

Rental report

December Quarter 2013

Prepared by Australian Property Monitors

Rental report

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Key findings

- House rents in Sydney remain high but were steady over 2013 – unit rents continue to rise
- Melbourne house rents continue to increase but unit rents decline
- Strong early year growth in Perth rents is now dissipating
- Sydney yields weaken sharply as prices rise strongly and supply increases

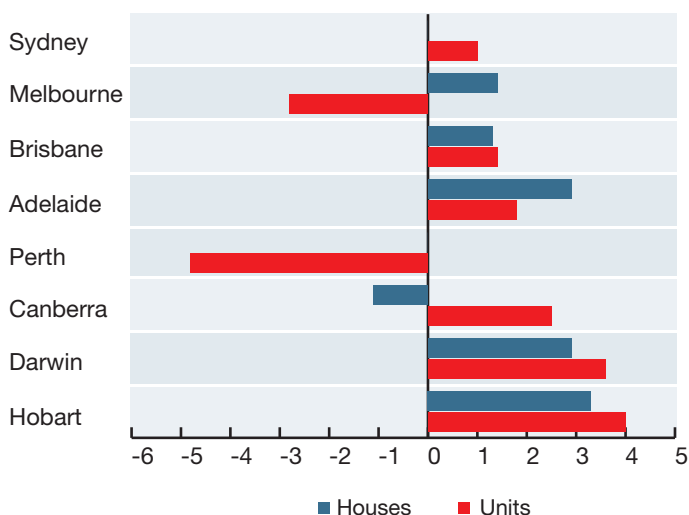
Median weekly asking rents (\$)

Houses					
	Dec 13	Sep 13	Dec 12	QoQ % Δ	YoY % Δ
Sydney	500	500	500	0.0%	0.0%
Melbourne	375	370	360	1.4%	4.2%
Brisbane	400	395	390	1.3%	2.6%
Adelaide	350	340	340	2.9%	2.9%
Perth	480	480	470	0.0%	2.1%
Canberra	460	465	480	-1.1%	-4.2%
Darwin	700	680	650	2.9%	7.7%
Hobart	310	300	320	3.3%	-3.1%

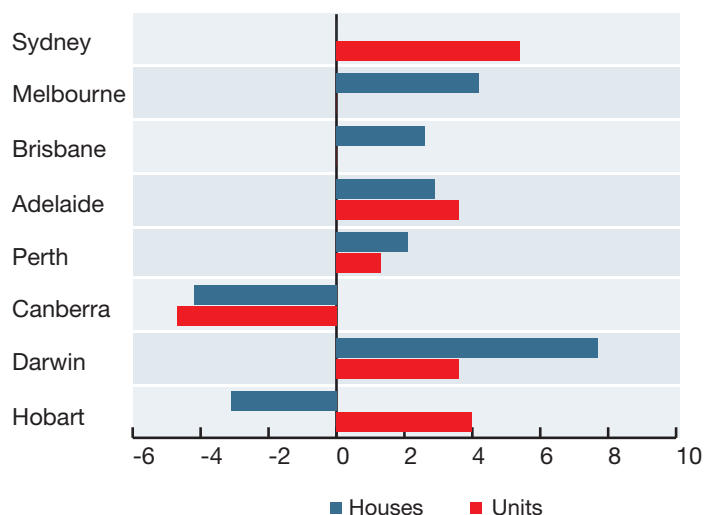
Median weekly asking rents (\$)

Units					
	Dec 13	Sep 13	Dec 12	QoQ % Δ	YoY % Δ
Sydney	485	480	460	1.0%	5.4%
Melbourne	350	360	350	-2.8%	0.0%
Brisbane	375	370	375	1.4%	0.0%
Adelaide	285	280	275	1.8%	3.6%
Perth	400	420	395	-4.8%	1.3%
Canberra	410	400	430	2.5%	-4.7%
Darwin	570	550	550	3.6%	3.6%
Hobart	260	250	250	4.0%	4.0%

Asking median rents (quarter on quarter change)



Asking median rents (year on year change)



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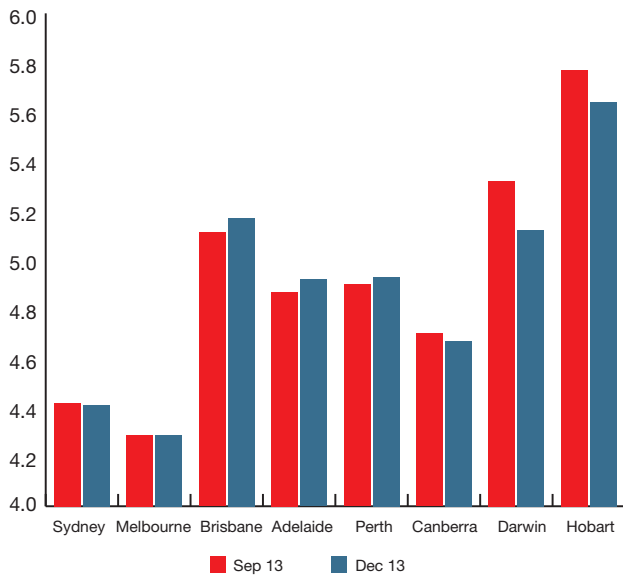
Gross rental yields

Houses					
	Dec 13	Sep 13	Dec 12	QoQ % Δ	YoY % Δ
Sydney	4.41%	4.42%	4.60%	-0.2%	-4.3%
Melbourne	4.29%	4.29%	4.30%	0.0%	-0.3%
Brisbane	5.17%	5.11%	5.18%	1.2%	-0.1%
Adelaide	4.92%	4.87%	4.84%	1.0%	1.5%
Perth	4.93%	4.90%	5.07%	0.6%	-2.7%
Canberra	4.67%	4.70%	5.03%	-0.8%	-7.1%
Darwin	5.12%	5.32%	5.34%	-3.8%	-4.3%
Hobart	5.64%	5.77%	5.17%	-2.3%	9.1%

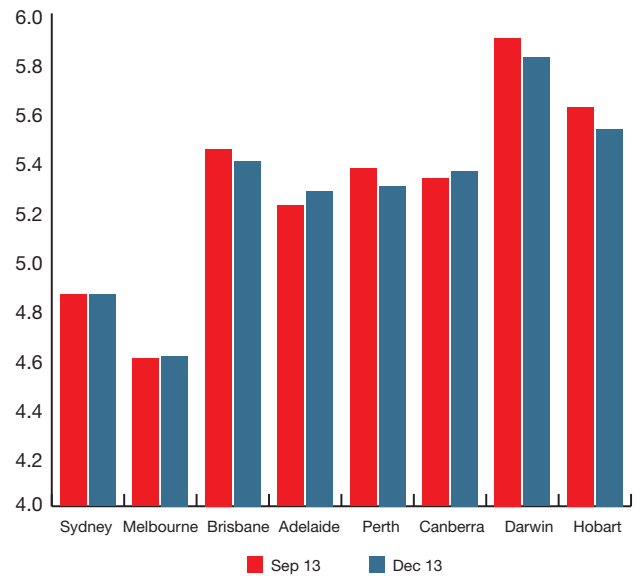
Gross rental yields

Units					
	Dec 13	Sep 13	Dec 12	QoQ % Δ	YoY % Δ
Sydney	4.86%	4.86%	5.10%	0.1%	-4.7%
Melbourne	4.61%	4.60%	4.62%	0.2%	-0.2%
Brisbane	5.40%	5.45%	5.42%	-0.9%	-0.3%
Adelaide	5.28%	5.22%	5.21%	1.2%	1.4%
Perth	5.30%	5.37%	5.70%	-1.3%	-6.9%
Canberra	5.36%	5.33%	5.58%	0.6%	-3.9%
Darwin	5.82%	5.90%	5.72%	-1.4%	1.7%
Hobart	5.53%	5.62%	4.88%	-1.7%	13.4%

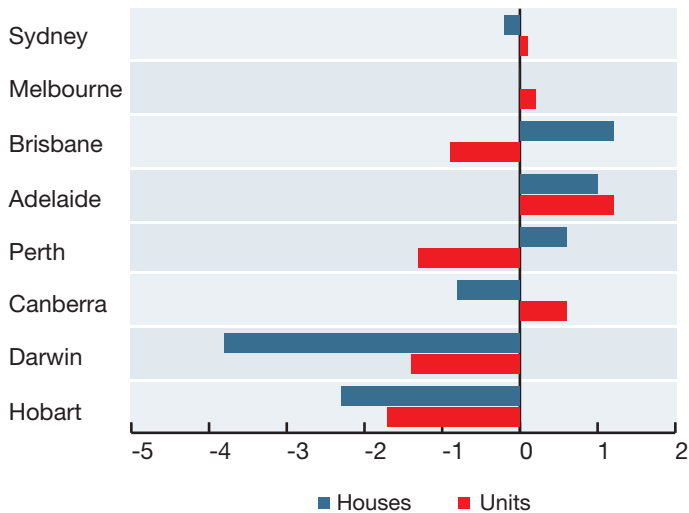
Gross rental yields - houses



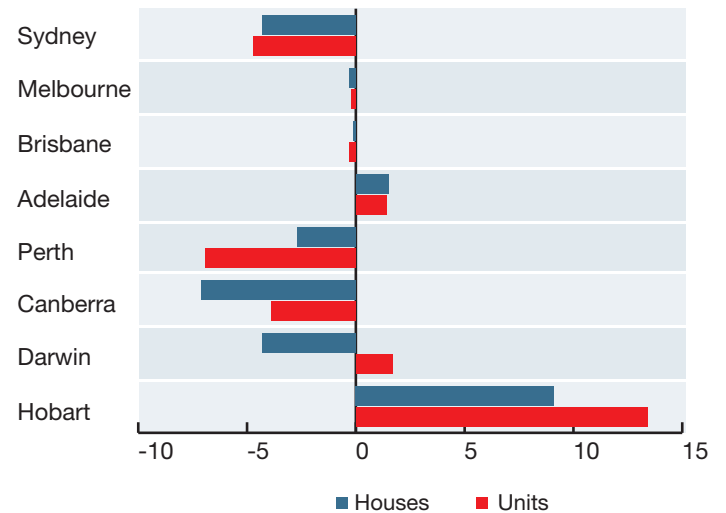
Gross rental yields - units



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

Australia's capital city housing markets again reported mixed results over the December quarter. Overall, national median weekly asking rents for houses increased by +0.9% with unit rents down by -0.4%.

Sydney remains the most expensive major capital for tenants. Over the December quarter, the median weekly asking rent was \$500 and \$485 for houses and units respectively. Recent rental growth trends have consolidated with house rents remaining flat over 2013. Unit rents, however, have continued to rise, increasing by +5.4% over the year. The trend of increasing unit rents over house rents reflects the affordability advantage of units and the preference for inner city and apartment living.

Melbourne's recent trend of rising house rents is also consolidating, with December quarter median asking rents increasing by +1.4%. After a prolonged period of flat or declining growth, Melbourne house rents are on the rise again with an increase of +4.2% recorded over 2013. Melbourne unit rents however continue to weaken - down by -2.8% over the quarter with no growth recorded over the year. Increased supply of new inner city apartments may be a contributing factor to weakening unit rental growth in the city. Despite recent increases in house rents, Melbourne remains relatively affordable for tenants with the second lowest rents of all the mainland capitals.

The Brisbane house rental market continues to tighten with rents rising by +1.3% over the December quarter and unit rents up by +1.4%. House rents have now increased by +2.6% over the year however unit rents have remained flat. Similar to Melbourne, increased new inner city unit development in Brisbane may be constraining rental growth.

Although Adelaide remains the most affordable of all the mainland capitals, rents for both houses and units increased over the December quarter by +2.9% and +1.8% respectively.

Perth's unsustainably strong rental growth recorded over the first half of 2013 has moderated over recent months with house rents flat over the December quarter and unit rents falling sharply by -4.8%.

Hobart and Darwin recorded strong growth in house and unit rents over the December quarter.

Canberra rents for both houses and units however fell sharply over 2013 despite an increase of +2.5% in unit rents over the December quarter.

Recent trends in capital city rental markets can be expected to continue to consolidate through 2014. Increased supply generated by rising investor activity and new apartment building will continue to impact rental growth in Sydney, Melbourne and Brisbane.

Rental yields in Melbourne and Sydney are clearly the lowest of all the capitals for both units and houses.

In Sydney, rental yields for houses continues to weaken sharply as a consequence of strong price rises and an unprecedented surge in investor activity. This trend can be expected to continue in 2014 with rising supply and moderating demand putting downward pressure on house rental growth.

Brisbane continues to provide investors with the highest gross yields for both houses and units of all the major capitals. With prices growth likely to accelerate this year, expect increased house investor activity.

About Australian Property Monitors (APM)

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