

PROPERTY MARKET UPDATE

MONTH IN REVIEW

OCTOBER 2025



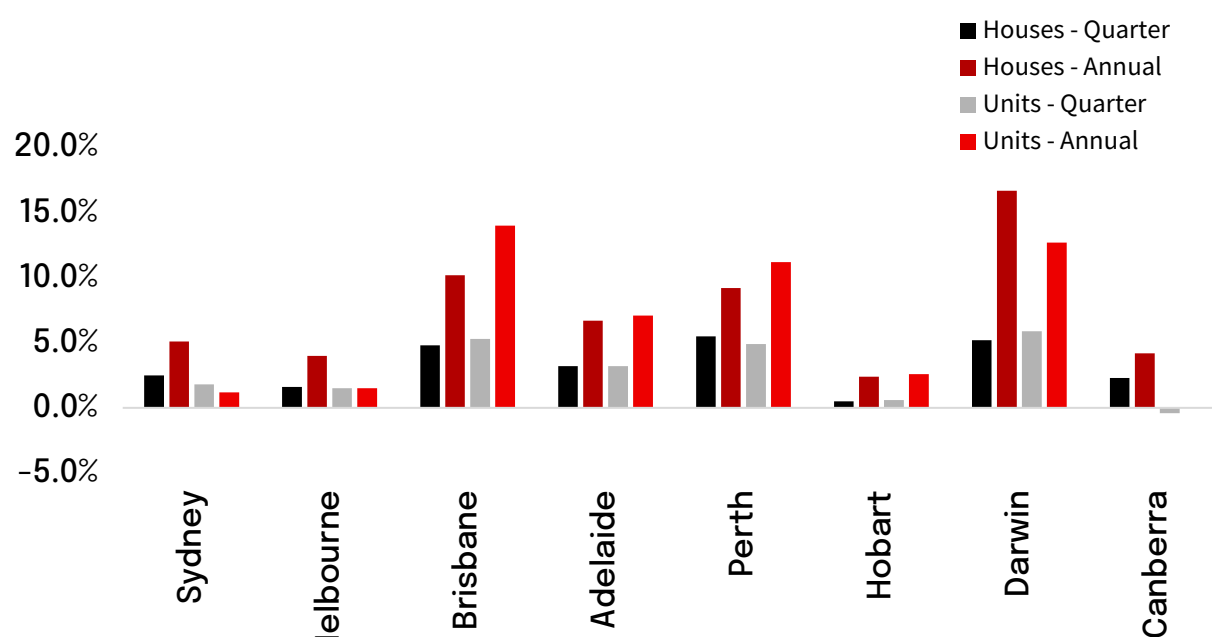
Australia's housing market accelerated notably in October, with national home values rising 1.1%, the fastest monthly increase since June 2023 and significantly higher than the +0.8% in September according to the latest insights from Cotality. The growth momentum began in February with the first rate cut marking a defining point, with dwelling values moving through a growth phase across most regions and gathering momentum since then.

While monetary easing laid the foundation, October's surge coincides with the expanded 5% Deposit Guarantee Scheme, launched on October 1st. This policy has likely unlocked demand among first-home buyers in the most affordable segment of the market, where growth outpaced the premium market. The most affordable quartile performance since the expansion of this Home Guarantee Scheme is now outperforming the broader market in all major capitals – by 0.3% in Brisbane, 0.2% in Adelaide and Perth, and 0.1% in Sydney and Melbourne as of 29th October. Across the combined capitals' broader markets, the middle-market values rose 1.4%, lower quartile values lifted 1.2%, while the upper quartile gained 0.7%. Perth led total capital growth with a 1.9% rise, while, on the other end of the spectrum, Hobart posted a modest 0.3% gain. Regional markets also strengthened, recording a 1.0% combined gain, the highest since March 2022, with the strongest value rise in Regional WA, up 1.8%.

The strong upswing reflects a persistent imbalance between supply and demand. Home sales are tracking 3.1% above the previous five-year average, while advertised supply is -18.0% below average (to week ending 26th October). Auction clearance rates remain robust, hovering in the high 60%-to-low-70% range, despite easing slightly recently.

Newly built supply remains insufficient, with dwelling commencements -9.5% below the decade average and completions down -15.6%. Construction costs are continuing to rise, with the Cordell Construction Cost Index up 0.6% in the September quarter, adding further pressure to affordability.

House & Unit Value Movement – End of October



Source: NAB, Cotality

In the rental market, vacancy rates held near record lows at 1.4% in October, driving renewed growth. Cotality's national rental index rose 0.5% per month over the past three months – the fastest pace since May 2024. Annual rental growth is rebounding, led by smaller capitals: Darwin rents surged 8.5% and Hobart climbed 6.9%. Unit rents are rising faster than houses, with combined capitals recording 4.4% growth for units versus 3.9% for houses, adding roughly \$28 per week and \$27 per week, respectively.

Despite rising rents, housing values are increasing faster, compressing yields. Capital city gross rental yields fell to 3.4%, the lowest since October 2022, while regional yields eased to 4.3%. Darwin and regional NT remain outliers, with yields of 6.4% and 7.9%, delivering exceptional total returns – Darwin's at 23.1%, supported by a doubling of investment loans over the past financial year across the NT.

Outlook

Looking ahead, the housing market is expected to maintain positive momentum into early 2026, supported by strong demand and persistently low supply. Affordability challenges and inflationary pressures could temper growth, given less expectation of interest rate reductions. The higher-than-expected Q3 inflation suggests a shallower rate-cutting cycle, with the market anticipated no further cuts in 2025. This could limit borrowing capacity gains, especially if cost-of-living pressures persist. Investor activity is rising, prompting regulators to consider tighter credit policies, which may also dampen demand in some segments over the medium term.

Rental markets are likely to remain under pressure, with vacancy rates near record lows and rents continuing to climb, particularly for units. While yields are compressing in most regions, high-return markets like Darwin and regional NT will remain attractive to investors.

The updated interest rates outlook is expected to see some moderation in the rate of growth in the market more broadly with the strength of the first home buyer cohort still expected to push the most affordable quartile of the market higher.

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Market Level Dwelling Growth



Source: Cotality

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