

EMBARGOED UNTIL WED 22 JULY 2026, 12:01 AM AEST

Farmland caught in the crossfire of housing tax reform

Agricultural scores 5.8 in Q3 2026 with one of the smallest declines of any sector, but it is the only market outside residential where the capital gains tax reform is expected to weigh on prices

July 2026

Agricultural property eased just 0.2 points this quarter, from 6.0 in Q2 to 5.8 in Q3 2026, one of the smallest declines of any asset class, and holds comfortably above neutral.

But the sector carries the quarter's most unexpected finding: *agriculture is the only asset class outside residential where the capital gains tax reform reached consensus as a downward pressure on prices, cited by 59 per cent of respondents.*

The interest rate outlook remains the most widely cited pressure at 68 per cent, while domestic demand for agricultural products (59 per cent) is the consensus support. The negative gearing reform, by contrast, did not reach consensus for the sector.

Western Australia leads agricultural sentiment at 6.6, followed by Tasmania at 6.3, South Australia at 6.0, Queensland at 5.9, Victoria at 5.7 and New South Wales at 5.4. Every state remains above neutral, making agriculture and industrial the only two sectors where that is true.

API Chief Economist Dr Sherman Chan said the CGT finding showed the reach of reforms designed for the housing market.

"These reforms were framed as housing policy, but capital gains tax settings reach farmland just as they reach investment housing. Agricultural valuers have picked that up immediately.

A change designed to cool investor demand for housing is expected to reach all the way to the farm gate."

What is driving agricultural property

Beyond the consensus factors, views were split on agricultural commodity prices, climate conditions, the export outlook, access to essential infrastructure, the quality of agricultural land and the adoption of renewables. The sector's resilience rests on demand fundamentals for food commodities that valuers continue to regard as genuine.

Dr Chan said the sector's stability was an underappreciated story.



“Agriculture has quietly become one of the steadiest parts of the Australian property market. It recorded one of the smallest falls of any sector this quarter, every state is above neutral, and demand for what the land produces is not going anywhere.

The new tax exposure is worth watching, but this is a sector entering the quarter from a position of strength.”

Read the full report here: <https://www.api.org.au/professional-development/knowledge-hub/mixed-expectations-for-the-months-ahead/>

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Interviews Dr Sherman Chan is available Monday 20 July, Tuesday 21 July, Wednesday 22 July and Thursday 23 July. Contact Holly Reynolds to arrange.

About the API Property Market Outlook Launched in 2025, the API Property Market Outlook is a quarterly survey of Australian property professionals administered by the Australian Property Institute. The survey captures sentiment and price outlook expectations across residential, office, retail, industrial and agricultural property sectors. The Q3 2026 survey received 265 responses, with 80 per cent of respondents being property valuers.

About the Australian Property Institute The Australian Property Institute is the professional body for independent property experts in Australia, representing more than 7,000 members including property valuers, advisors, analysts and consultants. In its centenary year, the API continues its commitment to professional standards, policy engagement and evidence-based reform across Australia's \$12 trillion residential property market and beyond.

Note to editors: *The API Property Market Outlook Index operates on a scale of 0 (extremely weak) to 10 (extremely strong), with 5 representing a neutral outlook. The Q3 2026 readings represent expectations for the coming quarter, while Q2 2026 readings reflect actual outcomes. The Q3 2026 edition is the first to capture professional sentiment following the capital gains tax and negative gearing reforms announced in the May 2026 Federal Budget.*

