Rental crisis deepens as weekly rents hit record high while vacancy rates and days on site reach new lows

REA Group today launched the PropTrack Rental Report March 2023, a quarterly report combining eight key metrics to provide a comprehensive and up-to-date view of the rental property market and emerging trends.

Key take outs:

- Rental market pressures are intensifying in the capital cities due to strong demand and a lack of stock available to lease.
- Meanwhile, conditions are easing in regional Australia. Supply is increasing, giving renters more choice, and demand is moderating from the record highs recorded during the pandemic.
- In the combined capital cities, total rental listings were sitting at historic lows in March 2023 after falling 18.3% year-on-year.
- Regionally, total rental listings were up 22.5% year-on-year to sit at their highest level since July 2020. This was the largest annual increase since December 2010.
- With stock restricted in the capitals, demand is surging and competition intensifying. The number of enquiries per listing on realestate.com.au was up 8.3% year-on-year. Regionally, it was down a significant 41.7%.
- Strong demand is seeing properties lease quickly, affording landlords the opportunity to increase rents. Capital city rents were up 13% year-on-year to sit at $520 per week.

PropTrack Director of Economic Research and report author, Cameron Kusher, said: “The national rental market was extremely tight over the first quarter of 2023. Rental vacancy rates were edging lower due to exceptionally strong demand for rental properties and an ongoing shortage of supply. As a result of these conditions, properties were leasing quickly, and landlords were afforded scope to increase rents.

“The challenges for renters are being exacerbated by the fact that higher interest rates have reduced borrowing capacities. This is making it harder for renters to transition into first home buyers and more difficult for investors to purchase properties, restricting rental supply.

“The rapid rebound in migration to Australia is also increasing competition for rental properties. Most of the people arriving in Australia don’t own a property in the country and will be seeking somewhere to rent, adding to rental supply shortages.

“These rental pressures are being felt acutely in Sydney, Melbourne and Perth, while regional markets are seeing demand soften as pandemic-induced trends subside. Fewer people are leaving capital cities for regional areas, some are returning to the capital cities and those who are staying regionally are likely now purchasing. These trends are expected to continue, leading to a further easing of regional rental pressures.

“The biggest strain on the rental market is the lack of new rental supply, particularly in the larger capital cities. Investors continue to exit the market and few new investors are entering. Although
there is a lot of housing supply under construction, most has been targeted toward the owner-occupier market rather than investors.

"Absent a return of investors to the market or a big increase in first home buyer numbers, it seems unlikely that the strong demand and insufficient rental supply will be rectified any time soon. This means the cost of renting is expected to continue rising – particularly in capital cities."

Additional report findings:

- Nationally, new rental listings were slightly higher than last year, up 2.2% in March. This was the first increase since December 2020, though new listings remain historically low.
- With limited new stock, the total supply of properties for rent has tightened. Total listings were down 9.8% year-on-year in March 2023, sitting near historic-low levels.
- Demand has softened compared to last year, though it remains relatively strong. Nationally, the number of enquiries per listing was down 4.2% year-on-year in March.
- With little stock, there are few rental properties available to lease. The national rental vacancy rate was at 1.5% in March 2023, down from 1.6% the quarter prior.
- Relatively strong demand is seeing properties lease quickly. The median time a rental property was listed on realestate.com.au before being rented was back at a record low 18 days.
- These conditions are providing landlords with the opportunity to lift rents. Over the year, rents were up 11.1% nationally to sit at $500 per week.

The report analyses consumer behaviour in real time by extracting property market insights from the 12.1 million Australians who visit realestate.com.au each month.

Key metrics include rental prices, rental yields, new rental listings, total rental listings, rental vacancy, rental days on site, enquiry and potential renters per listing.

For more information and to view the full report please visit realestate.com.au/insights or [click here].

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1 Nielsen Digital Media Ratings (Monthly Tagged), Jul 22 - Dec 22 (average), P2+, Digital (C/M), text, realestate.com.au, Unique Audience