

# Rent prices hit new records; an additional 70,000 rentals needed to balance the market

Australia needs 70,000 more rental properties to balance the market as tenants suffer through the longest stretch of continuous rental price growth on record, a new Domain report shows.

Domain's *Rent Report*, released on Thursday, marked a record-breaking 10 consecutive quarters of house rental price growth, and nine quarters of unit rental price growth.

The national median asking rent for a house has hit \$600 a week, up 3.4 per cent over the quarter and 13.2 per cent year-on-year.

But the most staggering surge has been in unit rents. Across the nation's combined capitals, the cost of renting a unit is now the same as renting a house – \$600 a week – after prices skyrocketed 23.7 per cent in the past year alone.

The majority of that growth has been driven by soaring unit rents in Sydney, Melbourne and Brisbane, where prices have risen by up to 23.6 per cent.

Untenable rent rises in many parts of the nation have made the outlook for tenants “very hard”, says Domain chief of research and economics Dr Nicola Powell.

She estimates up to 70,000 more rental properties are needed to stabilise the market.

## House weekly asking rent

Domain Rent Report - September quarter 2023

Capital City	Sep-23	Jun-23	Sep-22	QoQ	YoY ▲
Hobart	\$530	\$530	\$540	0.0%	-1.9%
Canberra	\$655	\$675	\$680	-3.0%	-3.7%
Sydney	\$720	\$700	\$650	2.9%	10.8%
Adelaide	\$550	\$540	\$490	1.9%	12.2%
Combined Capitals	\$600	\$580	\$530	3.4%	13.2%
Melbourne	\$550	\$520	\$470	5.8%	17.0%
Perth	\$600	\$580	\$500	3.4%	20.0%
Combined Regionals	\$520	\$510	\$490	2.0%	6.1%
Darwin	\$650	\$650	\$610	0.0%	6.6%
Brisbane	\$590	\$580	\$550	1.7%	7.3%

Source: Domain, powered by APM, QoQ: Quarterly change, YoY: Annual change

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“We need between 40,000 to 70,000 additional rentals to balance out Australia’s rental market,” she says. “That is like adding all of the dwellings in the LGA of Newcastle into the market.

“This is a significant amount of rental stock needed to balance out the rental market today, and not taking into account future population growth and people arriving from overseas and people relocating.”

Typically, a balanced market is when a vacancy rate sits between 2 and 3 per cent, showing supply and demand have steadied.

Sydney renter Jasmine Gearie is feeling the strain, with her own rent recently increasing from \$630 to \$700 a week.

“Our rent has increased by \$70 a week in the last year, which is an 11 per cent increase,” she says. “We did try to negotiate with our landlord but they weren’t willing to move on the price.”



Jasmine Gearie and partner Jack Wilson would like to buy instead of rent, but the pace of increases over the past two years has made that dream more difficult to reach. Photo: James Alcock

Gearie adds that home ownership is an option but a number of factors need to be taken into consideration.

“It’s definitely pushing my partner and me to have more discussions about buying our own property, but it feels very out of reach,” she says. “We’re also looking at moving to a more affordable area because rising rent just makes it that much harder for us to save for our own home.”

Across the capital cities, Sydney, Melbourne, Brisbane, Adelaide, Perth and Darwin all reached or sustained their record house rental prices, while all units reached a record high except for Canberra, Darwin and Hobart.

Melbourne has lost its title as the most affordable city in which to rent a house to Hobart, where the figure is \$530 a week. This is the first time since 2016 that Hobart has held that title.

Brisbane recorded another first, coming in as the second most expensive city in which to rent a unit – jointly with Canberra – at \$550 a week, behind Sydney.

## Unit weekly asking rent

### Domain Rent Report - September quarter 2023

Capital City	Sep-23	Jun-23	Sep-22	QoQ	YoY
Sydney	\$680	\$670	\$550	1.5%	23.6%
Melbourne	\$520	\$500	\$425	4.0%	22.4%
Brisbane	\$550	\$530	\$460	3.8%	19.6%
Adelaide	\$450	\$430	\$400	4.7%	12.5%
Perth	\$500	\$480	\$420	4.2%	19.0%
Canberra	\$550	\$550	\$550	0.0%	0.0%
Darwin	\$520	\$515	\$500	1.0%	4.0%
Hobart	\$450	\$450	\$450	0.0%	0.0%
Combined Capitals	\$600	\$580	\$485	3.4%	23.7%
Combined Regionals	\$450	\$450	\$400	0.0%	12.5%

Source: Domain, powered by APM, QoQ: Quarterly change, YoY: Annual change

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Canberra was the only city that recorded neither a record unit nor house rental price, which measured \$550 and \$655, respectively.

Perth house rental prices lead the way with the strongest annual growth of all capital cities, up 20 per cent year-on-year to \$600 a week. For units, Sydney reigned supreme, up 23.6 per cent year-on-year to \$680 a week.

A drop in rental prices seems unlikely with vacancy rates as low as they are, Powell says, and while rents aren't rising at "the extreme paces they once were", they're still comparatively very high.

"Rent increases may be easing from the extreme hikes seen throughout 2022 and early this year," she says. "However, the pace of growth remains heightened compared to historical standards – the combined capital median house rent rose 0.4 per cent on average throughout the 2010s and for units by 0.6 per cent. Over the September quarter, rents increased by 3.4 per cent."



With a record low vacancy rate of 0.8 per cent, coupled with the rent rises, the outlook is very bleak for many tenants.

However, Powell says the cash rate being held at 4.10 per cent, coupled with low vacancy rates, could entice investors back into the market.

“Investors want certainty and I think now that we’ve had a number of months where that cash rate has held, there’s an element of certainty for investors to enter the market again” she says.

“[However], it’s really hard for tenants [to become home owners] because they have high rental costs and high costs of living. We also have our housing market back in recovery and we’ve seen the cost of debt increase significantly over the last 12 to 18 months, which has obviously had an impact on holding costs of debt and how much they can borrow.

“Ultimately, it’s become even more challenging for a tenant to transition to becoming a home owner, and I think that’s where it’s important – where we have the right incentives in place to help tenants transition to become home owners. But I also think, off the back of the cash rate holding steady, this is a good thing and will provide that assurance for buyers.”

Source : <https://www.domain.com.au/>