



SQM Research Media Release

Rental Growth Losing Pace

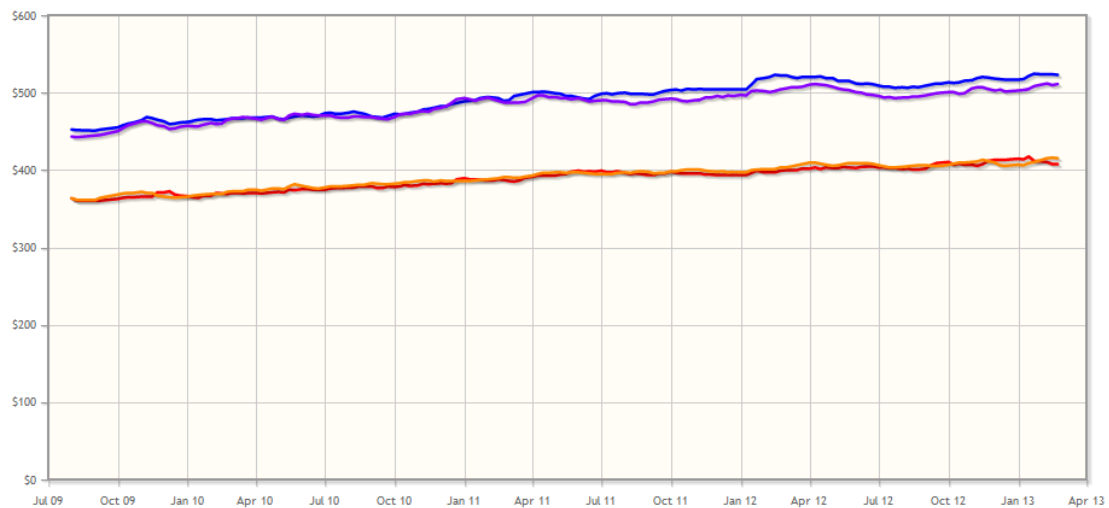
Thursday 28th February 2013

New evidence suggests that rental growth in many parts the country is slowing. Although landlords continue to wield control of the rental market, according to the new weekly asking rents data series released last week by SQM Research, this control is waning.

Data from the index reveals that on a national level, owners of investment properties have steadily increased their rental asking prices in some capital cities over the past 12 months, however this increase has been slower in comparison to rises experienced in 2010 and early 2011- with the capital city average asking prices increasing 0.1% year-on-year for houses and 2.1% for units, compared to the 12.3% for houses and 10.3% for units over the past three years.

Weekly Asking Rents

Capital City Average



Month marked represents start of month.

- asking rent for houses
- asking rent for 3 bedroom house
- asking rent for units
- asking rent for 2 bedroom unit

source: SQM research.com.au

SQM Research Weekly Rents Index							
Week ending 28 Feb 2013		Change on prev week	Rolling month change	Rolling quarter change	12 month % change	3 year % change	
Capital city average	All Houses	522.8	-0.8 ▼	-0.2% ▼	0.6% ▲	0.1% ▲	12.3% ▲
	3 br Houses	510.7	1.3 ▲	0.5% ▲	0.8% ▲	1.3% ▲	9.9% ▲
	All Units	407.2	-0.2 ▼	-1.1% ▼	-0.1% ▼	2.1% ▲	10.3% ▲
	2 br Units	415.0	-1.0 ▼	1.1% ▲	0.5% ▲	3.0% ▲	11.7% ▲

Next update: 4 Mar 2013

Source: SQM Research



SQM Research's new index – The Weekly Rents Index, which gages the sentiment of landlords by recording their rental asking prices on a weekly basis, has revealed (As seen in the chart above) that rental yields in Australia have lost pace in recent months. This is most likely attributed to the latest recovery in the housing market, prompting renters to exit the rental market in favour of purchasing property – thus causing vacancy rates to loosen in many localities.

Although the effects of this have to date been somewhat modest, it is the expectation of SQM Research that as the state of housing market continues to improve, the ramifications of this on the rental market will become increasingly obvious.

Taking a closer look at each capital city individually (see graph below), SQM Research reveals that different localities tell a different story.

SQM Research Weekly Rents Index						
Week ending		Rent	Chg on prev wk	Rolling month % chg	12 mth % chg	
28 Feb 2013	Canberra	All Houses	548.1	-5.1 ▼	-2.2% ▼	-4.8% ▼
		All Units	426.3	-0.3 ▼	0.3% ▲	-3.1% ▼
	Sydney	All Houses	645.4	-0.4 ▼	-0.7% ▼	-1.8% ▼
		All Units	453.1	0.9 ▲	0.3% ▲	1.2% ▲
	Darwin	All Houses	746.6	-6.6 ▼	2.5% ▲	19.8% ▲
		All Units	505.3	-3.3 ▼	2.7% ▲	14.4% ▲
	Brisbane	All Houses	437.4	1.6 ▲	0.5% ▲	1.4% ▲
		All Units	363.7	0.3 ▲	0.2% ▲	3.1% ▲
	Adelaide	All Houses	359.8	-0.8 ▼	0.8% ▲	-0.9% ▼
		All Units	275.0	0.0 ▲	-0.2% ▼	-0.5% ▼
	Hobart	All Houses	313.6	-2.6 ▼	-0.0% ▼	-1.9% ▼
		All Units	261.2	-3.2 ▼	2.9% ▲	-4.0% ▼
	Melbourne	All Houses	455.9	0.1 ▲	0.8% ▲	0.8% ▲
		All Units	341.4	0.6 ▲	1.1% ▲	-0.6% ▼
	Perth	All Houses	624.8	-1.8 ▼	0.1% ▲	7.9% ▲
		All Units	475.1	3.9 ▲	2.1% ▲	11.0% ▲
	National	All Houses	419.3	-2.3 ▼	-0.7% ▼	0.7% ▲
		All Units	336.2	-2.2 ▼	-0.4% ▼	-0.4% ▼
	Cap City Average	All Houses	522.8	-0.8 ▼	-0.2% ▼	0.1% ▲
		All Units	407.2	-0.2 ▼	-1.1% ▼	2.1% ▲

Next update: 4 Mar 2013

Source: SQM Research

For example Canberra's asking rents have appeared to decline over the past 12 months on all fronts, whilst Perth has experienced sharp increases over the same period. This is somewhat expected of Perth as the commodities boom continues to encourage employees to migrate temporarily in this part of the country. With these individuals preferring to rent rather than purchase as



their time spend in the area is momentary, vacancy rates have been pushed down significantly – currently standing at 0.8% for Perth – a figure well below what SQM Research considers to be equilibrium (3%).

As a result of this, it is easy to see why Perth has recorded rises of 7.9% for houses and 11.0% for units over the past 12 months.

Darwin although highly seasonal, tells a similar story, recently recording vacancy rates as low as 0.4% (July 2012) and currently sitting at 1.4%. It becomes evident how closely linked low vacancy rates are to rental growth, with Darwin posting a 19.8% yearly increase in asking rents for houses and a 14.4% yearly increase in asking rents for units.

Louis Christopher, Managing Director of SQM Research says *“Our new rents index provides a contrasting insight into the Australian rental market. On one hand there is Perth and Darwin recording very solid rental increases right across the localities of both cities. And then on another, we note what seems to be a slowdown taking place in the Sydney rental market. And then there is Melbourne where within that city there are clear pockets of oversupply of rental property and pockets of undersupply. This illustrate by far that there are markets within markets. Going forward, local conditions are set to dominate rental conditions for 2013 with no real large influence from the macro-economic tides other than a slow to moderate movements of renters tuning themselves into first home buyers.”*

The new index has been split into the categories of: all houses, 3 bedroom houses, all units and 2 bedroom units. This data will be made available on a national, capital city, regional and postcode basis and will be accessible for free in graph form on our website www.sqmresearch.com.au.

About SQM Research

SQM Research is an independent property research house which specialises in providing accurate property related research and data to financial institutions, property professional, real estate investors and the media.

It is owned and operated by one of the country’s leading property analysts, Louis Christopher.

For six years Louis was Head of Research and then General Manager of Australian Property Monitors before leaving the firm to launch SQM Research and Adviser Edge Property, A leading fund manager ratings house specialising in ratings for agribusiness, structured products and property.

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