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Rate Cuts, Warm Weather to Boost Australian Home Prices

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Australian property prices are set to climb in 2025, fueled by Reserve Bank of Australia (RBA) interest rate cuts and warmer weather, with regional markets outpacing capital cities, according to industry experts.

Australian home prices are poised for further growth in 2025, driven by recent interest rate cuts from the Reserve Bank of Australia (RBA) and seasonal demand spurred by warmer weather, despite ongoing affordability challenges. Cotality's Home Value Index, as reported by ABC News, recorded a 0.6% rise in national dwelling values in June 2025, marking a fifth consecutive month of growth following a 0.3% dip earlier in the year. Regional areas have outperformed capital cities, with a 0.6% monthly increase compared to 0.2% in urban centers, driven by tight housing supply and strong demand.

The RBA's two rate cuts in 2025, reducing the cash rate to 3.85%, have boosted buyer confidence, with markets anticipating a third cut in August, according to Domain's June 2025 House Price Report. Dr. Nicola Powell, Domain's chief of research and economics, noted that these cuts have shifted market momentum, particularly in Sydney and Melbourne, where median house prices reached \$1.72 million and \$1.06 million, respectively. "Rate reductions have instilled buyer confidence, prompting many to enter the market after a period of caution," Powell told Domain. Warmer weather is also expected to drive activity, with Ray White chief economist Nerida Conisbee stating to Domain that spring selling conditions typically accelerate sales, further pushing prices.

Regional markets, particularly in Perth and Brisbane, have seen robust growth, with dwelling values up 81.1% and 75.1% since June 2020, per Cotality data. However, affordability remains a concern, with Sydney ranked the second least affordable city globally by the 2025 Demographia International Housing Affordability report. Eliza Owen, Cotality's head of research, cautioned ABC News that while rate cuts enhance borrowing capacity, price growth may be tempered by economic uncertainties and high household debt. KPMG's Property Report forecasts a 3.3% rise in house prices and 4.6% for units in 2025, with stronger growth expected in 2026.

Despite the upswing, experts warn that limited housing supply and high prices continue to lock out first-time buyers. The Albanese government's plan to allow 5% deposit home purchases has drawn skepticism, with critics arguing it may further inflate prices, exacerbating the affordability crisis for many Australians.