



Rents trend lower through June

According to CoreLogic, rental rates have continued to trend lower through June, with weaker conditions across the unit sector.

Since March, capital city house rents have dropped by only 0.2% while over the same period unit rents are down a more substantial 1.8%. Hobart stands out as recording the largest decreases, with rents for houses down 2.0% and units down 3.7% since March.

The weakness across the Hobart rental market comes after a period of rapid rental appreciation. The past five years have seen a 31% lift in Hobart rental rates; by far the largest increase of any capital city. Anecdotally, a significant contribution to the previous tightening in Hobart rental conditions was the transition of permanent rentals to short-term and casual rentals such as Airbnb. More recently it seems this trend has reversed, adding to rental supply at a time of lower demand.

Perth and Adelaide are showing the strongest rental conditions amongst the capital cities. These cities have also generally seen lower levels of investor participation and less 'investment grade' construction over recent years, which has kept rental supply reasonably tight.

With rents slipping more than home values across some regions, rental yields are under some downwards pressure. Sydney gross dwelling yields fell to a record low in June of 2.92% and Melbourne gross yields are only thirteen basis points off their record lows at 3.2%. The remaining capital cities are all showing a stronger gross rental yield profile, with yields typically above 4%.

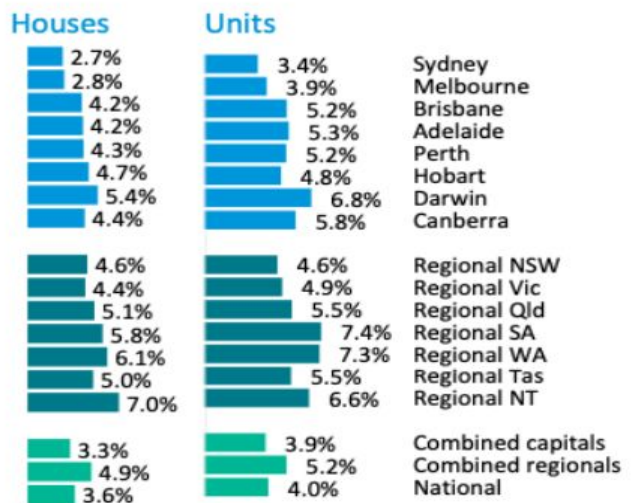
Conditions are highly fragmented, with the weakest conditions centred around inner-city apartment markets - inner Melbourne and Sydney vacancies have risen by more than 40%. Foreign students simply haven't arrived, domestic students are studying from home and overseas migration has temporarily stalled. Compounding weak rental demand is the fact that the hardest hit industry sectors for job losses and under-employment are those that are typically aligned with renters rather than homeowners.



Monthly change in capital city home values

	MONTHLY	ANNUAL
Sydney	▼ 0.8%	▲ 13.3%
Melbourne	▼ 1.1%	▲ 10.2%
Brisbane	▼ 0.4%	▲ 4.4%
Adelaide	▼ 0.2%	▲ 2.0%
Perth	▼ 1.1%	▼ 2.5%
Hobart	▲ 0.3%	▲ 6.4%
Darwin	▲ 0.3%	▼ 1.5%
Canberra	▲ 0.1%	▲ 6.3%
National	▼ 0.7%	▲ 7.8%

Gross rental yields



Big four banks back

While smaller mortgage originators and brokers were flavour du-jour in recent years, COVID-19 has seen a dramatic return to the big four banks when it comes to re-financing or new loans.

Between March and the end of May, 38% of buyers chose mortgage products from the big four. This time last year, that figure was just 16%.

When it comes to re-financing, the swing is even more pronounced. Nearly 48% of all homeowners re-financing their loans have chosen products from ANZ, CBA, NAB and Westpac – despite the reportedly lengthy approval periods. That figure was just 14% or borrowers before the pandemic.

Evidently, it's not the perceived security of the big four but rather competitive rates and product flexibility. That said, the announcement of Australia's lowest mortgage rate – at 1.99% - from Bank of Us (Tasmania) would have caught the attention of many. However, the catch is that you need to be a resident in Tasmania to apply.

Homeowners clearly have taken advantage of mortgage 'holidays' during COVID-19 to re-assess the suitability and competitiveness of their loan. When much of the government assistance winds back in September, many will come out on the other side with mortgages that a far more in their interests.



Property Investment

3/8 Ham St, South Windsor NSW 2756

For sale by Open Negotiation (flexible conditions online auction). The Open Negotiation is underway and the property can sell at any time. Contact the sales agent immediately to become qualified and avoid disappointment. Open to all buyers, including finance, subject to seller approval.

Freshly painted and with new carpets is this larger than usual villa home located in a convenient location close to shops, schools and transport.

- Large open plan lounge & dining
- Galley Kitchen
- Built in robes to all
- Double lock up garage with internal access
- Split system air conditioning.
- Some mountain views
- Side access to rear yard



Be quick wont last long! Contact Andrew Mansour or one of the team at First National Connect Real Estate Windsor & Richmond.

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