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**BUSINESS
SYDNEY**

Australian Property Market Outlook

Q1 2026

SYDNEY EDITION

Message from the API.

Australian Property Institute

The Australian Property Institute recently launched the first issue of the *Australian Property Market Outlook* quarterly series. By collating the insights of property professionals and examining the underlying drivers of property prices across different asset classes, the report is the API's unique contribution to the ongoing property market discussion in every part of the country.

It is with great pleasure that the API collaborates with Business Sydney—a leading policy advocate—to produce this special edition of the Outlook report, which identifies the specific market forces affecting property value in Sydney.

This research project has not only given us a better understanding of the Sydney property market, but it has also produced a solid basis for an advocacy action plan to support the Sydney economy.



John Winter
Chief Executive
Officer



Dr. Sherman Chan
Chief Economist



Message from Business Sydney.

Australian Property Market Outlook an Objective View of Sydney's Economic Pathway

To understand Sydney's property market is the key to understanding the dynamics that drive our wonderful city's economy.

Both are interconnected and Business Sydney is grateful to the Australian Property Institute—a valued member—for making this connection.

API's first ever *Australian Property Market Outlook*, guided by CEO John Winter and Chief Economist Dr Sherman Chan, provides an excellent snapshot of current dynamics.

A number of sectors—office, retail and residential—are of particular interest to Business Sydney and our members.

Sydney could be doing better in respect of all three but the value of the report is that it is evidence-based when it comes to the factors influencing each sector.

And that evidence is coming from property valuers who are at the frontline and therefore in the best position to gauge business sentiment.

In terms of the office sector, the work-from-home trend is a factor. In retail, it's consumer preference for online shopping in contrast to "bricks and mortar". In residential, it's the fact that new housing targets are not being met.

As a city, there is good reason to be grateful to API for producing such an objective view of the property market and its key sectors.

It provides factual hard-hitting information that is so vital to making the right decisions to boost Sydney's economic fortunes.

It is a concern that in three key sectors—residential, office and retail—sentiment in Sydney is lagging the national average. Ideally, it would be the other way round.

In response to Sydney's position on the scorecard, Business Sydney has crafted a five-point policy approach to boost the success of our city.

Overall, this inaugural *Australian Property Market Outlook* is a great addition to decision making and we look forward to future editions. API clearly has its finger on the property pulse in Sydney and across Australia.

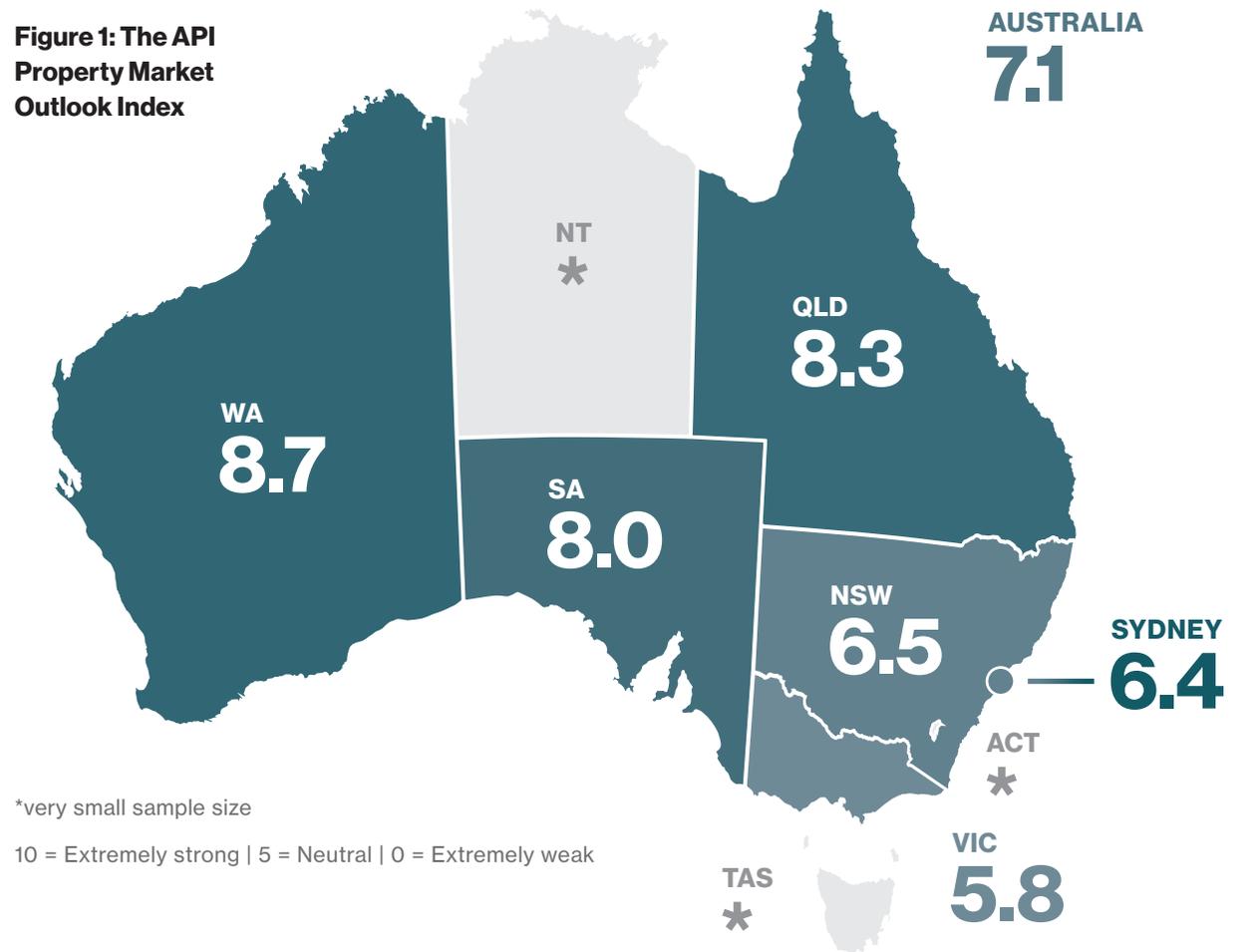


Paul Nicolaou
Executive Director

01. The Sydney Property Market Outlook.

The API Property Market Outlook Index for Sydney has a reading of 6.4 out of 10 for Q1 2026 (on a scale of 0 to 10, with 10 being the strongest). Although the reading suggests a less buoyant outlook compared to the national average (7.1), overall market sentiment remains positive with the reading being well above the neutral level (5).

Figure 1: The API Property Market Outlook Index



*very small sample size

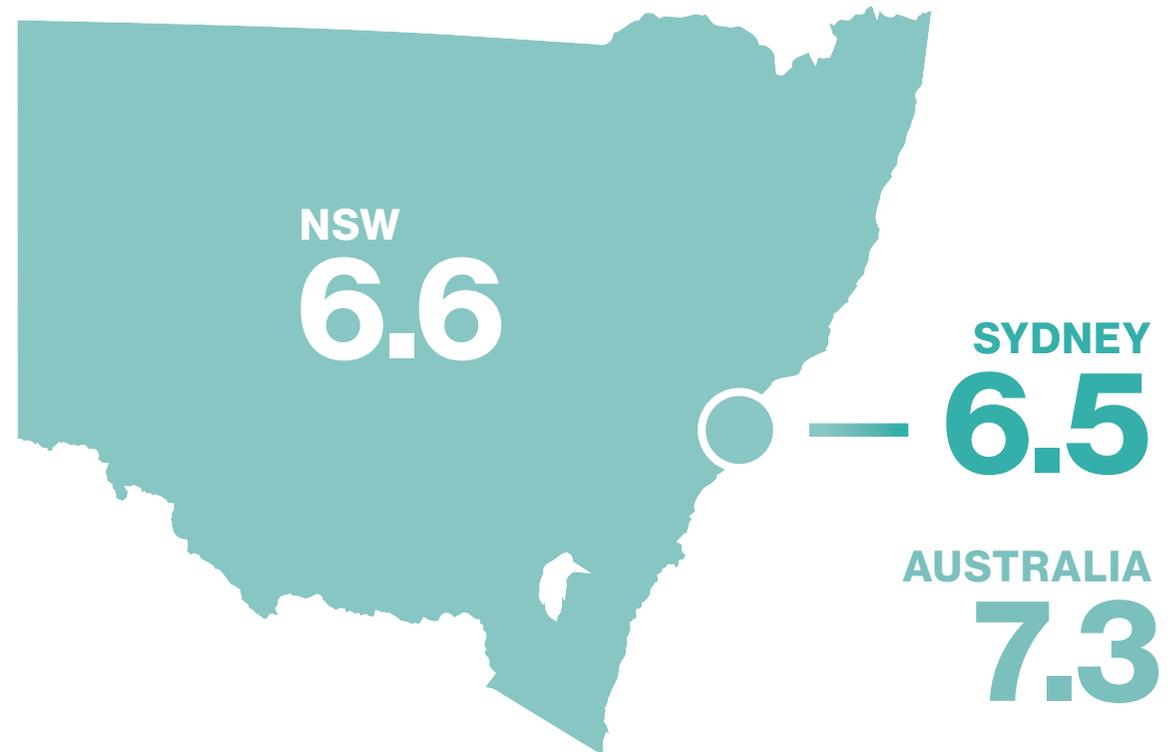
10 = Extremely strong | 5 = Neutral | 0 = Extremely weak

Residential.

Highlights

- There is a clear consensus among property professionals that interest rates, which affect the borrowing capacity and sentiments of home-buyers and investors alike, will be a key driver of Sydney housing prices in the near term.
- Compared to the national average, job market conditions are more likely to influence the housing market in Sydney.
- Sydney property professionals are even more likely than their interstate counterparts to see construction costs as a key driver of housing prices.

Figure 2: Residential property market sentiment scores: 3-month outlook



10 = Extremely strong | 5 = Neutral | 0 = Extremely weak

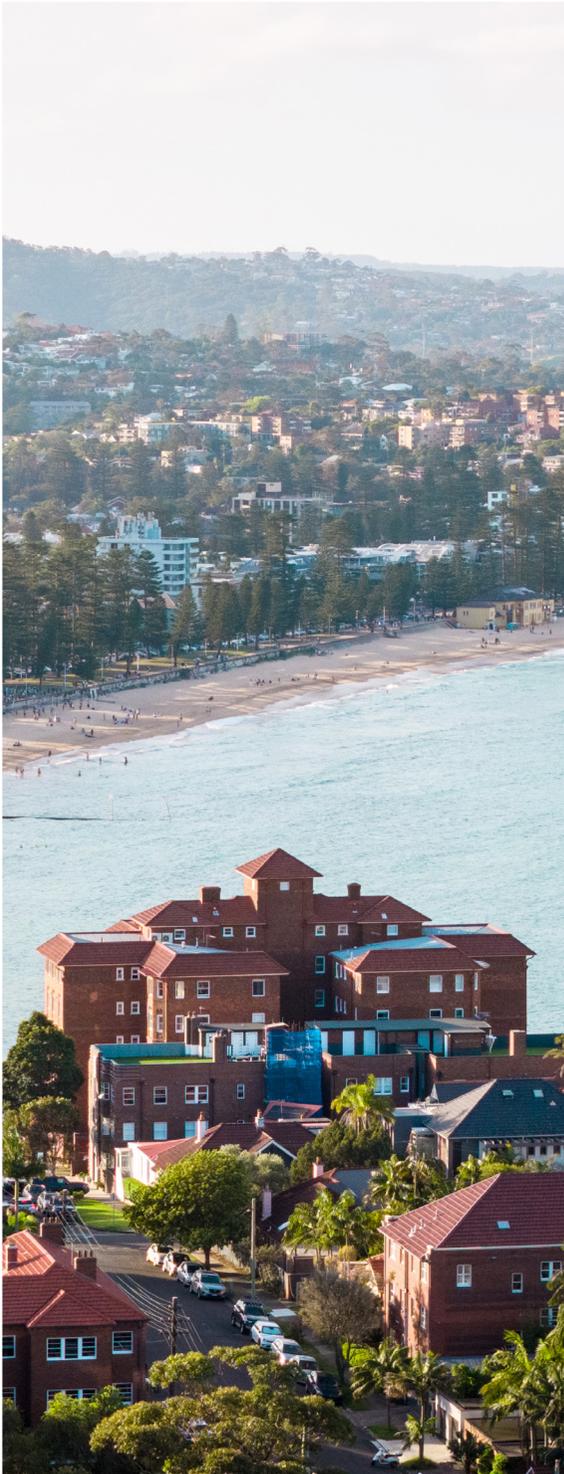
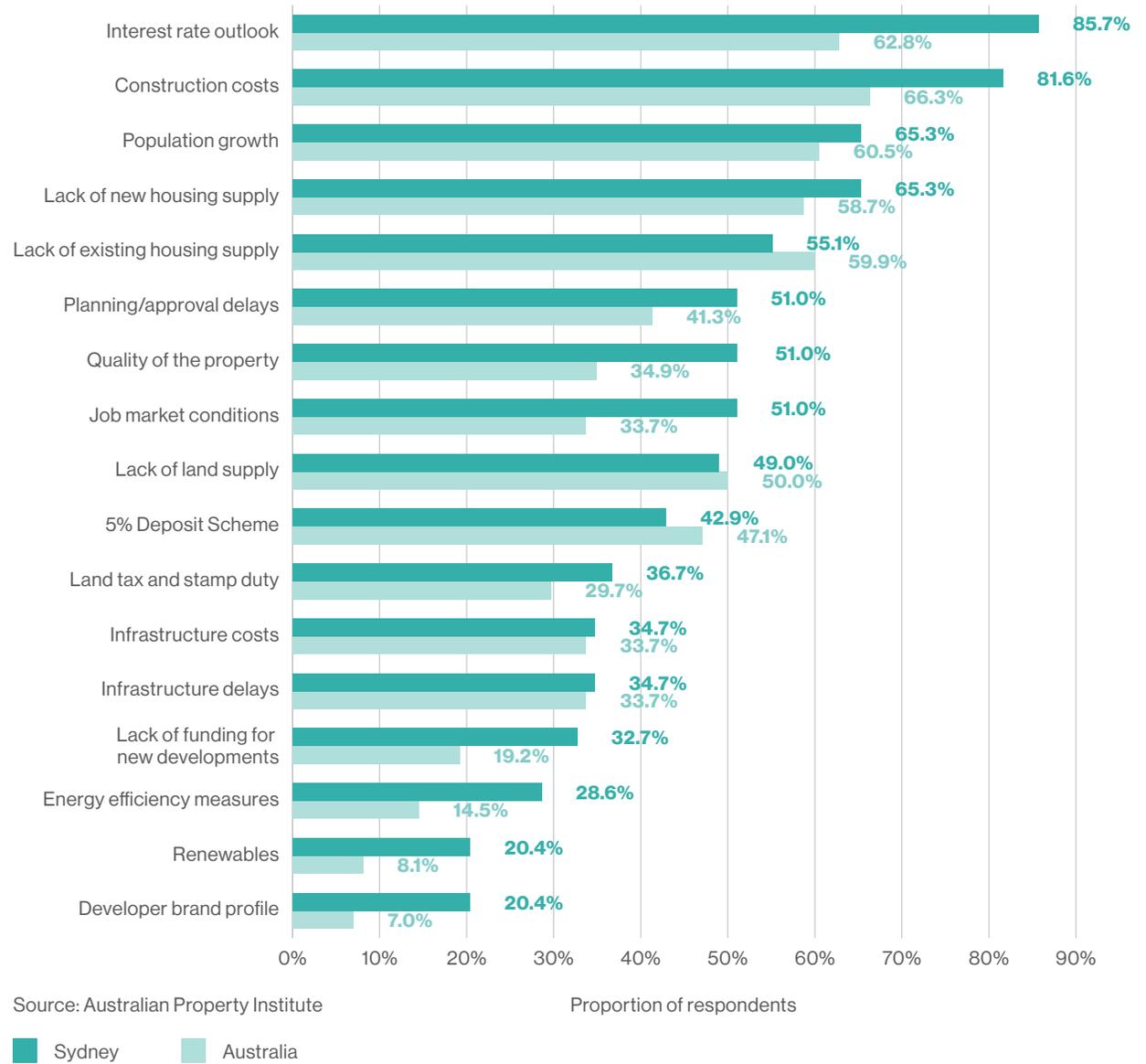


Figure 3: Key drivers of residential property prices in the near term

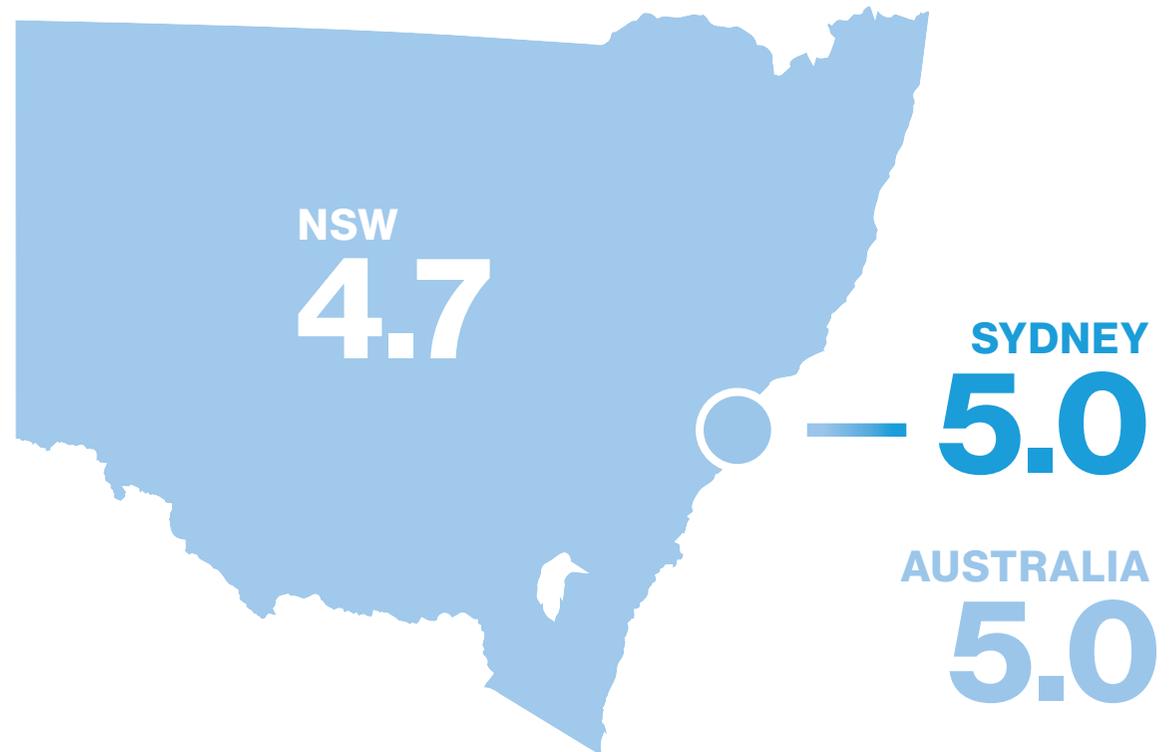


Office.

Highlights

- Corporate policy on working from home or returning to the office, which affects demand for office space, is seen as the key driver of Sydney office property prices in the near term.
- Compared to the national average, the Sydney office market is likely more sensitive to corporate policy on office attendance and the evolving nature of work such as the incorporation of AI and remote working.
- Energy efficiency and sustainability measures are more likely to influence office prices in Sydney than the national average.

Figure 4: Office property market sentiment scores: 3-month outlook



10 = Extremely strong | 5 = Neutral | 0 = Extremely weak

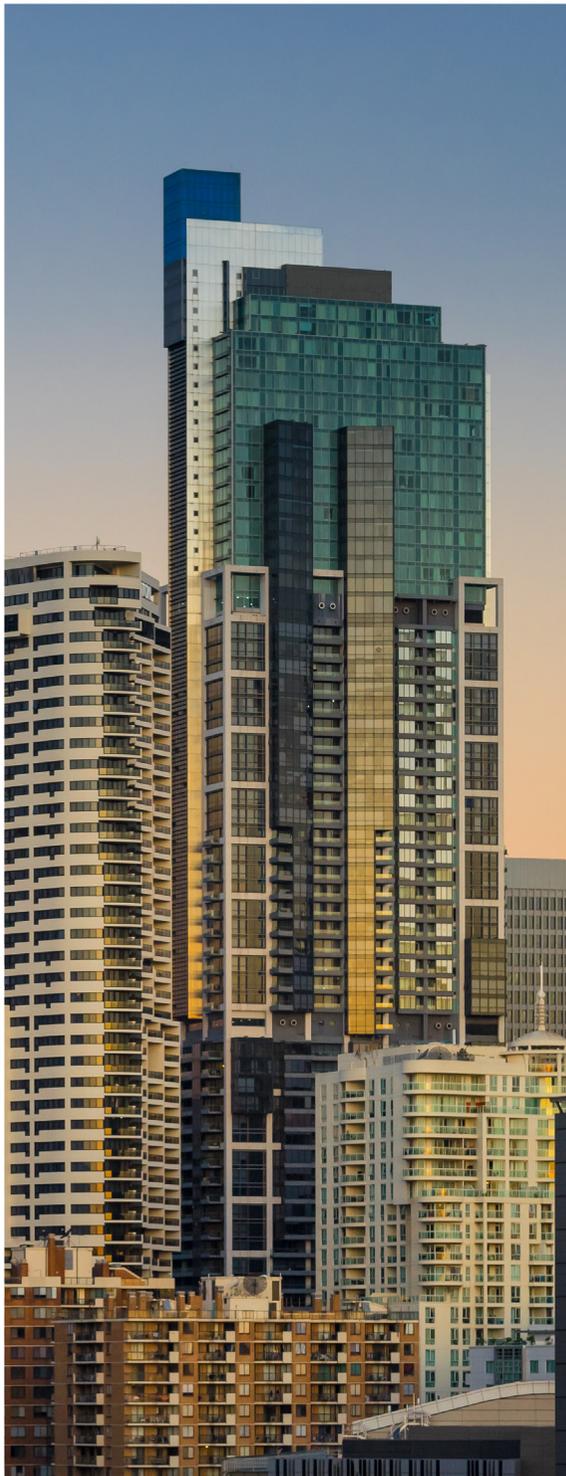
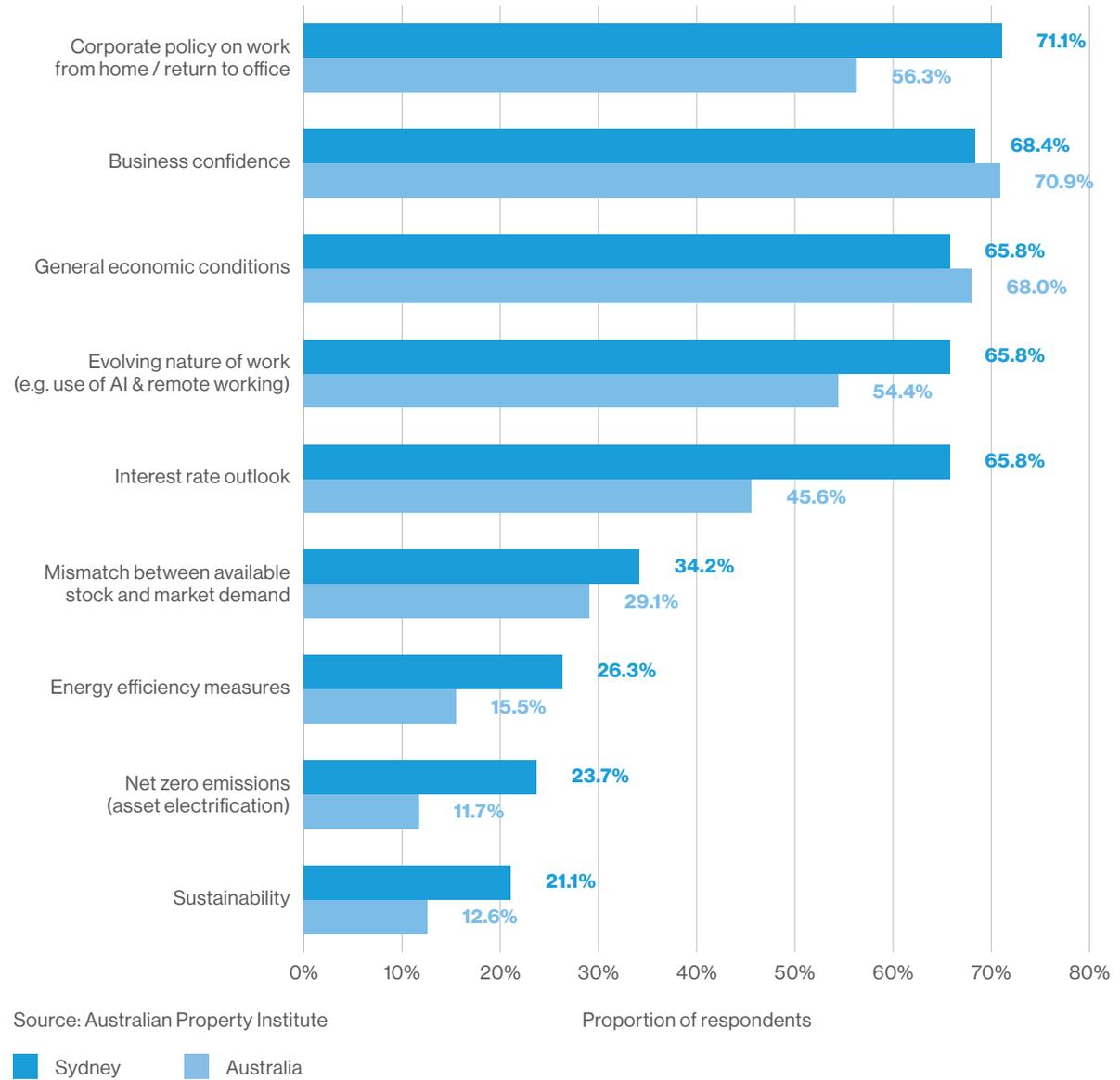


Figure 5: Key drivers of office property prices in the near term



Retail.

Highlights

- Consumer confidence and the interest rate outlook—which affects both consumer confidence and their actual ability to shop—are the key drivers of Sydney retail property prices in the near term.
- Compared to the national average, the shopping environment—as indicated by the appeal of shopping centres and the appeal of suburb—has a greater influence on retail property price in Sydney.
- Whilst not seen as major determinants of retail property prices, energy efficiency measures and social amenities are likely to have a greater influence in Sydney than in most other parts of the country.

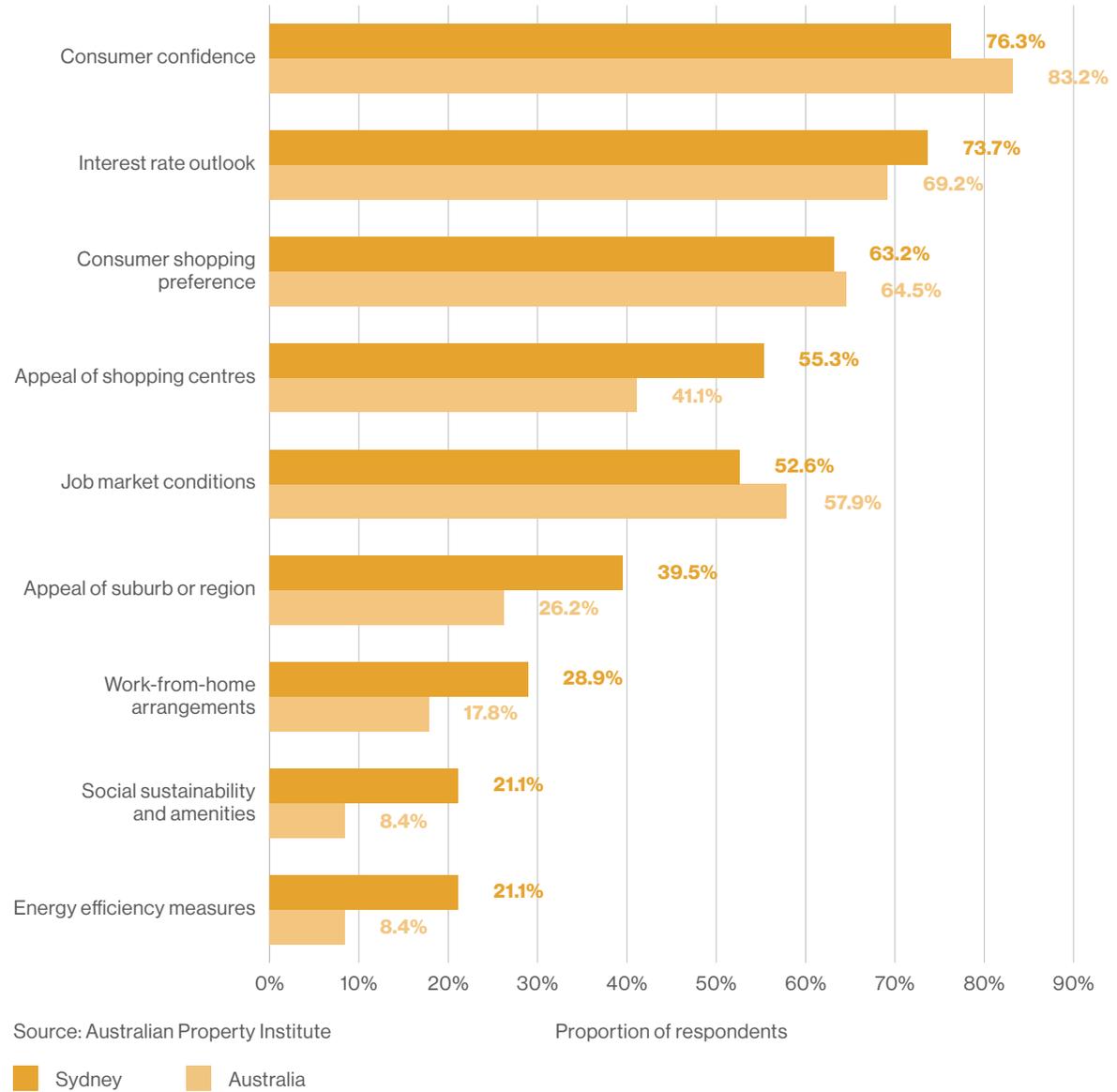
Figure 6: Retail property market sentiment scores: 3-month outlook



10 = Extremely strong | 5 = Neutral | 0 = Extremely weak



Figure 7: Key drivers of retail property prices in the near term



Industrial.

Highlights

- E-commerce and the associated demand for warehouses is the key driver of Sydney industrial property prices in the near term.
- Likely a reflection of the higher volume of traffic in Sydney, roads and transportation development is more than likely to affect industrial property value in Sydney than in other parts of the country.
- Technological development, which influences demand for space for machinery and data centres, is likely to have a greater impact on the Sydney industrial property market than other parts of the country. By implications, access to utilities and energy efficiency measures are also more important to Sydney industrial properties than the national average.

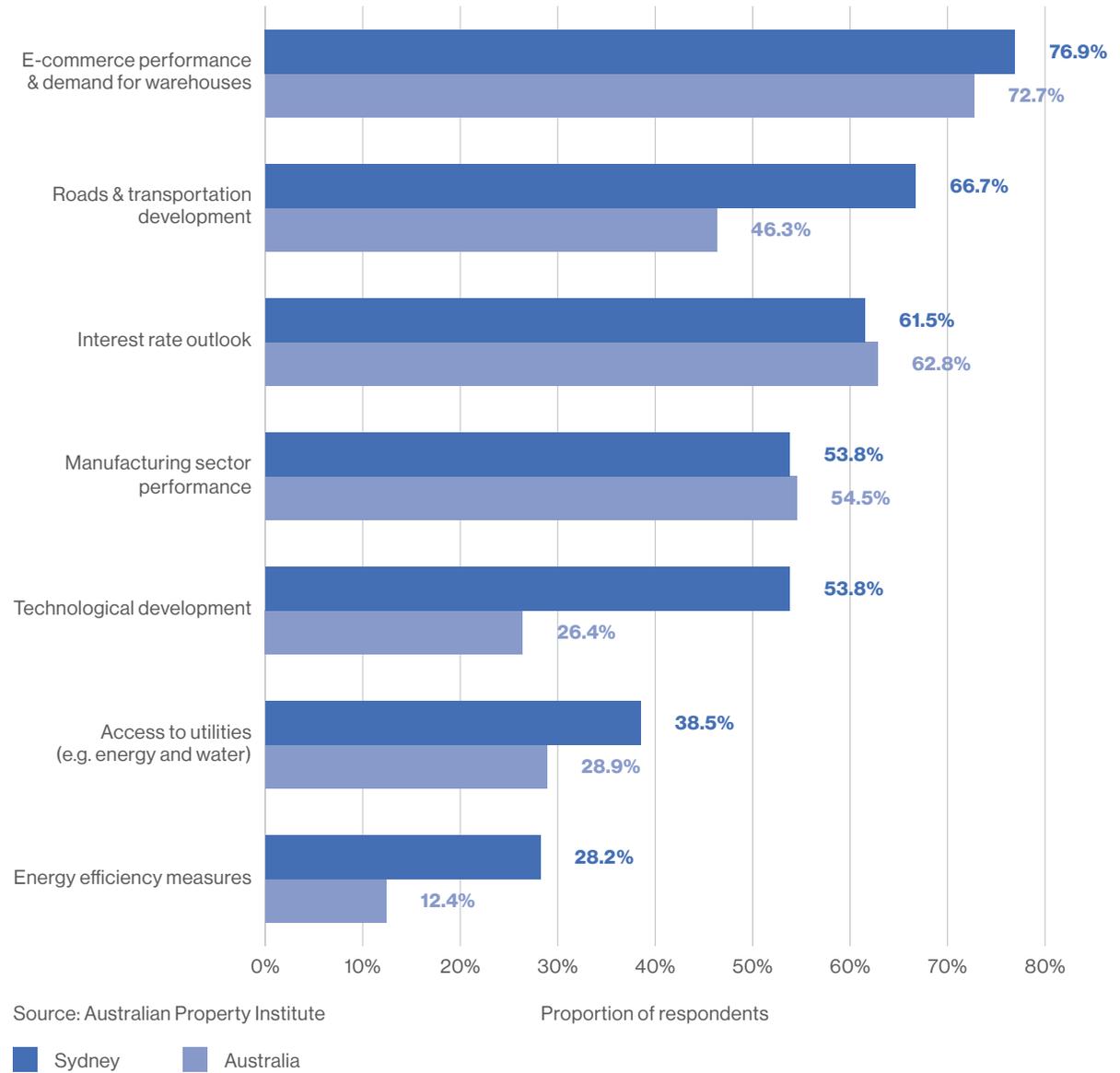
Figure 8: Industrial property market sentiment scores: 3-month outlook



10 = Extremely strong | 5 = Neutral | 0 = Extremely weak

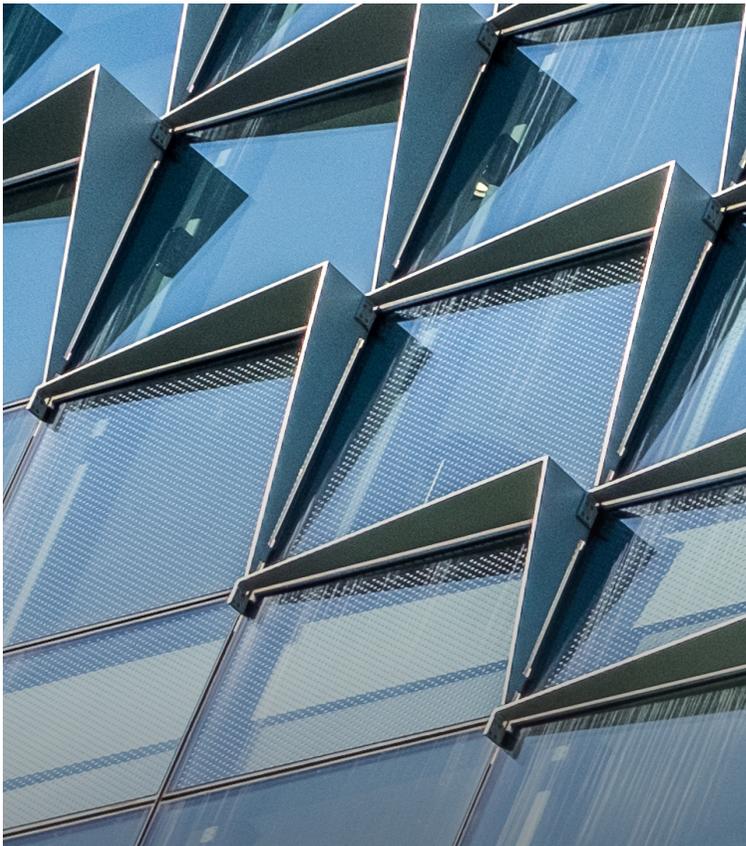


Figure 9: Key drivers of industrial property prices in the near term



02. A Five-Point Plan to Support the Sydney Economy.

On the basis that property market activity mirrors broader economic activity, Business Sydney recommends the following actions:



01. Residential.

Much has been made of the housing crisis in Sydney and elsewhere, with the National Housing Accord target often used as the basis to benchmark targets for new home construction in different areas. While there has been some progress, in most cases these targets are not being met. More concerted action is needed to fast-track construction in the residential sector to both increase supply and restrain construction cost increases. Business Sydney continues to advocate for the redevelopment of Parramatta Road, which could deliver up to 35,000 new homes, along with Victoria Road and the Great Western Highway.

02. Office.

Sydney's office property sector is subject to a range of forces that are affecting sentiment. It is clear that the work-from-home phenomenon continues to be a drag on the sector, which is having an adverse impact on property market sentiment. We encourage the NSW Government to continue to send strong signals that employees should return to the office for at least three to four days a week. This in turn will encourage private employers to take a stronger position on making work-from-home a special arrangement rather than being commonplace.



03. Retail.

Precinct revitalisation is the key to improving sentiment and economic prospects in the retail sector. A precinct-by-precinct approach has been successful in inner city sections of Sydney with revitalising the nighttime economy as a major objective. The same ethos could be applied to the retail sector to be a catalyst for more reasons to visit retail precincts. This could include the marketing of combined attractions of different precincts including arts and culture institutions, dining and accommodation.

04. Industrial.

To maximise productivity, it is vital that roads and transportation development matches industrial precinct development. Infrastructure investment of this kind is essential to support future economic growth. Sydney's shortage of industrial land must also be addressed. The city, particularly its inner core, has seen industrial activity pushed out to the fringes of the metropolitan area. Retaining existing industrial property in the inner core and adding to it must be a priority to support diversification of the Sydney economy and its workforce.

05. Overall market sentiment.

Economies in Western Australian and Queensland have outperformed other states and territories and, while market sentiment is in positive territory in Sydney, it is important for it to narrow the gaps with leading states to be in a better position to attract business investment. This requires business-friendly policy settings.

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