



Cutting through
the noise.

Opportunities
in a shifting
market.

2ND HALF, 2026

PRD. AUSTRALIAN ECONOMIC & PROPERTY REPORT

PRD. Chief Economist Welcome.



Dr Diaswati Mardiasmo
PRD CHIEF ECONOMIST

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

The 2026 air is significantly different than 2025. This time last year, a frisson of excitement was felt throughout; thanks to three cash rate cuts and higher demand in all spectrums of the economy. Now, we see frustration and cautiousness, with multiple headlines of “doom and gloom” and “warnings”. **To be fair, our economy has been “hit” from all sides; and against a backdrop of global uncertainty, geopolitical conflict, and instability.**

Inflation has remained persistent and above the Reserve Bank of Australia’s (RBA) 2–3% target. In response the RBA has raised the cash rate several times, which is being felt by individual households, businesses, and the property market. Federal Budget 2026 also delivered a “hit”. Unexpected changes to Capital Gains Tax (CGT), negative gearing and self-managed super fund (SMSF) rules are adding another layer of nervousness to an already shifting economic and property landscape.

The question is: What can we do, against all of this noise? How can we confidently move forward?

There is no doubt that the economy is feeling the pressure. Households are behaving more cautiously as higher interest rates and cost-of-living pressures continue to work their way through the economy.

In the real-estate world, we are seeing this translate into longer days on market and, in some specific areas, a softening in median house/unit prices. **That said, this is likely to be a period of adjustment rather than a one-size-fits-all. Different markets, suburbs and property types will respond in different ways. Buyer cohorts will also respond differently.** For example, with an emphasis on “New Build” by the Federal Budget, investors are thinking carefully on what they buy and how they invest.

Market variation, combined with conflicting headlines and economic uncertainty, **can make it difficult to separate genuine opportunities from market noise. To “fight” this, it is crucial; now more than ever, to do three things.** First, understand the local market that you are interested in. Second, know your own financial position from a short and long-term perspectives. Third, make decisions that are right for you. **Now is not the time to follow trends or headlines. Together, let’s cut through the noise.**

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

GDP Growth



0.4%

As of the June quarter of 2026.

- GDP growth **remained subdued** in the June Qtr.
- **This in-line with countries around the world.**
- **Households continued to behave cautiously**, while exports supported growth.

Business & Consumer Confidence



BUSINESS

-13.0

INDEX POINTS

September 2026 reading

CONSUMER



80.4

POINTS

October 2026 reading

Business and consumer confidence is still rocky, which translates to a cautious market.

Household Balance Sheet

- **Real household disposable income per capita** declined slightly over the 1st half of 2026, largely due to higher inflation and rising interest rates. That said, it remained above 2023–24 levels.



- **Mortgage holders are directly affected by cash rate increases**, with the interest on scheduled mortgage payments rising in 2026; and less in the mortgage offset.

Unemployment Rate

- The **unemployment rate has increased to 4.5% in July 2026.**
- Wage growth is higher than pre-COVID levels, but is moderating.
- **Signals tighter economic and household budget conditions.**

Financially Resilient

- **Housing loan arrears (whether 30+ days or 90+ days) remain contained across all borrower segments, at less than 1.5% (for all types of borrowers).**
- **Currently, less than 0.5% of Australia home loan balance is in negative equity. Surprisingly, there is almost no movement January and July 2026.**
- If there is a 20% fall in prices, the Reserve Bank of Australia predicted less than 1.0% of Australia home-loans / mortgages will be in negative equity.

PRD. Property Markets: How Are We Faring?

House Prices & Rent

Average housing prices have declined 1.6% from their March peak, **with Sydney and Melbourne prices leading the pack.** Auction clearance rates have continued to fall and are below long-run averages, **mostly due to the changing investment landscape.**



CPI rent inflation eased to 3.6% over the year to the June quarter 2026, despite continued strength in advertised rents and low rental vacancy rates. **This will benefit renters.**



Home Loan Commitments

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



↑ **11.3%**
ON AVERAGE



↑ **12.8%**
INVESTORS



↑ **12.9%**
FIRST HOME BUYERS

Property and Shares Comparison



162.1
INDEX POINTS
ASX ALL ORDINARIES

5Y: +19.2%
10Y: +62.1%

175.4
INDEX POINTS
MEAN RESIDENTIAL
DWELLING PRICE

5Y: +30.4%
10Y: +75.4%

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** in 2026:



1. Canada



2. New Zealand



3. USA

USA is the only country that **saw some growth in residential construction** in the past 12 months. **Housing supply remain a deep-structural issue in Australia.**

PRD. Property Markets: First Home Buyers.

Home Affordability



↓ **0.1%**

Decline in the **number of first home buyers** in Australia.

First home buyers are becoming

MORE ACTIVE IN:



22.9%

SOUTH
AUSTRALIA



9.3%

TASMANIA



1.7%

NEW SOUTH
WALES

Debt Level



FIRST HOME BUYERS
ARE NOW COMMITTING TO

10.0%
MORE DEBT

IN THE PAST 12 MONTHS
TO JUNE QUARTER OF 2026.



This is led by first home buyers in:



QUEENSLAND



WESTERN
AUSTRALIA



NORTHERN
TERRITORY

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 (in terms of debt level).

The number of first home buyers on a 90% loan-to-value ratio has spiked significantly since December Quarter 2025.



PRD. Property Markets: Affordability & Supply.

Housing Affordability | Incomes vs. Mortgages



50.9%

The **percentage of family income** that Australians must now spend to **cover the monthly mortgage**. This is a peak, and is **higher than the 30% mortgage stress level as identified by the ABS in 2022**.



3.3%

decline in housing affordability from June quarter of 2025.

Higher borrowing costs because of cash rate hikes, **together with a 7.8% annual increase in average loan size**, have driven the decline. **Housing affordability** fell in WA, QLD, SA, NT and the ACT. **NSW and VIC are the exceptions.**

Housing Supply & Residential Pipeline



Q2, 2026

**POPULATION
GROWTH
DECREASED**

New residential construction has fluctuated since 2021. In Q2 2026, **new residential construction increased by 16.4% annually**, while **population growth declined by 7.3%** (compared with Q1 2025). This suggests housing supply has picked up while population-driven demand has moderated. However, there is a large supply backlog since pre-COVID.



**NEW RESIDENTIAL
CONSTRUCTION
INCREASED**



Dwelling investment continued to grow, rising 3.5% over the year to the March quarter, **while residential building approvals also increased**. This contributed to rising capacity pressures in the construction sector.

New dwelling cost inflation rose to 5.3% over the year to the June quarter, partly driven by higher material costs. Although this is significantly lower than 2022 and 2023 costs, **it continues to impact the delivery of new housing stock.**



PRD. Moving Forward: What Can We Expect?

Inflation & Cash Rate Forecast



Headline inflation was 4.0% in the 12 months to August 2026, remaining well above RBA's 2%-3% target. Inflation is expected to remain elevated in the near term before gradually easing back to target, reaching 2.5% by early 2028.



The **cash rate is expected to remain high.** This is in line with other countries (UK, Canada, NZ, and others). A **higher cash rate is expected for the rest of 2026, and a potential easing in mid-to late 2027 (pending inflation rate).**

Property Demand | Time To Buy A Dwelling Index



88.4

POINTS

TIME TO BUY A DWELLING
INDEX AS OF OCTOBER 2026

ALL STATES SAW A DECREASE IN THE TIME TO BUY A PROPERTY INDEX:

1.



-24.7 index points

DECREASE BETWEEN
OCT 2025 - OCT 2026
TASMANIA

2.



-14.7 index points

DECREASE BETWEEN
OCT 2025 - OCT 2026
VICTORIA

93.1

INDEX POINTS



Although Victoria recorded the 2nd largest decline in Time-to-Buy Dwelling Index, it also represented the highest index value across all States in October 2026. This is followed by NSW (93.0), TAS (88.5) and QLD (85.0).

PRD. Future Projects: Capital Cities.

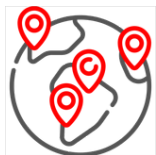
Future projects planned for each capital city of Australia for 2026 and beyond.

	Brisbane		Sydney		Melbourne		Perth	
	2026	2027+	2026	2027+	2026	2027+	2026	2027+
Units/Apartments	7,159	25,860	8,387	41,107	2,670	13,311	2,442	7,479
Townhouses	858	5,289	148	555	1,252	2,568	41	386
Dwellings	190	736	1,734	4,854	936	3,641	467	6,327
Lots	4,857	32,153	1,897	5,359	2,346	10,263	-	1,896

	Hobart		Darwin		Adelaide		Canberra	
	2026	2027+	2026	2027+	2026	2027+	2026	2027+
Units/Apartments	90	168	249	119	1,123	2,401	2,116	11,812
Townhouses	13	7	-	-	97	52	434	818
Dwellings	22	75	62	27	1,814	4,854	20	82
Lots	256	237	71	746	558	2,670	310	637

Estimated values are based on construction value provided by the relevant data authority and does not reflect commercial and/or re-sale value. Commencement year quoted for each project is an approximate only, as provided by the relevant data authority. Values are based on known data as provided by Cordell Connect, as per October 2026 data download. Prepared by PRD Research. Source: Cordell Connect Database. © PRD 2026.

PRD. Key Takeaways.



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



- **House prices have entered a broad-based downturn**, with Sydney and Melbourne leading the quarterly median value/price softening.
- **Other capital cities and regional areas are still recording price growth**, an opportunity for many.



- Our **inflation rate remains elevated**, well above the RBA's target range. This is despite a slight easing in the June quarter 2026.
- **Ongoing pressure:** underlying inflation remains persistent.
- Higher interest rates **have increased borrowing costs, putting further pressure on household budgets.**
- **The housing market has softened**, with weaker dwelling prices in some capital cities and housing loan demand.



- **Unit price have also declined in Melbourne and Sydney, but at a smaller rate than house prices.**
- Unit price growth is higher than house price growth in other capital cities and regional areas; as it is a more affordable option and there is more stock.



- **The time-to-buy a dwelling index has decreased by -8.3% annually (to 88.4 index points** as of October 2026), as renewed rate rise concerns and the housing market downturn weighed on buyer sentiment.



- **Australian consumer and business confidence continue to decline** in the past 12 months.
- Lower consumer confidence suggests **home buyers are more cautious than ever.**



- That said, **capital city markets** did see a **slight decline** in the time-to-buy-a- dwelling index over the past 12 months.
- **Softer market conditions** present opportunities for **financially prepared buyers.**

PRD. Key Takeaways.



- **Housing affordability declined by 3.3 percentage points** over the past 12 months to the June 2026 quarter.

- This was influenced by multiple cash rate hikes throughout 2026, **cancelling any affordability gains achieved in 2025's cash rate cuts.**
- Negative impact on household budgets, but **less (available) money in the economy helps in pulling down the inflation rate.**
- Housing **affordability improved** in **NSW** and **VIC**, due to a softening in median house prices. This is an opportunity for first home buyers.



- **Rental affordability remained stable** in the past 12 months, with the **median family income** needed to cover **rent unchanged** at **23.9%.**
- This benefits renters, creating an opportunity for savings towards becoming a first home buyer.
- **Potentially short-lived, due to the multiplier effect of investment tax changes and investor behaviour.**



- Changes to **Negative Gearing** and **Capital Gains Tax** in 2026–27 Federal Budget; and **SMSF** rules have created more **uncertainty** for **investors.**
- Immediate impact on auction clearance rates due to “New Builds” not being available for auction.
- **Home loan commitment for investors have declined sharply in the past 6 months.**
- Creates an opportunity for eagle-eyed investors, capitalising on lower demand and consulting on investment structures.
- **Local / suburb rental yield and vacancy rate data is crucial,** as investors make the best individualised investment plan.



- **First home buyer activity across Australia has softened marginally, by 0.1%, with only SA, TAS, ACT and NSW recording increases.**
- However, first home buyers accounted for **36.3% of all owner-occupier loans, up 0.7 percentage points** over the 12 months to June Quarter 2026.
- Over the same period, the average **first home buyer loan size have increased by 10.0%.**
- First home buyers must commit to a higher mortgage, which in a higher interest rate environment presents more risks.

PRD. Key Takeaways.



- **New residential construction** has shown an **increasing** trend since late 2023, while **population** changes have seen a **decline**.

- **Dwelling investment increased** in the past 12 months. Residential building approvals also increased. This is good news for housing supply.
- That said, **higher dwelling cost inflation** added more pressures; impacting project delivery date.



- Across the **world**, **residential construction** has **dropped sharply**.
- The **United States** was **the only country** to record **an increase**.
- Housing supply continues to be a structural issue across the world, and not just an Australia problem.
- **Reason for price growth in regional markets and other capital cities.**



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



Stay up to date
with the latest
property market insights.



SCAN TO SUBSCRIBE
TO OUR NEWSLETTER.



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 >](#)

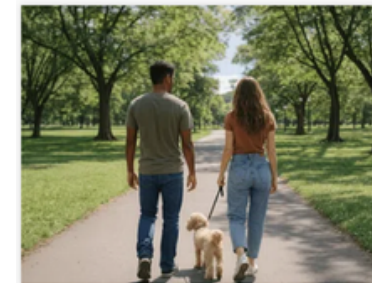


Oatley & Surrounds Property Market Update 1st Half 2026

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

[Read >](#)



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

[Read >](#)



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

[Read >](#)