State of the Market
Northern Territory

PROPERTY COUNCIL of Australia

HERRON TODD WHITE

The Brief

Herron Todd White in conjunction with the Property Council of Australia has undertaken a research paper to accurately assess what the total supply of land and buildings is across the Greater Darwin Market. Specifically identifying the following market sectors;

- Residential land estates
- Retail space supply
- Industrial/commercial land supply
- Industrial/commercial building area supply

Until now this information has not been collated, or made publicly available. The provided summary of the market highlights that across market sectors we are in a heavy over supply.

For the existing commercial / industrial building summary we have surveyed each individual allotment, making building area assessments for total building size.

Residential Land Supply

Greater Darwin is flushed for choice with residential land sub-divisions. Our research has focused on new projects which are approved and master planned, we have also given regard to two locations which are the most likely to be brought online next. The major locations include the Inner and Northern Suburbs and Palmerston, notably we have excluded the Litchfield Shire which is primarily acreage allotments.

The major sub-divisions in order of size for remaining lots are shown below;

The map displays that there is a range of Geographic options for the market, the two largest being Northcrest (central to the map) and Zuccoli (South East). The growth corridor of

Darwin along the Stuart Highway and away from the Darwin CBD is suitably serviced with these sub-divisions.

Northcrest is a brand new 168ha green filled site which will provide up to 2000 single lots and 1000 other accommodation types. Northcrest includes public open space 1 Government School and good access to public Transport. The site of North Crest is the old Berrimah Farm, an NT Government site which now is presented as a joint venture project with Halikos Developments, a well-regarded local property development / construction company.

Zuccoli is a new suburb currently under construction and located within 3 radial kilometres of the Palmerston CBD. It predominantly consists of single residential land, schools, a commercial precinct, an affordable housing component and medium density infill development. The area is well serviced by the various Shopping Centres of Palmerston CBD, parks and public transport and appeals to a mix of owner occupiers and investors.

Palmerston is a satellite city located approximately 21 kilometres south east of Darwin. There have been 3 active developers within the suburb since titles were first issued in April 2013. At current sales rates the supply in Zuccoli extends beyond a decade.

The Heights Durack is another Palmerston suburb which was developed on land owned by Charles Darwin University. The suburb has been developed by PEET, and presents as the premium location for vacant land in Palmerston. Well serviced with good access to Palmerston CBD, schools, Palmerston golf course and the new Gateway Shopping Centre. 400 lots remain in the master plan.

Muirhead, Muirhead North & 2 Cru are the remaining land sub-divisions completed by Defence Housing Australia along Lee Point Road in the northern suburbs. These are extensions of the existing suburb of Lyons & Muirhead, having been completed by various developers. In total there are 800 allotments remaining in these suburbs. As we understand that there are two, yet to be released options for the market, they include Farrar West which is an extension of an established locale and Holtze which is land surrounding the new Palmerston Hospital. In total a further 1,100 allotments may be available to come online here.

Northcrest		Zuccoli		2Cru		The Heights Durack		Muirhead & M North		Urban Infill		Farrar West		Holtze		Total Allotments
2000	+	1900	+	500	+	400	+	300	+	c250	+	c300	+	c800	=	6450
Lots		Lots		Lots		Lots		Lots		Lots		Lots		Lots		

Without doubt the residential market has a significant future supply.

As an estimate of further supply from within existing allotments and infill sites we have allocated 250 residential allotments. This may include sites in and around the Darwin CBD, and other NT Government / Crown land which has the capacity to be re-zoned. At present the minimum lot size for existing Single Dwelling zoned allotments is 800 sqm. All sub-divisions have new allotments down to 300sqm.

The 10 year rolling average for residential land sales in the greater Darwin area (excluding Litchfield council) has ranged from 315 allotments per annum in 2009 to 427 allotments in 2017. This peaked at 460 allotments in 2016. This period of growth is accepted as the largest residential growth that the Darwin market has seen. Whilst it is very difficult to predict long term trends it would be unlikely to see the level of growth / supply / take up rates within the market that Darwin has experienced over the past 10 years.

In order to analyse the future years of supply within the residential landscape we have assumed, 5,6, & 7 sales per week across the market. This equates to 260, 312, & 364 allotments per annum, which is reasonable given long term trends. Current rates of sale in Zuccoli which is the most active market are at circa 3 per week (150 per annum) other suburbs have not enjoyed a similar rate of sale, which is reflecting a relatively weak market place. This is largely being driven by price point.

The table shows that assuming;

5 sales per week across all sub-divisions we have over 24 years supply

6 sales per week across all sub-divisions we have over 20 years supply

7 sales per week across all sub-divisions we have over 17 years supply

The stated figures would suggest that there is not the requirement (at this stage) for further development beyond the Greater Darwin area.

In order for this land supply to be exhausted Darwin will require a significant upswing in population.

		Sales Per Week Across Greater Darwin		
Location	**No. of Lots**	**5**	**6**	**7**
North Crest	2,000	7.7	6.4	5.5
Zuccoli	1,900	7.3	6.1	5.2
2Cru	500	1.9	1.6	1.4
The Heights Durack	400	1.5	1.3	1.1
Muirhead & North	300	1.2	1.0	0.8
Urban Infill	250	1.0	0.8	0.7
Farrar West	300	1.2	1.0	0.8
Holtze	800	3.1	2.6	2.2
		Years of Supply		
Total Available Lots	**6,450**	**24.81**	**20.67**	**17.72**

Industrial/Commercial Property Supply

This study examined the overall of general industrial accommodation across Greater Darwin. The aim of this part of the project was to establish baseline data for future reference to identify trends in supply and also to enhance the data by including features such as a vacancy rate. The headline data is set out below:

The calculation of gross building area is based on a combination of satellite mapping, records held at this office, and field inspections. It is therefore our best estimate only and can never be totally precise.

The gross building area does not differentiate between commercial and industrial uses, or make any distinction regarding the standard of accommodation offered in terms of age, clearances etc. It is a raw baseline figure only.

In terms of number of properties, the dominant suburbs are Winnellie (with 517 separate properties) and Berrimah (230 properties).However East Arm had the highest amount of land available (2,447,350 square metres), with most of these being in much larger blocks.

Winnellie remains by far the largest industrial suburb in Darwin in terms of area and number of properties. Berrimah and East Arm have a smaller number of properties but they are of a much larger average size.

We have had preliminary discussions with the NT Government about verifying this estimate by the use of their topographic mapping data, which we hope to access to crosscheck as far as possible.

Vacant land	2,055,379 sqm
Improved land	7,564,202 sqm
Total land available for use	**9,619,581 sqm (962 hectares)**
Estimated gross building area	**1,825,149 sqm**

Industrial/ Commercial Land

Over 20% of industrial/commercial land across Darwin is currently vacant and available for development

The amount of land available for development was assessed using the following parameters:

The study area encompasses Darwin City Council, Palmerston City Council and the Darwin Rates Act area. Litchfield Shire (which includes industrial areas such as Spencely Road at Humpty Doo) has been excluded

The land included is land outside the CBD areas of Palmerston and Darwin, zoned for commercial and/or industrial development, Broadly speaking this land is zoned C (Commercial), SC (Service Commercial), LI (Light Industry), GI (General Industry), DV (Development), SD (Specific Use Darwin) and SP (Specific Use Palmerston)

We have considered vacant land available for immediate development or under construction, to be available in the next 12 months. Therefore subdivisions such as Truck Central (Wishart) and Darwin Business Park North (East Arm) have been included in the available supply. However areas such as Darwin Airport Central have not been included despite having land available which could be made available in a short time frame.

Supply of land is increasing significantly with new subdivisions at Truck Central (Wishart), Darwin Business Park North (East Arm) and new stages of Berrimah Business Park.

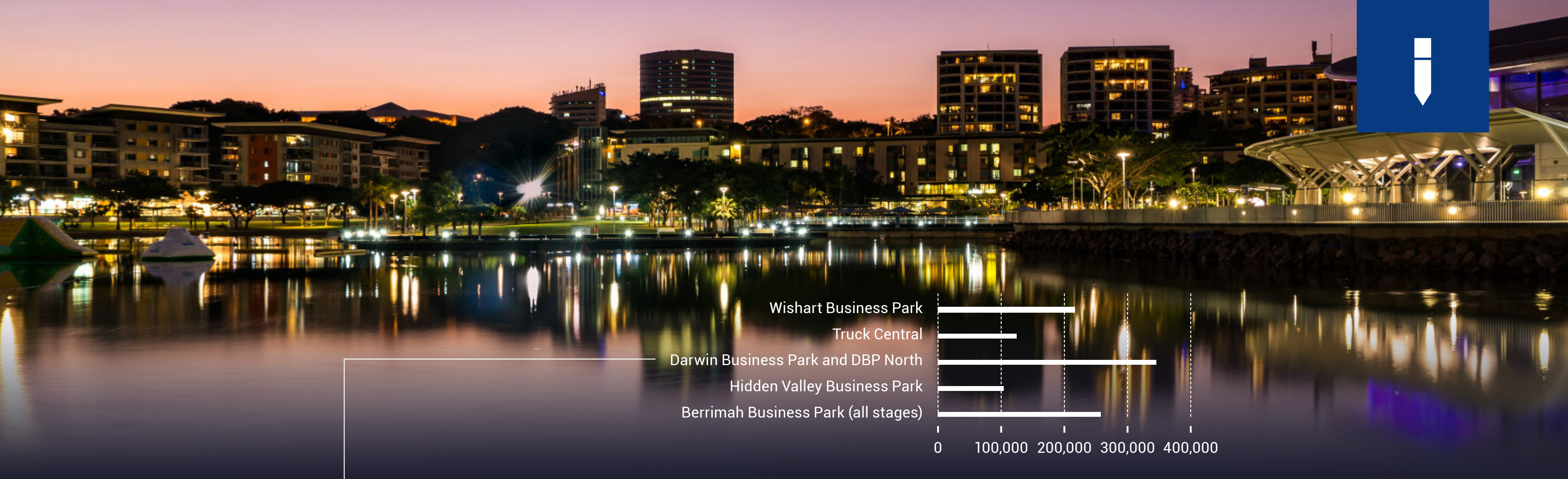
The study includes vacant properties only. Properties with older style improvements which are ripe for redevelopment (especially prevalent around Winnellie) have been excluded as well as properties which are undercapitalised or have small building footprints on large blocks. These infill type developments form a significant additional component of supply.

Supply is summarised below:

This study highlights that vacant land represents over 21% of the total supply of land, and is much larger than say the suburb of Winnellie.

▲20%
VACANCY

Suburb	Area sqm	No	Average size sqm
Winnellie	134,646	50	2693
Berrimah	477,770	162	2949
EastArm	762,150	69	11046
Pinelands	15,670	3	5223
Holtze	106,920	18	5940
Wishart	163,194	29	5627
Tivendale	299,308	63	4751
Yarrawonga	95,721	19	5038
Total sqm	**2,055,379 sqm or 205.54 hectares**	**413**	**4977**



The majority (but not all) of this supply is concentrated in a number of modern subdivisions, as summarised above:

We especially note that the Truck Central and Darwin Business Park North subdivisions are still under construction. The other subdivisions are all available for development as at today.

Blocks in Winnellie had the smallest average size, being principally vacant land at the western end of the suburb (some with Tiger Brennan frontage). However as noted above this suburb does contain a number of properties with older style improvements which would be suitable for redevelopment in the short term.

The largest supply by number of properties is in Berrimah. Berrimah includes a number of developments including Berrimah Business Park, Hidden Valley Business Park and Tivendale Estate (as well as the College Road land). The average block size is 2,949 square metres however this average has been brought down by the recent release of smaller blocks at Berrimah Business Park Stage 2.

East Arm is the site of most of Darwin's larger scale industrial properties and the average size of available blocks is correspondingly high. We note that although there is a good supply of land in the Dawson Street area which has not been developed, the Land Development Corporation has proceeded with the development of Darwin Business Park North (included above) which will bring a further 143,770 square metres of land available in this precinct.

A review of sales of vacant commercial/industrial land over the past 12 months indicates that about 30,000 square metres of vacant land has been transacted on an arm's-length basis. However this take-up rate should be treated with caution. Historically Darwin can endure extended periods (such as is being experienced today) where sales levels are low, however these are punctuated by periods of strong demand especially when supported by major projects.

In this regard the take-up rate for smaller blocks appear to be slightly better than for larger blocks. Berrimah Business Park Stage 2 includes a number of smaller blocks. There are a number of pre-sales in this subdivision which have been effected due to them making smaller sized blocks available especially to owner-occupiers and their related superannuation funds.

We are also aware that a number of purchases have been negotiated in the past 12 months in the Truck Central subdivision and in Berrimah Business Park, however settlement has been delayed until titles are available.

Nevertheless it is clearly evident that the existing supply of land is more than sufficient to meet demand well into the medium term. For example, if an (optimistic) sales rate of 2 blocks per month is assumed, then the existing supply would be sufficient for 17 years.

Exacerbating the problem is the availability of improved properties with older style improvements which could be sold as development sites. Further, additional supply could easily be brought into production at Darwin Airport and also at the Kulaluk lands at Ludmilla.

Retail

Casuarina Square remains the dominant centre in the market.

The retail sector has seen a large supply of new space over the past 36 months. The trend for retail across the country has seen a shift from a straight retail offering into the construction of entertainment precincts, including a mix of retail, cinemas, food courts and often a tavern / nightclub. The Darwin market has seen a shift of the space to follow this trend.

With population in decline in the Greater Darwin area the newer retail centres have attracted tenants from existing centres to fill the spaces, this has placed pressure on existing centres to upgrade facilities to retain / attract new occupants. This new supply of space has also resulted in attractive tenant incentives for new operators.

The Darwin retail market has 263,000sqm of GLA.

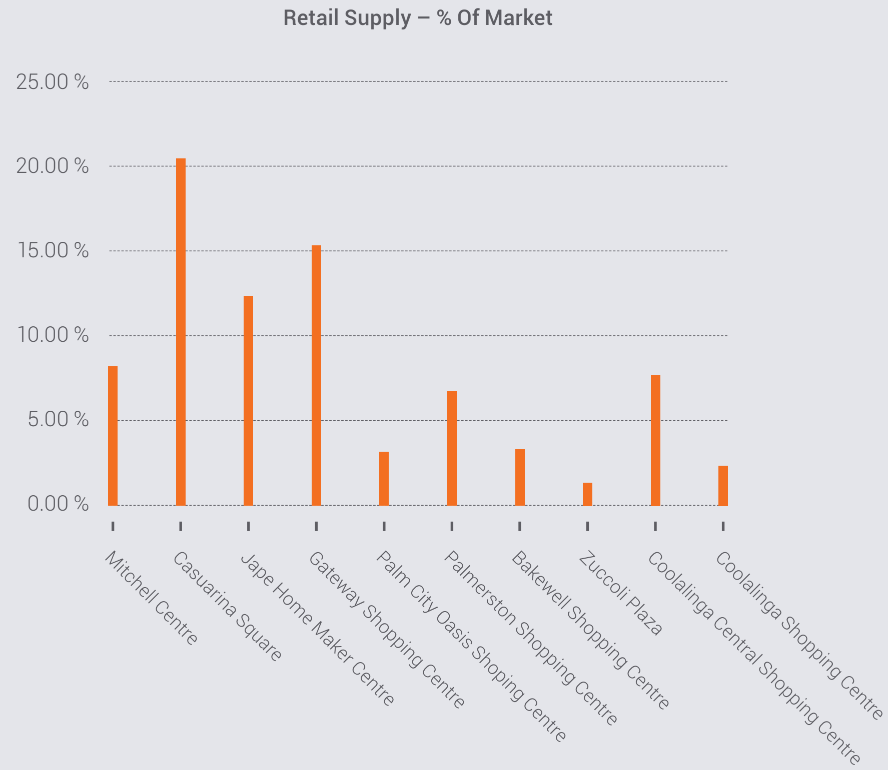
Tabled are the 10 major centres within the market place, it can be seen that the 3 largest centres account for 48% of the total market.

Casuarina, Jape & Gateway. These centres are entertainment precincts and include bulky goods and have positioned themselves in the market as destination centres for shoppers. Our research highlights that there are 22 main centres within the market which account for the space discussed. We note that this report specifically excludes the Darwin CBD, most notably the stand alone single retail shops, and the Smith Street Mall precinct.

The dominant player in the retail market is the GPT owned, Casuarina Square Shopping centre in the northern suburbs, at 53,000sqm of GLAR this centre presents with over 20% of the retail space in the market.

Other major centres include.

Jape Home Maker Centre in the Northern suburbs offering over 32,000sqm of GLA with national grade tenants such as Spotlight, Anaconda & Rebel Sports, this centre accounts for c12% of the total space.



The 3 newest centres have added c26% of supply to the market.

Gateway Shopping Centre in Palmerston this was completed in 2018 and follows a similar trend as an entertainment precinct, offering 40,215 GLAR with anchor tenants Woolworths, Event Cinemas a large food court, Gym, and a fully licensed pub with gaming & under cover parking. Gateway assumes 15% of the total market.

The existing centres in Palmerston – Palm City Oasis & the Palmerston Shopping Centre have undergone recent refurbishments to retain tenants together these two centres account for 25,000sqm of GLAR. The pressure that Gateway has applied to the market with a brand new offering and 15,000sqm larger than these two centres combined is having a very real effect in the Palmerston market.

Coolalinga Central is a new addition to the rural area, positioned to the outbound traffic on the Stuart Highway the centre offers 20,080 sqm of GLAR, a number of pad sites to the front with major fast food outlets, petrol station and bulky goods. Anchored by Coles & Big W the centre includes restaurants, retail, a food court, a tavern (under construction) and covered parking. Overall the centre accounts for just under 8% of the total market. This centre is in direct competition to the Woolworths anchored Coolalinga Shopping centre on the inbound side of the highway directly opposite.

Secondary Neighbourhood centres have long held a smaller section of the market, as the growth corridor extends in the South Easterly direction with new suburbs of East Palmerston there has been a steady supply of new centres, located in suburbs such as Bakewell – anchored by Woolworths, Zuccoli village anchored by IGA, Rosebery with an independent grocer, and Bellamack anchored with a tavern and cafes.

Tabled below are the 3 newest centres of note, two located in Palmerston and the third in the rural area. Overall an addition of c69,000sqm of GLAR or 26% of the total market.

Newest to Market	Total Area (sqm - build)	% Total Market
Gateway Shopping Centre	40,215	15 %
Coolalinga Central Shopping Centre	20,080	8 %
Bakewell Shopping Centre	8,595	3 %
	68,890	**26 %**

Disclaimer:

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