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Rate Cuts Fuel Aussie Home Price Surge

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Australian home prices are projected to rise 6% in 2025, revised upward from earlier forecasts, as interest rate cuts and income growth offset affordability challenges. Commonwealth Bank of Australia (CBA) economists cite Brisbane, Perth, and Adelaide as growth leaders, with expected increases of 8%, 7%, and 6% respectively. Despite two anticipated rate cuts in August and November, housing affordability

remains strained, with mortgages consuming half of average household incomes.

CBA Chief Economist Luke Yeaman notes the market rebound differs from past booms, constrained by slower migration and high prices. Sydney and Melbourne, while responsive to rate cuts, face sharper affordability limits, tempering their growth potential. Supply shortages persist, with construction lagging due to skilled labor gaps and bureaucratic delays, despite a modest recovery in building activity.

The report highlights a critical imbalance: while borrowing costs ease,  home prices outpace income gains, keeping ownership dreams distant for many. First-home buyers now compete with investors returning to the market, drawn by rental yields and tax advantages. Regional markets show resilience, but their popularity exacerbates supply pressures in traditionally affordable areas.

As the Reserve Bank of Australia (RBA) walks a tightrope between stimulating growth and containing inflation, the housing market's trajectory hinges on construction reforms and targeted policy interventions. For now, the dream of homeownership remains a steep climb, with supply-side solutions not just rate cuts needed to restore balance.