

Investors brace for rental boom in 2010

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After a lackluster performance in 2009, property investors across Australia can finally look forward to a bumper year in terms of rental increases.

According to a report by Australian Property Monitor, NSW property investors are poised to double their rental income in 2010 with houses set to fetch \$500 a week in median rent.

Melbourne rental properties are also forecast to resume its long-term growth trajectory, with rents expected to climb by an average of 5% to 6%.

APM said the strongest growth in rents is set to occur in both Brisbane and Perth. Median house rents in Perth could hit \$400 or an increase of 11%, in line with the average growth rate of 12.4% recorded since 2003. Brisbane rents are also expected to grow solidly, surging to around \$400, with growth rate closer to the 8% expected.

"Brisbane and Perth are poised to outperform the rest of the country as their property markets play catch up to Sydney and Melbourne," said Matthew Bell, economist with APM.

The temporary increase in rental supply over 2009 is also expected to be soaked up quickly this year as buying a home becomes less attractive for first homebuyers.

"The winding down of the first home owner boost along with very strong house price growth makes moving from renting to owning a less attractive proposition in 2010 than it was during the majority of 2009," said Bell.

"Vacancy rates remain very low across the country and population growth is at historically high levels. On the supply side, there simply aren't enough new properties being built for investment purposes to meet this increased demand. Increased costs for landlords in the form of rising interest rates and rising land taxes due to increasing land values should mean that asking rents will start to increase steadily throughout 2010."

While rents are forecast to increase throughout 2010, Bell added that the outlook for house price growth is also strong, "meaning that yields that hit their peak in March 2009 are unlikely to move very far in 2010."