

Home Price Index

1 March 2025

Home prices rebound to record highs as interest rates fall in February

Key findings:

- National home prices lifted 0.40% in February to hit a new record. February's bounce has reversed the small price falls seen in recent months, and national prices are now sitting 3.94% above their levels a year ago.
- After leading the small falls in recent months, capital cities also led the bounce in prices, lifting 0.45% in February. In contrast, regional areas recorded a 0.28% rise in prices over the month. Prices in both capital cities and regional areas are sitting at record highs.
- Melbourne (+0.67%) and Sydney (+0.50%) led price gains in February, while Hobart (-0.03%) was the only capital to see prices fall. Behind Darwin, Melbourne and Sydney have seen the fastest acceleration in home price growth over the past quarter. Adelaide, Hobart and Perth have seen the fastest deceleration.
- In Perth, Adelaide and Brisbane, growth has slowed in recent months. However, they remain the strongest performing capitals over the past year, with prices up 13.12%, 11.91% and 10.21%, respectively.
- Despite capital cities leading the price rebound, annual growth in regional areas (+4.54%) has outpaced that of capital cities (+3.70%). Poor affordability and a surge in choice throughout spring tempered price growth in the capitals.

“National home prices rebounded as interest rates fell in February, reversing the soft start to the year.

“Market sentiment has improved now that interest rates have started to move lower. The prospect of rate cuts had already buoyed sentiment, with clearance rates strengthening in every capital city in early February compared to the final months of 2024.

“February's rate cut boosted borrowing capacities while improved affordability and buyer confidence have driven renewed demand and price growth, reversing the falls of recent months.

“Beyond interest rates, structural factors underpinning home prices remain at play. Population growth remains elevated, though has begun to moderate, and a chronic shortage of new homes remains.

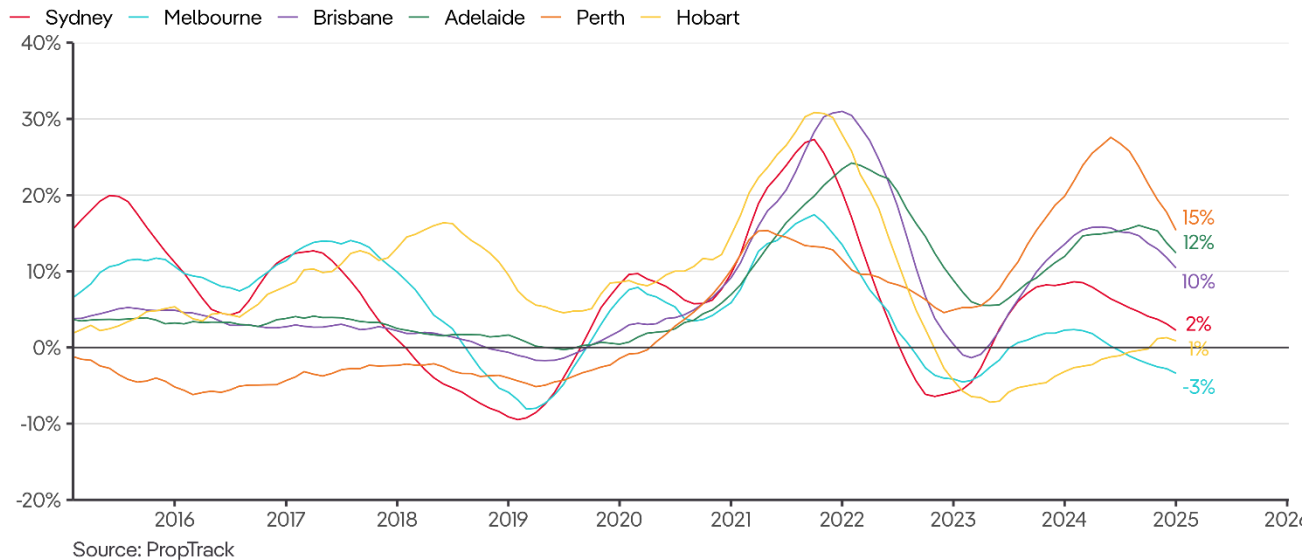
“Looking ahead, prices are expected to continue lifting and interest rates are expected to fall further. However, poor affordability will likely dampen the uplift in prices compared to prior easing cycles, resulting in the pace of home price growth trailing the strong performance of recent years.”

PropTrack Home Price Index February 2025

All dwellings	Monthly growth	Annual growth	Change from peak	Change since March 2020	Median value
Sydney	0.50%	2.66%	At peak	38.6%	\$1,094,000
Melbourne	0.67%	-2.50%	-4.74%	15.0%	\$774,000
Brisbane	0.29%	10.21%	At peak	80.9%	\$870,000
Adelaide	0.33%	11.91%	At peak	81.7%	\$793,000
Perth	0.02%	13.12%	-0.11%	81.2%	\$766,000
Hobart	-0.03%	1.33%	-7.38%	37.1%	\$668,000
Darwin	0.33%	2.57%	At peak	30.4%	\$509,000
ACT	0.20%	-0.33%	-5.68%	35.4%	\$834,000
Capital Cities	0.45%	3.70%	At peak	41.6%	\$860,000
Rest of NSW	0.23%	3.27%	At peak	56.8%	\$737,000
Rest of Vic.	0.22%	-2.42%	-5.12%	38.7%	\$577,000
Rest of Qld	0.42%	9.14%	At peak	81.4%	\$715,000
Rest of SA	0.29%	10.92%	At peak	83.4%	\$477,000
Rest of WA	0.13%	12.49%	At peak	81.7%	\$562,000
Rest of Tas.	-0.01%	3.75%	-0.01%	59.1%	\$517,000
Rest of NT	-0.04%	2.86%	-2.74%	12.2%	\$410,000
Regional Areas	0.28%	4.54%	At peak	61.6%	\$660,000
National	0.40%	3.94%	At peak	46.7%	\$794,000

Annual change in home prices

By capital city, all dwellings



Sydney

Sydney home prices lifted 0.50% in February to a record high and were 2.66% above their levels a year ago. Market sentiment has improved now interest rates have started to move lower. As a result of the boost to purchasing power, price falls in Sydney have reversed. The improvement to affordability and buyer confidence has driven renewed demand and price growth. Buyers who had delayed purchases due to the sustained higher interest rate environment are re-entering the market and stronger auction clearance rates reflect renewed competition among buyers.

Brisbane

Home prices in Brisbane lifted 0.29% in February to a record high, with prices up 10.21% over the past year. Brisbane remains one of the strongest performing capital city markets comparing annual price growth, though there has been a deceleration in the pace of price increases compared to the previous quarter. Although growth is moderating, this follows a run of exceptional growth that has seen Brisbane become the second-most expensive capital, ahead of Melbourne and Canberra, with prices up 81% over the past five years.

Perth

Perth home prices lifted a small 0.02% in February and remain 0.11% below peak levels. Though the pace of growth has slowed compared to the previous quarter, Perth remains the top performing capital for annual home price growth (+13.12%). The comparative affordability of the city's homes, strong population growth and limited new housing supply have all contributed to the city's persistently strong growth of recent years.

Darwin

Home prices in Darwin lifted 0.33% in February to a fresh price peak, up 2.57% over the past year. House prices outperformed that of unit prices over the past year, lifting 3.12% compared to 1.03% for units.

Melbourne

Melbourne led gains in February, with prices lifting 0.67%. February's rate cut boosted borrowing capacities, and improving affordability and buyer confidence have driven renewed demand and price growth. After a period of sustained higher interest rates, buyers who held off purchasing are re-entering the market. Auction clearance rates have strengthened, reflecting renewed competition. Despite the bounce in February, prices in Melbourne remained 2.50% below their levels a year ago. Price momentum has been weaker in Melbourne for much of the past five years, partly due to weaker economic conditions, greater buyer choice and higher property taxes. Additionally, construction activity in Victoria has aligned more closely with population growth over the past decade.

Adelaide

Adelaide home prices lifted 0.33% in February, bringing prices to a record high. Adelaide remains one of the top performing capitals over the past year, as prices were 11.91% above February 2024 levels. The comparative affordability of the city's homes has contributed to persistently strong growth of recent years. However, the pace of price growth has slowed in line with affordability deteriorating significantly through this period.

Hobart

Hobart home prices dropped a small 0.03% in February, marking the third consecutive month of falls. Despite the decline, prices were 1.33% higher than the same time last year. Even so, Hobart remains the weakest capital city market when comparing change from peak, with prices down 7.38%, despite recovering some of their two-and-a-half-year decline in the second half of 2024.

ACT

Home prices in Canberra lifted 0.20% over the month yet were sitting 0.33% below their February 2024 levels. Prices remained 5.68% below their March 2022 peak but were up 35.4% from March 2020.

Methodology

The PropTrack HPI model uses a hybrid methodology that combines repeat sales and hedonic regression. Both of these methodologies are commonly used to measure housing price movements in Australia and overseas. These methodologies are designed to estimate the change in home prices in a way that is not affected by the quality and location of the sample of homes that transact in a given period.

Repeat sales regression matches transactions of identical properties over time. This uses the fact that the change in price of a given property over time should only reflect changes in market prices (assuming no significant alteration or renovation was undertaken between sales). Hedonic regression breaks down the value of homes into observable characteristics (e.g. size, location) to account for differences in characteristics of sold properties over time.

The PropTrack HPI uses a hybrid methodology, which starts with a repeat sales regression, but allows transactions for non-identical, but closely located properties of the same type to be matched together. Sales of properties of the same type (house, unit) in the same ABS Statistical Area Level 1 are matched together. There are over 57,000 spatial SAI regions across Australia, with a population generally between 200 and 800 people. This increases the number of matches that can be used to estimate home price growth and uses the fact that nearby properties are generally similar. Hedonic regression is used to account for differences in the size of properties that are matched together, using the number of bedrooms in each property.

In this way, the hybrid methodology augments the repeat sales methodology for home price growth to be estimated where there might not be sufficient volume of repeat sales transactions.

The PropTrack HPI estimates home price growth in a robust and flexible manner, which is revised each month, allowing each estimate to best reflect the available data on Australian home prices over time.

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