

Sydney & Melbourne Housing Prices to Languish

Interest Rate Cut Forecast for Mid 2025

Christopher's Housing Boom and Bust Report 2025

Tuesday 26 November 2024

EMBARGOED TO 9.00pm MONDAY 25 NOVEMBER, 2024

Sydney and Melbourne housing prices are predicted to continue to record moderate housing price falls of between -5% to -1% in what is tipped to be another mixed 2025 national housing market, according to forecasts released today by SQM Research in its annual update, ***Christopher's Housing Boom and Bust Report 2025***.

The base case forecast is for average national dwelling prices to rise between +1% to +4%. The cities of Perth, Brisbane, Adelaide and Darwin are expected to outperform the national housing market with Perth forecasted to record the fastest dwelling price rises of between 14% to 19%. Meanwhile, Canberra is expected to record the largest falls in dwelling prices of between -6% to -2%.

SQM Research is also forecasting an interest rate cut of between 0.25% to 0.50% over mid 2025 based on the view that inflation will continue to moderate and the overall economy will continue to record below trend growth.

If interest rates are cut as forecasted, this event will immediately stimulate homebuyer demand across the country and will limit the year-on-year dwelling prices falls recorded for our two largest capital cities.

Scenario Table – Christopher's Housing Boom & Bust Report 2025				
	Scenario 1 (Base case)	Scenario 2 No rate cut	Scenario 3 RATE CUT in MARCH QUARTER	Scenario 4
City/Region	<ul style="list-style-type: none"> • 25 to 50bp rate cut in Mid 2025 • Population growth continues at 500,000+ • No new Inflationary outbreak 	<ul style="list-style-type: none"> • No rate cut in 2025 • Population growth continues at 500,000+ • No new inflationary outbreak 	<ul style="list-style-type: none"> • RATE CUT MARCH QUARTER • Population growth continues at 500,000+ 	<ul style="list-style-type: none"> • Population growth falls to less than 400,000 people • No rate cut • Commodity prices remain stable
Perth	+14% to +19%	+7% to +11%	+15% to +20%	+7% to +11%
Brisbane	+9% to +14%	+5% to +9%	+11% to +16%	+4% to +8%
Darwin	+5% to +8%	+3% to +7%	+6% to +10%	+3% to +7%
Melbourne	-5% to -1%	-7% to -3%	+2% to +6%	-9% to -5%
Sydney	-5% to -1%	-8% to -4%	+3% to +7%	-10% to -6%
Adelaide	+8% to +13%	+4% to +8%	+10% to +14%	+4% to +8%
Hobart	-3% to +2%	-5% to -1%	+1% to +5%	-8% to -4%
Canberra	-6% to -2%	-8% to -3%	+2% to +6%	-5% to -1%
Capital City Average (weighted)	+1% to +4%	-3% to +1%	+6% to +10%	-4% to 0%

Source: SQM Research

Perth's housing market is expected to be the city to record the largest rises in dwelling prices over 2025 as it has been the case over 2024. The forecast is for Perth dwelling prices to rise between 14% and 19%. While this will be a very fast rate of growth, it will nevertheless represent a slight slowdown from the 25%+ price rises that have been occurring over 2024.

Ongoing strong population growth, combined with strong employment growth and an existing undersupply of homes for sale will keep driving Perth dwelling prices up over the course of next year. The key risks for Perth are a slump in Iron ore prices (from current levels). However, the WA State Government's current financial position is very strong, enabling the State Government to respond to such an event. Forecasted interest rate cuts will also further stimulate demand in the second half of 2025.

Sydney's housing market is expected to record a fall in dwelling prices of between -5% to -1%. 2024 has recorded an increasingly softer housing market for Sydney and as the spring selling season draws to an end, there has been evidence of further weakening to the point where Sydney housing prices are now falling as recorded by SQM Research and other property data providers. There are no leading indicators at this point in time to suggest this current downward trend will reverse. However, SQM does have confidence that once interest rates are cut, Sydney should see an increase in buyer demand.

Melbourne is also predicted to continue on with its current correction with prices tipped to fall by a further 1% to 5% over 2025. The bulk of the weakness over 2025 is likely to occur in the inner-city ring where SQM has been recording surges in distressed listings. However, given the underlying shortages in homes as has been recorded in the rental market, once interest rates are cut, SQM anticipates a quick rise in Melbourne buyer demand.

Brisbane is forecasted to record strong dwelling price rises of between 9% to 14% in what will be its 12th straight year of dwelling price increases. The leading indicators of stock on market suggest that Brisbane housing shortages are more acute than where the local market stood at the end of 2023. Interstate migration flows are expected to remain robust over 2025 and employment growth is expected to stay positive. SQM has a longer-term view that the Brisbane housing market is likely to outperform the national housing market through to the 2032 Olympic Games.

The forecasts release today are based on three key contingencies:

- 1) The rate of population growth is expected to remain strong with an anticipated population expansion of another 500,000+ people over 2025.
- 2) There will be no new inflationary outbreak next year.
- 3) The Reserve Bank of Australia (RBA) will cut interest sometime mid 2025 by between 0.25% to 0.50%.

As is normal for its annual forecast, scenarios have been represented whereby migration rates do slow next year and interest rates are cut sooner than expected or they will not be cut at all.

SQM's second most likely scenario is where interest rates are not cut at all over 2025 but population growth remains strong. Sydney, Melbourne, Canberra and Hobart housing prices are expected to fall further in such an event. However, Perth is still expected to record a strong market given the strength and momentum that is currently in place.

SQM Research believes a possible change of Federal Government (Federal election expected in May 2025) will not have an immediate impact upon the housing market except that auction volumes may fall in the weeks leading up to the election. While it is expected that housing and migration will be key debating points, any policy change implemented would be too late to impact the housing market in 2025, yet may have ramifications for market activity over 2026.

Louis Christopher, Managing Director of SQM Research said,

“Another strong year of population expansion which will almost be double Federal Treasury forecasts; plus, an ongoing shortage of new dwellings, limited expected housing price falls in Sydney and Melbourne over 2024 and saw strong price gains in Perth, Brisbane and Adelaide.

“For 2025, we are not anticipating much of a change in these current trends. However, we are now anticipating a cut in interest rates starting from mid-year which will continue the price rise momentum in Perth, Brisbane and Adelaide and keep the price falls in Sydney and Melbourne to single digits.

“To be sure, our two largest capital cities, along with Canberra and Hobart will start 2025 off in the red. Indeed, we are currently recording dwelling price falls in each of these cities. Current interest rate settings are biting the community more in these cities which on our measurements, are in overvalued territory and/or are experiencing slower economic growth compared to the cities (and states) that have enjoyed good economic growth through a buoyant commodities market and/or have had generous contributions from GST receipts.

“However, once interest rate cuts do occur, we are expecting a speedy bounce in demand for Sydney and Melbourne in particular, which both are still experiencing underlying housing shortage relative to the strong population growth rates. This may well mean there is a good window for buyers at this time for our two largest capital cities. However, if I am wrong and rate cuts do not occur in 2025, it is unlikely a recovery will occur in Sydney and Melbourne at any time next year.”

[Christopher's Housing Boom and Bust Report](#) also has a full breakdown of every postcode in the country covering current market statistics and its postcode investor ratings. The full report can be found on www.sqmresearch.com.au for \$59.95.

About SQM Research

SQM Research Pty Ltd is a respected Australian investment research house, specialising in providing research and data across all major asset classes.

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