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Australian Housing Market Defies Affordability Pressures

August 2, 2025

— Categories: Real Estate



Australia's property market continues its upward trajectory, with national dwelling values rising 0.6% in July – the sixth consecutive monthly gain. Cotality's Home Value Index reveals all eight capital cities recorded price increases, led by Darwin's surprising 2.2% surge and Perth's robust 0.9% growth. This steady appreciation follows February's interest rate cut and

reflects persistent supply shortages, with national listings 19% below the five-year average despite sales volumes exceeding historical norms.

The market demonstrates unusual dynamics, with houses outperforming units despite stark affordability differences. The median house price now commands a record \$223,000 premium over units, representing a 32.3% gap. Cotality Research Director Tim Lawless notes this contradicts conventional wisdom, suggesting buyer preferences still favor detached homes despite substantially lower unit prices. Regional markets show resilience too, with Queensland (2.5%), South Australia (2.0%) and Victoria (1.4%) outpacing their capital city counterparts in quarterly growth.



Economic fundamentals continue supporting price growth. Auction clearance rates remain strong, exceeding 70% in Sydney and Melbourne, while the rolling quarterly national index shows 1.8% appreciation. Westpac economist Neha Sharma attributes this momentum to three key factors: constrained supply, consistent demand, and anticipated further rate cuts. The bank forecasts two additional Reserve Bank of Australia (RBA) reductions in 2025, beginning with an expected cut this month that could further stimulate buyer activity.

As the market enters the second half of 2025, the central question isn't whether prices will rise, but how sustainable this growth remains amid mounting affordability challenges. The record house-unit price gap suggests first-home buyers face increasingly difficult trade-offs, while investors benefit from tight rental markets. With economic reforms proposed to address housing supply and regional development, policymakers face mounting pressure to balance market vitality with

accessibility – a challenge that will define Australia’s property landscape for years to come.

