

Australia's median rent hits new record, surpasses \$600 per week

Rental Market Update, for release Tuesday 23 January, 2024

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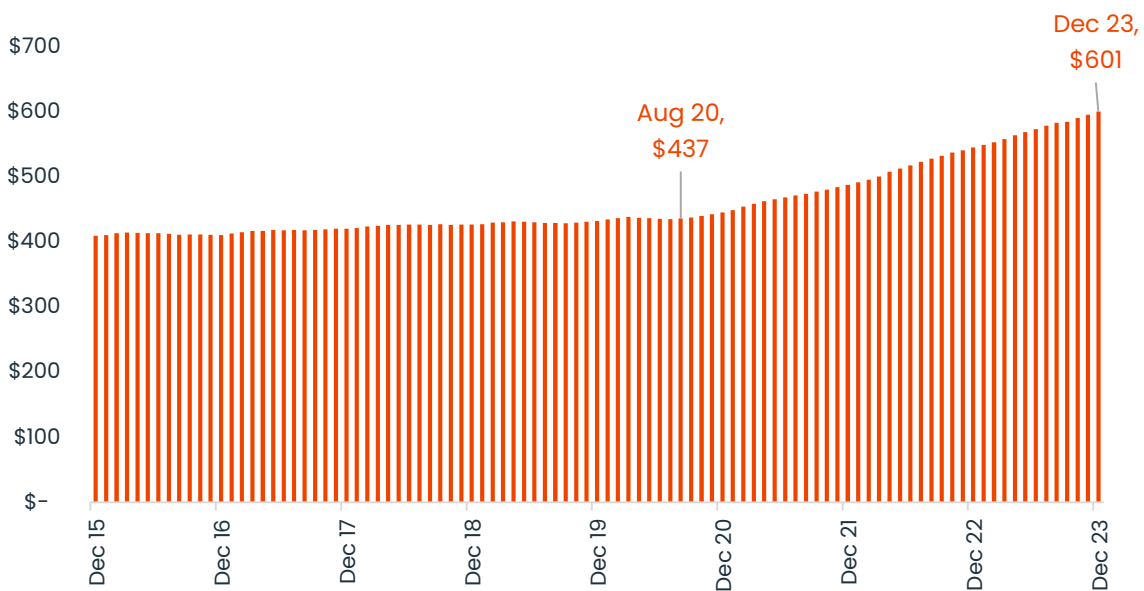
CoreLogic's national median rent value ticked up to \$601 per week last month, equating to median annual rent of \$31,252 a year.

CoreLogic median rent is based on a current estimate of rent income, describing what the median dwelling in Australia would rent for if you

put it on the market at any given time. The \$601 median is a series high, and coincides with total annual rent increases of 8.3% nationally.

The median has increased markedly from \$437 per week in August 2020, pushing annual rent values up by more than \$8,000 in that time.

Figure 1. Median weekly rent value (reported monthly, national dwellings)



Source: CoreLogic

How did we get here?

Recent growth in rent values, which averaged 9.1% a year for the past three calendar years, stands in stark contrast to the average annual growth rate of 2.0% in the 2010s. Since the onset of the pandemic several factors have contributed to unusually large rent rises, including:

- A notable decline in the average household size from late 2020, partly driven by a reduction in share housing – meaning more dwellings were needed even when population

growth was close to zero in 2021.

- A rapid increase in the Australian population from late-2022 as international border restrictions were lifted.
- A temporary shock to investment housing activity between May 2022 and February 2023 as interest rates rose. Investor activity has picked up markedly since, but there is still a lot of catch up required in establishing new rentals.

Longer term factors have also increased demand for rentals.

The reduction in social housing supply as a portion of all dwellings over the decades has placed more pressure on the private rental market, as has a declining rate of home ownership. Average household size has also been gradually declining over decades due to economic and demographic factors (for example, more people living alone), requiring more dwellings to house a given population.

Rent value increases have broadly outpaced wage and income rises at the national level, meaning rental affordability has also deteriorated. The portion of gross median household income required to service median

rent rose from 26.7% of income in March 2020 to 31.0% in September last year. While a far higher portion of median income is required to service a new mortgage, renters tend to be on lower incomes. The latest data from the ABS suggests median gross household income was 41.8% lower across renting households than owner occupiers with a mortgage.

Median rents across the capital city markets ranged from \$745 per week in Sydney, to \$535 per week in Hobart. Canberra and Hobart were the only markets to see a decline in rent values through 2023, at -1.9% and -3.5% respectively.

Figure 2. Summary of rent market performance – December 2023

Region	Median weekly rent	Monthly change in rents	Quarterly change in rents	Annual change in rents
Sydney	\$745	0.6%	2.3%	10.2%
Melbourne	\$565	0.5%	1.5%	11.1%
Brisbane	\$627	0.5%	1.9%	8.2%
Adelaide	\$565	0.7%	2.0%	7.7%
Perth	\$630	1.2%	3.6%	13.4%
Hobart	\$535	0.6%	0.8%	-3.5%
Darwin	\$611	-0.2%	-0.6%	3.0%
Canberra	\$651	0.2%	0.9%	-1.9%
Combined capitals	\$631	0.7%	2.2%	9.8%
Combined regionals	\$518	0.6%	1.8%	4.3%
National	\$601	0.6%	2.1%	8.3%

Source: CoreLogic. Median weekly rent value refers to the middle of valuations observed in the region, while growth rates are based on changes in the CoreLogic Rental Value index, which take into account value changes across the market.

Figure 3 summarises the state of rental markets across SA4 regions of Australia. Of the 88 dwelling markets analysed, only 16 were down from historic highs. This ranged from the New England and North West market of regional NSW, which has fallen marginally from a peak in the previous month, to the Outback North of WA, where values are still 25.6% below the peak achieved amid the 2010s resources boom. Despite being well below its historic peak, the

Outback North of WA had a relatively strong uplift in rent values over the past year, at 11.1%.

Across the SA4 rental markets, the highest median weekly rent was in Sydney's Northern Beaches (\$1,167 per week), followed by the Eastern Suburbs (\$1,046). The lowest median weekly rent across the capital city SA4 markets was the Melbourne – West market.

Figure 3. Which rental markets are at peak? (SA4 dwelling market summaries, December 2023)

Greater Capital City / Region	SA4 Region Name	Median Rent value	Peak date of CoreLogic Rent value index	Change from peak	Annual Change in CoreLogic Rent value index
Sydney	Central Coast	\$619	at peak	-	2.3%
Sydney	Sydney - Baulkham Hills and Hawkesbury	\$888	at peak	-	7.7%
Sydney	Sydney - Blacktown	\$642	at peak	-	11.5%
Sydney	Sydney - City and Inner South	\$895	31/05/2023	-0.3%	9.2%
Sydney	Sydney - Eastern Suburbs	\$1,046	at peak	-	14.1%
Sydney	Sydney - Inner South West	\$733	at peak	-	14.8%
Sydney	Sydney - Inner West	\$834	at peak	-	11.5%
Sydney	Sydney - North Sydney and Hornsby	\$907	at peak	-	7.0%
Sydney	Sydney - Northern Beaches	\$1,167	at peak	-	7.9%
Sydney	Sydney - Outer South West	\$583	at peak	-	9.0%
Sydney	Sydney - Outer West and Blue Mountains	\$600	at peak	-	8.2%
Sydney	Sydney - Parramatta	\$670	at peak	-	14.5%
Sydney	Sydney - Ryde	\$762	at peak	-	13.2%
Sydney	Sydney - South West	\$674	at peak	-	11.1%
Sydney	Sydney - Sutherland	\$873	at peak	-	10.0%
Melbourne	Melbourne - Inner	\$619	31/07/2023	-0.8%	8.7%
Melbourne	Melbourne - Inner East	\$690	at peak	-	14.5%
Melbourne	Melbourne - Inner South	\$677	at peak	-	9.8%
Melbourne	Melbourne - North East	\$537	at peak	-	13.4%
Melbourne	Melbourne - North West	\$519	at peak	-	13.4%
Melbourne	Melbourne - Outer East	\$595	at peak	-	11.4%
Melbourne	Melbourne - South East	\$564	at peak	-	13.5%
Melbourne	Melbourne - West	\$491	at peak	-	13.1%
Melbourne	Mornington Peninsula	\$585	at peak	-	4.1%
Brisbane	Brisbane - East	\$702	at peak	-	7.3%
Brisbane	Brisbane - North	\$646	at peak	-	8.2%
Brisbane	Brisbane - South	\$681	at peak	-	8.3%
Brisbane	Brisbane - West	\$744	at peak	-	8.1%
Brisbane	Brisbane Inner City	\$700	at peak	-	11.6%
Brisbane	Ipswich	\$534	at peak	-	6.6%
Brisbane	Logan - Beaudesert	\$574	at peak	-	7.2%
Brisbane	Moreton Bay - North	\$569	at peak	-	8.5%
Brisbane	Moreton Bay - South	\$625	at peak	-	4.7%
Adelaide	Adelaide - Central and Hills	\$613	at peak	-	4.9%
Adelaide	Adelaide - North	\$529	at peak	-	10.2%
Adelaide	Adelaide - South	\$574	at peak	-	7.9%
Adelaide	Adelaide - West	\$575	at peak	-	9.0%
Perth	Mandurah	\$565	at peak	-	10.3%
Perth	Perth - Inner	\$773	at peak	-	11.6%
Perth	Perth - North East	\$622	at peak	-	15.7%
Perth	Perth - North West	\$651	at peak	-	12.8%
Perth	Perth - South East	\$623	at peak	-	15.6%
Perth	Perth - South West	\$617	at peak	-	12.5%
Hobart	Hobart	\$535	31/03/2023	-4.8%	-3.5%
Canberra	Australian Capital Territory	\$651	30/06/2022	-3.3%	-1.9%
Darwin	Darwin	\$611	31/10/2023	-0.9%	3.0%

Figure 3. (cont.) Which rental markets are at peak? (SA4 dwelling market summaries, December 2023)

Greater Capital City / Region	SA4 Region Name	Median Rent value	Peak date of CoreLogic Rent value index	Change from peak	Annual Change in CoreLogic Rent value index
Rest of NSW	Capital Region	\$518	30/09/2022	-5.3%	-4.4%
Rest of NSW	Central West	\$454	at peak	-	2.4%
Rest of NSW	Coffs Harbour - Grafton	\$585	at peak	-	1.4%
Rest of NSW	Far West and Orana	\$404	at peak	-	6.6%
Rest of NSW	Hunter Valley exc Newcastle	\$564	at peak	-	3.9%
Rest of NSW	Illawarra	\$668	at peak	-	1.4%
Rest of NSW	Mid North Coast	\$521	30/04/2023	-0.2%	1.6%
Rest of NSW	Murray	\$418	30/11/2023	-2.1%	-0.5%
Rest of NSW	New England and North West	\$420	30/11/2023	-0.02%	1.5%
Rest of NSW	Newcastle and Lake Macquarie	\$611	at peak	-	3.4%
Rest of NSW	Richmond - Tweed	\$702	at peak	-	1.6%
Rest of NSW	Riverina	\$450	at peak	-	6.4%
Rest of NSW	Southern Highlands and Shoalhaven	\$591	30/06/2022	-6.4%	-1.1%
Rest of Vic.	Ballarat	\$429	at peak	-	6.2%
Rest of Vic.	Bendigo	\$466	at peak	-	5.1%
Rest of Vic.	Geelong	\$505	at peak	-	2.9%
Rest of Vic.	Hume	\$464	at peak	-	3.1%
Rest of Vic.	Latrobe - Gippsland	\$439	at peak	-	2.9%
Rest of Vic.	North West	\$384	at peak	-	5.3%
Rest of Vic.	Shepparton	\$470	at peak	-	8.3%
Rest of Vic.	Warrnambool and South West	\$440	30/11/2023	-0.1%	5.0%
Rest of Qld	Cairns	\$534	at peak	-	6.4%
Rest of Qld	Central Queensland	\$486	at peak	-	7.6%
Rest of Qld	Darling Downs - Maranoa	\$431	at peak	-	9.2%
Rest of Qld	Gold Coast	\$792	at peak	-	6.0%
Rest of Qld	Mackay - Isaac - Whitsunday	\$565	at peak	-	10.8%
Rest of Qld	Queensland - Outback	\$410	30/09/2012	-14.2%	4.2%
Rest of Qld	Sunshine Coast	\$711	at peak	-	2.9%
Rest of Qld	Toowoomba	\$509	at peak	-	6.1%
Rest of Qld	Townsville	\$473	at peak	-	5.1%
Rest of Qld	Wide Bay	\$511	at peak	-	8.6%
Rest of WA	Bunbury	\$591	at peak	-	12.6%
Rest of WA	Western Australia - Outback (North)	\$862	31/10/2011	-25.6%	10.4%
Rest of WA	Western Australia - Outback (South)	\$488	at peak	-	9.0%
Rest of WA	Western Australia - Wheat Belt	\$441	at peak	-	10.7%
Rest of Tas.	Launceston and North East	\$464	31/03/2023	-2.1%	-0.2%
Rest of Tas.	South East	\$429	31/01/2023	-17.2%	-12.0%
Rest of Tas.	West and North West	\$410	at peak	-	1.4%
Rest of SA	Barossa - Yorke - Mid North	\$400	at peak	-	8.3%
Rest of SA	South Australia - Outback	\$361	at peak	-	8.9%
Rest of SA	South Australia - South East	\$420	at peak	-	6.7%
Rest of NT	Northern Territory - Outback	\$526	31/05/2022	-9.8%	-0.9%
Rest of NSW	Capital Region	\$518	30/09/2022	-5.3%	-4.4%
Rest of NSW	Central West	\$454	at peak	-	2.4%
Rest of NSW	Coffs Harbour - Grafton	\$585	at peak	-	1.4%
Rest of NSW	Far West and Orana	\$404	at peak	-	6.6%

Rent growth is starting to slow...

While annual growth in rents is higher than historic averages, it has broadly slowed. In 2023, rent values rose 8.3%, down from a peak of 9.6% in the year to September 2022. The slowdown has been most evident across regional Australia,

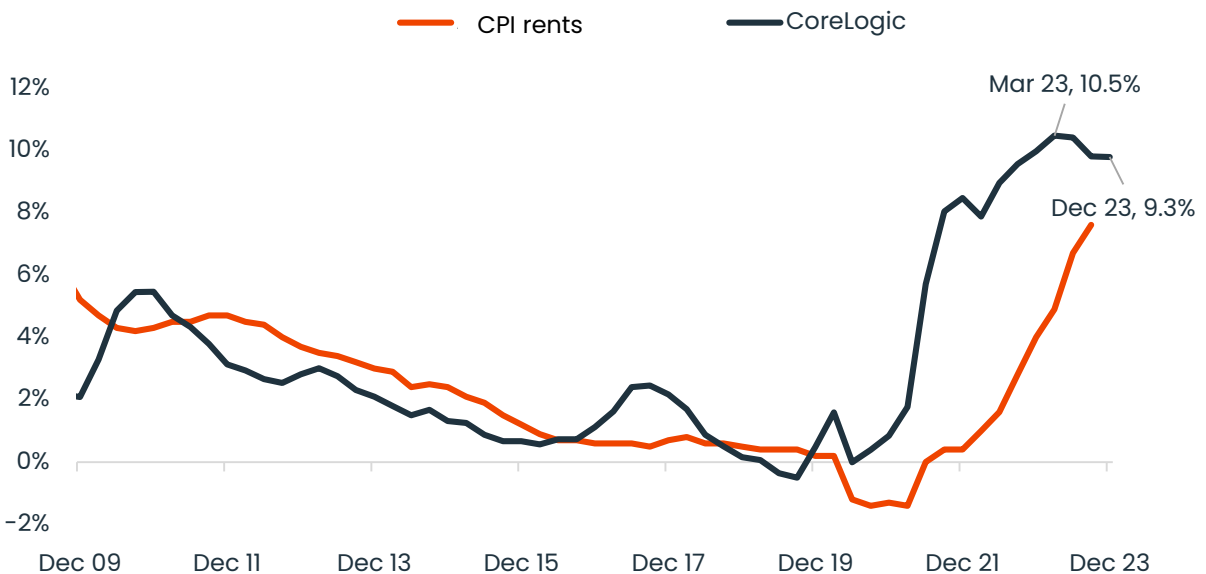
where rents rose 4.3% last year, down from a 13.4% in the year to August 2021. The slowdown in capital city rent growth began more recently, easing from a peak of 10.6% in the 12 months to April 2023, to 9.8% by the end of the year (figure 4).

Figure 4. Rolling annual change in dwelling rents - Capitals v Regionals



Source: CoreLogic

Figure 5. Annual change in rents - CoreLogic rental index v CPI



Source: CoreLogic, ABS

As noted in previous research, growth in the CoreLogic rent value index tends to be a leading indicator of CPI rents. This is because CoreLogic rent measures are derived from advertised rents, where CPI measures rents actually paid by households. Rents paid tend to be 'sticker' than values, due to periodic leases (usually 12 months). Figure 5 shows the rolling annual change in capital city rent values versus the CPI rent measure. Historically the lag between CoreLogic and CPI rent measures has averaged six quarters, but already the monthly CPI rent indicator has shown a decline from 7.6% in September, to 7.1% at the end of November.

The slowdown in rent growth may be attributed to affordability constraints driving renters back to share housing, or to cheaper markets.

Additionally, the recent resurgence in investor activity through 2023 may be gradually helping to ease supply-side constraints.

... but increases are speeding up again in capital city house markets

The easing in rent growth is good news with regard to inflation, but there was a slight pick-up in annual growth once again in the final quarter of 2023. This 're-acceleration' in rents was most consistent across the capital city house markets, but was also evident in regional rent markets.

As noted in previous quarters, part of the explanation for an uptick in house rent growth may be in part due to households re-grouping

into share houses. Additionally, the premium of house rents over units has narrowed in the past two years, from \$63 per week at the median level to \$38. This 'catch up' in unit rents could be making them less appealing, diverting tenants back to houses.

Part of the explanation could also be compositional: more affordable rental markets, such as regional or outer-suburban markets, are typically higher in detached houses. For example, some of the largest increases in annual rent growth towards the end of 2023 were house markets in Sydney's Outer South West and the Blue Mountains. In Perth, the North West house market saw the biggest pick-up in annual growth.

Despite the concerning reacceleration toward the end of 2023, rent growth is still expected to slow this year. The continued increase in investment lending, a normalisation in net overseas migration and the potential for a cash rate reduction could all contribute to a slowdown. However, in the short term, the burden largely remains on tenants to secure cheaper housing, whether that be by re-forming share house arrangements, or once again looking to regional or outer suburban markets for rental accommodation.