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Buyers Turning Back to Big Cities as Regional Growth Slows

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Following years of growth in smaller capitals and outer suburbs, new trends suggest property investors and buyers are returning to Australia's largest cities. New data shows renewed momentum in Sydney and Melbourne's inner and middle suburbs, with two recent interest rate cuts serving as the main catalyst.

The Reserve Bank of Australia (RBA) slashed interest rates by 0.25 percentage points in both February and May, and this has already spurred increased sales activity in key metropolitan areas. According to a whitepaper from property research firm InvestorKit, signs

of pressure and demand are building in core urban markets, indicating a notable shift from the regional boom of recent years.

InvestorKit analyzed suburb performance across five major cities: Sydney, Melbourne, Brisbane, Adelaide, and Perth. The report segmented each into three zones: Inner (central business district and surrounding neighborhoods), Middle (older established suburbs beyond the city center), and Outer (fringe suburbs and commuter belts). Trends show a rebalancing underway as investors and homebuyers pivot from the outer rings of smaller cities back to the inner and middle suburbs of the country's economic powerhouses.

InvestorKit's founder and CEO, Arjun Paliwa, explained that the sharp rise in interest rates between 2022 and 2023 had originally pushed many Australians toward more affordable areas on city fringes and in smaller capitals like Brisbane and Adelaide. But now, those areas are showing signs of slowing down. "After three years of robust growth, many of those markets have reached a more mature phase," Paliwal said in a press release. "Their affordability advantage has narrowed, and their short-to-medium-term growth potential, although healthy, is becoming limited."

In contrast, Paliwal said lower interest rates are "renewing interest" in the more expensive inner and middle suburbs of Sydney and Melbourne, where buyers are beginning to see better value once again. Affordability, once a barrier, is now re-entering the conversation as borrowing conditions ease.

The data highlights four suburbs gaining traction in early 2025. In Sydney, Leichhardt (Inner Ring) saw a sharp increase in its median sale price in the first quarter, supported by growing demand from owner-occupiers and a drop in available listings. Pennant Hills and Epping (Middle Ring) also experienced strong growth during the same period, suggesting renewed confidence in these previously overlooked areas.

In Melbourne, Yarra (Inner Ring) posted consistent price gains amid tight rental conditions and persistently low vacancy rates. Brimbank (Middle Ring) followed with accelerating three-month rolling price growth and improved sales market conditions, despite a slight easing in rental pressure.

The report concludes that Sydney and Melbourne are regaining their pull as more reliable and stable markets. While Adelaide, Brisbane, and Perth had their moment in the sun,

investor attention appears to be rotating back to the long-term fundamentals of larger urban centers.

With more potential rate cuts hinted at before the end of the year, this trend could strengthen further. However, ongoing issues around housing supply and zoning restrictions continue to weigh on market recovery.. While buyers adapt, Canberra continues to drag its feet on structural reforms, leaving markets to do the heavy lifting.

As always, property investors should consider both short-term conditions and long-term fundamentals when choosing where to place their capital. The pendulum has begun to swing back toward the big cities, and for now, Sydney and Melbourne are leading the way.