

A cautious market
for many.

An opportunity
for the
eagle-eyed.

1ST HALF, 2026



PRD. Chief Economist Welcome.



Dr Diaswati Mardiasmo
PRD CHIEF ECONOMIST

Welcome to the first 2026 edition of the Australian Economic & Property Report.

The start of 2026 is in stark contrast to early 2025. Back then, the promise of a cash rate cut excited and energised the market. Early 2026 started with a cautionary whisper that the cash rate might increase. This became a reality in February 2026, and the market did respond, but not with such urgency that demand suffered and property prices dropped. The Middle Eastern conflict has exacerbated and accelerated inflation risks in all countries, including Australia. The Reserve Bank of Australia's (RBA) original February 2026 inflation predictions were significantly revised, prompting a tighter monetary policy with 2 more cash rate hikes in March and May.

Although geopolitical risks have heightened and global uncertainty is at an all-time high, the Australian economy has remained resilient in terms of GDP growth, unemployment rates, and higher than average wage growth. Further, housing loan arrears, whether measured by number of days or borrower type, remain extremely low in early 2026 is still less than COVID-19 times. Household cash flows and the savings rate have improved since mid-2024, allowing for extra payments in mortgage offset account, creating a buffer against higher interest rates.

Many people will have a lot of questions about what's in store for 2026, as there is a lot of noise in the market. Higher inflationary economic condition can cause people to pause, and we are seeing this in the market right now. The RBA has maintained a restrictive monetary policy, indicating more cash rate hikes. However, they are optimistic that the inflation rate will start to ease in late 2026.

Current conditions and the new tax reform with the negative gearing and capital gains tax can seem scary. But at the same time, there are opportunities available for the eagle-eyed buyer. Now more than ever, it is the time to concentrate on your local market and individual finances.



PRD. State of the Economy: Where Are We Now?

GDP Growth



0.8%

As of the December quarter of 2025.

- GDP growth is currently sitting **in line with expectations**.
- Economic fundamentals have remained **largely resilient** in early 2026.

Business & Consumer Confidence



BUSINESS

↓ -29

POINTS

March 2026 reading



CONSUMER

↓ 80.1

POINTS

March 2026 reading

Negative numbers have been recorded for **both business and consumer confidence**.

Household Balance Sheet

- **Household cash flows and the savings rate have improved** since mid 2024 supported by easing inflation, a cash rate cut in 2025 and Stage 3 tax cuts.



- **Extra mortgage payments have increased** since 2023 and have remained quite stable, creating a buffer against 3 cash rate hikes so far in 2026.

Unemployment Rate

- The **unemployment rate has remained at 4.3% as of March 2026**.
- Wage growth is higher than pre-COVID levels but is moderating.

Financially Resilient

- **Housing loan arrears**, whether by number of days or type of borrower(s) remain **extremely low in early 2026**; still below COVID levels.
- Less than **1% of Australia's home loan balance is in negative equity**.
- Most households are resilient – house sale proceeds should cover the loan.
- Large banks in advanced economies have remained resilient, with strong balance sheets and profitability.

PRD. Property Markets: How Are We Faring?

House Prices & Rent

Monthly house price growth saw a spike in 2025 to early 2026. In April 2026, due to cash rate hikes, it fell sharply, and some capital markets have seen a price dip. Australia still has **the highest outstanding mortgage rates** in the developed nations.



CPI rent inflation picked up to 4.0 per cent over the year to the December quarter.



Home Loan Commitments

There has been a **12-month growth** in home loan commitments:



↑ 24.2%
ON AVERAGE

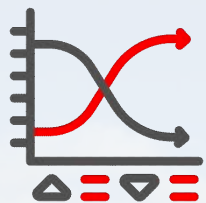


↑ 32.6%
INVESTORS



↑ 20.6%
FIRST HOME BUYERS

Property and Shares Comparison



INDEX POINTS ASX ALL ORDINARIES	INDEX POINTS MEAN RESIDENTIAL DWELLING PRICE
151.8	183.5
5Y: +11.6%	5Y: +11.6%
10Y: +51.8%	10Y: +51.8%

Over both a 5 year and 10 year period, **the investment return for Australian dwellings is significantly more** than that of ASX All Ordinaries.

Residential Construction

Money spent by countries on **residential supply**:



Australia



Canada



United States

Australia is one of the very few countries that **saw some growth in residential construction** in the past 12 months.

PRD. Property Markets: First Home Buyers.

Home Affordability



↑ **9.9%**

Increase in the **number of first home buyers** in Australia. This is likely due to the **5% First Home Buyers Scheme**.

First home buyers are becoming

MORE ACTIVE IN:



27%

AUSTRALIAN
CAPITAL TERRITORY



20.1%

NEW SOUTH
WALES



18%

TASMANIA

Debt Level



FIRST HOME BUYERS
ARE NOW COMMITTING TO

11.8%

MORE DEBT

IN THE PAST 12 MONTHS
TO THE DECEMBER QUARTER OF 2025.

This is led by first home buyers in:



QUEENSLAND



WESTERN
AUSTRALIA



SOUTH
AUSTRALIA

The **5% First Home Buyers Scheme** created by the Federal Government scheme has assisted more FHBs to enter the market, but at a higher cost.



PRD. Property Markets: Affordability & Supply.

Housing Affordability | Incomes vs. Mortgages



49.2%

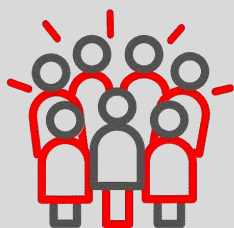
The percentage of **family income** that Australians must now spend to **cover their mortgage**. This is lower than the percentage required in December quarter of 2024.

↑ 1.3%

improvement in housing affordability in December quarter of 2025.

Housing affordability improved marginally. **QLD, WA, and SA** were the only states that did not improve.

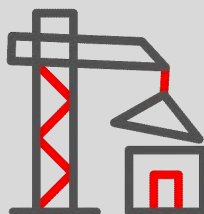
Housing Supply & Residential Pipeline



POPULATION GROWTH DECLINED

New **residential construction** has fluctuated since 2021, but overall, it has been increasing. **Q4 2025 saw a significant increase** in construction, at a higher level than pre-COVID. This is positive news for buyers. However, **there is still a large backlog** from 5 years earlier.

Q2, 2025



NEW RESIDENTIAL CONSTRUCTION SIGNIFICANT INCREASE



Private dwelling investment saw an increase in the past 12 months, for all property types. This is positive news in terms of housing supply.

New dwelling cost inflation has increased in 2025, which may delay some projects, but it is still significantly lower than in 2022 and 2023.



PRD. Moving Forward: What Can We Expect?

Inflation & Cash Rate Forecast



Headline inflation is expected to **peak (4.8%) in the June qtr 2026**. It is currently predicted to start to **ease in late 2026**, to a low (2.3%) in mid-late 2027.



The **cash rate is expected to remain high**, as we battle with a higher inflation rate. This is in line with other advanced economies; with a **tighter or higher cash rate in 2026**.

Property Demand | Time To Buy A Dwelling Index



85.8

POINTS

TIME TO BUY A DWELLING INDEX AS OF APRIL 2026

ONLY **NSW** AND **QLD** SAW AN INCREASE IN THE TIME TO BUY A PROPERTY INDEX:

1.



10.9%

INCREASE BETWEEN APRIL 2025 - APRIL 2026

QUEENSLAND

2.



6.2%

INCREASE BETWEEN APRIL 2025 - APRIL 2026

NEW SOUTH WALES

92.6

INDEX POINTS



This is the highest index points level for NSW since April 2022.

This could be due to slower growth in Sydney property prices and buyers capitalising on potential cash rate hikes.

PRD. Future Projects: Capital Cities.

Future projects planned for each capital city of Australia for 2026 and beyond.

	Brisbane		Sydney		Melbourne		Perth	
	2026	2027+	2026	2027+	2026	2027+	2026	2027+
Units/Apartments	10,353	9,929	16,744	30,552	6,370	9,055	4,513	9,530
Townhouses	1,568	2,714	412	578	2,321	1,973	341	140
Dwellings	231	404	1,124	3,660	1,693	2,954	668	931
Lots	7,511	20,770	4,640	4,996	4,499	8,607	1,825	1,411

	Hobart		Darwin		Adelaide		Canberra	
	2026	2027+	2026	2027+	2026	2027+	2026	2027+
Units/Apartments	103	162	222	65	1,278	3,156	6,999	8,410
Townhouses	8	4	-	-	118	31	417	962
Dwellings	63	98	23	62	3,226	3,532	874	946
Lots	256	237	160	115	823	2,216	13,621	9,525

PRD. Key Takeaways.



- **Global uncertainties** and **geopolitical instability** are having a **significant impact** on many **economies** around the world.



- **House prices** are still **extremely high**, but there is evidence of **slower price growth** in **some capital cities**.



- Our **inflation rate increased** at a faster pace, to a **higher rate than the RBA's prediction** and at an earlier time.

- **Multiplier effect:** three cash rate hikes before the end of first half of 2026.
- This was unexpected and unplanned, which has **brought negative sentiment** or concerns of the multiple cash rate hikes in 2022.
- The cash rate as of May 2026 is akin to late 2024, prior to the 2025 cash rate cuts.



- **Unit price growth** has **eclipsed** that of **house price growth**
- However, **units are still the more affordable** stock.



- **The time-to-buy a dwelling index** has **held steady** (at **85.8 index points** as of April 2026), even with cash rate hikes in the first half of 2026.



- **Consumer** and **business confidence declined severely** in a short timeframe.
- Lower consumer confidence suggests **buyers are more cautious than ever**.



- That said, **capital city markets** did see a **slight decline** in the past 12 months.
- An **opportunity for ready-to-go buyers!**

PRD. Key Takeaways.



- **Housing affordability improved slightly** over the 12 months to the December 2025 quarter, rising by **1.3%**.
- This gave many households the chance to **build up their mortgage offset savings**, creating a **buffer against the cash rate increases** in 2026.
- However, **affordability did not improve** in **QLD, WA, and SA**, which reflects the strong price growth seen in those markets.



- **Rental affordability improved slightly** in the past 12 months, with the **median family income** needed to cover **rent** now at **24.3%** (compared to 24.6% previously).
- This is most likely due to the **32.6% growth** in the number of **investor loans**, leading to **more rental properties on the market**.

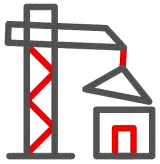


- Changes to **Negative Gearing** and **Capital Gains Tax** in the **2026/27 Federal Budget** may create some **uncertainty** for **investors**.
- However, the impact is likely to be moderated, as most Australians own just one investment property.
- In addition, **new builds are exempt from these changes**, helping maintain housing supply and **creating opportunities for first home buyers**.



- **First home buyer activity has increased** across the **ACT, NSW, and TAS**, rising by **27.0%, 20.1%, and 18.0%** respectively.
- However, there has been a **notable shift towards higher leverage**, with a **sharp rise in buyers taking out loans** at a **90% loan-to-value ratio** following the introduction of the scheme in October 2025.
- Over the same period, the average **first home buyer loan size also increased by 11.8%**.

PRD. Key Takeaways.



- **New residential construction** has shown an **increasing** trend since late 2023, while **population** changes have seen a **decline**.
- **Private dwelling investment increased** in the past 12 months, for all property types.
- That said, new dwelling **cost inflation** did **spike** in late 2025, **delaying projects**.



- Across the **world, residential construction** has **dropped sharply** in 2026.
- However, countries like Australia, the **USA, France, and Canada** have bucked the trend, with **building activity picking up** from late 2025 into early 2026.



- **Units** remain a **key source of future housing supply**, except for Adelaide.
- **Townhouses** are **gaining traction**, especially in Brisbane.



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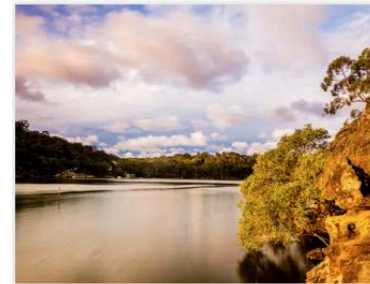


White Paper: First Home Buyer Assistance In Australia... Friend or Foe?

A comprehensive analysis of the First Home Owner Grant's impact on affordability, market behaviour, and long-term housing outcomes.

March 4 2026

[Read >](#)

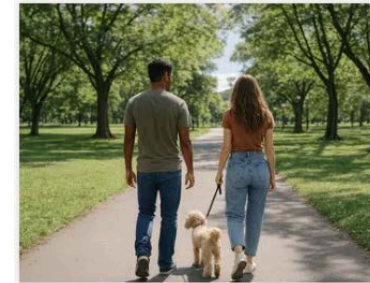


Oatley & Surrounds Property Market Update 1st Half 2026

Oatley & surrounds are suburbs located southwest of the Sydney CBD in the Georges River Council area. Oatley is home to many walking trails, parks and picnic spots with views of the Georges River, of...

May 7 2026

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Smart Moves: Regional Edition 2026

The latest report from PRD titled "Smart Moves: Regional Edition" shows opportunities in regional areas, compared to their respective capital cities.

April 7 2026

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Bendigo Property Market Update 1st Half 2026

Bendigo, Victoria, boasts a lively arts and culture scene, featuring celebrated galleries, festivals, and historic architecture. Its friendly community and closeness to nature offer a unique mix of u...

February 4 2026

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