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Victoria is the nation's weakest market as residential joins office below neutral

Victoria scores 4.1 in Q3 2026, the lowest reading in the country, with residential falling below the neutral line for the first time

July 2026

Victoria has recorded the weakest property sentiment in the country, falling from 5.0 in Q2 to 4.1 in Q3 2026. Alongside New South Wales, it is one of only two states the latest findings identify as having reached a turning point.

Residential sentiment in Victoria has fallen below neutral for the first time, to 4.0, the equal softest state-sector reading in the survey alongside the state's office market (also 4.0). Retail sits at 4.5. Industrial (5.8) and agricultural (5.7) are the only Victorian sectors above the line, though Victoria's industrial reading is the weakest in the nation.

API Chief Economist Dr Sherman Chan said Victoria was carrying the combined weight of every pressure in the survey.

"Victoria entered this quarter with the softest office market in the country and a residential market already near neutral. The tax reforms have now pushed residential below the line as well.

There is no single cause here: it is tax policy, business confidence and the rate environment all pressing on a market with less momentum than its peers."

What is driving Victoria's property market

Residential valuers cite the negative gearing reform, the capital gains tax reform and the interest rate outlook as the dominant pressures, with housing and land undersupply still providing structural support. Office remains weighed down by business confidence and the changing use of space, and retail by cautious consumers.

Industrial scarcity is holding that sector above neutral, though with less headroom than in any other state.

Dr Chan said the state's path back ran through confidence rather than construction.

“Victoria's undersupply story is as real as anywhere in the country, so the fundamentals have not disappeared.

What the state is missing is confidence, from investors weighing the new tax settings and from the businesses that drive its office and retail markets. Until that returns, Victoria is likely to remain at the cautious end of the national picture.”

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.

