

Major Correction recorded in National Rental Market Vacancy Rates Surge and Rents Fall

CBD localities hit the hardest

12 May 2020

SQM Research today has revealed the [national](#) residential rental vacancy rate has recorded a large one month jump from **2.0%** in March to **2.6%** in **April 2020**, with the total number of vacancies Australia-wide now at **88,668** vacant residential properties.

All states recorded increases in vacancy rates with the exception of [Darwin](#) which recorded a **0.1%** decline.

The year on year comparison also revealed rises when the national rental vacancy rate in April 2019 was **2.3%** compared to **2.6%** recorded for April 2020, indicating the surge in vacancy rates is beyond seasonal rises. Only Perth and Darwin recorded lower vacancy rates compared to this time last year.

City	Apr-19 Vacancies	Apr-19 Vacancy Rate	Mar-20 Vacancies	Mar-20 Vacancy Rate	Apr-20 Vacancies	Apr-20 Vacancy Rate
Sydney	23,837	3.4%	21,443	2.9%	28,734	3.9%
Melbourne	10,565	1.8%	11,091	1.9%	16,575	2.8%
Brisbane	8,792	2.6%	7,299	2.1%	9,555	2.8%
Perth	6,568	3.2%	4,023	1.9%	4,807	2.3%
Adelaide	2,249	1.2%	1,761	0.9%	2,398	1.2%
Canberra	811	1.2%	589	0.9%	824	1.2%
Darwin	1,117	3.6%	853	2.7%	837	2.6%
Hobart	185	0.6%	238	0.8%	442	1.4%
National	77,645	2.3%	67,371	2.0%	88,668	2.6%

SQM's calculations of vacancies are based on online rental listings that have been advertised for three weeks or more compared to the total number of established rental properties. SQM considers this to be a superior methodology compared to using a potentially incomplete sample of agency surveys or merely relying on raw online listings advertised. Please go to our [Methodology](#) page for more information on how SQM's vacancies are compiled.

CBD and Holiday Localities Hit the Hardest

Among the largest rises are the capital city CBD locations, particularly for the [Sydney CBD](#) where the vacancy rate has blown out to **13.8%** - a record high on SQM's series.

The [Melbourne](#) and [Brisbane CBD](#) locations have also recorded a huge rise in rental vacancies. [Melbourne Southbank](#) has risen to **13.0%**. The CBD itself rose to **7.6%**.

Other holiday locations have also suffered with [Surfers Paradise](#) recording a vacancy rate of **8.5%** and [Noosa](#) blowing out to **6.8%**. Suburban areas have fared better though rises have been recorded for most localities around the country.

CBD	April-19 Vacancies	March-20 Vacancies	April 20 Vacancies
Sydney	6.5%	5.7%	13.8%
Melbourne	2.3%	5.0%	7.6%
Brisbane	5.3%	5.7%	11.3%
Perth	5.4%	4.7%	5.8%
Adelaide	2.4%	3.2%	6.6%
Canberra	4.8%	2.2%	4.6%
Darwin	6.3%	4.7%	5.3%
Hobart	1.3%	1.3%	2.5%

Note: represents the postcodes of 2000, 3000, 4000, 6000, 5000, 2601, 0800, 7000 - Source: www.sqmresearch.com.au

Asking Rents suffer correction

Over the month, Capital city asking rents decreased **1.3%** for houses and remained stable for units for the week ending **12 May 2020** to record asking rents of \$537 per week for houses and \$428 per week for units. National combined rents are now recording a 12 month decrease of **3.1%**.

[Sydney](#), [Melbourne](#) and [Perth](#) recorded decreases in asking rents for both houses and units over the month. Whilst [Brisbane](#), [Canberra](#) and [Hobart](#) recorded decreases in house asking rents but minor increases in unit asking rents. [Darwin](#) appears to be the only city that has remained relatively stable for the month with increases recorded in house rents of **2.7%** but declines in unit rents of **2.0%**.

[Adelaide](#) bucked the trend and recorded rent increases for both houses and units of **0.1%** and **1.4%** respectively.

SQM Research Weekly Rents Index					
Week ending: 12 May 2020		Rent	Change on previous week	Rolling month % change	12 month % change
Sydney	All Houses	647.7	-4.7 ▼	-2.9% ▼	-6.1% ▼
	All Units	480.5	0.5 ▲	-0.9% ▼	-4.9% ▼
Melbourne	All Houses	534.6	-0.6 ▼	-1.7% ▼	-1.4% ▼
	All Units	407.0	-1.0 ▼	-2.0% ▼	-3.7% ▼
Brisbane	All Houses	457.4	-0.4 ▼	-0.9% ▼	-0.2% ▼
	All Units	377.1	0.9 ▲	0.1% ▲	1.0% ▲
Perth	All Houses	447.2	-0.2 ▼	-2.2% ▼	0.0% ▲
	All Units	344.2	-0.2 ▼	-0.9% ▼	2.1% ▲
Adelaide	All Houses	408.0	0.0 ▲	0.1% ▲	4.2% ▲
	All Units	317.6	2.4 ▲	1.4% ▲	4.9% ▲
Canberra	All Houses	628.0	-2.0 ▼	-3.0% ▼	0.6% ▲
	All Units	466.7	-0.7 ▼	0.6% ▲	2.4% ▲
Darwin	All Houses	480.1	7.9 ▲	2.7% ▲	-3.5% ▼
	All Units	354.3	-3.3 ▼	-2.0% ▼	-4.4% ▼
Hobart	All Houses	430.7	-1.7 ▼	-2.6% ▼	0.9% ▲
	All Units	396.2	6.8 ▲	0.8% ▲	5.7% ▲
National	All Houses	440.0	-1.0 ▼	-0.5% ▼	-0.7% ▼
	All Units	366.0	-1.0 ▼	-0.3% ▼	0.8% ▲
Cap City Average	All Houses	537.0	-2.0 ▼	-1.3% ▼	-3.1% ▼
	All Units	428.0	1.0 ▲	0.0%	-3.2% ▼

Source: www.sqmresearch.com.au

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Commentary

Louis Christopher, Managing Director of SQM Research said, "This is one of the largest one month rises ever recorded on our vacancy rates series. The blow out in rental vacancy rates for the major CBDs suggests a mass exodus of tenants occurred over the course of March and April. This might be attributed to the significant loss in employment in our CBDs plus the drop off in international students. We are well aware of a surge in short term accommodation now being advertised for long term leasing.

The question now begs is how long will we see such high rental vacancies? If it is sustained throughout the course of the year, then we can expect far deeper falls in rents which will be good news for tenants but a disaster for landlords. There will also be economic consequences with further sharp falls in building approvals likely; thereby risking a major depression in our residential construction sector as well as the rather obvious risks for housing prices."

Key Points

- National residential rental vacancy rate have surged from **2.0%** in March to **2.6%** in April 2020, with the total number of vacancies Australia-wide now at 88,668 vacant residential properties.
- All states recorded increases in vacancy rates with the exception of [Darwin](#) which recorded a **0.1%** decline.
- Over the month, Capital city asking rents decreased **1.3%** for houses and remain stable for units for the week ending **12 May 2020** to record asking rents of \$537 per week for houses and \$428 per week for units.
- CBD and holiday locations have been the hardest hit. The Sydney CBD now records a **13.8%** rental vacancy rate.

About [SQM Research](#)

SQM Research Pty Ltd is a respected Australian investment research house, specialising in providing research and data across all major asset classes. For further information contact **02-9220 4603**.

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