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Gross rental yields (%)

	Houses			Units		
	Dec 08 yield	QoQ change	YoY change	Dec 08 yield	QoQ change	YoY change
Sydney	4.50	3.3	10.3	5.39	3.5	6.5
Melbourne	4.24	3.5	4.7	4.84	2.8	2.9
Brisbane	4.53	0.9	-1.2	4.96	5.6	5.3
Adelaide	4.41	2.3	-1.1	4.87	0.4	-1.9
Canberra	4.85	2.5	3.4	5.75	2.2	-1.5
Perth	4.14	3.5	14.9	4.82	4.4	8.0
Darwin	5.38	-1.4	14.4	6.39	-4.7	14.7
Hobart	5.11	0.8	3.6	5.09	5.1	3.0



SOURCE: www.homepriceguide.com.au

Coast too

Paddy Manning and Michel

Australia's Sunshine Coast world's least affordable pro ahead of London and New according to the fifth annual Demographia International Affordability Study released

The study compared med with median household ince found Honolulu was second of severely unaffordable ma followed by the Gold Coast Vancouver and Sydney.

Australian markets, whic yet suffered such sharp hou falls as in the US and UK, fi strongly down the list of the unaffordable markets. Bun

Housing markets dangle yield carrot for investors

Michelle Singer

More rate cuts this year coupled with expected flat to negative house price growth will boost rental yields and could attract investors, who are yet to return to bricks and mortar despite the fallout in the sharemarket and improving returns in property.

Data released last week showed asking rents in sought-after inner areas of most capital cities continued to increase at the end of 2008 as the chronic housing shortage and lack of affordability forced more people into temporary accommodation.

Gross rental yields also improved, and houses in Perth, Melbourne and Sydney were the best performers according to Australian Property Monitors' December-quarter figures.

Units performed even better: average gross rental returns were as high as 6.39 per cent in Darwin, 5.75 per cent in Canberra and 5.39 per cent in Sydney.

Economists expect that the December-quarter consumer price index, to be released this week, will fall 0.4 per cent, enough to support another cut to

the cash rate at the Reserve Bank of Australia's February meeting.

APM senior economist Liam O'Hara expects that another rate cut will be enough to convince investors to buy.

"If the RBA cuts cash rates by 75 basis points, there will be plenty of scope for people to jump on those yields — the spread between short-term rates and those yields will be quite high," Mr O'Hara said.

"Keeping all other [factors constant], the current yields and another cut in rates would make them very attractive.

"But that depends on other economic indicators such as unemployment rates."

Investor confidence did not return last year, despite the RBA's aggressive rate cuts, rising yields and the federal government's generous incentives.

November housing finance figures showed approvals were up 1.3 per cent overall, however the number of investor loans was down 6.1 per cent compared with the previous month.

Investors usually contribute about a third of housing market activity but the value of Novem-

ber investor loans was down more than 27 per cent from 2009.

The drop in investor activity is expected to put more pressure on the rental market, and rent increases of 8 per cent are predicted by research group BIS Shrapnel.

RP Data expects investors to return to housing markets in mid-to late 2009, as yields are improving in all capital cities and more growth is to come.

According to RP Data figures, average gross rental yields in Darwin reached 6.47 per cent in October (up 0.83 of a percentage point), 5.26 per cent in Canberra and 4.93 per cent in Sydney.

RP Data senior property researcher Cameron Kusher said: "The implications of fewer dwellings being constructed for investment purposes and fewer existing properties being purchased, is that the shortage of rental properties is likely to continue.

"This will be particularly evident within capital city areas, where rental vacancy rates are already below 2 per cent in Sydney, Melbourne, Brisbane and Adelaide and just above 2 per cent in Canberra and Hobart."

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