Sydney, Melbourne property markets tipped to outpace other capital cities by 2027

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Brisbane, Perth and Adelaide's meteoric property run is tipped to slow dramatically in the year ahead, with new forecasts predicting Sydney and Melbourne will reemerge as the market frontrunners by the end of 2027.

Economists at ANZ have downgraded their housing forecasts on the back of rising interest rates and falling consumer confidence, with home prices across the combined capital cities predicted to rise by 2.8% in 2026 and 2.1% in 2027. The bank had previously forecast price growth of 4.8% in 2026 and 3.8% in 2027.

Last year, capital city values rose 8.5% according to the PropTrack Home Price Index.

The slowdown in price growth is already underway with national home prices rising 0.3% in March, which, aside from December was the slowest monthly growth recorded since November 2024.

Prices still remain 45% higher than before the pademic, and in the best performing capital cities of Perth, Brisbane and Adelaide, home values have doubled over the past five years alone.

But new forecasts from ANZ suggest the multi-speed housing market could be about to change, with worsening affordability and rising interest rates tipped to bring the booming capital cities of Brisbane, Perth and Adelaide back in line with the rest of the country.



Sydney's property market is forecast to ease in 2026, before rising by 2.6% in 2027. Picture: Getty

Over 2026, Sydney and Melbourne are expected to see prices decline by 0.7% and 1.7% respectively, before leading the capital cities in 2027.

At the same time, the pace of growth in red hot markets like Brisbane, Perth and Adelaide is tipped to cool to just 1.4%, 1.5% and 0.2% respectively by 2027 – dramatically slower than the 14.6%, 12.8% and 17.2% growth seen in 2025.

Home price forecasts – ANZ Research

	Syd	Melb	Bris	Adelaide	Perth	Hobart	Canb	Darwin
2025	6.4%	4.5%	14.6%	12.8%	17.2%	7.8%	4.2%	14.5%
2026 (forecast)	-0.7%	-1.7%	9.7%	5.7%	12.3%	3.7%	1.6%	8.0%
2027 (forecast)	2.6%	2.9%	1.4%	0.2%	1.5%	0.6%	0.5%	2.6%

Source: 2025 price forecasts – PropTrack Home Price Index December 2025; Forecasts – ANZ Research

ANZ economist Madeline Dunk said Sydney and Melbourne are more sensitive to interest rate movements, with the impact of the RBA's two hikes in 2026 already causing a pullback in momentum.

"Sydney and Melbourne markets are showing signs of slowing, and we expect them to underperform in 2026," Ms Dunk said.

"Adelaide, Brisbane, Perth, Hobart and Canberra are likely to underperform in 2027 after a period of strong growth across many of the 'smaller' capitals"



Melbourne and Sydney's housing markets are expected to cool in 2026, before outpacing other capital cities in 2027. Picture: Getty

She noted “very low” levels of property listings in these markets has continued to support prices into 2026 so far.

“As the year progresses, higher rates, slowing activity and affordability constraints are likely to slow price growth.”

Will Gosse, director and acting CEO at Sydney real estate agency BresicWhitney said the forecasts are consistent with what’s happening on the ground.

"Sydney is working through a complex set of forces - rate uncertainty, CGT speculation, geopolitical instability, more stock on market and a more deliberate buyer,” Mr Gosse said.

“Modest softening this year before recovery in 2027 is a reasonable read. The long-term fundamentals haven't changed."

He said the sub-$1.5m market still had energy, driven by first-home buyers accessing government support.

"Above that, sentiment weakens considerably. Buyers are cautious and risk averse in a way we haven't seen for some time.

"Clearance rates are holding better in suburbs where supply is constrained and buyer conviction is high. Bondi and Woollahra are good examples of that right now."

Melbourne mood shifts

While Melbourne's run of property price underperformance is expected to continue in the short term, buyer's agent Cate Bakos said the mood was shifting as more buyers viewed it as undervalued.

"Melbourne is the talk of the town, and it has been for a year," she said.

"The value proposition is what's bringing a lot of people back. I think a lot of people are speculating that Melbourne will have its day because there's a lot of room for it to move."



Buyer's agent Cate Bakos said the Melbourne market remains segmented. Picture: Supplied

Uncertainty around interest rates and the Middle East conflict had caused investors to pull back in recent weeks, but Ms Bakos described the market as segmented.

"Like anything, buyers who are nervous about the conditions can sit on their hands and not do anything. But we've got plenty of buyers that need to transact, whether they're upsizing, downsizing, divorcing, there's reasons why people transact.

"The most competitive space is the mid-tier priced houses, and I'm still experiencing multiple bidders on properties.

"For example, we had one yesterday with five bidders, and we were the under bidder, so that was disappointing. It's a segmented market, that's how I describe it."

Data from PropTrack shows nine of the top ten suburbs across the country with the strongest auction clearance rate over the past month were located in Melbourne.

Top auction clearance rates across the country:

Suburb	State	City	Clearance rate
Epping	VIC	Greater Melbourne	81%
Mulgrave	VIC	Greater Melbourne	80%
Caroline Springs	VIC	Greater Melbourne	79%
Thomastown	VIC	Greater Melbourne	79%
Mill Park	VIC	Greater Melbourne	77%
Noble Park	VIC	Greater Melbourne	76%
Mernda	VIC	Greater Melbourne	76%
Keysborough	VIC	Greater Melbourne	75%
South Morang	VIC	Greater Melbourne	74%
Woollahra	NSW	Greater Sydney	74%

Source: PropTrack | for the period 09/03/2026 - 05/04/2026. Only includes suburbs with at least 20 total auctions during that period

Ms Bakos said properties that were compromised, such as having a poor floorplan or location, were sitting on the market for longer, or needing multiple price discounts to sell.

Hot markets tipped to fall back in line with other cities

In Brisbane, where home values have jumped more than 17% in the past 12 months – and 96% in five years – Streamline Property buyer's agent and president of The Real Estate Buyers Agents Association of Australia, Melinda Jennison, said buyers were pulling back.

"Buyers are definitely more cautious, and they're a little bit slower. Obviously, there's international unrest, there's the potential for interest rate rises, there's political uncertainty, and all of these things have a huge impact on their confidence," Ms Jennison said.

“There's still more buyers than sellers because we have such low listing volumes across the city and because of that, we're continuing to see upward pressure on prices.”



Brisbane buyer's agent Melinda Jennison said investors are being more cautious. Picture: Supplied

As the second-most expensive capital city in the country, Ms Jennison said affordability issues were driving demand in Brisbane’s apartment market, and outer ring suburbs.

“It's the lowest segment of the market that's been outperforming the middle- and the top-segment of the market in terms of quarterly price growth for over 12 months now. And that's the section where there's more buyers than sellers,” she said.

“At the end of the day, owner occupiers still need a home. It's probably more caution that's being taken from property investors at the moment, simply because they want to be able to price in higher interest rates or price in changes to capital gains tax and negative gearing before they make a big purchasing decision.”

An undersupply of homes in Perth has driven property prices more than 20% higher in the past 12 months, with homes often being sold within days of listing.



Perth has seen home values double in the past five years alone. Picture: Getty

While bidding frenzies are still common across the city, Peter Gavalas from Resolve Property Solutions said some of the heat had come out of the market in recent months.

“We are still seeing some pretty good numbers at home opens, multiple offers are quite often as well. An auction I was at had nine bidders two weeks ago, which indicates a very strong market in the right areas.

“But the property needs to be priced well, if your property is overpriced at the moment, you won't get anyone coming through the door.

“In the past, you put on any price and people rock up and probably slip an offer in, whereas now, if the property isn't priced correctly, or if it needs a lot of work, you won't get many people come through the door.”

He said supply remains a key factor in underpinning price growth.

“The story in WA is still a supply issue, we're well short on what’s required for supply. New listings are well down on last year and the average stock on the market is 45% lower than the five year average.

“So in all factors, we're down, and people are still buying. But that's like I said, that's paying the right price, not necessarily chasing things as hard as they were possibly three or six months ago.”

source: https://www.realestate.com.au/news/sydney-melbourne-property-markets-tipped-to-outpace-other-capital-cities-by-2027/