

# Rental report

June 2013

Key findings

- Sydney unit prices outperforming houses in the quarter
- Perth rents continue to climb across the board
- Affordability barriers and lifestyle choices increase demand for units over houses
- Sydney yields falling as investor activity and prices rise

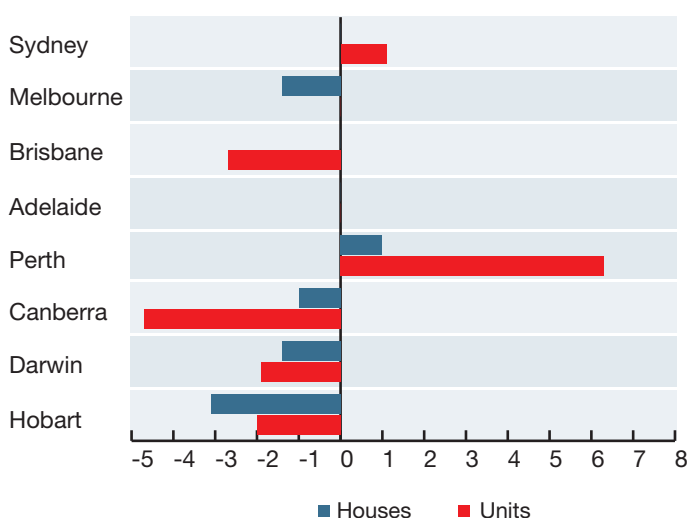
Median weekly asking rents (\$)

Houses					
	Jun 13	Mar 13	Jun 12	QoQ % Δ	YoY % Δ
Sydney	500	500	500	0.0%	0.0%
Melbourne	360	365	360	-1.4%	0.0%
Brisbane	390	390	380	0.0%	2.6%
Adelaide	340	340	340	0.0%	0.0%
Perth	490	485	430	1.0%	14.0%
Canberra	480	485	485	-1.0%	-1.0%
Darwin	690	700	650	-1.4%	6.2%
Hobart	310	320	315	-3.1%	-1.6%

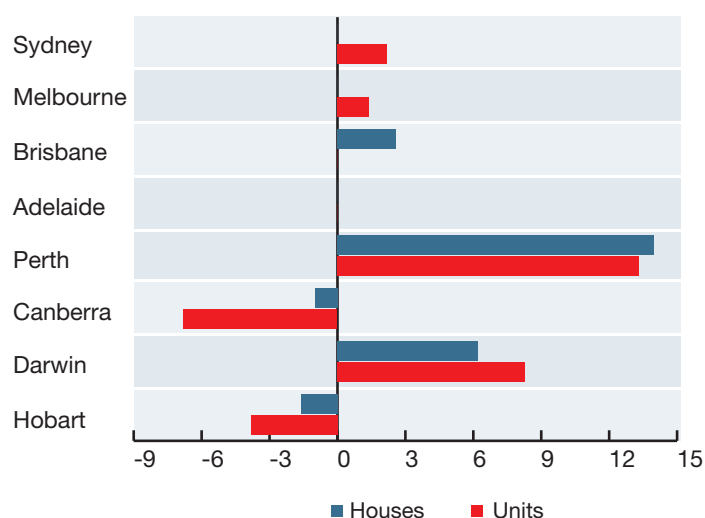
Median weekly asking rents (\$)

Units					
	Jun 13	Mar 13	Jun 12	QoQ % Δ	YoY % Δ
Sydney	470	465	460	1.1%	2.2%
Melbourne	360	360	355	0.0%	1.4%
Brisbane	360	370	360	-2.7%	0.0%
Adelaide	280	280	280	0.0%	0.0%
Perth	425	400	375	6.3%	13.3%
Canberra	410	430	440	-4.7%	-6.8%
Darwin	520	530	480	-1.9%	8.3%
Hobart	250	255	260	-2.0%	-3.8%

Asking median rents (quarter on quarter change)



Asking median rents (year on year change)



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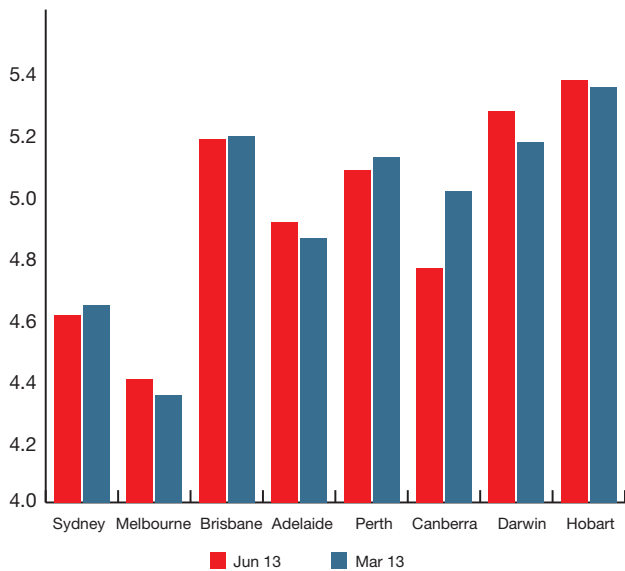
## Gross rental yields

Houses					
	Jun 13	Mar 13	Jun 12	QoQ % Δ	YoY % Δ
Sydney	4.61%	4.64%	4.70%	-0.5%	-1.8%
Melbourne	4.40%	4.35%	4.28%	1.1%	2.7%
Brisbane	5.18%	5.19%	5.19%	0.0%	0.0%
Adelaide	4.91%	4.86%	4.78%	0.9%	2.7%
Perth	5.08%	5.12%	5.04%	-0.7%	0.9%
Canberra	4.76%	5.01%	4.93%	-5.0%	-3.3%
Darwin	5.27%	5.17%	5.24%	2.0%	0.7%
Hobart	5.37%	5.35%	5.13%	0.4%	4.7%

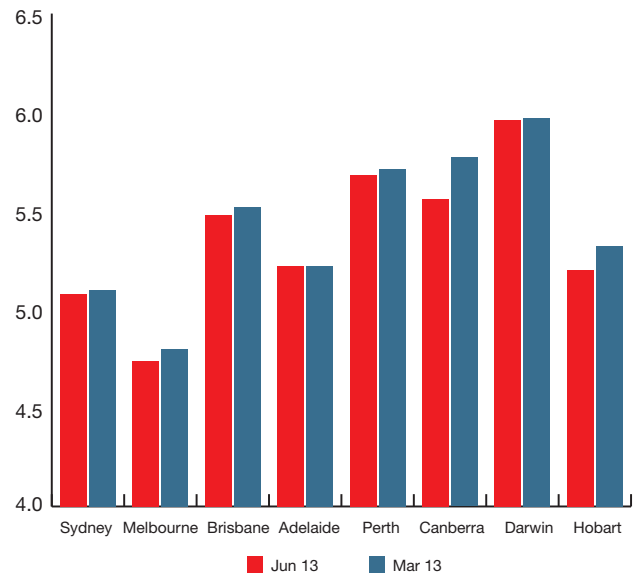
## Gross rental yields

Units					
	Jun 13	Mar 13	Jun 12	QoQ % Δ	YoY % Δ
Sydney	5.08%	5.10%	5.13%	-0.4%	-1.0%
Melbourne	4.74%	4.80%	4.60%	-1.2%	3.1%
Brisbane	5.48%	5.52%	5.39%	-0.7%	1.7%
Adelaide	5.22%	5.22%	5.06%	0.0%	3.0%
Perth	5.68%	5.71%	5.57%	-0.5%	2.1%
Canberra	5.56%	5.77%	5.56%	-3.5%	0.0%
Darwin	5.96%	5.97%	5.89%	-0.1%	1.3%
Hobart	5.20%	5.32%	4.87%	-2.3%	6.8%

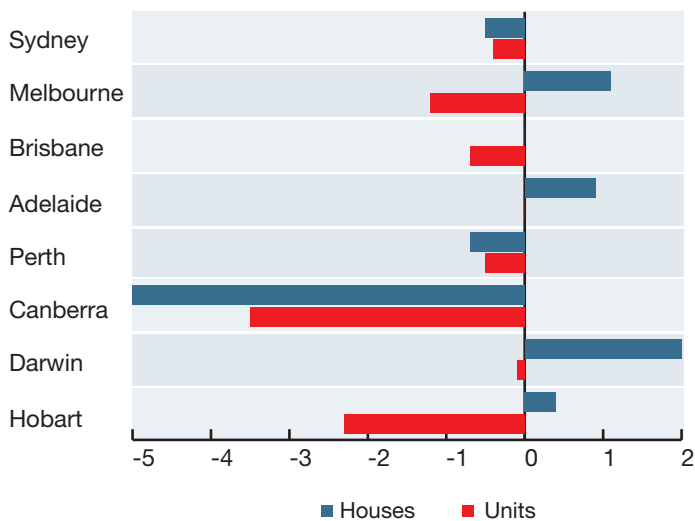
## Gross rental yields - houses



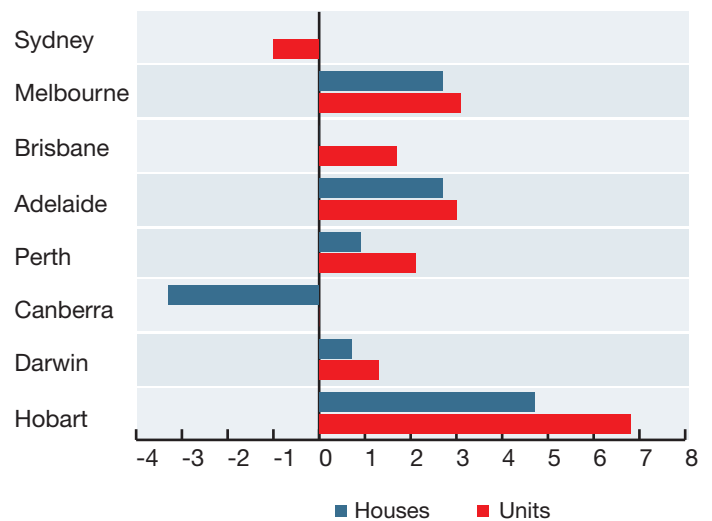
## Gross rental yields - units



## Gross rental yield (quarter on quarter change)



## Gross rental yield (year on year change)



# Rental report

## Commentary

### Commenting on the APM Rental Report: Dr Andrew Wilson, Senior Economist Australian Property Monitors

Rental growth for both houses and units remained subdued or declined for most capital city rental markets over the June quarter.

Nationally median weekly asking rents for houses fell by -0.5% over the quarter with unit rents moving in the opposite direction – up by +0.5%.

Over the year, rental prices for houses rose by a modest +1.5% with unit rentals increasing by +2.0%.

Perth was the only capital to record growth in house rents over the quarter, up by +1.0%, though unit rents rose sharply by +6.3% under the strain of significant levels of new arrivals competing for scarce and increasingly expensive accommodation.

Perth house rentals rose by a massive +14.0% over the year to June with unit rents also up strongly by +13.3%. Perth's current median asking weekly rental for houses at \$490 is fast closing in on Sydney's \$500 and on current trends is set to soon become the most expensive major capital city for tenants.

Growth in Sydney's house rents remains flat with no increase recorded over the June quarter and no increase over the year. Affordability barriers and lifestyle preferences continue to drive tenants to less expensive accommodation options with Sydney unit rents rising +1.1% over the quarter and +2.2% over the year.

Affordability constraints in the nation's most expensive rental capitals of Sydney and Perth are motivating tenants to gravitate towards cheaper unit accommodation. The consequence however of increased demand for units over more expensive houses is that the difference between house and unit rents in these cities is rapidly converging.

Unlike Sydney and Perth, rental growth in Melbourne remains chronically weak with house rents down by -1.4% over the quarter with unit rents flat. With higher vacancy rates and less competition for rental properties than most other capitals,

Melbourne house rents have recorded no growth over the past year with unit rents up by just +1.4%. Melbourne's weekly house rents at \$360 are significantly lower than all other mainland capitals with the exception of Adelaide at \$340 a week.

There is better news for tenants in Brisbane over the June quarter with house rents stable and unit rents falling by -2.7%. There was a similar outcome in Canberra, Adelaide, Hobart and Darwin with all those capitals recording flat or declining rental growth for both houses and units over the June quarter.

Rental growth can be expected to remain subdued in most capitals over the remainder of 2013 as low interest rates drive increased activity from first home buyers, investors and home builders reducing demand and increasing supply in most rental markets.

Rising house prices and flat rents are impacting on gross rental yields particularly in Sydney where nonetheless investor activity is currently at high levels.

Rental yields are expected to continue to decline, although this is unlikely to provide a major disincentive for investors chasing the prospect of re-emerging capital gains.

Melbourne gross rental yields over the June quarter of +4.4% for houses and +4.74% for units remain clearly the lowest of all the capitals, although similar to Sydney this is not providing a disincentive for increasing investor activity.

Brisbane and Perth however are providing investors with the highest yields of all the major capitals.

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