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Australia Property Prices Often Rise After Rate Cuts

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Australian home prices have historically increased within a year after interest rate cuts, except during economic downturns, according to data spanning more than four decades.

Analysis by AMP chief economist Dr Shane Oliver shows that in five of the seven rate-cutting cycles since 1982, home prices rose within 12 months of the Reserve Bank of Australia's (RBA) first cut. The two exceptions occurred during the 1982 and 1990 recessions.

The strongest post-cut increase came after the February 2001 rate reduction, when home prices jumped 16.2 per cent over the following year. In contrast, after the November 2011 cut, prices rose by a more modest 1.4 per cent.

“Lowering interest rates boosts borrowing capacity for all buyers, increasing competition at auctions,” Oliver said. “It also makes real estate more attractive compared to cash investments, which earn less when rates drop.”

The pattern suggests that falling rates typically fuel housing demand, allowing buyers to access more credit and spend more on property. As interest on savings decreases, investors may also shift their focus to property markets for better returns.

Oliver’s analysis looked at price movements over three, six, 12, and 18 months following the initial rate cuts in each cycle since May 1982. The general trend shows that home values tend to respond positively, although the degree of price growth varies significantly.

Economists expect property prices to finish 2025 higher due to expectations of rate relief, but gains may not match previous highs.

“While interest rate cuts provide a tailwind, broader economic conditions and affordability constraints will likely temper price growth this time,” Oliver noted.

Market watchers are closely monitoring signals from the RBA, with any upcoming rate reductions likely to influence both buyer confidence and property values across the country.

Historical data indicate that while the property market responds positively to falling interest rates, broader economic factors ultimately shape the extent of price growth.