



**STAYING THE COURSE:  
A SLOW BUT STEADY  
MARKET SHIFT**

**PRD.**  REAL ESTATE

**AUSTRALIAN ECONOMIC & PROPERTY UPDATE**

**1ST HALF 2025**



# PRD. Chief Economist Welcome.



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PRD CHIEF ECONOMIST

## **Welcome to the first 2025 edition of the Australian Economic & Property Update.**

2025 is shaping up to be an exciting year in residential real estate, with our very first rate cut in February 2025 (and possibly more!), bringing the official cash rate to 4.10%. Already we have many major banks passing on the savings, lowering their interest rates for many products, including investor lending and business borrowing.

A lower interest rate is welcomed by many, especially with household budgets straining under higher cost of living. There is some recovery in our household savings and extra in our mortgage offset account, but this is minimal and not across all members of society. Home buyers will have access to a slightly higher borrowing amount, which will assist with competing in an undersupplied market. History shows a “frenzy” of real estate activity after a cash rate cut, which may spur a recovery in Melbourne and Sydney. We welcome back investors (increasing by 22.2%), which will assist our tight rental markets.

We enter 2025 with the first increase in new residential work commencing vs. a decline in quarterly population growth cross-over, bringing hope in the demand vs. supply gap. Detached house-builds have seen a slight improvement; a start in our long journey. There is still a lot of catch-up work to do, therefore in the short term, we will remain undersupplied.

**What is in store for the rest of 2025?** Our cash rate movements will depend on the inflation rate, and whether it remains within the 2-3% target rate. We live in a world with high global policy and economic uncertainty, which impacts Australian industries. That said, our real estate market should see more activity, especially if there are more cash rate cuts.

**Hold on tight and stay the course, a slow but steady market shift is starting!**



# PRD. State of the Economy: Where Are We Now?

## GDP Growth



**0.3%**

As of the September quarter of 2024.

- GDP grew by just **0.3%** in the September 2024 quarter.
- This was **slower than expected**, but intentional to help bring **inflation down** by keeping **demand below supply**.

## Business & Consumer Confidence



**BUSINESS**

**4.0**

**POINTS**

Jan 2025 reading



**CONSUMER**

**92.2**

**POINTS**

Feb 2025 reading

**Positive growth** has been recorded for **both business and consumer confidence**.

## Household Balance Sheet

- **Household savings** rose slightly in the September 2024 quarter but **remained below the long-term average**.



- **More people added money** to their mortgage offset accounts in the second half of 2024.

- In 2025, **disposable income and savings** are expected to **rise a little**, then level out.

## Unemployment Rate

- The **unemployment rate edged lower** in December 2024.
- The **labour market** is still **tight**.
- **Wage growth** is still **high**.

## A Surviving Economy

- Most households are managing their mortgage payments well, with only a small increase in missed payments in advanced economies like Australia.
- However, people with high debt are more at risk of falling behind.
- First-home buyers haven't seen as big of an increase in missed payments compared to others.



# PRD. Property Markets: How Are We Faring?

## House Prices & Rent

**Housing price growth moderated more than expected** in the December quarter of 2024, especially in Sydney and Melbourne. Brisbane and Adelaide median house prices have continued to increase.



**CPI rent price increases slowed** in the December 2024 quarter. This was mainly due to more support from Commonwealth Rent Assistance and fewer people living together, which reduced the overall demand for rentals.



## Home Loan Commitments

There has been a **12-month growth** in home loan commitments:



**↑ 16.0%**  
ON AVERAGE

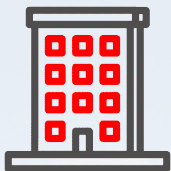


**↑ 22.2%**  
INVESTORS



**↑ 5.5%**  
FIRST HOME BUYERS

## Residential Pipeline



**New demand remains weakest in the higher-density sector**, due to construction costs outweighing selling prices.

**New dwelling costs have improved**, compared to years prior. Brisbane and Perth new dwelling costs continue to increase, due to trade shortages.



## Residential Construction

Money spent by countries on residential supply:



**New Zealand**



**Canada**



**Australia**

Australia is one of the very few countries that saw some growth in residential construction in the past 12 months.



# PRD. Property Markets: First Home Buyers

## Home Affordability



↓ -1.3%

Decrease in the **number of first home buyers** in Australia.

First home buyers are becoming

**MORE ACTIVE IN:**



10.3%

NORTHERN  
TERRITORY



8.0%

SOUTH  
AUSTRALIA



5.0%

QUEENSLAND

## Debt Level



FIRST HOME BUYERS  
ARE NOW COMMITTING TO

**5.5%**

**MORE DEBT**

IN THE PAST 12 MONTHS  
TO THE DECEMBER QUARTER OF 2024.

This is largely driven by **rising property prices** in:



QUEENSLAND



WESTERN  
AUSTRALIA



SOUTH  
AUSTRALIA

In contrast, for the first time, **New South Wales** and **Victorian** first home buyers can benefit from savings, due to a slower market.



# PRD. Property Markets: Affordability & Supply

## Housing Affordability | Incomes vs. Mortgages



**50.1%**

The percentage of **family income** that Australians must now spend to **cover their mortgage**.



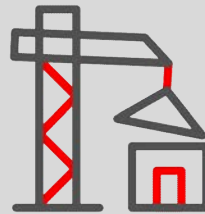
**NSW** families are spending more of their income on mortgages than any other state, with **59.9%** going towards repayments.

## Housing Supply

Q2, 2024



**POPULATION  
GROWTH  
SLOWED**



**NEW RESIDENTIAL  
CONSTRUCTION  
SLIGHTLY INCREASED**



**SHORT &  
MEDIUM TERM  
UNDERSUPPLY IS EXPECTED**

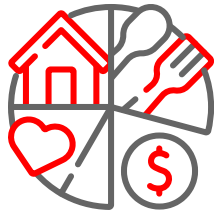
This marks the first crossover in some time and offers a positive sign toward narrowing the gap between housing demand and supply.

This will keep upward pressure on median house prices



# PRD. Moving Forward: What Can We Expect?

## Inflation & Cash Rate Forecast



Inflation is expected to rise above 3% in the second half of 2025, mainly because currently legislated cost-of-living support will end.

It's expected to return to the 2-3% target range in the second half of 2026.



The expected path for cash rate has shifted down, with roughly three rate cuts priced in for 2025 and one in early 2026, **however, this depends on the inflation rate remaining within the 2-3% target rate.**

## Property Demand | Time To Buy A Dwelling Index

**BUYERS  
ARE BACK**



**HIGHEST GROWTH** IN THE LAST 12 MONTHS



**43.0%**

VICTORIA



**32.8%**

SOUTH AUSTRALIA

Tasmania has the **highest consumer confidence** in Australia, with:

**100.6**

INDEX POINTS



# PRD. Future Projects: Capital Cities

Future projects planned for each capital city of Australia for 2025 and beyond.

	Brisbane		Sydney		Melbourne		Perth	
	2024	2025+	2024	2025+	2024	2025+	2024	2025+
<b>Units/Apartments</b>	2,825	25,184	10,504	32,208	6,926	20,671	1,723	2,590
<b>Townhouses</b>	208	1,118	476	646	1,081	3,911	56	52
<b>Dwellings</b>	<b>47</b>	<b>872</b>	<b>5,697</b>	<b>3,116</b>	<b>908</b>	<b>7,525</b>	<b>399</b>	<b>87</b>
<b>Lots</b>	668	2,844	8,222	8,726	0	494	988	1,471

	Hobart		Darwin		Adelaide		Canberra	
	2024	2025+	2024	2025+	2024	2025+	2024	2025+
<b>Units/Apartments</b>	155	710	57	163	298	180	2,245	16,594
<b>Townhouses</b>	46	44	0	0	239	81	551	1,296
<b>Dwellings</b>	<b>15</b>	<b>2,794</b>	<b>8</b>	<b>60</b>	<b>1,618</b>	<b>239</b>	<b>1,216</b>	<b>93</b>
<b>Lots</b>	136	1,372	400	929	17,112	900	298	4,946



# PRD. Key Takeaways.



- The Reserve Bank of Australia's expected path for cash rates has shifted down, **with roughly three rate cuts priced in for 2025 and one in early 2026.**
- However, **this is dependent upon the inflation rate** remaining within the 2-3% target band rate.



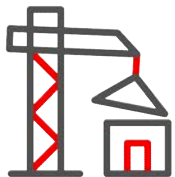
- First home buyer's activity across Australia declined by -1.3% in the past 12 months to the December quarter of 2024.
- **However, VIC, QLD and SA recorded some growth, due to more affordable prices.**
- During this time, first home buyers must commit a higher level of debt - an extra 5.4%. QLD and WA are the least friendly, increasing by 11.7% and 13.9%.
- **NSW and VIC showed some savings; a moderate increase of 2.9% and 2.1%.**



- Housing finance commitments **increased by 16.0% in the past 12 months to December 2024, sitting at \$87.2billion.**
- **Investor financing saw the highest level of growth, of 22.2%,** which brings good news for renters.



- **Buyers are back!**
- **The time-to-buy a dwelling index saw a significant improvement** in January 2025, with all states across Australia reporting growth.
- The highest growth was in VIC (43.0%) and SA (32.8%).



- New residential construction saw **some growth in the past 6 months to Q4 of 2024**, whilst the population slightly declined.
- **Detached housing projects have picked up over 2024, which brings good news for buyers.**
- New dwelling costs in Brisbane and Perth continue to rise, due to trade shortages and higher house demand.



# PRD. Key Takeaways.



- Units remained the dominant planned ready-to-sell stock in 2024 and in 2025 (and beyond).
- This is true in almost all capital cities (except for Hobart and Adelaide).
- Due to this, **houses will remain undersupplied; pushing up prices for all stock types.**
- We are already seeing **evidence of unit price growth outpacing house price growth** in some areas due to house buyers not being able to find stock, and re-routing their buying preference (and budget) to units.



- Housing price growth moderated more than expected in the December quarter of 2024, especially in Melbourne and Sydney.
- **Other capital cities (Brisbane, Perth and Adelaide) and some regional areas continue to see price growth.**
- **Rent inflation slowed in the December quarter of 2024**, with lower advertised rent prices. Prices are still higher than pre-COVID.





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