



# Rental Report

December 2023 Quarter

January 2024

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# Overview

**In 2023, the rental market was characterised by low supply and strong demand. These conditions made it difficult for renters to find accommodation and saw landlords increase rents, a trend likely to continue in 2024.**

At the end of 2023, the median rent on realestate.com.au was recorded at \$580 per week, an increase of 1.8% over the quarter and 11.5% over the year. In dollar terms, median advertised rents nationally increased by \$60 per week.

Rental growth was varied across Australia. It was much stronger in capital cities – particularly major capital cities – than it was in regional markets.

For renters hoping to purchase a property, higher rents made it difficult to save a deposit, while higher interest rates make servicing a mortgage more expensive.





Lending to investors trended higher over 2023, indicating that investors are coming back into the housing market. However, many investors continued to sell, resulting in a relatively small pool of rental properties being available for the large number of people seeking accommodation.

The rapid increase in Australia's population exacerbated rental market challenges, as most people migrating to Australia become renters. Over the 12 months to June 2023, the national population increased by a record 624,145 people. Of these, a record high 518,087 were from net overseas migration.

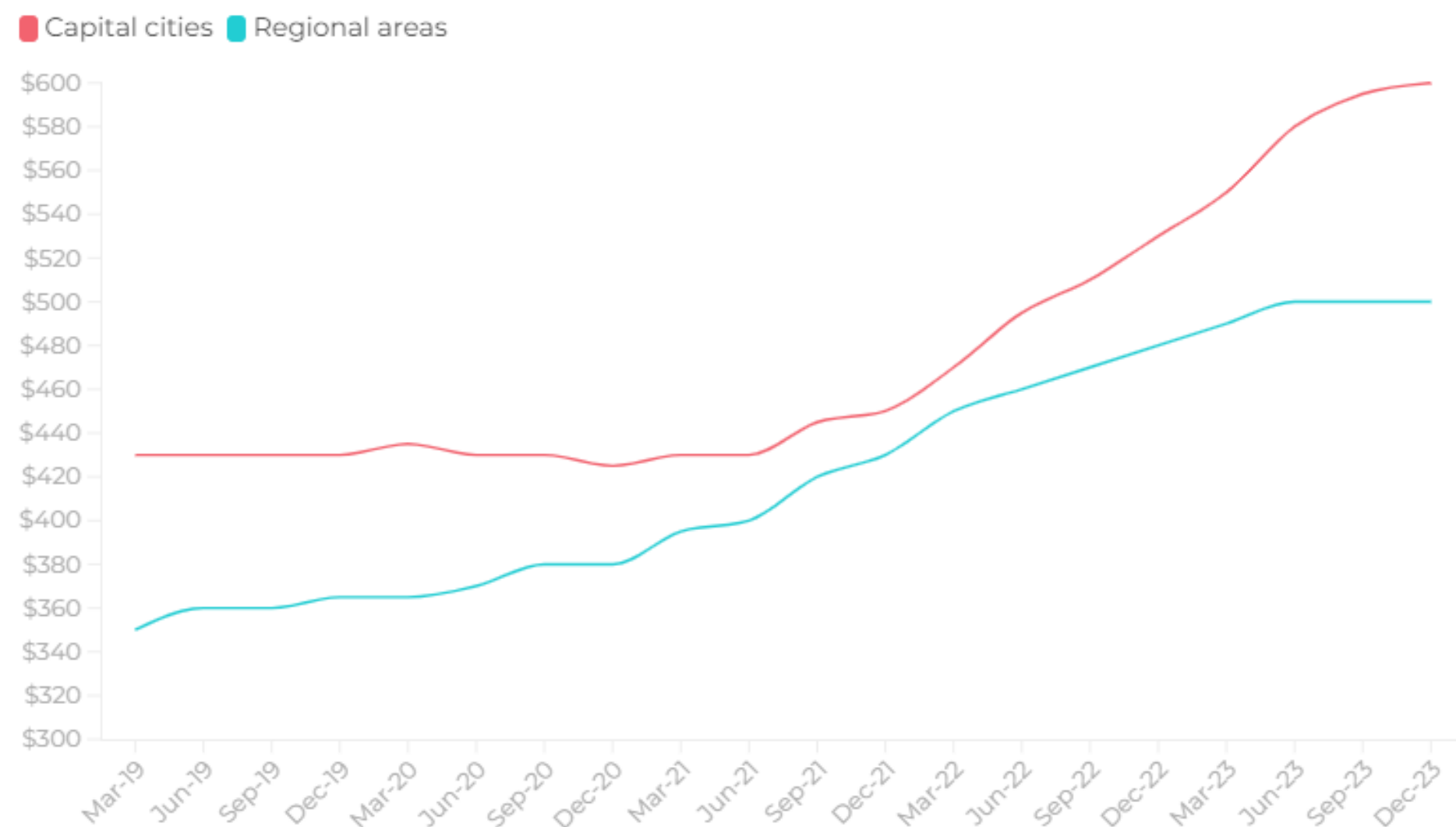
Given the persistent low supply of rental stock and the significant demand for accommodation, there is a critical need for additional housing, particularly in the major capital cities. The best way to address insufficient supply is to build more homes. The federal government has a goal to build 1.2 million new homes over the coming five financial years. However, dwelling approvals and commencements are at decade lows and it is unlikely this will change substantially in the near-term.

In the meantime, solutions should encourage better utilisation of current properties and investment in the housing market, or support first-time buyers into homeownership, freeing up the rental stock they currently occupy.

It appears unlikely that there will be any significant relief from the tough rental market conditions in the major capital cities in the coming months. We expect supply to remain tight and demand to stay strong, which is likely to push rents higher.



Quarterly median weekly advertised rents  
(capital cities vs regional markets)



## Rental prices

The national median weekly rent of properties advertised on realestate.com.au at the end of the December 2023 quarter was \$580 per week, up 1.8% over the quarter and 11.5% throughout the year.

Rent rises slowed in the December quarter compared to the quarter prior and were below the 4% recorded at the same time last year.

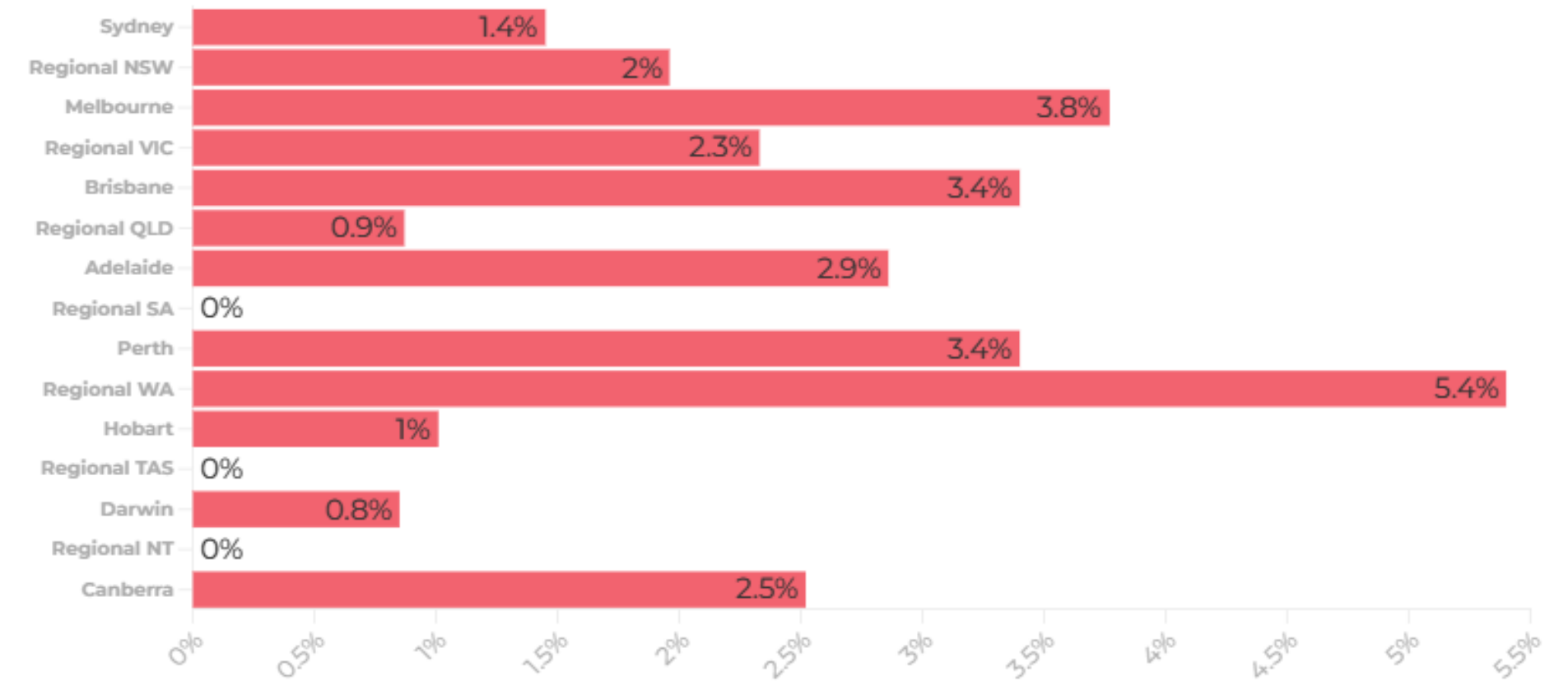
At the end of December 2023, the median weekly rent for a house was \$600 per week. House rents were 3.4% higher over the quarter and 9.1% higher than a year ago. The median advertised rent for a unit was \$560 per week in December 2023, 1.8% higher over the quarter and 13.1% higher than a year earlier.

The median weekly advertised rent was \$600 across the combined capital cities in December 2023. Across combined regional markets, it was \$500 per week. Combined capital city rents rose 0.8% over the December 2023 quarter and were 13.2% higher over the year. Combined regional market rents were unchanged over the past seven months but increased 4.2% over the past year.

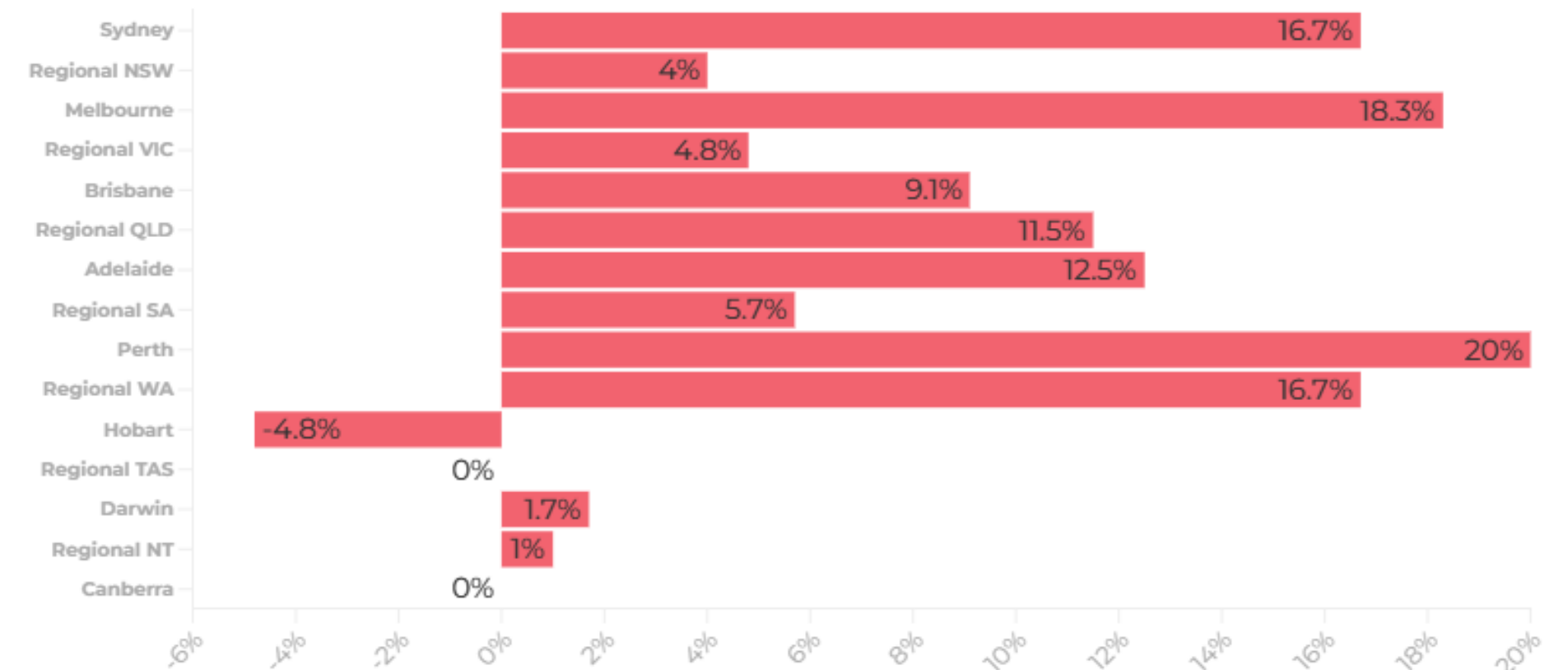
The strong demand and high cost of renting is likely to see renters make trade-offs, such as moving further away from their preferred locations, choosing smaller properties, or sharing accommodation with other people.

The rapid rate of population growth over the past year is projected to slow somewhat in 2024, while remaining well above historic levels. This is likely to see rents in the major capital cities continue to climb. Despite an expectation of further rental increases, we anticipate that rent price growth will moderate in 2024. In some smaller capital cities and regional markets, a further slowing of rental growth, with the potential for rental falls, is likely.

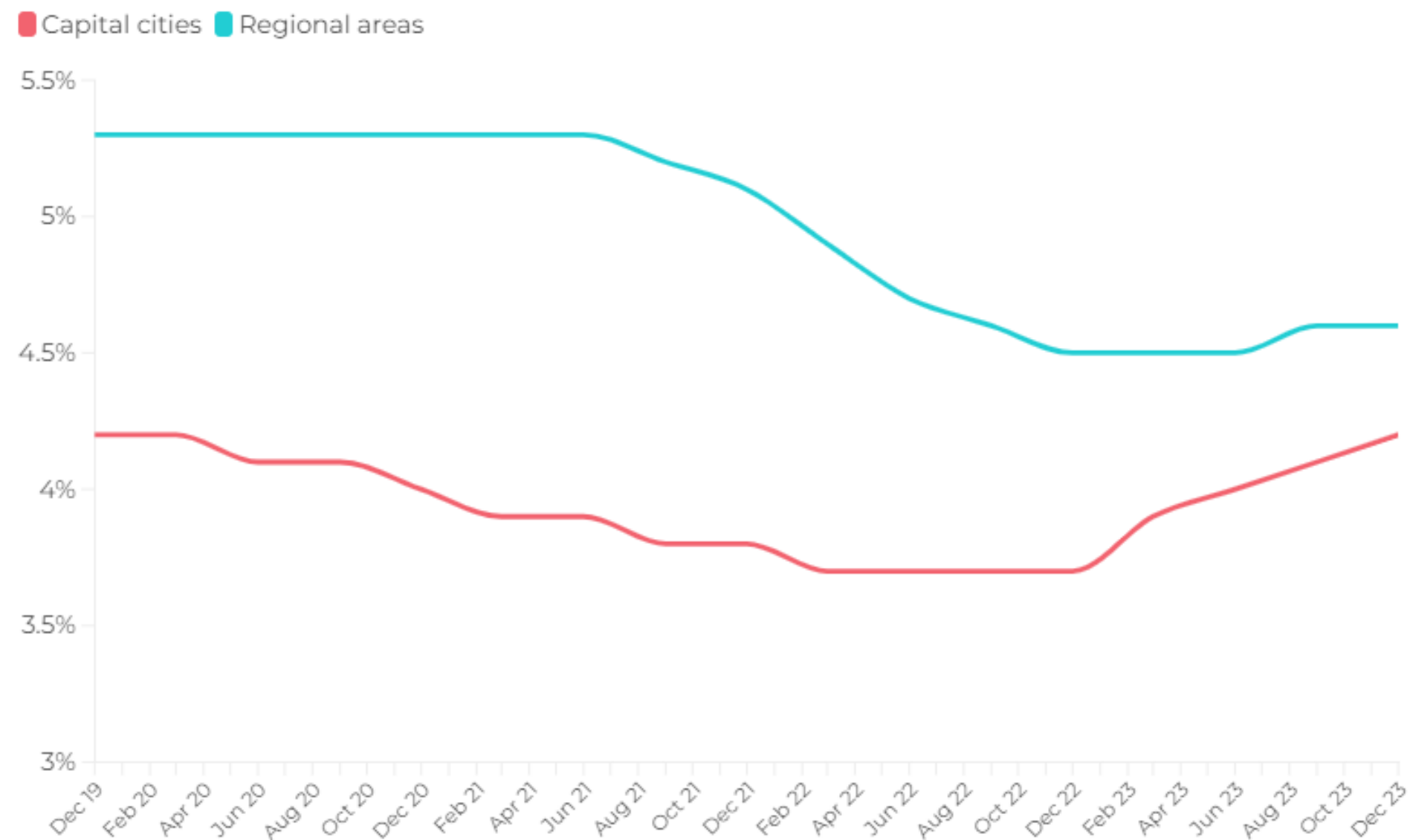
Quarterly change in median weekly advertised rents  
Dec-23



Annual change in median weekly advertised rents  
Dec-23



Gross rental yields over time  
(capital cities vs regional markets)



## Rental yields

During the pandemic, gross rental yields trended lower due to home price growth outpacing rental price growth. Over the past year, rental growth has been stronger than home price growth in some markets, resulting in an increase in gross rental yields.

In December 2023, national gross rental yields were 4.3%, which was the highest they've been since November 2020, and up from 4% in December 2022.

The combined capital cities have seen a greater increase in gross rental yields than regional markets, with yields increasing over the year from 3.7% to 4.2% and from 4.5% to 4.6%, respectively.

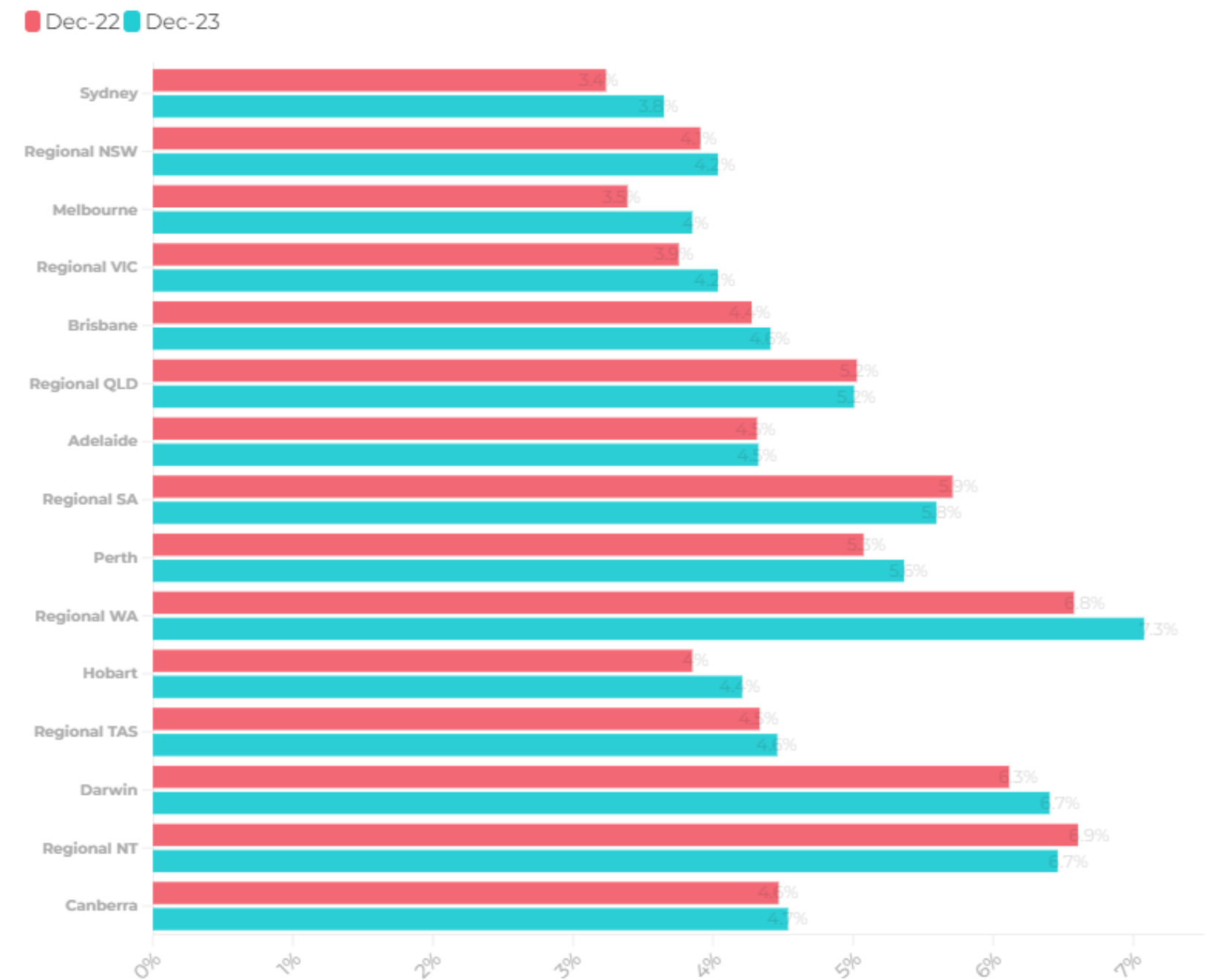


Gross rental yields for houses increased from 3.5% to 3.8% year-on-year. Over the same period, unit rental yields increased from 4.3% to 4.8% and are now the highest they've been since September 2019.

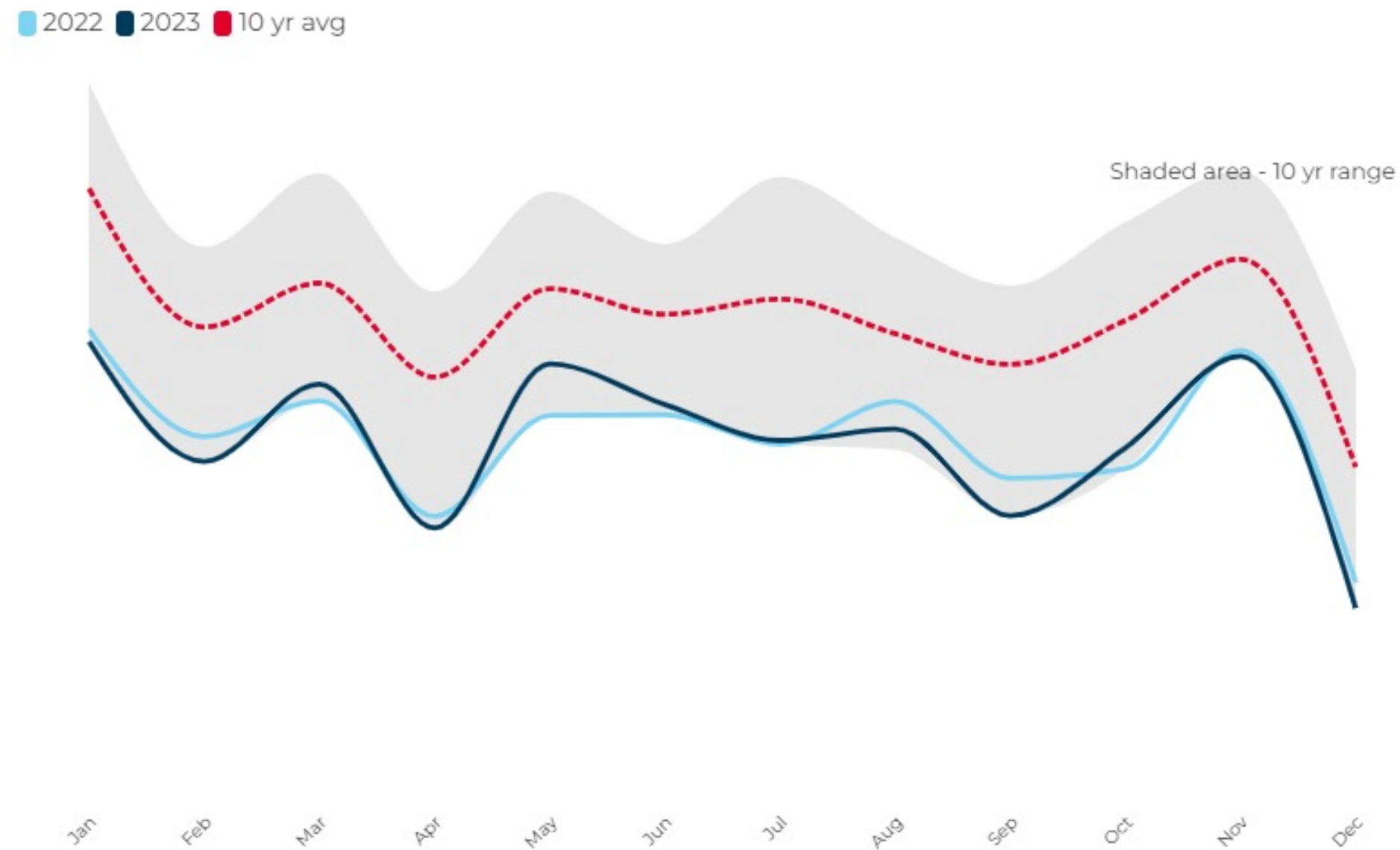
The lowest gross rental yields over the quarter were in Sydney (3.8%), Melbourne (4%) and both regional NSW and regional Victoria (4%). Although Sydney and Melbourne have the lowest yields, they had some of the strongest increases in yields over the year, up 0.4 percentage points.

With price growth forecast to slow this year and rental pressures likely to persist, it is expected that gross rental yields will increase in the major capital cities. In regional markets and smaller capital cities, we expect little change in rental yields over the year.

## Quarterly gross rental yields Dec-22 vs Dec-23



Monthly new rental listings,  
2022, 2023 and ten-year average



## New rental listings

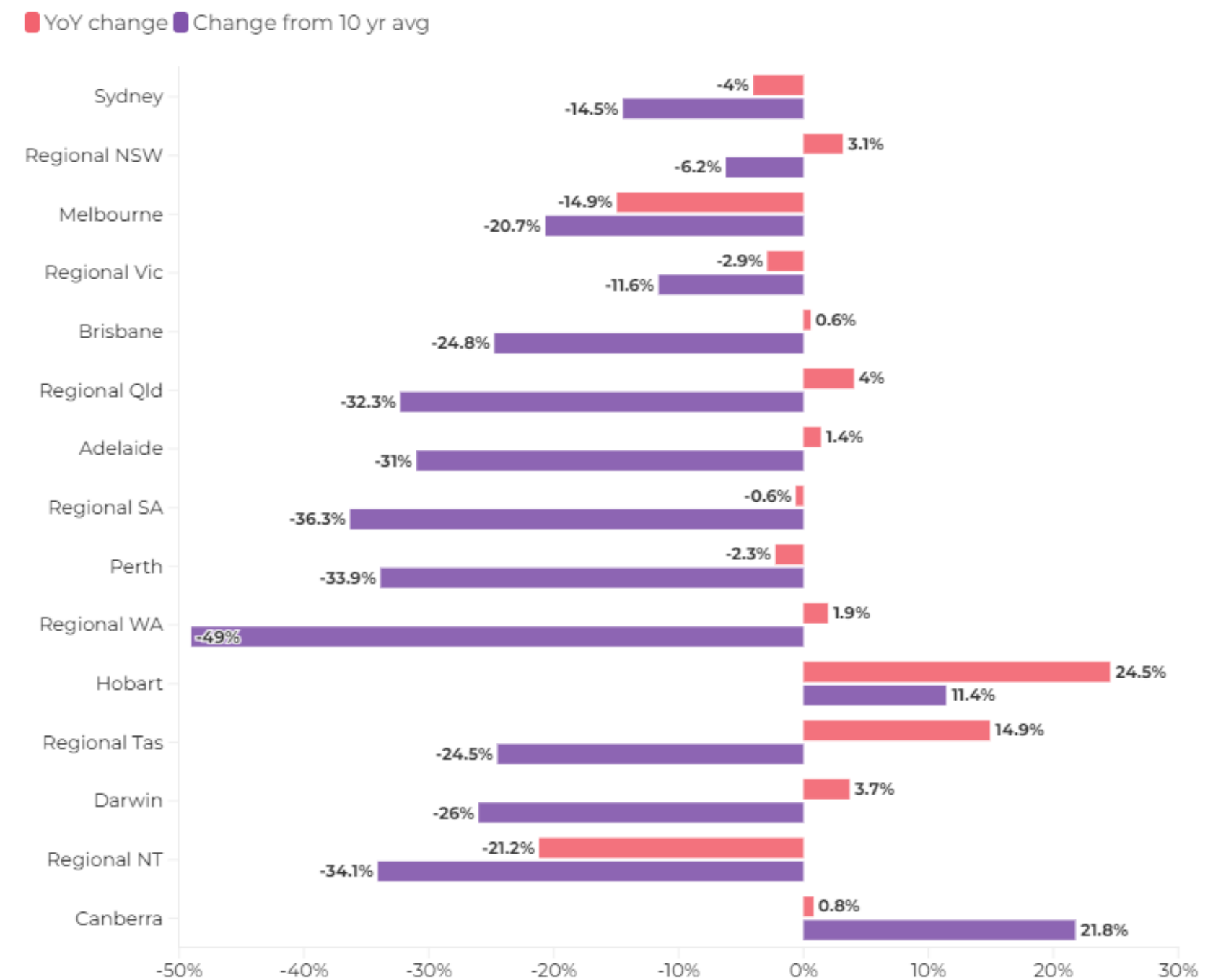
In December 2023, new rental listings reached a historic low and were 4.6% below the previous year. The number of new rental listings in December 2023 was 20.7% lower than the ten-year average for the month.

New rental listings throughout the capital cities were 5% lower over the year in December 2023 and were 3.4% lower in regional markets. Compared to the December decade average, capital city new listings were 20.4% lower and regional market new listings were 21.4% lower.

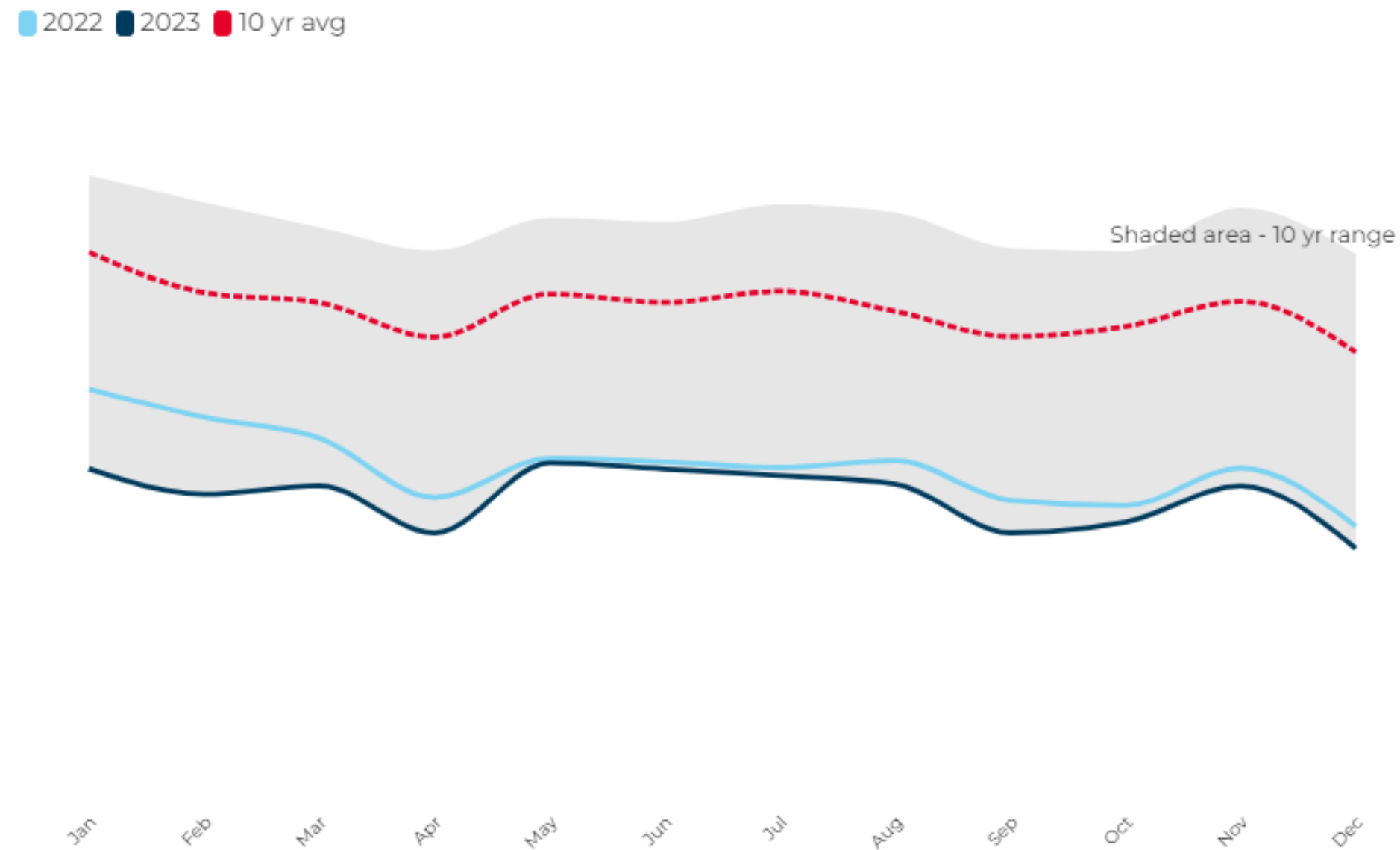
A record low number of new listings coming to market has created tough conditions for those seeking rental properties. Throughout most regions of the country, including the major capital cities, new listings are much lower than their decade average. The supply of new rental stock under construction remains low and although investor purchasing has increased, investor selling remains heightened.

The overall supply of rental stock is anticipated to remain low, while strong migration to Australia, particularly of students, is likely to drive continued strong rental demand.

## Year-on-year change and change from ten-year average in new rental listings, Dec-23



Monthly total rental listings,  
2022, 2023 and ten-year average



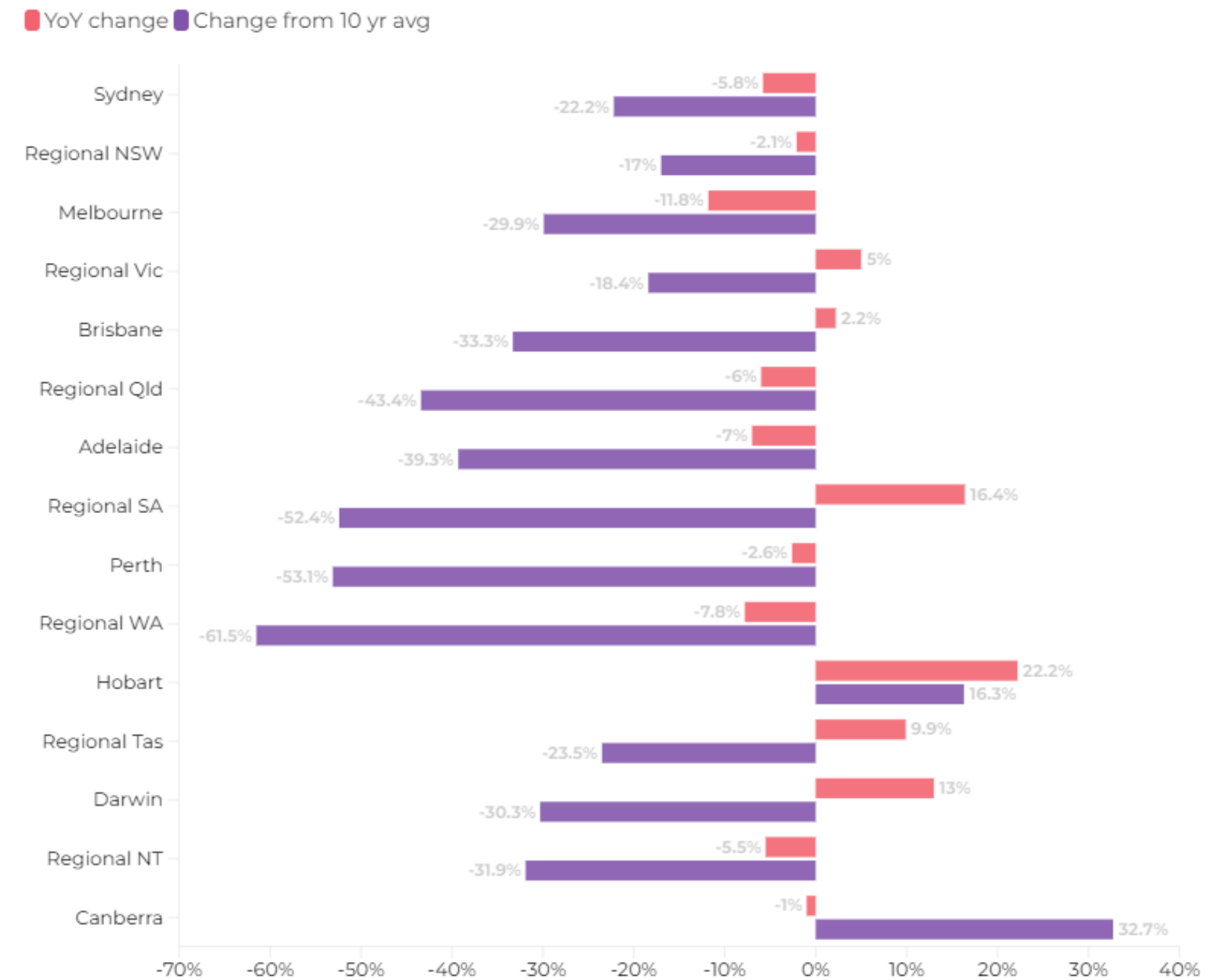
## Total rental listings

Total rental listings also fell to a record low in December 2023 after declining 4.7% compared to the previous year. The total number of properties available for rent nationally in December 2023 was 30.2% below the December decade average.

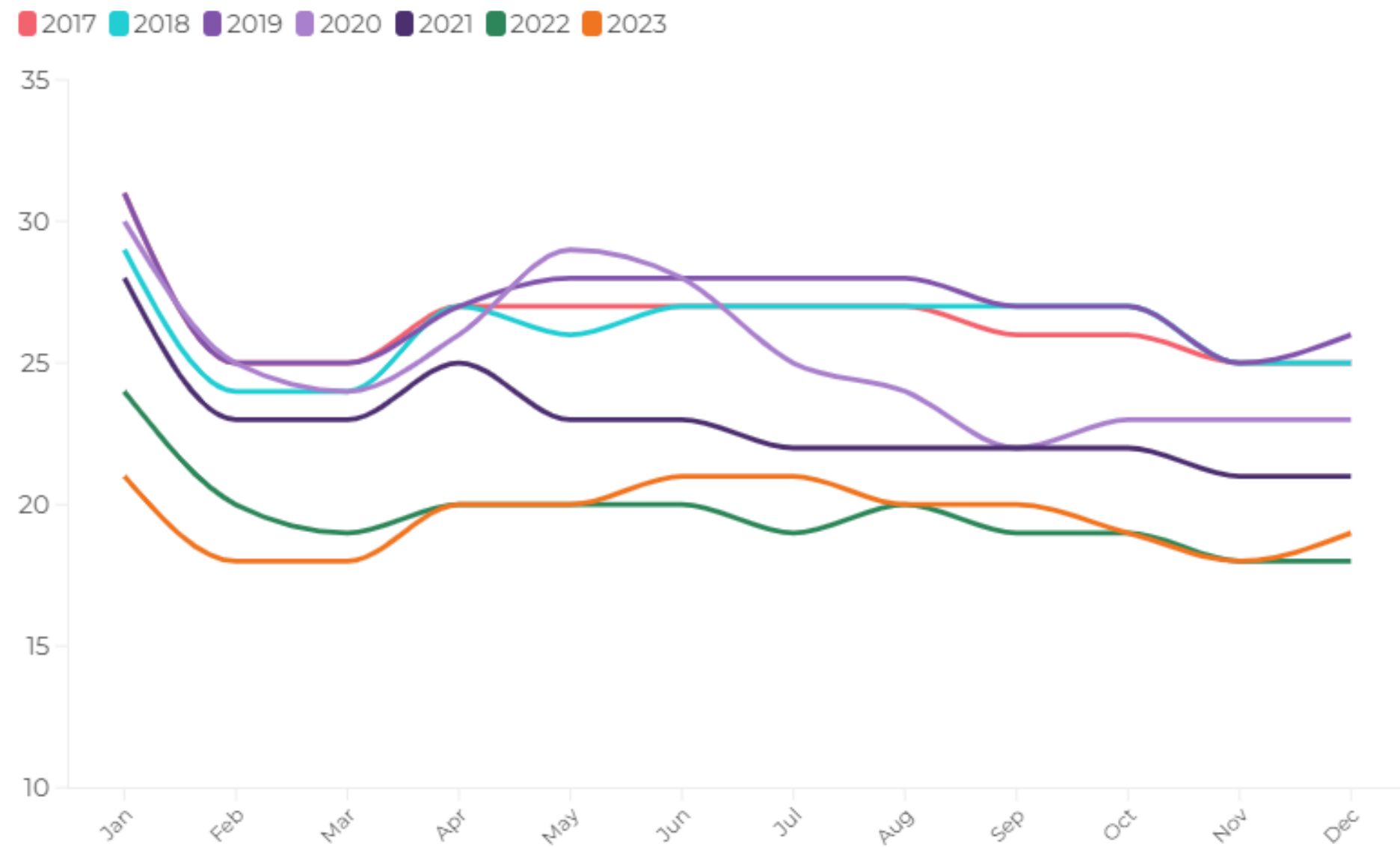
Across the combined capital cities, total rental listings were 5.7% lower than a year ago and 29.5% lower than their December decade average. In the combined regional markets, total rental listings were 1.8% lower over the year and 32.3% lower than the December decade average.

With rental listing volumes at historic lows and well below their decade average, rental conditions are likely to remain challenging. Given ongoing strong population growth and the low volume of new rental stock under construction, it is likely that competition for rental stock will remain significant. These conditions will be most prevalent in major capital cities and regional areas with strong demand and limited supply, which is likely to keep pressure on rents.

## Year-on-year change and change from ten-year average in total rental listings, Dec-23



Median days on site for rental listings  
(national)



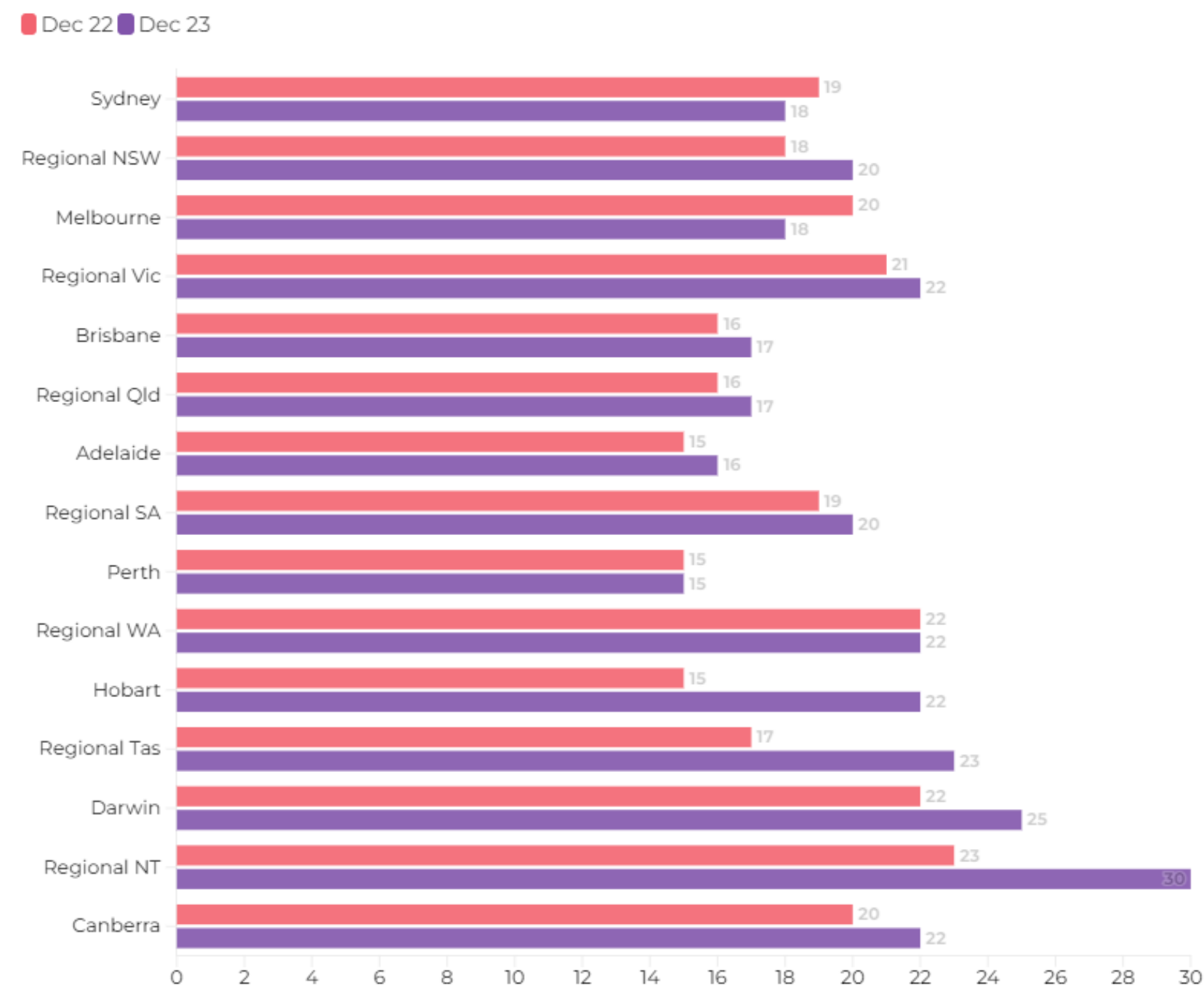
## Rental days on site

Properties advertised for rent on realestate.com.au are leasing quickly, with the median days on site in December 2023 at 19 days. This was marginally higher than the 18 days in December 2022 but is lower than any other December since 2017.

Some markets recorded even shorter rental days on site in December 2023, including Perth (15), Adelaide (16) and both Brisbane and regional Queensland (17).

Rental days on site remain at historically low levels, reflecting the tightness of the rental market. In fact, many property managers are reporting that some properties are leasing much quicker than these figures show. We expect the ongoing tight conditions in the rental market will see rental days on site remain low, particularly in major capital cities. Outside of the major capital cities and larger in-demand regional markets, rental demand may ease and days on site could drift higher.

### Median days on site for rental listings (Dec-22 vs Dec-23)



Rental vacancy rates over time  
(capital city vs regional)



## Rental vacancy rates

The national rental vacancy rate was recorded at 1.1% in December 2023, which was steady compared to the previous quarter and lower than the 1.3% recorded in December 2022.

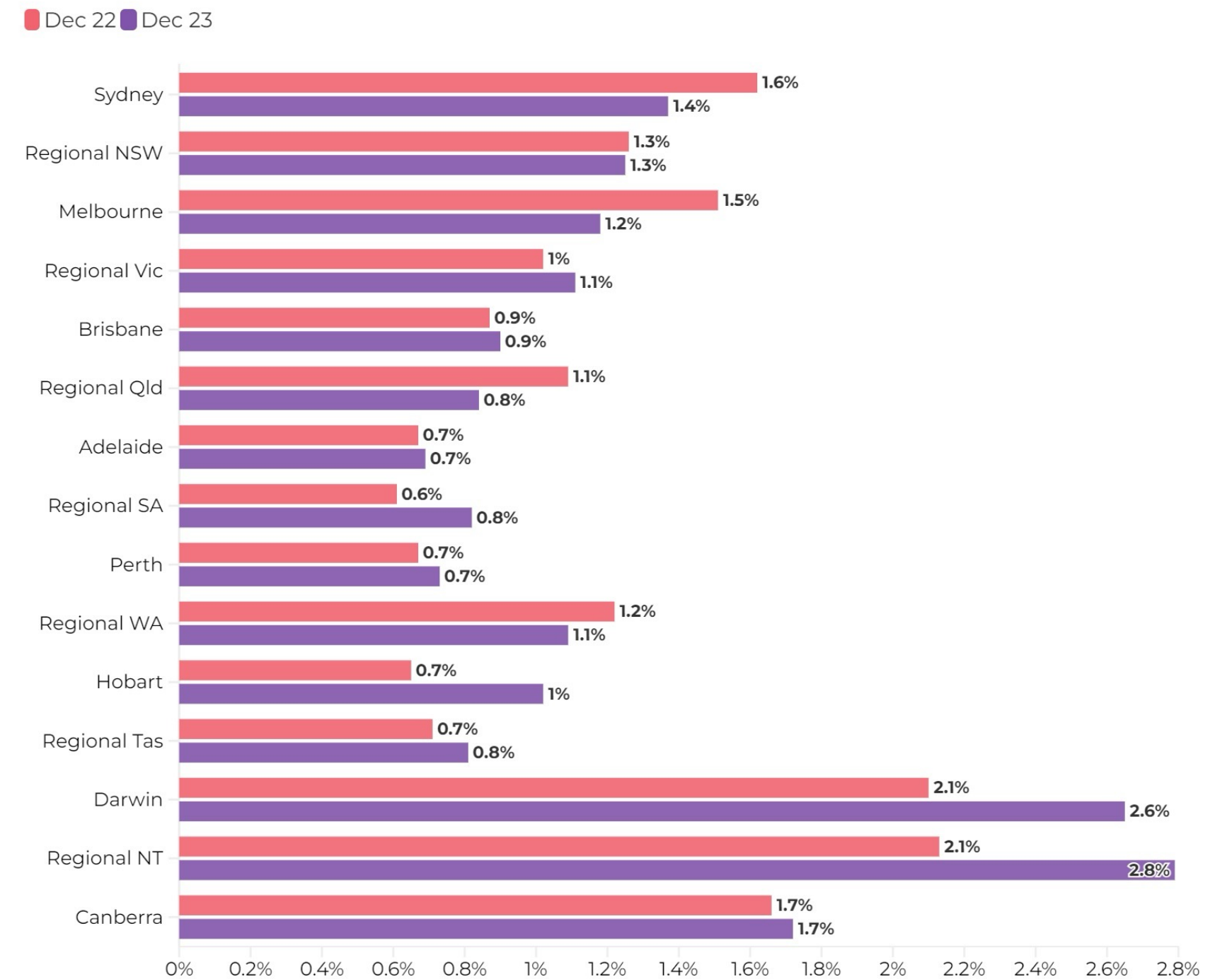
Houses continued to record a much lower rental vacancy rate (0.9%) than units (1.7%). House vacancy rates were steady over the quarter and down from 1% a year earlier, while unit vacancy rates were also unchanged over the quarter and down from 1.8% in the year prior.



Rental vacancy rates in December 2023 were similar across the combined capital cities (1.2%) and combined regional markets (1.1%). Capital city vacancy rates increased from 1.1% in September 2023 but were down from 1.3% in December 2022. Regional vacancy rates were unchanged compared to both September 2023 and December 2022.

Prior to the pandemic era, the rental vacancy rate nationally was typically around 2.5%, highlighting just how much conditions have tightened. With limited new rental supply coming to market and persistent strong demand for rentals, the rental vacancy rate is anticipated to remain at low levels.

## Rental vacancy rates (Dec-22 vs Dec-23)



Average enquiry per listing  
(capital city vs regional markets)



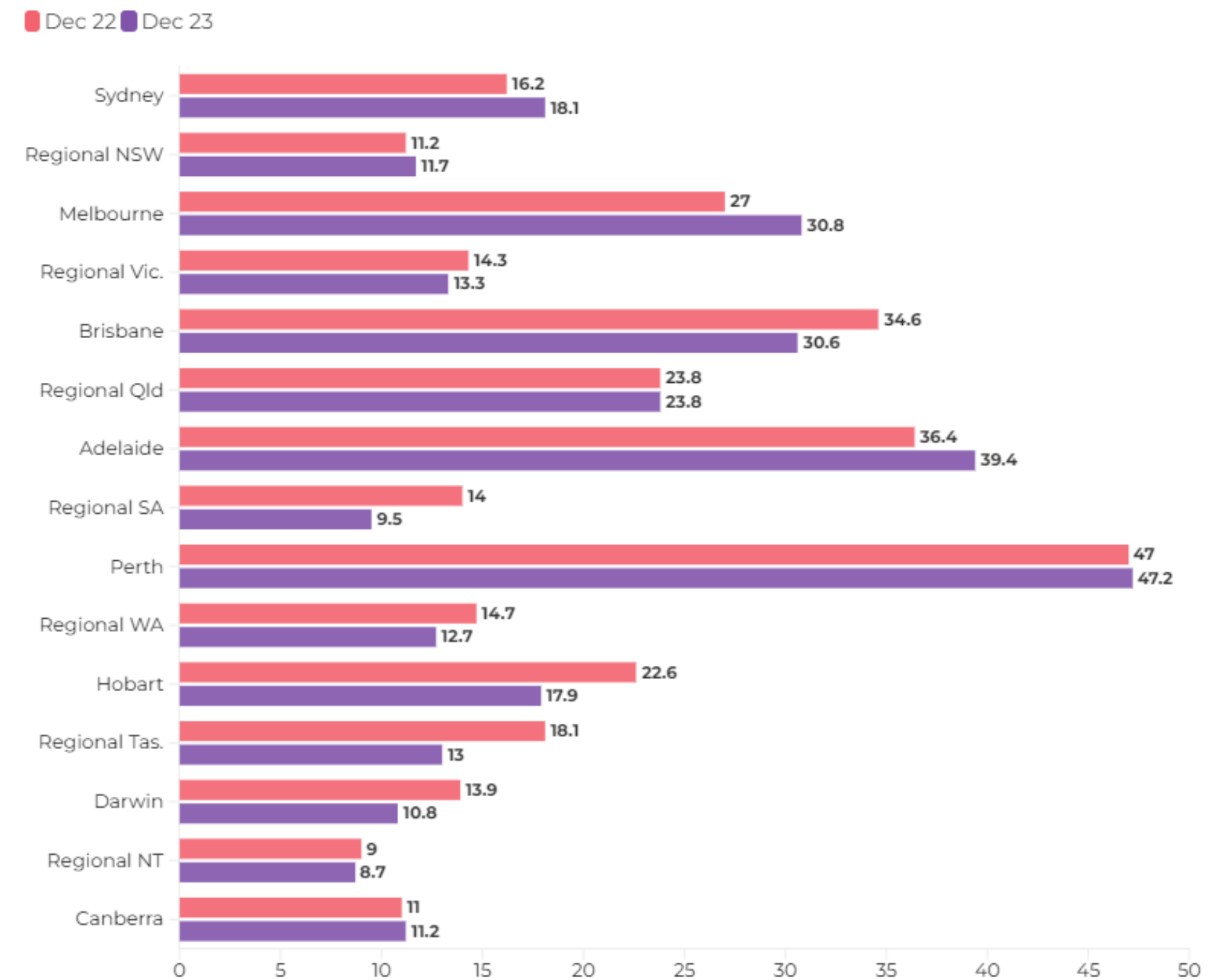
## Enquiry per listing

Enquiries per listing measures key actions tenants make on a rental listing that may indicate their interest in a rental property. These may include contacting an agent (via email, phone, or SMS) or other behavioural indicators, such as saving or booking inspection times. In December 2023, there were 23.8 enquiries per rental listing on average, compared to 24.4 enquiries in September 2023 and 23 enquiries in December 2022. Enquiries per listing were 3.3% higher over the year.

In the combined capital cities, there were 26.7 enquiries per listing in December 2023, 5.1% more than the previous December. Across the combined regional markets, enquiries per listing were 2.6% lower over the year to sit at 15.9 enquiries per listing.

Enquiries per listing remain at elevated levels, particularly in the major capital cities. Each of the major capital cities, except for Brisbane, recorded an increase in rental enquiries per listing over the past year. This highlights the persistent strong rental demand in these areas. Elsewhere, we are seeing relatively lower enquiry volumes, with falls in several regions, highlighting the disparity in demand for rentals between major capital cities, large regional markets and elsewhere.

## Average enquiry per listing (Dec-22 vs Dec-23)



An aerial photograph showing a dense residential area with various house styles, including some with red roofs and others with grey roofs. The houses are situated on a slight slope overlooking a vibrant turquoise ocean with white-capped waves. The sky is clear and blue.

# Outlook

**Despite median weekly advertised rental prices increasing 11.5% over the past year, 2023 saw a slower rate of price growth than the 15.6% increase in 2022. Across the combined capital cities, annual rental growth slowed from 17.8% in 2022 to 13.2% in 2023. In regional markets, it slowed from 11.6% to 4.2%.**

Sydney, Melbourne, Perth and regional WA were the only regions in which annual rental growth was greater in December 2023 than it was in December 2022.

The slowing of rental growth nationally occurred despite a lower overall volume of stock listed for rent in each month of 2023 than in 2022. There was also a larger volume of enquiries per listing in every month of 2023 compared to the same month in 2022.

While rental demand appeared stronger in 2023 than a year earlier, rental days on site was typically marginally higher. This suggests that rental affordability is a considerable challenge and is limiting the amount that landlords can lift their rent. This appears much more prevalent in regional areas as opposed to the capital cities.

Nationally, investors are still exiting the market. There has been a rebound in new investor lending this year, however, it is not enough to sufficiently improve stock levels. Construction remains a challenge, with high build costs, limited labour availability and decade-high financing costs resulting in dwelling approvals and commencements sitting at their lowest level in a decade.

These conditions highlight why it is so important to build more housing. Serious consideration needs to be given to the financing of these projects and the capacity to build the volume of housing we need.

From here, we expect rents will continue to climb, particularly in the major capital cities, due to persistent low supply and strong demand, which is being exacerbated by the rapid rate of population growth. Although population growth is forecast to slow, it will remain elevated this financial year and next.

As was the case in 2023, we expect that the rate of rental growth will slow in 2024 as the higher cost of rent and the overall increase in the cost of living will limit rental increases. Increasingly, renters will be looking for smaller and cheaper properties or will be forced into share house living to save on rental costs.



# Rental Report

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January 2024

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