

RENTAL REPORT

December 2009

www.apm.com.au
www.homepriceguide.com.au



AUSTRALIAN
PROPERTY
MONITORS

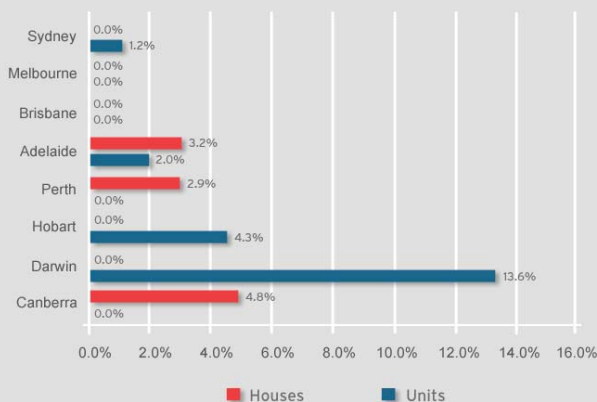
Key findings:

- National rental growth remains flat for third consecutive quarter
- Zero growth in median rent for houses in Sydney, Melbourne and Brisbane
- Lowest annual rate of rental growth since 2002
- Rental outlook positive due to low vacancy rates, lack of supply and improving economic outlook
- Gross rental yields down slightly as house price growth outstrips rental growth

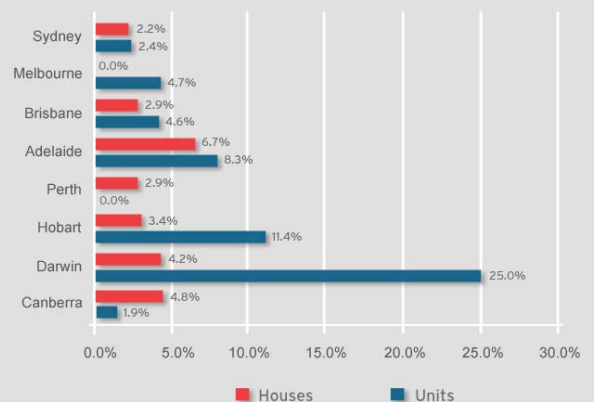
	Median Weekly Asking Rents - Houses				
	Dec-09	Sep-09	Dec-08	QoQ % Δ	YoY % Δ
Sydney	460	460	450	0.0%	2.2%
Melbourne	360	360	360	0.0%	0.0%
Brisbane	360	360	350	0.0%	2.9%
Adelaide	320	310	300	3.2%	6.7%
Perth	360	350	350	2.9%	2.9%
Hobart	300	300	290	0.0%	3.4%
Darwin	500	500	480	0.0%	4.2%
Canberra	440	420	420	4.8%	4.8%

	Median Weekly Asking Rents - Units				
	Dec-09	Sep-09	Dec-08	QoQ % Δ	YoY % Δ
Sydney	420	415	410	1.2%	2.4%
Melbourne	335	335	320	0.0%	4.7%
Brisbane	340	340	325	0.0%	4.6%
Adelaide	260	255	240	2.0%	8.3%
Perth	350	350	350	0.0%	0.0%
Hobart	245	235	220	4.3%	11.4%
Darwin	500	440	400	13.6%	25.0%
Canberra	400	400	393	0.0%	1.9%

Asking Median Rents (Qtr on Qtr %)



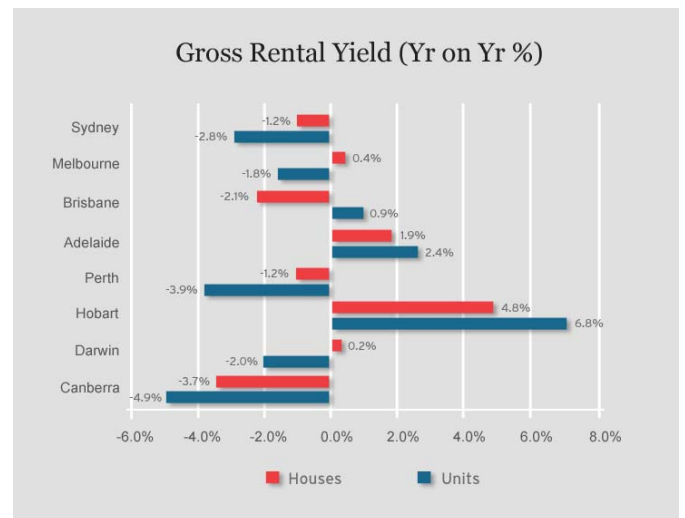
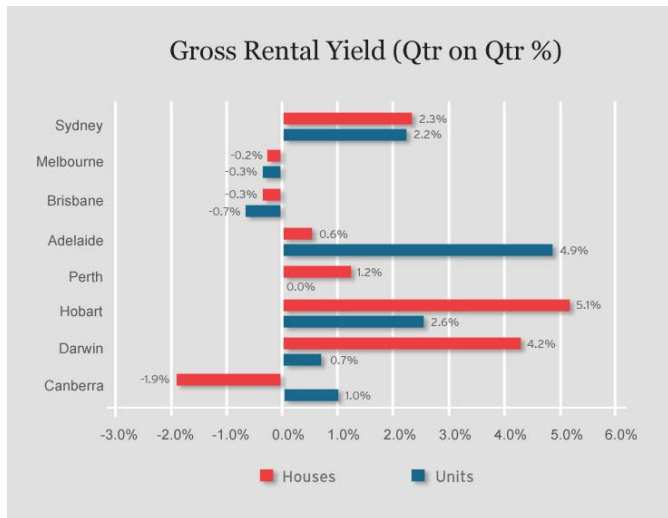
Asking Median Rents (Yr on Yr %)



NB: APM has used only rental properties to determine the values needed to calculate the Gross Rental yield. Asking rent versus total capital value is calculated for each rental property on the market for the recorded period. We use a combination of asking rents collected from advertisements and APM's own Automated Valuation Models (AVM).

	Gross Rental Yields - Houses				
	Dec-09	Sep-09	Dec-08	QoQ % Δ	YoY % Δ
Sydney	4.55%	4.44%	4.60%	2.3%	-1.2%
Melbourne	4.03%	4.04%	4.01%	-0.2%	0.4%
Brisbane	4.63%	4.64%	4.73%	-0.3%	-2.1%
Adelaide	4.36%	4.34%	4.28%	0.6%	1.9%
Perth	4.16%	4.12%	4.22%	1.2%	-1.2%
Hobart	5.16%	4.91%	4.92%	5.1%	4.8%
Darwin	5.12%	4.91%	5.11%	4.2%	0.2%
Canberra	4.76%	4.85%	4.94%	-1.9%	-3.7%

	Gross Rental Yields - Units				
	Dec-09	Sep-09	Dec-08	QoQ % Δ	YoY % Δ
Sydney	5.20%	5.09%	5.36%	2.2%	-2.8%
Melbourne	4.66%	4.67%	4.74%	-0.3%	-1.8%
Brisbane	4.89%	4.93%	4.85%	-0.7%	0.9%
Adelaide	4.89%	4.66%	4.77%	4.9%	2.4%
Perth	4.54%	4.54%	4.73%	0.0%	-3.9%
Hobart	5.65%	5.50%	5.29%	2.6%	6.8%
Darwin	5.72%	5.68%	5.84%	0.7%	-2.0%
Canberra	5.61%	5.56%	5.90%	1.0%	-4.9%



Comments and Forecasts

Commenting on the APM Rental Report: Matthew Bell, Economist - Australian Property Monitors

“Asking rents nationally remained flat in the December 2009 quarter as rises in median rents in Perth, Adelaide and Canberra were not enough to offset flat rental markets in the major capitals of Sydney, Melbourne and Brisbane. December was the third consecutive quarter of weak rental growth, meaning that on a calendar year basis, 2009 has been the weakest year for national rental growth since 2002 with the 2% increase well down on the average rate of 12% for 2007 and 2008.

“With trend unemployment falling for the first time in November (but not reported until December), employment uncertainty remained during the majority of the December quarter, reigning in the ability of renters to agree to rental increases. Strong first home owner activity during the quarter, even after the phased expiry of the First Home Owner Boost at the end of September, also relieved some of the pressure on rental markets.

“December is likely to be the last quarter of flat rental growth. An improving employment outlook means that overall, renters will be more willing and able to afford rental increases. The First Home Owner Boost expiry on December 31 along with very strong house price growth makes moving from renting to owning a less attractive proposition in 2010 than it was during the majority of 2009. Vacancy rates remain very low across the country and population growth is at historically high levels.

“On the supply side, there simply aren’t enough new properties being built for investment purposes to meet this increased demand. Increased costs for landlords in the form of rising interest rates and rising land taxes due to increasing land values, should mean that asking rents will start to increase steadily throughout 2010.

“Sydney rents are likely to increase by at least double the 2009 rate of 2.2% to approach the \$500 per week level for houses. After a totally flat 2009, Melbourne rents should resume their long-term upward trend and are expected to rise by to 5%-7%, in line with their long term growth rate. Both Brisbane and Perth are poised to outperform the rest of the country as their property markets play catch up to Sydney and Melbourne. In Perth, median house rents could hit \$400, a rise of 11%, in line with the average growth rate of 12.4% experienced since 2003. Brisbane rents, coming off the same base of \$360 as Perth, are also likely to approach \$400 with an expected growth rate closer to 8%.

“For investors, movements in gross rental yields were mixed across the major capitals in the December quarter but remain generally down on levels of one year ago. Capital values for houses and units recovered very strongly from their December 2008 and January 2009 lows, while asking rents grew at much slower rates. While rents are forecast to increase throughout 2010, the outlook for house price growth is also strong meaning that yields that hit their peak in March 2009 are unlikely to move very far in 2010.”

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