

Unit rents on par with houses

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Investors looking at purchasing a property in the next 12 months should consider purchasing a unit, new research has revealed.

According to Australian Property Monitors' Rental Price Series Quarterly Report, annual growth figures have shown rental prices for units are approaching that for houses in most capital cities.

Nationally median asking rents for houses fell by 0.2 per cent while unit rental prices rose by 1.1 per cent in the quarter.

Median asking rents for houses over the September quarter remained steady and recorded no growth in Sydney, Melbourne, Brisbane, Perth and Darwin, while rental prices fell in Adelaide (2.9 per cent), Canberra (2.1 per cent) and Hobart (1.6 per cent).

Sydney was the only market to see growth in median weekly asking rent for units in the quarter, rising by 2.2 per cent, with other capital cities stable.

Despite stable rental prices in the September quarter, significant annual growth for both houses and units has been recorded in most capitals, with Canberra and Sydney in particular seeing growth of house rental prices of 3.3 per cent and 3.1 per cent respectively.

The rental market for units in most capital cities however has outperformed that of houses over the year to September, with median asking rents for units approaching parity with those for houses in many capital cities.

“Though rental growth has been generally stable over the September quarter for both houses and units, annual figures show unit rental prices have increased at a significantly greater rate in most capital cities compared to houses. This indicates increased competition from discontented first home buyers entering the rental market, particularly in late 2010 and early 2011,” Australian Property Monitor senior economist Andrew Wilson.

“As a consequence, the median weekly asking rentals for units is now fast approaching that of houses in many capital cities, as the overall demand for units for both lifestyle and affordability reasons continues to be greater than the demand for more expensive and generally outer-suburban houses.

“With the prospect of continued stable interest rates, an expected increase in buyer activity will take the pressure off the rental market by decreasing competition for available rental properties and motivating investors to re-enter the market.”