Domain

# Forecast Report 2026

**Price and rents:**
Record highs and the first-home buyer boom

# Executive summary

Australia's housing market is entering a new phase, defined by lower interest rates, increased policy support, and a gradual rise in household incomes.

After years of affordability strain and tight supply, 2026 is expected to bring a more balanced, policy-driven cycle, supported by renewed confidence and easing financial conditions.

Home prices are forecast to reach record highs across all capital cities by the end of 2026, with Melbourne and Canberra expected to complete their price recovery. Growth will unfold in two clear phases:

## 2026

**Phase 1 – Momentum builds (first half of 2026)**

The Expanded First Home Guarantee Scheme, tailwind from lower interest rates and rising incomes fuel stronger demand and faster price gains.

**Phase 2 – Growth moderates (second half of 2026)**

Affordability pressure starts to cap gains, particularly in cities that have surged in recent years.

Rents are forecast to reach record highs by the end of 2026. House rent growth is expected to increase gradually after a period of near-stagnant growth in 2025, supported by rising incomes and continued shortages, while unit rents are anticipated to rise at a similar pace next year.

**Key findings:**
Price momentum remains strong through mid-2026, supported by:

**First Home Guarantee Scheme expansion:**
By enabling purchases with a 5% deposit and no mortgage insurance, the scheme could lift prices by up to 6.6% in its first year[1] – equivalent to around 125 basis points of rate cuts – by pulling forward first-home buyer demand.

**Lower interest rates:**
The 75 basis points of cuts in 2025 will continue to support home price growth in 2026. Markets no longer expect any additional interest rate cuts in the near term.

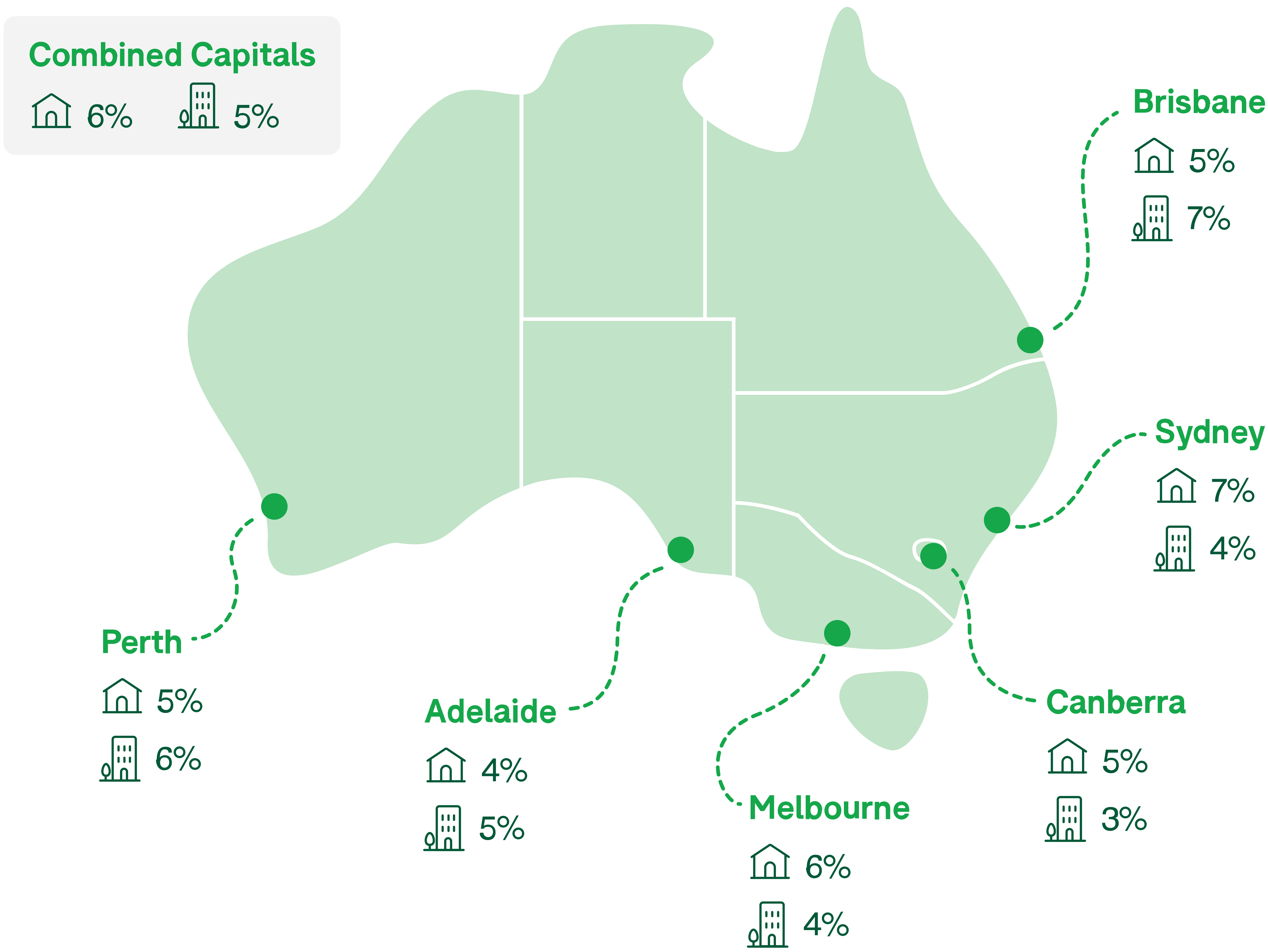
**Improving household incomes:**
Modest real income growth is restoring some purchasing capacity and helping to offset affordability pressures.

**Affordability ceilings to re-emerge**
By the second half of 2026, affordability ceilings are likely to slow momentum, particularly in Adelaide, Brisbane and Perth, where prices have already risen sharply.

House price growth in 2026 is forecast to be strongest in **Sydney** and **Melbourne**, consistent with their faster response to interest rate changes. **Brisbane** and **Perth** are expected to lead unit price growth, albeit at a slower pace than in previous years, as affordability becomes tighter.

Across the capitals, growth in **unit prices is expected to outpace house prices** in Brisbane, Adelaide, and Perth as more buyers shift to affordable homes.

**Figure 1. House and unit price forecasts 2026.**



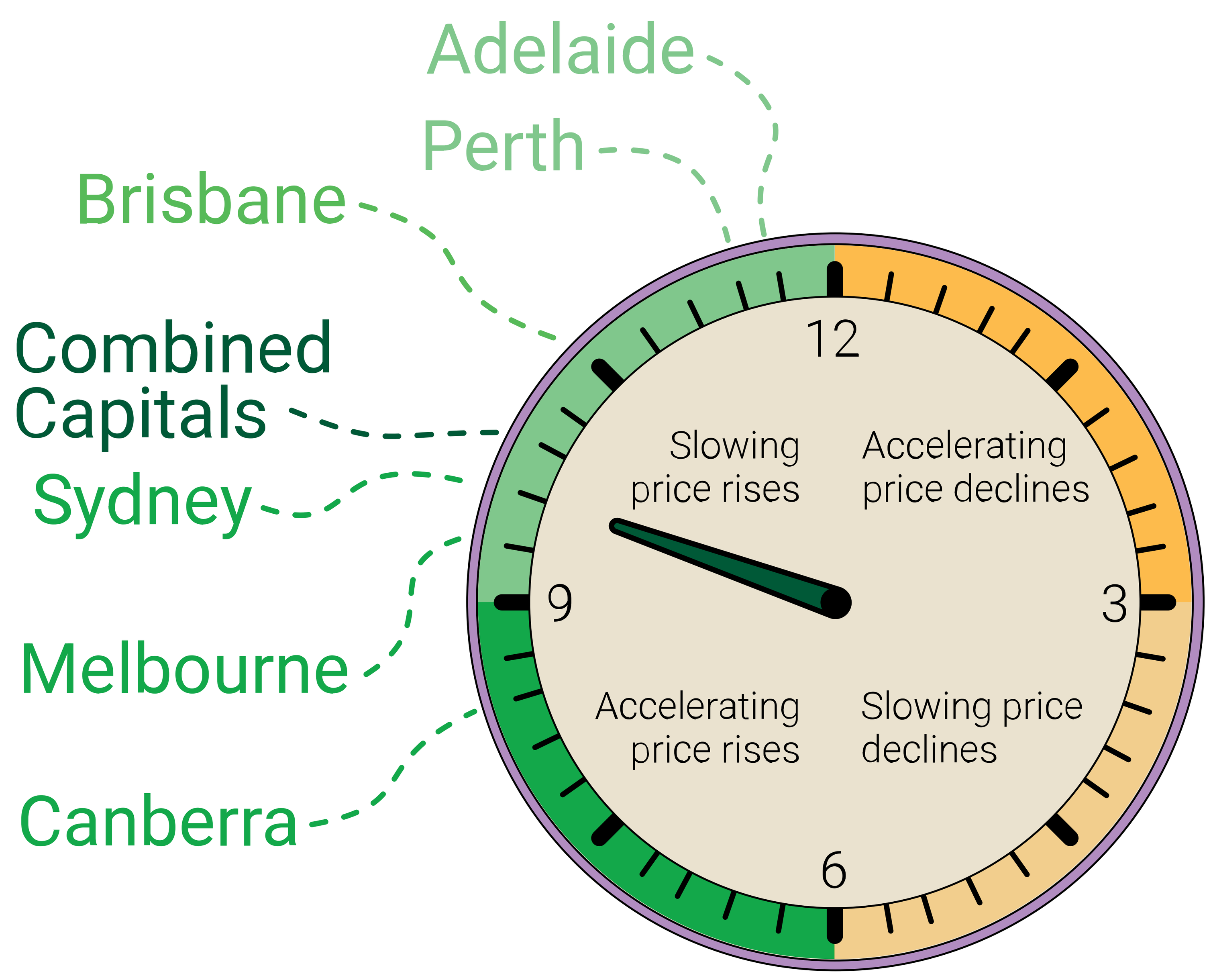
# National outlook: 2026 forecasts

## Prices

Australia's capital city markets are forecast to enter a period of convergence in both home prices and rents (tables 1 and 2).

While growth is expected to remain positive across all markets, the pace of gains is expected to moderate compared to 2025 in most markets – particularly in Adelaide, Perth, and Brisbane, where prices have already risen sharply in recent years.

**Figure 2. Capital city property growth momentum.**




**Sydney** is forecast to record the strongest house price growth, consistent with its tendency to lead the market in response to changes in interest rates. Melbourne's recovery will continue to strengthen, supported by less binding affordability constraints and improving relative value compared to other capitals

**Brisbane** is expected to deliver the fastest unit price growth, although momentum will moderate across most capitals, with Canberra the key exception. The slowdown will be most evident in Brisbane, Adelaide and Perth, where rapid double-digit increases in recent years have stretched affordability.

Across the capitals, growth in unit prices is expected to outpace house prices in Brisbane, Adelaide and Perth, as affordability pressures continue to steer more buyers towards the comparatively lower-priced unit market.

**Record-high house and unit prices are expected across all capital cities by the end of 2026.**

## Houses

**Table 1. Price forecast.**

| | Houses | | | Units | | |
|---|---|---|---|---|---|---|
| Location | 2025 | FY26 | 2026 | 2025 | FY26 | 2026 |
| Sydney | 9% | 10% | 7% | 5% | 7% | 4% |
| Melbourne | 7% | 8% | 6% | 5% | 6% | 4% |
| Brisbane | 9% | 10% | 5% | 14% | 13% | 7% |
| Adelaide | 9% | 8% | 4% | 16% | 11% | 5% |
| Perth | 9% | 6% | 5% | 12% | 11% | 6% |
| Canberra | 4% | 7% | 5% | -1% | 2% | 3% |
| Combined capitals | 9% | 9% | 6% | 7% | 8% | 5% |

Source: Domain

## Rents

Across the combined capitals, house rent growth is expected to pick up next year, driven by Sydney, Melbourne and Canberra – reflecting rising household incomes and still-tight rental supply. Perth is the exception, where house rent growth is expected to moderate following several strong years.

Unit rent growth is expected to increase at a similar pace in 2026, with slower growth in Sydney and Melbourne offset by a pickup in Perth.

In most capital cities, growth in unit rents is expected to rise slightly faster than house rents, reflecting continued affordability pressures and stronger demand for smaller, more affordable dwellings.

While supply shortages will continue to constrain vacancy rates, pressures should gradually ease as population growth moderates and completions increase.

**Table 2. Rent forecast.**

| | Houses | | Units | |
|---|---|---|---|---|
| Location | 2025 | 2026 | 2025 | 2026 |
| Sydney | 2% | 4% | 7% | 5% |
| Melbourne | 1% | 2% | 5% | 3% |
| Brisbane | 4% | 4% | 6% | 5% |
| Adelaide | 4% | 4% | 5% | 4% |
| Perth | 5% | 4% | 1% | 4% |
| Canberra | 1% | 3% | 4% | 4% |
| Combined capitals | 1% | 3% | 4% | 4% |

Source: Domain

# Structural forces shaping the outlook

Several underlying trends will shape the housing and rental markets through 2026, encompassing policy, interest rates, supply, income growth, and market activity.

## **Policy stimulus:** Expanded first-home buyer support

Price growth across all capitals will be underpinned by the expansion of the First Home Guarantee Scheme,

which enables buyers to purchase with a 5% deposit and no lender's mortgage insurance – removing key barriers to home ownership.

In October 2025, the scheme was expanded by:

- **Removing income caps (previously $125,000 for individuals and $200,000 for joint applicants)**
- **Removing the limit on annual places (previously 50,000 per year)**
- **Lift property price caps (table 3)**

**Table 3. Home Guarantee Scheme property price caps.**

| Location | Current (as at October 2025) | Previous |
|---|---|---|
| **Sydney** | $1,500,000 | $900,000 |
| **Melbourne** | $950,000 | $800,000 |
| **Brisbane** | $1,000,000 | $700,000 |
| **Adelaide** | $900,000 | $600,000 |
| **Perth** | $850,000 | $600,000 |
| **Canberra** | $1,000,000 | $750,000 |

Source: Housing Australia

The expanded scheme could lift home prices by 3.5% to 6.6% in its first year, largely reflecting a pull-forward of around 20,000 first-home buyers.[1] Removing LMI reduces the incentive for buyers to save a larger deposit and delivers an immediate boost to purchasing power, which enables buyers to stretch further in price negotiations.

The effect is likely to fade beyond the first year as demand normalises – consistent with Treasury modelling that shows only a 0.5% cumulative rise in national prices over six years.

These estimated impacts seem sensible, though there is a high degree of uncertainty. For context, a pull-forward of 20,000 first-home buyers compares with around 115,000 first-home owner-occupier purchases in the year to June 2025. The price effects could be larger if there is also a pull-forward in demand from investors anticipating stronger price gains and increased buyer competition.

Domain analysis finds the scheme could cut deposit-saving times dramatically – from more than 10 years to around three years in Sydney – shifting the key challenge from saving a deposit to servicing larger loans in a still-elevated rate environment.[2]

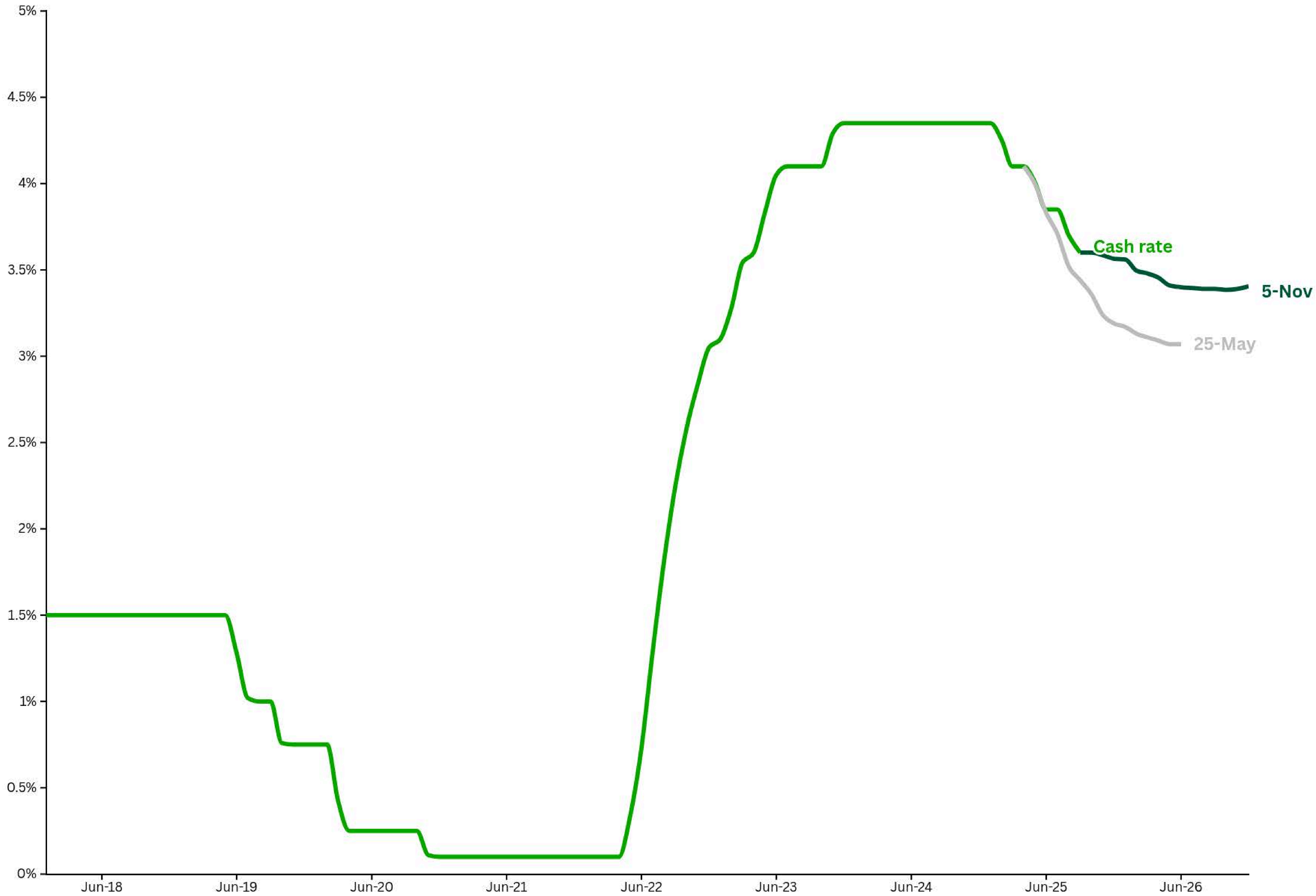
Price impacts will be most pronounced in segments below the new property price caps, reinforcing the trend in which more affordable homes outperform higher-priced properties. The scheme is also expected to have only a limited impact on the rental market. While it may reduce rental demand by helping some higher-income renters transition into home ownership, this effect is likely to be offset by a reduction in the supply of rental properties as some investor-owned dwellings are sold to first-home buyers. As a result, the overall impact on rental availability and rent levels is expected to be small.

## Lower borrowing costs will continue to be a tailwind for prices, although markets now expect fewer rate cuts than anticipated in mid-2025 (figure 3).

No near-term cuts are likely now as the RBA remains cautious about the risk of more persistent inflation, given signs the economy may have less spare capacity than previously thought.

Risks are more balanced: persistent inflation could prevent further cuts, while a softening labour market could justify more.

**Figure 3. Market implied cash rate projections.**




Source: ASX, RBA

## **Supply:** Shortages slowly improving

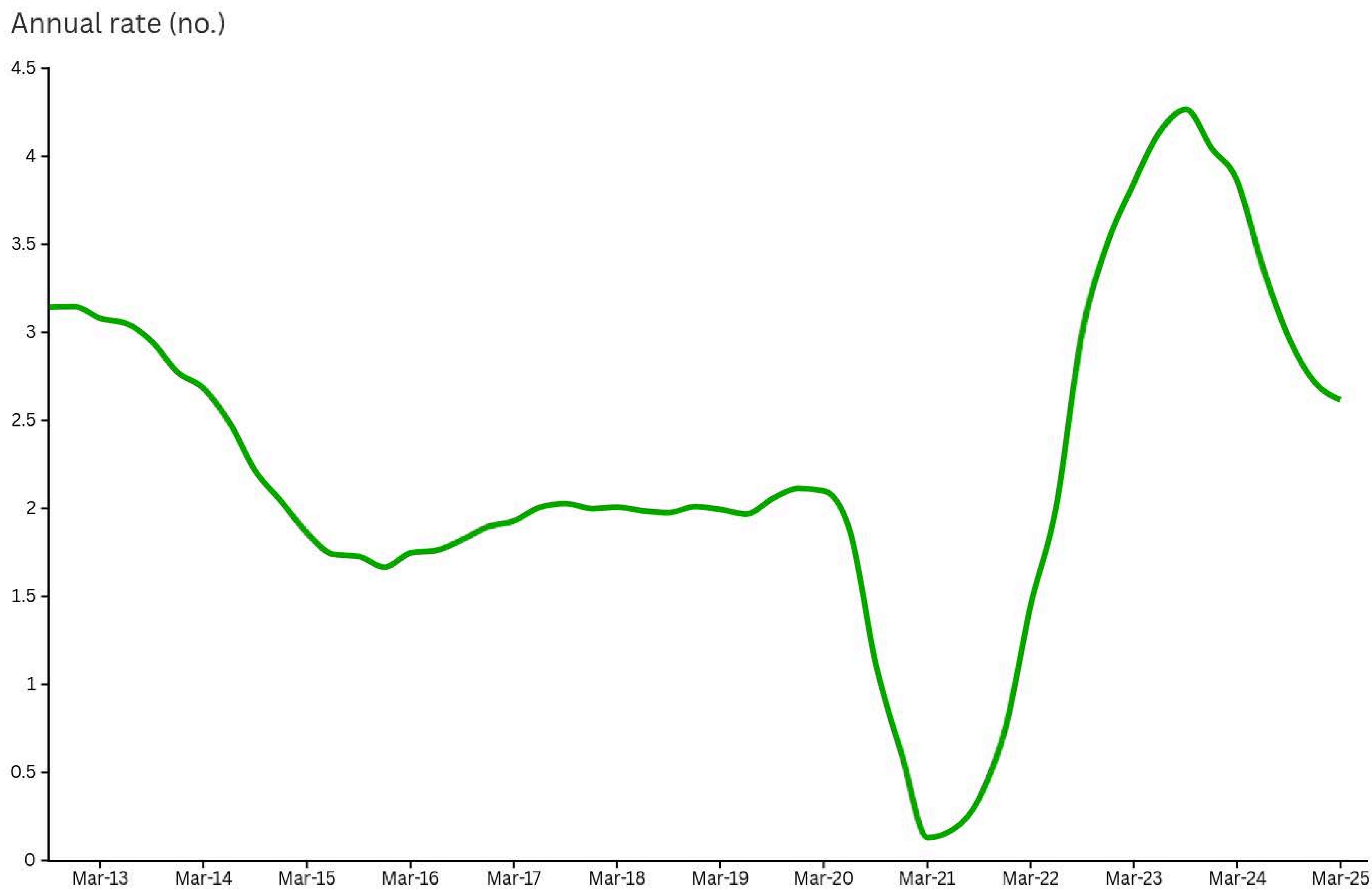
# Australia's housing shortage remains acute, but early signs of improvement are emerging.

Population growth is slowing, while dwelling approvals and commencements lifted through 2025, setting the stage for increased supply in 2026.

Collectively, this has meant fewer additional people per new dwelling – a sign that the market is gradually rebalancing (figure 4).

Vacancy rates are expected to edge higher from record lows toward more sustainable levels. However, smaller household sizes and renters seeking extra space may limit the speed of improvement.

**Figure 4. Extra people for every new home completed in Australia.**

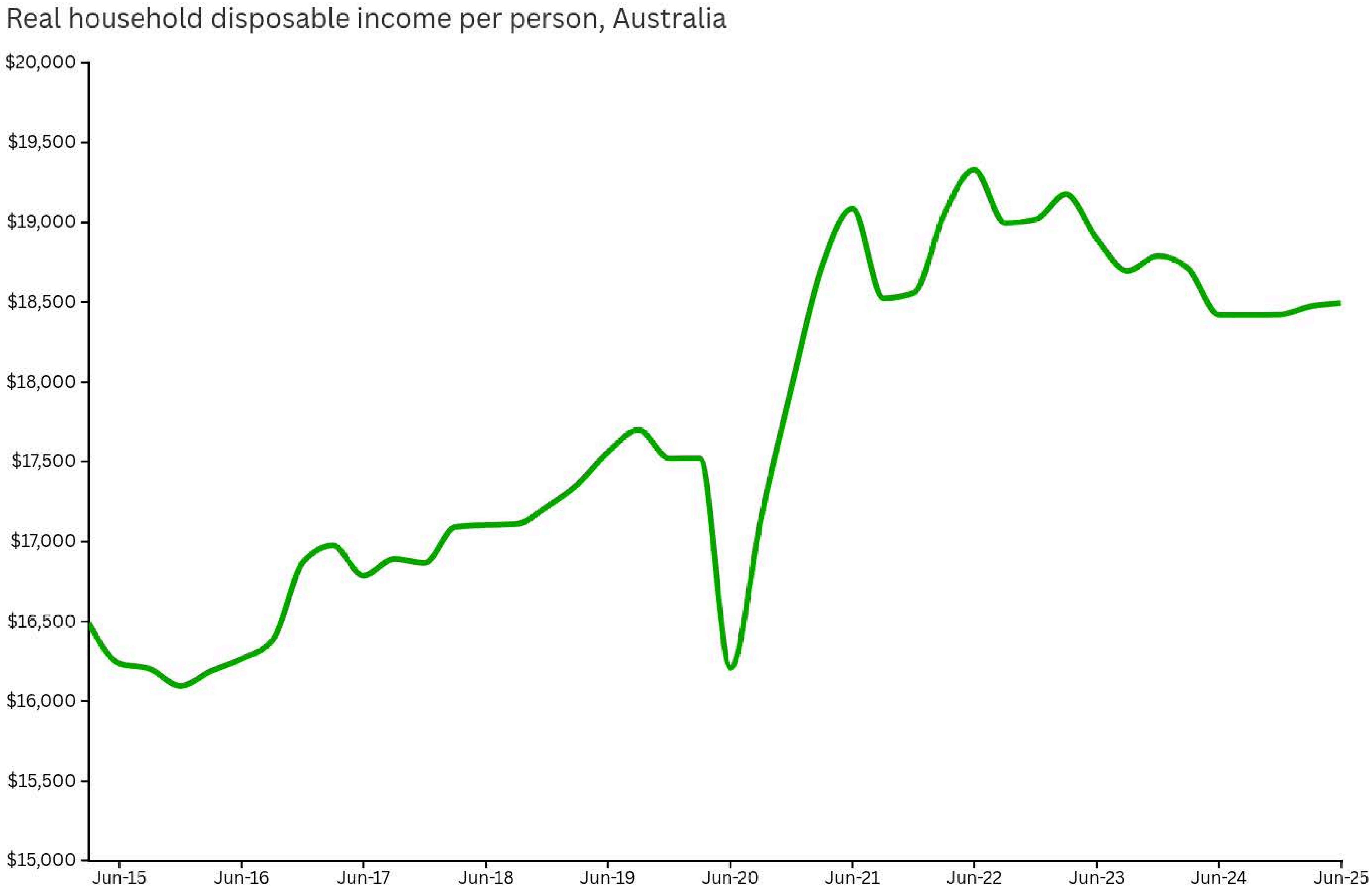



Source: ABS, Domain
Note: Calculated as the annual change in the estimated resident population divided by the change in the number of the dwellings.

## A slow but steady recovery in real household incomes is underway, providing modest support for both buyers and renters (figure 5).

Incomes are rising on the back of tight labour markets, reduced tax and interest drag, and an emerging productivity rebound. While these gains will not fully offset high housing costs, they do offer an important stabilising influence on demand.

**Figure 5. After years of lagging, incomes are now outpacing inflation.**




Source: ABS

# Listings remain below year-ago levels across most capital cities, except Canberra (figure 6).

Combined with stronger buyer activity – rising views per listing and enquiries – this limited stock is likely to reinforce upward pressure on prices through the first half of 2026.

**Figure 6. Home listings are lower compared to last year.**


Source: Domain

# Sydney

Sydney house prices are forecast to record the strongest growth of any capital, with the median value expected to reach $1.92 million – an increase of around $173,000 from current levels.

Unit prices are also set to rise, climbing $892,000 – about $52,000 higher than today – supported by affordability constraints in the detached housing market and renewed first-home-buyer demand. The house-unit price gap remains at record levels, reflecting Sydney's high land values.

Sydney continues to exhibit strong sensitivity to interest rate movements. History indicates its prices outperform the combined capitals during every easing cycle since 1996 (table 4). This cycle is likely to follow suit, with early signs of momentum already visible following the 2025 rate cuts.

# Sydney

Rents are expected to rise gradually across both houses and units. House rents are forecast to hit a record of $815 per week and $792 per week for units. The increase in rents will be supported by stronger household incomes and persistently tight vacancy rates. These pressures should ease modestly as population growth slows and new supply gradually increases.

**Table 4. House price increases during cash rate-cutting cycles.**

| Start date | End date | Cash rate start | Cash rate end | Sydney | Combined capitals |
|---|---|---|---|---|---|
| Sep 1996 | Jun 1999 | 7.5% | 4.75% | 35.1% | 26.5% |
| Mar 2001 | Mar 2002 | 6.25% | 4.25% | 23.8% | 22.8% |
| Sep 2008 | Sep 2009 | 7.25% | 3% | 5.3% | 4.2% |
| Dec 2011 | Mar 2022 | 4.75% | 0.1% | 149.4% | 101.7% |
| Mar 2025 | Sep 2025 | 4.35% | 3.6% | 5.9% | 5.8% |

Source: Domain, RBA

# Melbourne

Melbourne's housing market is on track to fully recover from its previous downturn, with the median house price forecast to reach $1.17 million – around $87,000 higher than current levels.

This milestone will mark a complete recovery in house prices and a considerable turnaround compared to recent years, positioning Melbourne among the last capitals to reclaim record highs. The rebound is being driven by improved affordability and renewed buyer confidence.

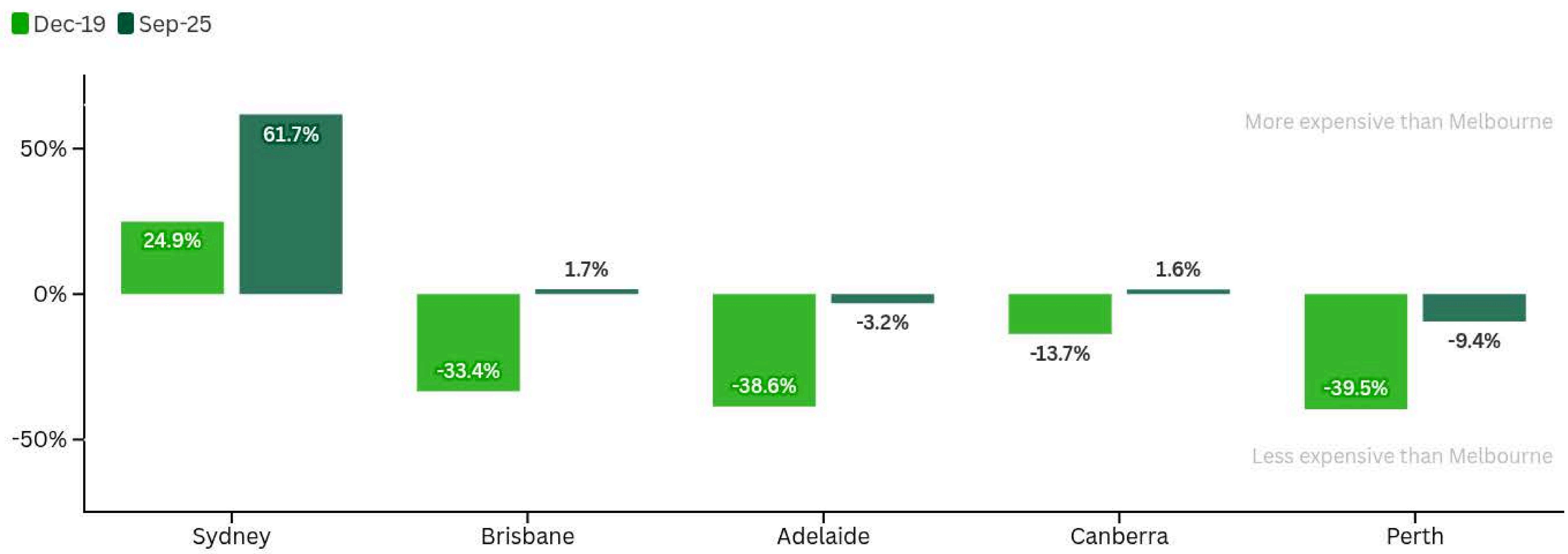
The pickup in momentum is already evident, with auction clearance rates reaching 67% in October, the second-highest result on record for this time of year. Melbourne's relative value compared to other capital cities places it in a strong position to benefit from lower interest rates (figure 7). While affordability pressures remain elevated, they are expected to be less restrictive in Melbourne than in Sydney or Adelaide, giving buyers more room to respond to improved borrowing conditions.

# Melbourne

Melbourne's growing affordability advantage is also expected to attract increased migration from other states. Victoria has recorded its first positive net interstate migration since the pandemic in March 2025 – meaning more Australians are moving to Victoria than leaving. This marks an important turning point for housing demand, adding incremental pressure to both rents and prices as population inflows resume.

House rental growth in Melbourne is projected to rise broadly in line with the national average to reach $595 per week. Unit rent growth is expected to slow slightly, reaching $597 per week. While improving affordability will continue to support demand, this will be tempered by softer economic conditions relative to other states. Household income growth per person has lagged behind the national pace since the pandemic, and this weaker income momentum is likely to act as a drag on both rent and price growth. Higher vacancy rates will also moderate rental price pressures, keeping rental growth more contained than in tighter markets such as Sydney or Perth.

**Figure 7. Melbourne houses have become relatively cheaper compared with other capitals.**




Source: Domain

# Brisbane

## Brisbane house prices are forecast to rise by 5% next year, marking a moderation from the pace of growth recorded in 2025.

This would see the median house price reach a record $1.19 million – an increase of approximately $85,000 from current levels. Unit price growth is also projected to slow more noticeably, easing from the unsustainably strong double-digit gains of recent years to a still fast pace of 7%. Despite this moderation, Brisbane's unit market is still expected to record the fastest growth nationally.

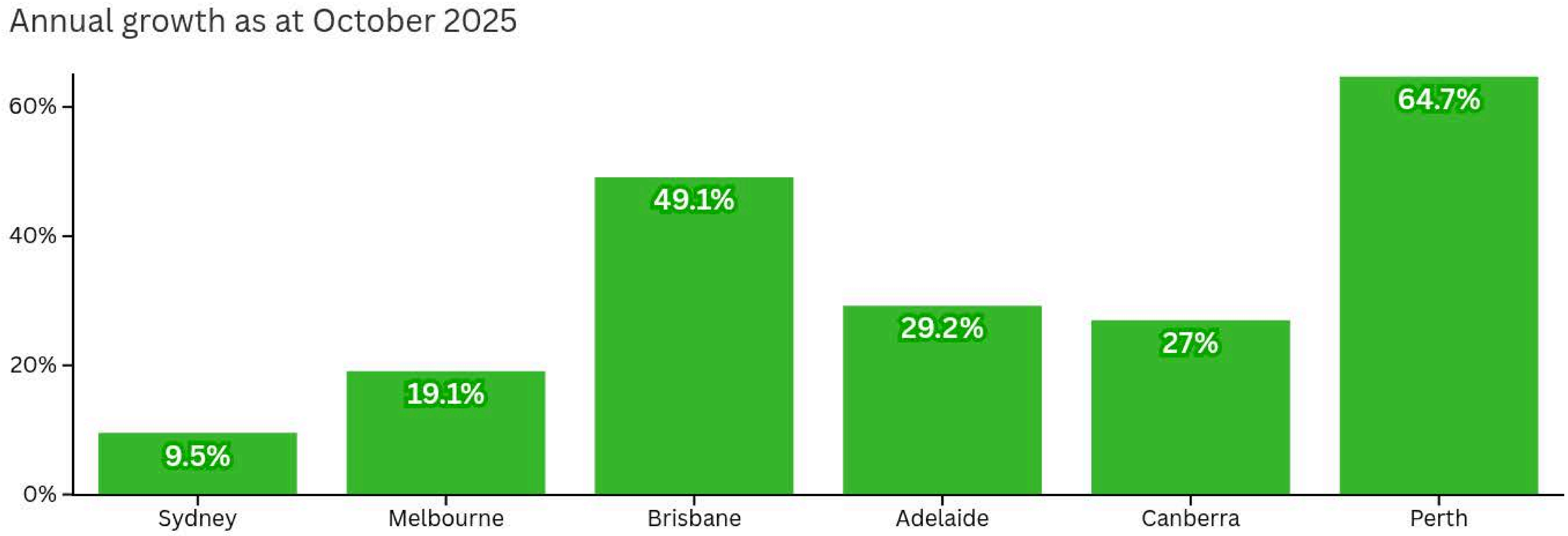
The slowdown in price growth reflects growing affordability constraints following several years of strong gains. Home values have surged since the pandemic, and higher entry prices are increasingly limiting buyer capacity. However, this will be partially offset by lower interest rates and a gradual recovery in household income growth, both of which are underpinning strong buyer appetite (figure 8).

# Brisbane

Brisbane's market continues to benefit from a strong pipeline of infrastructure investment in the lead-up to the 2032 Olympic Games. Major projects, such as transport upgrades, urban renewal initiatives, and new venues, are expected to boost demand and support price growth in surrounding areas. Domain research has shown that the value uplift from Sydney's Northwest Metro project typically occurs during the construction phase, peaking shortly before completion.[3] If similar dynamics unfold in Queensland, the associated value gains from Olympic-related infrastructure are likely to continue through to around 2030, roughly two years before the Games.

Rental growth across both houses and units is expected to increase at a similar pace next year. House rents are projected to reach $690 per week, while unit rents are forecast to rise to $662 per week. Rising household incomes will place some upward pressure on rents, but this is likely to be offset by a gradual improvement in housing supply and slower population growth.

**Figure 8. Buyer enquiries continue to grow strongly in Brisbane, indicating a strong buyer appetite.**




Source: Domain

# Adelaide

## House price growth is expected to ease from 9% in 2025 to 4% in 2026 – an increase of approximately $59,000 from current levels. House prices are projected to reach a record $1.11 million.

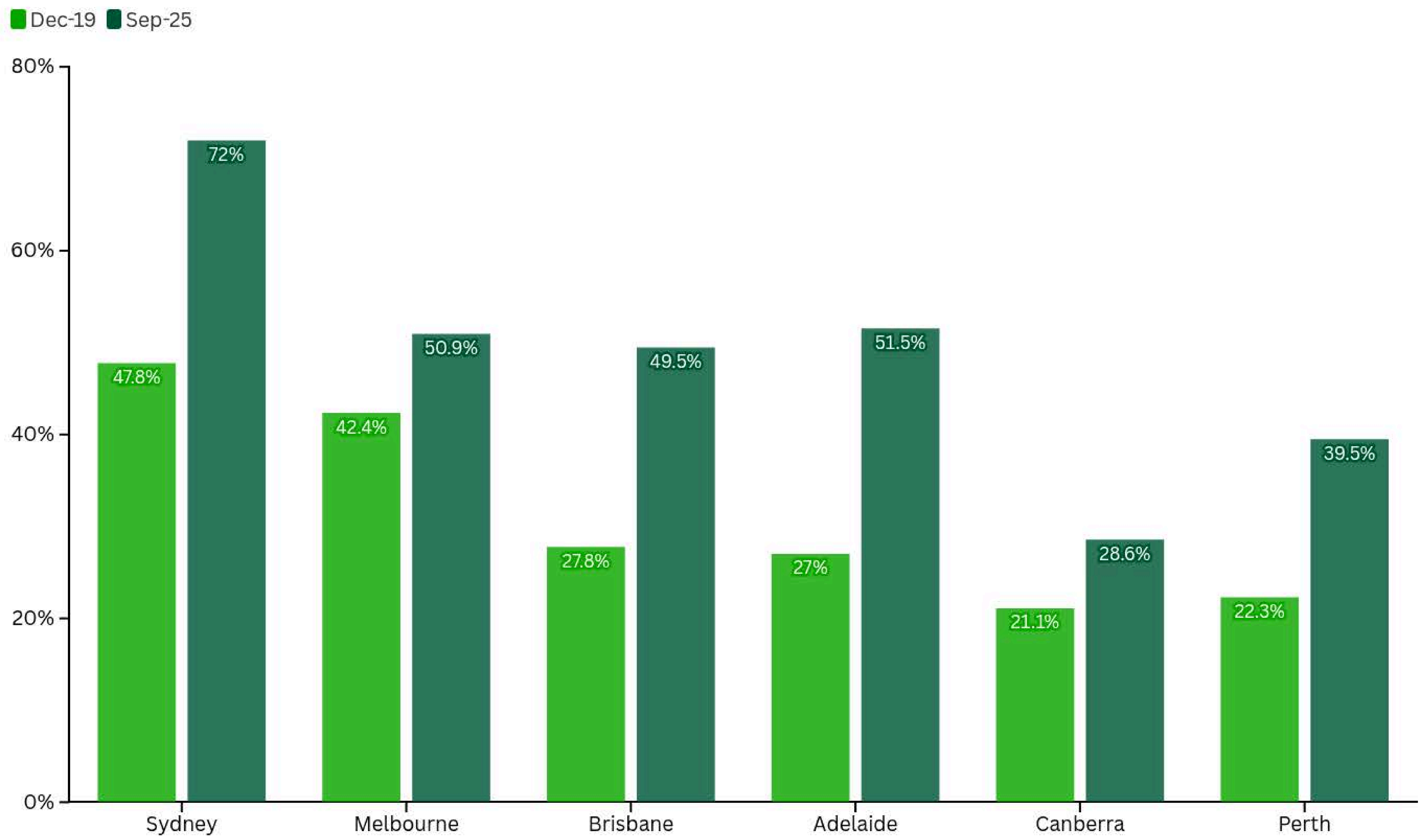
Unit prices are also projected to see slightly stronger growth than houses of 5% next year, with the median unit forecast to hit a record $681,000 – about $49,000 higher than today. While momentum is slowing, demand for more affordable homes, particularly units, is likely to remain firm.

The key headwind for home price growth in Adelaide is affordability: mortgage payments as a share of income have increased substantially since the pandemic (figure 9). For example, mortgage repayments now account for 51.5% of the typical double-person household take-home income, up from 27% in 2019. This follows years of unsustainable double-digit home price growth. Given the cyclical nature of home prices, it is typical for price growth to moderate following a surge, as affordability constraints take effect.

# Adelaide

Rental growth across houses and units is forecast to rise at a similar pace next year, as rising incomes are balanced by easing supply pressures and slower population growth. House rents are projected to reach $652 per week, while unit rents are forecast to rise to $548 per week.

**Figure 9. New mortgage repayments as a share of household income (two-person household).**




Source: ABS, Domain, RBA
Note: Income refers to gross disposable income per person in each state and territory, based on a two-person household. Repayments are calculated on an 80% loan for a median-priced house over a 30-year term.

# Perth

## House prices are on track to surpass $1 million by the end of 2025. While the pace of growth is expected to ease slightly from recent highs, prices are still projected to rise at a solid rate of 5% in 2026.

The city's momentum remains underpinned by a combination of lower interest rates, strong income growth, and first-home buyer support. Perth households are also benefitting from comparatively lower mortgage burdens, meaning housing affordability is less likely to act as a constraint on future price growth (figure 9). Despite the sharp rise in home prices since 2020, mortgage repayments as a share of income remain below those seen in most other capitals.

Unit prices are expected to grow at a slower pace, though more quickly than for houses, with the median projected to reach a record $613,000 – about $52,000 higher than today. Unit prices will continue to be supported by affordability pressures shifting demand towards the more affordable unit market, while ongoing construction cost challenges will continue to limit the supply of new units.

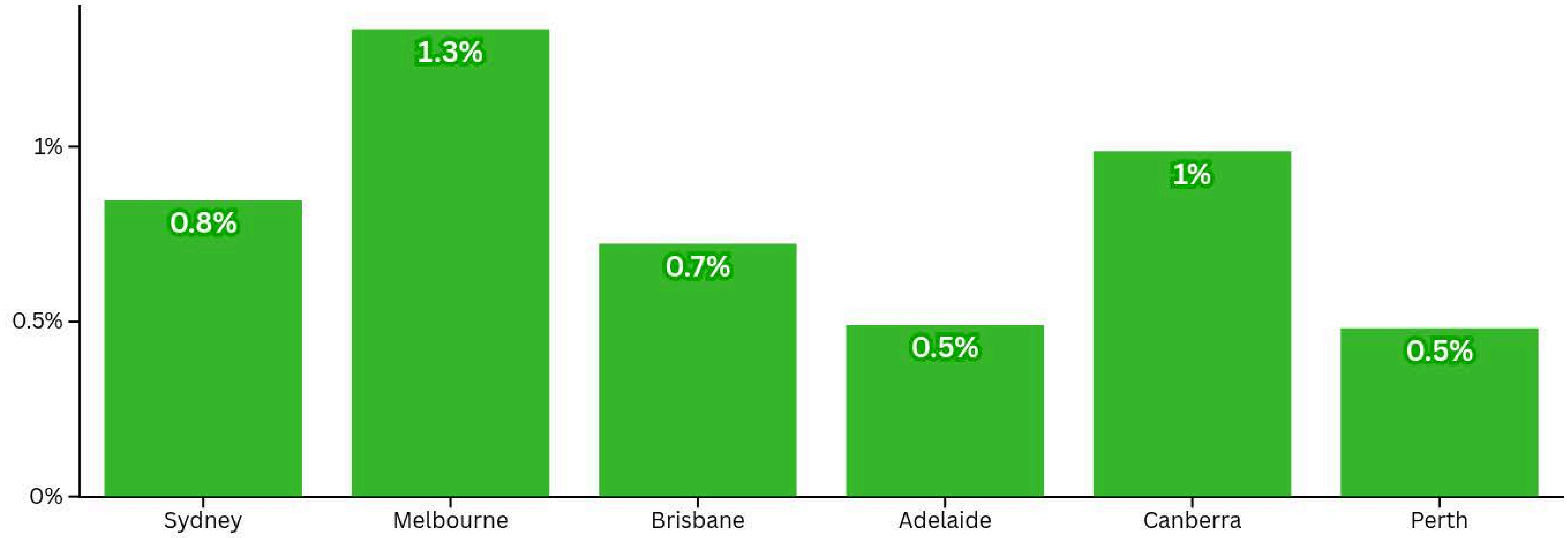
# Perth

House rent growth is expected to rise at a similar pace to next year, while unit rent growth is likely to strengthen. House rents are projected to reach $731 per week, while unit rents are forecast to rise to $631 per week. Low vacancy rates, rising household incomes and sustained demand for more affordable housing options will continue to support unit rents. Vacancy rates remain among the lowest across the capitals, highlighting the persistent imbalance between supply and demand (figure 10).

Perth's housing and rental markets are also underpinned by a resilient labour market. So far in 2025, Western Australia's unemployment rate has averaged lower than most other states and territories, behind only Tasmania and the ACT. This reflects the state's strong economic fundamentals and continued demand for housing.

However, slower population growth and worsening affordability will limit the pace of further rent increases.

**Figure 10. Vacancy rates remain low in all capital cities, particularly Perth.**




Source: Domain

# Canberra

Canberra house prices are expected to complete their price recovery, following several years of subdued conditions. House prices are forecast to reach a record $1.18 million, representing an increase of around $78,000 from current levels.

Unit prices are also projected to recover steadily, reaching a record high of $631,000. The rebound in the unit market will be supported by improving affordability, a gradual return of investor demand, and sustained population growth as labour market conditions remain strong and migration stabilises.

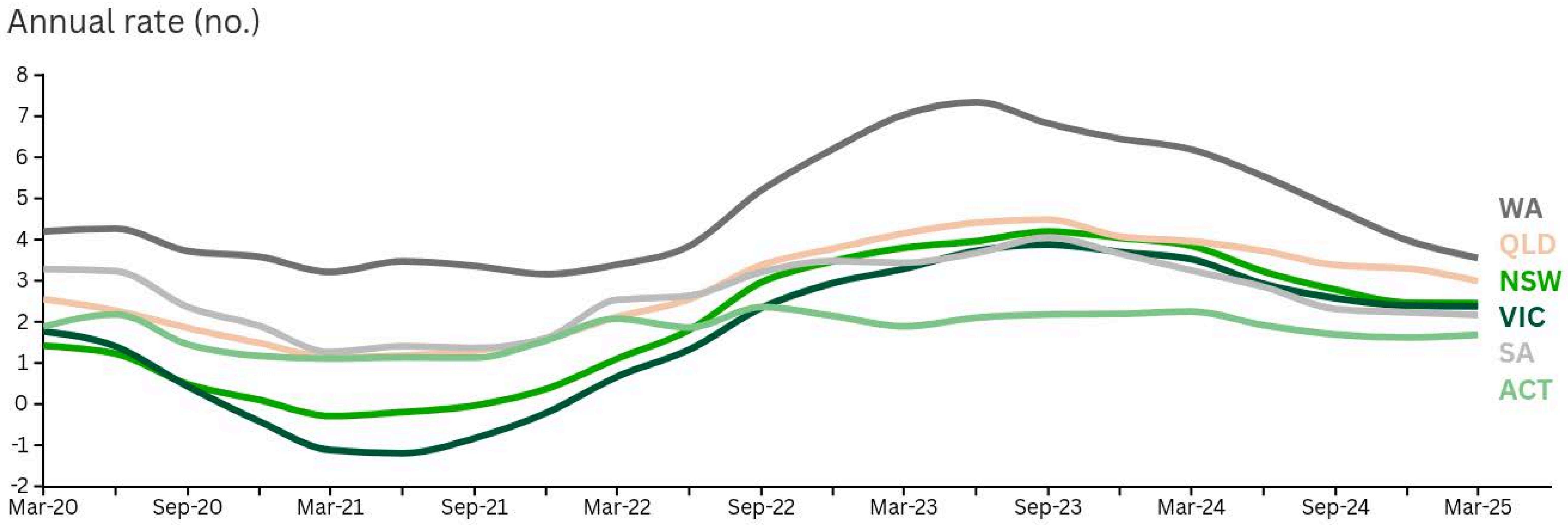
Canberra remains Australia's most affordable capital city when comparing home prices to household incomes. This relative affordability could draw greater interest from potential buyers, particularly as borrowing conditions improve and interstate migration trends normalise.

# Canberra

Looking ahead, price growth in Canberra is likely to remain more subdued than in most other capital cities, reflecting modest population growth and a less pronounced housing shortage. Since the pandemic, housing supply in Canberra has kept a better pace with population growth than in most other capitals, helping to contain both home prices and rents (figure 11).

House rent growth is expected to rise modestly, supported by steady gains in household disposable incomes and resilient labour market conditions. House rents are projected to reach $725 per week, while unit rents are forecast to rise to $609 per week. While vacancy rates in Canberra are higher than in other capital cities, they remain below levels considered balanced, suggesting that rents are likely to rise further from current levels.

**Figure 11. Extra people for every new home completed across select states.**




Source: ABS, Domain
Note: Calculated as the annual change in the estimated resident population divided by the change in the number of the dwellings.

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1. Lateral Economics (2025), Home Guarantee Scheme Expansion: Implications for First Home Buyers and Lenders Mortgage Insurance, *A Lateral Economics report for the Insurance Council of Australia*, July. https://insurancecouncil.com.au/wp-content/uploads/2025/08/HGS-and-LMI-report-Lateral-Economics-final.pdf

2. Domain Insight (2025), Time to Save a Deposit Under the New 5% Scheme, *Domain Research Quicktake*, September. https://s3.ap-southeast-2.amazonaws.com/ffx.adcentre.com.au/domain/2025/CRTV-4620/Domain-Time-to-save-a-Deposit-5-scheme-Sep25.pdf

3. Domain Insight (2025), Next stop, higher prices? The uneven housing impact of Sydney's Metro Northwest, *Domain Research Quicktake*, October. https://www.domain.com.au/research/next-stop-higher-prices-the-uneven-housing-impact-of-sydneys-metro-northwest-1445368/

# Methodology

Domain's Forecast Report draws on a suite of complementary models to project median house and unit prices, as well as rents. The modelling framework includes time series approaches such as AR, ARIMA, ARIMAX, and Kalman filtering techniques, alongside machine learning ensemble models that combine ARIMA, ETS, and Random Forest forecasts.

The models integrate both market and economic fundamentals – including population trends, housing activity, cash rates and unemployment – and also draw on Domain-exclusive data such as buyer enquiries, views per listing, listing volumes, auction clearance rates and vacancy rates.

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