



Treasurer

Parliament House  
State Square  
Darwin NT 0800  
minister.lawrie@nt.gov.au

GPO Box 3146  
Darwin NT 0801  
Telephone: 08 8901 4047  
Facsimile: 08 8901 4169

The Secretary  
Senate Select Committee on Housing Affordability in Australia  
PO Box 6100  
Parliament House  
CANBERRA ACT 2600

*Marise*  
Dear Senator Payne,

Thank you for your letter of 25 February 2008, outlining the scope of the senate inquiry into housing affordability in Australia and requesting a submission from the Northern Territory Government.

The Territory Government, although not providing a formal submission, recognises the challenge of affordable housing and welcomes the opportunity to provide the Senate Select Committee with a summary of key data on housing affordability in the Territory (Attachment A).

In addition, the Territory Government supports the Committee's intention to hold public hearings in each state and territory during April 2008.

Yours sincerely

DELIA LAWRIE

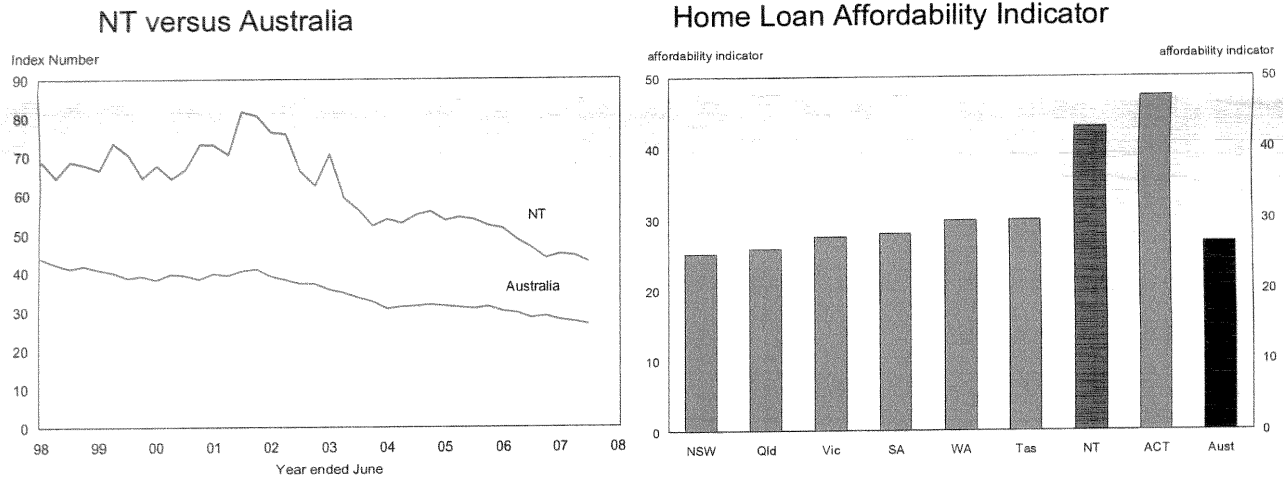
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**Housing affordability measures**

After peaking in late 2001, home loan affordability (as reported by the Real Estate Institute of Australia (REIA) and Deposit Power) in the Territory has been in steady decline reaching record low levels in the December quarter 2007 (see Chart 1). In annual terms, home loan affordability in the December quarter 2007 declined by 7.9 per cent in the Territory, with approximately 23.3 per cent of average family income allocated to loan repayments. It is the significantly higher rate of growth in monthly loan repayments compared to growth in weekly family income that has led to the decline in affordability in the Territory. Nevertheless the Territory continues to have the most affordable housing of the jurisdictions, behind the Australian Capital Territory, when comparing household median weekly income to average mortgage payments.

**Chart 1: HOME LOAN AFFORDABILITY INDICATORS**



Source: REIA and Deposit Power

**House Price Growth**

Between December 2002 and December 2007, the median house price in the Territory<sup>1</sup> increased by an estimated 98.7 per cent (or an average of 14.7 per cent a year) (see Table 1), while the median price for 'other dwellings' (units, townhouses and apartments) increased by 81.5 per cent (or an average of 12.7 per cent a year) (see Table 2).

**Table 1: NORTHERN TERRITORY HOUSE PRICE GROWTH**

	Dec 02	Dec 07	5 year growth rate	5 year annual average growth rate
	\$'000	\$'000	%	%
Northern Territory	196.4	390.1	98.7	14.7
Darwin	208.0	412.5	98.3	14.7
Palmerston	187.0	380.0	103.2	15.2
Litchfield region	205.0	503.3	145.5	19.7
Katherine	144.0	268.5	86.5	13.3
Tennant Creek	70.0	102.5	46.4	7.9
Alice Springs	181.0	312.0	72.4	11.5

Source: REINT, ABS Cat No.3101.0

<sup>1</sup> Northern Territory Treasury calculation based on the median house and unit prices of major towns and cities within the Territory as published by the REINT, weighted by the respective population of each area as published by the ABS.

## Regional 'other dwellings' prices

The 'other dwellings' market (townhouses, apartments and units) tends to be significantly more volatile than the market for houses, with prices fluctuating with the release of major new developments, changes in investor sentiment and distinct cycles of under and over supply.

REINT report that growth was strongest in Katherine (up by 92 per cent) in median other dwelling prices in the five years to December 2007 followed by Palmerston (up by 90.8 per cent) (see Table 2). Alice Springs had the weakest growth in other dwelling prices (up by 62.4 per cent) over this period.

**Table 2: OTHER DWELLINGS PRICES GROWTH**

	Dec 02	Dec 07	5 year growth rate	5 year annual average growth rate
	\$'000	\$'000	%	%
Northern Territory	135.2	245.4	81.5	12.7
Darwin	167.0	309.0	85.0	13.1
Palmerston	141.5	270.0	90.8	13.8
Katherine	112.0	215.0	92.0	13.9
Alice Springs	129.0	209.5	62.4	10.2

Source: REINT

## Land Sales

The Australian Valuation Office (AVO) reports that the average price of a block of land in Palmerston increased from around \$71 000 in 2002 to around \$162 000 in 2007. This is an increase of 130 per cent over this period or an average annual increase of 18.1 per cent. In Bagot<sup>2</sup> and Strangways<sup>3</sup> the average price of land sold increased from around \$89 000 in 2002 to around \$262 000 over the past five years. This is an increase of 201 per cent over this period or an average annual increase of 24.7 per cent. The larger price increases for land in Bagot and Strangways than Palmerston largely reflect the significant difference in lot sizes of land being sold.

## Vacancy Rates

Territory rental vacancy rates were at relatively high levels for several years until early 2002, reflecting a general over supply of residential properties. Since then, vacancy rates have fallen to historically low levels that suggest demand has significantly outpaced supply. REINT reports the average residential vacancy rates in 2007 as:

- Darwin – 1.4 per cent for houses and 1.3 per cent for units;
- Palmerston – 1.7 per cent for houses and 1.6 per cent for units;
- Alice Springs – 2.8 per cent for houses and 2.6 per cent for units; and
- Katherine – 1.8 per cent for houses and 2.0 per cent for units.

## Rental prices

Historically low vacancy rates across the Territory and strong demand for rental properties led to significant growth in weekly rental prices in 2007.

<sup>2</sup> Bagot includes Howard Springs, Knuckey's Lagoon and Virginia.

<sup>3</sup> The Strangways town planning division includes Humpty Doo, Berry Springs, Noonamah, Herbert, Girraween, Bees Creek and McMinns Lagoon.

REINT reports that the median rental price for a three-bedroom house in Darwin increased by 42.9 per cent (to \$450 per week) over the year to the December quarter 2007. Palmerston recorded the next highest increase (up by 25 per cent to \$400 per week) followed by Alice Springs (up by 10.9 per cent to \$355 per week) and Katherine (up by 9.1 per cent to \$300 per week). Rental growth for other dwellings followed a similar trend.

REINT reports that weekly rental prices for a two-bedroom unit in Darwin increased by 50 per cent to \$360 per week over the year to the December quarter 2007. Palmerston recorded the next highest increase (up by 36 per cent to \$340 per week) followed by Katherine (up by 12.5 per cent to \$270 per week) and Alice Springs (up by 12 per cent to \$280 per week).

With demand far outstripping supply, there is mounting evidence that substantial rental price pressures will be evident for some time to come, particularly in relation to housing.