

SYDNEY GMR RENTAL MARKET

Highlight Report®

PRD nationwide


KEY HIGHLIGHTS

- Inner ring Local Government Areas (LGAs) recorded the highest median rent prices in Sydney.
- Areas that exceeded the common range for new one-bedroom apartments included the Ku-Ring-Gai and Botany Bay councils.
- The affordable rent and growth in job opportunities in the Newcastle, Cessnock and Maitland LGAs led to strong demand for rental accommodation from new residents.

"Younger generations may opt to postpone the move from their parents' home or live in shared accommodation, but families make their decisions based on job opportunities and good infrastructure".

* LGAs with less than 30 new bond lodgements for any type of dwellings were omitted.

PRDnationwide Research analysed the latest rental data supplied by Housing NSW. The September figures for new bonds in the Greater Metropolitan Area (GMR) were examined across three dwelling types: one-bedroom units, two-bedroom units and three-bedroom houses.

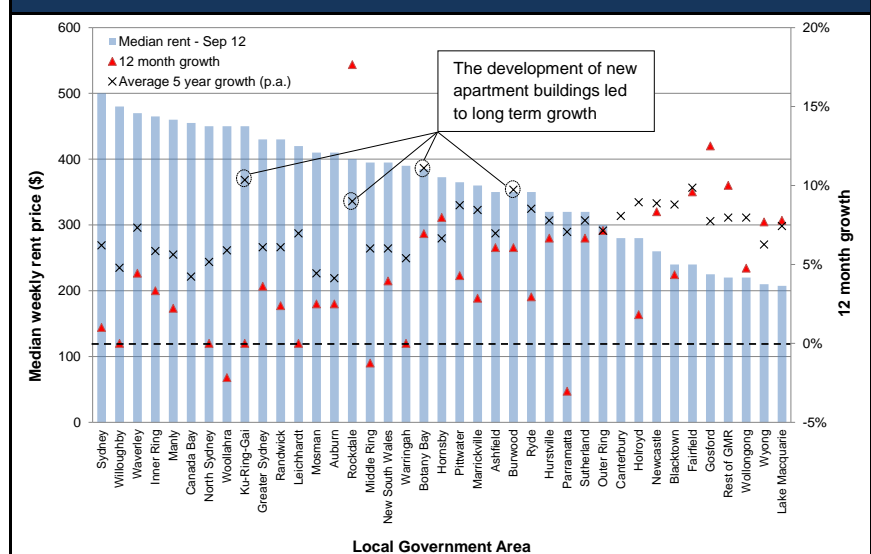
Local government areas in the middle and outer rings of the Sydney Metropolitan Area recorded higher increases in median rent than inner city LGAs over the past 12 months. Rent prices have become unaffordable to some inner city tenants, forcing them into outer ring LGAs and the Central Coast. This trend was observed across all dwelling types but was most pronounced in the median rents paid for one-bedroom units (see graph below).

ONE BEDROOM UNITS

One-bedroom apartments recorded strong median rent growth in the Rockdale, Gosford and Fairfield LGAs over the past 12 months. The 'Rest of the GMR' region recorded an increase of 10%, highlighting strength in the Central Coast and the Lower Hunter rental markets. The Woollahra and Parramatta councils recorded negative short-term growth as was the average for Sydney's middle ring (15 LGAs between 5 and 20 kilometres from the Sydney CBD).

The median rent prices for one-bedroom units recorded long-term growth between four and ten per cent. At the bottom of the scale were the council areas of Canada Bay, Mosman and Auburn, while Fairfield and Burwood were at the top of this range. Areas that exceeded this range included the Ku-Ring-Gai council, with an average growth of 10.4% per annum in the past five years and Botany Bay, recording an average of 11.1% per annum. The construction of new units in the two LGAs over the past five years gave a lift to the median rent price. A similar trend was identified in the Burwood and Rockdale council areas.

MEDIAN RENT FOR A ONE-BEDROOM UNIT



Graph prepared by PRDnationwide Research. Source: Housing NSW

Inner ring Local Government Areas (LGAs) remained the most expensive, with Sydney, Willoughby, Waverley and Manly featuring at the top of the median unit rent list. The highest rent prices for a three-bedroom house were observed in the Randwick LGA, followed by Willoughby and Leichhardt.

Growth in most LGAs over the 12 months to September was below the five-year average, a trend that was noticed across all dwelling types. This may signal a growing buyers' confidence, with a narrowing gap between the cost of rent and ownership converting some tenants into buyers. Regions where the 12-month rent exceeded the long-term average included Rockdale and Hornsby (one bedroom units), The Hills (two bedroom units), and Wollondilly (three bedroom houses). LGAs in the Central Coast and Lower Hunter Valley recorded strong short and long term growth across all dwelling types. The affordable rent offered by local governments to the north of the Sydney Metropolitan Area and job opportunities in the Newcastle, Cessnock and Maitland LGAs led to strong demand for rental accommodation.

Sydney's outer ring, the Central Coast and the Lower Hunter recorded strong increases in rent prices as inner city tenants sought affordability

LGAS WHERE SHORT-TERM GROWTH WAS ABOVE LONG-TERM GROWTH

Unit		House
One-bedroom	Two-bedroom	Three-bedroom
Rockdale	The Hills	Wollondilly
Hornsby	Auburn	Lake Macquarie
Gosford	Campbelltown	Cessnock
Wyang	Lake Macquarie	
Lake Macquarie	Cessnock	

Table prepared by PRDnationwide Research. Source: Housing NSW

THREE BEDROOM HOUSE

Variations in the long-term (5 year) growth were recorded across the three dwelling types. The long-term increase in median rent for a three-bedroom house ranged from an average of 4.7% per annum in the Leichhardt LGA to 9.1% in Auburn City Council. The only LGA to exceed this figure was Cessnock, with an average growth of 10% per annum in the five years to September 2012. The low growth in Leichhardt was the result of low affordability, while in the Auburn LGA a new land subdivision in Lidcombe attracted higher rent prices for three bedroom houses. Additionally medium-density development in the suburb of Auburn increased the median rent for strata-titled dwellings.

12 MONTH GROWTH IN MEDIAN PRICE THREE BEDROOM HOUSE

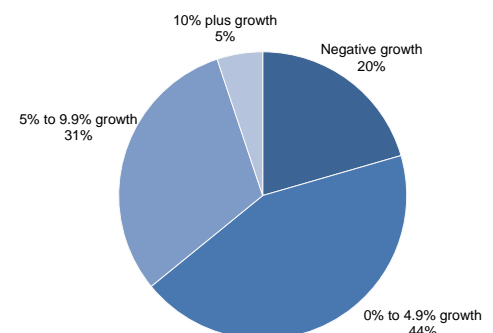
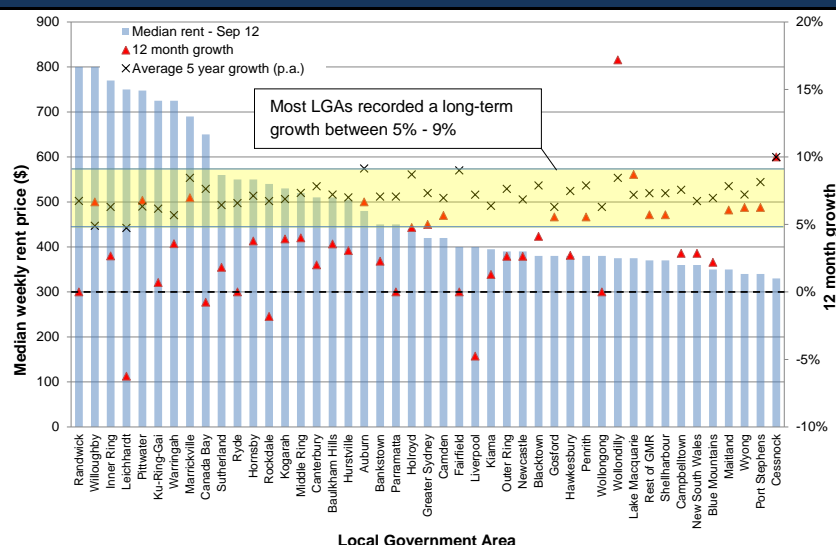


Chart prepared by PRDnationwide Research. Source: Housing NSW

The chart above reveals a strong short term increase in the median rent price of a three bedroom house. While generally short of the long term trend, almost one third (31%) of the regions recorded appreciation in median rent between 5% and 9.9%.

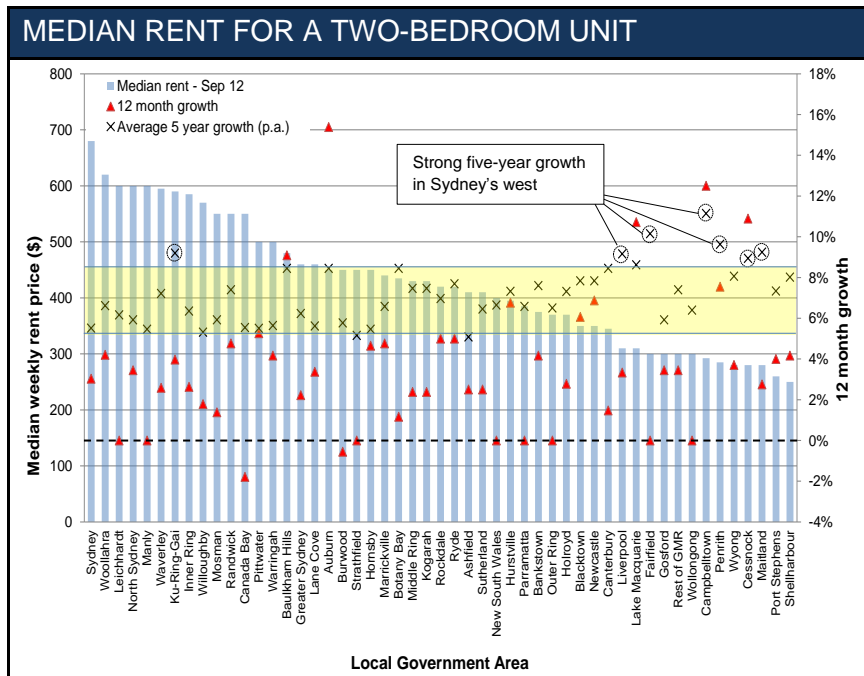
MEDIAN RENT FOR A THREE-BEDROOM HOUSE



Graph prepared by PRDnationwide Research. Source: Housing NSW

TWO BEDROOM UNITS

Most regions recorded a long term median rent increase between five and eight per cent for a two bedroom unit. Regions to record higher growth were mostly found in Sydney's west and included Penrith (9.2% per annum), Liverpool and Fairfield (9.2% and 10.2% per annum) and Campbelltown (11.1% per annum). The graph below shows strong correlation between high affordability (low median rent prices) and a strong increase in median rent.



Graph prepared by PRDnationwide Research. Source: Housing NSW

While inner city rental markets remain active, an increasing number of tenants elect to move into locations outside the Sydney Metropolitan Region in pursuit of affordable rent. Younger generations may opt to postpone the move from their parents' home or live in shared accommodation, but families make their decisions based on job opportunities and good infrastructure. The move away from the inner city is expected to continue with the creation of more jobs in the Hunter region and a contraction in Sydney's labour market.

PRDNATIONWIDE RESEARCH

32-36 Doggett Street
Newstead, QLD, 4006

T 07 3229 3344

F 07 3166 0457

E research@prd.com.au

ANALYST | RESEARCH

Oded Reuveni-Etzioni
NSW Analyst

T 02 9257 0254

E odedetzioni@prd.com.au

Prepared by PRDnationwide Research. Source: Housing NSW. PRDnationwide does not give any warranty in relation to the accuracy of the information contained in this report. If you intend to rely upon the information contained herein, you must take note that the information, figures and projections have been provided by various sources and have not been verified by us. We have no belief one way or the other in relation to the accuracy of such information, figures and projections. PRDnationwide will not be liable for any loss or damage resulting from any statement, figure, calculation or any other information that you rely upon that is contained in the material. Prepared by PRDnationwide Research © All medians and volumes are calculated by PRDnationwide Research. Use with written permission only. All other responsibilities disclaimed. © 2012.

PRD nationwide