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## Market Essentials – May 2026

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### National Market Overview

- Prices: National dwelling values increased ~0.7% in March and ~2.1% for Q1 2026, confirming continued (but slowing) growth.
- Market structure: Australia has clearly shifted into a “two-speed market” — strong growth in smaller capitals vs softness in Sydney & Melbourne.
- Sales activity: ~559,000 sales nationally — slightly below last year but above the 5-year average, indicating stable transaction volumes.
- Cycle position: The market remains in an upswing phase but is maturing, with growth slowing and becoming more uneven.

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### Interest Rates & Economic Conditions

- The Reserve Bank of Australia increased the cash rate to 4.35% (May 2026) — the third consecutive hike this year.
- Inflation remains elevated (~4–5%), driven largely by energy costs and global conflict impacts.
- Economic growth forecasts have been downgraded to ~1.3% for 2026, reflecting tightening financial conditions.
- Borrowing capacity is falling — each rate rise materially reduces what buyers can afford.

### Property Impact

Negative:

- Reduced borrowing capacity → weaker demand at higher price points
- Increased mortgage stress and affordability constraints

Offsetting:

- Strong equity positions and low unemployment are preventing forced selling.

Conclusion: Rates are now the primary driver of market divergence across cities

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### New South Wales

- Sydney: Prices ~-0.4% below peak, with weakness concentrated in higher-value segments.
- Market highly rate-sensitive, with borrowing constraints impacting demand.

- Regional NSW: Continues to outperform due to affordability advantages.
  - Trend: Houses holding better than units; premium segment softening.
  - Outlook: Flat to slightly negative near-term, stabilising as rates peak.
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## **Victoria**

- Melbourne: Weakest major capital — values ~-0.9% from peak.
  - Unit markets underperforming in inner-city areas due to supply and investor exits.
  - Regional VIC: Holding up better but slowing.
  - Outlook: Early recovery phase but still lagging; highly sensitive to interest rates.
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## **Queensland**

- Brisbane: Strong growth continues; among top-performing capitals.
  - Demand strongest in affordable segments and units, which are benefiting from supply shortages.
  - Regional QLD: Migration and lifestyle demand remain key drivers.
  - Outlook: Growth to continue, though moderating as affordability tightens.
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## **Western Australia**

- Perth: Standout performer — ~7.3% growth in Q1 2026.
  - Strongest capital due to relative affordability + population inflows + tight supply.
  - Regional WA: Also performing strongly.
  - Outlook: Continued leadership, though growth likely to slow from peak levels.
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## **South Australia**

- Adelaide: Consistent, steady growth (mid-tier performer nationally).
  - Demand supported by relative affordability and low stock levels.
  - Trend: Houses outperforming, but units also stable.
  - Outlook: Continued steady growth.
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## **Tasmania**

- Hobart: Growth has slowed significantly; market stabilising.
  - Earlier boom now unwinding into a low-growth phase.
  - Outlook: Flat to modest growth.
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## **Northern Territory**

- Darwin: Strong percentage growth but remains volatile.

- Smaller market with higher yields but lower liquidity.
  - Outlook: Cyclical — strong periods followed by corrections.
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### **Australian Capital Territory**

- Canberra: Moderate, stable performance.
  - Supported by public sector employment and consistent demand.
  - Outlook: Low volatility, steady growth.
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### **Summary**

- Owner-occupiers: Demand softening due to affordability pressures
- Global conflict (Middle East): Driving oil prices higher → inflation pressure.
- Inflation outlook: Expected to remain elevated (~4–5%) in 2026.
- Risk of further hikes (potentially toward ~4.6–4.8%).
- Economic growth: Slowing but not recessionary.
- Supply remains constrained: Construction costs rising and new approvals lagging.