

CoreLogic RP Data August Rental Index Results

Rental Review Snapshot – Released: September 10, 2015

Weekly rents continue to rise at their slowest pace on record

- Weekly rents fell by a further -0.4% over the month of August, taking the annual pace of rental growth across the combined capital cities to a new record low of 0.7% over the year.
- Despite recording the strongest growth, Sydney rents rose just 2.3% over the year.
- Rents are falling in Adelaide, Perth and Darwin.
- Combined capital city rental rates are recorded at \$487/week for houses and \$462/week for units.
- We anticipate that the rate of rental growth will continue to slow over the coming months due to increased supply of housing and rental stock and slower migration rates.

Weekly rents fall across each capital city except Sydney in August 2015

According to analysis from CoreLogic RP Data, rental rates across the combined capital cities fell by -0.4% in August 2015 while the annual rate of change has continued to slow reaching a new historic low of 0.7% over the month.

Dwelling rental rates across the combined capital cities are recorded at \$484 per week and they have increased by just 0.4% over the first eight months of the year while they have risen by 0.7% over the past 12 months. The year-to-date data indicates rental growth conditions have softened during 2015. The 0.7% rise in rental rates over the past year is the slowest rate of rental growth on record based on data which goes back as far as December 1995. The construction boom across the capital cities coupled with slowing population growth are the major contributing factors to the slowing rental growth. Furthermore, investor participation in the housing market is contributing to weaker rental growth by adding to the rental stock. Three of the cities which have seen the largest ramp up in new housing supply and investor activity over recent years; Sydney, Melbourne and Brisbane, are three of only four cities which continue to record annual rental growth however, the rate of rental growth in each of these cities is trending lower.

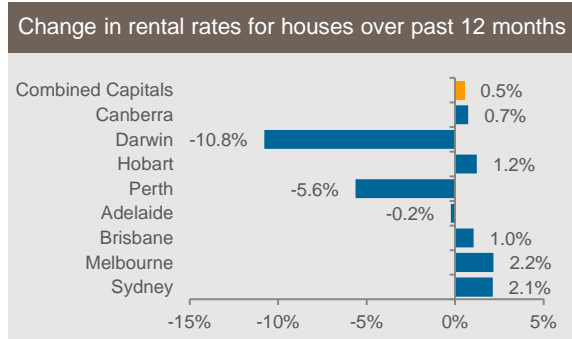
Looking across the individual capital cities, over the past year, Sydney and Melbourne have recorded the greatest increases in weekly rents. Over the past month, weekly rents have moved lower across every capital city except Sydney and over the past three months rents are lower in all cities except for Melbourne where they are unchanged.

Rental Index results as at August 31, 2015

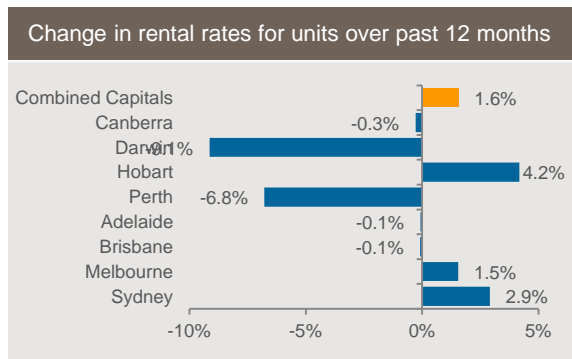
Region	CHANGE IN RENTS				YIELDS	
	Current	Month	Quarter	YoY	Current	12 Months Ago
Sydney	\$592	0.0%	-0.4%	2.3%	3.3%	3.8%
Melbourne	\$447	-0.3%	0.0%	2.1%	3.1%	3.3%
Brisbane	\$431	-0.4%	-1.0%	0.9%	4.5%	4.6%
Adelaide	\$365	-0.6%	-1.0%	-0.2%	4.2%	4.3%
Perth	\$462	-1.2%	-3.1%	-5.7%	4.0%	4.1%
Hobart	\$336	-0.7%	-2.0%	1.5%	5.2%	5.2%
Darwin	\$539	-1.7%	-5.0%	-10.5%	5.5%	5.9%
Canberra	\$491	-0.6%	-1.8%	0.7%	4.2%	4.1%
Combined Capitals	\$484	-0.4%	-0.9%	0.7%	3.5%	3.8%

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Combined capital city house rents were recorded at \$487 per week in August 2015 and unit rents were \$462 per week. The gap in the rental cost remains significantly lower than the actual purchase cost of a house relative to a unit. Over the past month, house rents have fallen by -0.5% while unit rental rates were unchanged.



Over the three months to August 2015, rental rates for houses are down -1.0% whilst for units they have increased by 0.2%. The data points to the fact that more recently the rate of rental growth has started to slow even further. Over the past year, house rents have increased by 0.5% while units have recorded a greater 1.6% annual rise.

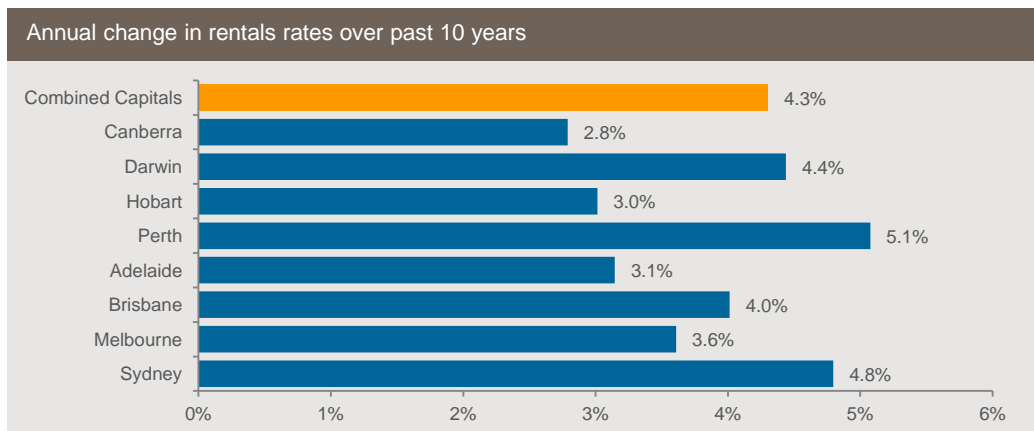


Annual rental growth is currently at its slowest pace on record and is also well below its 10 year average levels. The 10 year annual rate of rental growth is currently higher than growth over the past year across each capital city.

The additional accommodation being provided by the current building boom along with record high levels of investment purchasing is adding substantial new dwelling supply to the market at a time where the rate of population growth is slowing.

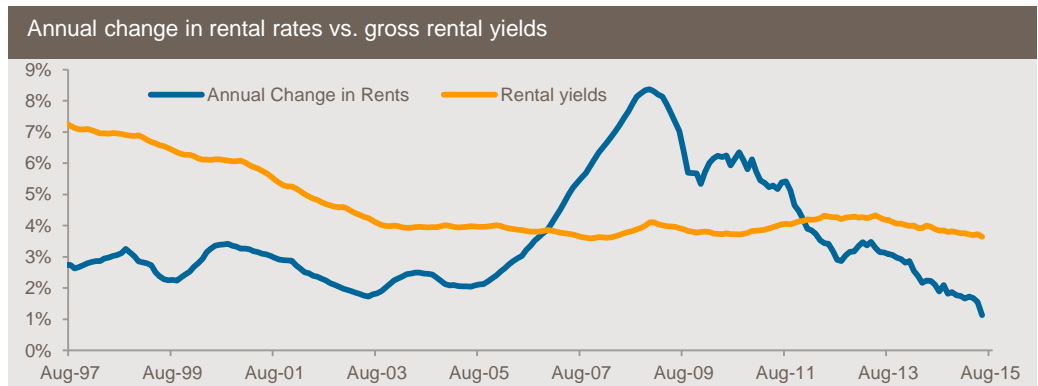
Furthermore, the slowing rate of population growth is easing rental market pressures and contributing to the slow rate of rental growth.

With rental rates already increasing at their slowest annual rate on record, we envisage that growth in rental rates could slow even further over the coming months. In fact there is the possibility that rental rates will start to fall on an annual basis over the coming months if the downwards trend persists. The large pipeline of residential construction activity as well as high levels of investment demand means people choosing to rent will continue to have more accommodation choices and landlords will have less scope to increase rents.

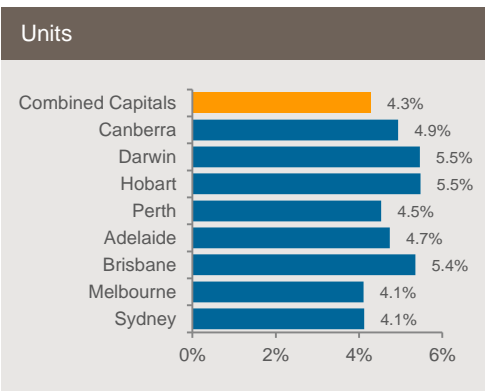
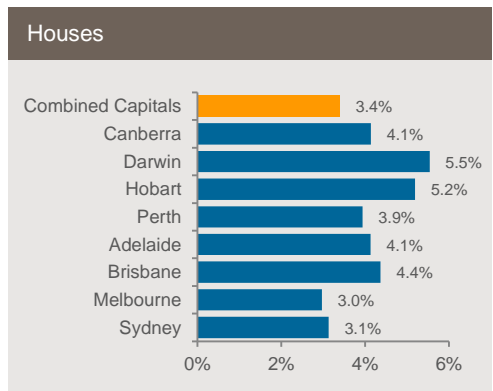


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With capital city rents increasing at their slowest pace on record and home values continuing to rise, gross rental yields are trending lower. At a combined capital city level, gross rental yields were recorded at 3.4% for houses in August 2015 and at 4.3% for units. Combined capital city house and unit rental yields are currently at a record low. A year ago, gross rental yields were recorded at 3.7% for houses and 4.5% for units across the combined capitals. With capital growth anticipated to continue to outpace rental growth we expect that rental returns are likely to push even lower over the coming months. From an investment perspective it means that capital growth is going to be much more important for a return from an investment property.



Gross rental yields, houses and units



Rental yields are lowest for houses in Melbourne (3.0%) and highest in Darwin (5.5%). In fact, Melbourne and Sydney (3.1%) house yields are now at a record low. Unit yields are lowest in Sydney and Melbourne at 4.1% and highest in Hobart and Darwin, both at 5.5%. Sydney unit yields are currently at a record low.

Across most cities house rental yields are lower now than they were at the same time last year, with Canberra the only exception with gross yields steady over the year.

The unit market shows similar trends to the detached housing market. Yields are higher than a year ago in Hobart, while gross yields in Brisbane are unchanged and elsewhere yields have softened over the past year. The cheaper up front cost of units and their relatively weaker capital growth performance is resulting in a lower decline in yields.

CoreLogic RP Data July Rental Index Results

Key rental and yield statistics across the capital cities

All Dwellings	SYD	MELB	BRIS	ADE	PER	HOB	DAR	CAN	Combined Capitals
Month	0.0%	-0.3%	-0.4%	-0.6%	-1.2%	-0.7%	-1.7%	-0.6%	-0.4%
Quarter	-0.4%	0.0%	-1.0%	-1.0%	-3.1%	-2.0%	-5.0%	-1.8%	-0.9%
Year-to-Date	1.5%	1.6%	-0.2%	0.1%	-4.5%	0.0%	-8.3%	0.6%	0.4%
Year-on-Year	2.3%	2.1%	0.9%	-0.2%	-5.7%	1.5%	-10.5%	0.7%	0.7%
Median Rent	\$592	\$447	\$431	\$365	\$462	\$336	\$539	\$491	\$484
Current Yield	3.3%	3.1%	4.5%	4.2%	4.0%	5.2%	5.5%	4.2%	3.5%
Yield 12 mths ago	3.8%	3.3%	4.6%	4.3%	4.1%	5.2%	5.9%	4.1%	3.8%
Houses	SYD	MELB	BRIS	ADE	PER	HOB	DAR	CAN	Combined Capitals
Month	-0.1%	-0.3%	-0.5%	-0.6%	-1.2%	-0.8%	-1.8%	-0.7%	-0.5%
Quarter	-0.7%	0.0%	-1.0%	-1.0%	-3.1%	-2.2%	-5.2%	-2.0%	-1.0%
Year-to-Date	1.2%	1.5%	-0.1%	0.1%	-4.3%	-0.3%	-8.6%	0.6%	0.2%
Year-on-Year	2.1%	2.2%	1.0%	-0.2%	-5.6%	1.2%	-10.8%	0.7%	0.5%
Median Rent	\$610	\$455	\$434	\$371	\$466	\$341	\$565	\$500	\$487
Current Yield	3.1%	3.0%	4.4%	4.1%	3.9%	5.2%	5.5%	4.1%	3.4%
Yield 12 mths ago	3.6%	3.2%	4.5%	4.2%	4.1%	5.2%	5.9%	4.1%	3.7%
Units	SYD	MELB	BRIS	ADE	PER	HOB	DAR	CAN	Combined Capitals
Month	0.2%	0.0%	0.4%	-0.4%	-0.5%	-0.4%	-1.4%	0.3%	0.0%
Quarter	0.6%	0.5%	-0.1%	-0.8%	-3.0%	-0.2%	-4.0%	0.8%	0.2%
Year-to-Date	2.4%	1.9%	-0.3%	-0.3%	-5.7%	2.4%	-7.1%	1.1%	1.4%
Year-on-Year	2.9%	1.5%	-0.1%	-0.1%	-6.8%	4.2%	-9.1%	-0.3%	1.6%
Median Rent	\$537	\$404	\$410	\$316	\$417	\$297	\$452	\$404	\$462
Current Yield	4.1%	4.1%	5.4%	4.7%	4.5%	5.5%	5.5%	4.9%	4.3%
Yield 12 mths ago	4.5%	4.2%	5.4%	4.8%	4.6%	5.2%	5.8%	5.0%	4.5%

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