

EPISODE
376



WILL INTEREST RATE CUTS RE-IGNITE THE HOUSING MARKET?

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Agenda:

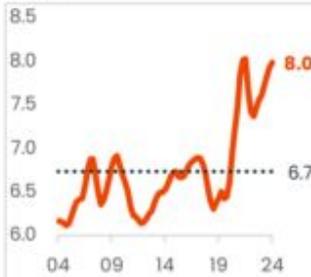
- Outlook for interest rates.
- Current housing affordability picture.
- Why Australian house prices will rise.
 - Rate cuts
 - Stimulatory government policies.
 - Looser lending.
 - High immigration / sluggish supply.
- Investment implications.

Worst housing affordability in recorded history:

- On every metric, housing affordability is poor.

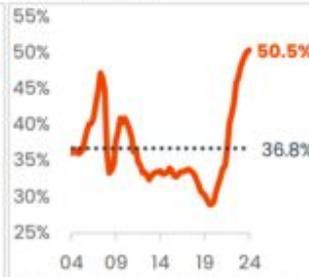
National housing affordability metrics

Dwelling value to income ratio



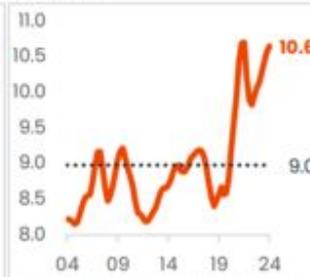
Median dwelling value divided by the median gross annual household income.

% of income to service a new mortgage



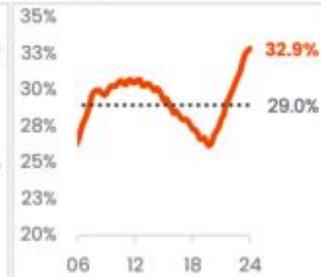
Assumes borrowing 80% of median dwelling value & paying the average discounted variable mortgage rate at that time for a term of 25yrs.

Years to save a 20% deposit

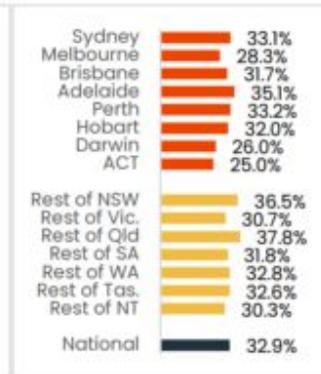
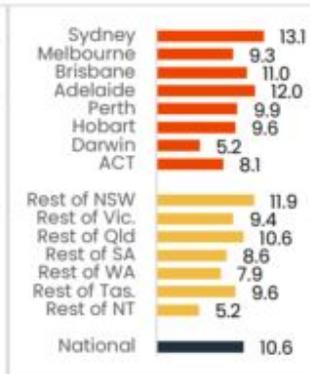
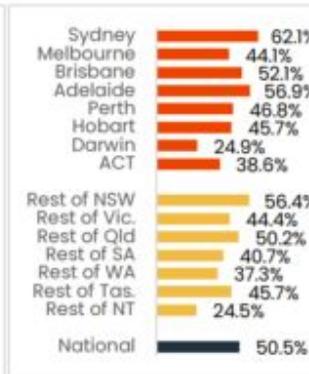
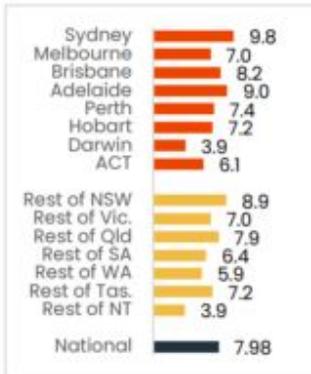


Number of years to save a 20% deposit on the median valued dwelling, assuming a 15% saving on an annual gross household income.

% of income required to pay rent



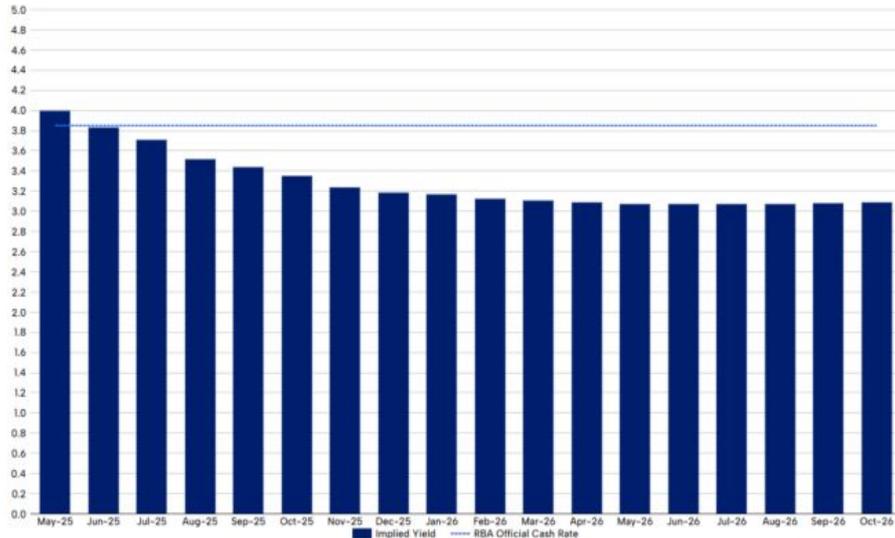
Percentage of gross annual household income required to rent, assuming the median rental rate.



Lower interest rates = rising prices:

- Financial markets tip 3 more rate cuts this year.
 - Implies a 12% decline in monthly P&I mortgage repayments from peak, meaning additional borrowing capacity.
- Every time rates have been cut, house prices rise.

As at market close on 20 May 2025



Change in house prices in the two years after the start of a rate cut cycle (%)

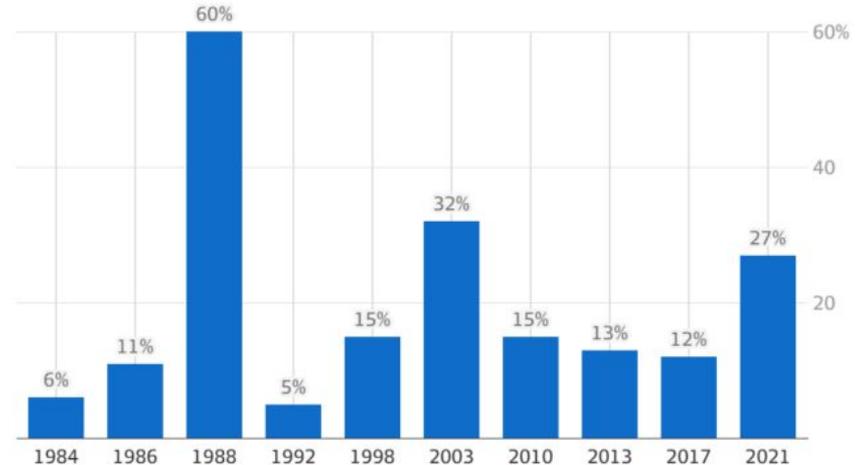


Chart: Michael Read, AFR • Source: Bank of Queensland chief economist Peter Munckton

Stimulatory policies and lending:

- Recent announced policies will stimulate home prices.
 - Labor's 5% deposit scheme for FHBs (effective 1 January, 2026)
 - Exclusion of student debts from loan servicing calculations.
 - Expansion of shared equity scheme.
- Lenders have announced new stimulatory mortgage products:
 - 40-year mortgage terms.
 - 10-year interest only terms (AMP) without reassessment.
- Above policies will boost borrowing capacity, mortgage demand, and prices.

Population demand high, construction low:

- The rate of net migration has picked up, while construction rates are forecast to remain low.
- The National Housing Supply & Affordability Council forecasts a supply shortfall of 79,000 homes over the next five years.

Australia - Net Overseas Migration

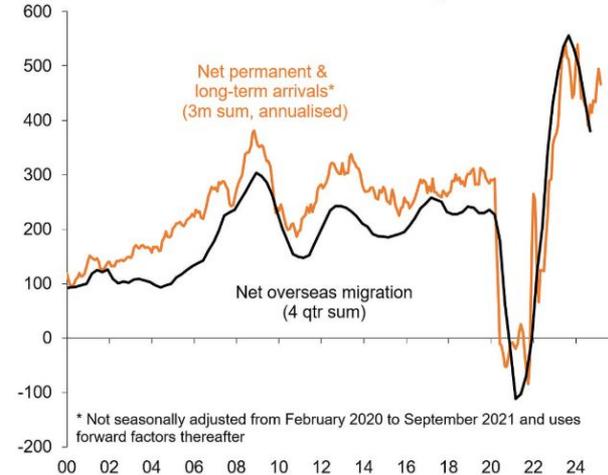


Table 5.2 Forecasts of new market supply, demand and net balance

Year	Gross new supply	Net new supply	New demand	Net balance (net new supply less new demand)
2023-24	177,000	155,000	241,000	-86,000
2024-25	179,000	158,000	205,000	-47,000
2025-26	183,000	161,000	179,000	-18,000
2026-27	186,000	164,000	171,000	-7,000
2027-28	192,000	169,000	173,000	-5,000
2028-29	197,000	173,000	176,000	-3,000
Total during the Housing Accord period	938,000	825,000	904,000	-79,000

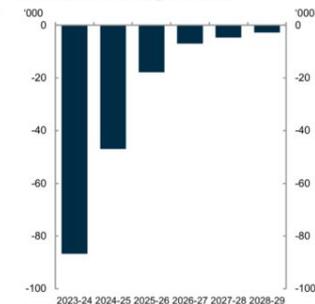
Notes: All figures are rounded to the closest thousand. Totals and differences may not be consistent with component figures due to rounding.
Source: ABS Building Activity 2025; NHSAC 2025

Chart O.5 Annual net new housing supply and new housing demand



Note: Demand is measured as the number of new households that demographic trends imply would form. Supply is measured as the net number of dwelling completions.
Source: NHSAC 2025; Centre for Population 2024

Chart O.6 Net new housing supply minus new housing demand



Note: Demand is measured as the number of new households that demographic trends imply would form. Supply is measured as the net number of dwelling completions.
Source: NHSAC 2025; Centre for Population 2024

Investment Outlook:



Choose themes to screen from your portfolio away from (i.e. remove stocks)

Climate Change

War

Human Rights

Health

Vices

Animal Rights

Religion

Asset Class

Thematic

Climate Change

- No Fossil Fuels (Worst Offenders) ⌵
- No Fossil Fuels (Any) ⌵
- No Coal Seam Gas or Fracking ⌵
- No Nuclear Power ⌵
- No Old Growth Forest Logging ⌵



Build Your Portfolio

Need help with this page? Video Tutorial

Account Selection

Investment Choice

Risk Profile

Build Your Portfolio

Ethical Overlay

Review

Applicants

Bank Details

Compliance

Final Review

Portfolio Tilts



Quality Stocks

Value Stocks

Growth Stocks

Oil & Gas Stocks

Gold Stocks

Agribusiness

Large Technology Stocks

Cloud Computing Stocks

Robotics/AI

Video Gaming

Cybersecurity

Clean Energy

Defensives

Battery Supply Chain

Nuclear Power

Defense Contractors

Travel

Luxury Goods

Logistics

Global Communication Services

Global Consumer Discretionary

Global Consumer Staples

Global Energy

Global Financials

Global Health Care

Global Industrials

Global Information Technology

Personalise Your Portfolio

Screens

You can exclude the below to customise your portfolio

Climate Change	War	Human Rights	Health	Vices
Animal Rights	Religion	Asset Class	Thematic	

- No Fossil Fuels (Worst Offenders) ?
- No Fossil Fuels (Any) ?
- No Coal Seam Gas or Fracking ?
- No Nuclear Power ?
- No Old Growth Forest Logging ?

Tilts

You can add the below to customise your portfolio

Investment Style Factors	Climate Change	Technology	
Consumption	Commodities	Military	GICS Sectors

- Quality Stocks ?
- Value Stocks ?
- Growth Stocks ?
- Defensives ?



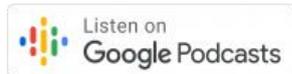
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