

CoreLogic RP Data May Rental Index Results

Rental Review Snapshot – Released: June 14, 2015

Sydney & Hobart recorded the greatest annual increases in weekly rents while rents in Perth, Darwin & Canberra have dropped by -4.5%, -5.5% and -0.6% respectively.

- Combined capital city rental rates increased by 0.1% in May
- Rents are now rising at their slowest annual rate on record
- Combined capital city rental rates are recorded at \$488 per week
- Rents rose by 0.1% over the month, 0.6% over the quarter & 1.5% over the past 12 months
- With home values growing faster than rents, gross rental yields continue to edge lower

Annual rental growth hits a record low as housing supply surges

According to analysis from CoreLogic RP Data, rental rates across the combined capital cities increased by 0.1% in May 2015 and are now increasing at their slowest pace on record.

Across the combined capital cities, rental rates are recorded at \$488 per week and they have risen by 0.1% over the month, 0.6% over the past three months and by 1.5% over the past 12 months. Capital city rental rates continue to rise however, the rate of increase has slowed markedly from an annual increase of 2.2% a year ago to 1.5% currently. In fact, the annual rate of rental growth is now the slowest on record. The sluggish pace of rental appreciation can likely be attributed to the ongoing boom in dwelling construction across Australia's capital cities accompanied by record high participation in the housing market from investors. Most of the new capital city housing stock is units and this type of stock is much more likely to be owned by investors providing additional rental options across the capital cities.

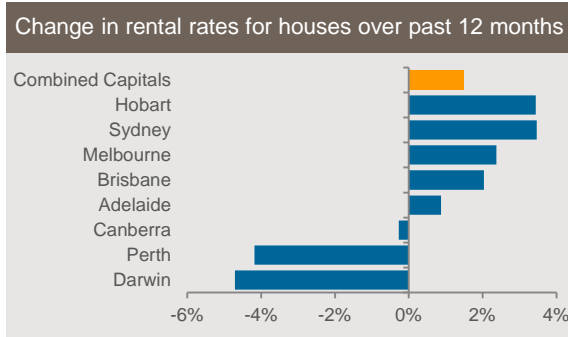
Looking across the individual capital cities, over the past year, Sydney and Hobart have recorded the greatest increases in weekly rents. Rents have fallen over the past three months in Perth and Darwin; along with Canberra these cities have recorded rental falls over the year, down -4.5%, -5.5% and -0.6% respectively.

Index results as at May 31, 2015

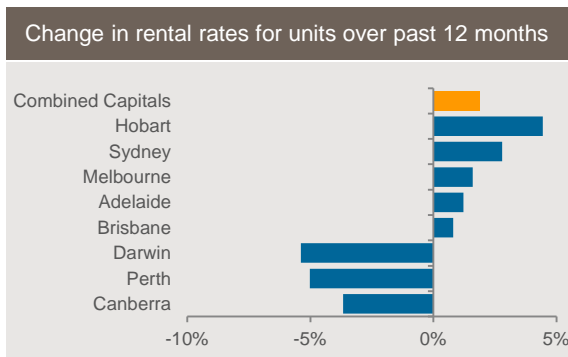
| Region | CHANGE IN RENTS | | | | YIELDS | |
|-------------------|-----------------|-------|---------|-------|---------|---------------|
| | Current | Month | Quarter | YoY | Current | 12 Months Ago |
| Sydney | \$595 | 0.2% | 0.9% | 3.1% | 3.6% | 4.0% |
| Melbourne | \$446 | 0.2% | 0.9% | 2.3% | 3.3% | 3.6% |
| Brisbane | \$435 | 0.2% | 0.4% | 2.0% | 4.6% | 4.6% |
| Adelaide | \$369 | 0.2% | 0.7% | 1.2% | 4.2% | 4.3% |
| Perth | \$477 | -0.5% | -1.2% | -4.5% | 4.0% | 4.3% |
| Hobart | \$342 | 0.2% | 1.0% | 3.2% | 5.4% | 5.2% |
| Darwin | \$567 | -0.8% | -2.5% | -5.5% | 5.6% | 5.8% |
| Canberra | \$500 | 0.5% | 1.5% | -0.6% | 4.2% | 4.4% |
| Combined Capitals | \$488 | 0.1% | 0.6% | 1.5% | 3.7% | 4.0% |

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Combined capital city house rents were recorded at \$493 per week in May 2015 and unit rents were \$461 per week. The gap in the rental cost is significantly lower than the actual purchase cost of a house relative to a unit. Over the past month, house rents have increased by 0.1% while unit rental rates were unchanged.



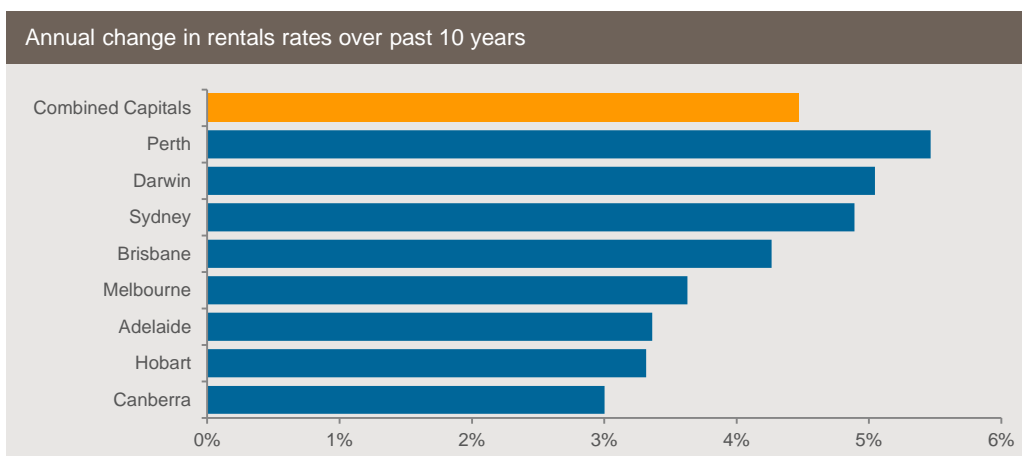
Over the three months to May 2015, rental growth for houses (0.6%) has been significantly greater than for units (0.2%). Although the recent data shows stronger rental growth for houses, over the past year house rents have increased by 1.5% compared to a 1.9% increase in unit rents. We may be starting to see the early affect of the surge in new apartment stock and the ongoing rise in investment purchasing resulting in additional unit stock for rent.



Annual growth is currently at its slowest pace on record and is also well below its 10 year average levels. The 10 year annual rate of rental growth is currently higher than growth over the past year across each capital city. Sluggish rental growth is most likely due to surging investment demand, record high levels of new housing

construction and a slowing rate of population growth nationally. These factors are creating more rental accommodation and supressing rental increases.

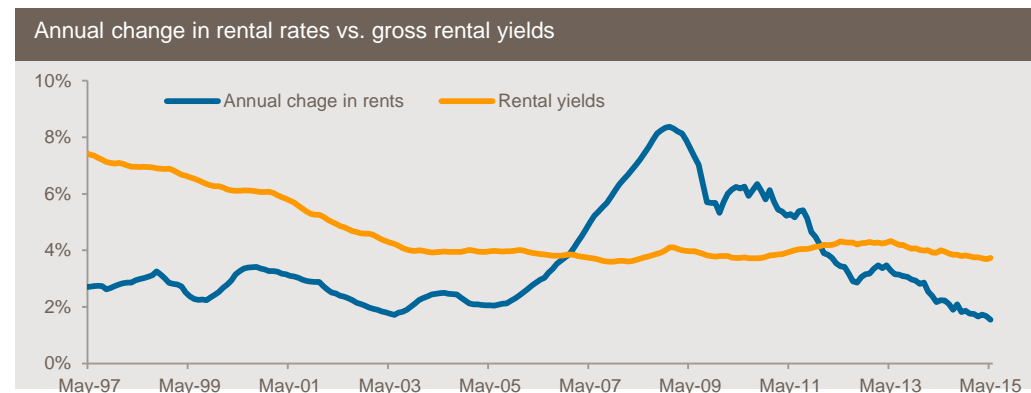
With rental rates already increasing at their slowest annual rate on record, we anticipate that the rate of rental growth will slow further over the coming months. With residential construction activity continuing to rise, particularly for inner city units, the increase in housing stock specifically targeted at the investor segment of the market is likely to be good news for renters.



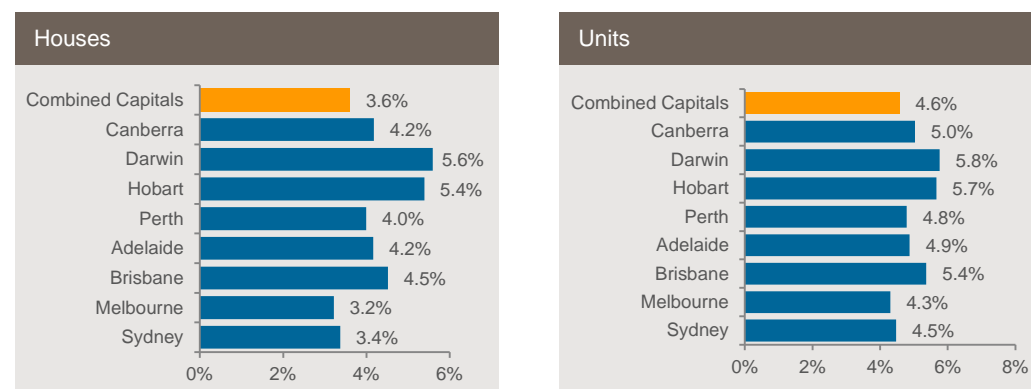
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Those renting will have more accommodation choices and investors will have little scope for rental rises across most capital cities.

With capital city rents increasing at their slowest pace on record and home value falling, gross rental yields are trending lower. At a combined capital city level, gross rental yields were recorded at 3.6% for houses in May 2015 and at 4.6% for units. A year earlier, gross rental yields were recorded at 3.9% for houses and 4.7% for units. Gross rental yields for houses are at their lowest level since late 2010 while unit yields have increased slightly over recent months.



Gross rental yields, houses and units



Rental yields are lowest for houses in Melbourne (3.2%) and highest in Darwin (5.6%). Unit yields are lowest in Melbourne at 4.3% and highest in Darwin at 5.8%.

Across most cities house rental yields are lower now than they were at the same time last year, the exception is in Hobart where they have increased by 21 basis points, taking Hobart yields to the second highest of any capital city after Darwin. At 3.4%, rental yields in Sydney are the lowest they've been since May 2005 and at 3.2 per cent Melbourne yields are at their lowest level since November 2010.

The unit market shows different trends to the detached housing market with yields unchanged over the year across most cities. Yields are higher than a year ago in Hobart and lower in Sydney and Melbourne. Unit yields are currently lowest in Melbourne (4.3%) and Sydney (4.5%) and highest in Darwin (5.8%) and Hobart (5.7%). The cheaper up front cost of units and their relatively weaker capital growth performance is resulting in a lower decline in yields.

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Key rental and yield statistics across the capital cities

| All Dwellings | SYD | MELB | BRIS | ADE | PER | HOB | DAR | CAN | Combined Capitals |
|-------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------------------|
| Month | 0.2% | 0.2% | 0.2% | 0.2% | -0.5% | 0.2% | -0.8% | 0.5% | 0.1% |
| Quarter | 0.9% | 0.9% | 0.4% | 0.7% | -1.2% | 1.0% | -2.5% | 1.5% | 0.6% |
| Year-to-Date | 1.8% | 1.4% | 0.8% | 1.2% | -1.4% | 1.8% | -3.5% | 2.5% | 1.2% |
| Year-on-Year | 3.1% | 2.3% | 2.0% | 1.2% | -4.5% | 3.2% | -5.5% | -0.6% | 1.5% |
| Median Rent | \$595 | \$446 | \$435 | \$369 | \$477 | \$342 | \$567 | \$500 | \$488 |
| Current Yield | 3.6% | 3.3% | 4.6% | 4.2% | 4.0% | 5.4% | 5.6% | 4.2% | 3.7% |
| Yield 12 mths ago | 4.0% | 3.6% | 4.6% | 4.3% | 4.3% | 5.2% | 5.8% | 4.4% | 4.0% |
| Houses | SYD | MELB | BRIS | ADE | PER | HOB | DAR | CAN | Combined Capitals |
| Month | 0.2% | 0.1% | 0.1% | -0.1% | -0.4% | 0.2% | -0.7% | 0.6% | 0.1% |
| Quarter | 1.1% | 0.9% | 0.5% | 0.4% | -1.1% | 0.4% | -2.6% | 1.6% | 0.6% |
| Year-to-Date | 1.7% | 1.6% | 0.7% | 1.1% | -0.8% | 1.9% | -2.7% | 2.7% | 1.2% |
| Year-on-Year | 3.5% | 2.4% | 2.0% | 0.9% | -4.2% | 3.4% | -4.7% | -0.3% | 1.5% |
| Median Rent | \$613 | \$455 | \$438 | \$375 | \$483 | \$348 | \$601 | \$511 | \$493 |
| Current Yield | 3.4% | 3.2% | 4.5% | 4.2% | 4.0% | 5.4% | 5.6% | 4.2% | 3.6% |
| Yield 12 mths ago | 3.8% | 3.4% | 4.6% | 4.3% | 4.2% | 5.2% | 5.8% | 4.3% | 3.9% |
| Units | SYD | MELB | BRIS | ADE | PER | HOB | DAR | CAN | Combined Capitals |
| Month | 0.2% | -0.1% | -0.2% | 0.3% | -1.1% | 0.9% | -0.6% | -0.2% | 0.0% |
| Quarter | 0.7% | 0.9% | -0.2% | 0.8% | -2.6% | 1.9% | -2.3% | 0.3% | 0.2% |
| Year-to-Date | 1.7% | 1.3% | -0.2% | 0.5% | -2.8% | 2.5% | -3.2% | 0.2% | 1.1% |
| Year-on-Year | 2.8% | 1.6% | 0.8% | 1.2% | -5.0% | 4.5% | -5.4% | -3.7% | 1.9% |
| Median Rent | \$534 | \$402 | \$411 | \$319 | \$429 | \$297 | \$471 | \$401 | \$461 |
| Current Yield | 4.5% | 4.3% | 5.4% | 4.9% | 4.8% | 5.7% | 5.8% | 5.0% | 4.6% |
| Yield 12 mths ago | 4.7% | 4.4% | 5.4% | 4.9% | 4.8% | 5.2% | 5.8% | 5.0% | 4.7% |

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Media enquiries contact: Mitch Koper , CoreLogic RP Data national communications manager
– 07 3114 9879 or media@corelogic.com.au

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