

The Rental Market post COVID

The rental market in Victoria has changed over the past few months and the number of vacant rentals in Melbourne has skyrocketed, with properties flooding the market and causing a spike in empty listings during stage 4 lockdown, up 20 percent last month alone. New data shows the inner city has seen the largest drop in demand and rents for Melbourne units have dropped 6 percent and houses 1 per cent. Especially during the stage 4 lockdown making searching and moving into a rental more challenging.

- Job and income losses in sectors where workers are more likely to rent.
- Added stock as holiday homes are converted to long-term rental accommodation due to the collapse of the travel market.

Dr Nicola Powell quoted in a recent Domain.com.au article said it was important to note that the CBD unit markets, particularly those in Sydney and Melbourne, had recorded the largest spikes in empty rental listings, meaning rental markets in suburbs outside the CBD were likely to hold up far better than the inner-city suburbs. It does pose risks for investors, their rents are going to go down, their capital growth prospects have been diminished for inner-city units, that could have an impact on investors who might decide to sell.

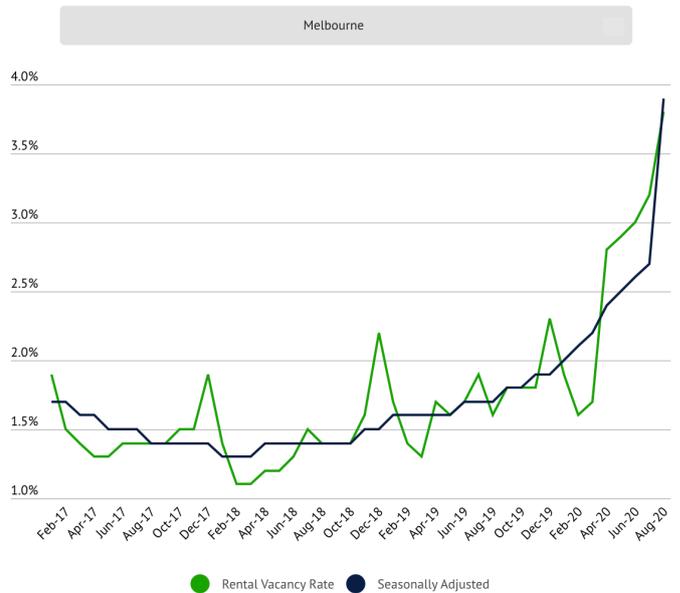


Prior to the pandemic in 2019, rental markets were tightening as the levels of property investment and development had reduced, impacting rental supply, according to the firm's head of research Eliza Owen.

But the rental market has shifted gears thanks to COVID-19. The most significant factors to the changing market are:

- Closed international borders, pushing down rental demand from new migrants.

Domain Rental Vacancy Rate



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A survey of 15,000 renters, part of the Australian Rental Housing Conditions Dataset dealing specifically with the COVID-19 pandemic, found 60 per cent of tenants had either lost their job or had a change in their work circumstances and especially if moving isn't an option for them. Now is the perfect time to compare what similar properties in your area are going for and negotiate with your landlord on a rental price that more accurately reflects the market rate.

Business development manager Rebecca Russel from Place Residential said landlords were quickly dropping the rent prices for these particular properties in order to fill them. "You used to be able to get \$500 (for these properties), now it's \$400 per week.



Where has been most effected ?

Suburbs in Sydney, Melbourne and Hobart have been most affected by the nosedive in rents. Out of the top 20 capital city suburbs which have seen the biggest drops, 10 were in Sydney, while Melbourne and Hobart each had five suburbs on the list.

Other areas of inner Melbourne such as the inner east's Hawthorn, Kew and Camberwell and inner south's Brighton, Sandringham and Beaumaris were also hit hard. Rents in those regions fell by 4.8 per cent or \$20 per week over the quarter, dropping the median rent to \$400 per week.

Unit rents, September quarter 2020 – Melbourne

REGION	MEDIAN WEEKLY RENT	QOQ	YOY
Inner	\$420	-6.7%	-10.6%
Inner East	\$400	-4.8%	-5.9%
Inner South	\$400	-4.8%	-5.9%
North East	\$370	0%	1.4%
North West	\$360	0%	-1.4%
Outer East	\$385	0%	1.3%
South East	\$365	1.40%	4.3%
West	\$340	0%	-1.4%
Mornington Peninsula	\$350	2.9%	4.5%

Source: Domain Rent Report, September quarter 2020

*PSP Property Group
hopes everyone is
healthy and safe!*

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