

Australia's Housing Outlook

Steady Growth
Rate Holds
Cost of Living Pressures

2026

As a mortgage broker working with everyday Australians, I know how important it is to stay ahead of economic shifts—especially when they affect your home, your repayments, and your financial confidence. So, let's take a closer look at what 2026 might hold for the housing market, interest rates, and inflation.

Housing Market: Steady Growth Driven by Undersupply

Despite affordability challenges, Australia's housing market is expected to continue its upward trajectory throughout 2026. National house prices are forecast to rise between 3% and 6%, with attached dwellings like townhouses and terraces potentially climbing 5% to 7%.

Key drivers of growth:

- Chronic housing undersupply due to high construction costs and trade shortages.
- Strong population growth, especially in Sydney, Melbourne, and Brisbane.
- Investor demand chasing high rental yields in tight rental markets.

Cities like Sydney and Melbourne are tipped to lead the charge, with record-high prices expected by the end of FY26. Melbourne, in particular, may see a catch-up in growth due to its relative affordability and rising rental yields.

Interest Rates: On Hold Until Mid-2026

The Reserve Bank of Australia (RBA) has held the cash rate steady at 4.35%, and most economists expect this pause to continue until at least mid-2026. While inflation has eased slightly, the RBA remains cautious due to persistent cost-of-living pressures.

Why rates are likely to stay put:

- Inflation is still above the RBA's target range, driven by rising household expenses and sticky service costs.
- Wage growth is modest, and economic growth is forecast to hover around 1.8% to 2.3%—just enough to avoid recession.
- Unemployment is expected to remain stable around 4.5%, supporting a "wait and see" approach.

While some market analysts predict rate cuts in late 2026, the path forward remains uncertain. The RBA is watching inflation closely, and any global shocks or domestic policy missteps could shift the outlook quickly.



What This Means for Homeowners and Buyers

2026 is shaping up to be a year of measured opportunity—not a boom, but not a bust either.

Homeowners: If you're on a variable rate, now's the time to review your loan and consider locking in a competitive fixed rate before the market shifts.

Buyers: With steady price growth and tight supply, early action could help you secure a property before affordability worsens.

Investors: High rental yields and low vacancy rates continue to attract interest, especially in cities like Perth, Adelaide, and Melbourne.

Final Thoughts from Your Lending Experts

The housing market is holding firm, interest rates are steady (for now), and inflation is keeping everyone on their toes. In this environment, clarity is power. Whether you're buying, refinancing, or just exploring your options, we're here to help you make smart, confident moves.

Let's make 2026 a year of financial progress—starting with your home loan.

Source:

- RBA Monetary Policy Statement – November 2025



Your Lending Experts

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