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NSW property sentiment approaches neutral as rate rises and job market weigh on confidence

New South Wales scores 5.2 in Q2 2026, near the neutral threshold, as interest rates become the dominant market force

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New South Wales property market sentiment is approaching neutral, scoring 5.2 in the Australian Property Institute's (API) Property Market Outlook Index for Q2 2026, down from 6.2 in Q1. As one of Australia's highest-priced markets, NSW is feeling the rate hike cycle acutely. Serviceability constraints are amplifying the impact of the RBA's February and March increases, and valuers are pointing to the rate path and a softening job market as the main risks ahead.

Residential sentiment in NSW fell to 5.2 as rate rises weigh on buyer confidence. Office (4.4) and retail (4.2) are both below neutral, with NSW retail the weakest retail rating of any state nationally. Agricultural property also fell below neutral in NSW, at 4.9. Industrial (6.5) is the only sector in the state sitting comfortably above the neutral threshold.

API Chief Economist Dr Sherman Chan said NSW was the state to watch in the coming quarter. "New South Wales is feeling the rate cycle more acutely than most other states. With office, retail and agricultural all below neutral, and residential close to it, the picture warrants close attention in Q3. Industrial is the strongest source of confidence at 6.5, and residential is still being supported by structural undersupply, but the job market is the key variable to watch."

What is driving NSW's property market

The interest rate outlook is the primary downward pressure across all asset classes. In residential, job market conditions and infrastructure delays are additional headwinds, while the 5% Deposit Scheme, population growth and persistent housing undersupply continue to support prices. Office valuers cite business confidence, work-from-home arrangements and the evolving use of AI in the workplace. Retail is being weighed down by consumer confidence and shifting shopping preferences. Industrial remains supported by e-commerce demand and roads and transportation investment.



Dr Chan said the Q3 outlook for NSW would come down to the job market. "The sectors that are struggling in NSW, office, retail and agricultural, are all sensitive to economic confidence. If the job market softens further, those ratings will come under more pressure. Industrial and the structural supports for residential are providing some insulation, but NSW is closer to the neutral line than any other major state and has less margin for further falls."

Access the full report [here](#).