



Rental report

December Quarter 2014

Dr Andrew Wilson
Senior Economist for the Domain Group



Key findings

- Rents remain at or near record levels in most capitals
- Sydney rents surge to peak levels despite record investors and new apartments
- Adelaide and Hobart rents increasing
- Yields consolidating and rising
- Vacancy rates for houses remain tight with unit vacancies higher

For further information please contact:

Data: research@apm.com.au | 1800 817 616

Media: media@domain.com.au

Commentary



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

Increased dwelling construction and record activity by investors has failed to provide relief for tenants, with rents in most capitals remaining at or near record levels. Overall, national median weekly asking rents for houses increased by 0.6 per cent while unit rents increased by 0.1 per cent over the quarter.

Sydney rents continue to rise despite record activity from investors over the past year and remain the highest of all the state capitals. The median asking rent for houses increased to a new peak of \$520 per week for an overall increase of 4 per cent in 2014. Despite a surge in the supply of new apartments, Sydney unit rents increased over the quarter, regaining the previous high of \$500 a week.

Melbourne house rents remained steady at \$380 per week over the quarter, however, unit rents fell from \$365 to \$360 per week. Melbourne house rents were steady over 2014 while unit rents rose by 2.9 per cent.

In Brisbane, house rents were flat over 2014 at \$400 per week. Meanwhile, unit rents fell by 1.3 per cent over the year to \$370 indicating the impact of significant levels of new inner-city apartments.

Reflecting the general revival in housing market activity over the past year, house rents in Adelaide increased to a record high of \$350 per week over the December quarter. Unit rents increased to \$290 a week – also a new peak level.

Perth house rents consolidated over the December quarter remaining steady at \$450 per week. Unit rents, however, fell from \$395 to \$390 per week. Following unsustainable growth in early 2014, Perth rents have predictably adjusted downwards over the past year, reflecting a decline in local economic activity. Perth house rents fell by 6.3 per cent over 2014 with unit rents down by 2.5 per cent.

Hobart remains the most affordable of all the capitals although increased housing market activity and an improving local economy has translated into rising rents. Hobart house rents increased from \$310 to \$320 a week and unit rents rose to \$270 a week – a new record level. Hobart house rents increased by 3.2 per cent over 2014, with unit rents up by 3.8 per cent.

Darwin house and unit weekly rents were steady over the December quarter at \$660 and \$550 respectively. Reflecting declining local housing market activity generally, house rents fell by 5.7 per cent over 2014 with unit rents down by 3.5 per cent.

Canberra house rents were steady at \$450 per week over the quarter with unit rents increasing from \$380 to \$390 a week. Both house and unit rents however remain well below previous peak levels with house rents down 2.2 per cent over 2014 and unit rents falling by 4.9 per cent.

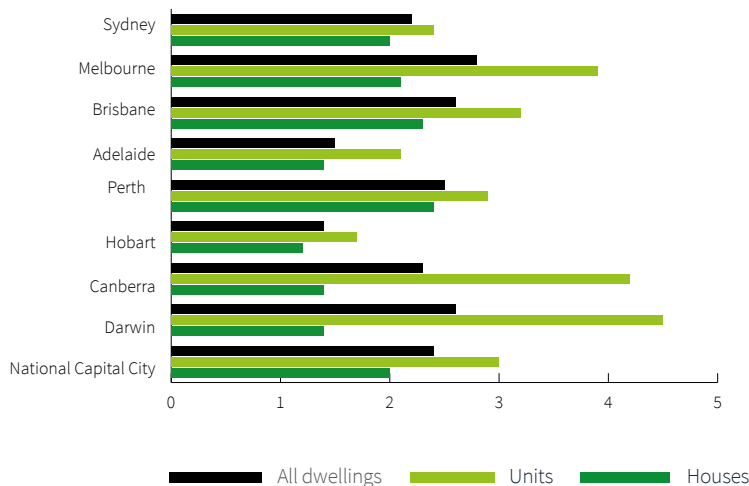
The investment market remains resilient, with gross yields consolidating or rising in most capitals for both houses and units over the quarter. Although house and unit yields in both Sydney and Melbourne remain the lowest of all the capitals, the December quarter results were positive for these markets. Flattening price growth and rising rents are putting a floor under gross yields which had been declining due to recent strong prices growth.

Upward pressure on rents is set to continue through 2015, particularly in the robust Sydney market where underlying demand continues to outstrip supply. Increased supply of new units in Brisbane and Melbourne will, however, continue to provide more choice for tenants with lower rental growth a prospect.

Generally high and rising rents, tight vacancy rates and consolidated gross yields are offsetting recent concerns regarding possible over-investment in residential property – particularly in the Sydney market.

With residential investment markets remaining reasonably balanced and prices growth set to continue to moderate in 2015, the prospect of the introduction of market constraining macro-prudential controls on investment lending is clearly diminishing.

Domain Group December 2014 capital city home rental vacancy rate



Rental demand continues to outstrip supply, with vacancy rates in most capitals remaining tight. December's national capital city vacancy rate was 2 per cent for houses and 3 per cent for units for an overall dwelling vacancy rate of 2.4 per cent. All capitals recorded house vacancy rates below 2.5 per cent, while unit vacancy rates remained above 3 per cent in Melbourne, Brisbane, Darwin and Canberra, reflecting recent high levels of unit construction providing more choice for tenants.

Rental report

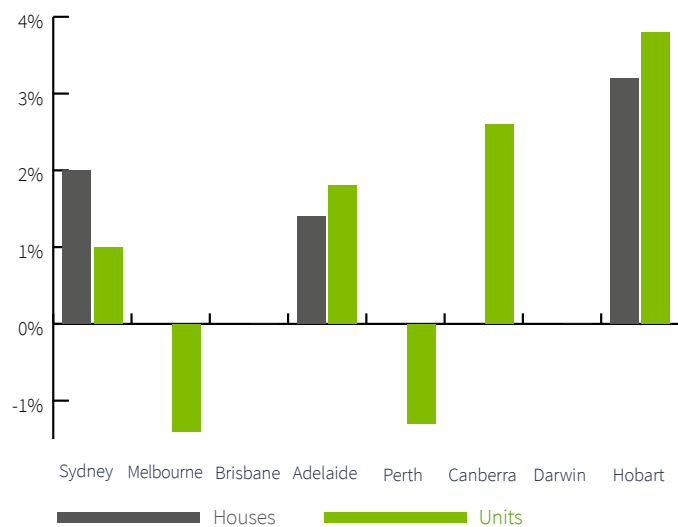
Median weekly asking rents (\$)

Houses	Dec 14	Sep 14	Dec 13	QoQ % Δ	YoY % Δ
Sydney	520	510	500	2.0%	4.0%
Melbourne	380	380	380	0.0%	0.0%
Brisbane	400	400	400	0.0%	0.0%
Adelaide	350	345	350	1.4%	0.0%
Perth	450	450	480	0.0%	-6.3%
Canberra	450	450	460	0.0%	-2.2%
Darwin	660	660	700	0.0%	-5.7%
Hobart	320	310	310	3.2%	3.2%

Median weekly asking rents (\$)

Units	Dec 14	Sep 14	Dec 13	QoQ % Δ	YoY % Δ
Sydney	500	495	490	1.0%	2.0%
Melbourne	360	365	350	-1.4%	2.9%
Brisbane	370	370	375	0.0%	-1.3%
Adelaide	290	285	285	1.8%	1.8%
Perth	390	395	400	-1.3%	-2.5%
Canberra	390	380	410	2.6%	-4.9%
Darwin	550	550	570	0.0%	-3.5%
Hobart	270	260	260	3.8%	3.8%

Median weekly asking rents (Qtr on Qtr % Δ)



Median weekly asking rents (Yr on Yr % Δ)



Rental report

Gross rental yield (\$)

Houses	Dec 14	Sep 14	Dec 13	QoQ % Δ	YoY %Δ
Sydney	4.00%	4.03%	4.27%	-0.8%	-6.4%
Melbourne	4.08%	4.07%	4.17%	0.4%	-2.1%
Brisbane	5.02%	5.00%	5.04%	0.3%	-0.5%
Adelaide	4.81%	4.79%	4.85%	0.4%	-0.9%
Perth	4.57%	4.53%	4.78%	1.0%	-4.4%
Canberra	4.55%	4.35%	4.65%	4.5%	-2.3%
Darwin	5.21%	5.23%	5.19%	-0.4%	0.4%
Hobart	5.44%	5.51%	5.50%	-1.2%	-1.1%

Gross rental yield (\$)

Units	Dec 14	Sep 14	Dec 13	QoQ % Δ	YoY %Δ
Sydney	4.48%	4.46%	4.71%	0.3%	-5.0%
Melbourne	4.60%	4.49%	4.50%	2.3%	2.1%
Brisbane	5.14%	5.12%	5.28%	0.5%	-2.7%
Adelaide	5.27%	5.29%	5.27%	-0.3%	0.0%
Perth	4.92%	4.82%	5.17%	2.1%	-4.9%
Canberra	5.28%	5.09%	5.34%	3.9%	-1.1%
Darwin	5.68%	5.78%	5.72%	-1.7%	-0.6%
Hobart	5.65%	5.45%	5.57%	3.8%	1.6%

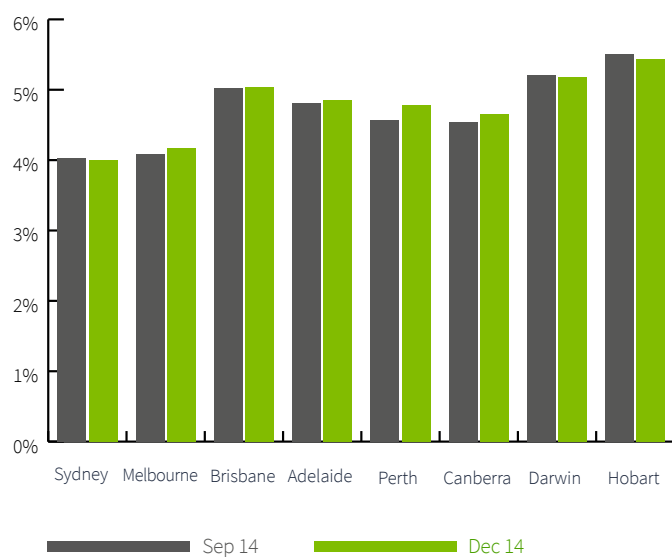
Gross rental yield (Qtr on Qtr % Δ)



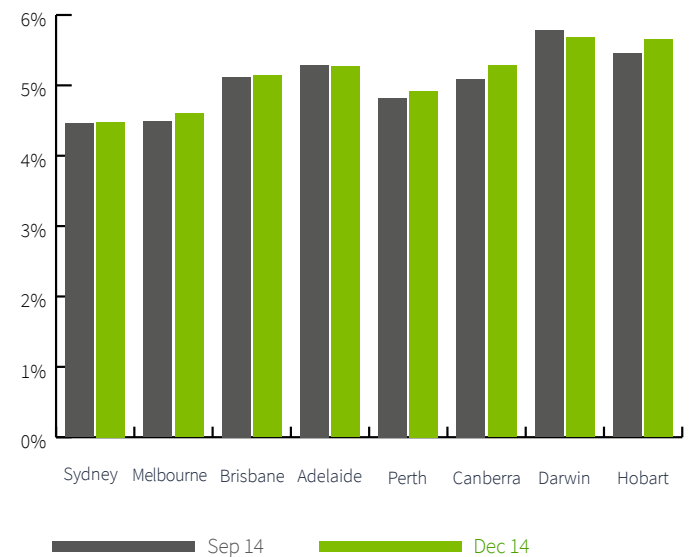
Gross rental yield - (Yr on Yr % Δ)



Gross rental yield - Houses



Gross rental yield - Units



About Domain Group

Domain Group, a Fairfax Media real estate business, is a leading supplier of multi-platform property marketing and search solutions. We deliver property information, CRM technology, research and data solutions nationally to property seekers and sellers, real estate agencies, developers, government organisations and financial markets.

Domain Group's data and property research division, comprising APM and PriceFinder products, has been helping consumers and organisations make informed decisions about property since 1989. We collate commercial, rural and residential property activity from a large variety of sources including auctions, government and semi-government agencies, real estate advertising and agent businesses, plus researchers. This vast pool of government and propriety information ensures our databases and products contain the latest and most detailed property and Real Estate market information available.

For more on Domain Group data and research go to www.domain.com.au/groupdata

Copyright Domain Group and Australian Property Monitors 2015. Any reproduction of, or reference to, any part of this report must attribute Australian Property Monitors as the source. The Domain Group House Price and Market series is subject to revision as a result of time lags with the reporting and collection of sales transaction data.

Copyright and Disclaimer

Source: Australian Property Monitors 1 800 817 616. Copyright APM Pty Limited.

APM Disclaimer

Published and compiled by Australian Property Monitors ACN 061438006.
Level 5, 1 Darling Island Road Pyrmont NSW 2009.

In compiling this publication, the Publisher relies upon information supplied by a number of external sources. The publication is supplied on the basis that while the Publisher believes all the information in it will be correct at the time of publication, it does not warrant its accuracy or completeness and to the full extent allowed by law excludes liability in contract, tort or otherwise, for any loss or damage sustained by subscribers, or by any other person or body corporate arising from or in connection with the supply or use of the whole or any part of the information in this publication through any cause whatsoever and limits any liability it may have to the amount paid to the Publisher for the supply of such information.

New South Wales Land and Property Information

Contains property sales information provided under licence from the Department of Finance and Services, Land and Property Information.

State of Victoria

The State of Victoria owns the copyright in the Property Sales Data and reproduction of that data in any way without the consent of the State of Victoria will constitute a breach of the Copyright Act 1968 (Cth). The State of Victoria does not warrant the accuracy or completeness of the Property Sales Data and any person using or relying upon such information does so on the basis that the State of Victoria accepts no responsibility or liability whatsoever for any errors, faults, defects or omissions in the information supplied.

State of Queensland

© State of Queensland (Department of Natural Resources and Mines).

In consideration of the State permitting use of this data you acknowledge and agree that the State gives no warranty in relation to the data (including accuracy, reliability, completeness, currency or suitability) and accepts no liability (including without limitation, liability in negligence) for any loss, damage or costs (including consequential damage) relating to any use of the data. Data must not be used for direct marketing or be used in breach of the privacy laws.

Government of the State of South Australia

Warning

The information contained in this dataset is extracted from records of land status and cadastral boundary definition held by the Government of South Australia (the 'State'). The information is not represented to be accurate, current, complete, or suitable for any purpose, at the time of its supply by the State, and may have changed since the date of supply by the State. The software by which the information is provided is not represented to be error free. No responsibility is accepted by the State for any reliance placed by any person upon the information, or the software by which it is provided. Persons acquiring or using the information and its associated software must exercise their independent judgement in doing so.

Copyright

Copyright in the information remains with the Crown in right of the State of South Australia. The information is reproduced under licence from the Crown.

Privacy

The information contained in this dataset must not be used for the purposes of compiling contact lists, whether personalised or not.

Crown in Right of Tasmania

This product incorporates data that is copyright owned by the Crown in Right of Tasmania. The data has been used in the product with the permission of the Crown in Right of Tasmania. The Crown in Right of Tasmania and its employee and agents:

- a.** give no warranty regarding the data's accuracy, completeness, currency, or suitability for any particular purpose
- b.** do not accept liability howsoever arising including but not limited to negligence for any loss resulting from the use of or reliance upon the data.

Australian Capital Territory

The Territory Data is the property of the Australian Capital Territory. No part of it may in any form or by any means (electronic, microcopying, photocopying, recording or otherwise) be reproduced, stored in a retrieval system or transmitted without prior permission. Enquiries should be directed to: The Executive Director, ACT Planning and Land Management, GPO Box 1908, Canberra, ACT 2601.

Northern Territory

Copyright in the underlying data for the Northern Territory is owned by the Northern Territory of Australia represented by the Department of Infrastructure, Planning and Environment for which no responsibility is accepted.

Western Australian Land Information Authority (Landgate)

Western Australian Land Information Authority (2015) trading as Landgate. Based on information provided by and with the permission of the Western Australian Land Information Authority (2015) trading as Landgate.