Australian Property Update

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Terry's View: "Slowdown" Is Media Fiction

The start of a new year inevitably brings a flurry of media commentary about what the housing market supposedly did in December and what it means for the year ahead, with negative forecasts predominating. And, almost on cue, multiple media outlets have published reports claiming price growth "stalled" or "lost steam" in December, and that this signals a turning point for prices in 2026. Together, they create an impression that something meaningful has occurred. In reality, these articles amount to little more than misinformation dressed up as analysis.

The central assertion common to all these pieces is that a "soft" December carries deep significance for 2026. Some have highlighted small dips in Sydney and Melbourne as the product of affordability pressures and interest rate speculation. Others have suggested the seasonal slowdown was evidence of a national "speed bump" in prices and market weakness emerging in early 2026.

What these interpretations share is an exaggerated importance placed on a monthly figure that is statistically insignificant. One month of data proves nothing. Real estate markets, unlike share markets, are slow to move and slower to reveal meaningful trends. We've seen that repeatedly in recent years. Monthly movements are often influenced by seasonal factors, the mix of properties sold and the flaws in the methodology of the major data companies. Anyone with serious experience in property understands that credible analysis looks at longer trajectories, not an isolated number from December when everything slows down for the festive season.

The second consistent flaw in these articles is the unexamined assumption that the so-called December "slump" – what little of it there was – has been caused by "interest rate fears". Each journalist adopted this claim uncritically, but nowhere was there evidence that buyers are suddenly paralysed by rate speculation. No surveys were cited. No behavioural data was presented. No buyer research was referenced. The journalists simply repeated an assertion because it sounded plausible to them, with their limited knowledge of real estate dynamics.

This reveals something important: when journalists don't really understand how real estate markets work, they default to interest rates as the explanation for everything. It is the media's favourite crutch. But markets are more complex. Price performance in 2025 was driven by chronic undersupply at a time of high buyer demand. That structural imbalance did not disappear in December. Nor does it vanish because someone at the RBA makes an ambiguous comment. What matters are the longer-term trends – and they all point to strong buyer activity in 2026 at a time of short supply. And that's a recipe for further price growth.

2025 A Top Year For Growth

Property price growth may have slowed toward the end of the year, but new data shows 2025 was still a winner for property owners. Nationally median dwelling prices only rose by 0.1% in December, dragged down a little by subdued performances in the Sydney and Melbourne markets, but over the whole of 2025 values were up by 8.8%, according to PropTrack. While that is a solid result, Hotspotting analysis shows that many individual suburbs, particularly in Australia's smaller capital cities, have well outperformed that.

PropTrack data shows that Perth is the best-performing capital city house market, with its median up by 16.9% in 2025. Darwin, which picked up dramatically in the second half of 2025, is next with growth of 14.7%, then Brisbane, 13.5%, Adelaide, 12.5% and Hobart, 9%. Sydney's median house price is up 6.9%, the ACT is up, 5.6% and Melbourne 4.7%. PropTrack Senior Economist Anne Flaherty says while those results are solid, regional markets are still performing better than their capital city counterparts in most states. The strongest regional house market growth was in Western Australia, which is up by 13.9%, followed by Queensland, up 12.7% and Regional South Australia, which is up 11.5%.

Cotality recorded similar figures. It says median dwelling values are up 8.7% in the past 12 months, which has added about $71,400 to Australia's median dwelling value over the course of the year – the strongest gain since 2021 at the peak of the Covid buying frenzy.

Where the Highest Yields Are

While rents are continuing to rise in capital cities, it is regional Australia that is securing the highest rental yields.

New analysis from Cotality shows that Regional Northern Territory has the strongest rental yield as of January 2026 at 7.9%.

It is followed by Darwin, the only capital city market to make it into the top five, with a yield of 6.2%. Regional Western Australia is next (5.5%), Regional South Australia (4.5%) and then Regional Victoria (4.2%).

Cotality Research Director Tim Lawless says, despite the ongoing rise in rental values, gross rental yields have held reasonably firm since the beginning of 2023.

He says the rental markets remain extremely tight across most of Australia, with vacancy rates up slightly in December, from 1.5% to 1.6%. Lawless says the slight increase is more likely as a result of seasonal factors rather than any real loosening of rental conditions.

Nationally, rents are up 5.2% in the past 12 months, compared to 4.8% in 2024. Lawless believes even with a slight increase in vacancy rates, rents will likely rise further in 2026.

Regional Western Australia had the largest increase in rents in 2025 – up by 10.1%, followed by Darwin, which is up by 8.2%.

First Home Buyer Options Shrink

The share of homes within a First Home Buyer's budget has fallen dramatically to about 12% of the housing stock. Analysis by KPMG says that in FY2020 a FHB with an average annual household income of $180,000 could afford to buy about 30% of the housing stock.

KPMG Urban Economist Terry Rawnsley says home loan data shows First Home Buyers now need household incomes of about $180,000 to service a typical home loan.

South Australia and Western Australia are the best states for first-home buyers, with about a quarter of housing stock within their budgets. In Queensland, about 15% of markets are within reach, while in Victoria it is just 10%, and Sydney is half that at 5%.

Rawnsley says the sharp rise in house prices across Western Australia, Queensland and South Australia in the past five years has significantly reduced the share of the market accessible to first-home buyers.

He says the figures are a good example that not only does Australia need more housing supply but it needs to be at a price point accessible to first home buyers.

The data shows that in the past three years, the amount of new housing supply priced at $800,000 or lower has steadily fallen. In FY2023, about 30% of properties were within the price point and by FY2025, it was 12%.

Housing A Top Financial Concern

The cost of housing, whether mortgage payments or rent, is Australians' top financial concern for 2026. Canstar's latest Consumer Pulse Report shows that despite three cash cuts in 2025, the number of respondents who say housing is their top financial concern is double what it was five years ago. As a result, renters in particular are changing spending habits to help them manage, with 42% reducing their spending and 17% actively looking for a more affordable rental property.

The report says half oftherespondents experienced a rental increase in 2025 by an average of $62 per week. More than a quarter of property owners say they are considering selling within the next two years, with 19% considering selling because they cannot afford higher loan repayments. A survey for property developer Capital Corporation found 56% of those planning to downsize their home want to free up money for their retirement as well as reduce house costs.

Canstar's Data Insights Director, Sally Tindall, says while rate cuts in 2025 brought some much-needed relief to mortgage holders, it hasn't been enough. "Housing remains the nation's top financial concern. Whether it's mortgage repayments or rents, the meteoric rise to what is, for most people, their biggest financial expense has been difficult to shoulder."