



Rental report

March Quarter 2015

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Senior Economist - Domain Group



Key findings

- No relief for tenants with record-high house rents in most state capitals
- High Sydney rents despite record investor activity
- Melbourne rents rising again
- Perth and Darwin rents continue to fall
- Hobart houses and unit rents rise sharply
- Yields stable as prices and rents track each other
- Vacancy rates ease but remain tight overall, indicating ongoing upward pressure on rents

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Commentary



Commenting on the Domain Group Rental Report: **Dr Andrew Wilson, Senior Economist - Domain Group**

Australia's capital city rental markets remain tight despite increased supply from investors and developers.

Overall, the national median weekly asking rents for houses increased by 0.8 percent over the March quarter while unit rents increased by 0.4 percent.

Sydney is still one of the most expensive capital cities for tenants with record investor activity failing to impact housing shortages. Median weekly asking rents, at \$520 per week for houses and \$500 per week for units, remain at the highest level on record for the city.

Melbourne recorded strong growth in both house and unit rents over the March quarter. The median asking rent for houses increased by 2.5 percent to a new record \$390 per week and unit rents increased by 1.4 percent to \$365 per week – also a new record.

Brisbane house and unit rents remained steady at \$400 per week and \$370 per week respectively.

House and unit rents in Adelaide also remained flat over the March quarter with house rents steady over the year and annual unit rents increasing by 1.8 percent.

Although Perth house rents were steady at \$450 per week over the March quarter, annual growth was down by 5.3 percent with the market continuing to weaken as demand falls. Unit rents in Perth fell by 1.3 percent to \$385 per week over the quarter to be down by 3.8 percent over the year.

The Hobart rental market continues to tighten with another sharp rise in asking rents over the March quarter. Hobart house rents increased by 3.1 percent to \$330 per week for a strong annual rise of 6.5 percent. Similarly, Hobart unit rents were up by 3.7 percent over the quarter for a significant increase of 12 percent over the year.

Darwin house and unit rents both fell over the March quarter, reflecting continued softening of demand and increased supply in the local market. The median weekly asking rent for houses fell over the quarter by 1.9 percent to \$650, while units dropped 3.7 percent to \$520.

Canberra house rents remained steady at \$450 per week over the March quarter. Similarly, unit rents were steady over the quarter at \$390 per week.

The residential investment market remains resilient and robust despite record levels of investors. Yields are stable in most capitals as prices and rents continue to track each other. Although house yields have fallen below 4 percent in Sydney, they remain well above term deposit rates providing ongoing demand for this investment class in addition to the attraction of strong capital growth prospects.

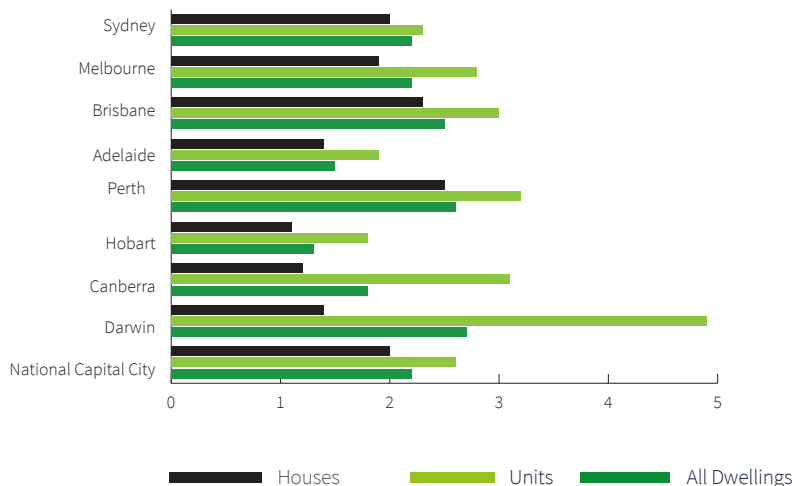
Upward pressure on rents is set to continue through 2015 in most capitals with the exception of Perth and Darwin. The prospect of lower interest rates, relatively high comparative yields and capital growth will continue to fuel residential investor activity, particularly in the Sydney market.

Melbourne, Brisbane, Adelaide, Hobart and Canberra are also likely to record continued growth in house rents over 2015, reflecting tight local rental markets. Unit rents in Brisbane, Canberra and Melbourne, however, are likely to continue to shift sideways due to recent apartment construction in those cities.

Weakening economic activity, particularly from the resource sector, in addition to affordability barriers, are likely to continue to impact the Perth and Darwin rental markets with continued downward pressure on rents predicted in both those cities.

Although debate continues on the introduction of macro-prudential mechanisms and policies to control perceived unsustainable investment lending, residential investment markets clearly remain reasonably balanced and resilient.

Domain Group March 2015 capital city home rental vacancy rate



Vacancy rates in most capitals remain relatively tight despite predictable marginal easing over March as early year seasonal effects diminish. The March national capital city vacancy rate was 2.0 percent for houses and 2.6 percent for units for an overall dwelling vacancy rate of 2.2 percent. All capitals recorded house vacancy rates at or below 2.5 percent, while unit vacancy rates at or above 3.0 per cent were reported in Brisbane, Perth, Darwin and Canberra.

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Median weekly asking rents (\$)

Houses	Mar 15	Dec 14	Mar 14	QoQ % Δ	YoY % Δ
Sydney	520	520	500	0.0%	4.0%
Melbourne	390	381	380	2.5%	2.6%
Brisbane	400	400	400	0.0%	0.0%
Adelaide	350	350	350	0.0%	0.0%
Perth	450	450	475	0.0%	-5.3%
Canberra	450	450	450	0.0%	0.0%
Darwin	650	663	700	-1.9%	-7.1%
Hobart	330	320	310	3.1%	6.5%

Median weekly asking rents (\$)

Units	Mar 15	Dec 14	Mar 14	QoQ % Δ	YoY % Δ
Sydney	500	500	490	0.0%	2.0%
Melbourne	365	360	365	1.4%	0.0%
Brisbane	370	370	370	0.0%	0.0%
Adelaide	290	290	285	0.0%	1.8%
Perth	385	390	400	-1.3%	-3.8%
Canberra	390	390	400	0.0%	-2.5%
Darwin	520	540	560	-3.7%	-7.1%
Hobart	280	270	250	3.7%	12%

Median weekly asking rents (Qtr on Qtr % Δ)



Median weekly asking rents (Yr on Yr % Δ)



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Gross rental yield (\$)

Houses	Mar 15	Dec 14	Mar 14	QoQ % Δ	YoY %Δ
Sydney	3.87%	3.96%	4.22%	-2.2%	-8.2%
Melbourne	4.03%	4.03%	4.10%	-0.2%	-1.9%
Brisbane	5.00%	5.01%	5.00%	-0.2%	-0.1%
Adelaide	4.72%	4.80%	4.84%	-1.7%	-2.5%
Perth	4.56%	4.53%	4.66%	0.6%	-2.2%
Canberra	4.55%	4.53%	4.58%	0.4%	-0.5%
Darwin	5.16%	5.22%	5.18%	-1.1%	-0.4%
Hobart	5.50%	5.34%	5.66%	3.0%	-2.9%

Gross rental yield (\$)

Units	Mar 15	Dec 14	Mar 14	QoQ % Δ	YoY %Δ
Sydney	4.44%	4.44%	4.67%	0.0%	-5.1%
Melbourne	4.63%	4.50%	4.61%	2.8%	0.3%
Brisbane	5.19%	5.10%	5.25%	1.9%	-1.2%
Adelaide	5.28%	5.22%	5.32%	1.3%	-0.7%
Perth	4.96%	4.91%	5.11%	1.1%	-2.9%
Canberra	5.28%	5.18%	5.32%	1.9%	-0.8%
Darwin	5.78%	5.60%	5.73%	3.2%	0.9%
Hobart	5.74%	5.66%	5.42%	1.4%	5.9%

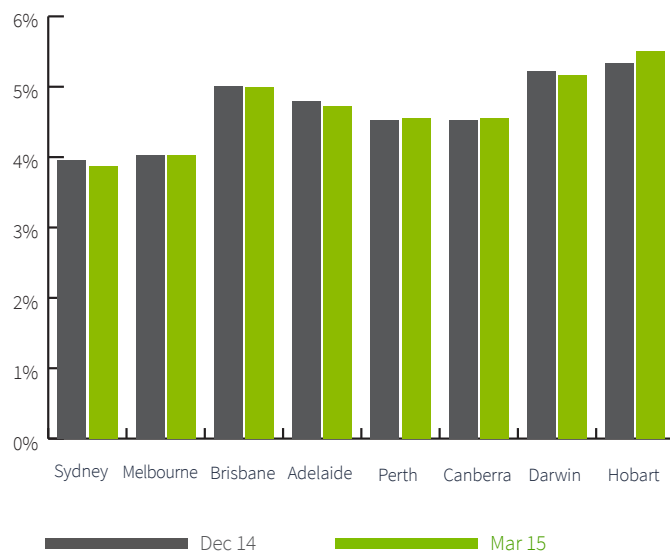
Gross rental yield (Qtr on Qtr % Δ)



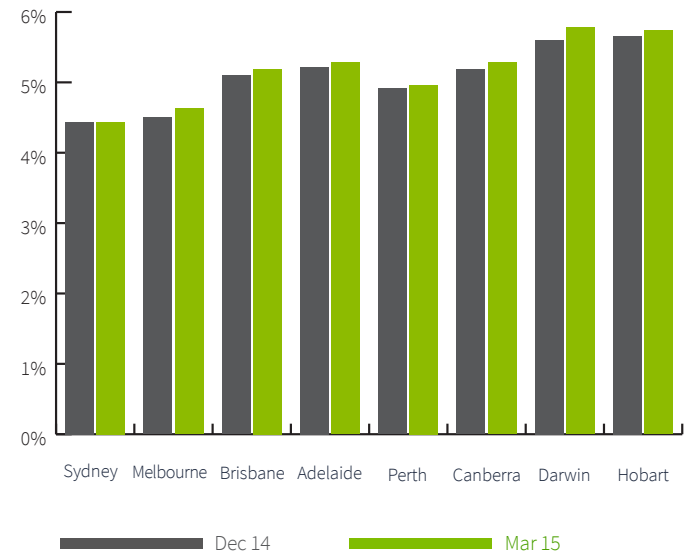
Gross rental yield - (Yr on Yr % Δ)



Gross rental yield - Houses



Gross rental yield - Units



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