



Residential Property Market Outlook

August 2025

KPMG Australia



Contents

Executive summary	03
Market overview	05
Recent trends affecting property prices	06
Forecasts	11
Contacts	17

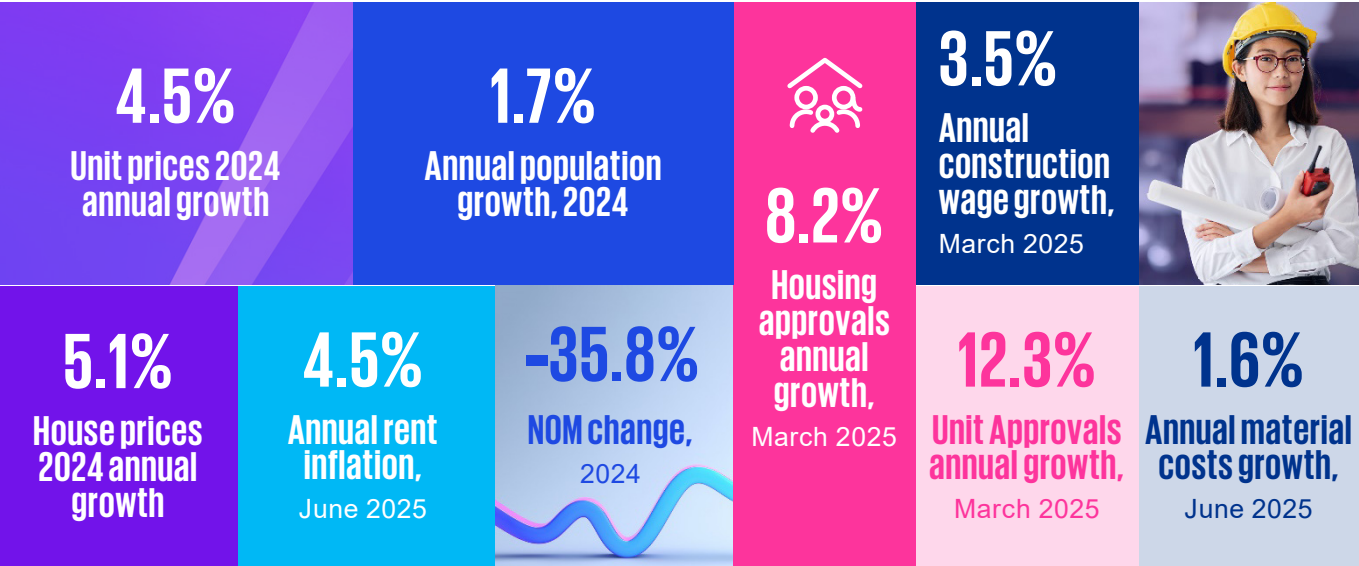
Executive summary

KPMG now expects national house prices to rise 4.9% during 2025, up from our previous forecast of 3.3%, following the earlier-than-expected rate cuts that boosted buyer sentiment and turned around the subdued market conditions observed in the second half of 2024.

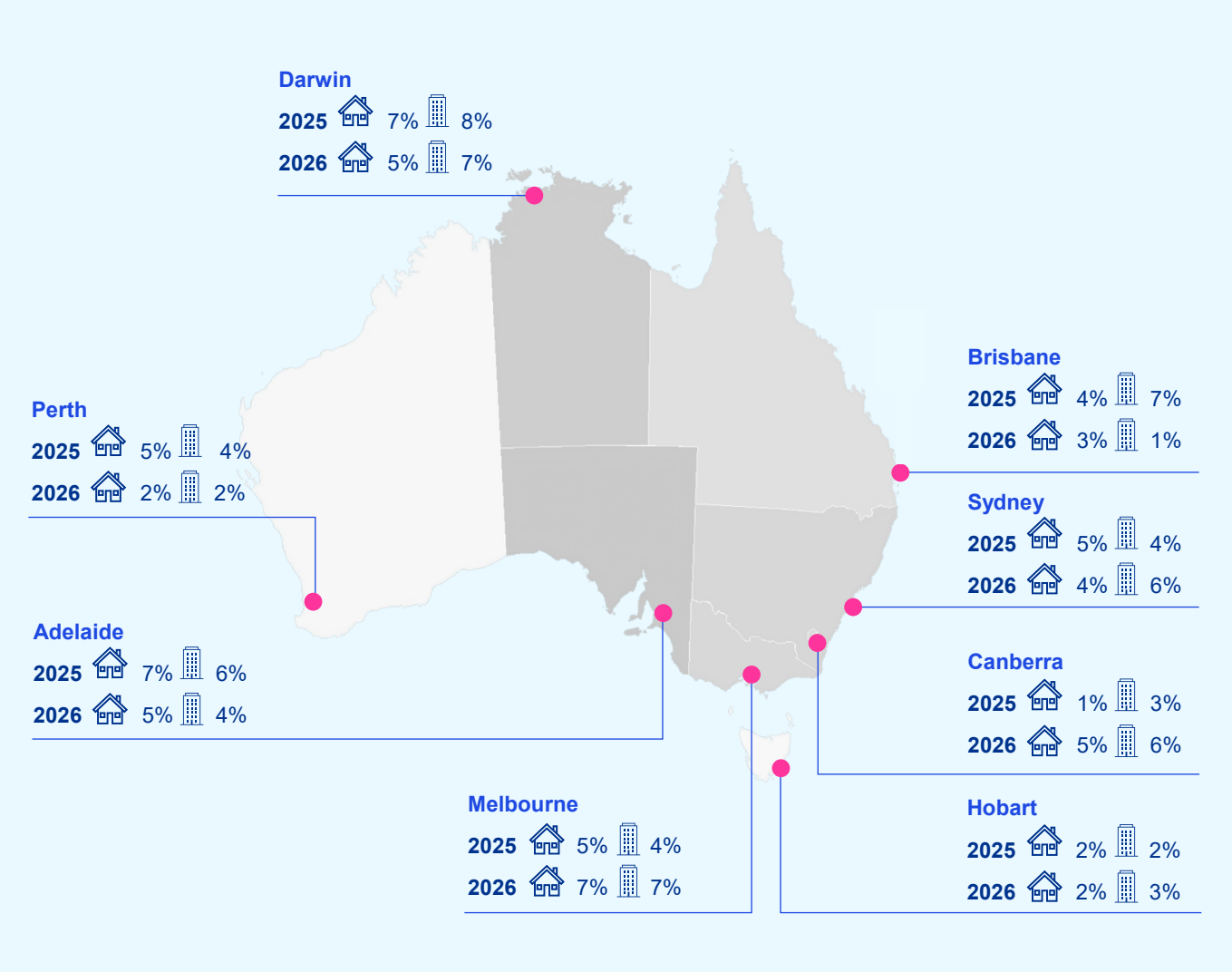
In 2026, house prices are expected to grow at a more sustainable pace of 4.5%.

We still maintain the view that unit prices are expected to rise faster than house prices as they offer a more affordable entry point into the property market amidst the current affordability crisis, growing by 4.5% in 2025 and 5.1% in 2026.

- The momentum in the housing market is building up, with the quarterly growth rate hitting the highest level since the June quarter last year and marking the turnaround from subdued conditions observed in the second half of 2024. This occurs amid renewed buyer confidence and improved sentiment, following a 50 basis point fall in the cash rate, with expectations of further easing throughout the remainder of 2025.
- Rent growth has continued to slow as previously expected. With a further pick-up in dwelling completions and moderating population growth, we expect annual rent growth to be in the mid-3% over the next two years, still above its long-term average of 3%.
- Our analysis of the residential construction sector shows that between FY12 and FY24 expenses have grown faster than income, leading to a noticeable squeeze on margins. Notably, despite the rapid increase in wages during this period, labour costs as a share of total expenses have decreased, indicating that the primary driver of margin pressure remains the higher cost of materials and services rather than labour.
- Housing approvals have gained momentum since early last year, offering some relief to concerns around housing supply shortages.
- Despite that, we only forecast an average of 160,000 new dwellings per year over the next two years, 30% below the national target of 224,000 homes annually needed to meet the National Housing Accord's 1.2 million new homes target by mid-2029.
- In 2026, house prices are expected to grow at a more balanced pace of 4.5%. Lower interest rates, improved supply, and normalised population growth are expected to support market stability.
- However, affordability constraints are likely to cap upside potential. With house prices continuing to rise faster than income and housing affordability at historically worst levels, it casts serious doubt on buyers' capacity to absorb excessive price increases.
- Affordability pressures are expected to continue driving buyer demand toward attached dwellings, with units, townhouses, and apartments offering more accessible entry points in increasingly expensive capital city markets.



Forecasts of House and Unit Prices Growth



Market overview

Home prices hit new high as market momentum builds up nationally.

National house prices rose 4.0% and national unit prices rose by 3.8% in the 12 months to the June quarter 2025, marking a turnaround from the subdued conditions observed in the second half of 2024, influenced by the cost-of-living crisis, high interest rates and housing affordability issues.

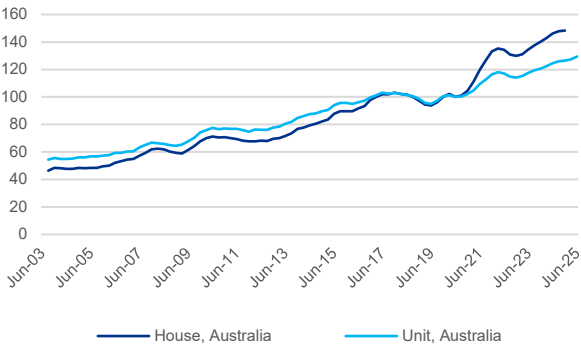
The momentum in the housing market is building up, with the quarterly growth rate hitting the highest level since the June quarter last year. This is occurring amid renewed buyer confidence and improved sentiment following a 50bps cut in the cash rate, with expectations of further easing throughout the remainder of 2025. Lower interest rates have begun to ease some of the financial stress, with the latest data from SQM Research showing a 11.1% year-on-year fall in distressed listings in the June quarter 2025.

Despite the growing momentum, recent growth was not as strong as in recent years. Housing affordability remains the number one factor keeping house prices growth in check. Moreover, the recent slowdown in population growth due to a moderation in net overseas migration and changing household formation has also helped provide some relief to pressure on housing markets.

Housing supply continues to play a supportive role, though its influence is beginning to moderate. While supply constraints have been a key factor underpinning price growth in recent quarters, the latest increases in housing approvals and a rebound in new housing starts suggest that additional supply is gradually improving. This reflects growing confidence by homeowners and developers to undertake construction projects due to easing inflation and stabilising input costs.

To redirect investment in new housing supply, new income tax concessions in the Build-to-Rent sector have been introduced, supporting broader efforts to ease rental market pressures.

Chart 1 – National residential property price index (June 2020 = 100)

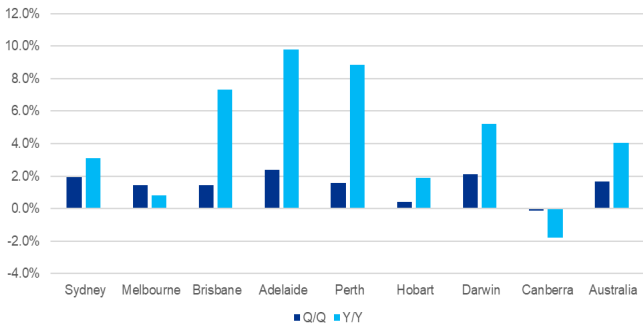


House and unit prices across most capital cities continue to grow in the June quarter of 2025

Momentum in house prices has been broad-based across capital city markets, with all capital cities except Canberra recording positive quarterly growth in the June quarter. The gap between outperformers and laggards is narrowing compared to six months ago, with Sydney, Adelaide and Darwin leading the quarterly gains.

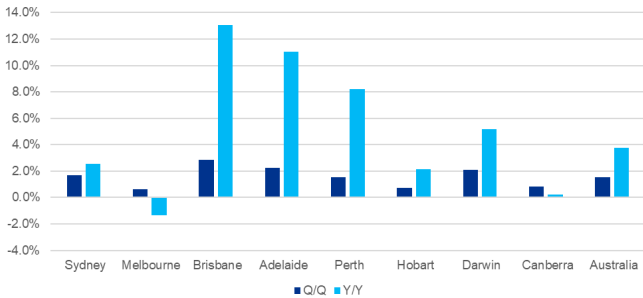
Over the year, Adelaide recorded the strongest year-on-year house price growth (10.1%), which was closely followed by Perth (8.8%) and Brisbane (7.3%). In contrast, Canberra was the only capital to record a decline in house prices over the year, with a 1.8% fall.

Chart 2 – Growth in house prices in June 2025



Perth recorded the strongest year-on-year increase in unit values, rising by 11.5%. Brisbane and Adelaide also saw solid gains, with unit prices rising by 11.0% and 9.6%, respectively. In contrast, Melbourne saw a decline in unit value, while units in Canberra experienced little to no change over the year.

Chart 3 – Growth in unit prices in June 2025



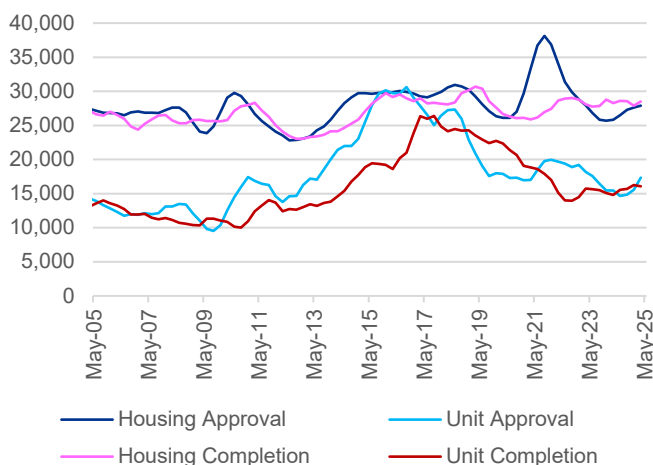
Recent trends in factors influencing property prices

Housing approvals have gained momentum but not without volatility

Housing approvals have been gaining momentum since early last year, offering some relief to concerns around housing supply shortages. Over the most recent four quarters, total approvals are up 8% compared to the preceding four-quarter period, with unit approvals rising even more sharply, up 12%. This upward trend suggests that the approvals pipeline is moving in the right direction to help address Australia's housing shortfall.

However, this momentum has been anything but smooth. Monthly data shows that approvals have recently slipped back to levels seen six months ago, effectively unwinding part of the gains made during the earlier upswing. This bumpy trajectory highlights the fragility of the recovery and underscores the need for sustained policy support and stable market conditions to maintain progress.

Chart 4 – Building activity: number of approvals and completions



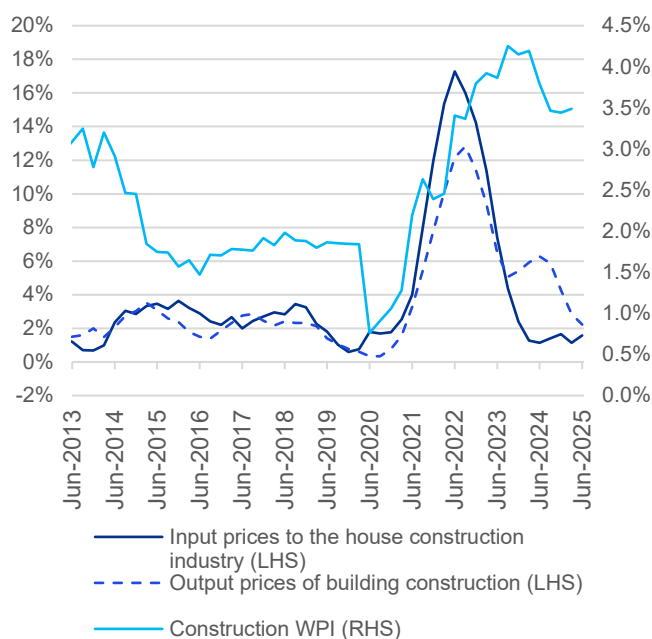
Note: Data refers to the seasonally adjusted number of dwellings, calculated using a four-quarter moving average.

Construction costs have continued to ease

The prices of building material used in house construction have been more stable compared to the last few years. Over the past twelve months, prices rose by a modest 1.6%, with a notable quarterly decline in the March quarter this year, its first since early 2012, driven by competitive discounting. However, the June quarter recorded a quarterly increase of 0.9%, marking the strongest quarterly increase in nearly two years following seven consecutive quarters of subdued growth (0.5% or less).

House construction prices (output prices of house construction industry) have also entered a period of moderation, with limited growth or declines recorded across the last four quarters following several years of sustained growth. Over the twelve months to June 2025, prices rose just 0.3%. Earlier moderation in house construction prices was concentrated in Victoria, New South Wales, and the Australian Capital Territory, where affordability pressures had dampened demand and prompted builders to offer discounts and incentives. However, these states have since seen a turnaround, with recovering demand in the June quarter allowing builders to pass through higher costs. This has led to base price increases and a reduction in promotional offer.

Chart 5 – Growth in building costs (% , y/y)



While the labour market for construction workers remains tight, it has eased considerably compared to the same time last year. The Housing Industry Association (HIA) Trades Availability Index indicated a reduction in shortages, though it remains below the long-run average.

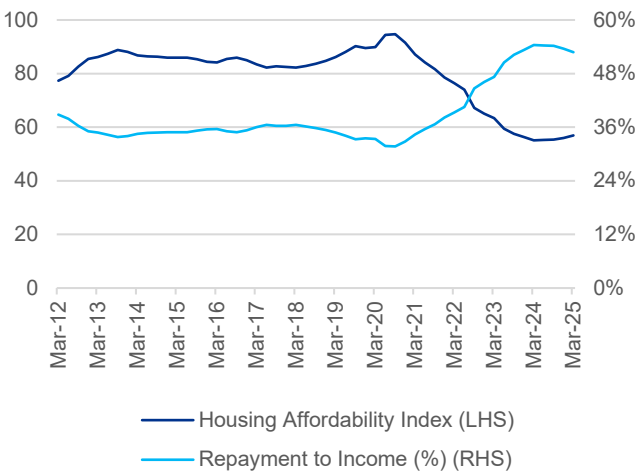
Recruitment conditions have eased, with the share of construction employers reporting hiring difficulties returning to rates equal to the broader economy. The easing of labour shortages has been reflected in construction sector wage growth, which further slowed to 3.5% in March 2025 after peaking at 4.3% in September 2023.

Housing affordability has improved slightly following rate cuts

Housing affordability has worsened significantly since the onset of the COVID-19 pandemic, and despite a recent modest improvement, it remains well below pre-pandemic levels. The Housing Affordability Index stood at 56.9 in the March quarter 2025, a level comparable to mid-2023, but still far from the low-90s range observed before the pandemic when affordability remained much more favourable. The marginal uptick in the index over the past few months reflects a temporary slowdown in the housing market in late 2024, which provided some short-lived relief to affordability pressures.

The repayment-to-income ratio, which currently sits at 52.8%, is slightly down from 54.4% a year ago. This improvement has been supported by the first interest rate cut by the RBA in four years in early 2025, offering some relief to mortgage holders. However, the overall affordability landscape remains challenging, with elevated property prices and relatively high borrowing costs continuing to strain household budgets.

Chart 6 – Housing Affordability Index and Repayment to Income (%)



Source: HIA, Haver, KPMG
Note: The HIA Affordability Index is designed so that a result of exactly 100 means that precisely 30% of earnings are absorbed by mortgage repayments. This is because a repayment burden of 30% or lower is regarded as being manageable. Higher results signify more favourable affordability, those above 100 signify that mortgage repayments account for less than 30% of gross earnings, whereas scores below the 100 mark mean that more than 30% of average earnings are absorbed by mortgage repayments.

Rate cuts have also helped ease mortgage stress

Financial stress among mortgage holders has eased modestly, supported by recent interest rate cuts and the resilient labour market. Data from SQM Research for June 2025 shows that distressed property listings nationally declined by 11.1% year-on-year, reflecting reduced pressure on sellers in financial hardship. However, this was not a uniform trend across states and territories, with significant annual decreases in New South Wales, Queensland, Western Australia, and the Northern Territory; while Victoria, South Australia, the Australian Capital Territory, and Tasmania recorded increases.

The Reserve Bank of Australia's (RBA) Financial Stability Review highlights that while higher arrears rates persist among highly leveraged borrowers and lower-income households, these rates are generally low and trending downward. Arrears among borrowers with loan-to-value ratios over 80% peaked at 2.5% in 2024 but have since declined. Similarly, arrears among borrowers with loan-to-income ratios above four peaked at 1.5% but are also trending lower. Roy Morgan reports that the share of mortgage holders 'at risk' of mortgage stress fell from 26.5% in April to 26.3% in May following the rate cuts.

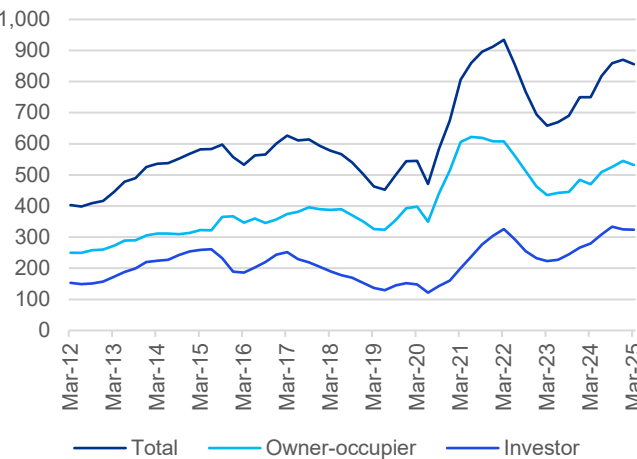
Lending activity has picked up, but momentum still fragile

New lending activity in the March quarter 2025 has shown an improvement compared to the same period last year, but we are yet to see a sustained upswing despite the rate cut.

New lending activity was driven mostly by owner-occupier demand with the number of new loans rising 6.7% year-on-year. This growth outcome was tempered by two consecutive quarterly declines, suggesting momentum remains fragile. The value of new loans increased by approximately 15% over the year, indicating borrowers are either purchasing higher value homes, or are younger borrowers with less equity (or a combination of both).

With buyers' uncertainty regarding borrowing capacities and mortgage servicing costs diminishing following the easing cycle, we expect that lending activity will start to continue strengthening in the coming quarters.

Chart 7 – The value of new loan commitments (\$b)



Source: ABS, Haver, KPMG

Migration has slowed but may rebound

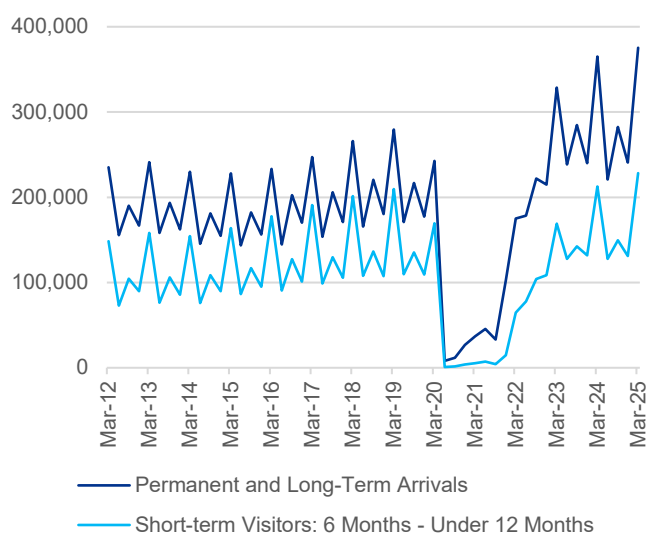
Australia's population growth slowed significantly in 2024, rising by just 1.7% compared to the 2.5% surge recorded in 2023 at the height of the post-Covid migration boom. This moderation has been driven by the government's introduction of stricter visa requirements for international students and skilled workers, contributing to more controlled management of migration inflows.

Net overseas migration (NOM) declined to approximately 371,000 people, 39% lower compared to last year. NOM now accounts for 76% of population growth, down from 85% following the reopening of Australia's international borders after the Covid lockdown.

While the Commonwealth Treasury forecasts NOM to decline further to 261,500 in FY25 and 255,700 in FY26, recent data on overseas arrivals suggest a more resilient trend. The number of permanent and long-term arrivals over the first five months of 2025 is broadly in line with the same period last year, indicating that NOM may rebound and continue to exert pressure on housing demand.

Short-term visitor numbers also remain robust. Although short-term visitors are excluded from NOM under the ABS 12/16-month rule, their impact on housing demand is also significant. Tourists and visitors, who account for nearly half the volume of permanent migration, continue to drive rental demand in urban centres.

Chart 8 – International immigration



Source: ABS, Haver, KPMG

Foreign investment remains subdued amid policy headwinds

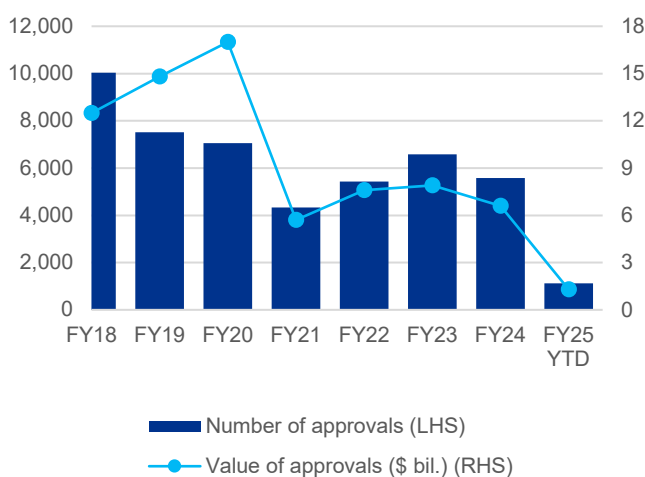
Foreign investment in Australian residential real estate remains well below pre-pandemic levels.

The latest data shows that in the first quarter of FY25, there were 1,123 approved residential real estate investment proposals, with a total value of \$1.3 billion. While this quarterly figure provides an early snapshot, it represents only around 20% of the full-year outcomes recorded in FY22 to FY24, suggesting that foreign investment may continue to be subdued unless momentum picks up in the remaining quarters of FY25. Investors from China represented the largest share (\$0.4 billion), followed by Taiwan, Hong Kong, Vietnam, and Indonesia (each \$0.1 billion).

This recent lacklustre trend in foreign investment may continue due to new policy and regulatory headwinds which are likely to weigh on foreign investor sentiment. State governments have recently introduced new stamp duty and land tax surcharges on foreign buyers, with combined rates reaching 9% in New South Wales and 8% in Victoria. In these states, foreign institutional investors face up to \$160,000 in taxes and fees on a typical new dwelling – approximately 4.5 times higher than charges for local buyers.

From 1 April 2025, foreign persons, including temporary residents and foreign-owned companies, will be temporarily banned from purchasing established dwellings in Australia until 31 March 2027. Exceptions apply for large-scale developments of 20 or more properties.

Chart 9 – Foreign investment activity



Note: FY25 YTD refers to the period from July to September 2024
Source: Commonwealth Treasury, KPMG

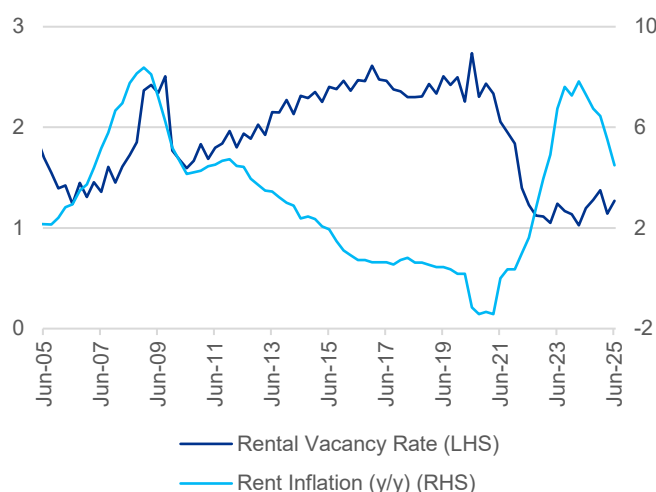
High rental costs may make it more appealing to own a home

The relationship between rental affordability and home ownership continues to shape housing market dynamics. When rental costs approach or exceed the costs of owning a comparable property, households are incentivised towards home ownership, potentially supporting house prices. Conversely, greater rental affordability tends to ease pressure on housing demand and prices.

Australia's rental market remains tight but has moderated recently. Rental growth has notably slowed following strong rises during and after the pandemic. Median weekly rents have risen by approximately 40% nationally since early 2020, but stabilised in the June quarter of 2025, the first quarter since 2019 without an increase, according to Domain's June quarter rent report. Sydney saw median house rents rise by just 0.6%, while Melbourne, Brisbane, Adelaide, Canberra, and Hobart experienced no change. Unit rents increased by 2.1% in Sydney but were stable in Melbourne. This is consistent with increases in rental vacancy rates across the country, with SQM Research showing Australia's rental market posted a 1.3% vacancy rate in June.

Rent inflation remains elevated but has eased notably, assisted by increases in Commonwealth Rent Assistance (CRA). Annual capital city rental inflation moderated significantly from its December 2023 peak of 8.5% to 4.5% in June 2025, the weakest annual rise since the December 2022 quarter. Without recent CRA adjustments, including a 10% increase in September 2024 and a prior 15% rise in September 2023, annual rent growth would have been higher, at around 5.7% to June 2025.

Chart 10 – Rent vacancy rate and rent inflation



Source: ABS, Haver, KPMG

Rental growth has slowed as expected

Overall, robust population growth over recent years, combined with limited housing supply, remains the core driver behind the tight rental market.

Currently, the ratio of population increase per new dwelling completion exceeds levels recorded during the immigration boom of 2008. KPMG's analysis shows that this population-to-dwelling ratio strongly predicts rental inflation, with nominal rents typically rising 0.3% per quarter when population and dwelling growth are aligned. This relationship explains nearly 80% of variations in rental inflation, while the remainder is influenced by changes in household formation patterns. Furthermore, during immigration booms, nominal rents tend to rise even faster, increasing by 0.5% each quarter when population growth matches dwelling growth.

Based on our projections for new dwelling completions and Treasury's population forecasts, we anticipate that the Rents subgroup of the CPI will likely exceed the 10-year pre-Covid average quarterly growth rate by an additional 0.14 percentage point each quarter until the end of 2026. This means annual rent growth will be around 3.5% over 2025 and 2026, which is still higher than the long-term average of 3.0%.

Furthermore, KPMG estimates new dwelling completions need to be around 17% higher than current forecasts for this above-trend rental growth to be pulled back to normal levels while still allowing for the expected population growth over the next few years.

Chart 11 – Population increase per new dwelling completed versus rent inflation



Source: KPMG's calculation, ABS

The imbalance between housing demand and housing supply continues, suggesting the 1.2 million house target is unlikely to be met unless there are more policy changes

The Commonwealth Government has committed to the National Housing Accord, which aims to deliver 1.2 million well-located homes by mid-2029. To support this goal, the government has also offered state and local councils \$3.5 billion to fast-track construction of these dwellings over the next five years.

However, our forecast of net housing supply, defined as new completions minus demolitions, suggests that net supply in the next two years will fall short of target by approximately 30%. Based on current data and expectations, KPMG anticipates an average of 160,000 new dwellings per year over the next two years

Despite this shortfall, the imbalance between housing supply and demand is anticipated to narrow over the next two years. By FY26, net new supply is projected at 147,000 dwellings against demand of 179,000 households, resulting in a shortfall of around 32,000 dwellings. The imbalance is anticipated to narrow further to approximately 7,000 dwellings in 2026–27. This marks a steady improvement from previous years, with deficits of 51,000 dwellings in FY25, and 94,000 dwellings in FY24.

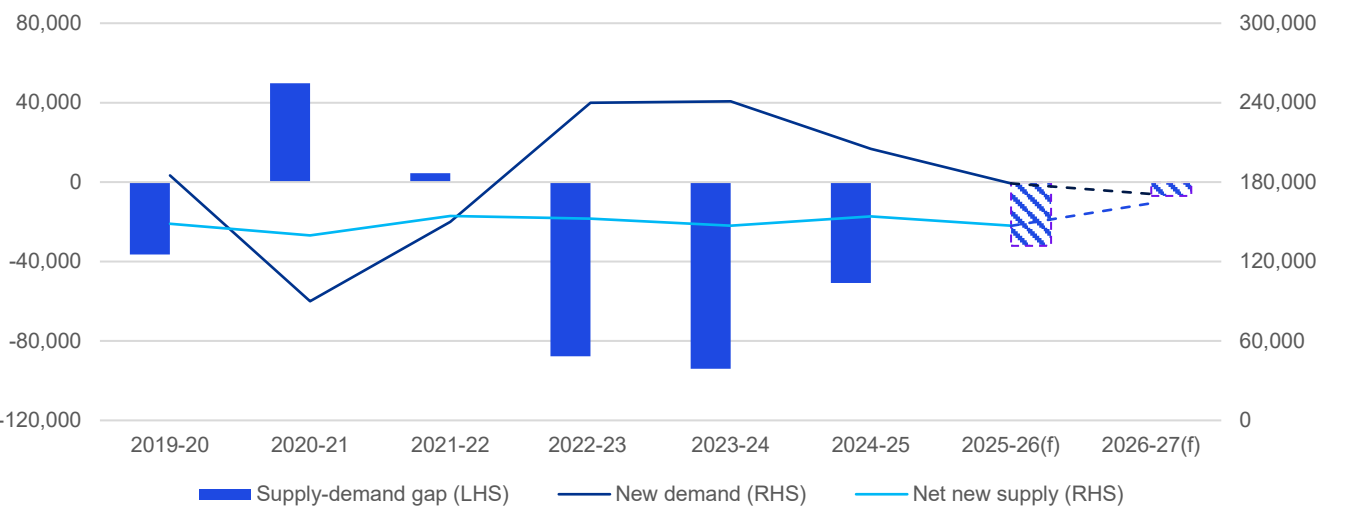
Box A: Operating margins in residential construction remain under pressure despite strong revenue growth, with building costs slightly outpacing income

Although residential construction income has grown substantially over the past 12 years, faster growth in building costs has led to a noticeable squeeze on margins, with profit growth lagging behind revenue gains. Between FY12 and FY24, residential construction income rose by 150% (from \$59 billion to \$148 billion), while total expenses grew by 152% (from \$54 billion to \$137 billion). Consequently, residential construction operating profit before tax increased by 110% in the past 12 years. Nevertheless, residential construction still outperformed the non-residential construction sector, which recorded lower operating profit growth of 101% over the same period.

Residential construction income growth is the strongest within the broader construction industry, with construction services (contracting and subcontracting) representing 56% of revenue in FY24, and sales of goods (including land) comprising 39%.

Employment in residential construction also expanded significantly by 71%, from 101,000 to 173,000 employees over the past 12 years. This rapid expansion has driven a substantial increase in labour costs, with wages and salaries rising 149% (\$7 billion) over the period, the fastest growth across construction sectors. Notably, despite the rapid increase in wages, labour costs as a share of total expenses have slightly decreased, from 9% in FY12 to 8% in FY24, indicating that the primary driver of margin pressure remains the higher cost of materials and services rather than labour. Purchases of goods and materials (including land) made up 57% of total expenses, and payments to other businesses for construction services accounted for 23%.

Chart 12 – Housing supply–housing demand imbalance



Source: KPMG’s calculation, Housing Australia
Note: Housing Australia estimated underlying demand from the number of occupied dwellings needed to accommodate future population growth and household formation (based on the projections from the ABS)

Dwelling prices forecasts

KPMG Economics' dwelling price forecasts utilise an error-correction model (ECM) framework. This framework was chosen as our analysis found that, over time, house prices tend to revert back to the equilibrium suggested by the long run relationship between underlying housing demand and housing stock, but that in the short run factors like interest rates, employment, and housing completions can influence prices around the long run equilibrium.

For certain capital cities, we also allow for long run spillover effects across cities where there is obvious evidence that price movements in one market influence others.

Additionally, for unit price forecasts, we incorporate a long run correction mechanism between house and unit prices. This reflects the tendency for demand to shift toward more affordable housing options such as units when house prices remain persistently high, and conversely, for unit prices to soften when detached housing becomes relatively more accessible.

Long run property prices

Our baseline model assumes that real house prices in the long run are primarily driven by two key factors: underlying housing demand and housing stock.

1. Underlying housing demand

- We project underlying housing demand by estimating how many households are expected to form (and disperse) over time, driven by population growth and changes in living arrangements due to key economic variables such as unemployment.
- We follow the ABS approach to project households, families, and persons by living arrangement. These projections are based on the ABS medium series population forecasts from Population Projections, Australia, 2022 (base) – 2071, assuming no change in 2021 living arrangement patterns.
- We extend these household projections to estimate the number of occupied dwellings needed to accommodate projected households. Using Census data, we apply ABS estimates of the likelihood that individuals in different age cohorts will form or join various household types, including family or non-family households, or reside in non-private dwellings. These propensities are applied across state, capital city, and regional levels, accounting for dwelling types such as detached houses, medium-density homes, and apartments.
- We estimate the total number of dwellings demanded for each state, capital city, and regional area by dwelling type, and aggregate these figures to derive national-level projections over the forecast horizon.

2. Housing stock

- Australia's stock of dwellings changes over time as our population changes and demographic factors, including family composition and age, influence the type of dwellings in demand.
- For this study, we have constructed our own quarterly estimate of housing stock for each capital city due to the limitations in the data provided by the Census and the ABS. We note that the Census of Population and Housing only provides a count of housing stock every five years. In addition, while recently the ABS provides some quarterly housing stock data, it only covers a limited time span from the June quarter 2016 to the June 2022 quarter and the ABS does not plan to update the data regularly.
- We construct the housing stock by adding housing completions and subtracting housing demolitions, which appears to have some relationship with housing approvals (in terms of completion rate and the time lag between the receipt of a building approval and the actual demolition) to the initial Census housing stock numbers. Our estimates are reliable as they align well with the official ABS housing stock numbers that are available from 2016 to 2022.

Short run property prices

Real property prices in the short run are also influenced by a range of factors that push and pull real property prices away from the long run levels.

KPMG's analysis identifies a range of short run factors that influence real dwelling prices, including:

- momentum, being growth in real dwelling prices in the previous period
- the magnitude of the gap between the actual price and the estimated long run equilibrium price
- interest rates
- new housing completions.

We also consider several other short run factors such as the share of dwellings purchased by investors; the strength of the labour market as captured by the number of people employed; the cost of renting versus mortgage repayment for a similar property (the renting–buying gap). However, these factors rarely display strong forecasting power on prices growth.

In the context of this modelling analysis, only prices growth momentum and the long run gap are determined within the model. In contrast, projections for interest rates, inflation, and new housing completions are developed independently outside the model. In particular:

- RBA cash rate will steadily decline to 3.1% by the end of 2025, and reach the bottom of this interest rate cycle (2.85%) by the end of 2026.
- Inflation follows the forecasts prepared by KPMG Economics as per the Quarter 2 2025 edition of the KPMG Quarterly Economic Outlook.
- Housing completion forecasts involve analysing the lagged relationship between housing approvals and completions. This is done first by considering the influence of forecasted population and expectation of residential prices on housing approvals.

Chart 13 – Forecasts of interest rate and annual inflation

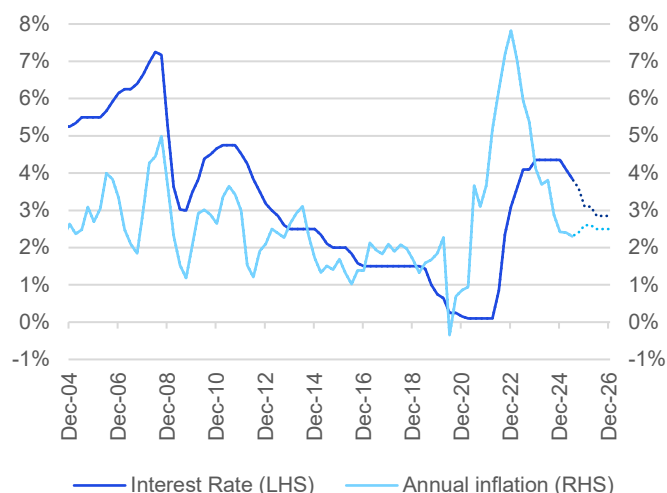
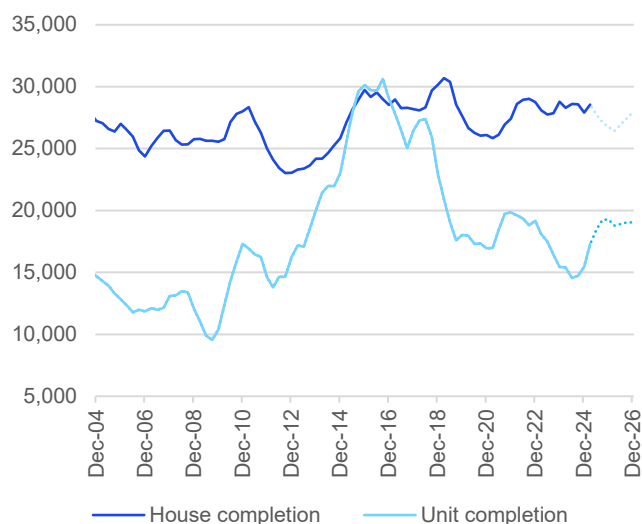


Chart 14 – Forecasts of dwelling completions (number of dwellings)



Our findings

We revised our forecasts for houses in 2025 upward due to the earlier-than-expected rate cuts

Interest rates remain the key driver of house prices. The RBA delivered two rate cuts in the first half of 2025, earlier than our previous view that the cash rate would not begin to ease until the second half of the year. This provided a boost to buyer sentiment and supported an earlier recovery in house prices following last year’s stagnant market. As a result, we have revised our forecast for national house prices upward to 4.9%, up from 3.3% in our previous edition of this report. Our forecasts for units remain largely unchanged, with growth expected at 4.5%.

More balanced house price growth in 2026

Looking ahead to 2026, we forecast house prices to grow by 4.5%, reflecting a more sustainable pace of growth that is more aligned with long-term average outcomes.

While momentum has been building throughout 2025, it has not matched the strength seen in previous years. Housing affordability remains the number one factor keeping house prices growth in check.

The lower interest rates anticipated by the end of 2025 will continue to support improved sentiment among buyers and investors, maintaining market confidence as a consequence. In addition, improved housing supply, together with expected ‘normal’ population growth anticipated in 2026 will help to balance prices growth.

Over the next two years, affordability issues are likely to drive buyers from houses to units

We maintain our views that unit prices are going to outpace house prices over the next two years, with apartment values projected to grow by 4.5% in 2025 and 5.1% in 2026.

The shift is largely driven by ongoing affordability constraints, particularly in capital cities where the escalating prices have left a large portion of the population struggling to be able to purchase a detached house. As a result, there is growing demand for more affordable housing options, particularly apartments, townhouses and units. Attached dwellings offer relatively lower entry points compared to houses, making them more viable options for a larger pool of buyers.

Table 1 – Forecast annual dwelling prices growth rate by property type and market (% y/y)

Location	House		Unit	
	Dec-25	Dec-26	Dec-25	Dec-26
Sydney	5.4	4.2	4.4	6.1
Melbourne	5.2	6.6	3.6	7.1
Brisbane	4.1	3.1	7.1	1.5
Adelaide	6.5	5.1	6.0	3.7
Perth	4.7	1.6	4.4	1.7
Hobart	1.8	1.7	2.1	2.7
Darwin	7.0	5.1	8.3	7.3
Canberra	1.0	4.8	2.6	5.6



Our findings (continued)

Complex market dynamics across cities

Sydney's house and unit prices have reached new highs and are expected to grow faster than last year. Our analysis shows that Sydney is responsive to the rate cuts nationally, enabling a quick recovery and a strong finish to the year. Its role as a major job hub continues to drive demand and offset affordability challenges.

Melbourne has rebounded in 2025 following a prolonged downturn from 2022. We forecast moderate to strong growth, supported by its relatively lower house prices compared to other capitals. As a key destination for overseas arrivals, demand for Melbourne remains solid, though growth driven by investors is still likely to be moderated by Victoria's land tax regime.

Brisbane's housing market, previously buoyed by the prospect of the 2032 Olympics, is now at an inflection point. Prices have outpaced demand and supply, and the city is no longer a clearly affordable alternative to Sydney. As a result, we expect modest growth in the year ahead.

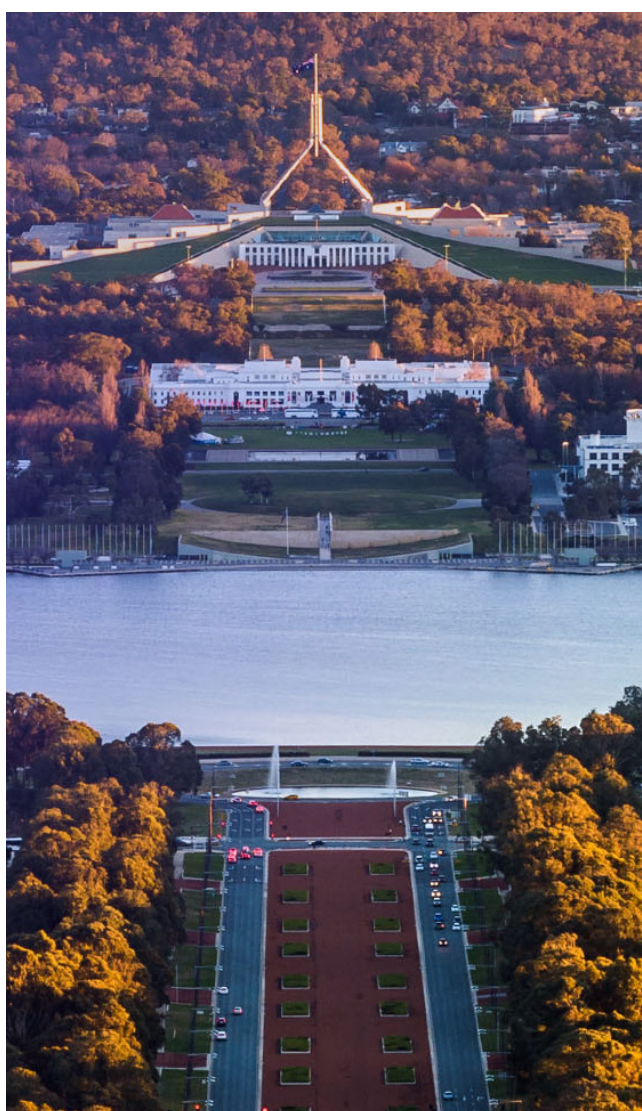
Adelaide continues to lead national house price growth, underpinned by limited supply and supportive immigration policies. However, affordability constraints are beginning to emerge, which may temper demand and shift buyer interest toward other cities such as Melbourne. We anticipate strong growth in Adelaide this year, but growth is expected soften next year.

Perth's market remains strong but is showing signs of strain due to worsening affordability and shifting investor demand to other states. Recent market feedback points to softened sales activity and rising listing volumes, suggesting cooling momentum.

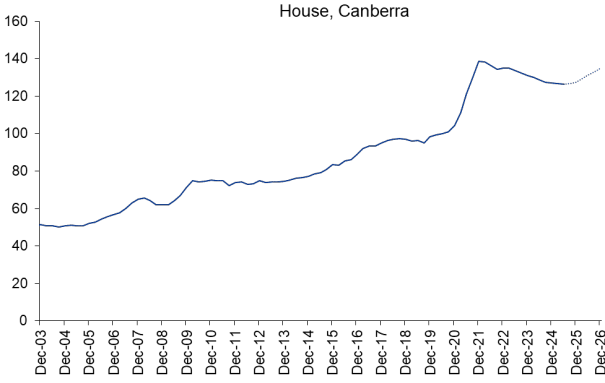
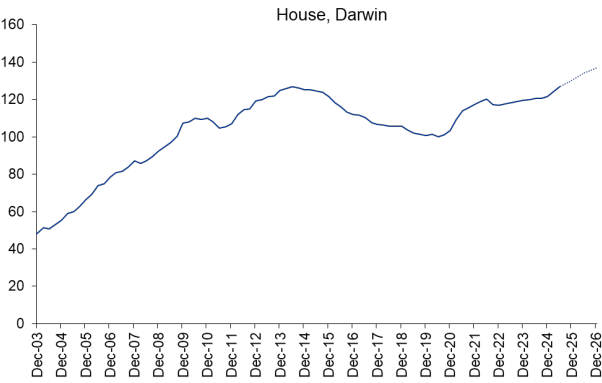
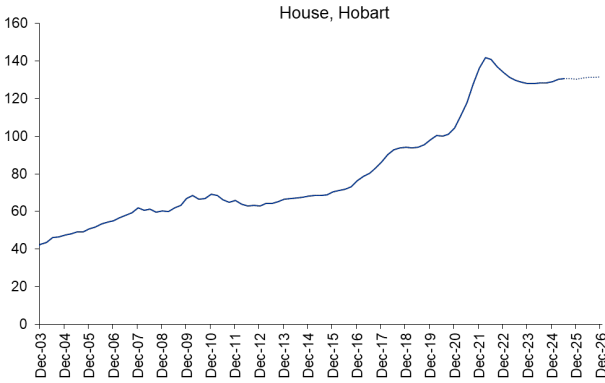
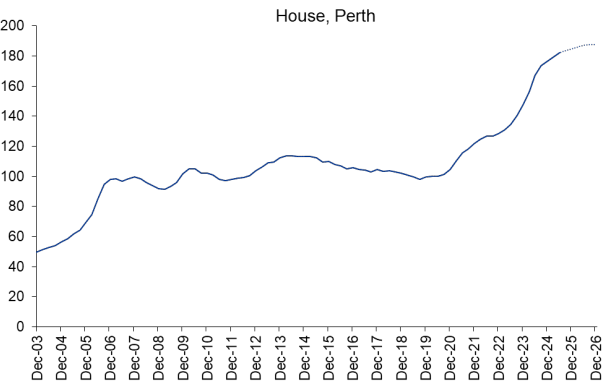
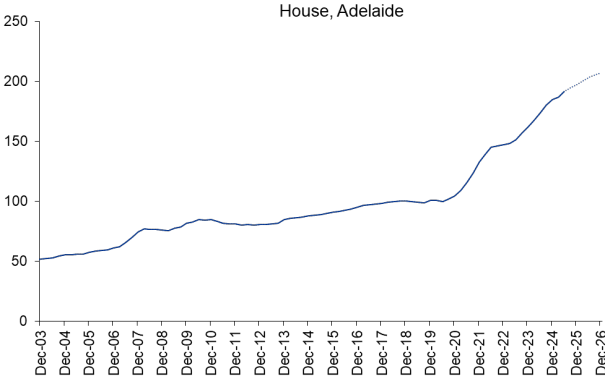
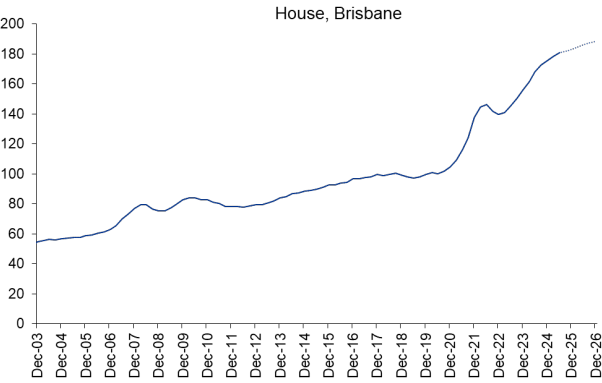
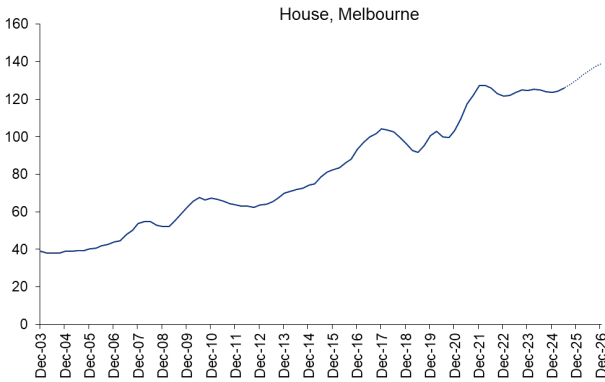
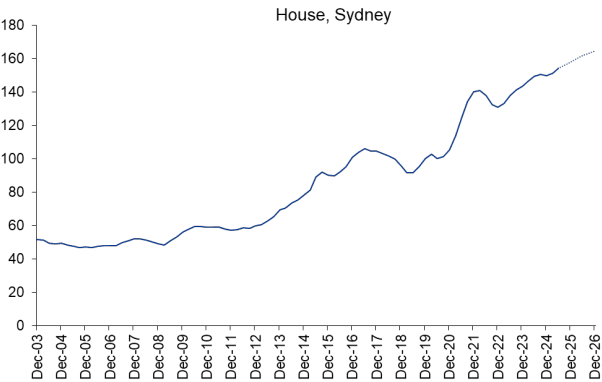
Darwin has outpaced our previous forecasts, with strong house price growth occurring much sooner than anticipated. It has quickly emerged as a key investment hotspot, driven by a robust pipeline of infrastructure projects and attractive rental yields. These factors are positioning Darwin for continued growth over the next two years.

Hobart's housing market has shown modest but consistent gains in recent months. While this suggests a gradual recovery, prices remain over 8% below their peak, and affordability constraints continue to limit upside potential. Reflecting these dynamics, we forecast steady but subdued growth of 2% annually through 2025 and 2026.

Canberra's market has shown early signs of strengthening after a period of flat or falling prices across five of the past six months. While recent performance suggests a potential turning point, more consistent evidence of momentum is needed to support a stronger finish to the year. Once recovery gains traction, we expect growth to be steady next year. Growth next year will also be supported by spillover demand from Sydney's solid market.

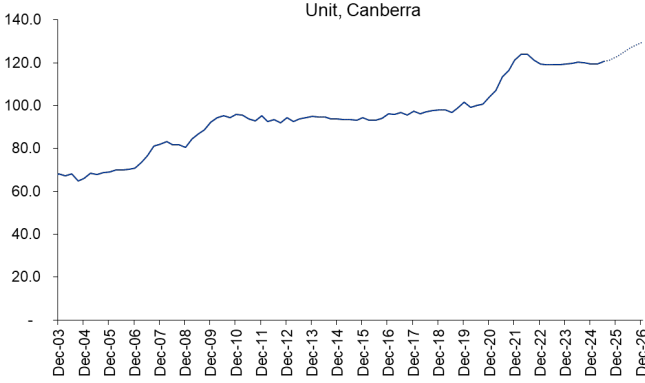
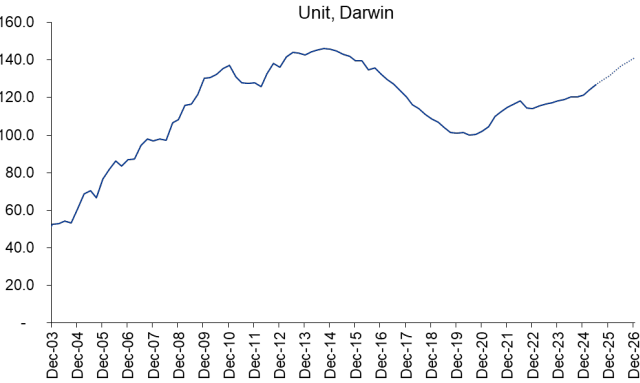
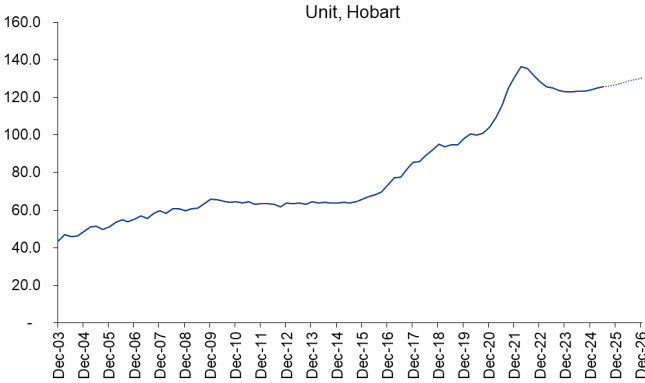
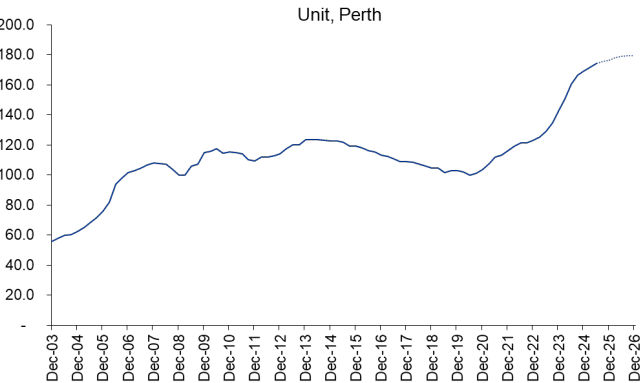
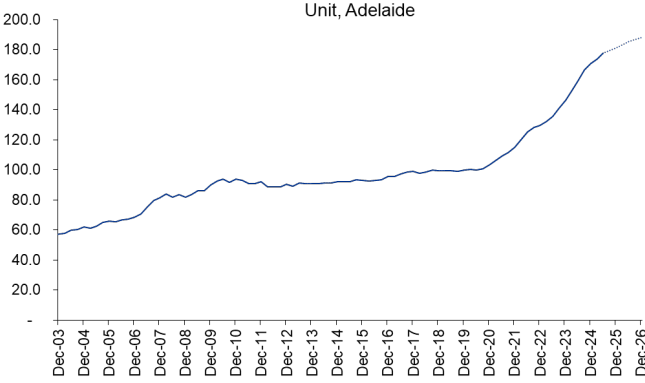
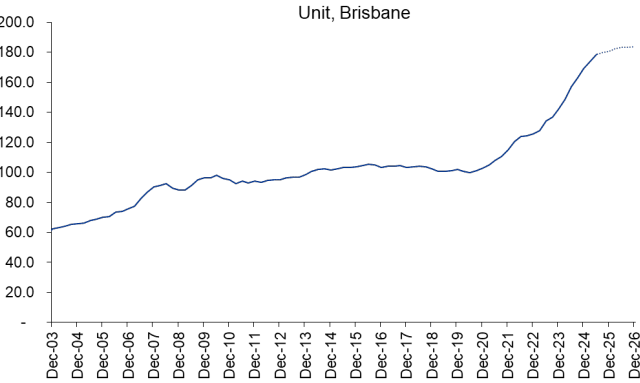
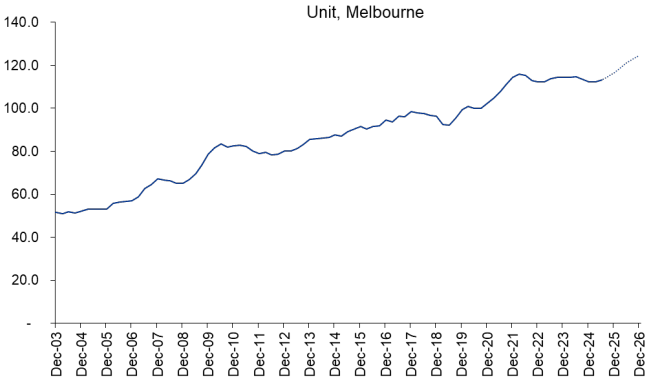
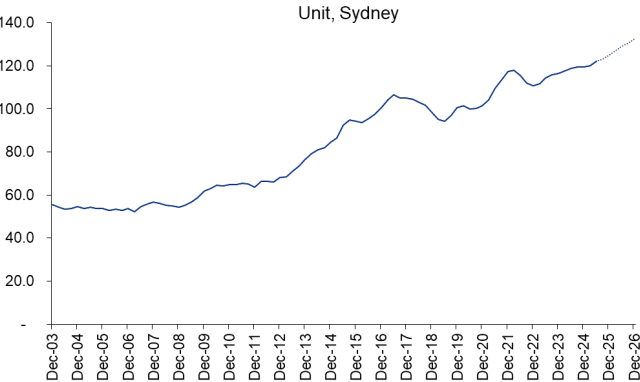


House Prices Forecasts (June 2020 = 100)



Source: ABS, Proptack, KPMG

Unit Prices Forecasts (June 2020 = 100)



Source: ABS, Proptack, KPMG

Key contacts



Dr Brendan Rynne
Chief Economist & Partner
T: +61 3 9288 5780
E: bjrynn@kpmg.com.au



Dr Brian Tran
Senior Economist & Senior Manager
T: +61 3 8614 5625
E: btran7@kpmg.com.au

KPMG.com.au



KPMG does not make any statement in this report as to whether any forecasts or projections included in this report will be achieved, or whether the assumptions and data underlying any prospective economic forecasts or projections are accurate, complete or reasonable. KPMG does not warrant or guarantee the achievement of any such forecasts or projections. Any economic projections or forecasts in this report rely on economic inputs that are subject to unavoidable statistical variation. They also rely on economic parameters that are subject to unavoidable statistical variation. While all care has been taken to account for statistical variation, care should be taken whenever considering or using this information. There will usually be differences between forecast or projected and actual results, because events and circumstances frequently do not occur as expected or predicted, and those differences may be material. Any estimates or projections will only take into account information available to KPMG up to the date of this report and so findings may be affected by new information. Events may have occurred since this report was prepared, which may impact on it and its findings.

The information contained herein is of a general nature and is not intended to address the specific circumstances of any particular individual or entity.

©2025 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation.

Liability limited by a scheme approved under Professional Standards Legislation.

August 2025 | 1297022416TL