

Why Melbourne rental crisis is only going to get worse in 2023



The three-bedroom house at 108 Sunset Blvd, Jacana, is available for \$360 a week.

Melbourne's rental crisis is expected to get even worse in 2023, with the maligned inner city apartment market shooting up in price this year as the pandemic exodus reversed.

Rents will finish 2022 at record-high levels across the state and rising interest rates, returning migration and the worst housing affordability on record will continue to suffocate tenants.

PropTrack's Best of the Best report card shows rents increased 19-21 per cent in Docklands, Southbank and the CBD to between \$460-\$500 a week in the 12 months to November.

Rents in Melbourne and regional Victoria overtook previous pre-pandemic highs mid-year, as soaring inflation and cost-of-living have tenants across the state living on the edge.

PropTrack director of economic research Cameron Kusher believed things might get a little easier in regional Victoria — but conditions would get even more difficult in Melbourne.

"I expect pretty strong growth in rents in Melbourne's inner city markets in 2023, but places like the Mornington Peninsula could ease," Mr Kusher said.

“The inner region is the most renter-centric area and definitely supply is tightening up really rapidly, a lot of migrants want to be close to the city and a shortage of stock is exacerbating the challenge for people to find a rental and giving landlords the scope to put up rents.”

Mr Kusher said lending finance data was not showing any return of investors to the market yet, with their ability to service mortgages whacked by interest rate rises.



The three-bedroom house at 6 Heffernan St, Laverton, is available for \$320 a week.



The three-bedroom house at 30 Penguin St, Melton, is for rent at \$340 a week.

Tenants Victoria chief executive Jennifer Beveridge said the 2023 outlook was “worrying”.

“We know economists and other analysts forecast that rents will continue to climb next year, while the pool of available properties remains small by historic standards,” she said.

“We hope the state government, which has shown willingness to step up to help renters in the past, will consider some new ideas including legislating to regulate rent increases.”

Tenants Victoria is advocating for a “fairness formula” to regulate rent rises, and is calling on the state government to undertake a public consultation including renters and providers.

Barry Plant chief executive Mike McCarthy said investors would start to return next year once conditions had settled, enticed by demand, low vacancy rates and strong rental returns.



A two-bedroom apartment at 3402/151 City Rd, Southbank, is listed for \$620 per week.



This one at 307/408 Lonsdale St, Melbourne, is \$370 a week, fully furnished.



A one-bedroom unit at 503/15 Doepel Way, Docklands, is \$500 a week.

But the agency's head of property management Emma Gordon said the market was currently losing investors who were choosing to sell rather than spend on costly upgrades needed to meet new minimum standards for rentals, and amid interest rate rises.

She said renters were returning to Melbourne from regional Victoria, new residents were migrating to the city, and many tenants were staying put rather than buying or moving due to affordability constraints.

"In the past agents have typically used the 30 per cent rule — we don't want a renter to be spending more than 30 per cent on rent or they're deemed to be under rental stress — but a lot of our offices reporting more applicants are now pushing to that 35-40 per cent threshold by way of income spent on rent," she said.

"I think as rents continue to rise and wages don't keep up at the same pace, we will see a lot more renters having to pay more of their income towards their rent and I think that will be worse next year due to all those factors mentioned."

Ms Gordon said rent rises "across the board" of 10-15 per cent were likely next year, and there were "very few markets now with a lot of affordable housing".



A two-bedroom apartment at No. 6/717 Toorak Rd, Kooyong, inside this building is going for \$895 per week.

Kooyong, Abbotsford, Cranbourne, Fitzroy and St Kilda have had the most inquiries per rental listing on realestate.com.au, while Eynesbury, Portsea and Williamstown had the equal least.

Victorian Council of Social Service chief executive Emma King said more Victorians were renting than ever before, and renting for longer, and skyrocketing rents were a “huge issue”.

“Rising rents are the natural consequence of our overcooked housing market, surging house prices, population growth and the dire need for more social housing,” she said.

“Victoria should be investigating structural changes and direct interventions like rent capping, as is done in the ACT, to bring down rents.

“It’s also necessary to look at ways to encourage more people to keep properties as traditional rentals, and not list them on holiday homestay websites.”

While regional Victoria might have some pressure alleviated over the next year, the 2026 Commonwealth Games “threatens to further turbocharge rents across regional Victoria over coming years”, Ms King said.

“The Victorian Government must work with councils, housing providers, investment property owners and key worker employers to make sure this does not happen,” she said.

Ms Gordon said interest rate pressure was driving “mum and dad type” investors to sell up, or pass on costs to their tenants in order to retain their properties.

The Victorian Greens want rental caps to be introduced in line with wage growth.

GREATER MELBOURNE RENT IN 2022

12 months to November

Highest rental yields, houses

suburb, median_12mth_rental_yield

Longwarry, 4.11%

Maddingley, 3.84%

Deanside, 3.80%

Darley, 3.75%

Roxburgh Park, 3.64%

Wollert, 3.63%

Bacchus Marsh, 3.63%

Melton West, 3.61%

Harkness, 3.61%

Weir Views, 3.60%

Highest rental yields, units

suburb, median_12mth_rental_yield

Caulfield East, 5.88%

Melbourne, 5.18%

Campbellfield, 5.10%

Williams Landing, 4.92%

Travancore, 4.90%

Notting Hill, 4.83%

West Melbourne, 4.82%

Docklands, 4.80%

Southbank, 4.75%

Dandenong, 4.59%

Highest growth in rents, houses

suburb, rent_2022_10_31, Change_In_Median_Rent_12_Months

Botanic Ridge, \$518, 23.2%

Caulfield, \$, 835, 20.1%

Tootgarook, \$500, 19.0%

Blairgowrie, \$649, 18.0%

Parkdale, \$700, 16.7%

Ormond, \$700, 16.7%

Carnegie, \$650, 16.6%

Black Rock, \$1100, 15.8%
Sorrento, \$925, 15.6%
Capel Sound, \$465, 14.8%

Highest growth in rents, units

suburb, rent_2022_10_31, Change_In_Median_Rent_12_Months

Melbourne, \$460, 21.1%
Southbank, \$495, 19.3%
Docklands, \$500, 19.0%
West Melbourne, \$450, 18.4%
Capel Sound, \$450, 18.4%
Box Hill South, \$480, 17.1%
Aspendale, \$500, 16.3%
Ashburton, \$595, 15.5%
Kilsyth, \$445, 12.7%
Travancore, \$380, 11.8%

Lowest rents, houses

suburb, rent_2022_10_31

Jacana, \$335
Melton, \$340
Laverton, \$340
Melton South, \$350
Kurunjang, \$350
Broadmeadows, \$350
Melton West, \$355
Kings Park, \$360
Wyndham Vale, \$360
Albanvale, \$360

Lowest rents, units

suburb, rent_2022_10_31

Albion, \$288
Campbellfield, \$295
Kingsville, \$300
Melton South, \$300
Gardenvale, \$300
Caulfield East, \$305
Dallas, \$315
Werribee, \$320
Sunshine, \$320
Melton, \$320

Most in demand

Suburb, Inquiries per listing

KOOYONG, 48
ABBOTSFORD, 38
CRANBOURNE, 38
FITZROY, 38
ST KILDA, 36
DANDENONG, 34
MELBOURNE, 34
LYSTERFIELD, 33
SOUTH YARRA, 32
TRAVANCORE, 32

Least demand

Suburb, Inquiries per listing

EYNESBURY, 4
PORTSEA, 4
WILLIAMSTOWN NORTH, 4
CAULFIELD EAST, 5
JUNCTION VILLAGE, 5
MACEDON, 5
MOUNT EVELYN, 5
ROMSEY, 5
BLAIRGOWRIE, 6
LANG LANG, 6

Source : <https://www.news.com.au/finance/real-estate/melbourne-vic/why-melbourne-rental-crisis-is-only-going-to-get-worse-in-2023/news-story/cbe97444fbedadb032b1f183ae832e76>