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Australia's Property Cycle Reignites Amid Supply Shortage and Rate Cuts

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Australia's residential property market is once again on an upward trajectory, according to a fresh analysis by Dr Shane Oliver, Chief Economist and Head of Investment Strategy at AMP. Following a short-lived downturn, national property prices are now regaining momentum, largely driven by interest rate cuts and a chronic undersupply of homes. Despite affordability concerns, average prices are tipped to climb 5 to 6 percent this year as the cycle enters a new growth phase.

Dr Oliver highlights that the property market is far more nuanced than it is often portrayed. While falling rates are a key catalyst, the real engine behind the current price rebound is the severe shortage of housing stock, estimated at 200,000 to 300,000 dwellings. This housing deficit has been worsened by longer construction times and population growth, outpacing new housing supply. These conditions are putting upward pressure on prices, particularly in key metropolitan areas, as demand continues to outstrip availability.

However, affordability remains a significant hurdle. Home ownership is increasingly out of reach for younger Australians and first-time buyers in capital cities such as Sydney and Melbourne. Yet the situation is not uniform. Dr Oliver notes that the affordability challenge varies between cities, with smaller capitals and regional centres offering comparatively better value. Even so, the overall market remains resilient, supported by historically low mortgage arrears and strong credit fundamentals.



Looking ahead, the recovery in property prices will likely remain uneven. Investors, builders and policymakers must navigate a fragile balancing act addressing supply constraints while supporting sustainable growth. Calls for more efficient planning and faster building approvals are growing louder, particularly as migration continues to place pressure on housing stock. The Reserve Bank of Australia's (RBA) cautious approach to monetary easing is also helping to guide the market without overheating it. Ultimately, the road ahead will depend on disciplined economic management and policies that encourage responsible development, not short-term political gestures. If handled wisely, this new cycle could provide both economic stability and renewed opportunity in a sector that remains central to Australia's future.