

# PROPERTY MARKET UPDATE

## MONTH IN REVIEW

### MAY 2025



**Australia's housing market continued its upward trajectory in May, with national dwelling values showing steady growth of +0.5%. All capital city and regional markets (except regional Tasmania) experience growth, bringing the total increase for the first five months of the year to +1.7%.**

The gains were broad-based with a rise of at least +0.4% in every capital city during May.

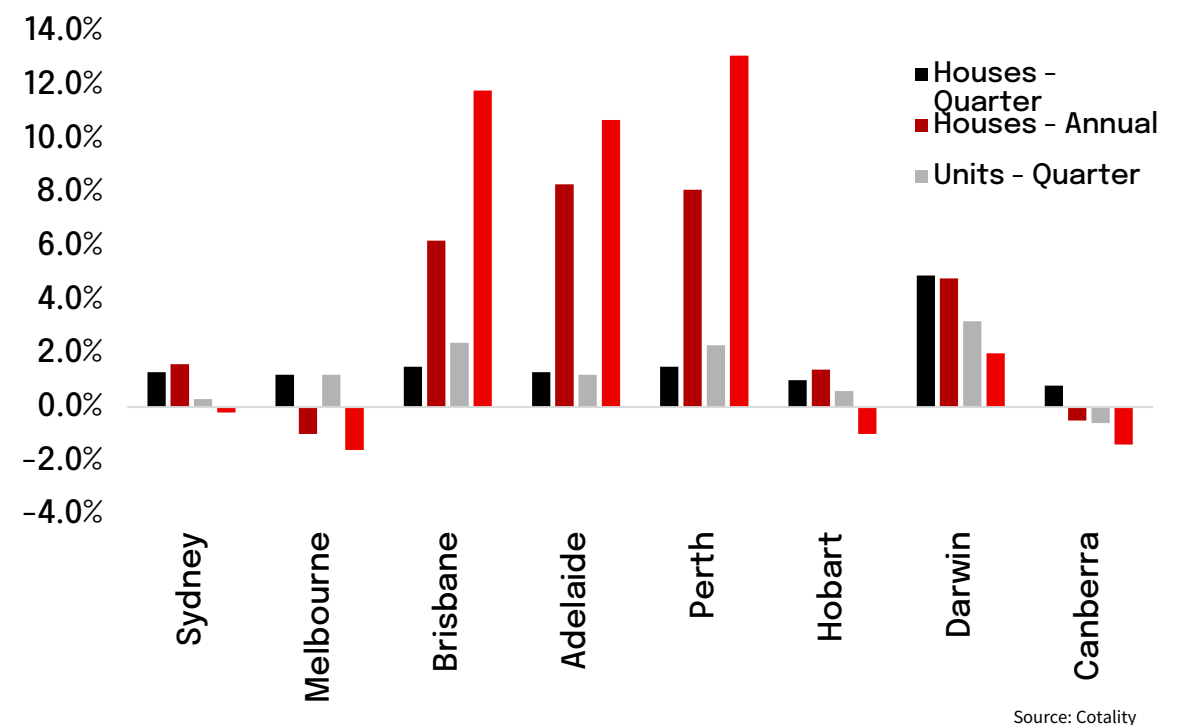
Following a shallow and brief downturn which ended in January 2025, the growth in May reflects growth momentum building, supported by now two interest rate reductions.

The growth in values reflects the influence of interest rate cuts – both those already implemented and expectations of further reductions. As borrowing costs ease, buyer confidence improves, and housing finance becomes more accessible. This has translated into renewed buyer activity across owner-occupier and investor segments.

Despite this recent recovery, the annual pace of dwelling value growth has moderated. In the year to May 2025, the national Home Value Index (HVI) rose to +3.3%, marking the slowest twelve-month increase since August 2023.

Only Melbourne and Canberra recorded a mild annual softening in dwelling values, but these markets have stabilised and are growing. Previously, strong mid-sized capitals such as Adelaide and Brisbane are experiencing more moderate growth, while softer markets such as Melbourne and Canberra are moving back into growth, contributing to a convergence in growth rates across capital cities.

#### House & Unit Value Movement – End of May



In contrast, the range in annual growth peaked in August 2024, with a striking 26.1% gap between the strongest market (Perth, up +24.5%) and the weakest (Hobart, down -1.6%), representing the most diverse market conditions since 2007.

Outside the capitals, the regional markets have also shown a positive trend, with every regional market recording an increase in values over the year-to-date. The highest gains were in Regional SA, where values increased +5.8% over the first five months of 2025. On the other end of the spectrum, Regional TAS values held reasonably flat over the same period, increasing by just +0.1%.

In May, the monthly pace of rental growth eased to 0.4%, down from a consistent 0.6% month-on-month rise over the previous three months, with this deceleration in growth following an extended period of rapid increases. While seasonal factors have provided a temporary uplift in rents during the early months of the year, the broader trend points toward a cooling in rental price pressures.

Most capital cities are recording slower annual rental growth, reflecting a shift from peak conditions. Darwin and Hobart, however, are bucking this trend, instead seeing an acceleration in rental price growth. Sydney and Melbourne, which previously led the nation in rental price increases, have now become two of the softest rental markets. This shift follows a period of extreme rental growth, driven by surging demand and tight supply in 2021-2022.

Despite the easing in rental growth, vacancy rates remain close to historic lows across the board. Every capital city continues to record vacancy rates below 2%, compared with a decade average of 2.6% across the combined capitals.

**Outlook** - The outlook for Australian property is one of cautious optimism, supported by a stabilising macroeconomic backdrop and improving sentiment. The RBA has signalled growing comfort with the current trajectory of inflation, expressing confidence it will remain within the target band until 2027. This reassurance, combined with renewed political certainty following the federal election, has bolstered buyer confidence. Together, these factors point to a continued modest rise in housing values throughout 2025.



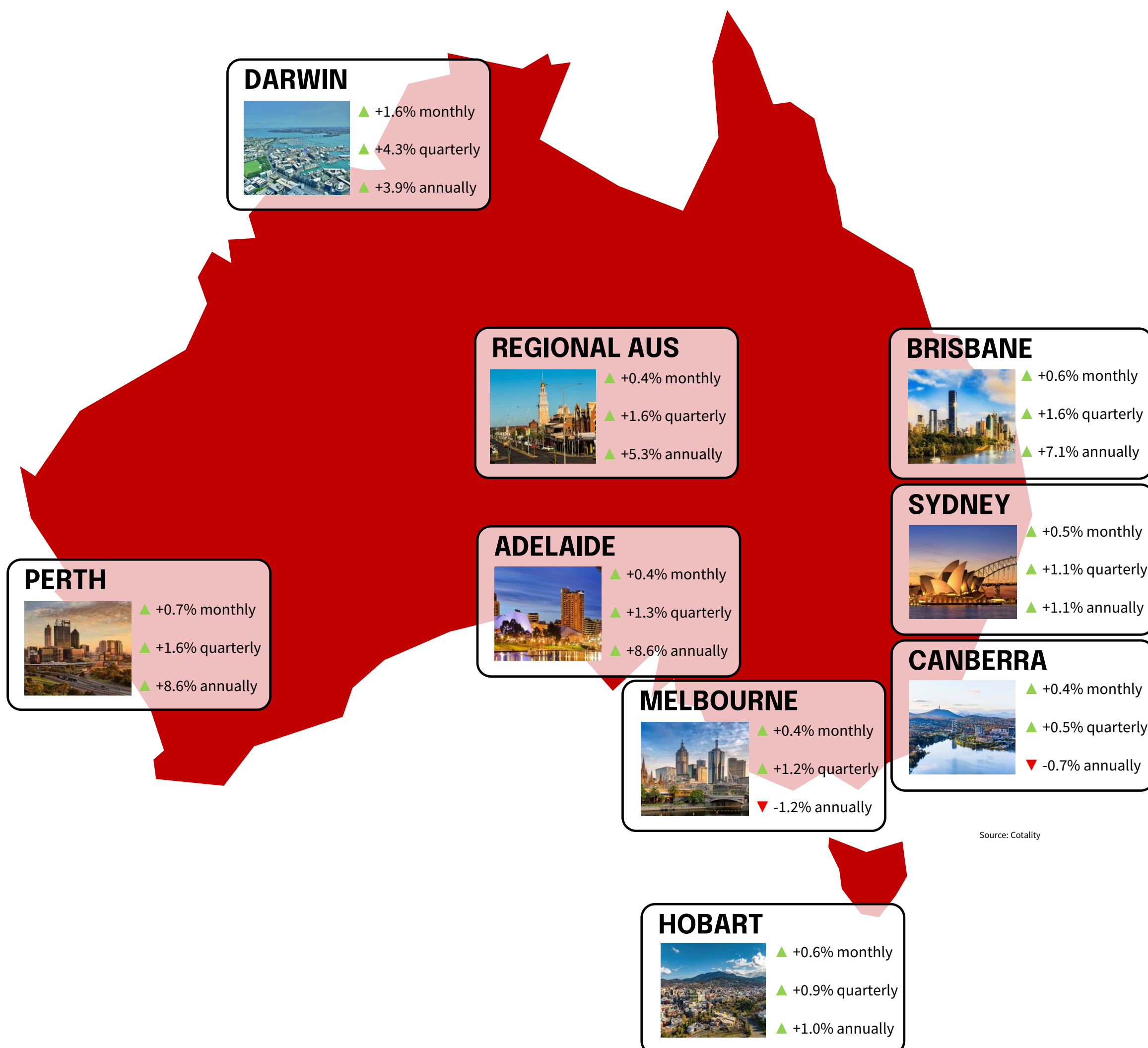
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## Market Level Dwelling Growth



Source: Cotality