Media Release

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QLD RENTAL MARKET FACES TIGHTEST CONDITIONS SINCE GFC

"Every Queenslander should have access to a safe, secure and affordable home that meets their needs and supports them to participate in the social and economic life of a vibrant and prosperous State." That's the message from Antonia Mercorella, CEO of the Real Estate Institute of Queensland (REIQ) as around 70% of the State's rental market currently faces extremely tight conditions – in fact, the tightest conditions seen in Queensland since the Global Financial Crisis according to the Association's latest quarterly rental vacancy data released today.

"The rental sector plays a critical role in Queensland's housing system and the role and size of our investor market has never been so important," explains Ms. Mercorella. "Any further tightening in rental availability levels will only place additional undue pressures on our housing sector which is why more needs to be done to better support both increased and ongoing property investor activity in the Queensland property market and the contributions they make to the State economy."

With over 36%[1] of Queensland's population renting their home (approximately 1.2 million[2]), the State's regional areas are currently out-performing major metropolitan areas when it comes to rental demand. With 18% of Queensland regions experiencing less than 1% vacancy at present, you'll be hard pressed finding rental accommodation in the likes of Maryborough (0.4%) on the Fraser Coast or Mount Isa (0.5%) in the Gulf Country region – the State's lowest recorded vacancies for the quarter. Other areas under 1% also include Gympie (0.9%) and Rockhampton (0.7%).

With more than two thirds of Queensland experiencing tight rental vacancies, it's also 'slim pickings' across many popular regions including Caboolture (1.2%), Fraser Coast (1.2%), Mackay (1.3%), Sunshine Coast (1.9%) and Townsville (1.7%) while only marginally higher in Cairns (2.4%), Gladstone (2.0%) and Noosa (2.4%).

"It's no surprise that we've seen a shift in our State's rental composition to more affordable rental supplies in outer urban and regional areas during COVID-19. On the plus side it helps break up their mono-tenure and supports more local economies to withstand the pressures of the pandemic we're witnessing in our larger cities," says Ms. Mercorella. "However, such limited rental supplies have the potential to result in poorly matched housing preferences and impact the urban spatial structure and functioning of these same regions – such as transport costs, labour markets and access to services and amenities. It also shows that there's a decline in government investment in social housing with more low-income renters in the market."

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[1] ABS: Survey of Income & Housing (June 2018)

[2] ABS: 3101.0 - Australian Demographic Statistics (Dec 2019)

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A lack of investment over the prior two decades means social housing is available mostly to those with the most complex and urgent needs. Furthermore, the State Government's current 2017-2027 housing strategy envisages greater movement of lower income households from social housing into the Queensland rental market.

"While there's evidence of longer term renting of 10 or more years and some households facing the prospect of a lifelong tenure in this sector, what this suggests is that our rental market has changed from its historical role as a transitional housing sector for people moving into home ownership or social housing to a long-term housing sector for a significant number of Queensland households. It's for these reasons rental vacancies can actually act as a barometer that measures the health of our property market," further explains Ms. Mercorella.

Vacancy rates also can and do vary widely on a suburb level too. For example, as the outer regions of our capital city currently highlight tight rental stock at a mean of 1.7%, fluctuations are more pronounced from region to region – Ipswich (1.9%), Logan (2.2%), Moreton Bay (1.4%) and Redland City (1.3%). Meanwhile, inside Brisbane's 5km city circle the mean vacancy is 3.9% – the State's only 'weak' rental market for the quarter. However, when you drill down a little further into individual suburbs, postcode 4000 shows significantly higher vacancy levels (13%) versus surrounding postcodes including 4005 (New Farm, Teneriffe – 2.6%), 4006 (Bowen Hills, Fortitude Valley, Herston, Newstead – 7.9%), 4059 (Kelvin Grove, Red Hill – 4.9%), 4064 (Milton, Paddington – 3.3%) and 4101 (South Brisbane, Highgate Hill, West End – 9.2%).

"You're not buying into a city, you're buying into a suburb, so you need to understand that particular suburb's vacancy rate now and in the future," explains Ms. Mercorella. "For example, in Brisbane CBD we know the rental market has been hit harder due to the high number of renters facing financial stress due to change or loss of employment, a reduction in international tertiary students as well as permanent and temporary migrants, and a significant shift in short-term lets over to the longer-term rental market. It's therefore likely we'll see rents drop in the inner Brisbane areas which in turn will result in tenants eventually returning to the city. However, much of it will also depend on the commercial and retail sector's ability to rebound. It's very much a 'watch this space' situation unlike anything we've ever experienced."

About The REIQ: The Real Estate Institute of Queensland (REIQ) is the state's peak professional association for real estate practitioners across the state. The Association's purpose is to make important contributions to government policy direction, industry research and development, tailored educational programs and training, and the promotion of industry standards.

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***The REIQ calculates the vacancy rates for the largest governmental areas and regions in Queensland. The calculation is based upon all residential rentals as at the end of each quarter period, as submitted by real estate agents. The REIQ classes rental markets into three categories: weak, healthy, and tight. These rental markets are classified according to their vacancy rates: 0-2.5% = tight; 2.5-3.5% = healthy; and, 3.5% and above = weak.**

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