Melbourne apartment rents jump 34pc amid record low vacancies

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Apartment rents soared by as much as 34 per cent across inner Melbourne in the past 12 months as vacancy rates plummeted to record lows nationwide, data from CoreLogic shows.

Tim Lawless, CoreLogic's research director, said rents were set to jump even higher as surging demand outpaces supply.

"The current cycle is quite extraordinary in that rents are rising by as much as they have, especially at times when there's been no overseas migration," Mr Lawless said.

The trend in rising rents is also evident across each of the capital city and broad rest of state markets with median rental value rising by more than 10 per cent nationally.

"Considering vacancy rates are holding at a record low of 1 per cent across the combined capitals, I think rents are likely to rise further from here.

"The number of rental listings available nationally has fallen by a third compared to the five-year average, and there are no signs of a lift in rental supply in response to such high rental demand. On top of already tight rental supply, it's likely demand will continue to increase as overseas arrival numbers climb."

Suburbs with the highest rental rises (% change)

UNITS

	Suburb	3-month change	12-month change
1	West Melbourne, Vic	10.4	34.0
2	Melbourne, Vic	11.0	33.6
3	Docklands, Vic	9.4	33.2
4	Southbank, Vic	9.3	32.6
5	Carlton, Vic	9.2	27.3
6	North Melbourne, Vic	8.1	26.5
7	East Melbourne, Vic	6.5	23.3
8	Parkville, Vic	7.3	23.1
9	Ultimo, NSW	8.2	20.5
10	Haymarket, NSW	8.3	20.0
11	Pyrmont, NSW	6.7	19.5
12	Zetland, NSW	8.3	18.6

Source: CORELOGIC

West Melbourne, Melbourne city, Docklands and Southbank all posted record-breaking annual rental growth of 34 per cent, 33.6 per cent, 33.2 per cent and 32.6 per cent respectively.

Median unit rents across inner Sydney suburbs Ultimo, Haymarket, Pyrmont and Zetland also rose sharply, jumping by 20.5 per cent, 20 per cent, 19.5 per cent and 18.6 per cent respectively.

At the height of the pandemic lockdowns, apartment rents across inner Melbourne had dropped by up to 25 per cent as tenants avoided high density housing for fear of catching the virus. Demand was further dented by the lack of foreign students who normally rented in these areas.

“We did see demand fall sharply in inner Sydney and inner Melbourne in particular at the onset of the pandemic, and now they’re [bouncing back extraordinarily quickly to well above pre-COVID-19 levels](), simply because they were very affordable for starters, and we’re starting to see capital cities becoming more vibrant as workers move back to the office,” Mr Lawless said.

“Now that’s probably being amplified by more migrants coming back, which we know will be a key area where a lot of that overseas migration lands.”

Strong demand for freestanding houses lifted median rent by more than 21 per cent in Brighton-le-Sands in Sydney and by a similar amount in inner Brisbane suburbs Hendra and Ascot.

	Suburb	3-month change	12-month change
1	Undullah, Qld	7.1	23.7
2	Brighton-le-Sands, NSW	7.5	21.8
3	Hendra, Qld	7.1	21.0
4	Silverdale, NSW	1.1	20.4
5	Semaphore, SA	5.8	20.3
6	Lindfield, NSW	5.4	19.9
7	Roseville, NSW	4.6	19.8
8	Rose Bay, NSW	7.3	19.3
9	Enmore, NSW	5.2	18.6
10	Denman Prospect, ACT	2.4	18.2
11	Glenelg East, SA	5.6	17.7
12	Clovelly, NSW	7.3	17.5

Source: CORELOGIC

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Mr Lawless said rising rents and falling home values would fuel a rapid recovery in rental yields and attract more investors into the market.

"Even though investors are generally mostly motivated by capital gains, you'd have to think that the stronger buying conditions, opportunities for higher yields and then positioning for medium to long term capital gains will be quite appealing for the next six to 12 months or so," he said.

Sydney-based buyer's agent Jack Henderson of Henderson Advocacy said the number of investors looking to buy had risen since the RBA started rising rates.

"We just had our biggest month ever in signing up new clients and 90 per cent of those are planning to invest," Mr Henderson said/

"Many of them have built up a lot of equity in their owner-occupied homes over the last two years and have since refinanced to access that equity. Now they want to use that money to buy. Investors are also motivated by the rising rents and yields."

Across the combined capital cities, the gross yield has increased from a record low of 2.96 per cent in February this year to 3.2 per cent in July. Sydney rose to 2.8 per cent, Melbourne to 3 per cent, Brisbane 3.6 per cent, Adelaide 3.7 per cent and Perth 4.4 per cent. Hobart rose to 3.8 per cent, Darwin 6.1 per cent and Canberra 3.8 per cent.

Source : www.afr.com