Overview of rental market

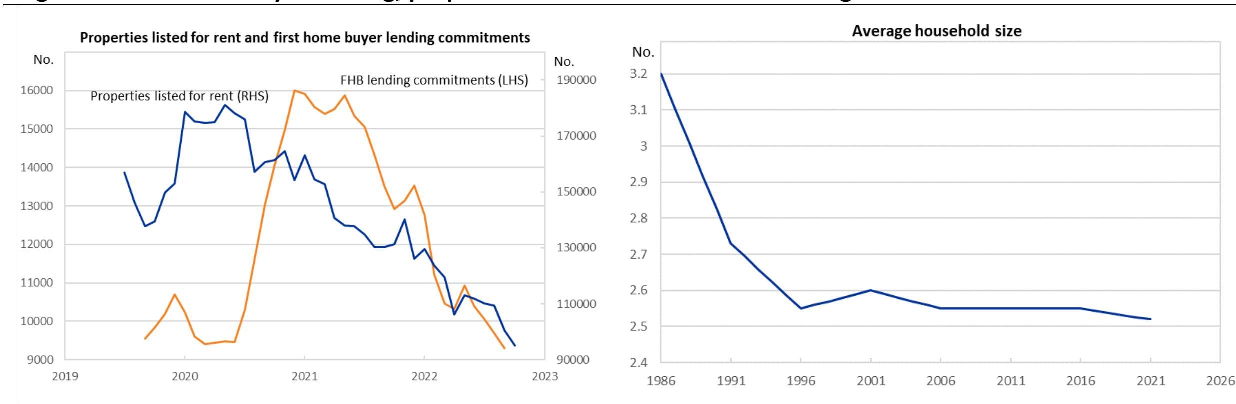
Around 31 per cent or nearly 3 million households in Australia are renters, with 26 per cent of households renting from private landlords and 3 per cent of households renting from state or territory housing authorities. Changes in the rental market are important because they typically accommodate lower income earners who are more vulnerable to experiencing housing stress. The COVID-19 pandemic period has had a substantial impact on Australia's rental markets, with vacancy rates now at low levels in most cities and regions. There has also been an unusually high degree of variance in rental markets due to specific local demand and supply drivers.

This paper provides a comprehensive snapshot of Australia's rental markets. It covers social housing rentals and how they relate to private rentals in capital city and regional areas, including the distribution of rental changes. It also looks at gross rental yields for all major cities and states, and catalogues the top 10 Local Government Areas (LGAs) in major city and regional areas with the highest and lowest rental growth and highest and lowest vacancy rates.

During the first year of the pandemic many property owners, particularly in Sydney and Melbourne, could not lease their investment property with the closure of borders to international students and other visa holders. However, house prices were rising strongly due to the aggressive cuts in interest rates and fiscal stimulus. These 2 factors likely led many property owners to sell their investment properties to owner-occupiers such as first home buyers, with the net result being a decline in properties listed for rent. Also contributing to the tightness in the rental market is the decrease in average household size which fell from 2.55 persons in 2016 to 2.52 persons in 2021, with evidence suggesting household size has reduced even further since[1]. Returning migration is also adding to demand at a time when many rental markets are already tight.

Listing times have halved in Sydney, Melbourne and Brisbane since peaking mid-pandemic. In Brisbane, Adelaide and Perth, rental properties are listed for around two weeks on the market before being leased.

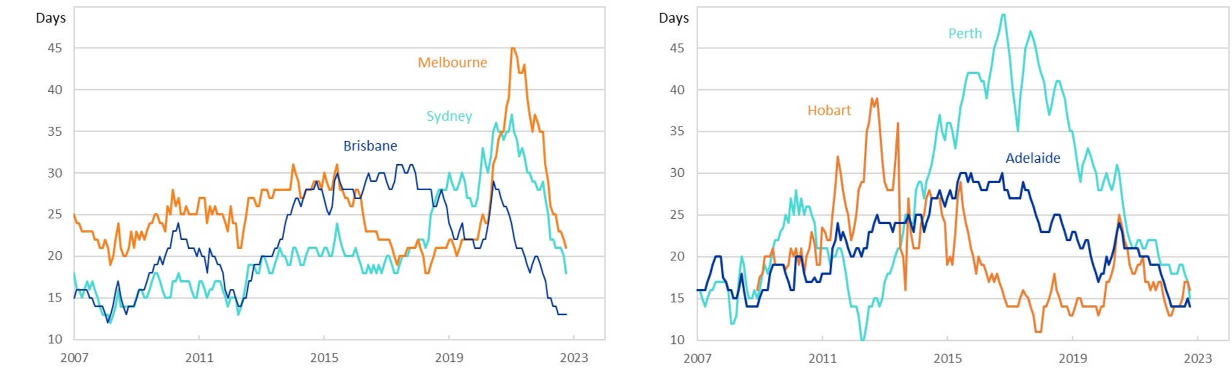
Figure 1: First home buyer lending, properties listed for rent and the average household size



Source: ABS, CoreLogic, NHFIC

[1] See November 2022 RBA Statement on Monetary Policy, page 28

Figure 2: Time on the market: multi-density dwellings (apartments and townhouses)

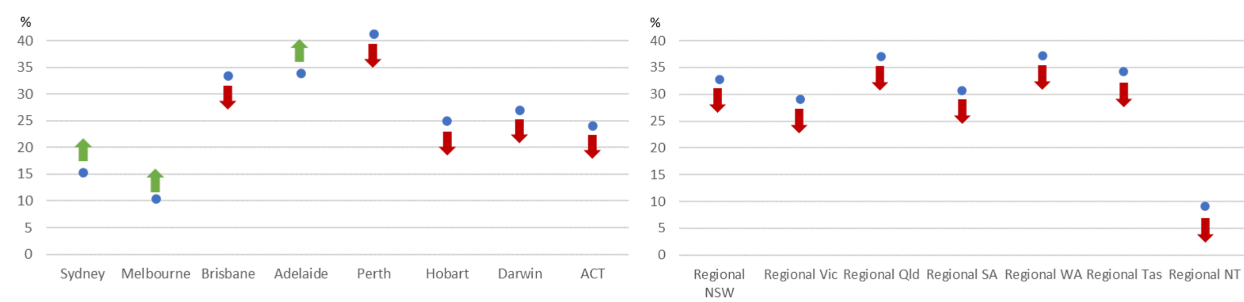


Source: CoreLogic, NHFIC

Key observations from the paper include:

- Vacancy rates are at exceptionally low levels in most markets[2]. The Sydney and Melbourne markets were most affected by border closures during the pandemic, but they have recovered strongly. Vacancy rate pressures are less acute in Melbourne. Melboure has the highest vacancy rate of all major cities at 4.6 per cent and the lowest CPI rent growth at just 1 per cent.
- Advertised rents are increasing strongly in Sydney, Melbourne and Adelaide, with rents in these markets increasing by at least 10 per cent over the last year. Rent paid through lease agreements across the entire dwelling stock (as measured through the CPI) are rising more modestly, with CPI rent inflation negative in Sydney and Melbourne until recently. In the short to medium term, the pressure on advertised rents will continue to spillover for tenants on existing lease agreements as they come up for renewal.
- Advertised rental growth has peaked and is now slowing in Brisbane, Perth, Hobart, ACT and Darwin. After a period of exceptional growth during the pandemic, advertised rental growth is slowing in all regional areas. This will ease some pressure for those on existing lease agreements over the longer-term.

Figure 3: Advertised rental growth from 2019



Source: CoreLogic, NHFIC. Arrows indicate rental pressures based on advertised rent growth.

- During the pandemic and for much of 2022, in cities like Sydney and Melbourne, the lowest vacancy rates (and strongest rental increases) were typically observed in outer areas of cities, with inner city areas

[2] NHFIC uses REIA vacancy rate data with the latest publicly available data as at June 2022

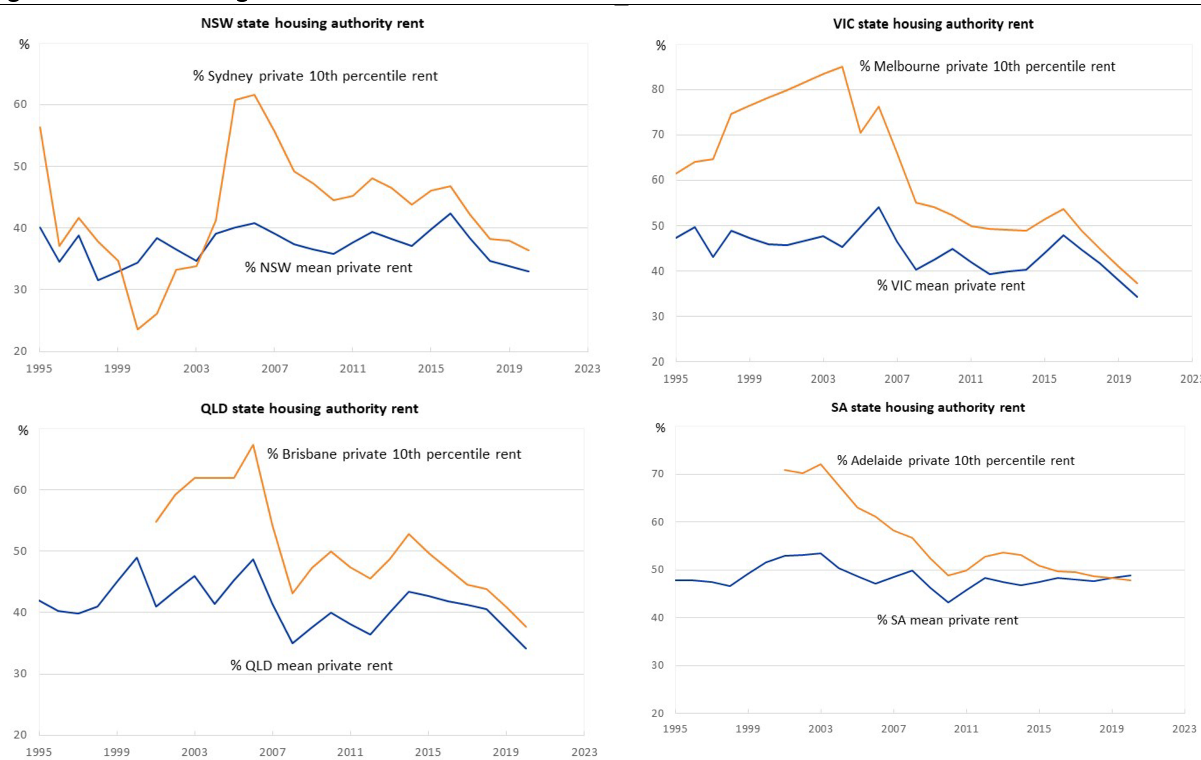
recording higher vacancy rates (and lower rental pressures). More recently, some inner city areas are experiencing stronger rental growth.

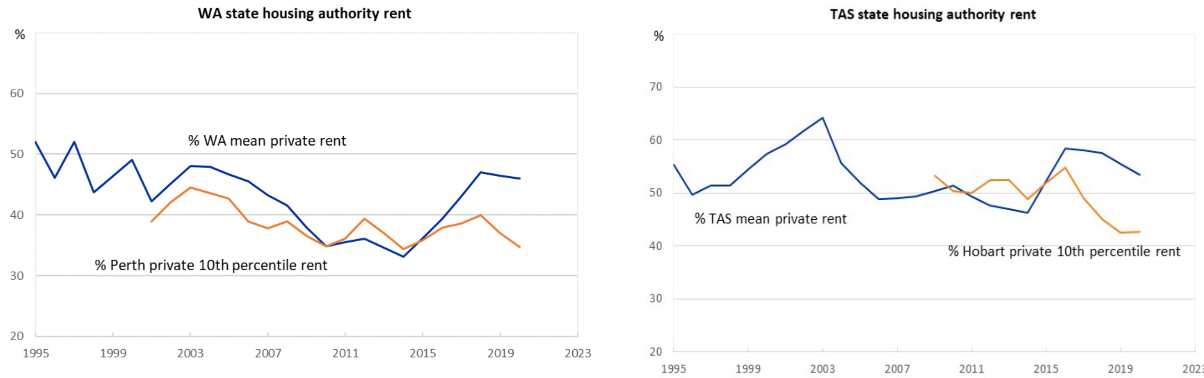
- The strongest rental growth has been at the top-end of the market, including luxury apartments and detached homes. There is also upward pressure in the lower-end of the market. NSW, Vic and Qld are seeing rent at the middle and lower ends of the private market increase more rapidly than the rent paid in social housing (see below), making it increasingly difficult for social housing tenants to transition into the private market.
- States with higher social housing rents tend to have higher homelessness rates. NSW has the highest social housing rent at around $200 per week and the greatest number of homeless people as a proportion of the population. Social housing rent have increased in all states from 2011 to 2016.
- Gross rental yields – the annual rental income investors receive when renting out there properties – have been low across most markets for some time. However, on the back of downward pressure on housing prices and increasing rents, gross rental yields are starting to increase.

Social housing

A key factor in determining the period households spend in social housing is the relative affordability between social housing and the private market. Social housing rent is typically between 30 to 50 per cent of the state's rental mean, but rising private market rents in NSW, Vic and Qld mean that this percentage is now generally at the lower-end of that range.

Figure 4: Social housing rent



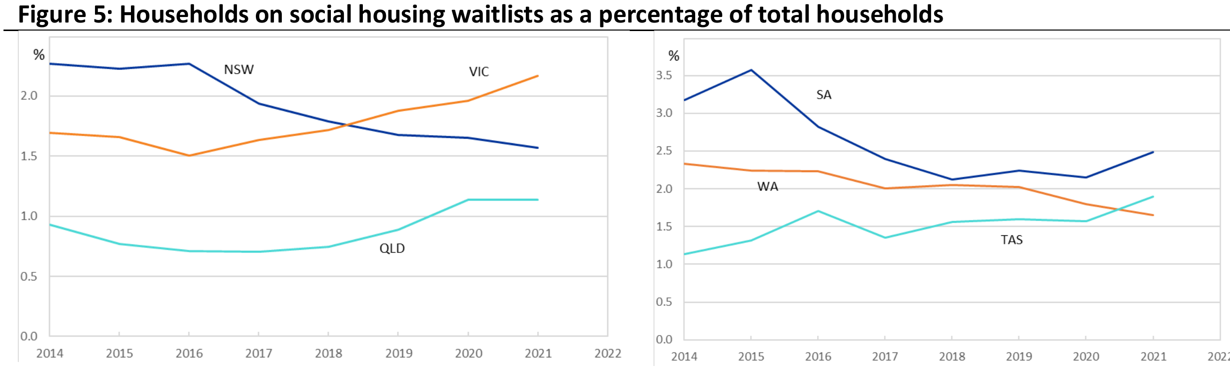


Source: ABS, CoreLogic, NHFIC

Similarly, the difference between the lower-end of the capital city rental market and social housing has been falling over the past 10 years, indicating even relative affordability between social housing rent and the lower end of the private rental market has worsened. In NSW and Vic the social housing median rent as a percentage of the median private rent is at its lowest level in at least 20 years. In WA and Tas the percentage is above 2015 levels.

The number of households on social housing wait lists has been increasing in Vic, SA and Tas. Qld has the lowest number of households on a waitlist, while Vic has the highest.

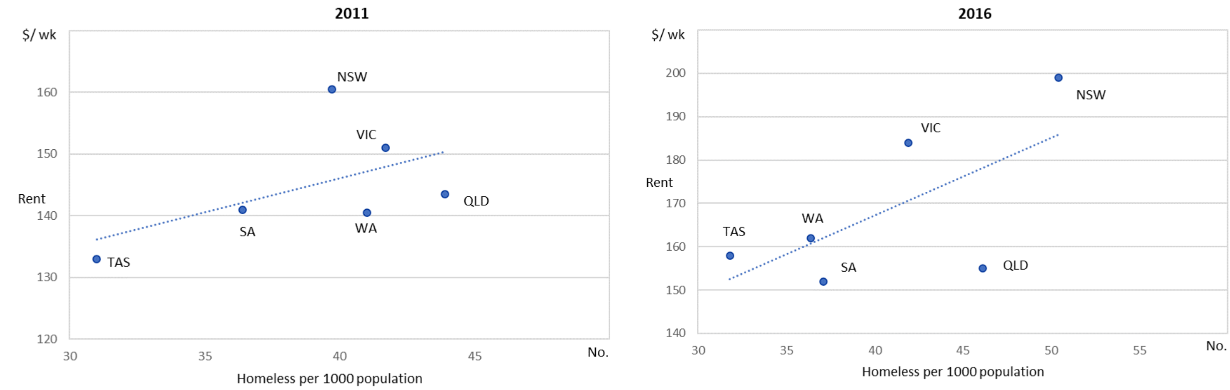
Figure 5: Households on social housing waitlists as a percentage of total households



Source: ABS, NHFIC

States with higher social housing rent tend to have higher homelessness rates. NSW has the highest social housing rent at around $200 per week and the greatest number of homeless people as a proportion of the population. Social housing rent have increased in all states from 2011 to 2016.

Figure 6: Homelessness and social housing rent



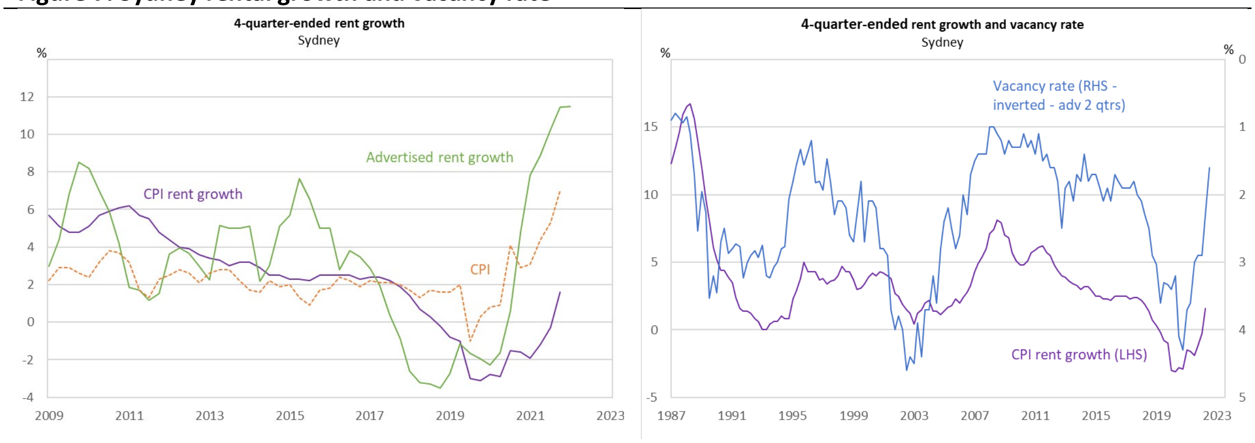
Source: ABS, NHFIC

NSW

Sydney

The vacancy rate is around 2 per cent and rental growth is starting to increase. Advertised rents reflect the supply of available properties on the market for rent and this measure has increased strongly over the past year. Over time and as lease agreements are renewed, this will put upward pressure on the broad measures of rent such as the component in the Consumer Price Index (CPI). The rental component of the CPI is currently increasing at a significantly slower pace than the CPI.

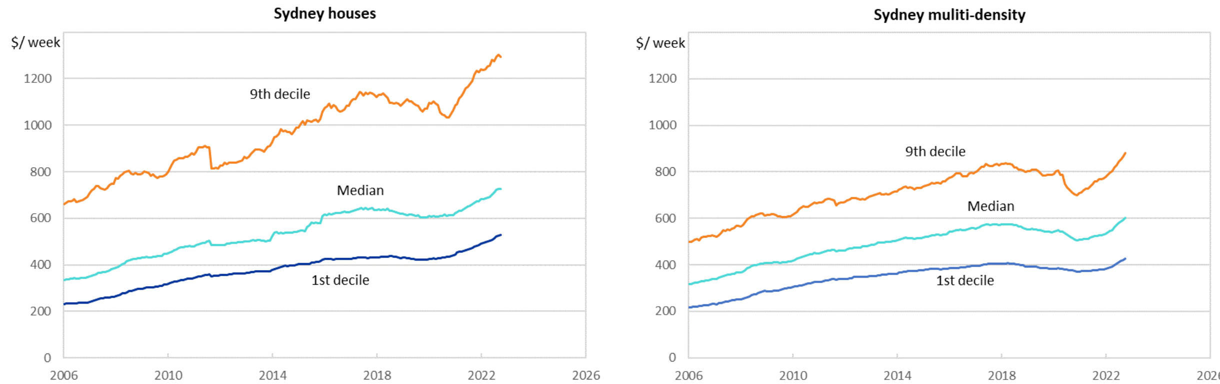
Figure 7: Sydney rental growth and vacancy rate



Source: CoreLogic, REIA, ABS, NHFIC

In Sydney, the upper-end of the rental market has performed strongly since 2021. It is worth noting there is a large gap between the 9th decile and the median rent for houses, suggesting the distribution of properties is skewed towards the lower-end of the market. The gap between the 9th decile and the median price is much smaller for multi-density dwellings.

Figure 8: Advertised rent by deciles

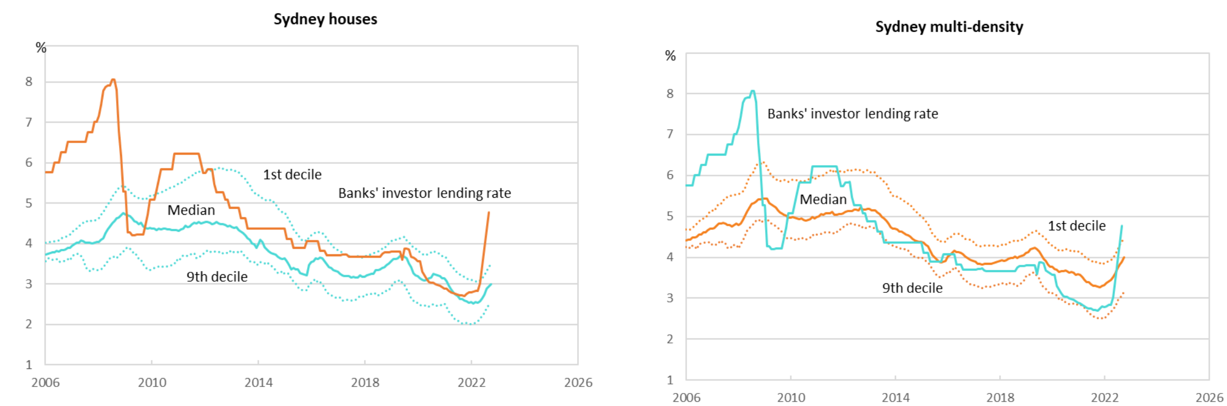


Source: CoreLogic, NHFIC

Investors are the suppliers of rental properties and it is important to look at the fundamentals of the housing market from their perspective. Rental yields are typically below mortgage rates suggesting that the prospect of future capital gains drives investor interest in housing. Nonethesless, investors rely on an income stream from their asset.

Following a 275-basis point increase in the Reserve Bank of Australia's (RBA) target cash rate since May 2022, the investor mortgage rate has increased by 195-basis points to 4.8 percent. The gross yield for houses is between 2-4 per cent, but for multi-density dwellings it is 3-5 per cent. Rental yields have increased since the start of the year as higher interest rates have put downward pressure on house prices. Rising interest rates should cause the yield to increase further. A pick up in rental growth due to tight supply will also put upward pressure on yields.

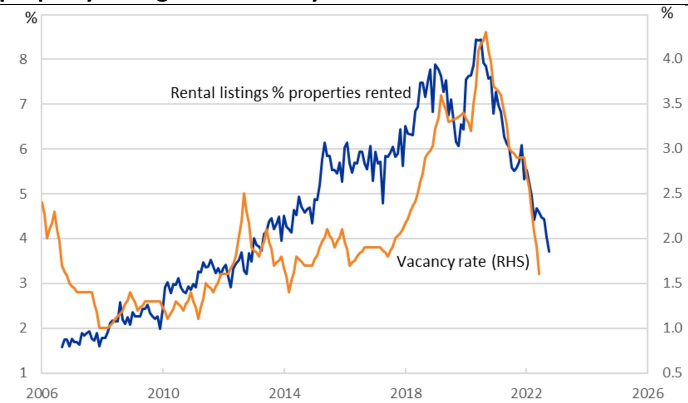
Figure 9: Gross rental yield



Source: CoreLogic, NHFIC, RBA

The percentage of properties listed for rent has fallen sharply over the past year after rising since 2006. The vacancy rate has also declined, but it remains above the low levels seen just prior to the Global Financial Crisis (GFC) in 2008.

Figure 10: Sydney rental property listings and vacancy rate

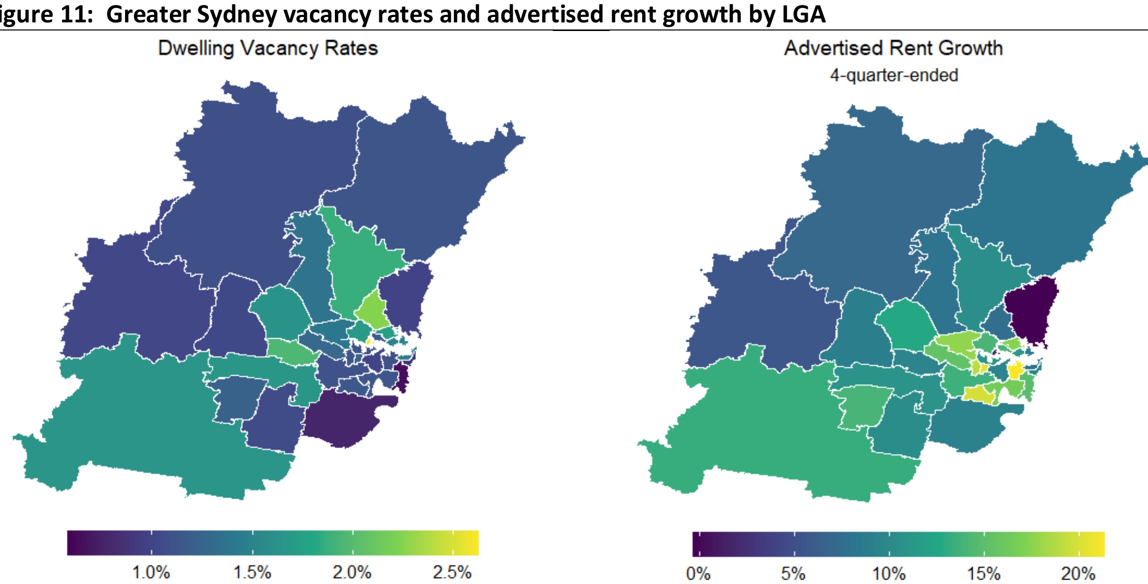


Source: CoreLogic, NHFIC

Capital city-wide median measures of rent and vacancy rate often overlook rental supply and demand at the LGA level. During the pandemic and for much of 2022, vacancy rates were lowest in more affordable outer LGAs, and this mirrored the strong rental growth seen in these LGAs. The highest vacancy rates were seen in inner Sydney LGAs. This contrasted to pre-pandemic times where inner Sydney LGAs had tighter rental markets.

However, more recently, inner Sydney LGAs experienced the strongest advertised rent growth – advertised rents in Sydney, Burwood, Georges River and Strathfield all increased around 20 per cent over the year. Vacancy rates in these LGAs are between 1.1-1.2 per cent. Advertised rent growth in outer Sydney LGAs like Blue Mountains, Coffs Harbour and Hawkesbury and Kiama eased to be 5-7 per cent higher over the year although vacancy rates still remain tight in these LGAs.

Figure 11: Greater Sydney vacancy rates and advertised rent growth by LGA



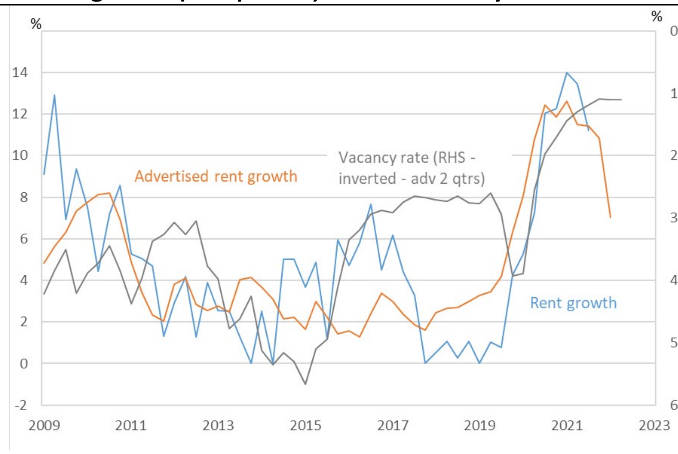
Source: CoreLogic, NHFIC, UNSW (University of New South Wales) City Futures. Latest observation is October 2022.

Regional NSW

Advertised rental growth appears to have peaked in regional NSW, with growth slowing from 12 percent to around 7 per cent during 2022. Similarly, rental growth measured when lease agreements are struck peaked at 14 per cent over the past year, but growth is starting to slow down.

The vacancy rate is at its lowest level in the past 12 years after declining rapidly during the pandemic. Vacancy rates are lowest in Edward River, Bega Valley and Tenterfield.

Figure 14: Regional NSW rental growth (4th quarter) and the vacancy rate



Source: REIA, CoreLogic, NHFIC

Figure 15: Regional NSW LGAs with the highest and lowest dwelling vacancy rates

Rank	Highest (%)	Lowest (%)
1	Weddin (5.0)	Edward River (0.2)
2	Carrathool (3.1)	Bega Valley (0.2)
3	Narrabri (2.9)	Tenterfield (0.4)
4	Wentworth (2.8)	Inverell (0.5)
5	Wingecarribee (2.8)	Kyogle (0.5)
6	Yass Valley (2.6)	Kiama (0.6)
7	Coonamble (2.6)	Richmond Valley (0.6)
8	Cobar (2.5)	Coolamon (0.6)
9	Snow Monaro Regional (2.5)	Broken Hill (0.6)
10	Hay (2.5)	Ballina (0.6)

Source: CoreLogic, NHFIC. Latest observation is October 2022.

Figure 16: Regional NSW LGAs with the highest and lowest annual advertised rental growth

Rank	Highest (%)	Lowest (%)
1	Warren (38.0)	Weddin (-13.5)
2	Warrumbungle Shire (35.7)	Bourke (-9.6)
3	Walcha (26.8)	Edward River (-9.2)
4	Broken Hill (22.7)	Hay (-5.6)
5	Balranald (19.5)	Federation (-4.9)
6	Narromine (16.6)	Walgett (-0.8)
7	Uralla (15.3)	Lachlan (-0.5)
8	Upper Lachlan Shire (15.2)	Bellingen (-0.1)
9	Narrandera (14.0)	Murray River (0)
10	Richmond Valley (13.9)	Brewarrina (-0.8)

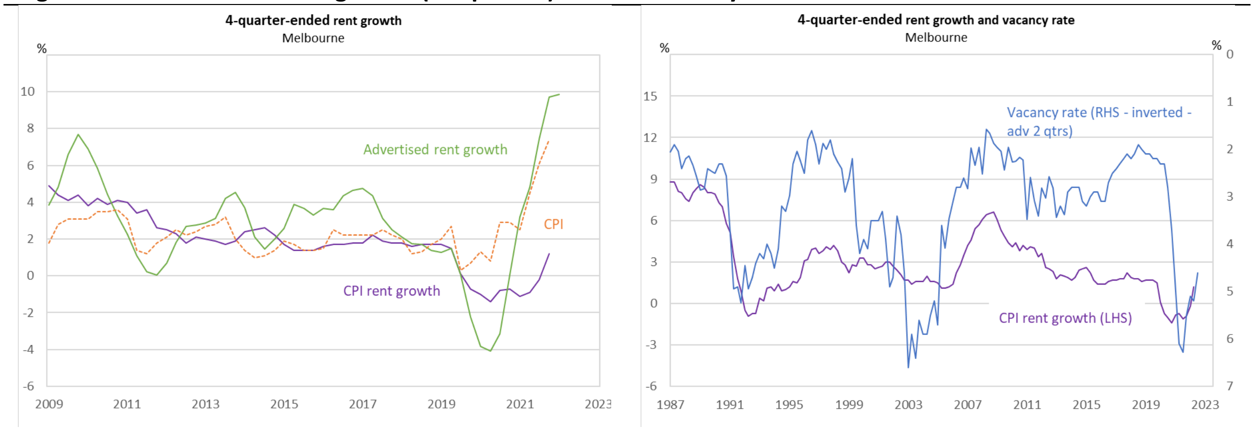
Source: CoreLogic, NHFIC. Latest observation is October 2022.

Victoria

Melbourne

In contrast to Sydney, the Melbourne rental market has more slack, with the vacancy rate at 4.6 per cent and rent measured for the CPI up only 1 per cent over the past year. Advertised rent has increased by 10 per cent during this period, suggesting upstream rental pressures are building for those tenants already on a lease agreement.

Figure 17: Melbourne rental growth (4th quarter) and the vacancy rate

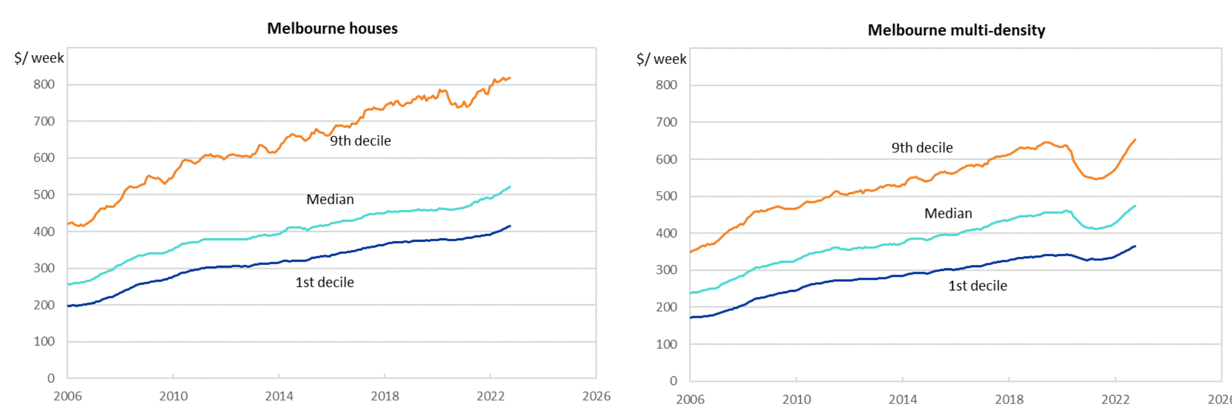


Source: CoreLogic, REIA, ABS, NHFIC

In Melbourne, like Sydney, rent paid at the 9th decile of the rental market is much higher than the median. Meanwhile, the bottom of the rental market is closer to the median. In multi-density dwellings the distribution of rent by price is more evenly spread.

It is also worth noting that in the multi-density market there is strong upward presssure on the most expensive part of the market. The lower end of the multi-density market and broad housing market are seeing less rental price pressures.

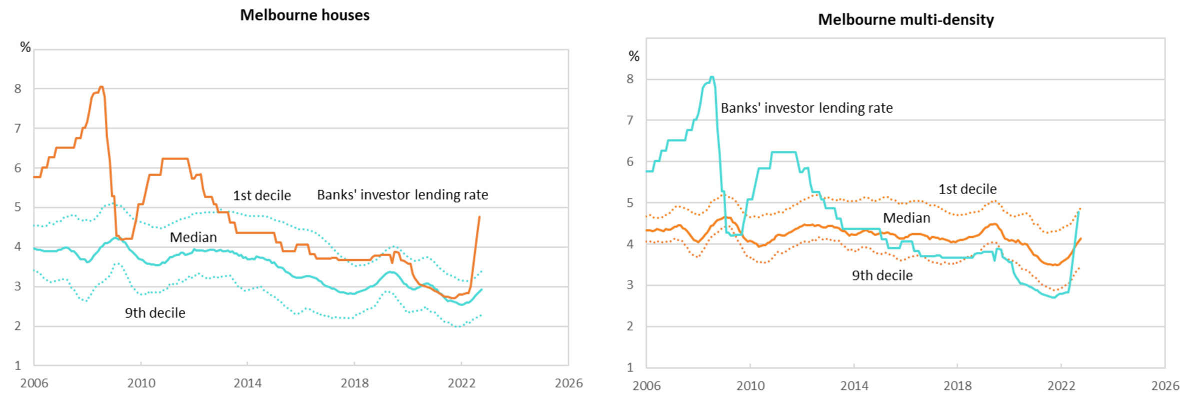
Figure 18: Melbourne advertised rent by decile



Source: CoreLogic, NHFIC

Like Sydney, the gross yield in the multi-density market is higher than in the detached market. The gross rental yield for houses based on the 9th decile price and rent is around 2 per cent, while the mortgage rate is around 5 per cent. By comparison, in multi-density dwellings the gross yield on the 9th decile of price and rent is around 3.5 per cent.

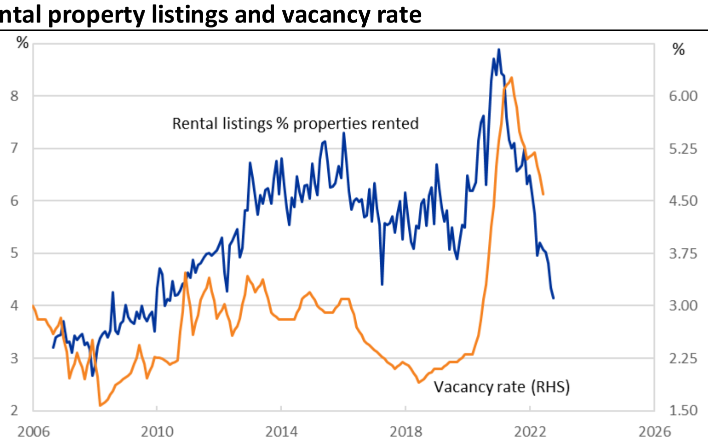
Figure 19: Melbourne gross rental yield



Source: CoreLogic, NHFIC, RBA.

Listings and the vacancy rate have both fallen after rising sharply during the early stage of the pandemic. Australian Bureau of Statistics (ABS) data shows the average household size fell from 2.7 in the 2016 census to 2.6 in the 2021 census and some properties owned by investors were probably sold during the early stage of the pandemic as vacancy rates increased due to the closure of international borders.

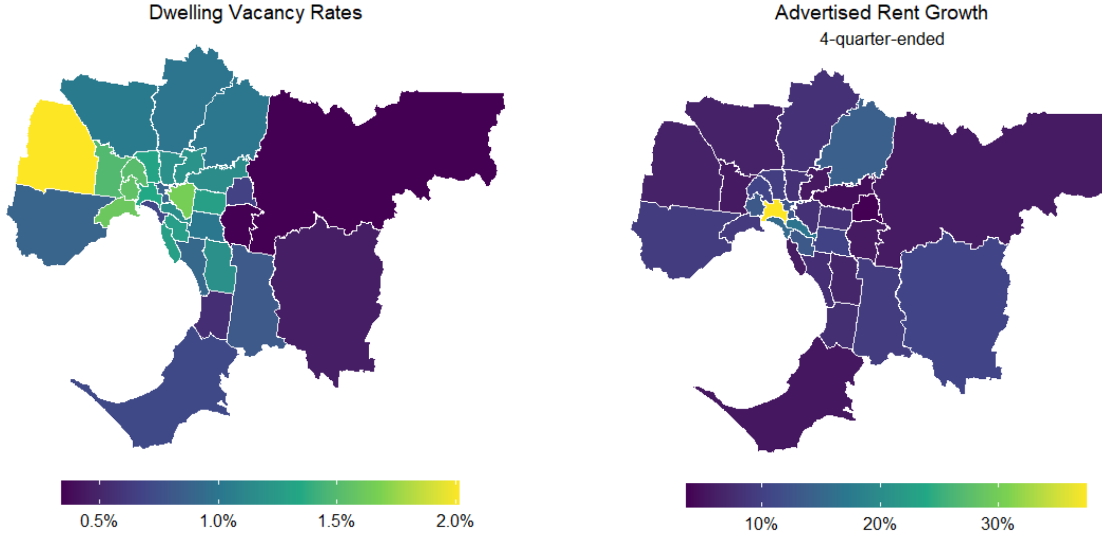
Figure 20: Melbourne rental property listings and vacancy rate



Source: CoreLogic, REIA, NHFIC

Vacancy rates are generally lowest in outer Melbourne LGAs such as Yarra Ranges, Knox, Cardinia, and Frankston. Advertised rents in these LGAs grew around 6-10 per cent over the year. Although Melton, Boroondara, Hobsons Bay and Maribyrnong have the highest vacancy rates, advertised rents still grew 6-13 per cent over the year in these LGAs. Some of these LGAs were impacted heavily by border closures as they had a high proportion of international students, however rents have recovered to around pre-pandemic levels.

Figure 21: Greater Melbourne vacancy rates and advertised rent growth by LGA

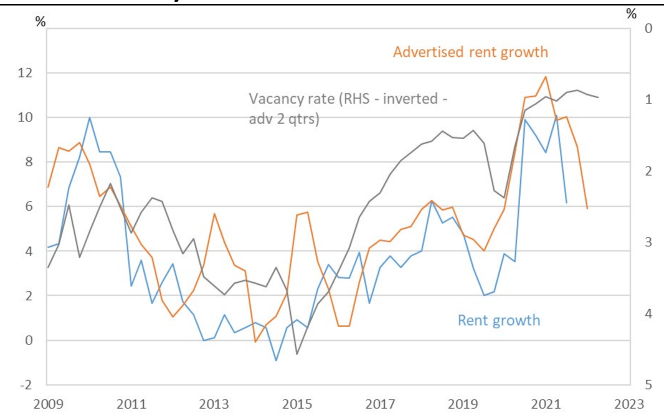


Source: CoreLogic, NHFIC, ABS. Last observation is October 2022

Regional VIC

Advertised rent growth has slowed from 12 per cent to 6 per cent during 2022. Rents paid in lease agreements are 6 per cent higher over the past year. Vacancy rates are starting to come off their record lows after declining rapidly during the pandemic.

Figure 24: Rental growth and the vacancy rate



Source: REIA, CoreLogic, NHFIC. Advertised rental growth is by CoreLogic. Rent growth is by REIA

Figure 25: Regional Vic LGAs with the highest and lowest dwelling vacancy rates		
Rank	Highest (%)	Lowest (%)
1	Loddon (3.2)	Mount Alexander (0.2)
2	Pyrenees (3.0)	Alpine (0.3)
3	Mitchell (1.9)	Wodonga (0.3)
4	West Wimmera (1.8)	Corangamite (0.3)
5	Northern Grampians (1.5)	Swan Hill (0.4)
6	Horsham (1.5)	Warrnambool (0.4)
7	Benalla (1.5)	Campaspe (0.4)
8	Queenscliff (1.3)	Central Goldfields (0.5)
9	South Gippsland (1.3)	Ararat (0.5)
10	Macedon Ranges (1.3)	Surf Coast (0.5)

Source: CoreLogic, NHFIC. Latest observation is October 2022.

Figure 26: Regional Vic LGAs with the highest and lowest annual advertised rental growth		
Rank	Highest (%)	Lowest (%)
1	Colac-Otway (18.6)	Mount Alexander (-3.4)
2	Pyrenees (16.4)	South Gippsland (-0.1)
3	Southern Grampians (13.7)	Surf Coast (1.4)
4	Glenelg (12.6)	Horsham (1.8)
5	Loddon (12.1)	Macedon Ranges (2.0)
6	Queenscliffe (12.0)	Hepburn (2.1)
7	Moyne (11.2)	Benalla (2.2)
8	Buloke (11.0)	Bass Coast (2.4)
9	Latrobe (10.3)	Greater Bendigo (2.6)
10	Greater Shepparton (10.3)	Golden Plains (3.0)

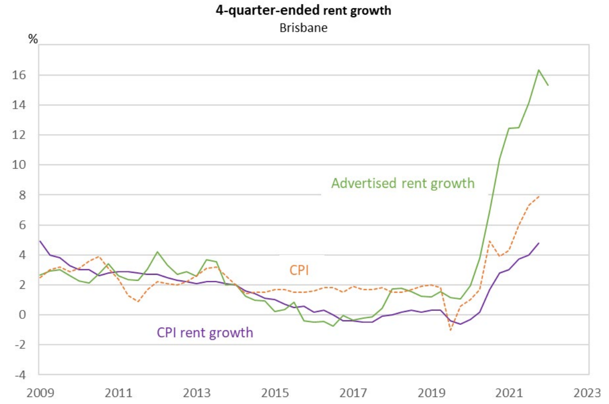
Source: CoreLogic, NHFIC. Latest observation is October 2022.

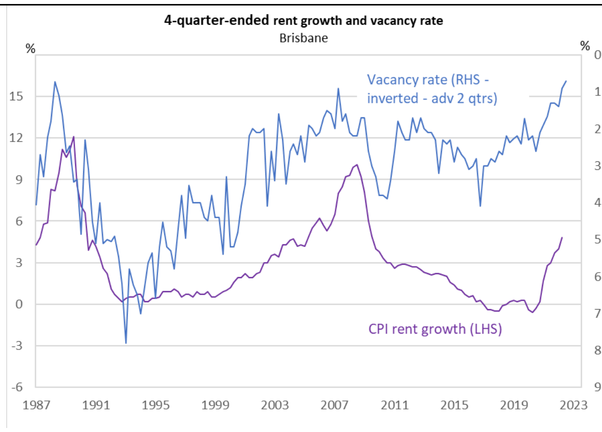
Queensland

Brisbane

Brisbane's rental market is tighter than Sydney and Melbourne, with vacancy rates at less than one per cent. Rent measured for CPI grew around five per cent over the past year. This is below the inflation rate, although advertised rent increased around 16 per cent over the same period, suggesting rents will continue to rise.

Figure 27: Rental growth and the vacancy rate

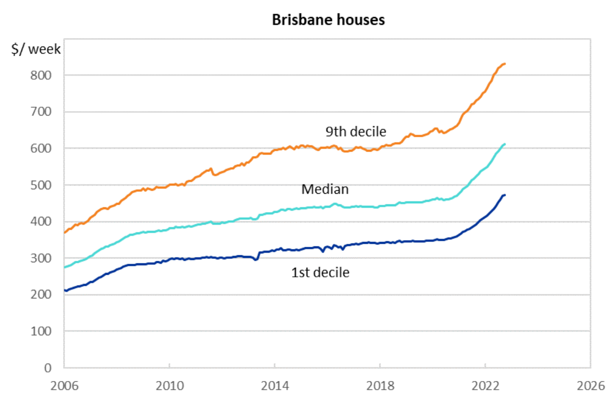


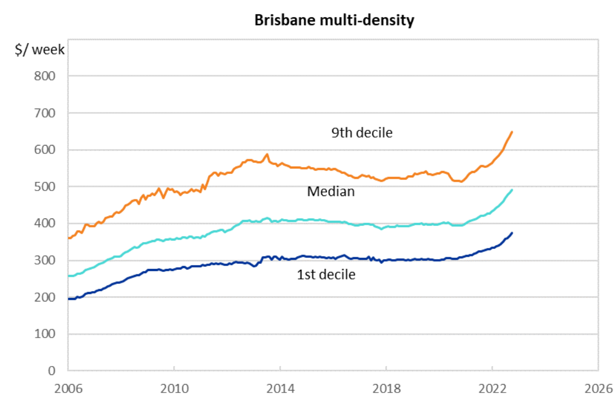


Source: CoreLogic, REIA, ABS, NHFIC

Like Sydney and Melbourne, there is a larger gap between the 9th decile and the median rent for houses, although the gap is not as pronounced in the Brisbane market. Rents are evenly spread for multi-density dwellings. Advertised rents have increased across the broader housing market, with more expensive houses leading the growth.

Figure 28: Advertised rent by deciles

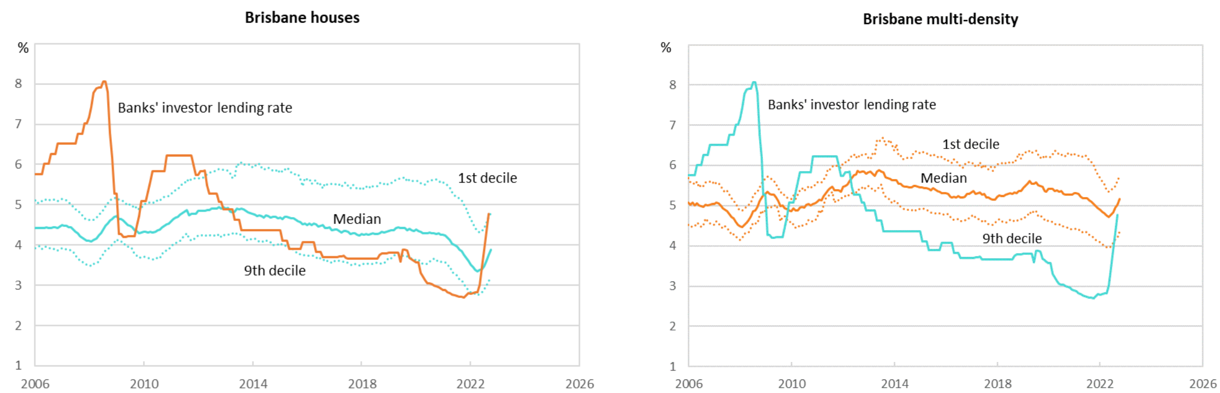




Source: CoreLogic, NHFIC

The gross yield in the Brisbane market is closer to the mortgage rate than the Sydney and Melbourne markets. The median yield for houses is almost four per cent while the median yield for multi-density dwellings is around five per cent. Yields are picking up as rents increase and prices fall.

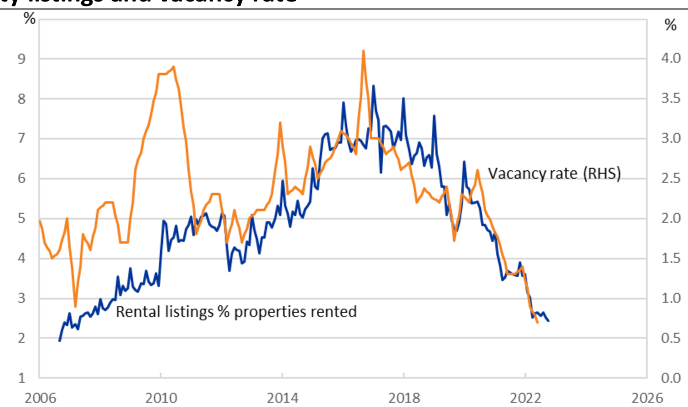
Figure 29: Gross rental yield



Source: CoreLogic, NHFIC, RBA

The proportion of rental properties listed on the market and the vacancy rate have declined sharply since the pandemic started to their lowest levels in over a decade.

Figure 30: Rental property listings and vacancy rate

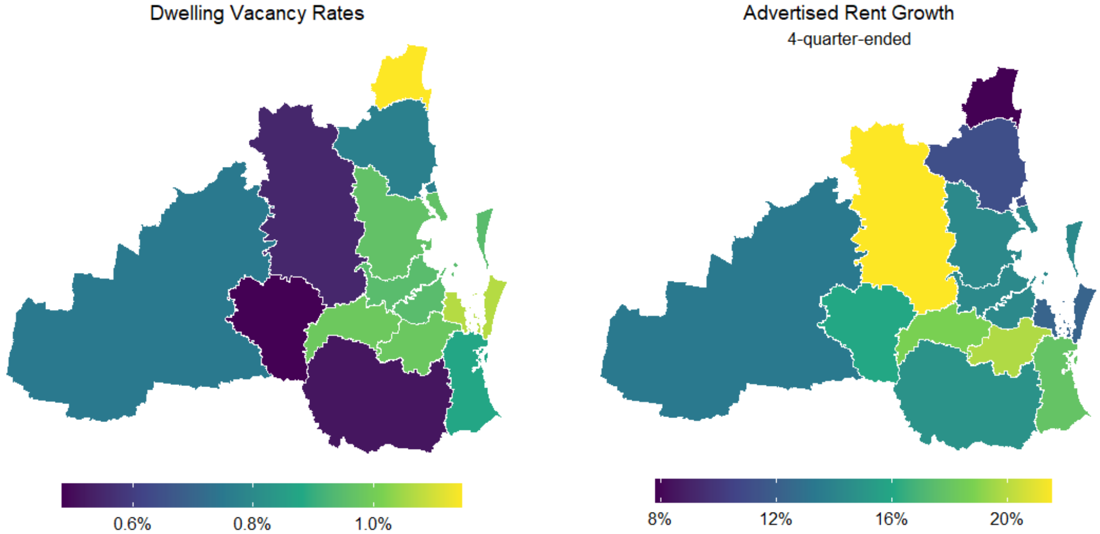


Source: REIA, ABS, NHFIC

Vacancy rates are low across all Southeast Queensland LGAs, particularly for Lockyer Valley (0.5 per cent), Scenic Rim (0.5 per cent), Somerset (0.5 per cent), Toowoomba (0.8 per cent) and Sunshine Coast (0.8 per cent).

Advertised rents grew around 20 per cent over the past year in Somerset, Logan, Ipswich, Bundaberg and Gold Coast.

Figure 31: Southeast Queensland vacancy rates and advertised rent growth by LGA



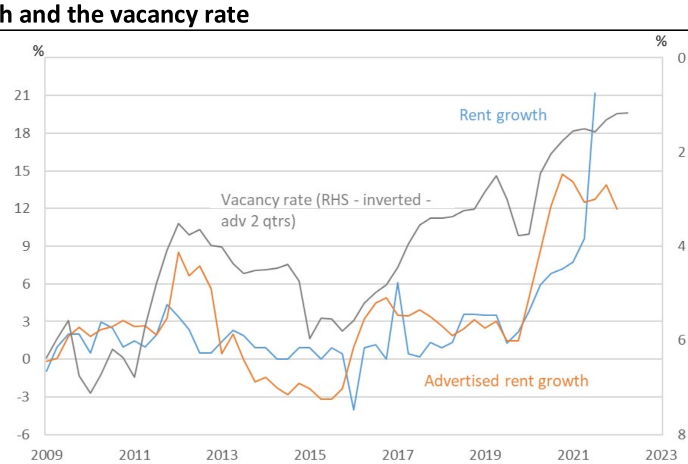
Source: CoreLogic, NHFIC, ABS. Latest observation is October 2022.

Regional QLD

Advertised rent growth has fallen slightly from around 14 per cent to around 12 per cent during 2022. Rents paid when rental agrements are signed have increased 21 per cent over the same period. Vacancy rates remain low at around 1 per cent. Vacancy rates are lowest in LGAs closer to Southeast-Queensland, and highest in the northern and outer LGAs.

Advertised rents have grown the most in Torres, Hinchinbrook and Hope Vale. Many regional Queensland LGAs have seen rents decrease over the past year.

Figure 34: Rental growth and the vacancy rate



Source: REIA, CoreLogic, NHFIC

Figure 35: Regional Qld LGAs with the highest and lowest dwelling vacancy rates

Rank	Highest (%)	Lowest (%)
1	Mount Isa (4.2)	Southern Downs (0.3)
2	Isaac (4.2)	Blackall-Tambo (0.7)
3	Weipa (3.9)	Western Downs (0.9)
4	Cloncurry (3.9)	Goondiwindi (0.9)
5	Hinchinbrook (2.5)	Rockhampton (0.9)
6	Mareeba (2.4)	Cook (0.9)
7	South Burnett (2.0)	Tablelands (0.9)
8	Cassowary Coast (1.8)	Bundaberg (0.9)
9	Gladstone (1.8)	Cairns (1.0)
10	Burdekin (1.7)	Livingstone (1.1)

Source: CoreLogic, NHFIC. Latest observation is October 2022.

Figure 36: Regional Qld LGAs with the highest and lowest annual advertised rental growth

Rank	Highest (%)	Lowest (%)
1	Torres (28.7)	Carpentaria (-40.7)
2	Hinchinbrook (26.8)	Northern Peninsula (-37.0)
3	Hope Vale (21.5)	Diamantina (-24.3)
4	Burdekin (20.9)	Barcoo (-15.4)
5	Bundaberg (18.0)	Boulia (-10.9)
6	Cassowary Coast (17.8)	Weipa (-9.8)
7	Whitsunday (15.7)	Blackall-Tambo (-4.2)
8	Douglas (14.9)	Cook (-4.2)
9	Southern Downs (14.3)	Bulloo (-3.2)
10	South Burnett (12.7)	Quilpie (-2.9)

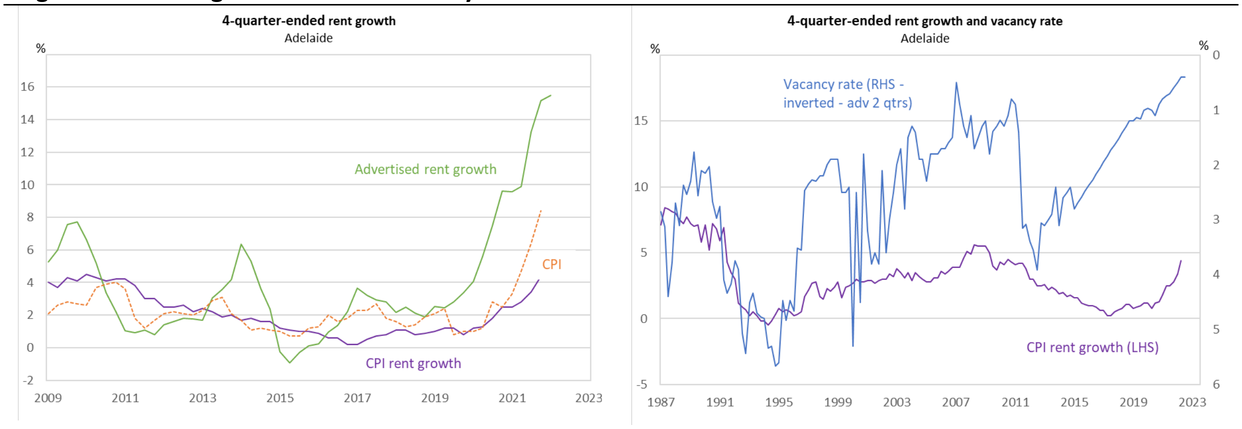
Source: CoreLogic, NHFIC. Latest observation is October 2022.

South Australia

Adelaide

Advertised rents are almost 16 per cent higher than last year, and has outpaced rent measured for CPI which has grown 4 per cent over the past year. The vacancy rate has fallen sharply since the start of the pandemic to record lows, suggesting rent inflation will pick up further.

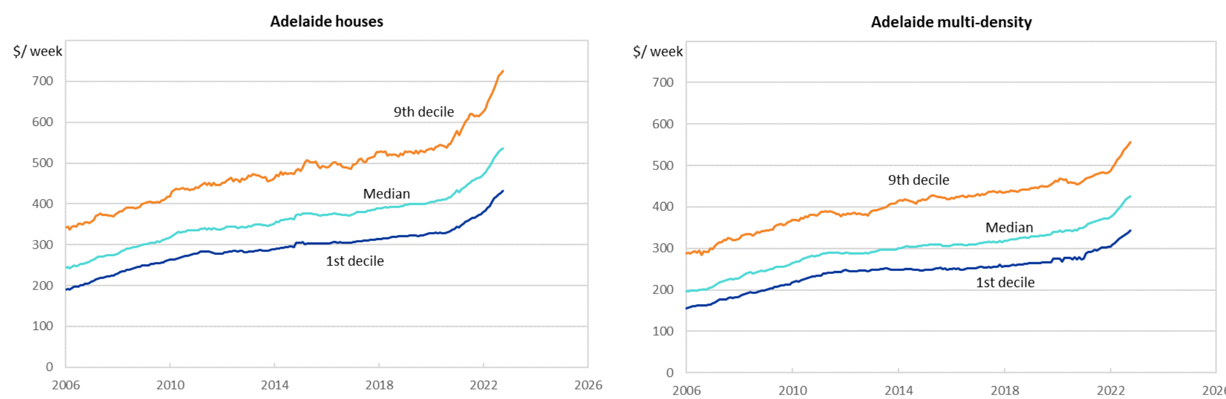
Figure 37: Rental growth and the vacancy rate



Source: CoreLogic, REIA, ABS, NHFIC

Advertised rent growth has been strongest for the upper-end of the rental market, particularly for houses. The bottom decile of rent is closer to the median compared to the 9th decile, but the distribution of rent is more even in Adelaide compared to Sydney and Melbourne. The distribution of rent has remained consistent as each segment has seen rent increases.

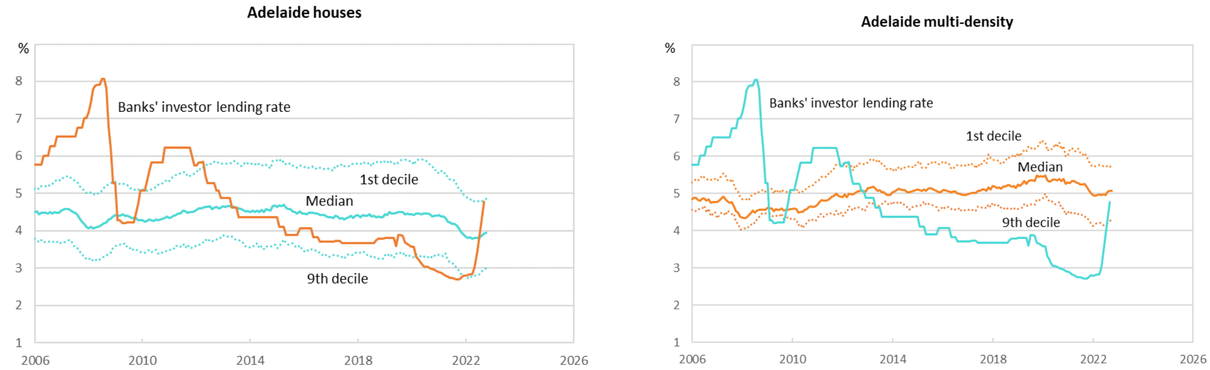
Figure 38: Advertised rent by deciles



Source: CoreLogic, NHFIC

The gross yield for houses in Adelaide is between 3-5 per cent, and for multi-density dwellings, the yield is between 4-6 per cent. The tight rental market and rising mortgage rates is putting upwards pressure on yields.

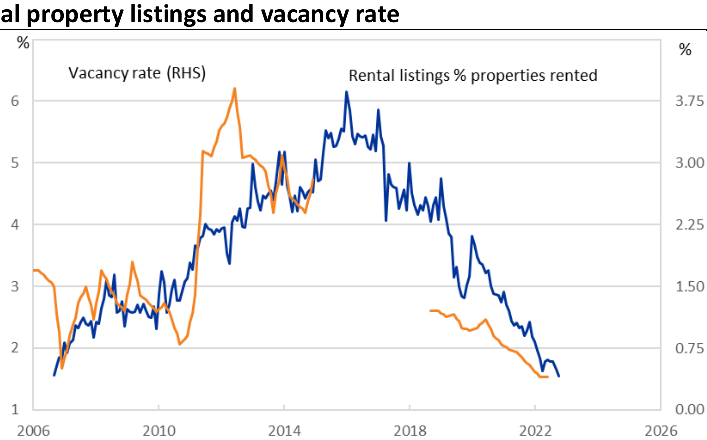
Figure 39: Gross rental yield



Source: CoreLogic, NHFIC, RBA

The proportion of rental properties listed on the market has followed the sharp fall in the vacancy rate to reach lows not seen for over a decade.

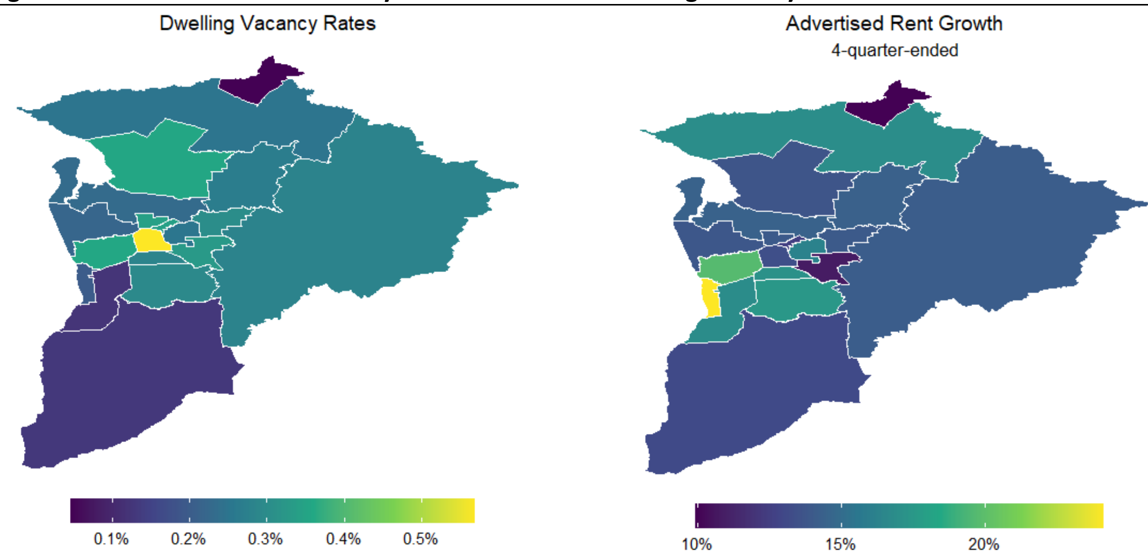
Figure 40: Adelaide rental property listings and vacancy rate



Source: REIA, ABS, NHFIC

Most LGAs recorded strong growth in advertised rents as vacancy rates fell to below 1 per cent across all Adelaide LGAs. The top 5 LGAs with the lowest vacancy rates saw the strongest advertised rental growth, with advertised rents rising 9-17 per cent over the past year.

Figure 41: Greater Adelaide vacancy rates and advertised rent growth by LGA

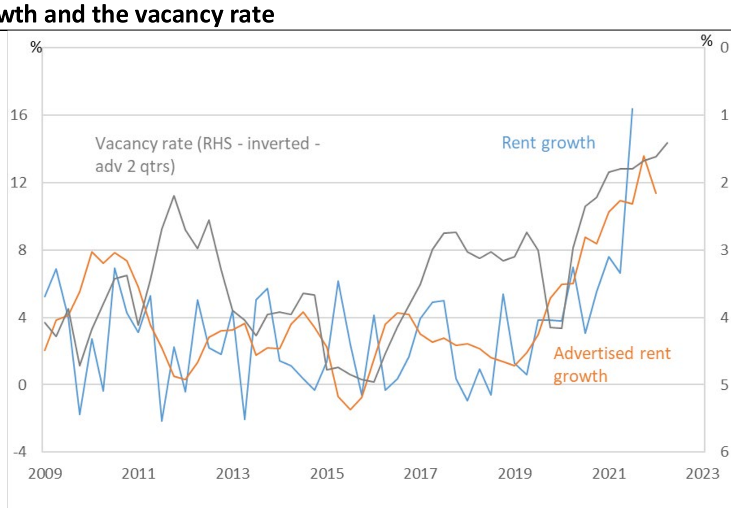


Source: CoreLogic, NHFIC, ABS. Latest observation is October 2022.

Regional SA

Vacancy rates are close to 1 per cent and rental properties are being listed for around 12 per cent higher than the previous year. Rents under rental agreements increased 16 percent over the year.

Figure 44: Rental growth and the vacancy rate



Source: REIA, CoreLogic, NHFIC

Vacancy rates are lowest in Mount Barker, Mount Gambier, Port Pirie and Copper Coast. Regional SA LGAs with the highest vacancy rates saw advertised rents decline over the past year, such as in Coober Pedy, Alexandrina, Flinders Ranges, Victor Harbor, Port Augusta, and Roxby Downs.

The top 5 LGAs with the highest advertised rent growth saw advertised rents jump more than 24 per cent over the past year.

Figure 45: Regional SA LGAs with the highest and lowest dwelling vacancy rates		
Rank	**Highest (%)**	**Lowest (%)**
1	Streaky Bay (6.5)	Mount Barker (0.1)
2	Alexandrina (5.6)	Mount Gambier (0.1)
3	Victor Harbor (5.2)	Port Pirie City (0.1)
4	Coober Pedy (4.3)	Copper Coast (0.2)
5	Tumby Bay (3.2)	Clare and Gilbert Valleys (0.2)
6	Flinders Ranges (2.7)	Murray Bridge (0.2)
7	Roxby Downs (2.6)	Tatiara (0.3)
8	Mallala (2.5)	Barossa (0.3)
9	Goyder (1.8)	Mid Murray (0.4)
10	Port Augusta (1.7)	Whyalla (0.4)

Source: CoreLogic, NHFIC. Latest observation is October 2022.

Figure 46: Regional SA LGAs with the highest and lowest annual advertised rental growth		
Rank	**Highest (%)**	**Lowest (%)**
1	Orroroo/Carrieton (44.3)	Coober Pedy (-36.0)
2	Mount Remarkable (36.2)	Kingston (-26.2)
3	Barunga West (29.7)	Southern Mallee (-24.0)
4	Mallala (28.4)	Yankalilla (-13.5)
5	Peterborough (24.8)	Alexandrina (-13.5)
6	Tumby Bay (23.5)	Flinders Ranges (-10.6)
7	Port Pirie City (22.6)	Kangaroo Island (-8.0)
8	Mount Barker (19.5)	Victor Harbor (-6.7)
9	Light (19.2)	Port Augusta (-5.8)
10	Copper Coast (17.8)	Roxby Downs (-5.0)

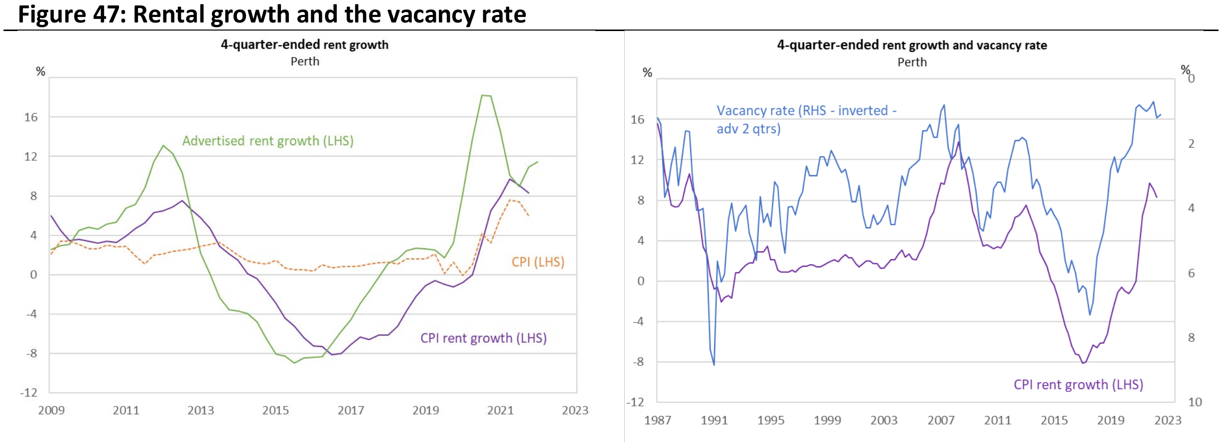
Source: CoreLogic, NHFIC. Latest observation is October 2022.

Western Australia

Perth

Annual advertised rent growth peaked in the later quarters of 2021 at 18 per cent and has slowed to around 12 per cent to be closer to growth in rent measured for CPI. Growth in rent measured for CPI rose to be above inflation in late 2021, but is starting to slow. The vacancy rate is remains low at around 1 per cent .

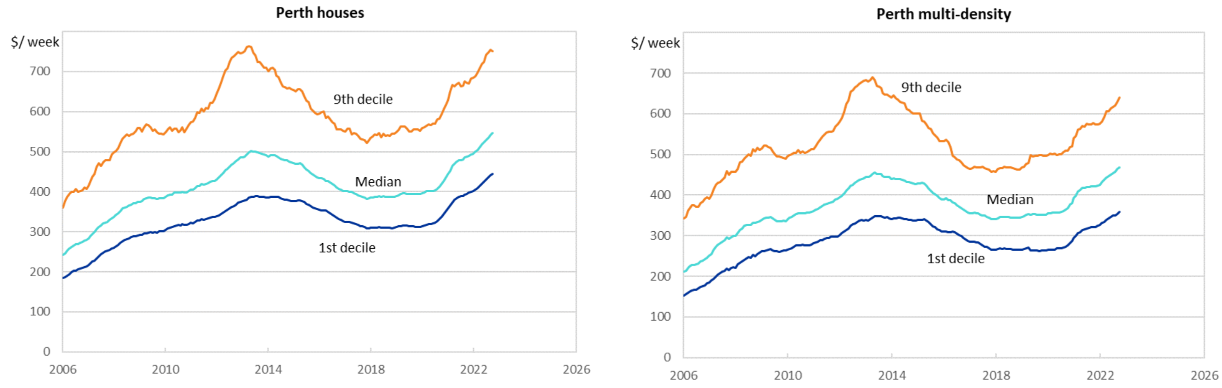
Figure 47: Rental growth and the vacancy rate



Source: CoreLogic, REIA, ABS, NHFIC

Advertised rents increased strongly for both houses and multi-density dwellings over the pandemic. In the detached housing market, the gap between median rents and the 9th decile has widened as rent growth in the 9th decile outpaced other segments of the market. The bottom decile of rent is closer to the median than the 9th decile, suggesting there are more affordable dwellings than higher-end dwellings in the Perth market.

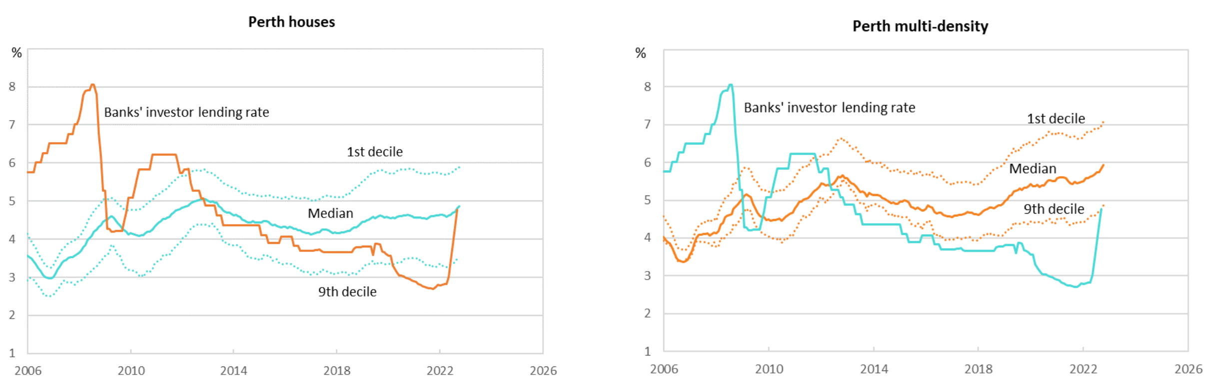
Figure 48: Advertised rent by deciles



Source: CoreLogic, NHFIC

The gross yield for houses is between 3-6 per cent and between 5-7 per cent for multi-density dwellings. The yield on the median house price was previously higher than the investor mortgage rate and is now in line with the investor mortgage rate following RBA's cash rate hikes. The yield on multi-density dwellings remains higher than the investor mortgage rate.

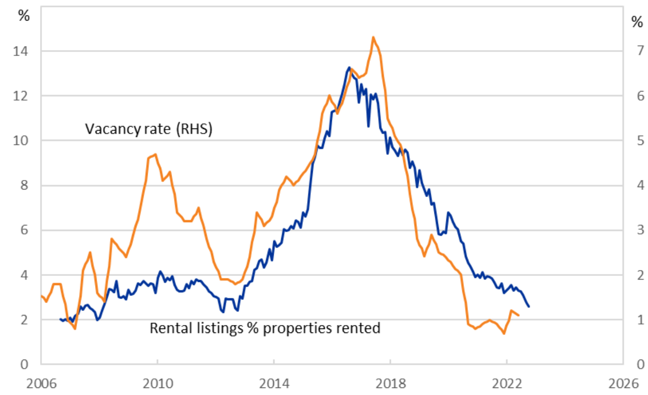
Figure 49: Gross rental yield



Source: CoreLogic, NHFIC, RBA

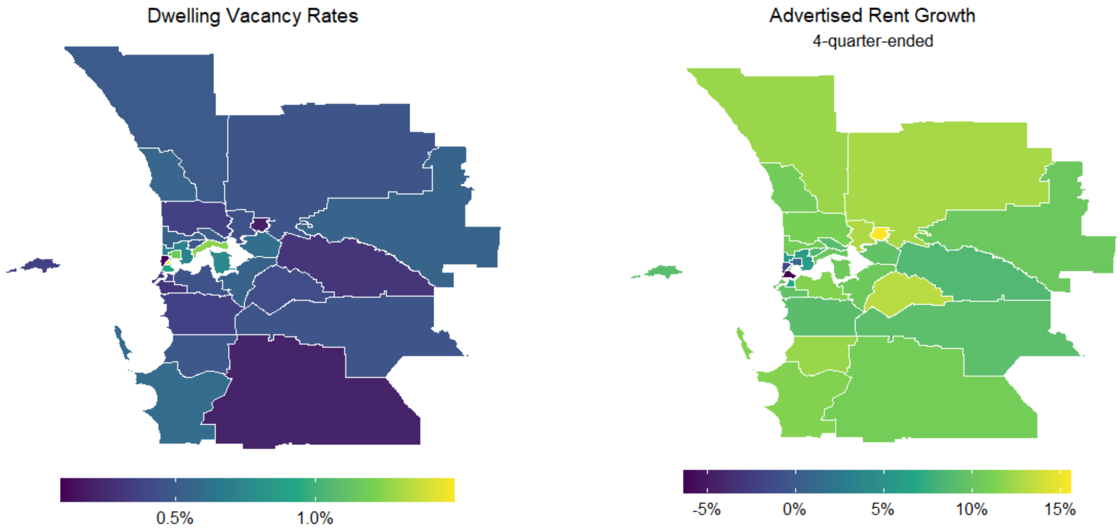
Rental listings as a proportion of total properties rented has fallen to be less than 2 per cent, while vacancy rates remain close to record lows.

Figure 50: Rental property listings and vacancy rate



Source: REIA, ABS, NHFIC

Figure 51: Greater Perth vacancy rates and advertised rent growth by LGA



Source: CoreLogic, NHFIC, ABS. Latest observation is October 2022.

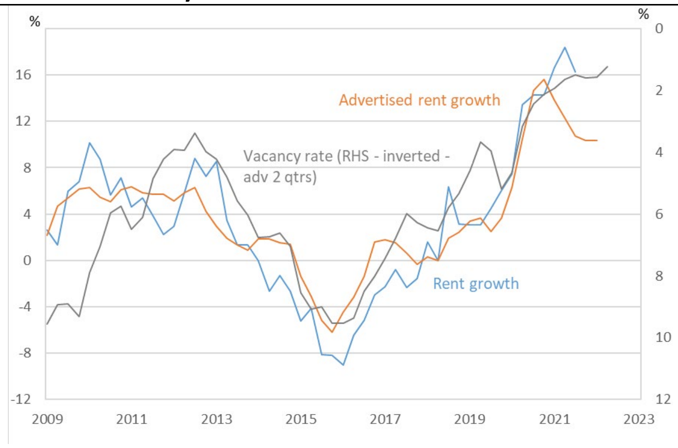
Outer Perth LGAs tend to have the lowest vacancy rates, and these LGAs tend to have highest advertised rental growth. For instance, Bassendean, Gosnells, Bayswater, Swan and Wanneroo have vacancy rates below 1 per cent and advertised rents grew more than 12 per cent over the year in these LGAs.

More expensive LGAs tend to have higher vacancy rates, such as Peppermint Grove (1.5 per cent), Perth (1.2 per cent), Claremont (1.2 per cent) and Mosman Park (0.9 per cent). Advertised rental growth in these LGAs was generally weaker, with Claremont and Mosman Park seeing rents unchanged or declining over the year.

Regional WA

Rental agreements have increased around 16 per cent over the past year. There is downward pressure on rents as advertised rent growth has fallen from around 16 per cent to around 10 per cent during 2022. However the vacancy rate remains low at below 2 per cent, which should support the rental market in the near term.

Figure 54: Rental growth and the vacancy rate



Source: REIA, CoreLogic, NHFIC

Figure 55: Regional WA LGAs with the highest and lowest dwelling vacancy rates

Rank	Highest (%)	Lowest (%)
1	Narembeen (33.3)	Bussleton (0.2)
2	Bruce Rock (25.0)	Capel (0.2)
3	Carnamah (20.0)	Murray (0.3)
4	East Pilbara (10.3)	Harvey (0.3)
5	Three Springs (10.0)	Bridgetown-Greenbushes (0.3)
6	Chapman Valley (7.4)	Denmark (0.3)
7	Ashburton (6.5)	Esperance (0.4)
8	Cuballing (6.3)	Donnybrook-Balingup (0.5)
9	Narrogin (5.4)	Manjimup (0.5)
10	Coorow (4.4)	Ravensthorpe (0.5)

Source: CoreLogic, NHFIC. Latest observation is October 2022.

Figure 56: Regional WA LGAs with the highest and lowest annual advertised rental growth

Rank	Highest (%)	Lowest (%)
1	Ashburton (40.1)	Cue (-29.5)
2	Three Springs (38.4)	Mount Magnet (-21.3)
3	Carnamah (30.8)	Kent (-15.3)
4	Victoria Plains (25.7)	Woodaniling (-14.0)
5	Quairading (24.6)	Corrigin (-13.4)
6	Northhampton (24.3)	Brookton (-11.2)
7	Dundas (24.3)	Kondinin (-9.5)
8	Exmouth (22.8)	Dandaragan (-7.4)
9	Toodyay (20.6)	Yalgoo (-5.1)
10	Kellerberrin (20.0)	Cranbrook (-4.6)

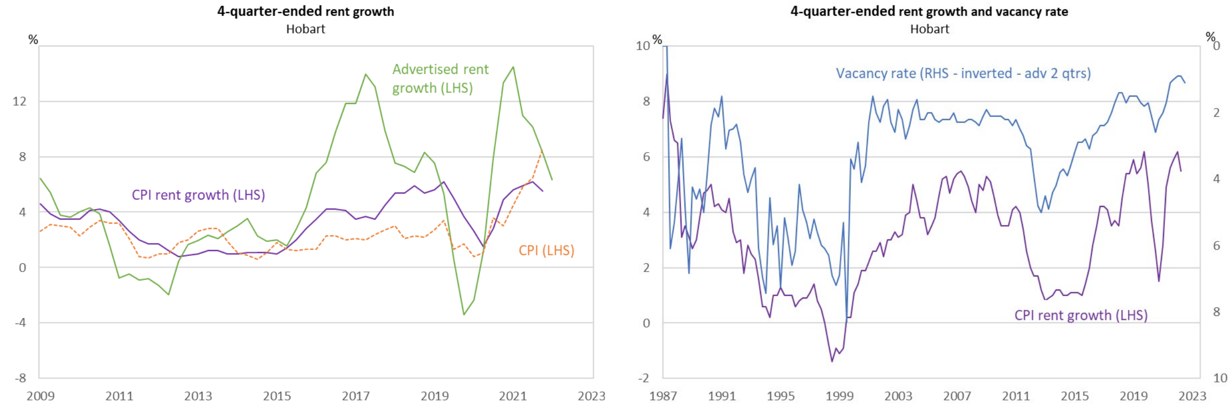
Source: CoreLogic, NHFIC. Latest observation is October 2022.

Tasmania

Hobart

Advertised rent growth peaked at 14 per cent at the start of 2022 and has since declined to around 6 per cent. Rent measured for CPI is tracking inflation, growing at over 5 per cent. The vacancy rate is around 1 per cent after falling sharply during the pandemic.

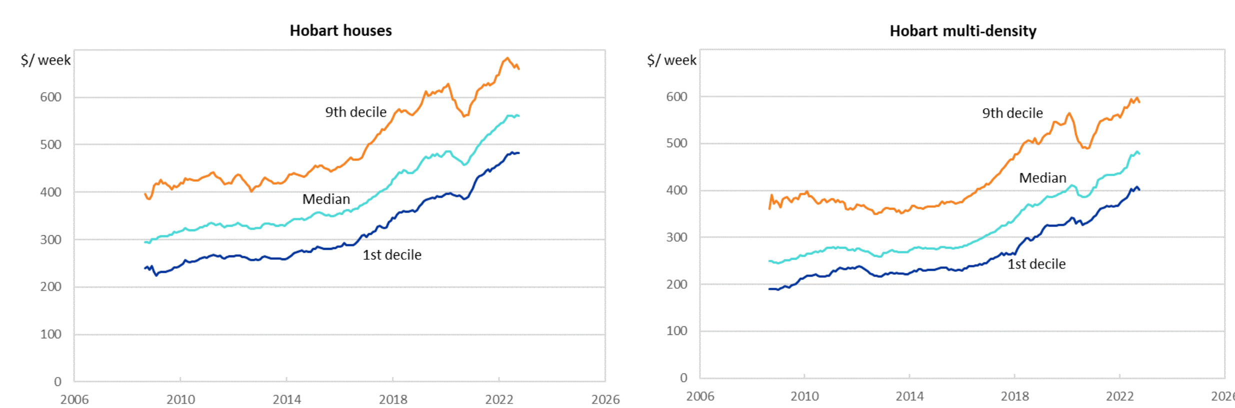
Figure 57: Rental growth and the vacancy rate



Source: CoreLogic, REIA, ABS, NHFIC

Rents in the 9th decile for houses and multi-density dwellings declined the most during the first few months of the pandemic relative to the median and lower-end of the market. Like the other segments of the market, they recovered strongly, but rents for upper-end houses are coming off their highs as rent growth slows.

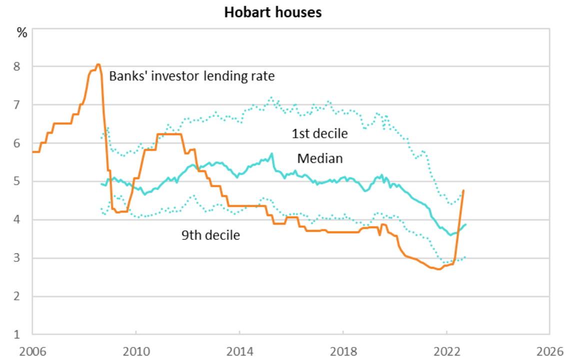
Figure 58: Advertised rent by deciles

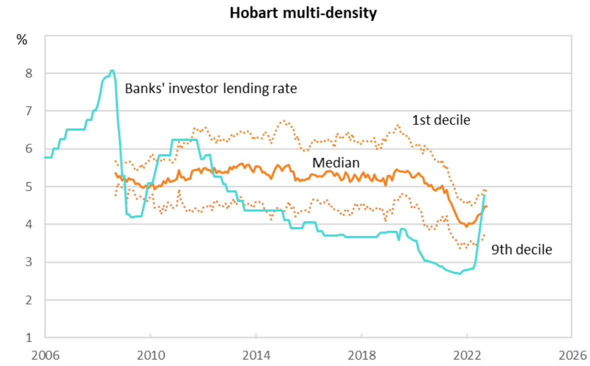


Source: CoreLogic, NHFIC

The gross rental yield for median priced houses and multi-density dwellings is below the mortgage rate. Prior to the increase in the RBA's target cash rate in May 2022, houses in the lower-end of the market and all multi-density dwellings had yields in line or higher than the investor mortgage rate. The tight rental market and the slowdown in house price growth should put upwards pressure on yields.

Figure 59: Gross rental yield

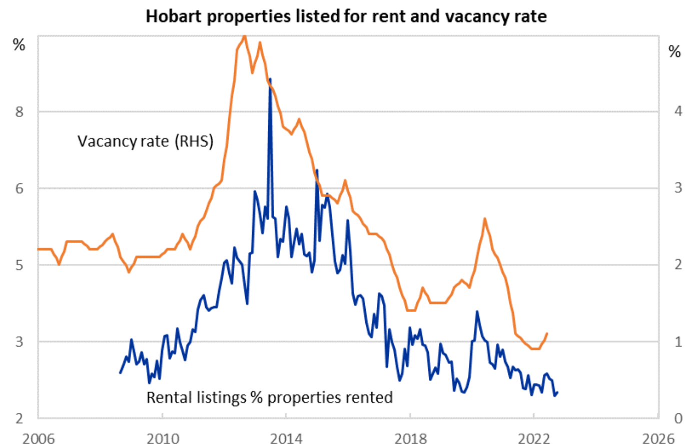




Source: CoreLogic, NHFIC, RBA.

Vacancy rates have increased slightly from their record lows, although rental listings as a proportion of properties rented have fallen to levels seen around the GFC.

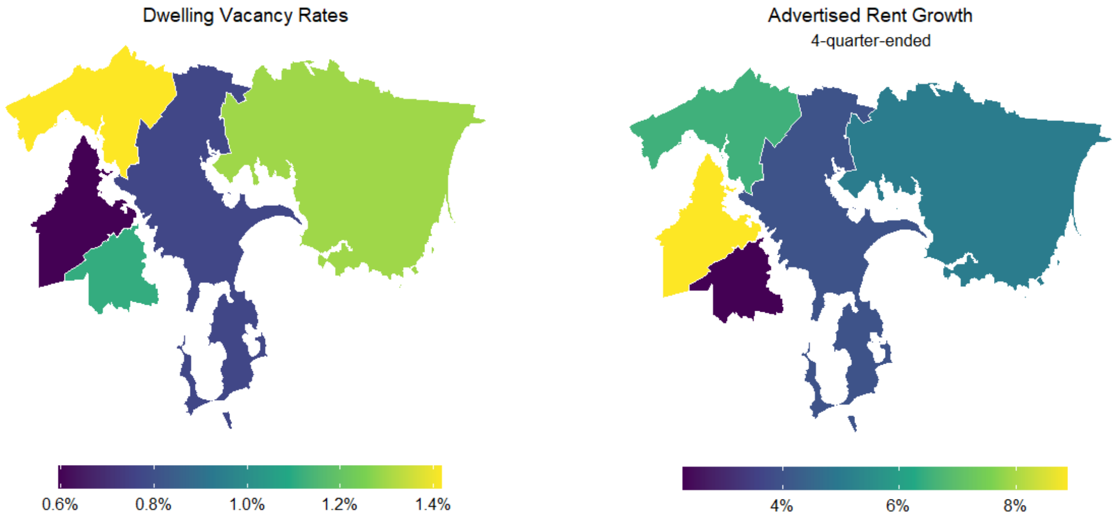
Figure 60: Rental property listings and vacancy rate



Source: REIA, ABS, NHFIC

Glenorchy, Brighton and Sorell recorded higher advertised rent growth of 5-9 per cent while Clarence and Hobart saw rents increase 2-4 per cent, despite having lower vacancy rates. The level of rent is highest in Hobart and Clarence.

Figure 61: Greater Hobart vacancy rates and advertised rent growth by LGA

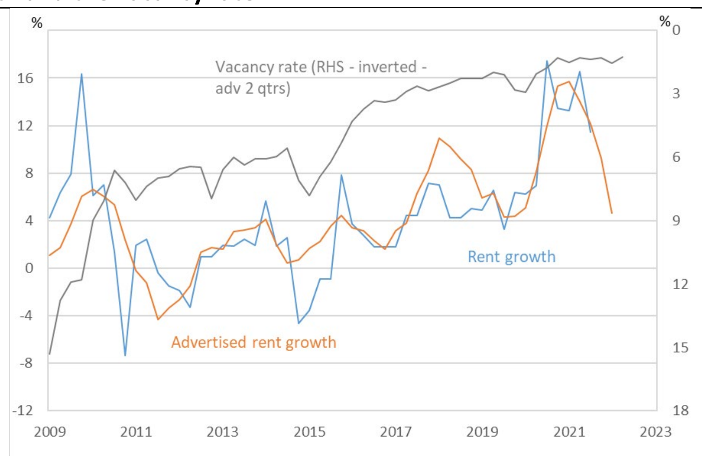


Source: CoreLogic, NHFIC, ABS. Latest observation is October 2022.

Regional TAS

Rents under lease agreements are increasing at around 12 per cent over the past year after peaking at around 16 per cent. Advertised rent growth has also slowed down, to around 4 per cent after peaking at around 16 per cent in late 2021. Tight rental supply should still support rental growth in the near term.

Figure 64: Rental growth and the vacancy rate



Source: REIA, CoreLogic, NHFIC

Figure 65: Regional Tas LGAs with the highest and lowest dwelling vacancy rates		
Rank	Highest (%)	Lowest (%)
1	George Town (3.4)	Devonport (0.3)
2	West Coast (2.6)	Burnie (0.6)
3	Break O'Day (2.0)	Central Coast (0.6)
4	Central Highlands (2.0)	Derwent Valley (0.6)
5	Tasman (1.4)	Meander Valley (0.9)
6	West Tamar (1.2)	Kingborough (0.9)
7	Waratah/Wynyard (1.2)	Southern Midlands (0.9)

Source: CoreLogic, NHFIC. Latest observation is October 2022.

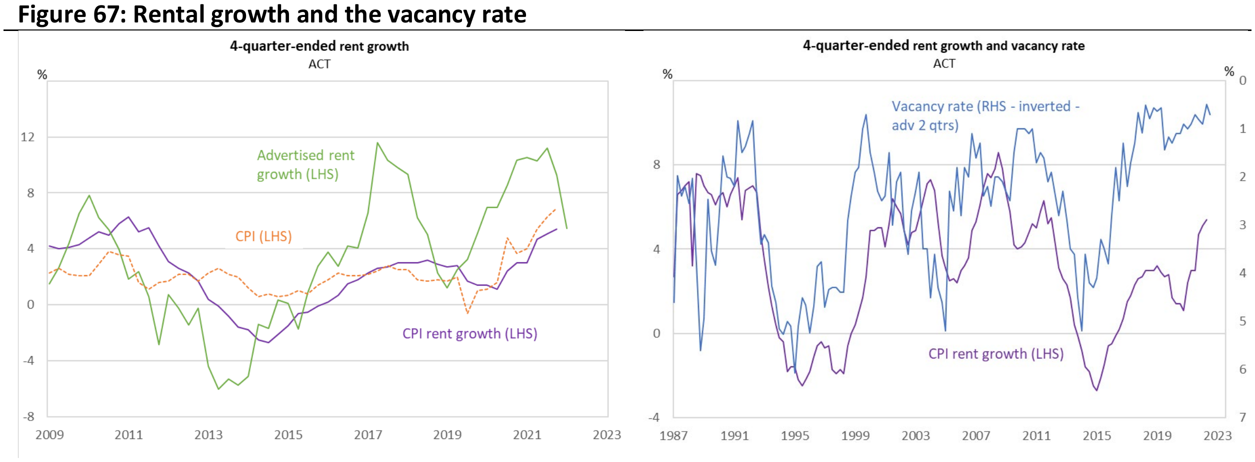
Figure 66: Regional Tas LGAs with the highest and lowest annual advertised rental growth		
Rank	Highest (%)	Lowest (%)
1	Central Highlands (15.4)	Tasman (-3.6)
2	Central Coast (9.3)	Huon Valley (-1.5)
3	George Town (9.0)	Latrobe (2.0)
4	Break O'Day (9.0)	Meander Valley (3.7)
5	King Island (8.7)	Kentish (4.6)
6	Waratah/Wynyard (8.6)	Kingborough (4.7)
7	Burnie (8.3)	Circular Head (5.1)

Source: CoreLogic, NHFIC. Latest observation is October 2022.

ACT

The vacancy rate is below 1 per cent and rents under lease agreements are rising in line with inflation. There is downwards pressure on advertised rents, which are around 6 per cent higher than the previous year.

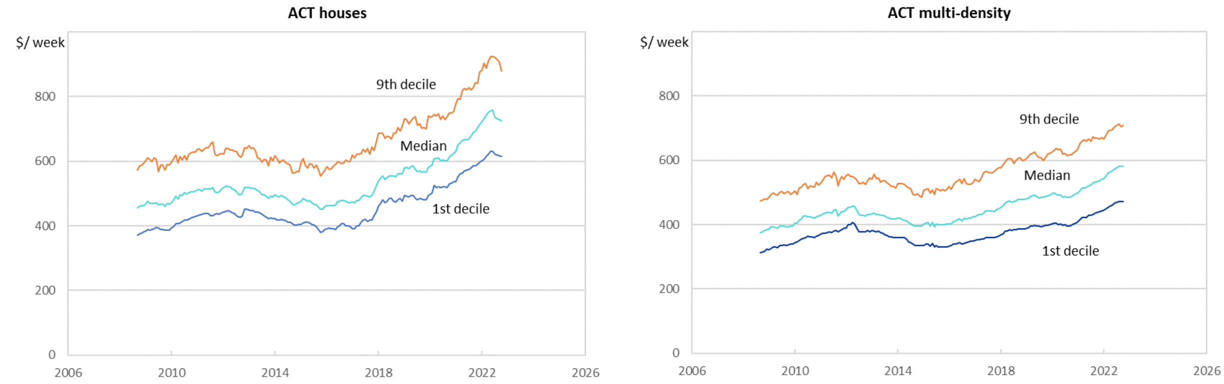
Figure 67: Rental growth and the vacancy rate



Source: CoreLogic, REIA, ABS, NHFIC

Rents advertised for the bottom, median and top end of the rental market for both houses and multi-density dwellings has grown over the past year, so the spread between them has remained consistent. Growth in advertised rents for houses outpaced advertised rents for multi-density dwellings over the past year, but advertised rents for houses are starting to come off their peaks.

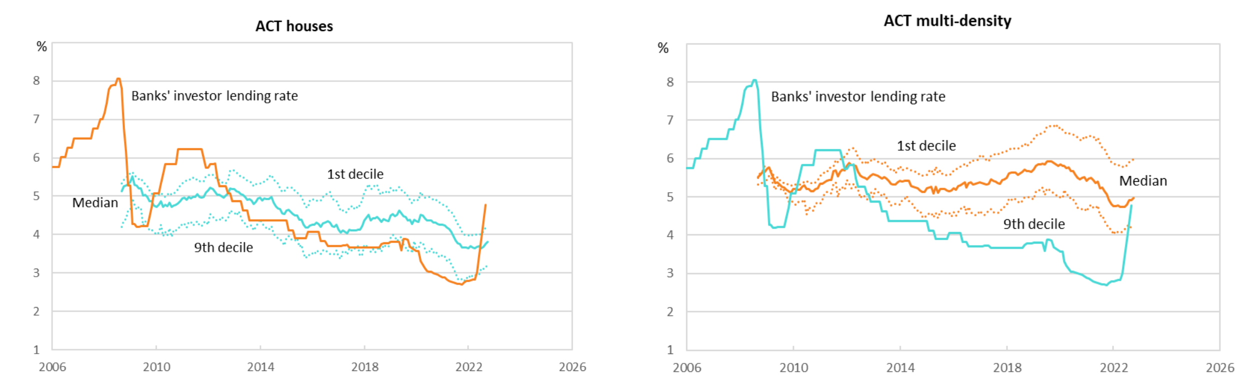
Figure 68: Advertised rent by deciles



Source: CoreLogic, NHFIC.

Houses have a gross rental yield between 3-4 per cent and multi-density dwellings have a higher gross rental yield ranging between 4-6 per cent. Prior to the RBA's successive rate hikes starting from May, yields for houses and multi-density dwellings were in line or higher than the investor mortgage rate. The increase in the mortgage rate and the tight rental market should put upwards pressure on yields as prices fall, and rents remain high.

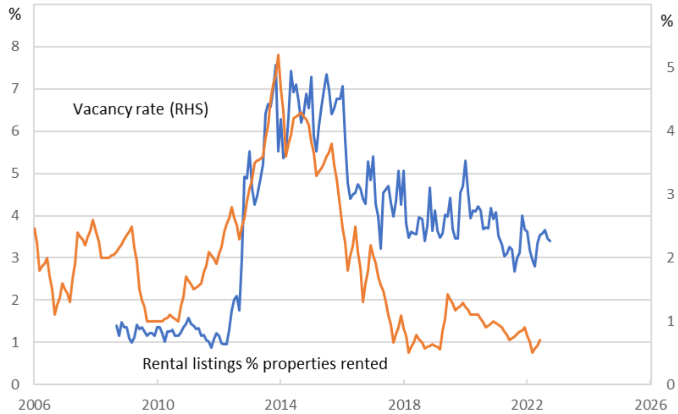
Figure 69: Gross rental yield



Source: CoreLogic, NHFIC, RBA.

Rental listings as a proportion of total properties rented has declined alongside the drop in the vacancy rate but has not reached historic lows seen in the years after the GFC.

Figure 70: Rental property listings and vacancy rate



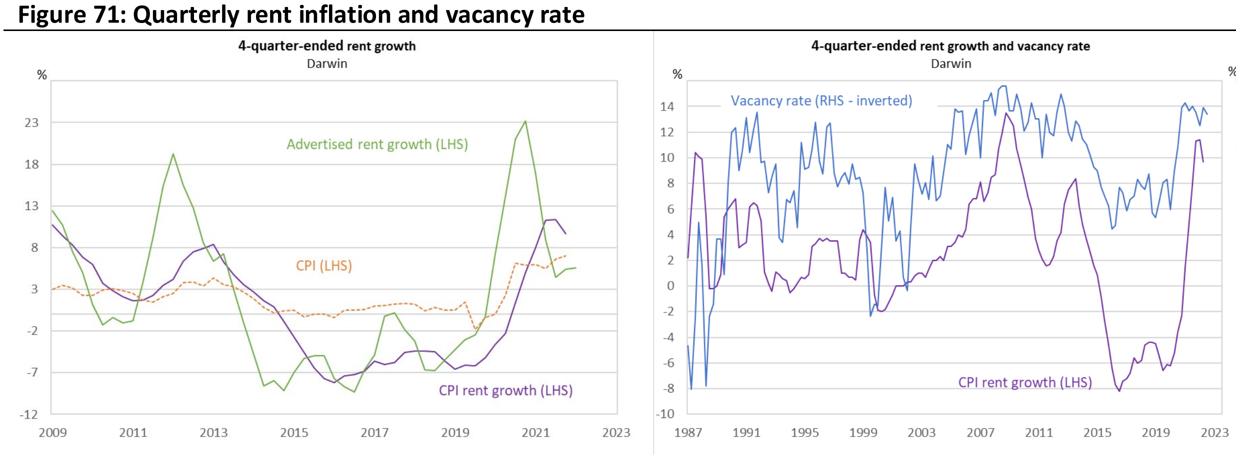
Source: REIA, ABS, NHFIC, CoreLogic

Northern Territory

Darwin

Advertised rent growth peaked in the September quarter of 2021 and is now increasing in line with inflation at around 6 per cent. Growth in rent measured for CPI is rising strongly and faster than inflation, but growth is starting to slow. The vacancy rate remains low at around 2 per cent.

Figure 71: Quarterly rent inflation and vacancy rate

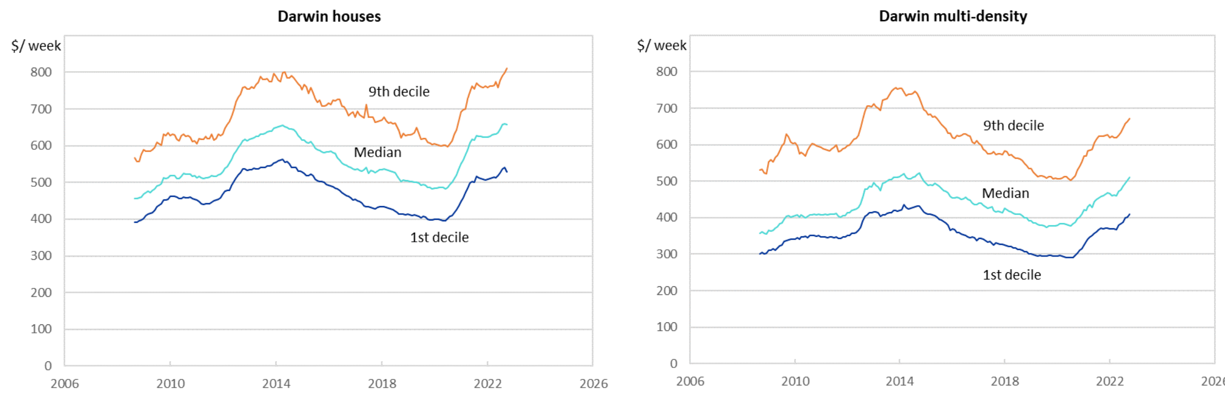


Source: CoreLogic, REIA, ABS, NHFIC.

Advertised rents are evenly distributed between the bottom-end, median and upper-end of the market for house rentals. Rent growth in median and bottom-end house rentals has slowed since mid-2021 following strong rent rises during the pandemic.

In the multi-density dwelling market, more expensive multi-density dwellings are leading the pickup in rents. This could reflect the lack of supply as there is more supply of cheaper multi-density dwelling rentals in Darwin.

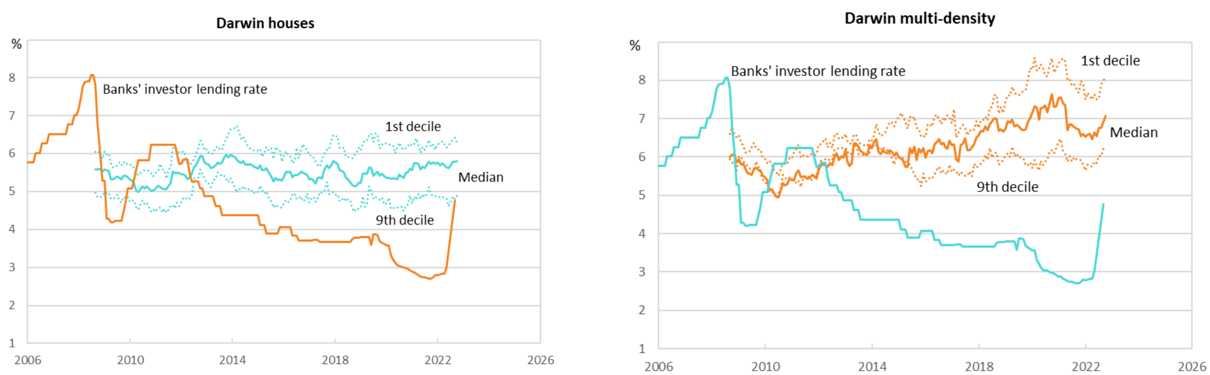
Figure 72: Advertised rent by deciles



Source: CoreLogic, NHFIC

Darwin has the highest gross rental yield compared to other capital cities. The median yield for houses is almost 6 per cent while the median gross rental yield for multi-density dwellings is around 7 per cent. Yields are in line with or much higher than the investor mortgage lending rate.

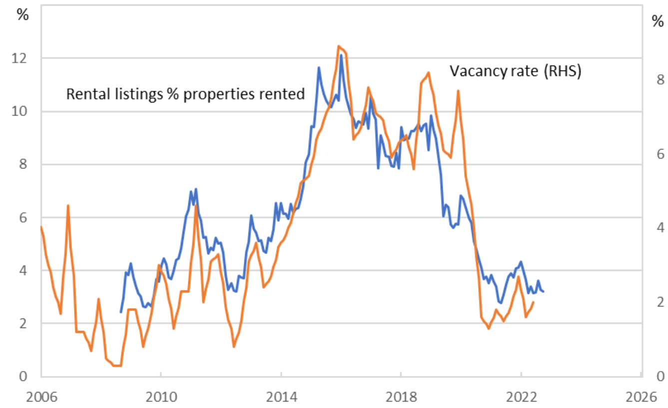
Figure 73: Gross rental yield



Source: CoreLogic, NHFIC, RBA.

Like other capital cities, rental listings as a proportion of properties rented dropped since the start of 2022, alongside the fall in the vacancy rate.

Figure 74: Rental property listings and vacancy rate



Source: REIA, ABS, NHFIC