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Market Essentials April 2025

National Overview:

- **Home values** reached new record highs in March 2025, with a **0.4%** rise, marking the second consecutive month of growth.
- **Improved sentiment** following a February rate cut helped reverse a three-month decline.
- Rental values also reached record highs, with rents increasing **0.6%** in March.

Capital Cities:

- **Sydney:**
 - Home values rose by **0.9%** in the last two months, recovering from a **-2.2%** drop between September 2024 and January 2025.
 - Home values are **still 1.4%** below record highs, but signs of recovery are evident.
 - **Upper quartile** values saw stronger growth than lower quartile values over the last three months.
- **Melbourne:**
 - After a long downturn since March 2022, values increased **0.9%** over the past two months but remain **5.6%** below their peak.
 - **Mid-range** values in Melbourne are seeing a more noticeable upward trend compared to lower-priced homes.
- **Brisbane and Adelaide:**
 - Both cities are experiencing **steady growth** in home values, though growth rates are not as strong as in Sydney or Melbourne.
 - Home values in **Adelaide** are performing better compared to its peak, while **Brisbane** shows a moderate increase.
- **Perth:**
 - **Perth's home values** saw a slight decline by **-0.05%** from the peak in October 2024.

- The city had seen the **largest growth** (up by 75.4% since March 2020), but growth momentum is slowing.
- **Hobart:**
 - Home values fell by **-0.4%** in March, marking the only capital city with a decline.
 - Hobart's market has struggled to maintain growth seen earlier in the pandemic.

Regional Areas:

- **Regional Markets** continue to outperform capital cities, with **regional home values increasing by 0.5%**.
- Strong growth is concentrated in **regional WA and Queensland:**
 - **Geraldton (WA): 25.4%** annual growth
 - **Townsville: 23.5%** growth
 - **Gladstone: 22.2%** growth
 - **Mackay: 20.2%** growth
- Regional areas in the **Mid-West of WA** and **Queensland's central regions** remain the best performers in terms of growth.

Rental Market:

- National **rental growth slowed**, up by just **0.6%** in March, compared to **1.0%** at the same time last year.
- **Hobart** saw the highest rental increase at **1.2%**, while **Melbourne** had the smallest rise at **0.3%**.
- **Unit rents** are growing faster than house rents in almost all cities except the ACT.
- Despite slowing growth, rents have **risen 38.4%** over the last five years, significantly outpacing wage growth of **15.4%**.
- The **national vacancy rate** remains low at **1.5%**, well below the pre-COVID average of **3.3%**.
- Future rental growth is expected to **slow further**, but given low vacancy rates, rents will likely remain high.

Market Outlook:

- **Monetary Policy:** The rate-cutting cycle is expected to continue, but interest rates will remain above the neutral cash rate of **2.9%** throughout 2025.
- **Housing Affordability:** Remains **stretched**, with home loan serviceability at **record highs**. A median-income household would need to allocate **50.5%** of its gross income on mortgage repayments for the median-priced home.

- **Population Growth:** Has returned to pre-COVID levels at **0.4%** growth in the September quarter. A slowdown in overseas migration (down **46%**) is reducing housing demand.
- **Housing Supply:** Remains **constrained**, with high costs and a shortage of skilled labour affecting construction.
- **Labour Market:** Unemployment remains low at **4.1%**, but job growth has slowed, and any further weaknesses here should be monitored.
- **Consumer Sentiment:** Rising, driven by inflation easing and expectations of further rate cuts.

Key Risks and Challenges:

- The **affordability** challenge remains, as the cost of homes continues to outpace household income growth.
- **Credit conditions** remain cautious, with high loan-to-value ratios and lower mortgage origination.
- **New housing supply** is likely to remain constrained, making it difficult to meet the undersupply of homes.

In summary, while the national housing market has shown signs of recovery, especially in the capital cities, regional areas remain strong performers. However, challenges such as affordability issues, high mortgage repayments, and constrained housing supply continue to limit more substantial growth.
