and the highest across Australian cities, Greater Darwin residential rents continued to increase in the last quarter.

SALES PERFORMANCE

Across Greater Darwin, mainstream sales volume trended up 7.7% in the September 2023 quarter with 1,856 residential homes (houses and apartments) sold, after annual sales volume recorded -14.4%.

On average, the days on market for a home was 126 days in September 2023. This was 137 days three months earlier, and 112 days one year ago.

The Australian auction clearance rate at the end of the September 2023 quarter was 66.1% from 2,648 scheduled actions (CoreLogic). This was lower than the prior quarter at 68.6% (from 1,791 auctions held). By comparison, the same quarter last year was 60.0% (out of 1,316 auctions) sold.

PRICE PERFORMANCE

Residential property prices decreased 5.4% in the year to September 2023, while rising 0.4% in the last quarter to stand at a median value of \$503,000.

Looking forward, average prices are forecast to change -2% at the end of 2023, with 3% in 2024 and 5% in 2025, according to Knight Frank Research.

RENTAL PERFORMANCE

The total residential rental vacancy was recorded at 2.9% in September 2023, rising 100 bps over the past year across Greater Darwin (REIA). Generally, 3% vacancy is considered a balanced rental market between supply and demand.

Gross rental yields rose 8 bps in the year ending September 2023, as residential property averaged 6.32%.

Residential rents increased 0.8% in the September 2023 quarter, while increasing by 5.2% annually, to stand at \$605 per week.

Knight Frank Research forecast rents to rise 3% at the end of 2023, with 2% likely in 2024, and 2% in 2025.

NEW BUILDS

Annual building approvals in September 2023 grew by 1.5% to total 345 additional dwellings in Greater Darwin, compared to a fall of 32.9% a year ago. In this time, 325 houses and 20 apartments were approved. This was trending 1.5% lower for house approvals, and 100% higher for apartment approvals, compared to the year earlier.

6.1%

Northern Territory annual economic growth in 2022 with forecast of 2.9% in 2025

4.1%

Greater Darwin unemployment rate in September 2023

4.35%

Official cash rate target in December 2023 with forecast of 3.9% in 2025

-19.7%

The annual change in the NT new household loan commitments in September 2023

-15.4%

Yearly change in number of lending commitments to owner occupier first home buyers in Q3 2023

0.8%

Greater Darwin annual population change in 2022 to an estimated 149,250 persons, with 1.5% forecast in 2025

\$503,000

Greater Darwin residential median value at the end of September 2023

-5.4%

The change in Greater Darwin's median residential values recorded between September 2022 and September 2023

2.9%

Total residential rental vacancy in September 2023 across Greater Darwin

Greater Darwin Established Houses

- ▲ The last quarter saw stability in house values despite the reduction in sale period and while rental growth was subdued in this time, gross rental yields are still the highest across Australian cities.

\$577,500

Greater Darwin median house value at end of September 2023

-8.1%

The change in Greater Darwin's median house values in the year to September 2023

5.7%

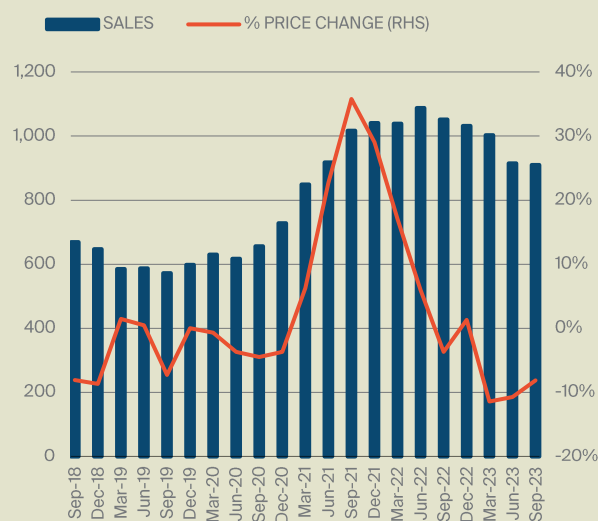
Annual median weekly rental growth in September 2023 across Greater Darwin houses

SALES & PRICE PERFORMANCE

- ▲ Greater Darwin sales volume rose by 19.2% in the September 2023 quarter to total 910 houses, whilst annual sales volume was 13.5% lower than a year ago.
- ▲ The average days on market for a house was 113 days in September 2023. This was 129 days three months earlier, and 99 days one year ago.
- ▲ Median house values fell 8.1% in the year to September 2023, while remaining stable over the last quarter to \$577,500 (APM).

Darwin Houses Sales Market

No. annual sales & % annual price growth



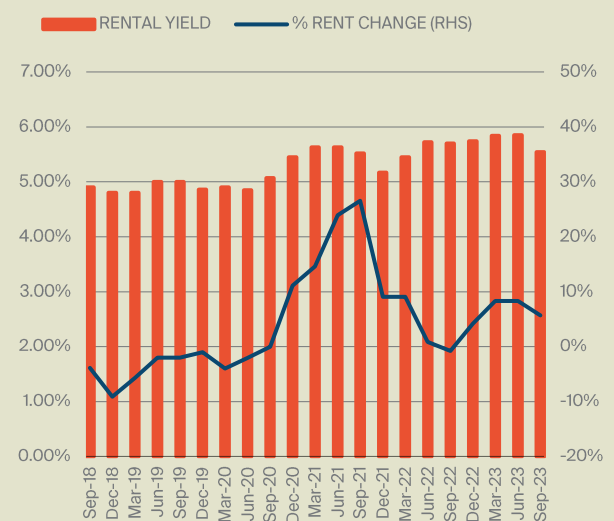
Source: Knight Frank Research, APM

RENTAL MARKET

- ▲ Gross rental yields decreased 16 bps in the past year, with Greater Darwin houses averaging 5.54% in September 2023.
- ▲ House rents saw no change in the September 2023 quarter, while being up 5.7% annually, to stand at \$650 per week (APM).

Darwin Houses Rental Market

Gross rental yield & % annual rental change



Source: Knight Frank Research, APM

Greater Darwin Established Apartments

- As apartment rental growth continues to outpace capital growth across Greater Darwin, gross rental yields remain on an upward trajectory and hold the highest gross rental yields across Australian cities.

\$370,000

Greater Darwin median apartment value at the end of September 2023

3.2%

The change in Greater Darwin median apartment values in the year to September 2023

4.0%

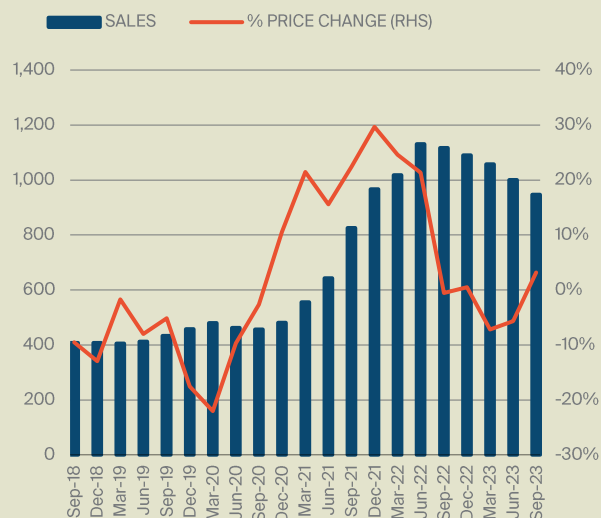
Annual median weekly rental growth in September 2023 across Greater Darwin apartments

SALES & PRICE PERFORMANCE

- Greater Darwin apartment sales volume decreased by 1.7% in the September 2023 quarter to count 946 apartments in the past year, as annual sales volume was 15.2% lower than a year ago.
- The average time on market for an apartment was 149 days in September 2023. This was 152 days one quarter earlier, and 135 days one year ago.
- Median apartment values grew by 3.2% in the year to September 2023, while rising 1.5% in the last quarter to stand at \$370,000 (APM).

Darwin Apartments Sales Market

No. annual sales & % annual price change



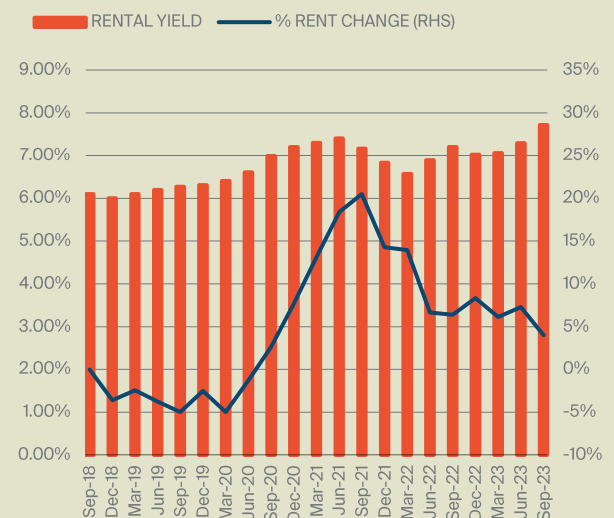
Source: Knight Frank Research, APM

RENTAL MARKET

- In the year to September 2023, Greater Darwin apartment gross rental yields increased 52 bps to 7.72%.
- Apartment rents rose 1.0% in the September 2023 quarter, while rising 4.0% annually to \$520 per week (APM).

Darwin Apartments Rental Market

Gross rental yield & % annual rental change



Source: Knight Frank Research, APM

Greater Darwin Residential Forecast

Key Drivers Forecast

	2021	2022	2023f	2024f	2025f	Average 2023f-2025f
NT Economic Growth	2.7%	6.1%	1.8%	2.9%	2.9%	2.6%
Unemployment Rate	5.1%	3.7%	3.7%	4.3%	4.3%	4.1%
Cash Rate Target	0.1%	1.2%	3.9%	4.6%	3.9%	4.1%

Source: Oxford Economics

Darwin Residential Forecast

	2021	2022	2023f	2024f	2025f	Average 2023f-2025f
Price Performance	29%	1%	-2%	3%	5%	2%
Rental Market	10%	5%	3%	2%	2%	2%

Source: Knight Frank Research

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.

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