

Rental Markets Weaken Nationally

Rental markets showed a broad-based weakening through April as the combined pressures of higher supply and lower demand flowed through to lower rents, according to the latest data from CoreLogic.

Rents were down over the month across seven of the eight capital cities, with the largest falls in Hobart (-1.1%), Sydney (-0.7%), Canberra (-0.7%) and Melbourne (-0.5%).

Perth, where rental conditions have been tightening for several years, was the only capital city to see a lift in rents over the month (+0.1%). Rental markets were already soft leading into COVID-19, with annual growth of just 1.0% across the combined capital cities over the twelve months ending March. The latest data for April has dragged the annual change in capital city rents to just 0.4%.

Rental markets are likely to show much weaker conditions over the coming months due to higher supply levels. The conversion of short term rentals to permanent arrangements, and the large number of off-the-plan units that have recently completed or are still under construction are adding to rental supply.

On the demand side, occupancy rates are being negatively affected by a stalling in overseas student numbers, as well as many domestic students studying remotely, and a stalling in international migration. Demand has been further affected by the weak labour market conditions associated with sectors that are also synonymous with renters: casual employees, accommodation and food service workers, and arts & recreation workers.

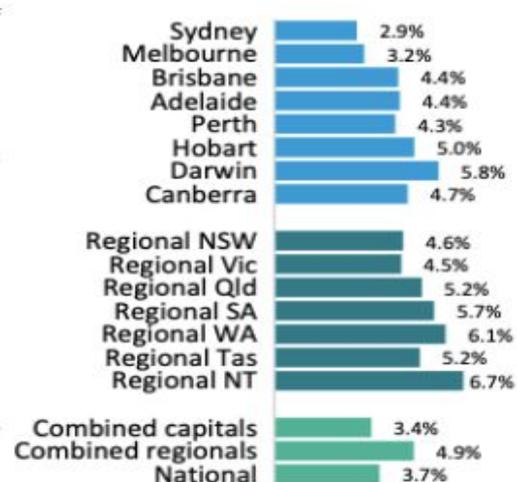
Unsurprisingly, unit markets have shown a weaker rental performance, with capital city unit rents down 0.9% in April compared with a 0.3% drop in house rents.

With rents falling while housing values hold relatively firm, rental yields have slipped over the month, reaching a new record low of 2.92% in Sydney.

Monthly change in capital city home values

	MONTHLY	ANNUAL
Sydney	▲ 0.4%	▲ 14.3%
Melbourne	▼ 0.3%	▲ 12.4%
Brisbane	▲ 0.3%	▲ 3.8%
Adelaide	▲ 0.4%	▲ 1.5%
Perth	▲ 0.2%	▼ 2.5%
Hobart	▼ 0.1%	▲ 5%
Darwin	▲ 1.7%	▼ 2.7%
Canberra	0%	▲ 4.3%
National	▲ 0.3%	▲ 8.3%

Gross rental yields





INSURERS CRITICISED FOR PUNISHING LANDLORDS

Insurers have been criticised for putting property investors with 'Landlords Insurance' in a compromised position if they do as Prime Minister Scott Morrison has recommended; negotiate reduced or deferred payments.

This is because most insurance policies only pay out for lost rental income if tenants have defaulted on their lease or landlords have issued them an eviction notice, but not if they've agreed to a rental reduction.

'Some of the insurance companies are being irresponsible in that they are still forcing real estate agents to head down the eviction path when a tenant can't pay some or all of their rent,' Mr Kelly said.

"It's a particularly stressful time for tenants who have lost employment, and it's not fair for the real estate agent to be stuck in the middle of this."

Mr Kelly said unless insurers show compassion and streamline changes to landlord insurance policies that account for the unique stresses of the pandemic, property owners stand to lose out.

"If [the system's] not working now and we're only at the beginning of this economic downturn, then Blind Freddie can see that it's going to become even more problematic," Mr Kelly said.

Anecdotally, it seems a proportion of tenants initially interpreted the Prime Minister's comments about an 'eviction moratorium' as a 'rent moratorium', meaning that they either did not have to pay rent during the COVID-19 emergency, or any rent reduction negotiated with their landlord (or managing agent) would not need to be paid back after the emergency period.

Of the tenants that contacted First National Real Estate property managers to indicate financial difficulty following Scott Morrison's comments, between 3% and 9% have completed proof of financial hardship documentation and negotiated rent reductions.

Some state governments have introduced rental subsidies to mitigate financial hardship, but most of these support initiatives cover only 3 or 4 week's rent.

Professor Alan Morris, who specialises in urban and housing studies at the University of Technology Sydney says the federal government should consider a HECS-style scheme that would enable renters to access very low or interest free loans to cover the balance of any unpaid rent during the COVID-19 emergency period – the idea being that the debt could be paid off over 30 years, which he considers would be very helpful to tenants and landlords.

We encourage all landlords to contact us if unsure about their policy.

PROPERTY INVESTMENT



33 Hart Road
South Windsor NSW 2756



For Sale : Price \$575,000-\$595,000
Open Times : Contact Agent to arrange inspection

Immaculate Home

Completely renovated, this property is ideal for first home buyers, downsizers and would even be suitable for buyers who maybe considering a new build. Only a short walk to local schools and only 2.6km to Windsor train Station.

- Stylish modern kitchen
- renovated bathroom with luxurious freestanding bath
- timber floors to living areas, carpet in bedrooms
- Lock up garage with internal access
- Undercover entertaining area
- Landscaped yard with established lawns and gardens
- good sized garden shed

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