



Australian Government
The Treasury



MCPD extra insights

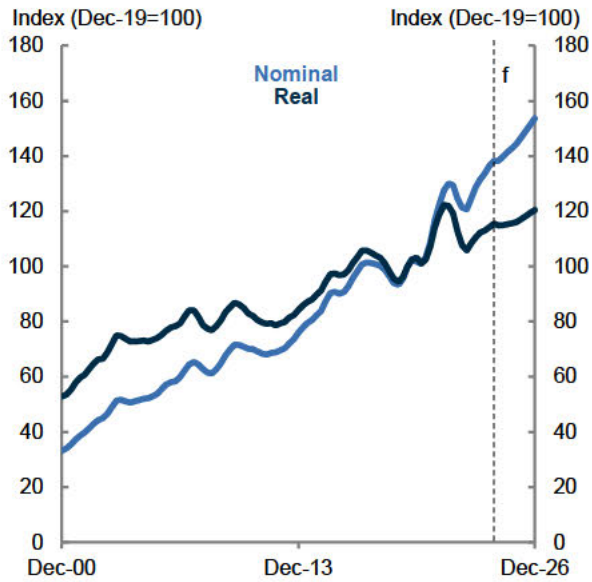
Why did housing prices rise while rates were high?

10 February 2025

Housing market outlook

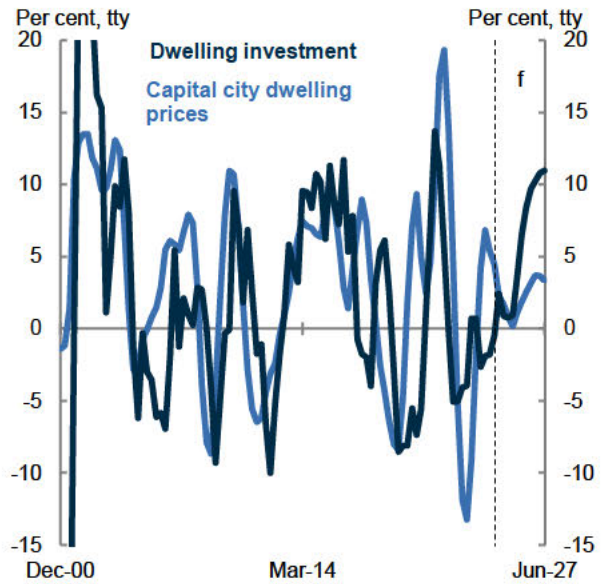
- **Housing price growth** is expected to soften over **2025** and stabilise **2026** as expected cash rate changes, slowing net overseas migration and affordability constraints weigh on prices (Chart 5).
 - Median bank expectations suggest nominal capital city housing prices will increase by around 4.6 per cent in 2024 and around 6.3 per cent in 2025. Real capital city housing prices are expected to increase by around 1.1 per cent in 2024 and around 3.7 per cent in 2025.
 - This is well below the recent annual growth rates recorded since covid and suggests that affordability challenges may contribute to easing price pressures as households adjust demand for established houses.
- The cycles for housing prices and dwelling investment are highly correlated (Chart 6).
 - **Dwelling investment** is expected to remain subdued in 2024-25 as weak levels of building approval drive weak activity. Approvals are expected to continue to trend upwards as strong population growth, moderating construction costs and declining interest rates support a recovery in investor activity and in turn drive a pickup in dwelling investment in 2025-26. As new supply comes online and households continue to consolidate, rental pressures are expected to gradually moderate.

Chart 5: Capital city housing price forecasts



Source: CoreLogic, Treasury, ANZ, Commonwealth Bank, Westpac, NAB
 Note: Nominal and real forecasts are conditioned on median bank dwelling price forecasts and MYEFO CPI forecasts.

Chart 6: Real capital city housing prices and dwelling investment



Source: CoreLogic, Treasury, ABS, ANZ, Commonwealth Bank, Westpac, NAB

Note: Real housing price forecasts are conditioned on median bank dwelling price forecasts and MYEFO CPI forecasts. Dwelling investment forecasts are as at MYEFO 2024-25, truncated for volatility.