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Retail falls below neutral as the consumer squeeze deepens

Retail scores 4.9 in Q3 2026 with no consensus factor pushing prices higher, though South Australia defies the trend with the strongest retail market in the country

July 2026

Retail property sentiment has fallen below the neutral level, easing from 5.3 in Q2 to 4.9 in Q3 2026 and joining office in cautious territory. As with office, no factor reached consensus among retail valuers as a support for prices this quarter.

The pressures are squarely about the household. Consumer confidence (66 per cent), the interest rate outlook (64 per cent) and job market conditions (55 per cent) are the consensus drags on retail prices. Neither of the Budget's tax reforms reached consensus as a factor for the sector.

The state picture varies more in retail than almost anywhere else. South Australia is the clear national standout at 6.2, with Queensland (5.8) and Western Australia (5.4) also above neutral. Tasmania (4.8), Victoria (4.5) and New South Wales (4.3) sit below the line, with NSW the weakest retail market in the country this quarter. Tasmania's reading is notable for a different reason: it is the only score anywhere in this quarter's survey, across every state and sector, that did not fall.

API Chief Economist Dr Sherman Chan said retail's fortunes were tracking the household economy.

"Retail property is the most direct read on how consumers are feeling, and right now they are cautious. Rates are biting household budgets and the job market outlook is softening. Until consumers feel more confident, retail valuers will stay cautious, and the survey suggests that is the story for the rest of the year."

What is driving retail property

Views were split on a broad set of factors including the appeal of shopping precincts, public transport connectivity, amenities and tenant experience, work-from-home arrangements and the availability of online shopping, reflecting how localised retail performance has become.

Where retail is holding up, it is doing so on the strength of specific precincts and suburbs rather than sector-wide momentum.

Dr Chan said the geographic divergence was the feature to watch.

“South Australia keeps producing the strongest retail result in the country, and that tells you something real about population growth and suburban spending in that market.

The weakness remains concentrated in New South Wales and Victoria, and that split has now held for a second consecutive quarter.”

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.

