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WA property market holds national lead but records second sharpest quarterly fall

Western Australia scores 7.8 in Q2 2026 but drops 1.2 points, the second steepest single-quarter decline amongst the five largest states

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Western Australia remains the strongest property market in the country, but the mood is shifting. The state's score in the Australian Property Institute's (API) Property Market Outlook Index fell from 9.0 in Q1 to 7.8 in Q2 2026. It is the second largest single-quarter drop of any state, a sign that the rate hike cycle is reaching even the strongest market in the nation.

Across WA's sectors, residential leads the country at 8.0, down from 9.2 in Q1. Industrial is at 7.5. Office (4.9) has dipped below neutral for the first time. Retail (5.9) remains positive but has eased from 6.2 last quarter. Agricultural property holds steadiest of all at 7.0, marginally down from 7.1.

API Chief Economist Dr Sherman Chan said the rate environment was now being felt across the country. "WA has led the national index consistently, and that remains true in Q2. But the scale of this quarter's fall tells you that the rate environment is now affecting even the strongest markets. The fundamentals here are still sound, particularly in residential and industrial, but valuers are recalibrating their near-term expectations."

What is driving WA's property market

The interest rate outlook has become the dominant downward pressure across all asset classes. Residential valuers point to the 5% Deposit Scheme, population growth and insufficient housing supply as factors still pushing prices higher. Mining activity and e-commerce demand continue to support industrial. Office valuers cite business confidence and work-from-home arrangements as headwinds. Retail sentiment reflects softer consumer spending and rate sensitivity.

Dr Chan said the key question for WA in Q3 was whether the state's strong fundamentals could absorb further rate pressure. "WA enters Q3 from a position of genuine strength, with residential and industrial both well above neutral and the resources sector continuing to underpin confidence. But a fall of this size



in a single quarter is a signal worth taking seriously. If rates move again, WA won't be immune, and the office rating slipping below neutral for the first time is something to watch."

Access the full report [here](#).