

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

NSW falls below neutral as valuers call the turning point

New South Wales scores 4.4 in Q3 2026, one of only two states in cautious territory, with residential, office and retail all below the neutral line

July 2026

New South Wales property sentiment has fallen below neutral for the first time, dropping from 5.2 in Q2 to 4.4 in Q3 2026. The latest research findings indicate that only NSW and Victoria have reached a turning point, while the other states, despite slowing momentum, retain a mildly positive outlook.

Residential (4.3), office (4.2) and retail (4.3) are all below neutral, with NSW retail the weakest reading of any state this quarter. Industrial (6.1) and agricultural (5.4) are the only sectors in the state above the line, and NSW's agricultural reading is the softest in the country.

API Chief Economist Dr Sherman Chan said the NSW result reflected the state's exposure to the Budget reforms.

"New South Wales is Australia's most expensive residential market, with a deep investor base, which means the capital gains tax and negative gearing reforms land harder here than anywhere else.

Combined with soft business and consumer confidence in Sydney, the state has moved from approaching neutral last quarter to clearly below it now."

What is driving NSW's property market

In residential, the negative gearing and capital gains tax reforms have joined the interest rate outlook as the dominant pressures, while the structural undersupply of housing and land continues to provide support.

Office is weighed down by business confidence and economic conditions, retail by consumer confidence and job market conditions. Industrial remains supported by the scarcity of stock and zoned land.

Dr Chan said the coming quarters would show whether the turn deepens.

"The sectors under pressure in NSW are the ones most sensitive to tax settings and confidence, and neither of those is likely to improve quickly.



Industrial scarcity and the housing supply shortfall are providing insulation, but NSW enters the new quarter below the neutral line for the first time, and that is a significant moment for the country's largest property market."

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.*