API | 100 YEARS

Australian Property Market Outlook

POST-BUDGET EDITION

Q3 2026

About the API.

Australian Property Institute

The Australian Property Institute is the professional body for independent property experts in Australia. Our members include property valuers, property advisors, analysts and consultants who play a vital role in supporting sound investment, lending, taxation and planning decisions across the residential, commercial, industrial, and infrastructure sectors. Approximately 5,000 of our members are industry-accredited as Residential Property Valuers (RPV) or Certified Practising Valuers™ (CPV).

As a trusted source of property industry knowledge, the API is committed to professional standards, policy engagement and evidence-based reform. Established as the Commonwealth Institute of Valuers in 1926 and celebrating our 100th anniversary in 2026, today we represent more than 7,000 members, many of whom provide valuation certainty for Australia's $12 trillion residential property market.

Our members can be found across all sectors of the property profession—in private practice and in the public sector. This broad base of qualified and skilled professionals is unique to the API as we are dedicated to expanding the expertise and knowledge of our members, building a strong base for the future of the property profession.

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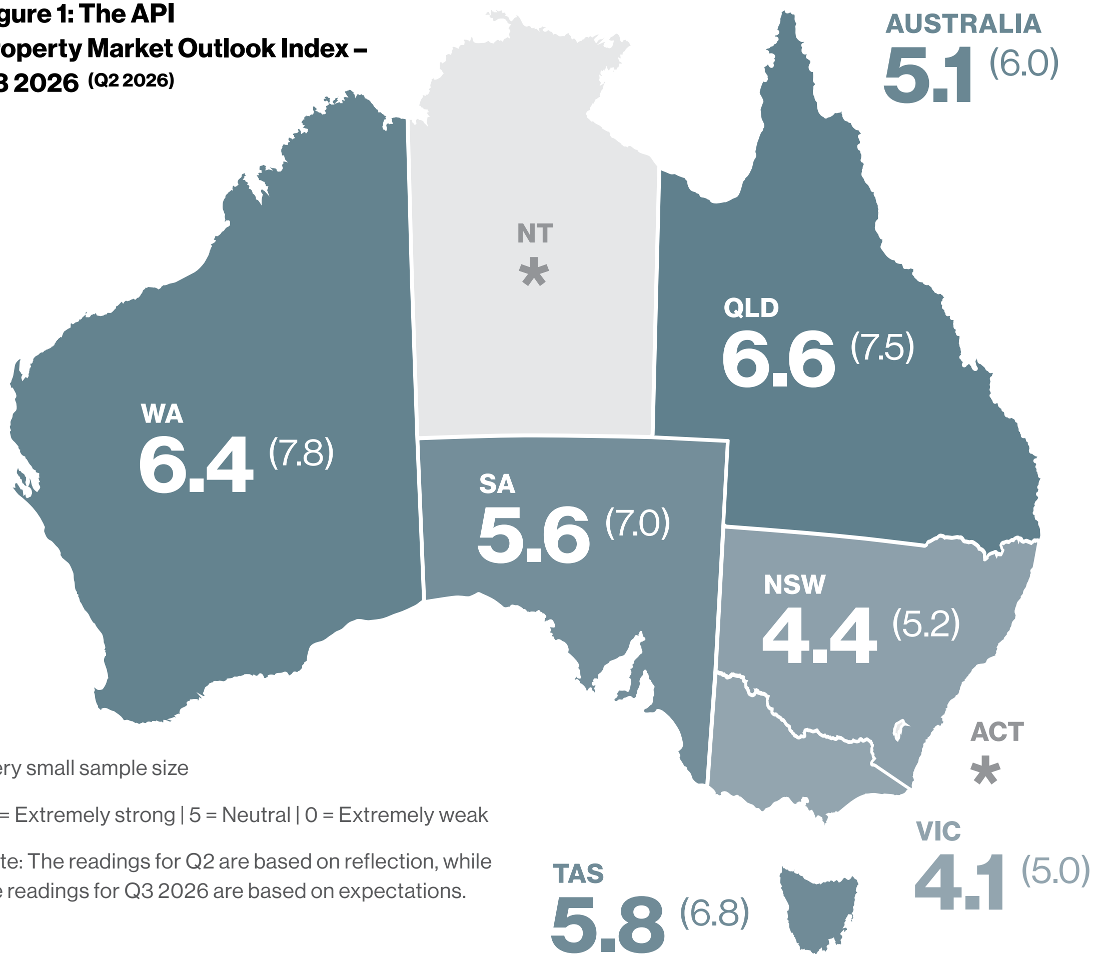
01.
Executive Summary.

Property market momentum will continue to slow across Australia in Q3 2026, according to property professionals surveyed by the API. The headline API Property Market Outlook Index comes in at 5.1 out of 10, which is near the neutral level and also represents a notable decline from the previous quarter's reading of 6.0.

Every state is expecting a slowdown led by the residential sector, which has been unsettled by the recently announced changes to the capital gains tax and negative gearing arrangements.

The industrial sector remains the most resilient with a national market sentiment score of 6.4 (down from 6.9 for the previous quarter) while the office sector remains the most cautious with a third consecutive quarter of below-neutral reading.

Figure 1: The API Property Market Outlook Index – Q3 2026 (Q2 2026)



*very small sample size

10 = Extremely strong | 5 = Neutral | 0 = Extremely weak

Note: The readings for Q2 are based on reflection, while the readings for Q3 2026 are based on expectations.

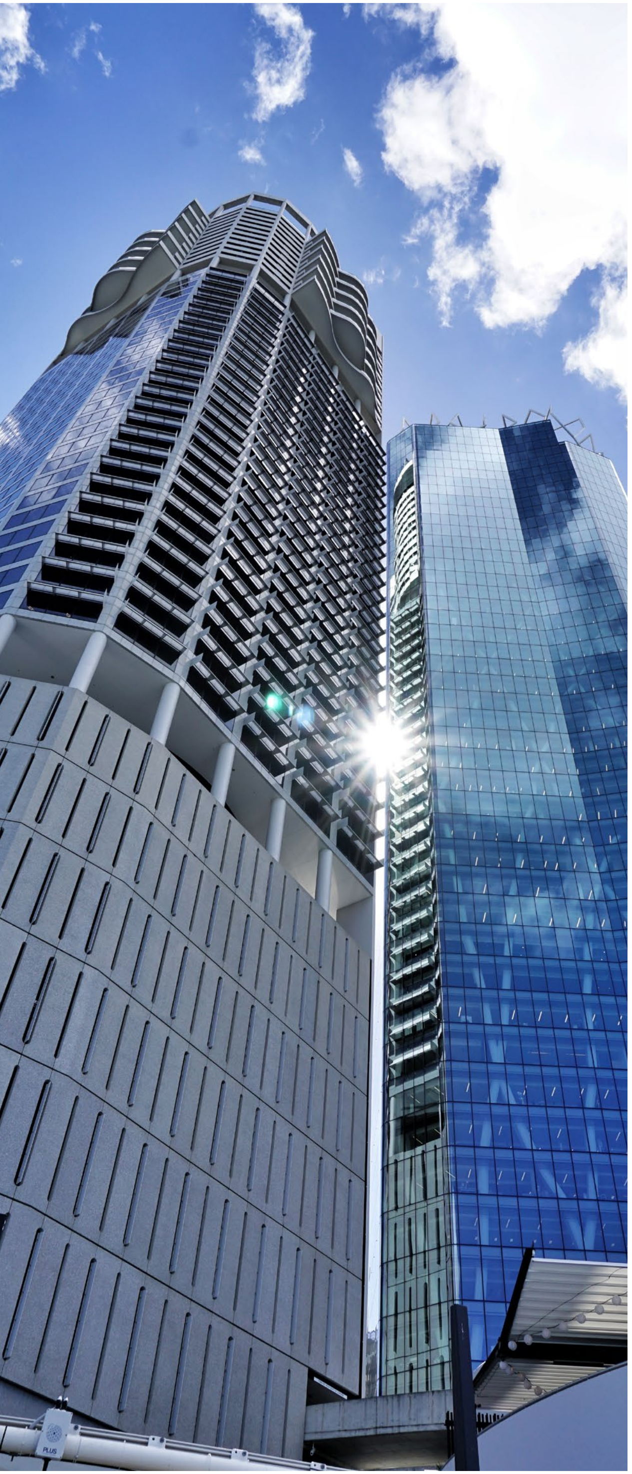


Figure 2: Property market sentiment scores (out of 10)

	Q4 2025	Q1 2026	Q2 2026	Q3 2026*
Residential	7.5	7.2 ↓	6.0 ↓	5.0 ↓
Office	5.0	4.9 ↓	4.8 ↓	4.6 ↓
Retail	5.4	5.4 -	5.3 ↓	4.9 ↓
Industrial	7.2	7.2 -	6.9 ↓	6.4 ↓
Agricultural	6.0	6.2 ↑	6.0 ↓	5.8 ↓

*Note: The readings for past quarters are based on reflection, while the readings for Q3 2026 are based on expectations.

As the current economic environment and near-term property market outlook become more complex, property professionals have mixed or uncertain views regarding the drivers of property prices for the next three months.

There is market consensus on just a few factors:

- The interest rate outlook is expected to put downward pressures on property prices across all asset classes.
- The office and retail sectors will face predominantly downward pressures on property prices due to subdued business and consumer confidence.
- The residential market will continue to see a mix of upward pressures (from construction costs, population growth, and a lack of housing and land supply) and downward pressures (from the negative gearing and capital gains tax reforms).
- Industrial property prices will be supported by a lack of supply and zoned land relative to demand.
- Agricultural property prices will be supported by domestic demand for agricultural products.

02.
Research Overview.

The *Australian Property Market Outlook* report series present findings from the quarterly survey administered by the Australian Property Institute. This report is the third issue of the series.

This quarter's research primarily aimed to:

- gauge recent changes in property market sentiments
- understand the sources of upward and downward pressures on property prices across different asset classes
- predict the medium-term impact of the capital gains tax and negative gearing reforms announced as part of this year's Federal Budget.

Respondents were prompted to answer the survey focusing on the region in which they primarily undertake their work.

Survey period: 12 June to 6 July 2026 (All states and territories included)

265
responses

80%
of respondents are property valuers – a mix of residential, office, retail, industrial and agricultural property valuers

Other professions represented:

property developers **real estate agents**
property researchers and analysts
consultants **investors**
financial service providers **town planners**
other related professions

03.
Property Market Sentiment.

Figure 3: The API Property Market Outlook Index

	Q4 2025	Q1 2026	Q2 2026	Q3 2026
AUSTRALIA	7.3	7.1	6.0	5.1

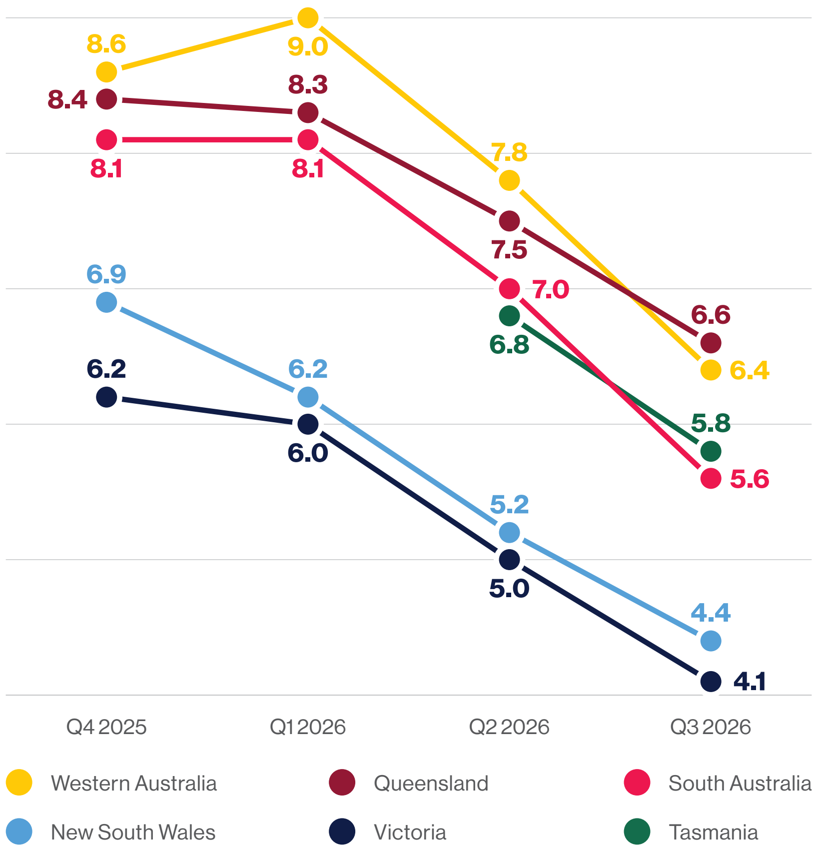
Note: The index has a scale of 0 (extremely weak) to 10 (extremely strong).

The API Property Market Outlook Index declined for the third straight quarter, with the reading for Q3 2026 slipping to the near-neutral level of 5.1, which indicates a loss of optimism on average at the national level.

Nevertheless, the state breakdown shows that a degree of optimism remains in Queensland (6.6) and Western Australia (6.4), although the latter along with South Australia (5.6) have the sharpest decline in market sentiment in Q3 2026 predominantly driven by the residential outlook.

Market sentiments in Victoria (4.1) and New South Wales (4.4) have fallen below the neutral level into cautious territory, as the previously subdued residential market momentum is expected to further moderate in Q3 2026.

Figure 4: The API Property Market Outlook Index



Note: The readings for past quarters are based on reflection, while the readings for Q3 2026 are based on expectations. The two territories with very few responses are not given an individual score.

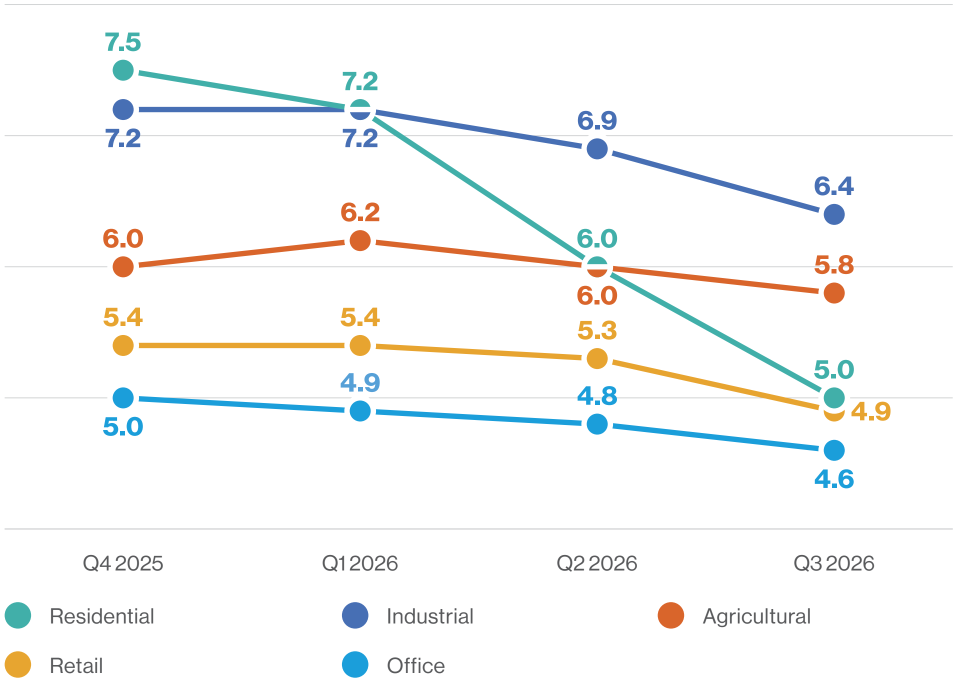
Market momentum is expected to slow across all property asset classes in Q3 2026.

Residential market sentiment is showing the steepest decline (from 6.0 in Q2 to 5.0 in Q3) on the back of the capital gains tax and negative gearing reforms announced in the latest Federal Budget.

The industrial and agricultural sectors are again showing resilience with a relatively smaller decline in their property market sentiment scores.

While the retail and office sectors also have a slight decline in their property market sentiment scores from the previous quarter, their latest readings are below the neutral level, which warrants a greater degree of caution.

Figure 5: Property market sentiment scores (out of 10)



Note: The scores have a scale of 0 (extremely weak) to 10 (extremely strong).
The readings for past quarters are based on reflection, while the readings for Q3 2026 are based on expectations.

04.

Property Price Outlook.

This section provides further insights on each of the core asset classes—residential, office, retail, industrial and agricultural.

Presented in this section are:

- the breakdown of property market sentiment by state
- the sources of upward or downward pressures on property prices, as identified by property valuers practising in the relevant sectors.

Reflecting the elevated level of economic and market uncertainties at present, there is consensus on very few items of price drivers.

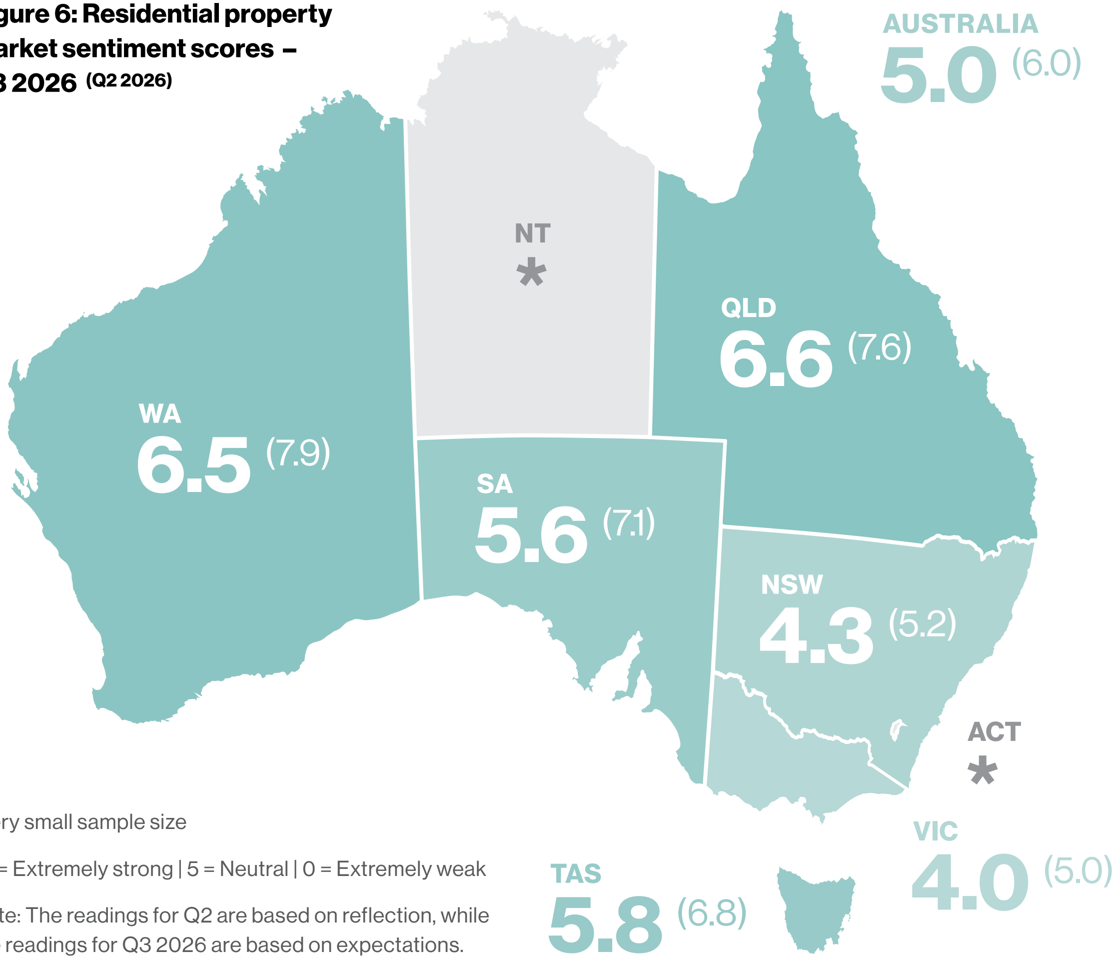
Similar to the previous quarter, the interest rate outlook is the commonly agreed source of downward pressure on property prices across different asset classes.

The recently announced capital gains tax reform is expected to weigh on property prices in the residential and agricultural sectors only.

For completeness, we also reveal those price drivers listed in the survey over which consensus was not reached.

Residential.

Figure 6: Residential property market sentiment scores – Q3 2026 (Q2 2026)



*very small sample size

10 = Extremely strong | 5 = Neutral | 0 = Extremely weak

Note: The readings for Q2 are based on reflection, while the readings for Q3 2026 are based on expectations.

Figure 7: The key factors influencing residential property prices in the next 3 months

Driving property prices higher

Lack of housing supply (82%)
Lack of land supply (73%)
Population growth (70%)
Construction costs (63%)

Putting downward pressures on property prices

Negative gearing reform (82%)
Capital gains tax reform (77%)
Interest rate outlook (77%)

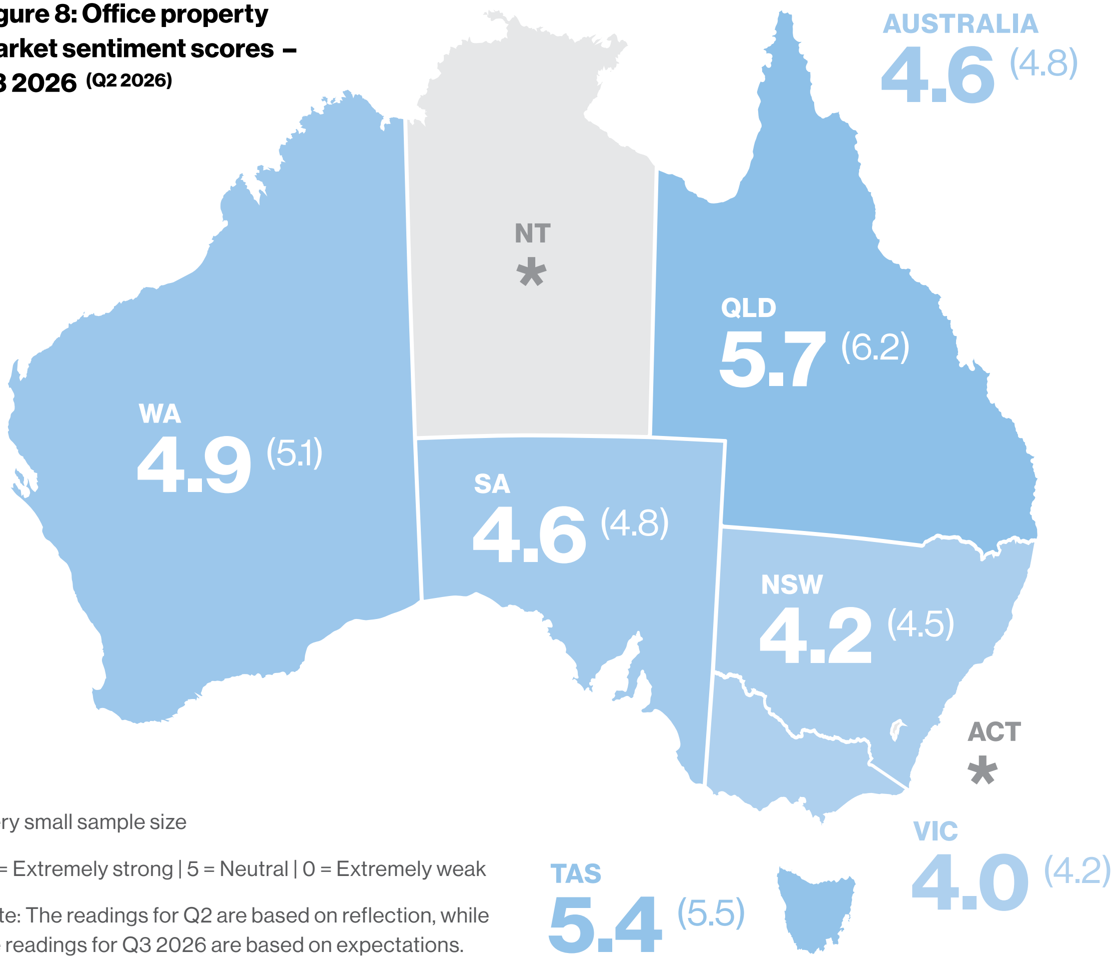
Note: Figures in brackets represent the proportion of survey respondents in agreement.

The following factors were included in the survey but did not obtain consensus results:

- 5% Deposit Scheme
- Planning/approval delays
- Adoption of energy efficiency measures
- Infrastructure contributions and associated holding costs for developers
- Infrastructure delivery delays
- Feasibility constraints for new developments
- Financing constraints for new developments
- Job market conditions
- Changes to superannuation taxation
- Taxation of trusts

Office.

Figure 8: Office property market sentiment scores – Q3 2026 (Q2 2026)



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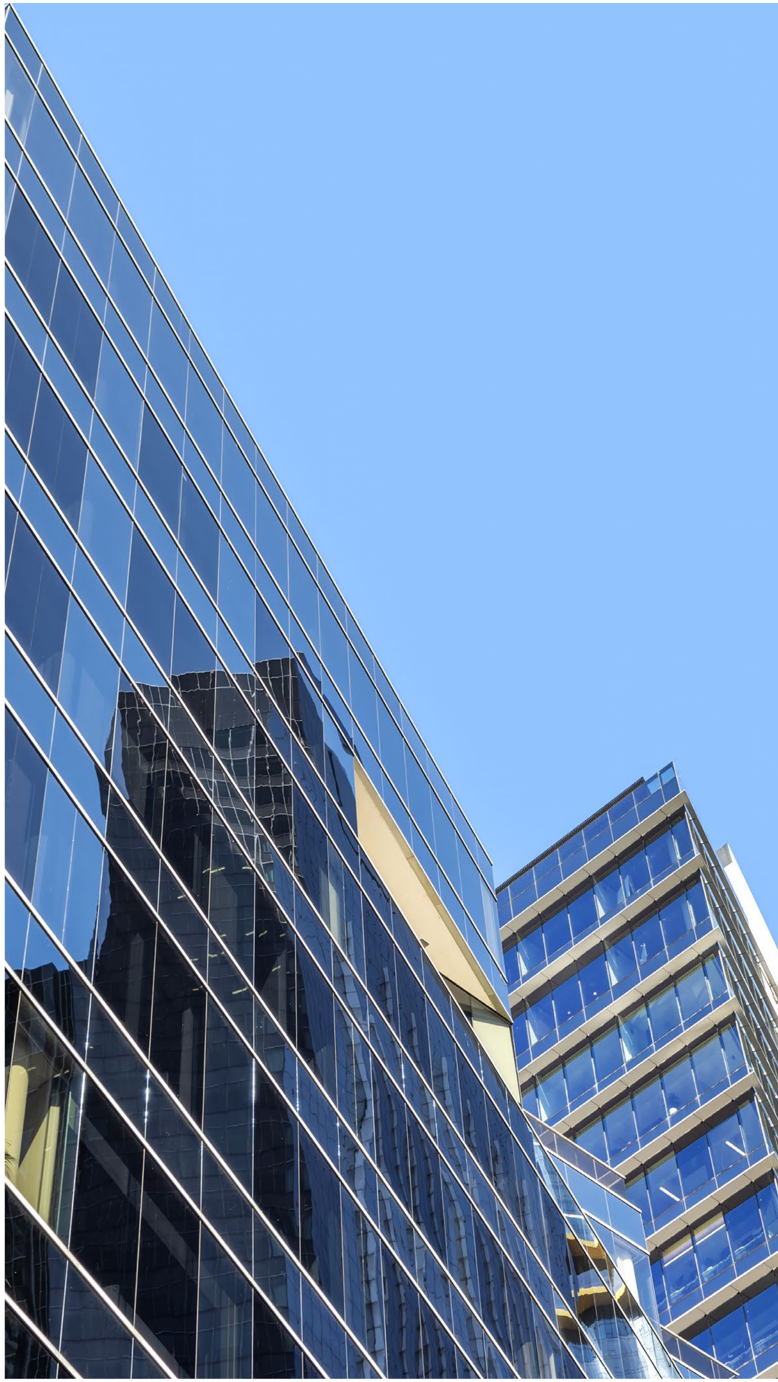


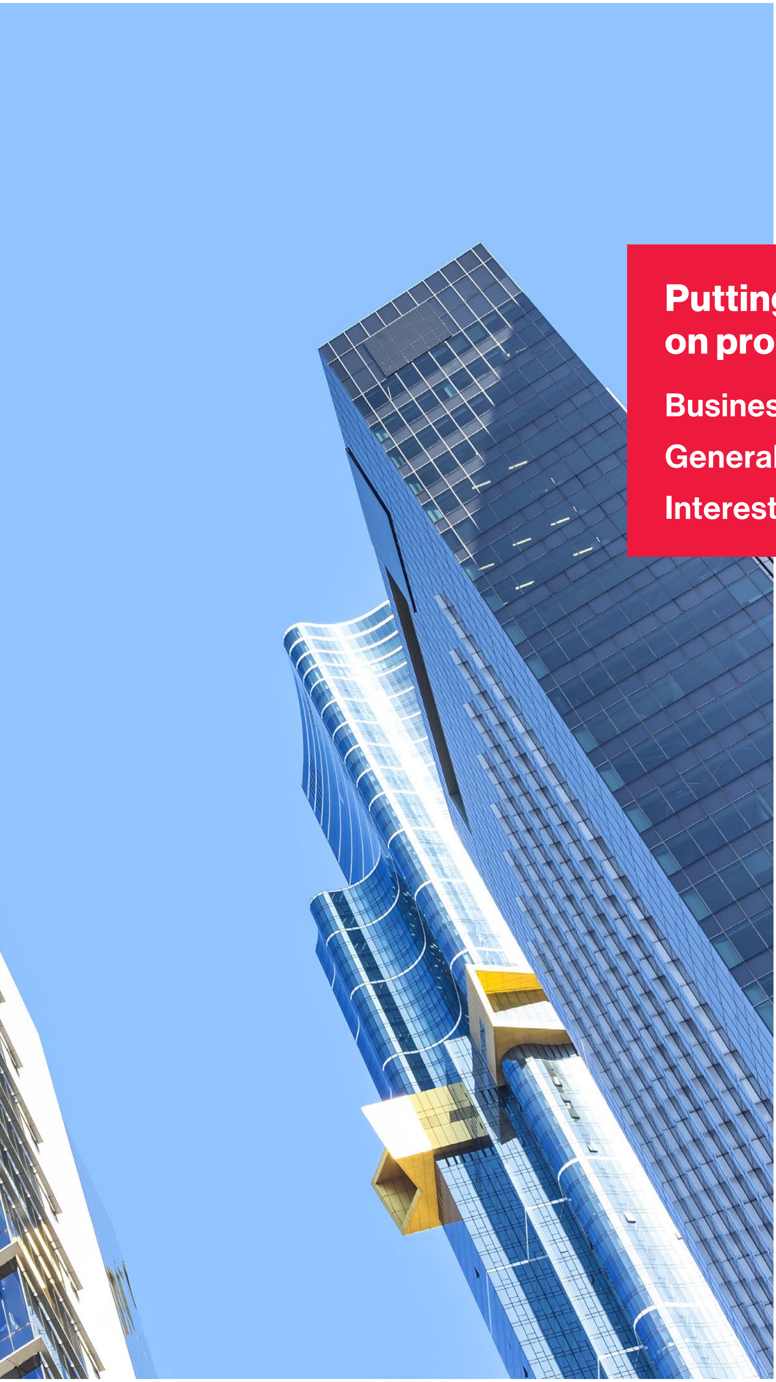


Figure 9: The key factors influencing office property prices in the next 3 months

Putting downward pressures on property prices

Business confidence (68%)

General economic conditions (64%)

Interest rate outlook (61%)

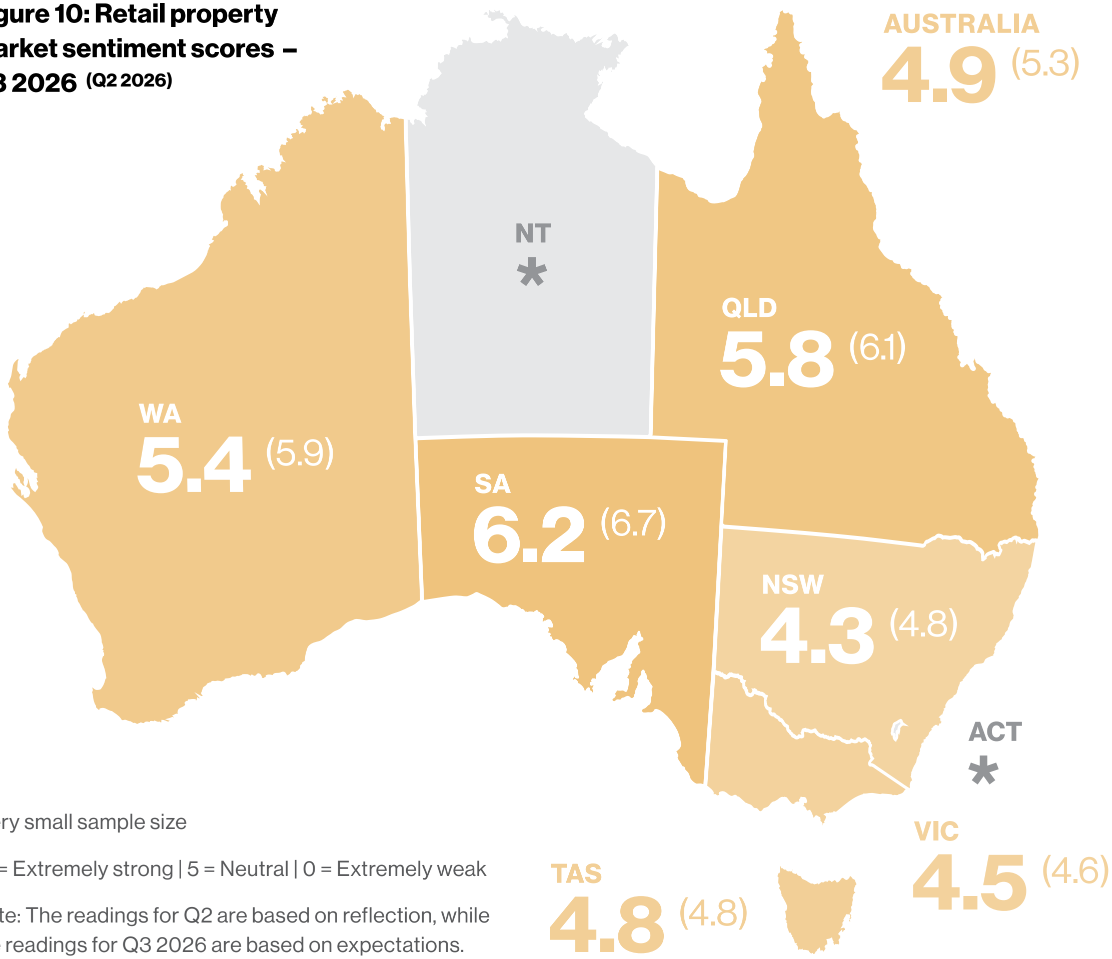
Note: Figures in brackets represent the proportion of survey respondents in agreement.

The following factors were included in the survey but did not obtain consensus results:

- Lack of stock across all office grades
- Adoption of energy efficiency measures
- Amenities and tenant experience
- Sustainability and ESG commitments
- Mismatch between available stock and market demand (e.g. Premium & Grade A offices)
- Negative gearing reform
- Increasing use of AI in business operations
- Capital gains tax reform
- Changes to superannuation taxation
- Taxation of trusts
- Corporate policy on working from home

Retail.

Figure 10: Retail property market sentiment scores – Q3 2026 (Q2 2026)



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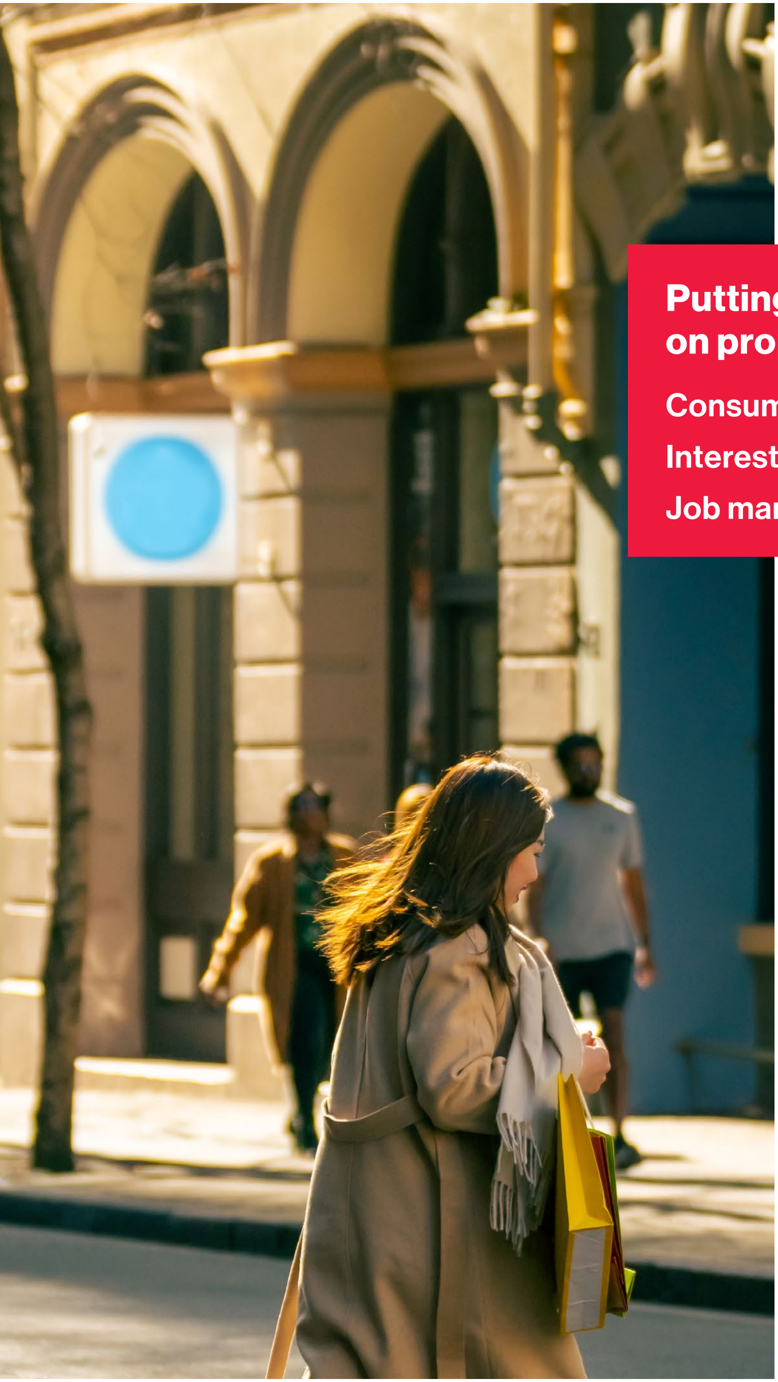


Figure 11: The key factors influencing retail property prices in the next 3 months

Putting downward pressures on property prices

Consumer confidence (66%)

Interest rate outlook (64%)

Job market conditions (55%)

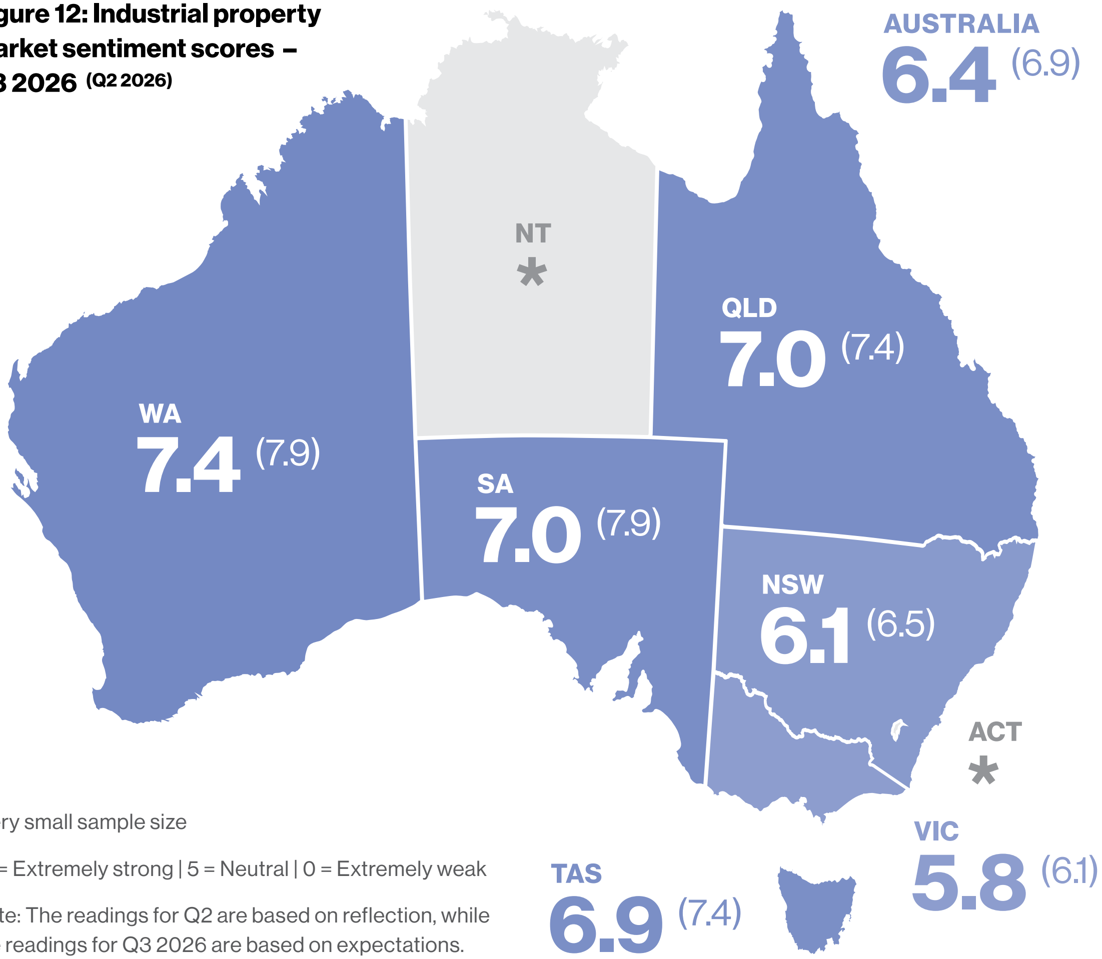
Note: Figures in brackets represent the proportion of survey respondents in agreement.

The following factors were included in the survey but did not obtain consensus results:

- Amenities and tenant experience
- Appeal of shopping precinct
- Public transport connectivity
- Adoption of energy efficiency measures
- Sustainability and ESG commitments
- Work-from-home arrangements
- Negative gearing reform
- Changes to superannuation taxation
- Capital gains tax reform
- Taxation of trusts
- Availability of online shopping

Industrial.

Figure 12: Industrial property market sentiment scores – Q3 2026 (Q2 2026)



*very small sample size

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Note: The readings for Q2 are based on reflection, while the readings for Q3 2026 are based on expectations.

Figure 13: The key factors influencing industrial property prices in the next 3 months

Driving property prices higher

Lack of supply of industrial properties (61%)

Lack of zoned land (55%)

Putting downward pressures on property prices

Interest rate outlook (57%)

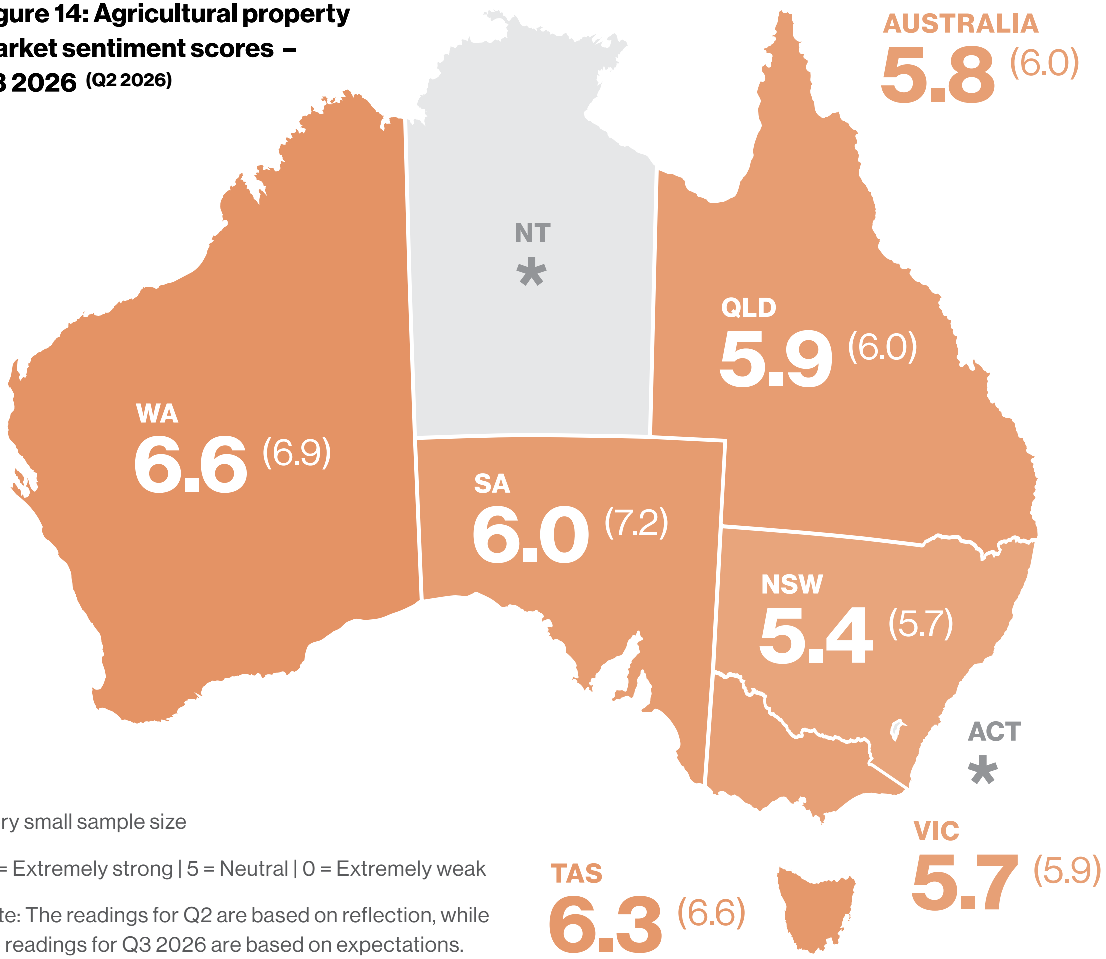
Note: Figures in brackets represent the proportion of survey respondents in agreement.

The following factors were included in the survey but did not obtain consensus results:

- Demand for warehouses
- Demand for data centres
- Lack of enabling infrastructure
- Delays to development approvals
- Mining sector activity
- Adoption of energy efficiency measures
- Sustainability and ESG commitments
- Manufacturing sector activity
- Negative gearing reform
- Capital gains tax reform
- Changes to superannuation taxation
- Taxation of trusts

Agricultural.

Figure 14: Agricultural property market sentiment scores – Q3 2026 (Q2 2026)



*very small sample size

10 = Extremely strong | 5 = Neutral | 0 = Extremely weak

Note: The readings for Q2 are based on reflection, while the readings for Q3 2026 are based on expectations.

Figure 15: The key factors influencing agricultural property prices in the next 3 months

Driving property prices higher

Domestic demand for agricultural products (59%)

Putting downward pressures on property prices

Interest rate outlook (68%)

Capital gains tax reform (59%)

Note: Figures in brackets represent the proportion of survey respondents in agreement.

The following factors were included in the survey but did not obtain consensus results:

- Agricultural commodity prices
- Access to essential infrastructure (e.g. water & telecommunication)
- Adoption of energy efficiency measures
- Sustainability and ESG commitments
- Quality of agricultural land
- Adoption of renewables
- Roads and transportation connectivity
- Export outlook
- Climate conditions
- Negative gearing reform
- Changes to superannuation taxation
- Taxation of trusts

05.

Expected Impact of CGT & Negative Gearing Reforms

The Federal Government has introduced capital gains tax (CGT) and negative gearing reforms that aim to (1) support first-home buyers by reducing tax concessions for property investors and (2) stimulate housing supply through investor demand for new dwellings.

In summary:

- The 50% CGT discount will be replaced with an inflation-based discount for gains accruing from 1 July 2027. There will be a minimum tax of 30%. Investors in new dwellings will have the option of the 50% CGT discount or the new inflation-based discount.
- Negative gearing will be limited to new dwellings from 1 July 2027. Properties held before Federal Budget night (12 May 2026) are not affected by the change.

The announcement of these tax changes has already prompted property buyers (both owner-occupiers and investors) to reconsider their plans. Notwithstanding the short-term market volatility as market participants react to the changes, the key question is whether these new tax arrangements will achieve the intended purposes.

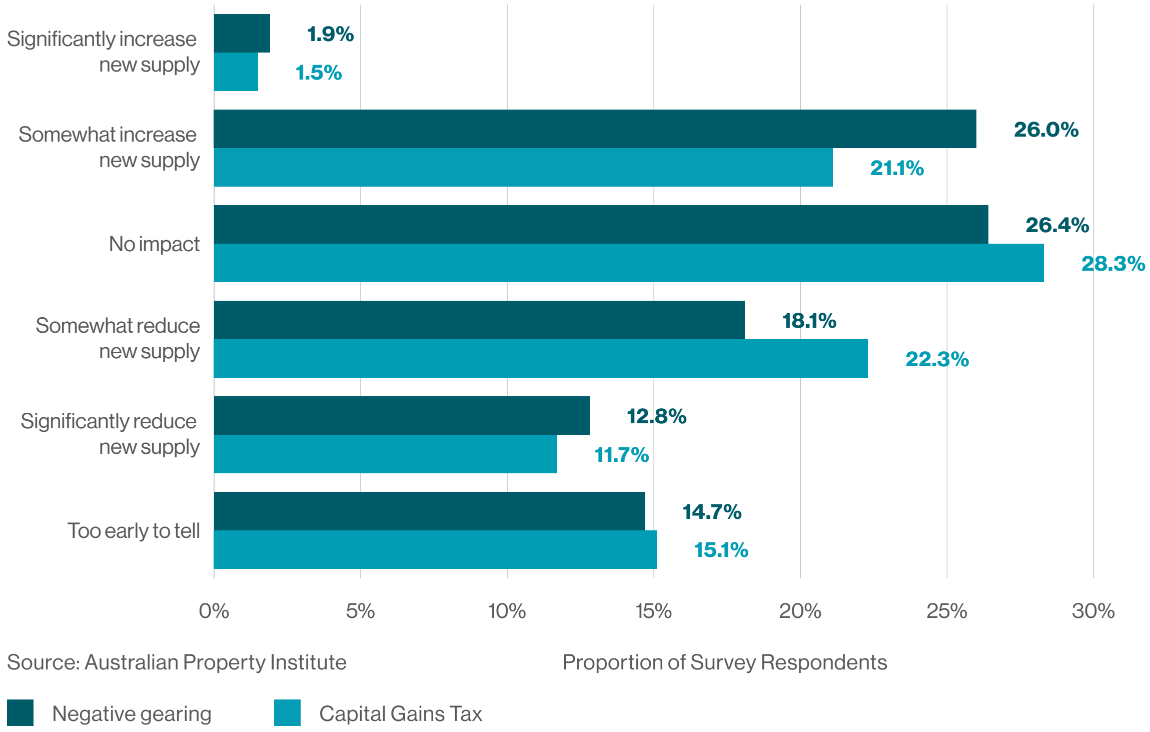
This section presents the views of property professionals regarding the expected impact of these tax changes beyond 1 July 2027.

In essence, there is no consensus on the overall impact of the CGT and negative gearing reforms on housing supply. For the CGT reform, there are more survey respondents who believe it will reduce housing supply (34%) than those who believe it will have the stimulatory effect (23%). For the negative gearing reform, those who believe it will reduce housing supply (31%) also outnumber those who expect an increase (28%).

In terms of housing affordability, the most common view is that both the CGT and negative gearing reforms will improve housing affordability for home buyers (46% and 48% of respondents, respectively). However, for renters, the CGT and negative gearing reforms are expected to make housing more unaffordable (62% and 63% of respondents, respectively).

New Housing Supply Beyond 1 July 2027

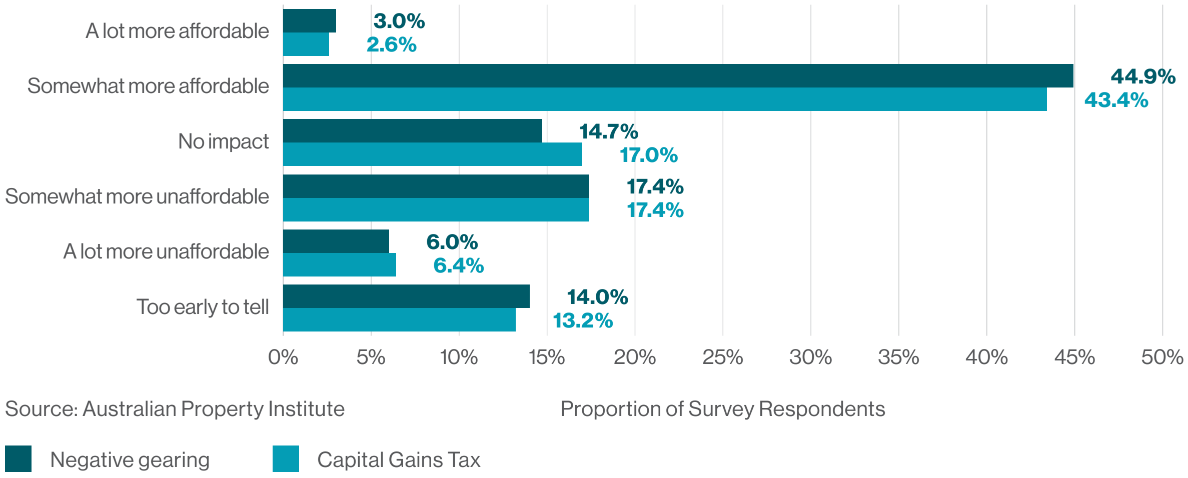
Figure 16: Expected impact of tax reforms on new housing supply



Source: Australian Property Institute

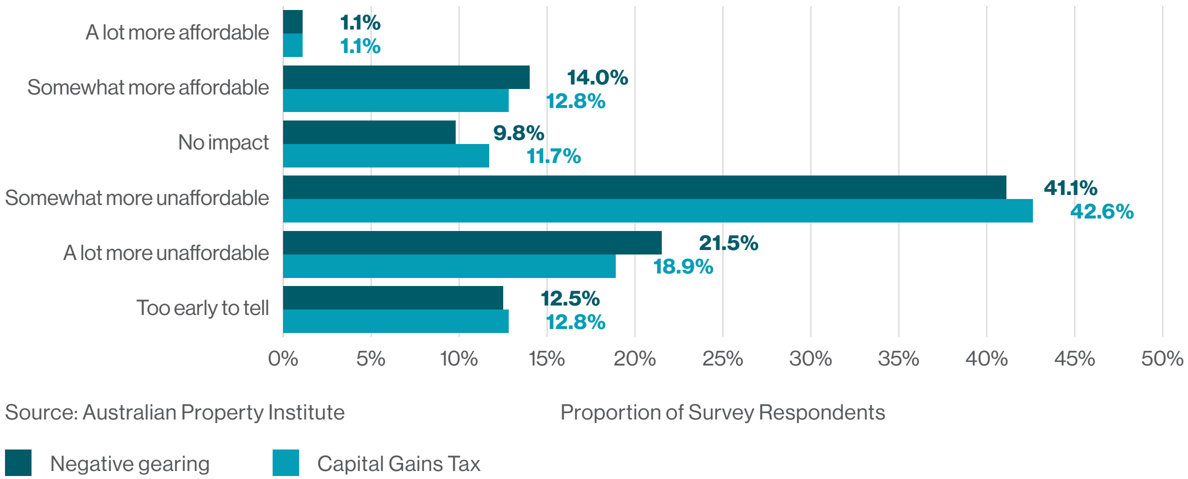
Housing Affordability Beyond 1 July 2027

Figure 17: Expected impact of tax reforms on housing affordability for home buyers



Source: Australian Property Institute

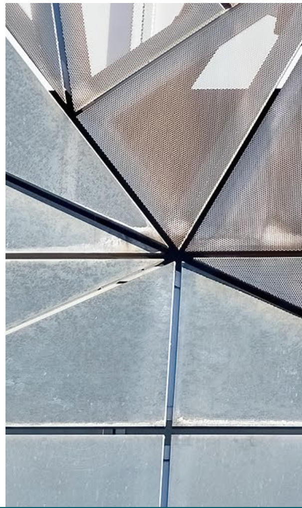
Figure 18: Expected impact of tax reforms on housing affordability for renters

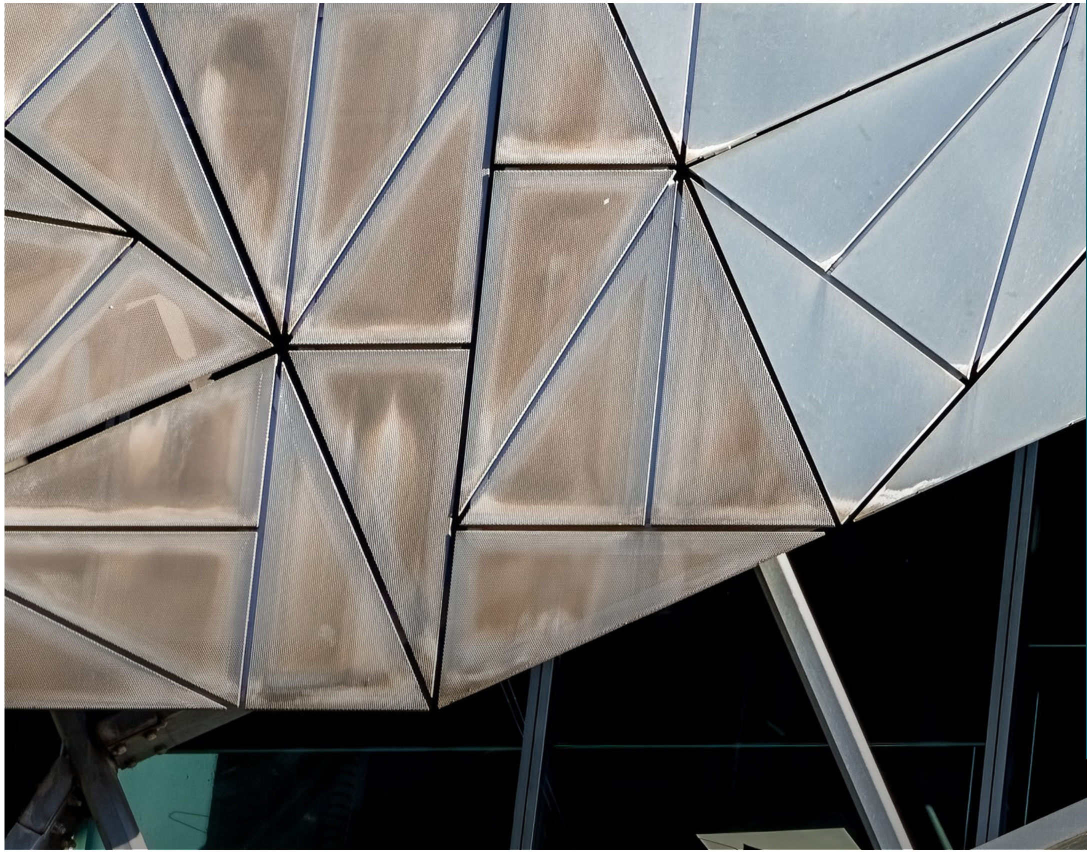


Source: Australian Property Institute

06.

Top 3 Research Highlights.



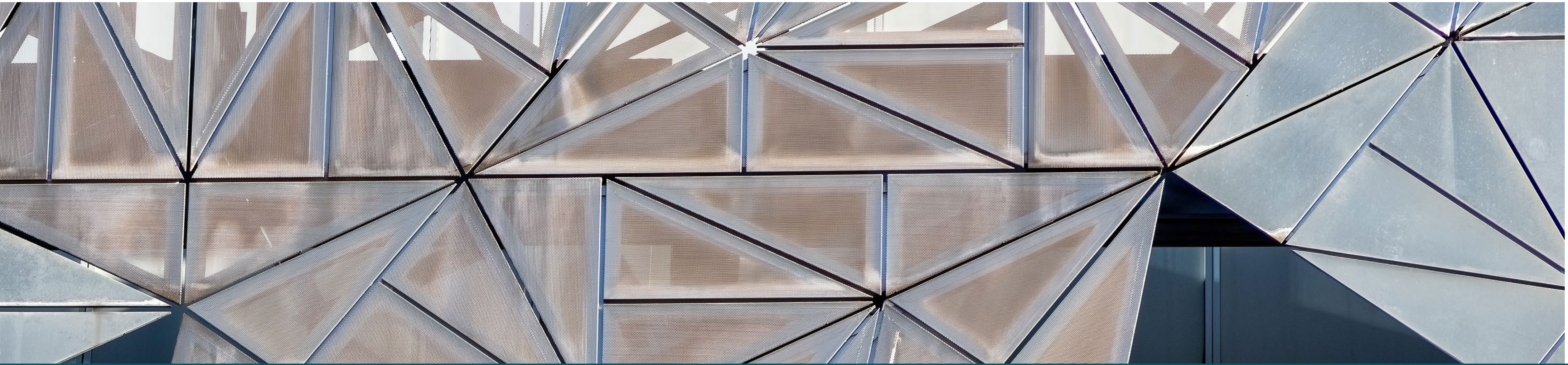


01. Has the Australian property market reached a turning point?

For Australia's multi-speed property market, the answer depends on which state or which sector is in question.

The latest research findings indicate that only Victoria and New South Wales have reached a turning point. While the other states have also seen a slowdown in market momentum, their outlook remains mildly positive.

Similarly for the various asset classes, the office and retail sectors are in cautious territory while the industrial and agricultural sectors are showing resilience. As for the residential sector, market sentiments vary substantially between states.



02. The lack of consensus among property professionals on property price drivers reflects the complexity of the current economic environment.

Amid heightened economic uncertainties, property professionals are interpreting aspects of the property market outlook differently.

Where there is consensus is that the interest rate outlook is putting downward pressures on property prices across all key asset classes.

Which means that although the Reserve Bank of Australia's focus is on controlling inflation and maintaining full employment, its monetary policy decisions are now the clearest determinant of property market sentiment.

03. Property professionals are not showing much optimism regarding the impact of the CGT and negative gearing reforms.

Overall, property professionals do not seem convinced that the 'short-term pain for long-term gain' scenario will eventuate in the case of the CGT and negative gearing reforms.

Less than 30% of survey respondents believe the tax reforms will lead to an increase in housing supply beyond July 2027. There are more who believe the tax reforms will end up reducing new housing supply.

In terms of housing affordability, there is no consensus that home buyers will be better off but there is consensus that renters will be worse off as a result of the tax reforms.

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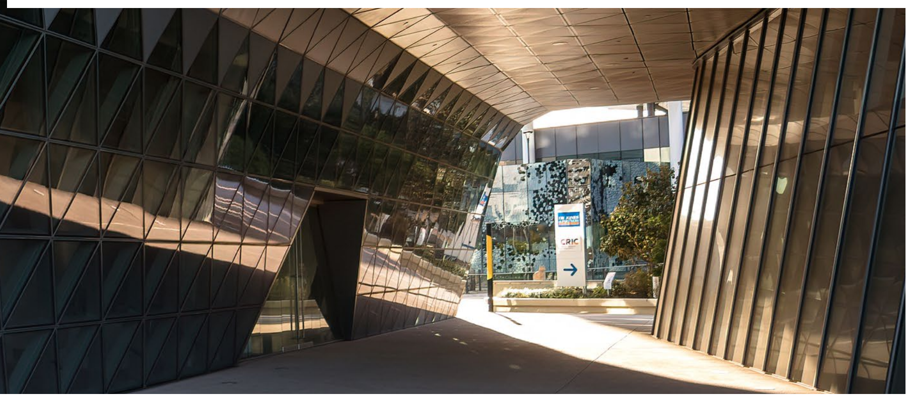

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