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Market Essentials – April 2026

External Macro Factors Impacting Housing

Geopolitical Risk – Iran / Middle East Conflict

- Escalating conflict in the Middle East is a material global risk, primarily through energy markets and inflation.
- Oil supply disruptions (e.g. Strait of Hormuz) are already pushing fuel and transport costs higher globally, feeding into inflation.
- Economists warn this could reignite inflation and keep interest rates higher for longer.
- The Reserve Bank of Australia has flagged geopolitical tensions as a “high and rising risk” to the global economy.

Property Market Impact

- Short-term:
 - Reduced buyer confidence and slower transaction volumes
 - Increased uncertainty → more cautious lending and purchasing
- Medium-term:
 - Higher inflation → higher or prolonged interest rates → reduced borrowing capacity
- However:
 - Historically, Australian property prices tend to slow, not fall, during geopolitical shocks.
 - Structural undersupply continues to underpin prices.

Inflation Outlook

- Inflation risks are rising again, driven by:
 - Energy prices (fuel, electricity)
 - Supply chain disruptions
 - Strong domestic demand
- Treasury estimates suggest inflation could move back toward the “high 4% range” if the conflict persists.
- Australian households are already experiencing higher energy costs and living expenses, increasing financial pressure.

Property Market Impact

- Negative effects:
 - Reduces real household income → affordability worsens
 - Dampens borrowing capacity
 - Positive offset:
 - Property acts as a partial inflation hedge (rents and asset values tend to rise over time)
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Interest Rates & Credit Conditions

- Global uncertainty and inflation are likely to delay or reduce rate cuts.
- There is still a real risk of further rate hikes in 2026 if inflation persists.
- Mortgage holders are already facing a “double whammy” of higher rates + higher living costs.

Property Market Impact

- Key transmission mechanism: Interest rates remain the single biggest driver of housing demand
 - Higher rates
 - Lower borrowing capacity
 - Reduced price growth (especially in Sydney & Melbourne)
 - But:
 - Strong equity and low unemployment are cushioning forced selling
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Construction & Supply Constraints

- The conflict is increasing construction costs (fuel, materials, logistics).
- Supply chain disruptions are delaying projects and reducing feasibility.
- This threatens Australia’s ability to meet housing targets.

Property Market Impact

- Critical point: This is actually bullish for prices
 - Less supply coming online
 - Existing housing stock becomes more valuable
 - Reinforces the structural housing shortage narrative
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Overall Impact on Australian Housing

Negative Forces

- Higher inflation
- Higher/longer interest rates
- Reduced affordability

- Lower buyer sentiment

Positive / Offsetting Forces

- Chronic housing undersupply
 - Strong population growth
 - Record household equity
 - Rental market tightness
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Key Takeaway

- Geopolitical risks (including the Iran conflict) are inflationary, not directly property-destructive.
- The main channel of impact is interest rates, not war itself.
- As long as:
 - unemployment remains low
 - supply remains constrained

The likely outcome is:

- Slower growth / two-speed market (already happening)
- Not a broad housing downturn