



Domain Rental Report

September Quarter 2015

Dr Andrew Wilson
Senior Economist for the Domain Group

Key findings

- No rental relief in sight for most Australian tenants
- Sydney rents rising at fastest rate in four years, unit rents now highest of all capitals
- Record high rents remain for most capitals, but continue to fall in Perth and Darwin
- Sydney has the lowest rental yields and Hobart has the highest rental yields for investors
- Low vacancy rates tightening further in Melbourne and Sydney

For further information please contact:
media@domain.com.au | 1800 817 616

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Domain Group Rental Market Report

Strong competition for rental properties has continued in most capital cities and is keeping rents at record levels, with generally no relief in sight for tenants — according to the September **domain.com.au** Rental Report.

Domain Senior Economist, Dr Andrew Wilson said:



“Capital city rental markets remain a battleground for tenants, with high levels of competition for available properties continuing in most cities. Despite the number of new developments, record high rents are consolidating and already low vacancy rates are tightening. Low numbers of first home buyers, and solid migration towards cities is keeping demand for rental properties generally, well ahead of supply.

“This imbalance is heightened by recent government policies increasing interest rates for investors. The resulting reduction in the rental supply pipeline as indicated by the latest ABS data, will likely result in continued upward pressure on rents for the foreseeable future.”

Tenants who are concerned about rental rises can check and compare the price of other rental properties (including those not currently vacant) on Domain’s Home Price Guide: domain.com.au/property-profile/

Sydney

Unfortunately for tenants, Sydney’s housing rents are rising at the fastest annual rate seen in four years. The harbour city’s median rental cost increased by 1.0 per cent over the September quarter to a new record high of \$530 per week (up 3.9 per cent year-on-year).

Rents for units also increased sharply, jumping 2.0 per cent over the quarter to a new peak of \$510 per week (up 3.0 per cent year-on-year).

Sydney has now overtaken Darwin with the highest capital city unit rents.

“Sydney is the standout capital this quarter with rental prices continuing to rise, despite an increased supply of properties available. Low levels of first home buyers are offsetting investor activity and the record levels of new buildings is having no effect, with demand remaining higher than supply.

“The increased rental rates in Sydney – it’s now the most expensive capital in Australia for unit rental – is a concerning trend for first home buyers. Notwithstanding the deposits required for purchasing property, increased rents means there are more outgoing expenses for first home buyers and therefore more time and saving needed to meet the requirements,” Dr Andrew Wilson said.



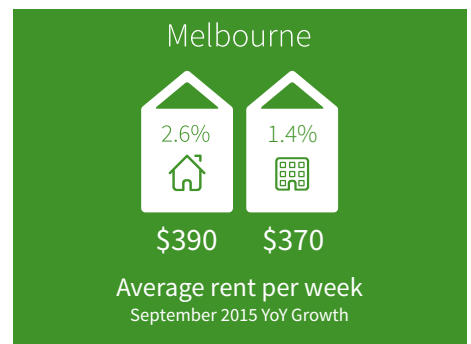


Melbourne

Melbourne median house rents remained at record levels over the September quarter with a median weekly asking rent of \$390 – an increase of 2.6 per cent year-on-year. Melbourne unit rents also remained flat over the quarter sitting at the peak level of \$370 – 1.4 per cent higher than the September quarter 2014.

“With rental prices significantly below that of Sydney, Melbourne is definitely a more tenant friendly city. More recently there has been a bit of relief for tenants, although they’ve still had to find more money than they did at the same time last year.

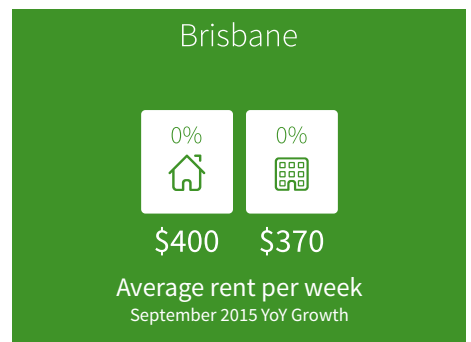
“The flat median rental price result is surprising and goes against the increased supply of property in Melbourne. That said, it’s still a more affordable option than most of the other Australian capital cities,” Dr Andrew Wilson said.



Brisbane

Brisbane house and unit rents were steady over the September quarter, sitting at \$400 per week and \$370 per week respectively. Brisbane house and unit rents have recorded no increase over the past year providing some positive news for local tenants.

“With rents remaining flat across both units and houses in Brisbane, it’s a better news story for tenants. There is no indication that the market will be shifting or moving any time soon, which is reflected in the strong growth of new developments and buildings. There is a healthy balance between supply and demand in the region,” Dr Andrew Wilson said.

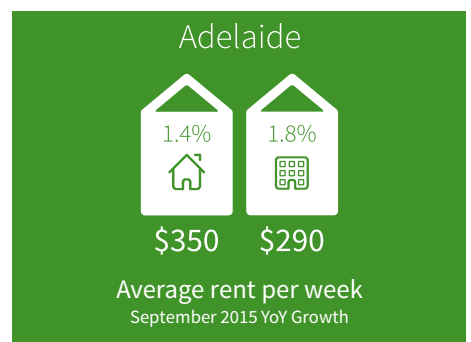


Adelaide

The median rental price for houses in Adelaide has increased 1.4 per cent over the last 12 months, despite remaining relatively flat over the September quarter. While median unit rental prices were also flat over the quarter, the Domain data shows that the weekly asking price has increased 1.8 per cent year-on-year.

“Similar to Melbourne, Adelaide results suggest that it is more of a tenant-friendly city than some of its counterpart capital cities. In fact, Adelaide is the most affordable mainland capital city in terms of rental prices.

“The city has tight vacancy rates and although rates are up slightly over last year, underlying pressure will remain on rental prices in Adelaide,” Dr Andrew Wilson said.





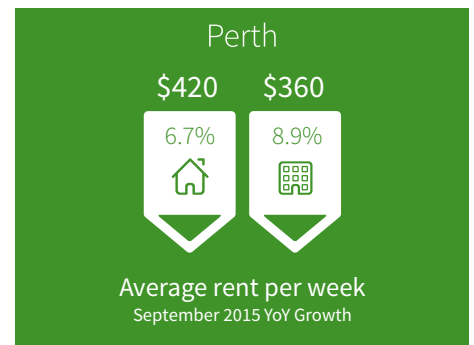
Perth

One of two capital cities to record a decline in rental prices, Perth saw median house rental prices drop to an average of \$420 over the quarter, down 2.3 per cent. The median rental price for units dropped sharply, down 4.0 per cent to \$360.

Both houses and units in Perth have recorded the lowest rents since March 2012, dropping 6.7 per cent and 8.9 per cent, respectively, year-on-year.

“While an unfortunate situation for landlords, it’s a good news story for Perth tenants with rental rates for both units and houses dropping considerably. While a year or two ago, rental rates were rising significantly, following a decline in population growth and fly-in-fly-out workers, vacancy rates are high and climbing.

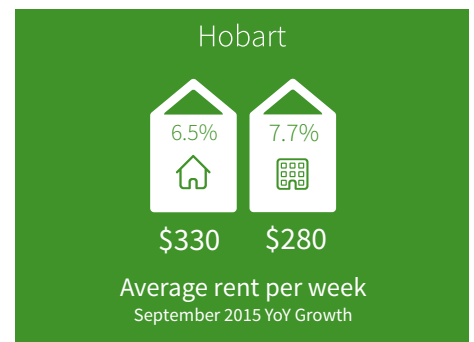
“While tenants will have the upper hand, and a wide selection of properties to chose from, there is no sign of a bottom to the market,” Dr Wilson said.



Hobart

While the median house rent in Hobart remained flat at \$330 per week over the September quarter, the result is still 6.5 per cent higher than this time last year. The median unit rent in Hobart saw an incredible 3.7 per cent increase over the quarter, jumping to \$280 per week. This result highlights the increase of 7.7 per cent over the year.

“With the lowest vacancy rates of all capital cities, Hobart’s rental market is tight. While rents have remained flat over the last quarter, the short term affordability barrier is unlikely to continue. We suspect that rents will resume their growth track, sooner rather than later.”





Darwin

It's good news for Darwin renters, with median house and unit Darwin house and unit rents dropping significantly. The median house rent fell by 1.7 per cent to \$590 per week, while the median unit rent fell by a huge 4.0 per cent to \$480 per week.

Overall, Darwin house and unit rents have fallen dramatically over the past 12 month, dropping by 10.6 per cent and 12.7 per cent respectively. They are now at the lowest levels the city has seen since June 2012. Despite the recent falls, Darwin retains the highest house rents of all the capitals.

Similar to the Perth rental market decreased interstate migration is causing rents to fall in Darwin.

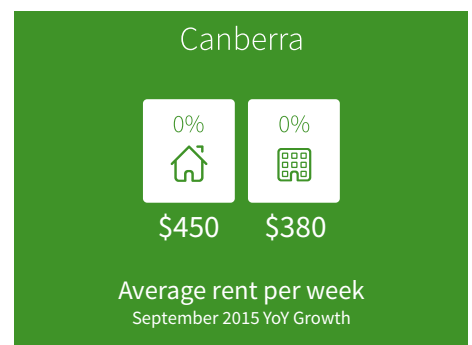
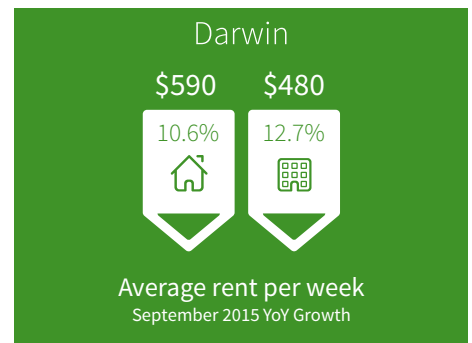
"As we've seen in Perth, there has been a significant decrease in the cost of both house and unit rents. The weakening activity from fly-in-fly-out workers, which previously created high demand, has resulted in higher vacancy rates with no end in sight."

Canberra

The median house rent in Canberra remained steady over the quarter, sitting at \$450 per week. Australia's capital city has seen steady results over the last 12 months, which is good news for local tenants. Median unit rents however fell by 1.3 per cent to \$380 per week over the quarter but were flat over the year.

Dr Andrew Wilson said that despite slight increases to the median unit rental price, Canberra's rental market is positive for tenants or lower rental rates moving forward," Dr Wilson said.

"Canberra's rental market, while relatively expensive compared to other capital cities, has remained steady for the last year, which is good news for local tenants. Despite increase in unit development in Canberra, prices have increased slightly. Give the reduced pressure on the rental market from increased buyer activity, the prices growth is unlikely to be sustained."



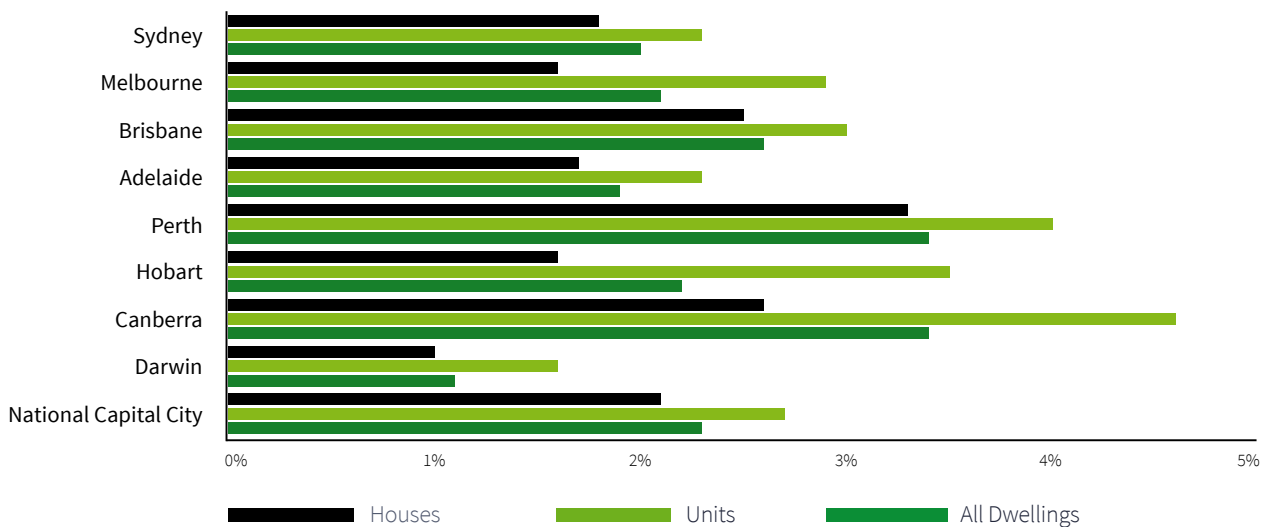
Rental report

Vacancy rates

National rental vacancy rates remained generally steady over the month of September. Houses vacancies remained low in most capitals cities, with unit vacancies higher on average according to Domain's records.

The national capital city vacancy rate for houses remained at 2.1 per cent, while units tightened from 2.8 per cent to 2.7 per cent. The overall dwelling vacancies remaining at 2.3 per cent.

Unit vacancy rates in Sydney fell to 2.3 per cent with Melbourne house vacancy rates dropping to just 1.6 per cent. Vacancy rates in Perth and Darwin continued to ease, with the cities both recording the highest dwelling vacancy rates of all cities, 3.4 per cent.



Rental Yields

The gross rental yields for investors tightened over the September quarter, with the outcomes reflecting a disparity of local market changes to rents and prices.

Despite rental increases, the house yields in Sydney fell again over the quarter, remaining the lowest of all the capitals at 3.65 per cent. Hobart is providing savvy investors with the highest gross yields of all capital cities, averaging 5.36 per cent for houses and 5.54 per cent for units.

Relatively high yields will continue to attract residential investors.

“With current term deposit rates at historically low levels of just over 2.0 per cent and rental yields in most capital cities remaining relatively high, we’ll continue to see high levels of investors across the nation,” Dr Andrew Wilson said.

Rental report

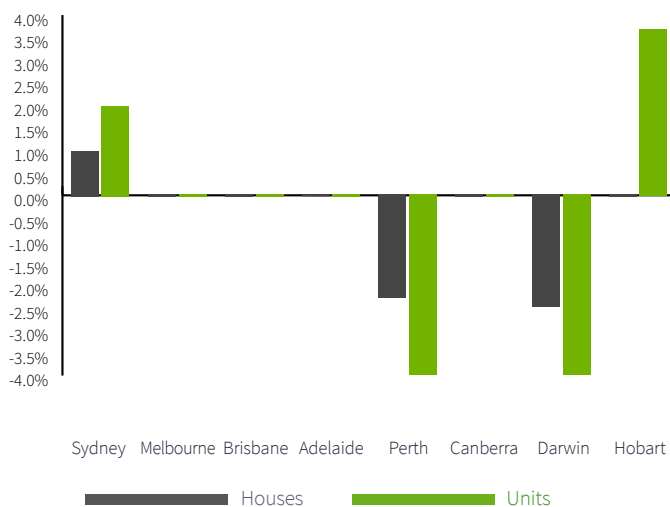
Median weekly asking rents (\$)

| m Houses | Sep 15 | Jun 15 | Sep 14 | QoQ % Δ | YoY % Δ |
|-----------------|--------|--------|--------|---------|---------|
| Sydney | \$530 | \$525 | \$510 | 1.0% | 3.9% |
| Melbourne | \$390 | \$390 | \$380 | 0.0% | 2.6% |
| Brisbane | \$400 | \$400 | \$400 | 0.0% | 0.0% |
| Adelaide | \$350 | \$350 | \$345 | 0.0% | 1.4% |
| Perth | \$420 | \$430 | \$450 | -2.3% | -6.7% |
| Canberra | \$450 | \$450 | \$450 | 0.0% | 0.0% |
| Darwin | \$590 | \$600 | \$660 | -1.7% | -10.6% |
| Hobart | \$330 | \$330 | \$310 | 0.0% | 6.5% |

Median weekly asking rents (\$)

| m Units | Sep 15 | Jun 15 | Sep 14 | QoQ % Δ | YoY % Δ |
|----------------|--------|--------|--------|---------|---------|
| Sydney | \$510 | \$500 | \$495 | 2.0% | 3.0% |
| Melbourne | \$370 | \$370 | \$365 | 0.0% | 1.4% |
| Brisbane | \$370 | \$370 | \$370 | 0.0% | 0.0% |
| Adelaide | \$290 | \$290 | \$285 | 0.0% | 1.8% |
| Perth | \$360 | \$375 | \$395 | -4.0% | -8.9% |
| Canberra | \$380 | \$385 | \$380 | -1.3% | 0.0% |
| Darwin | \$480 | \$500 | \$550 | -4.0% | -12.7% |
| Hobart | \$280 | \$270 | \$260 | 3.7% | 7.7% |

Median weekly asking rents (Qtr on Qtr % Δ)



Median weekly asking rents (Yr on Yr % Δ)



Rental report

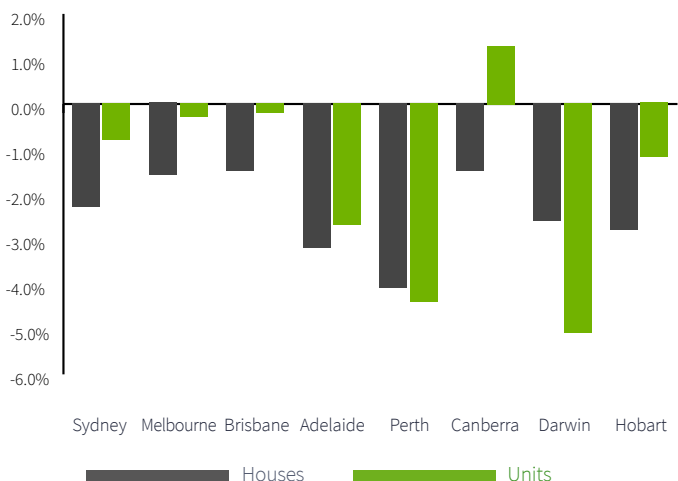
Gross rental yield (%)

| Houses | Sep 15 | Jun 15 | Sep 14 | QoQ % Δ | YoY %Δ |
|-----------|--------|--------|--------|---------|--------|
| Sydney | 3.65% | 3.73% | 4.01% | -2.3% | -9.0% |
| Melbourne | 3.96% | 4.02% | 4.07% | -1.6% | -2.6% |
| Brisbane | 4.93% | 5.01% | 4.99% | -1.5% | -1.1% |
| Adelaide | 4.61% | 4.76% | 4.80% | -3.2% | -3.8% |
| Perth | 4.27% | 4.45% | 4.49% | -4.1% | -4.9% |
| Canberra | 4.45% | 4.52% | 4.34% | -1.5% | 2.6% |
| Darwin | 4.93% | 5.06% | 5.23% | -2.6% | -5.8% |
| Hobart | 5.36% | 5.51% | 5.50% | -2.8% | -2.7% |

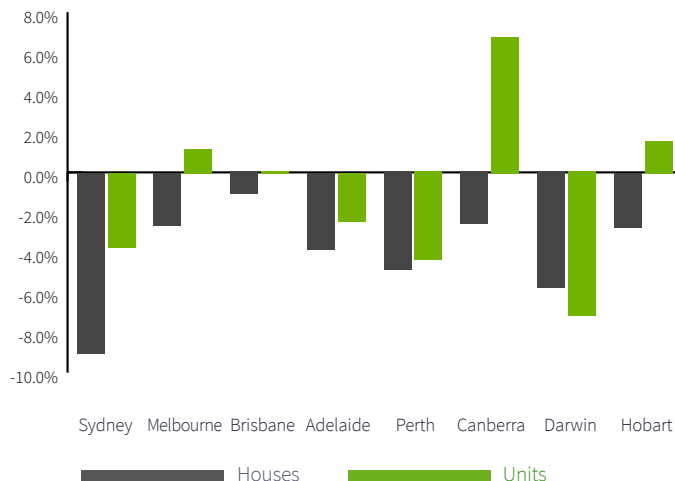
Gross rental yield (%)

| Units | Sep 15 | Jun 15 | Sep 14 | QoQ % Δ | YoY %Δ |
|-----------|--------|--------|--------|---------|--------|
| Sydney | 4.28% | 4.32% | 4.45% | -0.8% | -3.7% |
| Melbourne | 4.53% | 4.55% | 4.48% | -0.5% | 1.2% |
| Brisbane | 5.07% | 5.09% | 5.07% | -0.3% | 0.0% |
| Adelaide | 5.12% | 5.26% | 5.24% | -2.7% | -2.4% |
| Perth | 4.59% | 4.81% | 4.81% | -4.4% | -4.4% |
| Canberra | 5.40% | 5.33% | 5.06% | 1.3% | 6.8% |
| Darwin | 5.30% | 5.59% | 5.72% | -5.1% | -7.2% |
| Hobart | 5.54% | 5.61% | 5.45% | -1.2% | 1.6% |

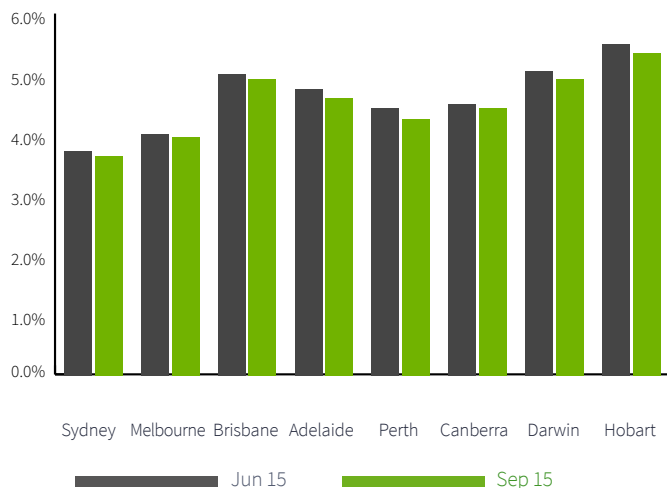
Gross rental yield (Qtr on Qtr % Δ)



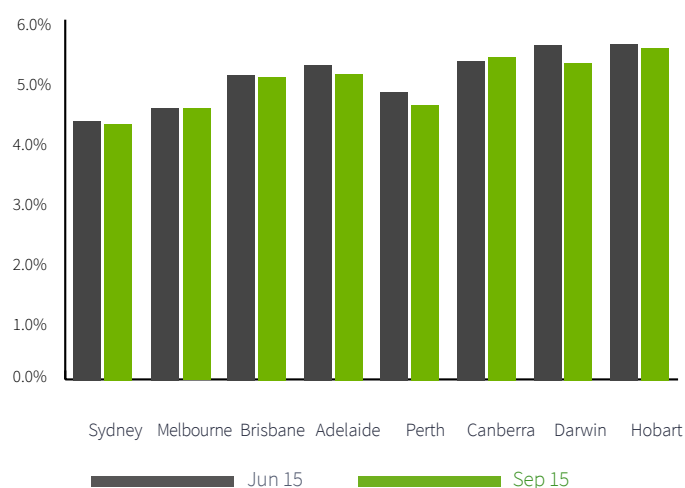
Gross rental yield - (Yr on Yr % Δ)



Gross rental yield - Houses



Gross rental yield - Units



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