



Australian Property Market Outlook

Australian
Property Institute

Q4 2026

About the API.



The Australian Property Institute is the professional body for independent property experts in Australia. Our members include property valuers, property advisors, analysts and consultants who play a vital role in supporting sound investment, lending, taxation and planning decisions across the residential, commercial, industrial and infrastructure sectors. Approximately 5,000 of our members are industry-accredited as Certified Practising Valuers (CPV) or Residential Property Valuers (RPV).

As a trusted source of property industry knowledge, the API is committed to professional standards, policy engagement and evidence-based reform. Established as the Commonwealth Institute of Valuers in 1926 and celebrating our 100th anniversary in 2026, today we represent more than 7,000 members, many of whom provide valuation certainty for Australia's \$12 trillion residential property market.

Our members can be found across all sectors of the property profession—in private practice and in the public sector. This broad base of qualified and skilled professionals is unique to the API as we are dedicated to expanding the expertise and knowledge of our members, building a strong base for the future of the property profession.

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01. Executive Summary.

Challenging market conditions are expected across all states in Q4 2026, with the API Property Market Outlook Index slipping to 4.3 (out of 10) from a downwardly revised reading of 4.9 (previously 5.1) for Q3 2026. The national outlook—based on feedback from property professionals across the country—is now below neutral, which warrants a degree of caution.

The market outlook is most downbeat for Victoria (3.7) and New South Wales (4.1). The latest reading for Queensland (4.5) has also fallen into negative territory, after having its Q3 reading sharply revised down to 5.2 (previously 6.6).

Despite an overall decline from the previous quarter, the market outlook for South Australia (5.6), Western Australia (5.5) and Tasmania (5.1) remains just above the neutral level, suggesting there are still segments of these markets with positive prospects.

**Figure 1: The API
Property Market Outlook Index –
Q4 2026 (Q3 2026)**

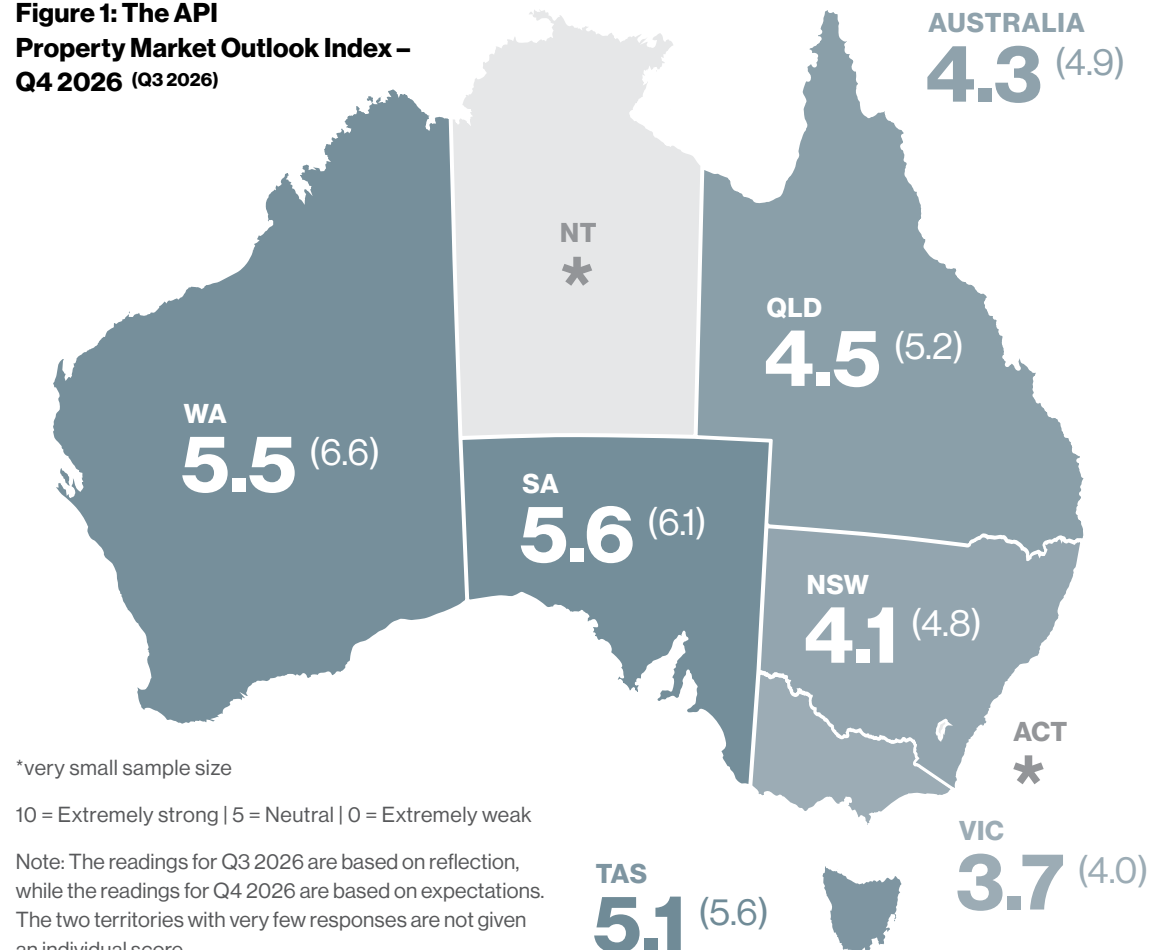
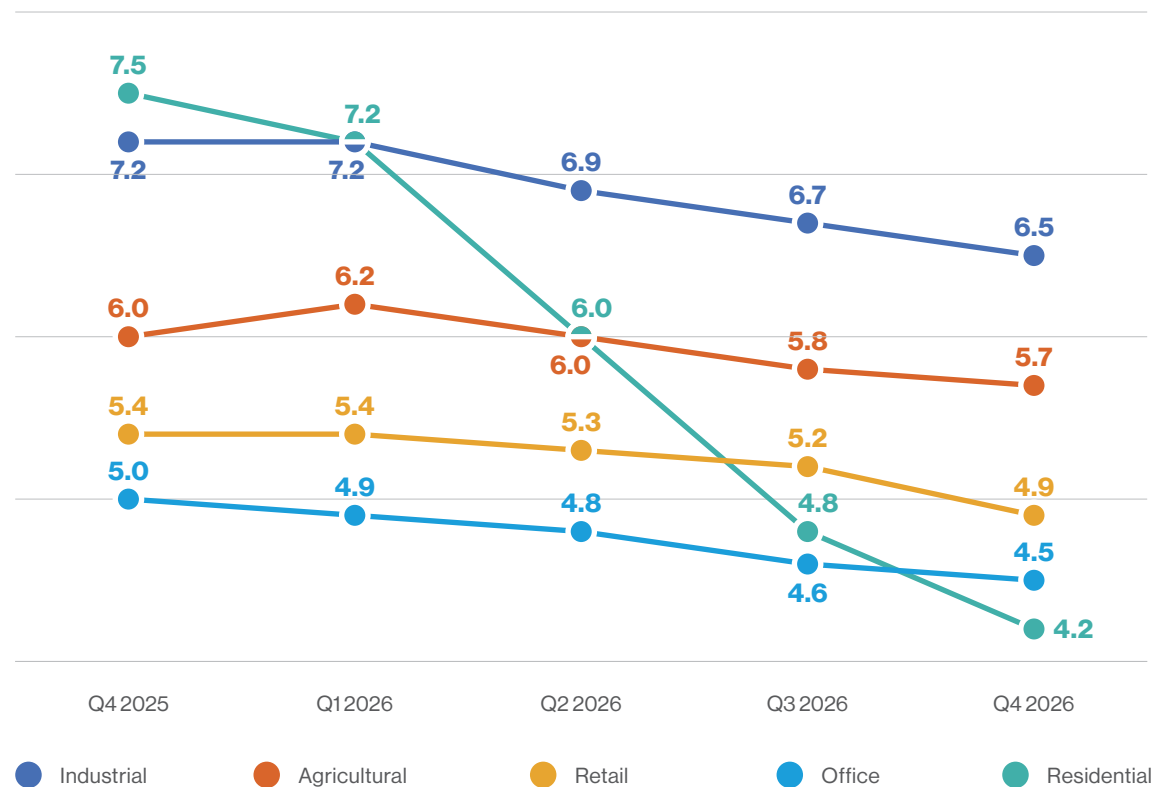


Figure 2: Property market sentiment scores



Note: The scores have a scale of 0 (extremely weak) to 10 (extremely strong).
The readings for past quarters are based on reflection, while the readings for Q4 2026 are based on expectations.

Property market sentiment continues to soften in Q4 2026 across all key asset classes. Apart from the residential sector that has another quarter of a steep decline (from a downwardly revised 4.8 to 4.2), the commercial sectors are generally resilient with only a mild decline of their respective property market sentiment scores.

Some segments of the commercial sectors have remained steady in positive territory or even recorded an improvement in outlook:

- Industrial – New South Wales (steady at 6.5).
- Agricultural – Tasmania (improved from 7.0 to 7.1), South Australia (steady at 6.7) and Victoria (improved from 5.5 to 5.6).
- Office – Western Australia (improved from 5.4 to 5.5) and Victoria (improved from 3.6 to 3.7).

02.

Research Overview.

The *Australian Property Market Outlook* report series present findings from the quarterly survey administered by the Australian Property Institute. This report is the fourth issue of the series.

This quarter's research aimed to gauge:

- recent changes in property market sentiments
- the expected magnitude of the housing market downturn
- the expected timing of the housing market recovery
- key risks to the housing market.

Respondents were prompted to answer the survey focusing on the region in which they primarily undertake their work.

Survey period: 10 to 28 September 2026 (All states and territories included)

384
responses

73%

of respondents are property valuers – a mix of residential, office, retail, industrial and agricultural property valuers

Other professions represented:

property developers real estate agents
property analysts fund managers
investors financial service providers
town planners other related professions

03. Property Market Outlook.



Figure 3: The API Property Market Outlook Index



Note: The index has a scale of 0 (extremely weak) to 10 (extremely strong).

* The Q3 2026 reading has been downwardly revised from 5.1.

This section provides further insights on each of the core asset classes—residential, office, retail, industrial and agricultural.

Presented in this section are:

- the breakdown of property market sentiment by state
- topical issues for each asset class.

Residential.

Figure 4: Residential property market sentiment scores – Q4 2026 (Q3 2026)

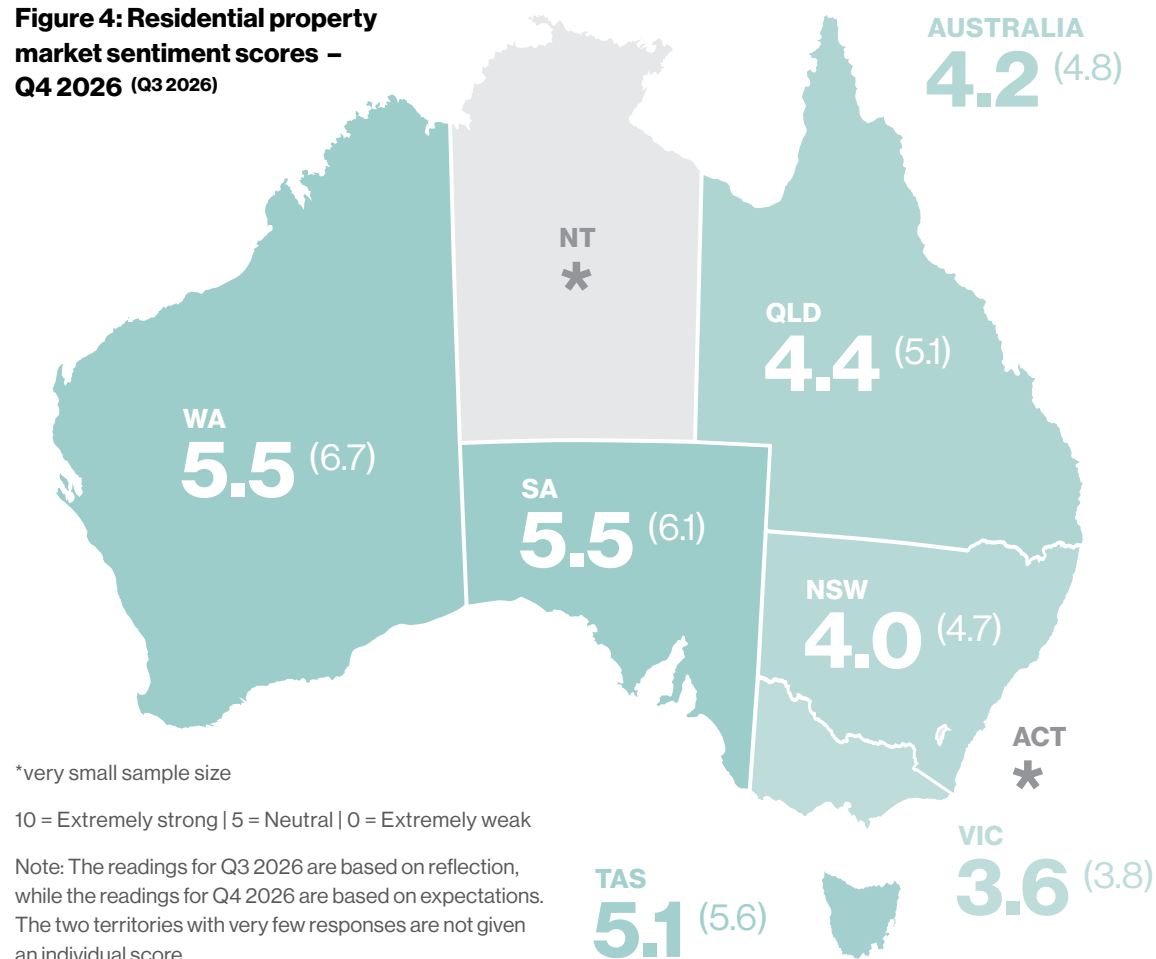


Figure 5: Expected magnitude of the total decline in home values

State	Decline from peak as at 30 Sept 2026 (Source: Cotality)	Predicted peak-to-trough decline (Weighted responses from API survey)	Expected housing market recovery (Median response from API survey)
Tasmania	Hobart: 2.0% Regional TAS: 0.1%	8%	July to September 2027
South Australia	Adelaide: 2.9% Regional SA: 0.1%	9%	July to September 2027
Queensland	Brisbane: 5.4% Regional QLD: 2.8%	11%	July to September 2027
Western Australia	Perth: 6.0% Regional WA: 1.2%	11%	July to September 2027
Victoria	Melbourne: 7.5% Regional VIC: 1.6%	11%	July to September 2027
New South Wales	Sydney: 8.6% Regional NSW: 2.8%	11%	July to September 2027

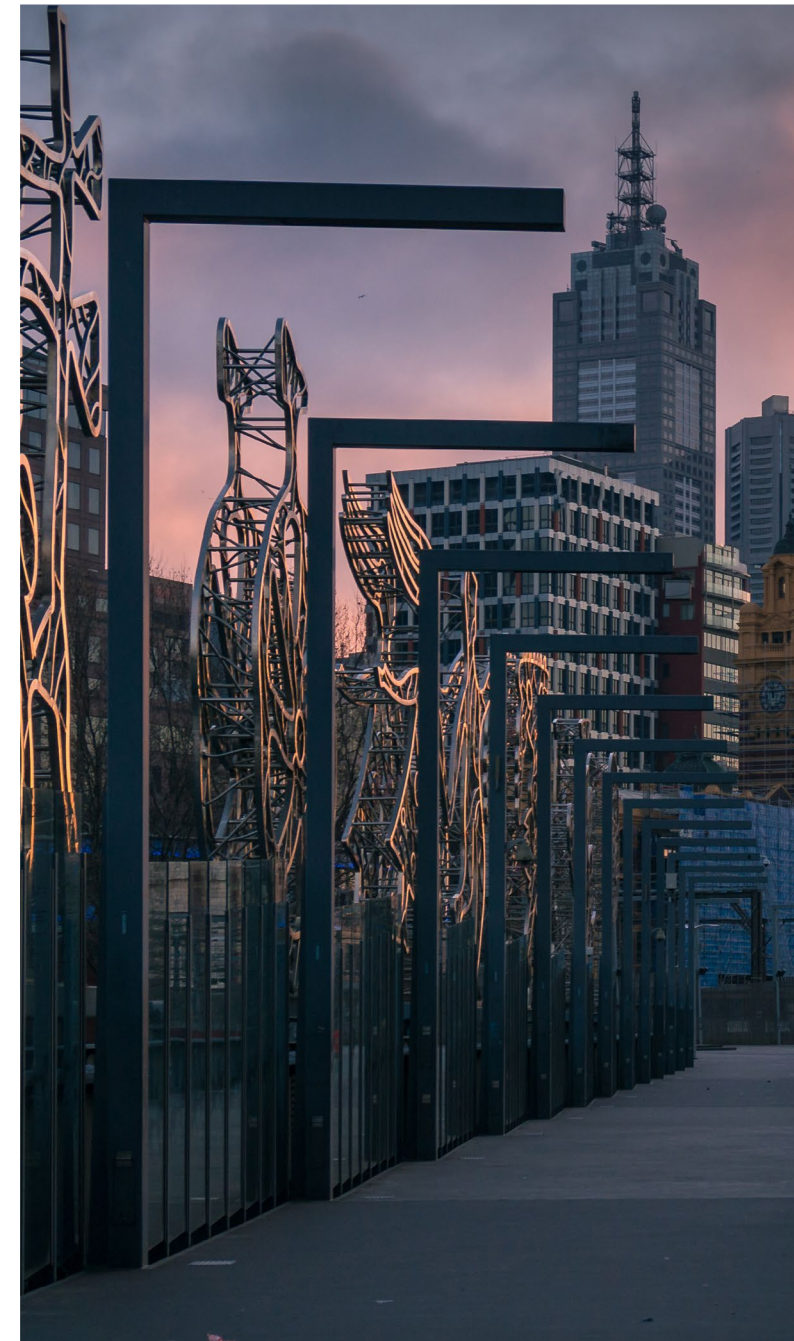
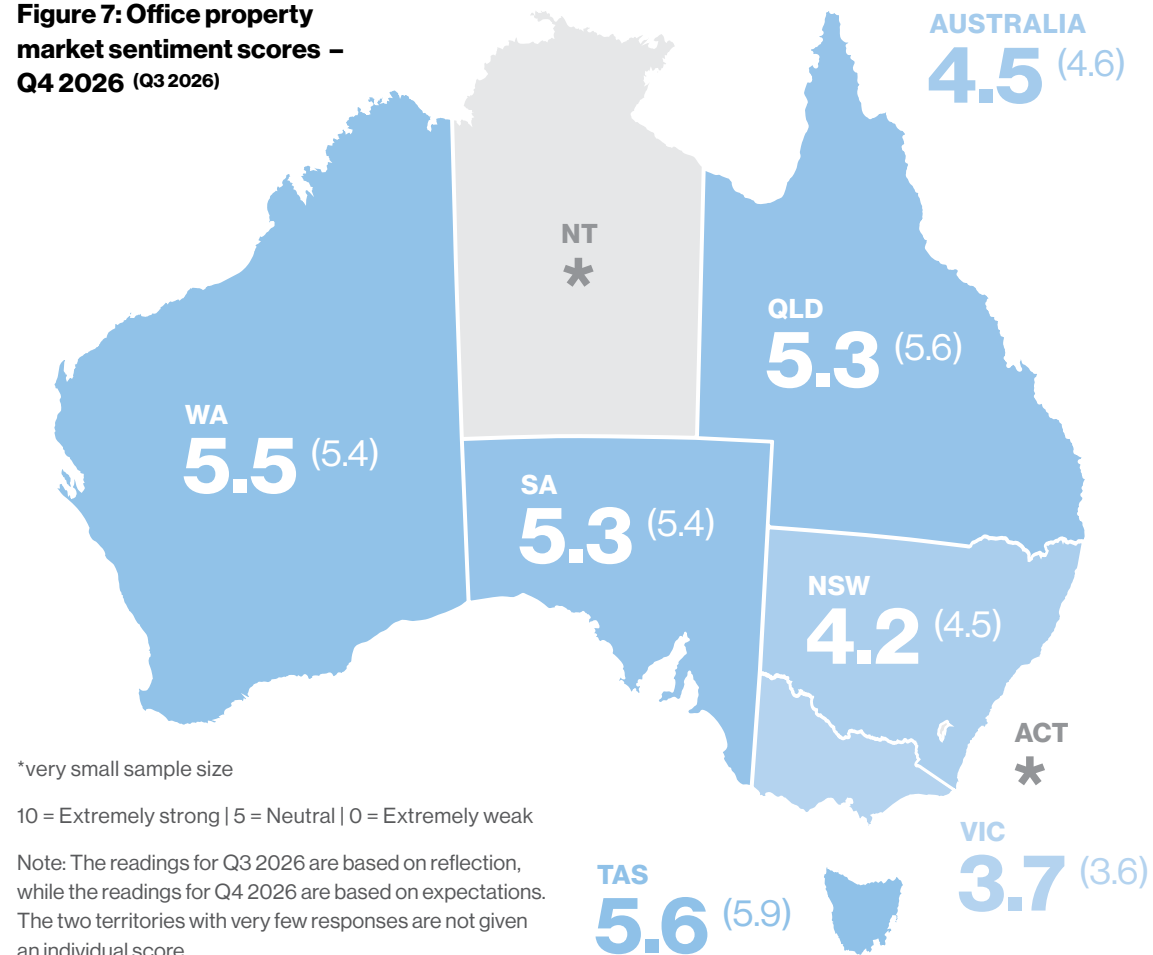
Figure 6: Top 5 risks or barriers to housing market recovery (as identified by survey respondents)

1. Fear of more interest rate hikes (80.0%)
2. High inflation / cost-of-living concerns (65.1%)
3. Changes to negative gearing (61.2%)
4. Changes to the capital gains tax (59.6%)
5. Uncertain economic outlook (50.3%)

Note: “Lack of confidence in Federal Government policy direction” (46.6% overall) received a majority of selections from survey respondents based in Western Australia (62.5%) and Queensland (54.9%).

Office.

**Figure 7: Office property
market sentiment scores –
Q4 2026 (Q3 2026)**





Is there a “flight to quality” whereby premium buildings are of high demand but lower-grade buildings struggle with high vacancy?

State Proportion of survey respondents who answered the question and selected ‘Yes’

SA 100%

WA 81.3%

QLD 78.7%

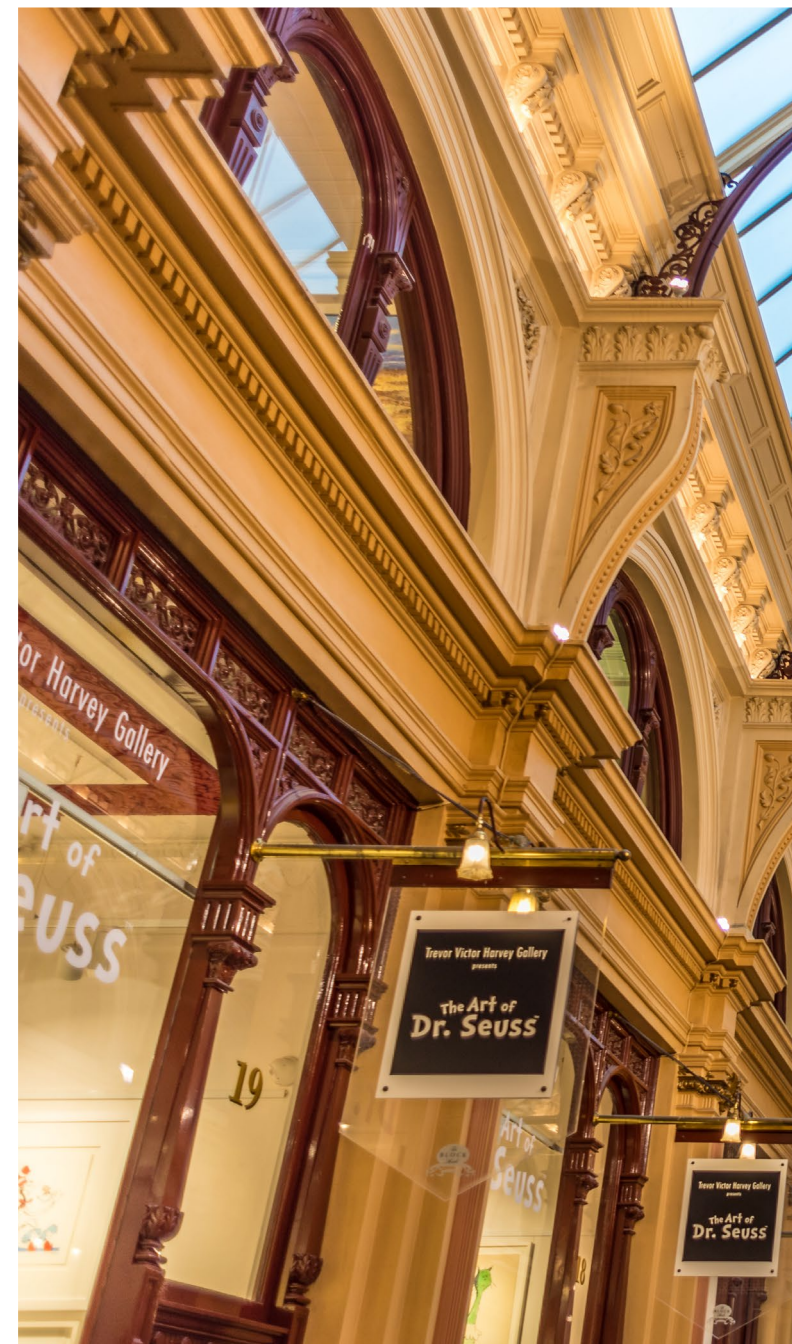
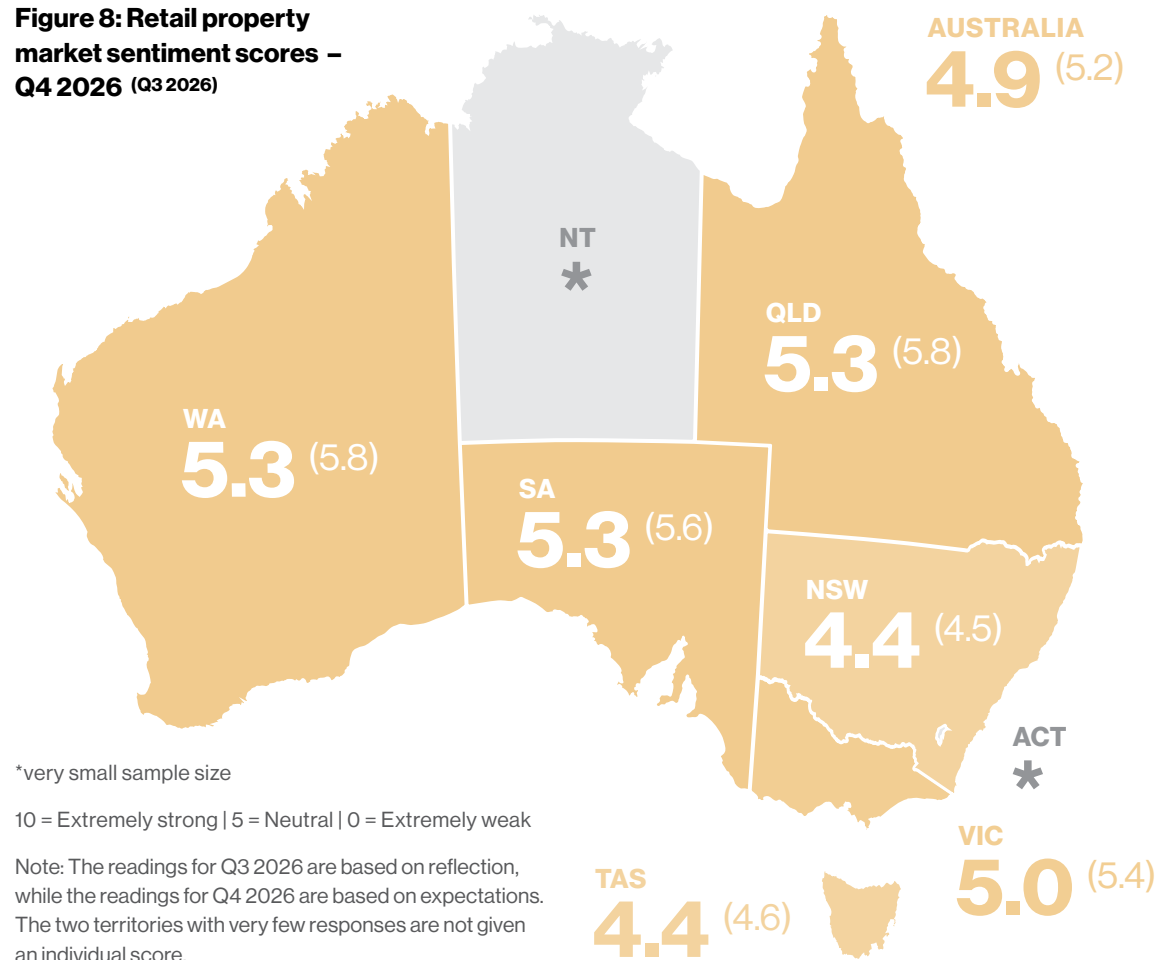
VIC 78.1%

NSW 69.6%

TAS 66.7%

Retail.

Figure 8: Retail property market sentiment scores – Q4 2026 (Q3 2026)





Has there been an increase in investor demand for retail properties since the Federal Government's recent announcement of changes to tax concessions for residential property investment?

State Proportion of survey respondents who answered the question and selected 'Yes'

WA 29.4%

VIC 23.4%

QLD 18.8%

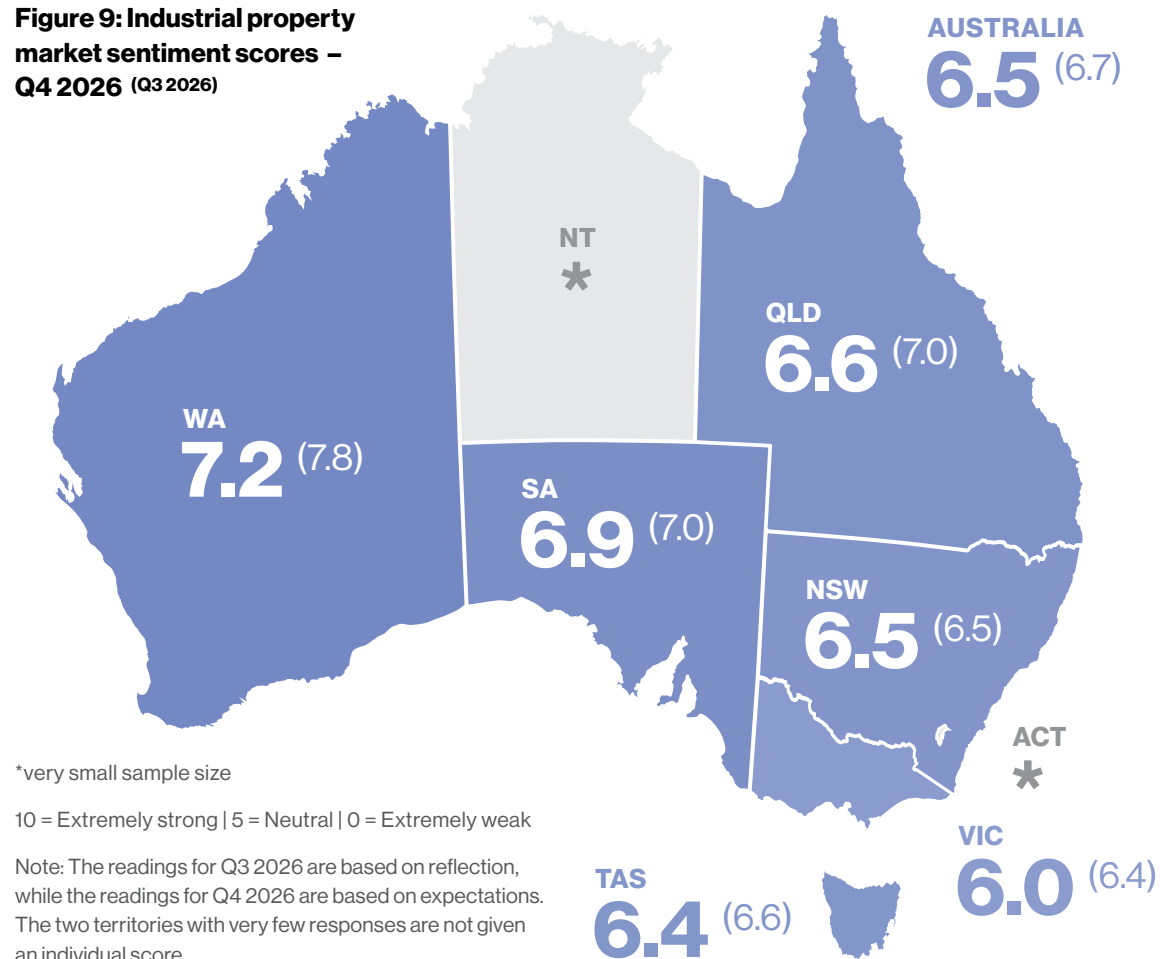
NSW 9.4%

SA 4.8%

TAS 0%

Industrial.

Figure 9: Industrial property market sentiment scores – Q4 2026 (Q3 2026)





Demand for data centres to remain a source of support for the industrial property sector in 2027?

State Proportion of survey respondents who answered the question and selected 'Yes'

WA 100%

VIC 89.4%

TAS 88.9%

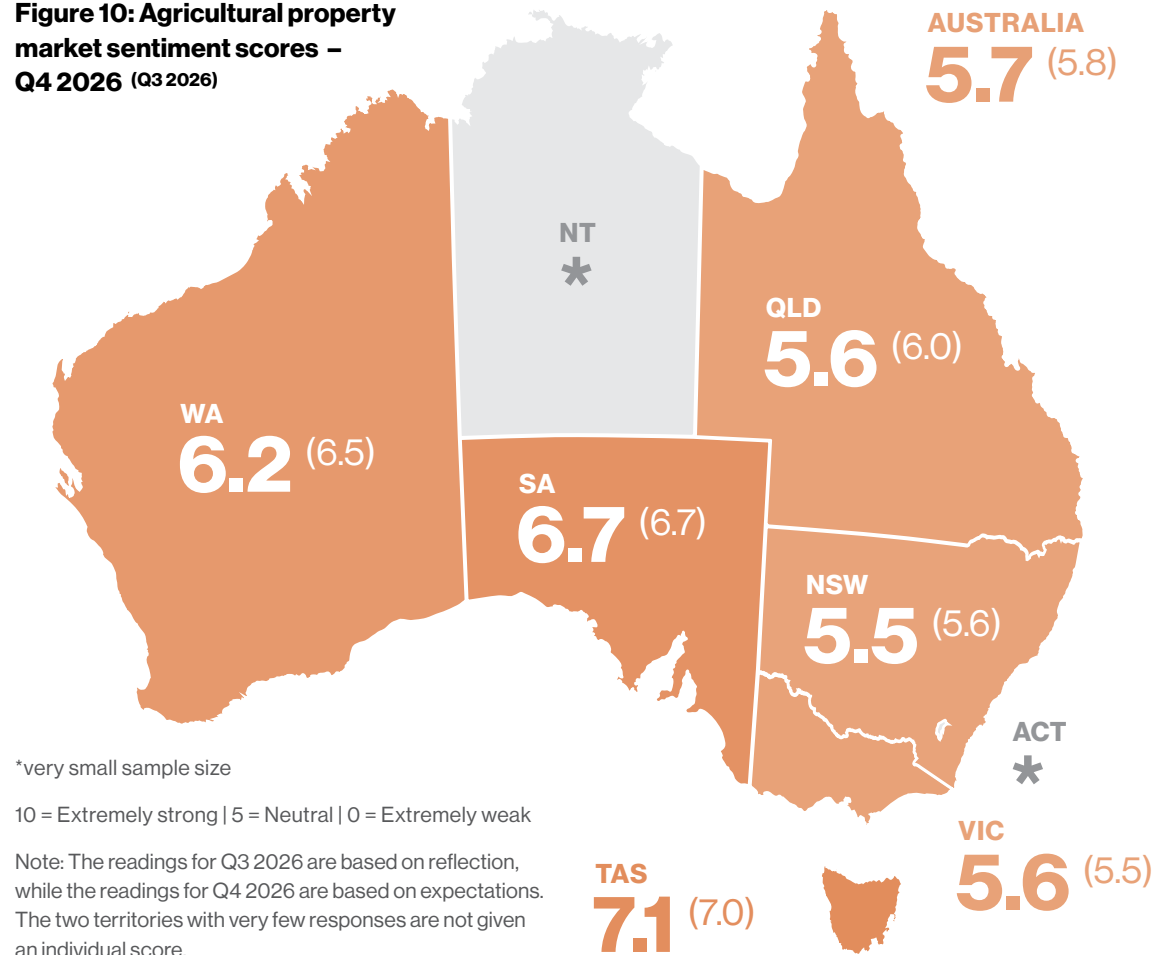
NSW 85.7%

SA 85.7%

QLD 76.9%

Agricultural.

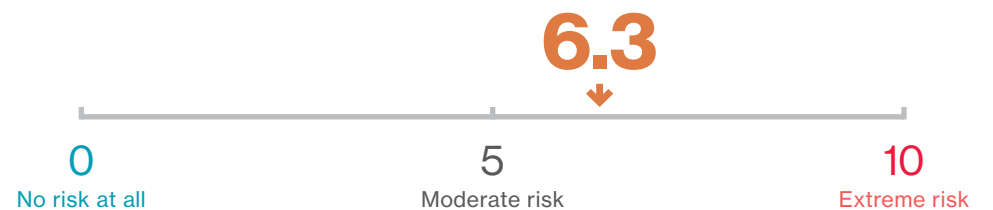
Figure 10: Agricultural property market sentiment scores – Q4 2026 (Q3 2026)





The World Meteorological Organization's forecast shows a "near 100% likelihood" that El Niño will persist through February 2027. This implies an Australian summer of higher temperature and increased risks of drought and bushfires.

How significant is the supersized El Niño a risk to the agricultural property outlook for the next six months?



04.

State Outlook.

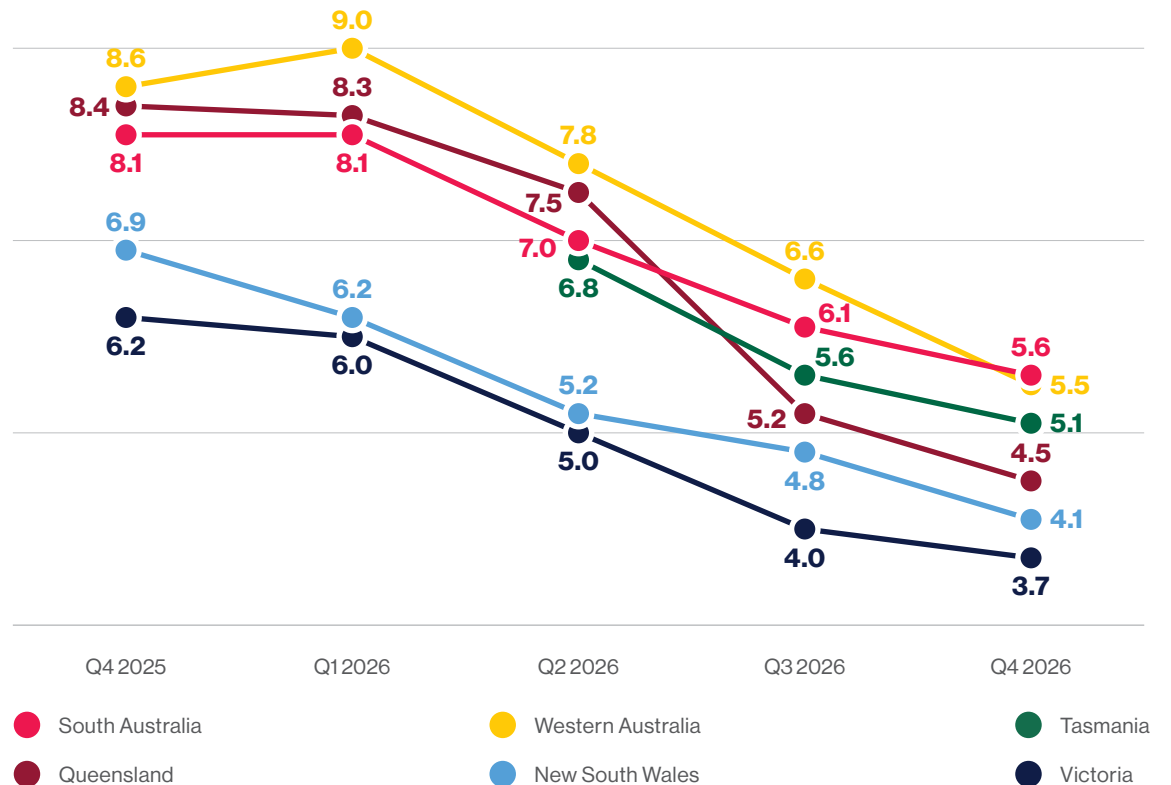
The overall property market outlook is expected to soften in all six states during Q4 2026.

Three states have maintained their latest readings above the neutral level (South Australia at 5.6, Western Australia at 5.5 and Tasmania at 5.1), while three states are in cautious territory (Queensland at 4.5, New South Wales at 4.1 and Victoria at 3.7).

It is worth noting that the Q3 readings for three states have been upwardly revised: Western Australia (from 6.4 to 6.6), South Australia (from 5.6 to 6.1) and New South Wales (from 4.4 to 4.8). Which means that market conditions in Q3 have turned out to be stronger than initially expected (or less dismal than initially feared).

On the other hand, three states have had their Q3 readings downwardly revised. Queensland has the sharpest downward revision (from 6.6 to 5.2) due to the residential slowdown. Tasmania (from 5.8 to 5.6) and Victoria (from 4.1 to 4.0) have relatively minor adjustments.

Figure 11: The API Property Market Outlook Index



Note: The scores have a scale of 0 (extremely weak) to 10 (extremely strong).

The readings for past quarters are based on reflection, while the readings for Q4 2026 are based on expectations.

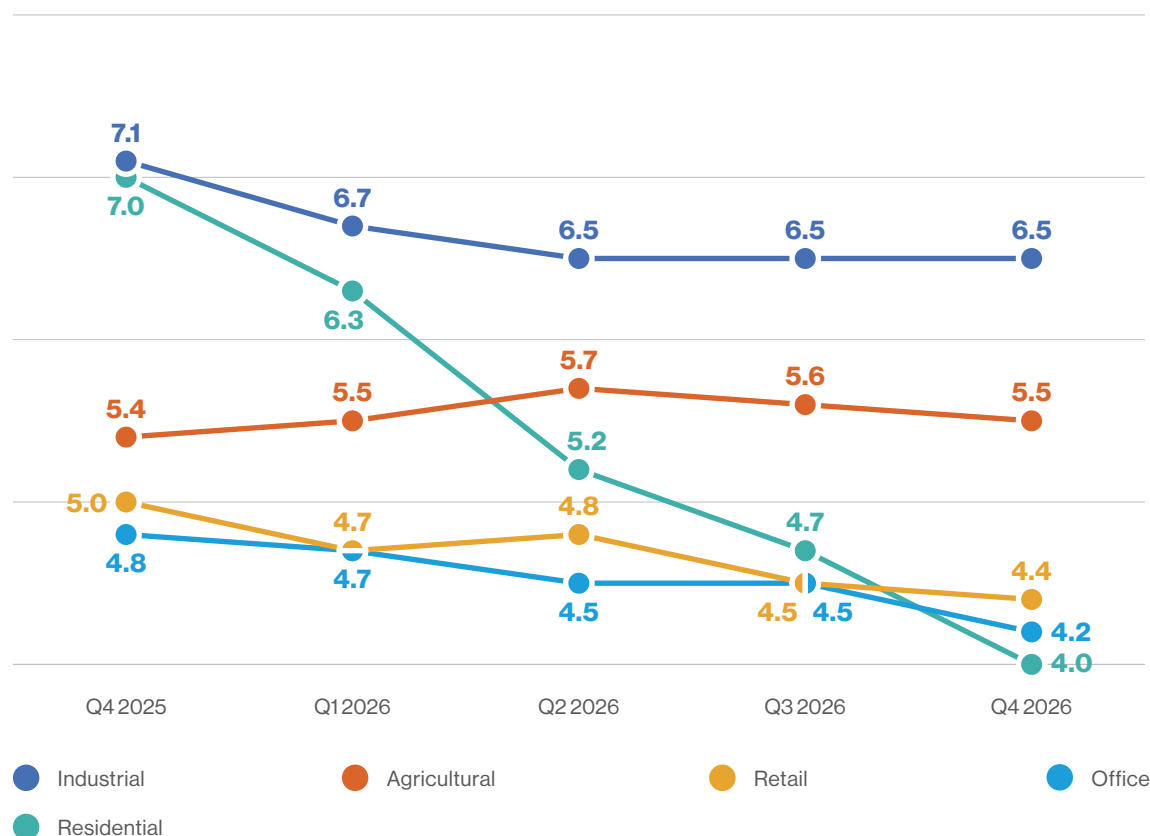
The two territories with very few responses are not given an individual score.

New South Wales.

Key observations:

- Three of the five key sectors (residential, office and retail) have below-neutral market sentiment scores in New South Wales.
- The downward trajectory of the residential sector warrants close attention.
- The two sectors (industrial and agricultural) that have sentiment scores in positive territory have shown persistent resilience throughout the year.

Figure 12: Property market sentiment scores - New South Wales



Note: The scores have a scale of 0 (extremely weak) to 10 (extremely strong).

The readings for past quarters are based on reflection, while the readings for Q4 2026 are based on expectations.

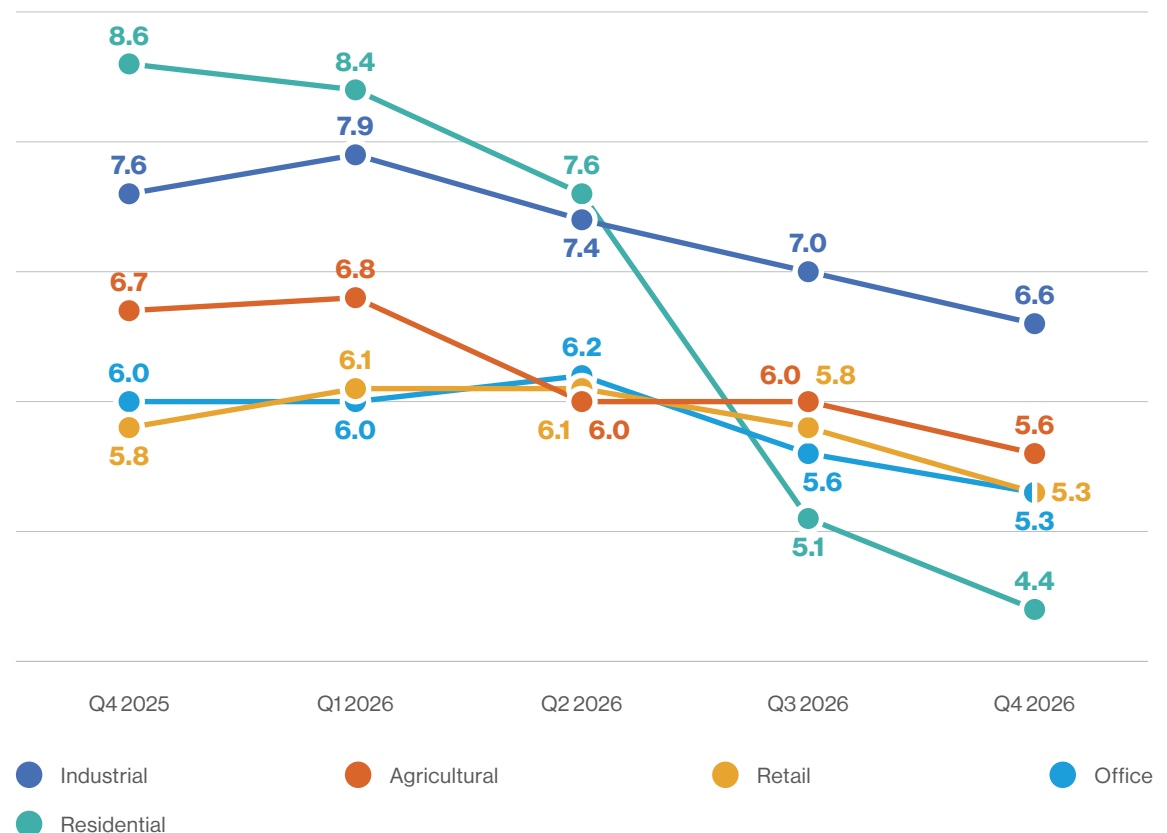
The two territories with very few responses are not given an individual score.

Queensland.

Key observations:

- The momentum in all five key sectors is expected to slow in Q4 2026, but residential is the only sector anticipated to have below-neutral market sentiment.
- Residential market sentiment for Q3 has been sharply revised down to 5.1 (from 6.6 previously), reflecting the housing downturn since the announcement of the Federal Government's tax reforms.
- Queensland's industrial outlook is the third most upbeat in the country, just behind South Australia and Western Australia.

Figure 13: Property market sentiment scores - Queensland



Note: The scores have a scale of 0 (extremely weak) to 10 (extremely strong).

The readings for past quarters are based on reflection, while the readings for Q4 2026 are based on expectations.

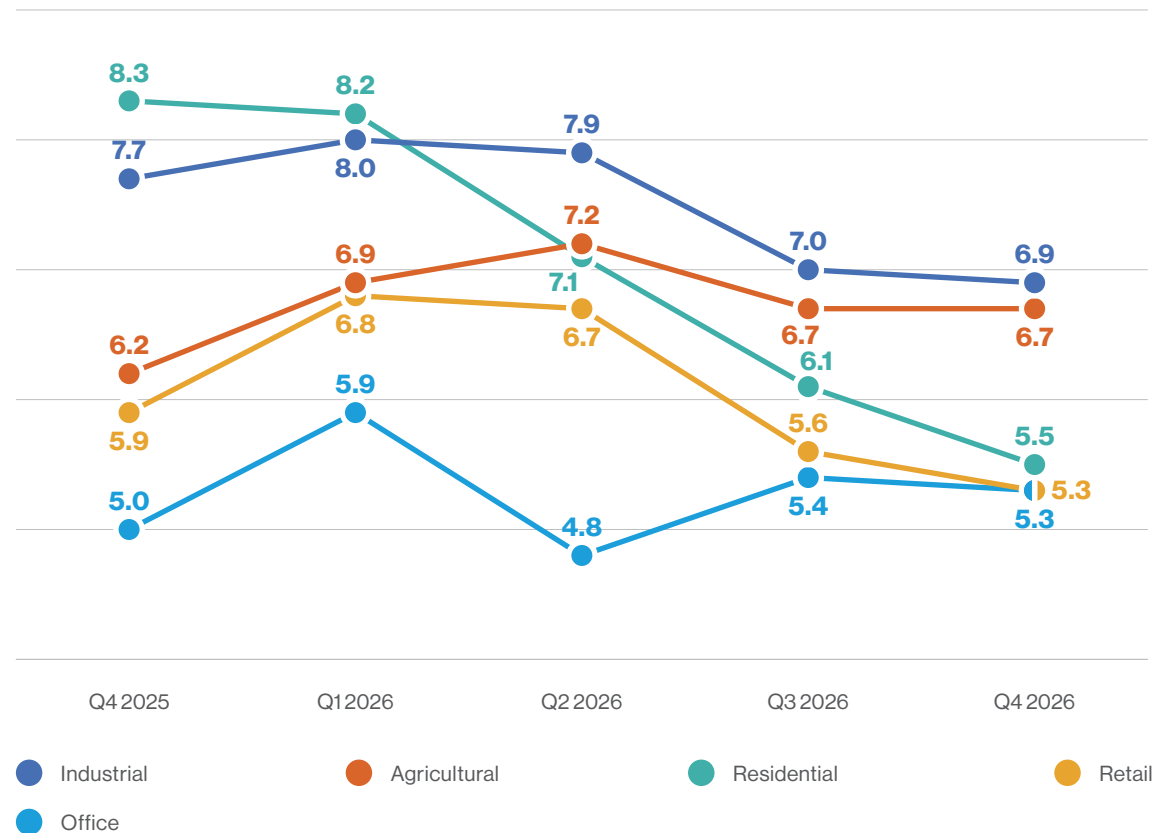
The two territories with very few responses are not given an individual score.

South Australia.

Key observations:

- South Australia is showing the strongest overall prospects compared to the other five states, according to the API Property Market Outlook Index.
- The outlook for all five key sectors ranges from 'just above neutral' to outright optimistic.
- In terms of market sentiments, South Australia ranks equal first in residential (with Western Australia), equal first in retail (with Queensland and Western Australia), second in industrial (behind Western Australia) and second in agricultural (behind Tasmania).

Figure 14: Property market sentiment scores - South Australia



Note: The scores have a scale of 0 (extremely weak) to 10 (extremely strong).

The readings for past quarters are based on reflection, while the readings for Q4 2026 are based on expectations.

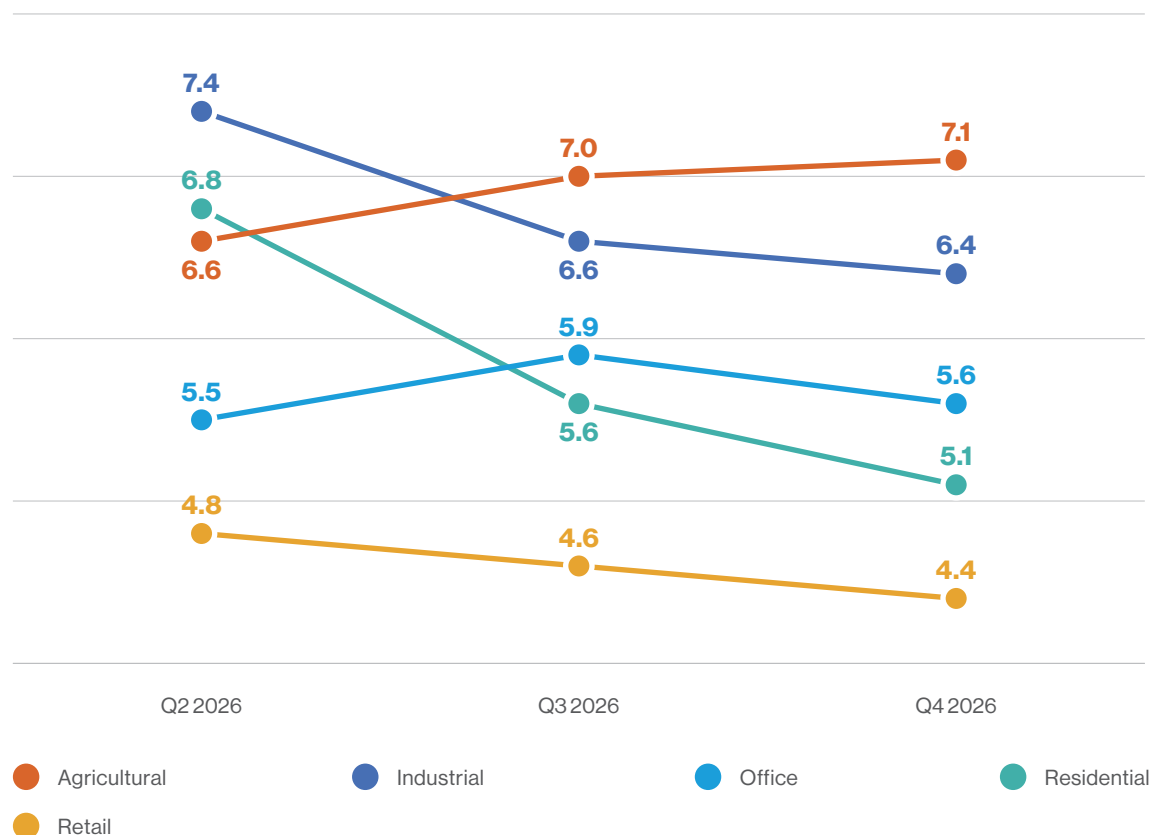
The two territories with very few responses are not given an individual score.

Tasmania.

Key observations:

- Market sentiment levels for the five key sectors are the most dispersed in Tasmania, ranging from 4.4 (retail) to 7.1 (agricultural).
- Tasmania's agricultural sector has not only claimed the highest sentiment score compared to the other five states, it has also shown a rare upward trend in market sentiment amid a broad-based decline in property market confidence.
- Tasmania is one of three states to have maintained an above-neutral sentiment score for its residential sector.

Figure 15: Property market sentiment scores - Tasmania



Note: The scores have a scale of 0 (extremely weak) to 10 (extremely strong).

The readings for past quarters are based on reflection, while the readings for Q4 2026 are based on expectations.

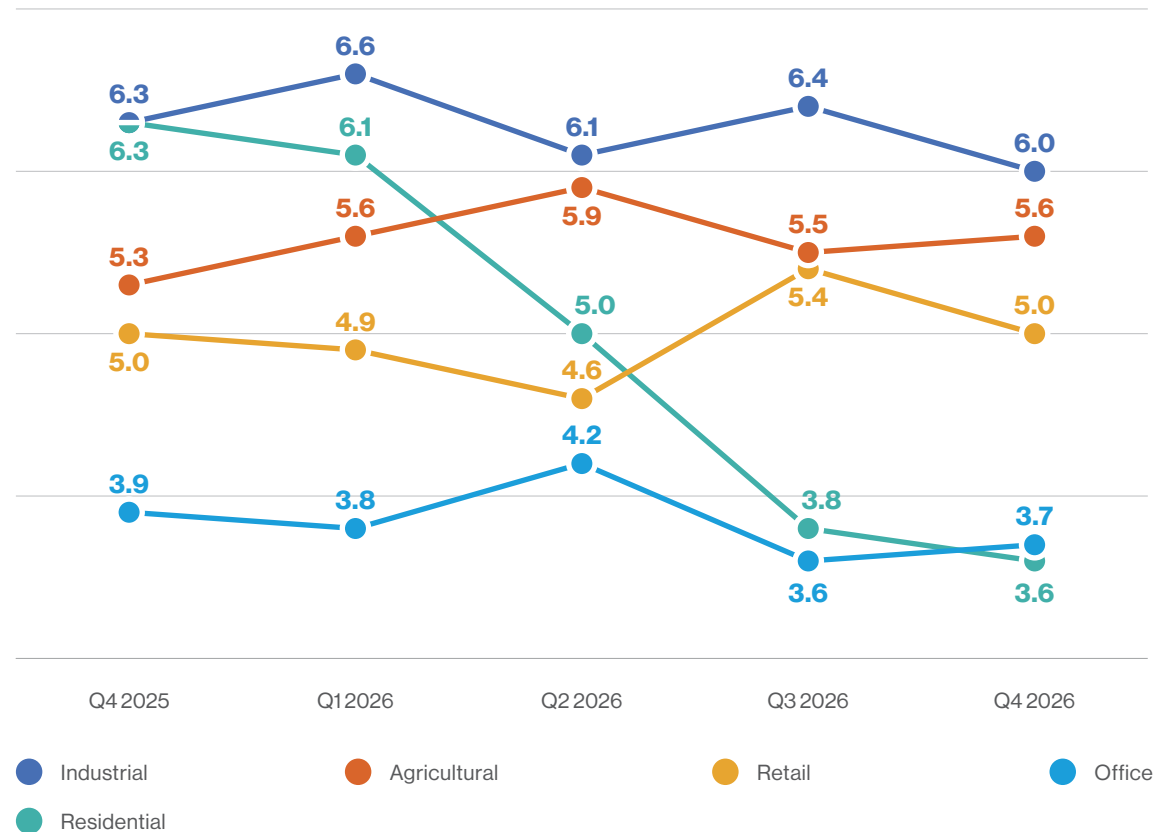
The two territories with very few responses are not given an individual score.

Victoria.

Key observations:

- Victoria has two distinct groupings when it comes to property market sentiments for Q4 2026, with the residential and office sectors being firmly in cautious territory while the other three sectors (industrial, agricultural and retail) have neutral or above-neutral scores.
- Victoria has the lowest market sentiment score for its residential sector compared to the other five states.
- A key trend to monitor in the coming months is whether the office sector in Victoria has bottomed out and started a gradual recovery.

Figure 16: Property market sentiment scores - Victoria



Note: The scores have a scale of 0 (extremely weak) to 10 (extremely strong).

The readings for past quarters are based on reflection, while the readings for Q4 2026 are based on expectations.

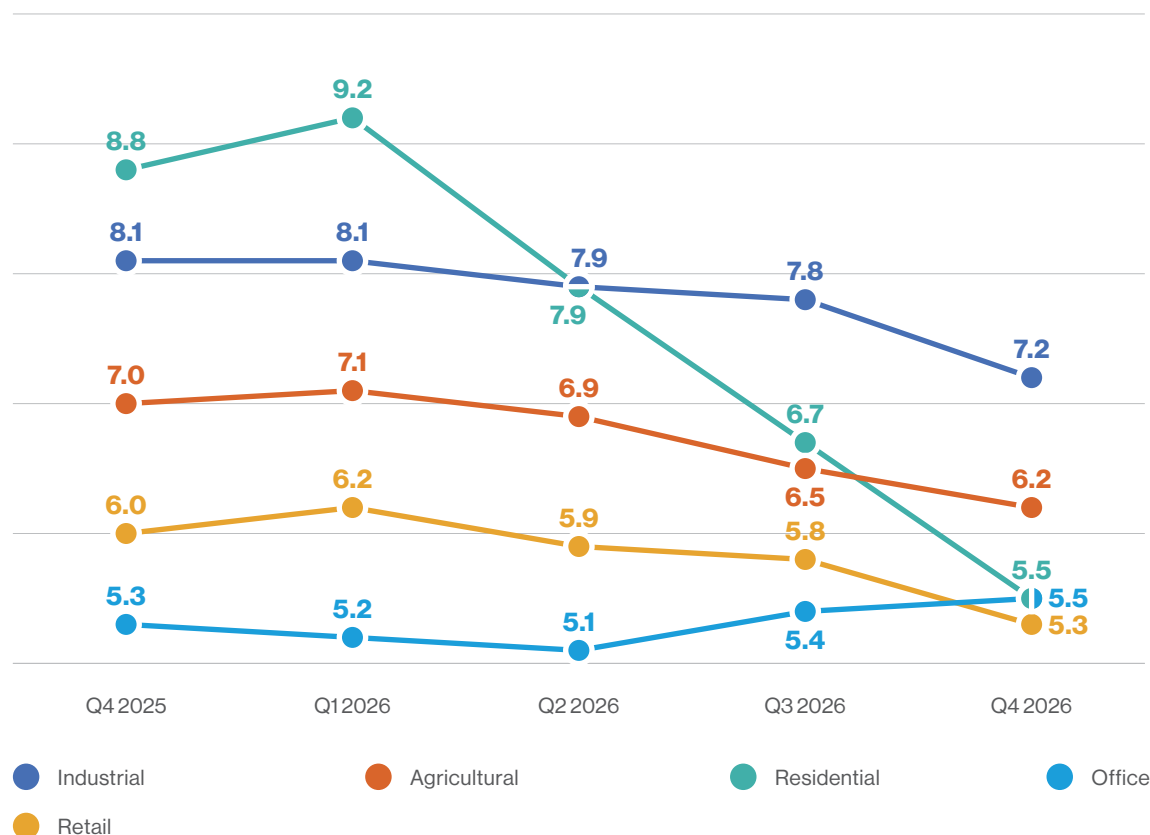
The two territories with very few responses are not given an individual score.

Western Australia.

Key observations:

- Western Australia's residential sector has experienced a substantial decline in confidence over the course of 2026, with the market sentiment score falling from a near-perfect reading of 9.2 in Q1 to a slightly-above-neutral reading of 5.5 in Q4.
- Nevertheless, compared to the other five states, Western Australia still shares equal-first in market sentiments for residential and retail.
- Market sentiment for the industrial sector is the most upbeat in Western Australia.

Figure 17: Property market sentiment scores - Western Australia



Note: The scores have a scale of 0 (extremely weak) to 10 (extremely strong).

The readings for past quarters are based on reflection, while the readings for Q4 2026 are based on expectations.

The two territories with very few responses are not given an individual score.

05. Top 3 Research Highlights.

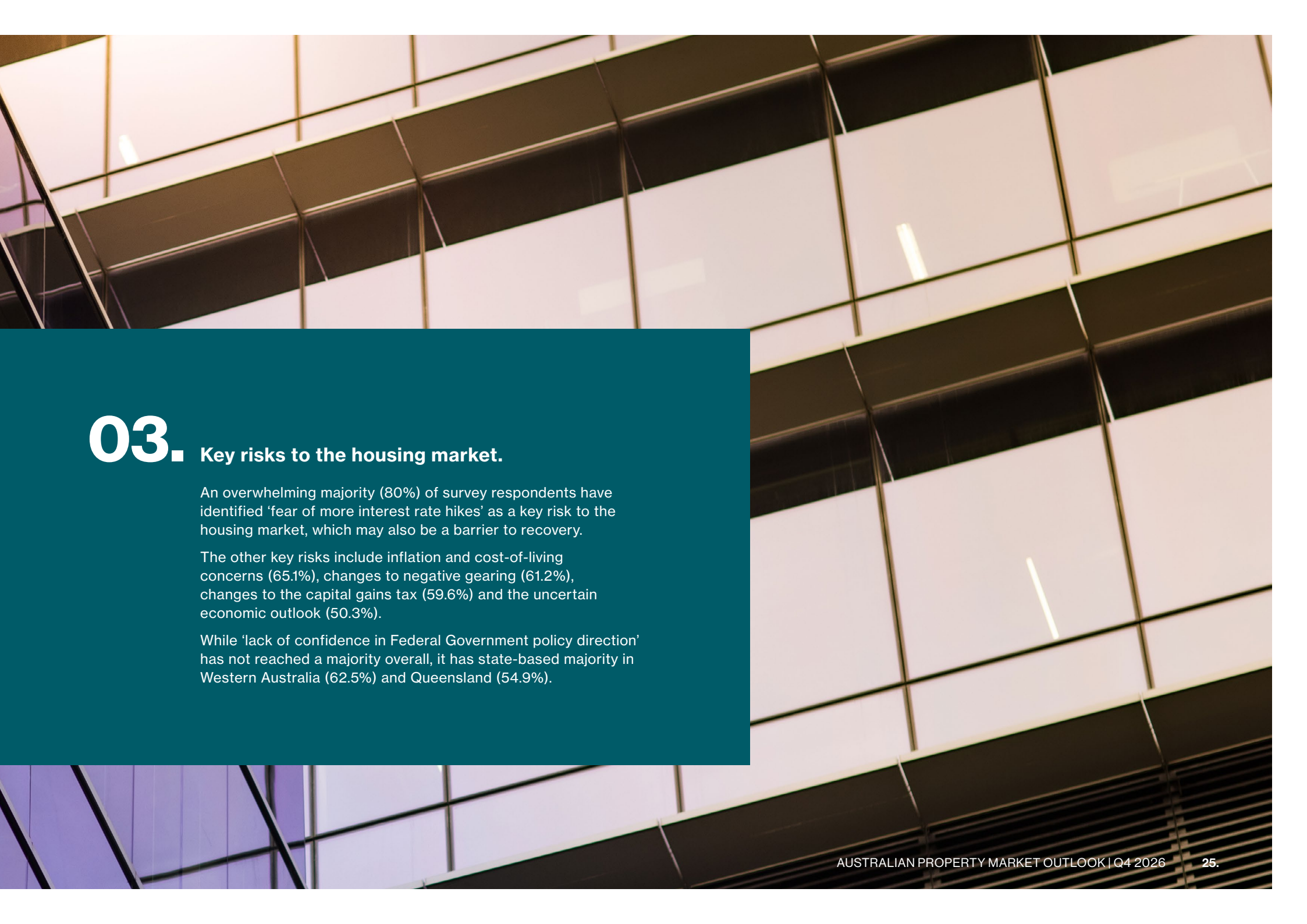
01. Hidden opportunities.

Although the headline API Property Market Outlook Index has slipped into cautious territory which signals challenging times ahead, there are still encouraging signs in some segments of the market.

For instance, Western Australia's market sentiment for the office sector is on sustained recovery, while market sentiment for Tasmania's agricultural sector has not only been positive but also on an upward trend.

02. Housing market recovery.

All six states covered in this research are in the middle of a housing downturn. Property professionals have been asked about their views on the likely timing of the housing market recovery. The median response for every state is 'July to September 2027', which is right after the effective date of the new rules for capital gains tax and negative gearing.



03. ■ Key risks to the housing market.

An overwhelming majority (80%) of survey respondents have identified 'fear of more interest rate hikes' as a key risk to the housing market, which may also be a barrier to recovery.

The other key risks include inflation and cost-of-living concerns (65.1%), changes to negative gearing (61.2%), changes to the capital gains tax (59.6%) and the uncertain economic outlook (50.3%).

While 'lack of confidence in Federal Government policy direction' has not reached a majority overall, it has state-based majority in Western Australia (62.5%) and Queensland (54.9%).



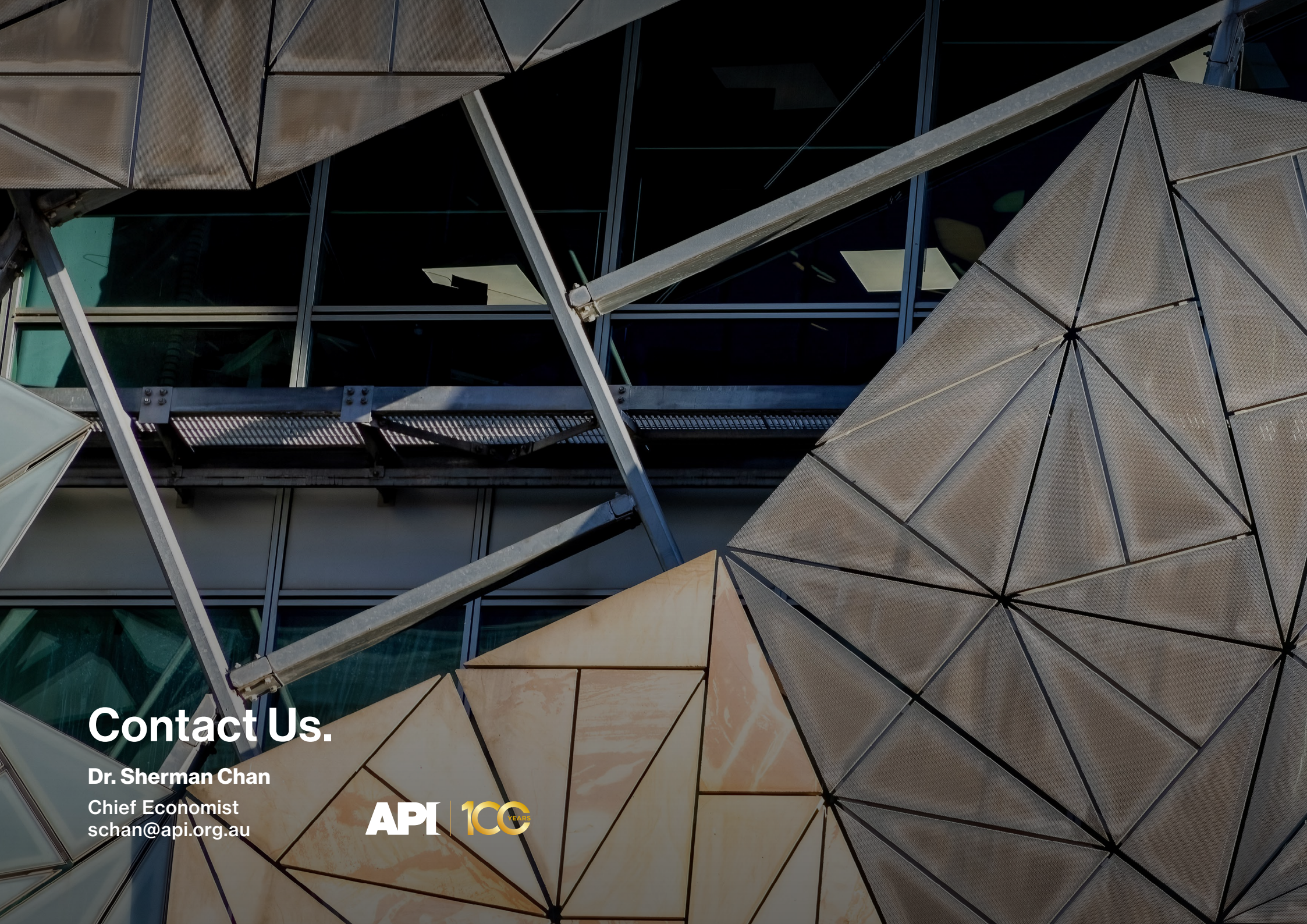
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Contact Us.

Dr. Sherman Chan

Chief Economist
schan@api.org.au

