

In this issue I review the 2018 rental markets and vacancy rates in the major cities, look at where Sydney house prices may be heading, and briefly examine why Australia's office and commercial markets are booming.

Newsletter #02/19:

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1. HOW WAS THE RENTAL MARKET IN 2018?

Last issue we looked at capital growth figures for Australian cities in 2018, which overall was a poor result. But the rental market is a different story.

According to the latest figures from SQM Research to 20 March 2019, Australian house and apartment rentals rose in most cities except Sydney as excess stock was absorbed.

Sydney house rents dropped 4.5% over the past 12 months, making the 3 year figure -1.5%, while apartment rents fell 3.3% over the past 12 months.

Melbourne house rents have risen 13.4% over the past 3 years, the highest of all the major cities, and have seen a 1.6% rise over the past 12 months. Apartment also saw rents rise as supply dropped despite concerns around an oversupply of inner city units with a rental rise of 10.6% over the past 3 years, and a strong 4.1% over the past 12 months as vacancy rates plummet.

Brisbane housing rentals have turned around over the past 12 months, with rises in both house rents and apartments of 2.1% and 1.3% respectively.

The trend of negative rent movements in Perth over the past 5 years have reversed in the past 12 months, with gains of 3.9% in houses and 2.1% in apartments.

A very important investment figure is the rental vacancy rates for each city, which records how many properties are available for rent at any given time. A low vacancy rate and falling means rent rises. A high vacancy rate and rising means falling rentals.

In line with the rentals being seen above, here are the vacancy rates for each city as at 20 March 2019, and 12 months ago:

Sydney: 3.2%, rising, up from 2.5% 12 months ago.

Melbourne a very low 1.7%, stable, 1.7% 12 months ago.

Brisbane: 2.6%, falling, down from a high 4.4% 12 months ago.

Perth: 3%, falling, down from a high 5% 12 months ago.

2. WHY IS AUSTRALIAN OFFICE SPACE IN SUCH DEMAND?

As residential market remains uncertain, Australia's office and commercial markets are on fire. Fueling the demand for office space is the fact that the Australian jobless rate is at a 10 year low. According to the latest Colliers International report, employment gains are strong and getting stronger.

The drop in vacancy in the national office markets, from 9.6% in January 2018, to 8.5% in January 2019 has been a function of both reducing supply and solid demand.

There is now 100,000 sqm m less office space in Australian markets than there was 2 years ago Colliers reported.

In the meantime, industrial property has been earmarked for a potential AUD\$21 billion boom as investors scramble to get exposure to this sector also, according to JLL.

The key drivers of demand are the expanding e-commerce sector, a greater focus on agile supply chain networks, growing food and grocery sectors and increased investment in technology.

3. WHERE ARE SYDNEY HOUSE PRICES GOING?

Do you know where Sydney house prices are on the property cycle?

Have you been reading media reports about Sydney house prices?

Do you know when Sydney house prices rose by **nearly 100% in a 2 year** period?

And when **house prices FELL** by nearly 25%?

Read more [here](#)

We will cover this in more detail in future issues.

More next issue!

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