

Apartment Rent Growth Continues to Outstrip Houses



Rent values for units have continued to outpace houses with unit rents rising 3.1 per cent during the first quarter of 2022.

According to Corelogic, unit rents outstripped house rents for the fourth consecutive month in April despite unit values, across the combined capitals, lifting by just 0.2 per cent compared to the 1.3 per cent rise recorded for houses.

During the month, Adelaide and regional Western Australia led the pace for unit rental growth followed by Melbourne, Perth, regional Queensland and Sydney.

Corelogic research analyst Kaytlin Ezzy said the strong unit rental growth had been propelled by record low vacancy rates.

“Across the combined capitals, unit rental growth outpaced capital appreciation over the three months to April, with both metrics recording an annual rise of 8.3 per cent,” Ezzy said.

“If rental growth continues to outpace capital gains, increasing rental yields should help incentivise investors who typically prefer the lower maintained unit segment.”

Unit rents performance summary table (end of April 2022)

	Month	Quarter	Annual	Rents
Sydney	1.0% ▲	3.0% ▲	9.0% ▲	\$550 ▲
Melbourne	1.2% ▲	3.6% ▲	8.4% ▲	\$444 ▲
Brisbane	0.8% ▲	2.5% ▲	7.2% ▲	\$446 ▲
Adelaide	1.4% ▲	3.8% ▲	7.8% ▲	\$392 ▲
Perth	1.1% ▲	3.0% ▲	5.6% ▲	\$444 ▲
Hobart	0.9% ▲	3.7% ▲	7.0% ▲	\$449 ▲
Darwin	0.1% ▲	-0.9% ▼	5.0% ▲	\$461 ▲
Canberra	1.8% ▲	2.8% ▲	6.9% ▲	\$564 ▲

^Source: Corelogic—April 2022

Alongside the low vacancy rates, apartment rents have started to spike due to a lack of new supply coming online and as international migration returns.

Total unit listings levels in Brisbane and Adelaide remain approximately 40 per cent below the previous five-year average despite the newly advertised unit listings having somewhat normalised over recent months.

At the other end of the spectrum, Sydney and Melbourne's total advertised unit supply is now between 8 per cent and 17 per cent above the average, suggesting that more units are being added to market than are being sold.

Darwin continues to return the strongest unit yield at 6.6 per cent followed by Perth and Adelaide.

Sydney's unit yields are now at 3.1 per cent, while Melbourne's yields are now at 3.6 per cent.

"Moving forward, a number of factors will likely help insulate the lower density sector," Ezzy said.

"These factors include increased overseas migration, and the relative affordability of units compared to the house segment, as well as the recent upswing in new investor financing seen in February and March."

The value of new investor loan commitments reached a record high of \$11.7 billion in March, up 2.9 per cent for the month and 48.4 per cent on an annual basis.

The value of investor loan commitments had continued to increase each month since November, except for in February this year.

Unit values performance summary table (end of April 2022)

	Month	Quarter	Annual	Values
Sydney	-0.4% ▼	-1.2% ▼	8.9% ▲	\$830,534 ▲
Melbourne	1.7% ▼	6.7% ▼	4.7% ▲	\$630,671 ▲
Brisbane	1.4% ▲	4.6% ▲	15.6% ▲	\$487,967 ▲
Adelaide	1.6% ▲	4.3% ▲	12.6% ▲	\$409,650 ▲
Perth	0.3% ▲	1.0% ▲	4.7% ▲	\$409,747 ▲
Hobart	0.6% ▲	0.4% ▲	23.2% ▲	\$579,263 ▲
Darwin	0.2% ▲	0.2% ▲	15.2% ▲	\$371,138 ▲
Canberra	1.3% ▲	3.8% ▲	18.4% ▲	\$619,753 ▲

^Source: Corelogic—April 2022

Making up 38.6 per cent of the capital city unit market, the 1.2 per cent decrease in Sydney's unit values weighed heavily on the combined capitals growth metric in April, with all other capitals reporting quarterly growth.

Brisbane, having recorded its highest quarterly growth rate since January 2008, led the pace of quarterly growth followed by Adelaide and Canberra.

In Melbourne, unit appreciation appears to be regaining some steam with recording a 0.4 per cent increase in values, resulting in the city's first positive quarterly growth rate since January.

Regional houses have continued to outperform regional units, with the pace of growth easing across both segments from the 1.7 per cent rise seen in March.

Regional Queensland led the pace of quarterly growth, recording a new cyclical high of 6.3 per cent, followed by regional Western Australia, regional Tasmania and regional New South Wales.

"While value growth across most unit and house markets is now losing momentum, Brisbane and regional Queensland units are yet to show signs of a slowdown in growth," Ezzy said.

During the first three months of the year, units in East Melbourne notched up a 6.2 per cent rise while apartments in Parkville also defied the downturn, with median prices rising by 5.1 per cent.

Kensington was up by 4.5 per cent, Carlton by 4.4 per cent and Southbank by 4.2 per cent.

In Sydney, apartment prices in Eastgardens in the eastern suburbs rose 4 per cent, while Terrigal and Hamlyn Terrace on the Central Coast climbed by 6.5 per cent.

Swan Hill, in regional Victoria, notched 14.4 per cent – the highest quarterly growth recorded across all markets.

The median unit price in Oxenford on the Gold Coast jumped 14.3 per cent. It rose by 11.3 per cent in Noosaville on the Sunshine Coast and by 14.2 per cent in Bunbury in regional Western Australia.

Source : <https://www.theurbandeveloper.com/articles/corelogic-unit-rents-outpace-houses-april-2022>