

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

Office marks a third quarter below neutral, but the Budget is not to blame

Office scores 4.6 in Q3 2026, the longest sub-neutral run of any sector, with business confidence and the broader economy, not tax reform, driving the caution

July 2026

Office property sentiment has recorded a third consecutive quarter below neutral, easing from 4.8 in Q2 to 4.6 in Q3 2026. It is the longest run of sub-neutral readings of any asset class in the survey, and no factor reached consensus among office valuers as a support for prices this quarter.

The distinctive finding for office is what is not driving it. Neither the capital gains tax reform nor the negative gearing reform reached consensus as a pressure on office prices, in contrast to residential, where both reforms reached consensus, and agricultural, where the CGT reform did.

Office's caution is a story about the economy: business confidence (68 per cent), general economic conditions (64 per cent) and the interest rate outlook (61 per cent) are the consensus drags.

Queensland is the strongest office market at 5.7, and along with **Tasmania** (5.4) is one of only two states above neutral. **Western Australia** sits at 4.9, **South Australia** at 4.6, **New South Wales** at 4.2 and **Victoria** at 4.0, with the weakness again concentrated in the two largest CBD markets.

API Chief Economist Dr Sherman Chan said office was the one part of the market where the Budget had not changed the conversation.

“The tax reforms that have moved the residential market barely registered with office valuers, and that is not a good news story.

It tells us the sector's problems run deeper than tax settings: soft business confidence, a slowing economy and the ongoing reshaping of how tenants use space. Those pressures were there before Budget night and they are still there now.”

What is driving office property

Beyond the three consensus drags, office valuers point to a wide field of factors on which views are split, including the mismatch between available stock and tenant demand, sustainability and ESG commitments, corporate work-from-home policy and the increasing use of AI in business operations.



The absence of any consensus upward driver underlines how uncertain the sector's supports have become.

Dr Chan said the quarter ahead would test whether the sector had found its floor.

“Three quarters below neutral is a pattern, not a blip.

Queensland and Tasmania show that smaller, more diversified office markets can hold above the line, but for Sydney and Melbourne the recovery depends on business confidence returning, and there is nothing in this quarter's survey to suggest that is imminent.”

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.