

Ninth life: Australia's housing market has used eight. Here's what happened each time.



Domain's *FY2027 Forecast Report* projects Sydney house prices will fall as much as 7% over the year ahead. Melbourne, 8%.

For buyers, sellers and anyone watching the market, the same questions surface every time prices begin to fall: How deep will this go? Is this different from before? Should I wait?

Three decades of data answer those questions more clearly than any forecast can. Australia has recorded eight distinct housing downturns since the early 1990s. Each one was followed by a recovery that erased the losses and pushed prices to a new high. The ninth is now underway.

Eight downturns. Not one without a recovery.

Australia's housing market has recorded eight distinct peak-to-trough corrections since the mid 1990s. Not one went without a recovery. What is striking is not the downturns themselves –

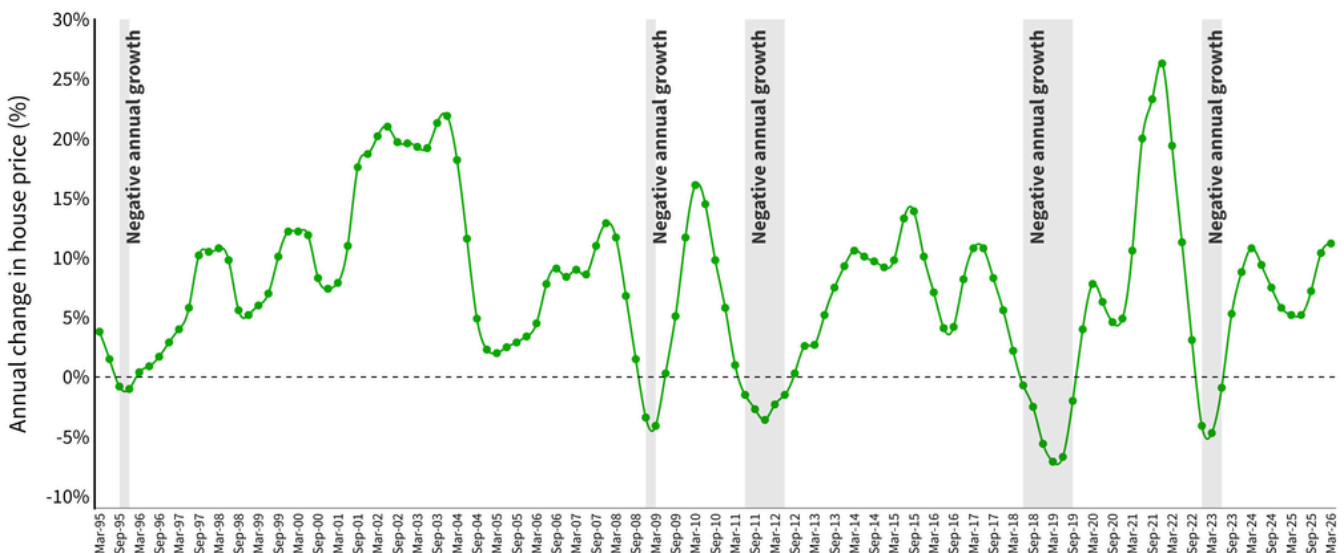
it is how contained they were. In every case, the peak annual decline stayed below 8% (figure 1). In 1995 the annual decline barely registered at -1%. Even in 2019, the deepest in 30 years, was -7.1%.

It is also worth understanding what a downturn looks like in practice. Falling prices are only one version. In several cycles – mid-2000, mid-2004 and early 2016 – prices did not really fall at all. Growth simply stalled.

One trend deserves honest acknowledgement: downturns have deepened over time – from an annual decline of 1% in 1995, to 4.1% in 2009, to 7.1% in 2019, before easing 4.7% in 2023.

And when prices find a floor, recovery has rarely waited. The window between a price trough and the start of a new growth phase can close faster than most expect.

Figure 1. Annual change in house prices, combined capitals.





What the growth phases looked like: nine upswings

There have been nine upswings since 1995 (figure 2). The average gain from trough to peak: 32.3%, lasting 2.8 years – roughly 11 consecutive quarters of growth. But the averages only tell part of the story.

The shortest upswing on record lasted less than a year – cut short in early 2020 when the pandemic struck before a recovery had taken hold. The longest ran from 1995 to 2000: four and three-quarter years, prices rising 41.5%, driven by falling interest rates and expanding borrowing capacity. The standout on magnitude remains 2000-04, which delivered 79.7% growth from trough to peak.

The current upswing, now ending, produced its own extraordinary numbers. Brisbane and Perth – sustained by

strong population growth, tight rental markets and persistent supply shortfalls – rose by 63.4% and 77.6%, respectively, from their most recent troughs. Brisbane, Adelaide and Perth remain in growth, with the latest quarter marking a price peak across those markets. The forces driving them have not yet run their course.

Eight downturns: what the data shows

Set against those upswings, the eight completed downturns tell a sharply different story. Average peak-to-trough decline: 2.9%. Average duration: eight months (figure 3). Against an average upswing of 32.3% over 2.8 years, a downturn averaging 2.9% over eight months is not a mirror image. It is a shadow.

Figure 2. The historic incline of house prices from trough to peak, combined capitals.

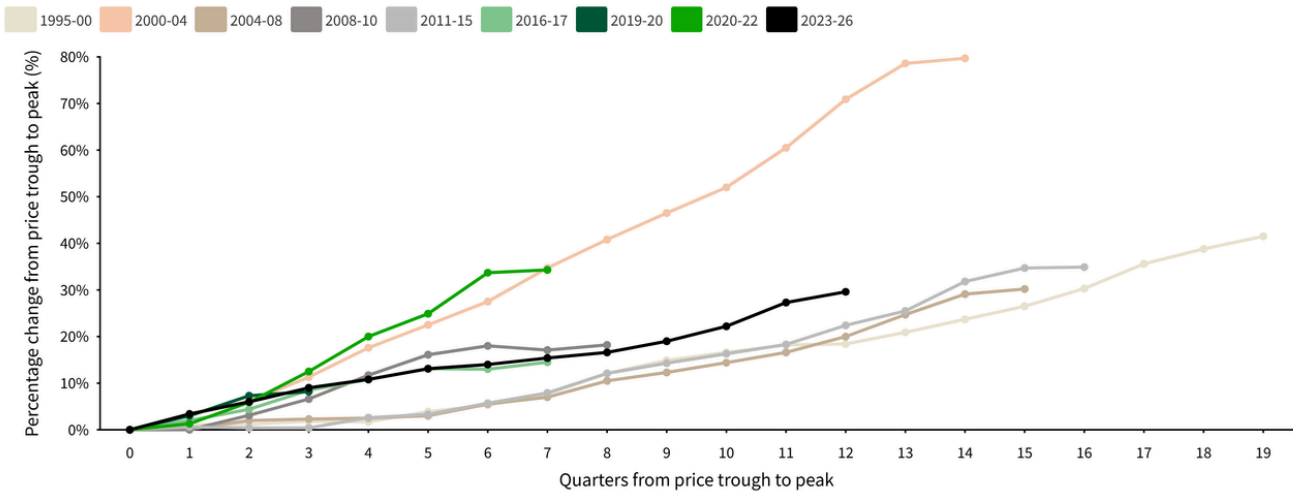
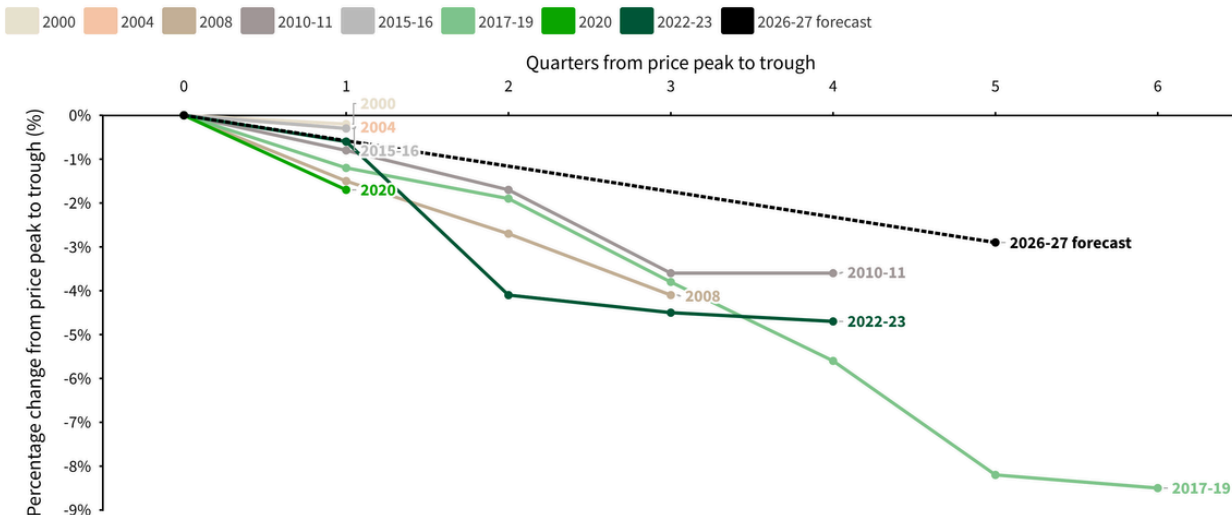


Figure 3. The historic declines of house prices from peak to trough, combined capitals.





Upswings outpace downturns – every single time

A direct comparison of each upswing against its subsequent downturn reveals the same pattern repeating across 30 years. Upswings have been longer in duration and greater in magnitude than the downturns that followed in every completed cycle but one.

Life six: the worst one on record – and what it proved

The 2017-19 downturn is the one sceptics reach for. At 8.5% peak-to-trough, it is the deepest on record – and at 1.5 years, the longest.

The cause was specific. Interest rates were not rising. What tightened was credit. APRA curtailed investor lending and interest-only loans. The banking royal commission shook confidence. Serviceability assessments toughened sharply. It was a regulatory intervention – targeted, structural, and by design finite.

Sydney led the fall, -14.2%. Then Melbourne, -9.8%. Sydney led the recovery, and it is the market to watch for the first signal that the ninth downturn has run its course.

Life No. nine: the current downturn in proportion

The market is now entering its ninth downturn. Sydney and Melbourne are leading the shift – recording quarterly declines and bearing the full weight of three RBA rate hikes in the first half of 2026. Rising mortgage servicing costs and compressed borrowing capacity are the mechanisms. Falling confidence is the amplifier. And structural changes to investment taxation are happening on top of cyclical ones.

Domain forecasts a 0.5% decline across the combined capitals in FY2027. Sydney house prices down as much as 7%. Melbourne, 8%. Here is the number that puts those forecasts in proportion: for combined capital prices to return to the March 2023 trough, they would need to fall 22.8%. That is not a forecast. It is a measure of how far the market would have to travel to undo what the recent upswing built.

Table 1. Upswing vs downturn: duration and magnitude, combined capital house prices.

Cycle	Upswing		Downturn		Upswing longer	Upswing larger
	Duration	Growth	Duration	Decline		
1995-2000	4.75 yrs	41.5%	0.25 yr	-0.2%	✓	✓
2000-04	3.5 yrs	79.7%	0.25 yr	-0.3%	✓	✓
2004-08	3.75 yrs	30.2%	0.75 yr	-4.1%	✓	✓
2008-11	2 yrs	18.2%	1 yr	-3.6%	✓	✓
2011-16	4 yrs	34.9%	0.25 yr	-0.3%	✓	✓
2016-19	1.75 yrs	14.5%	1.5 yrs	-8.5%	✓	✓
2019-20	0.75 yr	8.2%	0.25 yr	-1.7%	✓	✓
2020-23	1.75 yrs	34.3%	1 yr	-4.7%	✓	✓
2023-26*	3 yrs	29.6%	?	?	?	?
Average	2.8 yrs	32.3%	0.7 yr	-2.9%	✓	✓

* is the most recent cycle (upswing), so there is no succeeding downturn yet



Melbourne is the most exposed. At a forecast -8% to -4% decline, it is the city most likely to revisit its previous price floor – not because of a structural problem, but because its buffer from the recent upswing was the thinnest of any capital. It needed to fall only 6.0% to reach its previous trough at the start of this downturn. Compare that to Perth, which would need to fall 43.7% – a figure that shows just how remote a full reversion is for markets that ran hard.

Perth and Brisbane are not entering a downturn. They are forecast to keep growing through FY2027, sustained by population pressure, supply shortfalls and rental vacancy rates near historic lows. Proposed changes to negative gearing and capital gains tax introduce additional uncertainty for investor demand – particularly in NSW, where investor lending is running well above its long-run average – but the structural drivers in those markets have not yet run their course.

Nine upswings down. Is there a 10th coming?

Every recovery has had the same catalyst: the interest rate cycle turning. We expect the cash rate has peaked at 4.35%, with the first cut forecast for the June quarter of 2027. When it arrives –

and when buyers begin to price in further cuts – borrowing capacity lifts, confidence returns, and demand that has been accumulating on the sidelines moves back into the market.

The principal risk is a delayed cut. Money markets, at the finalisation of our forecast, were pricing in roughly even odds of a further hike in the second half of 2026. Each additional 25 basis points strips around 2.5% from borrowing capacity and pushes outcomes toward the lower end of our published ranges. A delayed cut, not a structural deterioration, is the scenario to watch.

The floor beneath prices is real: a genuine housing supply shortfall, strong population growth, and tight rental markets across most capitals. Units are expected to outperform houses in most cities – affordability is steering buyers toward lower price points, and first-home buyer schemes are concentrated precisely there.

Eight downturns. Eight recoveries. Each had gains that exceeded what was lost. The pattern has held through economic shocks, credit crises, a pandemic, and the sharpest rate hiking cycle in a generation. The depth and duration of the ninth will be shaped by the rate path, policy and sentiment. But three decades of evidence, across every kind of economic weather this country has seen, points in one direction.

Table 2. How far house prices would need to fall to be at the previous trough.

Area	Previous trough	Need to fall by x%	FY27 forecast
Sydney	Dec-22 (\$1,439,200)	-19.7% or -\$352,444	-7% to -3%
Melbourne	Sep-24 (\$1,017,649)	-6.0% or -\$65,079	-8% to -4%
Brisbane	Mar-23 (\$741,955)	-38.8% or -\$470,240	3% to 7%
Adelaide	Mar-25 (\$944,599)	-14.1% or -\$154,694	4% to 8%
Canberra	Mar-25 (\$988,248)	-8.8% or -\$95,521	-4% to 0%
Perth	Sep-22 (\$663,656)	-43.7% or -\$514,866	5% to 9%
Combined Capitals	Mar-23 (\$1,004,352)	-22.8% or -\$296,953	-2.5% to 1.5%



Appendix

Table 3. Upswing vs downturn: duration and magnitude, Sydney house prices.

Cycle	Upswing		Downturn		Upswing longer	Upswing larger
	Duration	Growth	Duration	Decline		
1995-2000	4.75 yrs	53.0%	0.25 yr	-0.7%	✓	✓
2000-05	3.5 yrs	78.9%	1.5 yrs	-6.7%	✓	✓
2005-06	0.75 yr	1.1%	0.25 yr	-1.0%	✓	✓
2006-08	1.25 yrs	7.0%	0.75 yr	-4.1%	✓	✓
2008-11	2.5 yrs	19.7%	0.5 yr	-1.7%	✓	✓
2011-16	4 yrs	64.5%	0.5 yr	-2.9%	✓	✓
2016-19	1.25 yrs	17.7%	1.75 yrs	-14.2%	X	✓
2019-20	1 yr	11.8%	0.25 yr	-1.6%	✓	✓
2020-22	1.5 yrs	38.6%	1 yrs	-8.0%	✓	✓
2022-26*	3 yrs	24.5%	?	?	?	?
Average	2.4 yrs	31.7%	0.75 yr	-4.5%	✓	✓

* is the most recent cycle (upswing), so there is no succeeding downturn yet

Table 4. Upswing vs downturn: duration and magnitude, Melbourne house prices.

Cycle	Upswing		Downturn		Upswing longer	Upswing larger
	Duration	Growth	Duration	Decline		
1993-95	1.5 yrs	4.9%	0.75 yr	-3.1%	✓	✓
1995-2000	4.75 yrs	53.3%	0.25 yr	-1.3%	✓	✓
2000-04	3.25 yrs	70.0%	0.25 yr	-1.8%	✓	✓
2004-08	4 yrs	37.3%	0.75 yr	-2.4%	✓	✓
2008-12	2 yrs	30.8%	1.75 yr	-6.7%	✓	✓
2012-19	5.25 yrs	71.7%	1.5 yr	-9.8%	✓	✓
2019-20	0.75 yr	10.0%	0.25 yr	-2.8%	✓	✓
2020-22	1.5 yrs	25.0%	1 yr	-6.1%	✓	✓
2022-24	1 yr	3.0%	0.75 yr	-3.0%	✓	X
2024-26*	1.25 yrs	7.0%	?	?	?	?
Average	2.5 yrs	31.3%	0.8 yr	-4.1%	✓	✓

* is the most recent cycle (upswing), so there is no succeeding downturn yet



Appendix

Table 5. Upswing vs downturn: duration and magnitude, Brisbane house prices.

Cycle	Upswing		Downturn		Upswing longer	Upswing larger
	Duration	Growth	Duration	Decline		
1993-1996	1.75 yrs	6.1%	1.25 yrs	-3.9%	✓	✓
1996-1999	2.75 yrs	9.9%	0.25 yrs	-1.4%	✓	✓
1999-2004	5.25 yrs	133.7%	0.25 yrs	-0.3%	✓	✓
2004-2008	3.5 yrs	46.6%	0.75 yrs	-5.7%	✓	✓
2008-2012	1.25 yrs	9.0%	2.25 yrs	-9.0%	X	X
2012-2019	6.25 yrs	32.9%	0.75 yrs	-2.5%	✓	✓
2019-2023	3 yrs	54.7%	0.75 yrs	-9.8%	✓	✓
2023-2026*	3 yrs	63.4%	?	?	?	?
Average	3.3 yrs	44.5%	0.9 yr	-4.7%	✓	✓

* is the most recent cycle (upswing), so there is no succeeding downturn yet

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