



Vacancy Rates Fall in July

Excessive population growth absorbing surplus stock Hobart running out of long-term accommodation

Tuesday 15th August 2017

Data released by SQM Research this week has revealed the number of national residential vacancies was 75,733 homes in July 2017, giving a national vacancy rate of 2.3%, down from 2.4% in June.

The vacancy rate remained very tight at 0.5% in Hobart, down from 0.7% a month earlier, while it was slightly lower in Sydney at 2.0%, down from 2.1%. Vacancies were steady in Melbourne at 1.7%, but are down from 2.1% a year earlier.

City	July 2016 Vacancies	Vacancy Rate	June 2017 Vacancies	Vacancy Rate	July 2017 Vacancies	Vacancy Rate
Adelaide	3,565	2.1%	3,251	1.9%	3,183	1.8%
Perth	10,738	5.2%	10,638	5.0%	10,419	4.9%
Melbourne	10,385	2.1%	8,754	1.7%	8,714	1.7%
Brisbane	9,596	2.9%	11,497	3.3%	11,401	3.3%
Canberra	742	1.3%	731	1.2%	699	1.2%
Sydney	11,705	1.9%	13,215	2.1%	12,967	2.0%
Darwin	890	3.1%	961	3.2%	886	2.9%
Hobart	223	0.8%	190	0.7%	147	0.5%
National	79,300	2.5%	78,314	2.4%	75,733	2.3%

Managing Director of SQM Research, Louis Christopher, said while vacancy rates had remained largely steady in Melbourne and Sydney, the numbers reflected still tight rental markets in those cities, where high costs mean many people are spending 30% or more of their income on rents.

“Our data shows that asking rents in Melbourne for house and units are up 4.6% and 5%, respectively, over the year to August 12, well above the inflation rate. Excessive population growth is driving rents higher in that city, as well as house prices.

“On this front, I agree with Dick Smith and other economists on proposed immigration cuts. The surge in population is the primary reason why the RBA’s warnings last year and earlier this year of an oversupply in Sydney and Melbourne have not materialised.

“I suspect surging population growth is also the reason why APRA’s actions in 2015 to slow the investor market place in order to take the heat out of the Sydney and Melbourne market only worked temporarily. If we do not address this issue in the manner required, it is unlikely housing affordability is going to materially improve from this point. Indeed, affordability could further deteriorate in the form of higher rents and higher house prices with the only other remedy being aggressive interest rates rise from the RBA,” Mr Christopher said.



“Meanwhile, Hobart is now experiencing very tight conditions. Vacancies are just 0.5% and market rents have effectively risen by over 10% in the last 12 months.

Unfortunately, few developers will build in Hobart due to the high transportation costs of moving materials across from the mainland plus the historical risks attached to the local economy,” Christopher said.

Asking Rents

While asking rental growth for houses has moderated slightly, the asking weekly rent for a three-bedroom house in Sydney sits at a high \$729, leading all other cities. For units, it sits at \$520. Over the year to August 12, asking rents for houses in Melbourne rose 4.6% to \$508 while for units, asking rents sit at \$399.

SQM Research Weekly Rents Index					
Week ending 12 Aug 2017		Rent	Chg on prev wk	Rolling month % chg	12 mth % chg
Canberra	All Houses	560.1	2.9 ▲	0.4% ▲	6.4% ▲
	All Units	419.3	0.7 ▲	1.7% ▲	2.4% ▲
Sydney	All Houses	729.0	-0.0 ▼	0.6% ▲	2.4% ▲
	All Units	519.5	-0.5 ▼	-0.5% ▼	2.9% ▲
Darwin	All Houses	529.1	5.9 ▲	3.5% ▲	-6.7% ▼
	All Units	408.9	3.1 ▲	2.9% ▲	-8.1% ▼
Brisbane	All Houses	444.6	0.4 ▲	0.3% ▲	-0.4% ▼
	All Units	368.4	-0.4 ▼	0.3% ▲	-0.9% ▼
Adelaide	All Houses	375.0	0.0 ▲	-0.1% ▼	1.8% ▲
	All Units	291.7	0.3 ▲	0.8% ▲	1.4% ▲
Hobart	All Houses	369.3	1.7 ▲	0.5% ▲	8.2% ▲
	All Units	326.8	3.2 ▲	3.9% ▲	15.5% ▲
Melbourne	All Houses	507.5	-1.5 ▼	-0.8% ▼	4.6% ▲
	All Units	399.1	-1.1 ▼	-0.5% ▼	5.0% ▲
Perth	All Houses	422.6	0.4 ▲	-0.3% ▼	-5.4% ▼
	All Units	327.7	-0.7 ▼	0.0% ▲	-7.0% ▼
National	All Houses	425.0	1.0 ▲	-0.5% ▼	2.2% ▲
	All Units	349.0	0.0	0.0%	1.5% ▲
Cap City Average	All Houses	547.0	0.0	0.2% ▲	1.5% ▲
	All Units	438.0	-1.0 ▼	-0.5% ▼	2.1% ▲

Source: www.sqmresearch.com.au



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](#) below for more information on how SQM's vacancies are compiled.

Key Points

- Nationally, vacancies fell slightly in July 2017, recording a rate of 2.3%.
- Perth recorded the highest vacancy rate of the capital cities at 4.9%, though down from 5.0% in June.
- Hobart recorded the lowest vacancy rate of 0.5%, down from 0.7% the previous month.
- Canberra's vacancy rate has edged off a five-year low of 0.8% in March to 1.2% in July.
- Melbourne's vacancy rate sits at 1.7%, down from 2.1% a year earlier.

www.sqmresearch.com.au

About SQM Research

SQM Research Pty Ltd is a respected Australian investment research house, specialising in providing ratings and data across all major asset classes.

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