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Where the gap between house and unit rents has all but disappeared

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10 minutes

Rental costs in some of Australia's biggest cities are undergoing a big shift.



According to a new report by MCG Quantity Surveyors, the cost differential between houses and rents is in a state of rapid change in Australia's three largest cities: Greater Sydney, Greater Melbourne and Greater Brisbane.

Mike Mortlock, managing director of MCG Quantity Surveyors, said there is a "remarkable shift" taking place across the three major markets. He puts the cause of the narrowing gap down to the increased popularity of units, as they have become increasingly more appealing to many renters in recent years.

But somewhat paradoxically, it's their relative affordability to houses that has caused units to become more sought after – and therefore pushed rents higher.

The firm found that in Greater Sydney, house rents rose from \$650 per week in February 2023 to \$700 by February 2024, while unit rents jumped from \$540 to \$650 over the same period.

Greater Melbourne and Greater Brisbane recorded similar jumps, with Melbourne unit rents rising from \$430 to \$520, and Brisbane's from \$470 to \$550.

"The accelerated growth in unit rents compared to houses suggests a strong demand for more affordable, centrally located living options," Mortlock said.

"These trends are not just numbers; they tell the story of Australians' shifting lifestyle aspirations, with a clear tilt towards higher density living options," he added.

In his eyes, this information can be useful both to renters and investors alike. While it might benefit the former to know that they may be able to widen their search, with little separating unit and house rental costs, the latter might use this information to inform their portfolio strategy.

"For investors, the rising unit rents in inner-city areas point to a potentially higher yield in the short to medium term. However, this opportunity comes with considerations such as strata fees and the ongoing supply of new developments," Mortlock advised.

In an environment where vacancy rates are tight, he advocated for all parties to arm themselves with the available data.

"For those navigating the complexities of the Australian rental market, our report offers not just insights but a roadmap for understanding the evolving landscape of housing affordability. It's crucial for both renters and investors to stay informed about these trends as they shape the future of our cities," Mortlock said.