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Rental vacancy rates rise according to new index

Australia's residential rental crisis may not be nearly as bad as the real estate industry would have you believe according to a new index officially released today by independent property research house, SQM Research.

Australia's nationwide city rental vacancy rate stands at 2.9 % in June, which is up from 2.8% recorded in June 2007. Sydney has recorded the highest vacancy rate at 3.6%. Hobart and Adelaide have recorded the tightest rental market, sitting at just 0.7%.

The new index is based on monitored online rental listings, adjusted for false listings and properties that have been withdrawn from the market within the monitored period concerned. The available rental properties are then divided into the total number of established properties available for rent as provided by the Australian Bureau of Statistics.

The new index and full methodology is available for free on www.sqmresearch.com.au. It is available down to a regional and postcode level with a monthly back series to 2005.

According to Louis Christopher, SQM Research founder and Head of property with ratings house Adviser Edge:

"Currently there is no independent body that calculates rental vacancy rates. The widely reported vacancy rates compiled by the Real Estate Institutes are entities that represent the interests of their real estate agent members.

"There are some obvious potential conflicts of interests in such an arrangement. And so we seek to provide an independent, more comprehensive index that is free and transparent.

"There are also some serious questions that need to be answered surrounding the method used by the various industry bodies in calculating the vacancy rate, their sample sizes and how they compile their vacancy rate data. I challenge the various institutes to an independent audit of their index and exactly what sample size of the rental market their surveys are actually based on."

Going forward, SQM Research will be updating the market on the national vacancy rates on a monthly basis.

All data is available for free on www.sqmresearch.com.au.

Residential Rental Vacancies	June 2008		May 2008		June 2007		
	City	Number of Vacancies	Vacancy rate	Number of Vacancies	Vacancy rate	Number of Vacancies	Vacancy rate
	Sydney	19,500	3.6%	17,700	3.3%	10,300	2.1%
	Melbourne	9,450	2.6%	11,300	3.2%	7,650	2.3%
	Brisbane	3,150	1.3%	3,750	1.6%	2,450	1.1%
	Adelaide	980	0.7%	1,750	1.2%	1,100	0.8%
	Perth	1,200	0.8%	1,650	1.1%	800	0.6%
	Hobart	160	0.7%	300	1.3%	150	0.7%
	Canberra	490	1.1%	500	1.1%	120	0.3%
	Darwin	280	1.2%	330	1.4%	210	1.0%
	City Weighted average		2.9%		2.8%		1.9%

Source: www.sqmresearch.com.au

Note: Vacancies are defined as those rental listings that were currently advertised as at the time of monitoring and had been listed on the market for at a minimum two week period. SQM Research only includes rental listings that have an identifiable address.

Analysis

- Most cities experienced a tightening in vacancy rates for the month of June compared to May. However, there might be seasonal influence where both demand and supply enter into a hiatus status for the months of winter.
- When compared to June 2007 and previous years, most cities are now recording a rising trend in available rental properties.
- Certain regional areas are recording considerably higher vacancy rates than others.

- Affluent areas have been recording higher vacancy rates and appear to be well supplied with some postcodes recording vacancy rates close to 10%.
- Sydney now had over 19,500 available properties that were vacant in the month of June. That is a rise of over 9,000 properties since June 2007. It appears that the rental crisis in Sydney is coming to an end. However, SQM Research notes that there is still a shortage of cheaper renter properties with most of the surplus occurring towards the upper end of the market.

Of the findings, Mr Christopher stated:

“In Melbourne and Sydney, it seems the downturn in the real estate market is actually providing more rental properties as vendors withdraw their property for sale and rent it instead.

“Asking rents in some cities may have reached the point where demand is no longer able to meet the higher rental prices. Renters, particularly, younger renters are now opting to stay at home with their parents for longer or grouping together more often.

“The statistics do mask the fact that there really is a tale of two markets where there remains an acute shortage of lower end affordable rental stock, while at the upper end of the market (\$600 a week and over), there appears to be an abundance of supply. This is more than reflected when one looks at the affluent postcodes (also found freely available on our site) where in some cases, vacancy rates are at close to ten percent.”

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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 professionals and real estate investors.

It is founded and run by one of the country's most leading and independent property analyst, Louis Christopher.

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