

Housing Market Report

Autumn 2017 Edition



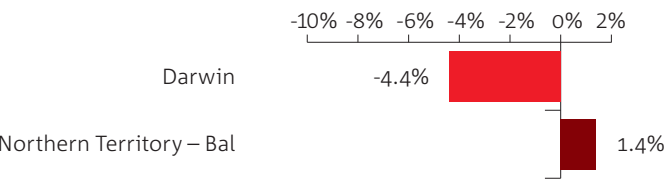
Northern Territory overview

CoreLogic’s view:

The Darwin housing market has eased from the strong growth conditions that were evident prior to 2012. A wind down of major infrastructure projects and a subsequent downturn in population growth has reduced housing demand across the city. Home values across the city have been trending lower since early 2014, however the downturn has been reasonably controlled and moderate to date.

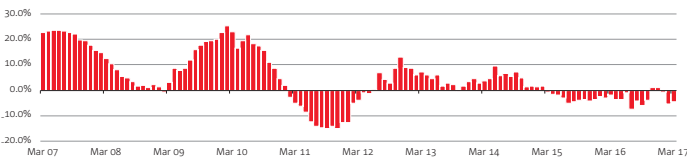
The past twelve months has seen Darwin home values fall by 4.4% to be almost 10% lower since the market peaked in 2014. Homes are taking more than 100 days to sell across Darwin, which highlights the strong buying conditions for prospective buyers. Buyers should be able to negotiate hard in this market due to high stock levels and little in the way of buyer competition.

Annual change in home values over past year*



*Data for homes in capital cities, houses in regional areas.
Data to Mar-17 for capital cities, Feb-17 for regional areas
Source: CoreLogic

Annual change in home values, Darwin



Important information
See next page for details regarding source data used in this report.

NAB’s view:

The biggest hurdle ahead for Darwin’s property market is negative flow-on effects as major LNG construction projects reach completion.

The Northern Territory has just under a quarter of a million residents and its economy, especially in Darwin, has spent several years highly dependent on the construction of a single LNG terminal. The Territory also has a substantial army, RAN and RAAF presence, as well as US marines. This sets it apart from most other states and territories.

Since construction on the Ichthys LNG terminal peaked last year, project employment has begun to slide, with significant knock-on effects for the NT economy. The main power generators were fired up in September, the pipeline was completed in November and this month the subsea installation was finished. Ichthys is on track to ship LNG this year and we do not expect the shock to be offset by other important sectors such as public sector/defence, tourism and agriculture.

The volatility emanating from the Territory’s mining sector is having clear effects on Darwin’s housing market. After seeing home prices fluctuate considerably during 2016, they are currently down nearly 4.5% (over the year to March 2017).

In addition, the previous apartment supply boom has contributed to very elevated vacancy rates in Darwin – reflected in very large drops in rents (falling by 12% over the year to the March quarter 2017; to their lowest level since late-2008).

Property prices in Darwin were volatile over 2016, but are down so far this year. Large economic headwinds are expected to keep substantial pressure on house prices.

Given that major LNG projects are expected to have an ongoing destabilising effect on the housing market, the likely direction of property values in 2017 is difficult to predict – although NAB expects that the negative impact on the labour market once projects are completed will likely drive further price declines. That said, rental yields in Darwin are more attractive than most other capital cities, which might help to prop-up investor demand.

Important information about this report

The information on the white background (headed CoreLogic’s view) is about the housing market in the 12-month period to March 2017 for information about capital cities and to February 2017 for information about regional areas.

It was provided by RP Data Pty Ltd, which trades as CoreLogic Asia Pacific, but is referred to in this report as CoreLogic.

The information on the grey background (headed NAB’s view) is provided by NAB Group Economics, taking into account data sourced until March 2017. It’s our economists’ view about the national capital city house and unit price growth over the next 9 months to December 2017.

NAB’s view takes into consideration the March 2017 NAB Residential Property Survey of property market professionals. The survey asked participants to give their views on where they think house prices are expected to move.

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2.4 The NAB Residential Property Survey

The NAB Residential Property Survey referenced in this report consists of extracts from data obtained by NAB from a March 2017 survey of property professionals. This reflects the surveyed property professionals’ views about what they think will happen to the housing market in Australia in a 24 month period up to March 2019. The views in the survey do not necessarily reflect NAB’s views except where expressly called out in this report.