

The logo for the Australian Property Institute's 100th anniversary. It features the letters 'API' in a bold, white, sans-serif font, followed by a vertical line, then '100' in a larger, bold, white, sans-serif font, and finally 'YEARS' in a smaller, white, sans-serif font to the right of the '100'.

API | **100** YEARS

Australian Property Market Outlook

Australian
Property Institute

Q1 2026

About the API.

Australian Property Institute

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 Residential Property Valuers (RPV) or Certified Practising Valuers™ (CPV).

As a trusted source of property industry knowledge, the API is committed to professional standards, policy engagement and evidence-based reform. Celebrating our 100th year in 2026, we were established as the Commonwealth Institute of Valuers, 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.



Foreword.

John Winter.



Chief Executive Officer, Australian Property Institute

Australia's favourite topic is property prices. There is barely a social event that occurs where it isn't a theme for discussion.

One of the things that struck me when I joined the Australian Property Institute is that while this topic is so widely talked about, no one asked the people with the greatest expertise on the topic about what was happening. Those people, of course, are the members of the API—property valuers and the other professionals around them.

So, with our first ever Chief Economist, Dr Sherman Chan, on board we have set about actually asking our members what the drivers of property prices—across all asset classes—are.

We are indebted to the 363 experts who responded to the survey and especially to those who took the time to provide deep qualitative comments. We hope to grow that response base further over time beyond this first issue of what will be a quarterly report series.

In this, our 100th year, the data will be used to inform API's policy advocacy agenda so that all recommendations are evidence-based. That means we will assist governments across Australia to make better decisions around the housing crisis and across other property classes. This is a key element of one of our strategic pillars—to be a "Powerful Voice"—raising the profile and driving positive change for the property profession.

This report is designed to provide an important reference for anyone interested in the property sector so please do share it as widely as possible.

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01. Executive Summary.



Dr Sherman Chan
Chief Economist, Australian Property Institute

The API Property Market Outlook Index has a reading of 7.1 for Q1 2026 (on a scale of 0 to 10, with 10 being the strongest). This indicates overall solid momentum expected for the Australian property market.

The breakdown of the index shows varying levels of optimism across the five largest states:

Figure 1: API Property Market Outlook Index by state

State	API Property Market Outlook Index
Western Australia	8.7
Queensland	8.3
South Australia	8.0
New South Wales	6.5
Victoria	5.8

Note: Individual indices have not been computed for states and territories with very few responses.



Market sentiment also varies according to asset classes:

Figure 2: Property market sentiment score by asset class

Asset class	Property market sentiment score (3-month outlook)
Residential	7.3
Industrial	7.1
Agricultural	5.9
Retail	5.4
Office	5.0

The interest rate outlook is commonly identified by valuers as one of the key drivers of property prices across all asset classes. Otherwise, each asset class is influenced by different factors. For example, the top drivers of property prices are:

- construction costs (for residential)
- business confidence (for office)
- consumer confidence (for retail)
- e-commerce performance and demand for warehouses (for industrial)
- agricultural commodity prices (for agricultural).

For the 2026 business outlook, a majority of survey respondents consider the cost of doing business as a key challenge. Other challenges identified include finding the right talent and navigating domestic economic uncertainties.

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 first issue of the series.

This quarter's research primarily aimed to:

- gauge market sentiment in the property sector
- collect expert opinions on the key drivers of property prices for various asset classes in the near term
- identify the anticipated challenges for the property sector in 2026.

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

The survey included some special topics (such as the use of AI in property valuation), findings of which will inform further research and ultimately be published in separate reports.

Survey period: 9 December 2025 to 4 January 2026 (All states and territories included)

363
responses

96%
of respondents
are API members

73%
of respondents are property
valuers – a mix of residential, office,
retail, industrial and agricultural
property valuers

44%
of respondents
have valuation
specialisations

Other professions represented:

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

03. Property Market Sentiment.

The overall property market sentiment in Australia is positive, with the API Property Market Outlook Index measuring 7.1 (on a scale of 0 to 10, with 10 being the strongest).

There is notable variation in scores between states, ranging from Victoria's 5.8 to Western Australia's 8.7. Nevertheless, every state with a computed score has their score above 5—the level interpreted as neutral (i.e. neither downbeat nor upbeat). States and territories with very few responses are not given an individual score.

**Figure 3: The API
Property Market Outlook Index**

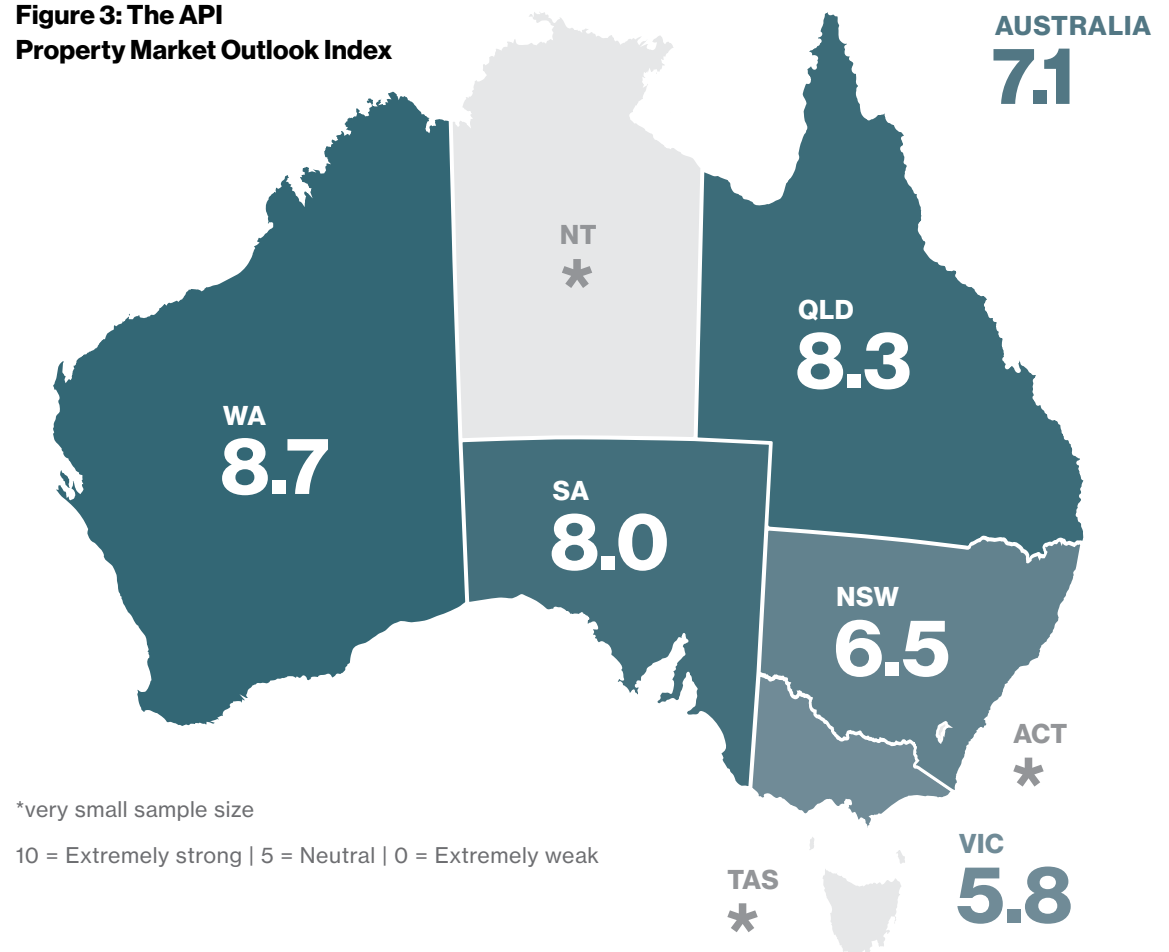
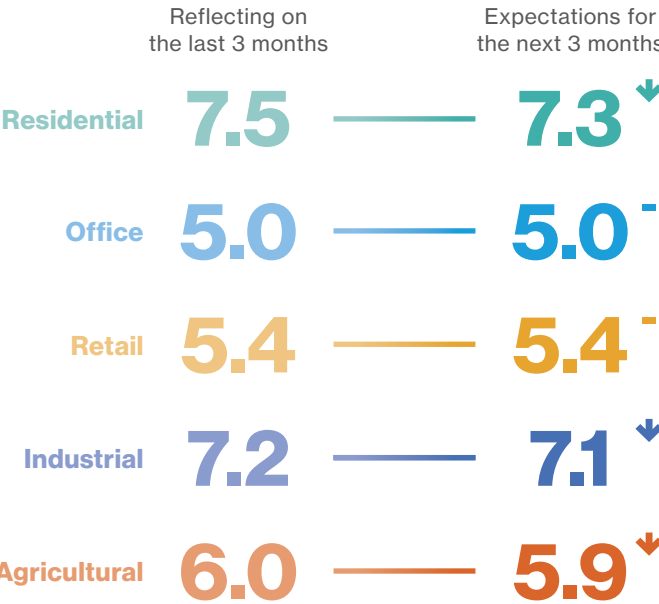




Figure 4: Property market sentiment scores (out of 10)



Across the key property asset classes, market sentiment is strongest for residential, followed by industrial. Market sentiment for office is the most subdued.

Comparing expectations for the next three months, the two asset classes with the weakest sentiment levels—office and retail— are tipped to hold steady.

Residential, industrial and agricultural market sentiments are forecast to experience a slight retreat from the levels observed in the last three months.

04.

Property Price Outlook.



This section takes a closer look at each of the core asset classes—residential, office, retail, industrial and agricultural.

The property market sentiment in each state is revealed, along with the key drivers of property prices—as deemed by valuers practising in the relevant sectors.

The graphs presented in this section include only the items identified by at least 10% of relevant respondents. For the full list of selections in the survey, refer to the Appendix of this report.

Residential.

Key Observations

- There is a sizeable gap in residential market sentiment when comparing the two largest state economies (New South Wales and Victoria) with the next three largest state economies (Queensland, Western Australia and South Australia).
- The top five drivers of residential property prices in the next three months, as predicted by residential valuers, are construction costs, the interest rate outlook, population growth, a lack of existing housing supply and a lack of new housing supply.
- Among all potential drivers of residential property prices, 'job market conditions' has the biggest increase in selection by residential valuers when comparing their market assessment of the next three months and the last three months.

Figure 5: Residential property market sentiment scores: 3-month outlook

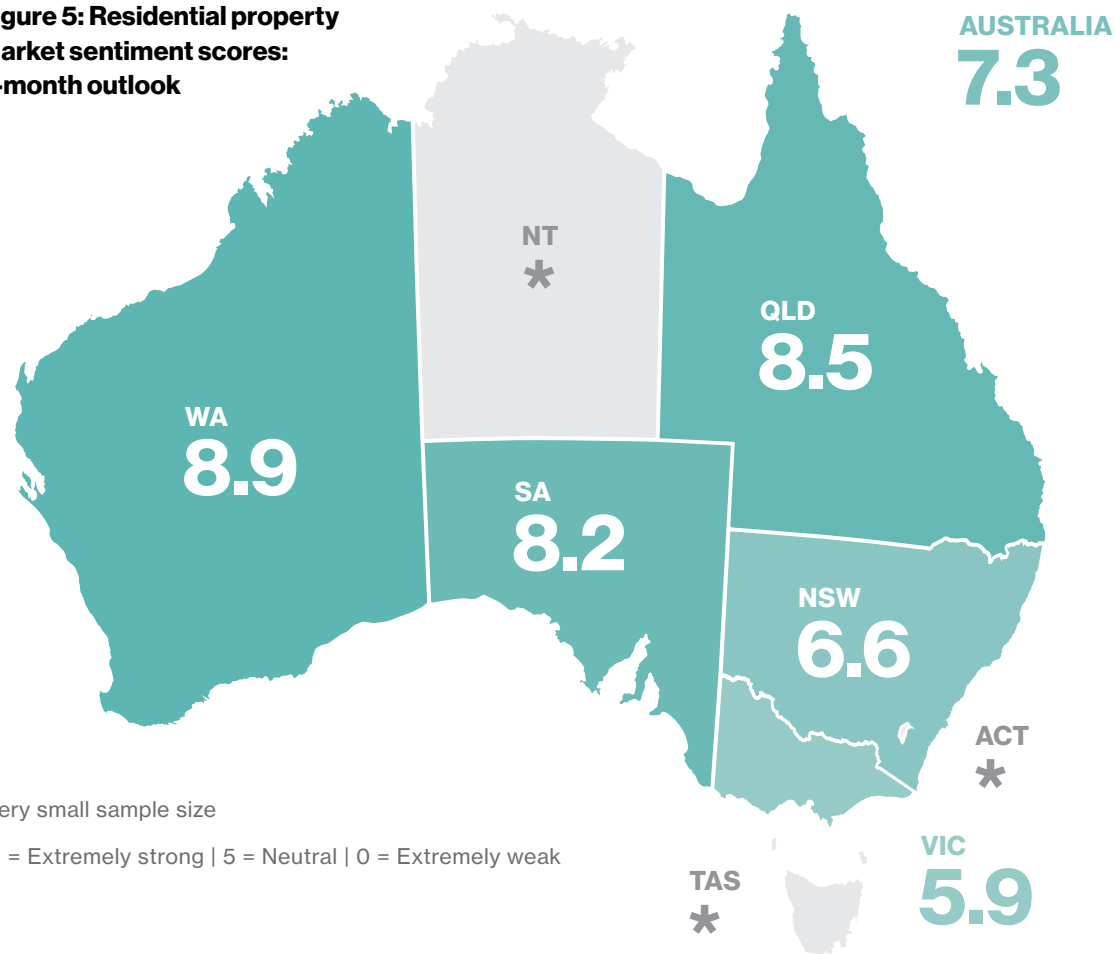
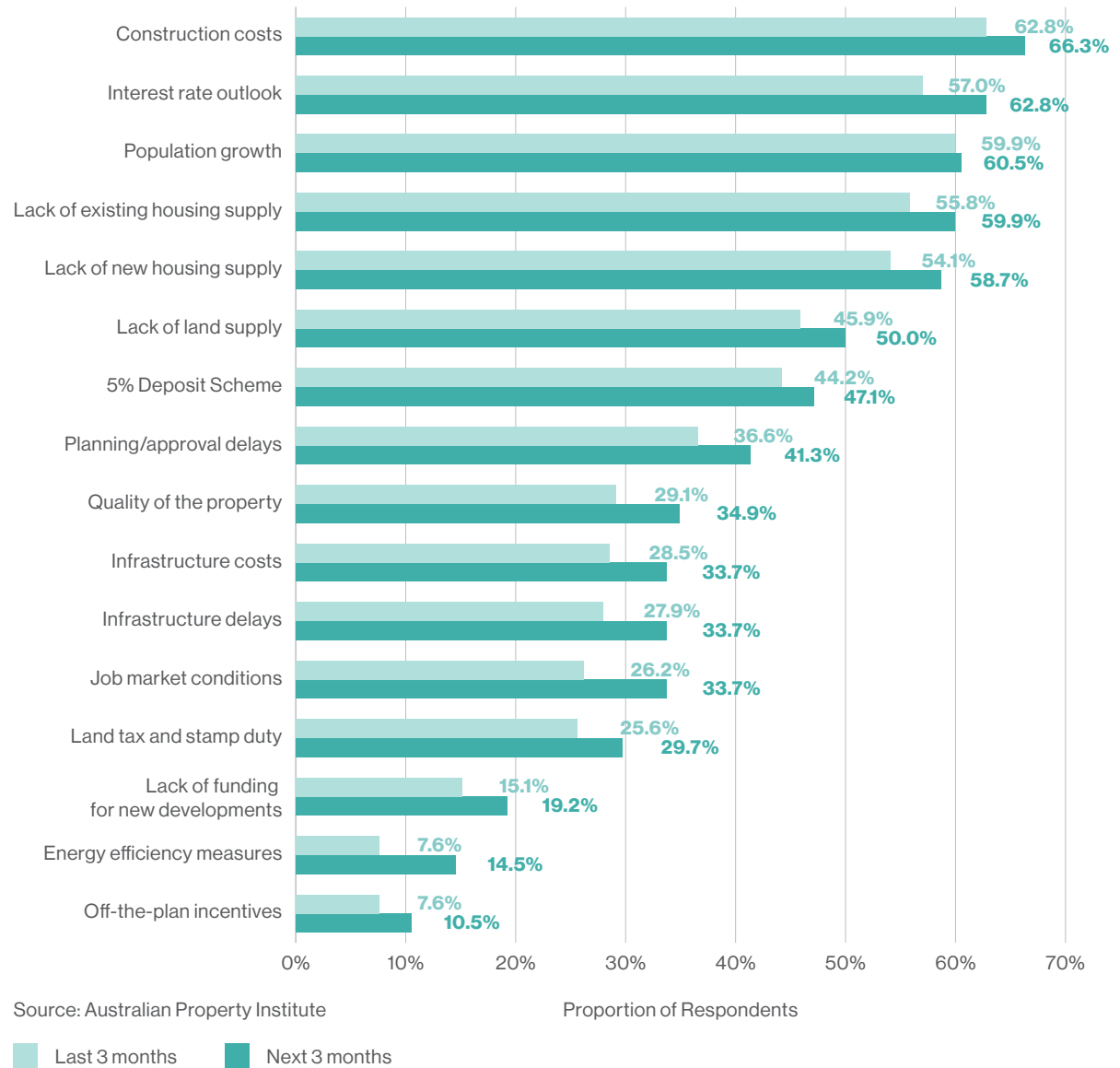




Figure 6: Key drivers of residential property prices — residential valuers' perspective



Office.

Key Observations

- Office property market sentiment is generally subdued and there is mild variation between the five largest states. However, it is worth noting that the office market sentiment scores for New South Wales and Victoria are below 5 and essentially in the 'downbeat' zone.
- The top five drivers of office property prices in the next three months, as predicted by office valuers, are business confidence, general economic conditions, corporate policy on work from home or return to office, the evolving nature of work (including the use of AI and remote working), and the interest rate outlook.
- Compared to the last three months, an extra 15% of office valuers surveyed expect the evolving nature of work (including the use of AI and remote working) to be a key driver of office property prices in the next three months.

Figure 7: Office property market sentiment scores: 3-month outlook

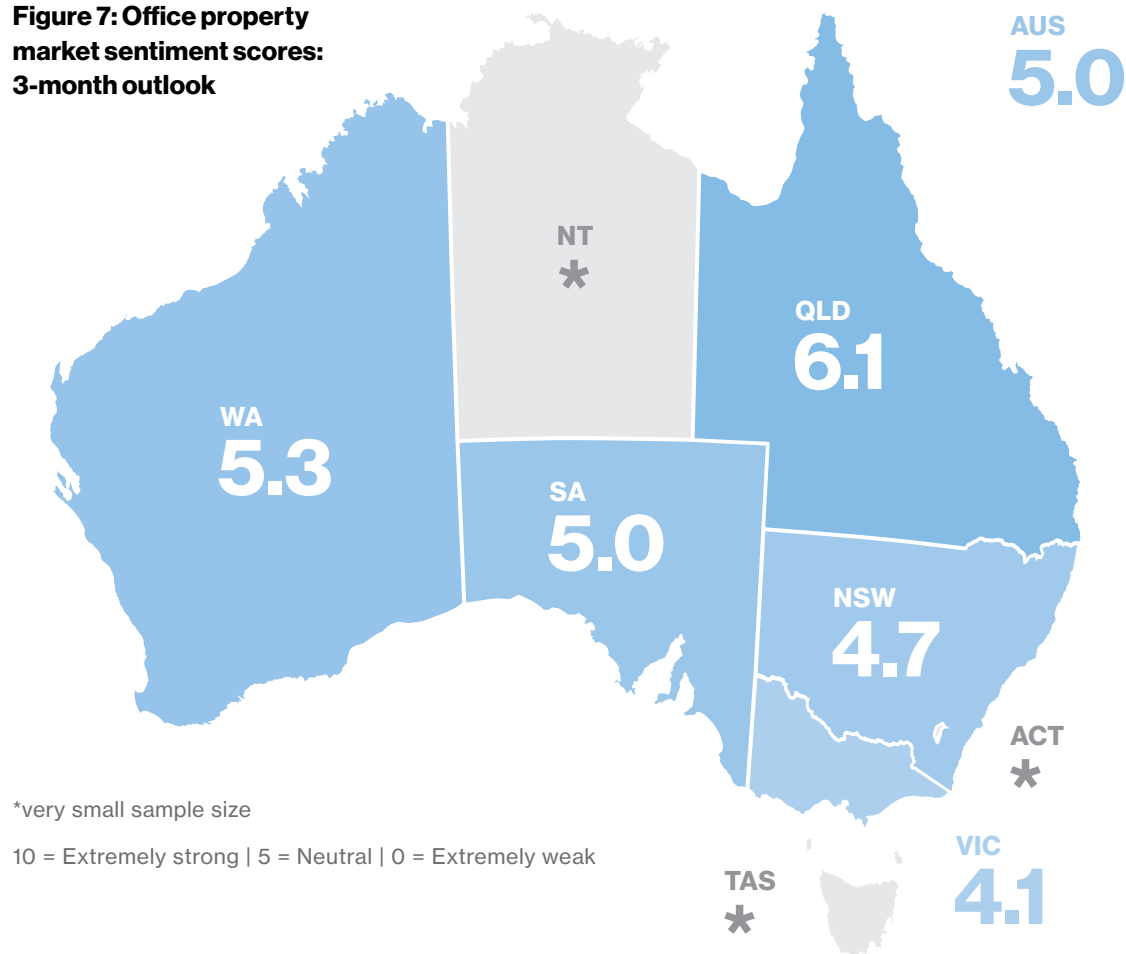
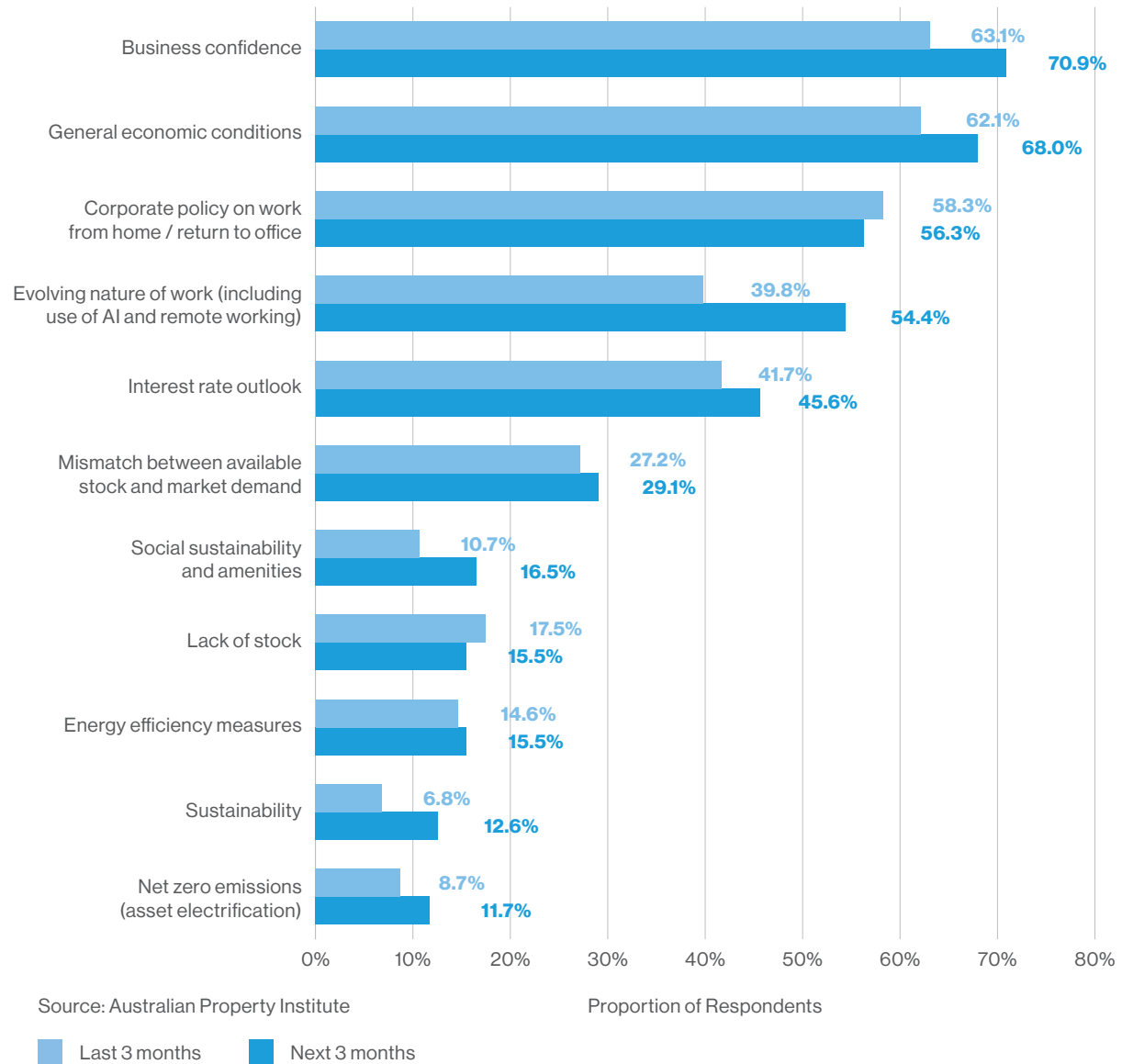




Figure 8: Key drivers of office property prices — office valuers' perspective



Retail.

Key Observations

- The levels of retail property market sentiment across the five largest states are in a relatively tight range, from the lowest of 4.9 in Victoria to the highest of 6.1 in South Australia.
- The top five drivers of retail property prices in the next three months, as predicted by retail valuers, are consumer confidence, the interest rate outlook, consumer shopping preference, job market conditions and the appeal of shopping centres.
- Less than 20% of retail valuers consider work-from-home arrangements as a key driver of retail property prices, both in the last three months and the next three months. Meanwhile, compared to the last three months, an extra 13% of retail valuers surveyed expect job market conditions to be a key driver of property prices in the next three months.

Figure 9: Retail property market sentiment scores: 3-month outlook

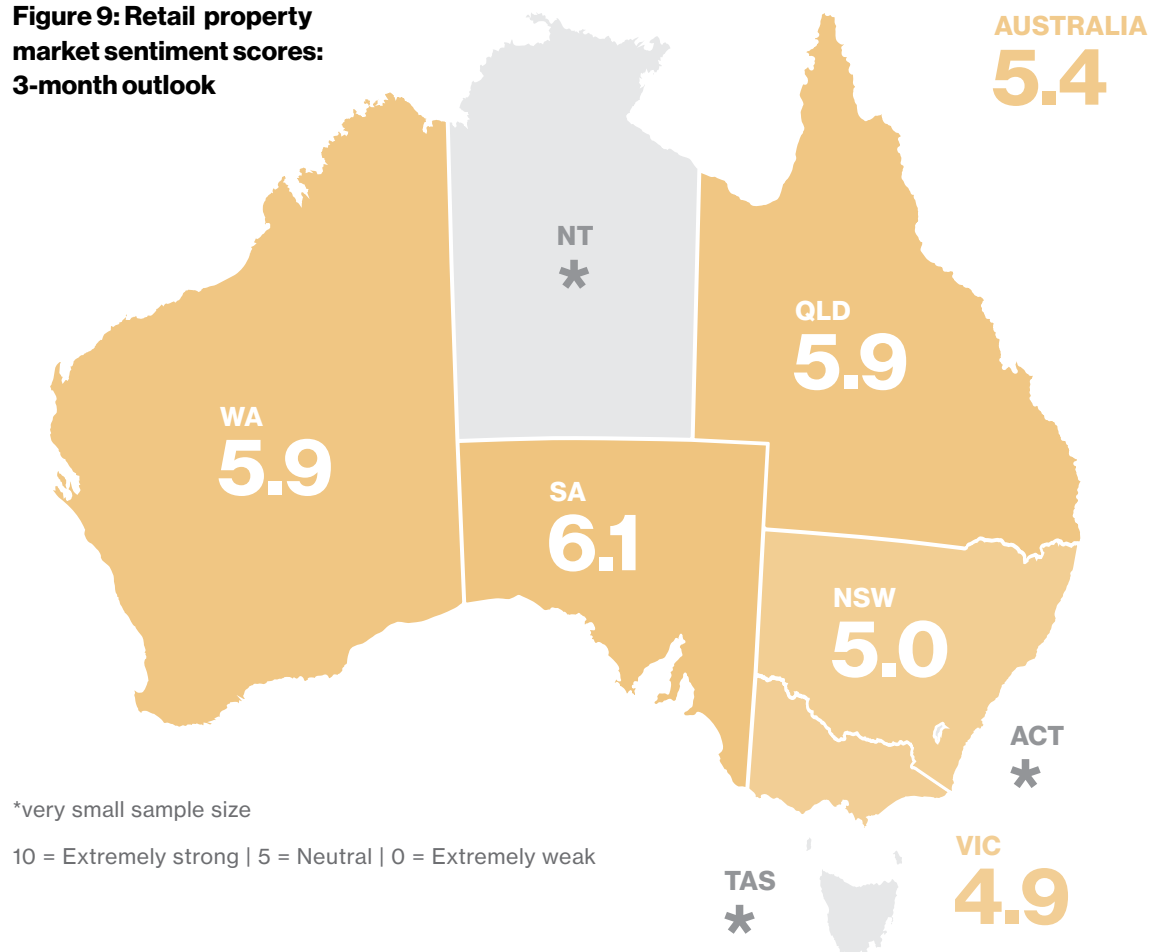
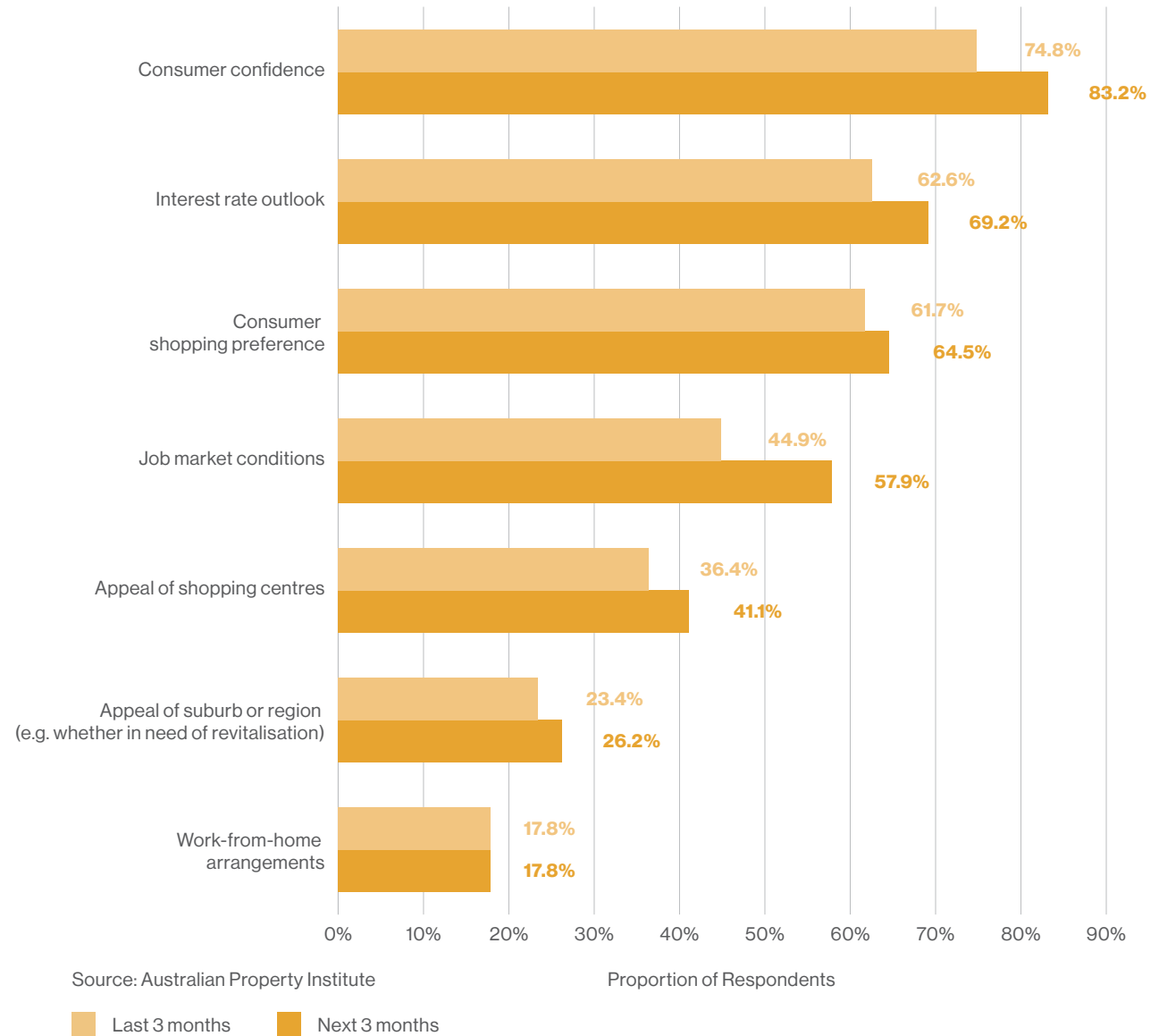




Figure 10: Key drivers of retail property prices — retail valuers' perspective



Industrial.

Key Observations

- There is overall mild optimism in the industrial property market. Amongst the five largest states, the industrial property market sentiment scores range from 6.3 in Victoria to 7.9 in Western Australia, all well clear of the neutral level and leaving no ambiguity of the underlying optimism.
- The top five drivers of industrial property prices in the next three months, as predicted by industrial valuers, are e-commerce performance and demand for warehouses, the interest rate outlook, manufacturing sector performance, roads and transportation development, and mining activity.
- Comparing the last three months with the next three months, 'e-commerce performance and demand for warehouses' not only remains the most common selection by industrial valuers but it also has the biggest increase in selection among all drivers of industrial property prices.

Figure 11: Industrial property market sentiment scores: 3-month outlook

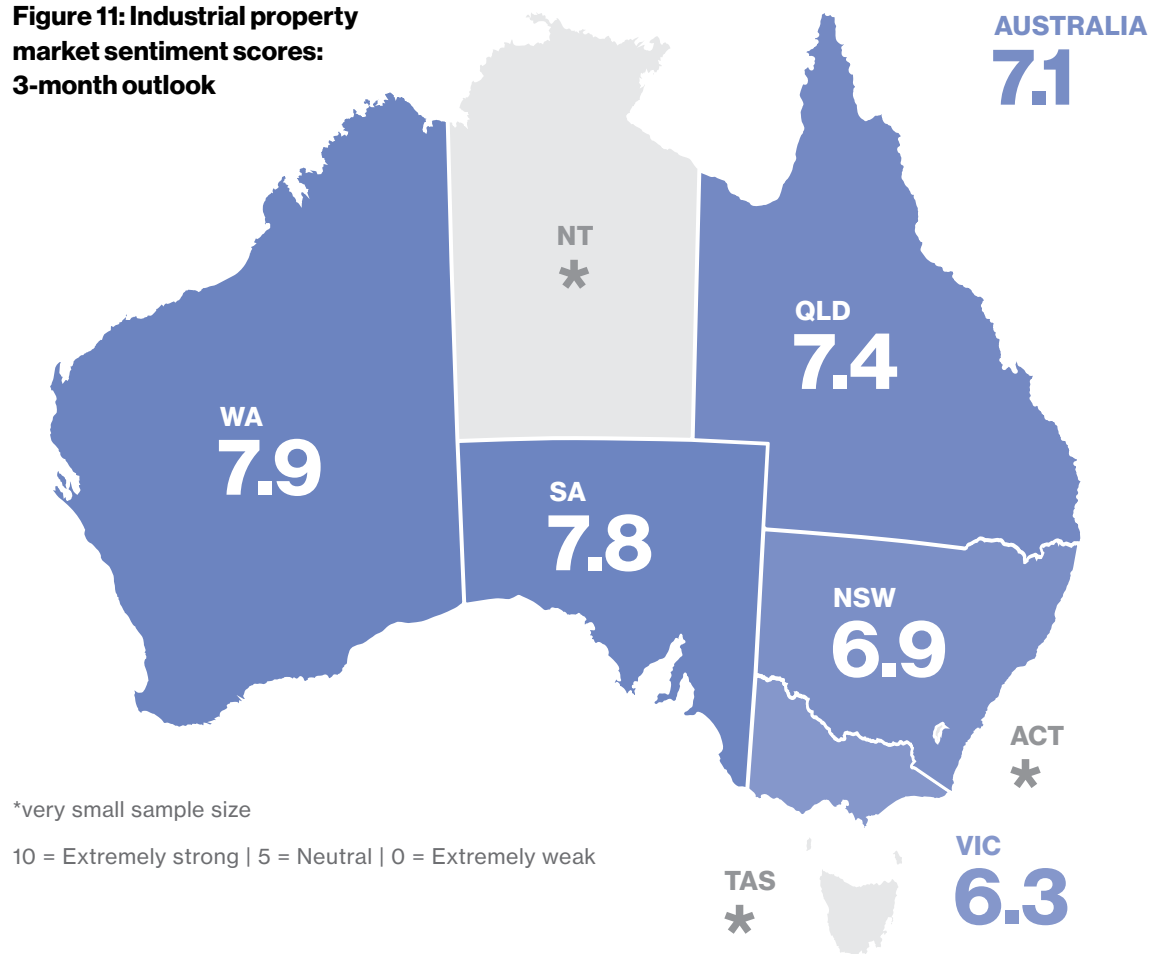
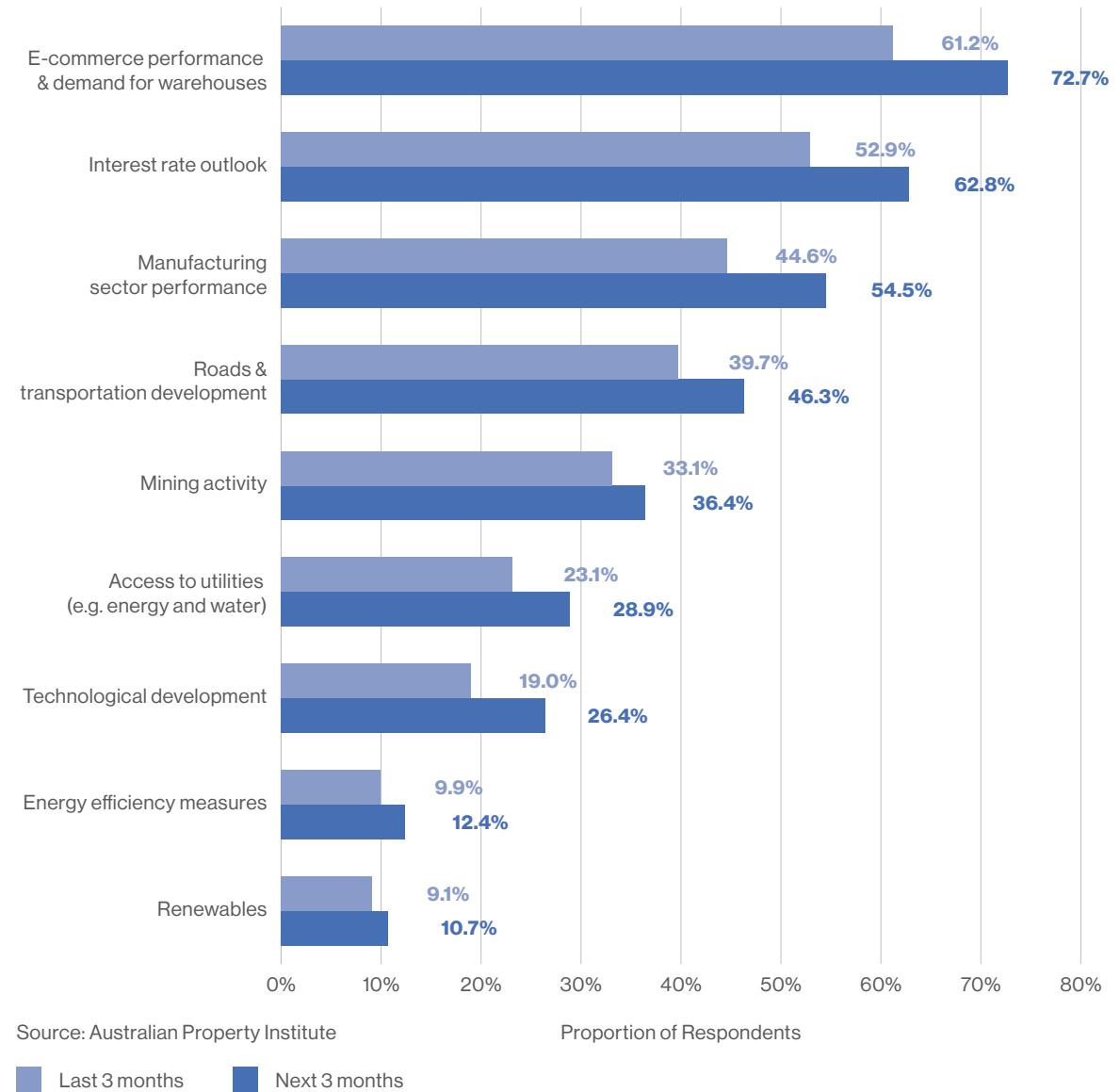




Figure 12: Key drivers of industrial property prices — industrial valuers' perspective

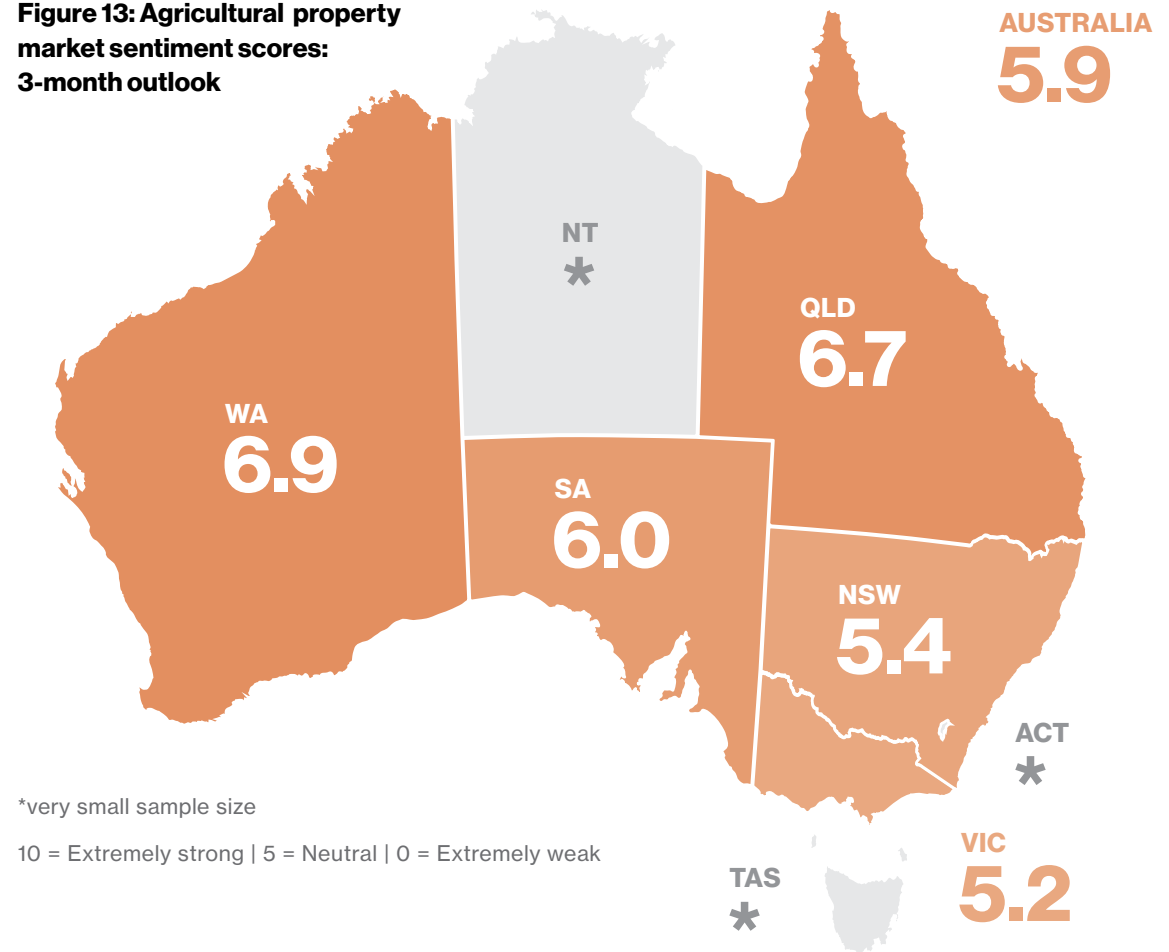


Agricultural.

Key Observations

- The agricultural property market sentiment scores for the five largest states are all in the top half of the scale, from Victoria just clearing the neutral level at 5.2 to Western Australia signalling a degree of optimism at 6.9.
- The top five drivers of agricultural property prices in the next three months, as predicted by agricultural valuers, are agricultural commodity prices, the quality of agricultural land, the interest rate outlook, climate conditions and the export outlook.
- 'Agricultural commodity prices' is by far the most unambiguous driver of agricultural property prices in the next three months, selected by about 85% of agricultural valuers surveyed.

Figure 13: Agricultural property market sentiment scores: 3-month outlook



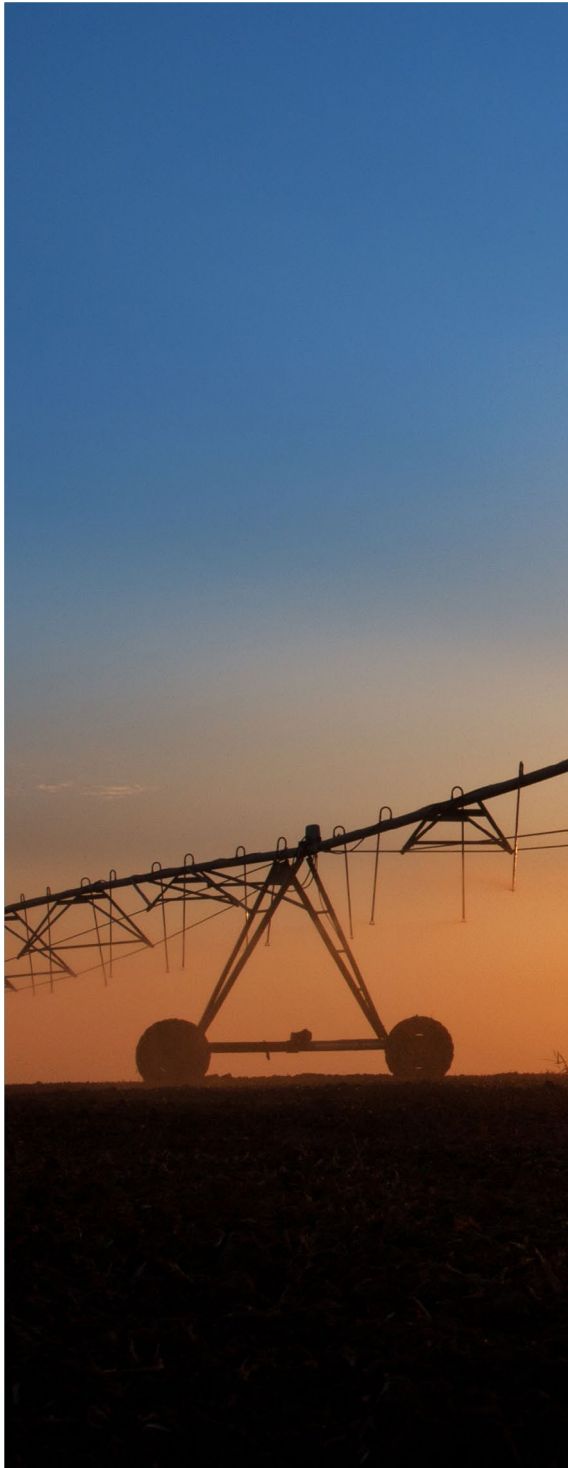
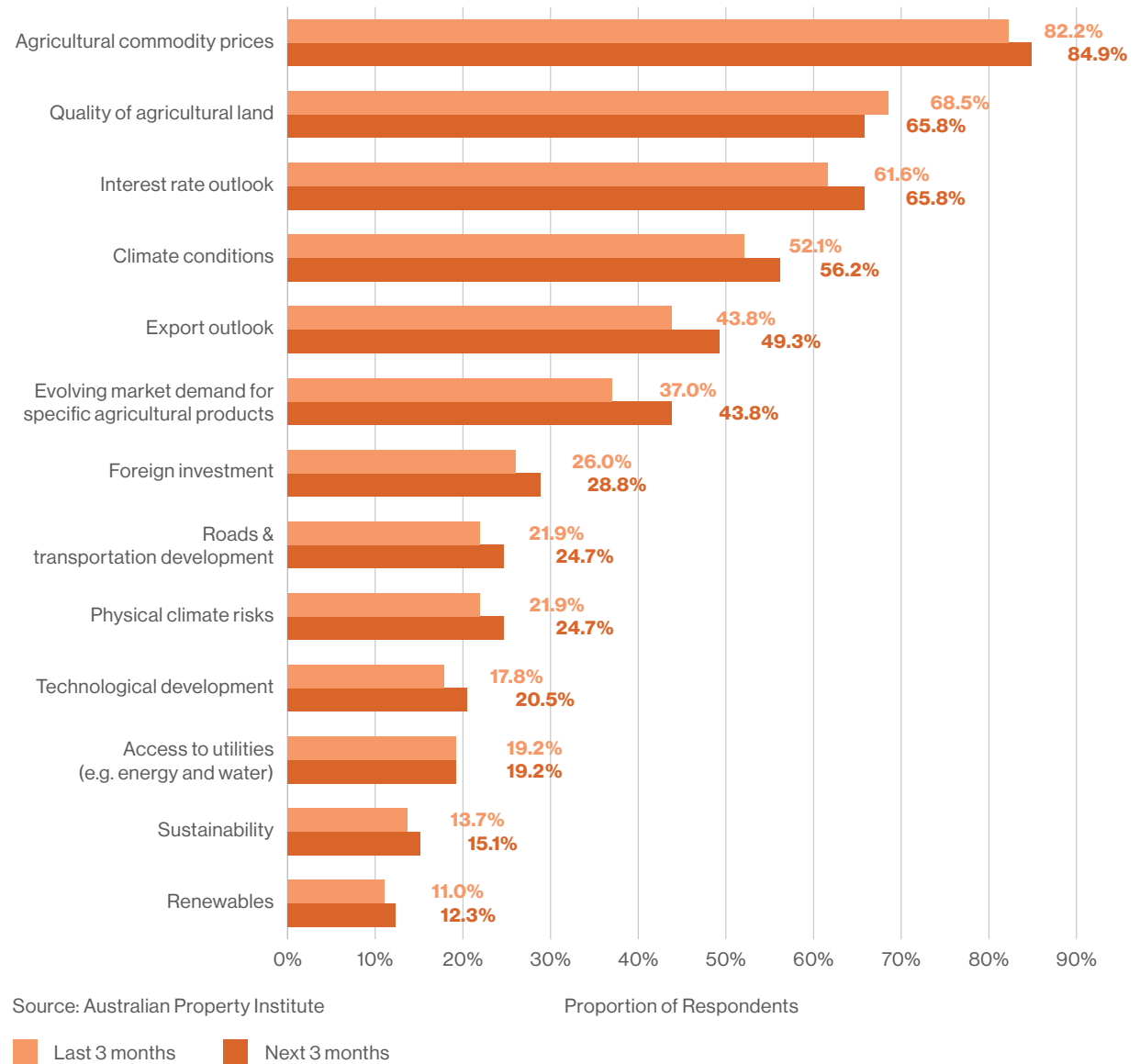


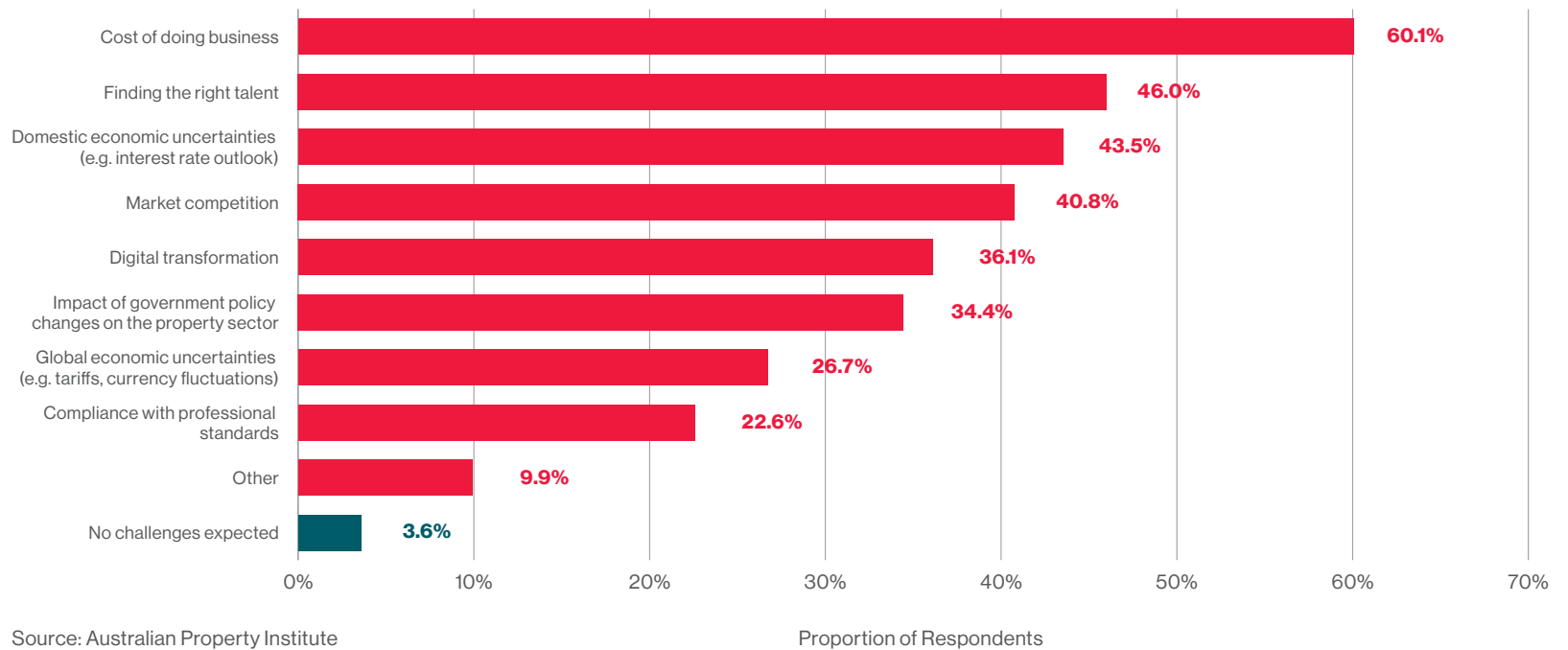
Figure 14: Key drivers of agricultural property prices — agricultural valuers' perspective



05.

Key challenges for business in 2026.

Figure 15: Expected challenges for business in 2026



06. Top 7 Research Insights.

01. **Difference between asset classes.**

The property market is far from homogenous as there is a great difference in market sentiment depending on asset classes. Heading into 2026, residential property market sentiment is the most upbeat while office property market sentiment is the most cautious.

02. **Difference between states and territories.**

The property market is also non-homogenous when considering market sentiment in each state and territory. This research has found that amongst the five largest states, Western Australia has the highest level of property market optimism, closely followed by Queensland. Property market sentiment is the most subdued in Victoria.

03. **Common business challenges.**

A buoyant property market may give the illusion that it is smooth-sailing for property-related businesses. In reality, only 3.6% of survey respondents expect no challenges for their business in 2026. In other words, 96.4% expect challenges, many of which are in line with the concerns voiced by other sectors of the economy, e.g. the cost of doing business and the difficulty in finding the right talent.



04. **Impact of global economic development.**

As the focus of property discussions is typically on fixed assets on domestic soil, some often forget about the exposure of the Australian property market to global economic development. The research findings serve as a reminder of the various links, as about one in four survey respondents considers global economic uncertainties as a key business challenge in 2026, and the export outlook is also expected to be among the top five drivers of agricultural property prices.

05. **Interest rate outlook.**

Despite the beforementioned differences between asset classes, there is one common view in relation to the impact of the interest rate outlook on property prices. 'Interest rate outlook' features in the top three drivers of property prices for residential, retail, industrial and agricultural, and comes in fifth for office.

06. **Impact of work-from-home arrangements.**

A majority of office valuers have identified work-from-home arrangements as a key driver of office property prices. However, far fewer retail valuers see the same impact on retail property prices. Considering the retail valuers' responses alongside industrial valuers' responses, it appears that e-commerce is continuing to gain momentum and that is a larger driving force behind the retail landscape than people's work arrangements. That said, overall job market conditions (affecting employment and unemployment) are increasingly on the radar of valuers for the coming months.

07. **Energy efficiency measures.**

Across all asset classes examined, 'energy efficiency measures' has not ranked highly among all potential drivers of property prices. This perceived lack of (positive) influence on property prices may deter the uptake of such measures, subsequently affecting the broader energy transformation agenda.

07. Appendix

The full list of potential drivers of property prices for selection in the survey:

Residential

Interest rate outlook
Population growth
Job market conditions
5% Deposit Scheme
Off-the-plan incentives
Developer brand profile
Land tax and stamp duty
Quality of the property
Lack of land supply
Lack of new housing supply
Lack of existing housing supply
Construction costs
Planning/approval delays
Lack of funding for new developments
Infrastructure delays
Infrastructure costs
Energy efficiency measures
Renewables
Net zero emissions (asset electrification)
Physical climate risks
Sustainability
Social sustainability and amenities
Other

Office

Interest rate outlook
Corporate policy on work from home / return to office
Evolving nature of work (including use of AI and remote working)
Business confidence
General economic conditions
Lack of stock
Mismatch between available stock and market demand
Energy efficiency measures
Renewables
Net zero emissions (asset electrification)
Physical climate risks
Sustainability
Social sustainability and amenities
Other

Retail

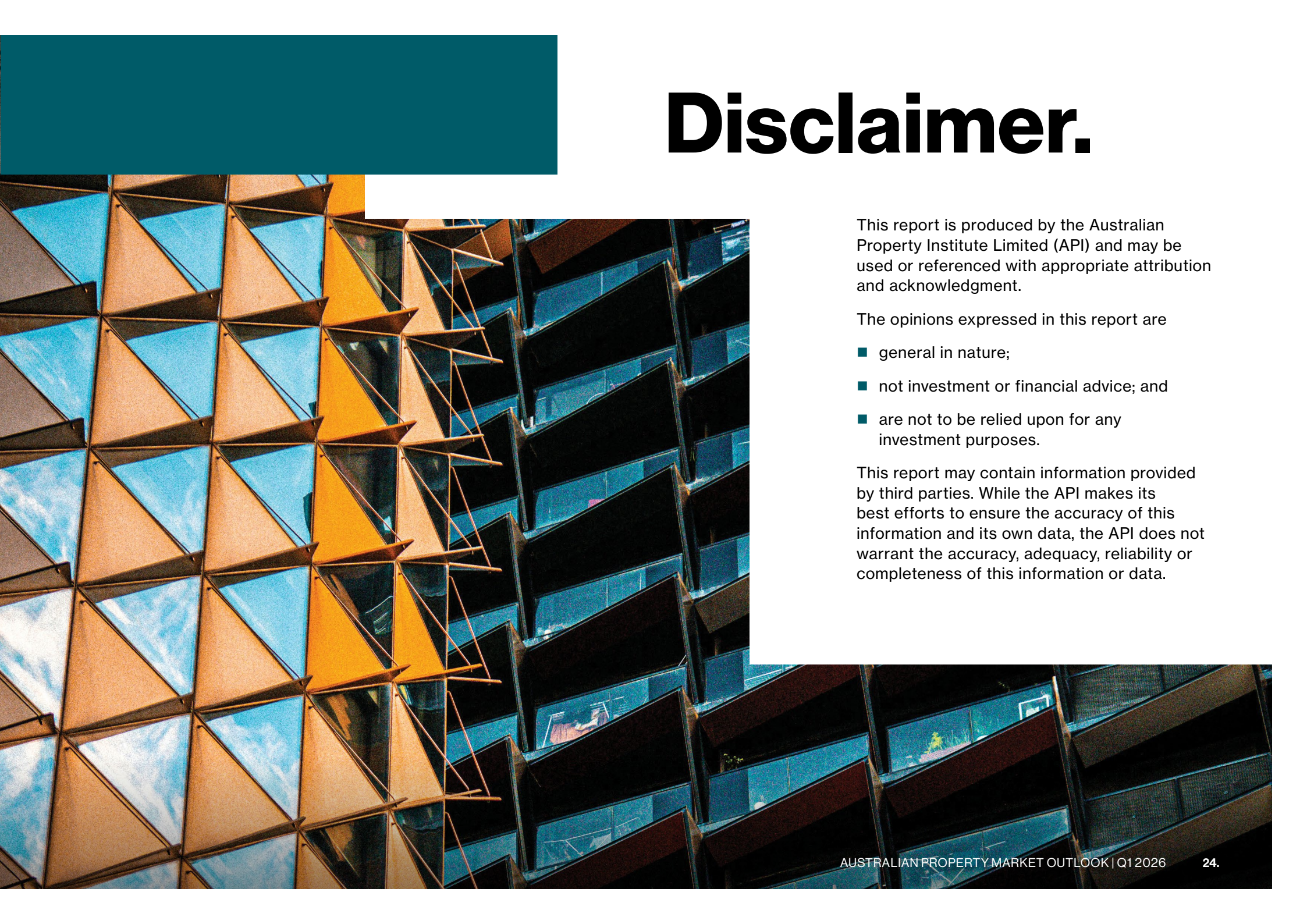
Interest rate outlook
Job market conditions
Work-from-home arrangements
Consumer confidence
Consumer shopping preference
Public transport development
Appeal of shopping centres
Appeal of suburb or region (e.g. whether in need of revitalisation)
Energy efficiency measures
Renewables
Net zero emissions (asset electrification)
Physical climate risks
Sustainability
Social sustainability and amenities
Other

Industrial

Interest rate outlook
Manufacturing sector performance
E-commerce performance & demand for warehouses
Roads & transportation development
Technological development
Mining activity
Access to utilities (e.g. energy and water)
Energy efficiency measures
Renewables
Net zero emissions (asset electrification)
Physical climate risks
Sustainability
Social sustainability and amenities
Other

Agricultural

Interest rate outlook
Quality of agricultural land
Climate conditions
Roads & transportation development
Technological development
Foreign investment
Export outlook
Agricultural commodity prices
Evolving market demand for specific agricultural products
Access to utilities (e.g. energy and water)
Energy efficiency measures
Renewables
Net zero emissions (asset electrification)
Physical climate risks
Sustainability
Social sustainability and amenities
Other



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