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### Rental growth in Australia- the performers and the laggards

Across most of Australia, rental growth for houses has been sluggish over the past year but in stating this, there too have been some decent performers as RP Data research analyst Cameron Kusher points in the weekly Property Pulse out today.

Here, Mr Kusher highlights the best and worst suburbs for rental rate gains over the year to June 2010 with Sydney leading the charge, having the greatest number of strongest performing suburbs; 28 or the 40 suburbs analysed for the analysis are located in Sydney. In contrast, across the country the worst performer over the period was in the exclusive Perth suburb of Applecross.

In the rpdata.com June 2010 Quarterly Rental Review, Mr Kusher reported that around the country's capital cities, combined rents across house and units markets increased by 2.9 per cent over the year. By comparison, house rents at this time increased by a total of 40.0 per cent over the last five years and unit rents increased by 45.8 per cent. Across the capital cities, Adelaide house rents increased by as much as 6.7 per cent over the last year and have been flat in Sydney, Melbourne and Perth.

Mr Kusher said, "Rental markets have been recording lower levels of growth due largely to a drop-off in first home buyer demand which was very strong during 2009 and where we had the lowest interest rates in almost 50 years coupled with the First Home Owner's Grant Boost. Combined, these two factors dramatically improved affordability. As a result, a record number of first-time buyers who jumped from the rental-set became active during 2009. This in-turn eased upwards pressure on rental rates."

"Despite a sluggish performance in rental growth across the nation over the past year, there are areas that emerged as the standout performers," Mr Kusher said.

The results for the 40 strongest performing suburbs are varied however; Sydney was the standout performer with 28 of the 40 best performing suburbs. The suburbs detailed mostly fall into two broad categories: premium markets with prices in excess of the capital city median price or outer more affordable suburbs which are located close to working nodes which results in strong rental demand.

**Best Performer:** Sydney's exclusive waterfront suburb of Vaucluse, recorded the largest increases in rental rates (+35.4% across 64 listings) over the year to June. The median rent in Vaucluse is currently sitting at \$1,625/week. This rental market largely receives its demand from premium and executive rentals.

**Worst Performer:** Over the 12 months to June 2010, the Perth suburb of Applecross recorded the greatest fall in median weekly advertised rent of -38.3 per cent across 54 listings. Applecross is one of Perth's most prestigious suburbs, located adjacent to the Swan River and has seen rents fall from \$810/week to \$500/week with a greater number of rental houses advertised over the last 12 months than during the previous 12 months.

Interestingly, of the capital city suburbs which have recorded the greatest fall in median weekly rents over the last year, 20 of the 40 suburbs detailed have a current median house price in excess of \$1 million. The remaining 20 suburbs are characterised as mostly having median prices in excess of the capital city median price.

Mr Kusher said, "These results are not surprising with the list of best and worst performers each seeing a significant number of premium markets within.

"The results may suggest that those looking for premium rentals are becoming more discerning and willing to pay more to be in a location which they perceive as being more desirable.

"Rental yields in most premium markets continue to be very low which may become a motivating factor for investors given the prospect of achieving capital gains and tax deductions, rather than rental income."

"Nationally, the rental market has experienced relatively limited growth in rates during the last 12 months and at a time when property values have been ramping up.

"With property value growth now slowing and fewer active buyers in the market, we are anticipating that rents will start to increase across the capital city markets as more people opt to rent. Coupled with this, the construction of new dwellings remains at low levels resulting in a lower level of additional rental accommodation becoming available," Mr Kusher said.

**Note:**

Over the 4 weeks to August 29, rpdata.com has been tracking a total of approximately 84,600 rental listings nationally with rental advertisements trending lower over the last month and a half. With rental vacancy rates remaining tight and supply of new rental stock limited thanks to the insufficient supply of new stock, rpdata.com is expecting that over the coming months vacancy rates will tighten further and upwards pressure on rental rates will return.

Based on this, Mr Kusher advised that it is also important to consider that although both sides of politics have said they will cut immigration, the proposed levels are still above the long-term average level and few new migrants buy homes straight away. This also results in additional competition for available rental stock.

In providing the rental growth analysis today Mr Kusher confirmed that the results detailed are for well-established rental markets only. These particular results have been published for those suburbs which have had at least 30 rental advertisements both this year and the previous year (median rents can be quite volatile in markets where volumes are low or there is a lot of new rental stock being introduced).

### Capital city suburbs with greatest growth in median house rents – yr to June 2010

Suburb	Cap City	LGA	Median price	Rent Ads 09	Median rent 09	Rent Ads 10	Median rent 10	% Change
Vaucluse	Sydney	Woollahra	\$3,137,500	54	\$1,200	64	\$1,625	35.4%
Seaforth	Sydney	Manly	\$1,163,750	106	\$850	83	\$1,100	29.4%
Naremburn	Sydney	Willoughby	\$1,015,000	56	\$648	34	\$838	29.3%
Dutton Park	Brisbane	Brisbane	\$608,500	32	\$350	35	\$450	28.6%
Shorncliffe	Brisbane	Brisbane	\$640,000	36	\$345	36	\$420	21.7%
Avoca Beach	Sydney	Gosford	\$520,000	32	\$330	42	\$400	21.2%
Kensington	Sydney	Randwick	\$1,158,000	67	\$620	57	\$750	21.0%
Leura	Sydney	Blue Mountains	\$372,500	30	\$293	52	\$350	19.7%
Carine	Perth	Stirling	\$721,250	41	\$490	44	\$585	19.4%
Killarney Heights	Sydney	Warringah	\$870,000	40	\$738	39	\$880	19.3%
Belgrave	Melbourne	Yarra Ranges	\$336,600	35	\$295	34	\$350	18.6%
Camden	Sydney	Camden	\$355,500	41	\$325	59	\$385	18.5%
Kings Langley	Sydney	Blacktown	\$460,000	45	\$380	91	\$450	18.4%
Noranda	Perth	Bayswater	\$500,000	36	\$380	32	\$450	18.4%
Green Point	Sydney	Gosford	\$420,000	32	\$355	55	\$420	18.3%
Woy Woy	Sydney	Gosford	\$315,000	84	\$290	96	\$340	17.2%
Cambridge Park	Sydney	Penrith	\$293,000	48	\$290	73	\$340	17.2%
Booragoon	Perth	Melville	\$760,000	53	\$460	52	\$538	16.8%
Summer Hill	Sydney	Ashfield	\$721,000	51	\$420	57	\$490	16.7%
Lakemba	Sydney	Canterbury	\$410,000	46	\$300	70	\$350	16.7%
Pictou	Sydney	Wollondilly	\$365,000	32	\$300	31	\$350	16.7%
Greenacres	Adelaide	Port Adelaide Enfield	\$350,000	50	\$280	42	\$325	16.1%
Glengowrie	Adelaide	Marion	\$489,500	42	\$328	46	\$380	16.0%
Balgowlah Heights	Sydney	Manly	\$1,500,000	45	\$1,100	45	\$1,275	15.9%
North Curl Curl	Sydney	Warringah	\$1,180,000	47	\$760	44	\$880	15.8%
Carlton	Sydney	Kogarah	\$592,000	47	\$450	50	\$520	15.6%
Hampton	Melbourne	Bayside	\$1,005,000	208	\$650	144	\$750	15.4%
Belleve Hill	Sydney	Woollahra	\$3,122,500	67	\$1,300	55	\$1,500	15.4%
Manning Park	Sydney	Wyong	\$240,000	44	\$260	49	\$300	15.4%
Greenwich	Sydney	Lane Cove	\$1,340,750	41	\$695	37	\$800	15.1%
Concord West	Sydney	Canada Bay	\$816,500	36	\$505	37	\$580	14.9%
Putney	Sydney	Ryde	\$935,000	40	\$550	36	\$630	14.5%
The Entrance	Sydney	Wyong	\$322,500	67	\$260	74	\$298	14.4%
Chester Hill	Sydney	Bankstown	\$379,000	44	\$350	65	\$400	14.3%
Yagoona	Sydney	Bankstown	\$386,500	67	\$350	83	\$400	14.3%
West Beach	Adelaide	Charles Sturt	\$515,000	35	\$350	43	\$400	14.3%
St Marys	Sydney	Penrith	\$270,000	73	\$280	114	\$320	14.3%
South Hobart	Hobart	Hobart	\$360,000	51	\$315	57	\$360	14.3%
Hope Valley	Adelaide	Tea Tree Gully	\$315,000	39	\$285	37	\$325	14.0%
Hinchinbrook	Sydney	Liverpool	\$376,500	31	\$360	49	\$410	13.9%

Source: rpdata.com

### Capital city suburbs with greatest fall in median house rents – yr to June 2010

Suburb	Cap City	LGA	Median price	Rent Ads 09	Median rent 09	Rent Ads 10	Median rent 10	% Change
Applecross	Perth	Melville	\$1,800,000	45	\$810	54	\$500	-38.3%
Bronte	Sydney	Waverley	\$2,170,000	74	\$1,250	55	\$900	-28.0%
Bondi Beach	Sydney	Waverley	\$1,350,000	81	\$795	70	\$600	-24.5%
Attadale	Perth	Melville	\$1,215,000	41	\$623	49	\$500	-19.7%
Hunters Hill	Sydney	Hunters Hill	\$1,385,000	77	\$800	66	\$650	-18.8%
Nedlands	Perth	Nedlands	\$1,500,000	111	\$750	108	\$630	-16.0%
Rose Bay	Sydney	Woollahra	\$1,627,500	76	\$950	52	\$800	-15.8%
Randwick	Sydney	Randwick	\$1,157,500	164	\$730	186	\$615	-15.8%
Floreat	Perth	Cambridge	\$1,105,000	73	\$640	82	\$550	-14.1%
Ormond	Melbourne	Glen Eira	\$750,000	51	\$545	62	\$470	-13.8%
Bulimba	Brisbane	Brisbane	\$796,500	102	\$600	128	\$520	-13.3%
Queens Park	Sydney	Waverley	\$1,310,000	34	\$1,125	35	\$980	-12.9%
Mona Vale	Sydney	Pittwater	\$854,500	75	\$780	81	\$680	-12.8%
Mount Claremont	Perth	Nedlands	\$1,300,000	41	\$850	39	\$750	-11.8%
Freshwater	Sydney	Warringah	\$1,160,000	55	\$788	69	\$700	-11.1%
City Beach	Perth	Cambridge	\$1,650,000	84	\$898	59	\$800	-10.9%
Sandringham	Melbourne	Bayside	\$985,000	121	\$840	117	\$750	-10.7%
Dalkeith	Perth	Nedlands	\$2,375,000	49	\$950	64	\$850	-10.5%
Coogee	Perth	Cockburn	\$785,000	36	\$550	44	\$495	-10.0%
Hendra	Brisbane	Brisbane	\$662,750	73	\$500	84	\$450	-10.0%
Waverley	Sydney	Waverley	\$1,194,000	40	\$850	30	\$765	-10.0%
Blair Athol	Sydney	Campbelltown	\$377,250	30	\$435	31	\$395	-9.2%
Northbridge	Sydney	Willoughby	\$1,647,500	96	\$990	57	\$900	-9.1%
Newport	Sydney	Pittwater	\$920,000	129	\$720	104	\$655	-9.0%
Ocean Reef	Perth	Joondalup	\$700,000	131	\$600	117	\$550	-8.3%
Elsterwick	Melbourne	Glen Eira	\$852,000	78	\$600	65	\$550	-8.3%
Surrey Hills	Melbourne	Whitehorse	\$900,409	122	\$600	122	\$550	-8.3%
Malvern	Melbourne	Stonnington	\$1,416,000	107	\$670	116	\$615	-8.2%
Kogarah	Sydney	Kogarah	\$601,000	42	\$490	47	\$450	-8.2%
Como	Perth	South Perth	\$839,500	82	\$490	65	\$450	-8.2%
Somerton Park	Adelaide	Holdfast Bay	\$522,500	40	\$370	35	\$340	-8.1%
Clovelly	Sydney	Randwick	\$1,550,000	52	\$1,000	42	\$923	-7.8%
Haberfield	Sydney	Ashfield	\$1,075,000	47	\$650	36	\$600	-7.7%
Matraville	Sydney	Randwick	\$787,500	44	\$650	56	\$600	-7.7%
Mckinnon	Melbourne	Glen Eira	\$794,250	57	\$485	66	\$450	-7.2%
Hawthorn East	Melbourne	Boroondara	\$950,000	157	\$593	137	\$550	-7.2%
South Yarra	Melbourne	Stonnington	\$1,001,250	268	\$593	233	\$550	-7.2%
St Ives	Sydney	Ku-ring-gai	\$965,000	151	\$883	106	\$820	-7.1%
Highbett	Melbourne	Bayside	\$580,000	107	\$450	95	\$420	-6.7%
Lesmurdie	Perth	Kalamunda	\$510,000	46	\$385	43	\$360	-6.5%

Source: rpdata.com